



**Texas
Independent
Producers and
Royalty Owners
Association**

CONGRESSIONAL SUBCOMMITTEE EXAMINES IMPACT OF EPA REGULATIONS ON ENERGY INDUSTRY, U.S. ECONOMY

This week, federal lawmakers met to review the U.S. Environmental Protection Agency's (EPA) regulatory activity throughout the Obama Administration. Members of the U.S. House Subcommittee on Energy and Power convened in Washington D.C. on Wednesday, July 6, to examine some of the major regulations that have been issued by the EPA since 2009, paying special attention to the impact of these environmental rules on the country's energy and industrial sectors. During Wednesday's hearing, the

subcommittee also reviewed additional environmental rules and initiatives that the agency is pursuing prior to the end of the Administration's current term.

The excessive economic impact of EPA's overbearing federal regulations was a major focus of the conversation amongst congress members during Wednesday's hearing, as was the cost of compliance that will be imposed on American businesses as a result of new or updated standards from the EPA. All told, cumulative compliance costs of EPA's regulations are projected to be in the hundreds of billions of dollars.

Research shows that since 2009, the EPA has published over 3,900 final rules in the Federal Register, amounting to nearly 33,000 pages in length. This includes promulgation of more than 100 rules specifically relating to greenhouse gas (GHG) emissions, which will have economic impacts measured in the billions of dollars.

On Wednesday, members also raised concerns over the EPA exceeding its statutory authority. "Congress did not write the Clean Air Act to be the vehicle for taking command of state energy planning, the efficient and economical dispatch of electricity, or the production of oil and gas," said U.S. Representative Ed Whitfield (R-KY), chair of the subcommittee. "Congress did not write the Clean Air Act to provide EPA with the ability to create new regulatory powers and authorities so it can 'transform' the nation's energy system. Yet, this agency is pursuing these actions."

Janet McCabe, acting assistant administrator of EPA's office of air and radiation, was questioned at length by congress members on the justification for EPA needing to develop broad rulemakings like the Clean Power Plan that undoubtedly will negatively impact the American economy. McCabe was also repeatedly asked if the federal agency was continuing efforts to implement the CPP policy, despite a stay that has been imposed by the Supreme Court.

Several state oil and gas regulators were invited to testify before the congressional committee, including Texas Railroad Commission Chairman David Porter. "History shows that decreases in emissions and improved environmental conditions come about as a result of innovative technological advances and market-driven efficiencies, not through the massive overreach of federal bureaucrats... When businesses are forced to stifle innovation and instead operate as bureaucracies, which EPA seems intent on achieving through its unwarranted and overreaching rules, both consumers and the environment pay the price," Chairman Porter told the subcommittee. He also expressed apprehension that Texas' smallest oil and gas operators will be hit the hardest by the EPA's recently updated methane standards for the oil and gas sector. "Their cost of compliance will be same as a large [operator] will be with much greater emissions," Chairman Porter said. "There will be significant economic impacts on energy production, on states like Texas and the small communities and small, independent oil men that form the backbone of rural Texas."

Both Chairman Porter, and Lynn Helms, director of the North Dakota Industrial Commission's Department of Natural Resources, spoke Wednesday of the negative regulatory impact that expanding EPA rules pose to state authority and management of energy development. Helms revealed during his testimony that the EPA's regulations will "interfere directly with North Dakota's plan for reducing its gas flaring by limiting the power that we have available for powering those natural gas processing plants and by changing the configuration of the oil field, requiring us to add three to four times as much pipeline in the ground in order to reach these smaller pads."

For more on this hearing, including a background memo, complete witness testimony, and an archived webcast, please visit: <http://bit.ly/29uqBDs>.

Since 2009, the EPA has published over 3,900 final rules in the Federal Register, amounting to nearly 33,000 pages in length. This includes promulgation of more than 100 rules specifically relating to greenhouse gas (GHG) emissions, which will have economic impacts measured in the billions of dollars.

PRESIDENT'S MESSAGE

As members of our association are aware, excessive and overbearing regulatory action from our federal government is threatening America's oil and gas industry, and even the U.S. economy. Congress has taken notice, and this week, lawmakers took a hard look at the impact major EPA regulations have on the energy and electricity sectors, the affordability and reliability of energy supplies, economic growth and American jobs.

It is irrefutable that the EPA's escalating assault on the fossil fuel industry will result in further job loss, the shuttering of American businesses and significantly higher costs for consumers. The compliance costs associated with EPA regulations under the Obama Administration have grown by more than \$50 billion in annual costs since 2009. These costs, however, far outweigh any benefit from an environmental standpoint.

The EPA's Clean Power Plan alone will cost industry an estimated \$39 billion a year in compliance costs. This far outpaces the costs of compliance for all EPA rules for power plants in 2010 (\$7 billion) and the annual cost of the Mercury and Air Toxics Standards rule (\$10 billion). Despite this enormous tax imposed on industry and our economy, EPA officials claim that consumers will actually save money! In addition to the very clear negative impact, EPA's overreaching rule will have virtually no effect on the environment. It is estimated that these regulations will reduce atmospheric CO₂ concentrations by less than one-half of a percent and lower global average temperature by 2/100th of a degree. Keep in mind that the increase of atmospheric CO₂ purportedly caused by mankind over the past 80-100 years is 0.0003 percent. That equals a reduction of anthropomorphic CO₂ of 0.00015 percent, half of which is naturally absorbed by the earth, all for a cost of \$39 billion per year.

All the while, EPA data has proven that methane emissions from hydraulically fractured gas wells have fallen 79 percent since 2005. Even the activists' so-called gold standard — the Intergovernmental Panel on Climate Change — has stated the rapid deployment of hydraulic fracturing and horizontal drilling technologies is a key reason for the reduction of greenhouse gas emissions in the United States. Further, between 2005 and 2015, 68 percent of carbon dioxide emissions reductions in the U.S. electric power sector came from fuel shifting toward natural gas. Former Obama Department of Energy Assistant Secretary, Charles McConnell, recently provided Congressional testimony decimating the proposed EPA Clean Power Plan regulation, a staple in the President's anti-fossil fuel agenda. McConnell said, "The Clean Power Plan has been falsely sold as impactful environmental regulation when it is really an attempt by our primary federal environmental regulator to take over state and federal regulation of energy."

Overreaching regulations based on politically driven ideology and flawed scientific theories only cause more strain on our economy, increased expense to consumers and punish the companies that employ American workers, with little or no true environmental benefit. Continued innovation, collaboration, and sensible domestic energy policy are the key to economic prosperity, energy self-reliance, enhanced national security, and the protection of our environment.

Thank you,
Ed Longanecker

TEXAS LEADERS DIRECT STATE AGENCIES TO TRIM BUDGETS

In preparation of a tough budget cycle ahead, Texas' top three leaders have requested state agencies reduce their spending levels for the 2018-19 biennial budget. In a letter sent to agency heads on Thursday, June 30, 2016, Texas Governor Greg Abbott, Lieutenant Governor Dan Patrick and House Speaker Joe Straus instructed all state agencies to identify ways in which budget requests can be cut by 4 percent from their base appropriation levels. "Limited government, pro-growth economic policies and sound financial planning are the key budget principles responsible for Texas' economic success," wrote Governor Abbott, Lieutenant Governor Patrick and Speaker Straus in their letter. "It is imperative that every state agency engage in a thorough review of each program and budget strategy and determine the value of each dollar spent."

For the 2018-19 budget cycle, which will be developed during the upcoming legislative session, government agencies have been asked to maximize use of state resources, as well as specify priorities for programs and items that are of the highest value to Texas taxpayers. "This is the first step in writing a balanced budget for the next two years. These instructions highlight some of the state's most important responsibilities, such as child protection and public education, while ensuring that Texas will continue to live within its means," commented Speaker Straus in a prepared statement. "Due to the slowdown in parts of our economy, some difficult decisions will be required to balance the next state budget, and the process of making those decisions begins now."

Leadership did note several programs and areas that will be exempt from the 4 percent budgetary reduction requirement, such as the Foundation School Program, border security and child welfare services that will be allowed to maintain current funding levels.

TIPRO Calendar of Events

<p>JULY 13, 2016 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>AUGUST 10, 2016 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>AUGUST 10-11, 2016 HOUSTON — Summer NAPE Expo, George R. Brown Convention Center. For info, call: (817) 847-7700.</p>	<p>AUGUST 17-18, 2016 SAN ANTONIO — TIPRO's Summer Conference, Hyatt Hill Country Resort. For info, call: (512) 477-4452.</p>
---	---	---	--

SUNSET ADVISORY COMMISSION SCHEDULES PUBLIC MEETING ON RRC REVIEW

The Sunset Advisory Commission will host a public meeting in Austin next month to discuss the state's review of the Texas Railroad Commission.

On Monday, August 22, 2016, members of the Sunset Commission will review each of the formal recommendations provided by Sunset staff on the mission and performance of the Railroad Commission, as outlined in the staff's report issued this past April. To see more details on staff recommendations for suggested changes or improvements at the Railroad Commission, please reference the May 2nd edition of *The TIPRO Target* newsletter.

During the August 22nd Sunset Commission hearing, public testimony will also be heard. Any stakeholder is welcome to attend the public hearing and provide feedback. On behalf of the association's membership, TIPRO will also testify at the upcoming Sunset Advisory Commission's hearing.

The Sunset Commission is also scheduled to meet later this year on November 10th to adopt its final recommendations that will be included in legislation for consideration by the full Texas Legislature next session.

RRC NOW ACCEPTING COMMENTS ON PROPOSED REVISIONS TO FORMS

The Railroad Commission is currently accepting public comment on proposed revisions to Form W-1, *Application for Permit to Drill, Recomplete, or Re-Enter* and Form W-1H, *Application for Permit to Drill, Recomplete, or Re-Enter Supplemental Horizontal Well Information*. The agency is also proposing a new Form W-1 Field Information Addendum.

The agency's proposed form revisions and new form will conform to recently adopted revisions to Statewide Rules 5 and 86, which went into effect on February 1, 2016.

Public comments will be accepted through Monday, July 18, 2016. To access the proposed forms online, please visit the following link: www.rrc.texas.gov/about-us/resource-center/forms/proposed-form-changes/.

TEXAS RAILROAD COMMISSIONER DISCUSSES IMPORTANCE OF NATURAL GAS TO TEXAS

In a recent interview with the *Midland Reporter-Telegram* newspaper, Texas Railroad Commissioner Ryan Sitton highlighted the importance of natural gas development to Texas' future.

During his conversation with the *Reporter-Telegram*, Commissioner Sitton projected natural gas will likely be the key fuel that is utilized to satisfy increasing energy demands in Texas and across the country. "As the population expands and uses energy resources, you can see that natural gas is not only going to grow with that growth, but it's going to be a disproportionately large growth. We expect that Texas is going to have even bigger opportunities in natural gas in the future," said Commissioner Sitton.

Commissioner Sitton also spoke of federal oversight for America's natural gas industry, calling the U.S. government's current regulatory structure "overly burdensome" for producers. He also expressed disappointment over the unnecessarily slow lag by federal entities in approving permits for liquefied natural gas export facilities.

STATE GEOLOGIST OF TEXAS: STATES ARE BETTER THAN FEDS AT REGULATING FRACKING

State governments are best equipped to regulate the oil and gas industry. That's the message shared in a recent opinion editorial published in the *Dallas Morning News* by Dr. Scott Tinker. In his column, Dr. Tinker -- the state geologist of Texas, director of the Bureau of Economic Geology and the Allday Endowed Chair in the Jackson School of Geosciences at The University of Texas at Austin -- explains that because geology, regulatory framework, infrastructure, economics, industries, tax laws and political climate differ in each state, one size does not fit all when it comes to regulatory oversight of energy development and environmental protection. As such, state entities, not the federal government, should maintain primary regulatory control.

"State regulators and policymakers have more experience, expertise and local knowledge than the federal government does. Thus, states are better at ensuring that industry, government and other stakeholders work together to produce oil and gas; protect the land, water and air; disclose the composition of frack fluids; and provide a local tax base that allows for further environmental protection in the state," said Dr. Tinker in his op-ed article.

TIPRO CONFERENCE TO HIGHLIGHT HOW INDUSTRY CAN ADDRESS ESCALATING WAR ON FOSSIL FUELS

Next month, during TIPRO's annual Summer Conference, experts will review the escalating assault against fossil fuels, and provide strategies on how the oil and gas industry can work together to address anti-oil and natural gas sentiments. Additional speakers at the association's conference will discuss other regulatory and legislative priorities for TIPRO members.

TIPRO's 2016 Summer Conference will be held August 17-18 at the Hyatt Hill Country Resort in San Antonio, Texas. Please see the complete conference agenda on page 4 of this newsletter, and register to attend TIPRO's upcoming summer meeting by filling out and returning the registration form found on page 5.





TIPRO'S 2016 SUMMER CONFERENCE AGENDA

WEDNESDAY, AUGUST 17, 2016

- 1:00 p.m. – Audit Committee Meeting
- 3:00 p.m. – Board Meeting
- 5:30 p.m. – Welcome Reception

THURSDAY, AUGUST 18, 2016

- 8:00 a.m. – Membership Breakfast
 - “Fueling Freedom: Exposing the Mad War on Energy”
 - Kathleen Hartnett White, Distinguished Senior Fellow in Residence and Director of the Armstrong Center for Energy and the Environment, Texas Public Policy Foundation

GENERAL SESSION

- 9:00 a.m. – Opening Remarks
Allen Gilmer, Chairman, TIPRO
- 9:30 a.m. – “Strategies for Countering Anti-Oil and Natural Gas Agendas”
Russ Capper, The Energy Makers Show
Ken Cho, Co-Founder, People Patterns
James Hahn, Founder & CEO, Tribe Rocket
- 10:45 a.m. – Break
- 11:00 a.m. – “The Future of Water and Waste”
Doug Bailey, Vice President, Quail Run Services LLC
Blake Scott, President, Scott Environmental Services, Inc.
Anastasia Valdes, CEO and Board Chair, Texas Water Exchange
- Noon – Keynote Presentation and Luncheon
Jody Elliott, President of Domestic Oil & Gas, Occidental Petroleum
- 1:30 p.m. – Break
- 2:00 p.m. – “Pay Your Fair Share (and No More) of Property Taxes”
Mark Andrews, President, KE Andrews
Jonathan M. Hyman, Shareholder, Gray Reed & McGraw, P.C.
David Leonard, Associate, Gray Reed & McGraw, P.C.
- 2:45 p.m. – Texas & National Political Outlook
Harold Cook & Ted Delisi, Political Analysts, Time Warner Cable News “Capital Tonight Show”
- 3:30 p.m. – Legislative & Federal Update
Congressman Michael McCaul (Invited)
Texas Representative Larry Gonzales, Chair of Sunset Advisory Commission (Invited)
- 4:30 p.m. – Afternoon Break
- 6:00 p.m. – Chairman’s Dinner & Casino Night
 - Recognition of Outgoing TIPRO Chairman Raymond Welder III
 - Presentation of the 2016 Mr. TIPRO Award

CONFERENCE REGISTRATION FORM

TIPRO is excited to again host its annual Summer Conference at the Hyatt Hill Country Resort in San Antonio, Texas, on August 17-18, 2016. Recognized as one of the best resorts in the state of Texas, we look forward to seeing you there this August for the association's summer meeting!



REGISTRATION FEES:

MEMBER FEES:

(Includes all conference sessions & meals)

- Member: \$395
- Spouse: \$245
- Dinner-Only Ticket: \$150

CHILDREN:

- 13-17 Years Old: \$100
- 12 Years Old - Under: Free

NON-MEMBER FEES:

(Includes all conference sessions & meals)

- Non-Member*: \$595
*Registration also includes 1 year regular TIPRO Membership
- Non-Member Spouse: \$295
- Dinner-Only Ticket: \$250

CHILDREN:

- 13-17 Years Old: \$100
- 12 Years Old - Under: Free



ATTENDEE INFORMATION:

Attendee Name: _____ Registered Spouse: _____

Company: _____

Address: _____

Email Address: _____

Phone: _____ Fax: _____

Children's Names: _____

In order to help us plan our conference, below please confirm which events all registered guests will be attending by checking the corresponding box:

	Member/Non-member	Spouse	Child	Child	Child
Welcome Reception	<input type="checkbox"/>				
Breakfast	<input type="checkbox"/>				
Keynote Luncheon	<input type="checkbox"/>				
Chairman's Dinner	<input type="checkbox"/>				

PAYMENT:

Total: \$ _____

Method of payment (please check desired option):

- Check # _____, made payable to TIPRO
- Charge my: VISA MASTERCARD AMEX



Have special dietary needs or other considerations?
Please contact TIPRO staff at (512) 477-4452.

Name

Company

Phone Number

Credit Card Number

Exp. Date

Billing Address

Security Code

Signature

Please return form to TIPRO at: 919 Congress Avenue, Suite 1000, Austin, Texas 78701 or fax to (512) 476-8070.
Forms must be accompanied by payment. No refunds after August 5, 2016.

SPONSOR REGISTRATION FORM

*****TIME'S RUNNING OUT -
DON'T MISS YOUR CHANCE
TO SPONSOR TIPRO'S
SUMMER CONFERENCE!*****

SPONSORSHIP LEVELS

PLEASE CHECK DESIRED SPONSORSHIP CHOICE

- GOLD | \$ 6,000
- SILVER | \$ 3,500
- BRONZE | \$ 2,000

ADDITIONAL SPONSORSHIPS

PLEASE CHECK DESIRED SPONSORSHIP CHOICE

- TOTE BAG SPONSOR | \$2,500
- LANYARD SPONSOR | \$ 2,500
- HOSPITALITY SUITE SPONSOR | \$ 2,500 *SOLD OUT*
- NOTEBOOK SPONSOR | \$ 2,500
- TUMBLER SPONSOR | \$ 2,500
- AMENITY SPONSOR | \$ 2,500

ATTENDEE INFORMATION

BADGE 1:

Name of Attendee: _____
Company: _____
Address: _____
City/State/Zip Code: _____
Phone: _____ Fax: _____
E-mail: _____



BADGE 2:

Name of Attendee: _____ Company: _____
Phone: _____ E-mail: _____

BADGE 3:

Name of Attendee: _____ Company: _____
Phone: _____ E-mail: _____

PAYMENT INFORMATION

Sponsorship Level: _____ Sponsorship Total: _____
Payment Method: VISA MASTERCARD AMEX CHECK NO: _____
Print Name: _____ Company: _____
Billing Address: _____
Credit Card No.: _____ Exp. Date: _____
Signature: _____ CID: _____

Mail form to TIPRO at: 919 Congress Avenue, Suite 1000, Austin, Texas 78701 or fax to (512) 476-8070.

Forms must be accompanied by payment.

TxDOT TO HOST ENERGY SECTOR WORKSHOP IN EAST TEXAS ON JULY 21ST

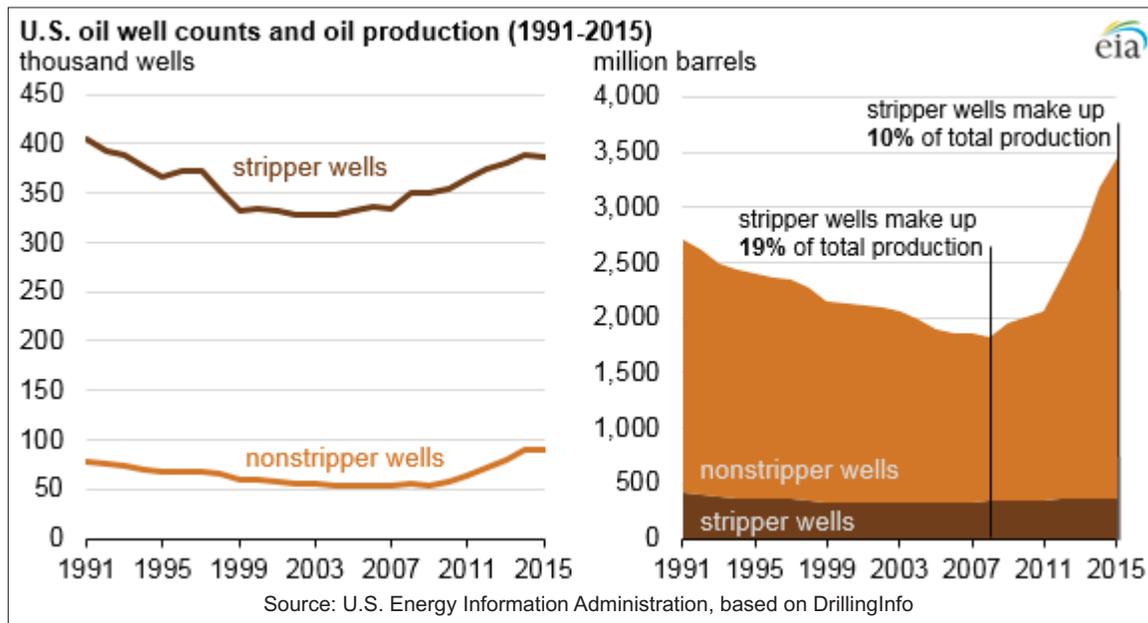
The Texas Department of Transportation (TxDOT) has scheduled a workshop in East Texas for later this month to discuss the state's Energy Sector Corridor Improvement Program. The program works to address heavy energy sector traffic on roads and bridges across the state, which has risen as drilling activities have expanded in multiple regions throughout Texas.

Earlier this summer, TxDOT hosted similar meetings on the Energy Sector Corridor Improvement Program in Midland and Victoria, Texas.

Energy industry representatives are invited to participate in the upcoming workshop, which will be held on Thursday, July 21st in the town of Carthage, Texas. Local leaders from counties, cities and regional transportation authorities as well as state officials have also been invited to attend the workshop. TxDOT has confirmed that House Committee on Energy Resources Vice Chairman Chris Paddie will participate.

Additional details on the Energy Sector Corridor Improvement Program can be found at www.roadstexasenergy.com.

AMERICA'S STRIPPER WELLS ACCOUNT FOR 10 PERCENT OF TOTAL U.S. OIL PRODUCTION



Last year, stripper wells supplied 10 percent of domestic oil production last year, according to new analysis from the U.S. Energy Information Administration (EIA). A stripper well, also known as a marginal well, is a type of well characterized as producing no more than 15 barrels of oil equivalent per day (boe/d) over a 12-month period.

“Despite each stripper well’s small individual production, their large number ensures a significant contribution to total oil production,” describes the EIA. “The production share of

oil stripper wells has fallen from a high of 19 percent in 2008 to an estimated 10 percent in 2015. This decrease in share reflects the large increase of production volume from very prolific wells drilled in shale and tight oil formations with enhanced completion techniques. These wells, as well as non-shale onshore and offshore wells in Alaska, the Gulf of Mexico, and other areas, produce at a much higher rate than stripper wells, and thus account for a much larger percentage of total U.S. oil production.”

U.S. NATURAL GAS PRICES ON COURSE FOR THE BIGGEST GAIN IN EIGHT YEARS

As summer temperatures sizzle outside, hot weather is driving demand for fuels like natural gas. Experts are predicting the heat wave affecting much of the country will boost use of air conditioners and electricity, further increasing natural gas demand from power plants. As electricity generation cuts into excess supply of natural gas, prices will presumably rally. In fact, U.S. natural gas futures could be on pace to see the largest gain in eight years, with prices already having increased 19 percent since earlier this year.

U.S. OIL RESERVES ARE LARGEST IN THE WORLD, SURPASSING RUSSIA AND SAUDI ARABIA

A new report released on July 4th shows that the United States holds the largest recoverable oil reserves in the world, topping oil reserves found in both Russia and Saudi Arabia. The milestone is notable for U.S. producers, and likely to lend America greater influence in the global oil market.

Advancing drilling technologies, particularly those developed over the last decade, have provided American producers with greater access to resources stored in shale formations. As a result, the latest analysis prepared by Norwegian consulting firm Rystad Energy estimates that the United States holds up to 264 billion barrels of recoverable oil in existing fields, discoveries and yet to be discovered fields. Rystad also reports that more than 50 percent of remaining U.S. oil reserves are located within unconventional shale plays.

According to the new data, the state of Texas alone holds more than 60 billion barrels of shale oil.

Meanwhile, Rystad shows that Russia holds approximately 256 billion barrels in its oil reserves, and Saudi Arabia has an estimated 212 billion barrels of oil in reserves.



**JOIN TIPRO IN SAN ANTONIO
AUGUST 17-18
FOR THE ASSOCIATION'S
ANNUAL SUMMER CONFERENCE.**

**ACT FAST TO BOOK YOUR
RESERVATIONS AT THE
HYATT HILL COUNTRY RESORT -
THE DISCOUNTED ROOM RATE
FOR THE HOTEL WILL END ON
JULY 19TH!**



To book your accommodations at the Hyatt Hill Country Resort for TIPRO's summer meeting, please call (210) 647-1234.

THE TIPRO TARGET



**Texas Independent
Producers &
Royalty Owners
Association**

With more than 3,000 members, TIPRO is the nation's largest statewide association representing both independent producers and royalty owners. Our members include small family-owned companies, the largest publicly traded independents and large and small mineral estates and trusts.

919 Congress Avenue, Suite 1000
Austin, Texas 78701
Phone: (512) 477-4452
Fax: (512) 476-8070
www.tipro.org