Texas
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Association

SENIOR OFFICIAL FROM U.S. INTERIOR DEPT. ADDED TO TIPRO CONVENTION LINE-UP

TIPRO is pleased to announce Joseph "Joe" Balash with the U.S. Department of Interior will speak at the association's 72nd Annual Convention this coming March in Houston. Balash currently serves as the assistant secretary of land and minerals management at the U.S. Department of Interior. In this role,

Balash oversees the Bureau of Land Management (BLM), Bureau of Ocean Energy Management (BOEM), Bureau of Safety and Environmental Enforcement (BSEE) and the Office of Surface Mining Reclamation and Enforcement, and is head of the Interior's management of all federal lands and waters, and their associated mineral and non-mineral resources, as well as the appropriate regulation of surface coal mining.

In addition to Balash's remarks during the association's annual convention, TIPRO looks forward to also welcoming a long list of other respected leaders as well as industry experts who are scheduled to present, including Chris Wallace from "Fox News Sunday" who will provide the keynote address at TIPRO's 2018 conference.

TIPRO's annual meeting allows members of the association to come together to learn the latest regulatory, legislative and political updates of significance to Texas independent producers and royalty owners. The convention also offers exclusive networking opportunities to form business connections with fellow oil and gas professionals. Don't miss out on this important industry meeting -- register today to attend the event by visiting www.tipro.org.

SURGING OIL PRODUCTION IN U.S. PROMPTS ANALYSTS TO EXPEDITE FORECASTS

U.S. producers have been so successful in developing energy resources from America's shale formations that analysts now are bumping up forecasts for record-breaking oil and gas production this year.

Last month, the U.S. Energy Information Administration (EIA) had projected that U.S. crude oil production would average 10.3 million barrels per day (b/d) in 2018, which would mark the highest annual average production in U.S. history, surpassing the previous record of 9.6 million b/d set in 1970. EIA also in January forecasted oil output to increase to 11 million b/d by the end of 2019.

Now, just weeks later, in the February 6th issue of the agency's *Short-Term Energy Outlook*, the EIA says that the U.S. will pump more oil - and faster - than initially expected. The EIA advised this week that U.S. crude oil production is likely to average 10.6 million b/d in 2018, and that 2019 crude oil production will average 11.2 million b/d.



Moreover, thanks to robust energy production growth, new projections from the EIA show the United States will become a net exporter of energy by the year 2022. This achievement would be a milestone for the nation, providing a window for the United States to transition from a net energy importer to a net energy exporter. The United States has been a net energy importer since 1953.

As the top producing state in the U.S., Texas is one of the most productive regions in the country. As such, the Lone Star State will supply a significant portion of the production growth expected in the United States over the years to come. According to the most recent statistics released from the Railroad Commission, Texas crude oil production averaged 2.5 million barrels daily as of November 2017, with total gas production averaging 18,107,099 thousand cubic feet (mcf) a day. This production came from over 180,000 oil wells and nearly 92,200 gas wells in Texas.

Nearly two-thirds of the state's oil production comes from the Permian Basin alone, one of the most prolific formations found in the United States. As of November, Texas producers were pumping oil in the Permian at a rate of 1.689 million b/d.

Specific to the Eagle Ford Shale, another significant shale play located in South Texas, the latest data from the Railroad Commission estimates oil production from the region averaging 813,193 b/d.

Mirroring growth trends projected for the entire United States, Texas oil and gas production is expected to continue to rise this year.

President's Message

TIPRO Members.

this priority issue closely.

After years of maneuvering through a burdensome regulatory environment, these days the U.S. oil and natural gas industry is actually welcomed and appreciated by many in Washington, D.C. When reflecting on the wish of list of issues facing domestic oil and gas operators during the previous administration, many purely from a survival standpoint, it's evident that the pendulum has shifted and the full potential the oil and natural industry could actually be realized if this logical approach to regulations and commitment to domestic energy dominance continues, something that truly benefits all Americans.

Still, looking ahead, several issues at the federal level will require further work or discussion, including the EPA's overreaching subpart OOOOa methane regulations, in addition to negotiations regarding the North American Free Trade Agreement (NAFTA).

The OOOOa methane case currently in the Court of Appeals for the District of Columbia Circuit remains in abeyance. As part of the required 60 day notice from EPA, the agency recently indicated that they are continuing to consider what revisions and/or changes might be appropriate, and thus have recommended the case continue to be held in abeyance. TIPRO has remained active throughout the legal and rulemaking process and continues to monitor



Ed Longanecker

In terms of rulemaking, the latest information indicates EPA is considering two reconsideration rulemakings for Subpart OOOOa: one would address "technical fixes" and the other would be focused on "policy issues," including the potential of basing new source performance standards on VOCs or methane. They are also evaluating the addition of subcategories within in the industry sector, such as low production wells, something we have advocated for previously. Per our attorney, the advantage of sub-categorization is any proposed controls for that subcategory would have to be determined to be cost-effective for just that category of sources. It's unknown when the rules will come out, but it is anticipated that they will run concurrently. It's also unknown when EPA will finalize its proposed two-year stay of certain OOOOa provisions. Of course, we expect the typical environmental activist organizations to immediately challenge the final rule in the DC Circuit and our industry will respond accordingly.

Concerning NAFTA, over the past several months numerous organizations representing oil and natural gas operators have expressed concern regarding actions by the Trump Administration to terminate the agreement and impede the progress being made from improving market conditions and a roll-back of overbearing regulations. The negotiation talks continue at a time when domestic crude oil production has hit 10 million barrels of oil per day for the first time in nearly 50 years and many significant market and technological changes that have occurred in North American energy production since NAFTA's inception in 1994.

Many agree that NAFTA has been a success story for energy integration in Mexico, the United States and Canada that has led to the creation of many new opportunities to improve trade relations across North America. As an example, Mexico is America's largest natural gas customer, accounting for more than 60 percent of U.S. natural gas exports with an increase in projected demand for many years to come.

TIPRO supports a modernized NAFTA that builds on the success of the program, including the preservation of investor-state dispute settlements (ISDS), a key provision that serves to protect multinational companies that invest abroad. Expanding trade in North America supports increased production of domestic oil and natural gas and expands both economic and geopolitical benefits for our country.

Regards, Ed Longanecker

TEXAS' PRIMARY ELECTION JUST WEEKS AWAY

Texas will host the first statewide primary election in the nation on Tuesday, March 6, 2018. Secretary of State Rolando Pablos is encouraging all Texans to go out to the polls and cast their ballot in this year's primary election. "I commend all Texans who take responsibility for their civic duty by exercising their right to vote," Secretary Pablos said. "As election season approaches, my office is working diligently to ensure all eligible Texans understand proper voting procedures and requirements under Texas law," added Secretary Pablos.

Early voting for the state's primary election will take place from Tuesday, February 20, 2018 – Friday, March 2, 2018. For more information on voting in Texas, including ID requirements and polling locations near you, visit www.votetexas.gov.

TIPRO Calendar of Events

FEBRUARY 14, 2018

HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.

MARCH 14, 2018

HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.

MARCH 26-27, 2018 HOUSTON — TIPRO's

72nd Annual Convention, Westin Memorial City Hotel.

For info, call: (512) 477-4452.

APRIL 11, 2018

HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club.

For info, call: (202) 857-4733.

SPEAKER STRAUS CALLS ON TEXANS TO MAKE THEIR VOICES HEARD IN THIS YEAR'S PRIMARIES

In a new editorial, Speaker of the Texas House of Representatives Joe Straus is calling on Texans to visit the polls and make sure to vote in this year's primary election. Straus' op-ed, featured in the *Houston Chronicle* on February 2, cites historical trends of low voter turnout when it comes to primaries. However, he explains in his message the significance that primary elections can hold in influencing how the state, and even nation, ultimately governs. "Small primary turnout creates a disconnect between the 28 million people who live in Texas and the small number of us entrusted with its leadership. Low turnout in primaries gives elected officials an excuse to focus on pleasing a narrow set of voters, interest groups and priorities," writes Straus. "The primary campaigns playing out across the state right now are about much more than choosing nominees for November's general election. These elections are a chance for voters - not party leaders, but voters - to declare which solutions and governing approaches best fit this moment in our state's history."

"The next Legislature will face some very significant challenges, from disaster relief to school finance to needed reforms at state agencies," Straus continues. "That's to say nothing of the many important decisions that will be made in the years to come by county commissioners, judges, sheriffs and other local officials who will be on the March primary ballot. The primary is not your last chance to influence government's direction from Washington on down, but it is one of your best chances," he concludes.

Representative Leighton Schubert resigns from Texas House

State Representative Leighton Schubert (R-Caldwell) has resigned from his seat in the Texas House, effective February 4, 2018. Serving Texas House District 13, Schubert had previously announced he was not seeking re-election for another term, but at the end of January, he revealed he was going to resign from office early to accept a role at Blinn Junior College. Schubert was a member of the House Energy Resources Committee, as well as involved with the House Administration Committee and House Special Purpose Districts Committee.

Schubert's resignation from the House will prompt the need for a special election in order to find a candidate to fill out the remainder of the representative's current term.

RAILROAD COMMISSION WELCOMES NEW ASSISTANT GENERAL COUNSEL

In early February, the Texas Railroad Commission announced Megan Neal has joined the agency serving as assistant general counsel for legal enforcement at the commission. In the role, Neal will manage activities of the legal enforcement group for the commission, and work closely with agency staff on matters relating to rule violations. Neal replaces David Cooney, who was promoted to senior counsel in the general law section of the office of general counsel.

"I am truly excited to lead this talented and dedicated enforcement team. I will pursue fair, predictable, and efficient enforcement of regulatory violations to protect both the citizens of Texas and our natural resources, while supporting the integrity of the industry in general," Neal said. "We are also modernizing the enforcement process through an online docket management system that will track proceedings from field investigations through compliance. Interested parties will be able to track the status of violations and hearings as each case progresses. This newly developed system will foster greater transparency and will streamline the effective resolution of regulatory violations."

RRC COMMISSIONERS ADOPT AMENDMENTS TO UNDERGROUND DAMAGE PREVENTION RULE

At the Railroad Commission's January 23rd open conference, the three commissioners unanimously approved amendments to the Railroad Commission Underground Damage Prevention Rule, establishing new requirements. According to the agency, effective February 12, 2018, excavators will be required to notify the pipeline operator by calling the 811 notification center as soon as possible about any damage incidents, but no later than one hour after an incident. Excavators will also be required to call 911 if any natural gas or other product is released when an underground pipeline is struck. Further, the amendments as recently approved by the commission will extend the deadline for pipeline operators and excavators to file a damage report with the commission from the current 10 days to 30 days.

See more information on these updated rule requirements at: http://bit.ly/2E6tM36.

RRC NOW ACCEPTING FEEDBACK ON PROPOSAL OF NEW AND REVISED FORMS

Public comment is now being accepted by the Texas Railroad Commission on proposed new gas utility forms. The Gas Services Department of the agency's Oversight and Safety Division has proposed two forms, a Customer Notice of Interim Rate Adjustment Form and a Public Notice of Proposed Rate Increase, which serve to provide gas utility filers an example of customer notices that comply with Texas statute and commission rules. Additionally, the commission is also at this time collecting comments on proposed revisions to the Gas Utility Interim Rate Adjustment Application spreadsheet as well as the Gas Utility Tax Report.

Comments on two new forms, and form revisions, will be accepted through Wednesday, February 28, 2018. Submit your comments online at: http://bit.ly/2nHw5iG.

★★★ Register Today ★★★



TIPRO's 72nd Annual Convention March 26-27, 2018 Houston, Texas

The Texas Independent Producers & Royalty Owners Association is excited to return to Houston on March 26-27 for the association's signature meeting. At TIPRO's conference, hear from senior oil and gas executives, leading policymakers, and other industry experts on opportunities and challenges facing the Texas oil and natural gas industry today. During the convention, also enjoy the chance to network with other business leaders and oil and gas professionals.

Learn more and register to attend at: www.tipro.org

Featured Speakers Include:

- Chris Wallace, "Fox News Sunday" ◀
- Joseph Balash, U.S. Interior Department ◀
 - Allen Gilmer, DrillingInfo ◀
 - Michael Cohen, Barclays
 - Travis Moran, Welund North America
 - Corey Grindal, Cheniere Energy
 - David Carney, Norway Hill Associates
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In State of the Union address, President Trump says war on American energy is over

Addressing a joint session of Congress, President Donald J. Trump delivered his first State of the Union address on Tuesday, January 30, 2018, outlining key priorities for his cabinet to build a more unified and prosperous nation. "Tonight, I want to talk about what kind of future we are going to have, and what kind of nation we are going to be. All of us, together, as one team, one people, and one American family," emphasized the president. During his remarks, President Trump again touched on his vision to "make America great again" — a key promise he extended during his campaign for office.

In his address, President Trump highlighted early achievements by the federal government in the first year of his administration, from growth of the U.S. economy to successful passage of significant tax reform. "In our drive to make Washington accountable, we have eliminated more regulations in our first year than any administration in history. We have ended the war on American energy and we have ended the war on clean coal. We are now an exporter of energy to the world," declared President Trump.

As part of his speech to Congress and the American public, the president did offer a handful of proposals he hopes will gain traction this coming year, including a \$1.5 trillion plan for infrastructure improvements. "I am asking both parties to come together to give us the safe, fast, reliable, and modern infrastructure our economy needs and our people deserve."

Following the president's State of the Union address last Tuesday, senior officials extended their praise to the president. Interior Secretary Ryan Zinke said in a statement, "President Trump spoke from the heart about issues that unite all Americans like rebuilding our infrastructure, improving education, growing the economy, and honoring our veterans and first responders. Already we have seen the President's policies and tax reform spark greater investments in our energy sector, from the coalmines of Appalachia to the oil fields of the Permian Basin, managed by the Bureau of Land Management. Interior stands ready to support the President's mission to unite and rebuild our great nation."

Similarly, reacting to the president's speech, U.S. Secretary of Energy Rick Perry stated, "There is much to be optimistic about... for the first time in 45 years, the United States is positioned to achieve energy independence, and it will happen under the president's leadership."

EPA, ARMY CORPS. FINALIZE TWO-YEAR DELAY FOR WOTUS REGULATION

The U.S. Environmental Protection Agency (EPA) and U.S. Army Corps of Engineers last week finalized the government's suspension and delay of the controversial 'waters of the United States' rule (WOTUS), providing a new applicability date of February 6, 2020, for the regulation to take effect. "The 2015 WOTUS rule developed by the Obama administration will not be applicable for the next two years, while we work through the process of providing long-term regulatory certainty across all 50 states about what waters are subject to federal regulation," EPA Administrator Scott Pruitt announced on Wednesday, January 31, 2018.

With this action, the regulated community will be able to hold greater clarity and certainty on which definition of WOTUS is applicable nationwide, particularly at a time when litigation is under consideration by multiple district courts relating to the 2015 Clean Water Rule, which could prompt confusion as to current federal policies deemed in effect.

Meanwhile, the same day that the WOTUS rule suspension was published in the *Federal Register*, a coalition of 11 state attorneys general filed a joint lawsuit against the EPA and Army Corps challenging the agencies' decision to postpone the 2015 WOTUS regulation for two years. In the suit, the states allege the federal government violated the Administrative Procedure Act (APA), acting without proper authority in suspending the rule, violating federal notice and comment requirements and failing to provide rational explanation as to the need for suspending the Clean Water Rule.

To keep up with the latest regulatory developments on the "waters of the United States" rule, visit: www.epa.gov/wotus-rule.

MEMBERS OF CONGRESS EXPRESS SUPPORT OVER INTERIOR DEPT. REORGANIZATION PLANS

In a letter sent January 31st to U.S. Interior Secretary Ryan Zinke, six members of the U.S. House Committee on Natural Resources offered support on proposed reorganization plans underway at the agency. "We are encouraged to see that DOI leadership shares our desire to improve department efficiency, and we applied the proposed reorganization plans as a first step in transforming the department for the 21st century," wrote federal lawmakers.

As described in the congressmen's letter, at this time, the Interior Department appears to be considering the establishment of common regions using science-based boundaries to improve management of federal lands and resources; consolidating common functions across department bureaus to improve efficiency and effectiveness; and possible relocation of staff or bureau management to areas closer to the ground where its policies and work impact communities the most -- the western region of the United States. "Federal lands consume a substantial portion of western states. In Nevada alone, DOI is responsible for overseeing more than 50 million acres of federal land. Moving some of the decision-making and managerial responsibilities to western areas will not only improve the department's quality of work, but also, bring more responsive and common sense interactions in its relationship with communities it interacts with and impacts the most," noted the congressmen.

"While we understand that your proposed plans are not finalized, thus far they include bold and innovative ideas for reforming a department with diverse and important missions... We look forward to working with you to achieve a reorganization that truly transforms the Department to better serve the American public."

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FEBRUARY 20-23

→ Conference Events ←

February 20 - Petroleum Museum

5:45 pm - Opening Reception, Pre-Registration and NetworkingDr. Michael Webber - Keynote Speaker

Dr. Webber is deputy director of the University of Texas Energy Institute, Josey Centennial Fellow in Energy Resources, and Co-Director of the Clean Energy Incubator. As a professor of Mechanical Engineering at UT Austin, Dr. Webber trains a new generation of energy leaders through research and education at the intersection of engineering, policy, and commercialization. He has authored more than 300 publications, produced a television special on energy, and holds four energy patents. He has also been a featured speaker at the United Nations, the U.S. Military Academy at West Point, and has testified at a number of U.S. Senate hearings.

February 21-23 - Midland County Horseshoe Arena
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For more information, contact PBWIEC's Conference Coordinator at Info@PBWIEC.com or 432.528.4126

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BLM issues new policy to tear down regulatory barriers limiting energy development

Officials at the U.S. Bureau of Land Management (BLM) have announced new federal policies that look to ease previous regulatory barriers against drilling on federal lands, and curtail opportunities for environmentalists and industry opponents to try to slow the permitting process.

A BLM Instruction Memorandum (IM), released to the public on January 31, 2018, sets out new guidelines at the agency that serve "to simplify and streamline the leasing process to alleviate unnecessary impediments and burdens, to expedite the offering of lands for lease, and to ensure quarterly oil and gas lease sales are consistently held in accordance with the Mineral Leasing Act (30 U.S.C. §226), Executive Order 13783, and Secretary Order 3354."

The updated policy is effective immediately, and supersedes previous policy in IM No. 2010-117, Oil and Gas Leasing Reform - Land Use Planning and Lease Parcel Reviews, issued on May 17, 2010, and replaces any conflicting guidance or directive found in the BLM Manual or Handbook.

Amongst changes included in the agency's updated directive, protests against lease sales will be limited to a 10-day period, beginning the day the sale notice is posted. This adjusts previous policy measures which the BLM says was causing unnecessary delays. "Protests have increased, not decreased, in recent years (FY16 and FY17) compared to pre-2010 levels. This IM aims to simplify and streamline the leasing process for more efficient and effective oil and gas lease management."

Other policy provisions include establishing a 60-day deadline for processing proposed lease sales, leaving public participation in certain reviews up to lower-level officials and repealing an Obama administration policy that let other land users, like hunters and anglers, object.

The BLM expects adopting these policy updates will result in additional revenue generated from the increase of lease sales and reduced government expenses.

To view the new BLM IM, visit: www.blm.gov/policy/im-2018-034.

COMPANIES UNVEIL MAJOR PLANS TO GO ALL-IN WITH THE PERMIAN

In less than ten years' time, ExxonMobil will triple total daily production from its operations in the Permian Basin, the company announced on January 30, 2018. ExxonMobil is working to boost its Permian output to over 600,000 oil-equivalent barrels by 2025, according to the company, with tight oil production from the Delaware and Midland basins expected to increase five-fold in the same period.

"Our geographic and competitive advantages in the Permian position the company for strong growth and long-term value creation," said Sara Ortwein, president of ExxonMobil's XTO Energy subsidiary. "We can deliver profitable production at a range of prices, and we have logistics and technology advantages over our competitors."

To help achieve this production growth, ExxonMobil says that it is planning to increase its horizontal rig count in the Permian an additional 65 percent over the next several years. Already, since early 2014, ExxonMobil has doubled its footage drilled per day on horizontal wells in the Permian, and reduced per-foot drilling costs by about 70 percent, reports the company.

ExxonMobil credits recent changes to the U.S. corporate tax rate for establishing an environment which is more favorable to future capital investments, allowing the company at this time to move forward with plans to substantially increase investments in its U.S. operations.

The company also announced recently it will spend more than \$2 billion on transportation infrastructure to support its Permian operations. As part of this initiative, ExxonMobil will expand its recently acquired crude oil terminal in Wink, Texas, to transport production from the Permian to Gulf Coast refineries and other market destinations.

In addition, this past week, Pioneer Natural Resources Company also unveiled plans geared towards boosting company operations in the Permian Basin region. Pioneer announced on Tuesday, February 6th that it was selling off all of its non-Permian acreage and assets to allow the company to focus exclusively on the Permian, divesting company properties held in South Texas, the Raton and the West Panhandle field.

"After these divestitures are completed, Pioneer's operations will be solely in the Permian Basin," Timothy L. Dove, Pioneer's president and CEO, said in a statement.

New round of TERP grant funding available from TCEQ

The Texas Commission on Environmental Quality (TCEQ) is now accepting applications for a second round of grants available for eligible individuals, businesses, and government entities to continue the development of a network of natural gas and/or other alternative fuel fueling stations in Texas. Grant funding is being offered by the state as part of the Alternative Fueling Facilities Program (AFFP) under the Texas Emissions Reduction Plan, also known as TERP.

AFFP grants offset a portion of the cost of either the construction of new facilities dispensing natural gas and/or alternative fuels, or the expansion of existing facilities to provide new services or capabilities within the Clean Transportation Zone. Eligible fuels for the AFFP include: compressed natural gas and/or liquefied natural gas, and biodiesel, hydrogen, methanol, propane, and electricity.

The deadline to submit applications for the grant program will be on Thursday, March 29, 2018. To see more information on grant requirements or to apply for the program, visit: www.tceq.texas.gov/airquality/terp/ctt.html.





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.

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