



**Texas
Independent
Producers and
Royalty Owners
Association**

AN UPDATE ON TIPRO'S 2020 SUMMER CONFERENCE, NOW A VIRTUAL MEETING

TIPRO management has continued to monitor all relevant issues related to the coronavirus (COVID-19) pandemic and the association's upcoming Summer Conference planned for September 23-24, 2020. As communicated previously, the health and safety of our members are paramount. Due to the increase in cases in recent weeks and ongoing uncertainty concerning in-person meetings, the organization's leadership team has decided to change the event format for the TIPRO meeting from a hybrid forum to 100 percent virtual.

Over the past several weeks, TIPRO has been evaluating various virtual platforms that will allow our sponsors and exhibitors unique visibility to our attendees, as well as access to our excellent line-up of industry speakers. TIPRO will be finalizing the details for our virtual platform in the weeks to come and will communicate accordingly. Please take a moment to view our agenda on page 5 of this newsletter or see the TIPRO website at www.tipro.org for more information. At your earliest convenience, be sure to confirm your virtual registration for the event. All registrants will receive instructions for accessing the TIPRO platform and how to watch live speakers prior to the event.

Preview the conference agenda and see registration details for the virtual conference inside on pages 5-6!

THANK YOU TO OUR 2020 EVENT SPONSORS:



IOGCC URGES TRUMP ADMINISTRATION AND CONGRESS TO INVESTIGATE SAUDI ARABIA AND RUSSIA

Members of the Interstate Oil and Gas Compact Commission (IOGCC) this week passed a new resolution that presses U.S. President Donald Trump and the U.S. Congress to launch a federal investigation into excessive dumping of crude oil earlier this year by Saudi Arabia and Russia, and take appropriate action so as to discourage future destabilization of international crude oil markets. The IOGCC, a multi-state government entity created more than 80 years ago, joins together state oil and gas regulators to resolve common issues, share best practices for industry regulation and promote the conservation and efficient recovery of domestic oil and natural gas resources while protecting health, safety and the environment.

Texas Railroad Commission Chairman Wayne Christian, Texas' official representative on the IOGCC, authored the new resolution, saying that efforts by the two foreign entities to flood the market with oil were "disingenuous." According to Christian, oil shipments from Saudi Arabia were relatively low for much of 2019 and in the early months of 2020, with average arrivals totaling 475,000 barrels of oil a day (b/d). However, following this year's crude price collapse spurred by the coronavirus (COVID-19) pandemic and the Saudi-Russia price war, which hamstrung the U.S. oil and gas industry, Saudi Arabia suddenly upped its shipments of oil to the United States, delivering roughly 1.3 million b/d, equivalent to four times February's daily volume and the highest thresholds since 2014, argued Christian.

"More than 100,000 oil and natural gas jobs in the United States have been lost according to Rystad Energy Group. Our federal government must push back against international efforts that harm American energy dominance," said Christian.

To view the IOGCC's Resolution, please see: http://tipro.org/UserFiles/Draft_Resolution_20.072.pdf.

CHAIRMAN'S MESSAGE

TIPRO Members,

The impact of the current pandemic continues to be fully understood. We are faced with daily updates on the statistics of the health implications, and recently TIPRO received further insight into the fiscal repercussion to our state economy. In hopes to continue to keep our members up-to-date on the latest details and keep a proactive stance on future developments, we wanted to share the latest information. The state of Texas is projected to end the current fiscal cycle with a \$4.58 billion budgetary shortfall, according to an updated economic assessment released earlier this week by Texas Comptroller Glenn Hegar. In a revised Certification Revenue Estimate (CRE) - an official revenue breakdown prepared for our state government leaders - the comptroller said on Monday, July 20th that the coronavirus (COVID-19) pandemic coupled with volatility in energy prices have taken a heavy toll on revenue streams that government coffers rely upon to fund the budget cycle. Consequently, Comptroller Hegar is now advising that Texas should have approximately \$110.19 billion in General Revenue-related (GR-R) funds available for general-purpose spending for the 2020-21 biennium, which runs through August 2021. These figures are down roughly \$11.5 billion, or 9.5 percent, from the \$121.76 billion in funding initially projected in the last CRE released by the comptroller this past October.



Eugene Garcia

The latest economic projections from the comptroller do not account for the impact of budgetary cuts requested of state agencies by Governor Abbott in the springtime. The governor called for spending at state agencies and departments to be slashed by 5 percent for remaining 2020-21 GR-R appropriations. The comptroller also noted that financial assistance from the federal government was not reflected in current budget tallies as both the prospect and nature of such assistance remains uncertain.

In the latest economic report, the comptroller has warned that the Economic Stabilization Fund, known as the state's "Rainy Day Fund," will also experience a significant drop in future balance transfers, which will have large implications to our state-managed savings account. The Rainy Day Fund as well as the State Highway Fund (SHF) are funded by taxes on the production, or severance, of oil and gas. For insight into the total revenue of severance taxes paid by companies into these state funds in each individual Texas county last year, I invite you to take a moment and review a breakdown available through the TIPRO website at: http://tipro.org/UserFiles/2019_industry_severance_taxes.pdf.

With a slowdown in drilling and other E&P activities in Texas this year, revenue from these tax sources has fallen substantially. As a result, funding transfers for the Rainy Day Fund and the SHF will both go down, observed the comptroller in his new analysis. In fiscal 2021, both funds each will receive \$1.1 billion in transfers from the General Revenue Fund for severance taxes collected in fiscal 2020, the comptroller estimates. For fiscal year 2022, transfers for the funds are likely to total \$620 million each.

As our state faces unprecedented uncertainty with the hopes of an economic recovery from the coronavirus pandemic, and tenuous indications of stabilization to oil and gas prices, use of the Rainy Day Fund to spur an economic rebound will undoubtedly be a topic of lively debate in the next legislative session.

Although the comptroller is expected to release another official revenue estimate showing the state's financial condition before the legislative session begins in January, the latest figures from the revised CRE make it clear that lawmakers will no doubt have their work cut out in addressing funding shortfalls and managing appropriations for state programs and services. Many tough discussions and conversations are also anticipated as legislators buckle down to plan the state budget for bienniums to come.

As always, TIPRO and our dedicated lobbying team remain committed to protecting our industry from any attempts to increase taxes and fees on oil and gas development and E&P operations. We are bound to see efforts trying to do exactly this. Leading up to the next session, we will continue to educate policymakers and stakeholders on the importance of oil and gas-generated tax revenues that help our community and state in times of slow economic activity. The value of a strong oil and gas industry will be more evident than ever as legislators address the important fiscal concerns during this next legislative cycle. Thanks to you, Texas has a Rainy Day Fund to help during times such as these.

Eugene Garcia

INDUSTRY ICON, MR. A.V. JONES, JR., PASSES AWAY AT AGE 88

A.V. Jones, Jr., an energy entrepreneur and true legend in the Texas oil and gas industry, died Sunday, July 12, at the age of 88. Known for his high energy and hard work ethic, Jones spent his career working as a well-respected industry leader, continuing his family's legacy in the oil and gas business.

"On behalf of TIPRO's entire membership, we would like to express our deepest condolences over the passing of Mr. A.V. Jones," said TIPRO President Ed Longanecker. "A legendary oilman, we sincerely appreciate the countless contributions he made to our industry throughout his career. We were also honored to count A.V. as a loyal member of TIPRO for nearly 65 years."

A.V. Jones and his brother Jon Rex both followed in their father's footsteps, who began his career in the oil and gas industry in 1932. A.V. owned, operated and invested in a long list of E&P companies throughout his career. In 1998, he co-founded Quantum and was a member of the firm's Investment Committee until his passing. A.V. served in a number of leadership positions within the energy industry, including the National Petroleum Council (appointed by the U.S. Secretary of Energy), a former director of the American Petroleum Institute and former chairman and treasurer of the Independent Petroleum Association of America (IPAA), and a member of the Texas Independent Producers and Royalty Owners Association (TIPRO) since 1956. A.V. held a B.S. in geology from the University of Oklahoma.



Source: Quantum Energy Partners

IN PRIMARY RUN-OFF RACE, CHRYSTA CASTAÑEDA SECURES DEMOCRATIC NOMINATION FOR RRC



In the July 14th primary run-off election, oil and gas attorney Chrysta Castañeda defeated former state Representative Roberto Alonzo to win the Democratic nomination for Texas Railroad commissioner heading into November's General Election. With 62 percent of the vote in last Tuesday's election, Castañeda will now appear on the ballot for the state's 2020 General Election, facing off against Republican Jim Wright for the open seat at the state regulatory agency.

Castaneda has made flaring and other environmental concerns central issues in her campaign for office. She will discuss her platform in greater detail at the TIPRO Summer Conference this September, appearing alongside Republican candidate Wright at the TIPRO meeting, which will include a special panel discussion and allow TIPRO attendees the opportunity to get to know the Railroad Commissioner candidates.

NEW LEGISLATION INTRODUCED IN U.S. HOUSE TO SAVE ENERGY JOBS

While America's energy industry continues to work on a recovery from this year's downturn, lawmakers on Capitol Hill are meanwhile pursuing policy solutions that will aid such efforts and help restore oil and gas jobs. As TIPRO reported in the June 25th issue of *The TIPRO Target* newsletter, U.S. Senator John Cornyn (R-Texas) this summer joined other congressional leaders in the U.S. Senate in filing a bill, S. 4041, to help the nation's oil and gas sector survive the industry downturn and coronavirus (COVID-19) pandemic. The legislation, being called the *Save American Vital Energy (SAVE) Jobs Act*, would offer targeted relief to domestic energy businesses by extending liquidity and other flexible measures so companies may remain competitive, continue to pay their workers and also keep up investments in qualified infrastructure initiatives like current and future carbon capture projects. The proposed bill also offers tax and regulatory relief for energy producers on a temporary basis to ensure the industry is positioned to achieve a comeback. Lastly, under the bill, federal assistance would be offered to qualified producers in need of obtaining a lease extension and other royalty relief.

In mid-July, lawmakers in the U.S. House announced companion legislation to the *Save Jobs Act* for consideration by representatives in the lower chamber. Texas Congressman Michael Burgess (R-TX26) introduced H.R. 7579 on Monday, July 14th to assist the American energy sector in retaining jobs during challenging economic times, which includes seven provisions similar to the Senate-version of the bill that would reduce financial and regulatory burden to energy producers. Each provision would expire within one year of enactment,

according to terms set by the bill as filed. Four other members of the Texas congressional delegation co-sponsored the bill, including Representatives Michael Conaway (R-TX-11), Bill Flores (R-TX-17), John Carter (R-TX-31) and Dan Crenshaw (R-TX-2). House Committee on Natural Resources Chairman Rob Bishop (R-UT-1) also has supported this bill as a co-sponsor for the legislation.

"This pandemic has affected more than Americans' health," said Congressman Burgess. "America's energy independence and position of global leadership in energy is being threatened by COVID-19. This legislation will help energy producers continue to pay their workers and invest in the future by removing barriers placed by the federal government."

ENVIRONMENTAL PARTNERSHIP HIGHLIGHTS INDUSTRY'S ENVIRONMENTAL PROGRESS IN NEW ANNUAL REPORT

The Environmental Partnership, a coalition of 83 participating energy companies including 36 of the top 40 U.S. natural gas producers, released its second annual report in mid-July, highlighting important industry-led efforts that are driving down air emissions and improving the industry's environmental performance. Amongst other achievements, in its second full year, the program expanded its reach and impact by growing its membership base that now includes the industry's midstream segment. In the last year, the Partnership also added new workshops and a conference in Texas, Oklahoma and North Dakota to allow operators to come together to hear important updates on real solutions that reduce emissions and ensure industry remains a responsible steward of the environment.

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USFWS WILL LAUNCH YEAR-LONG REVIEW OF DUNES SAGEBRUSH LIZARD

After completing an internal review of petitions submitted by environmental advocacy organizations calling for greater federal protection of the dunes sagebrush lizard, the U.S. Fish & Wildlife Service (USFWS) this month announced it will initiate a year-long comprehensive assessment of the status of the lizard to address whether listing the species as endangered or threatened is warranted under the Endangered Species Act (ESA). After the USFWS' 12-month status review is completed next summer, the federal government will then issue its final determination concerning the dunes sagebrush lizard and provide a decision if ESA protections will be extended to cover the lizard and its habitat in order to ensure the future existence of the species.

"As we commence work on the status review, we seek any new information concerning the status of, or threats to, the species or its habitat. We will consider any relevant information that we receive during our work on the status review," said the USFWS in its latest finding relating to the dunes sagebrush lizard.

The dunes sagebrush lizard, measuring less than three inches in length, is native to the shinnery oak dunes that grow in West Texas and across southeastern New Mexico. Much of the lizard's habitat lies in the Permian Basin region, which also holds the nation's most prolific oil and gas fields.

The basis for the USFWS finding in response to the lizard petition, and other information regarding its review, can be found as an appendix at [http:// www.regulations.gov](http://www.regulations.gov) under Docket No. FWS- R2-ES-2018-0093 under the Supporting Documents section.

EPA HOPES TO CONTINUE OZONE AIR POLLUTION STANDARDS AT CURRENT LEVELS

The U.S. Environmental Protection Agency (EPA) is proposing to retain the 2015 National Ambient Air Quality Standards (NAAQS) for ozone, federal regulators announced on Monday, July 14. This proposed action comes after thorough review of the full body of scientific evidence currently available, evaluation of air trends and with consultation of the agency's independent board of science advisors.

According to the EPA, from 2017 to 2019, ozone concentrations decreased 4 percent, demonstrating the success of current ozone regulations that are protecting public health and the environment while also supporting economic growth. U.S. emissions of nitrogen oxides and volatile organic compounds meanwhile dropped by 65 percent and 47 percent, respectively, between 1990-2019, helping minimize air pollutants that otherwise contribute to the formation of ground-level ozone. This, combined with substantial declines recorded to other emissions of common pollutants, has allowed the U.S. to have its cleanest air in a half a century.

Texas environmental regulator Emily Lindley, one of three commissioners leading the Texas Commission on Environmental Quality (TCEQ), welcomed the EPA's updated guidance to the Ozone NAAQS that preserves current standards which have supported a downward trend in emissions. "I appreciate EPA's timely reassessment and retention of the current ozone standards and [EPA] Administrator Wheeler's efforts to ensure that these complicated reviews meet statutory deadlines while making certain that current scientific information is reviewed and appropriately considered. These assessments involve intricate scientific analysis and review, and completing this review within the Federal Clean Air Act's mandated five year timeframe is no small task."

TRUMP ADMINISTRATION OVERHAULS FEDERAL ENVIRONMENTAL LAWS TO SPEED PERMITTING

The Trump Administration took action this month to finalize updates to the National Environmental Policy Act (NEPA), which will modernize the federal environmental review process and related laws for the first time in over 40 years. NEPA, originally signed into law by President Richard Nixon in 1970, requires federal agencies to consider and inform the public of the environmental effects of proposed major federal actions, such as the construction of pipelines, roadways or other substantial infrastructure that require permits and approval from the federal government. To achieve this, often elaborate, complicated reviews are executed by the federal government which place a heavy burden on developers, producers or other business owners that can hinder economic growth and delay badly needed infrastructure development in the United States.

According to the White House Council on Environmental Quality (CEQ), which oversees the implementation of NEPA under the executive office of the president, environmental impact statements (EIS) for federal highway projects take more than seven years on average to be completed, though often can take as long as a decade or more, for instance. The CEQ has also found that the average length of an EIS is more than 600 pages. NEPA reviews are frequently challenged in court, compounding regulatory challenges for projects hoping to move forward and adding increased costs and complexity as a result of NEPA litigation.

Recognizing the need to reform NEPA and improve its management process, under President Donald Trump's direction, the CEQ has now completed its overhaul of the outdated regulations, so that infrastructure can be built in a timely, efficient, and affordable manner while still ensuring environmental protection. Under the final rule announced on July 15, presumptive time limits will be established to limit the preparation of EISs to two years and one year limitations have been set for the preparation of environmental assessments (EAs). There also will be presumptive page limits for EISs and EAs. New policy changes will also serve to address other concerns that will enhance the environmental review and decision-making for projects, codify relevant case law, update regulations to reflect current technologies and agency practices, adopt new efficiencies to satisfy CEQ requirements and otherwise cut unnecessary bureaucratic red tape, a top priority for the president.

"By streamlining infrastructure approvals, we'll further expand America's unprecedented economic boom," said President Trump.

The revised NEPA regulations take effect September 14, 2020.

TIPRO'S 2020 SUMMER CONFERENCE

VIRTUAL MEETING AGENDA

WEDNESDAY, SEPTEMBER 23, 2020

1:00 P.M. AUDIT COMMITTEE MEETING
3:00 P.M. TIPRO BOARD MEETING

THURSDAY, SEPTEMBER 24, 2020

8:00 A.M. -9:00 A.M. VISIT VIRTUAL SPONSORS AND EXHIBITORS

9:00 A.M. GENERAL SESSION WELCOME & SPONSOR RECOGNITION
ED LONGANECKER, TIPRO PRESIDENT

OPENING REMARKS
EUGENE GARCIA, TIPRO CHAIRMAN AND PRESIDENT OF HURD ENTERPRISES

9:15 A.M. "CHARTING A NEW COURSE - OILFIELD SERVICES TRENDS & THE IMPACT ON DOMESTIC PRODUCERS"
SHANNON SLOCUM, SENIOR VICE PRESIDENT OF GLOBAL BUSINESS DEVELOPMENT AND MARKETING, MEMBER OF THE EXECUTIVE COMMITTEE, HALLIBURTON

10:00 A.M. "THE FUTURE OF U.S. SHALE & GLOBAL MARKET OUTLOOK"
ANAS F. ALHAJJI, PH.D., MANAGING PARTNER OF ENERGY OUTLOOK ADVISORS

10:45 A.M. BREAK - VISIT VIRTUAL SPONSORS AND EXHIBITORS

11:00 A.M. "ELECTRICITY, NATURAL GAS AND U.S. ENERGY AFTER COVID"
ROBERT BRYCE, ANALYST, AUTHOR, JOURNALIST AND PUBLIC SPEAKER

NOON LUNCH BREAK - VISIT VIRTUAL SPONSORS AND EXHIBITORS

1:30 P.M. "MAINTAINING AMERICAN ENERGY DOMINANCE"
TEXAS CONGRESSMAN MICHAEL C. BURGESS, M.D.

2:00 P.M. "TEXAS ENERGY POLICY UPDATE"
TEXAS STATE REPRESENTATIVE CHRIS PADDIE, CHAIRMAN OF THE HOUSE ENERGY RESOURCES COMMITTEE

2:30 P.M. BREAK - VISIT VIRTUAL SPONSORS AND EXHIBITORS

2:45 P.M. "STATE & FEDERAL POLITICAL OUTLOOK"
JIM HENSON, PH.D., DIRECTOR OF THE TEXAS POLITICS PROJECT

3:15 P.M. MEET THE TEXAS RAILROAD COMMISSION CANDIDATES
JIM WRIGHT, REPUBLICAN RAILROAD COMMISSIONER CANDIDATE
CHRYSTA CASTAÑEDA, DEMOCRATIC RAILROAD COMMISSIONER CANDIDATE

4:35 P.M. CLOSING REMARKS

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VIRTUAL REGISTRATION FEES:

*Registration includes access to all live speaker presentations, conference materials and TIPRO's Virtual Sponsor Expo.

- ☐ MEMBER REGISTRATION FOR VIRTUAL ATTENDANCE: \$100
- ☐ NON-MEMBER REGISTRATION FOR VIRTUAL ATTENDANCE: \$200



Questions about the 2020 TIPRO meeting?

Please contact the association at (512) 477-4452 or email info@tipro.org!

ATTENDEE INFORMATION:

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*REQUIRED: Each attendee will be required to sign up using your name and an individual email address in order to be given access to the TIPRO portal.

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CANCELLATION POLICY:

In order to receive a refund for the TIPRO convention, the association must be notified of your cancellation no later than **September 16, 2020.**

Please return your completed registration form by mailing to: TIPRO, 919 Congress Avenue, Suite 1000, Austin, Texas 78701.

Registration forms must be accompanied by payment.

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IN A SUMMERTIME VISIT TO TEXAS, U.S. ENERGY SECRETARY MEETS WITH OIL INDEPENDENTS

U.S. Secretary of Energy Dan Brouillette returned to his home state of Texas earlier this month to meet with energy executives and discuss federal policies that could help domestic producers who have been impacted by this year's pandemic. The secretary's trip to the Lone Star State was timely, as the state's oil and gas industry continues to face substantial economic challenges and other financial pressures caused by an unprecedented oil glut combined with other major disruptions from the coronavirus (COVID-19) outbreak.

On Friday, July 10, Secretary Brouillette was joined by Under Secretary of Energy Mark Menezes in hosting a roundtable discussion with independent oil producers, including Occidental Petroleum, Talos Energy and Houston Energy, in Houston to review the current state of energy markets and survey how oil and gas companies have weathered this year's downturn. During the meeting, Secretary Brouillette reinforced a key message from the Trump Administration in his conversations with oil and gas leaders, emphasizing his belief that the industry will inevitably come back from these difficult times, and when it does, it will be very strong. "This is an industry that will come back, and it will come back very, very strong. These are difficult times for all Americans, but this industry will return," said Secretary Brouillette. "Energy underpins everything we do in the U.S. economy. It's one of the backbones of the strength of the economy and the nation itself, so it's very important that we see this industry survive this pandemic and hopefully come out the other side even stronger."

While in Texas, the federal officials also toured the Department of Energy's Strategic Petroleum Reserve (SPR) Big Hill storage site, located in Winnie, Texas, which is used as a low cost solution to hold vast quantities of crude oil that also serve as the nation's emergency stockpile reserves.

"We know that a source of pride it is for Texas to be America's standout energy-producing state. That is why at Energy we are committed to, and actively investing in, Texas' oil and gas industry, for we know how much it gives back to our nation," said Secretary Brouillette.

OPEC AND RUSSIA WILL PROCEED IN GRADUALLY ADDING TO GROUP'S OIL OUTPUT

With signs of an improving market as economies around the world continue to reopen after the coronavirus (COVID-19) outbreak, members of the Organization of Petroleum Exporting Countries (OPEC) have jointly agreed with Russia to steadily start raising oil production levels again, beginning in August. As part of the terms of the original arrangement to cut production that was reached in April between OPEC, its allies and Russia, the producers will start relaxing limitations and withhold 7.7 million barrels of oil per day (b/d) of production starting next month. They will maintain lowered production restrictions at that level through the rest of the year. Further tapering to oil cuts will continue between January 2021 and April 2022, with production reductions expected to be lessened to 5.8 million b/d during that timeframe.

"The extra supply resulting from the scheduled easing of [the] production cut will be consumed as demand continues on its recovery path," Prince Abdulaziz bin Salman, Saudi Arabia's oil minister and OPEC chairman, said at the oil cartel's meeting in mid-July.

Alexander Novak, Russia's energy minister, also projected a significant uptick to crude oil demand would take place in the second half of the year, supporting the decision to increase oil production supply in the coming months.

Earlier this year, OPEC and Russia were able to broker a deal that cut production by historic levels, at nearly 10 million b/d, in the months of May, June and July to help oil markets recover from catering oil demands caused by COVID-19 and a price war that broke out in March between Saudi Arabia and Russia.



CHEVRON AGREES TO BUY NOBLE ENERGY IN ONE THE LARGEST DEALS SINCE THE PANDEMIC BEGAN

In late July, Chevron Corporation announced it will acquire Noble Energy for \$5 billion, in one of the largest oil and gas transactions to take place since the outbreak of the coronavirus (COVID-19) pandemic and the crash in oil prices earlier this year. The total value of the deal, including debt held by Noble, is \$13 billion. Under terms of the agreement, Chevron will gain from snapping up valuable assets held by Noble Energy, including its proven but undeveloped reserves. Both Chevron and Noble Energy are members of TIPRO.

"The combination with Chevron is a compelling opportunity to join an admired global, diversified energy leader with a top-tier balance sheet and strong shareholder returns," said David Stover, Noble Energy's chairman and CEO. "Over the last few years, we have made significant progress executing our strategic objectives, including driving capital efficiency gains onshore, advancing our offshore conventional gas developments and significantly reducing our cost structure. As we looked to build on this positive momentum, the Noble Energy Board of Directors and management team conducted a thorough process and concluded that this transaction is the best way to maximize value for all Noble Energy shareholders."

Andrew Dittmar, senior M&A analyst for data analytics firm Enverus, also a member company of TIPRO, said the Noble Energy acquisition "makes perfect sense" for Chevron given how well the two energy businesses complement each other. "Given the natural fit of the assets, Noble has been viewed as likely being on Chevron's radar from the moment Chevron chose to walk away from any bidding contest with Occidental over Anadarko," Dittmar said.



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