



**Texas
Independent
Producers and
Royalty Owners
Association**

GOVERNOR ABBOTT JOINS TIPRO AT ITS 73RD ANNUAL CONVENTION

TIPRO members met in Austin last week as the organization hosted its 73rd Annual Convention. As the 86th Texas legislative session continued its work on state business, TIPRO members gathered just blocks away to hear distinguished speakers of the oil and gas industry and top elected officials. TIPRO was especially honored Governor Greg Abbott was able to address the membership. Abbott

began by noting that Texas would not be Texas without the work that TIPRO does.

“Thanks to the contributions of our independent producers, the Lone Star State remains the national leader in oil and gas production,” said Governor Abbott. “Texas’ oil and gas industry plays a vital role in creating jobs and growing our state’s economy, as well as expanding our nation’s energy independence and international export reach. By continuing to work together, we will ensure that Texas remains the energy and economic engine of America.”

He noted Texas’s role as largest producer in the nation, acknowledging the good the industry has done for job growth, exports and decreasing nitrogen oxide. Abbott remarked that he and Texas lawmakers want to continue to work with us by maintaining a fair and balanced regulatory system and prevent the creation of patchwork regulation. He specifically mentioned his dedication to improving infrastructure and working to reduce steel tariffs. Abbott referenced his letter to the President explaining the challenges the tariffs pose to not only the steel industry, but the crucial pipeline industry, and proposing waivers for steel tariffs to Texas.

The Governor is also focused on improving road funding, working with TXDOT, legislators and the Secretary of Transportation. “I know for example the unique and profound needs for road infrastructure in the Permian Basin...the same thing applies in the Eagleford Shale as well as some other areas,” said Abbott.

Abbott called for the ratification of the United States-Mexico-Canada Alliance (USMCA), urging advocates for the industry to communicate with Congress members and express the urgent need for a vote, as our #1 exporter is Mexico and the 2nd is Canada.

Abbott also brought up two of his biggest goals for this session, which are property tax and school finance reform. Abbott stated that property taxes have risen twice as fast as inflation and population growth and is a problem for all demographics. Abbott wants to pay teachers more and work towards improving educational quality, noting that our current system turns out an inadequately educated workforce. He wants to achieve these goals by reducing the burden of Robin Hood and recapture policies, which means the state will have to increase their funding which makes it possible for local governments to stop raising property taxes.

In closing, Governor Abbott thanked attendees and TIPRO members for transforming the industry and noted the “trademark Texas resilience” the oil and gas sector has exhibited. He remarked that he wants our success, and his actions so far in his career, support that sentiment. TIPRO sincerely appreciates Governor Abbott for speaking with us, for his leadership and for recognizing the importance of the industry.



TIPRO HONORS SENATOR ROBERT NICHOLS

TIPRO Chairman Eugene Garcia presented State Senator Robert Nichols with TIPRO’s Annual Hat’s Off Award at our annual Reception and Chairman’s Dinner for his service to the oil and gas industry. More specifically, Senator Nichols has been a long-time supporter of transportation infrastructure despite the difficulties posed by such a complex issue. Senator Nichols was first elected to the Texas Senate in 2007, where he represents District 3. Previously he served as a Texas Transportation Commissioner for 8 years. He currently serves as chair of the Senate Transportation Committee.

In his acceptance speech, Nichols noted that it is easy to support an industry such as oil and gas, as it creates jobs and wealth for the people of Texas. Nichols shared about his experience working to put money back into our roads, especially in the Permian Basin. Nichols also commended the work TIPRO does and urged its members to know their representatives at all levels and to continue to speak with legislators face to face as this session carries on. Hat’s Off! to Senator Nichols for his service and support of the industry.



PRESIDENT'S MESSAGE

TIPRO Members-

On February 28th, TIPRO members participated in the association's Capitol Call-up to discuss priority issues facing our industry during the 86th Legislative Session. Members from across the state visited with several dozen offices to reinforce the positive economic contributions of the Texas oil and gas industry and the importance of maintaining a favorable business environment by supporting sound, science based policies throughout the legislative process.

Equipped with data from TIPRO's 2019 State of Energy Report, as well as specific oil and natural gas production information for each legislative district, executives emphasized numerous economic contributions provided by industry. Aside from the 352,000 direct jobs in the Texas oil and gas industry, production royalties exceeded \$24 billion last year for over 600,000 Texans. The oil and gas industry paid \$14 billion in state taxes and state royalty payments, and purchased U.S. goods and services valued at over \$200 billion last year, 83% of which were purchased from Texas based businesses. The Texas oil and natural gas industry literally benefited every business sector in our state. It's incumbent upon all of us to remind our friends, family and elected officials of the immense impact and importance of our industry. I encourage you to share our 2018 Texas Oil & Natural Gas Industry Fast Facts on social media and directly with your personal and professional networks.



During the TIPRO Capitol Call-up, members discussed the importance of supporting a well-funded and functioning regulatory system for oil and natural gas in Texas. While no one wants more regulation, Texas' consistent and effective regulatory model is one of the best in the world. TIPRO supports continued funding for the Texas Commission on Environmental Quality and Railroad Commission and will continue to support sound regulations at all levels of government, while strongly opposing onerous policies that could negatively impact our industry and state.

Another item emphasized during our meetings with legislators was the importance of maintaining the Texas Emission Reduction Plan (TERP). TERP is a grant program available in areas of the state that are in nonattainment or near nonattainment of the Federal Clean Air Act (CAA) ambient air quality standards. Grants are provided to eligible individuals, businesses, or government entities to reduce emissions from on-road vehicles, non-road commercial and industrial equipment, marine vessels, locomotives, and stationary engines. TERP is set to expire in September of this year if it is not reauthorized by the legislature. TERP is an effective tool in the effort to reduce nitrogen oxide (NOx) emissions across Texas and we support its reauthorization.

The topic of eminent domain was also discussed, which has been a prevalent issue in the Texas legislature for many years. A number of eminent domain bills have been filed this session, one of which could carry many unintended consequences for our state and industry. As producers and mineral owners we strongly believe in property rights, but we must be mindful of the state's growing need for infrastructure. As we work to maintain strong property rights in Texas, we think it is important that there is a fair and equitable process that does not result in additional delays or increased lawsuits.

TIPRO is currently tracking and/or lobbying nearly 200 pieces of legislation that could directly or indirectly impact our industry and membership. As always, I encourage you sign up for our various committees to stay abreast of issues that could impact your business or livelihood. With your support and involvement, TIPRO will continue to effectively advocate for your interests and the benefit of independent producers and mineral owners.

Ed Longanecker, President

TIPRO Calendar of Events

MARCH 13, 2019

HOUSTON — IPAA/TIPRO

Leaders in Industry

Luncheon, 11:30 a.m.

Houston Petroleum Club.

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

MARCH 27-28, 2019

MIDLAND TX

Roseland Oil & Gas

West Texas 2019 Expo

Horseshoe Pavilion

For info, call: (903) 787-7544.

APRIL 10, 2019

HOUSTON — IPAA/TIPRO

Leaders in Industry

Luncheon, 11:30 a.m.

Houston Petroleum Club.

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

MAY 8, 2019

HOUSTON — IPAA/TIPRO

Leaders in Industry

Luncheon, 11:30 a.m.

Houston Petroleum Club.

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

TIPRO MEMBERS HEAR FROM STATE OFFICIALS AT ANNUAL CONVENTION

Comptroller Glenn Hegar joined the TIPRO members at the Annual convention and shared that while Texas did not grow its GDP in 2016, there was still job growth. At the time, Texas was the 12th largest economy in the world. Today, Texas is the 10th largest economy in the world. Much of that growth is directly attributable to the economic boom of the last 18 months.

Last year alone, Texas gained 391,000 jobs thanks to the oil and gas industry. Hegar also noted that Texas is in the lead on resolving trade imbalance.

Hegar urged everyone to remind legislators of the contributions oil and gas make to the state, especially the support severance tax gives the government.

Hegar concluded by saying that the Big 3 are on the same page, but it is yet to be seen if they will work in harmony. It is great to see that our comptroller supports and understands the importance of our industry.



Speaker of the Texas House Dennis Bonnen opened up the second day of our annual convention with a rousing speech that focused on the positive impact our industry and our association specifically has had on the Texas economy. Bonnen pointed to Texas's movement towards energy independence, noting that energy independence is the greatest security we can provide our country. He noted that he wants to continue to work on improving STEM education as well as technical and vocational training in Texas, as the oil and gas industry has created many lucrative welding and other skilled labor jobs.

Like the governor, Speaker Bonnen brought up school finance and property tax reform as two of his biggest issues for the session. He pointed to water as a forward-looking issue and expressed the need for a long-term outlook. He also mentioned that as Speaker, he intends to amplify priorities rather than create them.

Lastly, he urged TIPRO members to make their faces known in the Capitol. Communicating with legislators is key to creating effective change.

State Representative Chris Paddie, who currently serves as chair of the Energy Resources Committee, also joined the impressive line up of elected officials at the Annual Convention. He shared with TIPRO members his goals for this legislative session and his plan to support the oil and gas industry.

School finance and property tax reform top the list, but he also talked about the importance of increasing transportation infrastructure. This is especially important for the Permian Basin and many TIPRO members.

In addition, Paddie spoke on the importance of innovative solutions to the water supply issue noting that a one size fits all approach would not work for this complex issue.

Paddie is a long time supporter of the industry and TIPRO and we look forward to the work we will see coming out of his committee. On a final note he also expressed his strong support for a well-funded Railroad Commission, a topic we know is important as our industry continues to grow operations.



STEPHEN MOORE, ECONOMIST: CONVENTION COVERAGE

Stephen Moore, celebrated economist and advisor to the 2016 Trump campaign, spoke to convention attendees about his outlook on the oil and gas industry and touched on topics of his new book *Trumponomics*, which details the economic policies of the Trump administration. Moore's talk tied those principles specifically into the oil and gas industry.

Moore highlighted the shale revolution's role in pulling America out of recession and into prosperity. He also touched on Trump's trade policies and how they have worked in favor of the industry.

Moore also noted that oil and gas carry the economy on its back and is responsible for the boom in manufacturing jobs.

Lastly, Moore brought up the positive impact natural gas has had on reducing the nation's carbon footprint.

Overall, Moore recognizes the importance of our industry and he ended his talk with a positive outlook, commenting "I don't see a recession as far as I can see."

SPECIAL THANKS TO ALL SPONSORS OF TIPRO'S 73RD ANNUAL CONVENTION:

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SB 421 PUBLIC HEARING ON EMINENT DOMAIN

The 86th Texas Legislative Session has again brought about legislation concerning eminent domain rights. A public hearing on Senate Bill 421, an act relating to the acquisition of real property by an entity with eminent domain authority, was held at the Capitol on Mar. 4th.

The eminent domain bill aims to increase landowner rights, but contains a number of issues that would impede business operations, incentivize litigation and ultimately negatively affect the oil and gas industry, mineral owners and economy. The Coalition for Critical Infrastructure (CCI) is a body of diverse public and private entities that opposes SB 421 and aims “to establish a process that compensates property owners fairly and fully for the value of their property without raising legal or litigation costs, which ultimately must be borne by consumers and taxpayers”.

Members of the CCI, including TIPRO, convened at the Capitol on Monday to attend the public hearing. TIPRO’s President, Ed Longanecker, along with 22 additional witnesses representing oil and natural gas Texas trade associations, manufacturing, chemical, royalty owners, electric utilities, and chambers of commerce testified in opposition to the bill.

“Senate Bill 421, as drafted, would negatively impact employment growth, oil and natural gas production, and severance tax revenue to the state. TIPRO remains committed to working with all stakeholders on this issue, but we must maintain a system that recognizes the dominance of the mineral estate in Texas, the importance of critical infrastructure, existing laws and regulations, and the protection of private property rights, both surface and subsurface,” said Ed Longanecker, President, TIPRO, during his public testimony. As negotiations continue, TIPRO will monitor the progress of SB 421 and strongly advocate for the best interests of our industry and membership.



U.S. HOUSE OF REPRESENTATIVES PASSES PUBLIC LANDS BILL

On Feb. 26th, the House of Representatives passed a public lands bill, S. 47, that permanently reauthorizes the Land and Water Conservation Fund (LWCF). The vote came to pass at 363-62. The bill “sets forth provisions regarding various programs, projects, activities, and studies for the management and conservation of natural resources on federal lands.” It was approved by the Senate earlier this month and it is expected that President Trump will sign it into law.

The bill has received tremendous bipartisan support. In response to the latest vote, the LWCF released a press statement noting that “This is an historic victory for America’s natural and cultural treasures, for water and wildlife, for hunters and anglers, for national, state, and city parks advocates, for our nation’s powerhouse recreation economy, and for the millions of people in every state in the country who rely on LWCF for access to our public lands.”

The LWCF is funded by a portion of revenues from offshore oil and gas royalty payments. According to the LWCF, outdoor recreation, conservation and historic preservation activities (all of which fall under the purview of the LWCF) contribute more than \$887 billion annually to the U.S. economy and support 7.6 million jobs. This is just another of the many ways the oil and gas industry improves the welfare of US citizens.



SENATE REPUBLICANS TO SPEED UP LNG TERMINAL APPROVAL

Senators Lisa Murkowski (R-Alaska), Bill Cassidy (R-Louis.), and Cory Gardner (R-Colo.) introduced legislation to speed up the Federal Energy Regulatory Commission (FERC) process of approving LNG terminal projects. The Timely Review of Infrastructure Act (S. 607), A bill to amend the Department of Energy Organization Act to address insufficient compensation of employees and other personnel of the Federal Energy Regulatory Commission, and for other purposes, will help push applications through the system on a more reasonable time table.

“FERC’s backlog of applications for these infrastructure projects is standing in the way of good-paying jobs for Louisiana families,” said Sen. Bill Cassidy (R-LA), chairman of the Senate Committee on Energy and Natural Resources Subcommittee on Energy. The main issue is the process by which FERC can hire experts to review construction applications, but S. 607 will improve FERC’s ability to hire qualified specialists.

Similar legislation was filed in the House by U.S. Reps. Pete Olson (R-TX) and Mike Doyle (D-PA). The LNG industry has been growing in Texas for some time. A flurry of activity has been seen recently and hopefully, this new law will lead to even more development. Already, Freeport LNG and Cheniere Energy have made strides to lead Texas in LNG terminals. This new bill will only speed up progress for other players.

HAYS COUNTY CONTINUES PIPELINE PUSHBACK

Kinder Morgan has faced pushback against its proposed route for the Permian Highway Pipeline since it was introduced, it seems. Private property owners have been vocal since the beginning, and now we are seeing some local governments standing against the project, which would provide critical infrastructure for the ever expanding need to move oil from the Permian Basin to the Gulf Coast for export.

On Tuesday, Feb. 26th, the Hays County Commissioners and County Judge passed a resolution standing against Kinder Morgan's Permian Highway Pipeline. Commissioner Lon Shell stated that the resolution was not meant as an attack on Texas oil and gas, instead pointing to the county's environmental sensitivity. This is likely referencing the Edwards and Trinity Aquifers, which would not be affected by the pipeline, unless in the unlikely case of an unprecedented disaster. "Another one of my concerns is private property rights. We take eminent domain extremely seriously," Commissioner Shell said. On Wednesday, March 6, the San Marcos City Council unanimously approved a resolution opposing the Kinder Morgan Permian Highway Pipeline's proposed route through the Hill Country.

Eminent domain continues to be a big issue for landowners and the oil and gas industry alike. Texas SB 421, an act relating to the acquisition of real property by an entity with eminent domain authority, was filed on Jan. 23rd. While well intentioned, the legislation as drafted would result in many unintended consequences for the oil and gas industry, mineral owners and the state economy.

TIPRO continues to monitor its progress and fight for sensible policy regarding eminent domain.



ANDREW WHEELER NAMED NEW EPA ADMINISTRATOR

On Thursday, Feb. 28th, the Senate confirmed Andrew Wheeler as the new EPA Administrator in a 52-47 vote. Wheeler, a former coal lobbyist, drew most of his criticism from Democrats but has been thoroughly embraced by the Republican Party. Before this confirmation, Wheeler served as acting EPA administrator since July 2018. Before that, he was nominated to the EPA second-in-command position in April 2018.

Wheeler has taken a level-headed approach to climate change and his past as a coal lobbyist illustrates his willingness to listen to the energy sector as well as the ever-changing science around climate change.

Wheeler's official appointment indicates that the EPA will continue to work to remove regulatory barriers blocking the growth of the industry.



GREG LEVEILLE, CONOCOPHILLIPS PRESENTS AT TIPRO CONVENTION

Greg Leveille, Chief Technology Officer of ConocoPhillips shared with TIPRO members at the Annual Convention about the rejuvenation of the American oil and gas industry. He pointed to the large role the unconventional shale revolution has had and of course, noted that Texas is the main driver. Leveille noted that if Texas were a nation, it would be the world's 4th largest hydrocarbon producer and our current rate of growth indicates the possibility of surpassing even Saudi Arabia.

He talked about new technologies and the utilization of data analytics as drivers of growth that will aid in industry growth. For more specific information, Leveille has made his presentation, "Rejuvenation of America's Oil and Gas Industry", available on TIPRO's website here: <http://tipro.org/meetingevents/annual-convention>

Leveille also touched on ways ConocoPhillips is giving back. The company is making an effort to engage with community members, improve road safety (they have eliminated 650,000 truck trips), and working on managing water by using nonagricultural and non-municipal sources for hydraulic fracturing. They are also focusing on recycling water in the Permian Basin where water scarcity is an issue the industry is currently fighting.

He also noted that legislators need to focus on fit for purpose regulation, meaning legislation that makes sense and is easy to comply with.



TIPRO REGULATORY UPDATES

TCEQ

The Texas Senate unanimously confirmed the appointment of **Emily Lindley** to serve as a **commissioner** of the Texas Commission on Environmental Quality. Lindley has been serving in that capacity since her appointment by Governor Greg Abbott on Aug. 20, 2018. Lindley most recently served as the chief of staff for the Environmental Protection Agency, Region Six office in Dallas. As chief of staff she served as an advisor to Regional Administrator Anne Isdal, who oversees Arkansas, Louisiana, New Mexico, Oklahoma, Texas, and 66 tribal nations.

THE RAILROAD COMMISSION

On March 26, the Railroad Commission adopted **amendments to §§3.37 and 3.38** regarding the time period for notice by publication. The adopted amendments will be published in the Friday, March 15, 2019, issue of the Texas Register, with an effective date of Monday, March 18, 2019. See here for the PDF version of the adopted amendments: <https://www.rrc.state.tx.us/media/50555/adopt-3-37-3-38-notice-by-publ-feb2019-sig.pdf>



Jeff Duebner is the new assistant director for the **Midland Oil & Gas District Office**. Duebner began his career with the Commission in 2012 as a field inspector and served as technical staff in the Abilene District. Duebner earned a Bachelor of Science in Biology from McMurray University and a master's degree in Environmental Management from Hardin Simmons University.

The Railroad Commission's Public GIS Viewer now has a **Radius Tool in the Public GIS Viewer** that displays well data about multiple wells in a user-specified radius. The surface and downhole data on multiple wells can now be easily downloaded into a manipulatable file, i.e. Excel. To assist users, Radius Tool and Download Wells instructions are on pages 18-21 of the Public GIS Viewer User Guide, found at <https://rrc.texas.gov/media/50237/gis-user-guide.pdf>.

On January 23, Railroad Commission launched the new, online, searchable database of oil and gas inspection and violation data, called **Online Inspection Lookup (RRC OIL)**. RRC OIL users can search inspection or violation information by a variety of criteria, including: operator name; lease name or number; API number; county; RRC District Oil and Gas District number; inspection date range, and rule. The data pulls from the RRC's Inspection, Compliance and Enforcement Tracking System, which was implemented in August 2015.

The Railroad Commission is encouraging oil and gas operators to file the Form W-3A, **Notice of Intention to Plug and Abandon**, online using the RRC Online System at <http://webapps.rrc.state.tx.us/dwl/>. To view the W-3A: Notice of Intention to Plug and Abandon Online User Guide, visit the RRC website.

The Railroad Commission, Public Utility Commission and the Electric Reliability Council of Texas (ERCOT) are taking steps to make sure the state's electric and natural gas industries work together to meet demand for electricity. As part of this preparation, ERCOT's **Gas-Electric Working Group** discussed guidelines at its February 15, 2019 meeting to ensure necessary coordination of natural gas availability and delivery to electric generation facilities to prevent disruptions. To ensure the highest level of coordination, electric utilities (transmission and/or distribution service providers, or TDSPs) are getting information on key electricity-consuming pipeline facilities that provide natural gas to generation facilities. The TDSPs can take steps to keep electricity flowing to those facilities. The working group will provide an ongoing forum for the natural gas and electric industries to coordinate. This LISTSERV server is located at LISTS.ERCOT.COM.

EIA REPORT SHOWS US IS NET EXPORTER OF CRUDE

A new report released by the EIA shows that for the week ending on Feb. 22nd, the US imported less crude than it exported. Crude imports dropped to 5.92 million barrels a day, crushing the record set in 1996.

This is likely due in part to PDVSA sanctions as well as Saudi Arabian cutbacks, however, crude production has been on the rise, and the shale revolution has played a major role in this turnaround. Of course, Texas plays a large part in unconventional oil and gas production. We hope to see a continuation of this trend in the rest of 2019 as the US continues to move towards energy independence, with Texas leading the way.



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With nearly 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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