



**Texas
Independent
Producers and
Royalty Owners
Association**

TIPRO REFLECTS ON SUCCESSFUL LEGISLATIVE SESSION

The Texas Independent Producers & Royalty Owners Association (TIPRO) marked the end of Texas' 86th Regular Legislative Session Monday, May 27th as lawmakers concluded their work in Austin for this year's legislative cycle. "During the 140 days of the legislative session, we were pleased to continue to fulfill our mission in pushing for the passage of meaningful legislation that supports the state's oil and gas industry, the most important sector to the Texas economy," said Ed Longanecker, president of TIPRO. "Transportation initiatives, reinstatement of the state's inactive well severance tax program and prevention of royalty owner scams were among top priorities for our association this session, each of which garnered the support of the Texas Legislature this year."

Priority bills for the association and industry during the 86th session included:

- *Senate Bill 533/House Bill 1558: Inactive well legislation*

Legislation sponsored by Senator Brian Birdwell and Representative Chris Paddie will help operators bring inactive wells back online by providing a severance tax exemption for oil and gas produced from certain inactive wells. Texas is home to approximately 129,000 inactive wells. Many of these wells remain inactive due to their uneconomic viability. During public testimony provided by the association this session and through TIPRO's numerous meetings with legislators on this issue, TIPRO's policy team emphasized that this program would offer much needed support for Texas operators, as well as extend sizeable economic benefits through increased oil and gas employment, production and royalty income, and ultimately higher severance tax revenue for the state once the exemption expires.

- *House Bill 3838: Prevention of royalty lease scams*

Representative Ernest Bailes' House Bill 3838, a piece of legislation referred to the "Royalty Scam Bill," was championed this legislative session by the National Association of Royalty Owners (NARO) and TIPRO. This bill puts a stop to a practice where a buyer solicits royalty and mineral owners with existing production to "top lease" their minerals in return for a cash payment. The document, however, is not a legitimate top lease. Instead, the owner is usually selling 75 percent of their royalties for as long as the "royalty lease" is in effect, which usually means for as long as the underlying lease is in effect. House Bill 3838 mandates disclosure in certain offers to purchase a mineral or royalty interest to help prevent such scams against Texas royalty owners.

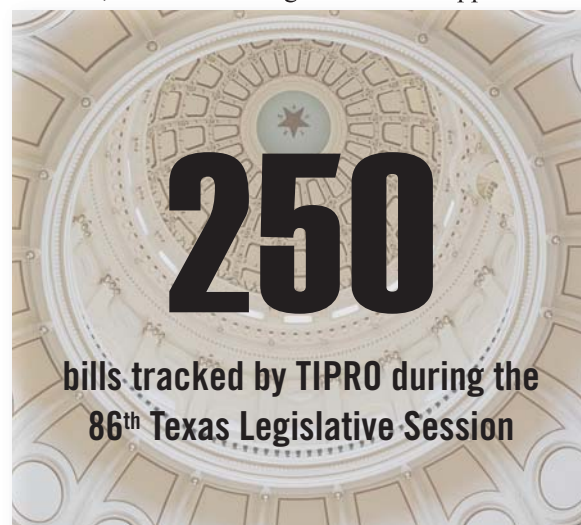
- *House Bill 3246: Recycling oil and gas waste*

House Bill 3246, authored by state Representative Drew Darby, clarifies the ownership of fluid oil and gas waste for the purpose of recycling this waste to beneficial use and reducing the amount of fresh water used by the oil and gas industry for water conservation. Under House Bill 3246, waste becomes the property of the operator who takes possession of the waste for the purpose of sending it to a recycler or recycling it himself.

- *House Bill 2154/House Joint Resolution 82: The Generate Recurring Oil Wealth for Texas Fund - "GROW" - initiative*

TIPRO was supportive of efforts this session to establish a fund to direct revenue paid by oil and gas producers through severance taxes for specific re-investment to communities located in the Texas oil patch. House Bill 2154, and the accompanying House Joint Resolution 82, would have created the Generate Recurring Oil Wealth for Texas Fund—the "GROW Texas Fund"—that would have allocated state funds to Texas communities to make drastically needed improvements to road infrastructure, boost public safety, enhance educational opportunities, as well as reduce bottlenecks at Texas ports. While the proposed policy did not pass out of the legislature this year, in the interim session, lawmakers are likely to continue evaluating the initiative for action in the 87th Legislative Session.

During the 2019 session, TIPRO also focused on eminent domain reform, adequate funding of the Texas Railroad Commission, critical infrastructure development and other matters relevant to the Texas E&P sector. Overall, TIPRO had many legislative victories this year that will support continued growth for the state's oil and natural gas industry as well as the state economy. In the coming days, watch for the release of the association's *End-of-Session Legislative Report*, summarizing TIPRO's advocacy work during the 86th Legislative Session.



CHAIRMAN'S MESSAGE

TIPRO Members,

On Friday, May 17, President Donald Trump announced his decision to lift steel import tariffs on Canada and Mexico under Section 232. Since the tariffs were first proposed by President Trump last year, TIPRO has consistently vocalized its opposition, warning of the negative implications posed to the energy industry. As the most visible and vocal state oil and gas trade association in the country on this issue, TIPRO worked directly with federal and state leaders, including Governor Greg Abbott, calling for an end to this punitive tax on the American energy sector.

Since the tariffs were issued last year, operators in Texas -- the top producing state of oil and natural gas in the country -- experienced an increase in the cost for material used in exploration and production activities. The oil and gas industry relies on Mexico and Canada to supply steel products that many mills in the United States either simply don't manufacture because the market is too small or can't supply at a scale that meets today's demand. One of many examples that illustrates the repercussions of this energy tax was outlined in a letter from a mid-sized TIPRO operator that was forced to absorb a \$15 million increase in material cost due to steel import tariffs. While large and many mid-sized operators can often adjust to changing market conditions, smaller operators often don't have that same luxury.

The industry is also relieved that the Trump Administration did not elect to replace the steel tariffs with harmful quotas. While the tax on imported steel caused unnecessary financial strain on domestic oil and gas producers, replacing tariffs with import quotas would have been far more damaging, as projects increasingly face the risk of grinding to a halt while steel imports sit in warehouses waiting for the quota to open. Under any scenario, quotas would have resulted in a reduction in workforce, threatening historic statewide unemployment lows fueled by the Texas oil and gas industry. Slowing down drilling while companies wait on steel product availability would ultimately decrease overall production as well as stifle severance tax revenues that benefit the public.

We are thankful that President Trump put an end to this onerous policy and for his support of the U.S. oil and natural gas industry. We also appreciate the leadership exhibited by Governor Abbott and other state leaders on this and so many other issues facing the oil and gas sector.

Finally, I'm proud and thankful for TIPRO's ability to respond to challenges that face our industry at all levels of government. Our committed and talented staff, and engaged members, continue to effectively advocate for the association and Texas oil and natural gas industry. As Governor Abbott said at a recent TIPRO conference, "I'll be honest with you, Texas would not be Texas without what TIPRO is doing," promising his help in providing the industry necessary infrastructure and battling what he called a "patchwork quilt" of local regulation.

Together, our state leaders, association, producers and royalty owners will continue to protect and promote the great state of Texas and countless contributions from the oil and natural gas sector.

Thank you,

Eugene Garcia



Eugene Garcia

NEW STUDY SHOWCASES ECONOMIC IMPACT FROM AMERICA'S INDEPENDENT PRODUCERS

Independent oil and gas producers today provide 83 percent of America's oil production and as much as 90 percent of its natural gas and natural gas liquids (NGL) output, highlights a new study from business analytics firm IHS Markit. The analysis, commissioned by the Independent Petroleum Association of America (IPAA), shares insights on energy development trends in the United States and focuses on the economic contributions provided by independent operators. The study also offers state-level analysis, including production, well count and operating expenses by state.

According to the report, independent producers influenced almost \$1.2 trillion of sales activity in 2018 and contributed up to \$573 billion or 2.8 percent of U.S. GDP last year. Analysts estimate this will grow to \$823 billion, or 3.0 percent of U.S. GDP, by 2025. Independents also supported nearly 4.5 million jobs and helped generate \$101 billion in federal, state and local taxes in 2018, the study finds. "An important conclusion of this study is the very high participation rates of small, mid-sized and large independent companies in unconventional tight oil, shale natural gas and tight natural gas plays. These companies have pioneered the technologies and innovations that have made unconventional plays the backbone of current and future growth in oil and natural gas production and investment. Had this pioneering not occurred, we would never have seen the dramatic increases in oil, natural gas and NGL production and in oil and natural gas drilling."

To download the full report, visit http://bit.ly/Independent_Producers_Study.

TIPRO Calendar of Events

JUNE 12, 2019 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.	JULY 10, 2019 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.	AUGUST 7-9, 2019 SAN ANTONIO — TIPRO's 2019 Summer Conference, Hyatt Hill Country Resort. For info, call: (512) 477-4452.	AUGUST 14, 2019 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.
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TEXAS SECRETARY OF STATE DAVID WHITLEY RESIGNS AS LEGISLATURE GAVELS OUT OF SESSION

David Whitley, Texas' acting secretary of state, delivered his letter of resignation, effective immediately, to Governor Greg Abbott Monday, the final day of the legislative session in Texas, bringing an end to his brief term in the post. The former deputy chief of staff to the governor, Whitley had been appointed to the role last December after the previous secretary of state, Rolando Pablos, vacated his seat; since that time though, Whitley was waiting on the Texas Senate to confirm his appointment as Texas' 112th Secretary of State. However, he faced backlash over his office's handling of an investigation on legitimate Texas voters, when the citizenship of nearly 100,000 Texas voters was questioned earlier this year. In a true partisan divide, support for Whitley was anticipated from all 19 Republican senators, while all 12 Democrats in the Texas Senate held firm in their opposition to Whitley's nomination, prompting him to fall short of the required 21 favorable votes necessary to confirm his position as Texas' chief elections officer and main liaison on state and international affairs. "Working alongside the employees in the secretary of state's office, county election officials, and representatives of our #1 trading partner, Mexico, has been my distinct honor and privilege," Whitley wrote in his resignation letter to Governor Abbott.

After accepting Whitley's resignation, it will now be incumbent of the governor to designate a new candidate as Texas' secretary of state. Abbott's next appointment will likely be able to serve in the interim role until the legislature reconvenes for its next session in 2021.

TCEQ TO CONDUCT AERIAL INFRARED SURVEYS IN SOUTH TEXAS

Through June 7, 2019, the Texas Commission on Environmental Quality (TCEQ) is completing another round of aerial surveys in the Eagle Ford Shale, this time focused on Atascosa, Karnes and Wilson Counties, to detect emissions otherwise invisible to the eye. The helicopter will perform surveys using a specialized infrared camera over and around oil, natural gas and other industrial type facilities to image emissions of volatile organic compounds (VOC) and other hydrocarbons, according to the TCEQ. During these surveys, business owners should be advised that the helicopter may hover and fly a path over and around a facility or area multiple times in a manner that allows for the collection of images and other information on potential emission sources. Surveys in Atascosa, Karnes and Wilson counties began May 20th and will end after the first week in June. Note the helicopter that is being used for these surveys is white with yellow and black stripes with Tail Number N300AR.

TxDOT CHAIR REVIEWS ENERGY SECTOR TRANSPORTATION NEEDS DURING TOUR OF PERMIAN BASIN

Texas Department of Transportation (TxDOT) Chairman Bruce Bugg completed a two-day visit to the Permian Basin last week to assess transportation concerns firsthand, including those causing a direct impact to the state's energy sector which is heavily active in the region. Chairman Bugg's trip to West Texas was hosted by the Permian Strategic Partnership, a coalition of 20 energy companies that operate in the Permian Basin, many of which are also involved members of the Texas Independent Producers & Royalty Owners Association (TIPRO). While in West Texas, the chairman of the state's primary transportation regulatory agency met with stakeholders including industry leaders and local officials to gain a better understanding of how regional growth has presented strains to road infrastructure, which is effecting residents in nearby communities as well as presenting challenges for housing, education and health care in the area. He also stopped by the TxDOT Odessa District office to speak with staff on current road projects underway, including proposals to transform Interstate 20 which runs through Midland and Odessa. Bugg also participated in a tour of a drilling rig and production facilities hosted by Diamondback Energy, a partner of PSP and member of TIPRO, as part of the broader discussions over Permian Basin transportation issues.

Chairman Bugg expressed his intent to push for more state and federal resources to help address regional transportation issues, though urged those who live and work in the Permian to share insights on solutions to improve transportation troubles. "Help arm us with information so I can be better advocate for region, not only to the state of Texas but at the federal level," Bugg said. "(There's) more work ahead, but I do want to be your advocate. I will be your advocate."

TEXAS GOVERNOR DISCUSSES OIL & GAS WITH INDIAN AMBASSADOR TO THE UNITED STATES

During a trip to Austin on May 20, 2019, Indian Ambassador to the United States Harsh Shringla met with Texas Governor Greg Abbott at the Texas state capitol to discuss opportunities to expand economic partnerships between Texas and India. During the meeting, the governor and ambassador reviewed the importance of the oil and gas, healthcare, manufacturing, and IT sectors, as well as the need for skills-based training opportunities for Texas community colleges in India.

The May visit from Ambassador Shringla follows a nine-day business development mission completed by Governor Abbott to India last March, where Texas' top official met with the Prime Minister of India Narendra Modi. Governor Abbott also met with India's Ministers of Petroleum and Natural Gas, Commerce and Industry and Civil Aviation, where he talked about the important trade relationship between Texas and India, including partnerships between the two governments on energy development.

INTERIOR DEPARTMENT NAMES NEW INTERIM DIRECTOR FOR BLM

Effective immediately, Casey Hammond will serve as the acting head of the U.S. Department of Interior's Bureau of Land Management (BLM), taking control of the bureau through at least July 31, 2019, according to an order issued May 11th by Interior Secretary David Bernhardt. Hammond has been the principal deputy assistant secretary for Land and Minerals Management at the BLM. He replaces Brian Steed as acting director of the bureau after Steed recently departed the BLM for a role managing Utah's Department of Natural Resources.

EPA ADMINISTRATOR CALLS FOR REFORM OF AGENCY'S COST-BENEFIT REGULATORY ANALYSIS

Andrew Wheeler, head of the U.S. Environmental Protection Agency (EPA), issued an internal memorandum in May directing assistant administrators at the agency to take action to reconsider how the EPA factors cost-benefit considerations into its rulemaking decisions. "Many EPA statutes contemplate the consideration of benefits and costs as part of regulatory decision-making. However, benefits and costs have historically been treated differently depending on the media office and the underlying authority. This has resulted in various concepts of benefits, costs and other factors that may be considered. This memorandum will initiate an effort to rectify these inconsistencies through statute-specific actions," read Administrator Wheeler's memo dated May 13, 2019.

As part of Wheeler's directive on cost-benefit analysis, the EPA administrator identified four specific principles to be used to guide the EPA's regulatory proposals, which include:

- Ensuring the agency balances benefits and costs in regulatory decision-making. The EPA should evaluate and consider both benefits and costs in decision-making.
- Increasing consistency in the interpretation of statutory terminology. The EPA media offices should evaluate benefits and costs in a manner that applies consistent interpretations of key terms and concepts for specific statutes (e.g. "practical," "appropriate," "reasonable" and "feasible").
- Providing transparency in the weight assigned to various factors in regulatory decisions. Media offices should transparently identify which factors were and were not considered in regulatory analysis and how these factors were weighed to arrive at a particular regulatory outcome.
- Promoting adherence to best practices in conducting the technical analysis used to inform decisions. The EPA's technical analyses should follow sound economic and scientific principles and adhere to existing guidance and best practices for benefit-cost analysis, including the EPA's Guidelines for Preparing Economic Analyses and other peer-reviewed standards of practice that are applicable to rulemaking.

EPA LAUNCHES NEW NOTIFICATION SYSTEM TO UPDATE PUBLIC ON LAWSUIT ACTIVITY

The U.S. Environmental Protection Agency (EPA) announced on Wednesday, May 22nd the launch of a new online notification system administered by the agency's Office of General Counsel (OGC) that will provide the public with updates on EPA litigation activity. In a move to promote transparency of EPA's legal settlements, stakeholders can now subscribe for free to the EPA's internet-based notification system, which will inform members of the public on legal agreements or consent decrees entered by the regulatory body.

"This tool is another step OGC is taking to improve awareness of key EPA litigation," said General Counsel Matthew Z. Leopold. "With just a few clicks, anyone can now sign up to receive notices of EPA litigation that could affect them."

To sign-up to receive EPA lawsuit notification, visit <https://www.epa.gov/ogc/email-subscriptions-new-litigation-notifications>.

FEDERAL JUDGE RULES EPA'S WOTUS REGULATION VIOLATED ADMINISTRATIVE PROCEDURE ACT

In a court order issued May 28, 2019, United States District Judge George Hanks Jr. handed Texas along with the states of Louisiana and Mississippi a victory by granting a motion from the states relating to the controversial 'Waters of the United States' (WOTUS) regulation promulgated in 2015 by the U.S. Environmental Protection Agency (EPA) and U.S. Army Corps of Engineers.

In an effort to update the government's definition of water establishing the regulatory jurisdiction of the United States, the EPA and Army Corps jointly issued a rule four years ago broadening the reach of the Clean Water Act, a move which many argued unlawfully expanded federal regulatory control over even the smallest bodies of water. Since then, the rule has been caught up in a plethora of legal proceedings, most recently being a multi-state effort led by Texas to rescind the 2015 WOTUS regulation.

Having found that the final rule was in violation of the Administrative Procedures Act (APA), earlier this week, Judge Hanks ordered the regulation be sent back to the appropriate federal agencies for reconsideration. While the states' original legal motion had requested the WOTUS rule be vacated in its entirety by the courts, the judge found that the more appropriate solution would be to remand the policy back to the agencies, given that the federal government already is actively working on a replacement of the 2015 WOTUS definition. "Indeed, the court notes that the agencies have already begun reviewing whether changes should be made to the final rule. Therefore, the court finds that remand is the best remedy here as it will facilitate the agencies' active attempts to improve on their work of protecting the environment and bringing predictability and clarity to the definition of the phrase WOTUS," reads the court order. On February 14, 2019, the EPA and Army published a proposed rule in the Federal Register providing a revised definition of "waters of the United States" that clarifies federal authority under the Clean Water Act while respecting the role of states and tribes in managing their own land and water resources.

"This critical federal court decision is a major victory for the people of Texas' ability to regulate their own natural resources, including ponds, puddles and streams on private property, and a major win for property owners, whose land would have been subject to unlawful and impractical EPA regulations," commented Texas Attorney General Ken Paxton on Tuesday's ruling. "I'm proud to have led a multi-state coalition lawsuit challenging WOTUS. My office will always stand up for the rule of law and states' rights."

As part of this week's ruling, the court also extended an injunction issued September 12, 2018, preventing enforcement of the 2015 WOTUS rule in the states of Texas, Louisiana and Mississippi. The injunction is to remain in place pending the proceedings on remand.

View a copy of the U.S. District Court's decision by visiting the link that follows: <https://bit.ly/2KgiRWj>.

In August, TIPRO will return to the Hyatt Hill Country Resort in San Antonio for the association's annual summer meeting. Sign up today to support TIPRO's 2019 Summer Conference!



Mark your calendar for TIPRO's summer meeting, which will be held this year on August 7-8! This event brings together independent producers, royalty owners, industry leaders, government officials and other oil and gas professionals, providing a platform to discuss current and future opportunities and challenges facing the Texas E&P sector. TIPRO's conference also provides several networking opportunities to engage other members of the association and form new business connections.

At this year's conference, learn about the outcome of the 86th Legislative Session and what new policies passed in 2019 by the state legislature could impact your business. During TIPRO's meeting, also listen to experts review regulatory concerns for the Texas oil & natural gas sector, and hear how advancements continue to open new doors for producers in the Lone Star State.

Nestled on 300 acres of the Rogers-Wiseman family ranch, TIPRO looks forward to again hosting its summer conference at the Hyatt Hill Country Resort. Please call (210) 647-1234 to book your hotel accommodations today for TIPRO's 2019 Summer Meeting. TIPRO's discounted hotel rate of \$203 will end on July 17, 2019.





TIPRO Summer Conference Sponsorship Opportunities

GOLD | \$6,000

- ▶ 4 complimentary meeting registrations
- ▶ Special recognition at the Chairman's Dinner
- ▶ Logo will be prominently displayed on event signage

SILVER | \$3,500

- ▶ 2 complimentary meeting registrations
- ▶ Special recognition at the Keynote Luncheon
- ▶ Logo will be prominently displayed on event signage

BRONZE | \$2,000

- ▶ 1 complimentary meeting registration
- ▶ Acknowledgement during the TIPRO conference
- ▶ Logo will be featured on event signage

GIVE-AWAY ITEM SPONSORSHIPS:

Each sponsorship below includes 1 complimentary meeting registration badge and company logo printed on item that will be distributed to attendees at the TIPRO conference.

TOTE BAG SPONSOR | \$2,500

LANYARD SPONSOR | \$2,500

TUMBLER WATER BOTTLE SPONSOR | \$2,500

OTHER SPONSORSHIP OPPORTUNITIES:

HOSPITALITY SUITE SPONSOR | \$2,500

Receive 1 complimentary meeting registration and exclusive recognition in the hospitality suite.

AMENITY SPONSOR | \$2,500

Receive 1 complimentary meeting registration and company logo printed on notecard placed along with amenity in guest's hotel room.

CASINO NIGHT GIFT BASKET SPONSOR | \$1,000

Sponsors are asked to provide at least one item with your company logo to be included in a special giveaway basket during TIPRO's Casino Night. All other prize items will be provided by TIPRO.



**To sign up to sponsor TIPRO's 2019 Summer Conference,
please fill out and return the form on the following page.**

**Questions? Please contact Joanne Reynolds
at (512) 477-4452 or email joanne@tipro.org.**

Sponsor Registration Form

SPONSORSHIP LEVELS

PLEASE CHECK DESIRED SPONSORSHIP CHOICE

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

ADDITIONAL SPONSORSHIPS

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- ☐ HOSPITALITY SUITE SPONSOR | \$2,500
☐ AMENITY SPONSOR | \$2,500
☐ TUMBLER WATER BOTTLE SPONSOR | \$2,500
☐ TOTE BAG SPONSOR | \$2,500
☐ LANYARD SPONSOR | \$2,500
☐ CASINO NIGHT GIFT BASKET SPONSOR | \$1,000

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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.

STAY CONNECTED WITH DECISION-MAKERS THROUGH TIPRO.

Reach 3,000 independent producers throughout the state through
TIPRO's *Upstream Texas* and *Membership Directory*.



FOR INFORMATION, CONTACT:

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(352) 333-3397 | tjones@naylor.com



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ASSOCIATION SOLUTIONS

THE TIPRO TARGET



**Texas Independent
Producers &
Royalty Owners
Association**

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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