



**Texas
Independent
Producers and
Royalty Owners
Association**

SIGNALS POINT TO GRADUAL REBOUND FOR THE OIL AND GAS INDUSTRY

Though nations around the world continue to face economic uncertainty following this year's coronavirus (COVID-19) pandemic, the oil and gas industry remains hopeful that a recovery will happen soon. By all accounts, demand for petroleum, natural gas and other fuels appears to already be bouncing

back, as energy consumption grows globally and the market starts to rebalance.

New data from the U.S. Energy Information Administration (EIA) released on Monday, August 31st shows domestic oil output has finally turned a corner, experiencing modest growth this summer after the sharp plummet in drilling activities and energy development earlier in the year due to the COVID-19 outbreak, an unprecedented collapse in commodity prices, and global oversupply in energy markets. In June, the United States produced more than 10.436 million barrels of oil per day (bpd), a 4.2 percent increase from May production levels, according to the EIA. Monthly gross natural gas production also went up in the United States in June, noted the EIA.

More recently, the price of oil has generally held steady at close to \$45 a barrel, which is up from July's average daily Brent crude price of \$43 per barrel. Natural gas prices meanwhile are hovering at \$2.50 per Million British thermal units (MMBtu) for benchmark Henry Hub, the highest level seen so far this year. The rise in oil and gas prices will help to support elevated domestic energy activity.

Otherwise, the total number of rigs actively deployed in oil and gas basins also seems to be stabilizing, including those operating in Texas. Baker Hughes' rig count recorded gains in August for the first time since the downturn, hinting at growth from energy companies that are eager to restart operations. Assuming no other major economic devastation or market disruption occurs, analysts project that drilling activity in Texas and across the United States should continue to pick up in the final months of the year.



LOOKING AHEAD TO TIPRO'S FALL POLICY EVENTS

This Fall, the Texas Independent Producers & Royalty Owners Association looks forward to bringing together TIPRO members to review important policy proposals of significance to the Texas oil and gas industry. Leading up to the state's 2021 Legislative Session, TIPRO will host several member-exclusive forums and discussions involving elected officials, providing a platform for members to assess energy policy measures in the works and strategize on key priorities.

On September 23-24, TIPRO will virtually host its 2020 Summer Conference, offering legislative updates as well as political outlooks for the upcoming General Election happening this November. Texas Congressman Michael Burgess (R-Lewisville) will highlight efforts underway to empower America to maintain its energy dominance. Congressman Burgess, who is running to become the GOP's top leader of the House Energy and Commerce Committee next term, will share with TIPRO how the nation's legislative branch is looking to help oil and gas producers overcome economic challenges presented from this year's downturn and COVID-19 outbreak, and also review other energy legislation that Congress is working on. State Representative Chris Paddie (R-Marshall), chairman of the House Energy Resources Committee, will also join TIPRO during the organization's upcoming virtual summer meeting to highlight expectations for the state's 2021 legislative session. Representative Paddie has served in the state legislative for the past four terms, and will give TIPRO insights over interim work underway as the Energy Committee prepares for next year's session. U.S. Senator Ted Cruz (R-Texas) will also provide a special welcome message opening the TIPRO conference.

TIPRO encourages members to check out the full conference agenda, which will also include presentations from other distinguished experts and industry leaders. See the speaker line-up and register to participate through the TIPRO website at www.tipro.org. Please note that after signing up for the event, all registrants will receive login information and detailed instructions on how to access live presentations through TIPRO's virtual platform a week prior to the event. If you have any questions, please email info@tipro.org or call (512) 477-4452.

In addition to TIPRO's summer conference, the organization will also be hosting several policy forums over the coming months that will involve state leaders. Virtual TIPRO roundtables with Texas State Representative Tom Craddick, chairman of the House Land and Resource Management Committee, and Texas State Representative Giovanni Capriglione, chairman of the House Appropriations Committee, have been planned for September 9th and October 8th respectively. Space for both meetings are limited, so please register at your earliest convenience by emailing TIPRO's Government Affairs Director Ryan Paylor at rpaylor@tipro.org.

PRESIDENT'S MESSAGE

TIPRO Members,

When the state's last 86th Texas Legislative Session concluded a little over a year ago, legislators were unable to find common ground on reforming eminent domain laws in Texas, though officials promised to make the issue a top priority during the next legislative cycle. As we prepare for the 2021 session that is due to begin in just a matter of months, TIPRO and the oil and gas industry are ready to lead conversations on realistic solutions that will address concerns over the state's eminent domain process, while continuing to support the timely development of vitally important pipeline infrastructure. As we know, these projects are needed to support expanding energy production in our state and provide the takeaway capacity required to safely move oil and gas products to market, while also driving economic growth, generating new jobs and boosting private sector productivity, amongst other benefits.

Despite the current downturn, the Texas oil and gas industry continues to be a cornerstone of the state economy, currently supporting over 2 million direct and indirect jobs and providing billions of dollars in tax revenue annually which supports all aspects of our state. In 2019, Texas set a new record for oil and natural gas production with 1.8 billion barrels of oil and 10.4 trillion cubic feet of gas produced. We expect to continue to set new records for Texas oil and natural gas production as the world economy and the industry rebounds from the COVID-19 pandemic. As such, it remains imperative that we work with all involved stakeholders to advance legal and regulatory policies that recognize the importance of the mineral estate in Texas, the necessity and safety of pipeline infrastructure, and the protection of private property rights through eminent domain processes. Otherwise, studies have shown that production could be restricted from its full potential if takeaway capacity lags behind growth in oil and gas drilling, hurting not just our industry, but also dampening overall economic growth in Texas.

This past month, TIPRO submitted requested written testimony on this issue to the House Committee on Land and Resource Management, which will be working on eminent domain reform over the coming legislative cycle. In our outreach regarding the committee's interim charges that relate to eminent domain, TIPRO expressed our support for the legislature's expected work revising the Landowner's Bill of Rights (LBoR), and implementing greater transparency and protections for landowners and energy infrastructure projects.

TIPRO continues to work closely with the Coalition for Critical Infrastructure (CCI) and other entities to find the right balance on ways in which the state can strengthen its eminent domain process and adopt other clarifications through statutory changes without blocking infrastructure development and creating risks of increased litigation.

TIPRO remains committed to working with legislative leaders on solutions that will implement fairness, transparency and accountability in the eminent domain process. As part of such efforts, we look forward to discussing eminent domain and other energy legislative priorities with state Representative Tom Craddick (R-Midland), chairman of the House Land and Resource Management Committee, during TIPRO's next policy forum on Wednesday, September 9. This member-only event will be held virtually - please contact TIPRO for details on how you can participate. State Representative Chris Paddie (R-Marshall), chairman of the House Energy Resources Committee, will also touch on oil and natural gas legislation when he presents to the TIPRO audience during our association's upcoming virtual conference later this month.

Regards,

Ed Longanecker



Ed Longanecker

GOVERNOR ABBOTT ANNOUNCES SPECIAL ELECTION FOR TEXAS SENATE DISTRICT 30

An emergency special election has been called by Texas Governor Greg Abbott for Senate District 30 to fill the seat being vacated by Pat Fallon (R-Prosper). Fallon, who has secured the Republican nomination to replace former U.S. Representative John Ratcliffe (R-Heath) in Congress and is largely expected to win the political race this November, formally resigned his seat in the Texas legislature. In a letter dated August 22, Fallon informed the governor of his decision to leave his state leadership position, with his last day in office being January 4, 2021.

As such, citing the Texas Election Code and the need to provide constituents of District 30 with proper representation in the Texas Senate when the 87th Texas Legislature convenes its regular session in early January, the Governor issued a proclamation on August 23rd setting an election date for September 29, 2020. Early voting will begin on Monday, September 14, 2020.

TIPRO Calendar of Events

SEPTEMBER 9, 2020

VIRTUAL EVENT — TIPRO policy forum with Texas State Representative Tom Craddick. For information, please email rpaylor@tipro.org.

SEPTEMBER 23-24, 2020

VIRTUAL EVENT — TIPRO's 2020 Summer Conference. For information, please email info@tipro.org.

SEPTEMBER 29-30, 2020

VIRTUAL EVENT — Hart Energy's DUG Permian Basin and Eagle Ford Conference. For information, please call (713) 260-6400.

OCTOBER 8, 2020

VIRTUAL EVENT — TIPRO policy forum with State Rep. Giovanni Capriglione. For information, please email rpaylor@tipro.org.

TEXAS' HOUSE TRANSPORTATION COMMITTEE ADDS PANDEMIC IMPACT TO INTERIM REVIEW

Leaders of the Texas House Committee on Transportation have issued a formal request to collect information on interim legislative charges and other related transportation concerns leading up to the next legislative session in Texas. Like other committees in the House chamber, the House Transportation Committee is at this time inviting state agencies, interested parties and members of the public to provide written submissions on leading transportation issues. The effort comes after challenges in scheduling public hearings following the outbreak of the coronavirus (COVID-19) illness earlier in the year. In addition to receiving public input on interim charges as determined by the speaker of the House, Dennis Bonnen, the committee is also currently seeking to gather information on how the COVID-19 pandemic has affected how transportation matters are being addressed in Texas and impacted the ability of state transportation agencies to accomplish their mission and serve the public in an effective and efficient manner. The committee also is working to evaluate opportunities to improve the state's transportation and road safety efforts to reduce high rates of traffic accidents and fatalities in areas holding the most dangerous roads and transportation corridors in the state. Further, lawmakers are studying the state's seaport infrastructure and the infrastructure at land ports of entry to facilitate international trade and economic growth. Texas' seaport infrastructure and the auxiliary rail and roadway needs connected to each port will be examined by officials, as well as the ability of state ports to keep pace with oil and gas production.

To view details on the Transportation Committee's legislative request, see: <https://bit.ly/2YWcNnF>. Please note that all submissions must be provided in a written format, and submitted to the committee no later than Friday, September 18, 2020.

TEXAS TRANSPORTATION COMMISSIONERS APPROVE \$2.5 BILLION IN FUNDING FOR PERMIAN BASIN ROADS

The Texas Transportation Commission has approved the 2021 Unified Transportation Program (UTP) for Fiscal Years 2021-2030, which includes \$2.5 billion in dedicated funding for road development and transportation infrastructure projects over the next decade in leading energy corridors like the Permian Basin. Commissioners voted unanimously on Thursday, August 27th to accept the updated version



of the UTP, which serves as a 10-year plan guiding transportation work across the state. The Texas Transportation Commission approves the UTP annually in accordance with Texas state law, and the Texas Department of Transportation (TxDOT) publishes the approved UTP each year. Despite its importance to TxDOT for preparing and executing development of the state's transportation network, the Transportation Commission reminds stakeholders that the UTP primarily functions as a planning and programming tool, and is neither a budget nor a guarantee that certain projects will or can be built.

In August, before the 2021 UTP was finalized, TIPRO submitted comments to the Texas Transportation Commission concerning the draft 2021 UTP program, voicing support for the commission's work on the transportation plan and asking the agency to continue to recognize and assist with transportation needs of the oil and gas industry. View TIPRO's full set of comments by visiting: http://tipro.org/UserFiles/TIPRO_TxDOT_2021_UTP.pdf.

State Representative Brooks Landgraf (R-Odessa) last week expressed his own appreciation for the funding recently approved by the state's transportation agency to help make much-needed improvements to highways and public roads in energy-producing areas like the Permian Basin. "I'm thankful to Chairman Bugg and the rest of the commissioners for continuing to prioritize transportation infrastructure in the Permian Basin," said Representative Landgraf, who also serves as the vice chairman of the House Transportation Committee. "The 2021 UTP funding distribution of \$2.5 billion represents a new high-water mark for the Odessa TxDOT District and we continue to build on our momentum to have safer roads in West Texas."

Specifically, the updated 2021 UTP lists funding that will improve key roadway corridors running through the cities of Odessa and Midland, with funding allocated to completely rebuild the I-20 interstate, build and improve intersections on Loop 338, as well as widen US 385 and SH 115, and advance other regional transportation initiatives. "The projects listed in the UTP will drastically improve safety for motorists across West Texas, and will help improve the efficiency with which products from the Permian Basin get to market," Landgraf continued. "This is a win for all Texans, and I want to be sure to thank all of the constituents who joined me in fighting for these live-saving transportation dollars." To learn more about the UTP and download the full 2021 UTP document, visit: <https://bit.ly/31NKU7W>.

NEW POLL SHOWS 7 IN 10 TEXAS VOTERS BACK POLITICAL CANDIDATES WHO SUPPORT OIL AND GAS

With the 2020 election only two months away, new polling data shows a majority of voters in Texas are inclined to vote for candidates who back ongoing domestic energy development. Across all party lines, Republicans, Democrats and Independents alike recognize the importance of American-made energy to the economy, national security and daily lifestyles, and support officeholders who would advance pro-energy policies. Polling also demonstrates that a strong majority of voters believe the oil and gas industry will have an important role in helping the economy recover after the coronavirus (COVID-19) pandemic.

Non-partisan polling was completed over the summer in 12 different swing states by American Petroleum Institute (API) and Morning Consult, a non-partisan survey firm. To view full results of the survey, please see: <https://bit.ly/354rQo9>.

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TCEQ OFFERING GRANTS FOR PROJECTS IMPLEMENTING NEW TECHNOLOGIES THAT REDUCE EMISSIONS

The Texas Commission on Environmental Quality (TCEQ) is currently accepting applications for state-sponsored grants issued through the New Technology Implementation Grant (NTIG) program. Up to \$4.6 million in funding is being made available to help advance implementation of technologies which reduce the emission of pollutants from facilities and other stationary sources, including oil and gas projects.

According to the agency, qualifying new technology projects must reduce emissions from upstream and midstream oil and gas completions, production, gathering, storage, processing, and transmission activities through: 1) replacement, repower or retrofit of stationary compressor engines; 2) installation of systems to reduce or eliminate loss of gas, flaring of gas, or burning of gas using other combustion-control devices or installation; and 3) installation of systems to reduce flaring and other site emissions by capturing waste heat to generate electricity solely for on-site services.

Projects selected by the TCEQ for funding may be awarded a grant amount not to exceed 50 percent of the costs to implement the project. NTIG is part of the larger Texas Emissions Reductions Plan, or TERP, which offers financial incentives to eligible individuals, businesses, or local governments to reduce emissions from polluting vehicles and equipment.

Applications for this grant program will be accepted until 5 p.m. on September 30, 2020. For more information and to access up-to-date information on the application process as well as download copies of all application forms, visit www.terpgrants.org, call 800-919-TERP, or email TERP@tceq.texas.gov.

TEXAS VOTER REGISTRATION DEADLINE HITS OCTOBER 5TH

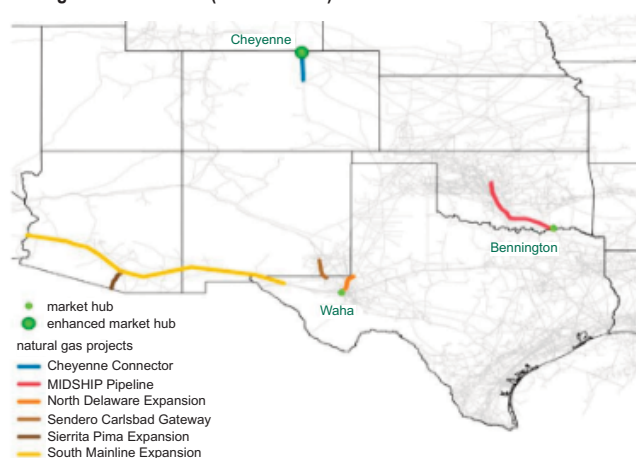
Ahead of the 2020 General Election this November, make sure you are ready to cast your vote by checking to confirm your voter registration status. For those needing to register to vote in the election this Fall, the last day to register to vote is Monday, October 5. You may fill out a voter registration application online, print it, sign it, and mail it to the voter registrar in your county of residence. Your County's Voter Registrar will then process your application, and your registration becomes effective 30 days after it is submitted (and accepted) by the County Voter Registrar. The County Voter Registrar's address can be found at the top of the online outputted voter registration application once you have submitted your information from the fill-in-the blanks screen. Alternative methods to complete the voter registration application process may be viewed at votetexas.gov.

With the General Election only two months away, Texas' Secretary of State Ruth Hughs also has issued a statement advising Texas voters to make sure they receive accurate voting information from official sources only. The office of the Texas Secretary of State is diligently working to prevent the spread of false and misleading information that could disrupt elections. "Now more than ever, it is important that Texans are able to rely on trusted sources of information as they prepare to cast their ballot," Secretary Hughs emphasized. "Visit votetexas.gov, the state's official election website, to find out how to register to vote, where to vote, what you'll need to vote and more."

NEW NATURAL GAS PIPELINES ENTER SERVICE TO SUPPORT GROWING NATURAL GAS DEMAND

While domestic oil and gas development has slowed in 2020 after the coronavirus (COVID-19) pandemic and this year's economic downturn, buildout of midstream infrastructure still has continued, with pipeline capacity expanding in the Permian Basin, Rockies and Northeast. In fact, in the first half of the year, approximately 5 billion cubic feet per day (Bcf/d) of new pipeline capacity entered

Select new natural gas infrastructure (Jan-Jun 2020)



Source: U.S. Energy Information Administration

service in the United States, the U.S. Energy Information Administration (EIA) recently reported, bringing more options online for producers to be able to deliver gas to markets. This includes projects such as the Northern Delaware Basin Expansion, completed in February, which offers increased takeaway capacity out of the Delaware Basin in West Texas. Another major new natural gas pipeline to commence service this past Spring was Cheniere's nearly 200-mile, 36-inch Midship Pipeline that transports 1.1 Bcf/d of natural gas produced in the SCOOP-STACK Basin in western Oklahoma to the Bennington hub located near the Oklahoma-Texas border.

The addition of pipeline systems and other infrastructure is good news, as most analysts expect energy production from Texas and other states to rebound by late 2021, requiring more takeaway capacity to carry gas to the Gulf and other hubs.

Still, though EIA experts acknowledge pipeline capacity in Texas and other energy regions has expanded thus far in 2020, an estimated 8.7 Bcf/d of pipeline projects meanwhile have been canceled this year, likely the result of poor market dynamics, economic factors and regulatory setbacks. Amongst the high-profile cancellations was the Permian-to-Katy Pipeline and the Creole Trail Expansion Project 2, which would have delivered 3.5 Bcf/d of added capacity in the South Central region of the United States.

TIPRO ANNUAL MEMBERSHIP MEETING NOTICE

In accordance with Article IV, Section 1, of the TIPRO Bylaws, a membership meeting for all TIPRO members has been called in conjunction with the association's 2020 Summer Conference. The organization's annual membership meeting will take place virtually on Thursday, September 24th at 1:15 p.m.

The Board has approved the following candidates nominated by the TIPRO Nominations Committee and hereby presents the slate of recommended candidates for TIPRO to confirm during its annual meeting. Director and officer nominees, if approved by the TIPRO membership, would retroactively begin their respective terms on July 1, 2020.

In accordance with Article V, Section 2, of the TIPRO Bylaws, the following candidates are presented for consideration by the membership:

- Mr. Mike Pedrotti, Texegy - Region 1 Class A Director, First Term
- Mr. Grant Johnson, Lone Star Production Company - Region 2 Class A Director, First Term
- Mr. Jud Walker, EnerVest - At-Large Class A Director, First Term

Under Article V, Section 3, of the TIPRO Bylaws, the following board candidates are presented for consideration by the membership:

- Mr. Brent Hopkins, Suemaur Exploration & Production - Chairman (Class B Director)
- Mr. John Swords, Tracker Services - Treasurer (Class B Director)
- Mrs. Patricia Boswell McCall, Boswell Interests - Secretary (Class B Director)

And under Article V, Section 5, of the TIPRO Bylaws, the following candidates are presented for consideration by the membership:

- Walter "Tad" Mayfield, Goldston Oil - Fifth term expiring in 2022
- Stephen Castle, Cowboys Resources - Fourth term expiring in 2022
- David Martineau, Martineau Petroleum - Third term expiring in 2022
- Raymond Welder, Welder Exploration - Second term expiring in 2022
- Allen Gilmer, Enverus - First term expiring in 2022

TIPRO thanks all the candidates for graciously accepting their nominations and agreeing to serve on TIPRO's Board of Directors. If you have any feedback on the nominations, please email TIPRO President Ed Longanecker at elonganecker@tipro.org.

U.S. FOREST SERVICE ISSUES REGULATORY PROPOSAL TO IMPROVE OIL AND GAS RULES

At the beginning of September, the U.S. Forest Service released a proposed rule aiming to modernize regulations to increase efficiencies in managing federal oil and gas activities on national forests and grasslands and maximize benefits provided to the American public. According to the Forest Service, the agency is proposing the revision of its existing regulations to clarify internal processes related to oil and gas leasing and approving operations, clarify oil and gas operators' responsibility to protect natural resources and the environment, clarify procedures regarding inspections and compliance, and update material noncompliance procedures to reflect existing agency practices and better reflect requirements of law. The proposed changes would not materially alter the basic responsibility of either the agency or of oil and gas operators on lands under the Forest Service's jurisdiction.

TIPRO first reported on the expected rulemaking earlier this summer inside the association's June 25th *TIPRO Target* newsletter, after U.S. Secretary of Agriculture Sonny Perdue directed leaders of the Forest Service to look at amending applicable policies to boost productivity on public lands and streamline government regulations in support of the Trump Administration's America-First Energy Strategy.

Public comment is being accepted on the Forest Service's proposed rule change until November 2nd - to see the federal register posting on this policy update, visit: <https://bit.ly/31VXAKc>.

OIL INFORMATION LIBRARY OF FORT WORTH: WHERE RESEARCH MEETS PROSPECTS

This downturn and COVID may have made for a pause in your drilling program, but a unique opportunity for research and prospecting. The Oil Information Library of Fort Worth (OIL-FW) is worth checking out. OIL-FW has extensive collections of vintage scout cards, electric logs and driller's logs, as well as texts, treatises, field guides, and periodicals, many of which have been "buried" as data sources have merged and publications have gone digital. With reciprocal agreements with numerous additional libraries, extraordinary amounts of vintage and unique data are at your fingertips. OIL-FW is a perfect complement to your digital data.

OIL-FW has extensive historical collections of scout cards, driller's logs, electric logs, core reports and maps for Texas Railroad Commission Districts 5, 6, 7B, 7C, 8, 8A, 9 and 10. There is also coverage for Districts 1 through 4. OIL-FW also has excellent data in Kansas, Oklahoma, New Mexico, Colorado, Louisiana, Mississippi, Nebraska, and Wyoming historical scout ticket coverage.

Open continuously since 1985, the library has new collections and data always coming in. In 2019 alone, OIL-FW received six contributions, including extensive Rockies cards, logs, and publications from the Granite Library, as well as unique Texas logs. In 2020, over 300 mudlogs have been donated in Texas and Oklahoma, and are being scanned. Monthly newsletters highlight new data, and services. Recent newsletters can be found on the OIL-FW website and Facebook page.

OIL-FW can also scan your paper copies: electric logs, mudlogs, and maps. Services are available for scanning, copying and research. Since 2017, OIL-FW has hosted tech seminars and industry talks, and currently has a huge book sale open. OIL-FW is OPEN! Please visit the library's website at <https://www.fortworthgeologicallibrary.org/>, call (817) 332-4977 or stop for a visit -- the library is located at: 500 W 7th St., #LL150, Fort Worth, TX 76102 in the basement of First on 7th Building (Old Bank of America).

PUZZLING TIMES?



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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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