



**Texas
Independent
Producers and
Royalty Owners
Association**

UNITED STATES REMAINS WORLD'S TOP PETROLEUM AND NATURAL GAS PRODUCER

The United States continued to hold the title of world's top producer of petroleum and natural gas hydrocarbons last year, according to the U.S. Energy Information Administration (EIA), again surpassing output of energy-producing giants such as Russia and Saudi Arabia. The U.S. has been the leading producer of natural gas since 2009, and the world's top petroleum producer since 2013. In less than a decade, overall U.S. petroleum and natural gas production has increased by nearly 60 percent.

"U.S. petroleum production increased by 745,000 barrels per day (b/d) in 2017, driven by a 21 percent increase in oil prices to approximately \$65 per barrel. In the United States, crude oil and lease condensate accounted for 60 percent of total petroleum hydrocarbon production in 2017, and natural gas plant liquids accounted for 24 percent," reports the EIA.

Experts continue, "U.S. dry natural gas production grew slowly in early 2017 because of unfavorable economic conditions at that time. Production increased during the last nine months of the year, ultimately leading to a 5.7 billion cubic feet per day (Bcf/d) difference between the first quarter and fourth quarter of 2017. From 2016 to 2017, domestic dry natural gas production increased by 1 percent, and U.S. liquefied natural gas exports quadrupled."

Though Russian and Saudi output remained strong in 2017, total liquids production from each fell in 2017 compared to 2016 as part of an agreement by the Organization of the Petroleum Exporting Countries (OPEC) and some non-OPEC producers (including Russia) to lower total crude production to ease global oil market conditions. Russian and Saudi natural gas production did expand in 2017, at 8 percent and 6 percent year-on-year growth, respectively, notes the EIA, though still was below total U.S. natural gas production levels.

U.S. production also shows no signs of slowing down, either. Production forecasts from the EIA estimate that U.S. petroleum and other liquid fuels production will reach 17.6 million b/d in 2018 and 19.1 million b/d in 2019, up from 15.6 million b/d in 2017.



AS THE WHITE HOUSE MOVES TO IMPOSE STEEL & ALUMINUM TARIFFS, TIPRO WARNS OF CONSEQUENCES

On Thursday, May 31, the Trump Administration announced that it will proceed with imposing tariffs on steel and aluminum products against some of the closest allies to the United States, a decision which could present significant concerns to the oil and gas industry. A month ago, U.S. President Donald Trump had agreed to postpone the imposition of steel and aluminum tariffs on Canada, the European Union and Mexico until June 1, 2018, and reached agreements for permanent exemptions for Argentina, Australia and Brazil.

On several occasions, TIPRO has expressed concerns and recommendations regarding the tariffs and the related impact to Texas oil and natural gas operators. Prior to the June 1st deadline, TIPRO submitted comments to the U.S. Department of Commerce on the issue, warning of possible consequences should the tariffs be carried out. "TIPRO represents nearly 3,000 members, including independent oil and gas producers and royalty owners, who would be negatively impacted by implementing steel and aluminum tariffs with Mexico and Canada under the authority of Section 232 of the Trade Expansion Act of 1962. If enacted, the unintended consequences of such a regulatory action on the U.S. oil and natural gas industry, and the nation's economy as a whole, would be significant," said the association. In the comments, TIPRO also pointed to the current limitations of domestic steel production, advising that the U.S. Department of Commerce should immediately consider granting categorical exclusions for products that are not readily available in the U.S. or whose supply is not sufficient enough to meet current and future demand. To read TIPRO's full comments, please visit: <http://bit.ly/2kEZhVO>.

Both the metal duties will take effect at midnight Thursday, May 31, 2018, applying a 25 percent tariff on steel imports and 10 percent on aluminum imports for Canada, Mexico and the European Union. It is anticipated these nations will introduce countermeasures in response to the U.S. actions.

PRESIDENT'S MESSAGE

TIPRO Members,

The Texas oil and gas industry is experiencing renewed growth, following several years of low commodity prices that resulted in a downturn, a recent study published by our association showed. According to TIPRO's report, in 2017, national oil and gas industry employment totaled 832,777 jobs, providing an average annual wage of \$109,498. In Texas, the oil and gas industry supported a total of 325,439 direct jobs in all sectors of the industry in 2017, up from the previous year, showing a definitive turnaround in employment and the first year of net positive growth in jobs since 2014.

The Upstream sector includes three distinct industry segments within TIPRO's full definition of what comprises the Texas oil and natural gas industry: oil and gas extraction, support activities for oil and gas operations, and drilling oil and gas wells. New survey data available from the Bureau of Labor Statistics reveals the positive employment trend in Texas continued through the first quarter of 2018, showing a net increase of 702 jobs in the upstream sector compared to 2017, for a total of 205,788, subject to revisions. According to the Dallas Federal Reserve, March marked the 17th consecutive month of growth in support activities employment on a percentage basis and the sixth consecutive month of expansion for oil and gas extraction in Texas.

Further, U.S. Census Bureau data indicates that 21 percent of these upstream positions in Texas were held by women, another positive and growing trend when reviewing the history of upstream employment in the state. Approximately 1 percent of total upstream jobs fall into the 19-21 age bracket, 4 percent are between the ages of 22-24, 27 percent are 25-34, 26 percent range from 35-44, 20 percent are 45-54, and 21 percent of upstream jobs are held by individuals 55 years or older.

As TIPRO has emphasized on numerous occasions over the years, our industry is facing a generational gap and more needs to be done to encourage our youth to pursue a career in the oil and gas sector. We continue to support the next generation of workers through our organization's 'Young Leaders in Energy' Program and through our interaction with policy leaders and education-related legislation. As an example, last week I had the pleasure of discussing workforce needs and challenges with Texas Lieutenant Governor Dan Patrick, as well as implementation of House Bill 5, the P-TECH Early College 9-14 model, certifications and stackable credentials for high school students, and successful higher education programs like those found in some community colleges and technical schools.

Clearly certain areas of the state are experiencing more momentum than others with improving market conditions. With the prolific Permian Basin driving much of the increased employment and production activity in the state, the Midland and Odessa Metropolitan Statistical Areas (MSAs) reported the most significant growth in employment in Q1 2018 with a net increase of 1,768 upstream jobs compared to 2017, for a total of 31,620 jobs. Meanwhile, the San Antonio-New Braunfels MSA showed a net increase of 532 upstream jobs for a total of 6,473, Dallas-Fort Worth-Arlington MSA had a slight net increase of 29 upstream jobs for a total of 19,958, and the Houston-Woodlands-Sugar Land MSA experienced a net decrease of 990 upstream jobs in Q1 2018 for a total of 75,144 jobs, subject to revisions. Additionally, the Corpus Christi MSA represented 8,240 direct oil and gas jobs in Q1 2018, including 3,299 upstream jobs and 2,662 jobs in the petroleum refineries sector.

The Texas oil and natural gas industry is poised for continued growth, but will likely face future challenges from a workforce standpoint. Continued innovation and operational efficiencies gained during the downturn allowed operators to manage increasing levels of exploration and production activities even with fewer personnel, but employers in various segments of the industry are already beginning to encounter a shortage of available talent. Currently, there are thousands of open positions in Texas in the support activities for oil and gas operations and drilling oil and gas wells sectors alone, the fastest growing industry segment for employment, including heavy and tractor trailer truck drivers, bus and truck mechanics and diesel engine specialists, maintenance and repair workers, computer systems analysts, roustabouts, mechanical engineers, software developers, and petroleum engineers, to name a few. While the state may never reach 2014 levels of industry employment, and certain geographic areas of the state are slower to recover with improving economic conditions, nevertheless opportunities for employment with the oil and gas industry are increasing and a shortage already exists in several occupational fields.

Other challenges exist that could threaten the recovery of the U.S. oil and natural gas industry, including uncertainty surrounding tariffs on imported steel and aluminum, current negotiations on the North American Trade Agreement (NAFTA), overbearing federal methane regulations, and environmental activist groups that oppose reliable energy. TIPRO continues to lead in efforts to maintain a favorable legislative and regulatory environment that is conducive to economic growth through the responsible development of oil and natural gas. We also remain committed to supporting the future leaders of the industry by providing fact-based information about domestic oil and gas production. Regards,

Ed Longanecker



Ed Longanecker

TIPRO Calendar of Events

JUNE 13, 2018 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.	JULY 11, 2018 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.	AUGUST 8, 2018 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.	AUGUST 8-9, 2018 SAN ANTONIO — TIPRO 2018 Summer Conference, Hyatt Hill Country Resort. For info, call: (202) 857-4733.
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RAILROAD COMMISSION PUBLISHES PROPOSED FORM W-10 REVISIONS

In response to the current open rule proposal regarding annual well testing requirements, the Texas Railroad Commission last week approved publishing proposed revisions to the agency's Form W-10, the Oil Well Status Report. As a reminder, the Railroad Commission recently proposed amendments to 16 Tex. Admin. Code §3.52 and §3.53 relating to Annual Well Tests and Well Status Reports Required. These amendments specify that an operator may elect not to perform or file a test for an oil well after the initial potential test has been filed, but operators would still be required to file Form W-10 annually to report the status of each oil well. There are some circumstances when a test must still be performed, however, such as reclassifying a well from gas to oil or returning an inactive well to production, among other instances.

Now, the commission is accepting comments on proposed amendments to the Form W-10. TIPRO members can view the proposed form and instructions by visiting: <https://bit.ly/2IY8FT3>. To submit comments on the proposed form, use the online comment portal available at: <https://bit.ly/2spQ0UQ>. Comments on proposed form changes will be accepted through August 1, 2018.

SENATE AGRICULTURE, WATER & RURAL AFFAIRS COMMITTEE SETS JUNE INTERIM HEARINGS



The Texas Senate Committee on Agriculture, Water & Rural Affairs will hold two public hearings the first week of June in Austin to discuss several interim legislative charges. Next Monday, June 4, lawmakers will examine the regulatory framework for managing groundwater in Texas to ensure that private property rights are being sufficiently protected. Members also will study the role of river authorities and groundwater conservation districts including the state's oversight role of their operations and fees imposed.

In addition, on Tuesday, June 5, the committee will study and recommend changes that promote streamlining of water right permit issuance and the amendment process by the Texas Commission on Environmental Quality (TCEQ) for surface water, which promote uniform and streamline permitting by groundwater conservation districts for groundwater. The committee also will evaluate more transparent process needs and proper valuation of water. At the June 5th hearing, senators also will review implementation of legislation addressed by the Senate Committee on Agriculture, Water & Rural Affairs during the 85th Legislative Session last year.

The Senate Committee on Agriculture, Water & Rural Affairs' counterpart in the House chamber, the state's House Committee on Natural Resources, is also due to hold an interim hearing next Tuesday, June 5th at the Mack Dick Pavilion in Palo Duro Canyon State Park. There, the committee members will evaluate the status of groundwater policy in Texas, including the following issues:

- a. Progress and challenges in encouraging coordination and consistency in aquifer-wide management and permitting practices;
- b. Developments in case law regarding groundwater ownership and regulation;
- c. Potential improvements to the existing groundwater permitting process, including those contemplated in H.B. 31 (85R);
- d. The appropriate consideration of the service area of a water supplier when groundwater resources are allocated based on surface ownership;
- e. The designation of brackish groundwater production zones and related research; and
- f. Groundwater data and science needs.

GOVERNOR ABBOTT URGES EPA TO GIVE SAN ANTONIO A BREAK ON OZONE DESIGNATION

In May, Texas Governor Greg Abbott reached out to Scott Pruitt, administrator of the U.S. Environmental Protection Agency (EPA), to encourage federal regulators to designate Bexar County in South Texas -- home to San Antonio -- as in attainment of the 2015 National Ambient Air Quality Standard (NAAQS) for ozone. The EPA recently released an updated list of areas that do not meet federal ozone requirements, though has not yet announced its final determination for eight counties in the San Antonio, Texas, area. The EPA says it will complete its designation status for those counties, most of which host drilling activity from the Eagle Ford Shale, by July 17, 2018.

In a letter sent to Administrator Pruitt on May 11, 2018, Governor Abbott advised Bexar County is projected to meet 2015 NAAQS by the year 2020 without additional federal intervention. The county already would have met required standards, if not for foreign emissions it cannot control, added Abbott. In his outreach, the governor also described past instances where the EPA has exercised discretion in designation of areas not meeting the NAAQS, relying on a "wait-and-see approach," which Abbott suggested the EPA should extend to Bexar County.

Further, because the EPA is considering whether to withdraw the 2015 NAAQS, the governor argued that the agency should not proceed with designations while the fate of the regulation is still uncertain. Doing so would result in legal uncertainty, he warned.

For these reasons, and others, Governor Abbott concluded, "EPA committed to 'implementing the [NAAQS] using a common sense approach that improves air quality and minimizes the burden on state and local governments.' No common-sense approach could support immediately burdening Bexar County with the regulatory consequences of an effective nonattainment designation. I therefore reiterate my recommendation that Bexar County should be designated as in attainment of the 2015 ozone NAAQS."

EPA AGREES TO EXTEND COMMENT PERIOD FOR PROPOSED SCIENCE RULE

The public will have more than two additional months to provide comments on the U.S. Environmental Protection Agency's (EPA) proposed rule, "Strengthening Transparency in Regulatory Science," agency officials announced on Thursday, May 24. The comment period for the regulatory changes was initially open for 30 days, and set to end May 30. With the extension, the comment window now will close August 17, 2018. The EPA also has added a public hearing to review the proposed rule, which will be held July 17, 2018, in Washington, D.C. This hearing will provide a forum for interested parties to present data, views, and arguments regarding EPA's proposed rule, says the EPA.

"EPA is committed to public participation and transparency in the rulemaking process," said EPA Administrator Scott Pruitt. "By extending the comment period for this rule and holding a public hearing, we are giving stakeholders the opportunity to provide valuable input about how EPA can improve the science underlying its rules."

The rule, as proposed, would require underlying scientific information used by regulators to be made publicly available and offer greater transparency to the data behind regulations promulgated by the federal agency.

EPA's extension of the comment period follows a request from members of Congress, who, as reported in the May 17th *TIPRO Target*, had pressed Scott Pruitt to allow more time for stakeholders to be able to submit thorough, well-reasoned comments, and to allow officials the chance to hold at least one public hearing on its proposed changes to requirements for scientific studies used by the agency to support its decision-making and craft new federal environmental regulations.

Comments for the EPA's proposed changes may be submitted online through the Federal eRulemaking Portal at www.regulations.gov and should be identified by Docket ID No. is EPA-HQ-OA-2018-0259.

OIL PRICES DIP AMID TALK FROM RUSSIA AND SAUDI ARABIA OF POSSIBLY RAISING OUTPUT

Oil prices declined slightly the last days of the month of May, after Saudi Arabian and Russian energy ministers indicated that the Organization of Petroleum Exporting Countries (OPEC) was considering boosting production later this year. Following a meeting in late May with Russian and Saudi energy leaders, it seems likely OPEC could decide at its next meeting this summer to increase oil production by roughly 1 million barrels a day, which would bring an end to an agreement in place since 2016 that had capped OPEC's oil output in support of alleviating global market conditions.

Earlier this spring, in April, U.S. President Donald Trump had accused OPEC of artificially keeping oil prices high, tweeting in a message posted to Twitter, "Looks like OPEC is at it again. With record amounts of oil all over the place, including the fully loaded ships at sea, Oil prices are artificially very high! No good and will not be accepted!" This tweet caught the attention of OPEC leaders, who suggested they were open to responding to the president's message. "We were in the meeting in Jeddah, when we read the tweet," commented OPEC Secretary General Mohammad Barkindo, referring to a meeting in Saudi Arabia on April 20. "I think I was prodded by his excellency Khalid Al-Falih that probably there was a need for us to respond. We in OPEC always pride ourselves as friends of the United States," said Barkindo.

Meanwhile, in recent days, a number of other U.S. politicians also have recently vocalized concerns over higher oil costs which has impacted Americans at the gas pump. In a letter sent May 23rd to President Trump, a group of U.S. Senate Democrats encouraged the president to use his authority to take timely action to pressure OPEC leaders and other cooperating countries to increase world oil supplies in order to lower gas prices. The senators even warned that without relief, the rise in oil prices could nearly cancel out effects from the tax reductions this year. "Last month, you said it was unacceptable for OPEC to artificially inflate oil prices. We agree and urge you to work with our international partners to take action to make sure OPEC does not continue to suppress world crude oil supplies and to protect domestic policies that help consumers," the senators implored. See their full letter here: <https://bit.ly/2L14Ws>.

The next OPEC meeting is scheduled to take place June 22, in Vienna, Austria, where energy ministers will determine whether to increase OPEC's oil production.

RRC TO HOST COMBINED OIL & GAS, PIPELINE CONFERENCE THIS AUGUST IN AUSTIN

The Texas Railroad Commission this year will merge two of the agency's largest regulatory conferences into one event, the commission announced this week. The Railroad Commission's annual Oil and Gas Regulatory Conference, combined with its Pipeline Safety Conference, will be held August 21-22, 2018, at the AT&T Executive Education and Conference Center in Austin, Texas. The commission says that this year's regulatory conference will offer three tracks for attendees, covering a variety of topics.

Additional details regarding the conference agenda, registration and hotel accommodations are expected to be announced in June.



This August, TIPRO will return to San Antonio for the association's annual Summer Meeting! As the Alamo City commemorates its 300th anniversary in 2018, TIPRO looks forward to hosting its conference in a place rich with history and so significant to the state of Texas and the oil & gas industry. Make your plans today to participate in TIPRO's 2018 conference on August 8-9 at the Hyatt Hill Country Resort!



TIPRO's summer meeting 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. The conference also provides networking opportunities to engage other members of the association and form new business connections.

Nestled on 300 acres of the Rogers-Wiseman family ranch, TIPRO looks forward to hosting its summer conference at the Hyatt Hill Country Resort. This special San Antonio hotel offers the charm of a Texas ranch house and the amenities of a luxury resort. Please call (210) 647-1234 to book your hotel accommodations today for TIPRO's 2018 Summer Meeting!





TIPRO Summer Conference Sponsorship Opportunities

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- ▶ Special recognition at the Chairman's Dinner
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**To sign up to sponsor TIPRO's 2018 Summer Conference,
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**Questions? Please contact Joanne Reynolds
at (512) 477-4452 or email joanne@tipro.org.**

Sponsor Registration Form

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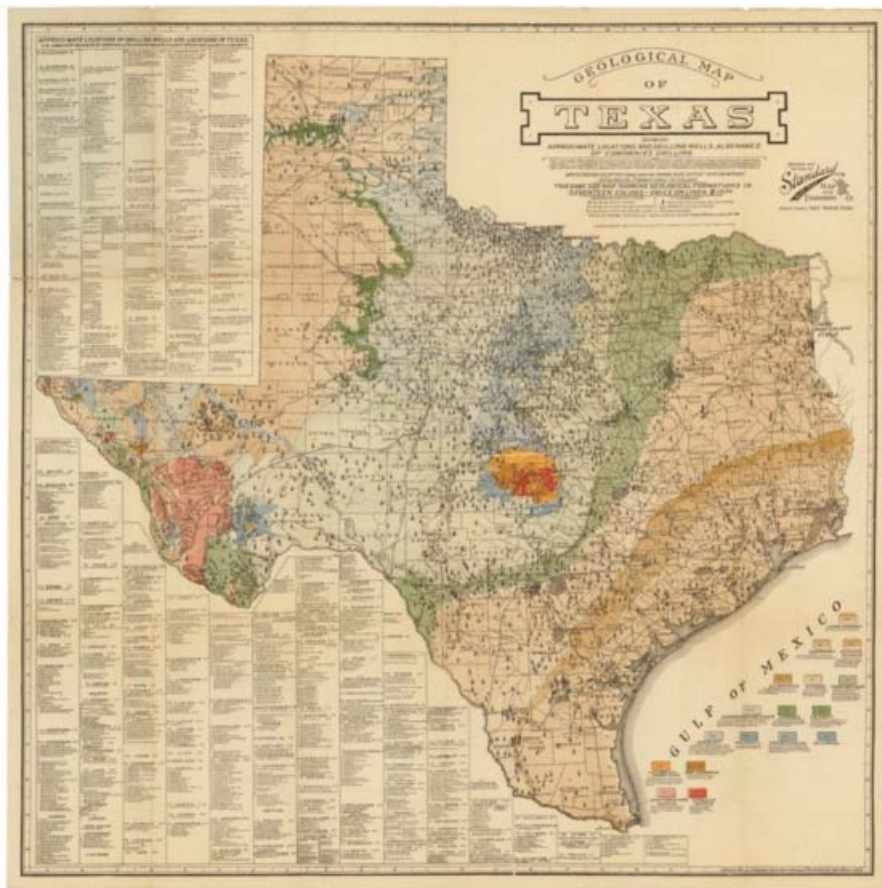
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