



**Texas
Independent
Producers and
Royalty Owners
Association**

2018 MIDTERM ELECTIONS CAUSE BIG STIR

This year's midterm election saw high voter turn-out in the Lone Star State, with over 8 million Texans hitting the polls to make their voices heard this election -- levels more on par with presidential elections rather than the typical midterm turnout. In comparison, in the last midterm election in 2014, 4.6 million Texans voted.

After Tuesday's General Election, all of the Republican incumbent statewide officials in Texas were re-elected and will retain their seats for another four years, including Texas Governor Greg Abbott, Lieutenant Governor Dan Patrick, Railroad Commission Chairman Christi Craddick, Land Commissioner George P. Bush, Attorney General Ken Paxton, Comptroller of Public Accounts Glenn Hegar and Agriculture Commissioner Sid Miller.

In the Texas legislature, 11 Republican state representatives lost their elections to Democratic challengers, including Representatives Paul Workman (HD 47), Ron Simmons (HD 65), Linda Koop (HD 102), Rodney Anderson (HD 105), Matt Rinaldi (HD 115), Tony Dale (HD 136), Mike Schofield (HD 132), and Gary Elkins (HD 135). Four open seats also flipped (Isaac - HD 45; Gonzales - HD 52; Burkett - HD 113; and Villalba - HD 114). When the Texas House of Representatives convenes in January, the chamber will be comprised of 83 Republicans and 67 Democrats, compared to the previous 95-55 divide.

Over in the state Senate, Democrats picked up two Republican-held seats. State Senator Konni Burton (SD-10) was defeated by Democratic challenger Beverly Powell, while Texas Senator Don Huffines (SD - 16) lost his race against Nathan Johnson. Altogether, the Texas Senate will have 19 Republicans and 12 Democrats.

On the judicial level, the Third Court of Appeals - the court with jurisdiction over all regulatory appeals in Austin - also lost several Republicans Tuesday.

Meanwhile, in Congress, Republican Senator Ted Cruz defeated Democrat Beto O'Rourke in the hotly-contested race for the U.S. Senate seat serving Texas, winning with a margin of just 50.9 to 48.3 percent. The race between Cruz and O'Rourke had sparked passionate rallies by both parties in the weeks leading up to the election, and had become the most expensive U.S. Senate race in history.

Additionally, a few of the U.S. House Districts in Texas will change hands after the 2018 midterm elections - namely Republican John Culberson losing to Democrat Lizzie Fletcher in U.S. House District 7 and Republican Pete Sessions losing to Democrat Colin Allred in U.S. House District 32. Republican Congressman Will Hurd, representing Texas' 23rd Congressional District spanning from San Antonio close to El Paso, maintained his seat with a margin of only 689 votes over Democrat challenger Gina Ortiz Jones. Republican Congressman John Carter also won his re-election over Democrat Mary Jennings "MJ" Hegar in District 31. In the heated race for the 21st Congressional District, Republican Chip Roy narrowly secured a victory over his Democratic opponent Joseph Kopser to replace retiring Congressman Lamar Smith, who also was chair of the U.S. House Science, Space and Technology Committee. Also of note, on Tuesday, Texas elected its first two Hispanic women to represent the state in Congress, being Democrats Sylvia Garcia for District 29 in Houston and Veronica Escobar for District 16 in El Paso. Overall, Democrats seized control of the U.S. House of Representatives, setting the stage for probable conflict the next two years against the Republican-led Senate and the Trump Administration.

2018 MIDTERM ELECTIONS

OUTSIDE OF TEXAS, VOTERS REJECT NEW RESTRICTIONS ON OIL & GAS DRILLING IN COLORADO

In a victory for the oil and gas industry, on Election Day, voters in Colorado defeated Proposition 112 that would have required a 2,500-foot setback for any new drilling on private land from homes, businesses, protected areas such as playgrounds and historic sites, and other "vulnerable areas." The ballot measure would have expanded the current drilling setback (500 feet) by five times, which environmental groups had argued was necessary due to health reasons. The proposition, if passed, though would have effectively banned hydraulic fracturing in the state, severely hindering energy development in the Denver-Julesburg (DJ)/Niobrara Basin. S&P Global Platts Analytics estimated the measure would cause Colorado's oil production to drop by 54 percent to 275,000 barrels per day by the end of 2023 and decrease natural gas output by 45 percent, down to 1.9 billion cubic feet per day. Ahead of the 2018 Election, even the governor of the state, John Hickenlooper, a Democrat, spoke out against the anti-fracking initiative, saying in an interview that Proposition 112 would hurt a big part of the state economy and was likely to trigger an economic recession.

PRESIDENT'S MESSAGE

TIPRO Members,

The 86th Texas Legislative Session is rapidly approaching and, with it, a whole new cornucopia of bills that will redefine life in the state of Texas for years to come. Previous sessions have seen an onslaught of legislation related to everything from common sense economic policy like tax/regulation reform, to major social issues involving abortion, healthcare, and education spending. Although the recent election will have somewhat of an impact on the session, Republicans remain in the majority in both chambers and the executive and judicial branches, so we will be looking for similar legislation to that of the past. For TIPRO, this means rolling up our sleeves and coming to the table with legislators and other stakeholders to tackle issues important to the industry, including road infrastructure funding, incentivizing the reactivation of inactive wells, finding ways to expand takeaway capacity for oil producing areas of the state and eminent domain, among many others. As with previous sessions, and likely well into the future, TIPRO will also be at the front and center for issues related to water policy in Texas. Water is the one natural resource from which all other resources survive, and the oil and natural gas industry will need to stay vigilant as our state and federal elected officials look to influence the way we consume and conserve water for the future.

For the past few weeks, and continuing through the end of this month, TIPRO is participating in policy meetings with the Texas Water Conservation Association (TWCA) to discuss legislation impacting water policy for Texas. TWCA is a policy oriented association comprised of stakeholders impacted by water policy in Texas, including groundwater conservation districts (GCDs), river authorities, agricultural/landowner organizations, and various industry representatives. Every interim, the members of TWCA convene to discuss major water issues to pose to the legislature in the coming session, presenting a slate of bills that have been put through the TWCA's member-vetting process for approval.

This interim, TWCA is focusing on issues such as brackish groundwater production, the award of attorney fees in suits involving GCDs, allowing GCDs to create mitigation plans in groundwater permitting, water export permits, requirements for legal standing in suits over groundwater permitting, increased water conservation measures by GCDs and determining the allocation of water rights for water supplier service areas. TIPRO members may recognize several of these issues from legislation last session; many were bills that either failed to pass or were vetoed by Governor Greg Abbott. The purpose of the subcommittee discussions at TWCA is to determine if there are viable changes to the legislation to address any concerns encountered by the legislature and the executive branch. Of particular interest to the oil and gas industry will be legislation discussing the production and/or regulation of brackish groundwater, a source of water whose regulation is questionable but is used by many operators. Last session, legislation was introduced that would have required permitting of brackish water, but after working with TIPRO members, the legislation was amended to only require permitting for users involved in municipal service or power generation. TIPRO will continue to engage in these and other discussions at the capitol to ensure common-sense regulation of water can continue to provide adequate regulation of the resource without hindering economic success.

Thank you,
Ed Longanecker



Ed Longanecker

TIPRO MEMBERS INVITED TO JOIN EPA ADMINISTRATOR ANDREW WHEELER FOR DALLAS ROUNDTABLE

This week, members of TIPRO were invited to sit down with Andrew Wheeler, administrator of the U.S. Environmental Protection Agency (EPA), for a private meeting in Dallas on the EPA's maintenance vent requirements pursuant to 40 CFR part 63 subpart CC (Refinery Maximum Achievable Control Technology (MACT) 1) under the National Emission Standards for Hazardous Air Pollutants (NESHAP) for the petroleum refinery sector. Administrator Wheeler is in the process of visiting with stakeholders on the policy, as the agency considers extending compliance dates for certain regulatory requirements.

During this past summer, the EPA proposed amendments to extend the compliance dates for maintenance vent standards that apply during periods of startup, shutdown, maintenance or inspection for sources constructed or reconstructed on or before June 30, 2014. After receiving petitions from industry requesting additional time to meet the federal standards, the EPA agreed to change the compliance date from February 1, 2016, to August 1, 2017. Following the compliance extension procedure in 40 CFR 63.6(i), most refiners later received a 12-month extension lasting until August 1, 2018. Now, the agency is reviewing an extension that would last until January 30, 2019, providing petroleum refinery owners and operators with additional time to achieve compliance.

TIPRO Calendar of Events

<p>NOVEMBER 14, 2018 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>DECEMBER 12, 2018 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>JANUARY 9, 2019 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>FEBRUARY 13, 2019 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>
---	---	---	---

REPRESENTATIVE DENNIS BONNEN ENTERS HOUSE SPEAKER RACE AS ZERWAS DROPS OUT

State Representative Dennis Bonnen (R-Angleton) has become the latest official to enter the contest for speaker of the Texas House of Representatives next session. Representative Bonnen announced at the end of October his decision to launch a bid for the top post in the House, reportedly with the support of nearly 40 fellow GOP House members. “Throughout my career in the House, I have always emphasized my respect for the institution as a whole as well as the unique position each member has to serve their district,” Bonnen said in a statement. “I look forward to the many conversations to come with members across the state. My desire, which I believe I share with the vast majority of my colleagues, is that this process come to a conclusion with a House ready to do the people’s business with strength, resolve, and unity in the 86th Legislative Session.” Representative Bonnen was first elected to the state legislature in 1996, and is currently serving his seventh term of office. During the 2017 Legislative Session, he was reappointed by Speaker Joe Straus to serve as speaker pro tempore, acting as presiding officer of the House in the speaker’s absence. He also is chairman of the House Ways and Means Committee, co-chair of the House Coastal Barrier System Committee and a member of the House Culture, Recreation & Tourism Committee.

Just days before Representative Bonnen revealed his candidacy for speaker of the House, another official decided to withdraw from the crowded race. State Representative John Zerwas (R-Richmond), chairman of the House Appropriations Committee, confirmed on October 28th he was no longer running for speaker. “I am grateful for the opportunities I have had to engage with the members of the House. The honest conversations are critical to the relationships I have, and I am honored to work with such principled leaders,” said Representative Zerwas. “While I believe that I could lead the House through a successful 2019 session, it has come time for me to end my bid for speaker and wholly focus on writing the budget for the 2020-2021 biennium.”

To-date, there are seven total members seeking to replace Joe Straus as House speaker, including:

- State Representative Dennis Bonnen (R-Angleton)
- State Representative Travis Clardy (R-Nacogdoches)
- State Representative Drew Darby (R-San Angelo)
- State Representative Eric Johnson (D-Dallas)
- State Representative Phil King (R-Weatherford)
- State Representative Tan Parker (R-Flower Mound)
- State Representative Four Price (R-Amarillo)

LEGISLATIVE HEARINGS SET FOR NOVEMBER

This month, members of the state legislature will convene for interim hearings at the state capitol in Austin, ahead of the next legislative session that will begin in January. Of note, the Sunset Advisory Commission is scheduled to meet on Wednesday, November 14th at 9:00 a.m. During this public hearing, the commission will report its final decisions on recommended changes for the Texas Board of Professional Geoscientists (TBPG). A couple of months ago, staff of the Sunset Advisory Commission recommended the abolishment of the TBPG, arguing that state regulation of geoscience was not warranted. “A historical lack of meaningful enforcement action, no measurable impact on public protection, and more direct oversight of geoscientists’ work provided by other state agencies’ render ongoing state regulation of geoscientists unnecessary to protect the public,” read the staff report on the TBPG.

In addition, the Joint Select Committee to Study the Balance of the Economic Stabilization Fund (ESF) will convene at the end of the month on Friday, November 30th at 10:00 a.m. for the purpose of assessing a sufficient balance to maintain in the fund. The ESF, commonly known as the Rainy Day Fund, is supported nearly exclusively through oil and gas severance tax collections. Revenue in the account is used to support all aspects of the state economy, including transportation and infrastructure investment, water conservation projects, schools and education and first responders. Texas holds the nation’s largest Rainy Day Fund, which is projected to reach over \$11 billion by the end of Fiscal Year 2019.

TEXAS RAILROAD COMMISSION TO HOST PERMIAN BASIN FORUM THIS DECEMBER

Next month, the Texas Railroad Commission will hold two, one-day seminars in Midland focusing on regulatory matters relating to oil and gas development in the Permian Basin. Topics to be reviewed during the forum include:

- injection well permitting;
- drilling permits;
- stacked laterals;
- assignment of acreage to Pooled Development and Proration Units (Statewide Rule 40);
- completions; and
- use of Form P-16, Acreage Designation.

The workshops will be held at Midland’s Petroleum Museum from 8:30 a.m. - 4:30 p.m. on Tuesday, December 11, 2018, and Wednesday, December 12, 2018. Registration is required and seating is limited. For additional event information and to sign up to attend, visit <http://www.rrc.texas.gov/oil-gas/oil-gas-workshops-and-seminars/>.



DANA LEWIS APPOINTED AS NEW HEARINGS DIRECTOR FOR THE TEXAS RAILROAD COMMISSION

Effective immediately, Dana Lewis has been named the new director of hearings for the Texas Railroad Commission, the agency announced on Tuesday, November 6. Since September, Lewis has served as interim director of the commission's Hearings Division. Previously, she was an administrative law judge for the Railroad Commission presiding over gas utility rate cases. Prior to her tenure with the state agency, Lewis served as a staff attorney for Judge Stephen Yelenosky in the 345th District Court of Travis County from January 2005 to April 2016, and was a staff attorney for Judge Darlene Byrne in the 126th District Court of Travis County from June 2001 to May 2004.

"Dana's legal expertise and long service in state government, including the past two and a half years here at the Railroad Commission, make her the best person to lead the Hearings Division," said Wei Wang, executive director of the agency.

PORT OF CORPUS CHRISTI UNVEILS PLANS TO BUILD MAJOR CRUDE OIL EXPORT TERMINAL

A new crude oil export terminal off the coast of Texas is in the works, representatives with the Port of Corpus Christi announced on Monday, October 29. The project, developed by the port and The Carlyle Group, will create the first onshore location in the U.S. Gulf capable of servicing fully-laden Very Large Crude Carriers (VLCCs), some of the largest oil tankers in the world that can carry approximately 2 million barrels of crude at one time.

"A project of this magnitude further underscores the vital role the Port of Corpus Christi plays in the global energy markets and as an important economic generator for the great state of Texas," said Sean Strawbridge, chief executive officer of the Port of Corpus Christi. "In partnering with such an experienced and well-capitalized firm as The Carlyle Group, the market should take notice and have a high degree of confidence of this project's success."

Under terms of the new agreement, a world-class crude oil export terminal will be built on Harbor Island, located nearby the port, offering a direct connection between Texas energy outlets and global markets. As part of the agreement, Carlyle agreed to lead the construction and ongoing operations of the oil export terminal on an exclusive basis. Carlyle also has agreed to arrange for a private funding solution for a dredging project to bring fully-laden VLCCs to Harbor Island (at least a 75-foot main channel depth). Ferris Hussein, managing director on Carlyle's Global Infrastructure team, commented, "Carlyle appreciates the steadfast, prescient leadership provided by the Port of Corpus Christi Authority in advancing this project. Providing VLCC access at the port is of critical importance to the United States, and we will collaborate with all stakeholders to ensure such service is provided."

"Corpus Christi is certainly where the incremental barrels want to go as we have deep water, availability of land for development and plenty of capacity to absorb the forecasted U.S. energy production growth in oil and gas. Corpus Christi is open for business," said Charlie Zahn, chairman of the Port of Corpus Christi Commission.

The development of this crude oil export terminal, along with the addition of VLCC access at the Port of Corpus Christi, could produce up to a \$50 billion annual reduction to the national trade deficit, according to port representatives. The City of Corpus Christi also will reap economic benefits from the thousands of direct and indirect jobs as well as billions generated in incremental economic activity.

The new terminal is expected to be operational in late 2020.



ENERGY DEPT. APPROVES SHORT-TERM LNG EXPORTS FROM CORPUS CHRISTI LNG PROJECT

On Friday, November 2, the U.S. Department of Energy (DOE) granted approval of short-term liquefied natural gas (LNG) exports from the Corpus Christi Liquefaction Project to non-free trade agreement countries. The approval, which will extend for a two-year period, was issued to Cheniere Marketing, LLC and Corpus Christi Liquefaction, LLC, and becomes effective on either December 31, 2018, or the date of the first export from the Corpus Christi Liquefaction Project projected to occur later this year – whichever occurs first. Already the DOE provided similar approval in September authorizing short-term exports from the Corpus Christi Liquefaction Project to free trade agreement countries.

"For the first time in 60 years, the United States is now the world's largest producer of oil and natural gas, and we are now exporting natural gas to 30 nations on five continents" -- U.S. Energy Secretary Rick Perry

"Approving short-term LNG exports from projects like Corpus Christi is just one example of how the [Trump] Administration is pursuing energy dominance and boosting our economy," commented U.S. Secretary of Energy Rick Perry.

The Liquefaction Project in Corpus Christi is one of four large-scale LNG facilities currently under development in the United States, and is the first large-scale LNG export project to be built in Texas. At a project cost of approximately \$15 billion, the Corpus Christi Liquefaction Project is one of the largest infrastructure projects in the state and, during peak construction periods, has employed up to 5,000 construction workers.

INTERIOR SECRETARY HOPES TO COMPLETE DEPARTMENT REORGANIZATION BY NEXT SUMMER

The head of the U.S. Department of Interior, Ryan Zinke, wants the agency to complete its reorganization by July 1, 2019. That's according to an internal email sent last week to department employees from Interior senior adviser Susan Combs. In the notification, Combs offered an update on the latest developments relating to the Interior Department's reorganization efforts, which have been in the works since 2017. As detailed in Combs' email, sent November 1, the Interior Department has finalized its 12 new Unified Regional boundaries, established based on the nation's watersheds [the new regions can be viewed on the map to the right]. This transition to 12 regions - down drastically from the Interior's previous 49 different regions - will simplify and improve federal regulatory activities at the Interior.

Additionally, regional facilitators were recently selected to lead each of the Interior's new Unified Regions, Combs advised in her email. Amy Lueders with the U.S. Fish & Wildlife Service will manage the Region 6 "Arkansas-Rio Grande-Texas-Gulf" office that covers the state of Texas.

While the secretary will provide "broad direction" for the reorganization, Combs explained that Zinke has charged each of the new facilitators with the actual implementation of the internal overhaul at the Interior. "By July 1 of next year, each Unified Region will have an Interior Regional Director (IRD)," explained Combs. "A standard process will be used to select a career Senior Executive Service member who will serve as the IRD, and that IRD will be coordinating with the bureaus to conduct business more effectively and efficiently."

To learn more about the reorganization of the U.S. Department of Interior, visit <https://www.doi.gov/employees/reorg>.



INTERIOR ENERGY REVENUES GROW FOR SECOND CONSECUTIVE YEAR

The federal government disbursed nearly \$9 billion of revenue provided from energy production on federal and American Indian lands and offshore areas in Fiscal Year 2018, officials announced on Thursday, November 1, 2018. For the second consecutive year, energy revenue collected by the federal government was up, increasing to \$8.93 billion during this most recent fiscal year. "President Trump's energy dominance strategy is paying off and local communities across America are the beneficiaries," commented Secretary of the Interior Ryan Zinke. "Trump Administration policies like reforming and reducing regulatory burdens and broadening access to the nation's oil, gas and coal resources, have made America the largest oil and gas producer in the world. For a second year, energy disbursements are up, this year by \$1.82 billion, for a total of \$8.93 billion that will be shared with states and Tribes. This critical source of funding will be used for educational and infrastructure improvements and land and water conservation projects, and to create good-paying American jobs."

Second only to taxes, energy development on federal and American Indian Lands and offshore areas provides a critical revenue stream that helps fund government coffers, supporting public works projects, educational improvements, conservation and parks, and infrastructure upgrades.

According to the Interior Department, the top states receiving FY 2018 energy revenues were:

- New Mexico: \$634.9 million
- Wyoming: \$563.9 million
- Colorado: \$112.5 million
- Louisiana: \$91 million
- Utah: \$76 million

Altogether, more than \$1.78 billion of the energy revenues was distributed to 35 total states. The state of Texas, which holds only a relatively small percentage of federal lands with natural resource extraction, received \$60.1 million from the most recent round of federal revenue disbursement. This included revenues from both onshore and offshore extraction in or near Texas, broken down as follows:

- \$4,847,389 from onshore revenues
- \$55,251,965 from offshore revenues

Amongst other disbursements, \$3.5 billion was also sent to the U.S. Treasury.

During the last fiscal year, \$7.11 billion in energy revenue was distributed by the Interior Department, which had grown over \$1 billion from the prior fiscal year. Officials credit higher oil prices, an improved economy, expedited permitting, streamlined regulations, and the growth in exports for helping support the growth in federal energy revenue collected in Fiscal Year 2018.

A complete list of states receiving revenues and FY 2018 disbursement data is available at: <https://revenue.data.doi.gov/>.

EPA RELEASES FINAL STATE IMPLEMENTATION PLAN REQUIREMENTS FOR NAAQS

On Thursday, November 8, the U.S. Environmental Protection Agency (EPA) published final state implementation plan (SIP) requirements for implementing the 2015 National Ambient Air Quality Standard (NAAQS) for ground-level ozone. The development of the new rule follows President Donald Trump's April 2018 Memo, "*Promoting Domestic Manufacturing and Job Creation – Policies and Procedures Relating to Implementation of Air Quality Standards*," which had directed the EPA to ensure efficient and cost-effective implementation of air quality standards under NAAQS and regional haze programs of the Clean Air Act. "This final rule grants states the flexibilities they need to incorporate factors that are often outside their control, such as international air pollution, so they can meet the 2015 ozone standards and continue our nation's tremendous clean air progress," said EPA Acting Administrator Andrew Wheeler. "By working with states to provide greater regulatory certainty, we are helping them improve air quality, protect public health, and enhance economic growth."

SIPs are used by those states and tribes holding areas deemed in non-attainment with federal ozone standards. The state of Texas itself holds several zones designated as non-attainment status by the EPA, including Bexar County [home to San Antonio] which was designated in July as a "nonattainment" area under federally mandated air quality standards.

ATTORNEY GENERAL JEFF SESSIONS RESIGNS AT PRESIDENT TRUMP'S REQUEST

One day after the midterm elections, U.S. Attorney General Jeff Sessions stepped down from office Wednesday, November 7, at the request of President Donald Trump. The president has made little secret of his frustration with Sessions, though took many off-guard in pursuing changes to his cabinet at this time. In a letter delivered Wednesday to the White House, Sessions wrote, "At your request, I am submitting my resignation. Since the day I was honored to be sworn in as attorney general of the United States, I came to work at the Department of Justice every day determined to do my duty and serve my country. I have done so to the best of my ability, working to support the fundamental legal processes that are the foundation of justice."

In wake of Sessions departure, Matthew G. Whitaker, chief of staff to Sessions at the U.S. Department of Justice, will become the new Acting Attorney General of the United States, President Trump announced this week. The president advised that a permanent replacement will be nominated at a later date.

EIA: U.S. OIL PRODUCTION SURPASSES 11 MILLION BARRELS PER DAY

In August, the United States produced more than 11.3 million barrels of crude oil per day (b/d), reports the U.S. Energy Information Administration (EIA), marking the first time the nation has seen its production levels surpass 11 million b/d. The state of Texas accounted for a significant portion of the country's production output, hitting its own record level at 4.6 million b/d in August. Other states that had record-high production levels were North Dakota, New Mexico, Oklahoma, Colorado, and West Virginia, according to the EIA. Production in the Federal Offshore Gulf of Mexico also hit a record high of 1.9 million b/d in August.

This year, Texas has seen strong growth in its total oil production levels. From January until August, the EIA estimates Texas' crude oil production increased 15 percent, rising by 683,000 b/d. Much of this production growth has come from the Permian Basin, which accounts for approximately 63 percent of total Texas crude oil production. "The growth in Texas and New Mexico since the start of 2018 surpassed EIA's previous expectations, which assumed that pipeline capacity constraints in the Permian region would dampen production growth in response to the increased differential between the West Texas Intermediate (WTI) crude oil price at Cushing, Oklahoma, and the WTI price at Midland, Texas. In August 2018, this differential had grown to more than \$16 per barrel (b), up from \$0.43/b in January. However, industry efficiencies in pipeline utilization and increased trucking and rail transport in the region have allowed crude oil production to continue to grow at a higher rate than EIA expected," said analysts.

ENCANA AND NEWFIELD MERGE TO FORM NORTH AMERICA'S SECOND LARGEST UNCONVENTIONAL PRODUCER

Calgary-based oil and gas company Encana Corporation will acquire Newfield Exploration - both member companies of TIPRO - in a mega-merger that is expected to create the second largest producer of unconventional resources in North America, the companies announced on Thursday, November 1, 2018. Following the merger, the combined company will hold premium positions in some of North America's highest-quality, oil and liquids weighted plays -- the Permian, the STACK/SCOOP play in Oklahoma and the Montney formation in British Columbia and Alberta.

"This strategic combination advances our strategy and is immediately accretive to our five-year plan," said Encana President and CEO Doug Suttles. "Our track record of consistent execution gives us confidence to accelerate and increase shareholder returns. I am very excited to lead the combined company and want to congratulate the team at Newfield on doing a tremendous job building premium positions in the core-of-the-core in each of their assets, particularly in the world-class, oil-rich, STACK/SCOOP. When combined with our cube development model, expected synergies and relentless focus on efficiency, we are positioned to deliver highly efficient growth and quality returns."

"Throughout our 30-year history, Newfield has worked to create a strong portfolio of assets managed by some of the best and brightest people in the business. The merger will accelerate the development of these assets and as a result, capture full value for our owners," said Newfield Chairman, President and CEO Lee K. Boothby. "This transaction is the best path forward for our company," Boothby added.



Save *the* Date

to join

TIPRO

for the association's

73rd Convention & Legislative Call-Up!

February 26-28, 2019 ★ Austin, Texas

Members of the Texas Independent Producers & Royalty Owners Association are invited to participate in the organization's 2019 Annual Convention that will be held in Austin at the Sheraton Hotel by the Capitol on February 26-28. Mark your calendars for the event, which will feature prominent officials and industry leaders as guest speakers. Presenters at the TIPRO meeting will address the leading issues facing the Texas oil and natural gas industry today, as well as review other significant industry trends.

In conjunction with the state's legislative session, during the association's convention, TIPRO also will host call-up meetings at the state capitol to allow attendees the opportunity to visit with lawmakers and staff on priorities for the Texas oil and gas industry.

Sponsorship opportunities are available for the association's convention. Please contact TIPRO for more information.

Watch for additional event details to be announced soon.



CONNECT WITH LEADERS THROUGH TIPRO!

From TIPRO's *Online Buyers' Guide* to *Upstream Texas* magazine, learn how you can reach 3,000 independent producers throughout the state.

For more information, contact: **Tamara Perry-Lunardo**, *Project Manager*
tplunardo@naylor.com | (352) 333-3396



NAYLOR ➤
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.

919 Congress Avenue, Suite 1000
Austin, Texas 78701
Phone: (512) 477-4452
Fax: (512) 476-8070
www.tipro.org