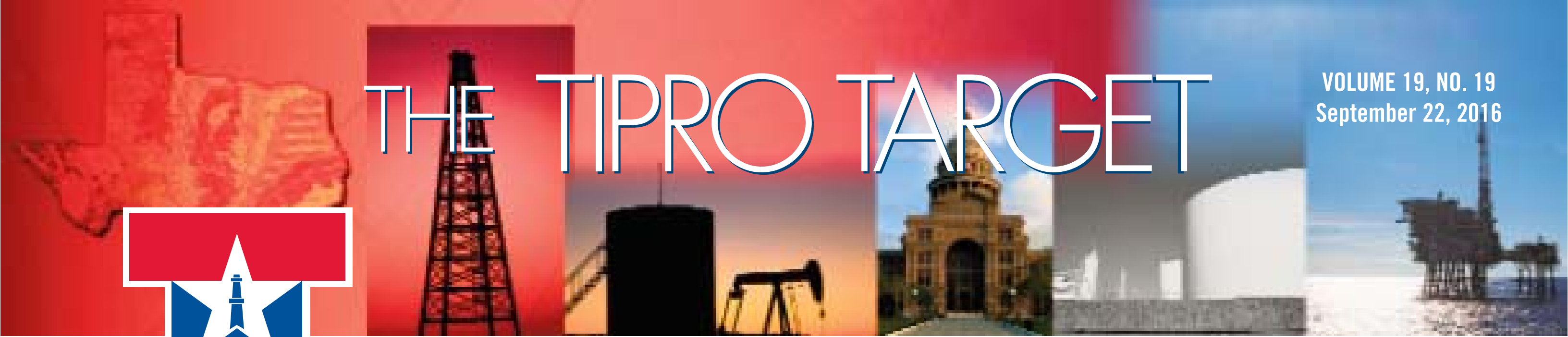

THE TIPRO TARGET

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TIPRO

Texas Independent Producers and Royalty Owners Association

EPA METHANE REGULATIONS BLASTED DURING CONGRESSIONAL HEARING

Although the oil and gas industry has drastically cut emissions through its own voluntary efforts, the U.S. Environmental Protection Agency (EPA) announced earlier this year costly new regulations governing methane emissions by oil and gas sources. But are these new federal rules a solution in search of a problem?

During a recent hearing of the U.S. House Committee on Science, Space, and Technology's Subcommittee on Environment, held Thursday, September 15, 2016, congressional members debated the need for the EPA's newest methane regulations, criticizing the extreme regulatory action taken by the agency when methane releases from the oil and gas industry have already been declining, even reaching a 25-year low in 2015.

"The EPA has become an agency that promotes an extreme political agenda rather than reasonable policies based on sound science... EPA cherry-picks the science that fits its agenda and ignores the science that does not support its position. Like all regulations promulgated by the EPA, the methane regulation is no different: it stifles economic growth, destroys American jobs, and increases energy prices. That means costs will rise – from electricity to gasoline to food, disproportionately hurting low income Americans," said Congressman Lamar Smith (R-Texas), chair of the U.S. House Committee on Science, Space, and Technology.

Echoing similar sentiments during the hearing, Subcommittee Chairman Jim Bridenstine (R-Oklahoma) also slammed the EPA for "pursuing a war on natural gas."

One expert - Dr. Bernard Weinstein, professor and associate director at Maguire Energy Institute and Cox School of Business at Southern Methodist University - explained to subcommittee members that, "we could shut-in all American oil and gas production and the impact on climate change would be virtually zero." Dr. Weinstein also emphasized during his remarks that "energy policies and regulations should not be driven by environmental alarmists - which is clearly the case today - but rather by sound science and careful cost-benefit assessments."

Meanwhile, other witnesses suggested that additional regulation by the EPA was necessary in order to guide the industry in further minimizing emissions and help to address the release of climate-changing pollutants.

CONGRESS RAISES QUESTIONS OVER RECENT WHITE HOUSE DIRECTIVE ON CLIMATE CHANGE

Members of the U.S. House Committee on Natural Resources held an oversight hearing on Wednesday, September 21, 2016, to examine the impacts of the Obama Administration's final guidance for federal departments and agencies issued recently relating to greenhouse gas (GHG) emissions and the effects of climate change.

The directive was released last month by the White House Council on Environmental Quality (CEQ), serving under the executive office for the president, and calls on all federal departments and agencies to consider the effects of GHG emissions and climate change when evaluating proposed federal actions. The final guidance reportedly will offer clarity on how federal entities should consider the potential impacts of government actions on climate change under the National Environmental Policy Act (NEPA). Many have warned, however, that these new guidelines could slow future infrastructure development in the United States, and make it more difficult to obtain permits for railroads, bridges and highways, as well as adversely affect energy projects on public lands.

During Wednesday's oversight hearing, the full congressional committee heard testimony from Christy Goldfuss, managing director for the CEQ, who repeatedly assured that this guidance from the White House does not impose new requirements, and is not a regulation. Goldfuss indicated to the committee that it serves to "simply guide agencies on how they can take climate change impacts into consideration, which strengthens decisions scientifically, legally, and as a matter of informed public policy."

Congressman Rob Bishop (R-Utah), the committee chairman, was not convinced, however, and argued that while the CEQ guidance may not be a formal regulation, it still will have to be obeyed by government agencies. The guidance is likely to lead to an increase in lawsuits, and consequently, there will be "de facto enforcement" by agencies as if it is legally binding. "It may be voluntary, but it ain't voluntary," said Congressman Bishop. "This guidance, rather than help the environment, ends up hurting the everyday lives of Americans. It drives up the costs related to the permitting process endangering millions of jobs across the country. Everything from energy projects to highway maintenance to small business construction will be impacted," Congressman Bishop added.

Meanwhile, during the hearing, Congressman Tom McClintock (R-California) also criticized the CEQ for not including an economic assessment of how much it would cost if all federal agencies actually follow the prescribed guidelines.

President's Message

Ed Longanecker

TIPRO Members-

With the recently announced Alpine High discovery by Apache Corporation, yielding a potential 3-5 billion barrels of recoverable barrels of oil in the Delaware Basin, Texas once again has illustrated the sheer magnitude and potential of domestic oil and natural gas reserves. The Permian Basin, which includes the Delaware, alone holds an estimated 1 trillion barrels of recoverable oil, making it the most prolific shale formation in the world. And this is one of seven prolific shale formations in the United States, including the Eagle Ford Shale in South Texas, which boasts an estimated 10-15 billion barrels of recoverable oil, along with the Haynesville. While many additional shale formations exist throughout the U.S., these seven formations collectively accounted for 92 percent of domestic oil and natural gas production growth between 2011-2014.

Previously touted speculations over the past century relating to "Peak Oil" and possible depletion of America's oil and natural gas reserves were not only inaccurate, but also serve as an example of dozens of the false predictions regarding the oil and natural gas industry. Many of these politically-driven claims are presented in an attempt to displace fossil fuels for other forms of less reliable and more costly energy sources, or even to protect global market share of OPEC producers.

Despite the current downturn for the industry and ongoing volatility with commodity prices, the successful application of hydraulic fracturing to additional tight reservoirs and continued improvements in exploration and production methods have directly challenged the theory of "Peak Oil" and the subsequent decline of the U.S. oil production. Continued cost reductions and greater efficiencies have also enabled many producers to recover more oil and natural gas from a single well and lower their breakeven point.

The largest factor that can hinder our potential as an industry would be continued implementation of overbearing, and ideologically driven, regulations at the federal level and the inevitable volatility associated with commodity prices. The latter is a painful reality and process, but the uncertainty facing our industry from a regulatory perspective is equally, if not more, concerning.

Today the U.S. is the world's largest producer of oil and natural gas. Instead of working against our industry, federal officials should do all they can to support the responsible development of hydrocarbons and the incalculable benefits, products and conveniences provided by this industry. Continued innovation, collaboration and sensible domestic energy policy — not overreaching regulation — are critical to economic prosperity, energy independence and enhanced security for our state and country. Thank you,

Ed Longanecker

TIPRO and Flotek make final push in campaign against childhood hunger

TIPRO and Flotek are making a final push in their September campaign to fight child hunger across Texas. With only a few days left in the month, the effort to make a difference against food insecurity has received tremendous support in the past two weeks alone – but there is much more to be done. More than 15 million children in America are at risk of hunger, according to No Kid Hungry, a national campaign dedicated to ending childhood hunger. More than 28 percent of Texas households with children struggle to afford enough food for their families, and more than 1.8 million Texas children are at risk of not getting the food they need to lead healthy, active lives.

"Child hunger is not only a matter of food insecurity for individual families. It is an education, health and economic issue that affects each and every one of us," said Ed Longanecker, president of TIPRO. "Providing access to food for hungry children is a benefit to both vulnerable families as well as to our economy and the state-at-large."

According to the *Texas Tribune*, the estimated total annual burden on the Texas economy in 2014 from hunger-related health and education expenses – which includes associated loss earnings due to health and education deficiencies – equated to $44.2 billion in annual costs and nearly 239,500 jobs.

"It is clear that the cost of hunger is significant but feeding a child is not," said John Chisholm, chairman of the board, CEO and president of Flotek. "Whether you give $1 or one hour of your time, we encourage you to consider contributing to this important cause, which will make a difference in the lives of many children and our communities."

As part of this campaign, Flotek is donating one percent of all sales generated in September from the Complex nano-Fluid® product line to local food banks where the company operates. Flotek employees are also volunteering at food banks this month to help distribute meals to children at risk of hunger.

To make a donation, visit www.makingadifference.com.

TIPRO Calendar of Events

OCTOBER 12, 2016	**NOVEMBER 9, 2016**	**DECEMBER 14, 2016**	**JANUARY 11, 2017**
HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.

TIPRO update on associations' petition against EPA regulations

On August 2, 2016, the Texas Independent Producers & Royalty Owners Association (TIPRO) joined with the Independent Petroleum Association of America (IPAA) and 17 other trade associations representing primarily independent producer interests in filing a Petition for Review with the U.S. Court of Appeals for the District of Columbia Circuit to challenge the U.S. Environmental Protection Agency's (EPA) methane regulations promulgated on June 3, 2016, (Subpart OOOOa). TIPRO and the other associations also submitted a Petition for Administrative Reconsideration of Subpart OOOOa with EPA. The state of North Dakota filed the first challenge with the court in early July, followed by the state of Texas approximately two weeks later. The Clean Air Act (CAA) provides for 60 days to challenge promulgated rules in the Court (if the rule has national applicability). The other trades that filed suit independently at the end of the 60-day period include the American Petroleum Institute, the Interstate Natural Gas Association of America, the Western Energy Alliance, and the GPA Midstream Association. The state of West Virginia also filed on August 2, 2016, on behalf of Alabama, Arizona, Kansas, Kentucky, Louisiana, the Attorney General for Michigan, Montana, Ohio, Oklahoma, and South Carolina. All of the cases have been consolidated with the lead case, *State of North Dakota v. Environmental Protection Agency, Case No. 16-1242*.

The states of California, Connecticut, Illinois, New Mexico, New York, Oregon, Rhode Island, Vermont, and the Commonwealth of Massachusetts and the City of Chicago filed an unopposed Motion to Intervene in support of EPA, as did a coalition of environmental groups including the Natural Resources Defense Council, the Environmental Defense Fund, the Clean Air Council, Earthworks, and the Environmental Integrity Project. The court has yet to act on those motions but there is no reason to believe that the motions will not be granted.

Most of the Petitioners were ordered to submit their non-binding statement of issues they intended to raise in the litigation during the week of September 6, 2016. With some variation, the Petitioners involved in this case raised the following issues: (1) whether the failure to make a pollutant-specific endangerment and significant contribution finding violated the CAA; (2) whether the expansion of the oil and natural gas production source category was arbitrary and capricious; (3) whether the EPA failed to establish what constitutes a "significant contribution" (versus a mere contribution); (4) whether the EPA's reliance on the 2009 greenhouse gas (GHG) endangerment findings was arbitrary and capricious; and, (5) whether the EPA's cost-benefit analysis was arbitrary and capricious, and if the rule was not supported by the administrative record. State Petitioners also raised Constitutional/Tenth Amendment/primacy issues. Again, the statements are non-binding and the parties will coordinate on which issues will ultimately be briefed and by whom.

On September 7, 2016, the court granted the EPA's unopposed motion to extend certain deadlines: procedural motions, if any, will be due by October 6, 2016; certified index to the record and dispositive motions, if any, are due by October 21, 2016. It is difficult to gauge how quickly the next steps will occur. The Petitioners will want to move the case quickly and the EPA will likely try to delay. A scheduling order is expected to be issued in the coming weeks and the parties will need to submit a proposed briefing schedule.

In addition to the litigation, a meeting with the EPA to discuss TIPRO, et al.'s Petition for Administrative Reconsideration took place on September 14, 2016, at Research Triangle Park, North Carolina. TIPRO's President Ed Longanecker participated in the four-hour meeting on behalf of the organization and its members.

EPA to move regional office to new location in Dallas

The U.S. Environmental Protection Agency's (EPA) Region 6 Office will relocate to a new space in Dallas, Texas. The EPA's Region 6 Office serves Texas, as well as the states of Arkansas, Louisiana, New Mexico, Oklahoma, and 66 Tribes.

The agency's South-Central Regional Office in Dallas will move to Renaissance Tower, located at 1201 Elm Street, Dallas, Texas. The new office location will provide EPA with the space needed to support the agency's mission to protect human health and the environment.

The EPA is expected to take full occupancy of the new space in Dallas by early 2019.

New data released on marginal well activity in the United States

In early September, the Interstate Oil and Gas Compact Commission (IOGCC) published a new report providing a comprehensive look at marginal well activity in the United States and detailing the economic contributions offered from domestic marginal production. Marginal wells, classified as wells that produce 10 barrels of oil or 60 thousand cubic feet (Mcf) of natural gas per day or less, collectively supply a notable portion of the country's oil and gas. However, these kinds of oil and gas wells, which often times are family-owned and predominantly situated in rural areas, become unprofitable whenever oil and/or gas prices drop below a critical profit point.

According to the new IOGCC analysis, over 72 percent of all operating wells in the U.S. in 2015 were considered marginal. The IOGCC found that the state of Texas had the highest number of marginal oil wells in operation last year, with an estimated 152,376 marginal oil wells. Other top marginal oil-producing states in 2015 included Oklahoma, Kansas, Louisiana, New Mexico, California, North Dakota, Colorado, Ohio, and Illinois. Together, in 2015, these states had 364,278 marginal oil wells, producing approximately 265.6 million barrels of marginal oil, or more than 90 percent of total U.S. marginal oil production. Meanwhile, IOGCC highlighted eight states – Texas, Oklahoma, Colorado, Kansas, Kentucky, West Virginia, New Mexico, and Pennsylvania – as the clear leaders in marginal natural gas production for last year. "Each produced more than 100 million Mcf of natural gas from marginal wells in 2015. Jointly they accounted for 1.57 billion Mcf, or 81 percent of total U.S. marginal production, in 2015," according to the report.

"While marginal oil and gas production is a relatively small segment of the broader U.S. energy complex, it nonetheless remains a sizeable business sector. In 2015, marginal wells were used to produce oil and natural gas valued at $18.1 billion." -IOGCC report

The IOGCC states that U.S. marginal wells have contributed more than $300 billion of production in the form of 2.85 billion barrels of oil and 19.9 billion Mcf of natural gas over the last ten years.

"This important study provides the justification for maintaining access to literally billions of barrels equivalent of reliable oil and natural gas in the United States," commented Research Partnership to Secure Energy for America (RPSEA) President Thomas Williams on the IOGCC marginal well report. "The report also lays the groundwork to identify policies focusing on marginal and conventional wells in the U.S. for fair taxes, reasonable regulations, as well as investments in R&D needed to lower cost while reducing the environmental impact, particularly during this time of low commodity prices."

This report was based on data collected in the latest IOGCC marginal well survey covering production activity in 29 states over the calendar years of 2013, 2014, and 2015. IOGCC notes that this was a period of extreme price volatility, and as a result of unstable market conditions, dramatic shifts occurred in exploration and production activity for the domestic energy industry.

The complete 2015 Marginal Well Report is available for download through the IOGCC website at http://iogcc.ok.gov/.

U.S. House passes bill aiming to limit "high impact" federal regulations

The U.S. House of Representatives passed a bill Wednesday, September 21, that would prevent "high impact rules" with costs over $1 billion annually from taking effect until all court challenges to the regulations in question are settled. The "Require Evaluation before Implementing Executive Wishlists Act of 2015 (REVIEW Act)" (H.R. 3438) would require a federal agency to postpone the effective date of any high-impact rule pending judicial review. Under the bill, a federal rule would be allowed to take effect 60 days after it is published in the Federal Register if no person seeks judicial review of such rule during such period. A "high-impact rule" is defined in the legislation as any rule that the Office of Information and Regulatory Affairs determines may impose an annual cost on the economy of at least $1 billion.

"Every day, American workers, taxpayers and families bear the burden of the regulatory hubris emanating from Washington. As executive agencies grow bolder, so too does the scope and effect of their actions. Too often, the financial burden of these reckless regulations falls on the backs of hard-working Americans. The compliance costs alone are felt nationwide and touch every corner of our economy. The REVIEW Act is an important step in curtailing far-reaching regulations and ensures Washington rule makers are held accountable," said Congressman Tom Marino (R-Pennsylvania), the bill's main backer,

"When new high-impact regulations are issued and then overturned by the courts, billions of dollars in unnecessary compliance costs are frequently passed along to the American people. This is because, without a stay imposed by the agency or the court, the costs to cover regulations still must be paid for by hardworking Americans even while the lawfulness of new regulations is being challenged in court," said Congressman Bob Goodlatte (R-Virginia), co-sponsor of the REVIEW Act. "The waste imposed by high-impact regulations that the courts ultimately will reject has gone on for too long, and Washington bureaucrats cannot keep imposing these burdens on the American people. The REVIEW Act frees up billions of precious dollars to be spent on the jobs and investment America needs to recover fully from economic hard times."

The White House has already threatened to veto the measure over its potential impact to environmental, financial and other regulations.

Speaker Straus announces appointments to Rainy Day Fund legislative committee

Texas Speaker of the House Joe Straus announced new legislative appointments on Tuesday, September 20, to the Joint Select Committee to Determine a Sufficient Balance of the Economic Stabilization Fund (ESF). Speaker Straus has named Representative Sarah Davis of Houston as co-chair of the joint committee. He also has appointed Representatives Donna Howard of Austin, Lyle Larson of San Antonio, Drew Springer of Muenster and Armando Walle of Houston to serve on the committee tasked with determining and adopting a sufficient balance in the ESF -- commonly referred to as the state's Rainy Day Fund -- for the next fiscal biennium. The fund is primarily supported by oil and natural gas production tax revenue. Members of the joint select committee will work to ensure an appropriate amount of revenue remains available in the Rainy Day Fund.

"Representative Davis and the other members of this committee will represent the House well," Speaker Straus said. "They will help ensure that we meet the state's needs within a disciplined budget that keeps an appropriate amount of money in reserves."

Earlier this month, Texas Lieutenant Governor Dan Patrick appointed Senators Paul Bettencourt and Donald 'Don' Huffines to also serve on this legislative committee.

The state's Rainy Day Fund is projected to have a balance of $10.4 billion at the end of the current budget cycle in August 2017. The size of the fund, coupled with other state funding challenges, could cause the fund to be a topic of debate in the 2017 Legislative Session.

Texas' Rainy Day Fund is largest of its kind in the nation

Deriving most of its revenue from the state's oil and gas production taxes, Texas' Rainy Day Fund is now the largest of its kind in the nation, reports the Texas Comptroller's office. The state's Rainy Day Fund, officially called the Economic Stabilization Fund (ESF), grew to more than $9.7 billion at the close of Fiscal Year 2016, which ended in August.

During the state's last fiscal year, in 2015, Texas had the nation's second-largest Rainy Day Fund. However, increases to the size of the fund have allowed Texas to now hold the largest Rainy Day Fund in the country.

"Sound fiscal management, conservative budgeting and responsible stewardship of the Rainy Day Fund have allowed Texas to weather previous budgetary challenges, address pressing infrastructure needs and avoid short-term borrowing to close cash flow gaps," Texas Comptroller Glenn Hegar said. "While our state faces a more challenging fiscal climate than in recent biennia, our Rainy Day Fund remains an essential and robust backstop to help Texas through times of economic adversity."

Learn more important details about Texas' Rainy Day Fund by visiting the link below:

http://comptroller.texas.gov/fiscalnotes/sep2016/rainy-day.php

Membership reminder: Submit your annual membership directory forms to TIPRO

Don't forget to submit your annual membership directory form to TIPRO by ***Friday, September 30, 2016,*** for the association's next membership directory. You should have recently received your form in the mail - if you need assistance or did not receive your copy of the form, please contact TIPRO's Membership Coordinator Anjelica Torres by email at atorres@tipro.org or call (512) 477-4452. You can also access a blank copy of the form on TIPRO's website at www.tipro.org. If we do not receive your form by the deadline date, we will consider the contact information on file as accurate and will publish it in the association's 2017 Membership Directory.

Get winning! Enter the FedEx Advantage $25,000 Get Ready Sweepstakes

Get ready for a chance to win! FedEx is giving TIPRO members a chance to win up to $10,000, or over 100 other prizes, in the $25,000 Get Ready Sweepstakes. Simply enroll in the TIPRO Shipping Program and you'll be automatically entered in the sweepstakes. Then you'll have a chance to earn up to 51 additional entries[1]. Imagine how you could invest in the success of your business with these prizes:

- $10,000 Grand Prize (1)
- $1,000 First Prizes (10)
- $50 Second Prizes (100)

Visit PartnerShip.com/TIPRO to enroll now.

What's more, even after the sweepstakes end, new participants of the TIPRO Shipping Program will still be able to enjoy savings of up to 26 percent[2] on select FedEx® services. The TIPRO Shipping Program is free to join and there are no minimum shipping requirements. In addition, you may also be eligible for other special offers and promotions.

Already enrolled in the TIPRO Shipping Program? Join My FedEx Rewards to enter the FedEx Advantage $25,000 Get Ready Sweepstakes. Enter now.

1Limit 52 total entries. NO PURCHASE NECESSARY. Void where prohibited. The FedEx Advantage $25,000 Get Ready Sweepstakes is sponsored by FedEx Corporate Services, Inc. Open to legal residents of the 50 United States and Washington, D.C., age 18 or older who are members of an eligible FedEx Advantage affiliate as of 9/11/16. Begins 9/12/16; ends 11/4/16. For rules, go to smallbusiness.fedex.com/get-ready-rules. 2Includes a bonus 5% online processing discount. Full details available at www.PartnerShip.com/TIPRO/FedExdiscounts.

TIPRO Power Coalition, SimplySmart Summer Savings Program

You know the energy business from the ground up.

Put SimplySmart to work for you.

TIPRO's association purchasing group is the easiest way to get the lowest energy bids. We have partnered with a reputable, experienced energy broker, SimplySmart, which can compare bids from more than ten providers and help you choose the best product for your business.

To get started, download and complete the Easy Forms and email to SimplySmart at simplysmartbrokers@nrg.com

Jessica Dusek, 512.676.0928
Jessica.dusek@nrgsimplysmart.com

For a limited time, receive a free "take anywhere" Goal Zero Yeti 150 generator (a $230 value) when you sign a 24-month (or longer) electricity agreement through SimplySmart*. To be eligible, members must not be currently participating in the TIPRO Power Coalition.

nrgsimplysmart.com

*Offer valid to those who submit Easy Forms by September 30, 2016. Goal Zero Yeti 150 generator will be shipped when REP contract is signed.
Goal Zero is a registered trademark of Goal Zero LLC, a wholly owned subsidiary of NRG Energy, Inc.

TIPRO

Texas Independent Producers & Royalty Owners Association

With more than 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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