



**Texas
Independent
Producers and
Royalty Owners
Association**

TIPRO'S SUMMER CONFERENCE INFORMS MEMBERS OF LATEST STATE AND FEDERAL OIL AND GAS ISSUES

The state's upcoming legislative session, ongoing NAFTA negotiations, shifting federal policies and the impact of recent tariffs against steel and aluminum imports were a few of the leading topics of discussion during the 2018 TIPRO Summer Conference held August 8-9 in San Antonio.

Speaking to a full room of TIPRO members, U.S. Congressman Will Hurd warned of foreign threats to the success of the U.S. oil and natural gas industry. "Russians are paying attention and trying to disrupt U.S. energy," cautioned the federal representative for Texas District 23, who previously worked in the cybersecurity field before running for office. "There's a reason that you and all your peers are seeing an increase in attacks to your digital infrastructure... the Russians see y'all as an existential threat to their way of life."

Meanwhile, NAFTA Committee member Gerardo Schwebel suggested the Trump Administration could soon wrap up negotiations for an updated North American Free Trade Agreement (NAFTA). Schwebel, who has served as counsel to officials directly involved with the NAFTA deal-making, emphasized the importance of private sector involvement before final agreements are reached over provisions for NAFTA 2.0.

Additionally, during TIPRO's 2018 Summer Conference, Texas State Representative Drew Darby, chairman of the House Energy Resources Committee, highlighted top issues expected to dominate during the state's next legislative session that will begin this coming January. Representative Darby pointed out workforce availability, infrastructure limitations, school funding and the structure of the state's Rainy Day Fund all are concerns the legislature is likely to engage in 2019.

Industry executives from Parsley Energy, Howard Midstream Energy Partners and Halliburton also shared perspective with TIPRO on trends, expectations and new innovations for the Texas oil and gas industry.

For additional coverage of the TIPRO Conference, see the President's Message on Page 2 and event photos on Pages 5-6...



TIPRO Chairman Eugene Garcia and President Ed Longanecker with TIPRO Presenter U.S. Representative Will Hurd

TPWF, APACHE CORP. PARTNER TO RAISE FUNDS TO REPAIR BALMORHEA STATE PARK POOL

"Generations of Texans have enjoyed the cool, clear waters at Balmorhea, and we're deeply grateful for Apache's challenge grant to help us meet the fundraising goal of \$2 million. We've heard from many individuals and companies that are interested in helping, and we hope everyone who has ever dipped a toe in this Texas treasure will consider making a donation to help."

*Texas Parks & Wildlife Foundation
Executive Director Anne Brown*

The Texas Parks & Wildlife Foundation (TPWF) is joining forces with Apache Corporation, a member company of TIPRO, to help raise \$2 million for pool repairs needed at the iconic Balmorhea State Park in West Texas. As part of a special partnership between TPWF and Apache, the company has pledged to match donations dollar-for-dollar up to \$1 million to support repair efforts for the spring-fed pool.

Built in the 1930s by the Civilian Conservation Corps., Balmorhea State Park is home to the world's largest spring-fed swimming pool. The 1.3-acre pool is up to 25 feet deep, holds 3.5 million gallons of water and the water temperature stays at 72 to 76 degrees year-round. The pool at Balmorhea State Park, however, has remained closed since early May after part of the structure collapsed during the pool's annual cleaning.

"We are incredibly thankful to Apache for their spirit of generosity in stepping forward with this major challenge grant to help repair Balmorhea State Park and its much beloved spring-fed swimming hole," said Texas Parks and Wildlife Department Executive Director Carter Smith. "This west Texas oasis is one of Texas' great treasures, and its closure this summer was a source of deep disappointment to the Department and thousands of families who otherwise would have enjoyed basking in its magical, refreshing waters. With this challenge grant and the generosity of other Texans, we can now embark upon the essential repairs to the pool without having to divert resources away from other critical repair and maintenance projects across the State Park system."

Online donations to support the repairs of Balmorhea State Park pool may be made by visiting <https://bit.ly/2vsFrTn>, or a gift may be mailed to: Texas Parks and Wildlife Foundation, 2914 Swiss Ave., Dallas, Texas 75204.

PRESIDENT'S MESSAGE

TIPRO Members,

It was great to have the opportunity to reconnect with many of you last week while in San Antonio for TIPRO's 2018 Summer Conference. This annual TIPRO meeting always proves to be an important time for our membership to network, learn and engage in important issues facing our industry from a policy and operational standpoint. I appreciate the participation and support of all those who could attend and sponsor our event this year.

We were also proud to use the Summer Conference as a special occasion to recognize leaders who have proven to be strong advocates for TIPRO as well as the industry over the years. For his distinguished career in politics and energy policy, and his countless contributions to our industry and organization as a loyal Explorer member, Obie O'Brien, vice president of governmental affairs and corporate outreach for Apache Corporation, was honored with the 2018 TIPRO 'Excellence in Advocacy' Award. We were also pleased to present former TIPRO Chairman David F. Martineau with the coveted 2018 Mr. TIPRO award for his loyalty and involvement with TIPRO, and his outstanding service to the Texas oil and gas industry. Lastly, keeping with long-standing tradition, immediate past Chairman Allen Gilmer was recognized during the TIPRO meeting for his leadership serving as chairman of TIPRO's Board of Directors during the past two years.

As we celebrate these TIPRO leaders, and reflect on the history of our association, we also mourn the recent passing of Julian Martin, a beloved friend to many of us and dedicated leader himself of TIPRO. After a stint in Army Counterintelligence in Little Rock during the Korean conflict, in 1953, Julian landed a job in Austin at the Texas Research League. Years later, he went on to work for the oil and gas industry, and in 1980 became executive vice president of TIPRO. Julian saw our association through some of the toughest years the Texas oil and gas industry has ever faced, when the infamous oil bust of the 1980s dealt a devastating blow to Texas producers and crippled the state economy. For 14 years, Julian was a strong voice for our association, and we're all grateful for his dedication to the organization. After leaving TIPRO in 1994, he worked for the Gas Research Institute for three years before retiring in 1997. Julian served on several oil & gas commissions and was a Trustee of the Southwest Research Institute.

A sincere thanks to all leaders that support TIPRO's mission, past, present and future. We are honored to carry on the tradition of effectively advocating for our industry and the men and women that make its success possible.

Regards,

Ed Longanecker



Ed Longanecker

TEXAS CONGRESSMEN PROPOSE MEASURE TO IMPROVE FEDERAL REVIEWS OF LNG EXPORT TERMINALS

Two congressmen from Texas are looking to help the Federal Energy Regulatory Commission (FERC) address a shortage of qualified personnel, which the lawmakers say will alleviate what has become a mounting backlog at the commission of applications for new energy export terminals waiting to be reviewed. U.S. Representatives Gene Green (D-TX29) and Pete Olson (R-TX22) recently introduced House Resolution 6552 to give FERC the flexibility to consult with the Office of Personnel Management (OPM) and determine appropriate salaries to hire the staff needed. "FERC has a vital job for both ensuring environmental safety and advancing America's energy dominance as we continue to see new expansion from the shale boom," commented Representative Green. "They need qualified engineers and lawyers to do this job effectively but often can't recruit talented individuals into these roles due to the severe limits of the government pay scale when compared to the private sector."

"Not only is this step important in getting infrastructure built in this country, but it has precedent. The Securities and Exchange Commission was given similar authority by Congress to bridge the wage gap in the financial sector," reasoned Representative Olson. "It makes sense in highly specialized energy jobs to do the same. Our energy can't be properly utilized sitting in storage instead of being shipped to markets that need it. We must address this fundamental backlog in a smart way. Giving FERC needed pay flexibility in specific jobs will reduce that backlog and address a critical need."

FERC Commissioner Neil Chatterjee acknowledged that the task of reviewing applications for vital infrastructure such as liquefied natural gas (LNG) export terminals is among the commission's top responsibilities, but the agency's ability to efficiently evaluate these applications has been slowed by FERC's limitations to recruit and compensate skilled staff. Chatterjee credited Representatives Olson and Green for their bipartisan efforts to help the commission tackle this important issue through House Resolution 6552, which will allow the commission to retain qualified personnel and therefore improve the review of key energy infrastructure for the United States.

TIPRO Calendar of Events

| | | | |
|--|--|---|---|
| <p>SEPTEMBER 12, 2018 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p> | <p>OCTOBER 10, 2018 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p> | <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> |
|--|--|---|---|

GOVERNOR ABBOTT CALLS EMERGENCY SPECIAL RUNOFF ELECTION FOR SENATE DISTRICT 19

Texas Governor Greg Abbott has ordered an emergency special runoff election to be held next month for Texas State Senate District 19 to elect a state senator to serve the remainder of former Senator Carlos Uresti's unexpired term. This district consists Brewster, Crockett, Dimmit, Edwards, Frio, Kinney, Maverick, Medina, Pecos, Real, Reeves, Terrell, Uvalde, Val Verde, and Zavala counties and parts of Atascosa and Bexar counties.

In July, a special election had been conducted to fill the vacancy left by Uresti in Senate District 19, although no candidate received a majority of the votes cast, as required by Section 203.003 of the Texas Election Code. As a result, Republican Peter Flores and Democrat Pete Gallego will face off again in the runoff election in September.

In his proclamation calling the emergency election, the governor explains it is imperative to fill the vacancy as soon as possible to ensure Senate District 19 is fully represented in the legislature, especially given that the 86th Legislative Session is quickly approaching. Therefore, Governor Abbott has set an emergency special runoff election for Tuesday, September 18, 2018, with early voting to take place September 10-14, 2018.

TEXAS RAILROAD COMMISSION ANNOUNCES ACTING DIRECTOR FOR AGENCY'S OIL & GAS DIVISION

The Texas Railroad Commission recently announced Danny Sorrells, the commission's Kilgore District director, will serve as acting Oil and Gas Division director beginning August 1. Sorrells takes over the role for Lori Wrotenberg, who over the summer was named the next executive director of the Interstate Oil & Gas Compact Commission (IOGCC). Sorrells has led the Railroad Commission's Kilgore office as district director since 2016. Before joining the RRC, he worked in the oil industry for 37 years in Arkansas, Louisiana and Texas, and is an expert in engineering of hydraulic fracturing, acidizing, cementing, coiled tubing, water control and tool design treatments.

The Railroad Commission also has announced new field and Austin office directors. Jeff Morgan has been promoted as the new Oil and Gas District office director for District 08 in Midland. He previously served as Midland's assistant district director. In addition, effective August 1, Elizabeth Diane Beckham became the new assistant district director of the Abilene District office. Previously Beckham served as the assistant district director of the Railroad Commission's San Antonio office. Lastly, Tiffany Humberson has been named the new manager of the Environmental Permits Unit in the Oil and Gas Division's Technical Permitting Department. In the newly created role, Humberson will coordinate regulation of oil and gas waste storage and disposal activities to ensure the protection of the state's surface and groundwaters.

REMINDER: BEGINNING SEPT. 1, OPERATORS MUST FILE WELL LOGS ELECTRONICALLY AT RRC

TIPRO reminds members that beginning September 1, 2018, in accordance with Statewide Rule 16 (16 Texas Administrative Code §3.16), the Texas Railroad Commission will require all oil and gas operators to use the Railroad Commission's Digital Well Log Submission application available through the RRC Online System to electronically file well logs with the state agency.

In an announcement distributed over the summer, the commission explained that the elimination of paper logs will reduce costs to operators and the commission's Oil and Gas Division by cutting staff time spent converting paper logs into an acceptable digital form.

To access the RRC Online System for electronic filing of digital well logs, visit: <http://webapps.rrc.state.tx.us/dwl/>. Operators may file electronic well log data digitally in both Log ASCII Standard (.LAS) and Tagged Image File Format (.TIFF). The commission notes that prior to filing digital well logs electronically via the RRC Online System, an operator must first assign a security administrator for their organization by submitting an original hardcopy Security Administrator Designation (SAD) form to the agency. To download the SAD Form, visit the Railroad Commission's website at <https://bit.ly/2PbxieX>. Existing users with accounts in the RRC Online System do not need to designate a new administrator.

If you have questions regarding this change, please contact the Well Compliance Unit of the Oil and Gas Division by email at prorationunit@rrc.texas.gov or call (512) 463-6975 for assistance.

FENSTERMAKER
SURVEYORS ENGINEERS ENVIRONMENTAL CONSULTANTS

Proudly serving our clients in the Permian Basin.

FENSTERMAKER
Client Focused.
Technology Driven.
Since 1950

C. H. Fenstermaker & Associates, L.L.C. Texas Board of Professional Land Surveying Firm Reg.#10028500 Texas Board of Professional Engineers Firm Reg. #7855

INTERIOR DEPT. GENERATES \$178 MILLION FROM AUGUST OFFSHORE OIL & GAS LEASE SALE

In the second offshore lease sale held this year, the U.S. Department of Interior reports the federal government's region-wide Lease Sale 251 held August 15th generated \$178,069,406 in high bids for 144 tracts covering 801,288 acres in federal waters off the Gulf of Mexico. According to officials, a total of 29 companies participated in this week's lease sale, submitting a total of \$202,667,923 in bids.

"[This] lease sale is yet another step our nation has taken to achieve economic security and energy dominance," said Deputy Secretary of the Interior David Bernhardt. "The results from the lease sale will help secure well-paying offshore jobs for rig and platform workers, support staff onshore, and related industry jobs, while generating much-needed revenue to fund everything from conservation to infrastructure."

Principal Deputy Assistant Secretary Kate MacGregor added, "Results demonstrate a steady interest as serious innovation and engineering continues to unlock new energy resources deep below the seabed."

The revenue received from federal offshore leases (including high bids, rental payments and royalty payments) will be directed to the U.S. Treasury, certain Gulf Coast states (Texas, Louisiana, Mississippi, and Alabama), the Land and Water Conservation Fund, and Historic Preservation Fund.

The August offshore lease sale was the third to be held under the 2017-2022 Outer Continental Shelf Oil and Gas Leasing Program (2017-2022 OCS Program), although the Interior Department is in the process of developing a new National OCS Program for years 2019-2024. The Trump Administration intends to publish a proposed 2019-2024 OCS program for public comment later this year, with the proposed final program expected to be implemented in 2019.



MEXICAN PRESIDENT-ELECT WANTS TO END DOMESTIC FRACKING, HALT IMPORTS OF GASOLINE AND DIESEL

Andrés Manuel López Obrador, Mexico's president-elect, is stirring up controversy in the energy world after make a series of contentious comments recently that could have repercussions in international markets if they prove to come to fruition under the López Obrador Administration. López Obrador, who takes office December 1, told reporters at a press conference at the end of July that he would try to end the use of hydraulic fracturing in his country when he takes control of the government at the end of the year. "We will no longer use that method to extract petroleum," López Obrador responded after being asked about potential risks of fracking. According to sources, much like Texas' Eagle Ford Shale, Mexico's Northern region has large potential for energy development in the shale-rich Burgos basin. However, if López Obrador were to ban the use of fracking in Mexico, that would significantly restrict the ability to tap shale resources in the Burgos formation.

Weeks after López Obrador revealed his intentions to ban hydraulic fracturing in Mexico, a plan previously pushed by López Obrador during his campaign for office has resurfaced, where then-candidate López Obrador vowed to, if elected, stop imports of gasoline and diesel from the United States and other countries to Mexico by 2021. To satisfy energy demands in Mexico without importing fuel from foreign sources, López Obrador reportedly is calling for the construction of a refinery in his home state of Tabasco in southeastern Mexico, and wants to repair six existing refineries to increase the amount of fuel each can produce. This is estimated to cost a combined \$11.3 billion.

Energy experts meanwhile seem somewhat skeptical that López Obrador's plot to stop imports will gain traction, or at least is not likely to do so anytime soon. Mexico, which currently only meets one-third of its fuel demand domestically, relies heavily on imports of gasoline and diesel products, particularly from the United States. In an interview with the *Texas Tribune*, Railroad Commissioner Ryan Sitton called the move from López Obrador "a pretty big shot," telling the *Tribune* that Texas refineries sell about 800,000 barrels of gasoline and diesel a day to Mexico, which would mean Texas alone currently provides Mexico with an overwhelming majority of its fuel.

MIDLAND-BASED DIAMONDBACK ENERGY ANNOUNCES ACQUISITION OF ENERGEN CORPORATION

U.S. oil and gas independent producer and TIPRO member Diamondback Energy, Inc. announced on Tuesday, August 14th it is buying Energen Corporation in a deal valued at \$9.2 billion. Following the acquisition, this would provide the new entity control of approximately 390,000 acres across the Midland and Delaware Basins in West Texas.

In a statement, Diamondback Chief Executive Officer Travis Stice said, "This transaction represents a transformational moment for both Diamondback and Energen shareholders as they are set to benefit from owning the premier large cap Permian independent with industry leading production growth, operating efficiency, margins and capital productivity supporting an increasing capital return program. The Energen team has done an outstanding job assembling a portfolio of Tier One acreage in both the Midland and Delaware basins, which, when combined with Diamondback's current portfolio, will present an extended runway for Diamondback's record of best-in-class execution and low-cost operations."

"We are very pleased about this transaction and believe the combination of the two companies' quality assets, track record of execution, and peer-leading cost structures will form an even stronger, large-cap independent producer uniquely positioned to drive growth and development in the Permian Basin," remarked Energen Chairman and Chief Executive Officer James McManus.

PHOTOS FROM TIPRO'S 2018 SUMMER CONFERENCE



TIPRO Chairman Eugene Garcia welcomes attendees to this year's TIPRO Summer Conference.



TCEQ Area Director Susan Jablonski shares an update with TIPRO on air permitting programs managed by the state.



Explorer member Obie O'Brien receives the 2018 TIPRO 'Excellence in Advocacy' Award during the TIPRO Summer Conference.



State Representative Drew Darby discusses key energy issues to monitor during the next Texas Legislative Session.



U.S. Congressman Will Hurd outlines priority federal issues for the oil and gas industry.



U.S. Congressman Will Hurd presents during TIPRO's 2018 Summer Conference.



Gerardo Schwebel reviews expectations of the renegotiation of the North American Free Trade Agreement (NAFTA).



Howard Midstream Energy Partners Chairman and CEO Mike Howard shares his company's story of building pipelines to connect the Permian to Mexican energy markets.

PHOTOS FROM TIPRO'S 2018 SUMMER CONFERENCE



Matt Gallagher, president and chief operating officer of Parsley Energy, provides the keynote address at the TIPRO 2018 Summer Conference.



Stephen Ingram, vice president of production enhancement for Halliburton, highlights new innovations driving domestic production growth.



TIPRO Chairman Eugene Garcia with 2018 Mr. TIPRO Award Recipient David F. Martineau.



Immediate Past TIPRO Chairman Allen Gilmer receives recognition for his leadership of the association.



Outgoing Chairman Allen Gilmer gives remarks at the Chairman's Dinner.



David Erinakes, chief of staff for Rep. Dan Flynn, TIPRO member Tate Rosenbusch, TIPRO Government Affairs Director Rusty Smith and Rep. Dan Flynn at the TIPRO Summer Meeting.



TIPRO members enjoy Casino Night during the association's 2018 Summer Conference.

TIPRO THANKS ALL SPONSORS OF THE ASSOCIATION'S 2018 SUMMMER CONFERENCE!

GOLD LEVEL SPONSORS:



SILVER LEVEL SPONSORS:



BRONZE LEVEL SPONSORS:



CASINO NIGHT SPONSOR:



Exploring what's possible



▲ Apache Corporation is an oil and gas exploration and production company with operations in the United States, Egypt and the United Kingdom.

WWW.APACHECORP.COM

Apache

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