



**Texas
Independent
Producers and
Royalty Owners
Association**

THE GREEN NEW DEAL

Rep. Alexandria Ocasio-Cortez (D-N.Y.) proposed Green New Deal (GND) has caused quite a stir in Washington and throughout the nation as politicians and citizens scramble to choose sides. Potential presidential candidates to op-ed writers have chimed in on the debate about feasibility and cost of such a program and many erroneous reports have floated through the news in the past few days, making the truth about the vague GND even murkier.

Here is what you need to know about Rep. Ocasio-Cortez's plans:

- It is a nonbinding resolution
- The legislation outlines an overarching set of ideals reminiscent of FDR's New Deal of the 1930s
- The GND aims to not only address climate change, but intervene on many social issues including job security, health care and education
- It has received support from Sens. Elizabeth Warren of Massachusetts, Bernie Sanders of Vermont, Cory Booker of New Jersey, Kamala Harris of California and Kirsten Gillibrand of New York.
- It's the biggest climate change proposal since 2009's American Clean Energy and Security Act
- It does not address cost or its potential effects on the oil and gas industry

Senate Majority Leader Mitch McConnell has stated that he plans to bring the GND to the Senate floor for a hearing, saying "We'll give everybody a chance to go on record and see how they feel about the Green New Deal." The move can be interpreted as an effort to shut down the Democrat-led push for reform. The President spoke out against the GND in a rally in El Paso on Feb, 11th, saying "It sounds like a high school term paper that got a low mark. It would shut down American energy, which I don't think the people in Texas are going to be happy with."

The GND was introduced on Feb. 7th, at which time its status was stated as "Referred to the Committee on Energy and Commerce, and in addition to the Committees on Science, Space, and Technology, Education and Labor, Transportation and Infrastructure, Agriculture, Natural Resources, Foreign Affairs, Financial Services, the Judiciary, Ways and Means, and Oversight and Reform".

Several analysts have attempted to figure out how the US could possibly pay for the costly proposition. Manhattan Institute budget expert Brian Riedl, for example, estimated that in order to raise enough revenue to meet the low end of the budget (the ten-year cost is estimated to lie somewhere between \$46-\$81 trillion) a value-added tax of 87 percent on everything we buy, or a new 37 percent payroll tax for every American would have to be implemented. These are stunning figures.

If the GND were to be adopted, it would lead to massive regulations and restrictions placed on the oil and gas industry, adversely affecting our economy and ignoring the welfare of Texans and the American people overall. At this time, it seems highly unlikely. TIPRO continues to monitor the GND and will inform our members of relevant information as the situation develops.

TIPRO WELCOMES NEW DIRECTOR OF GOVERNMENT AFFAIRS

TIPRO is excited to announce that Ryan Paylor has joined the team as our new Director of Government Affairs. Paylor joined TIPRO in February of 2019 with over ten years of state legislative relations experience. He previously spearheaded policy and legislative priorities for members of both the State House and the State Senate. He most recently worked with the Vice-Chairman of the Sunset Commission to find efficiencies within state agencies and provide regulatory certainty to industry participants. Ryan has worked with Senate Committees that have jurisdiction over Texas' natural resources and environmental regulation. As the Director of Government Affairs, Ryan will oversee all legislative engagement efforts on behalf of TIPRO.



PRESIDENT'S MESSAGE

TIPRO Members-

The past few weeks have been a whirlwind of activity. The 86th Legislative Session is already entering its second month and TIPRO's 73rd Annual Convention and Legislative Call-Up is just around the corner. We've seen Washington grapple with the insanity of the Green New Deal, NOPEC legislation and watched as the Texas Senate made moves on Senate Bill 2. In case you missed it amongst all the commotion, last week TIPRO also released our State of Energy report, a comprehensive look at national and state trends in oil and natural gas employment, wages and other key economic factors for 2018. Once again, oil and gas has played a tremendous role in the economic health of the nation, and Texas is leading the way.



The US oil and gas industry employed 880,681 professionals in 2018, an increase of 45,354 jobs compared to 2017. Texas oil and gas employment accounts for 352,371 jobs, an increase of 26,706 jobs for the state. Payroll in the US oil and gas industry saw an increase of 6 percent from the previous year. Texas oil and gas employment represented 40 percent of all oil and gas jobs nationwide last year.

According to the U.S. Energy Information Administration (EIA), the U.S. became the largest global crude oil producer in 2018, officially surpassing Russia and Saudi Arabia. Independent producers, who collectively drill up to 95 percent of the oil and natural gas wells in America, led the industry in this growth. The rollback of unnecessary and overly burdensome regulations at the federal level and the pro-business environment in Texas directly contributed to a surge in oil and gas production and energy jobs.

Oil production in Texas totaled a record 1.54 billion barrels (bbl) in 2018, surpassing a previous record of 1.28 billion bbl set in 1973. This is a tremendous accomplishment and testament to the hard work and countless contributions of our members and industry.

Governor Greg Abbott joined the conversation on TIPRO's annual report. President Donald Trump, Senator Ted Cruz, and many others also used social media to promote TIPRO's publication and strength of the Texas oil and natural gas industry. "As the national leader in oil and natural gas production, Texas is paving the way for America's energy independence," said Abbott. "From technological advancements resulting in increased oil and natural gas output to our LNG export facilities, the Lone Star State's energy economy is firing on all cylinders. As Governor, I will continue to work with our independent oil and gas producers to take our economy to even greater heights."

If you haven't done so already, I encourage you to review the State of Energy report, press release and other important updates here: <http://www.tipro.org/newsroom/tipro-news>.

Overall, 2018 was a positive year for our industry. TIPRO strives to help continue this upward trend, while addressing numerous challenges that threaten our sector. As the 86th Texas Legislative Session carries on, TIPRO is fighting for increased funding for transportation investment in energy producing areas, workforce development, property tax reform, and a balanced approach to critical infrastructure needs that recognizes the dominance of the mineral estate, existing laws and regulations, and private property rights. For a chance to be directly involved in these efforts, please join us for our 73rd Annual Convention and Legislative Call-Up on Feb. 26th-28th. We will be joined by Governor Abbott and many other respected elected officials, as well as industry leaders to discuss the future of oil and gas. We will also have the opportunity to engage directly with legislators and express the importance of the oil and gas industry to our great state. If you haven't already done so, I urge you to register. You can find the form here, at <https://tipro.org/secure/tipromeetings/convention/>.

I hope to see you all next week.

-Ed Longanecker, President, TIPRO

TIPRO Calendar of Events

FEBRUARY 26-28, 2019

AUSTIN — TIPRO'S 73rd Annual Convention, Sheraton Austin Hotel at the Capitol.

For info, call: (512) 477-4452.

MARCH 13, 2019

HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club.

For info, call: (202) 857-4733.

APRIL 10, 2019

HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club.

For info, call: (202) 857-4733.

MAY 8, 2019

HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club.

For info, call: (202) 857-4733.

KINDER MORGAN PIPELINE ROUTE UPDATES

The Permian Highway Pipeline, a proposed pipeline from Kinder Morgan is unlikely to be rerouted, says Allen Fore, vice president of Public Affairs. The pipeline would serve to move oil from the Permian Basin to the Gulf Coast, where it could be exported. There is a serious lack of infrastructure to do this, and it's becoming more and more necessary as production continues to grow. The proposed route will run through the Wimberley Valley and has raised concerns from community members. Some have brought up worries about the impact the pipeline could have on the Edwards and Trinity aquifers. Fore responded in an interview with The Wimberley View, a local news outlet, that "We will make sure during our construction process that we take into account any water-related issues or any environmental issues out there," adding that "We will be digging a trench 10 feet deep... We are taking into account any potential aquifer or environmental issues. If we cross the river, we are confident we can do that without any adverse impacts. We have to go through a regulator process, so they are confident we can do that." The objections raised by those living on or near the pipeline's proposed route, while understandable, are mostly unfounded. Fore continued to quell fears about potential leaks, noting that they are "extremely rare" and highlighted the company's commendable safety record.



The 86th Texas Legislative Session has brought more attention to eminent domain issues, particularly pertaining to the oil and gas industry's long-standing right to build pipelines. The Texas Railroad Commission has long upheld eminent domain for common carrier pipelines, which protects infrastructure necessary to the economic welfare of the state. State Sen. Kolkhorst filed SB 421 on Jan. 23rd, a bill that has the potential to both expand property owner's rights and to impede the construction of critical infrastructure such as pipelines. This is not Sen. Kolkhorst's first attempt at changing eminent domain laws. She filed similar legislation in the 85th session that did not pass. As of Feb. 14th, SB 421 has been referred to the Senate State Affairs Committee. "Tipro remains committed to maintaining a balanced approach to initial infrastructure needs that recognizes the dominance of the mineral estate, existing laws and regulations and private property rights" said TIPRO President Ed Longanecker.

MARINE SULFUR LIMITS, MERIDIAN ENERGY TO BUILD REFINERY IN PERMIAN BASIN

Meridian Energy announced plans to build a full-service refinery in Kermit, Texas, a town located in the booming Permian Basin. The California-based company said in press release that they signed a contract with Winkler Cos. LLC to begin construction on the facility. Winkler's Manager David Lynch said in the statement, "With [the International Maritime Organization's 2020 regulations requiring reduced sulfur levels in marine fuels in 2020] bearing down on the US refining industry, Meridian could not be better positioned to take advantage of the building demand for [ultralow-sulfur diesel (ULSD)] that can be transported from this location by truck, rail, or pipe."

The IMO has set new regulations on sulfur content in marine fuels. Starting in January of 2020, the limit of sulfur content in marine fuels for ships travelling in international waters will be lowered to 0.5%, a huge difference from the 3.5% limit established in 2012. Reports from the US Energy Information Administration (EIA) suggest that this new policy will affect the shipping and refinery business worldwide. EIA predicts that some ships will install scrubbers that will allow them to continue to use higher sulfur fuel, but US ships are most likely to turn to lower-sulfur residual fuel oil or higher distillate blends to meet the new standards.

Meridian Energy's new venture is well-timed. Analysis by Wood Mackenzie suggests there is not enough low-sulfur fuel available to replace the type of oil commonly used by marine vessels. The new regulations are also likely to provide a boost to Texas, as the demand for lighter grade crude will continue to rise.

TEXAS JANUARY DRILLING PERMITS

The Texas RRC reported the number of original drilling permits in January at 1,196, up from 1,166 in January 2018. They also reported that the number of total well completions processed for 2019 are 1,020, up from 963 recorded during the same time period in 2018. The Midland district saw the most permits by far, receiving 622 of the 1,196 issued. As of Feb. 18th, Baker Hughes reported 509 active Texas rigs, representing approximately 48% of all US rigs. This is a positive start with another record year projected for oil production in Texas.



73rd Annual Convention & Legislative Call- Up

Tuesday, February 26th

- 1:00 PM** Registration Opens
- 1:30 PM** Audit Committee Meeting
- 3:00 PM** TIPRO Board Meeting
- 5:30 PM** TIPRO Welcome Reception

Wednesday, February 27th

- 8:00 AM** Breakfast
- 9:00 AM** General Session Welcome & Sponsor Recognition
Ed Longanecker, President, TIPRO

Opening Remarks
Eugene Garcia, TIPRO Chairman, President, Hurd Enterprises
- 9:10 AM** Dennis Bonnen, Speaker of the Texas House of Representatives
- 9:30 AM** Greg Leveille, Chief Technology Officer, ConocoPhillips
- 10:30 AM** Timm Schneider, Managing Director, Pipelines, Midstream & MLPs, Citi Research
- 11:15 AM** Lees Rodionov, President, North America Land, Schlumberger
- 12:00 PM** Networking Lunch
- 2:00 PM** Texas Governor Greg Abbott
- 2:30 PM** Texas Comptroller Glenn Hegar
- 3:00 PM** Economic Outlook: Stephen Moore, Economist, Political Writer & Commentator
- 3:45 PM** Senator Charles Perry
- 4:30** TIPRO Membership Meeting

Afternoon Break
- 6:00 PM** Reception & Chairman's Dinner
2019 Hat's Off Award - Senator Robert Nichols

Thursday, February 28th

- 8:00 AM** Breakfast & Call Up Briefing
- 8:40 AM** Buses depart for Texas Capital
- 9:00 AM** Texas Legislator Meetings
- 12 - 1:00 PM** Light Boxed Lunch and Departures

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73rd Annual Convention

TEXAS INDEPENDENT PRODUCERS & ROYALTY OWNERS ASSOCIATION

AUSTIN - TX FEBRUARY 26 - 28, 2019

TIPRO will host its 73rd Annual Convention as state lawmakers convene in Austin for the 86th Legislative Session. Governor Abbot will join a strong lineup of speakers, including newly elected Texas House Speaker Dennis Bonnen and Comptroller Glenn Hegar. Register today for this high profile event with exceptional content, speakers and many unique opportunities to interface with key elected officials and industry colleagues.



Texas Governor
Greg Abbott



Steve Moore
Economist



Texas House Speaker
Dennis Bonnen



Comptroller
Glenn Hegar



Lees Rodionov
Schlumberger



Timm Schneider
Citi Research



Greg Leveille
ConocoPhillips

ATTENDEE INFORMATION

Name _____
 Company: _____
 Address: _____

 City/State/Zip: _____
 Phone: _____
 E-mail: _____
 Spouse: _____



Have special dietary needs or other considerations?
Please contact TIPRO staff at (512) 477-4452.

PAYMENT INFORMATION

Total: _____ Payment Method: VISA MASTERCARD AMEX CHECK NO: _____
 Print Name: _____ Company: _____
 Billing Address: _____
 Credit Card No.: _____ Exp. Date: _____
 Signature: _____ CID: _____

Registration forms must be accompanied by payment.

REGISTER ONLINE AT WWW.TIPRO.ORG

REGISTRATION

	ATTENDEE	SPOUSE	WEDNESDAY ONLY
MEMBERS	<input type="checkbox"/> \$495	<input type="checkbox"/> \$375	<input type="checkbox"/> \$395
INCLUDES ALL AGENDA EVENTS & MEALS			
NON-MEMBERS	<input type="checkbox"/> \$695	<input type="checkbox"/> \$475	<input type="checkbox"/> \$595
INCLUDES ALL AGENDA EVENTS & MEALS & 1 YEAR MEMBERSHIP			

MARK IF ATTENDING

	ATTENDEE	SPOUSE
WELCOME RECEPTION	<input type="checkbox"/>	<input type="checkbox"/>
BREAKFAST	<input type="checkbox"/>	<input type="checkbox"/>
LUNCH	<input type="checkbox"/>	<input type="checkbox"/>
DINNER	<input type="checkbox"/>	<input type="checkbox"/>
LEGISLATIVE CALL UP	<input type="checkbox"/>	<input type="checkbox"/>

RESERVE A ROOM TODAY
 \$219 GROUP RATE
 SHERATON AUSTIN HOTEL

CANCELLATION POLICY

In order to receive a refund, TIPRO must be notified of your cancellation no later than **Friday, February 15, 2019.**

Return registration form to TIPRO at: 919 Congress Avenue, Suite 1000, Austin, Texas 78701
 or fax to (512) 476-8070.



NOPEC BILL 2019

The latest iteration of the anti-OPEC bill, H.R. 948, is making its way through the US House of Representatives. Rep. Steve Chabot (R-Ohio) introduced the bill on Feb. 7th, which aims to amend the Sherman Act to make oil-producing and exporting cartels illegal. The No Oil Producing and Exporting Cartels Act, or NOPEC, bill would effectively stop OPEC nations from fixing crude prices. The bill was approved by the House Judiciary Committee, and will now be passed onto the entire House. Similar legislation has failed in past sessions, but President Trump has voiced frustrations with OPEC in the past. It is plausible that his administration will support this bipartisan effort. If passed, NOPEC could bring antitrust action by the Department of Justice onto OPEC.

Fitch Solutions predicts that if brought to a vote, the bill would fail to pass due to opposition from the oil and gas industry, but with the POTUS' past comments, it's hard to know what may happen.

Reuters reported OPEC Secretary-General Mohammad Barkindo's response to the bill, a firm assertion that the exporting group was not in the business of fixing oil prices.

EPIC CRUDE OIL PIPELINE GETS FINAL PERMITS

On Feb. 7th, EPIC Midstream LP announced it received a Nationwide Permit 12 from the Army Corps of Engineers, meaning that both their NGL and Crude pipelines have all needed Federal and State approvals. Epic Crude pipeline will run from Orla, Texas to the Port of Corpus Christi. The project website states it will be in full operation by the second half of 2019.

"The issuance of the Corps permit further demonstrates our ability to safely and responsibly build these two pipelines and I would like to thank all stakeholders involved in the approval process," said Phillip Mezey, Chief Executive Officer of EPIC, in a statement.

VENEZUELA TENSIONS RISE

The Houston Based-refiner CITGO has seen many changes over the past few weeks as the company scrambles to deal with the fallout of US-imposed sanctions against Venezuela. Citgo, the eighth-largest U.S. refiner, with plants in Illinois, Texas and Louisiana that account for approximately 4 percent of U.S. refining capacity, is majority owned by the Venezuelan state oil company PDVSA. The sanctions come as a response to the re-election of President Maduro. The US government recognizes self-proclaimed President Juan Guaido as the rightful leader of the country, and has made purchase of Venezuelan oil by American companies virtually impossible. The US is Venezuela's largest heavy crude customer, so this was a painful blow.

6 Citgo executives have been jailed by Maduro, including 5 Americans. They are reportedly being held in inhumane conditions, facing possible charges of embezzlement and treason. This is a terrifying situation for those involved and we hope to see a quick resolution.

Heavy crude prices have been on the rise since the sanctions were imposed. However, analysts have pointed to OPEC production cutbacks as the major factor driving prices upward.

NEW MEXICO REGULATORY UPDATES

In light of the New Mexico Governor's latest executive order, which called for stringent limits on the oil and gas industry, several new regulatory proposals have cropped up. Most notable of these are SB 459 and SB 15. SB 459 would put a 4-year ban on hydraulic fracturing, and SB 15 would increase the state's use of renewable energy.

The New Mexico oil and gas industry had a record-breaking year in 2018, primarily because of production in the Permian Basin. While this may not directly affect operations in Texas, these regulations could set a dangerous precedent.





SAVE THE DATE

5th ANNUAL
WEST TEXAS
OIL AND GAS CONVENTION

MARCH 27-28, 2019

MIDLAND, TX

HORSESHOE PAVILION

MARCH 27
4-7:30 PM
MIXER ON SHOW FLOOR
CONCERT AFTER 8-10PM

MARCH 28
9 AM - 5 PM

TIPRO REGULATORY UPDATES

RAILROAD COMMISSION UPDATES

As we enter fiscal year 2019-20, the RRC asks the Legislative Budget Board to approve current baseline funding. This will especially be important to keep up with well plugging costs. Since 2016, costs have risen approximately \$12,000 to \$17,000 per well due to increased contractor costs and greater depths of newer wells. As crude prices continue to rise, industry activities are also increasing, furthering the need for baseline budgeting to ensure that the RRC has the resources it needs.

RRC has adopted amendments to 3.25, 3.26 and 3.27 at Conference on February 5. The adopted amendments will be published in the Friday, Feb. 22 issue of the Texas Register with an effective date of Monday, February 25, 2019. The PDF version of the adopted amendments can be found here: <https://www.rrc.texas.gov/media/50274/adopt-3-25-3-26-3-27-commingling-feb52019-sig.pdf>.

RRC is also accepting public comment on proposed revisions to Form P-17, Application for Exception to Statewide Rules (SWR) 26 and/or 27 (Commingling) and its instructions and the creation of the Form P-17A, Commingling Permit Application.

To view the draft forms, visit RRC website at <https://www.rrc.texas.gov/about-us/resource-center/forms/proposed-form-changes/>. To provide comments, use the online comment form available on RRC website at <https://www.rrc.texas.gov/about-us/resource-center/forms/proposed-form-changes/proposed-form-amendments/>. Public comments on the proposed form revision and creation will be accepted through Monday, February 25, 2019

PREPARE FOR PIPELINE MILEAGE FEES DUE APRIL 1, 2019

2019 pipeline mileage fees are due April 1 for operators of intrastate pipelines beginning and ending in Texas. Now is a good time to get a head start on the process. Operators may review the mileage chart showing their permits for which a fee is owed by visiting RRC website at <http://www.rrc.texas.gov/pipeline-safety/pipeline-fees/> and selecting "Mileage Chart - 2019" under "Helpful Links".

All mileage fees are required to be paid through the Pipeline Online Permitting System (POPS) in RRC Online System. For instructions, visit RRC website at: <http://www.rrc.texas.gov/pipeline-safety/pipeline-fees/>. Please note all future notices will be emailed to pipeline operators using the email addresses on file in RRC's POPS. To ensure receipt of important communications from RRC, pipeline operators must maintain a current email address in POPS. For additional information, contact RRC at 512-463-7058 or pops@rrc.texas.gov.

TCEQ UPDATES

TCEQ is working to shorten permitting times for New Source Review Permits. Their proposal includes immediate approval of amended permits and includes a provision in that renewal that requires the applicant to receive the amendment within either 180 days or 315 days depending on whether the permit applications must comply with public notice provisions. TCEQ is also in the midst of a review of Texas Administrative Code Chapter 17, Tax Relief for Property Used for Environmental Protection in the Texas Register. TCEQ will be evaluating whether the initial reasons for adopting the Chapter 17 rules continue to exist.

PROPERTY TAX UPDATES

Earlier this week, the Senate Committee on Property Tax took up, considered, and passed the amended committee substitute to Senate Bill 2 by Senator Paul Bettencourt (Chair of the Senate Committee on Property Tax). The bill would cap the revenue growth at 2.5%, requiring voter approval for anything over that threshold (known as a rollback election). Currently, the rollback tax rate for governmental entities like cities, counties, school districts, etc. is 8%. The bill currently exempts school districts and "small taxing units," defined by the bill as those whose property and sales tax collections are under \$15 million. An amendment accepted to the substitute requires "small taxing units" to call local elections to allow its citizen's to determine whether or not to reduce their rollback tax threshold from 8% to 2.5%. The Senate has placed Senate Bill 2 on its Regular Order of Business Calendar.

This move is supported by the Governor as well as both the Lt. Gov. and the Speaker of the House, of whom all three have pushed for property tax reform. Also high up on the list is school finance, which at this time it seems will be adversely impacted by SB 2, and potentially House Bill 2. HB 2, identical to SB 2, has not yet been scheduled for a hearing. It is unclear how the State will replace school funding from property taxes should this new legislation pass.



SPECIAL THANKS TO ALL SPONSORS OF TIPRO'S 73RD ANNUAL CONVENTION:



Occidental Petroleum



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.

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