



**Texas  
Independent  
Producers and  
Royalty Owners  
Association**

## TIPRO PRIORITY LEGISLATION FILED IN TEXAS SENATE

On Wednesday of this week, State Senator Brian Birdwell (R-Granbury), who also serves as the Chair of the Texas Senate Committee on Natural Resources and Economic Development, filed one of TIPRO's priority pieces of legislation this session, aimed at incentivizing the reactivation of inactive wells. Senate Bill 533, relating to the severance tax exemption for oil and gas produced from certain inactive wells, would remove references in statute to "three year inactive wells," allowing all inactive wells to qualify for a five-year severance tax exemption if they have been inactive for two or more years. The bill further clarifies that enhanced oil recovery (EOR) projects and wells that have been drilled but not completed,

and have no record of production, do not qualify for this exemption. Because these are inactive wells, and therefore generating no revenue or taxes, there is no fiscal impact to the state as a result of the tax exemption. Per data from the Railroad Commission of Texas (RRC), at the end of December 2018 there were 123,610 inactive wells in Texas, which represents approximately 28% of the total well population in the state. Reactivation of these wells can lead to increased growth in revenue and job creation for the state, and also carries the potential to prevent those wells from becoming orphaned, thereby reducing the burden to the state.

State Representative Drew Darby (R-San Angelo) carried this legislation for TIPRO last session with House Bill 3201. After being passed out of the Texas House Committee on Ways and Means and the Texas House Committee on Calendars, the legislation unfortunately was held up on the floor of the Texas House of Representatives. This occurred on the last day to pass bills out of the chamber due to the actions of the "Freedom Caucus" to delay and ultimately prevent passage of hundreds of pieces of legislation that day. TIPRO and several of our members have been working with legislators in the months leading up to this session to once again explain the legislation and secure authors in the Texas Senate and House of Representatives. State Representative Chris Paddie (R-Marshall), the newly appointed Chair of the Texas House Committee on Energy Resources, has agreed to carry the legislation in the House this session as well.

You can read the legislation and track its progress through the 86th session through the Texas Legislature Online at <https://capitol.texas.gov/BillLookup/History.aspx?LegSess=86R&Bill=SB533>.

## EMINENT DOMAIN DEVELOPMENTS: HB 991, SB 421

Two identical pieces of legislation relating to eminent domain reform were filed in the Texas House and Texas Senate on January 23rd. House Bill 991, authored by State Representative DeWayne Burns, and Senate Bill 421, by State Senator Lois Kolkhorst, may sound familiar to TIPRO members- similar bills were filed by the same two legislators during the 85th session in 2017. These bills have the potential to change the way oil and gas companies are able to utilize eminent domain when developing critical infrastructure such as pipelines. They could affect compensation and enforce new regulations on notifications to landowners.



"HB 991 will ensure Texas property owners are respected partners in building our critical infrastructure while preserving our strong tradition of property rights. I want to thank Sen. Kolkhorst, supporters of reform in both the House and the Senate, and the many stakeholders that have been consistently committed to eminent domain reform." said Representative Burns in a press release.

"Since the days of Sam Houston and Stephen F. Austin, Texans have valued our freedom to own private property. To continue that proud tradition, I filed SB 421 to see that the eminent domain process used by private entities is fair, transparent and that those entities are held accountable when they take private land." said Senator Kolkhorst, longtime proponent of property owner's rights.

Neither bill has yet been assigned to a committee. TIPRO will continue to closely monitor these bills and advocate for a common sense approach to eminent domain that understands the concerns of property owners but does not impede the progress of the oil & gas industry in Texas. Currently, the Railroad Commission of Texas still maintains that common carrier pipelines in the state have a statutory right of eminent domain.

## CHAIRMAN'S MESSAGE

TIPRO Members-

During Tuesday's State of the Union address, President Trump dedicated a simple three sentences of the 82 minute speech to a revolution which has had you, our TIPRO Members, at its heart. President Trump stated, "We have unleashed a revolution in American energy." This energy revolution was born here in Texas and at our 73rd Annual Convention, TIPRO will present and discuss the current issues facing our industry in keeping this revolution alive. The TIPRO Annual Convention will be held at the Austin Sheraton Hotel at the Capitol from February 26th-28th. Please join us as we look in-depth at the energy revolution and explore the crucial legislative topics of the 86th Texas Legislature. Over the course of three days we will have numerous opportunities to learn from distinguished industry voices and prominent political figures, with speakers including Texas Governor Greg Abbott, Speaker of the Texas House Dennis Bonnen and Texas Comptroller Glenn Hegar.



We are also proud to announce State Senator Robert Nichols as the recipient of this year's TIPRO Hat's Off Award. Nichols was first elected to represent Texas Senate District 3 in 2007. Currently, Nichols is the Chairman of the Texas Senate Committee on Transportation and also serves on the Finance, Administration and Business and Commerce committees. Over the course of his six legislative sessions, Nichols has authored and passed legislation to protect landowners' rights, increase educational opportunities in East Texas and reform transportation policies. Sen. Nichols will be honored on the second day of our 73rd Annual Convention on Feb. 27th at the Reception and Chairman's Dinner.

TIPRO is honored to confirm that State Senator Charles Perry will also be joining us as a speaker at the upcoming convention. Perry is a practicing CPA from Lubbock. He was first elected to the Texas Senate in 2014 after serving two terms in the Texas House of Representatives. Perry currently chairs the Senate Committee on Water & Rural Affairs and is the Vice-Chair of Health and Human Services. He is also a member of the Agriculture, Criminal Justice, Finance, and Transportation committees. Additionally, he is the co-chair of the State Water Implementation Fund for Texas (SWIFT) Advisory Committee, and was appointed by Gov. Greg Abbott to the Southwestern States Water Commission. Over the course of his career, Senator Perry has worked tirelessly for lower taxes, better schools, safer communities, and individual liberties.

This session, TIPRO will be monitoring legislation pertaining to eminent domain, property tax reformation and inactive wells, to name a few. During the convention, we will host our annual legislative call-up, which gives our members the unique opportunity to speak directly with lawmakers. Join us and aid in informing our legislators on the truth about the oil and gas industry as they work to make important decisions during the 86th session. Specifically, we are closely watching the following bills:

- HB 2 and SB 2 (property tax reform)
- SB 533 (TIPRO priority inactive well legislation)
- HB 991 and SB 421 (eminent domain reform)



Sen. Charles Perry



Sen. Robert Nichols

This is your chance to voice industry concerns directly to your elected officials. If you have not already done so, I strongly encourage you to register to attend the association's 73rd Annual Convention. To do so, visit TIPRO's website at [www.tipro.org](http://www.tipro.org), or call the TIPRO office at (512) 477-4452. Please be sure to also encourage your business associates and colleagues to participate in the meeting as well. I look forward to seeing you all at the TIPRO Convention in Austin.

Eugene Garcia

### TIPRO Calendar of Events

**FEBRUARY 13, 2019**  
HOUSTON — IPAA/TIPRO  
Leaders in Industry  
Luncheon, 11:30 a.m.  
Houston Petroleum Club.  
For info, call: (202) 857-4733.

**FEBRUARY 13-15, 2019**  
HOUSTON — Annual  
NAPE Summit,  
George R. Brown  
Convention Center.  
For info, call: (817) 847-7700.

**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.

## STATE OF THE UNION & STATE OF THE STATE TOUT OIL & GAS

On Feb. 5th, President Trump delivered his State of the Union speech despite scheduling issues amidst rising tension surrounding the historic government shutdown. The president focused on bipartisanship and cooperation, remarking “The agenda I will lay out this evening is not a Republican agenda or a Democrat agenda. It is the agenda of the American people.” The president addressed many different issues in his speech, from border security to abortion, protecting our veterans to affordable healthcare. In terms of the economy, the president highlighted the growth of oil and gas, noting that “We have unleashed a revolution in American energy -- the United States is now the number one producer of oil and natural gas in the world. And now, for the first time in 65 years, we are a net exporter of energy.” In September, 2018 the US Energy Information Administration (EIA) released a report that stated the US had surpassed Saudi Arabia and Russia to take the spot of world’s top oil producer. The Independent Energy Association reported that thanks to the shale revolution, the US will become a net exporter of oil in the late 2020s. The EIA predicted the US will export more energy than it imports in January, however, the US is not yet a net exporter of energy. Notably, the president did not bring up coal, an energy sector he has supported since his candidacy.



Earlier in the day, Texas Governor Greg Abbott delivered his State of the State address. He started by remarking on the high volume of people moving to Texas in search of freedom. He noted the growth the Texas economy has seen over the past year, touching on record-low unemployment rates, new job creation and rising wages. He attributed a good portion of this success to the oil and gas industry, and particularly praised LNG export facilities.

“Texas is number one in oil and gas production. In fact, America will be energy independent by next year,” said Abbott. The governor was more specific than the president, noting that Texas’ LNG export facilities are “helping emerging economies across the globe wean themselves off of coal and instead use clean burning natural gas produced right here in Texas.” He brought attention to the fact that nitrogen oxide levels in the state have been reduced by 45% despite the increase in oil and gas production. Although the governor sang high praises for oil and gas, his speech did not make clear how he plans to increase school finance and safety and fulfill his aggressive tax reform agenda.

Both the president and the governor recognized the importance of Texas oil and gas to the overall economy of the United States. This is great news as the industry continues to expand beyond expectation. TIPRO looks forward to hearing more from Governor Abbott at our 73rd Annual Convention.

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## TALENT SHORTAGE IN UPSTREAM

One of the biggest issues facing the oil and gas industry is a lack of up and coming talent. The low unemployment rate of 1-2% in the industry is telling of the overall shortage of workers. As the industry begins to rapidly expand, particularly in Texas, there is a demand for training programs that can teach industry skills, such as those programs in the Permian Basin. “With the right state policies in place, Texas can prepare the workforce of the future to allow the continued success of the oil and gas industry and other key sectors. This will continue to be a top priority, and our industry is committed to finding solutions through the Texas Legislature, by supporting industry training programs to address skill gaps and by working with various institutions and state agencies to promote the Texas oil and natural gas industry and the high paying jobs it provides. We also know this is a priority for leadership in the Texas Legislature,” Ed Longanecker, TIPRO president, said.

## EXXONMOBIL EXPANSION IN BEAUMONT

On Jan. 29th, ExxonMobil published a press release detailing plans to expand upon their Beaumont Refinery. The company has reached a final investment decision for a new unit and construction is already underway. Its expected that this new unit has the potential to increase the refinery’s crude-processing capacity by more than 65%. ExxonMobil predicts production by 2022. The third crude unit, which will focus on light crude refining, will take advantage of the increase in Permian production. “With access to terminals, railways, pipelines and waterways nearby, the Beaumont refinery is strategically positioned to benefit from Permian production growth,” Bryan Milton, president of ExxonMobil Fuels and Lubricants Company, said in the release. It’s expected that construction will bring 1,850 jobs to the area between 40-60 permanent jobs at the project’s completion.



# SPECIAL THANKS TO ALL SPONSORS OF TIPRO'S 73<sup>RD</sup> ANNUAL CONVENTION:





















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For more information on sponsorship please visit  
[www.tipro.org](http://www.tipro.org)  
or contact Joanne McCord Reynolds at [joanne@tipro.org](mailto:joanne@tipro.org)

# 73<sup>rd</sup> 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



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

## REGISTER ONLINE AT WWW.TIPRO.ORG

### REGISTRATION

	ATTENDEE	SPOUSE	WEDNESDAY ONLY
<b>MEMBERS</b>	<input type="checkbox"/> \$495	<input type="checkbox"/> \$375	<input type="checkbox"/> \$395
INCLUDES ALL AGENDA EVENTS & MEALS			
<b>NON-MEMBERS</b>	<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"/>

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Registration forms must be accompanied by payment.

## 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.



# 73rd Annual Convention & Legislative Call- Up

## Tuesday, February 26<sup>th</sup>

- 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 27<sup>th</sup>

- 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
- 9:15 AM** Dennis Bonnen, Speaker of the Texas House of Representatives
- 9:45 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 28<sup>th</sup>

- 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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## NEW MEXICO JOINS US CLIMATE ALLIANCE



New Mexico Governor Michelle Lujan Grisham signed an executive order on Jan. 29th with the purpose of drastically reducing greenhouse emissions in the state. The order will bring New Mexico into compliance with goals established by the US Climate Alliance, a group that aims to fulfill the goals of the 2015 Paris climate agreement. New Mexico is the 20th state to commit to the group. The order calls for a 45% reduction of heat-trapping gas by 2030 as compared to 2005 levels. More specifically, Lujan Grisham's order requires the New Mexico Energy, Minerals, and Natural Resources Department to impose new regulations on methane emissions. These new regulations will most likely affect operations in the Permian Basin, and TIPRO will continue to monitor the situation and inform our members of any new developments.

## WATER SCARCITY, NEW PARTNERSHIPS

The Permian Basin may be rich in oil, but gaining access to that valuable resource often requires water, a far more scarce resource in the region. This scarcity has driven the value of water rights in the region to new heights. Toby Darden, a West Texas landowner sold the water rights to his 37,000-acre ranch, KC7, for \$32.5 million in 2017. While legal troubles have slowed down the deal, this value is telling of the high water demand in the area.

More recently, University Lands has partnered with both H2O Midstream and Layne Water Midstream to try and fill the need for more water. The new venture, UL Water Midstream LLC (ULWM), will source groundwater and gather, transport, recycle and dispose of produced water. ULWM will serve the Delaware Basin using pipes rather than trucks; this new infrastructure will be an attempt to meet the high demand in an innovative and efficient manner.

ULWM also has the potential to increase the Permanent University Fund, which continues to support education in the state of Texas.

## PROPERTY TAX REFORM

On Thursday, Jan. 31st, Governor Greg Abbott, Lieutenant Governor Dan Patrick and Speaker of the Texas House Dennis Bonnen announced their support for Senate Bill 2 and House Bill 2, relating to ad valorem taxation, identical pieces of legislation that support a 2.5% limit on property tax hikes by school districts, cities, counties and other taxing entities. These governmental entities have decried "unfunded mandates" in past years, claiming that the state and federal government have passed laws to require new and expanded services from local jurisdictions without providing any increased funding. While the Governor, Lieutenant Governor and Speaker have said they intend to increase funding to fill any funding gap these new restrictions on ad valorem taxation could impose, they have not specified where that funding would come from. In previous sessions, efforts to pass 6% and 4% restrictions have failed. If this rule were to be implemented, it would be a historic development in Texas property tax laws.

## VENEZUELA SANCTIONS PUSH OIL PRICES UPWARD

On Monday, Jan. 28th, the US imposed sanctions on Petr leos de Venezuela, S.A (PDVSA) in response to controversy surrounding the re-election of President Maduro. This could be a major blow to the Maduro regime, as the US is their biggest oil customer and oil is their biggest source of revenue. In 2018, the US imported an average of 500,000 barrels per day from Venezuela. The new sanctions prohibit direct payment to PDVSA from the US, but do not completely ban transactions. In response to the sanctions, US refineries are turning to domestic sour crude grades as a replacement. In addition to the newfound reliance on domestic sources, the Trump Administration has considered tapping into the country's emergency reserve of crude, which includes 396 million barrels of sour oil.

In addition to the sanctions, Saudi Arabia has continued to pull back on production in 2019, pushing oil prices upward, with Brent Crude reaching \$63.63 a barrel and West Texas Intermediate futures at an impressive \$55.75.

Another blow to PDVSA, though supposedly unrelated, came on the 31st when PetroChina announced it would be dropping PDVSA as an equity partner for its planned oil refinery in southern China, reported Reuters.

On Feb. 5th, President Trump reiterated America's recognition of Juan Gaido as the rightful president of Venezuela in his State of the Union address.

## RRC OILFIELD CLEANUP PROGRAM UPDATE

According to the Texas Railroad Commission's annual Oilfield Cleanup Program report, the state spent \$23 million plugging abandoned wells in 2018. That money primarily came from permitting and regulatory fees paid by the oil and gas industry. The report stated that 1,300 wells were plugged out of the total of 13,710 inactive, noncompliant wells. This is the highest number of noncompliant wells since 2008.





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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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