



**Texas
Independent
Producers and
Royalty Owners
Association**

INDUSTRY TRADES HOST 'TEXAS ENERGY DAY' AT STATE CAPITOL IN AUSTIN; CROWDS SHOW SUPPORT FOR TEXAS OIL AND GAS

Texas oil and natural gas trade organizations - including the Texas Independent Producers & Royalty Owners Association (TIPRO) - partnered together to host 'Texas Energy Day' on Wednesday, March 22, at

the state capitol in Austin, Texas. The special event was organized to allow Texans the opportunity to engage directly with state senators and representatives and express their support of energy development in the Lone Star State. "It's reaffirming to see strong levels of participation in Texas Energy Day, as we come together to educate our state legislators on the importance of oil and natural gas to the state economy and to our daily lives," said TIPRO President Ed Longanecker.

The free event was open to members of the public. Following office visits with top lawmakers in the Texas House and Senate, participants then enjoyed lunch on the lawn of the state capitol and later attended a speakers' series on Wednesday afternoon.



TRUMP ADMINISTRATION HALTS FEDERAL HYDRAULIC FRACTURING RULES

Obama-era regulations governing hydraulic fracturing activities are going to officially be rescinded, according to court papers filed in mid-March by the Trump administration. On Wednesday, March 15, officials confirmed that the U.S. Department of Interior (DOI) is withdrawing from a lawsuit that had legally challenged the federal rule. The DOI is said to be planning to initiate a new rulemaking later this year to develop different federal regulations relating to hydraulic fracturing.



Issued by the DOI's Bureau of Land Management in March 2015, the controversial rule represented one of the first major federal regulations promulgated for hydraulic fracturing activities on public lands in the United States. Since the regulatory package was finalized two years ago, however, the rule has been tangled up in litigation. Industry groups, Western states, and American Indian tribes fiercely fought implementation of the regulation, which was put on hold after a judge in Wyoming ruled that the DOI lacked congressional authority to set rules for hydraulic fracturing. The Tenth Circuit Court was scheduled this month to resume its review of the DOI's hydraulic fracturing regulation. Instead, Justice Department lawyers representing Interior have asked the federal court to pause the legal battle and hold the case in abeyance.

PRESIDENT TRUMP MOVES TO REORGANIZE EXECUTIVE BRANCH, SHRINK FEDERAL GOVERNMENT

As part of comprehensive plans designed to reduce unnecessary regulatory oversight by the United States executive branch, President Donald Trump signed an executive order on Monday, March 13, that calls for a complete review and reorganization of the federal government. "Today there is duplication and redundancy everywhere. Billions and billions of dollars are being wasted on activities that are not delivering results for hardworking American taxpayers, and not even coming close. This order requires a thorough examination of every executive department and agency to see where money is being wasted, how services can be improved, and whether programs are truly serving American citizens," President Trump explained. "The Director of Office of Management and Budget (OMB) will oversee the evaluation working with experts inside and outside of the federal government, as well as seeking input from the American people themselves. Based on this input, we will develop a detailed plan to make the federal government work better -- reorganizing, consolidating, and eliminating where necessary: In other words, making the federal government more efficient and very, very cost productive," emphasized the president.

Although legislation will ultimately be required before any major reorganization of the executive branch can take place, the White House says that it is best situated to conduct a full review and recommend changes to the Congress. In roughly a year, members of Congress will receive a comprehensive plan for reorganization proposals from President Trump and the OMB director.

CHAIRMAN'S MESSAGE

TIPRO Members,

The price of WTI dropped from mid \$50s per barrel on March 7 to the \$47-\$48 per barrel range on the news that crude oil inventories were up, never mind that overall products inventories were down. The bigger reason was that too many lemmings were long on crude. Not enough lemmings were left to buy any unwinding of those position as the US continues inexorably to add crude oil production via our unconventional and hybrid reservoirs. My (much smarter than I) colleagues tell me that the US will add over 600,000 BOPD year over year by December, and could be as high as 1.3 million BOPD if we keep standing rigs up at an average rate of 11 per week, as we have since last May. I am not sure how this gets us into the \$60s or higher. The good news? There is no way we can we clear enough associated natural gas at these crude prices at the current forward spread to meet physical demand. Look for a jump in natural gas prices this summer as fundamentals finally shove the weather play out of the picture.



Allen Gilmer

It really is the Permian Basin Show right now (Whose the leader of the patch that defines "American", P-E-R-M-I-A-N B-A-S-I-N). Sorry. I couldn't resist. For those of you of a certain age, you will know what that refers to. People are hiring. How do I know? Well, one signal batted me upside the head is that a prominent local oil and gas company poached my internal recruiter this last week, dad gum it. The second signal, using my LinkedIn account as a barometer, I have seen more and more movement from "Consultant" or "Seeking New Opportunities" to actual, bonafide jobs in the oil patch over the last 3 months. These are excellent signs for all of us (except me, since I have to find a new internal recruiter).

As the industry re-awakens, TIPRO is proud to present to all of you its "Buyers Guide". This guide highlights the OFS companies that have loyally stood by TIPRO and the Independent Oil and Gas Producer during this downturn. Like our operators, a TIPRO membership doesn't have to be an expensive proposition. Those of us that have been exposed to the incredible work this organization does, and recognizes how very different we would look today without it, makes maintaining our membership a no-brainer. That's why I want you to check the "Buyers Guide" to see if your preferred vendors are TIPRO members, and, if not, at least members of another Texas producers organization. If they are neither, strongly encourage them to join TIPRO. All things being equal, wouldn't you rather support someone who cares enough about the viability of our industry to write a small check?

Lastly, TIPRO's policy team has been burning the midnight oil slogging through the 8,324 bills introduced this session, including 392 bills that pertain to upstream operators and royalty owners. Even small changes in wording can have catastrophic effects on our industry, and we have actual enemies (just say "keep it in the ground" if you don't believe me) that are always trying to slip those changes in. I don't think I am exaggerating when I say our industry wouldn't survive a single legislative session today without the work that our various industry representatives do at the Statehouse. That, at the end of the day, is the BEST ROI of any monies you invest.

Don't take it for granted.

UNIVERSITY LANDS ISSUES NOTICE CALLING FOR OIL AND GAS LEASE SALE NOMINATIONS

In a notice issued in early March, University Lands (UL) announced it is now accepting nominations for its next oil and gas lease sale. UL periodically conducts lease sales for oil and gas exploration and development rights across UL acreage.

UL's Oil and Gas Lease Sale #128, which has been scheduled for September 20, 2017, will offer two categories of acreage:

- Open Offering (tracts that are being offered regardless of nomination)
 - o All unleased acreage that includes all depths in Andrews, Gaines, Martin, Loving, Ward, Winkler, Crane, Ector, Pecos, Upton, Reagan, Irion, Schleicher and northern Crockett counties.
- Required Nomination – Any depth-severed leases on above mentioned parcels and for lands in Culberson, Hudspeth, Terrell and southern Crockett counties.

Nominations for the September 20th UL lease sale may be submitted by mail to P. O. Box 553, Midland, Texas, 79702-0553. Nominations must be received no later than June 1, 2017 at 5:00 PM CDT.

For more information, visit <http://www.utlands.utsystem.edu>.

TIPRO Calendar of Events

APRIL 12, 2017	MAY 10, 2017	JUNE 14, 2017	JULY 12, 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.

REPEAL OF DRILLING RULE STALLED IN THE SENATE

A Congressional Review Act (CRA) reversing regulations governing oil and natural gas drilling on federal land is being opposed by some Republican senators. Senator Lindsey Graham (R- South Carolina) is quoted as saying “I think we can replace it with a better reg, rather than a CRA” The drilling industry supports the measure, saying it would undo a costly regulation that threatens jobs and their operations on public land. They also say the rule is duplicative with regulations passed by many states.

TIPRO’s federal partner IPAA sent a joint letter earlier this year to Congressional Speaker Ryan supporting the CRA in particular when addressing the Bureau of Land Management [BLM] venting and flaring rule. IPAA spokesman Neil Kirby went on record stating that the only way to stop methane venting and flaring is to approve more pipeline infrastructure, rather than a new federal mandate. They continue to educate Senate offices on the costly and duplicative burden that the BLM rule, which is essentially an air quality rule and is outside the congressionally given authority of the BLM, places on U.S. independent producers’ businesses.

GOVERNOR ABBOTT REAPPOINTS TONYA BAER TO PUC

Governor Greg Abbott has reappointed Tonya Baer to the Office of Public Utility Counsel (OPUC) for a term to expire February 1, 2019. OPUC provides professional representation to residential and small commercial utility consumers to ensure affordable and reliable utility services in the state of Texas.

Tonya Baer of Austin has served as the public counsel for the Office of Public Utility Counsel since October 2013. She previously served as assistant director and special counsel for the Radioactive Materials Division and as a legislative liaison for the Texas Commission on Environmental Quality. She is a member of the State Bar of Texas, Financial Research Institute Advisory Board and the New Mexico State University Center for Public Utilities Advisory Council and an ex-officio board member of the Electric Reliability Council of Texas and the Texas Reliability Entity. Baer received a Bachelor of Science and a Juris Doctor from the University of South



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FORMAL EPA NOTIFICATION OF ICR WITHDRAWAL

Following the recent decision by EPA Administrator Scott Pruitt to withdraw the Information Collection Request (ICR), recipients of the original ICR have started to receive written notice of the action. The letter notification states that the withdrawal was effective upon announcement on March 2, 2017 and companies are no longer required to provide information or data as specified in the EPA ICR letter dated November 14, 2016. This applies to both Part 1 (operator survey) and Part 2 (facility survey), including those companies that were granted an extension for their response. The EPA will preserve any data it has received as required by the Federal Records Act and other applicable laws, regulations and guidance, as well as laws and regulations regarding confidential business information. Many thanks to all TIPRO members that engaged in efforts to stop this overreaching and unnecessary ICR.

RAILROAD COMMISSION SUNSET BILL UPDATE

As communicated this week to TIPRO's State Issues Committee, the Railroad Commission Sunset bill, HB 1818 will be discussed on the House floor of Tuesday, March 28, 2017. TIPRO's president, Ed Longanecker, recently provided public testimony in support of HB1818, stating that "as an industry, we understand the importance of the Sunset process and are committed to a common goal of protecting the welfare of Texas citizens, while maintaining the ability to explore for and produce oil and natural gas in a responsible manner. A fully funded and functioning Railroad Commission is imperative to that process." This issue remains one of TIPRO's top priorities for the 85th Legislative Session.

The committee substitute to HB 1818 does the following:

- Continues the Railroad Commission of Texas for 12 years.
- Requires the Railroad Commission to develop a policy to encourage the use of alternative dispute resolutions
- Requires the Oil and Gas Division of the Railroad Commission to develop and publish an annual plan to use oil and gas monitoring and enforcement resources to ensure public safety and minimize damage to the environment.
- Allows the commission to establish by rule pipeline safety and regulatory fees to be assessed for permits and/or registrations for pipelines under the commission's Pipeline Safety Program.
- Requires the Railroad Commission to also adopt rules that include safety standards related to the prevention of damage to interstate and intrastate hazardous liquid carbon dioxide pipeline facilities.
- Requires the commission to establish rules prescribing safety standards and best practices relating to the prevention of damage by a person to a facility to include interstate or intrastate pipeline facilities.
- Abolishes the Oil and Gas Regulation and Cleanup Fund Advisory Committee.

U.S. OIL AND GAS RIGS CONTINUE TO RISE

According to a Fuelfix article, the number of oil and gas rigs in U.S. fields rose for the ninth straight week as oil companies continue to show optimism in the industry.

This week's U.S. count jumped by 21, a boom of 385 rigs since the count fell to its recent low last spring. Oil drillers collectively sent 14 more rigs into the patch this week, the Houston oilfield services company Baker Hughes reported Friday. Gas rigs rose by six.

Texas added four — but the story again wasn't the Permian Basin, which has dominated the industry's rebound so far. Instead, drillers added 10 rigs in Oklahoma.



CRITICS OF EPA'S CLIMATE SCIENCE APPLAUD BILL TO OPEN RESEARCH TO PUBLIC

Rep. Lamar Smith (R-Texas) drew applause from climate change skeptics when pitching his agenda to open up the Environmental Protection Agency's research to public scrutiny on Thursday. Smith, chairman of the House Science Committee and a vocal critic of the Obama administration's actions on climate change, said he hopes in the next few weeks the House will vote on a bill requiring the EPA to open to the public any research used to justify regulations.

PRESIDENT PROPOSES DRASTIC BUDGET CUTS FOR EPA, INTERIOR DEPARTMENT, AND MORE

On March 16, 2017, President Donald Trump made public his official budget proposal for the executive branch for the coming fiscal year. Under the president's plan, titled "America First: A Budget Blueprint to Make America Great Again," defense and public safety spending are prioritized, with allocated funding increases recommended for government entities that include the U.S. Department of Defense and the Department of Homeland Security.

Consistent with the president's approach to move the nation toward fiscal responsibility, Trump has simultaneously recommended that Congress enact other discretionary reductions totaling \$18 billion to help offset funding increases for defense and other causes. Proposed budget cuts at the U.S. Environmental Protection Agency (EPA) extend deeper than originally anticipated, with the president seeking to eliminate 31 percent in funding for federal environmental and energy programs. The budget proposal lists a \$2.6 billion reduction in EPA funding, with estimates indicating the respective funding cuts could result in "approximately 3,200 fewer jobs" at the agency. More than 50 EPA programs would be eliminated under Trump's budget blueprint, and funding for the Clean Power Plan, international climate change programs, climate change research and partnership programs, and related efforts would be discontinued.

As for the U.S. Department of Interior (DOI), under President Trump's proposal, the agency would receive \$11.6 billion in funding, a 1.5 billion or 12 percent decrease to its overall budget for the next fiscal year. The DOI budget request would increase funding for core energy development programs while supporting the department's priority agency mission and respective responsibilities, including public safety, land conservation and revenue management. "The President's 2018 Budget strengthens the nation's energy security by increasing funding for DOI programs that support environmentally responsible development of energy on public lands and offshore waters," the budget blueprint reads. "Combined with administrative reforms already in progress, this would allow DOI to streamline permitting processes and provide industry with access to the energy resources America needs, while ensuring taxpayers receive a fair return from the development of these public resources." The DOI budget as proposed also eliminates funding for unnecessary or duplicative programs while reducing funds for lower priority activities, such as acquiring new lands.

Meanwhile, the president's budget will request \$28 billion in federal funding for the U.S. Department of Energy, a \$1.7 billion or 5.6 percent decrease from the 2017 annualized level.

U.S. Speaker of the House Paul Ryan welcomed the president's budget plans, commenting in a statement: "We are determined to work with the administration to shrink the size of government, grow our economy, secure our borders, and ensure our troops have the tools necessary to complete their missions. I look forward to reviewing this with the Appropriations Committee and our entire conference."


RESEARCHERS TIE METHANE FOUND IN WATER WELLS TO NATURAL SOURCES - NOT FRACKING

Scientists from The University of Texas at Austin announced in March that high levels of methane discovered in well water from two counties near Fort Worth are linked to shallow natural gas deposits, not natural gas leaks caused by hydraulic fracturing operations in the underlying Barnett Shale. The new research builds upon previous studies, and utilizes chemical and geographic evidence to tie the elevated methane level in certain water wells to methane founds in natural shallow deposits in the area. "Over geologic time, methane has accumulated into these shallower reservoirs," explained J.P. Nicot, a research scientist at the Bureau of Economic Geology, a unit of the UT Jackson School of Geosciences, who led research efforts. "These fresh-water wells are very close to these shallower reservoirs and may be the source of the methane."

EIA: ENERGY-RELATED CO2 EMISSIONS IN 2015 DOWN 12 PERCENT FROM 2005 LEVELS

Energy-related carbon dioxide emissions declined 2.7 percent in 2015, according to a March report released by the U.S. Energy Information Administration (EIA). Altogether, energy-related CO2 emissions for 2015 were approximately 12 percent below 2005 levels.

Increasing use of clean-burning natural gas, particularly by the nation's power plants, was credited for contributing to the 2015 decline in total emissions.



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THE TIPRO TARGET



**Texas Independent
Producers &
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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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