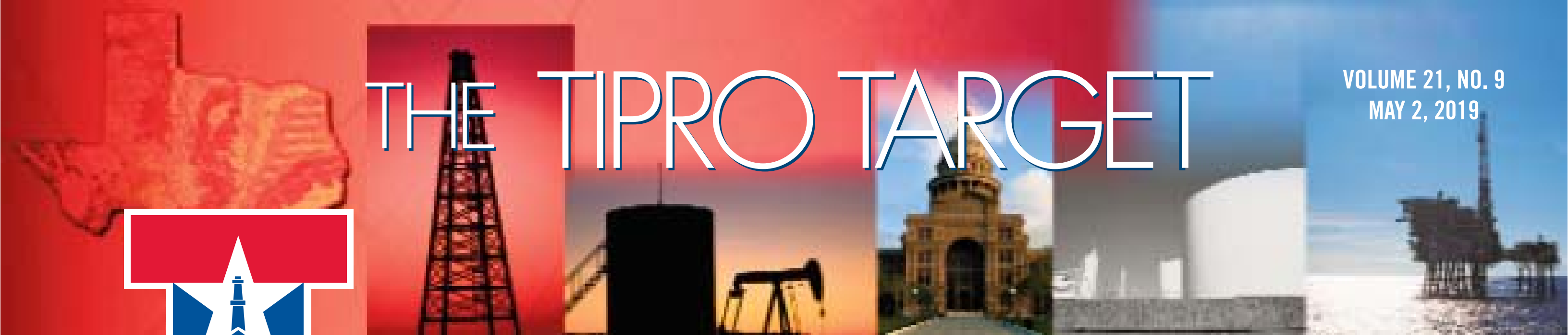

THE TIPRO TARGET

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TIPRO

Texas Independent Producers and Royalty Owners Association

U.S. GOVERNMENT NETS RECORD-BREAKING REVENUE COLLECTION FROM OIL & GAS LEASE SALES

During the last fiscal year, the U.S. government brought in historic levels of oil and gas revenue, federal officials announced on Wednesday, May 1. Revenue collected by the U.S. Bureau of Land Management (BLM) from onshore oil and gas lease sales on federal lands hit a record $1.1 billion in Fiscal Year 2018. These funds are directly deposited with the U.S. Treasury and state budgets as well as used to support public education, infrastructure improvements, and other state-determined priorities.

On Wednesday, the BLM also reported that the number of producing leases on federal lands also was at the highest level seen in 10 ears, with 24,028 leases active in 2018. Additionally, the number of acres leased also rose during the past fiscal year. BLM leased 1,253,369 acres in FY 2018, up from 1,114,218 leased acres in FY 2017 and 577,317 leased acres in FY 2016. From these leases, the U.S. produced its highest levels of oil ever on federal lands in the last fiscal year, with 214,144,945 barrels of oil pumped from onshore wells.

"Demonstrating the marvel of technology and innovation, our production numbers are unprecedented, even though we have the fewest acres under lease in almost four decades," said U.S. Secretary of the Interior David Bernhardt. "President Trump has ensured that America's great energy renaissance includes federal lands while delivering high paying jobs and low cost fuel."

The federal government credits improved permitting processes at the BLM for the improved results, along with greater interest in E&P activity from energy companies. According to the BLM, in the past fiscal year, the agency successfully trimmed the time to process a permit by 30 percent, as compared to the prior fiscal year. In 2016, it took an average of 257 days to process a permit, reported the bureau, while in 2018 the time to issue a permit averaged 176 days. This improvement to the permitting process was in part a result from automating processes where possible to increase efficiency and reduce administrative work.

U.S. SHALE PRODUCERS DRAMATICALLY SLASH METHANE EMISSIONS

Technological innovation and increased efforts to reduce methane emissions in the oil and gas industry have helped America reach its lowest greenhouse gas emissions level since 1992, according to new analysis from *Energy In Depth*. Specifically, methane emission intensity (a measure of emissions per unit of production) has dropped drastically in two of the largest U.S. oil and natural gas basins: the Permian and the Appalachian Basin.

The Permian Basin, despite a combined increase in production from 638.9 million barrels of oil equivalent (Boe) to 1.4 billion Boe in oil and natural gas from 2011-2017, saw a decrease in methane emissions from 4.8 million metric tons (MMT) to 4.6 MMT in the same time period. This amounts to a grand total of a 57 percent reduction in methane emissions per unit of oil and gas produced. The fact that methane emission intensity was cut by more than half in the largest oil producing basin on earth is astounding.

The Appalachian Basin also saw astounding success in bringing down methane emission intensity with a reduction of 82 percent over the last six years.

As technology continues to advance, the oil and gas industry will further adapt and its more than likely that the methane emissions will continue to decrease drastically in years to come.

PERMIAN
methane emissions
⇩ 57%
between 2011-2017

Source: Energy In Depth

Chairman's Message

Each day, our state continues to see a rapid rise in residential population, adding on average 1,100 people daily, which is placing an increasing number of cars on our highways and roads. At the same time, Texas is struggling to keep up with ongoing road construction projects and regular maintenance demands. This is especially true for those communities situated in and around the Permian Basin in West Texas and nearby other energy hotbeds in the state

The Texas Transportation Commission has directed $3.4 billion to make repairs and improve roads in the Permian Basin over the next decade. Since 2016, the agency reports that it has invested nearly $1.8 billion in safety and infrastructure improvements in the Permian Basin, a sizeable appropriation of funding that is no doubt making a positive difference for road projects in the region. The additional infusion of state-appropriated funds from the Texas Transportation Commission and Texas Department of Transportation should provide relief in the near future for Permian roadways, but more work needs to be done.

Given the urgency of addressing infrastructure needs, state leaders have pledged their commitment to working proactively to tackle challenges associated with congestion, roadway safety, connectivity, and the preservation of existing roads across Texas. This year, lawmakers have been working to pass legislation that secures additional dollars for transportation infrastructure upgrades and road maintenance. TIPRO, our members and partners have been supportive of the following efforts, and will keep advocating for solutions to address our transportation concerns.

Senate Bill 500 passed the House and the Senate, but there were some differences between the chambers' version of the bill. As a result, SB 500 is currently in conference committee. The House version of CSSB 500 appropriates $250 million from the Economic Stabilization Fund (ESF) to the Texas Department of Transportation for Fiscal Years 2020-21 to provide grants for transportation infrastructure projects in areas affected by increased oil and gas production. This funding was not included in the Senate version of SB 500 and as a result is a topic of conversation in the conference committee deliberations.

House Bill 1 has also passed the House and the Senate, but again, there were differences between the chambers' versions of the bill. HB 1 is also currently in conference committee. The Texas House version of the bill has $500 million allocated to county transportation infrastructure funds and $500 million allocated to energy producing county transportation infrastructure funds. The Senate version of HB 1 includes $225 million for the purpose of targeting funds to the county transportation Infrastructure fund. Both HB 1 allotments are in Article XI and are funded from the ESF.

Another transportation funding effort includes House Bill 2154 and House Joint Resolution 82, authored by Representative Brooks Langraf and Representative Tom Craddick, which would create the Generate Recurring Oil Wealth for Texas Fund or the "GROW Texas Fund." The GROW Texas Fund uses severance taxes for specific re-investment in Texas oil and gas areas that have experienced increased production. The money would then be used exclusively to: expand and improve highways and public roads, increase law-enforcement and first responder salaries, and revitalize education and skilled-workforce opportunities by dedicating money to teachers, schools, colleges and universities.

Ironically, as the Lone Star State sees an increasing need for funding to make improvements to the state's transportation system, federal data shows that Texas is not receiving its fair share of federal transportation funding. According to the Federal Highway Administration, in fiscal year 2019, Texas will receive only 95 cents in transportation funding for every dollar Texans paid directly into the Highway Trust Fund, shortchanging the state by nearly $1 billion this year. Although Texas directly contributes more than any other state, we are receiving proportionately less than any other state based on outdated funding formula inputs, and consequently have become the only "donor" state that is paying more into the fund than what we see returned. Case-in-point, while Texas is receiving $0.95 for every dollar directly paid into the Highway Trust Fund, other states such as Alaska are receiving $6.78, while New York is collecting $1.33, and California is getting $1.16 per dollar paid into the account.

Officials representing Texas have been informed about this transportation funding discrepancy and are now working to try to resolve the problem. This spring, all 38 members of the Texas congressional delegation jointly asked the chairs and ranking members of the congressional committees that oversee transportation and infrastructure to rectify disparities from the disbursement of revenue from the Highway Trust Fund. This effort is also being backed by state lawmakers in Austin, who are joining the call for Congress to ensure Texas receives its fair share of transportation funding. House Concurrent Resolution 147 by House Transportation Committee Vice Chairman Brooks Landgraf urges Congress to work collectively toward a fair, equitable, and logical approach to federal transportation funding allocation through any new federal transportation legislation that is considered.

As a final point, we appreciate the attention of state and federal officials to position Texas to meet our transportation issues. Addressing our infrastructure needs today will help support the future success of our state. It will enable better connectivity and in doing so, help promote greater activity and economic growth. Regards,

Eugene Garcia

TIPRO Calendar of Events

MAY 8, 2019	JUNE 12, 2019	JULY 10, 2019	AUGUST 7-9, 2019
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.	SAN ANTONIO — TIPRO's 2019 Summer Conference, Hyatt Hill Country Resort. For info, call: (512) 477-4452.

Texas legislature OKs incentive program for inactive wells

The Texas House voted unanimously on Wednesday, April 24th to pass legislation that will help Texas operators bring inactive oil and gas wells back online. Senate Bill 533, authored by state Senator Brian Birdwell, has now been approved by both the House and Senate chambers and awaits signature by Governor Greg Abbott to be passed into law.

Texas is currently home to 129,000 inactive wells. Many of these wells remain inactive due to their status of being uneconomically viable as a result of market conditions. This legislation would reinstate a severance tax exemption for oil and gas produced from qualified inactive wells, allowing a break to severance taxes on the well for five years, helping operators to return these wells to production.

This policy, along with its companion House Bill 1558 sponsored by House Energy Resources Chairman Chris Paddie, was a priority for TIPRO this legislative session. "We are very excited to see the overwhelming support for the legislation and confirm that the Texas legislature recognizes the importance of this program," said TIPRO's Director of State Government Affairs Ryan Paylor. "We believe that this bill will provide economic benefit to the state of Texas through increased oil and gas employment, sales tax revenue, production and royalty income."

New tool allows public to download RRC regulatory data to Excel

The Railroad Commission is offering a new enhancement capability that will allow members of the public to directly transfer data from its Online Inspection Lookup (RRC OIL) platform to Excel. The RRC OIL database was launched earlier this year to provide oil and gas inspection and violation data through an online, searchable database. RRC OIL users can search inspection or violation information by a variety of criteria, including:

- Operator name;
- Lease name or number;
- API number;
- County;
- RRC Oil and Gas District number;
- Inspection date range, and;
- Rule.

According to the commission, for the first time in the history of the agency, anyone, anywhere at any time can access this important information with the push of a button or click of the mouse. Now, with this latest advancement, users can download their query results to Excel, further easing use and offering greater transparency for the regulatory work handled by the Railroad Commission.

To access the RRC OIL portal, visit https://bit.ly/2W6GLGX.

Railroad Commission releases online form for severance tax incentive

In a new notice to Texas oil and gas operators, the Railroad Commission of Texas has announced it will now offer the application for *Texas Severance Tax Incentive Certification* [Form ST-1] online. Through the Texas severance tax incentive program, producers may apply for an exception from or a reduction of total state severance taxes owed on oil and gas production. These incentives can lower the total cost of production, which in turn helps to encourage addition expansion of oil and gas operations in the state of Texas.

Form ST-1 can now be accessed through the commission's Online System, available at https://webapps.rrc.texas.gov/security/login.do. If you have questions regarding this change, please contact the Engineering Unit of the RRC's Oil and Gas Division by email at engunit@rrc.texas.gov or call (512) 463-1126.

Please note that effective September 1, 2019, the commission will no longer accept hard copy filings of the Form ST-1.

Railroad Commission seeks input for Monitoring and Enforcement Plan

The Railroad Commission of Texas is inviting members of the public to offer feedback on the agency's draft "Oil & Gas Monitoring and Enforcement Plan for 2020," produced annually by the commission's Oil & Gas Division. Pursuant to legislation passed by the 85th Texas Legislature in 2017 under House Bill 1818 (the commission's "Sunset" legislation), the agency is required to develop a public plan defining and communicating the strategic priorities for its monitoring and enforcement efforts in the state of Texas. As part of that process, the commission must gather stakeholder input before the plan is finalized. Accordingly, the commission is now gathering public comment on its drafted plan for the next fiscal year. To view the draft plan, visit https://bit.ly/2W3F24Z.

The deadline to submit comments on the commission's draft Monitoring and Enforcement Plan will be Thursday, May 23, 2019. Comments may be shared via an electronic survey, available online at https://bit.ly/2IVmK2k. Written comments also will be accepted. To submit your feedback by mail, send your comments to: Oil and Gas Strategic Plan Comments/Oil and Gas Division, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711-2967.

Forbes again recognizes TCEQ as one of nation's top mid-sized employers

For the second year in a row, the state's chief environmental regulatory agency has earned top marks as one of the nation's best mid-size employers. *Forbes magazine* recently recognized the Texas Commission on Environmental Quality (TCEQ) as one of its top 500 mid-sized employers in the United States. Jon Niermann, chairman of the agency, attributes the positive rankings from *Forbes* to the TCEQ's exceptional workforce and the firm commitment of its employees to strive to protect public health and the environment. "Combining meaningful work, a shared purpose in serving our communities, and great colleagues is a recipe for a rewarding career," he observed. Likewise, the agency's newest commissioner Emily Lindley suggests the motivation held by TCEQ employees has helped to drive the success of the agency, and allowed the agency to receive praise for its workforce. "When your employees are happy, motivation and commitment run strong," she said. "Motivation and commitment are essential tools for the success of any organization, so I am thrilled to know that our employees are generally happy employees. This in turn benefits all Texans."

TCEQ Executive Director Toby Baker echoed similar sentiments, crediting the agency's human resources staff for creating the policies needed to foster the best possible environment for employees. "TCEQ hires highly qualified, passionate, public servants, regardless of race and gender," Director Baker said. "This fundamental commitment manifests itself in the noticeable diversity of our workforce. However, we don't stop at hiring. It is an ongoing priority of the TCEQ to invest in developing employees with ongoing training and support while building on their technical expertise."

EPA to retain current oil and gas rules under RCRA Subtitle D

The U.S. Environmental Protection Agency (EPA) will not pursue changes to federal regulations on oil and gas production wastes, agency leaders announced in late April. The decision fulfills obligations mandated under a consent decree entered by the EPA in 2016 with the Environmental Integrity Project (EIP), Natural Resources Defense Council (NRDC) and other environmental groups. Through the court agreement, the EPA was required to determine by the spring of 2019 whether it was appropriate to develop additional regulatory requirements under Subtitle D of the Resource Conservation and Recovery Act (RCRA) with regard to oil and natural gas production wastes.

More than two years ago, the Texas Independent Producers & Royalty Owners Association (TIPRO) filed a motion to intervene in the lawsuit relating to this case. In its motion, TIPRO had argued that new regulations being sought by the plaintiffs would have exceeded the EPA's authority under RCRA and would override state regulations previously approved by the agency. At the time, the Independent Petroleum Association of America (IPAA), the American Petroleum Institute (API) and the state of North Dakota also filed motions to intervene in this case, presenting similar arguments.

Though the court denied all of the motions to intervene on the standing that the case was focused only on scheduling of the rulemaking review, not changes to substantive provisions of the rulemaking, upon completing its own review of RCRA, the EPA has recognized that the federal government does not need to impose additional regulations managing oil and gas wastes.

To understand more about the EPA's regulatory oversight of oil and gas exploration and production waste, please visit the following website: https://bit.ly/2JaWIIv.

Interior dissolves its royalty policy committee

The U.S. Department of Interior won't renew its advisory committee established to guide the federal government on proposed policies and regulations relevant to royalty revenue generated from energy development. The Interior's Royalty Policy Committee had been created in 2017 by then Secretary Ryan Zinke, who formed the advisory group to offer strategies that would improve management of the multi-billion dollar, federal and American Indian mineral revenue program. "Working closely with the committee, we will come up with solutions for modernizing the management of public and American Indian assets, while building greater trust and transparency in how we value our nation's public mineral resources," Zinke said in his announcement of the federal panel. "It's important that the taxpayers and tribes get the full and fair value of traditional and renewable energy produced on public lands and offshore areas." Twenty primary and 18 alternate members had been appointed to serve on the Department of the Interior's Royalty Policy Committee, including Texas State Representative Drew Darby.

Last year, the advisory group notably recommended that the U.S. government cut offshore drilling royalty rates by one-third, slashing the 18.75 percent rate to 12.5 percent in efforts to incentivize additional production of oil and gas. Despite the panel's recommendation, Zinke ultimately decided against the recommendation and elected to maintain offshore royalty rates at the 18.75 percent threshold, determining there was enough interest in offshore drilling even at the current rate.

On Tuesday, April 30, 2019, a spokesperson for the Interior Department confirmed that the Royalty Policy Committee's charter, which was created in March 2017, was allowed to expire on April 21. It is believed that legal challenges filed against the creation of the committee may have contributed to the decision not to renew the committee's charter.

Interior indefinitely postpones offshore oil & gas program

The Trump Administration will postpone releasing an updated five-year plan detailing their plans to expand offshore drilling. The initial plan included sections of the Arctic and Atlantic oceans that the Obama Administration previously banned drilling under the Outer Continental Shelf Lands Act. President Trump made an effort to reverse the ban and signed an executive order to that effect in 2017. However, on March 29, 2019, U.S. District Judge Sharon Gleason of Alaska blocked President Trump's executive order and upheld Obama's protections for the time being. Gleason ruled that while a president can unilaterally withdraw areas from offshore drilling, a preceding president cannot unilaterally put those areas back on the table. "As a result, the previous three withdrawals issued on January 27, 2015, and December 20, 2016, will remain in full force and effect unless and until revoked by Congress," concluded Gleason.

In light of the court decision, as well as some concern over safety and the impact on tourism, the administration will be taking some time before releasing revised plans. "Given the recent court decision, the department is simply evaluating all of its options to determine the best pathway to accomplish the mission entrusted to it by the president," said Molly Block, an Interior Department spokeswoman in an interview with the *Washington Examiner*. Interior Department Secretary David Bernhardt remarked that the agency will most likely go through the appeals process before making a decision about which parts of federal waters to open up for development. The timeline for the latest plans is unclear, but it will most likely be awhile before anything is publicly revealed.

The Gulf of Mexico is another hotspot for potential development that is currently limited. The eastern region of the Gulf is closed for offshore drilling through June 2022. The western and central Gulf of Mexico account for a significant amount of U.S. offshore drilling and this ban severely limits growth in the area. Opening up the Gulf of Mexico, as well as the Arctic and Atlantic regions, would be a boon for not only the surrounding regions but would benefit the nation as a whole. For now, it's a waiting game as the industry prepares to expand into uncharted territories.

BSEE eases offshore oil and gas drilling rules

In the early days of May, the U.S. Interior Department's Bureau of Safety and Environmental Enforcement (BSEE) finalized industry rules that would ease regulatory standards for offshore drilling activities. Regulatory changes to the BSEE's Blowout Preventer and Well Control rules will update requirements that had been implemented by the Obama White House in 2016, which mandated real-time monitoring of offshore oil and gas activities and third-party certifications of emergency equipment. Since the rule was adopted three years ago, the oil and gas industry had argued that a majority of the standards were already being practiced on a voluntary basis, and that the regulatory policy package was imposing undue burden against companies but was not significantly enhancing worker safety or environmental protection. "Free of undue regulatory burden while ensuring that operators conduct outer Continental Shelf activities in a safe and environmentally responsible manner, today's rule will fuel and sustain responsible energy exploration and production of America's outer Continental Shelf," said BSEE Director Scott Angelle. Learn more about this updated regulation here: https://on.doi.gov/2Wl2ydU.

President Trump considers Jones Act exemptions for natural gas

Amidst requests from Puerto Rico and energy industry leaders, President Donald Trump reportedly was considering allowing long-term waivers from Jones Act requirements for moving natural gas to energy-starved regions, according to anonymous White House sources. The Jones Act, which was originally enacted in 1920, requires that ships moving cargo between two U.S. ports must be U.S.-built, -owned and -crewed. Such a move would bring strong opposition from U.S. shipbuilders. However, it would help to lower the cost of energy in Puerto Rico and ease transportation of natural gas to the Northeast. It has also been argued that waiving the requirements would be in line with Trump's energy dominance agenda by cutting back on the need to import foreign oil.

There are two problems here though, one of them being the lack of proper infrastructure to bring oil and gas to the Northeast. There is insufficient pipeline capacity to support the energy needs of New Englanders. With strong opposition from New York, it is not expected that will change in the near future despite the difficulty it needlessly causes. The other is that there are no Jones Act compliant tankers equipped to move liquefied natural gas (LNG) to the Northeast or Puerto Rico (which cannot be reached by pipeline). Energy prices in Puerto Rico have been high ever since Hurricane Maria devastated the Caribbean island. The Northeast also suffers from high energy prices, and has at times had to turn to foreign, pricier LNG sources, such as Russia.

For now at least, it seems that the president will not be making any changes to the Jones Act, after Republican lawmakers met with President Trump this week to persaude him to maintain the current policy.

Top BLM official departs D.C. to lead Utah's Department of Natural Resources

Brian Steed, deputy director for policy and programs of the U.S. Bureau of Land Management (BLM), has been named the new head of Utah's Department of Natural Resources. Since joining the BLM in 2017, Steed had exercised authority of the director of the bureau, which has not had permanent leadership under the Trump Administration.

The BLM also recently selected Mitchell Leverette as acting assistant director for energy, minerals and realty management. In this capacity, Leverette will oversee implementation of energy policies at the BLM. Leverette takes over the role previously held by Michael Nedd who has been promoted to second in command for the BLM taking over as deputy director of operations.

S&P Platts compares Texas vs. Iraqi oil output, with Texas leading OPEC's No. 2 producer

New data from S&P Global Platts is offering a closer look at how oil production from the Lone Star State stacks up against that of Iraq, one of the world's top oil producers. According to the S&P analysis, Texas has surpassed OPEC's second leading producer for more than six months in a row in oil production, and is likely to continue doing so for the foreseeable future. While Iraq provides 15 percent of OPEC's total oil output, the state of Texas offers approximately 42 percent of the oil produced in the United States. And while both have significant production of crude, the types of oil being pumped do differ. Texas crude tends to be light and sweet while oil produced in Iraq often is heavy or medium grade and sour, notes S&P.

West Texas leaders push for Southwest Airlines to bring back Midland-Austin flight

Business and political leaders from West Texas are making a case to corporate executives of Southwest Airlines to consider expanding air service between the state's capitol city in Austin and Midland, situated in the heart of the Permian Basin. Southwest Airlines, the leading carrier out of Midland, at one time offered direct flights between the two Texas cities, but discontinued the flight option more than 10 years ago. Today, passengers flying on Southwest out of Midland can enjoy service to three non-stop destinations (Dallas, Houston and Vegas), but is it possible that Austin could soon be added back to that list? Doing so would provide a key connection from the nation's hottest shale formation to the state's legislative and regulatory homebase.

According to the *Midland Reporter-Telegram*, an analysis by economist Ray Perryman projects that should Southwest approve plans to offer direct service from Midland to Austin, an estimated 49,200 to 56,700 passengers would immediately take advantage of the flight. By the year 2025, that figure could grow to as much as 106,400.

While it is unclear whether any immediate announcements from the airline are likely, representatives of Southwest indicate that the company is giving serious thought to a potential Austin-Midland flight plan. "Midland is on the radar," Dave Harvey, vice president for Southwest's corporate sales, told the *Reporter-Telegram*. "The data is strong. Before even this conversation, we made additions in the Permian in 2019. We would not be doing that if we didn't see additions in the market place."

Energy Dept. backs research to improve oil & gas recovery processes

The U.S. Department of Energy is offering $39 million in federal funding for projects that support oil and natural gas research and development, department officials announced in April. While domestic producers are already achieving record levels of output, the federal government specifically is looking to back projects that will provide added improvement to Enhanced Oil Recovery (EOR) for wells in offshore settings and projects that also advance the safety and efficiency of the nation's natural gas production, gathering, transmission, and storage infrastructure.

"Maximizing our domestic resources is key to maintaining American energy independence and ensuring both our energy and national security," emphasized U.S. Secretary of Energy Rick Perry. "The United States is projected to become a net energy exporter by 2022, and by improving technologies that enhance the efficiency of producing and recovering oil and natural gas, we can be sure to achieve that title."

"The phenomenal growth in U.S. oil and gas development—both conventional and unconventional—is changing the energy landscape in America and around the world," said Steven Winberg, assistant secretary for the department's Office of Fossil Energy. "Developing advanced technologies to improve oil and natural gas recovery can expand the potential for developing our vast resources."

To learn more about the grants being offered from the Energy Department, visit https://bit.ly/2ZjGXo3.

EIA: U.S. dominates Mexico in energy trade

The U.S. Energy Information Administration (EIA) recently released a report on energy trade between the U.S. and Mexico, revealing the United States' dominance in the trade relationship. In 2018, energy trade accounted for 12 percent of all U.S. exports to Mexico, while 5 percent of U.S. imports from Mexico were attributable to energy. The trade balance shifted in our favor in 2015, when U.S. imports for Mexico hit a low as U.S. exports to Mexico were on the rise.

In 2008, the value of U.S. exports of petroleum products was at $10.4 billion and has nearly tripled in the last decade, hitting a record high of $30.5 billion in 2018. At the same time, imports from Mexico are at an all-time low of $15.8 billion in 2018 for the second year in a row. The imports consist of primarily crude oil, amounting to approximately 665,000 barrels per day (bpd) and accounting for 9 percent of U.S. crude imports. In 2018, Mexico imported 1.2 million bpd of U.S. petroleum products valued at $30 billion. This accounted for 22 percent of all U.S. petroleum product exports last year, exhibiting an increase in both volume and value.

In addition to this, U.S. gasoline exports supplies more than half of Mexico's gasoline consumption. Mexico imported 1,862 billion cubic feet per day (Bcf) of natural gas from the U.S. in 2018, 90 percent of which was sent through pipelines according to the EIA. The nation has also been large customer of liquefied natural gas (LNG) shipped by vessel. In 2018, Mexico became the second-largest destination for U.S. LNG. Mexico's LNG imports from August 2016 to December 2018 total 350 Bcf, or 18 percent of all U.S. LNG exports.

U.S. reinforces Iranian sanctions

On April 22, 2019, Secretary of State Mike Pompeo announced that the U.S will not renew exemptions for sanctions enforced on Iranian oil imports. A year ago, President Donald Trump imposed U.S. sanctions on importers of Iranian oil in an effort to reduce their oil revenue, which is used to fund terrorist activity in the Middle East. The U.S. issued exemptions to select regions for a period of 180 days. The decision to not renew these exemptions is an extension of the maximum pressure campaign against the nation, with the ultimate goal of bringing Iranian oil exports to zero.

"The goal of the policy is to drive up the costs of Iran's malign behavior and more strongly address the broad range of threats to peace and security their regime presents," a State Department official told the *Washington Post*. In his announcement last week, Secretary Pompeo noted that these efforts to date have reduced oil revenue for the nation by $10 billion. In April 2018, Iranian oil exports were approximately 2.5 million barrels per day (bpd), and in March 2019 were estimated at 1 million bpd. The exemptions, known as Significant Reduction Exceptions (SREs), expire May 2nd and will not be renewed. SREs were issued to seven countries and Taiwan, of which three of these regions (Greece, Italy and Taiwan) have already reduced their imports to zero. China, Turkey, Japan and South Korea will have to follow suit and find new suppliers or else be subject to U.S. sanctions. China is one of Iran's largest customers, meaning this is a potentially huge blow for Iran.

In order to mitigate disruptions to the market, the U.S. has been in talks with the Kingdom of Saudi Arabia, as well as the United Arab Emirates, and has been assured that supply will remain in keeping with demand once this new policy takes effect. "I want to emphasize that we have used the highest possible care in our decision to ensure market stability," advised Secretary Pompeo. In wake of the U.S. decision to end Iranian oil exemptions, Saudi Arabia's energy minister Khalid al-Falih commented. "Inventories are actually continuing to rise despite what is happening in Venezuela and despite the tightening of sanctions on Iran. I don't see the need to do anything immediately." Falih did note that should inventories be affected, Saudi Arabia will increase output. In addition to promises from these countries, the U.S. itself has seen an increase in production that can help fill in the gaps left by Iranian sanctions. The zero level policy is not expected to result in a lack of supply. U.S. special representative for Iran Brian Hook noted in a press briefing on April 2nd that last year waivers were appropriate, but that the current situation allows for the elimination of waivers, stating that, "Because [in] 2019 we forecast more supply than demand, there are better market conditions for us to accelerate our path to zero."

The market has already reacted to news of the zero level policy. On April 22, oil prices rallied and hit their highest mark since October of last year. Brent crude futures closed 2.9 percent higher after Pompeo's announcement. Gasoline futures were up 2.8 percent, and oil-explorer stocks were also on the rise. However, the upwards trend did not last long. On the morning of April 29, Brent crude futures fell 3 cents, to $72.12 a barrel and U.S. West Texas Intermediate Crude futures lost 25 cents to $63.05. Last Friday, President Trump told reporters, "Gasoline prices are coming down. I called up OPEC, I said you've got to bring them down. You've got to bring them down."

U.S. rig count down, Texas loses nine rigs

Despite what record volumes of U.S. crude and natural gas production would suggest, U.S. rig counts were down to 991 last week with a loss of 21 rigs, according to data from Baker Hughes, a GE company, marking the first time in over a year that the nation's active rig count was below 1,000. Over 800 of the remaining rigs were primarily used for crude while the other 186 rigs were for natural gas.

Texas was hit especially hard with a loss of nine rigs last week. The Permian Basin in West Texas saw a loss of three rigs while the Eagle Ford Shale lost four. This is part of a larger downward trend for the Lone Star State, as Texas has seen a net loss of 50 rigs in the last six months. Currently, Texas houses 491 total active rigs and the Permian Basin lays claim to 460 rigs. The Permian Basin is also home to 57 percent of U.S. oil drilling rigs.

Even withstanding this recent decrease, the Permian Basin rig count is still up from its all-time low of 404 rigs in May 2016. In total, the U.S. oil rig count is down 50 percent from its record high of 1,609 in October 2014. These numbers, when compared with the volume of current crude oil and natural gas production, demonstrates the impact of technological advances that have occurred in recent years. Rigs today can drill more wells and deeper wells, resulting in greater volumes of production.

Apache celebrates Arbor Day with dedicated trees

On Arbor Day, Apache helped its employees in Midland, Texas, celebrate in a unique way. Eleven families joined together to plant trees donated by the company in honor of the latest additions to their families as part of Apache's Trees for Tots initiative. The annual tradition started in 2013 as an expansion upon Apache's extraordinary Tree Grant program. The program, which began over a decade ago, has donated more than 4 million trees to nonprofits and governmental organizations. Since 2006, the Tree Grant program has benefitted schools and communities in Texas, Louisiana, Oklahoma and Wyoming. Apache has been particularly instrumental in protecting vulnerable environments by donating trees to wildlife refuges and state parks such as the Rio Grande Valley National Wildlife Refuge, Bastrop State Park and the Santa Fe National Forest. While the program's impact is far-reaching, it is perhaps most dear to those families who have the extraordinary opportunity to plant a tree for their child. Trees for Tots not only helps add to the enormous amount of trees the company has already donated, but it helps families to put down literal roots in their community and become a part of the larger Apache legacy, all while honoring their little ones.

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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