



**Texas
Independent
Producers and
Royalty Owners
Association**

TxDOT LAUNCHES NEW CAMPAIGN TO IMPROVE ROAD SAFETY IN ENERGY REGIONS

This week, the Texas Department of Transportation (TxDOT) unveiled a new statewide campaign seeking to educate Texans on road safety and reduce the number of traffic accidents happening on Texas roadways, particularly in energy-producing areas that have experienced an uptick in crashes. “Driving conditions have changed dramatically in many parts of Texas,” said TxDOT Executive Director James Bass. “A big increase in the number of heavy trucks and traffic on state and county roads adds to the complexity of driving – something we always need to give our full attention to, while also obeying traffic laws. That’s why we are urging every motorist to drive smart and take simple precautions to prevent crashes.”



Through TxDOT’s “*Be Safe. Drive Smart*” campaign, officials hope to remind drivers to:

- Always buckle up—drivers and all passengers, day and night;
- Drive a safe speed that takes into account the amount of traffic, road conditions, and weather;
- Focus 100 percent on driving and put your phone away: no talking or texting when you’re behind the wheel;
- Give large trucks plenty of space, be patient, and pass only when it’s safe and legal to do so;
- Obey stop signs and traffic signals; and,
- Never drive under the influence of alcohol or other drugs.

TxDOT says it also plans to host community events this month in the Permian Basin and Eagle Ford Shale to better educate motorists of how to safely navigate the challenges of driving in high-traffic oil and gas production areas.

TEXANS TAKE TO THE POLLS TO VOTE ON CONSTITUTIONAL AMENDMENTS

Voters in Texas this past Election Day passed most of the changes proposed be made to the Texas Constitution, supporting measures that will set aside \$800 million for a dedicated flood infrastructure fund, help stabilize funding for state parks, and make it more challenging for future lawmakers to enact a personal income tax in the Lone Star State. Other propositions passed Tuesday will enable the state legislature to create temporary property tax exemptions for people with property damaged in governor-declared disaster areas, allow the Texas Water Development Board (TWDB) to issue bonds to fund water and wastewater infrastructure projects in areas where median household income is at or below 75 percent of the statewide median income level, and let lawmakers double the maximum amount of bonds issued on behalf of the Cancer Prevention and Research Institute of Texas (CPRIT). Of the 10 propositions appearing on the ballot this year, only one amendment was rejected, which would have allowed municipal court judges to hold more than one office at the same time. Currently, only appointed municipal court judges — who make up more than 95 percent of the state's municipal court judges, according to the House Research Organization — can serve multiple jurisdictions at the same time.

In Tuesday's special election for House District 28, which has had an open seat since September after former state Representative John Zerwas stepped down, Democratic candidate Eliz Markowitz will face Republican Gary Gates in a run-off election. A run-off race also appears likely for House District 100, previously represented by Eric Johnson (D-Dallas) who vacated his seat earlier this year to become mayor of Dallas. In the all Democratic race, Lorraine Birabil and James Armstrong beat out other candidates and were presumed to square off again in an upcoming runoff election. Lastly, the battle for House District 148 also remained undecided after Tuesday's special election, with Democrat Anna Eastman and Republican Luis La Rotta on track for a runoff election to fill the seat previously held by Representative Jessica Farrar (D-Houston).

2019
*Election
Results*

CHAIRMAN'S MESSAGE

TIPRO Members,

During the most challenging of times, the work of trade associations like TIPRO is all the more vital. As an industry, we need the continuous support of TIPRO -- the leading advocacy organization for independents in Texas -- to fight for and protect our ability to explore and produce oil and natural gas. This is especially essential in low-price commodity markets such as what our industry is presently facing. TIPRO works day-in, day-out to strengthen, maintain and improve the regulatory environment in Texas for oil and gas independents and royalty owners, helping to promote policies that back expanded development of Texas energy resources.

For the last 73 years, TIPRO has been the voice of our industry and reliably intervened to protect our interests on the local, state and federal levels. There are countless examples of TIPRO "saving the day" since the group's inception in 1946, guiding us all through different waves of booms and busts experienced by the industry over the course of the last seven decades.

Throughout the years, TIPRO has established a dependable reputation for standing up for Texas oil and gas. My own family can attest to the importance of TIPRO, and the value the association delivers to members and their companies. Outside of our general membership with TIPRO, I am the first "third generation" chairman to lead TIPRO -- my grandfather, Ambassador John G. Hurd, served as chairman in the early years of TIPRO from 1960-1962, and my uncle, J.R. Hurd also was TIPRO chairman from 2004-2006.

My family is joined by numerous TIPRO member industry icons that have shaped the domestic oil and gas sector, including several that have been honored in recent weeks for their contributions and work. A short list of these energy icons include Jim Henry, Henry Resources, who won the Hart Energy Industry Leadership Award; Scott Sheffield, Pioneer Natural Resources, recipient of the Hearst Energy Awards Lifetime Achievement Award; Industry Advocate Award recipient Tommy Taylor, Fasken Oil and Ranch; and *D CEO* Magazine Lifetime Achievement Award recipient, Trevor-Reese Jones, Chief Oil and Gas. TIPRO member company Apache Corporation also this week was honored with the Bruno Hanson-Midland College Environmental Excellence Award for its outstanding leadership on environmental stewardship. Needless to say, there are numerous TIPRO members throughout the history of our organization that deserve our respect and recognition. Leading up to our association's 75th anniversary, TIPRO is working on a special project to highlight the historical work of our group and promote the many individuals that have contributed to our success throughout the years.

Whether you are a small wildcatter working for the family business, part of a larger publicly traded company, hold mineral interests, or spend your days in the oilfield, you can always count on TIPRO to be there to serve your needs. I want to encourage you to reach out to TIPRO's team today to learn more on how to become involved with the association and join us in continuing to promote and protect our industry. TIPRO offers members a wide array of opportunities to participate at the local and state levels. From standing committees and task forces available to members of the association, to exclusive events and networking receptions that bring industry professionals together with our elected officials, TIPRO is here to help us form new connections and collaborate in the name of Texas oil and gas.

Regards,
Eugene Garcia



Eugene Garcia

TIPRO HOSTS REGIONAL ROUNDTABLE IN MIDLAND WITH THE HONORABLE TOM CRADDICK

On Wednesday, November 6, TIPRO convened a policy roundtable in Midland, Texas, with state Representative Tom Craddick, chairman of the House Land & Resource Management Committee, to discuss priority policy issues facing the Permian Basin and Texas oil and gas industry. Topics reviewed at the TIPRO meeting included transportation infrastructure funding, endangered species, seismicity concerns, flaring activities and industry taxation. "We appreciate the opportunity to bring members together and share with Representative Craddick industry's perspective on top issues facing Texas producers today," said Ed Longanecker, president of TIPRO, after Wednesday's roundtable discussion. Please note that additional TIPRO district policy meetings are confirmed with key elected officials in the coming months. Contact TIPRO for more details.



TIPRO Calendar of Events

<p>NOVEMBER 13, 2019 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>DECEMBER 11, 2019 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>JANUARY 8, 2020 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>FEBRUARY 6-7 2020 HOUSTON — 2020 NAPE Expo, George R. Brown Convention Center. For info, call: (817) 847-7700.</p>
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INTERIM LEGISLATIVE CHARGES RELEASED FOR THE TEXAS SENATE

At the end of October, Texas Lieutenant Governor Dan Patrick published his interim assignments for members of the Texas Senate to review leading up to the state's next legislative cycle in 2021. Altogether, the lieutenant governor is asking senators to study 116 different charges this interim session, which cover a range of priorities from strategies supporting ongoing economic growth in the Lone Star State to solutions for Texas' transportation network.

"The charges I am releasing not only reflect my priorities but also include the priorities of the members of the Texas Senate," Lieutenant Governor Patrick said last week. "Senators will study these issues over the next year and hold hearings to get input from the people of Texas. Upon completion of the hearings they will determine whether additional legislation or policy changes are needed to address these critical issues. I am confident that the recommendations I receive from the committees following this process will help move us forward to create sound, conservative public policy to ensure the Texas economy remains strong and our state continues to be the best place in the nation to live, work and raise a family."

Of note, the Texas Senate Committee on Natural Resources and Economic Development, the leading committee handling oil and gas issues in the upper chamber, was directed to examine the following matters under joint charges also disseminated to the Senate Water and Rural Affairs Committee:



Local Economic Development Incentives: Study the use of local tax abatements allowed under Chapter 313 of the Texas Tax Code. Make recommendations to promote transparency and enhance effectiveness of tax abatements, capital investment incentives, and similar programs.

Eminent Domain: Examine current law regarding the balance of private property rights and continued improvement in oil and gas infrastructure. Make recommendations to ensure stability between private property owner protections and emergent oil and gas infrastructure.

Future Water Supply: Examine current laws, processes, and water storage options and availability. Make recommendations promoting the state's water supply, storage, availability, valuation, movement, and development of new sources.

River Authority Infrastructure: Examine the roles and responsibilities of river authorities in maintaining their managed assets including, but not limited to, dams. Evaluate the impact on the economy, water supply, and flood control due to deferred maintenance. Make recommendations to promote infrastructure stability and maintain the usability of these bodies of water.

Groundwater Regulatory Framework: Study the state's groundwater regulatory framework and make recommendations to improve groundwater regulation, management, and permitting.

Monitoring: Monitor the implementation of legislation addressed by the Senate Committees on Natural Resources and Economic Development and Water and Rural Affairs passed by the 86th Legislature, as well as relevant agencies and programs under each committee's jurisdiction. Specifically, make recommendations for any legislation needed to improve, enhance, or complete implementation of the following:

Senate Bills 6, 7, 8, and 500, relating to disaster response and recovery, disaster funds, state-wide flood planning, and dam maintenance;

Senate Bill 698, related to expedited permitting;

Senate Bill 700, relating to water utility ratemaking reform;

Senate Bill 2272, relating to certain amendment and revocation procedures;

House Bill 1325, relating to the production and regulation of hemp; and

House Bill 3557, relating to civil and criminal liability for engaging in certain conduct involving a critical infrastructure facility.

To date, interim assignments have not yet been released for the Texas House of Representatives.

GOVERNOR ABBOTT ANNOUNCES DEPARTURE OF TOP POLICY DIRECTOR

John Colyandro, policy director and senior advisor to Texas Governor Greg Abbott, has left the governor's office, announced Governor Abbott at the start of November. Colyandro had worked with the governor's senior team for the past two years, and helped Governor Abbott successfully move priority legislation during the 2019 session relating to school finance reform and changes to the state's property tax structure.

"John is a tireless advocate for advancing conservative policies in the state of Texas," remarked Governor Abbott. "The transformative property tax and school finance reform legislation we achieved during the 86th session would not have been possible without his leadership and guidance. Texas is better today because of John's service, and he will continue to work to advance strategies that will make Texas even better."

Colyandro previously was a director of policy and research for Abbott's campaign to become governor, and for 15 years, served as executive director of the Texas Conservative Coalition Research Institute (TCCRI), a public policy think tank formed to shape Texas government and perpetuate conservative principles. Colyandro will still continue to advise the governor on policy issues going forward, notes the office of the governor.

NEW REPORT REVIEWS SEISMIC ACTIVITY IN WEST TEXAS

A new report by scientific researchers at The University of Texas at Austin, published Monday, November 4th in the *Journal of Geophysical Research: Solid Earth*, investigates the possible relationship between petroleum drilling and seismic events recorded in the Delaware Basin. The Delaware is situated near the prolific Permian Basin in West Texas and southeast New Mexico, and today has become one of the nation's premier areas for energy development. It covers the Wolfcamp Shale and Bone Spring Formation, which official assessments show could hold some of the largest volumes of oil and gas ever found in the United States. In the last decade, oil and gas producers have flocked to the region, hoping to tap into the vast reserves available in the Delaware, estimated at hundreds of billions of barrels of oil and as much as 281 trillion cubic feet of natural gas.

At a time of accelerating development in the Delaware, and the greater Permian Basin nearby, however, has also come heightened concerns on the impact to seismicity and the occurrence of earthquakes in proximity to Texas' oilfields. The latest report from the *Journal of Geophysical Research* takes a closer look at this topic, and shares with the public observations on what could be happening deep underground beneath the earth's surface in this part of the state. Researchers cite readings of seismic events, nearly all of which minor in nature, collected near the town of Pecos in West Texas, found central to the Delaware, and indicate anomalous seismic activity there may have first started to occur in 2009. Since that time, subsequent activity has grown, though it's worth pointing out the magnitude of individual seismic events has generally remained low, and it is unlikely most of the earthquakes recorded could even be felt at the surface. To-date, there remains no explicit link between a particular seismic event and associated industry activity, though undoubtedly this study will invite further examination and ignite new conversations on whether earthquakes in Texas is triggered by human activity.

This is a very technical issue that requires significant expertise and a long-term commitment to study. Above all other states, Texas has been in the forefront of this arena, taking proactive steps to examine seismic activity that may be occurring and developing plans to mitigate hazards. Officials have implemented new programs such as TexNet, an earthquake monitoring system maintained by the Bureau of Economic Geology at the University of Texas at Austin that measures activity and conducts research on casual factors of seismic incidents.

"Over the years, TIPRO and fellow oil and gas producers also have remained supportive of continued collaboration, funding, research and analysis pertaining to earthquake mitigation and related regulations. As a group, we maintain it is imperative to have accurate data to advance best practices and create policies that will protect Texas citizens and support the responsible development of oil and natural gas in our state," said TIPRO President Ed Longanecker.

He also points to the industry's support of TexNet, which in recent years also has worked to develop an online catalog providing earthquake data to the public from monitoring stations located across the state. "The past several legislative sessions, the association has advocated for adequate TexNet funding allocations in order to ensure appropriate funding is available for seismic research," Longanecker noted. Additionally, representatives of several of TIPRO's member companies have been continued to be involved with the science advisory committee guiding the Center for Integrated Seismicity Research (CISR), the research arm of TexNet, and have provided sponsorship of state-led initiatives that are focused on seismicity.

Meanwhile, recently TIPRO has collaborated with other industry groups to discuss seismic data and insights that should help guide industry practices, not only for operations in West Texas but also in key areas of development like the Eagle Ford Shale in South Texas. TIPRO and partner trade associations this week jointly issued recommendations for member companies, which include completion of risk assessments to understand seismic risks when launching E&P activities. Contact TIPRO for more details on these suggested best practices.

TEXAS BUSINESS RECEIVES EPA GRANT TO ADVANCE TECHNOLOGIES REDUCING ENERGY EMISSIONS

On Monday, November 4, oil and gas firm Framergy was awarded \$300,000 by the U.S. Environmental Protection Agency (EPA) to further develop and commercialize its innovative carbon capture technologies that can be used at well sites, natural gas facilities, storage sites and transmission facilities to reduce emissions and mitigate air pollution. Framergy has partnered with Texas A&M University in College Station to build this technology, which is capable of separating, storing and recycling natural gas and Volatile Organic Compounds (VOCs). According to the company, the technology is suitable as both a temporary portable or as a permanent installation, which could allow for utilization on a wide range of oil and gas sector facilities such as: storage tank relief vents, process equipment vents, blowdown of towers/drums and other production equipment, vent controls for compressor seal leaks or by-pass events, as well as pipeline pigging operations where products are either free vented to the atmosphere, combusted using flares and processed through other devices.

The federal grant was offered as part of the EPA's Small Business Innovation Research (SBIR) program that encourages the expansion of novel technologies which meet the EPA's mission and protect the environment while growing the American economy. "Small businesses provide the foundation of our economy and are incubators of innovative ideas that create jobs, improve lives and protect the environment," said EPA Administrator Andrew Wheeler. "With this funding, small businesses across the country will be able to help further EPA's mission of protecting the environment and public health. I'm proud to support these important projects to address not only the challenges we face as a nation, but also the opportunities to be had through new and emerging technology."

EPA issued funding contracts up to \$300,000 each to nine small businesses around the country, including Framergy, to help businesses prepare their technology for the marketplace. "We are funding projects that can help solve today's complex environmental problems and enhance economic growth," said EPA Regional Administrator Ken McQueen. "This project is focused on adapting new research from the energy sector to help reduce emissions at facilities."

TEXAS RECEIVES EPA GRANT FOR ENVIRONMENTAL PROGRAMS

The U.S. Environmental Agency (EPA) recently awarded \$9.8 million to the Texas Commission on Environmental Quality (TCEQ) under a Performance Partnership Grant (PPG) extending federal funds to support environmental programs administered by the state of Texas. Unlike other EPA grants that are allocated for specific causes, this latest round of funding will go to support a wider range of environmental programs such as water quality monitoring and permitting by the TCEQ, enforcement activities, and monitoring and abating hazardous waste, air pollution and pesticides.

“Texas has long been an effective partner in caring for our natural resources and working for clean air, land, and water for all Texans,” said EPA Regional Administrator for the South Central District Ken McQueen. “Performance partnership grants provide the flexibility we need to reach important environmental goals.”

U.S. MOVES TO FORMALLY WITHDRAW FROM PARIS CLIMATE AGREEMENT

The United States government on Monday, November 4th submitted formal notification to the United Nations informing the international community of its intent to withdraw from the Paris Agreement. The withdrawal will take effect in November 2020.

The Paris Agreement was ratified three years ago, with the goal of strengthening the global response to the threat of climate change



by attempting to cap the planet’s warming “well below” a rise of two degrees Celsius (3.6 degrees Fahrenheit) and if possible, not above 1.5 degrees Celsius (2.7 degrees Fahrenheit). All participants of the global agreement are required under the deal to provide “nationally determined contributions” and must regularly report on emissions, amongst other demands.

Under terms of the agreement, the United States had been unable to officially remove itself from the list of participating nations for the Paris Accord until now, though in June of 2017, roughly six months after taking office, President Donald Trump pledged to withdraw the United States from the climate treaty due to the unfavorable terms and unfair economic burden placed on America, which he argued would cost the U.S. economy nearly \$3 trillion in reduced output, over 6 million industrial jobs, and over 3 million manufacturing jobs. The president also suggested the agreement allowed

other nations unbalanced flexibility with regard to permitted emission thresholds, all while punishing the United States, the world’s leader in environmental protection. Since that time, the United States has since ceased implementation of all non-binding Paris Accord stipulations, including contributions to the Green Climate Fund which was costing the United States “a vast fortune,” according to President Trump.

In a statement, U.S. Secretary of State Mike Pompeo said Monday the United States was making substantial progress with environmental stewardship on its own initiative, even without active enrollment in the Paris Accord. “Our results speak for themselves: U.S. emissions of criteria air pollutants that impact human health and the environment declined by 74 percent between 1970 and 2018,” observed the secretary. “U.S. net greenhouse gas emissions dropped 13 percent from 2005-2017, even as our economy grew over 19 percent.”

Secretary Pompeo reinforced the Trump Administration’s commitment to research, innovate, and grow the U.S. economy while reducing emissions and extending a helping hand to partners around the globe. “The U.S. approach incorporates the reality of the global energy mix and uses all energy sources and technologies cleanly and efficiently, including fossils fuels, nuclear energy, and renewable energy. In international climate discussions, we will continue to offer a realistic and pragmatic model – backed by a record of real world results – showing innovation and open markets lead to greater prosperity, fewer emissions, and more secure sources of energy,” said Secretary Pompeo.

Meanwhile, the first week of November, there was also activity at the U.S. capitol building to initiate U.S. withdrawal from the international climate pact. Congressman Jodey Arrington (TX-19) introduced new legislation on Monday, November 4th also calling for the United States to formally withdraw from the 2016 international Paris Climate Agreement. Congressman Arrington said, “At a time when American innovation is leading the way in environmental stewardship, the Paris Agreement is political window dressing, at best. This feel-good measure would have no meaningful impact on international air quality but, instead, would levy a huge tax on middle and working class families, costing Americans \$250 billion dollars and 2.7 million jobs. As a result, Americans would be forced to pay higher prices at the pump and for their homes; all the while, giving a pass to the world’s biggest polluters. Today, I am introducing legislation that will ensure Americans will no longer be bound by this feckless, inequitable, and economically crippling agreement.”

Arrington’s resolution has been co-sponsored by 12 fellow lawmakers supporting the U.S. withdrawal from the Paris Climate Accord, including Texas Congressmen Chip Roy (TX-21), and Randy Weber (TX-14). “The Paris Agreement is not an effective way to make our communities and economy resilient to environmental and security challenges. It would do very little to achieve the stated objectives, clearly demonstrated by China, who continues to pollute and emit CO2 at record levels,” said Representative Roy. “I am confident the United States will continue to lead the world with economic growth and human ingenuity, not regressive international agreements that leave us less prepared to face the obstacles of the future.”

Environmentalists this week condemned the decision to withdraw the United States from the Paris Agreement, criticizing officials for allegedly “failing the people of the United States.”

EPA MEETS WITH OIL & GAS STAKEHOLDERS ON SOLUTIONS FOR RESPONSIBLE ENERGY DEVELOPMENT

Regulators from the U.S. Environmental Protection Agency (EPA) this week concluded a two-day oil and natural gas roundtable held in Albuquerque, New Mexico, that involved state and local leaders, industry representatives, trade groups, tribes and other environmental non-governmental organizations (NGOs). During the meetings, held on Tuesday and Wednesday, participants considered challenges impacting responsible energy production in the United States and collaborated to identify innovative and effective solutions to overcome these hurdles.

“EPA is committed to working together with stakeholders to improve regulatory certainty and find solutions to environmental challenges,” said EPA Associate Deputy Administrator Doug Benevento.

Beginning last year, the EPA partnered with the Interstate Oil and Gas Compact Commission (IOGCC) and the Environmental Council of States (ECOS) to host the first inaugural Oil and Natural Gas Roundtable in February 2018 to foster improved relationships between federal regulators and members of the regulated community. During the initial roundtable, stakeholders shared individual expertise and experiences with officials to provide practical solutions that address environmental regulatory, permitting, and compliance challenges facing the industry without undue regulatory burden. See an overview of the EPA's previous Oil & Gas Roundtable here: <https://bit.ly/2PTNCTH>.

To continue the dialogue, EPA committed to hosting its second stakeholder gathering in order to build on efforts to engage with the oil and gas industry as well as co-regulators and work on improving regulatory oversight. At this year's meeting, stakeholders specifically focused on regulatory and private sector solutions for limiting methane emissions, handling produced water, and take up other concerns. “It is important that we build upon the efforts of the previous roundtable to coordinate and provide a forum for all sides to listen and learn from each other,” said Benevento.

Following this week's roundtable, Oklahoma Secretary of Energy and Environment Kenneth Wagner commended the EPA for working with partners on the state level, as well as those part of the industry, to improve environmental compliance and advance sound policies enhancing protection of human health and the environment, while allowing expansion of the domestic energy industry. “Working with EPA, ECOS and IOGCC is vital to ensuring that our producers continue meeting the nation's demand for energy in the safest and most environmentally sensitive manner possible. This roundtable is another example of how bringing industry, state and federal regulators, and NGO's together fosters constructive discourse around these important issues,” said Secretary Wagner.

NEW OIL & GAS EXHIBIT OPENS AT THE BOB BULLOCK TEXAS STATE HISTORY MUSEUM



Photo courtesy of the Bullock Museum

A special new exhibit is now open to the public at the Bob Bullock Texas State History Museum in Austin, showcasing the history and importance of oil and gas development in the state of Texas. The exhibit, *Texas Oil and Gas*, highlights the early days of Texas oil since the discovery of Spindletop in 1901, offering visitors the chance to understand the evolution of the industry over the past century. Visitors of the exhibit will see early photographs, oil field maps, and original artifacts, including full-size gas pumps and even a fur-trimmed beaded opera cape worn by oil entrepreneur Mae Belcher in 1912. The exhibit also includes a large working pump jack with an accompanying animation and informational graphic demonstrating the process of extracting crude oil from a well, in addition to an eight-foot-tall "Christmas tree" from the 1890s, a shot detector from the 1940s, and a portable mud tester from the 1960s.

“Understanding how the oil and natural gas industries have affected Texas through the decades is integral to telling the story of Texas and our nation,” said Bullock Museum Director Margaret Koch. “We've expanded the conversation beyond the amazing early 20th century gushers and into the 21st century with an exploration of how petroleum products and innovative science are interwoven throughout our daily lives.”

The museum's new oil and gas installation also spotlights the technological advancements utilized by the industry in more modern times to increase efficiencies of production and ensure safety and compliance for drilling operations. Visitors also will see oil and rock samples showing the diversity of what is below ground across the state and may also touch and crank a variety of drill bits. Large-scale graphics demonstrate how crude oil and natural gas is produced, processed and used to make everyday common products, and video interviews shown at the exhibit review the diversity of careers within the oil industry. Visitors also may enjoy immersive flyover footage captured in the Gulf of Mexico to experience what it is like working on an off-shore oil rig.

“We wanted to provide an opportunity for visitors to understand the industry's roots and how Texas became a world leader in the field and ask people to think about the future,” added Koch. “The tactile experiences, media, artifacts, and infographics explain the basics of how things work, and hopefully it will inspire folks to explore more about the topic on their own, too.”

Staff from the Railroad Commission of Texas offered technical expertise in support of this museum gallery. Funding for the exhibit was provided by the state's leading oil and gas producers, many of which are members of TIPRO, including: Concho Resources, Inc., Pioneer Natural Resources Company, Chevron, EOG Resources, Inc., ExxonMobil Corporation, ConocoPhillips, QEP Resources, Inc., Encana Oil & Gas (USA) Inc., Energy Transfer Partners, Occidental Petroleum Corporation, Shell Exploration and Production Company, and Marathon Oil Company.

For more information about the Bullock Museum's educational “*Texas Oil and Gas*” gallery, visit TheStoryofTexas.com.

TRUMP ADMINISTRATION PROPOSES NEW OPTIONS TO SAFELY HAUL LNG BY RAIL

The U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) last month released notice of a new proposed rulemaking that would expand transportation options for moving liquefied natural gas (LNG) by rail in America, providing producers with new methods to transport LNG resources in a safe and efficient manner. Currently, LNG may only be transported via rail in a portable tank with an approval from the Federal Railroad Administration (FRA). Under PHMSA's proposal, modifications would be adopted to federal Hazardous Materials Regulations (HMR) to also authorize the transportation of LNG by rail in the DOT-113 specification tank cars. These tank cars presently are used for transporting other flammable cryogenic liquids, and given they are specifically designed for the transportation of refrigerated liquefied gases, may also be suitable to move volumes of refrigerated liquid methane or LNG. "This major rule will establish a safe, reliable, and durable mode of transportation for LNG, while substantially increasing economic benefits and our nation's energy competitiveness in the global market," said PHMSA Administrator Skip Elliott.

HENRY RESOURCES FOUNDER JIM HENRY RECEIVES HART ENERGY INDUSTRY LEADERSHIP AWARD

Jim Henry, founder of Henry Petroleum and Henry Resources LLC, was honored Tuesday evening, November 5th with Hart Energy's Industry Leadership Award. At a sold-out dinner hosted by Hart Energy in Midland, prominent executives from the energy industry joined together to celebrate Henry for his legacy in the industry and recognize his leadership as an energy pioneer in Texas' petroleum industry. Henry's company this year is marking its 50th anniversary, after being formed in Midland in November 1969. He also has been involved as a member of the Texas Independent Producers & Royalty Owners Association for the last 10 years.

"NON-PARTICIPATING ROYALTY INTEREST UPDATE"

BY TC TURNER, PARTNER, KEAN MILLER LAW FIRM

Just like common core, there's a new math in town; $1/2 \times$ the usual $1/8^{\text{th}}$ royalty no longer equals $1/16^{\text{th}}$ as Texas courts have reinterpreted standard nonparticipating royalty interest (NPRI) language by relying on the estate misconception theory and the legacy of the usual $1/8^{\text{th}}$ lessor's royalty. As a result, an NPRI could be worth double the net revenue interest currently being paid.

The following is a ubiquitous example of a NPRI:

"Grantor herein reserves $1/2$ of the usual $1/8$ royalty nonparticipating, same being $1/16^{\text{th}}$ of production."

Generally, under prior law, a Texas court would multiply $1/2 \times 1/8$ to reach a fixed $1/16^{\text{th}}$ (6.25 percent) net revenue interest. However, recent cases have interpreted this language as creating a NPRI equal to $1/2$ of the entire royalty estate. As a result, the NPRI's net revenue interest will fluctuate ("float"), increasing or decreasing with the lessor's royalty.

Though, it may seem counterintuitive, $1/2$ of the usual $1/8$ is $1/2$ of the royalty estate so long as $1/8$ equals 100 percent of such estate. This, in its simplest form, is the estate misconception theory and the legacy of the "usual" $1/8^{\text{th}}$ lessor's royalty.

The estate misconception theory is not obvious. An oil and gas lease conveys 100 percent of the mineral estate as a fee simple determinable with the possibility of reverter therein. The possibility of reverter is an estate in land that can be conveyed. The misconception arose from early lessors' belief that an executed lease retained $1/8^{\text{th}}$ of the mineral estate and not 100 percent of the possibility of reverter. This resulted in conveyances of mineral interests stated in fractions of $1/8^{\text{th}}$ instead of whole fractions. Thus, a conveyance of $1/16^{\text{th}}$, or $1/2$ of $1/8$ of the minerals under this theory is a conveyance of $1/2$ of the entire mineral estate in the possibility of reverter.

The legacy of the "usual" $1/8^{\text{th}}$ lessor's royalty is much simpler: $1/8$ equals 100 percent of the royalty estate. This misconception began in the early stages of the oil and gas industry when clever operators convinced landowners that a lease royalty could only equal $1/8$. Think Daniel Plainview offering "quail prices" instead of "oil prices." This eventually became the standard, or the "usual" royalty included in leases like the Producers 88. Texas courts have even taken judicial notice of the "usual" $1/8^{\text{th}}$. Thus, if the royalty estate can only be equal to $1/8$, then $1/2$ of the usual $1/8$ equals $1/2$ of the entire royalty estate.

Returning to the above – listed example, a Texas court will follow the four corners doctrine to harmonize all words and phrases contained within the instrument to determine its meaning. Applying the estate misconception theory and the legacy of the usual $1/8^{\text{th}}$ results in a reservation of 50 percent of the royalty estate instead of a fixed $1/16$ royalty interest. Accordingly, such an NPRI will "float" with a new lease royalty, potentially resulting in a substantial increase to the net revenue. However, there are no certainties as Texas courts do not mechanically apply the estate misconception theory and the legacy of the usual $1/8^{\text{th}}$, but rather review instruments on a case by case basis.

As a result of the foregoing, a prudent NPRI owner will have an attorney review the instrument that created his interest. If the language is clearly "floating" under modern precedent, a declaratory judgment action is advisable. Through this cause of action, a Texas court can judicially determine the NPRI is floating. The court can additionally award past royalty payments going back 2-4 years, as well as attorney's fees (unless the case is undertaken on a contingency basis).

In conclusion, the new math in town could result in an NPRI's net revenue interest being substantially increased via a declaratory judgment action. Thus, NPRI owners should check the language in their source instruments and consult an able attorney!

TC Turner is a partner in the Houston office of Kean Miller. His Energy and Natural Resources practice involves transactional, land title, operational, regulatory, and litigation matters. He is routinely involved in the full life cycle of a prospect, from initial due diligence and acquisition, to title examination, curative, operations advisement, and final divestiture. His litigation practice involves title disputes, the proper construction of deeds and contracts, and suits for unpaid/underpaid royalties. An active writer, he is also assistant chairman of the AAPL publications committee. He encourages you to reach out to him at tc.turner@keanmiller.com.

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