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Association

## BUREAU OF LAND MANAGEMENT ANNOUNCES MORE REGULATIONS FOR THE OIL AND GAS INDUSTRY

As part of a multi-year effort to update the nation's oil and gas royalty system, the U.S. Bureau of Land Management (BLM) announced on Monday, October 17, 2016, the finalization of three rules that will overhaul the government's measurement and accountability of domestic oil and gas production. Utilizing modern practices and technologies, federal officials say that the BLM's new rules will ensure that oil and natural gas produced from federal and Indian leases will be accurately measured and

accounted for, so that the proper royalties due can be paid.

"The conclusion of this rulemaking effort is a significant milestone in the BLM's effort to modernize its oil and gas program," said Janice Schneider, assistant secretary for Land and Minerals Management. "The updates made by these rules create a durable framework for the future that will support the responsible development and management of the nation's oil and gas resources and ensure that both the American public and tribes receive a fair return for these resources."

Specifically, the BLM's latest regulatory update will replace Onshore Oil and Gas Orders 3 (new part 3173), 4 (new part 3174), and 5 (new part 3175). The BLM's Order 3 governs oil and gas handling and is designed to ensure that production is properly accounted for in order to prevent theft and loss and enable that production to be verified, while Orders 4 and 5 provide minimum standards for the accurate measurement of all oil and gas as produced.

The BLM describes its need for more accurate measurement and production accountability for the oil and gas program as critically important since it is one of the most important mineral leasing programs in the federal government. According to the agency, the total value of production last year was nearly \$20 billion, which generated more than \$2 billion in royalty revenue annually from federal leases and nearly \$600 million in royalty revenue from tribal and allotted leases.

Without a doubt, these new BLM regulations will be costly to U.S. independent oil and gas producers, hurting small American businesses and job creators. BLM estimates that these three new federal rules in aggregate will cost \$12,856 per operator per year for the first three years, and then \$7,654 thereafter.

In the coming weeks, the BLM plans to host stakeholder briefings to review the updated rules. The regulations will become effective 60 days after they are published in the Federal Register.

More detailed information on the BLM oil and gas rules can be found online at [www.blm.gov](http://www.blm.gov).

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## PERMIAN TO SOON PUMP MORE THAN 2 MILLION BARRELS OF OIL A DAY

In spite of low commodity prices, interest in the Permian Basin has remained high as drillers take advantage of the region's abundant resource base and cheaper operating costs. Nearly 100 years after the first commercial oil well was completed in the region, to this day the Permian is one of the most profitable shale plays in the country and soon, output from the Permian is expected to top 2.01 million barrels of oil a day.

The U.S. Energy Information Administration (EIA) projects that next month the Permian will produce an additional 30,000 barrels a day from October levels, allowing the Permian to reach an incredible benchmark with its production capacity. The Permian Basin is the only area in the nation which the EIA forecasts production growth for the month of November.

Gas production from the Permian Basin is also projected to increase next month, growing by 58 million cubic feet (mcf) per day to bring daily production output to 7,043 mcf.



## CHAIRMAN'S MESSAGE

TIPRO Members -

I am sitting at midnight in my hotel room at the Society of Exploration Geophysicists (SEG) Annual Conference in Dallas, Texas, as I write this letter to the great members of the Texas Independent Producers and Royalty Owners Association. I tell you this because the SEG is one of the best places to be exposed to the tremendous technology that is constantly being developed to propel our industry forward... the combined efforts of the technical professionals that have chosen the oil and gas business as their life work. This effort has given rise to an amazing force... one that has rocked OPEC back on its heels... that has created, for the United States, a geopolitical power to shape the Earth's future to benefit all, from the very poorest to the very richest person. As such, what our technical professionals have continued to provide the world is bigger than any military... bigger than any sword. It is the promise of a better life for all on the planet. For that, I am prouder than words to be associated with you all. You have created, through collective effort, the ability for America to provide to the globe plentiful energy at a low cost... maybe a trillion barrels of oil, or even two trillion barrels of oil equivalent. That's enough energy to support, on its own, an economy that might rival China's as the second biggest on the planet. And that's just in Texas.



**Allen Gilmer**

Incredibly, those that seek to destroy the power we have bestowed on our great country are the political class that makes up the bureaucracy of our federal government, not found outside our borders, but within. Crony capitalists that encourage their legislative lackeys to kneecap our industry because they cannot compete on a level playing field... Religious fundamentalists wrapped in eco clothing that seek to return our planet to an Eden without the original sin of humanity. Groups like the once great Sierra Club that, beginning under the radical leadership of David Brower, a Berkeley extremist environmentalist who is famous for his quote that "childbearing is a crime against society," and more recently by electing Paul Watson to its Board of Directors - known for his statement that "there is nothing wrong with terrorism, so long as you win, then you get to write history," and former EPA administrator Al Armendarez's comments about his life goal of killing U.S. natural gas after his revolving door move to the Sierra Club - have moved from a rational proponent of an important value, our environmental protection, to essentially anti-capitalist human death cultists. Just read the "Earth Charter" they so enthusiastically endorse. We must acknowledge that groups like these are intractable foes that will stoop to any level and tell any and all sorts of lies in order to attain their dystopian goals.

The misogynist Edward Abbey ethos is entertaining when it applies to a lone voice in the wilderness writing fiction, but it is terrifying when the anti-human ethos becomes a movement. John Muir is turning in his grave to know his legacy has been hijacked so. That this isn't considered really the fringe anymore, but rather our defacto national religion, with the EPA as its National Religious Police Force should scare every American. These people create nothing. They propose nothing except the tired old socialist pap that has been the scourge of 20<sup>th</sup> Century earth. I much prefer the company of my oil and gas brethren who create jobs, wealth, tax revenues, and actually pay for the schools that are such effective conduits for the ideas of those that create nothing but fear of existence.

I take my hat off to Newfield's Lee Boothby, who sent, along with Newfield's royalty checks, a letter to each and every Newfield royalty owner describing how being a royalty owner isn't necessarily a guarantee when so many seek to confiscate that right to own and produce those minerals. My LinkedIn blog on that subject was among the most popular. We should ALL follow his courageous lead.

As the world has changed around us, we must change as well. One tangible thing you can do is institute a corporate policy that encourages your employees to use social media to promote and defend our industry. It is important that we be factual, good humored defenders. Another thing which TIPRO members can do is to volunteer to be a mentor to a young professional that has taken the courageous step to make their living in the oil and gas industry. This industry was built on the shoulders of mentors. We lost one of the best this last month, Dan A. Hughes of Beeville, Texas. Amongst his protégés were TIPRO's last Chairman Ray Welder and Hilcorp's Jeff Hildebrand. Mr. Hughes left a huge legacy of his own, and when combined with those he introduced to oil and gas, it borders on miraculous.

With such an example in mind, TIPRO has partnered up with several Young Professionals in Energy (YPE) chapters to provide such mentors. Please consider reaching out to [scoffman@tipro.org](mailto:scoffman@tipro.org) if you care to participate. As a mentor, you will be expected to meet with 2-4 young professionals together two to three times over a year period, perhaps over breakfast, lunch, dinner, drinks or golf. You will be able to select from those that select you. This is a real chance to positively affect someone's life. Thank you,

Allen Gilmer

### TIPRO Calendar of Events

<p><b>NOVEMBER 9, 2016</b> HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p><b>DECEMBER 14, 2016</b> HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p><b>JANUARY 11, 2017</b> HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p><b>FEBRUARY 8, 2017</b> HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>
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## TIPRO ENCOURAGES MEMBERS TO COMMENT ON EPA'S DRAFT INFORMATION COLLECTION REQUEST

As reported in the October 6<sup>th</sup> edition of *The TIPRO Target* newsletter, the U.S. Environmental Protection Agency (EPA) has issued its second draft of an Information Collection Request (ICR) that seeks to require oil and natural gas companies to provide extensive information needed to develop additional government regulations aiming to further reduce methane emissions from existing oil and gas sources.

Public comments are currently being accepted on the EPA's second draft ICR, though comments must be submitted on or before Monday, October 31, 2016. Comments should reference Docket ID Number EPA-HQ-OAR-2016-0204, and may be submitted online using [www.regulations.gov](http://www.regulations.gov).

Members interested in learning more are encouraged to visit <http://bit.ly/2dRxsDM> or contact TIPRO at (512) 477-4452.

## RAILROAD COMMISSION ADOPTS REVISIONS TO AGENCY FORMS

The Railroad Commission of Texas (RRC) announced this month that the agency has adopted revisions to *Form W-1, Application for Permit to Drill, Recomplete, or Re-Enter* and *Form W-1H, Application for Permit to Drill, Recomplete, or Re-Enter Supplemental Horizontal Well Information*. The RRC also has finalized a new form for operators, *Form W-1 Field Information Addendum*, for use on or after November 1, 2016.

The adopted form revisions and new form will conform to recently adopted revisions to Statewide Rules 5 and 86 that became effective on February 1, 2016. TIPRO members may download the respective forms through the RRC website via the following link: <http://www.rrc.texas.gov/oil-gas/forms/oil-gas-forms-library/oil-gas-forms-in-alphabetical-order/>.

## RRC TRANSFORMS HISTORIC, ABANDONED OILFIELD SITE INTO NATURE PRESERVE

The Railroad Commission (RRC) announced on October 10<sup>th</sup> that the agency's site remediation team has successfully turned an abandoned Texas oilfield site into a new natural habitat, called the Turtle Bayou Nature Preserve. The preserve spans 511 acres, and is located between Houston and Beaumont in Chambers County and borders Lake Anahuac and Turtle Creek Bayou.

According to the RRC, the preserve is part of the Turtle Bayou Oil Field discovered in 1952, which had legacy abandoned oil wells and former oilfield waste pits. Funding for the remediation project was provided from the RRC's Oil & Gas Regulation & Cleanup Fund, which is financed by industry fees - as well as a \$176,300 federal Brownfield grant.

## TEXAS HITS RECORD NUMBER OF REGISTERED VOTERS; EARLY VOTING TO BEGIN OCT. 24

A record number of Texans have registered to vote in the upcoming General Election. Texas now has more than 15 million registered voters, an all-time high number for the state, Texas Secretary of State Carlos H. Cascos announced in mid-October. "It's good to see that so many Texans are preparing for this November's election," said Secretary Cascos.

In the last presidential election year, Texas had 13,646,226 registered voters or 75 percent of voting age population. In 2008, the number of registered voters in Texas was 13,575,062 or roughly 77 percent of the voting age population. Now, in 2016, the number of registered voters is approximately 15,015,700, representing about 78 percent of Texas' estimated voting age population of 19,307,355.

Early voting for the 2016 General Election is just around the corner, and will begin on Monday, October 24, running through Friday, November 4. The General Election will take place on Tuesday, November 8 - polls will be open from 7 a.m. to 7 p.m. Have questions about voting? Visit [VoteTexas.gov](http://VoteTexas.gov) to learn more.



## AMERICA COULD SOON DOUBLE ITS NATURAL GAS EXPORTS

One of the nation's only exporters of natural gas has been given approval from U.S. regulators to soon double the volume of shale natural gas it's sending abroad. In a notice issued by the Federal Energy Regulatory Commission on Wednesday, October 12, 2016, Cheniere Energy Inc. was cleared to load tankers with liquefied natural gas (LNG) from its second plant at the company's Sabine Pass terminal in Cameron Parish, Louisiana. Regulators said that Cheniere's Sabine Pass Plant "has been constructed in accordance with commission approval and applicable standards and can be expected to operate safely as designed."

Earlier in 2016, Cheniere shipped its first cargo of LNG from its facility in Sabine Pass, departing from "Train 1" as the plant is known. The latest FERC approval will apply to "Train 2." The company also intends to bring online a third plant in 2017 and start commissioning the development of a fourth.

Following an increase in the nation's LNG exports, analysts are projecting that next year the United States will likely sell more natural gas to the world than it buys - which would allow America to take a major step towards achieving energy independence.



## TEXAS CONGRESSMAN PETE OLSON: UNITED STATES NEEDS FAIR, SENSIBLE ENERGY POLICIES

Calling for an end to unnecessary regulatory red tape, Texas Congressman Pete Olson recently emphasized the importance of sensible regulations and government oversight of the nation's energy sector in an op-ed featured in the *Houston Chronicle* this month. In the article, Congressman Olson, who serves as the vice chair of the U.S. House Energy and Power Subcommittee, also criticized federal regulators who have made the process to permit and produce energy in the United States both lengthy and expensive.

"As all Texans and many Americans know, thanks to innovative technologies, we are the No. 1 producer of oil and gas in the world. It wasn't too long ago that the world view saw negative, powerless words like 'peak oil' or an 'energy crisis.' However, simply having vast resources does not immediately translate into benefits at home and abroad. To achieve that, policy changes must be made," said Congressman Olson.

He continued, "Permitting a pipeline, much like developing electricity power lines for some markets in the country, has become remarkably and illogically difficult. Federal regulators make the process lengthy and expensive. It is a system only a bureaucrat could love. The process also forces working families across America to pay more, as well as making it harder for engineers, welders and construction workers to find jobs."

Congressman Olson resolved that the United States must develop sensible rules that will allow the market to work and benefit American interests at the same time. "If we get this process right, all Americans can benefit from U.S. energy abundance. The market should dictate prices. But if the prices are artificially high simply because some Americans live where permitting problem areas exist, that is patently unfair."

## ENERGY DEPT. ISSUES REGULATORY RECOMMENDATIONS FOR UNDERGROUND NATURAL GAS STORAGE

This week, a federal task force announced dozens of recommendations for industry, federal, state, and local regulators to increase the safety and reliability of U.S. natural gas storage facilities. On Tuesday, October 18, 2016, the Department of Energy's Interagency Task Force on Natural Gas Storage Safety released a new report that studied the integrity of wells at natural gas storage facilities, public health and environmental effects from natural gas storage leaks, and energy reliability concerns in the case of future leaks.

"Natural gas plays an important role in our nation's energy landscape, and we need to make sure the associated infrastructure is strong enough to maintain energy reliability, protect public health, and preserve our environment," said the two co-chairs of the national task force, Franklin Orr, under secretary for Science and Energy at the U.S. Department of Energy (DOE); and Marie Therese Dominguez, administrator of the Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA).

The Interagency Task Force on Natural Gas Storage Safety was convened in early 2016 by the White House following the nation's largest ever natural gas leak at California's Aliso Canyon facility. The work of the task force builds on the recommendations that were previously outlined in the Obama Administration's 2015 Quadrennial Energy Review, which had emphasized the urgent need to replace, expand, and modernize transmission, storage, and distribution infrastructure.

Amongst the 44 recommendations suggested by the task force, in the new report natural gas storage facility operators are advised to conduct risk assessments, develop and implement transition plans to address high-risk infrastructure, and apply robust procedures to maintain safety and reliability while the transition to modern well design standards is occurring. "Companies operating natural gas storage facilities should adopt the recommendations as quickly as possible to reduce the risk of future leaks," said Orr and Dominguez.

The full report may be accessed online via the following link: <http://bit.ly/2dl90ze>.

## TEXAS PUSHES BACK AGAINST EPA'S REJECTION OF ITS OZONE PLAN

In October, the state of Texas filed a petition with the U.S. Fifth Circuit Court of Appeals requesting the court's intervention in reviewing the recent rejection of part of its air quality plans by federal regulators. On August 12, 2016, the U.S. Environmental Protection Agency (EPA) formally disapproved a portion of a State Implementation Plan (SIP) that was prepared by Texas pursuant to Section 110(a)(2)(D)(i)(I), of the Clean Air Act (CAA), also known as the good neighbor provision, relating to the EPA's 2008 Ozone National Ambient Air Quality Standards (NAAQS). The 2008 ambient air quality standard for ozone was set at 75 parts per billion; however, last October, the EPA further lowered the mandated threshold down to 70 ppb.

In its disapproval of Texas' SIP submittal, the EPA noted several deficiencies with respect to statutory requirements, which included:

- (1) Texas limited its discussion of data only to areas designated nonattainment in states that are geographically closest to Texas (Arizona, Arkansas, Colorado, Illinois, Indiana, Louisiana, Mississippi, Missouri, Tennessee, and Wisconsin); and
- (2) Texas did not give the "interfere with maintenance" clause of CAA section 110(a)(2)(D)(i)(I) independent significance because its analysis did not attempt to evaluate the potential impact of Texas emissions on areas that are currently measuring clean data, but that may have issues maintaining that air quality.

With the EPA's disapproval, a two-year deadline was established for the EPA to promulgate a Federal Implementation Plan (FIP) for Texas to address the CAA requirements, unless the EPA is able to approve a SIP that meets federal requirements.

Texas officials have argued that the EPA failed to issue appropriate guidance in a timely manner for states to use when developing infrastructure and transport SIP revisions for the 2008 Ozone NAAQS. Therefore, it is inappropriate for the EPA to conclude that the state's analysis of ozone contributions to other areas is incomplete when the EPA did not provide timely guidance stating what would constitute a complete analysis.

## AS PART OF LEGAL SETTLEMENT, EPA COMMITS TO NEW REVIEW OF INDUSTRY EMISSIONS

The U.S. Environmental Protection Agency (EPA) in October agreed to re-examine its estimates of air emissions from flaring activities at oil and gas drilling sites as part of a new legal settlement made with environmental organizations.

Environmental groups in Texas and Louisiana - including Air Alliance Houston, the Community In-Power and Development Association, Inc., Louisiana Bucket Brigade, and Texas Environmental Justice Advocacy Services - had filed a lawsuit against the federal agency over EPA-approved formulas used to assess flaring emissions of volatile organic compounds (VOCs) at U.S. drilling and production sites. In their legal argument, the four environmental organizations claimed that sampling of the air in Houston over oil refineries had showed higher levels of VOCs than previously reported, prompting questions over the legitimacy of EPA flaring emissions data. Plaintiffs also had alleged that as required under the Clean Air Act (CAA) Section 130, 42 U.S.C. § 7430, the EPA failed to review and, if necessary, revise the emissions factors used for VOCs from elevated flares and enclosed ground flares at natural gas production sites in the source category entitled "Crude Oil and Natural Gas Production, Transmission and Distribution" (ONG source category) at least once every three years.

According to the consent decree filed in October with the U.S. District Court for the District of Columbia, under the legal settlement for this case, the EPA will have until February 2018 to issue final revisions to the Natural Gas VOC emissions factor under CAA Section 130, or must issue a final determination that revision of the Natural Gas VOC emissions factor is not necessary under CAA Section 130.

"EPA's agreement to address this issue is important for public health reasons, because people who live downwind from drilling and fracking sites have a right to accurate information about how much air pollution they are breathing," said Sparsh Khandeshi, attorney for the Environmental Integrity Project, which represented the environmental groups in this lawsuit. "States also need accurate data about this air pollution so they can approve - or not approve - more permits for drilling sites, based on their real impact to air quality."

Ultimately, new regulatory standards could be in store for the industry as a result of this mandated review of flaring emissions.

## UNIVERSITY OF TEXAS AT ARLINGTON TO PARTNER WITH APACHE FOR PERMIAN WATER STUDY

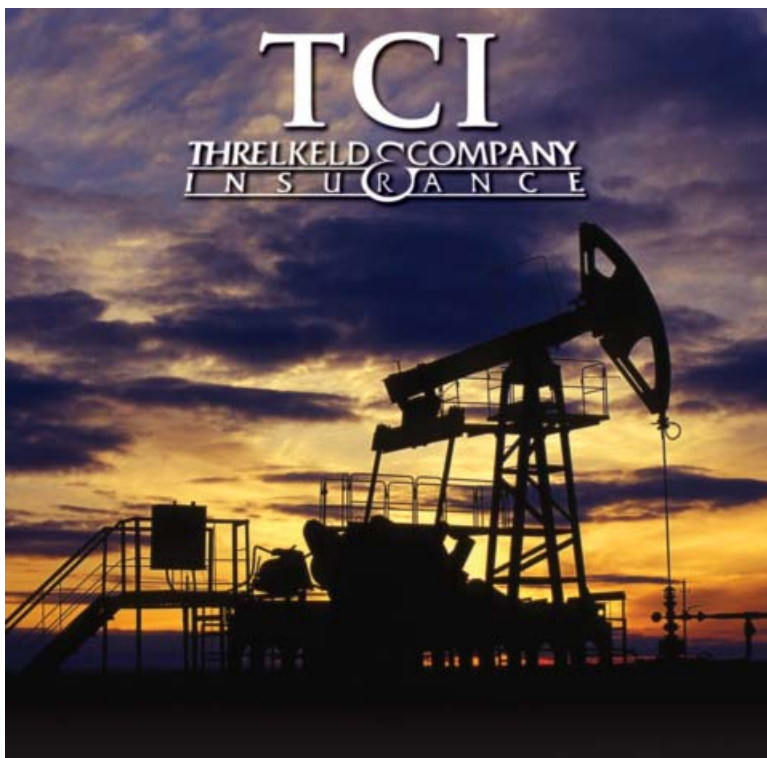
Scientists with The University of Texas at Arlington (UTA) will partner with TIPRO member Apache Corporation, to study the quality of groundwater and surface water in the newly discovered Alpine High resource play, located in West Texas. The partnership, announced on October 12, 2016, will allow UTA to collect important data on the region's water quality for future monitoring efforts.

Last month, Apache revealed its discovery of the Alpine High play, which lies in the southern corner of the Delaware Basin - primarily in Reeves County, Texas - within the prolific Permian Basin. "Our recent discovery represents a significant opportunity for Reeves County. We are in the early stages of this project and want to take proactive steps to protect the sensitive ecology and water resources in the area," said Cal Cooper, director of special projects and emerging technology for Apache. "Our partnership with UTA will provide valuable baseline data as we work to monitor our operations and responsibly develop the abundant oil and natural gas resources at Alpine High."

"This marks an exciting opportunity for our team to collaborate with an industry partner in an area with an extremely sensitive ecology," said Kevin Schug, UTA's Shimadzu Distinguished Professor of Analytical Chemistry and director of the Collaborative Laboratories for Environmental Analysis and Remediation or CLEAR lab.

"This donation and associated research places CLEAR in a unique position to provide industry and the public with unbiased information about the potential effects of large-scale unconventional oil and gas development on the environment," commented Frederick MacDonnell, chair of UTA's Department of Chemistry and Biochemistry. "This is an example of where the university can support development of responsible energy extraction processes and the associated new technologies needed to improve large-scale industrial processes."

Apache has developed a unique water management system already utilized by the company which uses brackish and recycled produced water to meet the water needs of its activities in other areas of West Texas. Apache notes that it hopes to implement a similar program for future Alpine High development.



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For a limited time, receive a free "take anywhere" Goal Zero Yeti 150 generator (a \$230 value) when you sign a 24-month (or longer) electricity agreement through SimplySmart\*. To be eligible, members must not be currently participating in the TIPRO Power Coalition.



\*Offer valid to those who submit Easy Forms by October 31, 2016. Goal Zero Yeti 150 generator will be shipped when REP contract is signed. Goal Zero is a registered trademark of Goal Zero LLC, a wholly owned subsidiary of NRG Energy, Inc. NRG, "Power to be free," the plus signs and plus clusters are servicemarks of NRG Energy, Inc. © 2016 NRG Energy, Inc. All rights reserved. NRG 178710

## BE SURE TO CHECK OUT THE NEW ISSUE OF TIPRO'S MAGAZINE, *UPSTREAM TEXAS*!

The Fall/Winter issue of TIPRO's *Upstream Texas* magazine is now available! In the publication, read about the increasing trend of judicial intervention blocking unwarranted and extremely onerous federal energy and environmental regulations. In addition, get a pulse for the state of the oil and gas industry by hearing from TIPRO members, oil and gas executives and economists who discuss their expectations for the next 6-12 months. And as always, TIPRO's magazine also features profiles of industry and state leaders, including: Texas State Representative and Chairman of the Sunset Advisory Commission Larry Gonzales; Railroad Commission Executive Director Kimberly Corley; and Hurd Enterprises President and TIPRO Board Member Eugene Garcia.

To read the latest edition of *Upstream Texas* magazine online, visit the link below:

<http://www.nxtbook.com/naylor/TIPB/TIPB0216/index.php>



## HALLIBURTON, U.S. SILICA ANNOUNCE RECORD-BREAKING HAUL OF FRAC SAND TO TEXAS

A train transporting 19,000 tons of frac sand to Texas broke records this month, carrying the largest frac sand unit of its kind shipped to date in North America, announced Halliburton Company and U.S. Silica Holdings, Inc. on October 13, 2016. The train traveled from U.S. Silica's plant in Ottawa, Illinois, to Halliburton's South Texas Sand Plant in Elmendorf, Texas.

"Unit train delivery, leveraging our combined logistical assets, is the most efficient and cost effective way to deliver high volumes of sand in the time constraints required," commented Don Weinheimer, senior vice president and president of Oil and Gas for U.S. Silica. "Unit train capability is increasingly critical to our customers success as sand demand per well continues to ramp up."

"Utilizing sand unit trains enables Halliburton to respond to customers' needs on a shorter timeline and deliver cost efficient sand on location to drive the lowest cost per BOE," said Richard Gonzalez, vice president of Production Enhancement for Halliburton. "Our extensive infrastructure along with a great working relationship with U.S. Silica highlights our strength in collaborating and engineering solutions to maximize asset value for customers."

## PERMIAN MANIA UNLEASHED AS BIG DEALS ANNOUNCED

While the industry waits for a recovery in market conditions, oil and gas companies have looked to the Permian Basin to snatch up acreage in hopes for better results. This month, several major deals and acquisitions have been announced in the Permian, an area which has proven to be one of the most profitable even in spite of the low price environment.

Independent oil and gas producer and TIPRO member RSP Permian Inc. announced on October 13<sup>th</sup> it will acquire two privately held entities - Silver Hill Energy Partners, LLC, and Silver Hill E&P II, LLC - that hold about 41,000 net acres in the Delaware Basin of the Permian Basin in West Texas. The deal is worth about \$2.4 billion. RSP CEO Steve Gray said, "We are extremely pleased to announce a strategic combination with Silver Hill. This transaction creates a compelling growth platform with the highest quality assets in the core of both the Midland and Delaware Basins that each exhibit strong returns and have substantial combined upside. The Silver Hill team has done an incredible job of demonstrating the vast potential of the asset base with strong results across multiple horizontal zones."

Gray also said, "We have been patient in our M&A efforts to ensure that we pursue accretive opportunities for our shareholders that enhance our already deep inventory of high-return horizontal locations. We believe the assets of Silver Hill are located in the best part of the Delaware Basin and will be a perfect complement to our existing asset base. The returns on Silver Hill's horizontal wells compare favorably with our Midland Basin assets and generally rank in the top quartile of our drilling inventory."

Meanwhile, SM Energy announced on October 18<sup>th</sup> that it will acquire 35,700 net acres in Howard and Martin Counties in West Texas, expanding SM's Midland Basin footprint to approximately 82,450 net acres. The Denver-based company agreed to buy the Permian properties for \$1.6 billion from EnCap Investments LP-backed QStar LLC. SM Energy President and Chief Executive Officer Jay Ottoson said, "We have established a position as an outstanding operator in the Midland Basin, and with this acquisition we also establish significant scale. We are particularly excited about the performance and future potential of Howard County, leading us to further core up our portfolio and focus on this fast emerging, top tier area."

## TIPRO MEMBERS INVITED TO TEXAS ENERGY UPDATE CONFERENCE IN DALLAS

The 2016 Texas Energy Update is scheduled for next Friday, October 28, 2016, at the Belo Mansion in downtown Dallas, Texas, from 7:30 AM-12:00 PM. This annual forum is designed to provide independent oil and gas producers and other energy-related executives with an update on current energy developments. This year's Energy Update focuses on the economic prospects for recovery, restructuring strategies, and the evolution of EnLink Midstream as told by their CEO Barry Davis.

This half-day conference provides a valuable opportunity to hear from distinguished leaders in the oil and natural gas industry, as well as offers a unique networking forum for business development purposes.

TIPRO is proud to serve as an industry sponsor of this event. TIPRO members can register at discounted rate of \$50, which includes a breakfast buffet.

For additional details and to register for the seminar, please visit [www.texasenergyupdate.org](http://www.texasenergyupdate.org).

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WATCH FOR MORE DETAILS ON TIPRO'S 71<sup>ST</sup> ANNUAL CONVENTION TO BE ANNOUNCED SOON.



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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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