



**Texas  
Independent  
Producers and  
Royalty Owners  
Association**

## **PRESIDENT TRUMP ISSUES NEW ORDERS SUPPORTING AMERICA'S OIL & GAS INDUSTRY**

President Donald Trump took bold action this month to help America's energy industry by issuing new executive orders that direct the federal government to provide support for development of much-needed energy infrastructure in the United States, including improved permitting processes for pipeline construction. The president signed the new orders on Wednesday, April 10<sup>th</sup> while on a visit to the Lone Star State.

Under the president's directive, federal agencies have been tasked with removing regulatory and permitting barriers for infrastructure projects. Specifically, the U.S. Environmental Protection Agency (EPA) has been instructed to update its guidance regarding certification under section 401 of the Clean Water Act, which has seen inconsistent implementation in some states that has hindered infrastructure development. EPA Administrator Andrew Wheeler has indicated that the agency will immediately engage state and tribal partners to identify ways to modernize the 401 certification process and accelerate infrastructure projects. Additionally, the U.S. Department of Transportation has been charged with modernizing its regulations relating to Liquefied Natural Gas (LNG) development. Through his executive order, President Trump also has provided clarification that any decision to issue a Presidential permit for cross-border infrastructure projects shall be made solely by the president. The secretary of state will continue to receive permit applications and provide advice to the president on whether a project would serve United States foreign policy interests, but final approval will be granted by the commander-in-chief.

TIPRO commends President Trump for his latest orders that support America's oil and natural gas industry by removing unnecessary red tape and cutting permitting delays for energy infrastructure projects, a top priority at this time for the oil and gas sector. The directives will allow the country to build the infrastructure that is needed to fully capitalize on the energy boom that has swept the nation.

## **U.S. CRUDE PRODUCTION GROWS 17 PERCENT IN 2018, AS OIL EXPORTS NEARLY DOUBLE**

America's oil output continues to hit staggering levels, new data from the U.S. government confirms. Statistics recently released from the U.S. Energy Information Administration (EIA) show that in 2018, domestic oil production grew by 17 percent! EIA reports that last year, annual U.S. crude oil production reached a record level of 10.96 million barrels per day (b/d), 1.6 million b/d higher than production levels recorded in 2017. The country's oil output shows no signs of slowing down, either -- experts forecast U.S. oil production to keep rising in 2019, and 2020 as well, averaging 12.3 million b/d and 13.0 million b/d, respectively.

Home to the nation's most prolific oil fields, Texas supplied a majority of the nation's oil produced last year. In 2018, the Lone Star State contributed 40 percent of U.S. production, again solidifying Texas' title as the top oil producing state in the nation. Texas has held the top position nearly every year since 1970, notes the EIA (with the brief exception of 1988, when Alaska produced more crude oil than Texas, and then from 1999 through 2011, when production from the Federal Offshore Gulf of Mexico region was higher). "Texas crude oil production averaged 4.4 million b/d in 2018 and reached a record-high monthly production level of 4.9 million b/d in December 2018. Texas's 2018 annual production increase of almost 950,000 b/d—driven by significant growth within the Permian region in western Texas—was nearly 60 percent of the total U.S. increase," according to the EIA. "Growth in the Permian region, which spans parts of Texas and New Mexico, also drove a 215,000 b/d, or 45 percent, production increase in New Mexico. This level was the second-largest state-level growth in 2018 and accounted for 13 percent of the total U.S. increase, setting a new annual record production level in New Mexico."

With such strong volumes of domestic oil production, the United States has also increasingly grown its exports of crude shipped to nations around the world. In fact, in 2018, the U.S. nearly doubled its volume of crude oil exports.



*Story continued on Page 5...*

## PRESIDENT'S MESSAGE

TIPRO Members,

Working in collaboration with other industry trade organizations and business associations, this session, TIPRO is calling for the legislature to support House Bill 1000 by House Energy Resources Chairman Chris Paddie. Known as the "Texas Rural and Opportunity Zone Jobs Act," this policy proposal seeks to stimulate economic growth and boost job creation in small, rural communities throughout the Lone Star State. To accomplish such goals, House Bill 1000, and its companion Senate Bill 826 by Senate Business & Commerce Chairman Kelly Hancock, would establish a tax credit program offering greater incentive to investors to provide private sector capital for businesses located in small Texas communities. With more reliable access to capital funding and a more stable economic market, businesses in rural areas of Texas will see new opportunities to expand and grow, which in turn will advance the economic security for the entire state of Texas.

Many of the objectives from this Jobs Act align with initiatives promoted by our industry, and regularly endorsed by TIPRO. Our association works year-round to advocate for policies that will enable economic prosperity and promote job creation in the state of Texas.

Already, the Texas oil and gas industry directly supports hundreds of thousands of well-paid, quality jobs, with a rising number of open positions available to those seeking employment. In addition to the 352,000 jobs provided by our industry, according to TIPRO analysis, between February and March of this year, there were 98,049 total job postings listed for the Texas oil and natural gas industry, of which 16,107 were unique. Employment postings for the industry have held a posting intensity of 6-to-1, meaning that for every six postings, there has been one unique job posting. This is close to the posting intensity for all other occupations and companies in the region (5-to-1), indicating an average effort toward hiring for these positions. The cities of Houston and Midland offer the greatest number of energy jobs in the state. Employers have posted most frequently in search of heavy and tractor-trailer truck drivers, though other occupations such as retail salespersons, maintenance and repair workers, accountants, engineers and supervisors have also been heavily sought after by Texas oil and gas companies.

Although the industry currently is seeing healthy expansion with strong employment numbers, we appreciate the efforts by our state lawmakers to further spur job creation in Texas and position Texas businesses to grow in the future. That's why we are pleased to support House Bill 1000 and other legislation that will benefit our workforce and economy.

House Bill 1000 was successfully passed by the House on Tuesday, April 16, and now has been sent to the Senate chamber for review. Our team is lobbying to encourage our state senators to vote in favor of this policy so it can be approved by the legislature and sent to the governor to become law.

Meanwhile, in efforts to notify stakeholders on the latest efforts to incentivize job creation in rural and distressed communities in Texas -- and share developments from the capitol on the progress of the "Texas Rural and Opportunity Zone Jobs Act" -- a new resource website was launched this past week. I encourage TIPRO members to take a moment to check out this website by visiting [growruraltxjobs.com](http://growruraltxjobs.com) to see timely updates and keep informed of the latest news tied to House Bill 1000. Thank you,

Ed Longanecker



**Ed Longanecker**

## TEXAS' TOP THREE STATE LEADERS PROPOSE INCREASE TO STATE SALES TAX

Texas' three highest ranking officials, Governor Greg Abbott, Lieutenant Governor Dan Patrick and Speaker of the Texas House Dennis Bonnen, in April released a joint proposal that calls for an increase to the state sales tax rate. The proposition put forth would raise the tax that consumers pay when shopping from 6.25 percent to 7.25 percent in order to generate revenue offsetting desired cuts to property taxes. In a joint statement, the three leaders said, "We are introducing a sales tax proposal to buy down property tax rates for all Texas homeowners and businesses, once Senate Bill 2 or House Bill 2 is agreed to and passed by both chambers. If the one-cent increase in the sales tax passes, it will result in billions of dollars in revenue to help drive down property taxes in the short and long term." While property tax reform has been a top priority this session in the Texas legislature as lawmakers seek to provide relief for Texas homeowners and business owners, it remains unclear how much buy-in the sales tax hike will see from state legislators. House and Senate leaders have indicated they will seek to make the change through a constitutional amendment, which would require votes from two-thirds of lawmakers in both chambers in order to advance. Ratification of the amendment would then require voter approval in a statewide election. According to sources, while he supports the effort, Governor Abbott has reportedly said he won't ultimately sign off on the measure unless lawmakers also pass bills that limit local property tax increases.

### TIPRO Calendar of Events

<p><b>MAY 8, 2019</b> HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p><b>JUNE 12, 2019</b> HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p><b>JULY 10, 2019</b> HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p><b>AUGUST 7-9, 2019</b> SAN ANTONIO — TIPRO's 2019 Summer Conference, Hyatt Hill Country Resort. For info, call: (512) 477-4452.</p>
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## HOUSE COMMITTEE TO TAKE UP EMINENT DOMAIN PROPOSALS LATER THIS MONTH

Members of the House Committee on Land & Resource Management are scheduled to meet next Thursday, April 25, to review legislative proposals relating to the acquisition of real property by an entity with eminent domain authority. Testimony will be heard on 11 different eminent domain bills, including Senate Bill 421 by Senator Lois Kolkhorst and its companion House Bill 991 by Representative DeWayne Burns. Senate Bill 421 already has passed out of the Texas Senate; however, if this piece of legislation were to be approved by the House in its current version, it would be detrimental to the oil and gas industry as well as harmful to the Texas economy, and therefore, TIPRO has registered in opposition of Senate Bill 421.

TIPRO is part of the Coalition for Critical Infrastructure (CCI), a diverse group of over 30 public and private entities, which is actively working to resolve concerns over provisions included in Senate Bill 421. Currently, the bill, as passed by the Senate, is full of many technical requirements that would prove extremely difficult to meet, and consequently, would lead to increased litigation likely to deter future development of pipeline and electronic transmission infrastructure in the state of Texas. The CCI is advocating to reach a reasonable compromise on critical issues presented from the legislation and others being considered at the state capitol.

## LEGISLATURE REVIEWS PROPOSED IMPROVEMENTS TO COUNTY TRANSPORTATION INFRASTRUCTURE FUND



As state officials look to solve road infrastructure issues facing Texas, lawmakers are advancing key proposals that look to provide answers. In mid-April, there was movement on two priority bills providing grants for transportation projects in those counties experiencing heavy truck traffic from energy development in the state's oil patch. Committee Substitutes to House Bill 4280 and Senate Bill 2260 would modify funding mechanisms to realign the state's County Transportation Infrastructure Fund (CTIF) to increase the efficiency and transparency of the program, and direct funds to where they are needed most.

The CTIF was established in 2013 by the 83<sup>rd</sup> Legislature because the legislature realized that existing county road infrastructure was not equipped to handle current and anticipated vehicle traffic in counties at the forefront of oil and natural gas in Texas. The Texas House has appropriated \$250 million in their supplemental budget and the Texas Senate has appropriated \$225 million in Article 11 of their budget specifically to CTIF. If these appropriations are approved by the legislature, CSHB4280/CSSB2260 would ensure that the funds are focused on counties paying 91 percent of the oil and natural gas production taxes in the state. These taxes help fund the state's public schools and universities, roads and the rainy day fund. TIPRO supports this proposal to restructure the CTIF, and is encouraging state leaders to vote to approve CSHB4280/CSSB2260.

On Wednesday, April 17, the Senate Committee on Transportation voted favorably to pass the Committee Substitute to Senate Bill 2260. Meanwhile, the House version of the bill, Committee Substitute to House Bill 4280, is expected to be voted to the House floor later this week to be considered by the full chamber.

## REP. CHRIS PADDIE APPOINTED TO EXECUTIVE COMMITTEE OF THE ENERGY COUNCIL

Texas State Representative Chris Paddie (R-Marshall) was appointed in mid-April by House Speaker Dennis Bonnen to represent Texas on the executive committee of the Energy Council, a national body that brings together policymakers and industry stakeholders to advance sound energy and environmental policies and review other issues of importance to energy-producing states. Of the appointment, Speaker Bonnen commented, "As chair of the House Energy Resources Committee, there is no one more prepared and qualified to represent our state's robust energy sector at the national level than Representative Paddie. Representative Paddie has been at the forefront of championing policies that have kept Texas the top state in the nation for energy production, and his breadth of knowledge on these issues will be invaluable to The Energy Council. He has been an effective leader for the people of District 9, and I have no doubt he will be an effective voice for Texas on The Energy Council."

"I am looking forward to sharing the energy expertise that we have here in Texas with the rest of the country as we work to strengthen our energy industry and produce more of our energy at home. I am honored that Speaker Bonnen has continued to show faith in my leadership with this appointment and look forward to representing Texas and the Texas House of Representatives on the Energy Council," said Representative Paddie.

## EPA ESTABLISHES NEW COMPLIANCE PORTAL FOR OIL & GAS OPERATORS

The U.S. Environmental Protection Agency (EPA) launched a new compliance portal this month to assist oil and gas producers with meeting federal and state regulatory requirements. The new resource serves as a "first stop shop" for information on federal and state environmental regulations that affect the exploration and development, extraction, production and processing of crude oil and natural gas. Compliance information is organized within the portal by statute and technical topics (e.g., well production, processing) for easy use, according to EPA officials. "Many small and medium-sized oil and natural gas owners and operators want to comply with environmental requirements but don't have the expertise to fully understand them," said EPA Assistant Administrator for Enforcement and Compliance Assurance Susan Bodine. "The portal has put much of the information they need in one place to help them comply."

TIPRO members may access the EPA's Environmental Compliance Website Portal at: [www.eciee.org](http://www.eciee.org).



## APACHE AND MARATHON OIL JOIN PECOS WATERSHED CONSERVATION INITIATIVE

Two of the nation's largest oil producers, Apache Corporation and Marathon Oil Corporation -- both members of TIPRO -- have pledged their support for the Pecos Watershed Conservation Initiative, an effort to protect grasslands, rivers and wildlife in the Trans-Pecos

***“The Pecos Watershed Conservation Initiative is an impressive example of what industries can achieve working together with nonprofit and governmental partners. These commitments from Apache Corporation and Marathon Oil to join this vibrant partnership are a testament to its early successes, and will only multiply its impact. With this additional funding, NFWF will be able to restore more acres of desert grasslands, protect more habitat for native fishes and expand partnerships with the private landowners who are the stewards of this landscape.”***

***NFWF Executive Director and CEO Jeff Trandahl***

“We’re excited about this opportunity to conserve and strengthen the important wildlife habitats and landscapes in eastern New Mexico and West Texas,” said Lee Tillman, Marathon Oil chairman, president and CEO. “The NFWF’s Pecos Watershed Conservation Initiative fits perfectly with our commitment to be an environmental steward, promote biodiversity and address the critical needs of the communities where we live and work. As an operator in the New Mexico Permian Basin, we believe the watershed initiative will benefit our communities for generations to come.”

To learn more about the Pecos Watershed Conservation Initiative, please visit: <https://bit.ly/2UiuX2E>.

## CITY OF HOUSTON DECLARES APRIL 10<sup>TH</sup> "HALLIBURTON DAY" IN HONOR OF SERVICE COMPANY

This year, oilfield service company Halliburton, a member of TIPRO, is celebrating its 100<sup>th</sup> anniversary. In recognition of Halliburton's 100 years, Houston Mayor Sylvester Turner last week proclaimed Wednesday, April 10, 2019, as “Halliburton Day.” At a ceremony held at Houston City Hall, the mayor presented Halliburton Chairman, President and Chief Executive Officer Jeff Miller with a City of Houston Proclamation officially honoring the company, commending Halliburton for its sizeable impact to the city through employment and other economic growth. “This is a special day for Halliburton and great recognition of our people, values, technologies, and many accomplishments that brought us to this point,” said Miller. “Halliburton is proud to have Houston as our global corporate headquarters and home to approximately 5,000 employees.” Since the company opened its headquarters in Houston in 2002, Halliburton has contributed more than \$26 million to Houston non-profit organizations. It also has provided substantial economic impact to the city of Houston.

## SMU HONORS TIPRO MEMBERS

On April 10, the Maguire Energy Institute at Southern Methodist University’s (SMU) Cox School of Business presented several industry leaders with awards at a ceremony that included two TIPRO members as honorees. The Maguire Institute’s Energy Leadership Award Committee identifies individuals’ whose long-term impact on the energy industry is identifiable in their outstanding leadership skills and propensity for innovation. The two awards presented were the L. Frank Pitts Energy Leadership Award presented to Tim Leach, chairman and chief executive officer of Concho Resources Inc., and the Maguire Energy Institute Pioneer Award presented to Bobby Lyle, founder and chairman of Lyco Holdings Incorporated and Cary Maguire, chair and president of Maguire Oil Company and Maguire Energy Company and chair of Components Corporation of America and Staco Inc., California.

“Throughout his career, Tim Leach has exhibited the same kind of consistent company leadership, industry leadership and innovation that Frank Pitts is remembered for, and we’re proud to present Tim with this year’s Pitts Energy Leadership Award,” said Bruce Bullock, director of the Maguire Energy Institute. “We are also pleased to present our Pioneer Award to Cary Maguire, the benefactor of the Maguire Energy Institute and Bobby Lyle, the benefactor of SMU's Lyle School of Engineering. We are grateful for their philanthropy and foresight in helping create learning opportunities for tomorrow's leaders. Both of these men have made big differences in the energy industry, at SMU and in the lives of many of our students. They have made an indelible mark on the future in innumerable ways.” Maguire is known for his long-time dedication to SMU. His efforts as a member of the Board of Trustees and his generosity in establishing Maguire Energy Institute have paved the way for future industry leaders. Leach is honored for his incredible career working in the Permian Basin and his dedication to his community and the future of Texas oil and gas.

TIPRO is proud to call Leach and Maguire members. It is a testament to the strength of the association that such talented leaders would join us in representing the independent producers and royalty owners of Texas.

## CHEVRON TO BUY ANADARKO PETROLEUM IN \$33 BILLION DEAL

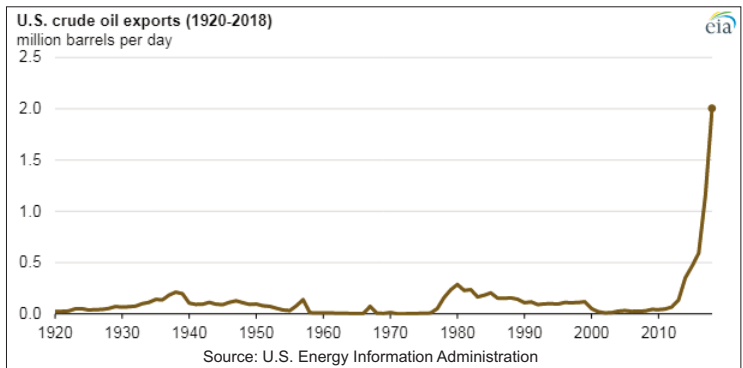
Chevron made major news last week when it announced its acquisition of Anadarko, a purchase demonstrative of the growing value of the Permian Basin. The \$33 billion deal was primarily driven by Anadarko's stake in prime West Texas real estate. While Chevron was already one of the top acreage owners in the Permian, expanding and connecting all its land will allow for longer laterals, making this deal well worth its expensive price tag. Chevron's acreage will increase by 240,000 net acres that are less divided than before. With the assumed debt Chevron takes on in the Anadarko acquisition, the total value of the deal comes out to \$50 billion.

"This transaction builds strength on strength for Chevron," said Chevron's Chairman and CEO Michael Wirth. "The combination of Anadarko's premier, high-quality assets with our advantaged portfolio strengthens our leading position in the Permian, builds on our deepwater Gulf of Mexico capabilities and will grow our LNG business. It creates attractive growth opportunities in areas that play to Chevron's operational strengths and underscores our commitment to short-cycle, higher-return investments."

The majors are showing keen interest in shale, with this monumental deal perhaps sparking more major mergers and acquisitions. "From a big-picture perspective, the majors have really bought into shale, but from an asset perspective, the majors don't necessarily have the right asset portfolios," Tudor Pickering's Matthew Portillo told *Bloomberg News*. "We do think this is going to be the spark that really catalyzes a lot of M&A." Independents in the Permian will likely attract growing interest from majors looking to increase their shale assets in light of this deal in the near future, analysts speculate.

## U.S. OIL EXPORTS NEARLY DOUBLE IN 2018... CONTINUED FROM PAGE 1

As a result of the steady rise in domestic production coupled with new infrastructure additions, last year, the United States boosted its exports of crude oil to an average rate of 2.0 million barrels per day (b/d), up from 1.2 million b/d in 2017, reports the EIA. Of this, the Gulf Coast states, including Texas, served as the departure point for approximately 90 percent of U.S. crude oil exports. Altogether, U.S. crude supplies were sent to more than 40 destinations globally last year, with Canada being the largest single destination for U.S. crude oil exports. Canada collected 19 percent of the U.S. crude exported in 2018. Meanwhile, Asia was the largest regional recipient of U.S. crude last year, though U.S. policies tied to tariffs against China influenced the volume of U.S. crude brought into the region over the course of 2018. In the first half of 2018, the United States exported 376,000 b/d of crude oil to China; by the second half of the year, on average, the United States exported 83,000 b/d of crude oil to China.



## NEW EIA REPORT REFLECTS PRODUCTION GROWTH

Thanks to the shale revolution, the United States is producing more crude oil today than expected. Accordingly, the U.S. Energy Information Administration (EIA) has released new forecasts for crude production in 2019. "Strong growth out of Texas and New Mexico is largely behind growing U.S. crude oil production, which continues to be on pace to set new production records in three consecutive years," said EIA Administrator Dr. Linda Capuano in a statement. The most recent EIA outlook expects U.S. crude production to rise by 1.43 million barrels per day (bpd), an increase from the former prediction of 1.35 million bpd. This new figure puts U.S. production at an average of 12.39 million bpd in 2019.

The U.S. is now on track to hit 13 million bpd in the second quarter of 2020. The EIA has not updated its estimate for U.S. oil demand in 2019, but has adjusted the demand for 2020 to rise by 250,000 bpd from the previous estimate of 220,000 bpd. Another newsworthy prediction is the expectation that the U.S. will be a net exporter of gasoline this year from April to September for the first time since 1960. The Permian Basin continues to bring Texas to the forefront of the journey to energy independence.

## FOSSIL FUELS SATISFY 80 PERCENT OF AMERICA'S ENERGY DEMANDS

Energy consumption in the U.S. hit a record high of 101.3 quadrillion British thermal units in 2018, says a new report from the U.S. Energy Information Administration (EIA). Total consumption was up 4 percent from 2017, breaking the previous record set in 2007 by 0.3 percent. The growing demand was primarily met by fossil fuels, which accounted for 80 percent of consumption and grew by 4 percent from the previous year.

Natural gas had a particularly strong year, hitting its own record high of 83.1 billion cubic feet/day and rising 10 percent from 2017. Natural gas growth was primarily driven by weather-related activities that brought increased demand for heating and cooling. Coal saw its fifth consecutive year of decline, falling by 688 million short tons for a 4 percent decline in total consumption. The loss primarily came from the electric power sector, which is increasingly turning to natural gas. Petroleum consumption also grew in 2018 with an increase of 20.5 million barrels per day, hitting its highest level of consumption since 2007. Petroleum consumption growth was primarily driven by the industrial and transportation sectors. It is clear that America is increasingly turning to oil and gas to meet its growing energy needs, moving away from past reliance on coal to more efficient sources.

## REMINDER: RPSEA SEEKS INPUT FOR METHANE EMISSIONS SURVEY FROM MARGINAL WELLS

Through April 30, 2019, the Research Partnership to Secure Energy for America (RPSEA) is asking operators of marginal wells to consider participating in its current survey seeking to evaluate the level of methane emissions occurring from marginal wells. As described in the April 4<sup>th</sup> *TIPRO Target* newsletter, this confidential survey will collect data on methane emissions from America's smallest oil and gas wells in order to address critical knowledge gaps and supply valuable information used to develop industry regulations. This survey should require minimal effort and should only take a few minutes to complete responses. All data collected will be confidential and blinded. To learn more on this industry survey, please visit the project website at <https://gsi-net.com/en/component/k2/item/547-survey>.

## U.S. SENATE CONFIRMS DAVID BERNHARDT AS INTERIOR SECRETARY

On Thursday, April 11, David Bernhardt was confirmed by the U.S. Senate to become the 53<sup>rd</sup> Secretary of the U.S. Department of the Interior. Bernhardt had been serving as acting secretary of the federal agency since last December when Ryan Zinke stepped down from the role. Although the confirmation of Bernhardt's nomination did get heated at times, senators voted 56-41 in favor of Bernhardt's confirmation. Leading up to Bernhardt's confirmation hearing, U.S. Senate Majority Leader Mitch McConnell praised President Trump's choice of Bernhardt to head the Interior Department, calling him a "well-qualified steward of our nation's public lands and resources." Bernhardt holds previous experience working for the Interior Department, including having served as deputy secretary of the Interior under the Trump Administration. Prior to that post, he also worked at the department for nearly a decade in various leadership positions. Earlier in his career, he was an associate with the lobbying and legal firm Brownstein Hyatt Farber Schreck.

## WHILE VISITING TEXAS, V.P. MIKE PENCE PRAISES PRODUCERS FOR LEADING AN ENERGY REVOLUTION



Source: White House

During a trip to the Lone Star State this week, U.S. Vice President Mike Pence celebrated Texas producers for their incredible accomplishments which are leading America to achieve energy independence. Following a brief stop in Dallas, Vice President Pence traveled to see the Permian Basin firsthand on Wednesday afternoon, April 17<sup>th</sup> with U.S. Secretary of the Interior David Bernhardt. The two officials landed in Midland, where Pence and Bernhardt were led on a rig tour with Diamondback Energy, a member of TIPRO.

"It really is great to be here with all of you who are driving this American energy revolution. And I hope you all know, from the very beginning of our administration, this has been a president and an American administration that's been celebrating American production on American soil," remarked the vice president during his trip to West Texas. "We approved the Keystone and Dakota pipeline. We rolled back the hydraulic fracking rule, methane rule, the stream-buffer rule, the Clean Power Plan. And we got America out of the disastrous, job-killing Paris Climate Accord. We're putting American energy first, and it's driving a growing American economy."

While on his trip to Texas, Vice President Pence did speak of the importance of U.S. ratification of the renegotiated North American Free Trade Agreement (NAFTA), now the United States–Mexico–Canada Agreement (USMCA), that is currently before the U.S. Congress. The trade deal will prove to be a "big win" for American energy, promised the vice president, and will offer new opportunities for American energy in a broad range of ways, said Pence, who urged Congress to move to approve the USMCA this year. The vice president concluded his remarks by expressing his commitment and that of the Trump White House to continue to support American energy development.

## FERC ISSUES PIPELINE APPROVALS

The Federal Energy Regulatory Committee (FERC) delivered great news for Texas oil when it announced last week its approval of EPIC Crude Pipeline's proposed rate structure. This approval means that interim service will likely be online by the third quarter of 2019. The pipeline will run from the Permian Basin to Corpus Christi, Texas, an area that is sorely underserved. The lack of pipeline infrastructure in the Permian Basin has been an ongoing issue in light of the major output spurred on by the Shale Revolution. FERC approval of this rate structure is a step towards rectifying the issue, but there is much work to be done if the Texas energy sector is to meet its full potential at any point in the near future. The pipeline will have a capacity of 900,000 barrels per day (bpd) and company spokesman Bruce Kates said on April 10<sup>th</sup> that permanent service was expected by January 2020.

At the same time, FERC issued approvals for three other pipelines. Some progress in moving along the implementation of new pipelines has been made, however, there are still six uncontested petitions awaiting approval. One of the six pipelines is the Plains All American Pipeline Cactus II crude pipeline, which would run from the Permian, adding an additional capacity of 585,000 bpd. The issues caused by the lack of pipelines will only continue to grow if not addressed and it is crucial that federal and state approvals come through for Texas pipelines.



## PORT HOUSTON TO LIMIT 1,100-FT VESSELS

Port Houston has recently agreed to limit the passage of 1,100-foot vessels as a result of urging from the Coalition for a Fair and Open Port. The coalition is comprised of energy sector companies who joined together in order to keep the port open for as many exports as possible. Whenever these larger vessels come through, two-way traffic at the port is reduced to one-way traffic, harming energy sector export capacity.

“To put that channel on one-way traffic is going to choke off our ability to export what wants to be and needs to be exported,” Jim Teague, CEO of Enterprise Products, told the *Houston Chronicle* in December. However, the fight to limit these vessels use of the port has not gone unopposed. The West Gulf Maritime Association, a maritime industry trade group, fought to keep the port open for all vessels. “The Houston Ship Channel is federally managed and should be available for all users,” reasoned Shareen Larmond, president of the maritime association, said at a Port Commission meeting held this past January. “One cannot restrict another as we are all one industry. The maritime industry.” Nevertheless, the Port Authority has resolved to adhere to the limitation of 1,100-foot vessels and support the energy sector.

## DRILLINGINFO AND B3 INSIGHT ANALYZE WATER ISSUES IN PERMIAN

The Permian Basin has grown enormously in the last decade - in fact, the US Energy Information Administration reports nearly 600 percent growth in new well oil production per rig from 2010-2019. This boom has done great things for the US economy, but with that growth comes a host of unprecedented challenges. One major issue that has gone largely unexamined is that of water: where to get it, what do with it after it's been used, how to transport it, etc. Horizontal drilling and hydraulic fracturing require huge quantities of water that must then be reused or responsibly disposed of. Wastewater management is just one aspect of the host of water-related challenges the oil and gas industry faces.

Drillinginfo and B3 Insight recently partnered to rectify this lack of analysis by conducting a comprehensive study of water issues in the Permian Basin. “Next to pipeline bottlenecks and constraints, water is the single most important issue in the Permian right now,” Drillinginfo Vice President of Market Intelligence Bernadette Johnson said. “Price forecasts for crude, natural gas, and NGLs will always drive production and dictate forecast scenarios. As water becomes increasingly expensive to handle, thus, important to production costs, this collaborative effort will help us further assist our clientele.” The first volume of the four-part report will be available to subscribers next month, giving new insight into these complex issues.

According to Drillinginfo, the report will include:

1. A comprehensive understanding of potential water needs, and disposal volumes related to specific production scenarios for the Permian Basin and sub-regions;
2. Assessment of current and future disposal and reuse capacity across the Permian;
3. Assessment of current approaches to water management, including integrated and service business models and practices;
4. Sensitivity analysis regarding the impact of recycling, seismicity, and other regulatory concerns on projected needs for fresh/brackish water and alternative disposal capacity;
5. Identification of areas where handling capacity is inadequate to accommodate projected development; and
6. Assessment of economic impacts of these constraints and the potential opportunities they present.

With this new report, the industry will be better equipped to face these new challenges head on.

## PERMIAN PIPELINE PROBLEMS HINDER NATURAL GAS PRICES

A new report from Moody's Investors Services indicates the shortage of pipeline capacity in the Permian is still hindering natural gas commodity prices, and will continue to do so for the foreseeable future until new pipeline projects come online. The abundant level of drilling activity in the Permian is driving large surpluses of associated natural gas output; however, without sufficient takeaway capacity in place in the region, energy companies are facing challenges in what to do with all of the produced gas. “New natural gas pipelines will likely go into service in the second half of 2019 and 2020, alleviating the bottleneck, but natural gas prices in the Permian Basin will continue to suffer from high basis differentials as E&Ps pursue growth in oil production,” said James Wilkins, a senior analyst for Moody's.

## YPE-FORT WORTH HOSTING CHARITY CRAWFISH BOIL SUPPORTING BIG BROTHERS BIG SISTERS

Members of the Texas Independent Producers & Royalty Owners Association are invited to sponsor and participate in the Young Professionals in Energy's 8<sup>th</sup> Annual Crawfish Boil being held Wednesday evening, May 22<sup>nd</sup> at the Colonial Grill in Fort Worth. All proceeds raised from this year's charity event will benefit Big Brothers Big Sisters of Greater Tarrant County. Big Brothers Big Sisters is the oldest, largest and most effective youth mentoring organization in the United States.

YPE's charity crawfish boil will offer great networking opportunities to connect with fellow energy professionals, and provide a fun night out for attendees to enjoy all-you-can-eat crawfish and unlimited beer. Music will be provided by special guest Stephen Pointer.

Consider showing your support of the event by signing up as a sponsor -- to learn about available opportunities, please send an email to [ype@crosswindpr.com](mailto:ype@crosswindpr.com).

To see other event details or to purchase tickets for the crawfish boil, visit <https://bit.ly/2KIW2MW>.



**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.

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