



**Texas
Independent
Producers and
Royalty Owners
Association**

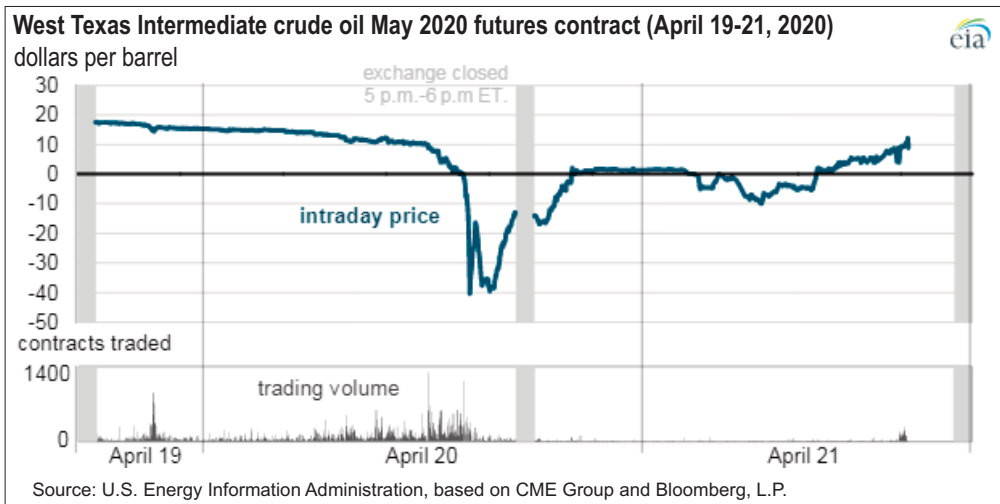
OIL PRICES DIP INTO UNCHARTED TERRITORY, BRIEFLY GO NEGATIVE

Oil prices nosedived on Monday, April 20, plummeting below the \$0 benchmark for West Texas Intermediate (WTI) crude oil front-month futures for the first time as the industry continues to reel from an unexpected and severe downturn. A combination of unusual dynamics led to the historic drop in prices

of crude oil last week, including a significant build of inventory of domestic crude oil supplies, substantial decline in demand after the outbreak of the coronavirus (COVID-19) pandemic, limited storage availability and the close of contracts for the month of May leaving

traders unable to find other market participants to accommodate oil purchases. At one point, WTI prices traded as low as -\$40.32 per barrel.

“On Monday, May WTI futures did what was once thought to be unthinkable – they went negative. This most recent collapse is the direct result of an oversupplied market, dramatic demand destruction as a result of COVID-19, and contract expiration nuances. It marks yet another perfect storm-type scenario that negatively impacts the price of crude oil,” explained Bernadette Johnson, vice president of strategic advisory group and data analytics firm Enverus. “Outright negative prices are a sign that well shut-ins are imminent and are actually occurring in many places where prices in the



field are in the single-digits or, in the case of some crude oil condensates, are negatively priced.”

And though June contracts have since traded in a relatively stable range, sustained volatility in oil markets, ongoing supply gluts and other economic challenges will continue to hurt Texas producers for the foreseeable future. Another looming concern is the scarcity and high cost of available crude oil storage as oil producers fear space could run out in the coming weeks.

According to U.S. Energy Information Administration (EIA) storage capacity data, crude oil storage facilities at Cushing - one of the world’s largest crude oil storage complexes - have 76 million barrels of working storage capacity. As of April 17, Cushing inventories totaled 60 million barrels, some of which (about 2 million barrels) were in transit by pipeline, water, or rail. The remaining 58 million barrels are held in tank farms at Cushing, implying that storage was 76 percent full. “Although EIA data indicates that some storage remains available at Cushing, some of this physically unfilled storage may have already been leased or otherwise committed, limiting the uncommitted storage available for financial contract holders without pre-existing arrangements,” explained analysts from the EIA. “The availability of storage in Cushing will remain an issue in the coming weeks, and could still result in volatile price movements in the June WTI futures contract or other U.S. crude oil spot prices that face limited storage options.”

At a press conference last Tuesday, April 21, Texas Governor Greg Abbott expressed his intent to provide solutions offering relief to the state’s oil and gas industry. “We as a state, we as a nation, want to make sure that we are doing all that we can to try to protect and aid and support all of the men and women who are working in the oil and gas sector,” said Governor Abbott.

In the meantime, a downturn in drilling in the state’s oil patch is likely to hinder not just the energy industry and economy, but government coffers, too, which are fed by revenue from taxes collected on exploration and production activities.

“While this unprecedented volatility is concerning, the greater impact to Texas will come if demand remains historically low for a prolonged period of time and supply gluts continue to strain storage capacity,” said Texas Comptroller Glenn Hegar. The comptroller noted the state’s Rainy Day Fund and State Highway Fund were expected to be impacted from the reduction of oil and gas severance taxes collected this year, as would state and franchise tax revenue. “Given the historic nature of today’s market moves, we are carefully monitoring trading as June contracts come into focus. Should prices remain depressed over a long period of time, we anticipate the impact will be reflected in a reduction in the revenue forecast we’ll be releasing in July.”

CHAIRMAN'S MESSAGE

TIPRO Members,

The 50th anniversary of Earth Day, celebrated last week on April 22, presents a timely opportunity for all of us to reflect on the continued improvements by the oil and gas industry to further enhance our environmental performance and do our part to ensure progress that will promise a better environment for future generations to come. Earth Day was established by President Richard Nixon in 1970 to demonstrate support for keeping our environment vibrant and safe as well as bring awareness of environmental protection measures adopted to ensure we all have access to clean air and water resources. On this occasion, and throughout the year, I am proud to know that many members of TIPRO are voluntarily working towards new solutions and innovations that will further protect and improve the environment, while also allowing domestic producers opportunities to reliably deliver sources of energy to our fellow Americans.

While America today is the world's top producer of petroleum and natural gas, our country also continues to be a leader in clean air progress, and has experienced a 73 percent reduction to the six main criteria air pollutants since the first Earth Day. This significant environmental achievement has in part been supported by initiatives put in place by the nation's oil and gas industry that is contributing to the overall decline of greenhouse gas emissions in the United States. In fact, as a serious testament to our commitment, the oil and gas industry has invested over \$356 billion since 1990 to improve our environment performance. In 2017 alone, we spent \$15.9 billion on new technology, cleaner fuels and other environmental initiatives backing this cause.

Furthermore, in the Permian Basin, America's largest oilfield spanning across more than 75,000 square miles in Texas and New Mexico, concentrated efforts are underway to further mitigate air emissions and minimize the environmental footprint from E&P activities. Energy companies are going above and beyond regulatory compliance requirements and choosing to voluntarily adopt programs that further drive emission reductions at production sites.

As shared earlier this year, TIPRO also as an organization is proud to serve as a partner of the new Texas Methane & Flaring Coalition (TMFC), an initiative representing nearly 80 percent of oil production in Texas that has been formed to minimize methane emissions and flaring in the state of Texas. TIPRO is committed to working with the coalition and member companies to continue to help the industry improve its environmental performance. For those of you interested in learning more about the work of the TMFC and want to become involved, I encourage you to visit www.texasmethaneflaringcoalition.org.

It is worth noting that many TIPRO members not just producers, but also are surface owners that have a long history -- some for generations -- of owning a "little piece of heaven" in Texas. These ranchers, farmers, and land owners proudly maintain their land in what has today become known as an "environmentally friendly" fashion, though their mindful approach has always been at the heart of how they traditionally manage and look after their land. This legacy goes hand in hand with the emphasis TIPRO has placed in working with regulators and industry partners in improving standards outside of the regulatory process across our industry.

Now and in the future, we look forward to further building on the success of the industry to continue advancing environmental growth in conjunction with the expansion of energy development in Texas and across America.

Eugene Garcia



Eugene Garcia

TEXAS REGULATORS TO TAKE VOTE MAY 5TH ON PRORATING OIL PRODUCTION

Energy regulators in Texas are expected to vote in early May on the possible establishment of oil production limits that would reduce output of crude from the nation's top oil producing state at a time when the world is experiencing a historic oversupply of oil. During the Railroad Commission's next open meeting scheduled for Tuesday, May 5, Railroad Commissioner Ryan Sitton has proposed the panel of three commissioners make a formal decision on an order he has submitted that recommends the state optimize and control production of crude oil in Texas in order to support the stabilization of oil market forces. As detailed in Commissioner Sitton's proposal, he has suggested the state take the following course of action:

- Cut 20 percent of Texas' oil production (or 1 million barrels per day), but only after other state or national governments commit to making "complementary" reductions in addition to the oil cuts that have already been announced by the Organization of the Petroleum Exporting Countries (OPEC)
- Limits would remain in effect until other governments stop curtailing their output or oil demand increases to roughly 85 percent of its level before the virus struck, equal to 85 million barrels of oil per day

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TIPRO Calendar of Events

<p>JUNE 10, 2020 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>JULY 8, 2020 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>AUGUST 12, 2020 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.</p>	<p>AUGUST 19-20, 2020 SAN ANTONIO — TIPRO's 2020 Summer Conference, Hyatt Hill Country Resort and Spa. For info, call: (512) 477-4452.</p>
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RAILROAD COMMISSIONERS TO VOTE ON CAPPING TEXAS OIL PRODUCTION... CONTINUED FROM PAGE 2

At a marathon 10-hour meeting held April 14th by the commissioners reviewing the possibility of proration, TIPRO President Ed Longanecker asked the state's oil and gas regulators to vote against a motion to prorate oil production in Texas. "TIPRO has gone to great lengths to evaluate the topic of proration and gain insight from a wide range of our members, including large and small operators, mineral owners and service companies. Based on those discussions and TIPRO's transparent, consensus-driven model for evaluating policy proposals, an overwhelming number of our members do not support a mandatory curtailment of oil production in Texas," said Longanecker.

Meanwhile, during the last commissioner's conference on April 22, the three commissioners continued their discussion over potential plans to prorate the state's oil output. Commissioner Christi Craddick underscored the need for any regulatory curtailment of oil production to strictly adhere to state law, expressing a desire for the state attorney general to weigh in first on proration plans before any were to be implemented by the commission. Commissioner Sitton emphasized his belief that it was incumbent of the commissioners to move swiftly to help save the Texas oil and gas industry, including acting on prorating the state's oil output while the market demands it. Chairman Wayne Christian has since then voiced his opposition to motions calling for the proration of oil in Texas.

TIPRO members interested in watching the commission's highly anticipated open meeting next Tuesday, set to be presented in a virtual conference format, may view the webcast online by visiting: http://www.adminmonitor.com/tx/rrc/open_meeting/.

TIPRO JOINS NEW STATE TASK FORCE REVIEWING SOLUTIONS TO HELP TEXAS' OIL INDUSTRY

The Texas Independent Producers & Royalty Owners Association (TIPRO) will serve on a new task force formed in April by Railroad Commission Chairman Wayne Christian to study market dynamics and review solutions to deliver relief to the Texas oil industry in wake of a collapse to oil prices earlier in the month. Other industry trade organizations will also contribute to the new task force, offering a collective voice representing Texas producers as state leaders consider possible actions to address market dynamics inflicting devastating pains to the oil and gas industry.

"I want to challenge the task force to look at every aspect on what can be done at the state level to assist operators and save jobs as we endure these historic circumstances - operations, permitting, timelines, tax policy and deadlines, storage capacity expansion, pipeline capacity, market access barriers, and anything else the task force can think of that will aid the industry in managing through difficulty," said Chairman Christian. "The goal is to save as many jobs, enable operators to survive and return to a robust level as quickly as possible."

"In such a critical time for Texas independents and royalty owners, I look forward to working with the Railroad commissioners and other members of the new task force to identify solutions to help during this extreme downturn," said TIPRO President Ed Longanecker. "Together, our recommendations will address ways to provide support to the Texas oil and natural gas industry in the areas of state and federal regulatory action, severance and ad valorem tax relief, federal and state legislation and other related strategic initiatives. We appreciate the leadership of Chairman Christian and his willingness to engage various stakeholders in this process."

Given dire market conditions, Chairman Christian has requested the task force work in an expedited manner to extend guidance ahead of the next Railroad Commission open meeting scheduled for Tuesday, May 5, at which time the commissioners are expected to take a vote on petitions calling for the proration of oil production in the state of Texas.

TEXAS LAND OFFICE, SCHOOL LAND BOARD ADOPT WAIVER POLICY TO HELP STRUGGLING PRODUCERS

Members of the Texas School Land Board last week unanimously approved temporary policies that will give lessees of permanent school fund property more flexibility on their drilling commitments as oil and gas producers face a downturn. The policies delegate authority to the state's land commissioner to grant up to a six-month extension on all drilling commitments, when it's deemed to be in the state's best interest, made by lessees of permanent school fund property during 2020, and a 90-day tolling on calculations for enforcing lease terminations for halting of production or failure to produce in paying quantities. Additional actions include adopting a policy addressing a waiver of penalties and interest on late royalty payments submitted from April 1, 2020 through June 30, 2020 in light of the current oil and gas crisis facing the nation.

"Oil and Gas is the backbone of this great state's economy and a critical component of our nation's workforce," said Texas Land Commissioner George P. Bush. "There is no doubt that we will all feel the impacts of the pandemic and it's consequential impact on oil and gas for years to come. Waiving the penalties and interest on late royalty payments is a small step that we as a state can take to help mitigate this crisis while protecting the best interest of Texas School Children. This issue does not just impact the Texas economy, but the nation at large. I urge the president and Congress to act- fill our strategic petroleum reserves and consider other free market options to safely and fairly get this critical component of our economy back up and running. Texas has time and time again proven ourselves to be resilient, and I have no doubt that we will emerge stronger than ever."

Officials in New Mexico meanwhile have approved similar rules also providing relief to operators producing oil on state-owned lands. The New Mexico State Land Office announced on Tuesday, April 21st it had finalized an emergency rulemaking to allow oil and gas lessees to temporarily stop production of oil wells for at least 30 days, with longer-term relief coming through the statutory rule change process. "It is in the best interest of the vital public institutions we serve that the State Land Office allow the temporary oil well shut-ins to assure we get the best value for the resources that they rely on in order to operate. If oil is sold at \$8 a barrel, our public schools don't get their fair share," Land Commissioner Stephanie Garcia Richard said.

SENATE WORK GROUPS FORMED TO EXAMINE LEGISLATIVE CHALLENGES LEADING UP TO 2021 SESSION

Six dedicated legislative work groups have been formed by Texas Lieutenant Governor Dan Patrick to consider the impact of the coronavirus (COVID-19) outbreak to government business in Texas, including the effect of the virus on legislative work that is to be executed during the 2021 legislative cycle. The groups will be composed of leadership from the Texas Senate and cover issues relating to jobs and reopening the economy, economic impact and budgeting, pandemic preparedness, health and hospitals, public schools and higher education, and food supply chains and agriculture.



“COVID-19 has changed our lives in Texas and in America in ways that will continue to impact us going forward as we re-open our state. I have asked every senator to work together in small discussion groups – using a think tank model – to discuss the challenges Texas will face in the next legislative session as a result of the pandemic. The Texas Senate is committed to making sure our state continues to lead, not only in combating this awful disease but also in making sure our economy can move forward,” the lieutenant governor said in a statement on April 24. “As with all Senate work groups, the purpose of these work groups is to discuss challenges and options, not to craft legislation. Every senator is participating, and I am in regular contact with them on these discussions and I will continue to discuss these issues with them as we move forward.”

Of note, the following senators will participate in the work group on economic impact and budgeting: Senators Jane Nelson (R-Flower Mound), Juan “Chuy” Hinojosa (D-McAllen), Robert Nichols (R-Jacksonville), John Whitmire (D-Houston), Joan Huffman (R-Houston), Brian Birdwell (R-Granbury), Paul Bettencourt (R-Houston) and Charles Schwertner (R-Georgetown). Sitting on the work group focused on jobs and reopening the economy will be: Senators Kelly Hancock (R-North Richland Hills), Robert Nichols, (R-Jacksonville), Nathan Johnson (D-Dallas), Pat Fallon (R-Prosper), Brandon Creighton (R-Conroe), Judith Zaffirini (D-Laredo) and Charles Perry (R-Lubbock).

REP. BROOKS LANDGRAF CALLS ON WEST TEXANS TO SUPPORT PERMIAN HIGHWAY INFRASTRUCTURE

As transportation officials in Texas prepare for the development of a major highway system connecting the Permian Basin to other trade regions around the state, country and even Mexico and Canada, state Representative Brooks Landgraf (R-Odessa) is rallying members of his district and those living in West Texas communities to support construction of the “Ports-to-Plains Trade Corridor.” This project, once completed, will provide for efficient transport of goods through West Texas, extending south all the way down to Laredo and running north towards Amarillo and beyond into other neighboring states. Congress has previously designated the infrastructure network as a high priority corridor.

Under House Bill 1079, authored by Representative Four Price (R-Amarillo), supported by Representative Landgraf, and signed into law by Governor Abbott in 2019, the Texas Department of Transportation (TxDOT) is required to conduct a comprehensive study of the corridor project and evaluate the feasibility of constructing a continuous flow, four-lane divided highway through the corridor, including costs and logistical matters associated with road system. The TxDOT study is anticipated to conclude in January 2021.

As part of its feasibility study mandated by the 86th Texas Legislature, TxDOT has scheduled a virtual public meeting for Wednesday, May 13, 2020, at 4:00 p.m. to present to the public information on the planned highway system in West Texas, and accept input on the road complex that will connect the West Texas region to ports of trade across the United States. The May 13th meeting will be presented in a webinar format (no in-person meeting) which will include a live presentation and comment opportunity via WebEx, which will be recorded and available through Thursday, May 28, 2020. Formal comments may be provided by mail or email as described in the notice and on the virtual public meeting website. More details on this public meeting are available at: <https://bit.ly/3f29SVV>.

“The virtual meeting will be specifically about the segment of the corridor that includes Odessa, Midland, Big Spring, San Angelo, and Lubbock. This is an opportunity to learn about the study and to provide input on the recommendations TxDOT has received so far,” described Representative Landgraf.

“A major trade artery like this could help be a stabilizing force for our economies out here in West Texas. The results of this study will affect our region for years to come, one way or another, and the impact that support and input from West Texans can have cannot be understated,” Landgraf concluded.

VALUABLE SHIPPING RESOURCES AVAILABLE FOR TIPRO MEMBERS

With businesses currently experiencing unprecedented challenges and adjusting operations daily, it’s never been more important for TIPRO members to take advantage of benefit providers. The TIPRO Shipping Program, managed by PartnerShip®, can help keep your shipping running smoothly in light of the crisis. Keep cost-conscious with discounts on both small package and freight shipping with carriers like FedEx, UPS Freight, YRC Freight and more. Working with PartnerShip also expands your current carrier network, ensuring you have the capacity you need to get your loads covered, despite service disruptions. Call 800-599-2902 or email sales@PartnerShip.com to learn more about how PartnerShip can help.

To enroll in the TIPRO Shipping Program, TIPRO members are encouraged to visit: <https://bit.ly/3aNPag9>.

STATE LEADERS WEIGH BUDGETARY CUTS FOR STATE AGENCIES

Speaker of the Texas House of Representatives Dennis Bonnen (R-Angleton) in April implored Texas' top leaders to consider immediate budget cuts for state agencies in a move to save the government cash, as looming fallout from the economic downturn starts to hit government coffers. In a letter sent to Texas Governor Greg Abbott and Lieutenant Governor Dan Patrick, Speaker Bonnen said the House would like "to initiate a discussion" about issuing an all-agency directive to "immediately identify and execute 5 percent budgetary savings." Speaker Bonnen's letter, first reported on by the *Texas Tribune* last week, advised that a reduction of 5 percent of expenses by state agencies would help cushion the state budget as legislative appropriations committees start planning for the next budget cycle that will be considered during next year's legislative session.

"It has become apparent that the time to engage in long-term economic planning is now," the Angleton Republican wrote in his April 9th memo to Governor Abbott and Lieutenant Governor Patrick. "While it is true that we do not have an immediate funding need or a lack of COVID-related emergency funding, all indications are that we will most certainly have a future state revenue concern due to lagging economic conditions statewide."

It was also previously rumored that the governor had been considering budgetary cuts as high as 20 percent for state departments and entities, though the governor later denied he was planning to impose deep budget cuts for government agencies at this time.

ONLINE FILING NOW AVAILABLE FOR RRC'S FORM W-3, PLUGGING RECORD FORM

Texas oil and gas operators are now able to file Form W-3, the Plugging Record form, online with the Texas Railroad Commission (RRC), allowing for more efficient and timely filing of the administrative form. Form W-3 must be filed with the commission 30 days after the date plugging operations are completed on a well. When filing the Form W-3 online through the RRC Online System, an operator can also submit attachments, including cementing reports (Form W-15) and electric log status reports (Form L-1).

The commission notes that while hard copy filings of the Form W-3 will continue to be accepted, operators are nonetheless strongly encouraged to file administrative forms online when possible.

For more information on filing the Form W-3 online, view an instructional video on the RRC's YouTube channel at <https://youtu.be/XEFcp6ecoSc> or reference the Online User Guide: W-3 (Plugging Record) available on the RRC website at https://rrc.texas.gov/media/56269/w3-user-guide_v12_dec2019_010620.pdf.

RRC MAKES AVAILABLE DRAFT MONITORING AND ENFORCEMENT PLAN

The Railroad Commission is currently seeking input from stakeholders on the development of its "2021 Monitoring and Enforcement Plan," prepared by the agency's Oil and Gas Division. This plan, updated on an annual basis, outlines the division's strategic priorities for monitoring and enforcement efforts for the next year to ensure public safety and protect the environment. It also establishes direction and new goals for data collection, stakeholder input, and other priorities at the commission for fiscal year 2021.

As captured in the commission's drafted plan, in the coming fiscal year, staff at the agency hope to build on technology improvements to continue to enhance public access to commission monitoring and enforcement data and information. The commission indicates it will also dedicate focus to its efforts on inspecting critical well operations, such as surface casing settings, mechanical integrity tests, and plugging. The commission will inspect at least 100,000 wells during fiscal year 2021 to meet the performance target for inspection frequency, and by the end of fiscal year 2021, reports that all the oil and gas wells in Texas will have been inspected within the previous five years.

In the next fiscal year, inspectors will also explore purchasing drones— Unmanned Aircraft Systems— to obtain virtual access to areas that are harder to reach in person, including remote sites, areas with rugged terrain, or bodies of water. The use of drones at these locations will allow inspectors to more efficiently conduct visual inspections of leaks and spills that would otherwise be difficult to assess, and evaluate emergency situations from a safe distance, describes the commission.

To view the full draft plan, visit the Commission website at <http://www.rrc.texas.gov/media/57364/og-me-plan-2021.pdf>.

To provide the commission with your comments, visit the feedback survey at <https://bit.ly/2Wrqpu3>.

The draft plan will be available from on the commission's website for comment until May 21, 2020.

EPA REGION 6 ADMINISTRATOR NAMES NEW CHIEF OF STAFF

Stephen Tatum has been selected as chief of staff serving Ken McQueen, administrator of the U.S. Environmental Protection Agency (EPA) Region 6 division covering Texas. Tatum, a former deputy commissioner under Texas Commission on Environmental Quality (TCEQ) Commissioner Toby Baker, most recently has been a partner at Cantey Hanger LLP in Fort Worth. He also holds prior experience working in the office of the attorney general of Texas from 2009 to 2015, first as a staff attorney in the Transportation Division and then as attorney on the Opinion Committee where he authored official AG opinions on complex legal issues. Tatum is a current member of the Board of Directors for the Texas Water Trade, a nonprofit focused on achieving sustainable, abundant water for Texas.

Tatum will begin his role with the EPA Region 6 office on May 10, 2020.

TX20 AWARD NOMINATIONS NOW OPEN

Texan by Nature (TxN), a Texas-led non-profit conservation organization founded by former First Lady Laura Bush, is now accepting nominations for this year's group of TxN 20, an official ranking of the best 20 companies in Texas that have made a demonstrative commitment to conservation. For a second year in a row, TxN will recognize companies across 12 industries in the Lone Star State, including energy, that have demonstrated concerted efforts to save natural resources for the benefit of all Texans and advanced bold initiatives with meaningful and lasting impact ensuring Texas' future success. Last year, the group honored TIPRO member Apache Corporation for its leadership in conservation and sustainability, including the company's dark skies friendly lighting initiative, air emission reductions, water conservation and habitat restoration.

"In Texas, our natural resources are finite but our ingenuity is infinite. At Texan by Nature, we want to make sure businesses are recognized for their can-do spirit to take care of the land, water, and wildlife that sustain our state's people and prosperity," said TxN 20 organizers.

Through June 1, the group will accept nominations on prospective businesses deserving of recognition for outstanding conservation measures. At this time, companies are encouraged to provide relevant information from 2019 to TxN that may be evaluated in conjunction with publicly available data such as CSR reports, annual reports, company statements, articles, blogs or other resources.

Finalists for the Texan by Nature 20 will be selected by an esteemed, cross-industry selection committee made up of public officials and private sector leaders. Honorees will be picked based upon a stated dedication to conservation, demonstrated commitment to conservation via investment and volunteerism, measurement and reporting of spending and impact on conservation efforts, and employee engagement.

The Texan by Nature 20 will be highlighted by Texan by Nature on the web, through social media channels and at TxN's annual Conservation Wrangler Summit scheduled for later this Fall on October 27th at the George W. Bush Presidential Center in Dallas.

To submit information on your own company or read additional information on the TxN 20 awards, please visit <https://txn20.org/submit/>.

ENVIRO CLEAN SERVICES HELPS THE FIGHT AGAINST COVID-19

With raw materials and essential products scarce nationwide, Enviro Clean Services, LLC, a member of the Texas Independent Producers & Royalty Owners Association (TIPRO), recently added two products to their commercial blending operation, EC 19 and EC Handrub, that oil and gas companies are taking advantage in the fight against COVID-19.

EC 19 is a sodium hypochlorite foaming cleanser with stabilizers for hard surfaces (exterior or interior), deep cleaning of uniforms, and other purposes that must be diluted prior to use.

EC Handrub can be used anywhere rapid, safe cleaning of hands is required. This product works equally well with or without the use of water and is fragrance and dye free and will not leave residual odor or staining. It is an alcohol-based product which evaporates quickly, and users will not need to wait for drying. No thickeners or foamers are used in the product and will not result in the need to rinse sticky residues. Hands will look and feel clean after use. EC Handrub is manufactured to the World Health Organization specifications who is a recognized leader in world safety.

Products are immediately and commercially available with little to no lead time. For further information, please feel free to contact Jonathan Behymer directly at (405) 990-4225 or jonathan.behymer@eccgrp.com.

NEW REPORT PROJECTS NATIONWIDE FRACKING ACTIVITY WILL COLLAPSE

With many oil and gas companies being forced to scale back operations as a result of the low price environment and falling energy demands amid the coronavirus (COVID-19) pandemic, hydraulic fracturing activity is falling nationwide and frac crews around the country are being cut. A new analysis released from data firm Rystead Energy estimates frac operations will see a 60 percent reduction in April compared with peak levels recorded at the start of the year, as the majority of public and private operators implement widespread fracturing holidays. Rystead expects the total number of started fracturing operations will end up below 300 wells in April, with the largest drop in frac jobs coming out of the Permian Basin.

"With such a rapid decline in fracking already visible, very little activity will be happening in the oil basins during the remainder of the second quarter of 2020," said Artem Abramov, head of shale research for Rystead Energy.

Previously in the month of March an extreme 30 percent monthly decline in the number of started frac jobs was tracked by Rystead analysts in the Permian, Bakken and Eagle Ford Shale, down to just 550 jobs. Fracking activity on a completed jobs basis is likely to have declined by up to 20 percent nationwide in March 2020, according to Rystead.

This significant decline to hydraulic fracturing this Spring will result in a lower number of wells put on production in May, Rystead analysts note, which ultimately will drive reductions to total nationwide oil output anticipated later in the year.



“OIL PATCH LITIGATION: CLAIMS TO EXPECT WHEN OIL PRICES FALL”

BY WESLEY LLOYD, FREEMAN MILLS PC

While the oil and gas industry is no stranger to turbulence caused by fluctuating oil prices, recent events have been unprecedented. In tumultuous times, specific legal issues begin to surface more frequently as investors seek to minimize losses, service providers struggle to keep their head above water and other impacted stakeholders look for creative ways to weather the storm. Two of the most common legal issues that typically arise are related to lease maintenance (ensuring leases don't terminate) and mineral liens.

Lease maintenance

Leases are the most valuable and important asset a company can have; without leases there is nothing to drill, no producing wells and thus no revenue. Savvy mineral lessors are aware that this gives them leverage when prices fall. Operators have a natural incentive to curtail production. But they must be careful not to lose their leases. The legal standard that most commonly applies requires production in “paying quantities” for a lease to be maintained during the secondary term. In Texas, the lessor has the burden to prove that a lease has ceased to produce oil and gas in paying quantities and must show that (1) production from the well over a reasonable period of time does not yield a profit after deducting operating and marketing costs and (2) a prudent operator would not continue, for the purpose of making a profit rather than merely for speculation, to operate the well as it has been operated.

Where production is sufficient for revenue to exceed operating and marketing costs, the well is producing in paying quantities. This is true even if drilling and equipment costs may never be recouped. In order to be prepared to defend against claims that a lease has terminated as a result of a failure to produce in paying quantities, operators should maintain clear records that distinguish between the costs that impact the determination and those that do not.

One natural consequence of prices plummeting is consolidation, as smaller independents sell off assets to larger producers and diversified investors who are better positioned to survive the downturn. For those buyers, a heightened level of due diligence is necessary to ensure that the leases they consider acquiring are still held by production.

Mineral liens

Service companies are hit hard when prices plummet. For them, one of the best forms of security they can have is a mineral lien, which will help protect them in the event they do not receive payment for work performed. The lien is filed in the property records so that it attaches to title to the property, and it acts as an encumbrance that must be satisfied before the property can be sold to a third party. The lienholder also has the option to foreclose on the lien and have the property sold at auction in order to recover the amounts owed. Obviously, service companies have a tremendous incentive to secure their position with a mineral lien.

In order to be enforceable, the claimant must comply with several detailed requirements. In Texas, the requirements are set out in Chapter 56 of the Texas Property Code. The process and requirements vary depending on whether the claimant is considered a mineral contractor (one who contracts directly with the owner) or a mineral subcontractor (whose contract is with a mineral contractor) providing “labor or services related to mineral activities.”

The claimant must file an affidavit containing specific information with the county clerk of the county where the work was performed, not later than six months after the date the indebtedness accrued. The debt normally accrues each week for labor and on the date furnished for materials. Failure to file in a timely manner will render the lien unenforceable. Mineral subcontractors must give notice to the owner at least 10 days before filing a lien affidavit — the purpose of which is to allow the owner time to consult the mineral contractor about the basis for the charge. The affidavit must contain certain detailed information intended to give public notice of the claim and an ability to satisfy the claim in the event of a sale. In addition to attaching to the materials, machinery and equipment the claimant provided, the lien also attaches to the land, leasehold, well or pipeline, and all wells on the same lease. It does not attach to the fee simple title, so the landowner is typically not impacted.

Other issues

There are numerous other issues that can arise when prices dip — too many to cover here in detail. But operators should anticipate scrutiny of joint interest billings, questions about the necessity of certain operations and interrogation about the propriety of administrative or management charges. Further, disputes will often develop over whether performance of a contract is excused as a result of force majeure, or an “act of God” that is beyond what could have been anticipated by the parties. And in the regulatory context, operators who decide to abandon marginal wells may face plugging liability and invocation of financial security requirements by state regulators.

ABOUT THE AUTHOR

Wesley Lloyd is a Texas-based board certified oil and gas attorney with the firm Freeman Mills PC. His firm focuses on representing the energy industry in a wide variety of litigation, title and transaction matters throughout Texas and in several other oil-producing states. He can be reached by email at wllloyd@freemanmillspc.com.

U.S. HOUSE PROLONGS RECESS AS CORONAVIRUS CASES CONTINUE TO RISE

As the number of confirmed cases of the coronavirus (COVID-19) disease continue to rise in the United States, leaders of the U.S. House of Representatives announced lawmakers will not reconvene in D.C. for business as originally planned. “We will not come back next week but we hope to come back very soon,” House Majority Leader Steny Hoyer (D-Md) told reporters on Tuesday, April 28. “The House physician's view was that there was a risk to members that was one he would not recommend taking.”

The U.S. Senate meanwhile is expected to return to work on Capitol Hill next Monday, May 4, 2020.

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