Greetings, PPROA Members:

It was good to see many of you at our Annual Convention on Sept. 19th and 20th. The Embassy Suites provided a good venue and they were good hosts. I thought the food was excellent and the speakers were excellent, also. We were pleased to hear from Texas Attorney General Ken Paxton at our breakfast meeting. He discussed the many law suits he has filed against the Federal Government to keep them from infringing on our states’ rights. He was joined in many of these law suits by 27, or more, other states and was successful in virtually all of them. His efforts have kept the EPA and BLM out of our business, for the most part, and allowed the Railroad Commission to do what it does better than virtually any other regulatory agency, oversee the oil and gas business in Texas. He also discussed his agency’s efforts to end human trafficking. We should stand with him in this effort and strive to eradicate this terrible evil that is all too common. I agree with Ken Paxton’s priorities and the direction he wants to take as Attorney General and I plan to vote for him in November. I encourage you to do the same.

Our luncheon speaker was State Senator Brian Birdwell from Senate District 22, Granbury, Tx. He chairs the Senate Natural Resources and Economic Development committee and the Sunset Advisory Commission. He talked about the severe injuries he sustained in the September 11, 2001 terrorist attack on the Pentagon and his miraculous survival. He was truly blessed in many instances and his presentation was very moving. He is a good man and I think we are blessed to have such a man as the chair of the Natural Resources Committee. After the luncheon, several of us had a discussion with Senator Birdwell about the gas pricing issue. He understands the issue now and I think we can look for leadership from him in his committee position.

We had several excellent ‘break out sessions’. Current case law was presented, remote oil tank measurement was demonstrated, Dr. Daniel Fine discussed the present and future state of the industry, as he sees it, and Dr. William Ambrose discussed the STARR (State of Texas Advanced Resource Recovery) program. All of these were well presented and contained useful information. We had a great convention and I want to give my personal thanks to all the presenters, speakers, exhibitors and sponsors. You all did a great job!

We finished up with the Clay Shoot at River Breaks. It was fun and well attended. ANB did a great job with the meal and it was a good shoot, even though it required a change of venue at the last minute. A big thank you goes out to Curt Cornett for hosting us at River Breaks. Also, congratulations to Elizabeth Holland for winning the drawing for the Kimber 1911. I hope she enjoys it and uses it in good health. Thank you, also, to all who supported us by buying chances on the Kimber.

All in all, I think the Annual Convention was a great success. I appreciate Judy and Sandy and the Convention Committee for all the hard work and effort. If you have suggestions or comments on this convention or suggestions for future conventions, I would like to hear them. Call me or email me with your comments or suggestions. Thanks for your support and keep doing what you do so well.

Todd Lovett
Bill Britian, Luke Legate, Tom Mechler and Four Price -- Many thanks to these gentlemen who went over and beyond to help secure our keynote speaker for convention, Senator Brian Birdwell! I am grateful for a remarkable working and personal friendship with these gentlemen who were there to help when I needed them most!

Once again, a world for gratitude to our Top Convention Sponsors, on the adjacent page, who made everything possible. Our Champions Forum: Corlena Oil Company, ADW Petroleum, Apache and Phillips 66 who help defray costs for our speakers!

Cocktail sponsors: Superior Pipeline, Renco Services and Renco Tool Company along with Pantera Energy whose generosity helps “break-the-ice”! Sprouse Law Firm, Upshaw Insurance, Remnant Energy, Manning Land, LLC, Drilling Info and Smart Chemical, who provide remarkable food for our social hour! It is a hit every year!

Our Breakfast Sponsors: Happy State Bank, Smart Chemical and Quest Drilling Services start our convention every year with a hearty breakfast for our opening day. A lunch and speaker fit for any astute crowd sponsored by EnergyNet and PetroCap.

Don’t forget our other critical supporters: Amarillo Economic Development Corporation, Courson Oil & Gas, Scout Energy, Four Point Energy, Carrera, GSM, Questa Energy, ValPoint Operating, Tascosa Land Resources, Tecolote Energy, Travelers Oil, Salem Oil & Gas, Heartland Natural Gas, Amarillo National Bank and LERA.

Additional thanks to Alpar Energy, LP, Digital Blackacre, JBrex, NCW Insurance and Panhandle Plains Historical Museum for their support!

These companies and their support provide PPROA the ability to represent you and keep governmental over-reach out of our industry. It allows for a lobbyist during legislative sessions, so your voice will be heard. We work to keep our industry parameters set with the Fish & Wildlife Association and Endangered Species, the Environmental Protection Agency, Federal Energy Regulatory Agency, the Texas Legislature and the Texas Railroad Commission.

In the last few years we have worked on gas transportation issues and will continue. For the first time in decades we provided a full-time lobbyist during the 2017 legislative session and will do so again during 2019 session. We are drafting potential administrative code changes to further the Texas RRC’s ability to make decisions for producers. We have worked with the Texas Royalty Council enhancing our efforts for royalty owners. We have held meetings with all area legislators, House Energy Chairman, Drew Darby, all Texas Railroad Commissioners and staff, Senate Natural Resources Chairman, Senator Brian Birdwell and look forward to other confirmed meetings with Texas regulators and elected officials.

It is hard to adequately convey everything the Board of PPROA does “in the background” to let you see the added value of your membership. We need to hear from you “good or bad – happy or sad”!

Thank You Will Never Be Enough!!!
Operator          Lease          Date Issued  TD
Brisco            McWilliams #1  8/20/2018  7,000

Killian          Spearman #2602  9/18/2018  9,800
Ruth #37         9/25/2018  9,162

Sunoco Pipeline  TP 26B #1     8/10/2018  300

FANFORD           Alexander #1MB  8/31/2018  7,750

Hemphill          Willam 12X77A #1H  8/20/2018  9,000
Dake 61X14B #2H   9/4/2018  9,300
Dake 61X14C #3H   9/4/2018  9,300
William 13X75D #1H 9/24/2018  9,000

Le Norman         Gaffin #1H     8/7/2018  9,000
Gaffin #2H        8/23/2018  9,300

Tecolote Energy  Mathers Ranch 26-159 CL WX #20H  8/16/2018  10,000
Mathers Ranch 26-159 CL EX #21H  8/16/2018  10,000
Meadows-Singleton 4-99 MD CX #26  8/24/2018  11,900

Lipscomb          Power Rig     4P Energy Texas
Moore             Quest Drilling Beren Corporation
Olchiltree        Patterson-UTI Mewbourne Oil
Potter            Patterson-UTI Le Norman
Roberts           Kenai Mid-Continent Davis Operating

Hutchinson        PCM International C.L. Dial, Etal #335 8/15/2018  3,335

Jones Energy      Price Trust C 604 #5H  8/3/2018  9,000
Price Trust C 604 #6H   8/14/2018  9,000
Price Trust C 604 #7H   9/14/2018  9,000

Moore            Adams Affiliates Thompson #2067 8/3/2018  2,600
                TG Thompson #7345 8/3/2018  2,600
                Sneed 3 & 4 Consolidated #402 8/29/2018  2,500
                Sneed 3 & 4 Consolidated #408 8/28/2018  2,500

Ochiltree         Jones Energy Malinda 745 #1H 8/1/2018  8,000
                Malinda 745 #1H 8/16/2018  8,000
                Malinda 745 #1HR 8/17/2018  8,000

Mewbourne        Roy Linn 655 #0001AO 8/3/2018  7,650
Archer T4 #0001AP 8/6/2018  7,400

Western Chief Operating Thrasher #1H 8/13/2018  8,000

Potter            Arrow Oil & Gas AU #4 8/7/2018  3,750

Agapita          Brians East #5901 8/30/2018  11,000
Le Norman        Cheannuitt #37 #94 8/13/2018  10,000
Charles 56 #1H  8/13/2018  10,000

Roberts          Courson Land #1H 9/18/2018  17,386

Sherman          Scout Energy Calvick A #382C 8/20/2018  4,000
Shun A #348D 8/21/2018  4,000
Baskin B #450C 9/14/2018  4,000

Wheeler          4P Energy Britt-Rathjen #806HC 9/12/2018  13,000

County             Contractor Operator

OKLAHOMA
Beckham         Xtreme Drilling Fourpoint Energy
Ellis            Latshaw Drilling Fourpoint Energy
Kena Mid-Continent EOG Resources
Kena Mid-Continent EOG Resources
Unit Drilling ValPoint Operating
Patterson-UTI Mewbourne Oil
Patterson-UTI Mewbourne Oil
Xtreme Drilling Fourpoint Energy
Hemphill         Unit Drilling Unit Petroleum
Cactus Drilling Tecolote Energy
Unit Drilling Unit Petroleum
Cactus Drilling Tecolote Energy

TEXAS RRC DISTRICT 10
Hardeman        Stemberger Drilling Triangle Three Resources
Strata Scout Drilling Interstate Explorations

Rig Count - United States

Rig Count - Texas Panhandle

Natural Gas - Henry Hub

Crude Oil - Texas Panhandle All Fields
Every year, Americans spend about $750 billion dollars for gasoline and electricity—about 4 percent of the economy—with roughly equal amounts spent to fuel vehicles vs. keeping the lights on and running our factories. **Where you live significantly affects how much you pay for these basic energy commodities.** Excepting Alaska and Hawaii due to their unique supply challenges, the highest gasoline prices in the nation this week were found in California—$3.23 per gallon. California also has the nation’s highest gas tax at $0.53 per gallon. The least expensive gasoline in the nation is found in Alabama at $2.27 per gallon. Alabama’s gas tax ranks 38th in the nation at $0.21 per gallon. However, gasoline prices are more than the sum of supply and demand and fuel taxes. Regulations and corporate taxes also play a big role in determining refinery operating costs as well as expenses throughout the entire supply chain. This manifests itself in the final price to consumers.

Retail electricity prices also vary significantly from state-to-state. For instance, Louisiana had the lowest overall electric rates from 2015 to 2016, powered by inexpensive and abundant natural gas, at 7.53 cents per kilowatt-hour. At 7.55 cents per kilowatt-hour, Washington State was close behind with its large production of low cost hydropower. At the other end of the scale was Connecticut, with an overall retail electric price of 17.52 cents per kilowatt-hour, more than double the price in Louisiana.

Looking at both gasoline and electric prices for the 48-contiguous states and weighting each the same shows that Louisiana and Oklahoma have the nation’s lowest prices while Oklahoma enjoyed a discount of 33 percent below the national average. Paying the most for electricity and gasoline were Connecticut and California, at 76 percent and 75 percent above the national average, respectively.

With retail electric sales of $381 billion in 2016 and some 143 billion gallons of gasoline sold the same year, the additional costs or savings adds up to tens of billions of dollars, depending on the state and its tax and regulatory policies. The American Conservative Union analyzes the votes of state legislatures across the nation and compiles a useful state ranking showing the adherence to conservative principles in each statehouse annually.

The decisive test for policy is how it benefits people. Conservatives believe that lower taxes, less regulation and more liberty leads to human flourishing. Liberals believe that bureaucrats and lawmakers should make many basic decisions, instead of responsible individuals. Since electric and gasoline prices are easily measured, it is possible to compare these energy costs to state policy. The connection between political principles and energy costs is readily apparent.

Excluding Alaska and Hawaii, the ACU rated 30 state legislatures as casting conservative leaning votes in the legislative sessions from 2014 to 2017. Of these 30 states, with elected state representatives committed to liberty, lower taxes and less regulation, 26 enjoyed combined gasoline and electricity prices below the national average.

Of the remaining 18 liberal-leaning states, 10 of them had above average costs at the gas pump and on the electric bill. The correlation between these two measures, public policy and energy costs, was high with a coefficient of determination or “R squared” of 0.51, meaning that the philosophy of elected state representatives has a strong predictive link to energy prices in a state.

The next time somebody tries to tell you that “There’s not a dime’s worth of difference” between the parties, ask them how much they paid to fill their gas tank and keep the lights on.
The agreement, now called the United States-Mexico-Canada Agreement, or USMCA, won’t go into full effect until 2020 as it needs to be approved by all three nations.

While details have not yet been released, the deal has significant changes for automakers, opens Canada’s milk market to U.S. dairy farmers, and maintains arbitration rules that many American companies hoped would be kept in place.

Analysts said that Texas oil and gas producers will view the deal as a relief. Energy producers have been concerned that Trump, who had called NAFTA the “worst” deal ever made, could scrap NAFTA entirely.

For Texas -- and Houston -- keeping the deal in place is significant to the economy.

Energy companies will now continue to be able to freely export nearly 5 billion cubic feet of gas a day to Mexico, and American refiners will still be able to tap some of the 3.3 million barrels of oil exported from Canada each day.

“The key takeaway is that it should not be negative” to Texas oil and gas producers, said Ed Hirs, an economist at the University of Houston. “It should be business as usual, or maybe a little better.”

In Texas, trade with Mexico and Canada accounts for more than 1 million jobs. Mexico is the No. 1 trading partner for Texas and the Greater Houston area. In 2017, there was $20 billion of trade between Mexico and the Greater Houston area, including Galveston, according to the Greater Houston Partnership. Canada accounted for $3.3 billion in trade with the region last year.

About 38 percent of all Texas exports go to Mexico.

“Any agreement that the United States reaches with Mexico is important and is good news for Houston,” said Patrick Jankowski, vice president of research for the Greater Houston Partnership. Texas imports more from Mexico than any other country, roughly 33.2 percent of all of its imported goods. The state’s trade with Canada tops more than $40 billion per year.

“This is very good news for Texas companies,” said Doug McCullough, director of the Canada-Texas Chamber of Commerce.
Cabot Oil & Gas Corporation v. Newfield Exploration Mid-Continent, Inc. No. 07-16-00125-CV, 2017 WL 2622773 (Tex. App.—Amarillo June 13, 2017, no pet.) (mem. op.) held that a reservation of a wellbore and “the 160 acre proration unit surrounding said well” reserved only the wellbore when no 160 acre proration unit was ever designated. Cabot reserved the interest. Newfield contended the attempt to reserve a proration unit was void under the Statute of Frauds.

The Statute of Frauds requires that certain transactions be in writing and signed by the parties against whom it is to be enforced. Where the transaction involves a conveyance of realty, the writing memorializing it must furnish within itself, or by reference to some other existing writing, the means or data by which the property being conveyed may be identified with reasonable certainty. Similarly, when the writing attempts to exclude or reserve certain property from the transfer, the instrument must identify with reasonable certainty the property being excluded or reserved. Newfield contended that the lack of a proration unit coupled with the lack of any further description of the property, prevented the identification of the acreage included in the “proration unit” with any reasonable certainty. Newfield contended that the statute of frauds voided the portion of the reservation pertaining to the 160 acre proration unit, but Newfield did not dispute the reservation of the wellbore.

Cabot asserted that the “proration unit” actually referred to the entire southwest quarter of Section 27, Camp School Lands, where the well was located. Cabot’s reasoning was based on language found in some other documents related to the assignment and the fact that many sections contain 640 acres. That is, Cabot contended “proration unit” should be construed as the quarter section on which the well was located.

The court found the facts of this case to be indistinguishable from Clegg v. Brannam, where a portion of the property being conveyed was described as “one-fourth acre of land surrounding the well.” “Until designated, it likened to an amoeba with potentially shifting yet unknown boundaries, and, as such, the attempted reservation of the 160 acre proration unit surrounding the McCoy #27–1 well was void.”

The holding is consistent with precedent on the Statute of Frauds and is another example of the risk associated with legal descriptions tied to “proration units” or “drilling units.”

The foregoing is not a legal opinion. You should consult your attorney if this may be of some significance to you.

- Jeff McCarn may be contacted at (806) 345-6340 or jmcarn@bl-law.com

BLM issues final venting, flaring rule

Deputy Secretary of the Interior, David Bernhardt, announced the final rule that revises the 2016 Waste Prevention Rule – also known as the Venting and Flaring Rule – that is set to take effect 60 days after its publication in the Federal Register.

The revised rule does away with the requirements pertaining to waste minimization plans, gas-capture percentages, well drilling, well completion and related operations, pneumatic controllers, pneumatic diaphragm pumps, storage vessels and leak detection and repair. These rules have major consequences for families who rely on a strong energy sector to provide for their children and loved ones, and also for those communities who rely on the energy industry to support small businesses and lift up their public schools.

Beyond easing the regulatory burden, the final rule protects marginal wells that produce 10 barrels of crude or less per day or 60 Mcf of natural gas or less per day. An estimated 63 percent of the wells on public lands, or 69,000 wells, are considered marginal wells but combined had an economic impact of $2.09 billion in FY 2015. They said the 2016 rule would have required some smaller operators to choose between investing in expensive new equipment to capture emissions or shutting down their wells.

“We’re for clean air and clean water,” said Bernhardt. “At the same time, we’re for reasonable regulations.”

The United States and Canada forged a last-gasp deal on Sunday to salvage NAFTA as a tripartite pact with Mexico, rescuing a three-country, $1.2 trillion open-trade zone that had been about to collapse after nearly a quarter century. In a big victory for his agenda to shake-up an era of global free trade that many associate with the signing of NAFTA in 1994, President Donald Trump coerced Canada and Mexico to accept more restrictive commerce with their main export partner. Trump’s primary objective in reworking NAFTA was to bring down U.S. trade deficits.

While the new United States-Mexico-Canada Agreement (USMCA) avoids tariffs, it will make it harder for global auto makers to build cars cheaply in Mexico and is aimed at bringing more jobs into the United States. “It’s a good day for Canada.” Prime Minister Justin Trudeau told reporters after a late-night cabinet meeting to discuss the deal, which triggered a jump in global financial markets. In a joint statement, Canada and the United States said it would “result in freer markets, fairer trade and robust economic growth in our region.”

Methane in North Texas Groundwater Is Unrelated to Fracking

For nearly a decade, anti-fracking groups have tried to link methane in North Texas groundwater supplies to Barnett Shale development. But a new peer-reviewed study has effectively debunked that claim. Researchers at the University of Texas at Austin and the University of Michigan recently published their third and final study as part of a series assessing the cause of methane in water wells near natural gas development in the Barnett Shale. All five studies reached similar conclusions that “hydraulic fracturing has not affected shallow groundwater drinking sources in that area.”

American Energy Dominance Agenda Contributes to Record U.S. Oil Production

This month, the U.S. Interior Department unveiled final revisions to an Obama-era rule aimed at curbing methane emissions from oil and natural gas operations on federal lands. The Environmental Protection Agency also recently announced proposed improvements for the 2016 New Source Performance Standards designed to ease regulatory burdens on domestic energy producers by modifying the frequency for monitoring leaks at well sites and compressor stations and adopting other important technical corrections to the original NSPS rule.

Crude Oil Top Petroleum Export From U.S. in First Half of 2018

U.S. crude oil exports of nearly 1.8 million barrels a day were the top petroleum product export in the first half of 2018. Crude oil exports surpassed hydrocarbon gas liquids or HGL exports of 1.6 million barrels a day, according to a report by the Department of Energy. HGLs are defined as natural gas liquids like ethane, propane and olefins like ethylene, and propylene used in plastics manufacturing.

The foregoing is not a legal opinion. You should consult your attorney if this may be of some significance to you.

- Jeff McCarn may be contacted at (806) 345-6340 or jmcarn@bl-law.com
The Oil & Gas Industry is unique with sizable and complex risks financially and otherwise. Let NCW provide you with tools to mitigate or transfer your hazard risks.
RRC District 10 Production Data
August 2017 - August 2018

<table>
<thead>
<tr>
<th>County</th>
<th>Oil (BBL)</th>
<th>CH Gas (MCF)</th>
<th>GW Gas (MCF)</th>
<th>Cond. (BBL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ARMSTRONG</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>BRISCOE</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>CARSON</td>
<td>103,062</td>
<td>664,235</td>
<td>6,679,223</td>
<td>10,003</td>
</tr>
<tr>
<td>CHILDRESS</td>
<td>8,581</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>COLLINGSWORTH</td>
<td>3,042</td>
<td>52,077</td>
<td>878,567</td>
<td>0</td>
</tr>
<tr>
<td>DALLAM</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>DONLEY</td>
<td>0</td>
<td>0</td>
<td>8,792</td>
<td>174</td>
</tr>
<tr>
<td>GRAY</td>
<td>918,746</td>
<td>1,695,545</td>
<td>6,030,745</td>
<td>955</td>
</tr>
<tr>
<td>HANSFORD</td>
<td>244,756</td>
<td>1,246,408</td>
<td>9,129,590</td>
<td>18,198</td>
</tr>
<tr>
<td>HARTLEY</td>
<td>155,829</td>
<td>114,730</td>
<td>980,756</td>
<td>0</td>
</tr>
<tr>
<td>HEMPHILL</td>
<td>517,338</td>
<td>4,916,618</td>
<td>105,445,972</td>
<td>2,680,825</td>
</tr>
<tr>
<td>HUTCHINSON</td>
<td>461,449</td>
<td>2,354,796</td>
<td>4,763,986</td>
<td>109,521</td>
</tr>
<tr>
<td>LIPSCOMB</td>
<td>1,180,459</td>
<td>12,395,701</td>
<td>37,727,617</td>
<td>1,388,517</td>
</tr>
<tr>
<td>MOORE</td>
<td>292,838</td>
<td>1,258,650</td>
<td>17,960,249</td>
<td>3,776</td>
</tr>
<tr>
<td>OCHILTREE</td>
<td>4,713,312</td>
<td>22,326,266</td>
<td>13,730,090</td>
<td>288,414</td>
</tr>
<tr>
<td>OLDHAM</td>
<td>364,019</td>
<td>1,071,025</td>
<td>33,647</td>
<td>19</td>
</tr>
<tr>
<td>POTTER</td>
<td>726,892</td>
<td>2,050,229</td>
<td>5,703,026</td>
<td>2,133</td>
</tr>
<tr>
<td>ROBERTS</td>
<td>1,258,798</td>
<td>11,382,241</td>
<td>31,606,223</td>
<td>532,026</td>
</tr>
<tr>
<td>SHERMAN</td>
<td>58,569</td>
<td>42,258</td>
<td>12,880,601</td>
<td>1,524</td>
</tr>
<tr>
<td>SWISHER</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>WHEELER</td>
<td>1,186,347</td>
<td>9,850,054</td>
<td>97,684,521</td>
<td>2,270,330</td>
</tr>
<tr>
<td>Total</td>
<td>12,194,037</td>
<td>71,420,833</td>
<td>351,243,605</td>
<td>7,306,415</td>
</tr>
</tbody>
</table>