



TEXAS LAND & MINERAL OWNERS ASSOCIATION

OFFICIAL NEWSLETTER

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RAILROAD COMMISSIONER CHRISTI CRADDICK ANNOUNCES TEXAS OILFIELD RELIEF INITIATIVE

On August 9, the Railroad Commission issued the following press release announcing the Texas Oilfield Relief Initiative, a nine-point plan aimed at easing regulatory burdens on the oil and gas industry in Texas. While we agree that improved administrative efficiency is good, TLMA is concerned that some of the proposed rule-revisions would undermine hard-fought landowner protections and could affect your leases. For instance, as part of the initiative, the Railroad Commission proposes to revise Statewide Rule 15 to cut in half the volume that must be produced by a well for it to still be defined by the rule as an active well. TLMA will follow proposed rulemakings related to the Texas Oilfield Relief Initiative and will provide comments where it affects landowners and royalty owners.

AUSTIN – Railroad Commissioner Christi Craddick today announced details of her Texas Oilfield Relief Initiative as the first rule amendments of the project were rolled out during the Commissioners’ open conference. The initiative improves efficiencies for the state’s energy regulatory body, as well as oil and gas producers working to sustain business operations during the current downturn in the energy sector. The initiative will reduce the regulatory administrative burden on industry while ensuring the Commission continues to protect the public and environment



“This initiative is part of my ongoing efforts to adjust our processes and put in place common sense practices that achieve greater effectiveness in regulating energy the way it is produced today,” Craddick said. “During my time at the Commission, these efforts have not only included a reevaluation of our

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REGISTER TODAY FOR THE TLMA STATEWIDE MEMBERS MEETING, OCTOBER 20

The Texas Land & Mineral Owners Association returns to the Pearl Stable in San Antonio for our Statewide Members’ Meeting on October 20, 2016. You won’t want to miss it!

The meeting is an all-day event featuring outstanding speakers who will present information on a variety of topics related to land and mineral interests. In addition to gaining valuable knowledge affecting your assets, you will have the opportunity to meet fellow TLMA members, connect with long-time friends, and share stories. Breakfast and lunch are included in your registration.

See pages 6 and 7 inside this newsletter for more information and a registration form. Call us at (512) 479-5000 with any questions.

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TLMA's mission is to create a business and legal environment that is accommodating to the continued exploration for and production of oil and natural gas by ensuring that the rights of both the mineral and surface owners are protected, reduce litigation and to protect our precious groundwater resources.

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COURT DECIDES LANDMARK GROUNDWATER CASE

On May 27, the Supreme Court of Texas issued its opinion in a precedent-setting case dealing with groundwater production and property rights—*Coyote Lake Ranch v. The City of Lubbock*. The Court held that a longstanding oil-and-gas-law principle, the accommodation doctrine, also applies to groundwater.

The prior owner of Coyote Lake Ranch sold some of the groundwater rights to the City of Lubbock in 1953 during a historically-severe drought. Over the years, the city had drilled a handful of wells to produce groundwater. When sixty years later, again in a terrible drought, the city released plans to develop approximately 80 new municipal wells across the ranch, the owners of the ranch filed for an injunction.

Coyote Lake Ranch argued that the enormous expansion of the water-well field on the ranch would irreparably damage the surface of the ranch and its ability to conduct regular cattle and gaming ranch operations. They felt that, in accordance with the accommodation doctrine applied to mineral-production disputes, the city had an obligation to conduct its groundwater-production operations "with due regard for the rights of the surface owner."

The trial court granted the ranch a temporary injunction to prevent the city from drilling additional wells on the property, but the 7th Court of Appeals reversed and remanded the case. Coyote Lake Ranch appealed the 7th Court's decision to the Texas Supreme Court, which listened to oral arguments from the parties last October. It issued its opinion this spring.

The Court held that "[t]he principle, absent an agreement to the contrary, that a severed mineral estate's implied right to use the surface must be exercised with due regard for the surface estate's rights, and the rules common to mineral and groundwater estates, compel the conclusion that the accommodation doctrine extends to groundwater estates."

This is landmark case for surface owners' who sever their groundwater rights but maintain use of the surface of the land. Groundwater producers must consider your existing use when planning their water-production operations.

UPCOMING EVENTS AROUND THE STATE

September 9—Land Stewardship Workshop for Brush Contractors, hosted by Texas Wildlife Association, Texas A&M Forest Service, Earth Partners, TPWD, ECAT—Victoria.

September 15—Women in Agriculture Business Meeting, hosted by the USDA and the East Foundation—Hebbronville.

September 20—Ranching 101: Land Leasing hosted by the Texas & Southwestern Cattle Raisers Association—Fort Worth.

October 15—South Texans Property Rights Association Annual Meeting & Fundraiser—Kingsville.

★ October 20—TLMA Statewide Members Meeting—San Antonio.

January 23-25—Water for Texas 2017: Innovation at Work, hosted by the Texas Water Development Board—Austin.

methods and rules, but also an overhaul of our IT programs.

“This initiative is an extension of our commitment to best serve Texas with innovative regulatory practices, yet calls for a more thorough review in a time of industry slow-down when we should find ways to save time and money for the state and those doing business at the agency,” Craddick said. “These initial ideas brought forth in the initiative will save extensive time for our staff and tens of millions of dollars for oil and gas operators. This initiative serves as phase one of a long-term effort to streamline our operations that our executive director and staff will continue to carry out.”

The initiative results from a comprehensive review of the Commission’s regulatory processes, and takes careful consideration to avoid weakening public and environmental protections, correlative rights, or measures designed to prevent the waste of resources.

The initiative is receiving broad praise from industry-related members:

“With the current industry downturn, at stake is the survival of the state's small producers and the oil industry's many marginal wells, which make up 85 percent of total U.S. oil wells and 18 percent of the nation's total oil output,” said Judy Stark, Panhandle Producers and Royalty Owners Association Executive Vice President. “During this critical time, Commissioner Craddick's initiative will provide relief to Texas' independent producers, the backbone of both our state and nation’s oil industry. For that, PPROA's members are truly grateful.”

“The Commission’s efforts could not be more timely given the current economic struggles the industry faces,” said Ben Shepperd, Permian Basin Petroleum Association President. “Throughout its history, the Railroad Commission has continually evolved to perform its duties in the most effective manner possible. The Permian Basin Petroleum Association applauds Commissioner Craddick’s leadership of this effort.”

“As Chairman of the Texas Alliance of Energy Producers, I applaud the leadership of Commissioner Craddick and pledge our participation and support of her regulatory initiative,” said Bob Osborne. “The challenges facing the oil and gas industry have never been greater, and our contribution to the State's economy never more important.”

“TIPRO applauds Commissioner Craddick’s leadership in developing an initiative that will provide necessary and timely improvements to the efficiency of Railroad Commission procedures and practices,” said Ed Longanecker, Texas Independent Producers and Royalty Owners Association President. “These reforms will provide much needed relief to operators across the state as we continue to confront depressed commodity prices.”

“Texas’ oil and natural gas industry is the lifeblood of our economy in terms of jobs, economic activity and state and local tax revenue,” said Todd Staples, Texas Oil and Gas Association President. “I commend the Commission for their work on the Oilfield Relief Initiative and their commitment to ensure that the oil and natural gas industry continues to anchor our economy, protect our environment and provide for Texas families well into the future.”

You can find the full press release, which includes bullet-points of the nine Texas Oilfield Relief Initiative items to be implemented, by visiting the Railroad Commission website at <http://www.rrc.texas.gov/about-us/commissioners/craddick/news/080916a/>, or call the TLMA office for more information.

If you have any questions or comments regarding the Texas Oilfield Relief Initiative, please do not hesitate to contact us—(512) 479-5000 or info@tlma.org. We always welcome our members’ input! The more real-life experiences shared with TLMA, the better we are able to prepare comments that best represent our members’ interests and concerns to the Railroad Commission.

TLMA PROPOSES REVISIONS TO ASSOCIATION BYLAWS

BYLAWS OF THE TEXAS LAND & MINERAL OWNERS ASSOCIATION

These Bylaws govern the affairs of the Texas Land & Mineral Owners Association, a nonprofit corporation.

The purpose of the Texas Land and Mineral Owners Association (the "Association") is to advance the common interests of its members and to serve the public by providing accurate information about issues confronting owners of land, mineral, and royalty interests in Texas.

At the Statewide Members' Meeting on October 20 in San Antonio, members of the Texas Land & Mineral Association will vote on proposed revisions to the association's bylaws. An ad hoc committee of TLMA officers and directors undertook a bylaws-revision project last year in an effort to ensure the association's bylaws reflect the actual operations of the association and to anticipate the growth and evolution of TLMA.

The revisions address several topics and sections within the bylaws, as follows:

- Define the board size-range as between five to eleven members.
- Provide that the full panel of the board of directors will be elected biennially at the statewide member's meeting.
- Officers of the association will serve terms of two years, beginning service January 1st of an even-numbered (non-legislative) year and ending December 31st following the legislative session.
- The office of Treasurer is added to the section dealing with officers since TLMA has long-since operated with a treasurer.
- Allow the board to invite members who have made significant contributions to TLMA to be named Honorary Directors and members who have provided specific expertise of great value to TLMA to be named Advisory Directors.
- Rename the position of Vice President as District Representative to eliminate confusion and more accurately reflect the role.
- Allow the board to expand committees, establish that committees will be organized annually, rename the Texas Railroad Commission Committee as the Administrative Agency Committee, make clear that District Committees are optional, and eliminate the Education Committee and the Nominating Committee which have not been used in practice
- Revise the section on the statewide members' meeting so that it is not required to be annual, but may be held biennially as is the current practice.

The current bylaws require that revisions must be approved by a vote of the TLMA membership at the Statewide Members' Meeting. The vote will take place at the meeting on October 20 in San Antonio.

This summary of proposed revisions may be found on the TLMA website along with a copy of the current bylaws, a redlined version of the proposed amended bylaws showing the exact changes to be made.

If you have any questions or comments regarding the TLMA bylaws revisions, please call the TLMA office at (512) 479-5000, or email info@tlma.org.

TLMA TESTIFIES AT SENATE AND SUNSET COMMITTEE HEARINGS

Texas Senate Committee on Agriculture, Water and Rural Affairs July 25, 2016

TLMA was invited to provide testimony regarding the application of oil-and-gas law to groundwater at a hearing of the Texas Senate Committee on Agriculture, Water and Rural Affairs.

The committee, chaired by Senator Charles Perry, held the hearing to address some of its interim charges. As part of this, the committee listened to invited testimony on oil-and-gas law as applied to groundwater as it relates to its charge on improving the process of developing and executing the State Water Plan and the transfer of surface water and groundwater in the state of Texas.

TLMA Executive Director Laura Buchanan joined Joseph Fitzsimons, Brantley Jones, and Ed Small on the witness panel asked to speak about groundwater and oil and gas law.

Buchanan emphasized TLMA's position that all groundwater, as a constitutionally-protected and vested private property right, should all be considered equal, regardless of whether it is fresh or brackish.

Buchanan testified that while there are many similarities between mineral estates and groundwater estates—both are subject to the rule of capture, both may be severed from the surface estate, and both are now subject to the accommodation doctrine (see the Coyote Lake Ranch article on page 2 of this newsletter)—the two are also fundamentally different. Oil and gas are primarily commodities; water is a necessity.

TLMA asked the committee to carefully weigh and balance private property rights and the need to maintain adequate groundwater supply for landowners if it considers legislation that would regulate groundwater in Texas.

You can watch a video of the hearing by visiting the Texas Senate Committee's webpage at <http://www.senate.state.tx.us/75r/senate/commit/c505/c505.htm>.

Sunset Advisory Commission Railroad Commission Sunset Review August 22, 2016

The Sunset Advisory Commission held a public hearing on the sunset review of the Railroad Commission of Texas. TLMA Executive Director Laura Buchanan attended the hearing and provided testimony to the Commission.

The Sunset Commission staff issued a report and recommendations on the Railroad Commission sunset in late April, and TLMA filed comments on the report. TLMA's testimony at the hearing provided an opportunity to reiterate these comments to the full panel of commissioners and to bring up a recent development in light of the Sunset staff's recommendations.

Buchanan testified that TLMA supports the Sunset staff's recommendations, but would like to see two items go further toward transparency and security in the Railroad Commission. She asked the Sunset Commission to include a directive to the agency to provide an online filing and tracking system for landowner complaints.

In addition, Buchanan stated TLMA's support of the staff's recommendation to add additional tiers to the P-5 blank-bond structure, but asked that no blanket-bond amounts be decreased.

Finally, Buchanan expressed TLMA's concern over the recently-announced Texas Oilfield Relief Initiative (see pages 1 and 3 of this newsletter). Relaxing regulations for the oil-and-gas industry appears to run contrary to the Sunset staff's recommendations for the Railroad Commission.

The Sunset Commission is tentatively set to make a decision on the Railroad Commission review on November 10, 2016.

You can watch a video of the hearing and send input to the Sunset Advisory Commission by visiting its webpage at <https://www.sunset.texas.gov/meetings>.



MEET THE SPEAKERS FOR THE TLMA STATEWIDE MEMBERS MEETING

John Conner

Topic: Estate Planning with Mineral Interests



John Conner is an attorney with Graves Dougherty Hearon & Moody in Austin, Texas. His practice focuses on a broad range of client needs including tax planning, the management and preparation of estate plans including gift and estate tax planning, and the creation of various estate planning documents including wills, powers of attorney, and various trusts. His experience also includes estate planning matters related to charitable planning opportunities, estate administration, international estate planning, and the creation and preparation of family limited partnerships and limited liabilities companies as estate planning tools.

Mr. Conner graduated from Texas Tech University School of Law where he was editor of the *Estate Planning & Community Property Law Journal*. He also received his LLM in taxation, with honors, from Northwestern University School of Law in Chicago.

Joseph Fitzsimons

Topic: Surface Owners' Rights

Joseph Fitzsimons is a natural resources, oil and gas and water law attorney and third-generation South Texas rancher. He is a graduate of Deerfield Academy, Lewis & Clark College, and the University of Texas School of Law. Mr. Fitzsimons is a long-time member of the Texas Land & Mineral Owners Association. He has served as Vice-President of the Texas Wildlife Association and is a Director of the Texas and Southwestern Cattle Raisers Association. He is a former Chairman of the Parks and Wildlife Department's Private Lands Advisory Board and, in 1999, was named by then-Governor George W. Bush to serve on the Governor's Task Force on Conservation. In January 2016, Lt. Governor Dan Patrick appointed Mr. Fitzsimons to the Water Advisory Committee to serve as an advisory board member.



Mark Havens

Topic: Allocation Wells



Mark Havens serves as General Counsel to the Texas General Land Office. He has been with the GLO since 2006 and was previously the Director of the Energy Legal Section for the GLO, and regularly dealt with ownership and boundary disputes involving state lands, as well as issues surrounding the proper accounting of production revenue from state oil, gas and hard mineral leases. Mr. Havens was the lead attorney on matters involving allocation and PSA well permitting, and allocation of production and royalty concerns associated with horizontal wells

Mr. Havens earned both his Bachelor of Arts and Masters in Public Policy and Administration from Baylor University before receiving his law degree from South Texas College of Law. Prior to joining the GLO, Mr. Havens worked in private practice in oil and gas law with Harbour, Smith, Harris, and Merritt in Longview, Texas, representing mineral owners and royalty owners in negotiating oil, gas and other mineral leases, and surface agreements, and in oil-and-gas litigation.



**TEXAS LAND & MINERAL OWNERS ASSOCIATION
STATEWIDE MEMBERS MEETING
OCTOBER 20, 2016 — 8:00 A.M. TO 4:00 P.M.
PEARL STABLE — SAN ANTONIO, TEXAS**

Thank You, Sponsors!

Beaumont Rice Mills; Bissett Ranch Partnership; Carolyn Frost Keenan and P7 Kettle Ranch; C.H. Guenther & Son; Coates Energy; Petty Group, LLP; Santa Fe-East Partners, Ltd.; Trey and Paula Scott; Graves, Dougherty, Hearon & Moody; Helen K. Groves and Silverbrook Ranches; Womack Land and Cattle Company; and a Friend of TLMA.

Exhibitors

5 M's Minerals Management; Argent Mineral Management; Legacy Land & Ranches; South Texas Money Management; and Texas Agricultural Land Trust. More to come!

Sponsor & Exhibitor Information

If you would like to be a sponsor of or exhibitor at the TLMA Statewide Members Meeting, please contact TLMA at (512) 479-5000 or info@tlma.org. We appreciate your support and participation!

Registration Information

Register for the TLMA Statewide Members Meeting by mailing this form with your check to TLMA. To pay by credit card, please call TLMA at (512) 479-5000.

You can also register online by visiting the Statewide Members Meeting tab at www.tlma.org.

Please note that you must be a TLMA member to attend. The registration cost listed for non-member registrants includes a TLMA membership at the Individual level for one year.

Early Registration:

Individual Member \$65
Non-Member \$115

Registration after Oct. 1:

Individual Member \$75
Non-Member \$125

TLMA Statewide Members Meeting Registration

Name(s) _____

Organization/Ranch Name _____

Address _____

City _____ State _____ Zip _____

Telephone Number _____

Email Address _____

Please make check payable to TLMA and mail to 1005 Congress Ave, Ste 360, Austin, TX 78701



Texas Land & Mineral Owners Association
1005 Congress Avenue, Suite 360
Austin, TX 78701



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TLMA Membership Information Form

I would like to join TLMA I am a member, please update my contact info

Please return to: TLMA, 1005 Congress Ave., Suite 360, Austin, TX 78701

Name _____

Organization/Ranch Name _____

Address _____

City _____ State _____ Zip _____

Telephone Number _____

Email Address _____

Referred by _____

Don't forget!

If your contact information changes, be sure to update TLMA and avoid delays in receiving your newsletters, renewal notices, and other correspondence.

To change your address or any other membership information, contact Robbie Querner at (512) 479-5000, mail in this form, or log in to your membership account online at www.tlma.org.

Find more information, join TLMA, or renew your membership online at www.tlma.org