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Dear Gentlemen:

As supporters of The University of Texas System, your continued support of this great institution is profoundly appreciated. As you so aptly noted, what starts here really does change the world, and I echo your consideration of sustainability as it relates to production of oil and gas from the Permanent University Fund Lands (“PUF Lands”).

Because of that, about a year ago I asked Mark Houser, CEO of University Lands, the office that oversees the PUF Lands, to look into the questions about methane emissions from the PUF Lands. We had heard from Environment Texas, as well as from UT faculty, staff, students, alumni and contributors, like yourselves, who had come forward on the topic and asked that we assess the extent of the emissions and devise a plan to address them. Mark and his team are giving a considerable amount of attention to emissions reductions. I have the utmost confidence that University Lands is going above and beyond in its role as stewards of the PUF Lands as it works to responsibly generate revenue for our state’s top tier health and educational institutions and to promote the production of low-cost energy for the U.S. and the world.

As you reference in your letter, most energy experts predict that hydrocarbons will maintain a dominant role in the energy mix for the foreseeable future, which means that these lands will continue to provide significant resources for both the UT and Texas A&M Systems for years to come. As such, this necessitates a long-term management philosophy. Environmental stewardship is critical to this philosophy, which is why it's a key priority for University Lands and the UT System.

I have taken the suggestion of forming a task force under serious consideration, and, after internal discussions with University Lands leadership, as well as my leadership team here at System Administration, I have decided that it would be premature for me to make a final decision on the request, at this time. There are two main reasons for this decision: first, an internal assessment of the issue of emission reductions is already underway at University Lands and UT System, and we feel this assessment will better inform what the appropriate next steps may be. Secondly, as my tenure at UT System will conclude soon, I feel my successor should have the opportunity to consider these issues, since the new chancellor would be the one ultimately responsible for the task force's creation, should one be formed. Creating a task force and then "passing the buck" to my successor does not feel like the responsible thing for me to do. However, with that said, I will reiterate that the task force concept is by no means off the table, and I have asked Mark Houser, his team, and the leadership at UT System to reassess the idea toward the end of the calendar year after a thorough internal review is completed.

Regarding the internal assessment already underway, I'd like to take this opportunity to share with you some of the progress underway to reduce methane emissions - both at the oil and gas industry level, and internally at University Lands.

The Data Demonstrates Ongoing Progress

As you know, here in Texas, the Texas Railroad Commission regulates the oil and gas industry, and the Texas Commission on Environmental Quality sets specific environmental requirements for operating companies. At the federal level, the Environmental Protection Agency (EPA) is involved in all forms of environmental oversight and, specific to emissions, plays a crucial role in regulating, monitoring, and reporting.

Environmental Protection Agency data demonstrates that significant greenhouse gas emissions reductions in the U.S. have been made in recent years, indicating that minimizing emissions is becoming more of a priority for the oil and gas industry. According to the 2018 EPA Greenhouse Gas Inventory, since 1990, U.S. oil and gas methane emissions have fallen 14 percent, while oil and natural gas production have increased 50 percent and 21 percent, respectively.

In the Permian Basin, home to the PUF Lands, emissions continue to decline, despite oil and gas production having doubled since 2011. Specific to operations on PUF Lands, our most recent calculations using EPA data indicate that since 2014, emissions have decreased almost 20% while, during the same period, production increased by 7%. This performance is expected to improve even further with industry-led technology efforts and improvements in infrastructure.

Although University Lands maintains a long-term stewardship philosophy, it is not a regulatory body or environmental enforcement agency, and it does not aspire to be one. It relies on the good work of our state and federal agencies to set rules and regulations and works to ensure compliance through contractual requirements, as well as on-the-ground inspections and enforcement.

Impacts of Voluntary Groups like The Environmental Partnership

As concern over methane emissions has grown in recent years, international and domestic producers of all sizes have committed to further reducing emissions by participating in initiatives specifically targeting methane emissions reductions. To demonstrate its commitment to the issue, UL recently announced its alignment with one such initiative, the Environmental Partnership (EP) (<https://theenvironmentalpartnership.org/>).

The Environmental Partnership's membership includes a growing list of more than 30 top domestic oil and gas producers, 15 of which have production operations on PUF Lands. Through its alignment with EP, University Lands is encouraging additional operators on PUF Lands to join the group and commit to its goals, which include three separate five-year emissions-reduction programs:

1. Replacing, removing or retrofitting high-bleed pneumatic controllers,
2. Implementing leak detection and repair programs, and
3. Implementing best practices to minimize emissions during manual liquids unloading.

Early calculations indicate that current membership by PUF Lands operators in the EP represent about 30% of oil and gas production from PUF Lands. This means that this relationship, which is in its early stages, is already helping ensure that up to 1/3 of wells and facilities could be addressed within five years. Several large operators that are members of the Partnership, including ExxonMobil subsidiary XTO (referred to in your letter), along with Oxy, Shell, ConocoPhillips, Apache and Anadarko, lease some of the older oil and gas fields on PUF Lands. These older fields are often home to older wells and facilities that, admittedly, are more prone to emit. For these six operators, approximately 80% of their production from PUF Lands is from wells drilled before 2010. Company membership in EP significantly helps ensure that these older facilities will be upgraded with the latest technology in the very short-term.

University Lands staff participated in EP's Spring Conference, and then on April 25th, EP leadership addressed and promoted the EP initiative at the University Lands Partner Forum, where 40 companies operating on PUF Lands were in attendance. More operators are anticipated to join EP as a result of UL's recent alignment with the organization, stimulating a momentum of commitment and a sharing of best practices to help ensure that the steady decline demonstrated by the latest EPA data continues. To our knowledge, University Lands is the first mineral owner (non-operator) to actively participate in such an initiative.

Other University Lands Initiatives

In addition to involvement with the EP, UL has increased its focus on emissions through the recent hiring of a facilities engineer and the allocation of UL revenue towards emissions-reduction activities on PUF Lands. We recognize that some of the smaller, less well-funded companies struggle to find the funds to address methane emissions. To help promote momentum in this area, beginning later this year, UL will offer financial support to incentivize companies interested in implementing technologies and approaches that reduce methane emissions on PUF Lands.

University Lands is also committed to utilizing UT and A&M Systems' emissions experts, who are some of the world's best resources in this area and who are developing new technologies and practices that reduce emissions. While the critical reality that UL is a royalty owner and not a regulator or an operating company cannot be overstated, UL recognizes that it is in a unique position to increase awareness, positively engage operators, encourage best practices, and work with academic researchers and industry to implement practical, economic, and effective solutions.

In summary, as recognized in your letter, the PUF Lands are an invaluable asset for the 375,000 students across 25 institutions of both the UT and A&M Systems. For more than a century, UL and the PUF have benefited the great state of Texas and enabled access to low-cost energy for millions of Americans and the rest of the world. Please be assured that care of this invaluable asset – which includes protection of the quality of our air and all our natural resources – is a top priority and that we do intend to lead in this area.

Again, I greatly appreciate your support of UT System and most importantly, our environment. I take your concerns very seriously. My team will continue to assess your request over the coming months, and while I will ultimately have to defer to my successor, I will personally ensure that the new chancellor has been well briefed on the issue.

Sincerely,



William H. McRaven
Chancellor