

UNIVERSITY LANDS

FISCAL YEAR 2019 ANNUAL REPORT



AT-A-GLANCE

University Lands (UL) manages the surface and mineral interests of 2.1 million acres of land across 19 counties in West Texas for the benefit of the Permanent University Fund (PUF).

The PUF is the largest public university endowment in the U.S. and benefits more than 20 educational and health institutions across both The University of Texas System and The Texas A&M University System.

PUF LANDS



1.3MM

Acres Leased
for Mineral
Development

24,000

Oil & Gas Wells
Drilled to-Date

10,000

Producing Oil &
Gas Wells

15,000

Miles of Pipeline
& Powerline
Easements

110,000

Acres of
Renewable
Energy Leases

2MM

Acres of
Grazing Lands

BUSINESS LINES

Oil and Gas
Resources



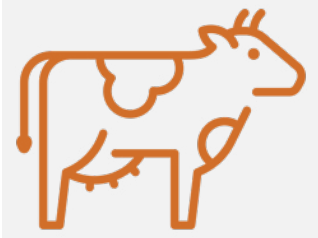
Water Resources
and Logistics



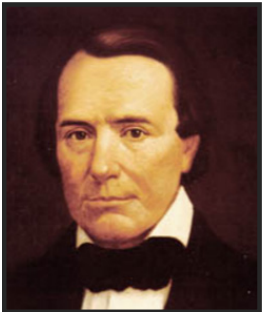
Solar and
Wind



Other Surface
Activities



HISTORY



1838

Mirabeau B. Lamar urges the Congress of the Republic of Texas to establish the foundation for a vast system of higher education

1839

Fifty leagues (220,000 acres) of land are set aside by Congress for the establishment and endowment of a university

1876

The State of Texas Constitution appropriates 1 million West Texas acres to the Permanent University Fund (PUF). These lands would become known as PUF Lands

1883

An additional 1 million acres are added to PUF Lands

1923

Oil is discovered at the Santa Rita #1 well on PUF Lands in Reagan County, and the PUF endowment receives its first royalty check for \$516.53



1929

The Board for Lease of University Lands is created

2009

The Permian Basin shale boom begins

2019

University Lands records the highest production of oil and gas from PUF Lands in its history



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FY19 HIGHLIGHTS

REVENUE

With gross revenues of \$1.135 billion, FY2019 was the second highest revenue generating year in University Lands' history. FY2019 was also a record year for oil royalty at \$825 million, as well as surface revenue at \$111 million.

EXPENSES

Annual expenses were 10% below budget at \$22.0 million and represented 1.94% of gross revenue or \$0.93 per barrel of equivalent production unit cost.

PRODUCTION

FY2019 was a record production year with rates peaking at a combined volume of ~300,000 gross barrels of oil equivalent (BOE) per day, up 13% year-over-year. UL's mineral royalty averaged ~22.5% for both oil and gas, and cumulative net royalty production to University Lands totaled ~24 million BOE.

ASSET VALUE

FY2019 Proved Reserves are down 3% year-over-year primarily due to region-specific development delays and slight adjustments to commodity price projections. On a price neutral basis, the value-per-acre of Proved Reserves is up 21% year-over-year.

VALUE CREATION

Minerals: FY2019 was a significant year for negotiating future investments and activities on and into the PUF Lands. Nine significant oil and gas development agreements were negotiated that represent up to ~\$1 billion in present value (PV6).

Surface: Surface initiatives contracted for FY2019 represent up to ~\$200 million in present value (PV6). Many of these surface-related projects also have a stewardship and environmental focus.

ENVIRONMENT

Pilot programs for inspections and monitoring of air emissions at operator facilities began with ~350 air inspections completed, in addition to 1,500 routine physical inspections of mineral and surface leases. UL's Lease Evaluation team reviewed and terminated leases that returned 9,900 acres to inventory, and 223 old oil and gas wells were plugged and the surrounding area remediated and returned to pastureland.

WATER

Initially launched in 2018, University Lands' Full-cycle Oilfield Water Management Initiative aims to capitalize on the scale of PUF Lands in ways that promote best practices with a focus on the creation of connected and shared infrastructure and an increase in the use of produced water in lieu of fresh water. In FY2019, University Lands designated two companies Preferred Water Service Providers as a key step towards realizing its vision for full-cycle water management across PUF Lands.

FY19 PERFORMANCE



\$1,024MM
Permanent University
Fund Revenue (Minerals)

\$111MM
Available University
Fund Revenue (Surface)

\$1.135B
Gross Revenue



\$22MM
Expenses

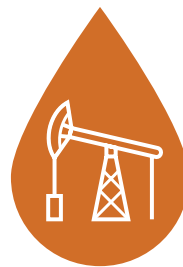
1.94%
of Gross Revenue

\$0.93
Expenses/BOE



288 MMBOE
Proved Reserves

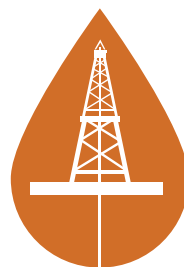
1,901 MMBOE
3P Net Reserves



24,000 MBOE
Net Royalty Production



\$1.2B
PV6 of Value Add Initiatives



2.0MM
Lateral Feet Drilled

240
Wells Put-on-Production



CEO MESSAGE

Almost ninety-seven years ago, in May 1923, the infamous Santa Rita No. 1 well struck oil on Permanent University Fund land in Reagan County, Texas, acreage that was one small piece of a land grant from the Texas Legislature almost 50 years prior. The Legislature envisioned that the land be used to generate revenue in support of the establishment and maintenance of “a University of first class.”

The Santa Rita was just the beginning. Since the discovery of oil on that West Texas land, the Permanent University Fund, which today supports Texas’ two largest university systems – The University of Texas and Texas A&M – has grown to be the nation’s largest public university endowment. These Lands are one of Texas’ most unique assets and provide the state with a capital funding mechanism for higher education that, with almost a century already behind us, will endure for generations.

As a native Texan and proud Aggie, it is a tremendous honor to lead the University Lands team in managing this great asset. The PUF Lands are home to a wealth of commercial and stewardship opportunities, including oil and gas production, renewable energy generation, groundwater supply, wildlife management, livestock grazing and ranching. At University Lands, our mission is to improve and sustain the economic productivity of the lands while being responsible stewards of its natural resources.

I am proud to present our inaugural annual report for Fiscal Year 2019, which ran September 1, 2018 to August 31, 2019, and was an unprecedented year for the organization. University Lands generated its highest oil royalty revenue ever, its highest surface revenue ever, and its highest production volumes ever. While the oil and gas industry was challenged with low commodity prices and slowing capital investment, our team was able to focus on key areas that enabled us to realize gross revenues of \$1.135 billion, the second highest recorded annual revenue in our history. As we look to the future, my team and I are committed to maximizing revenue from the PUF Lands while continuing our focus on stewardship, conservation and environmental management. Our vision is for University Lands to be the best land management organization in the country.

The Permanent University Fund Lands have a direct impact on hundreds of thousands of UT and A&M students, and the indirect benefits span the state, expanding educational opportunities, economic opportunities and access to healthcare for all Texans.

It is a privilege to be part of an organization with such a meaningful and measurable impact. As we say goodbye to 2019 and head into 2020, we look forward to the opportunity to continue to generate unprecedented value from this great asset.

Very truly yours,

A handwritten signature in black ink, appearing to read "M. Houser". The signature is fluid and cursive, written over a white background.

Mark Houser
Chief Executive Officer, University Lands



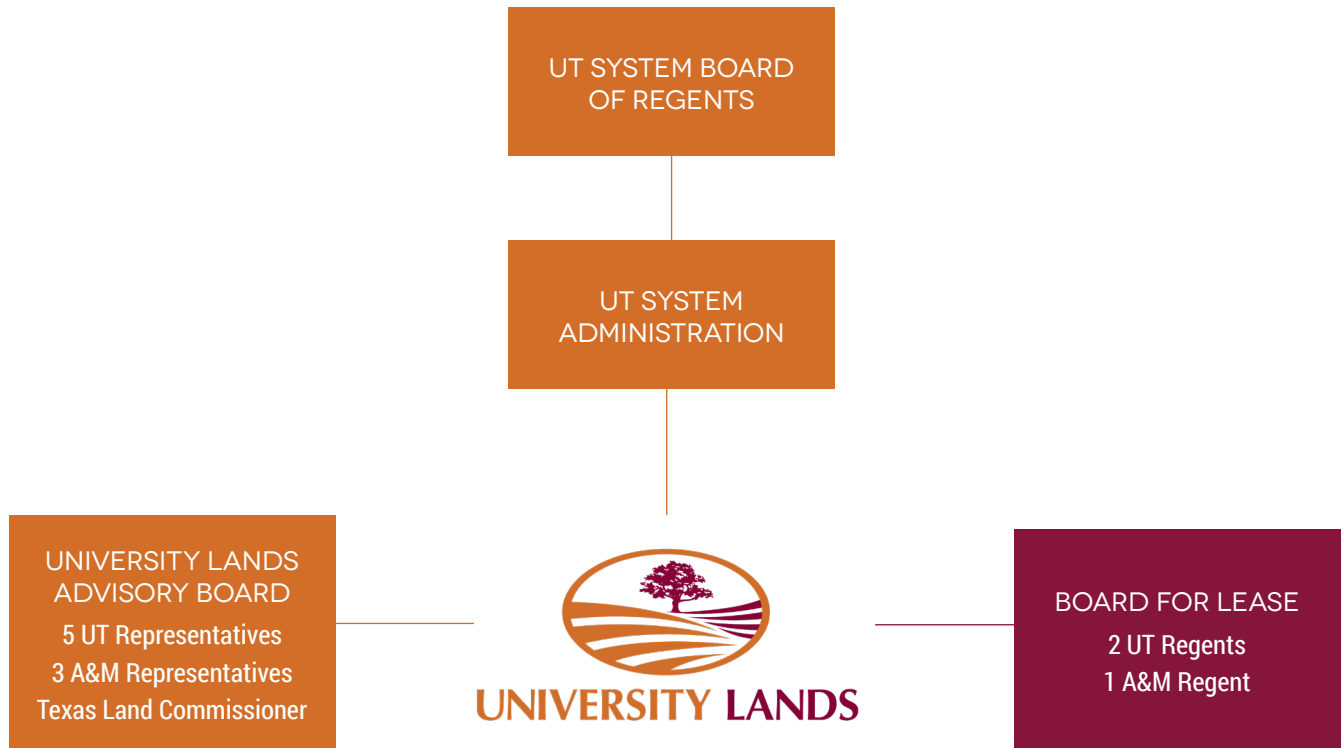
Drilling Rig, Andrews County

“Texas holds embedded in its earth rocks and minerals which now lie idle...resources of incalculable industrial utility, of wealth and power. Smite the earth, smite the rocks with the rod of knowledge and fountains of unstinted wealth will gush forth.”

Ashbel Smith, M.D.
First UT Board of Regents Chairman at the dedication of the University of Texas, 1881

GOVERNANCE

The University of Texas System Board of Regents is responsible for managing both the strategic direction and daily activities related to the ongoing development and stewardship of the Permanent University Fund (PUF) Lands. Separately, the Board for Lease of University Lands, which is chaired by the Commissioner of the Texas General Land Office, provides statutory oversight and governance for agreements to develop oil and gas located under PUF Lands. In 2013, the UT Board of Regents created the University Lands Advisory Board (ULAB). The ULAB consists of industry-savvy board members appointed by both the University of Texas and Texas A&M University Systems, as well as a standing position for the Texas Land Commissioner. ULAB provides guidance for the University Lands management team in determining strategy and provides guidance and recommendations to the UT System Board of Regents to ensure effective and responsible stewardship of PUF Lands. ULAB's perspective and guidance is invaluable to the University Lands management team and to the UT System Board of Regents.



BOARD FOR LEASE OF UNIVERSITY LANDS



George P. Bush
Commissioner, Texas General Land Office



Jodie Lee Jiles
Regent, The University of Texas System



Christina Melton Crain
Regent, The University of Texas System



Michael A. Hernandez III
Regent, Texas A&M University System

UNIVERSITY LANDS ADVISORY BOARD



Mark Albers
Retired, Senior Vice President, Exxon Mobil



Jay C. Graham
Regent, Texas A&M University System
CEO & Chairman, Spur Energy Partners



David J. Beck
Regent, The University of Texas System
Partner, Beck Redden, LLP



Scott C. Kelley
Executive Vice Chancellor for Business Affairs,
The University of Texas System



George P. Bush
Commissioner, Texas General Land Office



Jeff Spath
Head, Texas A&M University Harold Vance
Department of Petroleum Engineering
Director, Texas A&M Crisman Institute for
Petroleum Research



Thomas L. Carter, Jr.
CEO & Chairman, Black Stone Minerals



James C. Weaver, Chair
Regent, The University of Texas System
CEO, McCombs Partners



Kirk Edwards
President & CEO, Latigo Petroleum



John L. Zogg, Jr.
Managing Director, Crescent
Real Estate, LLC.

MANAGEMENT



(Front row l-r) Richard Brantley, Maryam Schellstede, Amber Jackson, James Buice, Cindy Brooks, Carrie Clark, Alyssa Ray; (Back row l-r) Wil Vark, Brian Owen, Jeff White, Mark Houser, David Sunderland, John Tackett

UNIVERSITY LANDS LEADERSHIP

Mark Houser (Houston)
Chief Executive Officer

Alyssa Ray (Houston)
Director, Corporate Strategy & Development

Carrie Clark (Houston)
Senior Vice President, Land & Legal and General Counsel

Maryam Schellstede (Houston)
Manager, Engineering & Business Analytics

Richard Brantley (Midland)
Senior Vice President, Operations

John Tackett (Houston)
Manager, Geoscience

Brian Owen (Houston & Midland)
Vice President, Land

Jeff White (Midland)
Manager, Surface Interests

David Sunderland (Midland)
Director, Information Systems

Jim Buice (Midland)
Manager, Right-of-Way & Environment

Cindy Brooks (Midland)
Director, Accounting, Audit & Regulatory

Amber Jackson (Midland)
Manager, Budget & Revenue

PHOTOS FROM THE PUF LANDS



MISSION

To maximize the revenue from the Permanent University Fund (PUF) Lands by applying intensive management, accounting, conservation and environmental programs, which improve and sustain the productivity of the PUF Lands, protect the interests of The University of Texas System and promote awareness and sensitivity for the environment.

2019 GOALS

- 1 Meet or exceed annual production and revenue projections within expense budget
- 2 Continue increased focus on emissions and environmental stewardship
- 3 Devise method for cross-functional assessment of operator performance
- 4 Enforce contractual rights, including offset well obligations
- 5 Improve organization-wide data management and systems capabilities
- 6 Promote development and grow activity in the Southern Midland Basin
- 7 Expand UL's focus on full-cycle water management

YEAR IN PHOTOS

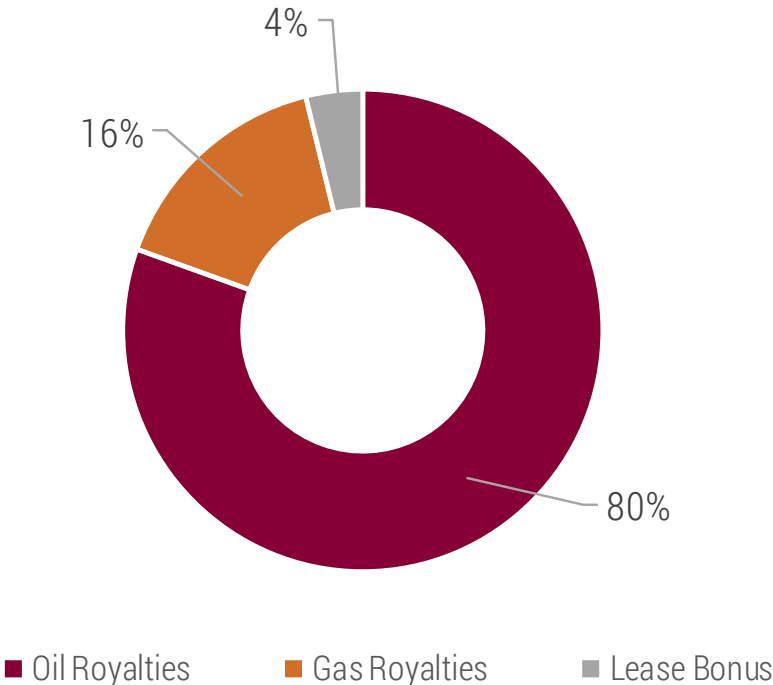


FINANCIALS

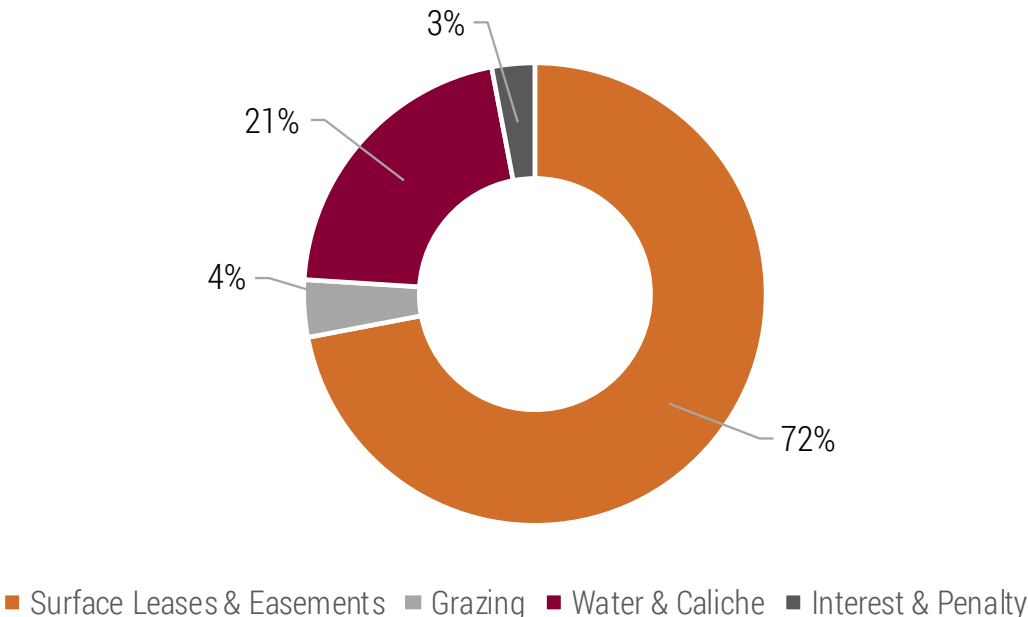
\$ millions; subject to rounding

	FY 2018	FY 2019			Variance
	Actuals	Budget	YE Actuals	Variance	FY19 vs. FY18
Annual Volumes					
Net Oil (MBBL)	12,900	13,500	15,000	11%	16%
Net Gas + NGLs (MMCF)	48,200	47,000	52,000	11%	8%
Net Millions Barrels of Oil Equivalent (MBOE)	21,000	21,400	23,600	11%	13%
Commodity Pricing					
West Texas Intermediate (WTI)	\$62.45	\$66.30	\$60.78	-8%	-3%
Average Oil Price Received	\$55.87	\$56.91	\$53.15	-7%	-5%
Average Gas Price Received (including NGLs)	\$3.71	\$3.03	\$3.05	1%	-18%
Permanent University Funds (Minerals)					
Oil Revenue	720	771	825	6%	14%
Gas Revenue	179	142	160	12%	-11%
Prior Period Adjustments/Other	(4)	NA	6		257%
Bonuses, Unitization Payments	138	40	38	-3%	-72%
	\$1,033	\$953	\$1,024	7%	-1%
Available University Funds (Surface)					
Water, Caliche, Damages	26	30	23	-22%	-10%
Grazing	6	6	4	-27%	-27%
Easements, Salt Water Disposal, Commercial	54	53	80	51%	48%
Interest, Penalty, Assignment Fees	2	3	3	3%	55%
	\$88	\$92	\$111	21%	26%
Total Revenue (Gross)	\$1,121	\$1,045	\$1,135	9%	1%
General & Administrative + Operating Costs	24.8	24.5	22.0	-10%	11%
\$/Barrel of Oil Equivalent Production	1.18	1.15	0.93	-19%	-22%
Net Revenue	\$1,096	\$1,020	\$1,113	9%	1.53%

2019 PUF – \$1,024 MILLION



2019 AUF – \$111 MILLION



OIL & GAS MINERAL MANAGEMENT

University Lands' Geoscience, Engineering and Land teams work alongside operators to ensure best-in-class development of the PUF Lands' oil and gas resources through both contracting and technical alignment.

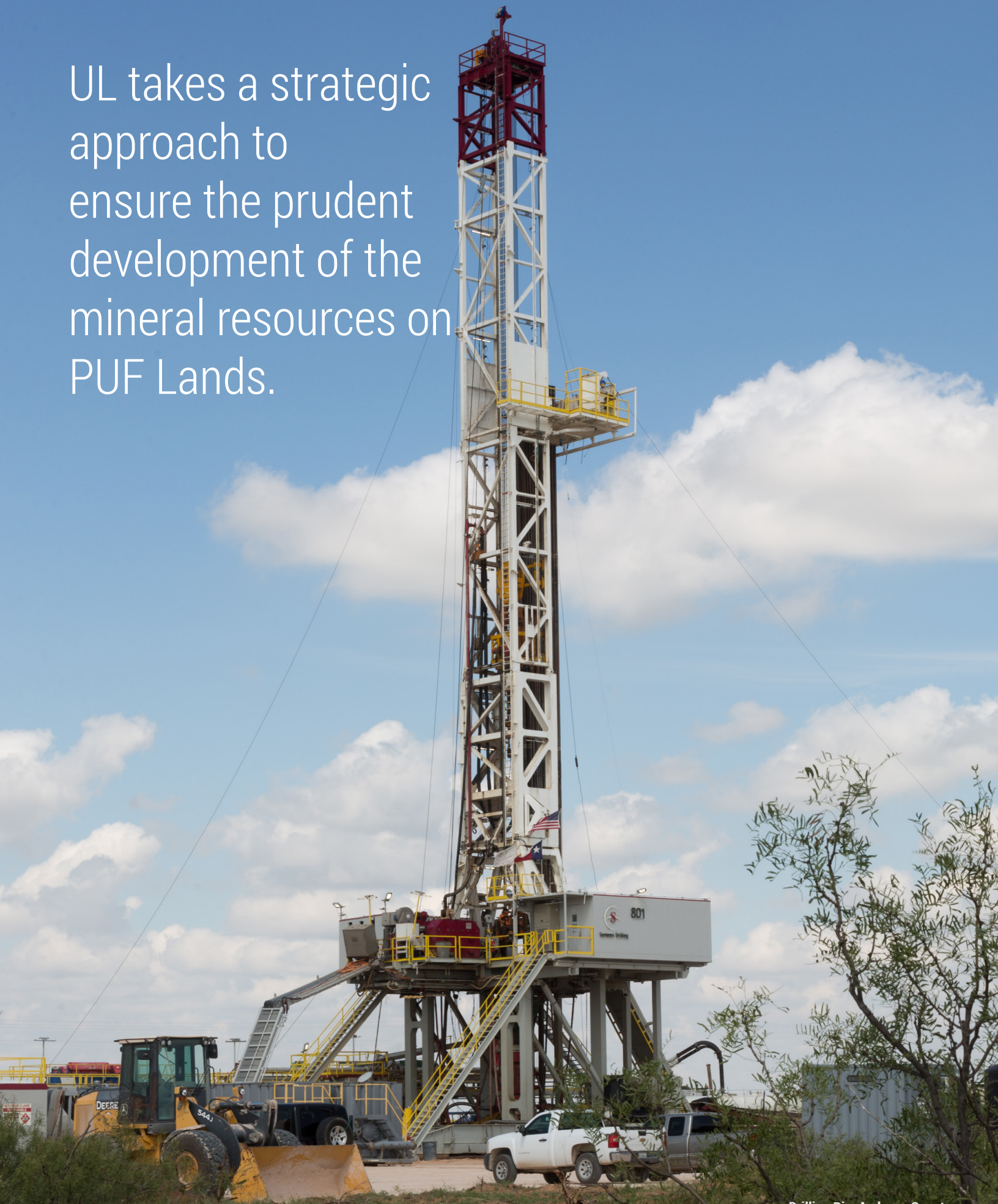
The team is focused on influencing operators and adding value through:

- Assessing and recommending ways to attract and retain development on PUF Lands
- Promoting accelerated, optimized full-field development
- Performing comprehensive subsurface studies to understand recoverable resource potential
- Identifying best practices in completion designs, landing depth and infill degradation
- Working with operators towards continued development, including in the testing of new formations and the piloting of varying well spacing and completions methods
- Improving efficiencies and accuracy of data retrieval and data analytics
- Working with operators where there exist opportunities for growth and/or improved economics
- Negotiating development agreements and other contracts that maximize the development and value of the minerals
- Ensuring rights under existing contracts and state statutes are being met
- Identifying opportunities to repatriate acreage
- Initiating and helping direct acreage swaps between operators to maximize horizontal development opportunities

FY2019 TOP PRODUCERS

UL takes a strategic approach to ensure the prudent development of the mineral resources on PUF Lands.



FY2019: KEY OIL AND GAS DEVELOPMENT ACTIVITY

The PUF Lands span the Delaware Basin, Northern Midland Basin and Southern Midland Basin, with more than 200 companies operating 10,000 producing wells. FY2019 was a significant year for new development, with 240 wells coming online and 2 million lateral feet drilled across PUF Lands. Production from PUF Lands hit historical highs, peaking at 300,000 million barrels of oil equivalent per day, and UL's cumulative net royalty production for the fiscal year was 24 million barrels of oil equivalent. To ensure continued development and value creation, University Lands' Oil and Gas Mineral Management team negotiated nine significant agreements with operators to secure an additional 1.4 million feet of future lateral footage obligations.

DELAWARE BASIN

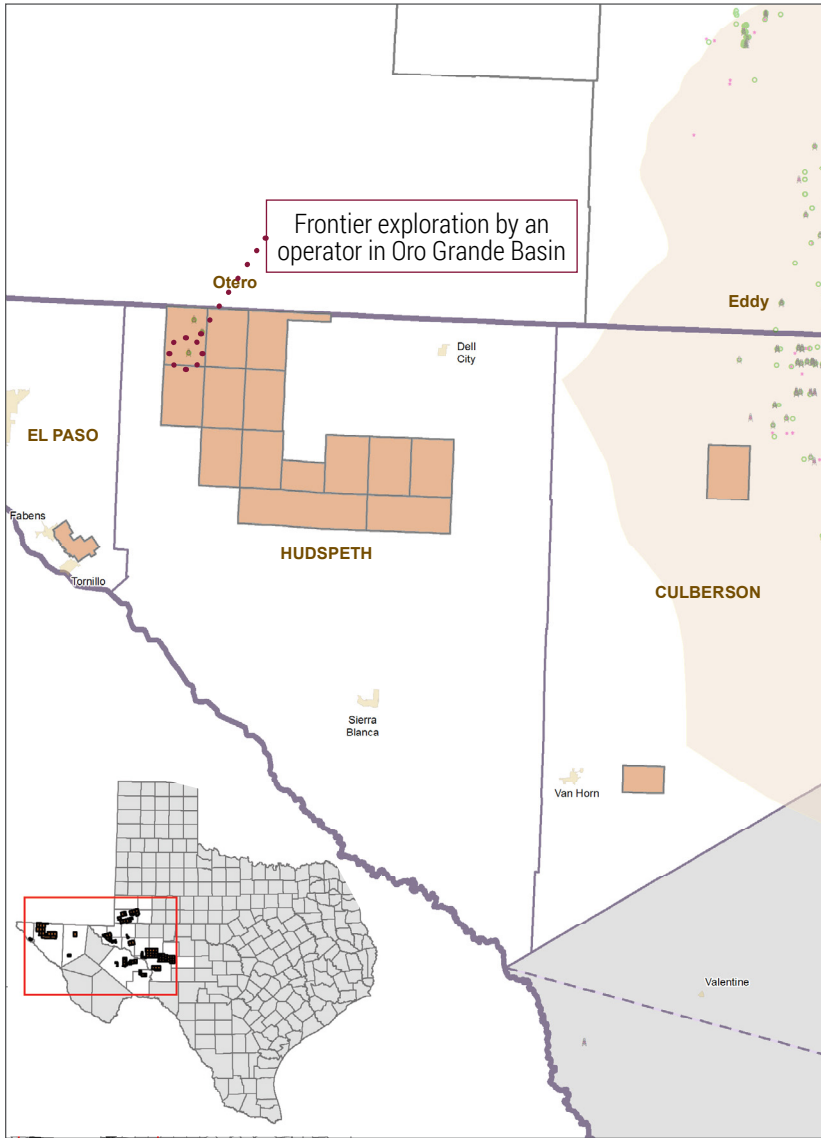
FY2019	Wells	Lateral Ft
Hz Spud	81	815,000
Hz 1 st Prod	102	885,000

NORTHERN MIDLAND BASIN

FY2019	Wells	Lateral Ft
Hz Spud	72	690,000
Hz 1 st Prod	47	315,000

SOUTHERN MIDLAND BASIN

FY2019	Wells	Lateral Ft
Hz Spud	44	505,000
Hz 1 st Prod	53	510,000



ACTIVITY SUMMARY

- 9 major oil & gas agreements negotiated adding 1.4 million lateral feet in future activity
- ~240 wells began producing
- ~2.0 million lateral feet drilled on PUF acreage

PERMIAN ACTIVITY

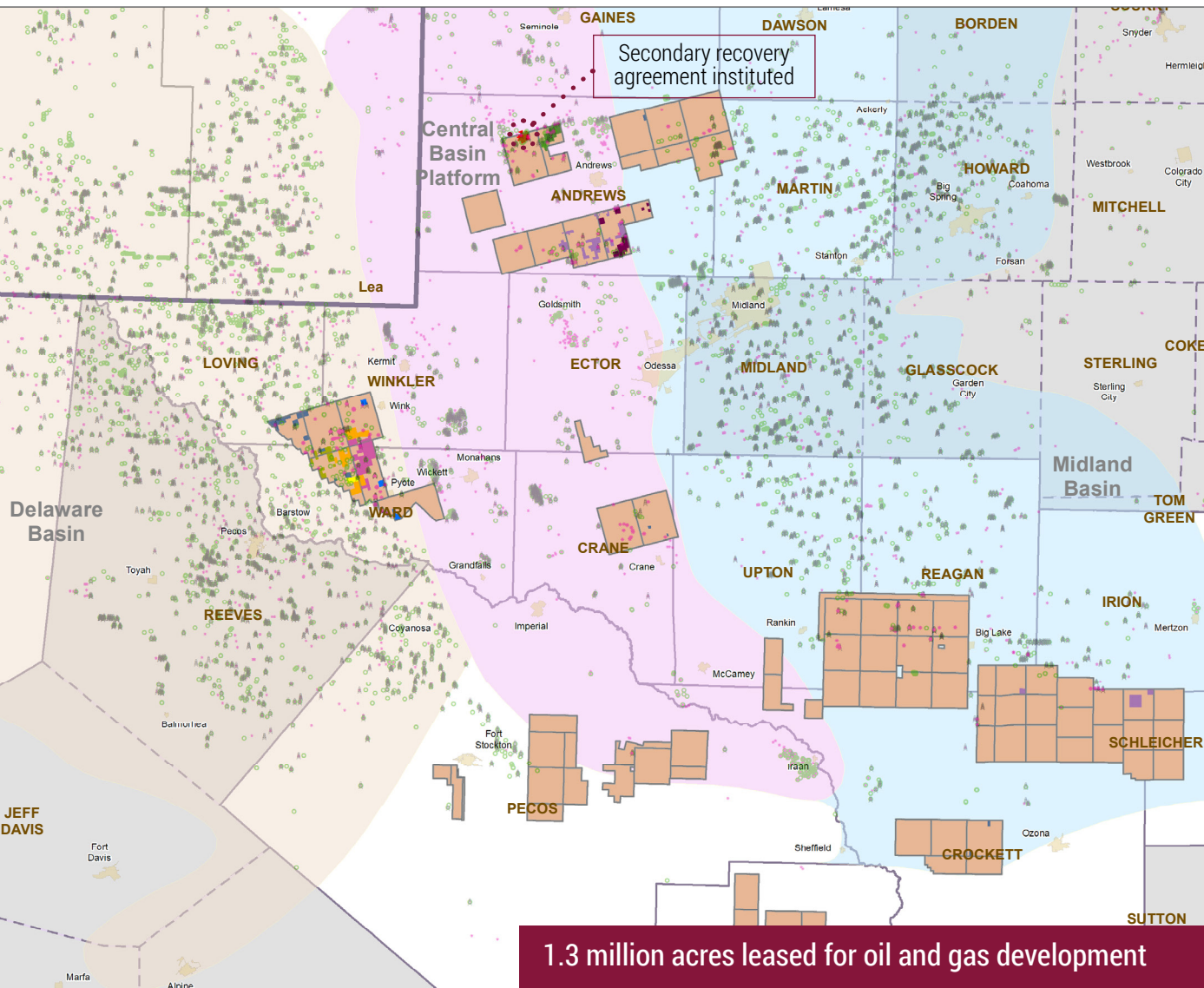
- ~49% in Delaware Basin
- ~41% Midland Basin
- ~10% Central Basin Platform and other areas

DEVELOPMENT ACTIVITY

 Abraxas	 Chevron
 Anadarko	 Zarvona
 Elevation	 Olifant
 Jagged Peak	 Ring
 Mercury	 XTO

WELL ACTIVITY

- Drilled
- Permitted
- Producing

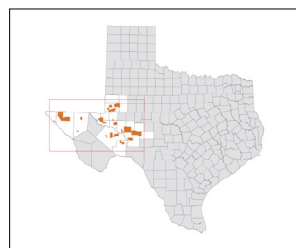
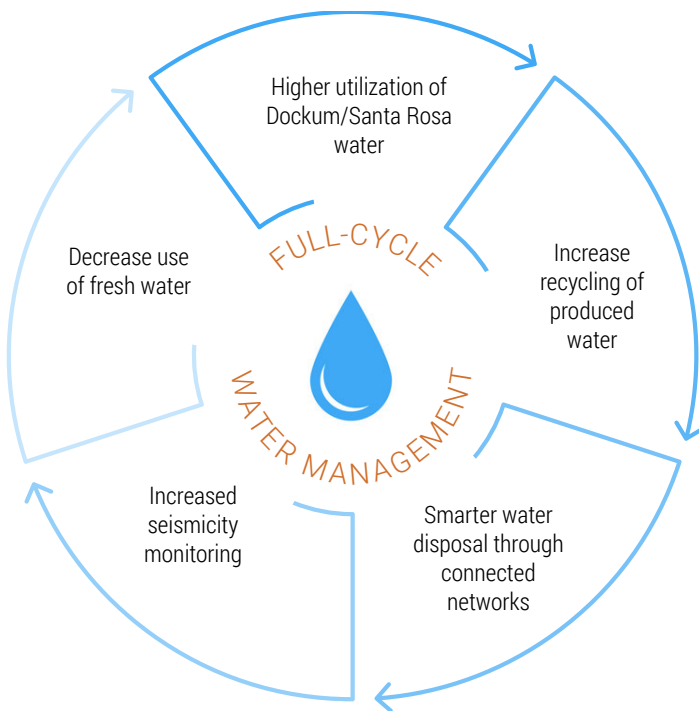


SURFACE MANAGEMENT

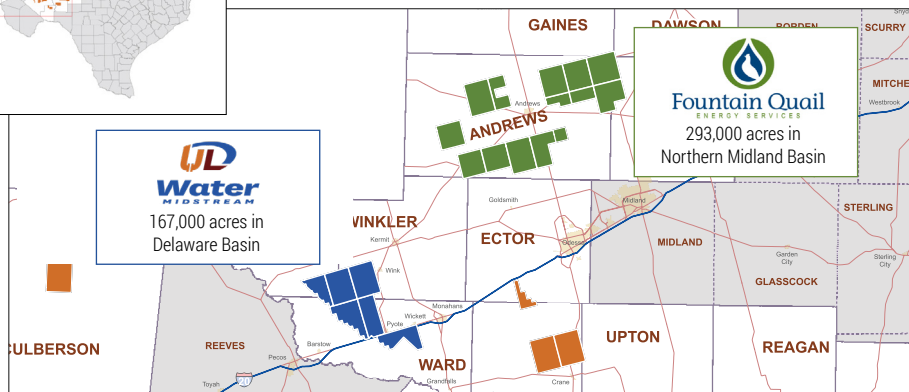
WATER MANAGEMENT

University Lands plays a key role in Permian Basin groundwater management. The PUF Lands' geographic positioning over several of the region's major and minor aquifers - coupled with University Lands' long-term management horizon - necessitates that water use across PUF Lands be monitored and conserved. At the same time, University Lands works to promote prudent commercial opportunities and support the success of water-related commercial ventures on PUF Lands.

In 2018, UL initiated its Full-Cycle Water Management Initiative, which aims to increase commerciality of PUF Lands' water resources while simultaneously promoting the conservation of fresh water. In 2019, University Lands designated its first two Preferred Water Service Providers.



PREFERRED WATER SERVICE PROVIDERS



Reduce overall full-cycle water costs



Reduce traffic, infrastructure issues



Better for the environment



Improve the sustainability of O&G development

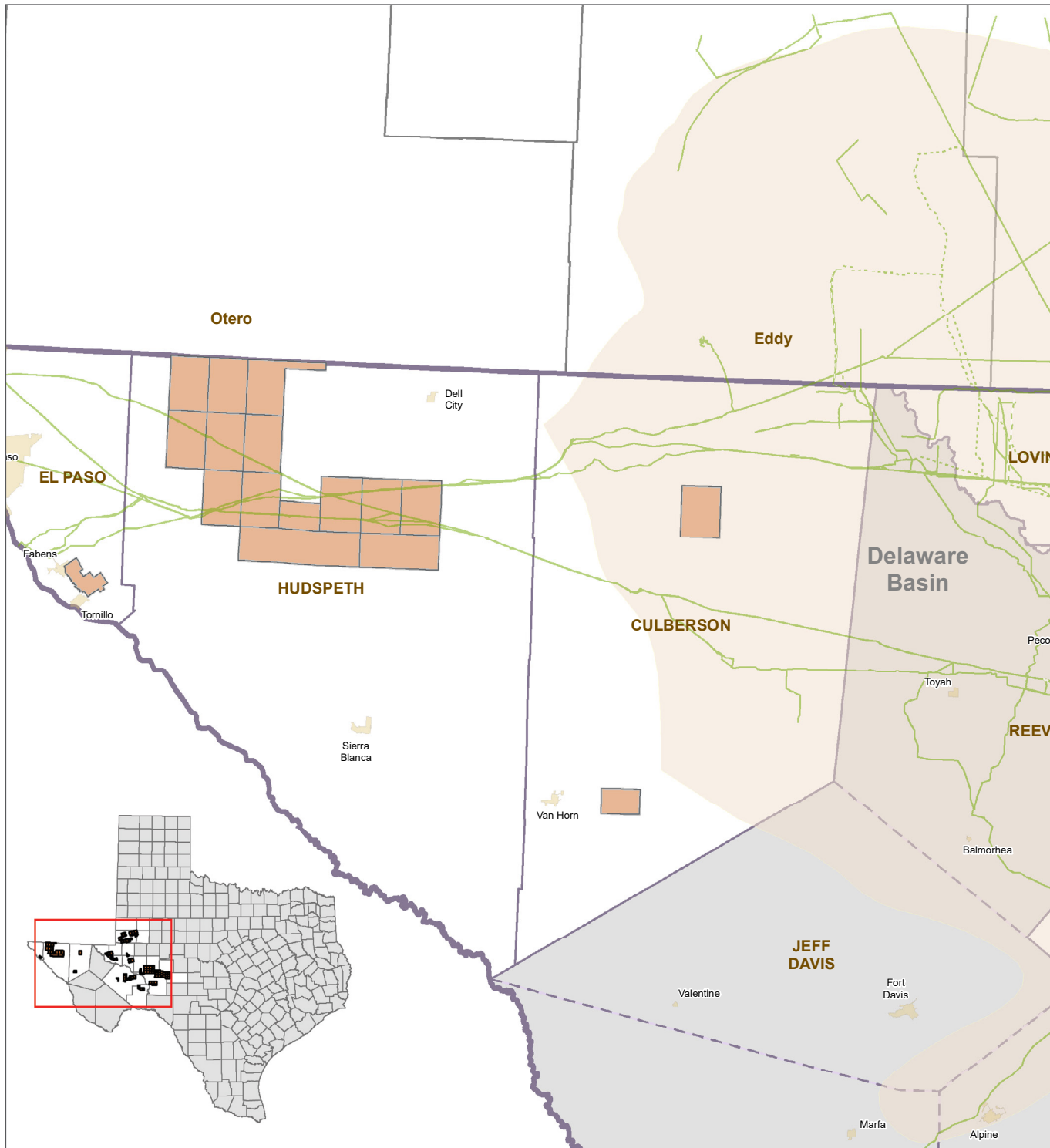


Better for the people of West Texas

UL takes its role in groundwater management seriously and has invested significant resources to ensure the longevity of the resource for generations to come.

PIPELINE EASEMENTS

Growth and expansion in pipeline easements on PUF Lands was a significant source of revenue and surface activity in FY2019. Fourteen new pipelines, several of which cross PUF Lands in more than one area, have been recently constructed or are under construction. Combined, these new pipelines will span more than 2,100 miles of PUF Lands and provide operators with new options for takeaway, which is much needed throughout the Permian Basin.

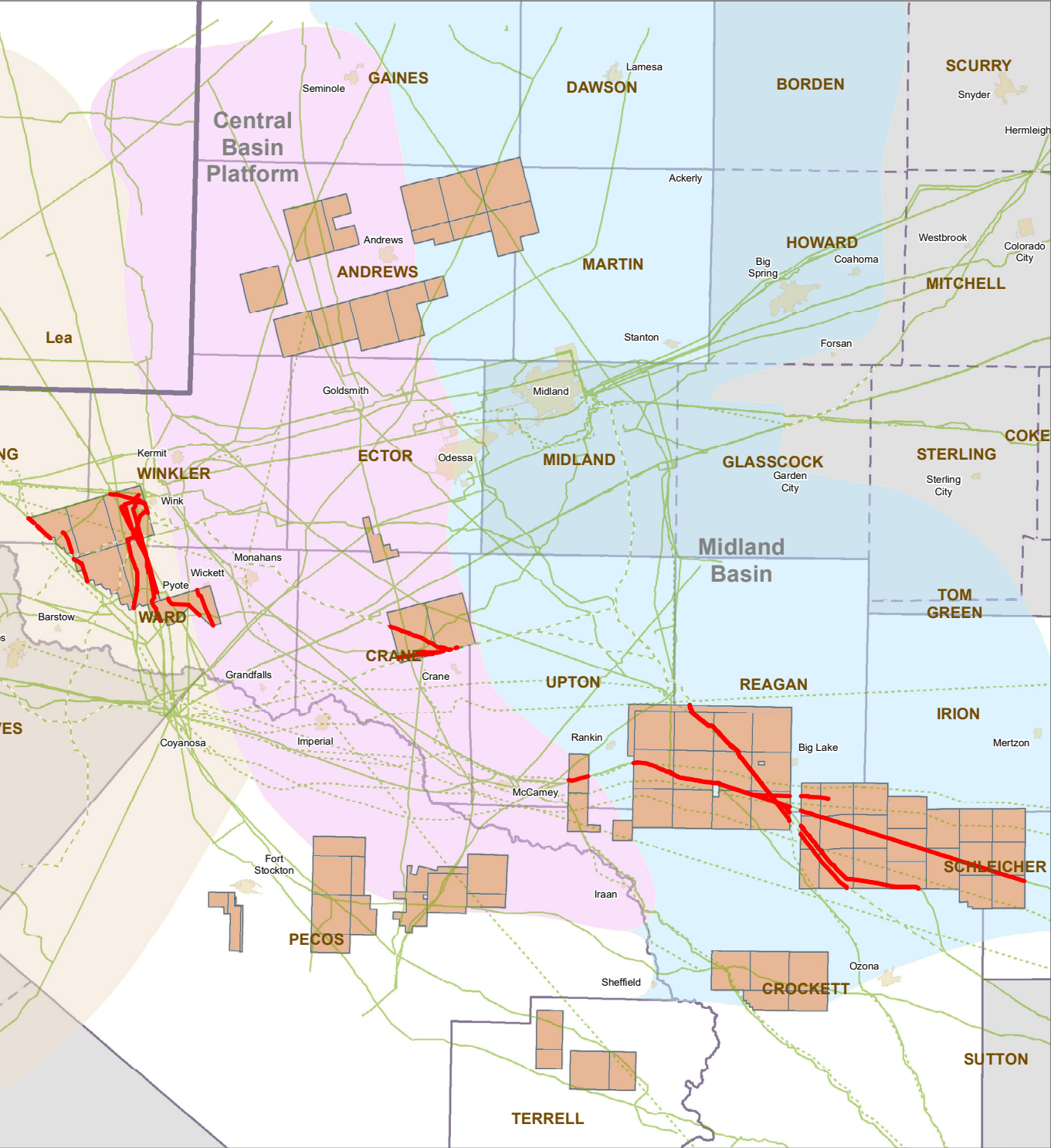


PIPELINE ON PUF LANDS

PIPELINE IN WEST TEXAS

2019 Pipelines Easements Granted

Active
Proposed
Construction



RENEWABLE ENERGY

University Lands' energy portfolio is diverse and growing. UL is committed to the development of renewable energy sources and actively seeks out opportunities for both solar and wind projects on PUF Lands.

While some of the first wind farms in the state were built on PUF Lands in Pecos County in 2001, in recent years, there has been a resurgence of interest in leasing land for renewable energy projects.

At the close of FY2019, University Lands had 12 active renewable energy leases, with several projects expected to begin construction in 2020.

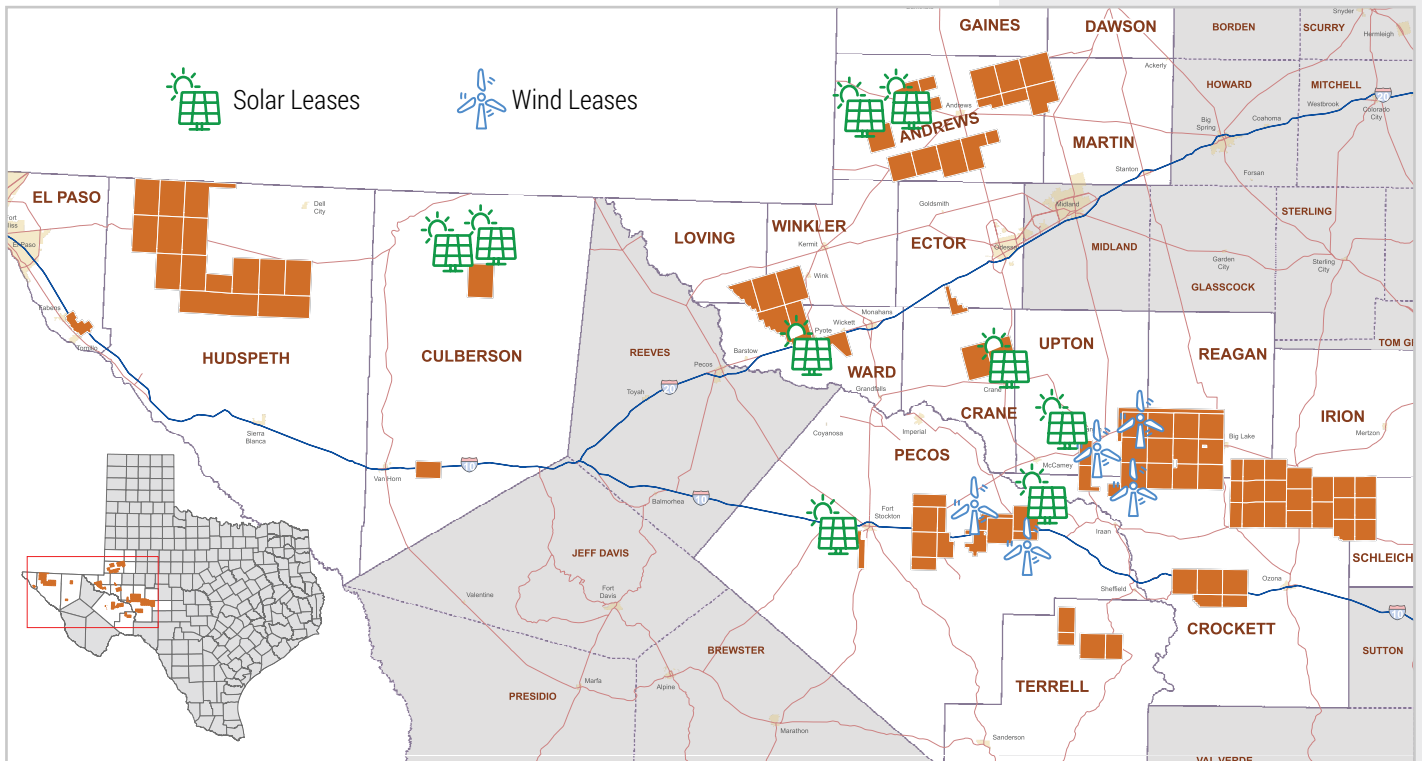
FY2019 RENEWABLES ACTIVITY

SOLAR

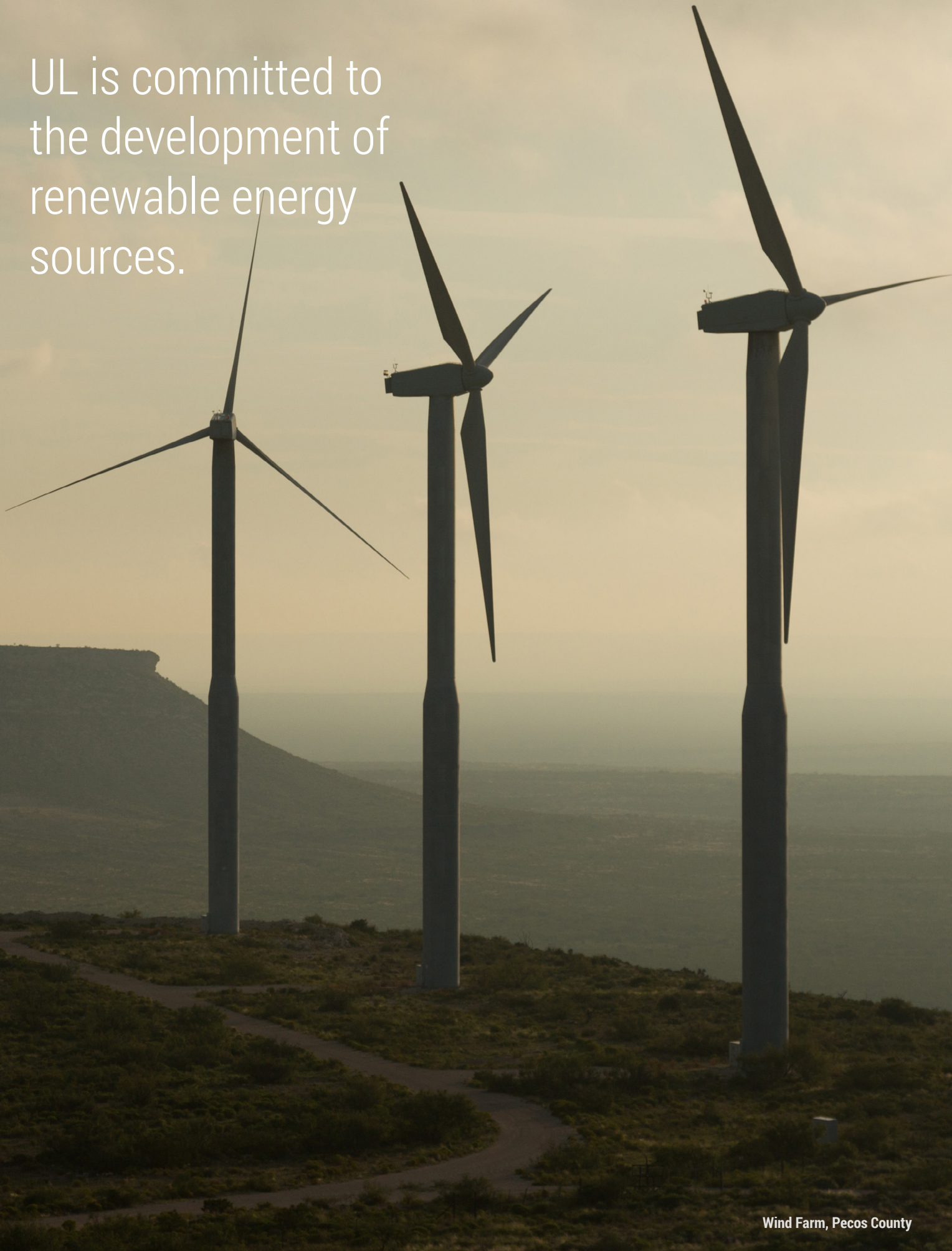
- 3 Leases Executed
- 2 Leases Negotiating
- 8,000 Acres
- 650 MW Capacity Potential

WIND

- 5 Leases Executed
- 60,000 Acres
- 375 MW Capacity Potential



UL is committed to
the development of
renewable energy
sources.



ENVIRONMENTAL STEWARDSHIP

LEASE INSPECTIONS

With multiple operations and overlapping footprints on 2.1 million acres, University Lands staff have the challenging yet crucial job of ensuring that all operations on PUF Lands are conducted in a responsible manner.

University Lands' dedicated surface and right-of-way teams monitor surface activities to make sure all operators and their contractors are adhering to UL's established rules and procedures. It is these teams' responsibility to minimize adverse impacts to the lands, the natural resources, or other lessees.

Using different methods and technology to monitor compliance, including on-the-ground inspections and aerial helicopter surveillance, these teams conduct daily field inspections covering upstream, midstream, grazing, renewables, easements, and commercial surface leases.

These inspections help minimize health, safety, and environmental issues and promote good stewardship of PUF Lands.



Aerial lease inspection showing abandoned operator equipment, Andrews County

BY THE NUMBERS

LEASE INSPECTIONS



1,500

Oil & Gas Lease Inspections

244

Commercial Lease & Easement Inspections

14

Grazing Lease Inspections

LEASE EVALUATION TEAM



35

Leases Evaluated

33

Well Tests Completed

13

Low or No Production Leases Terminated

84

Wells Plugged

9,900

Acres Returned to Inventory

RANCHING



100

Miles of Fencing Installed

25

Ranch Water Wells Installed

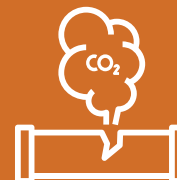
20

Old Water Wells Plugged

40,000

Acres of Brush Control Employed

EMMISSIONS



350

Infrared Camera Inspections

REMEDIATION & ENVIRONMENTAL RESTORATION

All spills, leaks or releases of crude oil, condensate, or produced water are required to be reported to the relevant regulatory commissions and to UL. Our surface team then provides guidance on how the reported leak should be remediated and will provide final closure when remediation is completed. UL has set standards of time and soil concentrations that operators must meet before remediation is considered complete.

UL also makes great efforts to reclaim abandoned caliche pits by removing them from operation and reshaping them to have gentle sloped sides that are top-dressed, reseeded to help revegetation, and returned to pasture land.

Abandoned or non-operational commercial surface leases or easements can become a liability if they stay exposed since operators no longer service or monitor these sites. UL inspects these surface leases and easements and requires operators to either return them to service or terminate the contract. If they are terminated, operators are required to reclaim the area and return it to pasture land.



Non-operational Drill Pit, Crockett County



Bio-remediated Drill Pit, Crockett County

FY2019 ACTIVITY

223
oil & gas wells plugged

85
miles of powerlines & poles removed

55
miles of steel & poly flowline removed

3
satellites reclaimed

2
tank batteries reclaimed

1
water station reclaimed

LEASE EVALUATION TEAM

UL's Lease Inspection Team is a cross-departmental collaboration between Land, Regulatory and Production Accounting to identify non-producing or low producing leases with the goal of terminating the leases and plugging abandoned wells.

When a non/low producing lease is identified, UL requests well tests to determine total production of the lease or individual wells. If wells are found to be uneconomical, the lease is terminated and the operator is required to plug the wells and restore the lease back to pasture land. UL is then able to return the acreage to inventory.

Once the well bores are plugged, UL requests the operator to remove all infrastructure associated with terminated lease (i.e. pump jacks, tanks, flowlines, powerlines), including the removal of all caliche from the well pads, tank battery location, and access road. The damaged areas are then reseeded to assist revegetation and return the land to its natural state, which is beneficial to both the carbon/oxygen cycle and water capture process.

The evaluation team also ensures abandoned equipment and materials such as tanks, separators, and flow lines are removed because they pose environmental hazards. Typically, abandoned infrastructure is no longer being monitored and leaks can occur which can potentially contaminate both soil and ground water.



*Before: Non-Producing Lease,
Crane County*




*After: Terminated Lease Reclamation
and Remediation*

EMISSIONS

As one of Texas' largest land and mineral management organizations, UL is proud of its role in generating funding for UT and A&M institutions while helping to responsibly meet the world's growing demand for energy. Recognizing that this unique resource must serve future generations, University Lands strives to be a leader in environmental stewardship and set the standard for best land and mineral management practices across the state.

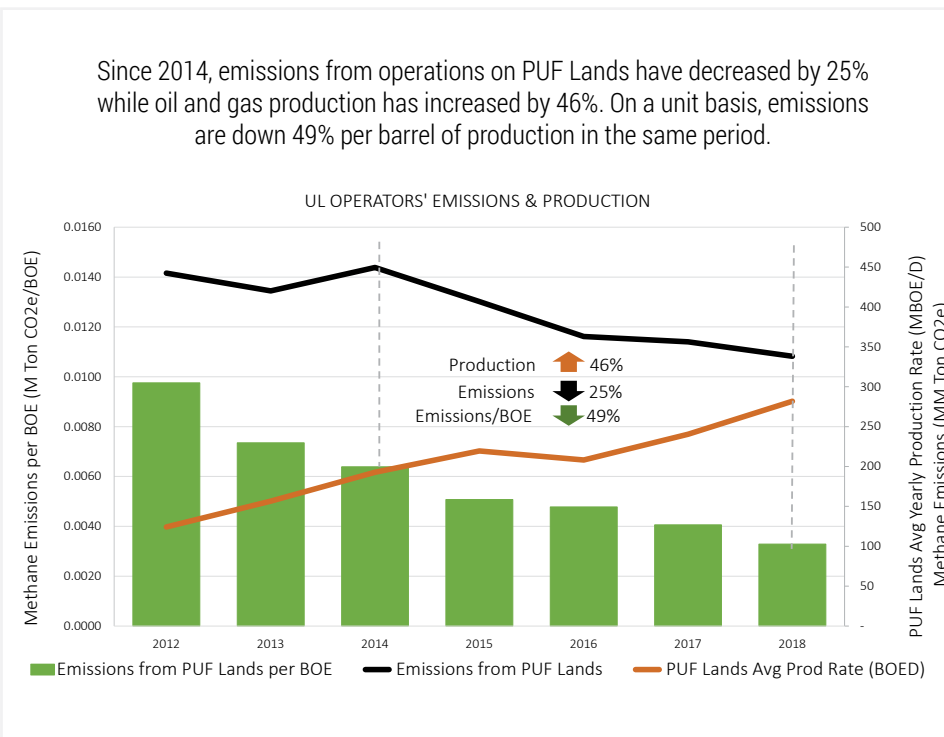
University Lands acknowledges the concerns generated by greenhouse gas emissions and supports adopting and following strong environmental safeguards and policies. University Lands is committed to improving operator performance in this area and is actively working to reduce methane emissions.

The Environmental Partnership, an organization that includes more than 30 of the top producers on PUF Lands, is working to continue the trend of declining emissions on PUF Lands. University Lands is an official promotor of The Environmental Partnership and encourages operator participation in the group's aggressive reduction programs.



PROGRAM FOCUS AREAS

- Leak Detection and Repair
- Minimize Emissions During Manual Liquid Unloadings
- Installation/Retrofitting of Pneumatic Controllers with Lower- or Zero-Bleed Methane Emissions



WHAT WE'RE DOING

CONTRACTUAL REQUIREMENTS AND STATE AND FEDERAL LAW: Oil & gas operators on PUF Lands are required by contract to comply with all state and federal laws and regulations. UL also requires use of best operating practices to minimize releases to the environment.

EMISSIONS INSPECTIONS: UL performs routine lease inspections using an infrared camera and ensures corrective actions are taken when exceedances are observed.

EMISSION REDUCTION COST-SHARE PROGRAM: UL offers financial assistance to qualified operators to retrofit obsolete equipment with modern technology.

NON-PRODUCTIVE/MARGINAL WELL INITIATIVE: UL's routine inspections of oil & gas operations ensures marginal wells are properly plugged and any associated emissions are eliminated.

ROYALTY PAYMENTS REQUIRED ON ALL GAS: The UL oil & gas lease requires operators to pay royalty on flared gas, incentivizing them to minimize the practice.

COLLABORATION WITH EXPERTS AND INDUSTRY: UL engages in regular dialogue, collaboration and sharing of best practices with scientists and engineers and industry associations and shares these learnings with operators.

COMMITMENT TO EMPLOYING AND FUNDING USE OF TECHNOLOGY: UL is exploring additional technology to inspect operations for excessive emissions.

COMMITMENT TO RESEARCH: UL is participating in a U.S. Dept. of Energy study investigating the impact of marginal producing wells on methane emissions.

BEST PRACTICES RECOMMENDATIONS: UL publishes recommended best operating practices to help ensure reductions in emissions continue.

REPORTING AND TRANSPARENCY: UL publishes its environmental performance data online and in its annual report.

UL performs routine lease inspections using an infrared camera and ensures corrective actions are taken when exceedances are observed.



RANGE & WILDLIFE CONSERVATION

Range & wildlife management has been an integral part of UL since its existence. This aspect of managing the PUF Lands retains a rich history that spans many generations of ranching families who have settled the area and raised families on the lands.

In the last 50 years, UL has increased its awareness and purposeful management of range and wildlife. UL's 110 grazing lessees maintain the rights to graze livestock and manage wildlife resources.

UL monitors livestock stocking rates to ensure grazing leasees maintain good range conditions. Good grazing management helps maintain other natural processes including groundwater management and recharging aquifers for future consumption.

UL also encourages and enforces conservative management of PUF Lands wildlife. There are many huntable species on PUF Lands, including white-tailed and mule deer, pronghorn antelope, dove and quail.

UL conducts aerial surveys to monitor the wildlife population to determine the overall health of each species and to provide harvest recommendations to ensure the resource will be there for generations to come.

UL invests in these natural resources by putting money back into the lands. Various projects are completed annually such as installation of new fencing to protect our boundaries and new interior fencing to promote proper livestock grazing management. New water wells, pipelines, storage tanks and troughs are installed to increase water development for livestock and grazing management. Different methods of brush control are implemented on the land to encourage more grass production, which also increases the water quantity and quality that is captured. Water improvements, along with brush control, aid in distributing livestock to all areas of the ranch, maximizing the full potential of all 2.1 million acres and increasing stocking capacity.

FY2019 ACTIVITY

~\$4MM

invested back into PUF Lands by UL, grazing lessees and USDA-NRCS

40,000

acres of brush control

100

miles of fencing installed

25

ranch water wells installed

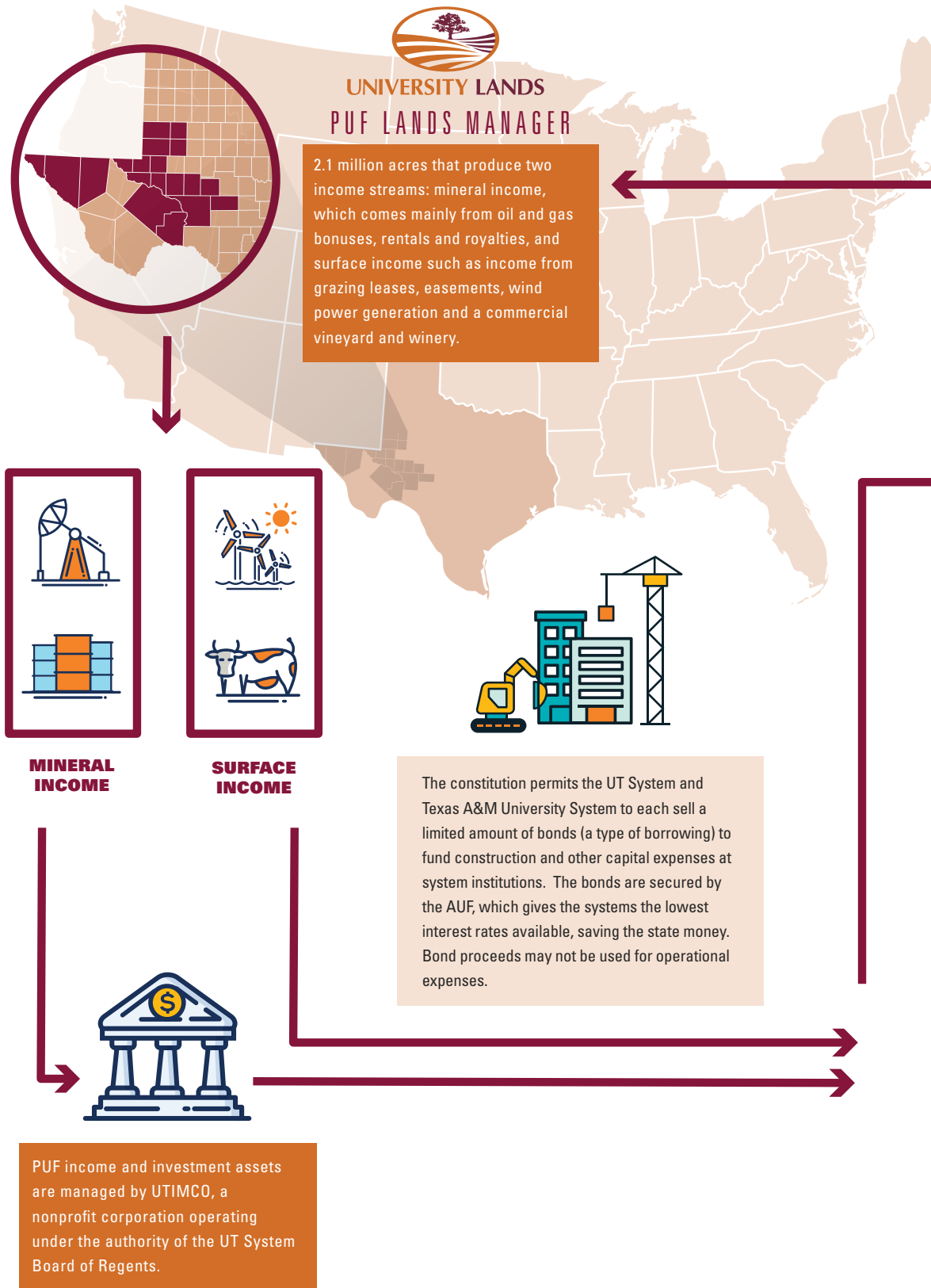
20

old water wells plugged

UL's range and
wildlife practices
promote sound land
stewardship of the
PUF Lands.



IMPACT: WHERE THE MONEY GOES





Established in the Texas Constitution of 1876 through the appropriation of land.

**STATE OF TEXAS
CONSTITUTION**



**THE UNIVERSITY OF
TEXAS SYSTEM**

CONSTITUTIONAL USES OF AUF:



Payment of principal and interest on PUF bonds



Support and maintenance of UT Austin



Support and maintenance of UT System Administration

**UNDERSTANDING
PUF**

PERMANENT
UNIVERSITY FUND

UTSYSTEM.EDU/PUF

A constitutional permanent endowment that supports excellence in the The University of Texas and Texas A&M University Systems.

KEY FACTS

CONSTITUTION GIVES MANAGEMENT TO UT SYSTEM BOARD;

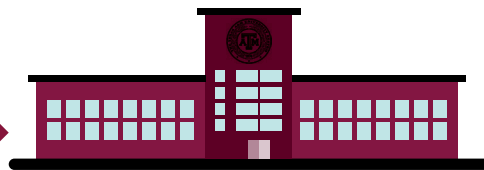
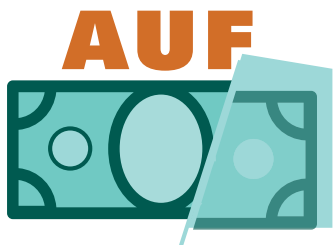
GROWS FROM OIL AND GAS PRODUCTION AND INVESTMENT INCOME;

SUPPORTS CONSTRUCTION AND CAPITAL EXPENSES AT INSTITUTIONS OF UT AND TAMU SYSTEMS;

CORPUS IS NOT SPENT EXCEPT FOR EXPENSES OF MANAGING THE LAND AND THE INVESTMENT ASSETS;

CONSTITUTION DOES NOT PERMIT UT SYSTEM TO USE AUF FOR OPERATIONAL EXPENSES AT INSTITUTIONS OTHER THAN UT AUSTIN;

2019 VALUE OF ~\$22 BILLION



TEXAS A&M UNIVERSITY SYSTEM

The Available University Fund is PUF surface income plus an annual distribution from the total return on PUF investments, constitutionally allocated 2/3 to UT System and 1/3 to Texas A&M University System.

The Texas A&M University System has similar constitutional restrictions on use of AUF. Some Texas A&M institutions are not eligible for PUF bonds.

UNIVERSITY LANDS

FISCAL YEAR 2019 ANNUAL REPORT

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