



**Independent
Producers and
Royalty Owners
Association**

NATURAL GAS VEHICLES - THE WAY OF THE FUTURE?

It is an exciting time for the natural gas industry, proclaimed panelists during TIPRO's 4th Annual Business Development Reception. At the event, experts focused on use of natural gas as a transportation fuel, offering insight from producer, consumer and implementation viewpoints.

"We are just beginning to see robust growth of use of natural gas for fuel," said Frank Chapel, director of Natural Gas Transportation Fuels at Apache Corporation. "Last year there were 12 million Natural Gas Vehicles in the country, up from 4 million in 2004. Utilizing natural gas as a transportation

fuel is a real win-win."

Discoveries of major shale plays during the past couple of years has led North America to now boast more natural gas reserves than Saudi Arabia has oil. The abundance of this resource offers great promise for the United States in the future, especially with economics now in place to support development of infrastructure. Natural gas is also clean, with total emissions approximately 85 percent cleaner than that of gasoline and significantly less greenhouse gas emissions. And for the first time, natural gas offers price advantages over gasoline. The economic advantage could save consumers \$1.50 to \$2.00 per equivalent gallon.

"Working with alliances and organizations, we will get the funding necessary to build infrastructure... then the customers will follow," added Chapel. "Many producers and stakeholders are getting involved to solve the chicken-and-egg dilemma, and achieve robust economics that support increased use."

"CNG continues to be a lot more effective," said Rick Poorman, applications engineering manager for J-W Power Company. Poorman addressed the development of stations, which would encourage more use of CNG. Currently there are 1,000 natural gas stations, with over 100 more in the works. Demand continues to be of concern though, with the need of enough consumers to warrant building additional infrastructure. "The technology is there - it is not a far off pipedream in a lab. We have the equipment. And with the right planning, it will be successful."

Jean Durdin, owner of Parkway Chevrolet, emphasized, "Natural Gas Vehicles are cleaner, require less maintenance, and allow car engines to last longer. As reported by my customers, the mileage in CNG vehicles is much better too. There are many benefits." Dealerships can also now offer extended warranties on CNG, which provide protection if maintenance is needed.

More, however, must be done to encourage city and state governments to push for increased CNG use. Initiatives that motivate additional development of infrastructure will prompt more to invest in CNG. "Those states with incentives are where you see more development," pointed out Chapel.

The tide is turning though, and support is on the rise. Currently 35 states offer incentives to promote use of Natural Gas Vehicles. During the 82nd Legislative Session, Texas lawmakers passed S.B. 20 which amends current law relating to grant programs for certain Natural Gas Vehicles. S.B. 20 creates the "Natural Gas Vehicle Program" to encourage companies with on-road heavy-duty vehicles to either replace the vehicles with Natural Gas Vehicles or repower the vehicles with natural gas engines. This program is funded through the Texas Emissions Reduction Plan and administered by the Texas Commission on Environmental Quality. S.B. 20 also creates the Texas Clean Transportation Triangle to provide grants for the construction of natural gas fueling facilities along the interstate highways connecting Houston, San Antonio, Dallas, and Fort Worth.

Companies like Apache and Chesapeake are doing their part to promote natural gas as the transportation fuel of choice. More than 230 of Apache's 900-plus U.S. fleet vehicles have already been converted to natural gas-power, equivalent to 26 percent. By the end of 2015, the company aims to have more than 80 percent of their U.S. fleet powered by CNG. To achieve their goal, Chapel reports they are providing incentives to employees to convert, and are helping to construct CNG fueling stations. Chesapeake also has 4,500 vehicles in 18 states that use CNG.

Encouraging increased use of natural gas for transportation offers many advantages, including increased economic benefits, job creation opportunities, energy security, and environmental benefits.



Story continued on page 7...

PRESIDENT'S MESSAGE

TIPRO Members -

During these tough economic times for our country, development of shale plays is offering new hope for prosperity. The energy business is booming, exemplified by the announcement just this week of billion-dollar mergers of Statoil ASA and Brigham Exploration Co., as well as Kinder Morgan Inc. and El Paso Corp. These deals demonstrate the fast-moving and ever-changing nature of our industry.

I am excited to see domestic oil and gas production on the rise, thanks to the extraction of resources locked in underground shale formations. A boom of drilling is taking place across the country and throughout the Lone Star State. With the Barnett, Haynesville and Eagle Ford Shale all located in Texas, our state is enjoying the benefits. As other parts of the country struggle with high levels of unemployment and excessive state deficit, the oil and gas business is making significant contributions to help revive the Texas economy. Our state is even winning awards for offering the best business climate in the nation.



Justin Furnace

What is now needed most is energy policy that supports growth of the oil and gas industry and encourages further development of the shale plays. The implementation of restrictive rules by the U.S. Environmental Protection Agency (EPA) and U.S. Fish and Wildlife Service (USFWS) will severely limit the ability to explore for and produce oil and natural gas. Just today, EPA regulators announced they hope to develop new national standards for the disposal of polluted wastewaters generated by hydraulic fracturing. Instead, we must establish a predictable regulatory environment that will continue to spur business and motivate more activity in the years to come. New advancements of technology are allowing increasing potential for production on millions of acres of land. In order to be able to take advantage of such opportunity though, we have to get the support of our elected officials. We need to help them appreciate the economic potential that comes from energy development, which could help put Americans back to work, despite a recession, and further our energy independence.

Rest assured, through it all, TIPRO is here doing its part to spark the conversation, sharing information and fighting each day to preserve the ability to explore and produce oil and natural gas, as well as promoting the general welfare of our members.

Sincerely,

FOLLOW TIPRO ONLINE TO GET THE LATEST UPDATES, AS NEWS HAPPENS

Receive updates on the latest happening in the oil and gas industry by following the **Texas Independent Producers & Royalty Owners Association** online. From Twitter to Facebook to LinkedIn, TIPRO's social media accounts offer new ways to get information and connect with others in the industry.

Learn how to follow TIPRO by visiting our website at www.tipro.org.

Calendar of Events

NOVEMBER 9, 2011	DECEMBER 14, 2011	JANUARY 11, 2012	FEBRUARY 8, 2012
HOUSTON IPAA/TIPRO	HOUSTON IPAA/TIPRO	HOUSTON IPAA/TIPRO	HOUSTON IPAA/TIPRO
Leaders in Industry Luncheon, 11:30 a.m.	Leaders in Industry Luncheon, 11:30 a.m.	Leaders in Industry Luncheon, 11:30 a.m.	Leaders in Industry Luncheon, 11:30 a.m.
Houston Petroleum Club.	Houston Petroleum Club.	Houston Petroleum Club.	Houston Petroleum Club.
For info, call: (713) 503-1298.	For info, call: (713) 503-1298.	For info, call: (713) 503-1298.	For info, call: (713) 503-1298.

EAGLE FORD TASK FORCE RECOMMENDS WAYS TO SUPPORT LOCAL INFRASTRUCTURE NEEDS

As drilling activity in South Texas continues to boom thanks to the Eagle Ford Shale, the impact of operations on local community infrastructure is quickly becoming an important topic for discussion. Members of the Eagle Ford Task Force, a 24-member panel created to establish best practices for developing the Eagle Ford Shale, announced several suggestions that will help improve truck traffic and allow faster pipeline construction.

“We brought together the trucking industry, oil and gas industry, state and local government and the general public to engage in a productive dialogue, and as a result, we were able to come up with real, tangible solutions,” said Railroad Commissioner David Porter, who created the task force.

During the meeting, the task force adopted the following advisements to improve pipeline and road conditions:

PIPELINES:

- * The placement of pipelines should avoid steep hillsides and watercourses where feasible.
- * Pipeline routes should take advantage of road corridors to minimize surface disturbance.
- * When clearing is necessary, the width disturbed should be kept to a minimum and topsoil material should be stockpiled to the side because retaining topsoil for replacement during reclamation can significantly accelerate successful revegetation.
- * Proximity to buildings or other facilities occupied or used by the public should be considered. Particular consideration should be given to homes.
- * Unnecessary damage to trees and other vegetation should be avoided.
- * After installation of a new line, all rights-of-way should be restored to conditions compatible with existing land use.

ROADS:

- * The task force supports trucking companies partnering with the Texas Department of Public Safety to develop a program that would alert companies when their drivers receive moving violations or drivers license suspensions.
- * The task force supports the creation of road use agreements or trucking plans between operators and local authorities. These agreements could include parameters such as:
 - Operators must avoid peak traffic hours, school bus hours and community events.
 - Operators must establish overnight quiet periods.
 - Operators must ensure adequate off-road parking and delivery areas at all sites to avoid lane/road blockage.

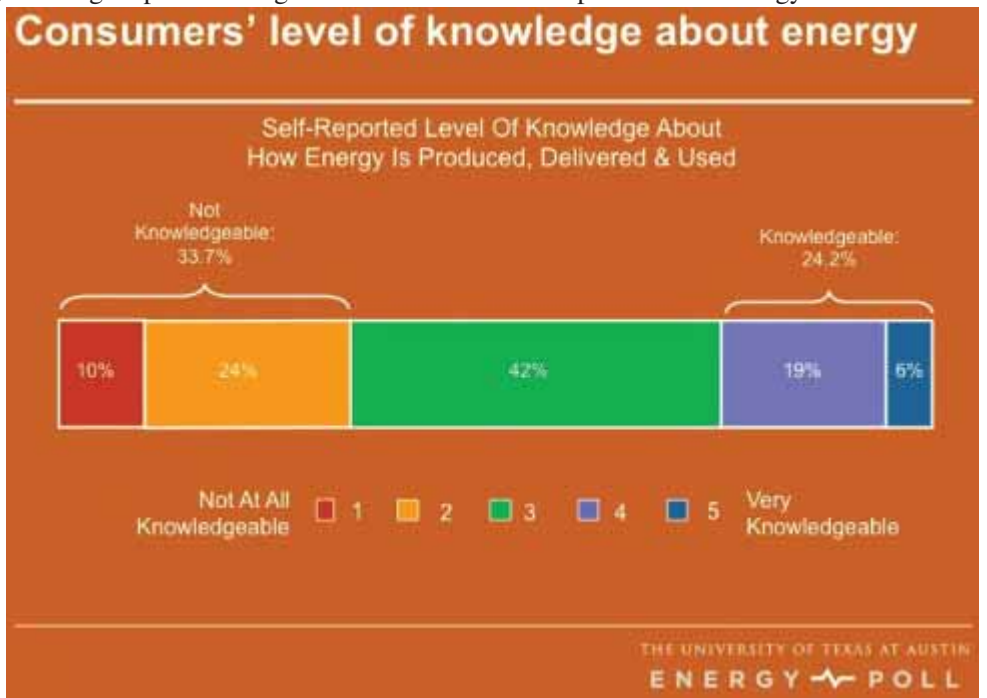
NEW SURVEY REVEALS AMERICAN SENTIMENT ON ENERGY

Only 14 percent of Americans believe the United States is headed in the right direction in dealing with energy issues that face our nation, according to a new survey released by the McCombs School of Business' Energy Management and Innovation Center at The University of Texas at Austin.

More than 3,400 were polled in September, offering important insight as to how Americans perceive the energy situation with current conditions. In the next 25 years, more than 41 percent believe that the energy situation will be worse, not better. They also indicated feelings that energy prices would increase significantly, dramatically affecting household budgets.

Frustration with the U.S. government's ability to prepare for future energy needs was evident, with only 8 percent satisfied with Congress' performance on energy issues. Over 56 percent said the government should do more. A higher percentage also indicated economic growth should be given priority over environmental protection.

Additionally, an overwhelming amount indicated interest in learning more about energy issues - from reducing personal use to gaining better understanding of local, national and global energy issues. Currently, only 24 percent self-reported they were knowledgeable about how energy is produced, delivered and used.



TIPRO GEOSCIENTIST CERTIFICATION COMMENTS

The Texas Board of Professional Geoscientists (TBPG) recently published proposed rule changes regarding licensure and regulation of professional geoscientists performing work in oil and gas. Although the association has submitted comments on the matter, TIPRO asks that companies please submit their own comments as well to emphasize how important this issue is to our members. Comments do not need to be long or complicated, just clear and to the point.

We need the TBPG to hear from as many of you as we can, so please take a little time to voice your opinion. The deadline for submittal is **October 31, 2011**. If you prefer to submit by email, please address comments to chorton@tbgp.state.tx.us. For those who prefer fax, direct to (512) 936-4409. You may also mail comments to:

Charles Horton, Executive Director
Texas Board of Professional Geoscientists
P.O. Box 13225
Austin, Texas 78711

INCREASED PRODUCTION BENEFITS STATE'S RAINY DAY FUND

At a time when it is needed most, independent producers are helping make significant contributions to the state's Economic Stabilization Fund, commonly referred to as the Rainy Day Fund. The fund, established in 1988, collects money from taxes imposed on oil and gas producers to support state programs like public education, Medicaid and more. More than \$1.1 billion will be added to the fund in November, up from the \$451.4 million transferred into the account one year ago. With the additional money, the overall balance will now be \$6.2 billion.

Increased development of shale plays like the Eagle Ford and Haynesville is allowing more money to flow into state coffers each day. In the past 10 years, much of the growth of the Rainy Day Fund is due to the increase in drilling of natural gas found in shale formations, as it caused added contributions from the state's natural gas production tax.

The fund has proved to be a extremely valuable tool for Texas in the past couple years, as officials work to overcome significant budget deficits. As seen during the last legislative session, lawmakers elected to appropriate some of the money set aside in the fund to help overcome budget shortfalls and allocate for support of essential programs like state education and health and human services.

TEXAS RECOGNIZED FOR HAVING THE NATION'S BEST BUSINESS CLIMATE

The Lone Star State has received more recognition for its business-friendly environment, ranking as the best business climate of all 50 states by both Development Counsellors International (DCI) and Area Development magazine. DCI also gave Texas the "Best in Class" honor for its state economic development organizations.



"I'm proud of the environment we've created in Texas that allows employers to risk their capital, receive a return on their investment, and create jobs, thanks to our low taxes, reasonable and predictable regulatory environment, fair legal system and skilled workforce," said Texas Gov. Perry. "These top rankings echo what employers in our state have known for a long time - that Texas is wide open for business."

The state's tax climate, pro-business climate and economic development incentives were cited as top reasons for executives to relocate or expand a business in Texas. Business friendliness, corporate tax environment and overall cost of doing business were other reasons listed for honoring the state.

In addition to the latest accolades, Texas was also ranked as the top exporting state in the nation for the ninth year in a row, and consistently ranks among the top states for Fortune 500 headquarters.

BRIGHAM EXPLORATION TO MERGE WITH STATOIL ASA AFTER \$4.4 BILLION DEAL

Norway-based Statoil ASA announced plans on Monday, October 17, to buy independent producer Brigham Exploration Company for \$4.4 billion. The international company, looking to expand operations in the United States, will take over Brigham operations in the Williston Basin area, found in North Dakota.

"The U.S. unconventional plays hold a substantial resource base and represent an increasingly important part of future energy supplies," said Helge Lund, president and CEO of Statoil. "Statoil has step-by-step developed industrial capabilities through early entrance into Marcellus and Eagle Ford. Entering the Bakken and Three Forks tight oil plays and taking on operatorship represents a new significant step for Statoil."

The transaction is expected to close in late 2011 or in early 2012.

KINDER MORGAN INC. BUYS EL PASO CORP.

Earlier this week, Kinder Morgan Inc. announced it will buy rival El Paso Corp. for \$38 billion, making it one of the biggest pipeline distributors of natural gas in North America. Owning nearly 80,000 miles of pipeline that stretches from coast to coast, the new company will be the largest midstream and the fourth largest energy company in North America, with an enterprise value of approximately \$94 billion. The deal signifies great potential for the natural gas market in the future. Analysts expect the merger to have a positive impact, setting the stage for additional mergers and acquisitions in the future.

"We believe that natural gas is going to play an increasingly integral role in North America," said Kinder Morgan Chief Executive Richard Kinder. "With the recent development of shale resources, there are now abundant domestic supplies of natural gas, which are being used increasingly to generate electricity and are environmentally friendly. If America is serious about reducing carbon emissions to benefit the environment, and reducing its dependence on foreign oil, natural gas is absolutely the best readily available option. We are delighted to be able to significantly expand our natural gas transportation footprint at a time when it seems likely that domestic natural gas supply and demand will grow at attractive rates for years to come."

Kinder Morgan reported it expects the deal to close in the second quarter of 2012.

OIL DEMAND FORECAST CUT, AGAIN

The International Energy Agency (IEA) will reduce its forecast for global oil demand in the coming year. This is the second month in a row that the agency has cut its estimates of oil demand, due mostly to fears of another pending economic recession. Keeping a close watch on Europe's debt crisis and unrest in the Middle East, the agency is mindful of how a troubling economy can disrupt demand from consumers.

"Global oil demand has grown at a moderate, but stable pace in recent months," reported the IEA. "The picture could deteriorate, however, with a downward lurch in economic prospects."

The new estimates call for a demand next year of approximately 90.5 million barrels a day, down by 210,000 barrels a day from earlier predictions.

PRODUCERS MINDFUL OF WATER CONSUMPTION DURING HISTORIC DROUGHT

As the state continues to endure extreme drought conditions following months of excessive heat and little rainfall, it is natural that many would worry about future water availability. Texans from all regions of the state are looking to gain a better understanding of what the current situation is, as well as what might lie ahead should the drought last until 2020, as some climatologists are now predicting.

Water management during this ongoing drought remains a top concern for producers across the state, including in the Eagle Ford Shale in South Texas, where a drilling boom is taking place. However, there are currently no immediate needs for additional water supplies for the purpose of oil and gas development. Officials and regulators remain focused on closely monitoring the situation, and are actively engaging in conversations on how to best plan for water usage in the future.

Oil and gas companies continue to search for and implement new ways to reduce environmental impact, and lessen water usage wherever possible. Where applicable, technologies such as hybrid stimulation techniques that use a combination of gels and water has



helped to cut water use for fracing by up to 40 percent. Companies also utilize innovative conservation and recycling efforts when they can. Moreover, it is important to note that once fracture stimulation has been completed, water is not required on a continual basis to create conditions that allow a shale gas well to flow. Rather, once the fracture stimulation is done, the well will produce for many years to come.

Additionally, the amount of water required to frac a deep shale well is small in comparison to the amount of water continually used by other industries, such as agriculture or municipalities. Oil and gas producers in South Texas draw groundwater from the Carrizo-Wilcox Aquifer. As one of the most prolific aquifers in the state, this source is vastly different than surface water sources used by farmers.

Water is critical for development of the Eagle Ford, as well as other shale plays across the state. However, with proper management of this vital resource, all Texans can take comfort that industry is doing his part to conserve water usage.

Energy Market Update



PROVIDED BY: YOUR TI PRO ELECTRIC COALITION

Fourth Quarter, 2011

Generation Capacity & What It Means To Your Bottom Line



Currently it's uneconomical to build new power plants, and EPA rules may close existing units

When many consumers think about the Texas Energy Market, thoughts about rates, providers and competition first come to mind. Generation resources and the stability of the grid are overlooked... until emergency events occur.

After the cold weather event on 2/2/11, customers became more familiar with ERCOT (Electric Reliability Council of Texas), the grid operator who manages 85 percent of the power delivered in Texas. ERCOT requested the public to scale down usage nine times to avoid additional rolling blackouts during a record-breaking summer and the cold snap in February.

To take advantage of currently lower energy rates, please contact:

Weather related emergencies shed light on two current grid concerns: "generation capacity," or the amount of actual generation available and "reserve margins," the excess generation available during times of increased demand.

Generation capacity is able to meet demand, as long as the plants continue to operate in these times of extreme need, but reserve margins (which currently are around 12.5 percent) are forecasted to decrease in the coming years due to plant closures, no new projects being built, and possible EPA regulations.

If compliance with recently released Environmental Protection Agency (EPA) rules to reduce air pollution cause certain generators to shut down and/or if it remains uneconomical for new power plants to be built, even with cheap fuel costs (i.e. natural gas) energy rates will rise.

All of these concerns have already kept energy rates from falling, even though natural gas futures have dropped to what appears to be a \$3.50/mmBtu price floor.

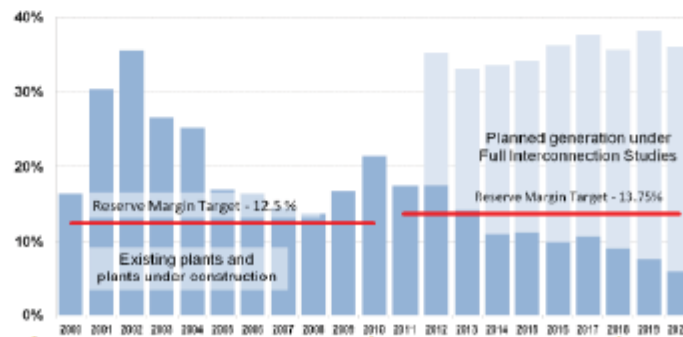
"We appreciate the great service that Fox, Smolen has provided us.

Over the past 7 years they have not only helped us find the most competitive energy contracts, but have been there to answer billing questions, alert us of favorable market conditions and most recently handled transferring our contract to a new location.

There is a real value of knowing that we have someone we can trust managing all aspects of our energy account... not just selling us a contract."

Dan Jones
Kwik Kopy Business Center
Temple, TX

ERCOT RESERVE MARGINS – 2000-2020



If generation projects are stopped, reserve targets won't be met



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ELECTRICITY PURCHASING SOLUTIONS

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PHOTOS FROM TIPRO'S 4TH ANNUAL BUSINESS RECEPTION IN SAN ANTONIO



THOUSANDS OF JOBS COMING FOR SOUTH TX, THANKS TO DRILLING OF EAGLE FORD SHALE

Over 2,000 job opportunities could soon be available in Bexar County, thanks to increased development of the Eagle Ford Shale. More and more companies are looking to relocate to the area, hoping to take advantage of opportunities presented by the shale formation. Marathon and Halliburton are just two companies expected to develop within the county in the coming months, in addition to others looking to get involved with the energy boom occurring in the region. As companies expand operations in the area, more resources will be needed to support the activity. Job-seekers can take comfort as more drilling will present emerging chances for employment with high-paying wages.

Communities located in the heart of shale plays continue to reap the benefits of growth of oil and gas activity, by reporting low unemployment rates and an increase of local tax revenue.

Our Texas Pride Runs Deep

As the top producer in the Permian Basin, Oxy applauds TIPRO's advocacy of Texas independent oil and natural gas producers and royalty owners.



THE TIPRO TARGET



Texas Independent Producers & Royalty Owners Association

With more than 2,300 members, TIPRO is the nation's largest statewide association representing both independent producers and royalty owners. Our members include small family-owned companies, the largest publicly traded independents and large and small mineral estates and trusts.

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