



**TIPRO**  
Texas  
**Independent  
Producers and  
Royalty Owners  
Association**

## TIPRO'S SUMMER CONFERENCE SPEAKERS ADDRESS ISSUES IMPACTING THE OIL AND GAS INDUSTRY

Last week, more than 120 members of TIPRO gathered at the Moody Gardens Resort and Spa in Galveston, Texas, for the association's Summer Conference & Golf Tournament.

The event kicked off on Thursday, August 9, with nine teams of golfers participating in the annual golf tournament. Mike Kulka, Marty Hupp and Landon Mann took first place in the golf competition.

The following day, on Friday, August 10, William E. (Bill) Albrecht, president of Oxy Oil and Gas, Americas, and vice president of Occidental Petroleum Corporation, provided the keynote address for the Conference, giving an overview of Oxy operations, both internationally and domestically. In his speech, Albrecht highlighted the significance of the company's operations in Texas, specifically within the Permian Basin. "One of the things we are best known for is our expertise in Enhanced Oil Recovery operations. Our Permian CO2 business unit is not only Oxy Oil and Gas' largest unit, but the entire corporation's largest business unit," noted Albrecht. "The Permian unit is the rock that our company rides on - it is that important to Occidental Petroleum Corporation. We currently make just over 200,000 barrels of oil equivalent per day out of the Permian, which is bigger than most companies, frankly. We're also the largest oil producer in the Permian, making up about 15 percent of the total production. Oxy is the largest operator of the more than 1500 out there, with over 22,000 wells currently in the area."

Marshall Adkins, director of energy research for Raymond James, enlightened the crowd on the future of oil and natural gas markets. Adkins warned more volatile cycles to come with changes of oil and gas prices in the years ahead, unlike the stable nature seen in past decades. "The ability to extract oil and gas has improved dramatically, with companies increasing their efficiency by up to 50 percent over just the last three years," said Adkins. "This will impact the number of rigs operating throughout the country."

During the Conference, U.S. Congressmen Bill Flores and Pete Olson also spoke about energy policy and regulation by the federal government. "We are in a renaissance right now," proclaimed Congressman Olson. "Unfortunately, the current U.S. Environmental Protection Agency (EPA) does not want to be a partner in American energy, they want to be an adversary. They hate fossil fuels... but that is not news to anybody in this room." Congressman Flores added, "the EPA continues to do things that hurt us and are damaging." He warned Conference attendees about the agency's ongoing study on hydraulic fracturing, which "was designed to be a witch hunt."

Both Congressmen emphasized the importance of educating other elected officials, as well as the general public, on those issues that threaten to impact future oil and gas operations. "When you find an issue, don't think that we know about it... call or write and let us know more," said Congressman Flores. "Tell us real stories about people who have jobs and the potential impact. Also write and educate your friends and neighbors. I'll tell you, this business is doing a lot better job than it has in any other election cycle. Between the work that is being done by America's Natural Gas Alliance (ANGA), the Independent Petroleum Association of America (IPAA) and TIPRO, you all are educating the American people, and seeing results. Also get involved, including with your checkbooks." "Both Bill and I need you to educate our colleagues as well," declared Congressman Olson. "We need your help!"

Railroad Commissioner David Porter gave an update on industry regulation on the state level. "As you all know, since the early 1900s, Texas has played a leading role in oil and gas policy, and that tradition continues today, as we embark on a new generation of discoveries, particularly with shale oil and gas that can be retrieved through hydraulic fracturing," said Commissioner Porter. "However, as you know, production is outpacing infrastructure, which is why I have launched an initiative to reduce the flaring of natural gas," he added. "Currently, I am working to review Rule 32, covering flaring and venting." Commissioner Porter also addressed the ongoing importance of water, particularly during these times of drought across the state.

On the second day of Conference, Martin Fleming, corporate communications manager for Noble Royalties, Inc., shared results from recent studies regarding drilling on federal lands, and Marc DeSignore, founder of Perception Insight, gave unique insight and analysis of the upcoming General Election in November. Check out their presentations on TIPRO's website, under the "Members-Only" section.

TIPRO thanks all attendees, sponsors and speakers for their support of this year's event in Galveston. Be sure to check out pictures from the Conference on page 6!



**"WHEN YOU FIND SOMETHING  
IMPACTING YOUR  
BUSINESS OR THE  
INDUSTRY, YOU NEED TO  
CONTACT YOUR  
CONGRESSMEN AND  
EDUCATE YOUR FRIENDS  
AND NEIGHBORS,"  
--CONGRESSMAN BILL FLORES,  
TIPRO'S SUMMER CONFERENCE**

## PRESIDENT'S MESSAGE

TIPRO Members-

As most of you are aware, during this transition period in TIPRO's leadership, I'm proud to serve as the association's interim president while we conduct our search for a new leader. I am very confident that the transition will be seamless for our members and stakeholders.

TIPRO is certainly headed in the right direction as a result of Justin Furnace's leadership. As an organization, we currently have the highest membership levels, the best staffing levels and are experiencing the best financial condition in many years. This puts us in an excellent position to provide the highest quality of services for our membership going into the 83<sup>rd</sup> Legislative Session next January.

Accordingly, during our Summer Conference last week, our Board of Directors announced several internal staff promotions that I'm happy to share. Joanne McCord Reynolds will now serve as TIPRO's Vice President of Finance and Administration and Teddy Carter will be TIPRO's Vice President of Government Affairs. Throughout the year, both Joanne and Teddy put in countless hours of work to help our association and could not be more worthy of a promotion. We appreciate all that they do for us, and I congratulate both on the recent promotion!

Of course, just a couple weeks back, TIPRO also welcomed aboard Lindsey Skinner, who will be our public affairs representative. Lindsey will play a crucial role in keeping our members apprised of legislative and regulatory filings, assisting in the development of TIPRO comments and testimony, and will serve as a liaison between TIPRO members and various stakeholders in Texas, including the Texas Legislature, the Texas Railroad Commission (RRC) and the Texas Commission on Environmental Quality (TCEQ), among others. Lindsey already has hit the ground running and is doing a fantastic job. I hope that many of you were able to meet her at our Summer Conference in Galveston.

Now more than ever before is it critical that we bulk up our staff in order to deal with the many challenges that will confront our industry ahead. With the proper team and resources in place, we will be able to effectively fight on behalf of our state's independent producers and royalty owners, who are the real backbone of our economy. TIPRO will continue to work to preserve the ability to explore and produce oil and natural gas here in Texas, and across the country, and protect the general welfare of the members of our association.

As always, if there is ever an issue confronting your business, please do not hesitate to contact TIPRO to let us know how we may be able to assist. Whether part of a large or small company, we are here for you!

**Sincerely,**




**Rich Varela**

## VISIT TIPRO AT BOOTH #1959 DURING THE SUMMER NAPE EXPO!

During the upcoming Summer NAPE Expo, held on August 22-24 at the George R. Brown Convention Center in Houston, be sure to stop by and visit TIPRO at booth #1959! TIPRO's Chairman of the Board David Martineau, President Rich Varela and Director of Development Stephen Coffman will all be in attendance and hope to see you there.

NAPE provides a marketplace for the buying, selling and trading of oil and gas prospects and producing properties via exhibit booths. The Expo brings prospects and producing properties from the U.S. and around the world, capital formation, services and technologies all together in one location, creating an environment to establish strategic alliances for doing business and initiating purchases and trades. Summer NAPE now hosts nearly 600 booths and 6000 attendees.

### Calendar of Events

AUGUST 22-24, 2012	SEPTEMBER 11, 2012	SEPTEMBER 12, 2012	OCTOBER 10, 2012
HOUSTON Summer NAPE Expo, George R. Brown Convention Center For info, call: (817) 847-7700.	HOUSTON Texas Top Producers awards banquet, 6:30 p.m. Houston Petroleum Club. For info, call: (512) 477-4452.	HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.	HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.

# NAPE - THE OIL & GAS EXPO THAT PRODUCES PROSPECTS!

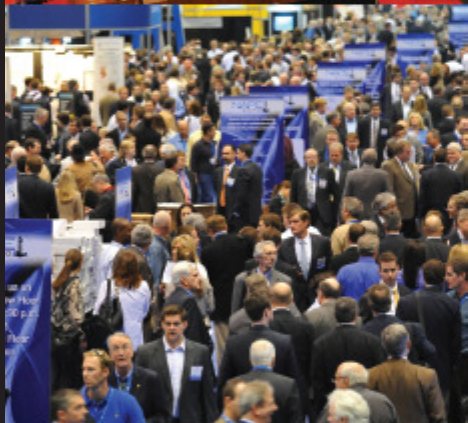
**ATTEND ONE, OR ALL OF OUR UPCOMING EXPOS!**



## SUMMER SUMMER NAPE EXPO



AUGUST 22-24, 2012  
GEORGE R. BROWN  
CONVENTION CENTER  
HOUSTON, TEXAS



## WINTER NAPE EXPO



FEBRUARY 5-8, 2013  
GEORGE R. BROWN  
CONVENTION CENTER  
HOUSTON, TEXAS



## EAST NAPE EAST



APRIL 10-12, 2013  
DAVID L. LAWRENCE  
CONVENTION CENTER  
PITTSBURGH, PA

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## RRC ADOPTS NEW GUIDELINES FOR ADMINISTRATIVE PENALTIES

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During an open meeting held at the Texas Railroad Commission (RRC) on Tuesday, August 7, the state agency formally adopted new penalty guidelines, including amendments to rules 3.1 and 3.78 which pertain to cementing of casing and lining and P-5 requirements. Changes were also approved by the Commissioners for penalty guidelines in Chapters 3, 8, 9, 13, 14 and 18.

The guidelines were proposed and adopted based upon a recommendation made by the Sunset Advisory Commission in their review of the RRC during the 82<sup>nd</sup> Legislative Session. The Sunset Commission recommended that the RRC adopt its penalty guidelines in rule form, and that the rule should assign penalties based upon their risk and severity. The final adopted rule is intended to officially establish what is already current RRC practice; their adoption should provide no additional burden on operators. By incorporating Railroad Commission enforcement policies into the rules, the enforcement transparency and consistency that was identified as lacking by the Sunset Commission is now in place. This proactive step in compliance with the Sunset recommendation of the 82<sup>nd</sup> Legislature will help to improve the RRC's position as the agency again undergoes review by the Sunset Advisory Commission in the 83<sup>rd</sup> Legislative Session.

"I think this is a good step forward," commented Railroad Commissioner David Porter on the new guidelines.

The adopted rules will be published in the Texas Register next Friday, August 24, 2012, and go into effect on Monday, August 27, 2012.

For additional information the rulemakings, or to view comments for any of the adopted rulemakings, visit the Proposed Rules table at: [www.rrc.state.tx.us/rules/proposed.php](http://www.rrc.state.tx.us/rules/proposed.php).

## NEW NSPS AND NESHAP STANDARDS PUBLISHED FOR THE OIL AND GAS INDUSTRY

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On Thursday, August 16, 2012, the U.S. Environmental Protection Agency (EPA)'s published its modified New Source Performance Standards (NSPS) and National Emission Standards for Hazardous Air Pollutants (NESHAP) for the oil and gas sector in the Federal Register. The updated air regulations for oil and gas industry will officially take effect on October 15, 2012.

These modified air standards for the oil and gas industry result from a lawsuit filed in the United States District Court for the District of Columbia on January 14, 2009, by the WildEarth Guardians and the San Juan Citizens Alliance, in which the two groups alleged that the EPA had failed to meet its obligations, as outlined in the Clean Air Act (CAA) sections 111(b)(1)(B), 112(d)(6) and 112(f)(2). Within the CAA, the EPA is responsible for taking actions relative to the review and revision of the NSPS and the NESHAP for oil and natural gas production. Accordingly, on February 5, 2010, the court entered a consent decree that mandated the EPA to propose new standards no later than July 28, 2011. After announcing their original proposal of new standards in July 2011, the agency received more than 156,000 comments on the issue from the public, industry, environmental groups and states. Then, on April 17, 2012, the EPA unveiled its final version of the new air pollution standards.

The updated air regulations for oil and gas production include the first federal air rules for wells that are hydraulically fractured, in both urban and rural areas. The EPA's rules also manage emissions from storage tanks and other industry equipment. These newly established standards regulate volatile organic compound emissions from gas wells, centrifugal compressors, reciprocating compressors, pneumatic controllers and storage vessels, and include revisions to the existing leak detection and repair requirements.

As stated in the new rule, "the final oil and natural gas sector NSPS and NESHAP amendments are expected to result in significant reductions in existing emissions and prevent new emissions from expansions of this industry."

During the initial "phase-in period" for the new regulations, lasting between now and January 1, 2015, operators may either flare emissions or utilize emission reduction technology called "Reduced Emissions Completions" (RECs) or "green completions" to capture natural gas that escapes into the air at well sites. However, starting in 2015, all new fractured wells will be required to make use of green completions. As specified in the rules, owners and/or operators must use RECs and a completion combustion device, unless use is not feasible.

## SIGN UP TO ATTEND THE TEXAS TOP PRODUCERS AWARDS BANQUET IN SEPTEMBER!

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The Texas Independent Producers & Royalty Owners Association (TIPRO) cordially invites you to join them for an awards banquet honoring the 2012 Texas Top Producers, all of whom were recently recognized in the August edition of *Texas Monthly* magazine.

This special event will be held on the evening of September 11, 2012, at the Houston Petroleum Club in Houston, Texas. Underwritten by PricewaterhouseCoopers, the banquet will serve as a special occasion for all of us to join together and celebrate the top professionals in the Lone Star State, in addition to highlight the winners of this distinguished award. The banquet will also prove to be a great opportunity for interaction with other professionals in the oil and gas industry.

TIPRO hopes that you will mark your calendar to attend the Texas Top Producers awards banquet! Don't miss out, limited spots remain. To register, simply fill out the following form and return to TIPRO by fax, at (512) 476-8070, or by mail, at 919 Congress Avenue, Suite 1000, Austin, Texas, 78701.



**AWARDS BANQUET  
TUESDAY, THE ELEVENTH OF SEPTEMBER  
SIX THIRTY P.M.  
THE PETROLEUM CLUB OF HOUSTON  
HOUSTON, TEXAS**

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OR

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TIPRO MUST RECEIVE NOTICE OF CANCELLATION  
BY THE SEVENTH OF SEPTEMBER.  
REFUNDS WILL NOT BE GIVEN AFTER THIS DATE.  
ALL RESERVATIONS MUST BE ACCOMPANIED BY PAYMENT.

PLEASE RETURN FORM, WITH PAYMENT, TO:  
TIPRO, 919 CONGRESS AVE., STE. 1000, AUSTIN, TX 78701  
OR FAX TO (512) 476-8070

FOR MORE INFORMATION, CALL TIPRO AT (512) 477-4452

# PICTURES FROM TIPRO'S 2012 SUMMER CONFERENCE & GOLF TOURNAMENT!



## FIFTH CIRCUIT COURT RULES AGAINST EPA ON FLEXIBLE PERMIT PROGRAM

The Lone Star State gained a major victory on Monday, August 13, when a three-judge panel of the Fifth U.S. Circuit Court of Appeals ruled against the U.S. Environmental Protection Agency (EPA) in an ongoing battle over the state's flexible permit program. The court found that the federal agency had exceeded its authority and violated the Clean Air Act (CAA) when it previously rejected the state's air permitting program in 2010.

As stated in the court's opinion, "Although the EPA acknowledges the distinct role of the states, which is congressionally called for in the design and enforcement of State Implementation Plans (SIP), the EPA based its disapproval on demands for language and program features of the EPA's choosing, without basis in the CAA or its implementing regulations."

The CAA, first passed by Congress in 1963, allows the federal government to oversee air pollution control. The act was modified in 1970, then again in 1977, to expand the scope and complexity of the regulatory standards in order to help ensure increased public health and overall air quality. Under the CAA, each state must formulate and administer a SIP, which include enforceable emission limitations and other control measures, means, or techniques.

In 1994, Texas Governor Ann Richards submitted a Flexible Permit Program to the EPA as an amendment to Texas's SIP. Despite the Governor's hope for an "expeditious approval of these revisions to the Texas SIP," and a mandate through the CAA for a decision to be made within 18 months, the EPA delayed making a formal decision on the air program for more than a decade. Then, on July 15, 2010, the federal agency issued final rejection of the program, claiming the flex permit program would allow major sources to evade regulations, and arguing that the program language had inadequate provisions for monitoring, recordkeeping and reporting and supplied an unclear methodology for calculating flexible permit emissions caps. The decision put nearly 140 facilities holding a flexible permit in the state at risk for hefty fines or other enforcement action regardless of emissions levels.

As a result of the Fifth Circuit's decision, the Texas Commission of Environmental Quality (TCEQ) issued the following statement: "The court recognized that the EPA must comply with the cooperative federalism envisioned by the federal CAA and its own administrative procedures in order to bring certainty to the states and regulated communities... We regret that Texas businesses were forced into an additional, unnecessary permitting process by the EPA, even though existing permits were legal and protective of the environment. The court rightfully overturned the EPA's attempt to undo 16 years' worth of permits."

"This decision is a big win for jobs and a big win for Texas," commented Texas Governor Rick Perry on the court's decision. "Our state has demonstrated you can cultivate jobs while cleaning the air, and this finding affirms that states have the right to develop permitting processes that balance the priorities of protecting the environment and allowing our industries to thrive. It's unfortunate we had to go to such extremes to fight back against this troubling trend of overreach and reckless political activism by the Obama Administration that shows no regard for the impact on jobs or our economy."



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## TIPRO CONGRATULATES BARRY SMITHERMAN AND CHRISTI CRADDICK ON PRIMARY ELECTION WINS

The Texas Independent Producers & Royalty Owners Association would like to congratulate both Barry Smitherman and Christi Craddick on their recent victories in the primary run-off elections for the Texas Railroad Commission (RRC).

Smitherman, current chairman of the RRC, secured 62 percent of the vote in his race against Comal County Commissioner Greg Parker for the Republican nomination. With no Democratic contender in the race, Chairman Smitherman will go unopposed during the General Election and will fill the remainder of his appointed term.

Additionally, Christi Craddick earned the Republican nomination for the open RRC Commission seat formerly held by Elizabeth Ames Jones. Craddick obtained 60 percent of the vote against challenger Warren Chisum. She will face Democratic opponent Dale Henry in the General Election, to be held November 6, 2012.

To view results from other primary run-offs, visit <http://enr.sos.state.tx.us/enr/>.

*Special thanks to all sponsors of TIPRO's Summer Conference & Golf Tournament:*

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Forestar Minerals Group  
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**Texas Independent  
Producers &  
Royalty Owners  
Association**

With more than 2,400 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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