



**Texas
Independent
Producers &
Royalty Owners
Association**

NEW STUDY QUANTIFIES ECONOMIC IMPACT OF A BAN ON HYDRAULIC FRACTURING IN THE CITY OF DENTON

If the city of Denton were to ban hydraulic fracturing, the North Texas town could lose millions of dollars and thousands of jobs, according to a new economic report prepared by The Perryman Group. The study, prepared for the Fort Worth Chamber of Commerce, analyzed the effects on the economy and tax revenue to local entities and the state if hydraulic fracturing was banned in Denton.

“The overall economic harms (including multiplier effects) were found to be substantial, including the loss of thousands of jobs over the next 10 years and millions of dollars annually for relevant taxing entities,” read the report, which was released on Monday, July 14. A ban would undoubtedly put a financial strain on the local economy as well, caused by a considerable drop in business activity in the Denton-area, the study explained.

A hydraulic fracturing ban in the city of Denton would also have a negative impact on other parts of Texas, said the Perryman Group. “For the city of Denton, the cumulative tax losses over the next 10 years (2014-2023) are projected to total \$5.1 million (in constant 2013 dollars). For Denton County, the tax losses would total about \$1.0 million. For Denton Independent School District, the losses over the period are estimated to be approximately \$4.6 million, while the state of Texas tax losses would be about \$17.1 million over the 10-year period. It should be noted that the city currently receives over \$1 million per year in royalty and lease payments. In the absence of drilling and well rejuvenation, this amount will fall rapidly in the future. Other public entities, including the University of North Texas, also receive royalties from lands within the city and would face a similar fate.”

Results from the new Perryman report were presented to members of the Denton City Council during its public hearing on the proposed hydraulic fracturing ban, held on July 15, 2014, in Denton.

“It’s important that elected officials in the city of Denton - as well as local residents - understand the detrimental economic impact of a ban on fracing, not just in the near future, but long-term as well,” commented Ed Longanecker, president of TIPRO. “With this essential information at hand, we hope that the city will ultimately make the right decision and vote against any type of ban on hydraulic fracturing or drilling.”

If a ban on hydraulic fracturing were to be implemented in the city of Denton, the local economy could lose up to \$251.4 million in gross product over the next 10 years, as well as 2,077 person-years of employment in the city.

U.S. WOULD HAVE FACED OIL SHORTAGE WITHOUT SHALE BOOM, EXPERT SAYS

Speaking last week at the U.S. Energy Information Administration’s annual conference in Washington D.C., energy expert Daniel Yergin credited the recent shale revolution with providing Americans substantial savings, including at the gas pump. Beyond the positive advantages seen to the economy from increasing oil and gas production, Yergin, a Pulitzer Prize-winning author and vice chairman of global consulting firm IHS, laid out the larger impact of American E&P activity. “I’m convinced—were it not for what’s happened these last few years— we’d be looking at an oil crisis,” warned Yergin. “We’d have panic in the public. We’d have angry motorists. We’d have inflamed congressional hearings and we’d have the U.S. economy falling back into a recession.”

Instead, thanks to new drilling innovations and advancements related to hydraulic fracturing and horizontal drilling, U.S. oil and gas production has continued to top record-breaking levels. This rise in oil and gas production, particularly from states like Texas and North Dakota, has in turn allowed the nation to better satisfy its own energy demands.

During his remarks, Yergin also discussed the evolving energy landscape. “We still call them unconventional, but they’re becoming pretty conventional,” he said of domestic oil and gas production from shale formations. As a result of the surge in U.S. oil and gas output, Yergin advised that the federal government should lift its ban on crude oil exports, as there would be multiple foreign policy positives. “It would be a message to the world about a commitment to markets to energy security,” he emphasized. “The question really is who produces the oil and whether the financial and security benefits flow to the United States or to other countries.”

CHAIRMAN'S MESSAGE

TIPRO Members-

First off, I want to take a moment to thank TIPRO's Board of Directors and the entire membership for the opportunity to serve as the association's next chairman. I'm honored to lead an association with a legacy as distinguished as TIPRO.

As a member since 2002, I have watched TIPRO grow tremendously over the past 12 years. I'm confident this growth will continue in the years to come, and have high hopes for our organization, and industry as a whole. I look forward to welcoming more independent producers and royalty owners to TIPRO as our membership keeps expanding, and hope to find new ways to allow current members to engage with the association and become more involved.

With ongoing advancements of drilling technologies and new discoveries of geologic formations, we all have great reason to be optimistic about our industry's future. Domestic oil and gas production continues to rise, much of which is being supplied from right here in the Lone Star State. This surge in production has provided a wide range of benefits to Americans and boosted our economy. It goes without saying that we all should be proud of the important role our industry plays in supporting local communities, public programs and government coffers.

Nonetheless, we must remain diligent with monitoring any regulatory challenges that could threaten the future success of independent producers and royalty owners in the state of Texas. An important example that comes to mind is the proposed ban on hydraulic fracturing in the North Texas city of Denton. This remains a top issue of concern, and one we all should track closely. If implemented, this would represent the first local ordinance to outright ban hydraulic fracturing in Texas, and could lead to similar initiatives in other regions of the state.

Last Tuesday, July 15, the Denton City Council hosted a public meeting to further discuss the proposed ban on hydraulic fracturing and gather public input on the petition that would stop energy production in the city limits. The hearing lasted nearly nine hours, ending shortly after 3 a.m. in the morning.

Altogether, more than 500 people attended the public hearing, with over 100 testifying before members of the city council. At last week's hearing, TIPRO was represented by Lindsey Skinner, government affairs representative for the association. David F. Martineau, outgoing chairman of TIPRO, also presented and voiced concerns over the negative impact a fracing ban would have for the industry, Denton citizens and the city itself. Additionally, written comments or testimony against the Denton ban was provided by:

State Senator Craig Estes

State Representative Myra Crownover

Former Texas Supreme Court Chief Justice Tom Phillips

Railroad Commission Chairman Barry Smitherman

General Land Office Commissioner Jerry Patterson

Barnett Shale Energy Education Council Executive Director Dr. Ed Ireland

Breitling Energy CEO Chris Faulkner

Both Senator Estes and Representative Crownover encouraged the city to work with the state legislature during the next session to address concerns, rather than adopt an ordinance that would completely ban the use of hydraulic fracturing. Former Justice Tom Phillips also raised questions of legality surrounding such a ban, if it were to be passed, pointing out it could be unconstitutional, and therefore, cost the city millions of dollars to defend in court.

Although a motion was made by City Councilman Kevin Roden to move passage of the ban, he was unable to get a second for this motion, and subsequently, another motion to deny the ban was approved with a vote of 5 to 2. By a unanimous vote, the council then agreed to put the ban initiative on a public ballot in November. While the council rejected the motion to move forward with the ban, it was evident throughout the hearing that some of the city's leaders were frustrated with the current situation. Still, the council expressed hope that involved stakeholders will be able to develop a viable, collaborative solution that will address the concerns of their constituency without inflicting unnecessary harm on companies that practice safe and responsible oil and gas development in the area.

TIPRO will continue to keep membership advised of significant developments regarding this proposed local ordinance in the city of Denton.

Sincerely,

Raymond Welder



Raymond Welder III

TIPRO Calendar of Events

<p>AUGUST 7-9, 2014 SAN ANTONIO — TIPRO's Summer Conference & Golf Tournament, Hyatt Hill Country Resort. For info, call: (512) 477-4452.</p>	<p>AUGUST 13, 2014 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.</p>	<p>AUGUST 20-22, 2014 HOUSTON — NAPE South Expo, George R. Brown Convention Center. For info, call: (817) 847-7700.</p>	<p>SEPTEMBER 10, 2014 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.</p>
--	---	--	--

EPA EXTENDS COMMENT PERIOD FOR FRAC DISCLOSURE RULE

The U.S. Environmental Protection Agency (EPA) has approved a 30-day extension to provide the public more time to comment on its proposed rulemaking that would require public disclosure of chemicals and mixtures used in hydraulic fracturing activities.

In May, the federal agency first gave notice of its intention to develop new regulations on hydraulic fracturing, in response to a citizen petition from environmental groups submitted under section 21 of the Toxic Substances Control Act (TSCA). The EPA hopes through the new disclosure rules it will better promote the transparency and safety of unconventional oil and gas activities while strengthening protection of air, water, land and U.S. communities.

For its latest rule initiative, the EPA is seeking public comment on:

- the types of chemical information that should be reported and disclosed under the TSCA,
- the best approach to obtain this information on chemicals and mixtures used in hydraulic fracturing activities,
- ways to minimize reporting burdens and costs, while at the same time maximize data available for EPA risk characterization, external transparency and public understanding, and
- potential incentives and/or recognition programs that could be used to support the development and use of safer chemicals in hydraulic fracturing.

The EPA says it will continue to work with other federal, state, local and tribal partners to ensure that any new disclosure regulations do not duplicate existing reporting requirements. It also notes that under TSCA section 8(a) and/or section 8(d), new disclosure rules could be voluntary, mandatory, or a combination of both and could include best management practices as well as third-party certification and collection.

Comments must now be submitted on or before September 18, 2014, for consideration. Stakeholders interested in submitting comment on this potential rulemaking may do so online by visiting regulations.gov and search for Docket number EPA-HQ-OPPT-2011-1019. Comments may also be mailed directly to the EPA, addressed to: the Document Control Office (7407M), Office of Pollution Prevention and Toxics (OPPT), Environmental Protection Agency, 1200 Pennsylvania Ave., NW, Washington, DC 20460-0001.

As of July 24, 2014, more than 300 comments have already been submitted to the agency regarding the proposed rule.

RISING OIL & GAS ACTIVITY BRINGS MORE RETAIL OPPORTUNITIES TO SMALL TOWNS

With the boom of shale development spreading across the nation, major retailers have increasingly turned their attention to small towns, says a new report released by JLL on Monday, July 21, 2014. Stores like Whole Foods and Trader Joes now eye prospective retail space not only in major metropolitan areas, but also smaller towns that in the past have offered relatively few retail opportunities. That's all thanks to rapid oil and gas development in U.S. shale plays.

The firm's new *2014 Energy Outlook* analyzes the current and future real estate and infrastructure development in North American shale markets, and nearby cities. Over the next six years, JLL forecasts \$80 billion will be spent in annual investments as communities transition to meet the needs of rising populations of oil and gas workers.

"The energy boom is having a dramatic effect on the infrastructure of these boom towns and on the economies of the hubs that support the oil and gas business," says Bruce Rutherford, international director and head of the oil & gas practice for JLL. "Sites like Williston and Midland, Texas, Hobbs, New Mexico in the Permian Basin are having a tremendous influx of workers, and those workers need to eat, they need places to shop and they need homes. All of this demands infrastructure that doesn't exist, and it needs to be built."

Rutherford adds, "It also creates a business that has to be supported regionally which means jobs and a surge of economic activity in cities like Houston, Denver, Dallas and Pittsburgh. We are just scratching the surface of the benefit on our local economies."

In its analysis, JLL documents critical infrastructure progress in each shale zone, as well as its ripple effect on neighboring major cities. Below are excerpts from the new JLL report, specifically examining Texas markets:

Eagle Ford (South Texas): The supply of housing and retail developments are mostly in-check with demand, although there is a shortage of restaurants. Home values should see a modest increase through 2018.

Barnett Shale (East Texas, Northwest Louisiana and surrounding area): A surging population has left housing in short supply, with home values expected to increase 36.1 percent by 2018. The area is hungry for grocery stores and restaurants.

Houston: Energy tenants take up 51 percent of Houston's top central business district office properties, and demand remains strong as larger energy firms divide into smaller, more focused units that require separate space. New developments continue to escalate in Houston's Energy Corridor, with nearly five million square feet of office under construction. Until new construction makes headway, the office market will have limited options through 2015. New apartment complexes are also under heavy construction, as vacancy rates have dropped from 12.9 percent in 2010 to 5.5 percent today.

Dallas-Fort Worth: A long-time oil-rich economy, the Dallas-Fort Worth metro area continues to reap the economic benefits of energy production – not only from Haynesville but more directly from production in the Barnett Shale. Population growth is roughly twice the national average, and apartment vacancy rates plummeted to 4.6 percent from 10.3 percent in 2010. Energy tenants occupy 28 percent of the prime real estate in the CBD of Fort Worth, and nine percent in Dallas. The market for office space remains tight, but organic growth among energy companies is generally slowing, opening more space as companies right-size their operations or look to the suburbs.

To download the full report, visit JLL's website at www.jll.com.

TEXAS REGULATOR SPEAKS AT FORUM ON UNCONVENTIONAL OIL & GAS

During the week of July 21, Texas Railroad Commissioner Christi Craddick contributed to series of panel discussions on issues surrounding energy and the environment at the Aspen Institute's Modern Shale Gas and Oil Production 2014 Forum in Aspen, Colorado. The forum aims to bring clarity and predictability to how state regulators and oil and gas producers manage environmental risks and other potential impacts that may arise from individual projects or cumulative operations. Oil and gas regulators, academics and other experts, as well as representatives from industry, were all in attendance of this year's meeting.

"It is most productive for all parties in a room to have direct conversations about these important issues that we must get right," commented Craddick. "It is clear that we need to continue to work in a concerted effort to accomplish the major tasks at hand, so that this viable industry is not only sustained, but continues to flourish."

Craddick added, "As we watch the immense growth in energy production numbers month to month, it is astounding to see the full picture of our nation's domestic energy capacity. Reflecting upon how we have gotten to this point in just a short time, we can be encouraged by the future possibilities this new sustained growth presents. I look forward to continued work with state and federal regulators in raising the bar for consistent policies that aid the growth of this industry and protect our natural resources."

UNIVERSITY FUND EXPECTED TO TOP \$1 BILLION, THANKS TO WEST TEXAS OIL DEVELOPMENT

Texas' Permanent University Fund, an endowment set up by the Texas Constitution to support the University of Texas and Texas A&M University systems, has continued to grow as oil and gas development in West Texas keeps rising.

"Our revenue is up considerably," said Jim Benson, executive director of University Lands, in a recent interview with the *Houston Chronicle*. "We are at \$968 million with two months to go (in the fiscal year). We will break \$1 billion for this year for the first time ever."

Overall, the University of Texas Investment Management Co. reports the fund's market value is up almost 20 percent, growing over the past year from \$14.4 billion to \$17.24 billion. The growth is due largely to increasing oil production in the Permian Basin, with oil production on university lands jumping to 41.8 million barrels in 2013, up from 23.7 million barrels in 2011.

University Lands receives a 25 percent royalty for oil and gas production on its holdings. This royalty revenue is then used by the universities for construction, renovations, major library acquisitions and significant educational and research equipment and academic excellence programs.

LONE STAR STATE SHINES ON FORBES LIST OF BEST PLACES FOR JOBS IN 2014

Due to the robust job market and strong rate of employment growth, several cities in the state of Texas have been recognized on Forbes' recent list of best and worst cities for jobs in 2014.

According to Forbes, "Texas dominates the [list] of top 10 with five metro areas, led by Austin at 4.1 percent. Texas was one of the last states to fall into a recession and one of the first to emerge. A pro-business government is expected to help spur further job growth in the Lone Star State."

Austin, McAllen, Dallas, Houston and San Antonio all were named as top metro areas in the nation, among the 200 largest by population, for their high employment growth.

The Texas Workforce Commission reports that more than 371,000 jobs have been added in Texas since 2013, with every major industry expanding over the last year. Specifically, mining and logging has continued to lead the way, at a 7 percent annual growth rate, thanks to increasing oil and gas activity in the state.

With low taxes and a friendly business climate, economists expect high levels of job creation will continue in the years ahead in the Lone Star State.



TEXAS OIL & GAS GALA TO RAISE FUNDS FOR PETROLEUM SCHOLARSHIPS

The Texas Oil & Gas Networking Professionals (TOGPN) is proud to announce it will host the first annual Black Gold Gala, a black tie evening event to be held on December 6 at Enchanted Springs Ranch in Boerne, Texas.

"Bringing together top service companies, geophysical contractors, fabricators, statewide operators, and consultants within the petroleum field, the Black Gold Gala will feature special presentations from oil and gas industry leaders and networking opportunities with VIP guests and sponsors," says the group. "A portion of ticket sale proceeds will benefit the innovative new scholarship fund, the TOGPN Scholarship, for students in science, technology, engineering and mathematics fields that aspire to a career within the petroleum industry."

A variety of sponsorship packages and individual tickets, all to benefit the TOGPN Petroleum Studies Scholarship Fund, are currently available. However, seating is limited and available on a first-come, first-serve basis, so attendees and sponsors are encouraged to reserve their spot early.

To learn more details, or sign up to attend the gala, visit www.oilgasnetworkinggroup.com.



TEXAS INDEPENDENT PRODUCERS & ROYALTY OWNERS ASSOCIATION MEMBERSHIP DIRECTORY - LISTING INFORMATION

As a member of TIPRO, we ask you to please provide updated contact information for TIPRO's Membership Directory.

Our association maintains an online directory year-round at directory.tipro.org, as well as distributes a printed directory to all TIPRO members in January. **Below please print all required information and return back to TIPRO as soon as possible.** Your name and contact information will appear in the directory as listed below.

Please note: company names and addresses will automatically be abbreviated (e.g.; Corporation = Corp., Company = Co., etc.).

Name: _____

Company: _____

Address: _____

City: _____ **State:** _____ **Zip:** _____

Phone Number: _____ **Fax:** _____

Email: _____

Website: _____

* May we publish your e-mail address in the Membership Directory? Yes No

Check here if you **DO NOT** want your name or business information published in TIPRO's Membership Directory

What is your professional title? _____

What is your preferred method of contact [note: by selecting mail, you will not receive *The TIPRO Telegram* or any other legislative action updates]? E-mail Mail

Does your company have a communications contact? [If yes, please provide their name and contact information below]

IMPORTANT: TIPRO's Membership Directory also includes a "Products and Services Guide." Below please indicate the most appropriate industry category for your business (no more than 1) by checking the corresponding box for inclusion in this section. If you do not make a selection, your company will not be featured in this section. To be listed under additional categories, please contact Matt Yates at (352) 333-6014 or myates@naylor.com for pricing information.

- | | | |
|---|---|--|
| <input type="checkbox"/> Accounting & Audit Services | <input type="checkbox"/> Equipment and Supplies | <input type="checkbox"/> Pipe Manufacturing & Installation |
| <input type="checkbox"/> Acquisition & Divestiture Services | <input type="checkbox"/> Financial Services | <input type="checkbox"/> Plugging Services |
| <input type="checkbox"/> Appraisals | <input type="checkbox"/> Gathering & Processing | <input type="checkbox"/> Producers-Exploration, Production & Development |
| <input type="checkbox"/> Attorneys | <input type="checkbox"/> Geologic & Geophysical Services | <input type="checkbox"/> Pumping Unit Sales & Service |
| <input type="checkbox"/> Banks & Capital Providers | <input type="checkbox"/> Gifts | <input type="checkbox"/> Research & Development |
| <input type="checkbox"/> Cementing | <input type="checkbox"/> Government Affairs | <input type="checkbox"/> Royalty & Working Interest Owners |
| <input type="checkbox"/> CNG Installation | <input type="checkbox"/> Graphic Design | <input type="checkbox"/> Service Companies |
| <input type="checkbox"/> Compression | <input type="checkbox"/> Independent | <input type="checkbox"/> Software |
| <input type="checkbox"/> Consulting Services | <input type="checkbox"/> Insurance | <input type="checkbox"/> Staffing |
| <input type="checkbox"/> Disposal-Injection/Serviceing | <input type="checkbox"/> Investment | <input type="checkbox"/> Surveying & GIS |
| <input type="checkbox"/> Drilling & Exploration | <input type="checkbox"/> Land Leasing & Acquisition | <input type="checkbox"/> Tax Consulting |
| <input type="checkbox"/> Drilling Contractors | <input type="checkbox"/> Midstream Natural Gas | <input type="checkbox"/> Well Performance & Remote Monitoring |
| <input type="checkbox"/> Energy Marketing | <input type="checkbox"/> Natural Gas Production & Pipelines Owner/Operators | <input type="checkbox"/> Well Servicing & Workover Contractors |
| <input type="checkbox"/> Engineering Services | <input type="checkbox"/> Oilfield Transportation | |
| <input type="checkbox"/> Environmental Regulatory Affairs | | |

Please e-mail completed forms to atorres@tipro.org or fax to (512) 476-8070.

Forms may also be mailed to TIPRO, 919 Congress Ave., Ste. 1000, Austin, TX 78701.

Questions? Call Anjelica Torres at (512) 477-4452.



AUGUST 20-22

GEORGE R. BROWN CONVENTION CENTER
HOUSTON, TX



NAPE

SOUTH

HOUSTON | SUMMER

#NAPE_South2014

Register today!

www.napeexpo.com



**Texas Independent
Producers &
Royalty Owners
Association**

With more than 2,500 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.

919 Congress Avenue, Suite 1000
Austin, Texas 78701
Phone: (512) 477-4452
Fax: (512) 476-8070
www.tipro.org