



**Texas  
Independent  
Producers and  
Royalty Owners  
Association**

## RACE FOR SPEAKER OF THE HOUSE GETS HEATED

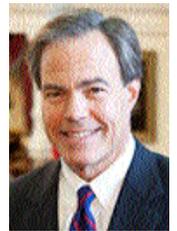
**T**he race for Speaker of the House of Representatives has grown into quite the battle as Speaker Joe Straus fights to hold onto the position responsible for leading the House. Straus has been pitted against several different conservative contenders from across Texas, all looking to take over the House's top leadership spot. Just since Election Day, the battle has already had many twists and turns.

Rep. Warren Chisum of Pampa, Texas, was the first to announce he will also run for Speaker of the House against Straus. While Straus is known to be a moderate

Republican, Chisum is much more conservative. Others have also announced their candidacy, including State Rep. Ken Paxton of McKinney, Texas. Several have voiced support for Paxton, including former U.S. House Majority Leader Dick Armey, who said "Paxton is a committed conservative who will lead the Republicans in the Texas House toward a fiscally conservative policy agenda for years to come."

So far, 27 county chairs, SREC and other conservative leaders have already signed a letter of support endorsing Straus. Straus claims to also have support from another 120 representatives, even though he only needs pledges from 50 more representatives. To become speaker, a representative must get at least 76 votes from the 150 House members.

Either way, it looks as though the agenda for the upcoming legislative session will be conservative in nature. Stay tuned to see who will be selected as the Speaker for the 82<sup>nd</sup> legislative session.



**Joe Straus**

## A MESSAGE FROM NEWLY ELECTED RAILROAD COMMISSIONER DAVID PORTER

First and foremost, I'd like to thank TIPRO and its members for their continued support. On election night, almost 60 percent of Texans agreed they wanted a pro-business, small government minded official as their newest Railroad Commissioner.

As I prepare to take office, one common goal is still at the forefront of my mind: we must continue to explore for energy here at home to reduce our reliance on foreign energy sources. The Texas energy industry is the principle driver behind our state's economy, and as the Commission enters the Sunset process, we must work to ensure any changes made to the commission are constructive and in turn have a positive impact on industry. It is vital to all Texans that industry continue to grow, creating jobs and spurring economic growth.

Currently, leaders in the Texas Legislature have asked all state agencies to cut their budget. Exact amounts for these cuts remain to be seen, but the request comes at a time when the oil and gas industry is thriving here at home. Few agencies have been so fiscally disciplined as the Texas Railroad Commission over the last several years, and it is imperative for industry that the Commission continues to put boots on the ground and in the field to promote safety and growth.

The most critical issue at the Commission remains our responsibility to ensure safety in an economically feasible manor. The idea of doing more with less seems to be the theme as we move forward with budgeting process, but I promise all Texans, I will never support cuts that compromise the safety of Texans. We must continue putting inspectors in the field to promote safety and to expedite the permitting process.

These are exciting times for the Texas energy sector, but we must stay vigilant against the overreaching arms of Washington, D.C. and the EPA. I've said before: Texans are best suited to regulate Texas and I continue to hold this principle as a guidepost for every decision I make as a Texas Railroad Commissioner. Independent producers are the heart and soul of the Texas energy industry and I pledge to work alongside all of you to continue on our path to prosperity.

## A NOTE OF THANKS...

As Thanksgiving Day draws near, we want to take the opportunity to express gratitude to our members for all the ongoing support of TIPRO. It is with your help and encouragement that we are able to effectively lead the charge for independent producers and royalty owners. We appreciate having members who are committed to producing American energy for our nation!

Our office will be closed Thursday, November 25 and Friday, November 26, resuming normal office hours on Monday, November 29.



**TIPRO wishes you and your family  
Happy Thanksgiving!**

## CHAIRMAN'S MESSAGE

TIPRO Members,

With the midterm election behind us, we now look to January 11, 2011 when our newly elected Texas officials will convene for the 82<sup>nd</sup> legislative session. With Republicans sweeping every major statewide office on Election Day, a monumental shift in the state's political climate has occurred and change is definitely in the air. The election results were defining in many ways, and have dramatically influenced the make-up of politicians in the legislature. A new tide has turned, and it now looks to be a less anti-business climate than before. And even though there was a significant amount of political sparring between opposing parties in the days leading up to the election, political differences now must be put aside as we strive to create solutions to some of the biggest problems plaguing the oil and natural gas industry, as well as the state of Texas.

Beyond the budgetary deficit projected to top more than \$18 billion, legislators will have plenty of other issues to focus their attention on as well. Additional regulation of hydraulic fracturing will be a hot topic, as legislators look for innovative ways to ensure best practices by the industry. Special attention will be paid to the potential impact of hydraulic fracturing on water consumption and use, as policymakers examine results from studies conducted by the Environmental Protection Agency and the Texas Commission on Environmental Quality to determine if new regulatory restrictions are needed. Legislation geared towards air emissions is also likely to come up, in addition to bills addressing increased taxes.

However, before these new officials take office and begin to vote on proposed legislation for these topics and more, it will be up to us to ensure that everybody in the Texas House and Senate is fully informed on our industry. With so many freshmen representatives and senators elected this session, we will have our work cut out for us. We need to ensure that everybody in the House and Senate is educated and up to speed, and has learned the basics of the oil and gas industry, along with the potential implications of the industry on the economy and jobs for Texans.

And as the legislative session gets underway, it will also be imperative to monitor development of these ongoing issues to ensure correct measures are taken in the future. We must be vigilant to watch what bills are filed and how legislators react. Their responses to these issues will ultimately influence what our operators and producers are allowed to do on a daily basis, and how the industry operates. TIPRO, along with the help of other industry associations, will have to step up to advocate for the passage of proper legislation and defeat onerous anti-business legislation for our industry. Relying on the support of TIPRO staff, we will work hard to lobby for these important issues and more.

This is sure to be a big moment for the industry and Texas, as we depend on our legislators to find new solutions to old problems. We cannot stand back and allow politicians to lead us astray, off a path that will allow us to prosper. Join me as we prepare for what will surely be a crucial time for the industry.

Sincerely,

*Stephen N. Castle*



**Stephen N. Castle**



**TIPRO's 65<sup>th</sup> Annual Convention**  
**March 1-2, 2011**  
**Omni Hotel**  
**Austin, Texas**



**Be on the lookout for more details coming soon!**

### Calendar of Events

DECEMBER 8, 2010	JANUARY 12, 2011	FEBRUARY 9, 2010	FEBRUARY 16-18, 2010
HOUSTON IPAA/TIPRO (Wednesday)	HOUSTON IPAA/TIPRO (Wednesday)	HOUSTON IPAA/TIPRO (Wednesday)	HOUSTON NAPE EXPO
Leaders in Industry Luncheon, 11:30 a.m.	Leaders in Industry Luncheon, 11:30 a.m.	Leaders in Industry Luncheon, 11:30 a.m.	George R. Brown Convention Center. For more info, visit:
Houston Petroleum Club For info, call: (512) 477-4452.	Houston Petroleum Club For info, call: (512) 477-4452.	Houston Petroleum Club For info, call: (512) 477-4452.	<a href="http://www.napeexpo.com">www.napeexpo.com</a> .

# PUBLIC AFFAIRS UPDATE

The Texas House Committee on Energy Resources goes on the road this week, holding a hearing at Fort Worth City Hall on Thursday, Nov. 18, to receive testimony about their interim charge to study local ordinances governing surface use of property in oil and gas development. The charge also instructs the committee to discuss whether changes to jurisdiction of the Railroad Commission should be made with regard to oil and gas development in urban areas such as the Barnett Shale. I will be at the hearing and will testify on behalf of TIPRO.



**Teddy Carter**

November 8 was the first day to pre-file legislation for the upcoming Texas legislative session, and almost 400 bills and resolutions were filed in the initial surge. The flow of bills has leveled off now, but we are already hard at work identifying and breaking down the legislation that affects our industry.

On the federal level, the Congress is back in Washington D.C., with quite a few new faces wandering the halls. In the House of Representatives, the Republicans made a net gain of 64 seats from Democrats and retook control of the chamber which they lost in the 2006 midterm elections. This number is the highest of any House victory for a single party since 1948, and the highest of any midterm election since 1938. Of the fifty-two incumbents who lost their bids for re-election in 2010, all were Democrats except freshmen Republicans Charles Djou (Hawaii) and Joseph Cao (Louisiana).

Republicans gained six seats in the Senate, including the defeat of two incumbents, Blanche Lincoln of Arkansas and Russ Feingold of Wisconsin. They also won open seats in Illinois, Indiana, North Dakota, and Pennsylvania. While this is not enough for them to control the chamber, it is the largest number of Senate gains for the party since the 1994 election, and also the first time since that election that they successfully defended all of their own seats.

With all of this new representation on the way into office, helping folks get up to speed on our industry's issues is going to be a big job. It is more important than ever to put a face on the independent producer and royalty owner, and that face is yours. If you live in an area that a new legislative member (state or federal) represents, do your best to get out and introduce yourself. We need to proactively seek out elected officials and interact in a positive manner so that they can see that the independent producers and royalty owners are their neighbors and their constituents, and know that we are paying attention.

As Director of Public Affairs, I am committed to protecting and advancing the interests of the entire TIPRO membership. It is my hope that these updates will provide you the knowledge and comfort that we never stop working for you. Thank you for placing your trust in us. Should you wish to contact me, I can be reached at headquarters at (512) 477-4452, or via email at [tcarter@tipro.org](mailto:tcarter@tipro.org).



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## '60 MINUTES' TAKES A LOOK AT THE NATURAL GAS INDUSTRY AND "SHALEIONAIRES"

On Sunday Nov. 14, CBS news program '60 Minutes' aired a segment detailing the development of gas shales in the United States and the process of hydraulic fracturing. The piece, titled "Shaleionaires," described production of the Haynesville Shale in East Texas and Northwest Louisiana as compared to that of Marcellus Shale in the Northeast region of the U.S., and gave insight into how some are becoming millionaires by allowing drilling on their land.

In the segment, Aubrey McClendon, CEO of Chesapeake Energy Corp., provided detailed explanation of the positives associated with the drilling of gas shales across the United States along with the beneficial impact the industry can have.

"In the last few years, we've discovered the equivalent of two Saudi Arabias of oil in the form of natural gas in the United States. Not one, but two," said McClendon. And while not perfect, McClendon stressed how natural gas is one of America's best bets for energy supply in the coming years. Not only does it have almost half the carbon emissions of coal and no mercury, said McClendon, but increased use of gas will help the U.S. decrease its dependence on foreign oil and dirty coal.

"If you use natural gas, America can establish independence from OPEC and put Americans back to work. We can lower our carbon emissions, and we can begin to improve the economy as well by not exporting a billion dollars a day of American wealth. The greatest wealth transfer in human history takes place every day. And it doesn't have to."

With natural gas production and exploration in over 30 states, an American energy renaissance seems to be underway. Impoverished farmers in some of the poorest communities across the country are now becoming millionaires as they lease land to drilling companies. Called "shaleionaires," these individuals have received big payouts by drilling companies.

However, not everybody has been happy to see an increase in drilling in their local communities. One family, the Ruggieros, spoke out during the interview on environmental abuses when fracking fluid leaked from a drilling operation on their property. Environmentalists also aren't happy, as they claim the industry is under-regulated. Michael Brune, executive director of the Sierra Club, called for promotion of gas as a cleaner alternative to coal and oil, but also recommended holding the industry more accountable with tighter standards.

Most have described the story as being fairly balanced, representing both sides of the debate on drilling. Others said that the show didn't get all the information right. Chris Tucker of Energy In Depth said, "they didn't quite get it right when they attempted to venture into the regulatory history of hydraulic fracturing. The reality is that fracturing technology is among the most thoroughly regulated procedures that takes place at the well site, which is a big reason why it's been able to compile such a solid record of safety and performance over the past 60 years of commercial use."

To view the segment, visit: <http://www.cbsnews.com/video/watch/?id=7054210n&tag=related:photovideo>.



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## **BASIN OPERATORS GET REMINDER TO PREPARE FOR NEW AIR EMISSIONS REGULATIONS**

### **REPRINTED WITH PERMISSION OF *THE MIDLAND REPORTER-TELEGRAM***

Five months after senior management with the Texas Commission on Environmental Quality came to Midland to discuss proposed changes to Permit By Rule and Standards permits, area operators got a reminder to be prepared.

“There are processes and steps for operators to assess air emissions from the typical production facility,” said L. Peter “Pete” Galusky, principal in the Texerra consulting firm, which has offices in Midland and Colorado Springs, Colo.

In Midland to address members of the Society of Petroleum Engineers’ Environmental Study Group, Galusky said he focused on the Permian Basin, “which is primarily oil production with associated gas.”

He said a producer’s first focus should be on emissions associated with storage - flash emissions caused by a drop in pressure as oil moves through the transportation system or water levels rise, and breathing emissions from tanks that stand in the sun and respond to heating, cooling and air pressure.

Then, he said, operators need to consider the impact of emissions of volatile organic compounds (VOCs) and hazardous air pollutants (HAPs) and hydrogen sulfide emissions. “When you have to implement a flare or control H<sub>2</sub>S, that converts into sulfur dioxide, which is regulated and looks to be more regulated,” he said. He added that flaring of VOCs or HAPs can lead to smoke emissions from incomplete combustion.

“Until recently, there wasn’t a lot of scrutiny of smoke from flares and I’m guessing that will change,” Galusky said, predicting operators will have to install new equipment or retrofit their facilities.

“Smoke indicates incomplete combustion of VOCs,” he said. “In other words, smoke is bad.”

If, “or as the state does more drive-bys and increases its scrutiny of the Permian Basin, they will be looking at a smoking gun.”

Other emissions to be concerned about, Galusky said, include emission from truck loading and unloading facilities and fugitive emissions.

In addressing the study group, Galusky said his main goal was “to walk the uniformed through the process of doing an air emissions inventory of their production equipment, what data will be needed, what data will be required.”

There are, he said, different levels of effort and expense in taking an emissions inventory. One, he said, is a simple desktop model to determine which facilities need more scrutiny and might need work. An engineer, Galusky said, knowing the composition of the production and what amount is being produced, can use those two figures to give the producer a ballpark figure on emissions. “If it’s below the standards, put that data in a file and when you’re audited, you’ve done your homework.” An operator’s staff, he added, might be trained to do those desktop evaluations.

“If an operator has not done that, I’d get religion pretty quickly,” Galusky said. “The Permian Basin won’t get a pass - the train is coming. The TCEQ is lowering the baseline and many, many more facilities will be drawn into compliance requirements.”

In discussing the proposals with Permian Basin producers this summer, Mark Vickery, executive director of the TCEQ, pointed out that “We haven’t looked at this rule since 1986. Technology has made huge strides in your business and our business.”

Infrared cameras, for example, he said, have become what he called “a game-changer for us” by allowing operators and regulators to see emissions that were never before seen. That means, he said, that emissions from activity the TCEQ regulates “is higher than we thought so we’ve had to go back and work with industry on improving emission controls.” Current standards, he said, “are, in our mind, not protective.”

An operator must weigh the costs of complying with the tighter regulations versus the potential cost of not complying with the regulations, Galusky said.

“There will be costs but, if done right, those costs will be minimal,” Galusky said.

## **CHEVRON TO BUY ATLAS, GAIN MARCELLUS Foothold**

### **REPRINTED WITH PERMISSION OF *THE OIL & GAS JOURNAL***

HOUSTON, Nov. 9 -- Chevron Corp. has agreed to acquire Atlas Energy, a Pittsburgh independent producer with a major land position in the Marcellus shale gas play, for \$3.2 billion cash plus assumption of debt of \$1.1 billion.

Chevron will acquire a gas resource estimated at 9 tcf, including 850 bcf of proved reserves, and about 80 MMcfd of production.

Atlas Energy’s Appalachian basin assets include 486,000 net acres in the Marcellus shale, 623,000 net acres in the Utica shale, and a 49 percent interest in Laurel Mountain Midstream LLC, which owns more than 1,000 miles of intrastate gas pipeline and gathering lines in the Marcellus play.

Atlas Energy also has production from the Antrim shale in Michigan and 100,000 net acres in the Collingwood-Utica shale.

Chevron will become operator of the Marcellus joint venture Atlas Energy formed in April with an affiliate of Reliance Industries Ltd., Mumbai, and will assume the acquired company’s 60 percent share of the venture. Reliance will still fund 75 percent of the operator’s drilling costs up to \$1.4 billion (OGJ Online, Apr. 21, 2010).

Before completion of the deal, Atlas Energy will distribute units of Atlas Pipeline Holdings LP to shareholders and acquire a 49 percent interest in Laurel Mountain Midstream from the pipeline partnership for \$403 million. It will sell all investment partnerships, 175 bcf of gas reserves, and certain other assets to Atlas Pipeline Holdings for \$30 million in cash and \$220 million in new units in the pipeline partnership.



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**Texas Independent  
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With more than 2000 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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