



**Independent
Producers and
Royalty Owners
Association**

RRC ACCEPTS COMMENTS ON FRAC FLUID DISCLOSURE RULES UNTIL OCT. 11

A historic rule requiring the disclosure of components used in the hydraulic fracturing process has been formally proposed by the Texas Railroad Commission. On Monday, August 29, the Railroad Commissioners met to discuss rule provisions which will mandate companies to share information about the chemicals they inject into the ground during the fracing process. This comes in response to House Bill 3328 passed during the 82nd Legislative Session, which strives to better inform the public of the

chemical content of hydraulic fracturing treatments.

“This really does give teeth to the law,” exclaimed Railroad Commission Chairman Elizabeth Jones. “As Texas has been handling hydraulic fracturing for over 60 years, this law will reveal to the public our expertise at it, giving them comfort that they are in good hands.”

The first of its kind, the bill will undoubtedly serve as a model for other states to follow in the future, and it sends a clear message from the largest producing state in the country to federal regulators: leave the regulation of hydraulic fracturing where it belongs - with the states.

Within the proposal, definitions are listed first, not only for the industry but also for the public to better understand what is being talked about and to express the clear intent of the rule. It was noted that staff encountered difficulties matching state and federal standards, particularly with different definitions of trade secret under federal and state laws. There is also a section on applicability within the rule, as well as what specifically is required for disclosure.

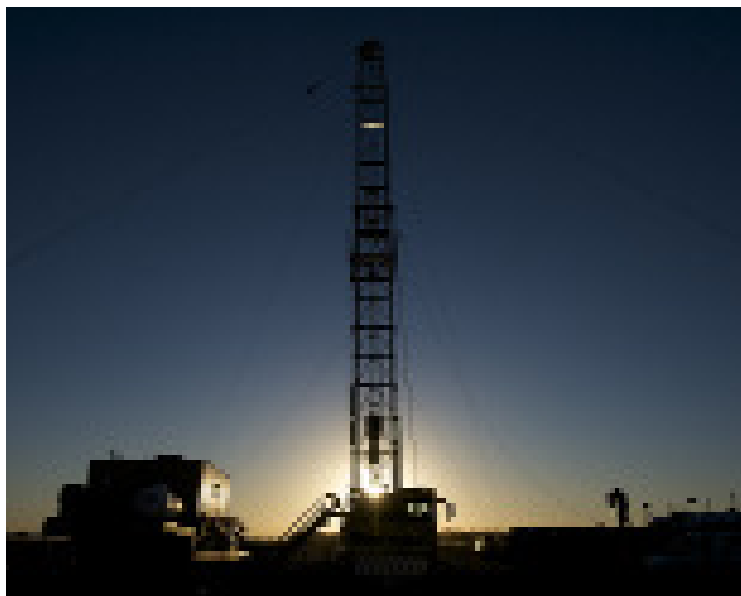
All disclosures will be posted on fracfocus.org, a chemical disclosure registry developed by the Ground Water Protection Council (GWPC) and the Interstate Oil and Gas Compact Commission (IOGCC).

“Fracfocus.org is an amazing website, and perhaps not known as well as it should be outside of Texas or the industry... it is comforting that up to 50 percent of operators are already voluntarily disclosing, with an extraordinary amount of other information available that you can pull up,” added Commissioner Barry Smitherman.

Any chemical used that is not listed on Frac Focus must be revealed on a supplemental list, to be submitted to the Railroad Commission.

The rule, now published in the Texas Register, is open to public comment for 30 days. To view a copy of the proposed rules, visit: http://www.tipro.org/UserFiles/Proposed%20Rules%20for%20H_B_%203328.pdf.

A public hearing focusing solely on the development of frac rules will also be held at the Railroad Commission on October 5 at 1 p.m.



WILDFIRES DEVASTATE TEXAS - HOW TIPRO MEMBERS CAN HELP

Over the past week, dangerous wildfires have destroyed thousands of homes and engulfed countless acres of land across Texas. Dedicated employees of the Railroad Commission and Texas Commission on Environmental Quality are among those affected, in some cases reporting total losses. With incredible devastation seen in Central and East Texas, many TIPRO members are asking how they can help.

TIPRO encourages donations to the following groups, which will provide direct aid to those impacted:

American Red Cross of Central Texas: <http://www.centex.redcross.org/index.asp?IDCapitulo=F9ZLZNZ3KD>

Capital Area Food Bank: <http://www.austinfoodbank.org/>

Central Texas Wildfire Fund: <http://www.austincommunityfoundation.org/?nd=wildfirerelief>

Bastrop Fire Relief: <http://www.austindisasterreliefnetwork.org/apps/articles/default.asp?articleid=75376&columnid=6357>

CHAIRMAN'S MESSAGE

TIPRO Members -

Following a very bleak employment report released last week that revealed no net job growth in the month of August, in addition to an overall national unemployment rate hovering around 9.1 percent, support for the oil and gas industry remains paramount. With the correct government policies in place, our industry has the potential to aid with the problem and put millions of Americans to work. Case in point, here in Midland, we are experiencing the lowest unemployment rates in the entire state, and also one of the lowest in the country. With unemployment rates at just 5.1 percent in July, businesses in the Tall City are searching hard to fill vacant positions. Increased activity in oil and gas production in the Permian Basin is helping to account for the job growth. This, however, is not the case in most other towns across the nation, which is why Americans need to understand the potential impact from increased oil and gas development.

In fact, a new study released by Wood Mackenzie reveals that by 2030, U.S. policies encouraging the development of new and existing resources could support over 1.4 million jobs, not to mention raise over \$800 billion of cumulative additional government revenue and increase domestic oil and natural gas production by over 10 million barrels of oil-equivalent (boed). Those policies which allow increased access to currently undeveloped regions offer the most potential for job creation, estimated at nearly 690,000 new jobs in the next 20 years. Increased American production also creates among the largest revenues by source for the government through royalties and taxes. The oil and gas industry is part of the solution, not the problem.

With a struggling economy, we cannot afford to deny those results. With our industry ready to step up and put Americans back to work, we need officials to jump on board. Our economy needs a boost and it needs it now. As the President and Congressmen continue discussions on ways to create jobs and reduce our country's incredible deficit, we must work to educate them on the important role that independent oil and gas producers play in financially supporting the United States.

Through it all, TIPRO exists to preserve the ability to explore and produce oil and natural gas and to promote the general welfare of its members.

On a separate note, my thoughts and prayers go out to those who are currently being impacted by the wildfires raging across our beloved state. It is heartbreaking to witness such extreme levels of destruction, as entire communities go up in flames. In Bastrop, Texas, alone, more than 35,000 acres have burned, destroying over 1,300 homes. And sadly, this scene plays out in towns all over. This comes after months and months of little-to-no rain for the Lone Star State, as we continue to endure one of the worst droughts on record. While we all keep a close eye on progress made containing the fires, we hope everybody remains safe.



Stephen N. Castle

Sincerely,

ACTIVE ON LINKEDIN? BE SURE TO BECOME A PART OF TIPRO'S GROUP

For those on LinkedIn, make sure to search for the "Texas Independent Producers & Royalty Owners Association" group. Then, click to join to be able to become part of the conversation on oil and gas, receive timely updates and connect with others in the industry. To view, go to: <http://www.linkedin.com/groups?mostPopular=&gid=2871231>.



Also be sure to follow TIPRO on twitter (@T_I_P_R_O). Connect by going to http://twitter.com/T_I_P_R_O.

Calendar of Events

SEPTEMBER 14, 2011

HOUSTON IPAA/TIPRO
Leaders in Industry
Luncheon, 11:30 a.m.
Houston Petroleum Club.
For info, call: (512) 477-4452.

OCTOBER 12, 2011

HOUSTON IPAA/TIPRO
Leaders in Industry
Luncheon, 11:30 a.m.
Houston Petroleum Club.
For info, call: (512) 477-4452.

OCTOBER 19, 2011

SAN ANTONIO TIPRO S
4th Annual Central Texas
Business Development
Reception, 5:30 p.m.
San Antonio Petroleum Club.
For info, call: (512) 477-4452.

NOVEMBER 9, 2011

HOUSTON IPAA/TIPRO
Leaders in Industry
Luncheon, 11:30 a.m.
Houston Petroleum Club.
For info, call: (512) 477-4452.

TIPRO HOSTS FIRST SOUTH TEXAS REGIONAL ROUND TABLE MEETING

On Thursday, September 1, operators in South Texas met via conference call for the first TIPRO Regional Round Table (RRT). With activity in the Eagle Ford Shale continuing to grow each day, it is an important time for independent producers and royalty owners to keep a close watch on ongoing or upcoming issues in the area. These meetings allow operators to find out if issues are specific to their company, if others are experiencing similar situations, or if a greater problem exists. Although the first meeting pertained to South Texas, similar RRTs will be held for other regions of the state.

Dimmit County Commissioner Mike Uriegas joined the call, addressing four major concerns seen from increasing oil and gas production in the region: water supply and depletion of the Carrizo aquifer, contamination of water, traffic safety and deterioration of infrastructure. The Commissioner gave special recognition to TIPRO members Chesapeake Energy and Anadarko for efforts to accommodate for infrastructure problems, paying for repairs as needed and working closely with landowners to ensure community development. He also stressed the importance of safety, as he wants to prevent an increase in accidents resulting from more activity in the area.

Participants agreed that finding housing for employees is also another common problem, as workers struggle to look for a place to live. Although more hotels are in development in Carrizo Springs and other communities, it could still be six months to a year before more options are available.

Any independent producer or royalty owner who would like to participate in future calls, please email Teddy Carter at tcarter@tipro.org for further details.



REMINDER - MEMBERSHIP DIRECTORY LISTING DEADLINE APPROACHING

Don't forget to submit your updated contact information for TIPRO's next membership directory. You should have received your 2012 membership directory listing form in the mail - deadline for all updates will be **September 30, 2011**.

If you need assistance or did not receive your copy of the form, please contact Laura Stubbins at laura@tipro.org.

OVER 300 ENERGY LEADERS TO MEET FOR THE 18TH ANNUAL BORDER ENERGY FORUM



On October 27-28, Texas Land Commissioner Jerry Patterson, along with more than 300 energy leaders, will gather in El Paso to discuss energy and environmental issues affecting both the United States and Mexico. Founded in 1994 by the General Land Office, the forum allows top leaders to track the latest developments, seek more interconnections for electricity and natural gas, and find new partners for developing renewable resources. Local, state, and federal governments from both sides of the border are invited to participate, as well as energy producers, industrial consumers, environmental organizations and academic researchers.

"The idea is to provide policy planners with the best information available so they can make wise decisions, forge partnerships and work for the region as a whole," said Patterson.

Key issues on the agenda include doing business in the border states, energy efficiency and water systems, financing energy projects and infrastructure, energy security, wind and solar power, smart grids and electric transmission.

For more information on the Border Energy Forum, please visit www.borderenergyforum.org.

TIPRO CONGRATULATES GREAT WESTERN DRILLING COMPANY ON 75 YEARS

Originally formed in 1936 as a drilling contractor in Kermit, Texas, the Great Western Drilling Company celebrates its 75th anniversary this month. The company has been involved in drilling wells in many significant oil discoveries in the Permian Basin, including the Caprock, Queen, **Great Western Drilling Company**, Wasson, Slaughter, Prentice and the San Juan Basin gas field.

After moving office headquarters to Midland in 1951, the company has since evolved from being primarily a drilling contractor into a successful independent oil and gas producer.

TIPRO commends long-time supporter Great Western Drilling Company on its 75th anniversary, and extends to every employee of the company sincere appreciation for all that they have done for the oil and gas industry, as well as the Lone Star State.

NEW LAWS TAKE EFFECT ON SEPT. 1, IMPACT OIL AND GAS INDUSTRY

Although hundreds of new state laws went into effect on Sept. 1, a number could directly impact oil and gas operations in Texas. Passed during the 82nd Legislative Session, the following are some of the most relevant to industry:

- H.B. 2663:** Relating to the effect of rules and standards adopted by the Railroad Commission of Texas relating to the liquefied petroleum gas industry on ordinances, orders, or rules adopted by political subdivisions relating to that industry.
- H.B. 3328:** Relating to the disclosure of the composition of hydraulic fracturing fluids used in hydraulic fracturing treatments.
- S.B. 18:** Relating to the use of eminent domain authority.
- S.B. 20:** Relating to grant programs for certain natural gas motor vehicles and alternative fuel facilities.
- S.B. 332:** Relating to the ownership of groundwater below the surface of land, the right to produce that groundwater, and the management of groundwater in this state.
- S.B. 527:** Relating to projects funded through the Texas emissions reduction plan.

CELEBRATE ENERGY DAY 2011 ON OCTOBER 15, 2011

This October, the city of Houston is hosting a public, family-friendly festival to celebrate the important role that energy plays in our daily lives. On Saturday, October 15, at Hermann Square in front of City Hall in Downtown Houston, students and their families will have the opportunity to learn about various forms of energy, scientific breakthroughs and technology.

Interactive exhibits will focus on innovation, energy production, processes and efficiencies. Visitors will be able to touch state-of-the-art technology, speak with experts and ask questions. Demonstrations, contests and presentations will also be held in efforts to amplify how truly integral energy is.

The festival will include live music from community artists and local food. Students, educators and industry leaders will also be honored during the event with awards and scholarships.

Learn more details by visiting <http://energyday2011.org/>.



WANT TO RECEIVE YOUR NEWS SOONER?

SIGN UP TO RECEIVE YOUR COPY OF THE TIPRO TARGET VIA EMAIL AND GET YOUR COPY OF THE NEWSLETTER AS SOON AS IT IS PUBLISHED. SIMPLY CONTACT LAURA STUBBINS AT LAURA@TIPO.ORG TO REQUEST TO RECEIVE THIS NEWSLETTER BY EMAIL.

EXPERT TOUTS HYDRAULIC FRACTURING

In a recent interview with *The Stanford Report*, Stanford geophysicist Mark Zoback emphasized the potential natural gas has in supporting growing energy consumption in the United States and stressed operations associated with hydraulic fracturing can be done safely, despite environmentalist's claims. Zoback, who recently participated in a panel to advise Secretary of Energy Steven Chu on the safety and environmental aspects of shale gas production, explained some of the unfounded fears associated with hydraulic fracturing:

"There have been fears that hydraulic fracturing fluid injected at depth could reach up into drinking water aquifers. But, the injection is typically done at depths of around 6,000 to 7,000 feet and drinking water is usually pumped from shallow aquifers, no more than one or two hundred feet below the surface. Fracturing fluids have not contaminated any water supply and with that much distance to an aquifer, it is very unlikely they could."

Along with other experts, Zoback urged more transparency and dissemination of information about shale gas operations. By fully disclosing chemicals used during the hydraulic fracturing process, misconceptions and ill-informed debate about development can be prevented. Otherwise, Zoback warns there is "unnecessary suspicion and paranoia."

"We (the panel) also call for more data collection before, during and after drilling, so that if problems are encountered, the causes can be established and remedies more easily identified," said Zoback.

REACH 4 OUT OF 5 NATURAL GAS PRODUCERS IN TEXAS.

UPSTREAM TEXAS



A PUBLICATION OF THE TEXAS
INDEPENDENT PRODUCERS AND
ROYALTY OWNERS ASSOCIATION
www.tipro.org

Our biannual magazine, *Upstream Texas*, features up-to-date industry news, association information and the latest trends in Texas' thriving oil and gas industry. *Upstream Texas* is also available in a fully interactive digital version.



Our annual directory features association information and up-to-date member contact information which is used as a reference throughout the year.

Why partner with TIPRO?

Our members produce more than 85% of the natural gas and operate seven out of 10 of the oil wells drilled within Texas.

- We are the voice of the industry — we represent members by lobbying at the state and federal levels to ensure you can continue to explore for oil and natural gas.
- Texas is the No. 1-ranked state in crude oil wells drilled; natural gas wells drilled and natural gas production.
- Members range from small family-owned businesses to the largest publicly-traded independent producers and mineral owners, estates and trusts comprising millions of acres of production in Texas.

Participating in our magazine, *Upstream Texas*, and our annual *Membership Directory* is an easy way to protect your market share and secure top-of-mind awareness with existing and potential clients.

For more information about featuring your company in *Upstream Texas* and the annual *Membership Directory*, contact **Matt Yates** at (352) 333-6014 or myates@naylor.com.



TIPRO TO SPEAK AT UPCOMING EPA HEARING ON PROPOSED AIR REGULATIONS

In late July, the U.S. Environmental Protection Agency (EPA) released a series of proposed air regulations for the oil and gas industry, which aim to reduce air pollution while allowing continued growth in production. The rules include the first federal air standards for wells that are hydraulically fractured, along with requirements for several other sources that are not currently regulated at the federal level.

Among the proposals for air regulation include: a new source performance standard for volatile organic compounds (VOC), a new source performance standard for sulfur dioxide, an air toxics standard for oil and natural gas production and an air toxics standard for natural gas transmission and storage. The EPA is also urging increased of "green completions" or "reduced emissions completions" that can reduce VOC emissions from completions and recompletions of hydraulically fractured wells by as much as 95 percent.

On September 29, the EPA will hold a public hearing regarding the proposed rules in Arlington, Texas. Starting at 9 a.m., the hearing is set to take place at the City Council Chambers of the Arlington Municipal Building, located at 101 W. Abram Street. TIPRO will be on hand for this hearing and is scheduled to speak. Public hearings on the matter will also occur in Denver and Pittsburgh later this year.

The EPA is also accepting public comment on the proposed amendments until October 24, 2011. TIPRO's Environmental Task Force is currently in the process of reviewing the rules, and will be submitting technical comments on behalf of membership.

Final action by the EPA on the rules must occur by February 28, 2012.

TCEQ ACCEPTING NOMINATIONS FOR 2012 TEXAS ENVIRONMENTAL EXCELLENCE AWARDS

Nominations are now being accepted for the 2012 Texas Environmental Excellence Awards, the state's highest environmental honor. The awards, coordinated by the Texas Commission on Environmental Quality (TCEQ) on behalf of the Office of the Governor, recognize an individual, community, company, or organization that significantly reduce waste, conserve natural resources and prevent pollution.

"These awards honor the people and the organizations that have gone the extra mile to protect our natural resources," said TCEQ Chairman Bryan W. Shaw, Ph.D. "Their commitment stands as an inspiration for all of us."

If your organization is taking action to protect our state's natural resources, apply today. Don't miss your chance for well-deserved recognition. The application process is free, easy and garners credibility and great results.

The application is available online at <http://www.teea.org/apply.htm>.

The deadline to submit is Friday, October 7, 2011.



LATEST FEDERAL RESERVE REPORT SHOWS THE ENERGY SECTOR REMAINS STRONG

While other sectors experienced flat growth during the last several months, the energy sector continued to remain strong, according to the latest report released by the Federal Reserve Bank of Dallas. Drilling activity was up, with 43 new rigs added over the past six weeks. Additional gains are also expected during the months to come.

Overall, the report projects the U.S. economy to grow at a modest pace of 1.5 percent in the remaining months of 2011.

TIPRO'S 4TH ANNUAL BUSINESS DEVELOPMENT RECEPTION TO BE HELD IN SAN ANTONIO



Make plans to attend TIPRO's 4th Annual Central Texas Business Development Reception on October 19 from 5 to 7 p.m. at the San Antonio Petroleum Club in San Antonio, Texas. Listen as a panel of experts discuss CNG/NGV Fleet management, providing input from producer, consumer and implementation viewpoints. Learn more on how natural gas will continue to grow in use as a transportation fuel. Reception to follow.

Speakers:

Frank Chapel - Apache Corporation

Rick Poorman - JW Power Compression and Dispensing Facilities

Jean Durdin - Parkway Chevrolet

This event is free for all TIPRO members.

Special thanks to event sponsors DrillingInfo, EnCap Investments L.P., Orion Drilling Company, CIMA Energy Ltd, Graves and Co., and Environmental Management Service. Thanks also to the host committee, J-W Measurement Company and Bruington Engineering, Ltd.



TIPRO's 4th Annual Business Development Reception

When: October 19, 2011
5 p.m. to 7 p.m.

Where: San Antonio Petroleum Club
8620 N New Braunfels, Suite 700
San Antonio, Texas 78217
Ph: (210) 824-9014

Price: Free for TIPRO members;
\$35.00 for non-TIPRO members

Registrant Information:

(Please use one form per person)

Name: _____ Company: _____

Billing Address: _____ City/State/Zip: _____

Phone: _____ E-mail: _____

Payment Information:

Number of attendees: _____ Please charge my credit card a total of \$ _____

AMEX VISA MC

Card Number: _____ Exp. Date: _____

CID Number: _____ Signature: _____

Or find my check # _____ enclosed for \$ _____.

TIPRO must receive notice of cancellation by Wednesday, October 12, 2011.
Refunds will not be given after this date. No shows will not receive refunds.
Reservations must be accompanied by a form of payment.

Please remit payment to:

Texas Independent Producers & Royalty Owners Association
919 Congress Ave., Ste. 1000, Austin, TX 78701 Ph: (512) 477-4452, Fax: (512) 476-8070
Register online for the event at www.tipro.org.

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THE TIPRO TARGET



**Texas Independent
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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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