



**Independent  
Producers and  
Royalty Owners  
Association**

## EPA ISSUES NEW AIR REGULATIONS FOR OIL AND GAS INDUSTRY

The U.S. Environmental Protection Agency (EPA) will give the oil and gas industry until 2015 to implement new emission-reduction technology, following the federal agency's announcement of new oil and natural gas air pollution standards on April 18, 2012.

The updated air regulations for oil and gas production will include the first federal air rules for wells that are hydraulically fractured, in both urban and rural areas. The EPA's final rules also address emissions from storage tanks and other industry equipment.

New standards, which stem from agency efforts to reduce air emissions of volatile organic compounds (VOCs) at well sites, will apply to four rules for the oil and natural gas industry: a new source performance standard for VOCs; a new source performance standard for sulfur dioxide (SO<sub>2</sub>); an air toxics standard for oil and natural gas production; and an air toxics standard for natural gas transmission and storage.

The EPA is required by the Clean Air Act to set new source performance standards for industrial categories that cause or contribute to air pollution which could endanger public health or welfare. The agency must review these standards every eight years. The existing rules were issued in 1985.

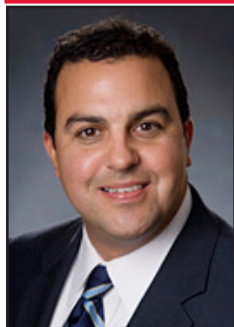
During the initial "phase-in period" for the regulations, lasting between now and January 1, 2015, operators must either flare emissions or utilize emission reduction technology called "reduced emissions completion" or "green completions" to capture natural gas that currently escapes into the air at well sites. Then, beginning in 2015, all new fractured wells will be required to make use of green completions.

The original proposal of new standards was announced by the EPA on July 28, 2011, after which the agency received more than 156,000 comments on the issue from the public, industry, environmental groups and states. In the Fall of 2011, the agency also gathered input during five public hearings held on the proposal, one of which TIPRO's Director of Public Affairs Teddy Carter testified on behalf of TIPRO members.

The new rules come after a consent decree was issued by the U.S. District of Columbia in February 2010, which required the EPA to take action and review the new source performance standards, as well as other major source air toxic standards for the oil and natural gas industry. The decree was recently revised to grant the EPA an additional two weeks to publish new standards.

*Story continued on page 4...*

## BUDDY GARCIA APPOINTED AS NEW RRC COMMISSIONER



Gov. Rick Perry has appointed H.S. Buddy Garcia to serve as Commissioner at the Railroad Commission of Texas (RRC), for a term to expire at the next general election. Garcia fills a position vacated in February by former Commissioner Elizabeth Ames Jones.

"I would like to thank Gov. Perry for this interim appointment to the RRC," said Garcia. "I have always been motivated by producing results for the citizens of the state of Texas, and I am honored to have this opportunity."

Garcia most recently served as Commissioner at the Texas Commission on Environmental Quality (TCEQ) since January 2007. Prior to his appointment to the TCEQ, Garcia served as Texas' Deputy Secretary of State and Border Commerce Coordinator. He also previously worked as a senior advisor to Gov. Perry and State Sen. Eddie Lucio.

He is a member of the Texas Coastal Land Advisory Board and Gulf of Mexico Alliance, an ex-officio advisory member for the Texas Water Foundation, and serves as co-chairman for the Blue Ribbon Resilient Communities and the U.S./Mexico Border 2012 Environmental Program. He is also a past member of the Texas Coastal Coordination Council.

"I am glad to welcome Commissioner Garcia to the RRC," said Barry Smitherman, Chairman of the RRC. "His wide-ranging knowledge and expertise will be a benefit as we continue to make improvements to the Commission's efficiency and transparency."

Commissioner Porter added, "I look forward to serving alongside Commissioner Garcia to ensure that Texas—not the federal government—remains in charge of regulating its energy industry."

A native of Brownsville, Garcia graduated from St. Joseph Academy and received a bachelor's degree in political science from Texas State University.

## CHAIRMAN'S MESSAGE

### TIPRO Members-

Another week, another set of new federal regulations have been imposed on the oil and gas industry. It seems our industry continues to be the target of the federal government, as this week the U.S. Environmental Protection Agency (EPA) released the agency's new standards for air emissions at well sites. Although the agency will grant extra time to allow operators the chance to install new equipment so they may capture emissions and use "green completions," the new set of rules represents the first time that the EPA has issued a federal mandate governing emissions from hydraulic fracturing operations.

As individuals who live and work around our facilities, members of our industry favor clean air just as much as anyone else. We routinely use green completions and conserve our environmental impact, whenever circumstances permit; however, considering the state of our economy, the implementation of any additional regulations on oil and gas operations must be necessary, reasonable and based on sound science. Rather than imposing complicated rules, in some cases, the government should stick to encouraging new standards, as opposed to mandating.

Another assault by the federal government on our industry also came this week as President Obama proposed additional legislation to tighten oversight of energy markets. If passed, the bill would give lawmakers authority to immediately give the Commodity Futures Trading Commission an additional \$52 million to increase staff monitoring of markets and upgrade technology to strengthen monitoring. This is seen by many as simply a political move by the President to deflect criticism received over high gas prices, and instead allow his administration to place blame on energy traders. It appears he's looking for a scapegoat, as the government already has the tools in place to effectively monitor markets.

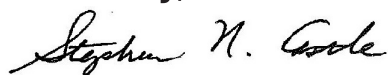
For the 5,000 oil and gas producers in Texas, many of whom are small independents with limited capital resources, the effect of overburdensome federal regulations on business operations can be substantial.

To give our industry the incentive to continue to invest in new technology, equipment or strategies, overall we need less government regulation of oil and gas development. By imposing onerous, unnecessary regulation on activity, the federal government limits our ability to hire employees to grow our workforce and generate new business, and also prevents future economic growth.

All of these restrictions threaten to kill the goose that lays the golden egg - at a time when the oil and gas industry is providing support to our economy unlike any other industry. Case-in-point, in 2010, 1.84 million American jobs were directly supported by oil and natural gas. Add to that indirect and induced jobs and that figure jumps to 9 million jobs. In addition to generating jobs at an unparalleled rate, the energy sector supplies much-needed revenue to government coffers, with the oil and natural gas industry sending \$85 million dollars to the U.S. government. Every day.

As our elected officials grapple with how to deal with the mounting federal deficit, we must continue to promote the positive economic impact our industry is able to provide. We need for more to appreciate the important role our industry plays in supporting our country, from the creation of jobs to payments towards government treasuries. With great potential of increased production in future years, thanks to advancing technology and new discoveries of shale formations, now is the time to take action.

Sincerely,




**Stephen N. Castle**

## TIPRO WELCOMES NEW MEMBERSHIP COORDINATOR, ANJELICA TORRES



TIPRO is excited to announce Anjelica Torres will serve as the association's new Membership Coordinator. In the position, Anjelica will be responsible for maintaining TIPRO's database and management of events, as well as providing necessary support for the association's day-to-day operations and assisting in financial and membership functions.

Most recently, Anjelica worked as an executive assistant and receptionist at Hendler Law Firm in Austin. She also previously has served in similar roles at Salas Construction, Inc. and Torres Parking Lot Striping.

### Calendar of Events

MAY 8, 2012		MAY 9, 2012		JUNE 13, 2012		JULY 11, 2012	
KILGORE	TIPRO S	HOUSTON	IPAA/TIPRO	HOUSTON	IPAA/TIPRO	HOUSTON	IPAA/TIPRO
3 <sup>RD</sup> Annual East Texas		Leaders in Industry		Leaders in Industry		Leaders in Industry	
Conference,		Luncheon, 11:30 a.m.		Luncheon, 11:30 a.m.		Luncheon, 11:30 a.m.	
East Texas Oil Museum.		Houston Petroleum Club.		Houston Petroleum Club.		Houston Petroleum Club.	
For info, call: (512) 477-4452.		For info, call: (713) 503-1298.		For info, call: (713) 503-1298.		For info, call: (713) 503-1298.	

## PRESIDENT OBAMA ISSUES EXECUTIVE ORDER TO COORDINATE REGULATION OF FRACING

In an Executive Order issued on Friday, April 13, 2012, President Obama announced new plans to coordinate the efforts of Federal agencies responsible for overseeing the safe and responsible development of unconventional domestic natural gas resources.

"Because efforts to promote safe, responsible, and efficient development of unconventional domestic natural gas resources are underway at a number of executive departments and agencies, close interagency coordination is important for effective implementation of these programs and activities," read the Executive Order. "To formalize and promote ongoing interagency coordination, this order establishes a high-level, interagency working group that will facilitate coordinated Administration policy efforts to support safe and responsible unconventional domestic natural gas development."

In the order, President Obama created a new Interagency Work Group to coordinate agency policy activities, ensure efficient operations and facilitate cooperation, as appropriate. The Group will also share scientific, environmental, technical and economic information, and engage in long-term planning to ensure coordination among federal entities with respect to such issues as research, natural resource assessment, and the development of infrastructure.

The group will be chaired by the Director of the Domestic Policy Council, or a designated representative. It will also include deputy-level representatives or equivalent officials from the following agencies: the Environmental Protection Agency, the Department of Energy, the Department of the Interior, the Department of Commerce, the National Economic Council, the Office of Management and Budget, the Department of Transportation, the Office of Science and Technology Policy, the Department of Homeland Security, the Council on Environmental Quality, the Department of Defense, the Department of Health and Human Services, and any other agencies or offices the Chair invites to participate.

## SPEAKER JOHN BOEHNER VISITS MIDLAND, CALLS FOR MORE DOMESTIC PRODUCTION

During a recent trip to Midland County to take a tour of a Faskin Oil and Ranch drilling rig, U.S. House Speaker John Boehner called on President Obama to help make America more self-sufficient by supporting increased domestic production of oil and gas. Citing the President's decision on the Keystone XL Pipeline and a decrease in drilling on federal lands, Boehner criticized Obama for falling short on political promises and instead supporting additional regulation and a less friendly tax climate for the oil and gas industry.

"It's time for the president and his actions to match his rhetoric," Boehner said. "This is what America wants. It is the right thing to do for the country."

Boehner praised oil and gas companies in the Permian Basin for creating American jobs while at the same time helping to decrease dependence on foreign oil. During the rig tour, Boehner was also accompanied by U.S. Rep. Mike Conaway (TX-11).

## OIL AND GAS INDUSTRY SETS RECORD FOR DRILLING PERMIT FILINGS AT THE RRC

With increased development in shale formations across the state, a record level of drilling permit applications were submitted to the Railroad Commission of Texas (RRC) last month. In March 2012, industry submitted 2,842 drilling permit applications (including applications to drill new wells, amendments to drilling permits, re-completions and more) for processing. This number is up, compared to 2,785 applications filed in March 2011. This record surpasses a previous agency record of 2,820 drilling permits filed in a month set in September 2008.

Compared to activity just one year ago, a high level of drilling in the state has occurred each month. The industry submitted 2,474 drilling permit applications in January 2012, compared to 2,202 applications in January 2011, and 2,724 drilling permit applications in February 2012, compared to 2,038 applications in February 2011.



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## UPDATE: TAX CREDIT FOR QUALIFYING LOW-PRODUCING GAS WELLS

Production of natural gas in Texas from qualifying low-producing wells is eligible for a 100 percent exemption from the natural gas severance tax for the month of March 2012.

The exemption, originally passed by the 79<sup>th</sup> Legislature in 2005 with the adoption of H.B. 2161, applies to gas wells whose production during the prior three-month period is no more than 90 mcf per day. Production per well per day is determined by computing the average daily production from the well using the monthly well production report submitted to the Railroad Commission of Texas. (RRC). A Texas Well Exemption Application (form number AP-217) must be filed and approved by the RRC for each such well.

The amount of exemption or credit varies, based upon the Comptroller-certified average gas price for that report month, with the average gas price based upon daily index prices for the three months immediately prior to the report month. If such price exceeds \$3.50 per mcf, no exemption or credit is available. If, however, it is below \$2.50 per mcf, a 100 percent exemption is in effect. Credits of 25 percent and 50 percent are available for prices between \$3.00 - \$3.50 and \$2.50-\$3.00 respectively. One such credit has been available in most months since May 2009.

For more information, visit:

- [http://www.window.state.tx.us/taxinfo/nat\\_gas/low\\_prod\\_well.html](http://www.window.state.tx.us/taxinfo/nat_gas/low_prod_well.html)
- <http://www.capitol.state.tx.us/tlodocs/79R/billtext/html/HB02161F.htm>

## NEW POLL SHOWS GROWING SUPPORT OF DOMESTIC EXPLORATION AND PRODUCTION

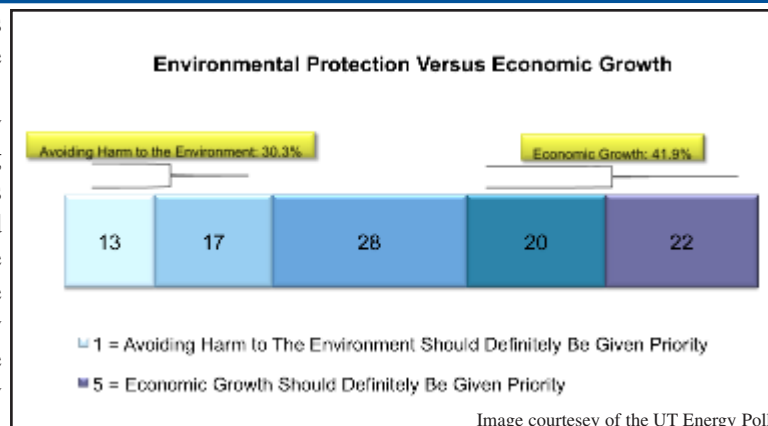
Americans strongly support increased production of oil and gas from domestic sources, according to a new poll released by The University of Texas at Austin.

The survey, which focused on how energy issues may impact future support of presidential candidates during upcoming elections, revealed 61 percent of those polled favor candidates whose policies would increase domestic energy production and expand natural gas development. When asked to choose between economic growth or environmental protection, more preferred economic growth, with fewer consumers willing to pay higher prices to protect the environment. Nearly 60 percent feel the U.S. government should do more to prepare for future energy needs.

Half of the respondents indicated they would be more likely to vote for a candidate who would approve of the Keystone XL pipeline, and 46 percent favor candidates who support expanded offshore oil development in the Gulf of Mexico.

“We see a significant trend of increased pricing concerns and more support for domestic energy production across the board in this survey,” said Wayne Hoyer, co-director of the survey and professor and marketing department chair at the McCombs School of Business. “While most respondents expect prices to continue rising, they’re also more optimistic about our energy future, perhaps because of the abundance of natural gas and other domestic energy resources. These trends will be interesting to watch as we head into this fall’s elections.”

Results from the poll reflect the opinions of 2,371 Americans surveyed between March 5 and March 16. Data was weighted using U.S. Census Bureau figures, as well as propensity scores, to ensure the sample’s composition reflects the actual U.S. population.



## EPA ISSUES NEW AIR STANDARDS... CONTINUED FROM PAGE 1

Many oil and gas producers already utilize “green completions” on their wells, whenever possible, as equipment used during the process can capture natural gas and other hydrocarbons, which flowback from the well as it is being prepared for production, that can then be treated and used or sold.

Ultimately, the EPA expects the new rules to yield a nearly 95 percent reduction in VOC emissions from the estimated 13,000 new and existing natural gas wells that are fractured or re-fractured each year. Reductions will also help to decrease methane, benzene, ethylbenzene and n-hexane emissions from new and modified wells. The EPA predicts the new rules could provide a cost savings of \$11 to \$19 million by 2015, due to the value of natural gas and condensate that will be recovered and sold. This estimated figure, however, has been widely debated.

With the agency’s revised “phase-in” approach, originally not included in the EPA’s proposed rules, many hope for sufficient time to allow for enough equipment to be manufactured to meet demand, as well as be able to fully train personnel to conduct the green completions at well sites.

## NEW TRAINING WEBINAR AVAILABLE FOR FRACFOCUS DATABASE

The Ground Water Protection Council (GWPC) and Interstate Oil and Gas Compact Commission (IOGCC) have created an online webinar for companies that participate in the FracFocus hydraulic fracturing chemical registry.

As of February 1, 2012, all operators in the state of Texas are now required by Statewide Rule 29 (16 Tex. Admin. Code 3.29) to publicly disclose chemical ingredients and total water used during the hydraulic fracturing process. Under the rule, operators must report all chemical components and water used in the fracing process on the national hydraulic fracturing registry website [fracfocus.org](http://fracfocus.org).

The new webinar aims to provide companies with a way to quickly train their personnel in the use of the disclosure system. The webinar explains in detail the process for company registration, as well as the procedures for designating system users and managing disclosure records. The Environmentally Friendly Drilling Systems Program managed by the Houston Advanced Research Center and the Texas Engineering Extension Service (TEEX) at Texas A&M University helped in the development of this webinar.

To access the webinar, visit the following link: <http://www.teex.org/eu/flash/player.html>.

## TIPRO MEMBERS TO RECEIVE DISCOUNT AT SIX FLAGS THEME PARKS

As you plan your summer vacation, don't forget members of TIPRO receive a discount off the main gate price at Six Flags theme parks. This online benefit program offers not only substantial savings, but allows you to "print and go" so you have your ticket in hand when you get to the park with no waiting in the line to purchase tickets.

To purchase tickets at the discounted rate, visit the link below and log into the site with the username and password provided.

Special Ticket Link:

<https://shop.accesso.com/clients/sixflags/affiliate/index.php?m=15672>

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## USGS RELEASES UPDATED GLOBAL ESTIMATE FOR UNDISCOVERED, RECOVERABLE OIL AND GAS

A new report by the U.S. Geological Survey (USGS) reveals the world holds an estimated 565 billion barrels of undiscovered, technically recoverable conventional oil (bbo); 5,606 trillion cubic feet (tcf) of undiscovered, technically recoverable conventional natural gas; and 167 billion barrels of undiscovered, technically recoverable natural gas liquids (NGL), excluding the United States. These figures reflect estimates for conventional oil and gas resources only, and do not project potential unconventional oil and gas resources, such as shale gas, tight oil or oil sands.

“While we continue to focus our efforts on ways to continue to grow domestic energy production for America and further reduce our dependence on foreign oil, better knowledge of untapped resource potential all around the world will help us make better decisions regarding both domestic and global energy policy and resource management,” said Department of the Interior Secretary Ken Salazar. “In particular, this assessment underscores the importance of continuing to strengthen our energy partnerships in the Western Hemisphere with nations like Brazil, where we are working closely with industry and government to share best practices on offshore drilling safety and to enhance the energy security of both our countries.”

The last assessment by the USGS occurred in 2000, which at the time estimated global recoverable resources included 649 bbo, 4,669 tcf of gas, and 207 bbo of NGL in 128 geologic provinces. Since that time, many new sources of oil and gas have been identified - and were included in the latest study. New estimates incorporated 313 assessment units throughout the world.

“By placing this information in the public domain, government leaders, investors, public and private corporations, and citizens have a common information base for planning and decisions that affect the global environment and market place,” added USGS Director Marcia McNutt.

## REGISTER TO ATTEND TIPRO’S 3<sup>RD</sup> ANNUAL EAST TEXAS CONFERENCE IN KILGORE!

Make plans to join us for TIPRO’s upcoming 3<sup>rd</sup> Annual East Texas Conference. The event, held Tuesday, May 8, at the East Texas Oil Museum in Kilgore, will feature exciting presentations on future oil and liquids development in East Texas. Beginning at 3:30 p.m., Dr. Fred Wang, research scientist for the Bureau of Economic Geology, and Harold E. McGowen III, president and CEO of Navidad Resources LLC, will speak, providing an update on development in the East Texas Basin. Afterwards, there will be a reception at the Meadowbrook Country Club.

During the event, TIPRO will again make a donation to the East Texas Oil Museum on behalf of Texas oil and gas producers. The museum, which works year-round to teach individuals on the history of oil and gas in Texas, serves as a critical educational resource for Texans. It houses key artifacts and shares important information on how the industry has grown since the first oil field production in East Texas occurred in 1930.

While the event is free for members of TIPRO, nonmembers must pay \$35. To register, simply fill out and return the form on page 7 of this newsletter, or visit [www.tipro.org](http://www.tipro.org) to register online.

## SPECIAL THANKS TO EVENT SPONSORS:



## HOST COMMITTEE:





# TIPRO's 3<sup>rd</sup> Annual East Texas Conference

**When:** May 8, 2012

**Where:** East Texas Oil Museum  
Hwy. 259 at Ross St.  
Kilgore, Texas 75662  
Ph: (903) 983-8295

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

## *Registrant Information:*

(Please use one form per person)

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TIPRO must receive notice of cancellation by Friday, May 1, 2012.  
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:**

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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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