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**Independent
Producers and
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Association**

TEXAS HOUSE OF REPRESENTATIVES PASSES HOUSE BILL 40: BILL ADDRESSES LOCAL JURISDICTION OF OIL AND GAS IN TEXAS

With a vote of 125-20, the Texas House of Representatives voted to pass House Bill 40 on Monday, April 20, 2015. The legislative measure, authored by Energy Resources Chairman Drew Darby, affirms the state's exclusive jurisdiction of oil and natural gas development, while also providing municipalities with the ability to address surface related issues incident to oil and gas development, as long as they are considered commercially reasonable.

"The Texas oil and gas industry is a cornerstone of our state economy, contributing billions of dollars in annual tax revenue and supporting millions of jobs in the state. One of our greatest priorities as an industry is the need for regulatory certainty in our operations. A patchwork effect of local ordinances creating inconsistent regulations across the state is the wrong path forward, and if left unchecked, could negatively impact investment, tax revenue, employment, and lead to additional legal challenges over property rights," commented Ed Longanecker, president of the Texas Independent Producers & Royalty Owners Association (TIPRO).

Longanecker added, "Communities across the state have successfully coexisted with oil and natural gas development for decades. This legislation strikes a careful balance between preserving local authority of city governments, while also establishing a sensible and predictable regulatory structure for the oil and gas industry. We strongly commend the Texas House of Representatives for their leadership on this important issue and continued efforts to support the responsible exploration and production of oil and natural gas in the state of Texas, and all of the related benefits. We also thank the large coalition of organizations, companies and local government leaders that support this legislation."

The measure is still pending approval of the Texas Senate. The companion bill, Senate Bill 1165, has been placed on the Senate Intent Calendar, but has yet to be heard by the full chamber. To date, it is still unclear if the Senate will take up H.B. 40 as received from the House or S.B. 1165 as filed.

TIPRO NOW ACCEPTING NOMINATIONS FOR 2015 TEXAS TOP PRODUCERS AWARDS

Do you know an exemplary CEO, engineer, landman or geoscientist in the industry who deserves recognition? Nominate them today to be considered for the 2015 TIPRO Texas Top Producers Awards.

First launched in 2011, the Texas Top Producers awards program is now in its fourth year, and TIPRO is excited to again recognize the most distinguished professionals working in the Texas oil and natural gas industry today.

This program has not only allowed TIPRO the opportunity to honor the best in the energy sector, but it also has provided the chance to bring additional awareness to the *Texas Monthly* readership on pertinent statistics and facts regarding the positive economic support the oil and gas industry offers the Lone Star State.

TIPRO strongly urges all members to take an active role in this program by nominating a deserving colleague or peer online through the TIPRO website at www.tipro.org. Nominations will be accepted through June.

Nominations will be reviewed by the TIPRO-Texas Top Producers Awards Committee, comprised of past award winners and distinguished TIPRO members. Then, later this summer, the committee will select the top 15 finalists, and ultimately the winners in each respective category.

Results will be published in *Texas Monthly* later this year, as well as featured in a special independent Texas Top Producers publication. An awards banquet hosted by TIPRO will also be held in October at the Houston Petroleum Club to honor this year's Texas Top Producer award recipients. During the event, 2015 Texas Top Producer finalists will be celebrated and the top winners will be announced.

For additional information on the 2015 Texas Top Producers awards program, please contact TIPRO's Director of Development Stephen Coffman at (512) 477-4452.



Texas Top Producers

LONE STAR LEADERS IN THE OIL AND GAS INDUSTRY

CHAIRMAN'S MESSAGE

TIPRO Members--

Though activity remains high at the state capitol in Austin, the federal Congress and the bureaucracies it contends to control are just as busy in Washington D.C. Over the last few weeks, there have been several noteworthy developments on national oil and gas issues about which our membership needs to know.

Oil and gas tax provisions are under review by the U.S. Senate Finance Committee: Earlier this year, the Senate Finance Committee created bipartisan working groups to solicit input from stakeholders on tax reform. As a cooperating association, TIPRO supported comments that were submitted on April 15th by the Independent Petroleum Association of America (IPAA) to the Committee discussing this important topic. Collectively, the group of 43 oil and gas trade associations from across the country have urged Congress to preserve the current tax treatment of capital formation and recovery provisions such as the expensing on intangible drilling costs (IDCs), the Percentage Depletion deduction and the passive loss exception for working interests. Simply put, changing the tax structure to remove provisions like IDCs and Percentage Depletion deductions would be perilous for the nation's smaller independent producers, with consequences that would jeopardize associated economic stimulus provided from E&P activities. Such a move undoubtedly would curtail operating budgets, resulting in less American investment and fewer wells being drilled, not to mention negatively impact job creation by oil and gas companies and reduce government tax revenue generated from oil and gas development.

U.S. Department of Interior looks to increase oil and gas royalty rates for federal leases: The Interior Department's Bureau of Land Management (BLM) has issued an Advance Notice of Proposed Rulemaking (ANPR) confirming the federal agency will consider updating rules which govern oil and gas royalty rates, rental payments, lease sale minimum bids, civil penalty caps and financial assurances. Potential changes to BLM regulations would provide the flexibility to change the royalty rate in response to market conditions consistent with procedures for offshore oil and gas leases, agency leaders contend, allowing for the sale of more competitive leases at higher royalty rates. The BLM's proposed regulatory changes for royalty rates are obviously ill-timed considering that the price of oil has dropped over 50 percent these past seven months.

EPA proposes more stringent standards for wastewater disposal from unconventional oil and gas wells: Under the ever-expanding Clean Water Act, the EPA proposes new technology-based pretreatment standards for discharges of pollutants into publicly owned treatment works (POTWs) from existing and new unconventional oil and natural gas (UOG) extraction facilities. According to the EPA, the proposed prohibition of discharges to POTWs reflects current industry practice. The EPA says that it has not identified any existing onshore UOG extraction facilities that currently discharge wastewater to POTWs. However, because onshore unconventional oil and gas extraction facilities have discharged to POTWs in the past, and because the potential remains that some facilities can consider discharging to POTWs in the future, EPA proposes this regulatory change.

TIPRO continues to work hard to remind elected officials and regulatory leaders of the importance of American oil and gas exploration and production, and the ongoing need for a stable regulatory environment that is critical to insure the viability of this country's oil and natural gas industry, and upon which so many livelihoods depend.

Sincerely,

Raymond James Welder III

TIPRO MEMBERS FEATURED ON LIST OF NATION'S 2015 BEST CORPORATE CITIZENS

The Texas Independent Producers & Royalty Owners Association (TIPRO) would like to congratulate member companies Hess Corporation, Occidental Petroleum Corporation, ConocoPhillips, Waste Management, Inc. and Chevron for being recognized as one of *Corporate Responsibility Magazine's* 100 Best Corporate Citizens for 2015. The annual list recognizes public companies across the United States that have demonstrated strong performance in areas including environment, climate change, employee relations, human rights, governance, finance, and philanthropy and community support.

"We commend each of these oil and gas companies for their sound sustainability practices, social responsibility and ongoing support of the community," said Ed Longanecker, president of TIPRO. "Their high standards of corporate citizenship are admirable, and certainly deserving of praise."

The 100 Best Corporate Citizens database is built on publicly-available data sources; all data must be publicly available in order to be included in the data set for consideration. Survey methodology also is governed by the Ratings and Rankings Thought Leadership Council of the Corporate Responsibility Association to ensure relevance, transparency and efficacy.

TIPRO Calendar of Events

MAY 13, 2015	JUNE 10, 2015	JULY 8, 2015	JULY 29-30, 2015
HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.	SAN ANTONIO — South Texas Oilfield Expo, Henry B. Gonzalez Convention Center. For info, call: (866) 918-5550.

TEXAS HOUSE ENERGY RESOURCES COMMITTEE CONSIDERS MUNICIPAL SETBACK BILLS

Earlier this week, the House Energy Resources Committee took up House Bill 2991 and House Bill 2993, authored by the Committee's Vice-Chairman Representative Chris Paddie (R-Marshall). Both pieces of legislation, if passed, would clarify in statute the authority of a municipality to determine the appropriate distance between oil and natural gas wells and surface development.

More specifically, H.B. 2991 provides that surface development within a municipality's established setback of a pre-existing oil and gas well may not proceed without obtaining a waiver from the municipality. In the scenario a waiver is granted, the municipality would be required to record notice in the county records that the property owner was aware of the existing setback and the proximity to existing oil and gas wells and voluntarily sought a waiver of the established setback. H.B. 2991 seeks to increase transparency, and would alleviate situations where a purchaser of property may be unaware of their proximity to oil and gas development, if that property is located within an established setback.

H.B. 2993 is very similar to H.B. 2991, however, under H.B. 2993, if a municipality grants a waiver for surface development to proceed within the approved setback, the approval of that waiver would then define a new setback.

Both bills were left pending in the House Energy Resources Committee on April 20, 2015.

LEGISLATORS CONTEMPLATE NAME CHANGE FOR THE RRC

On Monday, April 20, members of the House Energy Resources Committee reviewed a legislative measure that would change the name of the Railroad Commission of Texas, the regulatory agency charged with oversight and management of oil and gas development in the state of Texas. House Joint Resolution 76, filed by State Representative Larry Phillips, R-Sherman, proposes a constitutional amendment to change the name of the Railroad Commission to the Texas Energy Commission. Likewise, Representative Phillips filed House Bill 1106, legislation that enables H.J.R. 76, which was also considered by the Energy Resources Committee.

It is hardly the first time that lawmakers have considered legislation that would update the name of the Texas Railroad Commission. In 2005, 2009, 2011 and then again in 2013, proposed name-changing legislation failed to successfully pass out of the Texas legislature.

Railroad Commissioner Ryan Sitton testified during Monday's committee hearing, extending his support in favor of renaming the commission. "In the interest of transparency and good government, we ought to have an agency name that accurately reflects what we do. It's my job as a commissioner to give the people of Texas confidence in the way that oil and gas are being developed in our state, and this change would go a long way towards accomplishing that objective. As energy production in Texas has grown exponentially over the past few years, more and more Texans have questions and need to know who to call for answers – no one thinks to call the Railroad Commission when they have an energy question or concern," concluded Commissioner Sitton.

H.J.R. 76 and H.B. 1106 were both left pending in committee on April 20. Committee members will continue to deliberate on the bills during the weeks to come.

LEGISLATIVE UPDATE FROM THE CAPITOL

Less than six weeks remain until the 84th Regular Texas Legislative Session concludes on June 1, 2015. At this critical stage of session, legislative committees in both the Texas House and Senate are hard at work, considering proposed bills and other legislative resolutions. Below please see a list of notable bills heard over the last two weeks, of which TIPRO supported:

- House Bill 31 by Representative Dennis Bonnen, relating to decreasing the state sales and use tax rate.
- House Bill 32 by Representative Bonnen, relating to decreasing the rates of the franchise tax.
- House Bill 2179 by Representative Eddie Lucio III, relating to hearings that concern the issuance of permits by a groundwater conservation district.
- House Bill 2991 by Representative Chris Paddie, relating to provision of waivers from municipal regulation of mineral exploration and development activities within its boundaries.
- House Bill 2993 by Representative Paddie, relating to the authority of a municipality to regulate location of mineral exploration and development activities within its boundaries.
- House Bill 3518 by Representative Brooks Landgraf, relating to alternative fuel fleets of certain governmental entities, including funding for motor vehicles, infrastructure, and equipment.
- House Bill 3803 by Representative Jim Keffer, relating to defining the occurrence of an interregional conflict between regional water plans.
- House Bill 3825 by Representative Landgraf, relating to the allocation of a portion of certain severance tax revenue to the transportation infrastructure fund.
- House Bill 4034 by Representative Drew Darby, relating to the dedication of revenue derived from the tax levied on crude petroleum production.
- Senate Bill 591 by Senator Carlos Uresti, relating to certain reimbursements provided for the collection of sales and use taxes.
- Senate Bill 1788 by Senator Uresti, relating to county energy transportation reinvestment zones.
- Senate Bill 1875 by Senator Uresti, relating to funding and donations for transportation projects, including projects of county energy transportation reinvestment zones.
- Senate Concurrent Resolution 32 by Senator Paul Bettencourt, urging Congress to expedite natural gas exports.

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OUTRAGEOUS BILL FILED IN CONGRESS WOULD BAN ALL FRACKING ON FEDERAL LANDS

Under House Resolution 1902, a pair of Democratic House members in Congress are calling for a nationwide ban on all hydraulic fracturing on public lands. The legislation was introduced by U.S. Representatives Mark Pocan (D-WI) and Jan Schakowsky (D-IL) on Wednesday, April 22, 2015 -- Earth Day -- and would prohibit hydraulic fracturing, the use of fracturing fluids and acidization for the extraction of oil and gas on public lands for any lease issued, renewed, or readjusted. Already H.R. 1902 has been labeled as the "strongest anti-fracking bill introduced in Congress to date."

"It is clear fracking has a detrimental impact on the environment and there are serious safety concerns associated with these type of wells," Representative Pocan asserted in a press statement announcing the proposed resolution. "Until we fully understand the effects, the only way to avoid these risks is to halt fracking entirely. We should not allow short-term economic gain to harm our public lands, damage our communities or endanger workers."

"Our public lands are a shared national heritage, and shouldn't be polluted, destroyed, and fracked to enrich the oil and gas industry," said Wenonah Hauter, executive director of Food & Water Watch. "Ironically, the President is speaking in the Everglades today, a unique and fragile ecosystem that is threatened by nearby fracking on public land. Congress must follow Congressman Pocan and Congresswoman Schakowsky's bold leadership and ban fracking on these lands, so that future generations can enjoy these special places."

However, despite such outrageous claims disseminated by environmental activists, and falsely reported within H.R. 1902, scientific research continues to verify that hydraulic fracturing has safely been utilized in the United States for more than 60 years. There have been no confirmed cases of groundwater contamination resulting from hydraulic fracturing activities, and air quality has actually improved in the last few years, even with a surge of hydraulic fracturing and drilling operations associated with the American shale revolution. This resolution is yet another prime example of politics, not science, at work. It remains imperative that our country's leadership take a methodical and scientific approach towards regulation of oil and gas development in the United States, not fall for the anti-oil and gas rhetoric spread by alarmist groups.

RRC CHAIR TESTIFIES BEFORE CONGRESSIONAL COMMITTEE ON HYDRAULIC FRACTURING BANS

On Thursday, April 23, Texas Railroad Commission Chair Christi Craddick testified before members of the U.S. House Committee on Science, Space, and Technology during a hearing examining the use of hydraulic fracturing, and the reasoning behind bans on the oil and gas drilling well completion technique. Chairman Craddick presented on the successful history of hydraulic fracturing in Texas due to the commission's rules and processes, which have ensured the protection of public safety and allowed for the successful production of natural resources.

"Since hydraulic fracturing has become a widely used practice, it has been surrounded by misinformation, propagated by groups more interested in prohibiting the technique than understanding the complex science of safe and responsible minerals extraction," Chairman Craddick explained to the committee. "Setting the hyperbole aside reveals a simple truth: There are no confirmed instances of groundwater contamination caused by hydraulic fracturing in Texas. With proper oversight, hydraulic fracturing is safe." Craddick continued, "Without clearly defined regulatory roles for cities, oil and gas development -- and its ability to anchor the Texas economy -- is in jeopardy. In a world where misinformation and sensationalism too often drive the public discourse, we must embrace the truth and adopt reasonable approaches to the challenges we face so that we have the opportunity to share in the prosperity that follows."

To read Chairman Craddick's full testimony, visit: <http://1.usa.gov/1HZQa7Z>.



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UTSA TO STUDY HOUSING IN THE EAGLE FORD SHALE

The University of Texas at San Antonio (UTSA) has been awarded a \$285,000 grant from the U.S. Department of Housing and Urban Development (HUD) to conduct a housing study in three counties within the Eagle Ford Shale region. Specifically, the UTSA study will focus on the impact of oil and gas exploration on the affordability and physical adequacy of housing in Dimmit, La Salle and Zavala counties, each located in South Texas. It also will examine how government policies affect the availability of rental housing, affordable housing stock and housing options for vulnerable populations such as low-income workers, the elderly and other community residents.

“UTSA is ideally situated and qualified to conduct a study of this scope,” said Tammye H. Treviño, regional administrator of HUD. “Their study will provide insight into the unique housing dynamic that a strong energy industry brings to Texas, helping us to more fully understand the area’s housing needs.”

The university says that the new study, which will include the perspectives of policymakers and community leaders, housing providers and those who need affordable housing, could influence future housing and community development policies. The UTSA Mexico Center, the Bank of America Child and Adolescent Policy Research Institute and the Institute of Economic Development will also contribute to this housing study.

SMU PUBLISHES NEW PAPER ON INDUCED SEISMICITY

On Tuesday, April 21, a team of researchers from Southern Methodist University, the University of Texas and the U.S. Geological Survey published a new paper entitled “Casual Factors for Seismicity Near Azle, Texas.” In the study, researchers investigate potential causes of the increase in seismic events between late 2013 through spring 2014 in the North Texas town of Azle.

Following the release of the study, the Railroad Commission’s Executive Director Milton Rister invited Dr. Matthew Hornbach, the leading author of the study, and his colleagues to provide a briefing to commission staff so that the regulatory agency may better understand the findings and conclusions from the seismicity study. The commission takes this issue very seriously, Rister emphasized in his outreach to Dr. Hornbach, and has initiated respective rulemakings to address concerns relating to induced seismicity.

“Our state and industry have made a significant amount of progress in studying the issue of induced seismicity. TIPRO praised efforts of the Railroad Commission for directly engaging in this issue last year by passing amendments to Statewide Rules 3.9 and 3.46, which require applicants for new disposal wells to provide historical seismic data. The changes also affirmed the commission’s authority to modify or terminate a disposal well permit if scientific data indicates a connection to seismic activity in the area,” said Ed Longanecker, president of TIPRO. “We look forward to further collaboration, and will be reviewing the new study to determine its level of credibility and analysis used.”



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