



**Texas  
Independent  
Producers and  
Royalty Owners  
Association**

## TEXAS RAILROAD COMMISSION HIRES FULL-TIME SEISMOLOGIST

On Friday, March 28, 2014, the Texas Railroad Commission (RRC) announced that after an extensive, nationwide search, it has hired a new seismologist - Dr. David Craig Pearson. Previously Pearson served as a team leader for a Los Alamos National Laboratory seismic/experimental field team. He also holds a doctorate in geophysics from Southern Methodist University (SMU).

"My objective is to develop a broad understanding of the impact of oil and gas extraction activities on the day-to-day lives of Texas residents," said Dr. Pearson. "I believe the RRC must be able to quickly and factually determine the accurate location of all earthquakes in the state and be able to determine the cause of earthquakes, be they natural or man-made."

"I'm happy to announce that the RRC has added a highly qualified seismologist to our staff," commented RRC Commissioner David Porter. "This will allow our agency to further examine any possible correlation between seismic events and oil and gas activity and gain a more thorough understanding of the science and data available. Having a seismologist on staff will also enable the commission to better coordinate with the academic community on future research."

As the commission's in-house seismologist, Dr. Pearson's duties will include coordinating with other academic experts studying seismic events in Texas; obtaining, studying and interpreting various forms of data to evaluate seismic activity associated with known faults and historic and/or ongoing oil and gas exploration and production activities; leading efforts to conduct research as well as internally integrate oil and gas science with seismic science; coordinating communications and information gathering with stakeholders; reviewing, analyzing, interpreting and commenting on technical data from seismic data sources, computer models and digital maps; and developing recommendations and action plans. Dr. Pearson will start at the agency effective Tuesday, April 1, 2014.

"I plan to work to help clarify the root cause of earthquakes occurring by bringing all stakeholders' concerns, questions, ideas and insights together to identify the best possible solutions," added Dr. Pearson.

Pearson holds broad experience researching many types of man-made earthquakes, from nuclear explosions, coal mining blasts and controlled seismic sources for exploration geophysics. Over the span of his career, he also has participated as an author on numerous academic papers regarding related subjects. Pearson is a member of the Seismological Society of America, American Geophysical Union and American Association of Petroleum Geologists. Moreover, in his former position as a ranch manager in McCamey, Pearson was a strong advocate of protecting and conserving Texas groundwater and surface water. He also currently serves as a vice president of the Upton County Water District.

RRC Commissioners expedited plans to hire an in-house seismologist earlier this year after learning of an outbreak of seismic events in North Texas. Following an emotionally-charged town hall meeting in Azle, Texas, on January 2, area residents later traveled to Austin and testified at one of the commission's open meetings on January 21, 2014, to voice concerns over the seismic activity occurring in the region. Many questioned if the rising number of earthquakes could be related to oil and gas activity and disposal wells, and consequently called the agency to help with investigating and understanding the cause of the seismic activity.

"The agency has a long history of safely regulating disposal wells, with the RRC issuing its first disposal permit in 1936," said RRC Commissioner Christi Craddick. "With more than 34,000 of these wells currently operating in Texas, it is important that sound science be our guide in determining if there are any links to seismic activity. I welcome Dr. Pearson's expertise to help us work on these issues."

Meanwhile, a Texas legislative subcommittee will begin to hold hearings in May to determine how to address the issue. In addition to the state's investigation, scientists at SMU are also examining the seismic events. Researchers have installed and are operating a temporary seismic network in the Reno-Azle area to acquire data that may be used to locate and characterize the earthquake sequence.

***"I LOOK FORWARD TO  
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AS VERY FEW AND RELATIVELY  
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TO MORE THAN 144,000 DISPOSAL  
WELLS OPERATING NATIONWIDE"  
-RRC CHAIRMAN BARRY SMITHERMAN***

## CHAIRMAN'S MESSAGE

### TIPRO Members -

First off, I want to thank all of you for your participation and support of TIPRO's 68<sup>th</sup> Annual Convention. The event, which took place last week in Fort Worth, was a huge success. As chairman of the association, I enjoyed the opportunity to again meet with our membership and come together to collaborate on those issues most pressing to our industry today. I hope all of you enjoyed the conference, and found value from the presentations offered by our speakers.

As emphasized during TIPRO's Convention, while we all certainly have great reason to be excited for our future prospects, a number of regulatory challenges could threaten our industry's success. On top of the struggles we have already faced against overly-burdensome government oversight of oil and gas development, at the end of March, the White House unveiled another key initiative as part of President Obama's comprehensive Climate Action Plan, which could directly impact our nation's independent oil and gas producers. The president's updated plan now includes a broad strategy to reduce methane emissions in the U.S. It also details the administration's ongoing efforts to improve the system of measurement for greenhouse gas emissions.

Most significantly, the revised plan explains steps that the administration will take to encourage additional reduction of methane emissions, which very well could lead to new regulatory restrictions that would be very costly to operate and manage under.

As highlighted in the administration's latest announcement, in the spring of 2014, the U.S. Environmental Protection Agency (EPA) will assess several potentially significant sources of methane and other emissions from the oil and gas sector. The EPA will solicit input from independent experts through a series of technical white papers, and then in the fall of 2014, will determine how best to pursue further methane reductions from these sources. Should the EPA decide to develop additional regulations, it will complete its new rules by the end of 2016.

This all comes in addition to new standards that are to be proposed later this year by the U.S. Department of Interior's Bureau of Land Management (BLM) to reduce venting and flaring from oil and gas production on public lands. In the coming years, the U.S. Department of Energy will also be working to identify opportunities to reduce "downstream" methane emissions, as well as do its part to expand efforts to lessen overall methane emissions nationwide.

We should take note that since 1990, methane pollution in the U.S. has actually decreased by 11 percent.... causing many to wonder why these new proposed regulations are even necessary at this time. Whenever possible, members of our industry already try to limit emissions as best they can, without the heavy hand of government enforcing mandates.

As if that all wasn't enough, on March 25, 2014, the EPA working in coordination with the U.S. Army Corps of Engineers also released a new proposed rule to clarify its jurisdiction in protecting streams and wetlands under the Clean Water Act. Although on the surface this action might appear harmless, as the EPA seeks to clarify the definition of different types of water, it could open the door for further overreach by the federal agency in the future. If the EPA is granted additional authority to manage the nation's water resources, this rule could spur increased government oversight of smaller bodies of water in Texas and across the nation. As you might expect, that could present complex legal and technical issues, particularly for developers and property owners who likely would have to hire hydrologists and lawyers before starting even basic projects.

The EPA's proposed rule will be open for public comment for 90 days from publication in the Federal Register. If the rule changes pass, they would take effect at the end of 2014 or the beginning of 2015.

With all of this news coming on the heels of a decision by the U.S. Fish & Wildlife Service (USFWS) to list the Lesser Prairie Chicken as a threatened species, it remains as clear as ever that we still very much have our work cut out for us in D.C. Domestic development of oil and gas has saved our nation from recession, and offers ongoing hope for economic success. That will only continue, however, if a regulatory environment exists in which operators are able to explore and produce mineral resources.

I fear that if we simply stand back and allow the federal government to continue down this path, our country's independent producers - who collectively drill 95 percent of the oil and natural gas wells in America - will fall victim. I hope you will join TIPRO's efforts in fighting against these proposed regulations which are unnecessary and excessive.

Sincerely,




**David F. Martineau**

### TIPRO Calendar of Events

APRIL 16, 2014	MAY 14, 2014	JUNE 11, 2014	JULY 9, 2014
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.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.

## USFWS LISTS LESSER PRAIRIE CHICKEN AS THREATENED UNDER ESA

Last Thursday, March 27, 2014, the U.S. Fish & Wildlife Service (USFWS) announced it will list the Lesser Prairie Chicken as threatened under the Endangered Species Act (ESA). According to the USFWS, under the law, a “threatened” listing means the species is likely to become in danger of extinction within the foreseeable future. However, in response to the significant and ongoing efforts of states and landowners to conserve the chicken, the USFWS has also elected to implement a special rule under section 4(d) of the ESA that will limit regulatory impacts on landowners and businesses from this listing.

In its decision, the agency did recognize a number of other on-the-ground programs which have been implemented over the last decade to restore the bird’s habitat and improve its endangerment status. Specifically, the USFWS cites key programs such as the USDA’s Farm Service Agency’s Conservation Reserve Program, the Bureau of Land Management’s New Mexico Candidate Conservation Agreement, and Candidate Conservation Agreements with Assurances in Oklahoma, Texas and New Mexico, as helping to engage state and federal agencies, landowners and industries to save the Lesser Prairie Chicken population. Despite the success of such programs though, the USFWS still deemed a threatened status was necessary at this time.

“The Lesser Prairie Chicken is in dire straits,” said USFWS Director Dan Ashe in the announcement. “Our determination that it warrants listing as a threatened species with a special rule acknowledges the unprecedented partnership efforts and leadership of the five range states for management of the species. Working through the WAFWA range-wide conservation plan, the states remain in the driver’s seat for managing the species – more than has ever been done before – and participating landowners and developers are not impacted with additional regulatory requirements.”

Nevertheless, many fear this latest ruling by the USFWS will impose serious regulatory burdens on energy companies operating in those states where the bird resides, which include Texas, New Mexico, Oklahoma, Kansas and Colorado.

“This decision will have real-world consequences for Texas families, landowners and businesses,” commented U.S. Senator John Cornyn. “I will continue to fight to reform this process so job creators and local officials have a say. I’m disappointed the Obama Administration made this decision based on arbitrary deadlines set in a closed-door meeting, ignoring the ongoing efforts by Texas landowners and businesses.”

In response to “sue-and-settle” legal tactics employed by activists, last year Senator Cornyn introduced the Endangered Species Act (ESA) Settlement Reform Act, which if passed by Congress will give impacted local parties a say in the settlement of ESA litigation between special interest groups and the USFWS.

Additionally, several weeks ago Oklahoma Attorney General Scott Pruitt filed a lawsuit against the federal government for participating in so called “sue and settle” tactics when they previously agreed to settle lawsuits with a national environmental group over the listing status of several animal species, including the Lesser Prairie Chicken. The USFWS as well as the U.S. Department of Interior were specifically cited in the lawsuit for entering into a consent decree in 2010 with Wild Earth Guardians that mandates the federal government to decide the listing status of more than 250 species before September 30, 2015.

The final rule to list the Lesser Prairie Chicken as threatened and the final special rule will be published in the Federal Register. Both will go into effect 30 days after publication. Copies of the final rules may be found online at: [www.fws.gov/southwest](http://www.fws.gov/southwest).

## NEW FEDERAL DATA SHOWS TEXAS NOW PRODUCES 36 PERCENT OF NATION’S CRUDE OIL

Long recognized as the top producer of oil and gas in the nation, the Lone Star State now contributes approximately 36 percent of crude oil output in the U.S., according to preliminary data released by the U.S. Energy Information Administration (EIA). The EIA reports that in January 2014, Texas pumped nearly 2.9 million barrels of crude daily out of the total 7.9 million barrels produced nationwide.

Following Texas, the Gulf of Mexico produced approximately 17 percent of U.S. crude. North Dakota, California, Alaska and Oklahoma complete the list of the top crude-producing areas in the country. Collectively, these five states and the Gulf of Mexico supplied more than 80 percent, or 6 million barrels per day, of the crude oil (including lease condensate) produced in the U.S. in 2013, estimates the EIA.

Advancing technology continues to improve E&P operations, allowing independent producers to recover more oil and natural gas from unconventional shale formations. As a result, between 2010 and 2013, Texas crude production grew a remarkable 119 percent, the fastest in the nation.

Last year, total U.S. crude oil production grew by 15 percent, topping 7.4 million barrels per day. Analysts project increased output can also be expected in the years to come.

## RECORD NUMBER OF OIL RIGS NOW OPERATING IN U.S.

As of March 28, 2014, Baker Hughes reports that the U.S. oil rig count has increased by 14 to now total 1,487, the highest level since the Houston-based field services company split its oil and gas rig counts in 1987.

Producers continue to target prolific shale formations in Texas and North Dakota in their search for crude oil. Specifically, in South Texas’ Eagle Ford Shale, the number of rigs drilling for oil at the end of March jumped by nine to 209, matching a record set last May, according to Baker Hughes.

Overall, the total U.S. rig count, also including rigs drilling for natural gas, climbed by six last week to 1,809.



## HOUSE SPEAKER MAKES APPOINTMENTS TO FOUR WATER COMMITTEES

Joe Straus, speaker of the Texas House of Representatives, has announced appointments to new and existing House committees that oversee issues pertaining to water. As the state continues efforts to address pressing water matters across Texas, the appointed legislators will help ensure that efforts to improve the state's water supply are properly and effectively implemented.

"Water remains a top priority for the Texas House because it remains critical to the Texas economy and our quality of life," said Speaker Straus. "These members will play an important role in building consensus around smart, responsible water solutions."

According to the Speaker's office, the following appointments and re-appointments have been made to four respective House water committees:

- *State Water Implementation Fund for Texas (SWIFT) Advisory Committee:* Reps. Allan Ritter of Nederland (Co-Chair), Drew Darby of San Angelo and Eddie Lucio III of Brownsville. The SWIFT advisory committee was established to oversee the Texas Water Development Board's implementation of House Bill 4, which passed during the 83<sup>rd</sup> Texas Legislative Session in 2013. The advisory committee will offer recommendations on how projects in the State Water Plan should be prioritized, how to meet the legislation's goals for conservation and assistance for rural areas and agriculture, the management of the SWIFT and any other related issues the committee chooses.
- *Joint Interim Committee to Study Water Desalination:* Reps. Todd Hunter of Corpus Christi (Co-Chair), Ryan Guillen of Rio Grande City, Lyle Larson of San Antonio, Marisa Márquez of El Paso, Tim Kleinschmidt of Lexington, Phil King of Weatherford and Terry Canales of Edinburg. This joint committee is charged with examining the status of seawater and groundwater desalination in Texas, as well as ways that expanded use of desalinated water could help meet Texas' needs.
- *Edwards Aquifer Legislative Oversight Committee:* Reps. Doug Miller of New Braunfels (Co-Chair), Tracy King of Batesville and Lyle Larson of San Antonio. The committee oversees and reviews the activities of the Edwards Aquifer Authority. It also examines the effectiveness of state and local governments in meeting the needs that led to the authority's creation.
- *Environmental Flows Advisory Group:* Reps. Allan Ritter of Nederland (Co-Chair), Doug Miller of New Braunfels and Carol Alvarado of Houston. The advisory group studies the policy implications of balancing demands on the state's water supply with the need for adequate environmental flows for riparian lands, bays and estuaries.

The work of these four water committees will be used to help the full House prepare to address water matters in the next legislative session, which begins in January 2015.

"The legislature took historic action to address our water needs last year, and Texas voters supported that effort," said Speaker Straus.

## TEXAS JOB GROWTH SURPASSES NATIONAL EMPLOYMENT TRENDS

Over the last ten years, Texas has added nearly one-third of the net new jobs created in the U.S., breaking apart from national employment trends of stagnant growth. In fact, between 2000 and 2013, Texas enjoyed more job growth at all pay levels than any other state in the country.

"Job growth of this magnitude is about much more than just attractive statistics on a printed page; it means more choices and better options for Texas jobseekers, stronger families and communities, and brighter futures for our children," commented Texas Governor Rick Perry. "The commitment we made more than a decade ago to practicing fiscal responsibility and enacting job-friendly policies continues to pay huge dividends, helping keep Texas the best place in the nation to live, work, build a business or raise a family."

The latest data released by the Texas Workforce Commission (TWC) shows the Lone Star State added 37,600 jobs in February 2014, with 5.7 percent unemployment overall - a full point below the national rate. Job creation in Texas remains highest for the oil and gas sector, particularly in West and South Texas where there has been a surge in drilling activity. The oil and gas industry continues to experience the strongest rate of expansion of any major industry in the state.



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## INDUSTRY EXECUTIVES, ELECTED OFFICIALS SPEAK AT TIPRO'S 68<sup>TH</sup> ANNUAL CONVENTION

With a solid agenda featuring CEOs of top oil and gas companies, along with state and federal officials, presenters at TIPRO's 68<sup>th</sup> Annual Convention used the opportunity to emphasize the importance of the state's oil and gas business. The conference, which was held March 24-26, 2014, at the Hilton Hotel in Fort Worth, also provided members with a full update on pressing state and federal issues that currently face the E&P sector.

The meeting kicked off with the presentation of TIPRO's 2014 Hats Off Award to Dr. Scott W. Tinker. In addition to serving as the state geologist of Texas, Dr. Tinker is the director of the Bureau of Economic Geology (BEG) at the University of Texas, associate dean of research in the Jackson School of Geosciences at UT, a researcher, professor, public speaker and innovator. In 2012, Dr. Tinker also helped produce "Switch," a documentary on domestic energy development that has now been seen by nearly 4 million viewers worldwide.

"A respected academic, a renowned scientist and a family man, Dr. Tinker is widely regarded as one of the country's top geoscientists, and TIPRO's members offer him our sincerest thanks and appreciation with the Hats Off Award," said David Martineau, chairman of TIPRO.

Dr. Ed Ireland, executive director of the Barnett Shale Energy Education Council (BSEEC), then addressed the audience, calling attention to the importance of educating Texans on oil and gas development. "The state of energy education, or I should say lack thereof, among adults and children is abysmal. People do not appreciate, understand or know where there energy comes from nor how much it is integrated into their lives," stressed Dr. Ireland.

Convention attendees also received a regulatory update from Leslie Savage, chief geologist of the Texas Railroad Commission (RRC), and Erin Selvera from the Texas Commission on Environmental Quality (TCEQ). Each highlighted proposed state rulemakings that can be expected for the oil and gas industry in the coming year.

During the two-day conference, several distinguished industry leaders each shared perspective on how their companies are adapting to an ever-changing business and regulatory environment, including Lee Tillman, CEO of Marathon Oil; T.M. Roe Patterson, CEO of Basic Energy Services; Harold Hickey, president and COO for EXCO Resources; and Allen Gilmer, co-founder, chairman and CEO of Drillinginfo.

"Today, we find ourselves at the forefront of an oil and gas supply renaissance driven by innovation and cutting-edge technology that is enabling us to access shale oil and gas resources that just a few years ago were thought to be technically and economically inaccessible," said Tillman during his remarks. "These are unprecedented times in the oil and gas industry. However, if we're going to deliver on the full promise of these new resources, we must recognize, embrace and commit ourselves to developing solutions for dealing with the many challenges that face our industry - issues such as water use, air emissions and other local impacts. The bottom line is this: all stakeholders - operators, royalty owners, regulators and elected officials, to name a few - must continue to work in a spirit of cooperation if we're going to realize the full potential - and full benefits - of these vast resources."

In addition, during TIPRO's 68<sup>th</sup> Annual Convention, U.S. Congressmen John Carter and Pete Olson offered their praise for the Texas oil and gas industry, commending the state's independent producers for boosting the U.S. economy and enhancing national energy security. In addition, both of the Congressmen expressed their concerns over recent actions by federal agencies - such as the EPA and USFWS - which could impede domestic oil and gas development in the future.

Moreover, Jan Stuart, managing director and head of global energy research at Credit Suisse, offered an extensive economic outlook for attendees, while Michael Lamb, senior partner for Korn Ferry, explained the current state of talent for the energy industry.

In the association's annual Membership Meeting, held during the convention, Raymond James Welder III was elected as TIPRO's next chairman of the Board of Directors. Welder currently serves as the president of Welder Exploration & Production, Inc. Steve Castle, Todd Wehner, Patricia Boswell McCall, Brent Hopkins, Jeff Simmons and Robert Ranck were also selected to serve on the association's Board, with terms beginning on July 1, 2014. TIPRO again thanks all of the candidates for graciously accepting their nominations and agreeing to participate on the Board.

State Representatives Myra Crownover, Lyle Larson and Chris Paddie took part in the convention's State Issues Panel, reviewing a number of legislative priorities that are to be explored in the interim session.

During the Chairman's Dinner on Tuesday, March 25, Karl Rove, former chief of staff and senior advisor to President George W. Bush, provided the keynote address. During his speech, Rove explained his optimism on the prospects for domestic oil and gas development, and alluded to some of the potential candidates who might choose to run for president in 2016.

To download the presentations from our distinguished speakers, visit [www.tipro.org/meetingevents/archived-presentations](http://www.tipro.org/meetingevents/archived-presentations).



***Be sure to also check out photos from TIPRO's Annual Convention on pages 6-7...***



## PHOTOS FROM TIPRO'S 68<sup>TH</sup> ANNUAL CONVENTION





PHOTOS FROM TIPRO's 68<sup>TH</sup> ANNUAL CONVENTION



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With more than 2,500 members, TIPRO is the nation's largest statewide association representing both independent producers and royalty owners. Our members include small family-owned companies, the largest publicly traded independents and large and small mineral estates and trusts.

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