



Texas

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Association**

EXPERTS DISCUSS SURVIVING TOUGH MARKET CONDITIONS AT TIPRO'S SUMMER CONFERENCE

With oil prices top of mind for members of the oil and gas industry, presenters at TIPRO's 2015 Summer Conference explored how companies can strategize to endure tough market conditions. The association's summer meeting was held this year on August 6-8 in San Antonio at the Hyatt Hill Country Resort.

During the morning keynote presentation, Jud Walker, executive vice president and chief operating officer of Enervest Operating, highlighted his company's strategy to operating in the Barnett Shale, a formation that accounts for approximately 10 percent of U.S. shale gas production. He shared how his company has adjusted to the downturn in prices by "shifting operations from oily areas in the North to more NGL areas out West due to commodity prices," in addition to adjusting capital spending and decreasing expenses to accommodate lower budgets. Walker also reviewed the use of new technologies in older basins, which have helped to further improve Enervest's production from wells in the basin. During his commentary, Walker also addressed some of the regulatory and social challenges producers face today, including continuously changing local ordinances in towns across the state of Texas as well as the complex issue of induced seismicity.

Several new innovations were discussed by panelists during the conference's oil and gas technology session, which promise to help enhance E&P operations for Texas oil and gas companies. Brent Halldorson, chief operating officer of Fountain Quail Water Management, provided an overview of the evolution of water recycling for oil and gas development in the Lone Star State, particularly over the last few years. Today, water recycling has become mainstream, and often is the low-cost solution for water management strategy, he explained. Fountain Quail, a pioneer in Texas recycling, offers a flexible and adaptable platform to treat and recycle saltwater or freshwater through the company's Nomad and Rover units. Also during the panel, Bionic Soil Solutions CEO Bob Sherwin shared his company's success in road maintenance with a breakthrough product that strives to revolutionize road repair worldwide. Bionic roads turn soil into rock, and can save millions of dollars in road construction and maintenance, according to Sherwin. Dave Milam from WellAware also reviewed how his data analytics company can help operators reduce costs, minimize downtime, and ensure safety and regulatory compliance.

During the keynote luncheon, Chad Peterson, vice president of the South Region for Schlumberger, spoke on the innovative technologies offered by the oilfield services company that are helping to improve drilling operations and well performance. "We know that applying technology with a focus on efficiency will definitely improve the overall economics," Peterson emphasized to TIPRO members during his presentation. "Our industry as a whole has done a fantastic job in terms of delivering more with less."

Texas Senator Judith Zaffirini shared an overview of the 84th Legislative Session, recounting her experiences from the capitol to move important legislation and gain approval of bills from fellow lawmakers. Following her remarks, Senator Zaffirini was joined on stage by state Representatives Larry Gonzales and Gilbert Pena, who talked about the next legislative session and the upcoming Sunset review of the Texas Railroad Commission by the legislature in 2017.

Summer Conference attendees also received a tax update from Dale Craymer, president of the Texas Taxpayers and Research Association (TTARA). Craymer explained tax policy changes that are to be implemented following this year's legislative session. And finally, economist Seth Kleinman from Citibank ended the conference presentations by providing a market outlook, examining the lower price environment for oil and forecasting conditions leading into 2016.

The association's 2015 summer conference concluded with the Chairman's Dinner on Friday evening, August 7, during which time long-standing association member John Swords was presented the 2015 Mr. TIPRO Award. Railroad Commission Chairman David Porter also provided remarks to the crowd during the Dinner, discussing the daily work of the regulatory agency to ensure that Texas produces the energy it needs to the power the state and national economies, in the safest and most responsible manner possible.

On Saturday, August 8, ten teams participated in the association's annual golf tournament.

Speaker presentations are available online through TIPRO's website at www.tipro.org/meetingevents/summer-conference.

Be sure to also check out event photos from the TIPRO Summer Conference on pages 6-7 of this newsletter.



*Chad Peterson of Schlumberger presents at
TIPRO's 2015 Summer Conference*

NATURAL GAS HELPS U.S. POWER SECTOR TO REDUCE CO₂ EMISSIONS TO 27-YEAR LOW

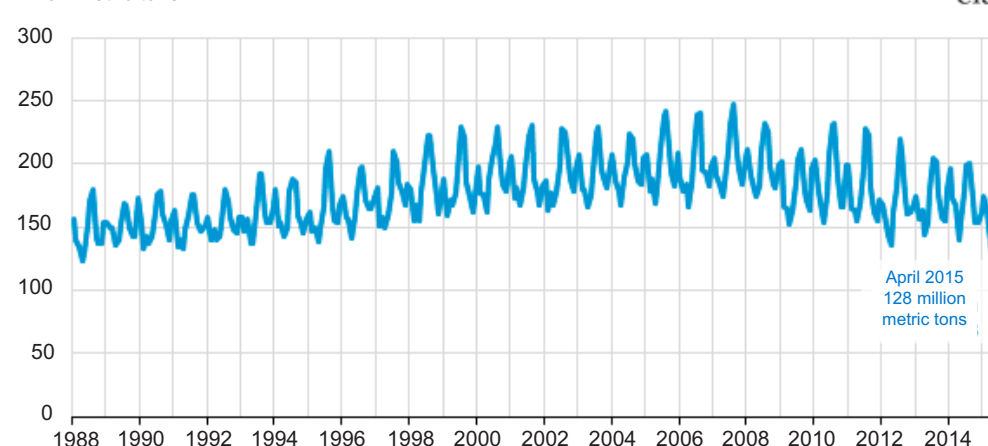
In April 2015, carbon dioxide emissions from the U.S. electric power sector dropped to the lowest levels seen in 27 years, according to the most recent estimates released by the U.S. Energy Information Administration (EIA). The same month, natural gas became the number one fuel for electricity generation in the United States, overtaking coal, which had been America's top source of power for decades.

Electricity generation has become less energy and carbon intensive over time, the EIA recognizes, though the power sector's transition to natural gas has greatly contributed to the overall reduction in air emissions.

"Comparing April 1988 to April 2015 (27 years), natural gas consumption in the sector more than tripled, renewable energy consumption more than doubled, nuclear energy consumption increased 47 percent, and coal consumption decreased 17 percent," estimates the federal data agency.

According to the EIA, the two fuels also have very different carbon dioxide emissions intensities. Generating electricity from coal produces 71 percent to 79 percent more carbon dioxide emissions than generation using natural gas. In April, consumption of natural gas in the electric power sector accounted for 36.4 million metric tons of carbon dioxide (MMmt CO₂), while coal use accounted for 89.4 MMmt CO₂.

U.S. carbon dioxide emissions from the electric power sector (Jan 1988-Apr 2015)
million metric tons



EPA FINALIZES DEFINITION OF "LOW PRESSURE" GAS WELLS

The U.S. Environmental Protection Agency (EPA) has finalized amendments to New Source Performance Standards (NSPS) for the oil and natural gas sector, effective on August 12, 2015.

In March, the agency took action to modify its definition of "low pressure gas well" to correct a procedural defect with its prior rulemaking that included this definition. "Low pressure" gas wells lack the necessary reservoir pressure to flow at rates appropriate for the transportation of solids and liquids from a hydraulically fractured gas well completion against additional backpressure which would be caused by reduced emission completion (REC) - or "green completion" - equipment, thereby making a REC infeasible. After receiving commentary from the oil and gas industry on the provided definition of such wells under the government's NSPS rules, updated in 2012, the EPA has agreed that "true vertical depth" is more accurate terminology to use in the definition of low pressure gas well, and consequently has amended the former definition of low pressure gas well to include "true vertical depth."

For more background and comprehensive details on the approved amendments to this federal rule, please see the notice posted on Wednesday, August 12, 2015, in the Federal Register via the following link:

<http://www.gpo.gov/fdsys/pkg/FR-2015-08-12/pdf/2015-19733.pdf>

CITY OF EL PASO SLATED TO GET FIRST CNG FUELING STATION

Later this year, the first public Compressed Natural Gas (CNG) fueling station is expected to open in the city of El Paso. The station, a joint venture between TrilliumCNG and ampCNG, will serve growing demand by commercial fleets and trucking companies that commute between Texas and western states. The El Paso station will close an 800-mile gap in CNG fueling stations on Interstate 10 between Kerrville, Texas, and Tucson, Arizona. "The thing about El Paso is it is the last remaining link, east-west, on Interstate 10," said ampCNG Senior Vice President Grant Zimmerman. "It's a nascent and growing market. We believe the potential for CNG to power over-the-road trucking is only beginning to be realized."

TIPRO Calendar of Events

AUGUST 19-20, 2015 HOUSTON — Summer NAPE Expo, George R. Brown Convention Center. For info, call: (817) 847-7700.	SEPTEMBER 9, 2015 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.	OCTOBER 14, 2015 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.	OCTOBER 27, 2015 HOUSTON — Texas Top Producers Awards Banquet, Houston Petroleum Club. For info, call: (512) 477-4452.
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GENERAL LAND OFFICE HOLDS FIRST OIL & GAS LEASE SALE ONLINE

In the state's first-ever online sale of oil and gas leases, the Texas General Land Office (GLO) reports success, earning nearly \$20 million for public schools on Tuesday, August 4, 2015.

According to the GLO, in the past, anyone wishing to develop oil and gas reserves on Permanent School Fund lands had to physically submit their bid to the agency, sealed in an envelope. It was a slow, outdated process that had changed very little since the 1950s. This year, however, Land Commissioner George P. Bush broke with tradition and moved the sale of oil and gas leases online for the first time in Texas history.

"Even in a soft oil and gas market, we made more money today by opening up the bidding process to more producers and investors," Bush said after the sale. "The 21st Century economy is online. We sell on eBay, buy from Amazon and catch a ride through Uber. Putting these energy lease sales online just makes sense. Texans demand a more efficient, effective government and we are delivering it at the General Land Office."

During the oil and gas lease sale earlier this month, private oil companies competitively bid against each other for the right to explore for oil and gas on land owned by the state of Texas. Permanent School Fund tracts of land, which includes land in West Texas and submerged land in the Gulf of Mexico, brought in more than \$20 million from Tuesday's bidding - equivalent to approximately \$1,500 per acre more than the last lease sale, or about seven times more per acre than the last traditional sealed bid lease sale held in January, estimates the GLO. Additionally, the Permanent School Fund will also earn 20 to 25 percent royalties on any oil or gas produced from newly revised standard leases, providing additional revenue to support public education.

"When private oil and gas companies develop minerals managed by the GLO, it creates high-paying jobs and earns hundreds of millions of dollars a year for public education in Texas," Bush added. "With today's online energy lease sale I've delivered on my promise to make the bidding process more accessible and more efficient, while earning even more money for Texas schools."

The online lease sale was administered by EnergyNet, an industry leader that provides easy-to-use oil and gas auction and sealed bid transaction services. "This was the biggest online lease sale yet -- but then again, this is Texas, so it should be," remarked William Britain, president of EnergyNet.

DENTON REDUCES SETBACK REQUIREMENTS FOR GAS WELLS

Members of the Denton City Council have voted in favor of amending the city's existing setback regulations, approving a reduction in the distance that will be required between gas wells and homes, schools and businesses. During a hearing on Tuesday, August 4, by a vote of 5-1, the city council adopted changes to Denton's Gas Well Drilling and Production Ordinance, reducing Denton's 1,200-foot setback distance requirement to 1,000 feet.

The Denton City Council initially considered reducing the city's setback distances during a special public hearing on July 28. However, at that time, the council did not adopt any modifications, and postponed taking a vote on changing the local ordinance for setbacks.

Ordinance revisions follow the passage of House Bill 40, legislation that was signed by the Governor on May 18, 2015. Under the new state law, municipalities may enforce setback requirements so long as local regulations are deemed commercially reasonable and do not effectively prohibit an oil and gas operation conducted by a reasonably prudent operator. Consequently, in order to reconcile Denton's municipal ordinance with state law, the Denton City Council was prompted to review the city's gas well regulations, including the current rules and previously proposed revisions.

The Denton City Council chose to streamline and reorganize Subchapter 22 of the Denton Development Code (DDC) to provide a clear understanding of the gas well development requirements inside the city limits. Furthermore, various revisions and other additions were made to regulations of Subchapter 35, as permitted by House Bill 40, including nuisance and noise mitigation, truck traffic, lighting, notice requirements, and setback.

These changes to the local ordinance ultimately seek to preserve surface property values, the character of neighborhoods, and other quality of life issues in Denton, explains the council.

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PRESIDENT OBAMA SIGNS LEGISLATION TO EASE FEDERAL TAXES ON LNG

On Monday, August 10, 2015, legislation that will adjust the federal excise tax imposed on liquefied natural gas (LNG) was signed into law by President Barack Obama. Through a provision passed under a temporary highway funding bill (H.R. 3236), LNG for transportation will be taxed based on a diesel gallon equivalent (DGE). Previously, the federal excise tax on LNG and diesel was 24.3 cents/gallon. However, because it takes 1.7 gallons of LNG to produce the same amount of energy as one gallon of diesel, LNG was effectively being taxed by the government at a rate 70 percent higher than diesel fuel.

Under the new policy, beginning on January 1, 2016, the excise tax on LNG will be reduced from approximately 41.31 cents per DGE to 24.3 cents per DGE. To illustrate the significance of the change, consider the following example. A natural gas truck traveling 100,000 miles per year at 5 miles per DGE consumes 20,000 DGE per year. Prior to the passage of the new law, the LNG truck would have a highway fuel tax bill of \$8,262. With this change, the LNG truck will now pay \$4,860 a year in highway fuel taxes, a savings of nearly \$3,402 per year.

“We have been working for several years to achieve a fair, market-centered solution to fix the tax disparity between diesel and LNG. This change will encourage more private-sector investment in LNG infrastructure and production, and that will have a real, positive effect on our economy,” said U.S. Representative Mac Thornberry, R-Texas, who championed the LNG tax change in Congress.

The U.S. natural gas industry has widely applauded the tax adjustment by Congress, with America’s Natural Gas Alliance (ANGA), NGV America and the American Gas Association (AGA) trade organizations, NGV fuel and equipment suppliers and other large fleet operators all expressing their support of the law. The groups maintain that this legislation will correct a longstanding inequity in the way that LNG is taxed and will further expand the use of clean-burning domestic natural gas as a transportation fuel.

“Passage of this legislation is great news for trucking fleets who are looking to clean-burning LNG to power their transportation needs,” commented Matthew Godlewski, president of NGV America. “This common-sense change will mean even greater savings on their fuel costs, and it provides a powerful new economic incentive for those fleets considering the switch to this already low-priced, domestic fuel.”

“This provision provides the level playing field that natural gas has needed to reach its full potential as a transportation fuel,” said Kathryn Clay, vice president for policy strategy for AGA.

The nation’s transition to utilize natural gas as a transportation fuel provides a number of positive benefits. Compared to diesel fuel, LNG use produces significantly lower levels of air emissions. And, since the vast majority of natural gas used in the U.S. is produced in the U.S., using more LNG in vehicles helps reduce America’s dependence on foreign oil, which helps improve our balance of trade and promotes jobs here rather than overseas.



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PHOTOS FROM TIPRO's 2015 SUMMER CONFERENCE & GOLF TOURNAMENT



TIPRO Board Members at the 2015 Summer Conference



TIPRO Members Enjoy the Welcome Reception at TIPRO's 2015 Summer Conference



Enervest Operating Executive Vice President Jud Walker Presents the Morning Keynote Address at the 2015 Summer Meeting



Enervest Operating Executive Vice President Jud Walker Presents at the TIPRO Conference



Technology & Innovation Panelists Bob Sherwin, Brent Halldorson and Dave Milam with TIPRO President Ed Longanecker



Schlumberger Vice President Chad Peterson on Stage with TIPRO Chairman Raymond James Welder III

PHOTOS FROM TIPRO'S 2015 SUMMER CONFERENCE & GOLF TOURNAMENT



Senator Judith Zaffirini Provides a Legislative Update During TIPRO's Summer Conference



State Representatives Larry Gonzalez and Gilbert Pena Join Senator Zaffirini to Answer Legislative Questions From Conference Attendees



TIPRO's Government Affairs Team Lindsey Miller and Servando Esparza with Representative Gonzalez, Senator Zaffirini and Representative Pena at TIPRO's 2015 Summer Conference



Railroad Commission Chairman David Porter Speaks at the TIPRO Conference



Mr. TIPRO Award Honoree John Swords with TIPRO Board Members and Staff



John Swords, Recipient of the 2015 Mr. TIPRO Award



Attendees Enjoy Games at TIPRO's Casino Night



TIPRO Golf Tournament Participants

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With more than 2,800 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