



**Texas
Independent
Producers and
Royalty Owners
Association**

TIPRO MEMBERS GATHER IN SAN ANTONIO FOR THE ASSOCIATION'S ANNUAL SUMMER CONFERENCE

Last week, members of the Texas Independent Producers & Royalty Owners Association (TIPRO) convened in San Antonio for the organization's annual Summer Conference and Golf Tournament. The event kicked off with a networking reception held Thursday evening, August 7. The next morning, on Friday, August 8, Ryan Sitton provided opening remarks for the conference. Sitton, who is currently

running as the Republican candidate in the race for Railroad Commissioner, emphasized the importance of educating Texans on the energy industry and the regulation of oil and gas development. To this day, many still do not know that the Railroad Commission is responsible for managing oil and gas activities in Texas, explained Sitton. Therefore, it remains a top priority to help Texans better understand oil and gas operations and the extensive oversight of the industry. Kathleen Jackson, director of the Texas Water Development Board (TWDB), then updated conference attendees on the state's water planning efforts, particularly following last year's investment of \$2 billion from the Rainy Day Fund to support water infrastructure projects across the state. Later, Sean Kyle, with the Texas Parks & Wildlife Department, helped provide an overview of the conservation plan for the Lesser Prairie Chicken, which impacts five states, including some of the largest oil and gas producing regions in the U.S. Kyle reported that over 160 companies are now enrolled in the conservation agreement, representing approximately 10 million acres. Kyle also encouraged all oil and gas producers to work together through trade associations like TIPRO to have the most success with regulatory hurdles, such as the ongoing threat of endangered species listings. During the conference's election outlook panel, Steve Koebele and Albert Cortez discussed the upcoming turnover in Texas officials, with new leaders for almost every statewide office. "This will probably be the most dramatic change in our state in more than 20 years," noted Cortez. For the upcoming legislative session, Koebele said we can expect more engaged freshmen legislators, a reduced number of legislative committees, and a higher pace of movement for bills. Water use will also likely be addressed by the 84th Legislature.



During the keynote luncheon, Timothy Dove, president and COO of Pioneer Natural Resources, spoke of the enormous potential of West Texas' Permian Basin in the coming decades. While the Eagle Ford Shale in South Texas is about 300 feet thick, Dove explained, the Permian holds about 4,000 feet of shale. He encouraged independent operators to transfer expertise from the Eagle Ford to other plays, like the Spraberry and Wolfcamp. Dove also emphasized the economic impact Pioneer has had in Texas; in 2013 alone, the company paid \$212 million in production taxes for Texas operations, in addition to \$90 million in ad valorem taxes to Texas counties. The company also supported 3,431 full-time employees in Texas with \$409 million paid in total compensation.

Matt Barr, manager of government and public affairs for Cheniere Energy, also updated attendees on the state of regulation on crude oil and LNG exports. Additionally, Texas Senator Glenn Hegar provided the afternoon keynote address. Additionally, TIPRO was excited to host a special screening of the new energy documentary, "Breaking Free: The Shale Rock Revolution," during the conference.

On Saturday, August 9, over 70 golf players participated in the association's annual golf tournament.

For more coverage, see page 5...

TIGHTER RESTRICTIONS COMING FOR WASTEWATER DISPOSAL WELLS IN TEXAS

On Tuesday, August 12, 2014, during its regularly scheduled open meeting, the Texas Railroad Commission (RRC) announced proposed amendments to Statewide Rules (SWR) 3.9 and 3.46, relating to wastewater disposal wells and fluid injection into productive reservoirs. The amendments aim to minimize any risks of containment of fluids in injection intervals. Among other measures, the proposed changes will require additional permit application information for injection wells in areas where a greater risk exist for fluid migration. Furthermore, the amendments will clarify the commission's authority to modify, suspend or terminate a permit if fluids are not confined to the appropriate injection interval.

An online comment form has been made available through the commission's website. Public comment will also be accepted through the *Texas Register* for a 30-day period.

PRESIDENT'S MESSAGE

TIPRO Members—

For those of you who were able to attend TIPRO's Summer Conference and Golf Tournament last week, I want to thank you for taking the time to travel and partake in our association's annual meeting. It was a pleasure to visit and reconnect with so many of you! TIPRO is proud to host these types of events that allow our membership to gather together to discuss critical issues impacting the E&P sector in the state of Texas, and across the nation. Your involvement in TIPRO events remains imperative, now more than ever, and we greatly appreciate your ongoing participation and support.

Besides TIPRO's monthly "Leaders in Industry" luncheons held every month in partnership with the Independent Petroleum Association of America (IPAA), I am looking forward to several other upcoming TIPRO events that are quickly approaching. Next month, TIPRO leadership will again travel to New York City to close the NASDAQ Stock Market. This truly unique opportunity helps highlight TIPRO, along with our state's independent producers and royalty owners. It also provides a significant amount of visibility for the oil and gas industry. Joined by executives from leading oil and gas companies, we will use the NASDAQ stock market closing to showcase the positive economic impact and growth of the oil and gas industry.

Additionally, in October, TIPRO is proud to also host the 3rd annual Texas Top Producers awards banquet. This event serves as a special chance to recognize the top professionals in our industry today, including the best CEOs, geoscientists, engineers and landmen. In partnership with the publishers of *Texas Monthly*, and with the support of the American Association of Petroleum Geologists (AAPG) and the American Association of Professional Landmen (AAPL), the Texas Top Producers program strives to provide well-deserved acknowledgement to members of the Texas oil and gas industry. Nominations for the 2014 awards were collected earlier this year via the TIPRO website, and later reviewed by the TIPRO-Texas Top Producers awards committee. The nominations were then further vetted by the awards committee to determine the top 15 finalists, and ultimately the winners for each of the categories. Texas Top Producer finalists continue to help revolutionize industry practices, and have further improved the way we produce domestic oil and natural gas resources. We all should be appreciative of their hard work and contributions. Accordingly, on the evening of Tuesday, October 28, we will join together at the Houston Petroleum Club to celebrate and honor these outstanding individuals -- I hope you will all mark your calendars for the occasion and plan to attend.

The Lone Star State continues to lead the country in oil and gas production, innovation and employment. As the premier state advocacy organization representing independent oil and gas producers and royalty owners in Texas, TIPRO is happy to continue to share the important story of energy development through these types of high-profile events and other initiatives, as we work to inform the public and elected officials on the significance of oil and gas production for the local, state and national economy. By doing so, we will help ensure a favorable climate for the exploration and production of oil and gas in the coming years, which will offer ongoing economic advantages for us all.

Sincerely,




Ed Longanecker

VISIT TIPRO DURING THE 2014 NAPE SOUTH EXPO!

The Texas Independent Producers & Royalty Owners Association (TIPRO) hopes to see you at the upcoming 2014 NAPE South Expo, scheduled to take place August 20-22, 2014, at the George R. Brown Convention Center in Houston. TIPRO will be located at booth #2860 - please stop by and visit us!

The NAPE Expo is one of the world's largest E&P expos, providing a marketplace for the buying, selling and trading of oil and gas prospects and producing properties via exhibit booths. The NAPE experience is dedicated to high-level networking, and gives participants the opportunity to visit prospectors, investors, vendors and others in the oil and gas industry. The event is not one to miss, as it now hosts thousands of attendees from all aspects of the upstream sector.

For more information on the expo, or to view the floor plan and list of exhibitors, visit NAPE's website at: www.napeexpo.com/nape-shows/nape-south.

TIPRO Calendar of Events

AUGUST 20-22, 2014 HOUSTON — NAPE South Expo, George R. Brown Convention Center. For info, call: (817) 847-7700.	SEPTEMBER 10, 2014 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.	OCTOBER 8, 2014 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.	OCTOBER 28, 2014 HOUSTON — Texas Top Producers 2014 Awards Banquet, Houston Petroleum Club. For info, call: (512) 477-4452.
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CHRISTI CRADDICK NAMED NEW CHAIR OF THE TEXAS RAILROAD COMMISSION

During the Railroad Commission's open meeting on Tuesday, August 12, 2014, Commissioner Christi Craddick was voted as the new chair of the agency. A vote for new leadership had been called by Commissioner David Porter a week ahead of the meeting to replace sitting Chairman Barry Smitherman, since Smitherman's term as Railroad Commissioner will end in late 2014.

"I am honored to have the support and trust of my colleagues as I lead the commission as chairman during this exciting time for Texas oil and gas development," commented Craddick. "In foreseeing the needs of a fast-paced industry, we have spent much of my first year and a half at the commission evaluating rules and processes in order to enhance our state's regulatory structure. While we know that Texas' energy sector has the power to bring unprecedented economic gains to our state, one major obstacle can hold this sector back: unpredictable, excessive regulation. As chairman, I will ensure that we continue to have fair, common sense rules that foster vibrant industry innovation, allowing industry to power our state's economy, while keeping our citizens and natural resources safe."

Craddick added, "It is imperative that we work in a concerted effort to solve the important issues we are seeing today; including water conservation, further infrastructure development, integration of industry best practices within our rules, and continued education of the public about the energy industry's presence in our communities. I will work to bring all parties together to raise the bar for policies that aid in the positive growth of this state. I would like to thank Chairman Smitherman for his leadership and for the contribution his tireless service has made to energy sectors in Texas. The commission is fortunate to have three commissioners who bring unique skills to the table. I strongly believe that the commission benefits most when all of our skills are utilized. With the election of a new commissioner in November, I look forward to continued work with Commissioner Porter, and welcome his experience and expertise as we maintain a well-balanced commission."

Christi Craddick was elected statewide by the people of Texas in November 2012 to serve a six-year term as Texas Railroad Commissioner. A native of Midland, she previously served as an attorney specializing in oil and gas, water, tax issues, electric deregulation and environmental policy.

"The Railroad Commission is on track to deal with some of the largest and most important issues the agency has ever faced next year. I believe the time for new leadership is now," said Commissioner Porter. "Commissioner Craddick is a strong, and proven leader that has an equally good legislative experience to take us into the next session on even ground. Christi and I enjoy a strong working relationship, and share a passion for providing a regulatory environment that encourages job growth as well as protection of property rights and our natural resources."

STAFF RETIREMENTS AT THE RRC

On Tuesday, August 12, 2014, the Texas Railroad Commission (RRC) announced the retirement of 12 long-time employees. Ramon Fernandez, a veteran of the agency with over 25 years of service is one of many that will leave the RRC at the end of this month. As deputy director of the Oil and Gas Division, Fernandez is one of the many commission employees TIPRO has had the opportunity to work with closely over the years. He began his employment with the RRC as an engineer with the Oil and Gas Regulation Division in 1988. Subsequent that role, Fernandez took a position as a hearings examiner, and in the early 90's, he transitioned into the Oilfield Cleanup Section of the Oil and Gas Division. Within the Oil and Gas Division, he managed the well plugging program and was ultimately appointed as the Division's assistant director. Since 2011, he has maintained the title of deputy director of the Oil and Gas Division. Due to the extensive work of individuals like Ramon Fernandez, and the invaluable relationships TIPRO has ascertained with the RRC, the association thanks all of the RRC retirees for their service and dedication to the agency and the state of Texas.

Railroad Commission retirees include the names listed below:

Oil & Gas Division:

Ramon Fernandez (26 yr.)-Austin
Walter Gwyn Jr.(33 yr.)-Wichita Falls
Barry Wood (32 yr.)-San Angelo
Marshall Berryhill Jr.(5 yr.)-Kilgore

Alternative Energy Division:

Stephan Jaeger (22 yr.)-Austin
Michael Vyvjala (20 yr.)-Austin

Information Technology Services Division:

Yolanda Amaya (30 yr.)-Austin
Mark Ryberg (16 yr.)-Austin
Bill Karber (15 yr.)-Houston

Gas Services Division:

William (Bill) Geise (18 yr.)-Austin

Administration Division:

Lily Chao (17 yr.)-Austin
Rosemary McCollum (36 yr.)-Austin

AFRED Division:

Rudy DeLaGarza (19 yr.)-Austin

DALLAS FED CREDITS ENERGY BOOM FOR STIMULATING THE TEXAS ECONOMY

The Texas economy continues to expand, thanks to the state's energy boom and increase in business activity, reports the Federal Reserve Bank of Dallas. In mid-August, the Dallas Fed released new economic figures that analyze the state of the economy in the second quarter of the year, compared to the first quarter. The Fed also provided an outlook for future economic growth in the state of Texas. "We're seeing strength in services and manufacturing [activity] ... and we expect that to continue," said Jason Saving, senior research economist and adviser. "We're especially seeing strength, not surprisingly, in energy and areas of the economy that relate to energy."

In its latest report, the Dallas Fed also cited robust employment market in Texas, with Texas' annualized job growth rising from 2.4 percent in the first quarter to 4.3 percent in the second quarter - the strongest pace in nearly nine years. Texas' unemployment rate remains well below the nation's unemployment rate of 6.1 percent.

HOUSE PASSES PLAN TO MODIFY ENDANGERED SPECIES ACT

With a vote of 233-190, the U.S. House recently passed legislation to modify the Endangered Species Act (ESA). H.R. 4315, known as the “Endangered Species Transparency and Reasonableness Act,” strives to update and improve the ESA, which was last renewed by Congress in 1988. The bill would help increase transparency by making the science that was used justify an endangered or threatened species determination available to the public. It also calls for greater input opportunities by states, localities, and Indian tribes in any species listings, and reduces taxpayer-financed attorneys’ fees to help invest more funding in actual species recovery.

“Instead of focusing on working together to recover species that are at risk, the ESA has become a litigant’s dream,” said U.S. Congressman Doc Hastings. “More than 500 ESA-related lawsuits have been filed against the government in the past six years alone – meaning that the courts, and not the scientists, are making the decisions over what species need protection. H.R. 4315 would help restore the original intent of the ESA – to conserve species – and make the law more effective for both species and people. The House’s approval – with Republican and Democrat support – of this bill is an important first step forward.”

OVER \$12 BILLION TO BE INVESTED IN TEXAS’ WOLFCAMP SHALE BY YEAR’S END

With a ramp-up of horizontal drilling and rapidly increasing rig count, the Wolfcamp formation in West Texas has increasingly gained the attention of investors and oil producers. In fact, as early as 2017, total capital investments in the play could surpass the Bakken in North Dakota. That’s according to a new analysis released by Wood Mackenzie, which provides an outlook on future spending in key North American shale plays.

“Due to the ramp up of rigs in the first and second quarter, we expect capital expenditure to exceed \$12 billion in 2014,” said Benjamin Shattuck, upstream analyst for Wood Mackenzie.

“There is reason to be cautiously optimistic,” added Shattuck. “While we have seen performance improve across all benches of the Wolfcamp, we are still waiting for an operator to effectively develop multiple benches over a sizeable acreage position.”

Wolfcamp crude and condensate production will average 200,000 barrels per day in 2014, estimates Wood Mackenzie, and will reach 700,000 barrels per day by the end of the decade.

EAGLE FORD SHALE TO PRODUCE 1.5 MILLION BARRELS DAILY IN SEPTEMBER

By September, the Eagle Ford Shale will produce approximately 1.51 million barrels of crude oil and other liquids daily, forecasts the U.S. Energy Information Administration (EIA). In the federal agency’s newest monthly drilling report, the EIA expects a gain of around 31,000 daily barrels next month over August production for the South Texas field.

Meanwhile, the EIA also forecasts an additional 38,000 barrels of oil to be produced per day in September from the Permian Basin, raising production output to 1.72 million barrels of crude oil per day. Last September, the Permian produced close to 1.4 million daily barrels.

Texas natural gas production is also on the upswing, with an increase in output likely from the state’s shale plays.

NO “CANCER CLUSTER” IN BARNETT, TEXAS DEPARTMENT OF STATE HEALTH SERVICES CONFIRMS

A new analysis of cancer data released by the Texas Department of State Health Services (DSHS) has confirmed that in the North Texas town of Flower Mound, cancer numbers are not higher than what would be expected for the Texas community, dispelling notions of a “cancer cluster” resulting from oil and gas activity.

Flower Mound, a suburb of the Dallas–Fort Worth metroplex, sits atop the Barnett Shale formation. According to DSHS, in January of 2010, residents of Flower Mound expressed concerns that possible exposure to benzene or other contaminants related to natural gas well drilling and/or hydraulic fracturing in the Barnett Shale was causing cancer in the area. As a result, in March 2010, the Texas agency investigated cancer incidences in the city’s primary zip codes 75022 and 75028, and provided an update a year later in March 2011. However, due to ongoing concerns by the community, DSHS conducted a third cancer cluster investigation (CCI) during 2014 in the same zip codes, using updated cancer and population information.

Again, DSHS has found no evidence of a cancer cluster in the area. “The previous CCIs for Flower Mound examined incidence data for leukemia and brain/central nervous system (CNS) childhood cancers (0–19 years), as well as leukemias, non-Hodgkin’s lymphomas, and breast cancers for all ages. Childhood liver cancers were added to this 2014 update at the request of a concerned citizen.” Observed data revealed cancer cases were not higher than expected in adults nor children in the zip codes of 75022 and 75028. Female breast cancer was the only type of cancer where the observed number of cases was higher than expected and the finding was statistically significant; however, this result is not due to regional development of the Barnett Shale, but instead consistent with the population growth in the area and likely higher mammography use.

DSHS notes that while Texas cancer cluster investigations typically use the 99 percent confidence interval, the results of this year’s analysis were calculated also using the 95 percent confidence interval due to public concerns that previous parameters were too stringent. The wider confidence interval did not yield different results.

DSHS is the agency responsible for state cancer cluster investigations and has conducted more than 400 cancer cluster investigations since 2000. The agency’s Texas Cancer Registry has more than 2 million records of cancer patients. It is the primary source of Texas cancer data and is the fourth-largest registry in the U.S.

PHOTOS FROM TIPRO's 2014 SUMMER CONFERENCE & GOLF TOURNAMENT



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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.

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