



**Independent  
Producers and  
Royalty Owners  
Association**

## TECHNOLOGICAL TRENDS, INDUSTRY REGULATION FOCUS OF TIPRO'S SUMMER CONFERENCE

Last week, more than 180 oil and gas professionals gathered in San Antonio, Texas, at the Westin La Cantera Resort for TIPRO's annual Summer Conference & Golf Tournament. Following the association's golf tournament on August 8, Texas Senator Carlos Uresti helped to kick off the conference activities on Friday, August 9. After providing welcome remarks, TIPRO was proud to present the Senator with its

newly renamed "George P. Mitchell-Tip of the Hat" award for his outstanding leadership during the 83<sup>rd</sup> Legislative Session and his continued support of the oil and gas industry.

State representatives Jim Keffer, Harvey Hilderbran and Jason Isaac also addressed attendees during TIPRO's Summer meeting, presenting on the outcome of the past legislative session in Austin. From the Railroad Commission (RRC) sunset review to water permitting and tax incentives, together the Texas lawmakers explained the challenges of successfully passing bills under the capitol dome.

Further, U.S. Congressmen Joe Barton and Ralph Hall provided insight on current federal issues pertaining to the oil and gas industry. As U.S. Representative Joe Barton stressed, "There is not any other group in America that is as optimistic about the future as the oil and gas group. And there is nobody within the oil and gas group as consistently optimistic as the independents. And not any group of independents are as consistently optimistic as the Texas independents. You folks are the one's that drive America. And my job in Washington is to have the same spirit and attitude as your Texas Congressman." Barton also explained the importance of state regulation on hydraulic fracturing, as opposed to federal. "We are blessed in Texas to have the RRC and Texas Commission on Environmental Quality (TCEQ), both of which are headed by good regulators, and not environmental zealots... right now, the Environmental Protection Agency (EPA) views its job to shut down industries. I don't want to do away with any federal agencies, but instead I want them to serve the purposes they are supposed to."

Congressman Hall also emphasized, "Your industry serves every person - energy truly is one of the most important words in the dictionary. Energy, or lack of energy, is what causes wars, and a nation will fight for energy if they have to. And we haven't had to... but at one time, we were getting 55 percent of our energy from other nations that didn't like us and we didn't trust them. That's a shame - today, we really ought to be selling energy."

During TIPRO's conference, industry experts from Apache, Halliburton and GE Oil & Gas also spoke on the technological innovations currently in development for the oil and gas industry, which are expected to help better improve E&P activities in the future. During the conference, Robert Drummond, president of North America for Schlumberger, explained how operators can enhance recovery of natural resources and unlock the full potential of shale formations. Dale Craymer also provided a tax update for TIPRO members and Dr. Ken Morgan discussed our nation's energy future.

*Check out event pictures on pages 5 and 6...*

**"You are so important, you  
are so needed and you are  
so admired... on behalf of  
the nation, I want to applaud  
all of you, for these are the  
achievements that  
are the driving force of  
our economy and hope  
for the future."**

**-U.S. CONGRESSMAN RALPH HALL**

## LEGISLATORS APPROVE PLANS FOR TRANSPORTATION FUNDING DURING 3<sup>RD</sup> SPECIAL SESSION

After Texas Governor Rick Perry called a third special session specifically focused on addressing transportation funding in Texas, on Monday, August 5, state legislators successfully passed House Bill 1 and Senate Joint Resolution 1, authorizing up to \$1 billion in new transportation financing annually. Although adopted by the legislature, prior to any funding allocation for transportation, Texas voters will have to approve SJR 1 in November of 2014.

"This action by the Texas Legislature moves our state closer to securing a strong economy well into the future by providing more resources for building and maintaining a transportation system that will keep our economy growing and our population moving," commented Governor Perry. "Just as important is the fact that we are increasing funding for transportation without raising taxes, which sends an incredibly strong message that Texas is committed to keeping the wheels of commerce turning, while protecting taxpayers."

Lawmakers previously failed to come to an agreement on transportation funding this summer during the first two special sessions called by the governor, with disputes among state representatives and senators of how best to allocate funds for road maintenance and construction across the Lone Star State.

## PRESIDENT'S MESSAGE

TIPRO Members -

What a pleasure it was to see so many of you in San Antonio last week for our association's Summer Conference & Golf Tournament. This annual event provides members the opportunity to reconnect with old friends, and network with new business associates - all while learning the latest updates on those issues which could impact the oil and gas industry in the months and years to come. During this year's conference, we had a special opportunity to hear from distinguished industry experts, several state legislators and two U.S. Congressmen, who together shed light on what independent producers and royalty owners need to watch out for in the future. Moreover, during the Chairman's Dinner, we were able to honor the recipient of this year's Mr. TIPRO award - Scott Anderson. Scott has served as a great leader of TIPRO through the years, and could not be more deserving of this recognition. Again, we thank him for all of his hard work on behalf of TIPRO, as well as the entire oil and gas industry.



**Ed Longanecker**

TIPRO's Summer Conference allows us the time to come together and not only look back at industry achievements during the last six months, particularly during the 83<sup>rd</sup> Legislative Session, but also the chance to address those issues that could be on the horizon for the E&P sector. As many of the speakers mentioned at the meeting, water and transportation infrastructure will remain top issues in the Lone Star State for some time to come. Although Texas lawmakers have recently passed legislation to help mitigate such problems, our industry will also have to continue to contribute and find resourceful ways to address these challenges. Fortunately, advancements in technology will help tremendously, as new, ground-breaking innovations are employed to facilitate operations and lessen the environmental impact of drilling. For instance, regarding water, the oil and gas industry already uses only a small percentage of the state's water (just 1-3 percent annually), but measures to transition to recycling water and utilize brackish water rather than fresh water during fracing will further help reduce our water usage, as our state endures ongoing drought conditions. Generally speaking, producers will continue to search for ways to conserve as best possible, and work alongside other stakeholders on such pertinent issues for Texas.

Moreover, as Congressmen Joe Barton and Ralph Hall pointed out during our conference, on the federal level, proposed rules by bureaucratic agencies like the U.S. Environmental Protection Agency (EPA) and the U.S. Fish & Wildlife Service (USFWS) must be closely monitored by independents and royalty owners, as unnecessary, overly-burdensome regulation threatens to halt domestic production from shale plays.

The fact remains, energy production is essential to our state's future, as well as our nation's. We must continue to ensure that our elected officials are informed of the facts surrounding domestic oil and gas development, particularly from shale formations, as drilling activities rise and oil and gas production grows. I'm proud to see that our leaders from Texas have taken their own initiatives to learn more about hydraulic fracturing and industry operations. Just last week, while TIPRO was in San Antonio for our Summer Conference, the Texas delegation of Congressmen came together for the first meeting of the Texas Caucus on Shale Oil and Gas (TCSOG). This newly-formed group is co-chaired by Senator John Cornyn (R-TX) and Congressman Henry Cuellar (D-TX28), and serves to provide valuable, bi-partisan discussion on issues surrounding shale production. The first meeting of TCSOG included presentations from Texas Railroad Commissioner David Porter, Texas Commission on Environmental Quality (TCEQ) Chairman Bryan Shaw and a program coordinator from the United States Geological Survey (USGS), who collectively spoke about the impact of recent federal and state policies on oil and gas production, and what is being done in Texas to ensure safe production practices. TCSOG will meet again in the near future to continue to develop strategies of how best to support this vital segment of our economy.

Although the oil and gas industry has our work cut out for us on a variety of state and federal issues, I want to assure our membership that TIPRO has a strong team in place, and with your ongoing support, we will continue to be successful with our fight to preserve the ability to explore for and produce oil and natural gas here in Texas, and across the country. TIPRO remains as committed as ever to our mission of protecting the general welfare of members of our association, which is why if there is ever an issue confronting you or your business, please do not hesitate to reach out to us so we may assist in whatever way possible. Thank you.

**Sincerely,**

### Calendar of Events

SEPTEMBER 11, 2013	OCTOBER 9, 2013	OCTOBER 29, 2013	NOVEMBER 13, 2013
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 — Texas Top Producers Awards Banquet, 6:30 p.m. Houston Petroleum Club. For info, call: (512) 477-4452.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.

## RRC OPENS COMMENT PERIOD FOR RULEMAKING ON DISPOSAL WELLS, FORM CHANGES

The Texas Railroad Commission (RRC) is now accepting public comments for draft amendments to the Texas Administrative Code (TAC) Chapter §3.9, relating to disposal wells; TAC §3.36, relating to oil, gas, or geothermal resource operation in hydrogen sulfide areas; and TAC §3.46, relating to fluid injection into productive reservoirs. According to the commission, these amendments will help conform agency rules to adopted changes for Statewide Rule 13, which will go into effect on January 1, 2014. The RRC also hopes to modify six existing forms and adopt two new forms. To view the summaries and the drafted rule changes and forms, please see the “Draft Rules for Informal Comment” page on the commission's website at: [www.rrc.state.tx.us/rules/draft.php](http://www.rrc.state.tx.us/rules/draft.php).

Written informal comments regarding proposed rule amendments can be mailed to: Veronica Larson, Oil and Gas Division, Texas Railroad Commission, P.O. Box 12967, Austin, Texas 78701; or feedback may be submitted via e-mail at: [veronica.larson@rrc.state.tx.us](mailto:veronica.larson@rrc.state.tx.us). The comment period will end at 5:00 p.m. on Thursday, September 12, 2013.

## RRC TO HOST REGULATORY WORKSHOPS AND SEMINARS FOR PRODUCERS IN COMING WEEKS

The Oil and Gas Division of the Railroad Commission of Texas (RRC) will host a series of workshops in the coming months in efforts to educate Texas operators of current regulatory requirements so that they may remain in compliance with the agency. Upcoming workshops are to include:

### **Oil and Gas Skim Oil / Condensate Report (Form P-18) - Filing Requirements Overview Workshop**

August 19, 2013

William B. Travis Building, Room 12-126, Austin, Texas

### **Draft Proposed Rules Workshop: SWR 9, SWR 36, and SWR 46 (Informal Comment Only)**

*\*Registration not required\**

August 21, 2013

William B. Travis Building, Room 1-100, Austin, Texas

### **Oil and Gas Monthly Transportation and Storage Report (Form T-1) - Filing Requirements Overview Workshop**

August 29, 2013

William B. Travis Building, Room 12-126, Austin, Texas

### **Oil and Gas SWR 13 and SWR 9, SWR 36 and SWR 46 Workshop**

September 4, 2013

Commemorative Air Force Museum, Midland, Texas

### **Oil and Gas Fall 2013 Regulatory Conference**

September 24-25, 2013

Hilton Hotel, Austin, Texas

### **Casing, Cementing, Drilling, Well Control and Completion Requirements: SWR 13 Amendments Overview Workshop**

October 24, 2013

San Antonio, Texas

To learn more details, or register to attend, visit: [www.rrc.state.tx.us/education/seminars/OG2013.php](http://www.rrc.state.tx.us/education/seminars/OG2013.php).

## INFORMATION TECHNOLOGY MODERNIZATION PROGRAM ADVANCES FORWARD AT RRC

During an open conference held Tuesday, August 6, 2013, Texas Railroad Commissioners (RRC) awarded CGI Technologies and Solutions, Inc. (CGI) with the contract to implement the agency's Information Technology modernization program. CGI currently represents multiple clients in the energy sector, and holds previous experience with upgrading technology for regulatory agencies in several states, including Texas, where the company completed IT modernization activities for the Texas Commission on Environmental Quality (TCEQ).

“This is an exciting time at the RRC as we can now move forward with the long-awaited update of our IT systems, which is vital for our staff to keep pace with the current energy boom we are experiencing statewide,” said RRC Chairman Barry Smitherman.

The \$13.9 million contract will require CGI to complete the planning and analysis portion of the IT modernization project by May 2014. By incorporating improvements to the IT department at the RRC, the commission hopes to: revise outdated manual processes to obtain process efficiency; develop integrated web-based applications that enable filing or exchange of data; integrate additional online filings with revenue or fee collection; redesign the RRC website based on stakeholder input; consolidate the compliant, inspection, violation, enforcement, and docket tracking processes and systems; develop integrated web-based applications that enhance internal business (permitting) efficiency; provide stakeholders (industry, public, interest groups) with efficient access to timely and accurate data; minimize dependence on mainframe systems; and develop applications that can take advantage of mobile technologies in the future.



## RRC LEADER EMPHASIZES IMPORTANCE OF HYDRAULIC FRACTURING TO NATIONAL AUDIENCE

Participating on an energy panel last week at the annual meeting of the American Legislative Exchange Council (ALEC), comprised of legislators, businesses and foundations, Texas Railroad Commissioner Christi Craddick stressed the vital significance of hydraulic fracturing for the future of the U.S., from supporting the economy to providing energy security for the nation.

"An estimated 60 percent of all wells drilled worldwide are hydraulically fractured, and fracking is estimated to be used in about 80 percent of new wells completed in Texas today," said Commissioner Craddick. "Texas is the 14<sup>th</sup> largest oil producer in the world, producing an average of 1.6 million barrels per day and accounting for 30 percent of total U.S. oil. This energy revolution has created hundreds of thousands of well-paying American jobs, has strengthened the American economy, and has placed us in a position to realistically achieve energy independence by the year 2020. This immense growth can only be attributed to fracking."

Added the Commissioner, "If production numbers, economic value and job growth are not enough, the Saudi Prince Alwaleed bin Talal wrote in concern to Saudi government leaders last week cautioning them that fracking in America will reduce American dependency on Saudi oil. For almost 50 years, OPEC has manipulated oil markets, holding the U.S. captive to their supply-and price-setting whims. Thanks to fracking technology, America is moving closer to fulfilling its energy needs domestically."

During her speech, Commissioner Craddick also addressed concerns about safety and environmental impact of drilling. "While hydraulic fracturing has been a common industry practice in Texas since 1949, we are in the midst of an energy transformation in the way that we produce energy in this country—safely, responsibly and affordably through the use of proven technologies that continuously advance each year, namely fracking. As this technology evolves within the industry, state regulators are working to strengthen regulatory oversight to tighten well construction and waste disposal standards and also require disclosure of fracking fluid components."

## RRC COMMISSIONER DAVID PORTER WELCOMES NEW CHIEF OF STAFF

Texas Railroad Commissioner David Porter has welcomed aboard a new chief of staff to his office, following the departure of outgoing chief of staff Amy Maxwell at the end of last month. Caleb Troxclair will serve Commissioner Porter's chief of staff and legal counsel, effective August 1, bringing nearly a decade of experience in Texas government and politics with him to the new position.

"I am pleased to have Caleb as part of our team at the RRC," Commissioner Porter stated. "With his background and experience, he understands the importance of keeping Texas the number one place in the country to do business by maintaining common-sense regulation of our state's largest industry."

Most recently serving as chief of staff to state Representative Phil King (R-Weatherford), Troxclair has been a key policy advisor on energy issues in Texas. Through his former position as committee clerk for the Committee on Regulated Industries, as well as his involvement in legislation passed through the House Committee on Energy Resources, Troxclair has had a hand in shaping Texas' current energy policy. In addition to bringing a strong public policy background, he has also honed a sharp political mind through leading several successful political campaigns.

Troxclair received his law degree from The University of Texas' School of Law and is a graduate of Texas A&M University - Kingsville, where he earned his B.A. in political science.

## TCEQ TO HOLD AIR PERMITTING SEMINAR

Texas oil and gas operators are invited to attend the next "Advanced Air Permitting Seminar and Oil & Gas Facilities Workshop," hosted by the Texas Commission on Environmental Quality (TCEQ), at the Austin Convention Center on September 25 - 26, 2013. To register, visit: [www.tceq.texas.gov/p2/events/air-permitting.html](http://www.tceq.texas.gov/p2/events/air-permitting.html)

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## PICTURES FROM TIPRO'S 2013 SUMMER CONFERENCE & GOLF TOURNAMENT





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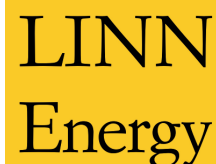




# TIPRO'S SUMMER CONFERENCE & GOLF TOURNAMENT

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## THE TIPRO TARGET



### **Texas Independent Producers & Royalty Owners Association**

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

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