Texas
Independent
Producers and
Royalty Owners
Association

TEXAS RAILROAD COMMISSION IMPROVES DRILLING PERMIT PROCESSING

Through the agency's evolving Information Technology Modernization Program, the Texas Railroad Commission (RRC) has announced significant improvements to its drilling permitting process. Over the last year, expedited permit processing has been reduced from a peak of 30 days experienced with a surge in industry activity in the spring to a one-day processing rate in November, the RRC reports.

Chairman Christi Craddick said, "The commission has met the demands of efficiently regulating a bustling industry with the use of technology that has further streamlined our permitting process. With the ability to issue permit applications in a few short days, companies can keep workers in the field where they can earn a wage for their families and produce the oil and gas that is critical to the Texas economy."

Using funding approved by the 83rd Texas Legislature, the RRC has utilized new resources to enhance its permitting process. The commission has continued to install key upgrades to hardware, software and refinements to internal processes for analyzing drilling permit applications. Software improvements have also allowed for quicker identification and processing of vertical drilling permits, the agency notes.

"In addition to IT enhancements, we also were able to hire additional temporary staff to help meet the demands of the rising drilling permit applications and to assist our hardworking permanent staff," said Commissioner David Porter.

Commissioner Barry Smitherman added, "It is essential that the commission have the tools and funding to meet industry demands, and I want to thank our Texas Legislators for providing us with the IT and personnel resources necessary to do that."

The RRC also reveals that further enhancements will be forthcoming to the drilling permit application systems. In the future, operators will be able to look up online special field rules for horizontal wells and view a proposed well location immediately in the commission's Public GIS Viewer by collecting coordinates on the wells in the drilling permit application.

DENTON CITY COUNCIL REVIEWS CITY'S DRILLING ORDINANCE

With the city's drilling moratorium set to expire on January 20, members of the Denton City Council resumed conversations this week on updating provisions of the city's gas well drilling and production ordinance. On Tuesday evening, December 16, a public hearing was convened jointly by the Denton Planning and Zoning Commission and the City Council to gather testimony and further discuss amending the city's drilling ordinance.

During the joint work session, city officials continued to explore a series of proposals that would modify Denton's regulations on natural gas development in the area, including:

- *Production Monitoring:* Require inspections to be performed by a third party to determine if equipment is properly functioning:
- Pipeline Regulations: Grant authority to the city to map gas pipelines in Denton and its extraterritorial jurisdiction;
- Gas Well Notifications & Disclosures: Increase disclosure requirements of the location of the Pad Site; existence of well(s); possibility of new wells; possibility of more hydraulic fracturing and/or drilling; and possibility of re-working;
- *Co-location*: In efforts to minimize surface impact, an operator would be required to select the optimum surface site location within a leased acreage, then capitalize on technological advances to utilize co-location of multiple wells on a single site. Afterwards, the land would be reopened for other development; and leased acreage would be restricted from future gas well drilling;
- Operator Insurance: Increase insurance coverage requirements for operators.

At Tuesday's public hearing, both members of the industry and Denton residents asked the City Council to provide more time to review and submit feedback on the ordinance amendments. Accordingly, the council voted to continue its public hearing Tuesday, January 6, 2015. In the meantime, city staff will have a number of related items to investigate leading up to the next City Council meeting.

Amendments to the city's drilling ordinance come separate from the local ban on hydraulic fracturing, which was passed by voters on November 4. While the ban on fracturing is applicable to any new development projects, the ordinance strives to effectively and robustly regulate new activity at existing sites.

CHAIRMAN'S MESSAGE

TIPRO Members.

A new report recently released by consulting firm Wood Mackenzie indicates that more than one billion barrels of oil have now been pumped from the Eagle Ford Shale -- an important milestone to which I want to commend our state's producers for achieving.

The South Texas formation certainly has been one of the nation's most popular plays in the last couple of years, quickly earning the attention of the entire industry after Petrohawk drilled the first of the Eagle Ford wells nearly seven years ago.

Since then, the region has experienced a significant surge in development of the oilfield. In fact, more than 70 percent of the billion barrels of crude have been produced in the last two years alone, notes Wood Mackenzie in its latest analysis.

Another noteworthy statistic which I'd like to point out -- between January and October of this year, over 4,890 drilling permits were issued by the Railroad Commission for the Eagle Ford region. That's nearly double the number of Eagle Ford drilling permits that were approved by the commission in 2011! As somebody who grew up in South Texas, it has simply been remarkable to watch the exciting transition of this region of the state.



Raymond James Welder III

Altogether, the Eagle Ford Shale contributes approximately 16 percent of total U.S. oil production each day, representing a substantial portion of the country's daily crude output.

Although it remains uncertain what the true impact of falling oil prices could be in the long-term for drilling activity, analysts nonetheless expect ongoing growth in the shale play next year, with the largest share of U.S. Lower 48 spending to be directed towards the Eagle Ford in 2015, according to Wood Mackenzie.

Indeed, this latest Eagle Ford benchmark is one which we should all celebrate. The tremendous levels of production from the South Texas formation have generated a long list of powerful economic benefits, supporting almost 115,000 full-time jobs and contributing more than \$2 billion to both local governments and the state government.

Sincerely,

Raymond James Welder, III

GOVERNOR-ELECT GREG ABBOTT IDENTIFIES KEY PRIORITIES, NAMES NEW STAFF MEMBERS

Speaking at a press conference in mid-December at the Texas capitol, incoming Governor Greg Abbott outlined his top priorities ahead of the state's next legislative session. On Abbott's agenda: improving education, tightening border security, development of better transportation and water infrastructure, and economic expansion. Each issue was heavily focused on throughout Abbott's gubernatorial campaign, leading up to his victory on November 4, 2014.

"On Election Night, I made a promise to the people of Texas to begin work immediately to keep Texas the beacon of opportunity and the best state in the nation. A promise is worth little without the right plan and the right people to turn that plan into action," said Abbott. "I have outlined a Blueprint for an even better Texas of tomorrow, and I am proud to have an experienced leadership team with the proven skills and the deep commitment needed to make my promises a reality. We are ready to get to work on Day One to ensure greater opportunity for all Texans."

At the same press conference held December 8, 2014, Governor-Elect Abbott also announced new staff members for when he takes office in January, which include the following:

Daniel Hodge, Chief of Staff Julia Rathgeber, Deputy Chief of Staff Robert Allen, Deputy Chief of Staff Kara Belew, Budget Director

Jimmy Blacklock, General Counsel

Reed Clay, Senior Advisor

Drew DeBerry, Policy Director Jay Dyer, Deputy Legislative Director Randy Erben, Legislative Director Matt Hirsch, Communications Director

Erin Hodges, Special Assistant to the Governor

Meanwhile, Lieutenant Governor-Elect Dan Patrick has also announced the appointment of Karina Davis, who will continue to serve as parliamentarian next session, a post she has served in the Senate since 2004. Additionally, Marian Wallace, who has worked for Patrick since 2007, will serve as education policy advisor for the lieutenant governor, and Vickie Miles will remain in her role as receptionist for Lieutenant Governor-Elect Patrick.

TIPRO Calendar of Events

JANUARY 7, 2015

HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.

FEBRUARY 11, 2015

HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.

FEBRUARY 11-13, 2015

HOUSTON — Winter NAPE Expo, George R. Brown Convention Center.

MARCH 2-3, 2015 AUSTIN — TIPRO's 69th Annual Convention, Sheraton Downtown Hotel. For info, call: (817) 847-7700. For info, call: (512) 477-4452.

Texas Congressman introduces bill to lift crude export ban

On Tuesday, December 9, U.S. Representative Joe Barton called on Congress to remove restrictions limiting exports of crude oil through the introduction of H.R. 5814. The proposed energy legislation, authored by Representative Barton, would repeal provisions in Section 103 of the Energy Policy and Conservation Act (42 U.S.C. 6212), prohibiting any official of the federal government from imposing or enforcing restrictions on the export of crude oil from the United States.

"The shale revolution has drastically reshaped America's energy landscape, unlocking a vast supply of untapped oil and gas. The most recent estimates show that the U.S. has more than enough resources to meet our domestic energy needs," commented Representative Barton. "In order to take full advantage of this opportunity, we need to rethink outdated laws that were passed during an era of energy scarcity. That is why I am in favor of overturning the ban on crude oil exports. The rewards are expansive. Recent analysis confirms lifting the export ban would spur economic growth and create hundreds of thousands of additional jobs, while at the same time lowering prices at the pump. It would also diversify the world oil supply – strengthening U.S. energy security and giving us more leverage in foreign policy matters. The U.S. has long been committed to free trade and open markets; it's time we practice what we preach when it comes to energy."

Laws governing crude oil exports were first imposed 40 years ago in response to crude oil market conditions at the time. However, many argue that the 1970s-era rules are no longer appropriate, particularly with the shale revolution sweeping across America over the past decade.

"Pressure to remove the ban on crude oil exports is growing from both ends of the political spectrum. I predict that no matter which party controls Capitol Hill or the White House, the ban will eventually be lifted for the same reasons Congress eventually overturned other failed government efforts to regulate energy price and supply," said the Congressman.

In May 2014, research firm IHS published a comprehensive study exploring the potential economic impact of lifting the export ban on domestically produced crude oil. "Lifting the export ban and allowing free trade will increase U.S. production—from 8.2 million barrels per day (b/d) currently to 11.2 million b/d—and add investment of nearly \$750 billion," said IHS. "The resulting increase in domestic oil production would be so great that it would cut the U.S. oil import bill by an average of \$67 billion per year. The additional crude oil supply that would be generated if exports restrictions were removed would [also] lower gasoline prices by an annual average of 8 cents per gallon."

"The increased economic activity resulting from the rise in crude production would support an average of 394,000 additional U.S. jobs over the 2016-2030 period, with highs of 811,000 additional jobs supported in 2017 and a peak of 964,000 jobs in 2018. The average disposable income per household would increase by an additional \$391 in 2018 as benefits from increased investment, additional jobs and lower gasoline prices are passed along to consumers."



AN INDEPENDENT FEE-ONLY FIRM SINCE 1988

5177 Richmond Ave., Suite 700 Houston, Texas 77056 713.599.1777

WWW.GOODMANFINANCIAL.COM



EQUIPPED TO HANDLE YOUR SUCCESS

MEETING INVESTMENT MANAGEMENT NEEDS ACROSS TEXAS AND BEYOND

HOW MANY LAWYERS DOES IT TAKE TO CHANGE A LIGHTBULB?

A single lawyer should be able to handle it. Let's not overthink this one.

At Gray Reed, our work is no joke . . . because our practice revolves around your business. We aim to be nimble and effective, helping to solve your problems with ease and simplicity. To us, efficiency is a virtue. We're all about your bottom line — we'll leave the punchlines to someone else.





SHALE EFFECT ON U.S. MANUFACTURING IS SUBSTANTIAL, NEW REPORT SAYS

A new report released this month by PwC reviews the 'shale effect' on manufacturing in the United States. With contributions from the National Association of Manufacturers and the American Chemistry Council, the analysis highlights major developments in the U.S. shale gas industry and analyzes potential impacts on the U.S. manufacturing sector.

"U.S. shale gas development continues to mature rapidly. Its momentous growth is not only altering the country's energy mix, and impacting global energy markets. It's also giving U.S. manufacturing a boost through significant cost savings and job creation," according to the PwC report.

With relatively low energy and feedstock costs, the United States has increasingly become an attractive locale to manufacturing companies in more recent years, the firm points out.

Additionally, PwC forecasts shale development to have the following impact on the American manufacturing sector in the coming decades:

- Annual cost savings of \$22.3 billion in 2030 and \$34.1 billion in 2040.
- 930,000 shale gas-driven manufacturing jobs created by 2030 and 1.41 million by 2040.

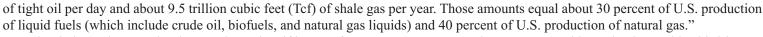
Congressional Budget Office underscores shale benefits in economic analysis

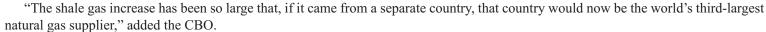
The Congressional Budget Office (CBO), a non-partisan federal agency, has published a new report measuring the national benefits of shale development.

In its report, titled "The Economic and Budgetary Effects of Producing Oil and Natural Gas From Shale," the CBO reviewed the positive economic impacts resulting from the rise in domestic energy production, examining energy markets, economic output and the federal budget in its study.

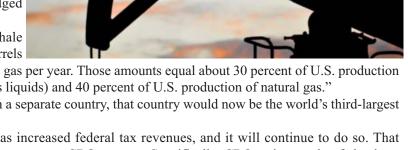
With ongoing advancements in technology and new drilling innovations, oil and gas output from the country's shale formations has continued to grow over the last decade. The CBO recognized the remarkable surge in production its new report and acknowledged advantages offered as a result of increasing E&P activities.

"Virtually nonexistent a decade ago, the development of shale resources has boomed in the U.S., producing about 3.5 million barrels





"The increase in GDP resulting from shale development has increased federal tax revenues, and it will continue to do so. That increase will be slightly larger than the GDP increase in percentage terms, CBO expects. Specifically, CBO estimates that federal tax revenues will be about three-quarters of 1 percent (or about \$35 billion) higher in 2020 and about 1 percent higher in 2040 than they would have been without shale development."



Proposed bills look to stop municipal bans on oil and gas development

New legislation has been proposed targeting restrictive oil and gas ordinances being considered by local governments in Texas. House Bill 539, filed by state Representative Phil King on Wednesday, December 17, would require cities to make up for any revenue lost as a result of passing a municipal oil and gas ordinance affecting production. Under the proposed law, municipalities would also be required to provide a fiscal impact note detailing the economic impact of oil and gas ordinances to local and state governments, reporting the information to the Legislative Budget Board. The fiscal statement would later be published for voters to access and review. The policy would apply not only to potential bans on hydraulic fracturing, but all potential local regulation relating to oil and gas.

Representative King also has filed a separate bill, H.B. 540, relating to the submission to the attorney general of a measure proposing the enactment or repeal of a municipal ordinance. The legislation requires a municipality before ordering an election on a petition to enact or repeal an ordinance to submit the petition to the Office of Attorney General. The attorney general would review the proposed petition to determine whether any portion of the proposed measure violates the Texas or Federal Constitution, a state statute, a rule, or if it would be considered a governmental taking of private property.

H.B. 540 comes in response to the hydraulic fracturing ban imposed in Denton. Earlier in the year, the Denton City Council allowed voters to decide to approve or deny a city-wide ban on fracing. Consequently, voters passed the measure, preventing any hydraulic fracturing within city limits. Immediately several lawsuits were filed in response to the Denton ban, questioning its legality and calling it unconstitutional. While the bill would not apply to the situation in Denton, H.B. 540 aims to avoid future legal dust-ups over similar oil and gas ordinances.

RAILROAD COMMISSION CONSIDERS INCREASING URBAN DRILLING INSPECTIONS

On Tuesday, December 9, Texas Railroad Commission Chairman Christi Craddick directed the agency's executive director to explore the potential need for additional inspections in highly populated, urban areas throughout the state of Texas.

"In current times, we are looking at a state in which drilling does not necessarily occur in less populated, rural areas, as it once did years ago," Chairman Craddick said. "Because of both production and population growth across this state, our communities are more commonly touched by the development of oil and gas. With that growth comes the commission's critical responsibility to not only re-evaluate our processes, but to educate Texans about our every-day duties as their regulator, and to assure them that their communities are in fact safe."

Craddick added, "We have heard the concerns expressed by those living in urban areas where drilling is occurring. As the industry evolves, the commission will continue to provide all Texans the oversight necessary to maintain a safe, clean environment in which to live and raise their families."

\$7 BILLION FLOOR SET FOR RAINY DAY FUND; TXDOT TO RECEIVE \$1.7 BILLION

A panel of state legislators voted on Thursday, December 11, to establish a \$7 billion minimum balance or "floor" for the Economic Stabilization Fund (ESF), commonly referred to as the Rainy Day Fund. The legislature's Joint Select Committee to Study the Balance of the Economic Stabilization Fund has worked during the interim session to determine and adopt a sufficient balance of the fund for the next state fiscal biennium, equal to an amount that the group estimates will ensure an appropriate level of revenue will remain available in the fund. The committee was initially formed in 2013 to allow the state to redirect billions of dollars towards transportation funding, made available from rising tax revenue rushing into state coffers from the oil and gas boom, without compromising the state's savings account.

With a vote of 6-0, last week Texas lawmakers agreed to maintain at least \$7 billion in the Rainy Day Fund for the next three years in order to allow the state to keep high credit ratings and ensure the state is ready for an unforeseen economic emergency.

"I think this is a very conservative, logical, common-sense thing to do," commented state Representative Myra Crownover, who serves as co-chair of the legislative committee.



As a result, approximately \$1.7 billion will now be diverted from the ESF to the State Highway Fund, thanks to a Texas constitutional amendment approved last month [Proposition 1]. Under the measure, half of the oil and gas severance tax money that otherwise would have gone to the ESF will instead be allocated to the Texas Department of Transportation (TxDOT). The state agency will use the money for road construction and maintenance across Texas, including those regions which have experienced rapid growth of oil and gas development in recent years.

TxDOT officials are already in the process of determining how best to use the funds. Once approved, the agency hopes to quickly disperse the new funds and begin construction on state roads, according to John Barton, TxDOT's deputy executive director.

JUDGE RECUSES SELF FROM PRESIDING OVER DENTON FRACTURING BAN LAWSUIT

Earlier this week, District Court Judge Jonathan Bailey, who presides over the 431st District Court in Denton County, filed an order of recusal sua sponte, requesting to be recused from presiding over the lawsuit filed by the Texas Oil and Gas Association (TXOGA), which legally challenges Denton's ban on hydraulic fracturing. At this time, it is not known why Bailey decided to disqualify himself from the case, as no specific reasons for disqualification were cited in the court documents filed Tuesday, December 16, to the Eighth Administrative Judicial Region.

Mark your calendar - TIPRO's 69th Annual Convention is just around the corner

TIPRO's next Annual Convention will be held March 2-3, 2015, at the Sheraton Downtown Hotel in Austin, Texas. The association looks forward to again welcoming a strong panel of state officials, industry regulators and other distinguished speakers who are scheduled to present at the annual meeting.

TIPRO hopes you will plan to participate in this important membership conference. Please watch for additional details regarding the convention to be announced in the coming weeks. In the meantime, TIPRO encourages members to reserve their hotel accommodations at the Sheraton by calling (512) 478-111. The discounted group hotel rate of the control of



accommodations at the Sheraton by calling (512) 478-111. The discounted group hotel rate will expire on February 3.

Additionally, please consider supporting the Annual Convention by signing up to sponsor the event. For a full list of available sponsorship opportunities, please see the following pages.

TIPRO'S 69TH ANNUAL CONVENTION SPONSORSHIP OPPORTUNITIES



GOLD LEVEL \$10,000

- -Four all access badges to the Convention
- Four additional tickets for non-registered guests to the Chairman's Dinner
- -Reserved table for eight at Chairman's Dinner
- Acknowledgement in all promotions, mailings, e-blasts and website listings
- -Full-page advertisement in the Convention Program
- -Half-page advertisement in TIPRO's newsletter

SILVER LEVEL

\$7,500

- -Three all access badges to the Convention
- -Three additional tickets to invite non-registered guests to the Chairman's Dinner
- Acknowledgement in all promotions, mailings, e-blasts and website listings
- -Full-page advertisement in the Convention Program
- -Half-page advertisement in TIPRO's newsletter

Bronze Level

\$5,000

- -Two all access badges to the Convention
- Two additional tickets to invite non-registered guests to the Chairman's Dinner
- Acknowledgement in all promotions, mailings, e-blasts and website listings
- -Half-page advertisement in the Convention Program
- -Half-page advertisement in TIPRO's newsletter

BLUE RIBBON

\$3,500

- -Two all access badges to the Convention
- Acknowledgement in all promotions, mailings, e-blasts and website listings
- -Quarter-page advertisement in the Convention Program
- -Half-page advertisement in TIPRO's newsletter

RED RIBBON

\$2,500

- -One all access badges to the Convention
- Acknowledgement in all promotions, mailings, e-blasts and website listings
- -Quarter-page advertisement in the Convention Program
- Quarter-page advertisement in TIPRO's newsletter

WHITE RIBBON

\$1,500

- -One all access badges to the Convention
- Acknowledgement in all promotions, mailings, e-blasts and website listings
- Acknowledgement in the Convention Program
- Acknowledgement in TIPRO's newsletter

2014 TOP SPONSORS:

































TIPRO'S 69TH ANNUAL CONVENTION SPONSORSHIP OPPORTUNITIES

NOTEBOOK SPONSOR -Company logo "" appear on the Softer nce n repad distribut to all it r le -A:l tow den en in all policiens, mai ings, e-lastra d'antistic listinge * I imit on pousorship

TOTE BAG SPONSOR

- Company logo will be co-branded along with the TIPRO logo to tote bags given to all attendees upon arrival.
- Acknowledgement in all promotions, mailings, e-blasts and website listings
- * Limit one sponsorship

COFFEE MUG SPONSOR

\$3,000

- Company logo will be imprinted on coffee mugs distributed to all conference attendees
- Acknowledgement in all promotions, mailings, e-blasts and website listings
- * Limit one sponsorship













HOSPITALITY SUITE SPONSOR

- Exclusive opportunity provide significations for the hospitality su te

- Ote And ell adj the C
- Ac now re religional promotion e-b asis and well is listings
- * Limit one sponsorship

LANYARD SPONSOR

\$2,500

- Company logo will be added to the name badge lanyards worn by all conference attendees
- Acknowledgement in all promotions, mailings, e-blasts and website listings
- * Limit one sponsorship

HOTEL KEY CARD SPONSOR

\$2,500

- Your companies name and logo will appear on each hotel guest room key card
- Acknowledgement in all promotions, mailings, e-blasts and website listings
 - * Limit one sponsorship

CELL PHONE CHARGING STATION SPONSOR \$2.500

- Receive recognition at one of the most frequented destinations for conference attendees
- Acknowledgement in all promotions, mailings, e-blasts and website listings
- * Limit one sponsorship

TURN DOWN AMENITY SPONSOR

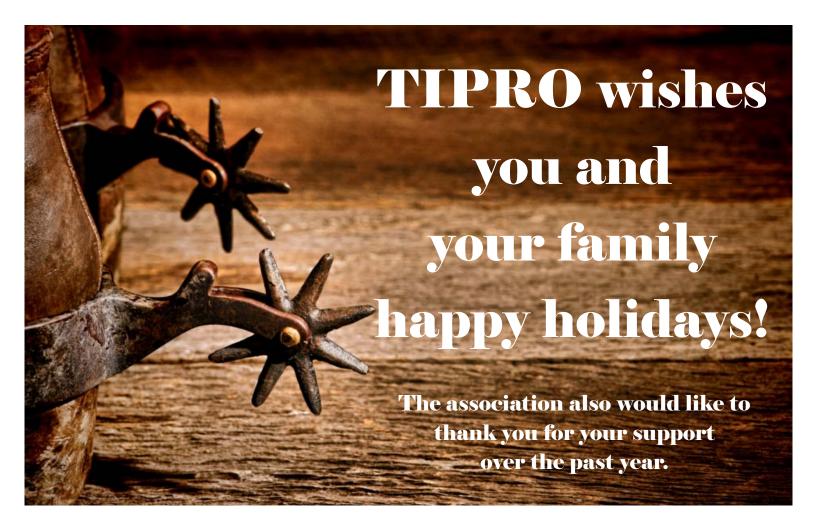
- Each meeting attendee will receive a TIPRO selected gift during their first night in the hotel with sponsoring company logo
- Acknowledgement in all promotions, mailings, e-blasts and website listings
- * Limit one sponsorship

CREATE YOUR OWN SPONSORSHIP

- Customized sponsorship
- Acknowledgement in all promotions, mailings, e-blasts and website listings
- * Limit one sponsorship
- **Please call TIPRO for details

CONVENTION SPONSORSHIP FORM

<u>Spons</u>	ORSHIP LEVELS	(CHECK DESIRED SPONSORS	внір сноісе)		
Gold Silver Bronze	\$ 10,000 \$ 7,500 \$ 5,000	□ Red :□ Whit	RIBBON RIBBON E RIBBON	\$ 3,500 \$ 2,500 \$ 1,500	
	NAL SPONSORSHI		ŕ		
Notebook Sponsor	\$ 3,000		LANYARD SPONSOR		\$ 2,500
☐ TOTE BAG SPONSOR	\$ 3,000	☐ HOTEL KEY CARD SPONSOR ☐ CELL PHONE STATION SPONSOR			\$ 2,500
☐ COFFEE MUG SPONSOR ☐ HOSPITALITY SUITE SPONSOR	\$ 3,000 \$ 2,500	Turn Down Amenity Sponsor			\$ 2,500 \$ 2,500
	\$ 2,500	☐ CREATE YOUR OWN			\$ 2,500 \$ 2,500
		□ CREATI	2 TOOK OWN		Ψ 2,300
AT	TENDEE II	NFORMATI	ON		
BADGE 1: Name of Attendee:			_		
Company:					
Address:			_ '	Ī	
City/State/Zip Code:					
Phone:	Fax:				
E-mail:				TIP	RO
BADGE 2:					
Name of Attendee:			Company: _		
Phone:	E-mail:				
BADGE 3: Name of Attendee:			Company: _		
Phone:	E-mail:				
BADGE 4: Name of Attendee:			Company: _		
Phone:	E-mail:				
PA	AYMENT IN				
		Sponsorship To			
Payment Method:	MASTERCARD	☐ AMEX	☐ CHECK	NO:	
Print Name:		_ Company:			
Billing Address:					
Credit Card No.:			Exp. Date: _		
Signature:			CID:		





Texas Independent Producers & Royalty Owners Association

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