



TIPRO
Texas
**Independent
Producers and
Royalty Owners
Association**

PRESIDENT OBAMA NOMINATES SALLY JEWELL AS NEXT SECRETARY OF THE DEPARTMENT OF INTERIOR

On Wednesday, February 6, 2013, President Obama announced his nomination for the next leader of the U.S. Department of Interior - Mrs. Sally Jewell from Washington. Should her nomination be confirmed by the U.S. Senate, Jewell would replace Ken Salazar, who resigned from the position last month. In the role, Jewell will be responsible for directing all staff operations at the Interior Department, the federal agency that manages the nation's public lands, water, wildlife and energy resources.

"I am extraordinarily proud to nominate another strong and capable leader to take the reins at Interior, and that is Mrs. Sally Jewell," said President Obama. "Even though she has spent the majority of her career outside of Washington - where, I might add, the majority of our interior is located - she is an expert on the energy and climate issues that are going to shape our future. She is committed to building our nation-to-nation relationship with Indian Country. She knows the link between conservation and good jobs. She knows that there's no contradiction between being good stewards of the land and our economic progress; that in fact, those two things need to go hand in hand. She has shown that a company with more than \$1 billion in sales can do the right thing for our planet."

For the past eight years, Jewell has served as the CEO of Recreational Equipment Inc. (REI), a popular retailer of outdoor gear. Previously, she spent three years working for Mobil Oil Corp. in Oklahoma and Colorado, and worked in the commercial banking industry for more than 19 years. Jewell holds a bachelor's degree in mechanical engineering degree from the University of Washington.

"I'm humbled and I'm energized by this opportunity," said Jewell. "I look forward to working with the dedicated employees at Interior who work so hard to care for our land and our resources every day."

In recent years, the Interior Department has moved forward with plans to impose new regulations on hydraulic fracturing operations. The federal agency recently delayed its publication of the rules, announcing it will rewrite its proposal and release a revised version for public comment in March.



Photo credit: The White House

CALL FOR NOMINATIONS FOR 2013 TEXAS TOP PRODUCERS AWARDS

The Texas Independent Producers & Royalty Owners Association (TIPRO) is now accepting nominations for consideration of the 2013 Texas Top Producers award. In partnership with the publishers of *Texas Monthly* and the Best Companies Group, TIPRO is proud to honor the best in the Texas oil and gas industry through its Texas Top Producers awards program. These professionals have helped revolutionize the business, and deserve to be recognized. Award categories are divided into four professions, including Best CEOs, Best Engineers, Best Geoscientists and Best Landmen.

Professionals working in the Texas oil and gas industry, including all members of TIPRO, are asked to submit their nominations for the 2013 awards by emailing texastopproducers@tipro.org. Please include the name, company and job position of the proposed candidate, as well as a short description of why this individual is worthy of the award.

 **TexasTop
Producers**

LONE STAR LEADERS IN THE OIL AND GAS INDUSTRY

All nominations will be reviewed by the TIPRO-Texas Top Producers awards committee. The top 15 finalists for each category will be included in the official Texas Top Producers survey, which will be distributed on May 1, 2013. Voting for the survey will close on May 31, 2013. Survey results announcing the winners of the Texas Top Producers program will then be published in the November 2013 edition of *Texas Monthly* magazine.

For more information or to register to receive an electronic ballot to vote in the Texas Top Producers survey, visit www.tipro.org/index.php/about-us/tip.

CHAIRMAN'S MESSAGE

TIPRO Members -

In his fifth State of the Union address, delivered Tuesday, February 12, President Barack Obama outlined his initiatives and priorities for the year to come. While the President used the opportunity to talk about Medicare, immigration, guns, education and the potential looming sequestration, perhaps most significant to the E & P sector were his remarks regarding natural gas development, climate change and changes to the tax structure. Once again, with the call for comprehensive tax reform by the President, we'll see tax provisions like Intangible Drilling Costs (IDCs) and percentage depletions continue to be attacked. However, what the President and so many elected officials in Washington all-too-often fail to realize is that these tax provisions, which have been in place for more than 100 years, are critical for domestic oil and gas development. They are not "big oil subsidies," as they tend to be labeled. Instead, they are essential for small operators and business owners, who would likely be forced to reduce their business without these tax provisions in place. Large integrated companies cannot fully utilize these kinds of deductions; consequently, the elimination of such provisions would have a much more substantial impact on our nation's smallest companies that help produce the majority of America's domestic energy. In January of 2013, a major news magazine, *Forbes*, explained in detail, that "oil and gas tax provisions are not subsidies for 'big oil.'" One of the jobs of TIPRO is to work to determine how to better inform the rest of the news media and general public of the facts there were so ably described by the article in *Forbes* magazine.



David F. Martineau

Furthermore, in his speech, President Obama did acknowledge the significant advancements that have been made in energy development in recent years, praising the industry for helping the country take control of its own energy future. As he put it, "Today, no area holds more promise than our investments in American energy." I sincerely agree with the President on this point, and hope he will take action to support additional research and development in the months to come. With the creation of new drilling techniques, we can further improve methods of oil and natural gas extraction, and enhance our ability to recover natural resources. In doing so, we will help support the economy and create even more American jobs, at a time when it is needed most.

Currently, our industry is able to provide more economic contributions than any other. In Fiscal Year 2011, the oil and natural gas industry paid over \$9.3 billion in state and local taxes and royalties in the state of Texas alone. These payments are in turn used by lawmakers to fund programs related to: education, Medicaid, children's health insurance programs, child protective services, roads, emergency services, and much more. Additionally, oil and gas development puts Americans to work and pays them exceptionally well. Here in Texas, more than 353, 000 jobs are supported by the oil and gas industry -- a number which is expected to continue to rise sharply in the years ahead, thanks to the ongoing development of shale formations.

However, despite all of the promise that oil and gas development can provide, the President did warn of the impact of climate change and the need to transition to clean and renewable energy resources in the future. During his State of the Union address, President Obama proclaimed, "If Congress won't act soon to protect future generations, I will. I will direct my Cabinet to come up with executive actions we can take, now and in the future, to reduce pollution, prepare our communities for the consequences of climate change and speed the transition to more sustainable sources of energy." Inevitably, this command will likely result in the creation of additional regulations and restrictions on exploration and production in America. Already, federal agencies like the U.S. Environmental Protection Agency (EPA), the U.S. Fish & Wildlife Service (USFWS) and the U.S. Department of Interior, among others, have needlessly tried to impose rules that would slow oil and gas activity and limit hydraulic fracturing operations. With this new mandate by the President, we can expect to see more to come in the months ahead. The President says he wants to make our economy stronger and prevent another financial crisis - however, imposing unnecessary, overly burdensome restrictions on oil and gas development is not the right way to accomplish this goal. Instead, we need a regulatory system in place that protects the environment while at the same time encourages oil and gas exploration and production.

I look forward to seeing many of you in Austin at the end of this month for TIPRO's 67th Annual Convention, as we gather to learn more about state and federal issues that could impact our industry.

Sincerely,

Calendar of Events

FEBRUARY 26-27, 2013	MARCH 20, 2013	APRIL 10, 2013	MAY 8, 2013
AUSTIN TIPRO S 67 TH Annual Convention, Sheraton Hotel Downtown. 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.	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.

RRC TO HOLD PUBLIC HEARING ON SWR 13

The Texas Railroad Commission (RRC) will hold a public hearing on Thursday, February 21, to discuss proposed modifications for Statewide Rule 13. The meeting will last from 1:30 p.m. to 3:30 p.m. and be held in room 1-111 of the commission's Austin office in the William B. Travis Building at 1701 North Congress Avenue, Austin, Texas.

Changes to the statewide rule will impact casing, cementing, drilling, and completion requirements, including:

- Cement sheath thickness
- Drilling fluid program
- Isolation of certain productive zones
- Testing of surface casing before and after drill-out
- Notice to district office regarding surface casing set deeper than 3,500 feet
- Cement specification, quality and requirements
- Additional requirements for wells to be hydraulically fractured
- Minimum separation wells to be hydraulically fractured
- Well control and blowout preventer pipeline shut-off valve requirements

For those unable to attend the meeting in Austin, comments regarding the rule may also be submitted by mail to the Rules Coordinator of the Office of General Counsel, Railroad Commission of Texas, P.O. Box 12967, Austin, Texas 78711; online at www.rrc.state.tx.us/rules/commentform.php; or via email at rulescoordinator@rrc.state.tx.us.

To view the proposed amendments to the rule in their entirety, visit www.rrc.state.tx.us/rules/proposed.php.

HUNDREDS GATHER IN LUBBOCK TO COMMENT ON LESSER PRAIRIE CHICKEN

In front of a crowd composed of hundreds of farmers, ranchers, producers and other citizens from across the Panhandle and South Plains, the U.S. Fish & Wildlife Service (USFWS) hosted a public hearing on Monday, February 11, in Lubbock to discuss the potential listing of the Lesser Prairie Chicken as a threatened species. The native prairie grouse, which roams a five-state range including Texas, New Mexico, Oklahoma, Kansas and Colorado, was proposed for threatened status by USFWS on December 11, 2012. Many local citizens, as well as those working in the area, are concerned that should the bird be listed as threatened, significant negative economic implications would result.

"Listing the Lesser-Prairie Chicken as threatened would place restrictions on private and public land use, and severely limit farming, ranching, transportation, wind energy, and oil and gas activity in the area," said Congressman Randy Neugebauer (R-TX). "It could force layoffs in a region already struggling with severe drought and a tough economy. That's unacceptable."

The federal agency is currently seeking information from the public and the scientific community that will assist with making a final listing determination on the bird. The 90-day public comment period for the Lesser Prairie Chicken will end on March 11, 2013. The USFWS will then have to make a final decision on whether to list the bird as a threatened species by September 30, 2013.

Many have called upon the USFWS to extend the public comment period on the proposal by at least 60 days, so as to ensure that everyone affected by this listing has a chance to provide input. The agency is also being asked to extend the final listing deadline by at least 90 days so citizens have adequate time to become educated on the consequences of listing the Lesser Prairie Chicken as a threatened species.

"The USFWS admitted that they do not take any economic impact into account when they consider these designations," Congressman Mac Thornberry (R-TX) said previously on the potential listing of the Lesser Prairie Chicken. "That makes no sense at all. The process is also abused and misused regularly, and federal intrusion on private property has been taken far beyond its original purpose. The entire law needs to be repealed, or at least reformed, in the interest of jobs, the economy, and common sense."



COLORADO GOVERNOR: "I DRANK FRAC FLUIDS"

Before members of the U.S. Senate Committee on Energy & Natural Resources, John Hickenlooper, governor of the state of Colorado, spoke of the opportunities and challenges associated with hydraulic fracturing and the development of America's natural gas resources. During his testimony, when addressing the safety of the process, Gov. Hickenlooper admitted he has even drunk a glass of frac fluid before.

"It was a demonstration... they've (oil and gas companies) invested millions of dollars in what is a benign fluid in every sense," he said.

Hickenlooper stressed that new innovations have allowed components of the fluid to be so safe, one can literally drink it.

CONGRESSIONAL SUBCOMMITTEE REVIEWS IMPACT OF TECHNOLOGY ON ENERGY SECTOR

On Wednesday, February 13, 2013, the U.S. House Subcommittee on Energy met to examine the impact of technology and policy on energy markets, both now and in the future.

"It is difficult to overstate the importance of energy to America's success," said U.S. Representative Cynthia Lummis, chair of the subcommittee. "Plentiful and affordable energy is arguably the single most important factor to enabling our prosperity -- from our health and wellness to our national and economic security. Technology development impacts all components of a healthy, developed energy system, including exploration and production, transportation, and end-use consumption. By providing the private market with the tools and incentives to innovate, our energy system can continue to integrate new technologies to reliably provide affordable and abundant energy."

Adam Sieminski, head of the U.S. Energy Information Administration (EIA), provided a short-term and long-term outlook for committee members, based on recent market trends. According to Sieminski, the EIA estimates that domestic crude oil production will increase to 7.3 million barrels per day (bbl/d) in 2013 and 7.8 million bbl/d in 2014, marking the highest annual average level of production in the United States since 1988. Much of the rising production results from improving technologies, with the majority of the growth coming from shale and other tight formations across the country. Sieminski also projected his forecast for natural gas prices, saying that in the next couple of years, he expects natural gas prices to rise from the low levels seen in 2012. However, the fuel will still remain relatively cheap, spurring increased use by the industrial and electric power sectors, particularly over the next 15 years. Estimates from the EIA show that natural gas use (excluding lease and plant fuel) in the industrial sector will increase by approximately 16 percent, from 6.8 trillion cubic feet (tcf) per year in 2011 to 7.8 tcf per year in 2025. Natural gas use also will continue to expand to other new markets, such as exports, as a fuel for heavy-duty freight transportation and as a feedstock for producing diesel and other fuels.

During the hearing, other witnesses addressed how technological improvements have positively impacted the energy sector, and highlighted the economic support that results from ongoing oil and gas development.

"Since the beginning of the hydrocarbon industry, research and development has been essential to increasing proved reserves, while increasing the efficiency and lowering the cost of production of energy resources," added Robert McNally, president of The Rapidan Group, who also presented during the hearing. "Early major inventions such as the rotary rig and blow out preventer greatly increased production for oil. Since the 1950s, the introduction of computer technology played an even bigger role in unlocking previously inaccessible supplies. Latest innovations include 3-D and 4-D microseismic imaging and extended reach and horizontal drilling technology reaching depths and distances measured in miles instead of feet."



STEVEN CHU RESIGNS FROM U.S. DEPARTMENT OF ENERGY



Secretary Chu

Steven Chu, secretary of the U.S. Department of Energy, has announced he will resign from the agency at the end of February, returning to his home state of California to teach science and conduct research. As Secretary, Chu was responsible for helping implement President Obama's agenda to reduce dependence on foreign oil, invest in clean energy and help create American jobs.

"I want to thank Secretary Chu for his dedicated service on behalf of the American people," said President Obama. "As a Nobel Prize winning scientist, Steve brought to the Energy Department a unique understanding of both the current challenge presented by climate change and the tremendous opportunity that clean energy represents for our economy. And during his time as Secretary, Steve helped my administration move America towards real energy independence. Over the past four years, we have doubled the use of renewable energy, dramatically reduced our dependence on foreign oil, and put our country on a path to win the global race for clean energy jobs. Thanks to Steve, we also expanded support for our brightest engineers and entrepreneurs as they pursue groundbreaking innovations that could transform our energy future. I am grateful that Steve agreed to join my Cabinet, and I wish him all the best in his future endeavors."

Prior to his appointment to the Department of Energy, Chu was the director of the Department of Energy's Lawrence Berkeley National Lab. He also previously taught as a professor of physics and molecular and cellular biology at the University of California. He has also worked for Stanford University and AT&T Bell Laboratories. He holds 10 patents and has published more than 250 technical papers.

Chu was co-recipient of the Nobel prize for physics in 1997, in addition to receiving numerous other notable awards during the span of his career.

As President Obama searches to find a replacement for Chu, it is widely suspected that Ernest Moniz, a nuclear physicist at MIT, could be the top candidate for the job. Moniz currently serves on the President's Council of Advisors for Science and Technology.

JOINT HEARING EXAMINES HYDRAULIC FRACTURING, INDUSTRY'S WATER USAGE

On Wednesday, February 13, 2013, the Texas House Energy Resources Committee met jointly with the House Natural Resources Committee to discuss the current status of water use associated with oil and gas production.

A long list of experts and industry representatives testified before the joint committees, speaking of the advancements made to help decrease the use fresh water and conserve whenever possible.

“One of the mandates we are trying to do with sustainable development is to look beyond basic compliance with current regulation and really strive to do the right thing,” said Michael Dunkel, director of sustainable development at Pioneer Natural Resources. “My company is very committed to long-term projects in the state, as we think we will be drilling in Texas for decades. There are a variety of ways to cut the water use per well, and in general, we have already made efforts to do this.”

During the meeting, the Committees also reviewed various technologies that are associated with water recycling and reuse, which have helped the oil and gas industry dramatically reduce water needs in recent years.

LEGISLATIVE UPDATE FROM THE CAPITOL

As the deadline to file bills quickly approaches, state representatives and senators are working furiously to submit legislation for consideration during the 83rd Texas Legislative Session. TIPRO continues to closely monitor all developments at the state capitol, tracking hundreds of bills that could impact independent producers and royalty owners in Texas in the years to come.

No legislation has been filed yet related to the Sunset review of the Texas Railroad Commission. However, the coresponding bill is expected to be published in the days to come.

Other legislation recently filed of interest to the oil and gas industry includes:

- House Bill 788, authored by Representative Wayne Smith, would allow the Texas Commission on Environmental Quality (TCEQ) to implement a program that would assume authority for issuing permits to regulate greenhouse gas emissions in Texas, in accordance with federal law. The program would help streamline the authorization process for permits, which currently can be tedious and burdensome for operators.
- Senate Bill 22, filed by Senator Troy Fraser, calls for changes to the structure of the Texas Water Development Board (TWDB), reducing the board from six members to three. The bill would establish a term limit of two six-year terms for board members, who would serve full-time positions. Most importantly, the bill would provide a transfer of \$2 billion from the state's Economic Stabilization Fund, or Rainy Day Fund, for water projects associated with the State Water Plan.



OHIO GOVERNOR PROPOSES NEW TAXES ON SHALE WELLS

In efforts to raise more money for the state, John Kasich, governor of the state of Ohio, has proposed new severance taxes for shale wells operating in Ohio. Natural gas production would be taxed at 1 percent of its market value, according to his plan, while natural gas liquids, condensate and oil output would be taxed at 4 percent. In doing so, the governor said he hopes to modernize the tax structure to help all Ohioans benefit from the state's recent shale gas boom, which has resulted from increased development of the Utica shale formation.

The governor estimated that this tax reform would generate \$45 million in Fiscal Year 2014 and \$155 million in Fiscal Year 2015. Then, by Fiscal Year 2016, as production grows and additional pipeline capacity is put in place across the state, revenues could rise to \$305 million.

This proposal is of concern to the oil and gas industry, as elected officials search for new ways to impose taxes on independent producers operating in the region.

NEW EPA REPORT SHOWS SIGNIFICANT DROP IN METHANE EMISSIONS FROM NATURAL GAS

A new report by the U.S. Environmental Protection Agency (EPA) reveals a decline in methane emissions from natural gas development, as compared to previous data published by the federal agency. The report suggests that petroleum and natural gas systems had a 66 percent decline in methane emissions from the agency's former estimates.

Overall, from 2010 to 2011, greenhouse gases, which collectively includes carbon dioxide, methane, nitrous oxide and fluorinated gases, decreased by 3 percent in the United States, a noteworthy drop in emissions from just a couple of years ago. Additionally, total emissions of greenhouse gases from petroleum and natural gas systems were estimated at levels approximately ten times smaller than the nation's largest source of power plants.

The EPA's latest report demonstrates that natural gas development can have a positive impact on the environment, helping lend to a decline in greenhouse gas emissions, as the nation utilizes cleaner fuel sources like natural gas rather than coal.

2012: ELECTRICITY RESOURCES & CONGESTION CHARGES

Last year, the three most common words heard here in Austin at the Public Utility Commission of Texas (PUC) and the Electric Reliability Council of Texas (ERCOT) were “Generation Resource Adequacy.” With natural gas prices bottoming in April to 10-year lows; it's become uneconomical for electricity generation companies to build new power plants, even during a time when Texas energy demand continues to increase.

In attempt to incentivize new generation to be built, the PUC voted to increase the “wholesale price offer cap,” or price ceiling that a generator can charge during peak times from \$3,000/MW to \$9,000/MW by 2015. This means that when the grid is strained wholesale energy rates can be 300 percent more than they used to be during previous peaks.

The increased electricity demand, and grid strain, has not only caused concern for the future but “congestion” problems, particularly in South and West Texas, where many TIPRO members operate. We are working with the regulatory agencies and Retail Electric Providers (REPs) to minimize potential congestion charges and most importantly, protect TIPRO members.

The Texas energy grid's supply-and-demand concerns have caused REPs to become more conservative in their pricing models and rates have begun to rise, even with natural gas prices remaining low.

If you have an electricity contract expiring in 2013, it's recommended to not only begin shopping for your next agreement now but also ensure you are educated and protected from potential congestion charges.

Contact TIPRO's energy broker Jason O'Krent at Fox, Smolen & Associates at (512) 322-9090 x104 or okrent@foxsmolen.com to discuss these issues and how the TIPRO Power Coalition can help you.



Fox Smolen & Associates

ELECTRICITY PURCHASING SOLUTIONS



TIPRO LAUNCHES NEW BENEFITS PROGRAM FOR MEMBERS

The Texas Independent Producers & Royalty Owners Association (TIPRO) is proud to announce the launch of a new benefits program, offered exclusively for members of the association, free of charge. The TIPRO Shipping Program, managed by PartnerShip®, is a comprehensive inbound and outbound shipping program that combines simplicity, savings, and value to all TIPRO members. As the TIPRO-endorsed shipping management provider, PartnerShip works with nationally known carriers to provide unparalleled customer service and significant savings on every shipment. Members who enroll in this free program receive significant discounts on small package shipments with select FedEx® services. This program also provides discounts of at least 70 percent on LTL freight shipments of large equipment (e.g. generators, pipe, etc.), and materials on a 53' semi trailer or flatbeds. In addition, TIPRO members save on tradeshow shipments with reputable carriers including UPS Freight, YRC Freight, and more.

Through the association's shipping program, members can receive discounted shipping services, which can provide a major financial boost for small and medium-sized businesses. To learn more, call (800) 599-2902 or visit www.PartnerShip.com/TIPRO to sign up for these savings today.

PartnerShip®
Your Shipping Connection

'FRACKNATION' DOCUMENTARY COUNTERS FALSE CLAIMS ON HYDRAULIC FRACTURING

A new documentary released earlier this year strives to uncover the truth on hydraulic fracturing, which often has been suppressed and misconstrued by environmental activists. Titled 'FrackNation,' the film was created after director Phelim McAleer confronted 'Gasland' filmmaker Josh Fox during a Q&A in Chicago. When McAleer asked Fox about why information on water being lit on fire well before fracing occurred in America was not featured in 'Gasland,' Fox's response was that the information “wasn't relevant.” At that time, it became clear to McAleer that there might be more to hydraulic fracturing than what was being shown by the media, and he decided to take initiative to investigate.

In the documentary, scientists address those concerns regarding water supply and safety precautions taken throughout the process to protect the environment. Landowners are also interviewed, speaking to the economic support provided from drilling activity.

Film critics from *The New York Times* have said of the documentary, “If your only exposure to hydraulic fracturing, or fracing -- the process of extracting natural gas from shale -- has been Josh Fox's alarming documentary, 'Gasland,' then 'FrackNation' would like your attention. Claiming that Mr. Fox's chilling conclusions are misleading at best, Phelim McAleer and his fellow directors, Ann McElhinney and Magdalena Segieda, attempt to prove that shale gas just might be 'the miracle of the 21st century.'”

GUEST ARTICLE: “2013 - THE YEAR FOR NATURAL GAS VEHICLES”

BY BOB LUKEFAHR, CO-CEO OF NAT G CNG SOLUTIONS™

“Fuel for less than \$1.00 a gallon, cut your emissions by 30 percent or more.” That's the proposition for Natural Gas Vehicles (NGVs). It is simple, straightforward and compelling. So it is no surprise that in 2012 alone more than a million truck owners joined the ranks of over 16 million vehicles powered by natural gas. But there is a catch: nearly all of those NGVs are on the road in Europe and in Asia. Here in the United States, NGVs are still a rarity. Now, thanks to increased awareness and incredible innovation across the industry, it looks like 2013 is the year NGVs will finally break through in America.

In many respects, getting NGVs to America has been long overdue. When E&P companies unlocked the nation's shale gas bonanza, we became home to one of the most cost-effective sources of affordable and clean energy anywhere in the world. It was only a matter of time before American business began to discover both the amazing cost savings and environmental benefits of adopting NGVs.

Of course, bringing NGVs to America will have a big, positive impact for producers. The Energy Information Agency (EIA) tells us that a typical Texas residence will consume about 60 thousand cubic feet (Mcf) of natural gas each year. A single compressed natural gas (CNG) half-ton fleet truck (e.g. a Chevy Silverado 1500 or a Ford F150) uses around 250 Mcf a year! Each time a company adds an NGV fleet truck it is the equivalent of adding 3 to 5 new residential customers. With some nine million trucks on the road in Texas, it is easy to see why NGVs hold great promise for producers and royalty owners.

But the ultimate beneficiaries are the customers, and especially business customers. Most companies may not know it, but some of the highest return capital projects available are sitting right in their parking garage. When companies move to NGVs, we typically see IRRs of 50 percent or more and a simple, short-term payback of less than two years. What's more, by switching to natural gas, customers can greatly reduce their fuel cost volatility. And, of course, NGVs are also great for the environment, typically reducing CO2 by as much as 30 percent.

Perhaps the most important news, however, is that there are now nearly 100 models of vehicles that have EPA approved CNG upgrades available. That means there is no need to scrap your existing fleet to start taking advantage of the benefits of NGVs.

At Nat G CNG Solutions, we are on a mission to make it simple for companies and individuals to start driving on natural gas:

- Infrastructure on Demand - these days there is no need to think of NGV fueling stations as multi-million-dollar structures at busy intersections. A new generation of Vehicle Fueling Appliances (like our SE200) and Stations-on-a-Skid (like our Nat G 500 Series) mean that almost any location with a natural gas line can also be a NGV fueling station.
- Gasoline to Bi-Fuel - About 90 percent of the vehicles we upgrade to run on natural gas also run on gasoline, so customers do not ever have to worry about range.
- Diesel to Dual-Fuel - this is an exciting technology that we are installing today, where natural gas is blended with diesel in the engine and reduces diesel usage by up to 70 percent. If the natural gas runs out, the truck can still run on 100 percent diesel. Dual Fuel is an affordable, practical solution for large trucks that works with vehicles already on the road.
- Dedicated Route Vehicles - for vehicles driving predictable distances, going to 100 percent natural gas with EPA approved upgrade systems offers maximum fuel savings for everything from school buses to delivery trucks.
- New & In-Service - The industry has now developed EPA certified systems that allow us to upgrade most any truck, from factory-fresh to in-service, to run on natural gas. In as little as a day or two, customers are back on the road driving at one-third the cost.

NGVs are here. Using proven technology, they drastically lower operating cost and have great environmental credentials. Coupled with the new, smaller sized fueling solutions now available, CNG can be available at almost any location that has a standard commercial gas connection.

As more companies start paying attention, America has every reason to catch up and surpass the rest of the world in taking advantage of the economic and environmental benefits of Natural Gas Vehicles. It looks to us like 2013 will be the year America's natural gas goes on the road. Learn more by visiting www.nat-g.com.

EAGLE FORD SHALE BOOSTS SAN ANTONIO'S REAL ESTATE MARKET

A new report released by San Antonio commercial real estate firm NAI REOC outlines the positive impact the Eagle Ford Shale is having on the city's industrial market.

“Eagle Ford Shale-related activity has prompted several large oil field service companies to build new operations centers,” said the report. “Completions in 2012 included Baker Hughes, Weatherford International, and Schlumberger; meanwhile, the 400,000 square-foot Halliburton SuperSite is still underway but nearing completion. Another Eagle Ford Shale-related project is the U.S. Silica Holdings, Inc. frac sand storage facility in the Freeport Business Centre situated at I-35 S and Loop 410.”

Increasing activity in the region is drawing companies to relocate to the area at a rate not seen in over five years. According to the group, the industrial market ended the last quarter of 2012 with a citywide vacancy rate under 10 percent. In the last decade, the nearest the city has come to a vacancy rate that low was an 11 percent vacancy rate in late 2006.

FUELING AMERICA'S FUTURE®

PRODUCING ENERGY FUELING THE ECONOMY

If we focused only on natural gas and oil, we'd miss out on what really matters. Because every time our industry creates a job, we help to support a family. Every time we give back to the community, it benefits schools and infrastructure. Every time the work we do helps to lower energy costs, a monthly budget is a little easier to manage. And our commitment to being good neighbors and faithful stewards of the environment goes even further. Chesapeake is proud to share this vision and partner with TIPRO in the promise of American energy.



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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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