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**Independent
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Association**

UPSTREAM M&A ACTIVITY EXPECTED TO REMAIN HIGH THROUGH 2015

New reports indicate that with ongoing fluctuations in the market, oil and gas companies are working to evaluate the best way to generate returns and improve costs with current environment conditions. Even with strong levels of oil and gas deal activity in 2014, the coming year could see a surge in corporate restructurings and M&A deals, as oil and gas leaders strive to find solutions to allow their companies to

withstand the current price environment and create a platform for profitable growth in the future as commodity prices recover.

In a new analysis released on January 28, PwC says that last year U.S. oil and gas deal value reached a ten year high of \$321.5 billion. "The downward trajectory in oil prices, coupled with the impact of leverage, drove a number of deals related to corporate restructurings and portfolio right sizing activities. In today's low price environment, the effects of debt could drive additional deal activity as leveraged companies look to strengthen their balance sheets by focusing on cash flow optimization and operational efficiencies," said Doug Meier, PwC's U.S. energy sector deals leader.

PwC reports that shale projects continued to account for a large percentage of deals last year. "Overall 2014 shale deal value and volume surpassed 2013 highlighting the continued interest from investors in U.S. shale plays, especially in the upstream space, which contributed 79 percent of total shale deal activity," commented John Brady,

a Houston-based partner with PwC's energy practice. "However, a sustained low oil price environment is driving an intense focus on returns and the deployment of assets to the most efficient shale plays." According to PwC, the most active shale plays for M&A with values greater than \$50 million during the fourth quarter of 2014 include the Bakken and Permian, which each had four deals worth \$3.1 billion and \$2.4 billion, respectively. South Texas' Eagle Ford formation also contributed three deals worth \$484 million.

Ernst & Young also recently released a review of transaction activity last year for the oil and gas sector. "A number of transaction trends were evident in 2014, including bigger deals, less acquisition spending by national oil companies (NOCs), continued interest in U.S. unconventional assets and expansion of private equity interest. Looking ahead, we expect to see some disruption from recent oil price volatility but for strength to return to the oil and gas M&A market as the year goes on and companies grapple with increased cost and margin pressures," commented Andy Brogan, global oil & gas transaction advisory services leader for Ernst & Young.

Brogan added, "Companies are increasingly selective when it comes to transactions. Right now the focus is on portfolio optimization rather than just acquiring reserves or production. NOC acquisitions, in particular, dropped to a five-year low as companies focused on projects secured in previous years. Upstream transactions will center more around companies with strong balance sheets pursuing assets from those adjusting their portfolio to take account of new price levels."



RAILROAD COMMISSION PROPOSES CHANGES TO T-4, P-17 FORMS

The Railroad Commission of Texas (RRC) is now accepting public comment on proposed revisions to several of the agency's permitting forms, including the following: T-4 Form (Application for Permit to Operate A Pipeline in Texas); Form T-4A (Permit to Operate a Pipeline in Texas); Form T-4B (Pipeline Transfer Certification); and Form T-4C (Pipeline and Gathering System Certification and Renewal Form). Public comments on the proposed revisions will be accepted through Tuesday, February 10, 2015.

The commission is also accepting public comment on revisions to Form P-17 (Application for Exception to Statewide Rules 26 and/or 27). According to the RRC, the proposed amendments to Form P-17 will standardize the form for ease in online filing, and make conforming changes related to proposed amendments to 16 Texas Administrative Code (TAC) §3.26 and §3.27. The proposed amendments to 16 TAC §3.26 and §3.27 would eliminate the need for an exception and an exception fee for the use of a turbine or coriolis meter. Please note that public comments and proposed revisions will be accepted through Thursday, March 5, 2015.

The draft forms to both the T-4 and P-17 are available online through the commission's website. Interested stakeholders may provide input via the RRC's online comment form.

PRESIDENT'S MESSAGE

TIPRO Members-

We continue to see headlines announcing reductions in workforce as oil and natural gas companies realign capital budgets with cash flow and falling commodity prices. This will indeed be a challenging year for the industry, but it is important to keep things in perspective and not feed into the hysteria with reckless and inaccurate descriptors like “bloodbath” and “oilpocalypse.” We must also remind all Texas citizens and lawmakers of the many ongoing contributions of domestic oil and natural gas development and remember that this phenomenon is only temporary. The balance between lower gasoline prices and other perceived benefits for consumers during this downturn, compared to lower oil and natural gas employment, declining tax revenue, and other direct challenges for the economy, is also something that should not be taken lightly. Commodity prices will eventually rebound, and the oil and gas industry will remain a critical element in addressing global energy needs for decades to come.

In 2014, Texas oil and natural gas employment reached a record level of more than 414,000 direct jobs in our state with a total payroll of nearly \$50 billion. In fact, 40 percent of all oil and natural gas jobs in the country were located in Texas last year. Between 2009-2014, direct oil and gas employment increased by more than 109,000 jobs in the Lone Star State. Some of these sectors have a multiplier effect as high as 17 times for each oil and gas job created, not to mention an estimated 2.5 million royalty owners currently in the state that financially benefit from Texas oil and gas production.

In the past five years, the Texas oil and gas industry paid in excess of \$62 billion in taxes and royalty payments to the state. This industry has and will continue to provide substantial funding for all aspects of our state and local economy, including education, public safety, transportation, water conservation, and children’s protective services. The Texas oil and natural gas industry is without question one of the most significant and impactful industries in our state from an economic perspective.

The Texas Rainy Day Fund, which is dependent on oil and natural gas severance taxes, is another important source of funding for the state. This fund has been tapped in years past to pay for public schools, prisons and health care during tight budgets, as well as support economic development efforts. In 2013, voters overwhelmingly approved Proposition 6, a constitutional amendment granting the state permission to allocate \$2 billion from the state’s Rainy Day Fund to help fund water conservation projects under the Texas State Water Plan. Last year, voters also approved Proposition 1, which will provide billions of dollars in reliable funding for transportation and infrastructure investment in Texas.

Propositions 1 and 6 provide unique examples of how increased levels of oil and natural gas production in the state have helped to fund critical programs that impact all Texans.

Thanks to ongoing innovation within the oil and gas industry, and the widespread use of hydraulic fracturing, a transformative technology that has been used safely in the U.S. for over 60 years, our country is officially the largest producer of oil and natural gas in the world, with Texas leading the way. This growth, combined with the progressive, yet sensible leadership from Texas state policymakers, has led to a strengthened regulatory framework for oil and gas operations and unprecedented benefits for the economy.

With increasing levels of oil and gas production in recent years, the Texas Railroad Commission (RRC), Texas Commission on Environmental Quality (TCEQ) and state legislature have enacted a variety of new policies to protect Texas citizens, while supporting responsible drilling and production activities in the state. Specific examples include new rules that established the most stringent well-bore integrity guidelines in the country to protect groundwater, as well as new regulations to reduce the amount of fresh water used in exploration and production activities through new water recycling rules. These examples of sensible regulatory leadership have helped to foster innovation within the industry and protect valuable natural resources.

The RRC most recently finalized new requirements for operators related to disposal wells in areas of historical or future seismic activity to address concerns of citizens and municipalities. The commission also took further action by hiring an expert seismologist to study these issues in greater detail, determine the true cause of seismic events, and develop recommendations for the state. Additionally, Speaker Joe Straus has included a \$2.5 million budget proposal to fund the TexNet Seismic Monitoring Program, a university program that will help detect, locate and examine earthquakes more precisely than current methods. This is one of many initiatives resulting from months of discussions between lawmakers and regulators during the interim last year.

It’s imperative to take a methodical and scientific approach to all issues associated with oil and natural gas development in our state, something the industry and Texas elected officials are certainly committed to.

These are just a few examples of how state regulators and legislators have shown true leadership in efforts to protect Texas citizens and our environment, while supporting responsible drilling and an industry that benefits all aspects of the economy. Texas is a model for the rest of the nation. The federal government should follow our lead if they truly support job creation, increased national security, and the pursuit of true energy independence for our country.

Meanwhile, in the coming months, the Environmental Protection Agency (EPA) intends to propose more extreme rules designed to slow growth in the oil and gas sector -- adding insult to injury to an already challenging market. Among these rules will be a requirement for energy producers to cut 2012-level methane emissions by up to 45 percent by 2025. Even though natural gas production has risen in recent years, emissions of methane have actually fallen by 73 percent in areas of production, and, yes, hydraulically fractured wells. Oil and natural gas related emissions represent only 2 percent of total greenhouse gas emissions in the U.S., yet the Obama Administration has again targeted this industry.



Ed Longanecker

CONTINUED ON PAGE 3...

PRESIDENT'S MESSAGE... CONTINUED FROM PAGE 2

These rules will place unnecessary burdens on a sector that is already struggling, and could actually slow progress on reducing methane emissions by adding yet another layer of requirements. This is a prime example of politics, not science, at work, and the ongoing mantra of this Administration and environmental activist groups.

Further, under the guise of helping a beleaguered middle class, President Obama's proposed fiscal 2016 budget yet again targets tax policies that have supported oil and gas production for decades in our country. Independent producers would be hit hardest by proposals to repeal expensing of intangible drilling costs (IDCs), end percentage depletion for oil and gas wells, and increase geological and geophysical amortization from 5 to 7 years, all while pouring billions of dollars into the EPA, climate change and renewable technologies. This Administration enjoys taking credit for the success and benefits of domestic production, but continues to push for onerous policies that only hurt the industry, job creation and the U.S. economy.

In addition to challenges at the federal level, states and municipalities have been inundated in recent years with misinformation and fear tactics from alarmist groups, including the Sierra Club, Earthworks and others, seeking to manipulate citizens in order to carry out their anti-fossil fuel agenda at the "local" level. The bans on hydraulic fracturing in New York as well as Denton, Texas, are just two examples of how these tactics have infiltrated communities across our country. This trend too shall pass, but the damage done to our economy and American citizens in the interim could be substantial.

At a time when anti-oil and gas rhetoric is at an all-time high, we should again not lose sight of how domestic oil and gas production has and will continue to benefit our state and country. It's also important to remember that the catastrophic predictions and fear tactics used by activists today are very similar to those dating back to the 1970s and earlier.

If the alarmist predictions from the 1970s ever actually came to fruition, most would have already occurred. However, as we all know, our civilization did not end, hunger and mass starvation in unbelievable proportions did not occur, and our oil reserves were not depleted. Instead, average life expectancy has been extended, reserves have increased, oil imports have dropped to a 20 year low, methane emissions have declined, and access to clean water and food has dramatically improved, all while increasing our use of fossil fuels over the past 40 years.

No other industry is more intricately connected to our everyday lives and economy than that of fossil fuels. Literally thousands of products and conveniences used by all of us on a daily basis would not be possible without it. These include the fuel used to heat our homes, cook our food, drive our cars, fuel our planes, material used to make cellphones, computers, cameras, coffee makers, detergent, aspirin, cars, boats, fertilizers, crayons, deodorant, glue, golf balls, hair coloring, hand lotion, medical equipment, medicine, ink, life jackets, nail polish, shampoo, shaving cream, shoes, and even the electricity used to charge the handful of "zero emission" electric cars on the roads today.

Now is the time to fully embrace and support this critical industry through regulatory certainty, leadership from a legislative perspective, and a commitment by all stakeholders to increase educational efforts that utilize facts, not fear. We support an "all-of-the-above" approach to our domestic energy needs, but environmental activists, government funded, and politically motivated organizations like the Intergovernmental Panel on Climate Change (IPCC), and others we see traveling from city to city, continue to cite discredited studies, analysis, and zero-probability predictions, in order to advance their "all-or-nothing" ideology.

These fear mongering organizations, whose entire purpose is to stop responsible production of hydrocarbons, will never utter a word about the vast number of benefits this industry provides. Access to reliable and affordable energy, including oil and natural gas, will continue to be vital for social and economic development on a global scale for many generations to come.

Sincerely,

Ed Longanecker

U.S. SENATE APPROVES KEYSTONE LEGISLATION

With a vote of 62 to 36, on Thursday, January 29, the U.S. Senate approved legislation in favor of building the Keystone XL pipeline. With the bill's passage, the measure will now be sent back to the House, which is expected to take a vote on the legislation next week.

"Constructing Keystone would pump literally billions into our economy. It would support thousands of good American jobs. And, as the President's own State Department has indicated, it would do this with minimal, minimal environmental impact," said Senate Majority Leader Mitch McConnell, R-Ky. "The Keystone infrastructure project has been studied endlessly — endlessly — from almost every possible angle. And the same general conclusion keeps becoming clear — build it."

TIPRO Calendar of Events

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. For info, call: (817) 847-7700.	MARCH 2-3, 2015 AUSTIN — TIPRO's 69 th Annual Convention, Sheraton Downtown Hotel. For info, call: (512) 477-4452.	MARCH 11, 2015 HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.
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TIPRO MEMBERS INVITED TO PARTICIPATE IN GEOTHERMAL ENERGY CONFERENCE

The SMU Geothermal Lab will host its 7th international energy conference and workshop, Power Plays: Geothermal Energy in Oil and Gas Fields, on May 18-20, 2015, on the SMU Campus in Dallas, Texas. The conference will bring together professionals from the geothermal and oil and gas communities to discuss methods for generating electricity from oil and gas wells, for example from flare gas, waste heat or geothermal fluids. There will also be a presentation on the North Texas earthquakes, along with other geophysical research topics. The workshop provides a focused introduction for those new to the geothermal community.

Over 200 individuals in field operations, project development, technology, finance, engineering and resource assessment from the geothermal, oil, gas and renewable energy sectors are expected to attend. For more information on the SMU conference, please visit: www.smu.edu/Dedman/Academics/Programs/GeothermalLab/Conference.

NEW ANALYSIS QUESTIONS DATA BEHIND EPA'S PROPOSED OZONE REGULATIONS

According to a new report prepared by Energy In Depth, the U.S. Environmental Protection Agency (EPA) may have exaggerated data to justify its proposal for stricter ozone standards. The EPA seemingly inflated the benefits of its proposed rule and downplayed the costs, contends Energy In Depth, which could ultimately translate to less American energy production and increased costs for U.S. manufacturers. Under the Clean Air Act, the EPA is granted the authority to set National Ambient Air Quality Standards (NAAQS) for a range of pollutants, including ozone. In 2008, the EPA reduced the ozone standard to 75 parts per billion (ppb), down from the previous threshold of 84 ppb. Still, the agency argues that new ozone regulations are now necessary to continue to support and improve public health.

In its rule proposal, the EPA provides an overall cost-benefit analysis, calculating the worth of public health benefits as a result of potential regulatory changes. The agency's evaluation concluded the benefits would outweigh the costs. Interestingly, the EPA's net benefit numbers are dramatically higher than what the same EPA estimated just a few years ago, observes Energy In Depth. Besides the questionable data used to support the rule, unnecessary changes to ozone standards present concerns for the ability of various regions to comply. Also, new ozone standards could require implementation of other expensive rules, not part of the EPA's cost-benefit analysis.

"With such a massive potential impact on future U.S. energy production--and indeed the entire U.S. economy--EPA's ozone rule could very well be the costliest regulation ever promulgated," says the report. "If a rule of this magnitude is to be imposed, then the EPA should have to provide a far more scientifically robust "public health" basis -- one that doesn't rely on what appears to be a dubious inflation of health benefits and a lack of attention to the quantitative and qualitative costs."



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EPA EXTENDS COMMENT PERIOD ON OIL & GAS REPORTING RULE

The U.S. Environmental Protection Agency (EPA) has announced it will extend the public comment period for the proposed rule titled "Greenhouse Gas Reporting Program: 2015 Revision and Confidentiality Determinations for Petroleum and Natural Gas Systems." The deadline for public comment will be extended from February 9 to February 24, 2015, providing stakeholders with an additional two weeks to submit feedback on the proposed regulations.

The agency's proposed rule would require the oil and gas industry to report greenhouse gas emissions data from gathering and boosting systems, as well as from completions and workovers of hydraulically fractured oil wells and blowdowns of natural gas transmission pipelines, beginning in 2016. The new reporting requirements are intended to improve the data the EPA collects from the industry as part of its mandatory greenhouse gases reporting program.

FEDERAL FRACTURING RULES TO BE MADE FINAL WITHIN WEEKS

Speaking to reporters on Monday, February 2, Interior Secretary Sally Jewell indicated new federal regulations on hydraulic fracturing will be finalized in the coming weeks. Although she declined to be more specific on the rule's timing, Jewell said the rules from Interior's Bureau of Land Management are "very close" to being released.

The rules would represent the first ever standards for using hydraulic fracturing on federally-owned land leased by oil and gas companies. Amongst the rule's provisions, producers would have to disclose the chemicals they use and take certain steps to ensure that fluids do not reach groundwater and are properly discarded.

RRC UPDATES MEDIA POLICY

In efforts to enhance transparency at the agency, Texas Railroad Commissioners agreed to modify the commission's existing media policy at the January 27th open hearing. "When deemed appropriate and contingent upon availability, additional RRC employees designated by the communications director, media affairs manager or executive director may be authorized to speak to the media," states the revised media policy proposal.

Previously under the agency's communications policy, staff was prohibited from speaking with reporters, unless permission was granted by the agency's media affairs director or executive director. RRC staff was also responsible for any misinformation, misquotes, or misinterpretations conveyed by the employee.

With the new policy in place, agency leaders hope to provide news outlets with greater accessibility to staff members. In doing so, the agency will ensure openness, transparency and accountability in the commission's efforts to serve the people of Texas.

HOUSE MEMBERS RECEIVE COMMITTEE ASSIGNMENTS

Joe Straus, speaker of the House of Representatives, announced the membership of House committees for the 84th Legislature on Wednesday, February 4.

"With only 118 days left in the legislative session, we have a lot of important work ahead of us," said Speaker Straus. "With these assignments, I have placed members where I believe they can have the greatest impact on issues that directly relate to our economy and our future."

Representative Drew Darby will chair the House Energy Resources Committee. Other committee members will include: Chris Paddie [Vice Chair], Rafael Anchia, Terry Canales, Tom Craddick, Tony Dale, Abel Herrero, Jim Keffer, Brooks Landgraf, Phil King, Morgan Meyer, Debbie Riddle and Gene Wu.

Additionally, Representative Jim Keffer will lead the House Natural Resources Committee. Other members of the committee include: Trent Ashby [Vice Chair], Dennis Bonnen, DeWayne Burns, James Frank, Kyle Kacal, Tracy King, Lyle Larson, Eddie Lucio III, Poncho Nevarez and Paul Workman.



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SENATE COMMITTEE ASSIGNMENTS ANNOUNCED

Committee assignments in the Texas Senate were announced by Lieutenant Governor Dan Patrick on January 23. After taking office as the state's new lieutenant governor, Patrick has decided to restructure the upper chamber's committees, reducing the number of panels from 18 to 14. "This efficient structure of streamlined committees will allow for the passage of not only a variety of issues but of Texans' top priorities, such as education reform, tax relief and border security," commented Patrick.

Of note, the previously named state Senate Natural Resources Committee is now the state Senate Natural Resources and Economic Development Committee. Members of the Natural Resources and Economic Development Committee will include: Troy Fraser [Chair], Craig Estes [Vice Chair], Brian Birdwell, Bob Hall, Kelly Hancock, Juan "Chuy" Hinojosa, Eddie Lucio Jr., Robert Nichols, Carlos Uresti, Kel Seliger, and Judith Zaffirini.

Lieutenant Governor Patrick has appointed one freshman senator to a chairmanship position: Senator Charles Perry, R-Lubbock, will lead the Agriculture, Water and Rural Affairs Committee.

Members of the Senate Committee on Transportation include: Robert Nichols [Chair], Don Huffines [Vice Chair], Rodney Ellis, Troy Fraser, Sylvia Garcia, Bob Hall, Kelly Hancock, Lois Kolkhorst and Van Taylor.

Sitting on the Senate Committee on Agriculture, Water and Rural Affairs, members include: Charles Perry [Chair], Judith Zaffirini [Vice Chair], Brandon Creighton, Bob Hall, Juan "Chuy" Hinojosa, Lois Kolkhorst, and José Rodriguez.

LEGISLATIVE UPDATE FROM THE CAPITOL

With legislators now having been assigned to committees in the Texas House and Senate, in the coming weeks, bills will begin to be taken up for consideration. As of Wednesday, February 4, 2015, 544 bills have been filed in the Senate and 1,499 bills have been filed in the House. TIPRO continues to closely monitor all developments at the state capitol, tracking all bills that could impact independent producers and royalty owners in Texas in the years to come.

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

- Senate Bill 343, filed by Senator Donald Huffines, prohibits a local government, unless directly authorized by statute, from passing an ordinance or enacting regulations which interfere with existing state law or rules. The bill also would ban local governments from adopting an ordinance, rule or regulation that conflicts or is more stringent than a state law or rule.
- Senate Bill 402, authored by Senator Craig Estes, would require a payor of proceeds from the sale of oil or gas from an oil or gas well to provide information on the formula used to calculate the payee's fractional or decimal interest in production as included in the division order. This same piece of legislation was filed during the last legislation session, to which TIPRO opposed.
- Senate Bill 440, filed by Senator Konni Burton, relates to the authority of a county or municipality to prohibit hydraulic fracturing. Specifically, the legislation would prohibit any county or municipality from enacting a fracturing ban.
- House Bill 30, authored by Representative Lyle Larson, pertains to the development of brackish groundwater. Several other similar bills relating to brackish groundwater have also been filed in the House this session, including House Bills 835 and 836.

GOVERNOR ABBOTT PLEDGES HIS SUPPORT FOR TAX RELIEF IN TEXAS

Texas Governor Greg Abbott has vowed to veto any budget that does not include tax cuts for Texas businesses. While speaking at a conference in Austin on Tuesday, February 3, the new governor of Texas expressed his commitment to lowering taxes for businesses in the Lone Star State.

"I will insist as your governor on lower taxes for business in the great state of Texas," Governor Abbott told members of the National Federation of Independent Business/Texas. "It is a proven fact that if we lower or get rid of the business franchise tax, that is the best way to create new jobs in the state of Texas. So I will reject any budget that is sent to my desk that does not include lower taxes for business here in Texas."

TIPRO SUPPORTS NEW FUNDING MEASURE FOR TRANSPORTATION INFRASTRUCTURE INVESTMENT

On Wednesday, February 4, Texas Lieutenant Governor Dan Patrick and Senator Robert Nichols held a joint press conference announcing a proposed funding measure for transportation infrastructure maintenance and investment. The proposal would specifically dedicate vehicle sales tax revenues in excess of \$2.5 billion a year to the state highway fund. Use of these dedicated funds would be limited to the acquisition of right of way, construction and maintenance of non-tolled roads and bridges, and to pay off general revenue Proposition 12 transportation debt. If approved by voters via a Constitutional amendment in November of this year, the program would officially begin in the 2018-19 biennium.

"We appreciate the leadership of Lieutenant Governor Patrick and Senator Nichols and their continued commitment to addressing our transportation and state infrastructure needs," said Ed Longanecker, president of the Texas Independent Producer & Royalty Owners Association (TIPRO). "Providing adequate funding for road repair, maintenance and infrastructure investment remains a priority for our organization and the Texas oil and gas industry. This issue is of particular importance in areas of the state that have experienced a significant increase in exploration and production activity in recent years. TIPRO remains focused on supporting legislative measures that effectively address these needs to ensure the safety of Texas citizens, as well as to support continued commerce and economic growth for our state and industry."

TAX RELIEF, TRANSPORTATION MAIN COMPONENTS OF PROPOSED SENATE BUDGET

Emphasizing tax relief and transportation infrastructure funding, leaders from the Texas Senate unveiled the chamber's proposed budget on Tuesday, January 27.

Speaking at a press conference last week, Texas Lieutenant Governor Dan Patrick, joined by Senate Finance Committee Chair Jane Nelson, outlined funding priorities under Senate Bill 2, the Senate appropriations bill for the 2016-2017 biennium.

"This budget is responsible. It is compassionate. It meets our growing needs while remaining true to the policies of fiscal discipline that have led to our economic success and created the Texas miracle," explained Senator Nelson. "This proposal represents a starting point, and I look forward to working with my colleagues to further develop a budget that is worthy of our state."

Senator Nelson added, "Our budget contains significant tax relief, returning dollars to those who earned it in the first place. It will jump start highway projects and ensure that funding meant for roads are not diverted for other purposes."

Altogether, Senate Bill 2 appropriated \$205.1 billion in All Funds, up 1.5 percent from the current \$202 billion 2014-15 budget. It contains approximately \$4 billion in tax relief, adds \$5 billion to the State Highway Fund, and allocates \$815 million for border security -- more than doubling what was appropriated during the last legislative session.

The House budget, released two weeks ago, addresses similar priorities, but features less expenditures than Senate Bill 2.

STRAUS CALLS FOR \$2.5 MILLION TO BE ALLOCATED TO SEISMIC ACTIVITY RESEARCH

As part of the House's 991-page budget proposal, Speaker Joe Straus has made a push for the state to increase its level of research funding on seismic events in Texas. With a rise in seismic activity in Texas in more recent years, officials and experts alike both hope to gain a better understanding of what could be the triggering earthquakes with additional research. Through the TexNet Seismic Monitoring Program, managed by the Bureau of Economic Geology at the University of Texas at Austin, the initiative would enhance government response to seismic activity in communities across the state.

Initially, Speaker Straus has asked lawmakers to consider committing \$2.5 million towards the program.

U.S. SENATOR JOHN CORNYN FILES ESA REFORM ACT

On Wednesday, January 28, Senator John Cornyn (R-TX) introduced the Endangered Species Act (ESA) Settlement Reform Act, which would give impacted local parties a voice in the settlement process of ESA litigation between special interest groups and the U.S. Fish and Wildlife Service (USFWS).

"There must be a balance to ensure Washington bureaucrats don't run roughshod over Texas landowners and job creators," Senator Cornyn said. "This bill gives states and counties facing regulation a seat at the table with the USFWS and special interest groups in ESA settlement negotiations."

The proposed policy comes just weeks after a report surfaced questioning the independence and accountability of the peer review process in ESA listing decisions. The report, entitled "Under the Microscope: An examination of the questionable science and lack of independent peer review in Endangered Species Act listing decisions," was prepared for members of the U.S. House Natural Resources Committee. Of particular note, specific findings from the report include:

- The USFWS does not have clear or consistent policies and procedures in place across all regions to ensure that peer reviewers with potential conflicts of interest are identified and screened; and
- The USFWS generally seeks peer review of its proposed listing decisions at the same time they are made available for public comment, rather than earlier in the process when the peer reviewers may have more meaningful input;

Cornyn's proposed reform act would help provide local governments and other relevant stakeholders a say in ESA settlements that affect them. It also limits the use of taxpayer dollars to fund ESA "citizen suits." A long list of state and federal officials have prompted conversations on ESA reform during the past few years, particularly in wake of cases like the Dunes Sagebrush Lizard and Lesser Prairie Chicken.

In Texas, more than 90 species are currently listed as federally threatened or endangered under the Endangered Species Act (ESA), with many more under review for listing. Per the USFWS, an average of 18 species per year were petitioned for listing from 1989 until 2006. Since 2007, however, there has been a notable rise in related petitions. Over the last eight years alone, the USFWS has been petitioned to list more than 1,300 species, equivalent to nearly as many species as it listed during the previous 30 years of administering the ESA. These determinations often cause significant economic impacts on Texas landowners, businesses and communities.

Congressman Bill Flores (R-Bryan) has introduced a companion bill to Cornyn's ESA Reform Act in the House of Representatives.

LAND COMMISSIONER GEORGE P. BUSH ADDED TO TIPRO CONVENTION AGENDA

On Monday, March 2, as part of TIPRO's 69th Annual Convention, the association will welcome General Land Commissioner George P. Bush, who will provide opening remarks to kick off the two-day meeting. Commissioner Bush will join a strong line-up of other officials slated to present during TIPRO's annual meeting, which will be held in Austin the first week of March at the Sheraton Downtown Hotel.

To view the complete agenda, or to sign up to attend, visit www.tipro.org.

CONVENTION REGISTRATION FORM

MEMBER REGISTRATION FEES:

INCLUDES ALL AGENDA EVENTS & MEALS

☐ MEMBER - FULL REGISTRATION: \$495

☐ SPOUSE - FULL REGISTRATION: \$325

EVENT-SPECIFIC TICKETS:

☐ TUESDAY-ONLY BADGE: \$395

NON-MEMBER REGISTRATION FEES:

INCLUDES ALL AGENDA EVENTS & MEALS

☐ NON-MEMBER - FULL REGISTRATION: \$695
(REGISTRATION INCLUDES 1 YEAR REGULAR TIPRO MEMBERSHIP)

☐ NON-MEMBER SPOUSE - FULL REGISTRATION: \$475

EVENT-SPECIFIC, NON-MEMBER TICKETS:

☐ TUESDAY-ONLY BADGE: \$595



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CANCELLATION POLICY

In order to receive a refund, TIPRO must be notified of your cancellation no later than

Friday, February 20, 2015.

Return registration form to TIPRO at: 919 Congress Avenue, Suite 1000, Austin, Texas 78701, or fax to (512) 476-8070.

Registration forms must be accompanied by payment.

TIPRO'S 69th Annual Convention

Register today for TIPRO's 69th Annual Convention, to be held in Austin March 2-3, 2015.

This annual event brings together independent producers, royalty owners, industry leaders, government officials and other oil and gas professionals, to provide a platform for discussion on current and future challenges facing the Texas E&P sector. Policy developments from the 84th Texas Legislature will also be discussed at the convention, as well as local, state and federal regulatory changes.

To learn more, or to register to attend, please visit www.tipro.org or contact TIPRO at (512) 477-4452.



THE TIPRO TARGET



**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.

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