Texas
Independent
Producers and
Royalty Owners
Association

RYAN SITTON SWORN-IN AS NEXT RAILROAD COMMISSIONER; OTHER OFFICIALS ALSO TAKE OATH OF OFFICE

On Monday, January 5, Ryan Sitton took the oath-of-office and was sworn-in as the 49th Commissioner of the state's primary oil and gas regulatory agency—the Railroad Commission of Texas.

"I look forward to working with Chairman Christi Craddick and Commissioner David Porter as we draw on our unique and diverse experiences to provide a stable regulatory environment that will protect

our citizens and our natural resources, while allowing our energy industry to thrive," said Commissioner Sitton.

"To the citizens of the state of Texas, I say that we are here to serve. In that service, we want to do a couple of things. We want to be communicating with you in the language of science, technology and data. We want to make sure when there are questions about how energy is developed, that we are quick to respond and that we provide the applicable resources to answer those questions. We are going to be a service-oriented group, and we want the citizens of Texas to feel confident in that."

Meanwhile, last Friday, January 2, former state Senator Glenn Hegar was also sworn-in during a ceremony at the Texas capitol as the state's next comptroller of public accounts. "Texas is a land of economic opportunity with no equal, where private property rights are respected, where people can raise families in safety, and entrepreneurs can pursue their dreams and create jobs," Hegar said in his inaugural speech as comptroller. Later that same day, George P. Bush took the oath of office as commissioner of the Texas General Land Office.

In the weeks to come, Texas will also welcome a new governor, lieutenant governor, attorney general and agriculture commissioner.

$oldsymbol{0}$ IL PRICES REMAIN UNSTABLE, SPARKING QUESTIONS ON INDUSTRY IMPACT

With the start of the new year, crude oil prices continued to fluctuate dramatically. After reaching monthly peaks last June of \$112 per barrel (bbl) and and \$105/bbl in crude oil benchmarks Brent and West Texas Intermediate (WTI), crude oil benchmarks dipped below \$50/barrel during the first week of January.

Falling oil prices have been attributed to a decline in global demand and elevated levels of oil production in the U.S. Domestic crude oil production increased 1.2 million bbl/d in 2014, up 16 percent from 2013, according to the U.S. Energy Information Administration (EIA). At 8.6 million bbl/d, U.S. production is at the highest level experienced in nearly 30 years.

Following the drop in market prices, many have speculated on the potential economic impact of oil selling in the low-\$50s or high-\$40s. Undoubtedly, U.S. producers remain cautious, with many oil and gas companies reconsidering their 2015 spending budgets. Executive leaders have stressed the importance of strategic planning for all drilling activities this year. By maintaining flexibility, energy companies hope to have the ability to scale development up or down, depending on service costs and changing commodity prices.

To-date, there have been no major cutbacks announced in the Eagle Ford Shale region or the Permian Basin as a result of lower oil prices.

TIPRO'S 69TH ANNUAL CONVENTION IS 2 MONTHS AWAY!

Members of TIPRO are invited to participate in the association's next Annual Convention, set to be held in Austin, Texas, on March 2-3, 2015, at the Sheraton Downtown Hotel. State officials, industry regulators and other distinguished experts will present at the meeting, providing insight on pressing local, state and federal issues threatening to impact the Texas oil and gas industry. The association will also again host legislative call-up meetings at the state capitol, allowing convention attendees with the chance to speak directly with legislators about the importance of oil and gas development in Texas.

TIPRO encourages members to reserve their hotel accommodations at the Sheraton today by calling (512) 478-1111. Please note that the discounted group hotel rate will end on February 3.

For additional registration and sponsorship information, see pages 7-9 of this newsletter or visit www.tipro.org.



President's Message

TIPRO Members,

With a new year upon us, January marks the beginning of a busy, but exciting, time for our association and industry.

Next week, on Tuesday, January 13, the 84th Texas Legislative Session will kick off. As freshmen and veteran legislators descend on Austin, we look forward to continuing to build on our relationships with state representatives and senators in the months to come.

While our association continues to work to preserve the ability to explore and produce oil and natural gas, we hope to remind state leaders - particularly those who are new to office - of the powerful economic support offered by the E&P sector. The positive impact of our industry remains unmatched – with Texas leading the country in oil and gas production, innovation and employment trends. As TIPRO reported in our mid-year employment analysis released in November, high levels of E&P activity have not only spurred new job creation, but also have led to a significant increase in state and federal taxes paid by industry, a decrease in oil imports and improved national security for our country. A favorable business and regulatory climate is critical, however, to maintaining this economic support.



Ed Longanecker

With regards to new industry rules that are to be introduced in 2015, TIPRO maintains that true facts and sound science must be utilized by officials before additional regulations should be adopted. Accredited reports by research institutions and government entities continue to confirm the safety of hydraulic fracturing and horizontal drilling. Nonetheless, from the Texas town of Denton to the state of New York, in the past couple of years we have seen increased efforts by activists to spread false claims regarding the impact of hydraulic fracturing and oil and gas development. We can't stand back as environmentalists continue to present information lacking in data and meaningful science. Whether on the local, state or federal level, it is as important as ever that this year our industry persists with efforts to ensure regulators consider all appropriate data before new oil and gas rules are finalized. We also hope to continue to educate the general public on oil and gas activities, so as to further expand understanding about industry operations.

This year, TIPRO is also proud to continue our partnerships with organizations like the Independent Petroleum Association of America (IPAA) and the National Association of Royalty Owners (NARO). Working together, we will further strengthen our efforts on a national platform to promote America's independent producers and royalty owners.

Despite the decline in oil prices, we remain optimistic on the year ahead. Innovative technologies will continue to improve drilling operations, and enhance domestic development of natural resources. These advancements will allow independent producers to better streamline their E&P operations, and more efficiently produce oil and gas. Ongoing investments in water and transportation infrastructure will also ease limitations across the state, especially in those regions experiencing the biggest increases in activity.

Sincerely,

Interior Secretary speaks out against local bans on hydraulic fracturing

In an exclusive interview with KQED, a northern-California public TV and radio outlet, U.S. Interior Secretary Sally Jewell offered criticisms on local bans against hydraulic fracturing. Citing misinformation and a lack of understanding, Secretary Jewell said such bans on fracturing only create confusion for the oil and gas industry, and generally speaking "are the wrong way to go" with regards to regulating domestic energy development.

"There are a lot of fears out there in the general public and that manifests itself with local laws or regional laws... I think that localized efforts or statewide efforts in many cases don't understand the science behind it, and I think there needs to be more science," she explained. "What we need is sound science that is driving our decision-making, and as a regulator, that is exactly what we're relying on as we are looking at releasing our own [fracturing] regulations."

Later this year, the Obama administration is expected to release finalized rules for hydraulic fracturing on federally-owned lands.

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
69th Annual
Convention,
Sheraton Downtown Hotel.
For info, call: (512) 477-4452.

MARCH 11, 2015 OUSTON — IPAA/TIF

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

Texas Railroad Commission celebrates agency milestones from 2014

Last year, the Railroad Commission of Texas (RRC) continued to make significant strides forward with improving the state's regulatory oversight of the oil and gas industry. With the start of a new year, the agency reflected on noteworthy accomplishments achieved over the past 12 months.

"The RRC reached milestones as Texas oil and gas production surged in 2014," said Chairman Christi Craddick. "We implemented rule changes, took up special initiatives and provided diligent oversight of our state's energy industry during a time of immense energy growth. Looking ahead, we will continue to be responsive to the needs of Texas with sensible, effective regulation of this fast-evolving industry."

Commissioner David Porter added, "Texas remains positioned as a global energy leader, and our regulatory structure, based in science and fact, has been strengthened by the work accomplished these past 12 months. We will carry this momentum into 2015 as we continue to effectively regulate oil and gas, pipeline safety, alternative fuels, surface mining, and natural gas utilities in Texas."

According to the agency, highlighted accomplishments from last year include:

- Early in 2014, RRC reports showed oil production topped 2 million barrels a day statewide, a production level not seen in Texas since 1986. Texas remains the largest oil producer in the United States, producing approximately 37 percent of the nation's crude oil.
- The Texas Oil and Gas Water Conservation and Recycling Symposium was held last April, providing members of the industry with an opportunity to highlight efforts to conserve, reuse and recycle produced water in the oilfield. The event, hosted by Chairman Craddick, also reviewed how new regulations adopted by the RRC in 2013 made it economically viable for operators to enhance their water recycling efforts and further conserve Texas' precious water resources.
- In April, the commission hired a full-time seismologist, Dr. Craig Pearson, who works with researchers trying to determine if there is a direct linkage between oilfield activity and seismic events in Texas. As the agency's staff seismologist, Pearson is able to coordinate an exchange of factual scientific information between oil and gas operators and these researchers.
- Significant advancements were made through the agency's Information Technology Modernization Program, including the launch of the agency's new website over the summer. The RRC also announced upgrades to its online Geographic Information System (GIS) in 2014. GIS Map Viewers are used by the public and industry to view statewide oil, gas and pipeline data. In addition, the commission implemented a more streamlined permitting process for drilling permits issued by the agency. During November, more than 50 percent of the drilling permits were processed by the RRC within 1 to 3 days compared to about 9 percent of the permits processed within 1 to 3 days in the spring of 2014. The commission's Information Technology Modernization Program strives to increase transparency and provide the public and stakeholders with greater access to extensive agency data.
- In the fall, RRC commissioners adopted several significant rule amendments, including disposal well regulations designed to address disposal well operations in areas of historical or future seismic activity, in addition to pipeline permit rule amendments seeking to clarify how a pipeline operator may be classified by the commission.
- In October, the Texas Natural Gas Summit was held in Austin. The event, coordinated by Commissioner David Porter, connected job seekers with more than 10,000 job openings from 64 exhibitors representing the oil and gas industry.
- Collectively, commission staff processed more than 30,300 drilling permits in 2014.
- Throughout 2014, RRC inspectors in the Oil and Gas Division conducted more than 130,000 field inspections, and the Pipeline Safety Division carried out more than 2,850 pipeline inspections.
- The Alternative Energy Division conducted almost 14,000 safety inspections.
- The commission's aggressive well plugging program coupled with funding from the Oil and Gas Regulation and Cleanup Fund (OGRC) resulted in the plugging of more than 563 orphaned wells and 238 site remediation and cleanup activities, including plugging five offshore orphaned wells. Since Fiscal Year 1992, more than 30,345 orphaned wells have been plugged at a cost of \$224 million, using the OGRC. The OGRC Fund is funded entirely by the oil and gas industry.

Apache honored as Industrial Groundwater Conservationist of the Year

Last month, TIPRO member Apache Corporation was recognized by the Brazos Valley Groundwater Conservation District in College Station as Industrial Groundwater Conservationist of the Year. The oil and gas company received the distinguished honors as a result of ongoing efforts to reduce its impact of groundwater use on district aquifers.

In collaboration with the City of College Station and the Texas Commission on Environmental Quality, Apache procures effluent (highly treated wastewater) produced by the City of College Station to supply its drilling operations. According to Apache, this innovative approach offsets the need for approximately 1.2 billion gallons of groundwater per year, which can be made available for other beneficial uses instead. The company has also committed to building new storage and treatment facilities to further treat the wastewater from College Station's sanitation treatment plant, and will then store it until it's ready to be transported via pipe to the company's drilling sites.

"Apache is honored to be recognized for our efforts in College Station to reduce our groundwater needs. We are committed to driving industry-leading innovations that preserve a great quality of life in the communities where we live and work," commented John Christmann, executive vice president and chief operating officer of North America for Apache.

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WHITE HOUSE PLANS TO VETO KEYSTONE LEGISLATION

Speaking to reporters on Tuesday, January 6, White House Press Secretary Josh Earnest revealed President Barack Obama will not sign legislation in favor of the Keystone XL Pipeline, should it be passed by members of Congress.

S.1, the first piece of legislation brought to the floor in the 114th Congress, would approve the Keystone XL pipeline project under Congress's authority enumerated in the Commerce Clause of the U.S. Constitution, Article 1, Section 8. Introduced by U.S. Senators Joe Manchin (D-W.Va.) and John Hoeven (R-N.D.) on Tuesday, January 6, the bill already has garnered high levels of support from members of Congress. Sixty senators are co-sponsoring the bill, and 63 senators have indicated support for the legislation at this point.

"We have everything to gain by building this pipeline, especially since it would help create thousands of jobs right here at home and limit our dependence on foreign oil. Every state would benefit economically from this activity. It is my sincere hope that we can once and for all move forward with this important project," commented Senator Manchin.

"I can confirm that the president would not sign this bill. It's premature to try to evaluate the project before something as basic as the route of the pipeline has been established," Earnest said.



"President Obama's veto threat comes as no surprise," remarked Senator Hoeven, co-author of the legislation. "He has held the Keystone XL pipeline project up for six years with endless bureaucratic delays – his strategy has been defeat through delay. That's unfortunate, because the Keystone XL pipeline should be approved on its merits. It's about energy, jobs, economic growth and national security. Furthermore, the State Department in its environmental review has stated that the Keystone XL pipeline will have no significant environmental impact. That's why the American people overwhelmingly support it, by 70 percent in the polls."

Hoeven added, "Instead of a veto threat, the president should be joining with Congress on a bipartisan basis to approve the project for the American people, rather than blocking it on behalf of special interest groups."

LORI WROTENBERY NAMED NEW DIRECTOR OF OIL & GAS DIVISION AT THE RRC

The Railroad Commission of Texas (RRC) has named Lori Wrotenbery as director of the commission's oil and gas division. Wrotenbery previously was the director of administration for the Oklahoma Corporation Commission (OCC) since 2012. Prior to the OCC, she served as deputy director and assistant director for environmental services in the RRC's oil and gas division, as well as in various leadership roles for the Oil Conservation Commission in New Mexico. Wrotenbery also has served as president and a member of the Ground Water Protection Council and was a founding member of STRONGER (State Review of Oil and Natural Gas Environmental Regulations, Inc.). She holds a bachelor's degree in geology from the University of Texas and a law degree from Harvard University.

"I am pleased to welcome Lori back to the RRC to lead our oil and gas division at this exciting and critical time in our state's energy history, and future," commented Chairman Christi Craddick. "Her knowledge and many years of experience will ensure that the commission continues to protect the people and natural resources of our state, while maintaining a regulatory environment that fosters economic growth and prosperity for all Texans."

Commissioner David Porter said, "We are fortunate to bring someone with Lori's depth and breadth of experience to the RRC. Her previous service to the commission means she will hit the ground running and provide a steady regulatory hand the people of Texas and the energy industry can rely on for protection and guidance."

"Texans deserve the very best people we can find to protect our citizens and natural resources, and Lori is among the best energy regulators in the nation," added Commissioner Ryan Sitton. "She has dedicated her professional life to ensuring the energy industry can operate successfully without compromising on the safety of the people she serves or the environment she protects."

GOVERNOR-ELECT GREG ABBOTT CALLS FOR END TO LOCAL BANS ON FRACTURING

Emphasizing freedom and private property rights, on Thursday, January 8, Texas Governor-Elect Gregg Abbott said local bans on everything from hydraulic fracturing to plastic bags need to stop. "Texas is being Californianized and you may not even be noticing it," Abbott said at a conference hosted in Austin by the Texas Public Policy Foundation. "It's being done at the city level with bag bans, fracing bans, tree-cutting bans. We're forming a patchwork quilt of bans and rules and regulations that is eroding the Texas model."

He continued, "Large cities that represent about 75 percent of the population in this state are doing this to us, and unchecked overregulation by cities will turn the Texas miracle into the California nightmare... That is contrary to my vision for Texas."

"My vision is one where individual liberties are not bound by city limits. I will insist on protecting unlimited liberty to make sure Texas will continue to grow and prosper."

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
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OIL&GAS JOURNAL



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TOTE BAG SPONSOR

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- -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
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COFFEE MUG SPONSOR

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- 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 \$2,500

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- Company logo will be added to the name badge lanyards worn by all conference attendees
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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
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\square Bronze	\$ 5,000	□ Wн	ITE RIBBON	\$ 1,500	
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CONVENTION REGISTRATION FORM

MEMBER REGISTRATION FEES: NON-MEMBER REGISTRATION FEES: INCLUDES ALL AGENDA EVENTS & MEALS INCLUDES ALL AGENDA EVENTS & MEALS ■ NON-MEMBER - FULL REGISTRATION: \$695 ☐ MEMBER - FULL REGISTRATION: \$495 (REGISTRATION INCLUDES 1 YEAR REGULAR TIPRO MEMBERSHIP) ☐ SPOUSE - FULL REGISTRATION: \$325 □ NON-MEMBER SPOUSE - FULL REGISTRATION: \$475 **EVENT-SPECIFIC TICKETS: EVENT-SPECIFIC, NON-MEMBER TICKETS:** ☐ TUESDAY-ONLY BADGE: \$395 TUESDAY-ONLY BADGE: \$595 Have special dietary needs or ONLINE REGISTRATION IS ALSO other considerations? Please contact TIPRO staff AVAILABLE AT WWW.TIPRO.ORG!

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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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