



**Independent  
Producers and  
Royalty Owners  
Association**

## RIISING OIL AND GAS DEVELOPMENT HELPS STIMULATE TEXAS' ECONOMY

Increasing drilling activity throughout the state has helped Texas continue to enjoy strong economic growth, proclaims the Dallas Federal Bank Reserve in the latest edition of "The Beige Book." The report, released eight times per year, evaluates the current economic conditions for the region. Market analysts reveal that surging development - particularly in South Texas' Eagle Ford Shale and West Texas' Permian

Basin - have contributed to high levels of demand for qualified workers in the Lone Star State. As a result, the Texas economy was able to add 5,800 jobs in June, for a total of 303,000 jobs added since June 2012, according to the Texas Workforce Commission (TWC). Texas' seasonally adjusted unemployment rate held steady at 6.5 percent in June, well below the nation's June unemployment rate of 7.6 percent. Midland, situated in the heart of the Permian Basin, had the lowest June unemployment rate in the state at 3.7 percent, with Odessa in second place at 4.5 percent.

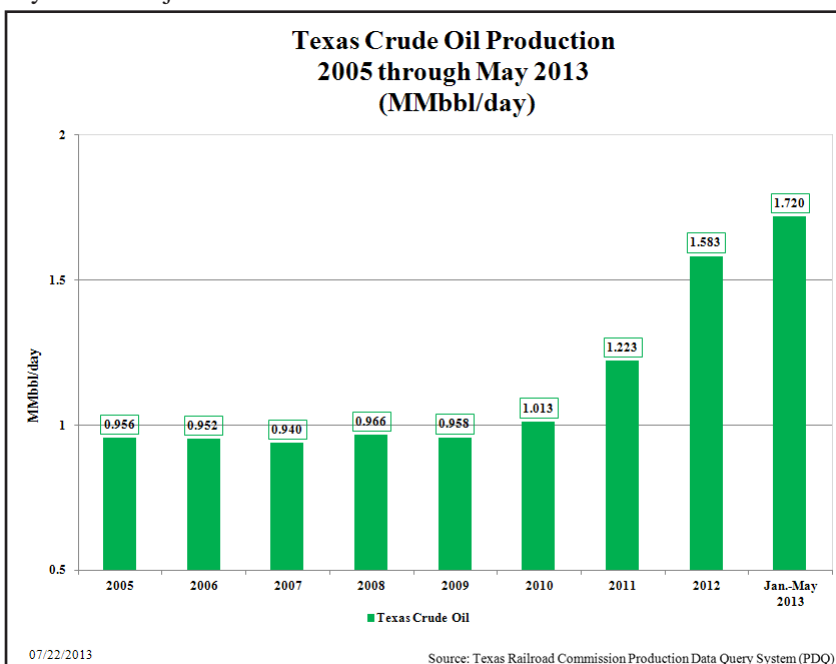
"Economic growth in Texas has proven to be diverse, consistent and long-term," said TWC Chairman Andres Alcantar. "The annual job growth across all industries continues to provide opportunity for Texas job seekers."

The Dallas Federal Reserve also found that in recent months the housing sector in Texas has continued to improve, with a rise in new construction statewide, as well as positive growth in commercial real estate and lending transactions, especially near the state's shale formations.

Furthermore, the Texas Comptroller reports that oil and natural gas production tax collections for the first ten months of fiscal 2013 were 16.3 percent higher than during the same period in 2012. This money is in turn directed to the state's Rainy Day Fund, which helps fund critical state programs including schools, Medicaid, children's health insurance programs, children's protective services, roads, police and fire departments.

Overall, production of oil and gas in Texas continues to climb at extraordinary levels, making the state one of the world's leading producers. Between January and May 2013, the state produced 1.720 million barrels of crude oil a day (MMbbl/d), in addition to 19.36 billion cubic feet per day (Bcf/d) of natural gas, according to the Texas Railroad Commission (RRC). To-date, more than 11,575 drilling

permits have been issued this year, with as many as 23,150 drilling permits to be issued by year's end, the commission estimates. The abundant levels of drilling will help to further strengthen the economic climate in the Lone Star State through the remainder of 2013.



## SUNSET ADVISORY COMMISSION RELEASES FINAL REPORT ON THE RRC

The Texas Advisory Commission has released its final report on the Texas Railroad Commission (RRC), including action taken by the state legislature during the 83<sup>rd</sup> Regular Texas Legislative Session. The report summarizes the outcome of the agency's most recent Sunset review and features a synopsis of provisions implemented by state legislators.

In November 2012, staff members of the Sunset Commission first released their recommendations of how to improve operations at the state agency, after extensive evaluation of the commission. Public comment and testimony was then collected in December 2012 regarding proposed changes for the RRC, and a revised staff report was released in January 2013, corresponding with the start of the 83<sup>rd</sup> Legislative Session. In January, statutory changes adopted by the Commission were also presented to the Legislature after being incorporated into the agency's Sunset bill.

Download a copy of the final Sunset report by visiting [www.sunset.state.tx.us/83rd/rc/rc\\_fr.pdf](http://www.sunset.state.tx.us/83rd/rc/rc_fr.pdf). To request a hard-copy of the report, contact the Sunset Commission at (512) 463-1300 or email [sunset@sunset.state.tx.us](mailto:sunset@sunset.state.tx.us).

## CHAIRMAN'S MESSAGE

### TIPRO Members -

It's no secret that thanks to ongoing advancements in technology, the United States is experiencing a rejuvenation in energy production. Increasing use of hydraulic fracturing and horizontal drilling in shale formations have led to significant gains in our domestic supply of oil and natural gas, providing renewed hope for a bright future for our country. Nationwide, the oil and gas industry has been able to create hundreds of thousands of American jobs, and contribute millions of dollars to the government through taxes.

However, only with the right energy policies in place, can our industry continue to thrive and maintain the same strong economic momentum we have enjoyed over the past couple of years. We continue to see regulatory agencies such as the U.S. Environmental Protection Agency (EPA), U.S. Department of Interior (DOI) and U.S. Fish & Wildlife Service (USFWS) propose harsh restrictions, that if passed, would hinder the ability to explore for and produce oil and natural gas in America. Other bureaucrats in D.C. keep pushing for the repeal of critical industry tax deductions, such as Intangible Drilling Costs (IDCs), which would have significant implications for producers. Meanwhile, here in the Lone Star State, bills passed during the most recent Texas Legislative Session will soon take effect, further tightening regulatory oversight of drilling activity.

With so much going on, it remains as important as ever for members of TIPRO to stay aware of the latest developments for the oil and gas industry. Our association's upcoming Summer Conference will provide the perfect opportunity to do so.

The event is just two short weeks away, and I'm excited to announce that U.S. Congressman Ralph Hall will join us on the evening of Saturday, August 10, as keynote speaker for the Chairman's Dinner. During his time in Washington D.C., Congressman Hall has been a strong supporter of domestic development of oil and gas, and we are proud to host him at our annual meeting. During the association's conference, we'll also have the opportunity to learn pertinent news updates from U.S. Congressman Joe Barton, Texas Senator Carlos Uresti, State Representative Jim Keffer, State Representative Harvey Hilderbran, and State Representative Jason Isaac. Together, these lawmakers will fill us in on those state and federal issues that could have the largest impact on the E&P sector in the future. The technology panel is also not to be missed, as experts from Apache, Halliburton and GE Oil & Gas share insight on cutting-edge innovations that could help revolutionize oil and gas operations in the years ahead. Robert Drummond, president of North America for Schlumberger, will also address attendees of TIPRO's Summer Conference, along with Dr. Ken Morgan, founder and director of the Texas Christian University Energy Institute, who will discuss his thoughts on our nation's energy future. Dale Craymer, president of the Texas Taxpayers and Research Association (TTARA), will also be on hand to offer an update on industry taxes.

TIPRO meetings also provide unique networking opportunities with fellow industry professionals. Several receptions are scheduled during the conference, allowing attendees the chance to reconnect with other TIPRO members and meet new business associates.

For those who have not already done so, I invite you to register for this important association conference by simply filing out the registration form on page 3 of this newsletter and returning it back to TIPRO. Online registration is also available through TIPRO's website at [www.tipro.org](http://www.tipro.org).

If you are unable to attend, please consider sending a colleague or associate in your place, in efforts to support the generous time our speakers and presenters have set aside for TIPRO. It is important we recognize our U.S. and State legislators who work diligently for TIPRO and our industry, along with the efforts of the other presenters at our conference.

I hope to see many of you in San Antonio!

Sincerely,




**David F. Martineau**

## FOLLOW TIPRO ONLINE!

Be sure to connect with the **Texas Independent Producers & Royalty Owners Association** online to learn the latest that is happening in the oil and gas industry. From Twitter to Facebook and LinkedIn, TIPRO's social media accounts allow you to receive noteworthy updates and connect with other professionals in the E&P sector.

Don't miss out - visit TIPRO's website at [www.tipro.org](http://www.tipro.org) to learn more.



## Calendar of Events

<b>AUGUST 8-10, 2013</b> SAN ANTONIO — TIPRO's Summer Conference & Golf Tournament, Westin La Cantera For info, call: (512) 477-4452	<b>AUGUST 14, 2013</b> HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.	<b>AUGUST 14-16, 2013</b> HOUSTON — Summer NAPE Expo, George R. Brown Convention Center For info, call: (817) 847-7700.	<b>SEPTEMBER 11, 2013</b> HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.
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# LAST CHANCE! Register now for TIPRO's Summer Conference & Golf Tournament!

Westin La Cantera Resort, San Antonio, Texas

August 8-10, 2013



## REGISTRATION FEES



☐ Member @ \$395: \_\_\_\_\_

☐ Spouse @ \$195: \_\_\_\_\_

Children:

☐ 13-17 years old @ \$150: \_\_\_\_\_

☐ 6-12 years old @ \$100: \_\_\_\_\_

☐ 5 and under @ \$75: \_\_\_\_\_

☐ Non-Member @ \$475: \_\_\_\_\_

☐ Non-Member Spouse @ \$295: \_\_\_\_\_

Children:

☐ 13-17 years old @ \$175: \_\_\_\_\_

☐ 6-12 years old @ \$125: \_\_\_\_\_

☐ 5 and under @ \$100: \_\_\_\_\_

**\*\*NOTE:** Spouse and children rates include reception, breakfast, dinner and conference T Shirt

## GOLF REGISTRATION FEES

Member:

Golf \_\_\_\_\_ @ \$139: \_\_\_\_\_

Handicap(s): \_\_\_\_\_

Non-Member:

Golf \_\_\_\_\_ @ \$189: \_\_\_\_\_

Handicap(s): \_\_\_\_\_

Visit [www.tipro.org](http://www.tipro.org) for online registration.

No refunds after August 2, 2013.



Special dietary needs or other considerations?  
Please contact TIPRO staff

## ATTENDEE INFORMATION

Attendee name: \_\_\_\_\_ Spouse: \_\_\_\_\_

Company: \_\_\_\_\_

Street Address: \_\_\_\_\_

City/State/Zip Code: \_\_\_\_\_

E-mail: \_\_\_\_\_ Phone: \_\_\_\_\_

Fax: \_\_\_\_\_ Cell: \_\_\_\_\_

Children's Names: \_\_\_\_\_

T-shirt size (please check one per paid registrant):

\_\_\_\_ Youth Small \_\_\_\_ Youth Medium \_\_\_\_ Youth Large \_\_\_\_ Small \_\_\_\_ Medium \_\_\_\_ Large \_\_\_\_ XLarge \_\_\_\_ XXLLarge

**REGISTRATION TOTAL: \$** \_\_\_\_\_

Payment Method: ☐ VISA ☐ MASTERCARD ☐ AMEX ☐ CHECK NO: \_\_\_\_\_

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Billing Address: \_\_\_\_\_

Credit Card No.: \_\_\_\_\_ Exp. Date: \_\_\_\_\_

Signature: \_\_\_\_\_ CID: \_\_\_\_\_

Registrations with shirt sizes must be received by July 26, 2013, to receive guaranteed size.

Fax form to (512) 476-8070 or mail to TIPRO at: 919 Congress Avenue Suite 1000, Austin, Texas 78701

For additional information, contact TIPRO at (512) 477-4452, or visit [www.tipro.org](http://www.tipro.org).



## SENATE APPROVES GINA MCCARTHY AS NEXT ADMINISTRATOR OF THE EPA

With a vote of 59-40, members of the U.S. Senate confirmed Gina McCarthy as the next leader of the Environmental Protection Agency (EPA) on Thursday, July 18, 2013. McCarthy replaces former EPA administrator Lisa Jackson, who managed operations at the federal agency from 2009 through 2012.

"I am pleased that today the Senate took bi-partisan action to confirm Gina McCarthy as the next administrator of the EPA," commented President Barack Obama. "With years of experience at the state and local level, Gina is a proven leader who knows how to build bi-partisan support for commonsense environmental solutions that protect the health and safety of our kids while promoting economic growth. Over the past four years, I have valued Gina's counsel and I look forward to having her in my Cabinet as we work to slow the effects of climate change and leave a cleaner environment for future generations."

McCarthy's confirmation as head of the EPA has been controversial, as a number of U.S. Senators used her nomination to bring attention to problems at the agency. For months, Senator Roy Blunt (R-Missouri) placed a procedural hold on her nomination, after the president's administration failed to meet its own deadline on the release of an Environmental Impact Statement (EIS) for the St. Johns Bayou-New Madrid Floodway Project, which would have allowed for the repair of a levee in the Mississippi River system. Other elected officials pushed back against the nomination because of the Obama administration's implementation of harsh policy initiatives that hinder energy development without scientific evidence supporting the need to do so.

"I voted against Gina McCarthy to be the next Administrator of the EPA, but my fight is not with her. My fight is with President Obama and the EPA, the regulatory agency that has consistently placed unreasonable regulations and unobtainable standards on energy production, rather than focus on efforts to develop a domestic all-of-the-above energy strategy for the future," said U.S. Senator Joe Manchin (D-West Virginia). "We must develop a national energy policy that uses all of our vast resources — coal, gas, oil, as well as wind, hydro, solar, biomass and nuclear. We must invest in technologies that will allow us to use our resources in the cleanest and most efficient ways possible. We must break the power of foreign oil countries and greedy speculators. By doing this, we will chart a new and promising energy future for this great nation, increasing both our national security and prosperity."

Previously, McCarthy was the assistant administrator for the EPA's Office of Air and Radiation, serving as a leading advocate for common-sense strategies to protect public health and the environment. Over her career, which spans 30 years, McCarthy has worked at both the state and local levels on critical environmental issues and helped coordinate policies related to the environment, energy, transportation and economic growth. She received a Bachelor of Arts degree in social anthropology from the University of Massachusetts at Boston and a joint Master of Science in environmental health engineering and planning and policy from Tufts University.



**Gina McCarthy**

## TEXAS CONGRESSMAN THREATENS TO SUBPOENA EPA OVER REGULATORY DATA

Earlier this week, U.S. Congressman Lamar Smith (R-Texas), chairman of the U.S. Science, Space, and Technology Committee, and Congressman Chris Stewart (R-Utah), chair of the Environment Subcommittee, sent a final letter to the newly confirmed Environmental Protection Agency (EPA) Administrator Gina McCarthy, requesting that the federal agency hand over research data used to justify Clean Air Act regulations finalized by the Obama administration in recent years. According to the two Congressmen, for over two years, members of the U.S. Science, Space, and Technology Committee have sought access to the scientific data that was used as the basis for new costly regulations, sending up to six letters to the EPA and other top administration officials, without response.

"If the EPA has nothing to hide, why not provide this information to Congress and the American people?" posed Chairmen Smith and Stewart. "We are concerned that the EPA's reluctance to respond to Congressional requests or to obtain and assess the data to assure the legitimacy of claimed benefits may reflect weaknesses in the studies... Recent claims by the agency that it is working to obtain the data from certain academic institutions ring hollow, given the years of delay and excuses."

"Despite a commitment made in testimony before this Committee more than 20 months ago, and multiple requests since that time, the EPA has failed to provide the information in a manner that would allow for independent scientific verification," added the lawmakers. "Given the central role of these publically-funded analyses in providing justification for major, costly EPA regulations, it is imperative that this information be open and transparent. The American people are going to be forced to foot the bill. They have a right to know whether the EPA's new rules are based on sound science or a partisan agenda."

In their letter to Administrator McCarthy, Congressman Smith and Stewart cited one specific example of secret science used to implement new environmental rules, although they have experienced several other similar instances as well. In the EPA assessment of new limits on ozone emission, regulations which are expected to be some of the most costly ever issued by the federal government, the EPA cited studies based upon these hidden data sets more than a thousand times.

As recent as June 12, 2013, members of the Committee requested the EPA release the data analysis used for rulemaking purposes. However, the EPA has yet to comply. The Committee also invited staff experts from the EPA to testify at a hearing on such matters - a request that was also denied by the agency.

Consequently, the Committee Chairmen demand in their final letter to the EPA Administrator that the EPA provides the data no later than July 31, 2013. Failure to supplement the scientific information will result in formal Committee action and a subpoena to ensure disclosure by the government agency.

## VISIT TIPRO AT THE 2013 SUMMER NAPE EXPO!

During the upcoming Summer NAPE Expo, held August 14-16 at the George R. Brown Convention Center in Houston, be sure to stop by and visit TIPRO at Booth #3060! TIPRO's President Ed Longanecker and Director of Development Stephen Coffman will be in attendance and hope to see you there.

NAPE provides a marketplace for the buying, selling and trading of oil and gas prospects and producing properties via exhibit booths. The Expo brings prospects and producing properties from the U.S. and around the world, capital formation, services and technologies all together in one location, creating an environment to establish strategic alliances for doing business and initiating purchases and trades. Summer NAPE now hosts nearly 600 booths, with as many as 6,000 attendees.

## LAREDO ISD LAUNCHES PILOT OIL-AND-GAS PROGRAM FOR SOUTH TEXAS STUDENTS

With rising demand for trained students in the Eagle Ford Shale region, the Laredo Independent School District (LISD) will launch a new program aimed at increasing the education of petroleum engineering. The program will be available for incoming freshman for the 2013-2014 school year, says school administrators.

"With the recent job boom created by the Eagle Ford in the oil and gas industry in South Texas, LISD continues to be a leader by preparing our students with the proper job training skills needed to meet the region's needs," said Cynthia Sanchez, LISD career and technical education director.

The LISD has developed a partnership with Laredo Community College that will allow students to graduate with up to 12 hours of dual credit from LCC by taking courses in Industrial Safety, Introduction to Petroleum Industry, and Natural Gas Processing. During their first year in the program, students will learn about the principles of engineering, hydraulics, pneumatics and electricity. Following completion of those courses, the students will be able to select a path that allows for certification as an oil and gas specialist or obtain a degree in petroleum engineering.

"We are very honored to be the pilot campus for this initiative," said Gus Perez, director of the Sabas Perez School for Engineering and Technology Education. "Our staff is eager and prepared to introduce our students to petroleum and engineering field related courses. We are currently offering seven classes and approximately 150 incoming freshman have already enrolled in the new program."

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## FORMER FIRST LADY LAURA BUSH TOURS EAGLE FORD SHALE REGION

Last month, Laura Bush, former first lady and founder of non-profit conservation group *Taking Care of Texas*, participated in a rig tour in South Texas' Eagle Ford Shale in efforts to learn about strategies currently being employed by producers that minimize the environmental impact of drilling. On the tour, Bush was also joined by representatives from the Caesar Kleberg Wildlife Research Institute, the Texas Parks and Wildlife Department, the Texas Wildlife Association and the South Texas Energy & Economic Roundtable.

"*Taking Care of Texas* is about building on existing conservation efforts," said Bush. "We are working with developers of the Eagle Ford Shale because it's important to take care of the landscapes and wildlife habitat where drilling occurs. We want Texas to be a leader in meeting the nation's energy needs while conserving soil and habitat and boosting the economy in South Texas."

Moving forward, *Taking Care of Texas* hopes to work directly with oil and gas operators in the region to ensure environmental responsibility and further educate companies on how to apply conservation methods at oil fields. The group plans to help the oil and gas industry with erosion control, native plant reseeding and salvaging topsoil at drilling locations in the Eagle Ford Shale.

*Taking Care of Texas*, formed in 2011, strives to balance safeguarding natural resources with respect for private property interests.



## TCEQ TO CONDUCT AERIAL FLY-OVERS TO MONITOR AIR EMISSIONS IN STATE'S SHALE PLAYS

The Texas Commission on Environmental Quality (TCEQ) will conduct fly-overs in the Eagle Ford Shale and Permian Basin through the month of August, the state agency announced, in efforts to monitor air emissions in those regions that have experienced rising development of oil and gas. More specifically, the agency hopes to target Texas counties that include: Andrews, Atascosa, Bee, Crockett, De Witt, Dimmit, Ector, Gaines, Howard, Irion, Karnes, La Salle, Live Oak, Martin, McMullen, Midland, Reagan, Reeves, Upton, Ward, Webb and Winkler.

Using infrared cameras as screening tools, the TCEQ will be able to evaluate larger areas in shorter amounts of time. Once the video surveillance is completed, the agency says if there are any specific areas they find which are of concern, they will send out surveys via regional offices to the companies that own the well pads in order to acquire any necessary information on the site. At that point if the "problems" -- whatever those may be -- are not properly addressed by the operator, the agency will plan for additional investigation at the site.

The TCEQ has conducted similar fly-overs since 2005 to determine air quality near oil and gas production facilities, and ensure companies are in compliance with permits.

## RRC UNVEILS ENHANCEMENTS TO PUBLIC GIS VIEWER

The public will now be better able to access oil, gas and pipeline data online through the Texas Railroad Commission's (RRC) website, as the state agency recently unveiled new updates to its geographic information system. The agency's enhanced Public GIS Viewer will provide modernized functionality with improved search and navigation features, in addition to an up-to-date basemap with layer options that include streets, aerial imagery and others. Enhanced printing and address location options are also now available with the new viewer. Through the RRC's GIS Viewer, the public may also easily identify operator cleanup sites in the state of Texas, as well as the location of display orphan wells.

The commission reports that additional survey and pipeline searches will be added in future releases of the viewer.

IT improvements for the agency come as a result of the Texas Legislature approving \$24.7 million for technology upgrades during the 83<sup>rd</sup> Regular Legislative Session. In addition to enhancements to the online GIS system, the allocated funds will help with implementation of online filing for required reports, as well as with the development of other applications that take advantage of mobile technologies.

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## RRC TO HOST WORKSHOPS IN AUGUST ON REPORTING REQUIREMENTS

Members of TIPRO are invited to attend two upcoming regulatory workshops that are to be held in August in Austin by the Texas Railroad Commission's (RRC) Oil & Gas Division.

The first workshop, taking place on Monday, August 19, from 1:30 p.m. to 3:30 p.m. at the agency's headquarters in Room 12-126 of the William B. Travis building, will focus on the Skim Oil/Condensate Report (Form P-18). Staff will discuss the filing procedures and requirements along with the information to be provided on the P-18 report.

On Thursday, August 29, 2013, the Oil & Gas Division will also host a workshop on filing requirements for the Monthly Transportation and Storage Report (Form T-1). The seminar, lasting from 1:30-3:30 p.m., will inform operators of filing information with the agency through this report.

A detailed question and answer session will follow both presentations.

There is no charge to attend; however, space is limited for both workshops. Persons interested in attending must register by emailing [Veronica.Larson@rrc.state.tx.us](mailto:Veronica.Larson@rrc.state.tx.us). Requests will be processed on a first-come, first-served basis.

For additional details on these Educational Workshops and Conferences at the RRC, visit the following website: [www.rrc.state.tx.us/education/seminars/OG2013.php](http://www.rrc.state.tx.us/education/seminars/OG2013.php).

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## 2014 ELECTION: NEW CANDIDATES THROW THEIR HATS IN THE RING

Although the next major election cycle is more than a year away, the race for state office continues to heat up, as more individuals announce their candidacies for party nominations. In addition to Malachi Boyuls and State Representative Stefani Carter who have both previously announced their intentions to run in the Republican primary for Railroad Commissioner, former State Representative Ray Keller will also seek the Republican nomination for the seat that is to be vacated by current Chairman Barry Smitherman. Keller represented southern Dallas County in the Texas House between 1979-1987 and has since led a successful business career in the public safety sales industry.

"Texas is the leading producer of energy in the United States," Keller said in his announcement. "We need a strong voice on the commission for energy policies that create jobs, protect our national security and protect our environment."

Moreover, this past week State Representative Dan Branch also unveiled his plans to run as the state's next attorney general. Branch has served in the Texas House of Representatives since 2003, where he has worked to balance six straight budgets without raising taxes, passed the largest tax cut in Texas history, and helped to enact landmark tort reform legislation that has allowed Texas to create nearly one-third of the net new jobs in America during the past 10 years.

"Over the last decade, I've helped lead the fight in the legislature to reform our civil justice system and place a choke hold on frivolous lawsuits. While some talked about it, I actually cast the tough votes to make it happen. And the results are in – our economy has expanded dramatically as a result of lawsuit reform," Branch said. "As your attorney general, I will fight just as hard to preserve a regulatory climate that creates jobs and clears our courts of junk lawsuits, protects our property rights, and preserves our economic liberties."

## TEXAS ATTORNEY GENERAL RULES COUNTY COMMISSIONERS MAY ASSESS FEE FOR ROADS

In an opinion letter sent Monday, July 22, 2013, Texas Attorney General Greg Abbott clarified pending questions on the ability of county commissioner courts to require a permit and charge a fee after installing an access point to a county road. Attorney Joshua Hamby had requested input by the state's attorney general, after excessive traffic on county roads in West Texas' Howard County - located near Big Springs, in the Permian Basin - has caused roadway damage. Accordingly, the county seeks to require a permit and charge a fee for each new access point to county roads. The money raised would help contribute to maintenance of county roads and make streets safe for public travel.

As stated by the Attorney General, section 251.016 of the Transportation Code authorizes commissioners courts to "exercise general control over all roads, highways, and bridges in the county," and "may set a reasonable fee for such permits in accordance through section 251.017."

In summary, this finding will allow a commissioners court to require permits for the construction within the county right-of-way of access points to county roads. It also authorizes the commissioners court to set a reasonable fee for such permits in relation to the cost of impacts to those county roads of the vehicles using that access point. The letter from Attorney General Abbott did warn against targeting one specific industry, advising the focus of a permit or fee be applied to heavy duty vehicles rather than solely the oil and gas industry.

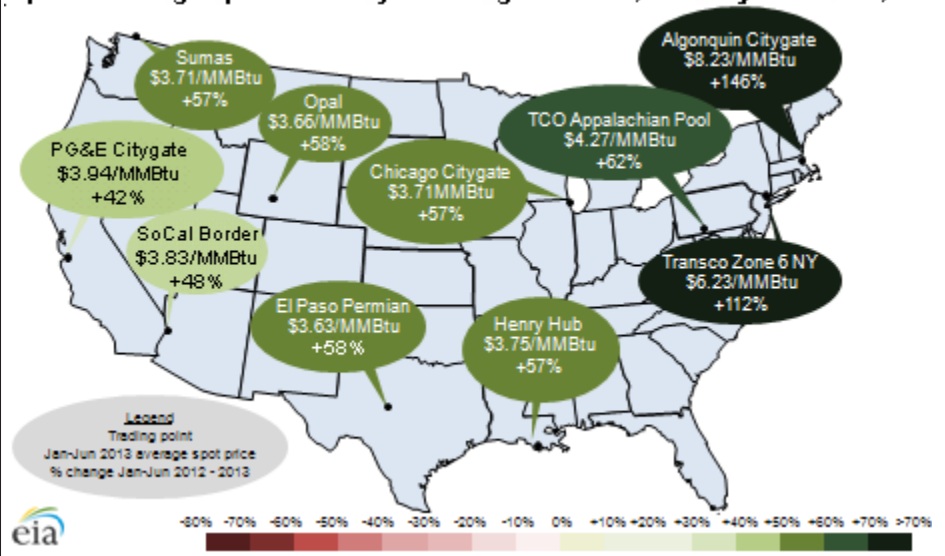
An attorney general opinion is a written interpretation of existing law, written only at the request of certain officials. Courts have stated that attorney general opinions are highly persuasive and are entitled to great weight. However, the ultimate determination of a law's applicability, meaning or constitutionality remains left up to the courts.

## NATURAL GAS PRICES REBOUND IN 2013

During the first half of 2013, natural gas prices have nicely recovered from extreme lows in 2012, with total demand now outpacing supply. Colder winter temperatures was one leading cause - which allowed consumption to rise by 5.6 billion cubic feet per day (Bcf/d) or approximately 3 percent through the first half of this year.

According to the U.S. Energy Information Administration (EIA), natural gas spot prices at Henry Hub — a key benchmark and major trading location — averaged \$3.75/MMBtu during the first half of 2013, up 57 percent from the \$2.39/MMBtu average spot price for the first half of 2012. However, the EIA notes that this year-over-year price increase principally reflected the extremely low prices in 2012. In actuality, spot prices so far in 2013 are very similar to levels seen in 2009 to 2011.

Spot natural gas prices at major trading locations, January 1-June 30, 2013







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