



Texas

**Independent  
Producers and  
Royalty Owners  
Association**

## TEXAS OIL PRODUCTION CONTINUES TO SEE GAINS, DESPITE DROP IN COMMODITY PRICES

New statistics released by the Texas Railroad Commission show that crude oil production has continued to rise in the Lone Star State. Preliminary data for May 2015 crude oil production shows that an average of 2,429,347 barrels were pumped daily in Texas, up from the average 2,136,638 barrels produced daily in May 2014. Collectively, the commission reports that the Texas crude oil production figure for May 2015 totaled 75,309,757 barrels, up from 66,235,787 barrels reported a year ago, during

May 2014. The top ten oil producing counties are primarily located in the Eagle Ford and Permian Basin regions. In ranking order, the leading counties for oil production include: Karnes, Dewitt, La Salle, Gonzales, Upton, Andrews, Midland, Martin, McMullen and Reeves counties.

With the price of oil remaining suppressed, however, many companies have stalled plans to drill new wells, leading to a sufficient drop in applications for drilling permits at the commission. The Railroad Commission of Texas issued a total of 851 original drilling permits in June 2015 compared to 2,185 in June 2014. The June total included 716 permits to drill new oil and gas wells, seven to re-enter existing well bores and 128 for re-completions. Permits issued in June 2015 included 227 oil, 73 gas, 500 oil and gas, 34 injection, two service and 15 other permits.

Additionally, natural gas production also shows signs of improvement, according to the Railroad Commission. Texas wells produced a total of 639,101,169 Mcf

(thousand cubic feet) of gas based upon preliminary production figures for May 2015, up from the May 2014 preliminary gas production total of 617,988,757 Mcf. Preliminary total gas production for May averaged 20,616,167 Mcf (thousand cubic feet) a day in Texas.

Texas production in May 2015 came from 173,197 oil wells and 93,117 gas wells, notes the commission. Texas remains the top producing state of oil and gas in the United States.



## EPA PROPOSES PROGRAM CHALLENGING OIL & GAS SECTOR TO CUT EMISSIONS

The U.S. Environmental Protection Agency (EPA) is proposing a new voluntary program that would provide an additional platform to promote the reduction of methane emissions by the oil and gas industry. The "Natural Gas STAR Methane Challenge Program" - referred to as the Methane Challenge - strives to encourage leading oil and gas companies to cut methane emissions and improve air quality. The EPA acknowledges that tremendous progress has already made by the industry over the last 20 years in reduced air emissions through the successful Natural Gas STAR Program. However, the EPA contends that this new program has the capability to comprehensively and transparently reduce emissions by the oil and gas sector and realize significant voluntary reductions in a quick, flexible and cost-effective way. Through the program, companies would be asked to volunteer to make specific emissions reduction commitments and agree to submit annual data on the progress that they are making. By signing up to participate, companies would earn recognition as partners in the Methane Challenge Program.

The Methane Challenge Program is a fundamental part of the Obama Administration's ongoing initiative to address methane emissions and global climate change. In January 2015, the Administration further demonstrated its commitment to the issue by announcing a new goal to cut methane emissions from the oil and gas sector by 40-45 percent from 2012 levels, before the year 2025.

The EPA will consider and evaluate all feedback received on the proposed program through September 1, 2015. Then, later in the year, the federal agency plans to officially launch the Methane Challenge Program, possibly in conjunction with the next Natural Gas STAR Annual Implementation Workshop to be held in November.

Learn more about the EPA's proposed methane challenge program by visiting: [www.epa.gov/gasstar/methanechallenge](http://www.epa.gov/gasstar/methanechallenge).

## PRESIDENT'S MESSAGE

### TIPRO Members-

Next week, TIPRO will host its 2015 Summer Conference in San Antonio at the Hyatt Hill Country Resort. The conference kicks off on Thursday evening, August 6, at 5:30 p.m. with a welcome reception for TIPRO members, industry colleagues, energy professionals, friends and family. This networking reception provides a special opportunity to meet new business associates and form connections with other professionals in the Texas E&P sector.

Then, next Friday, August 7, we have a full day planned, complete with general session presentations by our distinguished line-up of speakers. This year, presenters will address a variety of important issues that include: seismicity, industry regulations, new oilfield technologies and strategies to improve production and greater efficiencies in drilling operations. With the ongoing fluctuations in the market, we also are eager to receive an economic forecast for oil and gas by a leading energy analyst, as well as discuss the outcome of the 2015 Legislative Session in Texas. We will examine other noteworthy local, state and federal issues for the oil and gas sector, shedding light on what regulatory and legislative issues independent producers and royalty owners will need to monitor in the coming months. The day will conclude with the Chairman's Dinner and Casino Night, during which time we look forward to hearing remarks from Railroad Commission Chairman David Porter.

For those members who have not yet registered, I hope you will seriously consider attending this event. Having your company represented as we discuss the challenges and opportunities facing our industry is more important than ever. If you are unable to participate, please consider inviting one or multiple representatives from your company to attend the TIPRO meeting in your place.

TIPRO also looks forward to hosting our annual golf tournament in conjunction with the summer conference. The golf tournament will tee off on the morning of Saturday, August 8, at 7:30 a.m. This year, Red McCombs Ford will again be providing an opportunity to win a new vehicle through a special hole-in-one competition. Other fun golf contests will also be held during the tournament.

Please call the TIPRO office at (512) 477-4452 to sign up to participate in the 2015 TIPRO Summer meeting. Onsite registration will also be available.

I look forward to seeing you in San Antonio. Regards,  
Ed Longanecker

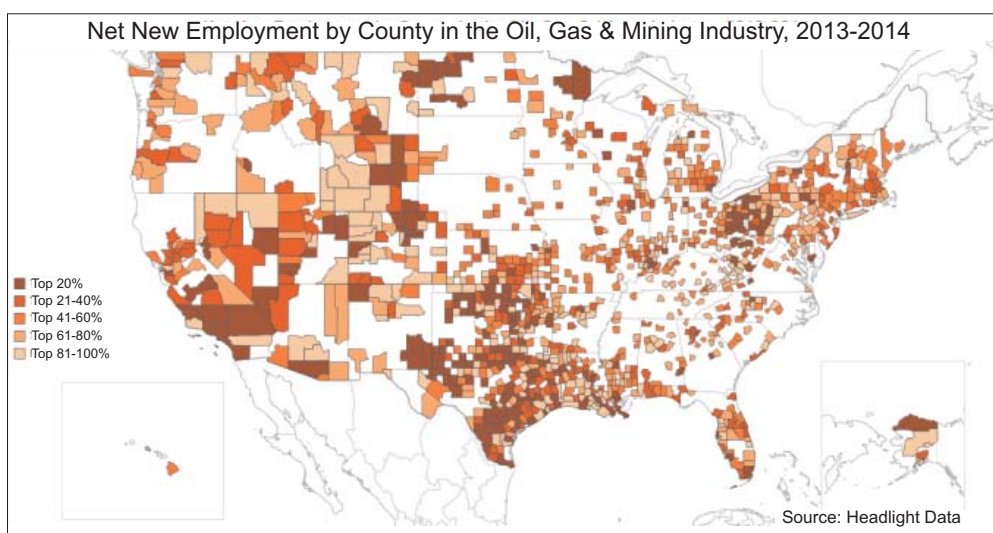
## NEW REPORT HIGHLIGHTS TOP ENERGY ECONOMIES IN U.S. FOR 2014

Midland County has been recognized as the top county in the nation for oil and gas job creation last year, according to a new report released on Wednesday, July 29, by Headlight Data. During 2014, counties situated in the middle of the Permian Basin and the Eagle Ford Shale experienced strong levels of employment growth, as oil and gas drilling activity remained high in the two formations.

"Out of more than 1,100 counties with oil, gas and mining economies, five of the Top 10 were in Texas: Midland County, Bexar County, Frio County, Ector County, and Tarrant County. Two counties were in Colorado: Weld County and Denver County. Williams County-North Dakota, with a population of just 32,000 people, created 1,800 oil and gas jobs. Frio County-Texas with just 18,500 people, created 1,100 new oil and gas jobs," notes the economic analysis.

Headlight Data estimates that over the last five years, the oil and gas sector expanded by approximately 31 percent.

The report is based on 2014 data published by the U.S. Bureau of Labor Statistics. Statistics review employment trends for the U.S. energy labor market prior to the drop in oil prices.



### TIPRO Calendar of Events

<b>AUGUST 6-8, 2015</b> <b>SAN ANTONIO — TIPRO</b> Summer Conference & Golf Tournament, Hyatt Hill Country Resort. For info, call: (512) 477-4452.	<b>AUGUST 12, 2015</b> <b>HOUSTON — IPAA/TIPRO</b> Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.	<b>AUGUST 19-20, 2015</b> <b>HOUSTON — Summer</b> NAPE Expo, George R. Brown Convention Center. For info, call: (817) 847-7700.	<b>SEPTEMBER 9, 2015</b> <b>HOUSTON — IPAA/TIPRO</b> Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.
---	--	--	--



## TWDB APPROVES \$3.9 BILLION IN FUNDING FOR WATER INFRASTRUCTURE PROJECTS

On Thursday, July 23, 2015, the Texas Water Development Board (TWDB) approved approximately \$3.9 billion in financial assistance from the State Water Implementation Fund for Texas (SWIFT), offering loans that will help support water infrastructure development across Texas.

SWIFT was established two years ago by the Texas Legislature and voters to provide funding of projects in the state water plan. It was created through the transfer of a one-time, \$2 billion appropriation from the state's Rainy Day Fund. Over the next 50 years, SWIFT will be leveraged with revenue bonds to finance approximately \$27 billion in water supply projects.

"We took the legislature and voters of Texas very seriously when they put their confidence in us to manage SWIFT," commented Kathleen Jackson, TWDB board member. "We've traveled the state, engaged communities, and developed a new approach to fast-track the state water plan. We are beyond excited to approve the first round of SWIFT financing and see the large number of impactful projects moving forward to develop water for Texas."

The TWDB reports that the inaugural round of SWIFT financing will be distributed to 21 applicants for approximately \$1 billion in projects over the first year, and approximately \$3.9 billion total over the next decade.

Approved projects include transmission pipelines, canal linings, capacity expansions, seawater desalination, leak detection systems, water meter replacements, and reservoirs.

"We appreciate the work of TWDB to identify and fund necessary water projects that will support communities throughout Texas," said Ed Longanecker, president of TIPRO. "The historic allocation of funding through SWIFT is an essential part of the comprehensive water supply strategy for the Lone Star State."

"Being able to finance projects through SWIFT is a major step toward achieving the goal of securing Texas' long-term water supplies," said TWDB Chairman Bech Bruun. "The projects selected to receive SWIFT financing will help ensure that Texans have sustainable and reliable water sources for decades to come."



## TECHNICAL ADVISORY COMMITTEE ON SEISMICITY TO BE CREATED BY TEXAS GOVERNOR

During the 84<sup>th</sup> Regular Legislative Session, the Texas Legislature appropriated \$4.5 million for seismic equipment and analysis. Under House Bill 2, a Technical Advisory Committee on Seismicity is also to be created by the Governor of Texas, composed of nine members total who are appointed by the Governor. The committee must consist of at least two members representing higher education institutions and at least two members of the technical group must be experts from the oil and gas industry. The Railroad Commission seismologist also must hold a seat on the committee.

The technical advisory committee will advise state leaders and legislators on the use of the money appropriated for seismic research, provide the monthly data collected, describe preliminary reservoir modeling results and prepare a report to be delivered to the Governor, House Committee on Energy Resources, and Senate Committee on Natural Resources and Economic Development by December 1, 2016.

The committee has not yet been formed, though the Governor's Appointment Office is now accepting applications. To apply for a potential appointment on the committee, please visit [www.gov.texas.gov/appointments](http://www.gov.texas.gov/appointments).

## DENTON CITY COUNCIL POSTPONES VOTE ON REDUCED SETBACKS

On Tuesday evening, July 28, the Denton City Council hosted a special public hearing to discuss changes to the city's local ordinance on setback distance requirements. As a result of the passage of House Bill 40 during the last legislative session, the city of Denton is now evaluating a reduction in the current 1,200-foot setback distance between natural gas production sites and residences, schools and businesses.

City staff offered a recommendation to the city council to revert back to its previous setback of 1,000 feet for new wells, while the Planning and Zoning Commission suggested a 750 feet setback distance.

During the city council hearing, council members also considered reverse setbacks--which would identify the distance a property developer may build homes from an existing well. Denton city staff recommended a reverse setback of 500 feet, while the Planning and Zoning advised 225 feet would be appropriate.

As anticipated, there was a strong level of public participation at the hearing, with 30 residents testifying on the issue, according to media reports.

The council did not adopt any changes and postponed a vote on setback changes until August 4, 2015.

In the wake of House Bill 40 going into effect, the Denton City Council also voted earlier this summer to repeal the city's ban on hydraulic fracturing.

## BLM HYDRAULIC FRACTURING RULE DELAYED, AGAIN

New federal regulations on hydraulic fracturing will again be delayed, after a judge granted the U.S. government more time to prepare its case justifying the need for such rules. On Thursday, July 23, U.S. District Court Judge Scott Skavdahl approved a motion by the Department of the Interior and other plaintiffs requesting additional time to enter the administrative record and submit information regarding the federal government's process and reasoning for implementing new regulatory standards on hydraulic fracturing. The parties will have until Friday, August 28, to provide the full administrative record offering explanation as to how the Bureau of Land Management (BLM) developed its rule for governing hydraulic fracturing on public and tribal lands.

Earlier this summer, the courts initially imposed a temporary stay on the federal fracking rules, after a lawsuit was filed by the states of Colorado, North Dakota, Utah, and Wyoming, along with the Independent Petroleum Association of America (IPAA) and Western Energy Alliance, challenging the Department of Interior and BLM on the federal hydraulic fracturing rules. In the original petition, the plaintiffs argued:

*"BLM's rulemaking represents a reaction to unsubstantiated concerns and the administrative record lacks the factual, scientific, or engineering evidence necessary to sustain the agency's final rule. The rulemaking has been procedurally deficient and the final rule as issued is contrary to law. Because the regulatory conditions the final rule imposes constitute arbitrary and unnecessary burdens that either duplicate state law requirements or improperly curtail the primary jurisdiction of state governments, and because the regulations are not properly tailored to achieve a legitimate government purpose, the Court should find the rule invalid and set aside the challenged agency action."*

Because the federal government had initially failed to submit the full administrative record to the courts for consideration, the judge presiding over the case elected to delay the new federal regulations and grant the U.S. government the opportunity to provide the complete administrative record to the court.

Once the administrative record is filed, Judge Skavdahl has reportedly laid out an aggressive schedule for review of the hydraulic fracturing rule. Involved stakeholders are expected to be given seven days to submit "citations to the administrative record in support of their positions." The parties will not be allowed to introduce additional arguments. Judge Skavdahl is then expected to issue a final decision on the rule within two weeks of receiving the parties' citations to the administrative record, likely to occur in mid-late September.

## U.S. FISH & WILDLIFE SERVICE PROPOSES CHANGE TO SPECIES PETITION REGULATIONS

The U.S. Fish and Wildlife Service (USFWS) and the National Oceanic and Atmospheric Administration's National Marine Fishers Service (NMFS) have jointly proposed revisions to the Endangered Species Act (ESA) petition regulations. The proposed changes seek to improve the quality of petitions received, and will ultimately help USFWS identify and focus resources on species truly at risk of endangerment.

According to the USFWS bulletin, the regulation revisions would either require petitioners to coordinate with state fish and wildlife agencies or gather any relevant information from the respective state wildlife agency websites prior to submitting petitions formally for domestic species. Additionally, the proposal would limit a petition to a single species, as opposed to previous acceptance of multi-species petitions and mega-petitions, and describes in more detail the sort of information that needs to be included in a petition to ensure its completeness and increase the probability that the USFWS can make a substantial finding on the petitioned request.

The drafted rules were initially published in the Federal Register on May 21. To view the proposed policy, visit the following link:

[www.fws.gov/endangered/improving\\_ESA/pdf/Proposed Revised 424-14 Petition Regulations Federal Register Notice.pdf](http://www.fws.gov/endangered/improving_ESA/pdf/Proposed_Revised_424-14_Petition_Regulations_Federal_Register_Notice.pdf)

The comment period on the proposed ESA petition regulations has been extended until September 18, 2015.

## EPA SEEKS NEW STANDARDS FOR UNCONVENTIONAL OIL & GAS EXTRACTION FACILITIES

The U.S. Environmental Protection Agency (EPA) is working to update regulations on the discharge of pollutants into publicly owned treatment works (POTWs) from existing and new unconventional oil and natural gas (UOG) extraction facilities. According to the EPA, UOG extraction wastewater can be generated in large quantities and in some cases contain elevated concentrations of salt content as well as various organic chemicals, inorganic chemicals, metals, and naturally-occurring radioactive materials. As a result, the agency believes there is a need for implementing new standards applicable to wastewater management infrastructure and practices from drilling operations. The EPA also maintains that updated standards are necessary, in order to fill a gap in existing federal wastewater regulations. The proposed rulemaking would ensure that the current practice of not sending wastewater discharges from the oil and gas sector to POTWs continues into the future, notes the EPA.

Through July 17<sup>th</sup>, the EPA accepted public comment on its proposed rules, which would stop drilling wastewater from being sent to municipal facilities that are not equipped to remove elements carried by drilling fluid. The Independent Petroleum Association of America (IPAA) filed comments on the proposed effluent limitations guidelines and standards for oil and gas, voicing concerns on behalf of nearly 50 oil and gas associations nationwide, including TIPRO. Within the comments, the group of industry organizations argues that EPA's analysis is flawed and the agency fails to realistically undertake its responsibilities under the Clean Water Act (CWA). The coalition recommends that EPA withdraw the current proposal, reassess existing and available wastewater management technologies for UOG, and only then re-propose an appropriately revised standard for oil and gas extraction facilities.



## U.S. SENATOR CORNYN WARNS CONGRESS UNLIKELY TO LIFT OIL EXPORT BAN THIS YEAR

Speaking at a forum on energy and national security last week, U.S. Senator John Cornyn, R-Texas, advised that in his opinion, Congress was unlikely to repeal the U.S. ban on crude exports this year. Despite increasing momentum by officials to change the nation's existing energy policy on crude exports, this Fall, the legislative session will likely be bogged down with spending and debt ceiling debates, Senator Cornyn said, meaning congressional action on the export policy issue is more likely to occur in 2016.

"I'm not optimistic to be honest that this will be a priority for the president or the administration," Senator Cornyn commented, in a reference to President Barack Obama. "They put their commitment to climate change above everything else."

"While the administration has eased sanctions against Iran, unfortunately so far it's done nothing to ease sanctions on our own domestic energy producers here at home," Senator Cornyn remarked.

The senator added, "The United States must consider energy as a major part of a multi-faceted strategy to increase our security by enabling a stable energy supply to our friends and allies. Today there are several legislative efforts to promote U.S. exports for our vast energy supplies for allies and partners around the world." By allowing American oil to be exported to the global market, Cornyn explained, leaders can create alternatives to countering enemies outside of military forces.

Over the past six months, the Texas delegation in Congress has vocalized concerns over the current U.S. ban on crude oil exports. Likewise, Texas officials, state legislators and regulators have also urged the federal government to take swift action to remove the ban.

Several studies have concluded that U.S. oil exports could provide a number of economic advantages. Analysis has shown that repealing the ban would lead to increased domestic energy production, job creation, lower gasoline prices, greater energy security and an improvement of the U.S. trade balance and geopolitical standing.

## RRC COMMISSIONER CRADDICK PROMOTES RESPONSIBLE INDUSTRY REGULATION

In a recent op-ed by Railroad Commissioner Christi Craddick, the Texas oil and gas regulator emphasizes the important work performed by the commission each day. Commissioner Craddick acknowledges the common misunderstanding by the public when it comes to the agency's name - explaining in her article that the Railroad Commission does not in fact oversee railroads. Instead, the organization serves a critical mission of managing all oil and gas activity in the Lone Star State. And with 125 years of history, Commissioner Craddick underscores in her editorial message, the Railroad Commission is today recognized as a worldwide leader in the regulation of oil and gas.

"Since 1891, the commission has been charged with ensuring a fair and responsible regulatory structure for oil and gas production

and promoting policies that guarantee the robust development of our state's huge energy potential. With extended jurisdiction over related industries including intrastate pipelines, natural gas utilities and surface mining operations, the commission ensures that Texans continue to enjoy the economic benefits of our state's many, plentiful mineral resources and that our communities and environment remain safe. Foreign governments regularly visit the agency to learn more about how to successfully manage energy exploration and production in their own countries.

Within her op-ed, Craddick continued by saying, "New technology, which allows companies to reach energy resources previously inaccessible, has ignited an energy revolution in the United States led by Texas. Because of our more than 100-year-old history overseeing energy development, the commission is deeply experienced in developing rules and taking actions grounded in science even as this dynamic industry rapidly evolves. We have a strong record of balancing environmental protection with economic growth and energy development. We prove it daily."



**Let's get innovative**



**Technologies**

*~The Cheapest Production You Can Find  
May Be The Production You Already Have*

[www.tctechnologeez.com](http://www.tctechnologeez.com)

[tctcom1@pdq.net](mailto:tctcom1@pdq.net)

# TWO LAWYERS WALK INTO A BAR . . .

The owner buys them both a beer to thank them for helping secure the land for his bar, navigating tax issues, and reviewing his employee handbook. **Cheers.**

---

At Gray Reed, our work is no joke . . . because our practice revolves around your business. And whatever your needs are, we can handle them. After all, that's what we've been doing in Texas for over 30 years. We're all about your bottom line – **we'll leave the punchlines to someone else.**

---



**grayreed.com**

SERVING TEXAS FOR OVER 30 YEARS  
HOUSTON + DALLAS



**GRAY REED**  
ATTORNEYS & COUNSELORS



## KEYSTONE PIPELINE SYSTEM CELEBRATES NEW MILESTONE

On the five-year anniversary of the official start of oil deliveries by the pipeline system, Keystone is marking a special milestone after safely delivering the one billionth barrel of Canadian and U.S. crude oil via its pipeline network. Although the northern segment of the pipeline, Keystone XL, still is awaiting approval from the Obama administration, the southern leg of the Keystone system actually began operating in 2010. It transports crude from Cushing, Oklahoma — a major hub for oil transportation — to refineries along the Texas coast and in Illinois.

“This is tangible evidence of how the safe delivery of Canadian and U.S. crude oil is helping to fuel the everyday lives of the American people in the safest, most efficient and least greenhouse gas intensive way possible,” said Russ Girling, president and chief executive officer of TransCanada, the company that manages the Keystone pipeline network. “To put this achievement in perspective, it would take approximately 1.7 million train cars or 3.3 million trucks to transport one billion barrels of crude oil.”

In a statement, Girling also reflected on the economic contributions provided over the past five years by the southern Keystone segment, adding that it demonstrates the real, tangible impact that Keystone can offer communities, businesses and people in the regions in which it operates. The original Keystone Pipeline has put thousands of American men and women to work, supporting almost 14,000 jobs with the construction of Keystone Pipeline System. Since 2009 when TransCanada first broke ground with the Keystone Pipeline System, more than \$200 million has been paid in property taxes across the three provinces and eight states that it runs through.

## NEW CHEMICAL PLANTS PROVIDE ADDITIONAL DEMAND FOR NATURAL GAS

Industrial natural gas consumption continues to steadily rise, the U.S. government is reporting, after relatively low natural gas prices have spurred additional demand from facilities like methanol and fertilizer plants. In a new analysis released the last week of July, the U.S. Energy Information Administration (EIA) says that industrial facilities consumed an average of 21.0 billion cubic feet per day (Bcf/d) of natural gas in 2014, representing a 24 percent increase from 2009. Several new industrial facilities began service this year, increasing natural gas use, with additional projects scheduled to come online through the year 2018.

“In the current (July) Short-Term Energy Outlook, the EIA forecasts that new projects will help drive growth in industrial natural gas demand through the end of 2016. By the end of 2015, industrial natural gas consumption is expected to reach an annual average of 21.7 Bcf/d (3.4 percent above 2014 consumption). Industrial natural gas consumption is expected to increase by another 3.9 percent in 2016, to an average of 22.5 Bcf/d. In 2016, three methanol plants are expected to come online in the Gulf of Mexico area, with a combined capacity of almost 0.4 Bcf/d. Additionally, a large nitrogen fertilizer plant, estimated to use 0.1 Bcf/d of natural gas, is currently under construction on Louisiana's Gulf Coast and is expected to come online in 2016, according to Bentek Energy.”



**Goodman  
FINANCIAL**

MONEY MANAGER • FINANCIAL ADVISOR • PHILANTHROPY  
SERVING CLIENTS FOR OVER 25 YEARS

**AN INDEPENDENT FEE-ONLY FIRM SINCE 1988**

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

**WWW.GOODMANFINANCIAL.COM**



**EQUIPPED TO HANDLE YOUR SUCCESS**

**MEETING INVESTMENT MANAGEMENT NEEDS ACROSS TEXAS AND BEYOND**

# SUMMER NAPE

Houston | August 19 - 20, 2015

WE CAN'T TELL YOU WHAT  
**YOUR NEXT DEAL** WILL BE.

BUT WE CAN TELL YOU  
**WHERE IT WILL HAPPEN.**

**AND WHEN.**

The new NAPE format brings efficiency and effectiveness to your Expo experience. The 2015 Summer NAPE Exhibit Floor opens

**1:00 PM, WEDNESDAY, AUGUST 19**

Learn more @ [napeexpo.com](http://napeexpo.com)



## NAPE

*Where Deals Happen*



**REGISTER NOW**

## 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.

919 Congress Avenue, Suite 1000  
Austin, Texas 78701  
Phone: (512) 477-4452  
Fax: (512) 476-8070  
[www.tipro.org](http://www.tipro.org)