



TIPRO
Texas
Independent
Producers and
Royalty Owners
Association

DUNES SAGEBRUSH LIZARD WILL NOT BE LISTED AS ENDANGERED OR THREATENED

The Dunes Sagebrush Lizard (DSL) will not be listed as endangered or threatened, announced the U.S. Fish & Wildlife Service (USFWS) on Wednesday, June 13. The decision comes 18 months after the federal agency first proposed the species to be protected under the Endangered Species Act (ESA).

However, after extensive review and analysis of current and future threats, in addition to major conservation efforts, the USFWS found no significant danger to the lizard and has determined that it does not need to be listed.

"The states of Texas and New Mexico have worked tirelessly with the USFWS, the Bureau of Land Management and scores of landowners and operators in the Permian Basin to conserve and protect habitat that supports the DSL and many other species," said Dan Ashe, director of USFWS. "These ongoing efforts will play a key role in ensuring the future of the lizard, while allowing responsible oil and gas development to continue."

The lizard, native to the American Southwest, is a small light brown spiny lizard that resides in the heart of the Permian Basin. If listed, the resulting regulatory protections would have severely hindered industry activity in and around its habitat. Considering the Permian Basin is responsible for production of over 1 million barrels of oil each day and accounts for 68 percent of Texas' total oil production, the impact of an endangerment listing would have been detrimental to the Texas oil and gas industry.



Photo Credit: Michael Hill, USFWS

In response to the potential listing, a group led by Texas Comptroller Susan Combs developed the Texas Conservation Plan (TCP). The plan was accepted by USFWS earlier this year, and thousands of acres of potential habitat were studied and voluntarily enrolled under the plan to try and head off an unnecessary listing by the agency.

Despite this strong effort, however, in April of this year, reports from Washington, D.C. indicated that Secretary of the Interior Ken Salazar intended to move forward with a threatened classification for the DSL. TIPRO turned to officials at the state and federal level for support, requesting that they come to the aid of the industry by making it clear to Secretary Salazar that a threatened listing was no more warranted or scientifically justifiable than an endangered listing.

The call for aid was answered strongly and immediately by several allies of the industry. Letters opposing any listing of the DSL were issued by Lieutenant Governor David Dewhurst, Railroad Commission Chairman Barry Smitherman and Speaker of the House Joe Straus. Additionally, 11 members of Congress banded together to send a joint letter to Secretary Salazar also opposing any listing of the DSL. These Congressional members include Congressman Pearce (NM), Congressman Conaway (TX), Congressman Canseco (TX), Congressman Carter (TX), Congressman Neugebauer (TX), Congressman Brady (TX), Congresswoman Granger (TX), Congressman Hall (TX), Congressman L. Smith (TX), Congressman Flores (TX) and Congressman Farenthold (TX). Together, the letters sent a clear message: either produce scientific evidence to back a listing, or do not list. TIPRO and its over 2,400 members owe a debt of gratitude to these individuals for coming to the defense of oil and natural gas in Texas at a crucial moment in the DSL debate, and to Comptroller Combs for her hard work on the TCP.

"It is a good day for West Texas. By preventing this listing, our oil and gas producers, ranchers and land owners will be able to continue doing what they do best – providing the fuel and food this nation needs," commented U.S. Congressman Mike Conaway. "The decision announced by the USFWS will allow them to continue operations without interruption or delay."

However, there are still over 100 additional species in Texas under consideration by USFWS for listing as endangered.

"The fight against an overreaching bureaucracy is not over – there are many more species in Texas still under review," added Congressman Mike Conaway. "While today's decision was a victory, the people of the Permian Basin wasted far too many hours and resources to get to where we are today. I will continue to push to improve the ESA so that other communities across Texas and the country will not be forced to face the same uphill battle to that we did."

Inside find information on TIPRO's upcoming Summer Conference...

NEW STUDY SHOWS WELL SITE EMISSIONS ARE 50 PERCENT LESS THAN EPA ESTIMATES

Greenhouse gas emissions from natural gas production are up to 50 percent lower than estimates provided by the U.S. Environmental Protection Agency (EPA), reveals a comprehensive new study by URS Corp. and The LEVON Group. The analysis, which reviewed 91,000 wells operated by over 20 companies in a broad geographic area, was undertaken after the EPA revised its calculation methods for estimating the amount of methane emissions from natural gas operations in 2011. The EPA also added two new sources not previously included in its inventories - unconventional gas well completions and workovers. This new methodology caused a dramatic increase in estimates of air emissions from natural gas production - as much as 204 percent by some estimates. Accordingly, this study aims to focus the discussion of emissions from natural gas production around real data, promote future measurement and mitigation of emissions from natural gas production and contribute to improving the emission estimation methods used by EPA for the natural gas sector in their annual national GHG inventory.

"The EPA has been upfront that its data is limited in scope. This study confirms that EPA's estimates on emissions from operations are vastly exaggerated," said Tom Amontree, executive vice president for America's Natural Gas Alliance (ANGA), which helped commission the new study. "As our nation strives to move toward a cleaner energy future, natural gas is an essential tool that is already resulting in substantial real-world progress. It is our hope that all stakeholders who aim for credible, science-based decision making and dialogue will take note of these findings and more fully consider the vast potential of this cleaner American energy source. This study confirms for policymakers and the public that the production process does not negate those benefits. Equally important, natural gas companies are continually striving to further reduce their environmental impact."

The new report calculated methane emissions from several key areas of the hydraulic fracturing process - including liquids unloading, well re-fracturing, centrifugal compressors, and pneumatic controllers. In the case of liquids unloading, a technique used to remove water and other liquids so as to improve the flow of natural gas in conventional and unconventional wells, the survey found estimated emissions for this source were nearly 86 percent lower than the emissions reported in EPA's 2010 national GHG inventory.

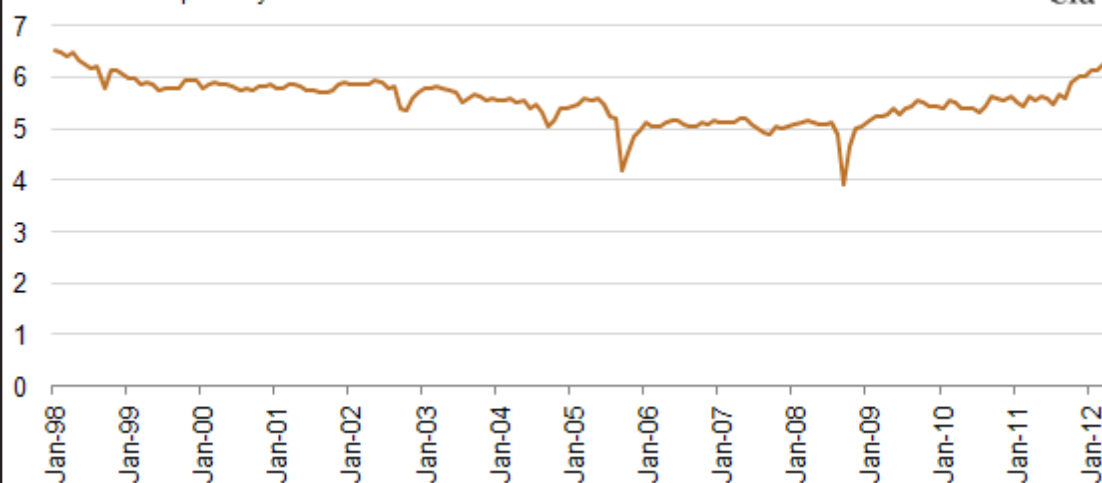
The study also warned that without consistent measurement strategies by the EPA and significant discrepancies in data used by the federal agency, it is difficult to formulate fair regulations. The study recommends that the EPA reconsider its inventory methodologies for unconventional natural gas production, considering the comprehensive and emerging data provided by industry.

U.S. CRUDE OIL PRODUCTION REACHES 14 YEAR HIGH

For the first time in 14 years, domestic crude oil production hit its highest mark during the first quarter of 2012, topping 6 million barrels per day (bbl/d), according to the U.S. Energy Information Agency (EIA). The last time U.S. quarterly oil production was above 6 million bbl/d was in December 1998. The strong growth results primarily from a steady increase in oil output from North Dakota, Texas and federal leases in the Gulf of Mexico.

Texas remains the top oil-producing state in the country, while North Dakota has jumped ahead of Alaska as the state with the second largest oil output.

U.S. monthly crude oil production, January 1998 to March 2012
million barrels per day



Source: U.S. Energy Information Administration, Petroleum Supply Monthly.

Calendar of Events

JULY 11, 2012	AUGUST 8, 2012	AUGUST 9-11, 2012	AUGUST 22-24, 2012
HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.	HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.	GALVESTON TIPRO s Summer Conference & Golf Tournament, Moody Gardens. For info, call: (512) 477-4452.	HOUSTON Summer NAPE Expo, George R. Brown Convention Center For info, call: (817) 847-7700.



Summer Conference & Golf Tournaunt

*Moody Gardens Resort & Spa
Galveston, Texas
August 9-11, 2012*

THURSDAY - AUGUST 9, 2012 GOLF TOURNAMENT

- 1:00 p.m. Golf Tournament
- 5:00 p.m. 19TH Hole Reception
- 7:00 p.m. Dinner on your own

FRIDAY - AUGUST 10, 2012 COMMITTEE MEETINGS

- 8:00 a.m. Audit Committee Meeting
- 9:30 a.m. TIPRO Board Meeting

FRIDAY - AUGUST 10, 2012 GENERAL SESSION

- 1:00 p.m. Welcome Address
Chairman David Martineau
- 1:10 p.m. Keynote Presentation
*Bill Albrecht
President, Occidental Oil and Gas Corp.*
- 2:15 p.m. Outlook on Natural Gas Markets
*Marshall Adkins
Director of Energy Research, Raymond James*
- 3:15 p.m. Ice Cream Social Break
- 3:30 p.m. Congressional Panel
*Congressman Bill Flores
Congressman Pete Olsen*
- 4:45 p.m. Regulatory Update
Commissioner David Porter
- 5:30 p.m. Welcome to Galveston Reception
- 7:00 p.m. Dinner on your own

Make your hotel reservations today!

*Don't miss the chance to book a room for the discounted group rate of \$189 - the deadline to reserve a room with the reduced rate is **July 19!***

*Call Moody Gardens at
(888) 388-8484 to book a room!*

SATURDAY - AUGUST 11, 2012 GENERAL SESSION

- 8:00 a.m. Membership Breakfast
- 9:00 a.m. State and Federal Issues Update
*Teddy Carter
Director of Public Affairs, TIPRO*
- 10:15 a.m. CEO Presentation
TBA
- 11:00 a.m. Break
- 11:15 a.m. "A look ahead at the 2012 Elections"
*Mark Delsignor
Founder, Perception Insight*
- 12:00 p.m. Afternoon Break/Family Time
- 6:00 p.m. Chairman's Dinner & Party

Register Today for TIPRO's Summer Conference!

REGISTRATION FEES:

☐ Member @ \$375: _____

☐ 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 and dinner and conference T Shirt

GOLF REGISTRATION FEES:

Member:

Golf _____ @ \$109: _____

Handicap(s): _____

Non-Member:

Golf _____ @ \$179: _____

Handicap(s): _____

Visit www.tipro.org
for online registration.
No refunds after August 2.

NOT A GOLFER?

For those who do not want to play golf, TIPRO will help arrange a deep sea fishing excursion off of the beautiful Texas Coast on Thursday, August 9. If interested, please check the box below and provide your contact information:

☐ Yes! I would be interested in deep sea fishing. Phone: _____ Email: _____

Galveston also offers one of best waterparks in the country - Schlitterbahn! Located just across the street from the Moody Gardens hotel, the park has over 33 family-friendly attractions. Discounted tickets are available for TIPRO Summer Conference attendees:

☐ Adults (ages 12+) @ \$36.80: _____

☐ Children (ages 3-11) @ \$30.30: _____

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

REGISTRATION TOTAL: \$ _____

 Payment Method: ☐ VISA ☐ MASTERCARD ☐ AMEX ☐ CHECK NO: _____

Name: _____ Company: _____

Billing Address: _____

Credit Card No.: _____ Exp. Date: _____

CID: _____ Signature: _____

Registrations with shirt sizes must be received by July 27, 2012, 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.





Sponsorship Opportunities for TIPRO's Summer Conference!

☐ Gold Level - \$6,000

Receive 4 complimentary registrations
& recognition at all events

☐ Silver Level - \$3,000

Receive 2 complimentary
registrations & sponsor recognition

☐ Bronze Level - \$1,500

Receive 1 complimentary
registration & sponsor recognition

☐ Hospitality Suite Sponsor

Receive 1 conference registration &
recognition in hospitality suite

One sponsorship available



REGISTRATION SPONSORSHIP OPPORTUNITIES

☐ T-Shirt Sponsor - \$4,000

Receive 1 conference registration &
company logo printed on back of
Conference T-shirts

One sponsorship available

☐ Koozie Sponsor - \$1,500

Receive 1 conference registration &
company logo on koozies
(printed in one color)

One sponsorship available

☐ Lanyard Sponsor - \$1,000

Receive 1 conference registration &
company logo on lanyards
(printed in one color)

One sponsorship available

GOLF SPONSORSHIP OPPORTUNITIES

☐ 19th Hole Reception - \$2,000

Receive 2 golf registrations,
19th Hole Reception signage &
sponsor recognition

One sponsorship available

☐ Visor Sponsor - \$2,000

Receive 2 golf registrations &
company logo embroidered
on visors

One sponsorship available

☐ Beverage Cart - \$1,500

Receive 2 golf registrations,
cart signage &
tournament signage

Two sponsorships available

☐ Driving Range - \$750

Receive 1 golf registration,
driving range signage &
tournament signage

Two sponsorships available

☐ Hole Sponsor - \$500

Receive 1 golf registration &
recognition on Tee Box

Name on Sponsor Registrations	Company Name	Handicap
1.		
2.		
3.		
4.		

SPONSORSHIP TOTAL: \$

Payment Method: ☐ VISA ☐ MASTERCARD ☐ AMEX ☐ CHECK NO: _____

Name: _____ Company: _____

Billing Address: _____

Credit Card No.: _____ Exp. Date: _____

CID: _____ Signature: _____

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.



AL ARMENDARIZ A NO-SHOW AT CONGRESSIONAL HEARING ON EPA ENFORCEMENT

On Wednesday, June 6, members of the U.S. House Subcommittee on Energy and Power conducted a hearing to examine the enforcement strategies and procedures of the U.S. Environmental Protection Agency (EPA). The hearing, highly anticipated by many in the oil and gas industry, represented an opportunity for officials to gain better understanding of the EPA's current enforcement priorities, as well as appreciate how EPA enforcement actions in the past might have negatively impacted jobs, the economy and consumers. The Committee also used the meeting to review the enforcement philosophy of Al Armendariz, former director of the EPA's Region VI office, who recently resigned his position after video surfaced of the regulator explaining his enforcement strategy as "crucifying" oil and natural gas companies.

Despite previously agreeing to appear before the Committee and testify, Armendariz cancelled his appearance less than 24 hours before the hearing began. Legal counsel representing Armendariz contacted the committee, notifying staff of his cancellation, although the reasoning as to why he declined to participate remained unclear. "We are extremely disappointed Dr. Armendariz will not testify at our hearing," said Energy and Commerce Committee Chairman Fred Upton (R-MI) and Energy and Power Subcommittee Chairman Ed Whitfield (R-KY) in a joint statement. "Congress and the American people deserve an explanation for the outrageous comments suggesting EPA should 'crucify' American energy companies, as well as a fuller understanding of EPA's actual enforcement priorities and practices that are creating a hostile regulatory environment."



Al Armendariz

Besides Armendariz, other witnesses invited to testify before the committee included Barry Smitherman, chairman of the Texas Railroad Commission (RRC); Bryan Shaw, chairman of the Texas Commission on Environmental Quality (TCEQ); Stephen Etsitty, executive director of the Navajo Nation Environmental Protection Agency; Robert J. Sullivan, Jr., owner of Sullivan and Company, LLC and chairman of the Oklahoma Independent Petroleum Association; Joel Mintz, law professor at Nova Southeastern University; and Allen Short, general manager at the Modesto Irrigation District.

"Mr. Armendariz' agenda was seemingly politically driven and not based in sound science," said Chairman Smitherman during the hearing. "The scare tactics that he employed against the operators and residents of Texas were factually and scientifically baseless and appeared to merely be an attempt to shut down oil and gas drilling in our state. The fact that Al Armendariz chose to shield himself behind his lawyers rather than answer simple questions about his time at the EPA demonstrates he has something to hide and is fearful of the consequences that may result from his time as EPA Region 6 Administrator. I hope that EPA begins to listen to and work with state and local regulators going forward, who know best the circumstances, the underground geology, and the facts present in those states."

Other speakers at the hearing expressed similar concern of EPA regulation, which have imposed compliance costs that sum to tens of billions of dollars annually. They pressed for industry regulation to remain in control of the states and continued Congressional review of the federal agency's authority.

DRILLING FOR SHALE GAS WILL SUPPORT 1.5 MILLION NEW JOBS BY 2015, STUDY SHOWS

Natural gas production from shale formations will help support more than 1.5 million jobs in 2014, reveals a new study by research firm IHS Global Insight. The report, titled "The Economic and Employment Contributions of Unconventional Gas Development in State Economies," showed substantial growth in jobs and economic activity from drilling in unconventional plays over the past decade. Additionally, between 2010 and 2015, the top 10 producing states (ranked by unconventional gas-related employment) will enjoy a compound annual job growth rate of nearly 8 percent. This includes Texas, Louisiana, Colorado, Pennsylvania, Arkansas, Wyoming, Ohio, Utah, Oklahoma and Michigan.

Other key findings from the new study include:

- Unconventional gas activity accounted for 53 percent of total U.S. natural gas production in 2010 and is projected to rise to 79 percent of total U.S. natural gas production by 2035.
- Nearly \$3.2 trillion in cumulative investments in the development of unconventional gas are expected to fuel the increase in production between 2010 and 2035.
- By 2015, the annual contribution of unconventional gas activity to U.S. gross domestic product is projected to reach nearly \$197 billion, more than \$22 billion of which will be from non-producing states. In total, the annual contribution is expected to more than double by 2035 to almost \$332 billion.
- Government revenue from unconventional gas activity is projected to reach more than \$49 billion annually by 2015 and will continue to rise, to just over \$85 billion by 2035. Over the study's entire 25-year horizon, unconventional gas is expected to generate nearly \$1.5 trillion in total government revenue.

"At a time when the U.S. economy is slowly recovering from the Great Recession and struggling to create enough jobs to sharply reduce the unemployment rate, the growth in shale and other unconventional natural gas production is a major contributor to employment prospects and the U.S. economy," said IHS Vice President John Larson, the lead author of the study. "As this report makes clear, these benefits spread beyond producing states to deliver positive impacts across the country."

"CITIES: BE CAREFUL NOT TO RUN OFF OUR BARNETT SHALE JOBS"

BY STATE REPRESENTATIVE PHIL KING

The Barnett Shale is responsible for over 100,000 jobs in North Texas and produced over \$11 billion in annual output in 2011 alone. Barnett Shale activity accounted for 38.5 percent of the incremental growth in our local economy over the past decade. While our communities continue to benefit from the oil and gas industry, Barnett Shale activity has declined dramatically, primarily due to low natural gas prices and the high cost of drilling in our urban and suburban areas. This is why it was so disturbing when I read about a local city's recent decision to implement a new local tax on each gas well on top of very high permitting and other fees already in place.

It concerns me that a municipality would attempt to raise revenues with a tax focused on a single industry, particularly an industry that has provided tremendous economic benefit for the residents of North Texas and the entire state of Texas. This sector of our economy drives job growth and provides billions of dollars in revenue for state and local municipalities. The oil and gas industry paid \$9.3 billion in taxes and royalties to the State of Texas in 2011. Cumulative economic benefits in the Barnett Shale region from 2001-2011 include \$65.4 billion in output and 596,648 person years of employment.

Now, I will be the first to acknowledge that the Barnett Shale has been a mixed blessing for our communities. The economic drivers and job creation have also come with road damage, water use, and some environmental concerns. But we must keep in mind that drilling in the Barnett Shale is down almost forty percent this year alone. To add to this strain, municipalities are now creating a hostile business environment for a highly desirable local industry segment.

Our local governments must be exceedingly careful not to accelerate reduced activity in the Barnett Shale by piling on new tax burdens and regulations; otherwise local jobs will suffer. We must not be shortsighted when considering the implications of new taxes and local regulations. Jobs follow the opportunity for profit. Other regions, such as the Eagle Ford in South Texas, are booming due to higher production and lower costs than wells in the Barnett Shale. And it is much easier to operate in that rural area than in urban North Texas.

It's an unrelenting maxim - we always get less of what we tax and more of what we subsidize. Our communities must be cautious not to add to the cost of doing business in the Barnett Shale because it will undoubtedly kill jobs and hurt our recovering North Texas economy.

TCEQ TO REVISE AIR QUALITY PERMITS FOR OIL AND GAS FACILITIES

The Texas Commission on Environmental Quality (TCEQ) has announced proposed amendments for the Air Quality Standard Permit for Oil and Gas Handling and Production Facilities. The permit provides oil and gas facilities with authorization to operate in the Barnett Shale region of North Central Texas.

The proposed permit revisions would remove Archer, Bosque, Clay, Comanche, Coryell, Eastland, Shackelford and Stephens counties from the applicability of the standard permit, based upon the agency's evaluation of population and the number of Barnett Shale oil and gas facilities within the counties. The TCEQ is also proposing identical changes be made to the permit by rule. The revisions also aim to extend the date for owners and operators of existing facilities in the Barnett Shale region to notify the TCEQ of their location and method of authorization from January 1, 2013, to January 5, 2015.

The TCEQ will conduct a public meeting on the agency's proposed revisions on July 10, 2012, at 7:00 p.m., at the TCEQ Dallas/Fort Worth Regional Office, located at 2309 Gravel Drive, Fort Worth Texas.

For more information, visit www.tceq.state.tx.us/permitting/air/nav/standard.html.

TCEQ OFFERS \$5.7 MILLION IN GRANTS FOR ALTERNATIVE FUEL AND HYBRID VEHICLES

The Texas Commission on Environmental Quality (TCEQ) will offer \$5.7 million in grants to encourage individuals, businesses, governmental entities, and school districts to replace older diesel vehicles with new alternative fuel and hybrid vehicles.

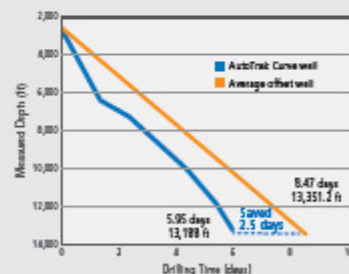
As part of the TCEQ's Texas Clean Fleet Program, grants will be awarded to eligible entities that operate a fleet of 75 or more on-road vehicles currently registered in Texas and intend to replace at least 20 diesel vehicles. For the purposes of this program, eligible alternative fuel vehicles are limited to those powered by the following: electricity, compressed natural gas (CNG), liquefied natural gas (LNG), hydrogen, propane (LPG), or a mixture of fuels containing at least 85 percent methanol by volume (M85). The eligible reimbursement amounts will range between 50 percent and 80 percent of the purchase costs depending on the model year of the vehicle and engine being replaced.

The Texas Railroad Commission also recently announced it will award \$700,000 in grants to help public fleets, such as those operated by school districts, cities and counties, purchase new, ultra-low-emission natural gas vehicles.

The deadline to apply for the TCEQ grants is August 29, 2012.

Save days—not hours— on your next shale well.

On a recent unconventional well, our AutoTrak Curve service drilled the vertical, curve, and lateral in one run—eliminating more than two days versus the average offset well.



bakerhughes.com/autotrakcurve



Vertical. Curve. Lateral. Smooth, fast drilling runs.

With the new AutoTrak™ Curve service, you can safely and efficiently kick off from vertical and drill a high buildup curve that exposes more of the reservoir faster, for maximum recovery.

And once you've landed the well in the reservoir, the system's unique three-pad steering capability ensures precise, accurate drilling to stay in the most productive zones.

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THE TIPRO TARGET



**Texas Independent
Producers &
Royalty Owners
Association**

With more than 2,400 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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