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Association**

## OIL AND GAS INDUSTRY OFFERS HOPE OF ECONOMIC RECOVERY

The Texas economy is showing promising signs of recovery, with new statistics by the Texas Workforce Commission that indicate substantial economic growth in the Lone Star State. Despite recent fears of an economic backslide from the most recent recession, unemployment is down, with over 67,200 jobs created in January.

Growth is particularly impressive in the Texas mining and logging industry, which grew approximately 2.2 percent in January, adding 5,700 well-paid Texas jobs.

"I am encouraged that mining and logging, which includes oil and gas employers, has added more than 38,000 jobs over the past year," said Texas Workforce Commission Chairman Tom Pauken. "This industry has grown at a faster rate than any other in Texas, at a 17.6 percent annual growth rate."

The lowest unemployment rates in the state continue to be found in and around shale formations, where drilling activity is at record levels. In January, Midland, located in the heart of the Permian Basin, had the lowest unemployment rate in the state at 4.1 percent, with Odessa boasting of the second lowest unemployment rate at 4.9 percent.

Altogether, the Texas unemployment rate is one full percentage point below the national unemployment rate, which stands at 8.3 percent. For more than 60 months, Texas has maintained unemployment rates below the national rate. January's unemployment rate is the lowest seen in Texas since April 2009.

Additionally, sales tax revenue has increased 14.8 percent in comparison to last February, according to State Comptroller Susan Combs. Natural gas and oil taxes are also up, due to the increase in production from shale plays across the state. Each year, millions of dollars in taxes are paid by oil and gas producers, which support government coffers and help pay for a variety of essential State programs - from public education to health insurance.

## EXECUTIVE DIRECTOR OF THE TEXAS RAILROAD COMMISSION RETIRES



**John Tintera**

Executive Director John Tintera announced his retirement from the Texas Railroad Commission (RRC) on March 6, 2012. His retirement, which will be effective April 1, 2012, follows 22 years of service at the RRC, the last three of which spent as Executive Director of the agency.

"John Tintera has served the people of Texas with honor and distinction," said Chairman Smitherman. "I am confident he will be successful as he enters the next stage. I wish him all the best in the future."

Commissioner Porter added, "I have thoroughly enjoyed working with John and have looked to him for continued guidance, as his institutional knowledge of the Commission has been invaluable to me. He has been a dedicated and loyal employee, and I thank him for his service to Texas and wish him the best of luck in his future endeavors."

Prior to serving as executive director, Tintera served as the agency's deputy director of technical permitting and administrative compliance, assistant director of site remediation, manager of special response and district office geologist in Wichita Falls. Tintera also worked for 10 years as a petroleum geologist in private industry before his work at the RRC.

While the RRC Commissioners search for a permanent replacement of Tintera, Polly McDonald has been named interim executive director. McDonald previously served as the director of the RRC's Pipeline Safety Division. Before joining the RRC in 1992, McDonald spent 10 years at the Public Utility Commission, where she held a variety of positions, including hearings examiner, administrative law judge, assistant director of hearings and director of hearings and secretary of the Commission.

Due to TIPRO's 66<sup>th</sup> Annual Convention, please watch for the next edition of *The TIPRO Target* on Thursday, April 5. We will feature exclusive coverage of the convention and insight into all that happened during the event!

## CHAIRMAN'S MESSAGE

TIPRO Members-

Fresh off our recent call-up trip to Washington D.C., I am happy to report success in spreading the good word of the importance of oil and gas exploration and production in America. We had one of the largest groups to-date travel to D.C. to meet with over 25 Congressmen and discuss development of oil and natural gas. While some elected officials in Washington, like President Obama, resort to using charged rhetoric against the oil and gas industry and threaten to eliminate fossil fuel "subsidies" (that no one really receives in our industry), they fail to recognize the real economic benefits that the industry has provided for generations and continues to provide to this day.

As we explained during our meetings, the oil and gas industry is one of the only ones to provide jobs in today's difficult recession. In 2010, over 1.84 million American jobs were directly supported by oil and natural gas. Add to that indirect and induced jobs, and that figure jumps to nearly 9 million jobs. Moreover, the oil and gas industry pays more than its fair share of taxes, spurs investments and drives economic growth, despite sluggishness of the overall economy. The U.S. government also enjoys tremendous gains from an increase in domestic production of oil and gas- receiving approximately \$86 million dollars in revenue. Every day. The federal Energy Information Administration (EIA) reports that the industry also paid close to \$35.7 billion in corporate income taxes in 2009, the latest year for which data is available. This figure does not include excise taxes, state taxes, royalties, bonus payments and other fees also made by oil and gas companies. *We pay the federal government but no "subsidies" are received.*

Many we spoke during our trip with were receptive to our message, and appreciated the vital role oil and gas development plays in our future. The work doesn't stop there however, as we must continue to push for increased support of the industry.

On pages 6 and 7 of this newsletter, be sure to check out photos from our trip. I want to thank all of these dedicated TIPRO members who took the time and spent their dollars in order to tell the message of our industry - which is, don't kill the golden goose.

On another note, I am looking forward to the chance to visit with many of you at TIPRO's upcoming 66<sup>th</sup> Annual Convention, which will take place at the end of this month in Dallas. This year's Convention is sure to be one of the most successful meetings in our association's history, as an outstanding line-up of presenters will address the latest issues impacting the Texas oil and gas industry. From executive leaders of oil and gas companies to state regulators, presentations will be informative, revealing and timely, and provide a variety of perspective on what lies ahead. As the top producer of oil and natural gas in the country, operators in the Lone Star State must adapt to the ever-changing business and regulatory environment. Speakers at the Convention will shed light on what issues to watch for, at a time when we are seeing rapid growth of domestic oil and natural gas production in Texas and across the nation.

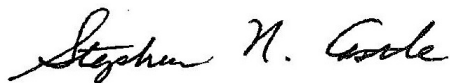
Moreover, during the Convention, TIPRO will present Texas Lt. Gov. David Dewhurst with the prestigious Hat's Off Award, our association's highest award that recognizes those who make significant contributions for our association and the oil and gas industry. Dewhurst has been a staunch advocate for development of oil and gas in Texas, helping to pass essential legislation that supports industry growth.

During this year's meeting, members will also have to opportunity to vote on nominees of future TIPRO Officers and Directors, including the association's next Chairman, who will succeed my position in July. Members of the TIPRO Nominations Committee and Board of Directors have recommended David Martineau to fill the role - who if elected, will no doubt do a tremendous job leading TIPRO.

A large number of TIPRO members will be in attendance this year, as they look to learn the latest on pressing state and federal issues. We also have had record levels of sponsorship for this year's Convention - to which I greatly thank all for their generous support.

I encourage all to attend this year's Convention, as it is a critical time for our industry. See you there!

**Sincerely,**




**Stephen N. Castle**

### Calendar of Events

MARCH 16, 2012	MARCH 21, 2012	MARCH 27-28, 2012	APRIL 11, 2012
Deadline to submit votes on Texas Top Producers electronic ballots For info, call: (512) 477-4452.	HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.	DALLAS TIPRO S 66 <sup>TH</sup> Annual Convention, Sheraton Downtown Hotel. For info, call: (512) 477-4452.	HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.

## EPA TO CONDUCT MORE GROUNDWATER TESTING IN PAVILLION, WYOMING

The U.S. Environmental Protection Agency (EPA) has announced that the federal agency, in coordination with the state of Wyoming and two American Indian tribes that hold mineral rights, will collect additional samples and further analyze groundwater in Pavillion, Wyoming.

This comes after the EPA initially released a draft report on December 8, 2011, which claimed groundwater contamination in Pavillion was a result of hydraulic fracturing in the area. However, since that time, disputed science has caused many to question the findings included within the EPA's original report. Some experts even indicate the EPA utilized improper testing procedures and failed to follow protocol on previous tests conducted in Pavillion, especially since data was not repeatable and sample sets used to develop opinions were inadequate.

"These preliminary conclusions do not stand up to the rigor of a non-partisan, scientific-based review and that is of paramount importance to every natural gas producing community, every citizen and business that relies on natural gas and every industry worker," said Eric Marsh, executive vice-president, natural gas economy and senior vice-president of USA Division for Encana Corp., which operates in the Pavillion region. "Safe and responsible natural gas development is vital to North America's energy security, and hydraulic fracturing is an important, necessary and safe part of natural gas development."

The Pavillion gas field contains unique geology, and lies within the Wind River Basin - a large, complex, structural, asymmetric, deep sedimentary basin covering much of central Wyoming. Natural gas wells have been drilled in the region since 1960.

In their latest efforts to analyze Pavillion's groundwater, the EPA will collect additional samples from the two monitoring wells previously used to investigate complaints of groundwater contamination. The EPA will work closely with the U.S. Geological Survey (USGS), a group of stakeholders and experts to develop and carry out further investigation of groundwater. Results will be subjected to third-party, independent peer review.

"The EPA, the State of Wyoming, and the Tribes recognize that further sampling of the deep monitoring wells drilled for the Agency's groundwater study is important to clarify questions about the initial monitoring results," said EPA Administrator Lisa Jackson, Wyoming Gov. Matt Mead and the Northern Arapaho and Eastern Shoshone Tribes in a joint statement. "The EPA will partner with the State and the USGS, in collaboration with the Tribes, to complete this sampling as soon as possible and will collaborate with the State and other stakeholders in designing the sampling methodology, the quality assurance plan, and other features of the next phase of testing."

Accordingly, the EPA has agreed to delay convening the peer review panel until the latest results from the recent testing are made available. In the meantime, the original draft report remains open for public comment through October 2012.



Photo courtesy of EPA

## LAST CHANCE TO REGISTER TO ATTEND TIPRO'S ANNUAL CONVENTION!

Time is running out to register for TIPRO's 66<sup>th</sup> Annual Convention, which will be held March 27-28 at the Sheraton Hotel Downtown in Dallas, Texas. Don't miss the chance to learn from the Convention's strong line-up of presenters, who will discuss pressing state and federal issues, as well as provide insight on developing North American and Texas oil and gas shale plays.

For more details and to download registration materials, please visit [www.tipro.org](http://www.tipro.org).

## ZAK COVAR NAMED EXECUTIVE DIRECTOR OF TCEQ



Zak Covar

Commissioners of the Texas Commission on Environmental Quality (TCEQ) have unanimously voted to appoint Zak Covar as the agency's next executive director, effective May 1, 2012. Covar succeeds Mark Vickery, who is retiring after 25 years of service to the state government.

"Mr. Covar brings a tremendous amount of legislative experience and environmental knowledge to this position," said TCEQ Chairman Shaw. "Zak will maintain the steady leadership that's been in place at this agency for the past several years and will build on those successes."

Covar, who has served as deputy executive director of the TCEQ since August 2009, began his career in state government when he clerked for Chairman Dennis Bonnen (State Representative District 25) on the House Environmental Regulation Committee. From 2005 to 2007, Covar also worked as an environmental and natural resource adviser to Governor Rick Perry. Since working at the TCEQ, Covar has served as the executive assistant to Chairman Bryan W. Shaw, Ph.D. and later as assistant deputy executive director.

"I appreciate the support and the vote of confidence from the TCEQ Commissioners," said Covar. "It is a great honor to serve the people of Texas in this capacity. I understand and accept the tremendous responsibility that comes with this position and I vow to protect all our Texas resources."



## CHESAPEAKE ENERGY, GE PARTNER TO BRING NATURAL GAS TO MORE FUELING STATIONS

Chesapeake Energy Corp. and GE will partner to build infrastructure nationwide in efforts to increase adoption of natural gas as a transportation fuel. Together, the two companies will develop and bring to market compressed natural gas (CNG) and liquefied natural gas (LNG) transportation and natural gas home-fueling stations.

Beginning in Fall 2012, GE will provide more than 250 modular and standardized CNG compression stations for natural gas vehicle (NGV) infrastructure, which will be brought to market by Peake Fuel Solutions, a Chesapeake affiliate, which has extensive experience with NGVs, vehicle emission controls and natural gas market dynamics.

“Both GE and Chesapeake are known for taking on tough energy challenges and putting the best minds and technologies to work to develop solutions,” said Aubrey K. McClendon, chief executive officer of Chesapeake. “The partnership announced between GE and Chesapeake affiliate, Peake Fuel Solutions, combines Chesapeake's natural gas expertise with GE's extensive global manufacturing capabilities and will bring transformative products to industries and individual consumers across the U.S. These products and services will allow customers to enjoy the clear advantages of clean, affordable and abundant American natural gas at about half the cost of gasoline.”

The CNG units, also referred to as "CNG In A Box," will transport natural gas from a pipeline and compress it on-site at an industrial location or automotive refilling station to then turn it into CNG. This will allow CNG vehicles to refill using traditional fueling dispensers, much like those already offered at gas stations.

By increasing development of an established infrastructure system that supplies natural gas for use, America can benefit significantly. Greater use of CNG will help to lessen U.S. dependence on foreign energy sources, as well as lower fueling costs and



reduce vehicle emissions. The new GE-Chesapeake collaboration is expected to help further incentivize operators to build more NGVs, as more fueling stations offer natural gas as a transportation fuel. Powering additional fleet vehicles with natural gas, including city buses, taxicabs and delivery trucks, will help communities across the country enjoy cleaner air. In total, a fleet operator can reduce CO<sub>2</sub> emissions from fuel combustion by approximately 24 percent, assuming average travels of 25,700 miles a year, using fuel provided by CNG In A Box instead of gasoline.

“What makes this project particularly exciting is that it paves the way to taking the immense reserves of natural gas being discovered in the U.S. and using them right here in the U.S.,” said John Krenicki, energy president and chief executive officer of GE. “That paves the way for faster economic growth, energy security, more jobs and reduced environmental impact.”



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## TCCRI TO HOST ENERGY SUMMIT IN SAN ANTONIO

On Wednesday, March 21, the Texas Conservative Coalition Research Institute (TCCRI - [tccri.org](http://tccri.org)) will host an Energy Summit in San Antonio. Guest speakers and participants at the Energy Summit include Comptroller Susan Combs; Chairman Barry Smitherman of the Railroad Commission of Texas; Chairman Donna Nelson of the Public Utility Commission of Texas; State Representatives John Garza, Lyle Larson, Myra Crownover and Kelly Hancock; along with a number of private sector experts. As broad economic benefits continue to accrue, keeping Texas a national leader on energy and environmental policy is a top priority.

March 21, 2012 - 11:00am - 1:30pm (lunch will be served)  
Plaza Club  
100 West Houston Street, Suite 2100  
San Antonio, TX

Attendance is free; online registration is available at  
[www.sanantonioenergysummit.eventbrite.com](http://www.sanantonioenergysummit.eventbrite.com).

# OIL-AND-GAS BOOM INTERRUPTS GREENING OF AMERICA

REPRINT COURTESY OF *BLOOMBERG VIEW*, BY CAROLINE BAUM

Anecdotes are no substitute for hard data. But when they start to reach a critical mass and they all tell the same story, you know something big is going on.

- A longtime car salesman relocates to south Texas to capitalize on the soaring demand for truckers to haul sand to hydraulic fracturing sites across the Eagle Ford shale formation. Nearby, the Corpus Christi Independent School District can't find bus drivers, who are getting paid a lot more to cart sand.
- Workers pour into Williston, North Dakota, drawn by offers of six-figure salaries for jobs connected with the Bakken shale formation. Even though housing development is sky-rocketing, the Wal-Mart parking lot looks like an RV park, packed with campers providing temporary living quarters until housing construction catches up with demand.
- There is no oil-and-gas drilling in Idaho, but Fleetwood Homes has been ramping up production and hiring workers to build pre-fab homes for shipment to the Bakken oil field in North Dakota, according to the Wall Street Journal.
- Energy independence, the Holy Grail for every U.S. president since Jimmy Carter, is within reach, oil-industry executives and analysts tell NPR. Within the next 10 years, the U.S. will no longer have to import crude oil and will be able to export natural gas, energy economist Philip Verleger says. PFC Energy Chief Executive Officer Robin West compares the impact of the "shale gale" to the fall of the Berlin Wall.
- Some long-haul trucking companies are converting to natural gas because of the cost advantage over diesel, according to Bloomberg News. Fleet owners that don't convert a portion of their vehicles to natural gas will find themselves at an economic disadvantage.

For anyone who hasn't read or heard about it yet, there's an oil-and-gas boom under way in the U.S. By some estimates, the U.S. has three times the proven shale oil reserves of Saudi Arabia.

Thanks to new drilling techniques for extracting oil and gas from shale rock underground, the price of natural gas has plummeted to 10-year lows, creating a market-based incentive -- no government subsidies required! -- for truckers to convert to the cheaper, cleaner fuel. All of this has broader implications for the U.S. economy.

## Jobs, Jobs, Jobs

Let's start with Washington's obsession: job creation. Oil- and-gas industries have added 33,300 workers since December 2009, the recent low point. The only industry coming close to a 21 percent increase is temporary-staffing agencies -- not exactly an endorsement for the economy.

Granted, the energy industry represents an infinitesimal 0.14 percent of the workforce, but it has a relatively large footprint. Oil-and-gas drilling crews need equipment, food, clothing and lodging. They want to frequent bars and restaurants in the makeshift boom towns sprouting up in areas of North Dakota, Montana, south Texas and Pennsylvania.

Manufacturers of drilling equipment need raw materials, such as steel and chemicals. So there's a natural multiplier effect. Think of it as fiscal stimulus without the government first taking from Peter to give to Paul.

The Bureau of Labor Statistics publishes Employment Requirements data tables for firms to assess the impact of opening a new factory or store on jobs and sales. James C. Franklin, head of the Division of Industry Employment Projections at the BLS, walked me through some of the statistics for the energy industry.

Every direct job created in the oil-and-gas extraction industry, for example, yields 2.3 jobs elsewhere in the economy, Franklin says. This is expressed as a multiplier of 3.3, higher than the average of 2 for the 195 industries tracked by the BLS. Petroleum-and-coal product manufacturing (refineries) happens to have the highest multiplier at 8.2.

And yes, manufacturing industries are at once the most capital-intensive, the most productive and still have the biggest spillover effect when it comes to generating jobs.

The huge supply of inexpensive (to produce and to buy) natural gas has the potential to accelerate the return of manufacturing enterprises to the U.S. That trend is already under way as rising wages in China and higher fuel-related shipping costs reduce the appeal of outsourcing.

"Cheap natural gas is transforming the competitive economics of the marketplace," says Daniel Yergin, the author of "The Quest: Energy, Security, and the Remaking of the Modern World."

## No Alternative

Natural-gas prices fell this week to a 10-year low of \$2.27 per million British thermal units, half the price of eight months ago. After adjusting for the lower energy content, natural gas is now about 40 percent cheaper than petroleum fuel, according to calculations by the U.S. Energy Information Administration.

That's why many trucking companies are choosing to convert. With the differential between oil and natural-gas prices at a record high, more and more homeowners are converting from oil heat to natural gas even though the switch may take anywhere from one to five years to pay for itself.

If the price trends continue, the focus may shift from concern about higher gas prices killing the economy (the glass is half-empty) to the realization that cheap natural gas can act as a tailwind (the glass is half-full).

Not everyone will be happy, of course, including President Barack Obama. Cheap natural gas makes renewable energy even less competitive than it was before.



## TIPRO's CALL-UP MEETINGS TO WASHINGTON D.C.

In late February, 15 members of TIPRO traveled to Washington D.C. to meet with members of the Texas Delegation and discuss energy policy. Below find pictures from their trip:



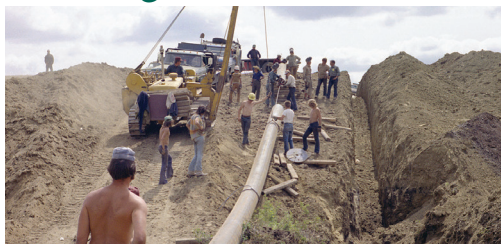


## TIPRO'S CALL-UP MEETINGS TO WASHINGTON D.C.





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