



**Texas  
Independent  
Producers and  
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Association**

## WILL RISING DEMAND HELP SPUR ADDITIONAL NATURAL GAS DEVELOPMENT IN THE U.S.?

It's a question many have asked for years - when will the natural gas market recover and gas drilling in American shale plays fully rebound? After the prices for the commodity fell in 2009, operators transitioned to producing more oil and liquid condensate as opposed to natural gas. However, with the rise in new sources of demand for natural gas, stemming from petrochemical plants, electric generation

and pipeline exports to other countries, Houston-based consulting firm ICF International says domestic natural gas development will likely improve in a profitable manner for producers in the near future.

"The Marcellus, located in the Northeast U.S., and Eagle Ford, located in South Texas, continue to be the 'hot spots' for drilling activity. Dry gas plays such as Haynesville, located in Southwest Arkansas, Northwest Louisiana and East Texas; and Fayetteville in Arkansas, will look increasingly attractive as gas demand and gas prices continue to firm through the end of the decade. New demands, combined with a continued rise in gas use for electric generation, will place significant upward pressure on gas prices and increase the potential for price volatility through the end of the decade."

This year's bitter winter weather was specifically cited by ICF for helping immediately boost the natural gas market, as frequent cold snaps led to both higher gas prices and increased price volatility. ICF notes that due to the increased need for storage refill this spring and summer, the impacts of winter 2014 are likely to persist through the remainder of the year. Following the continued decline of gas-directed drilling activity last year, drilling is likely to increase in response to the recent surge in gas prices, projects ICF.

In its latest energy outlook, ICF also addresses the potential impact of government regulations, namely federal, on the future growth of the U.S. natural gas industry. The firm advises members of the industry to continue to monitor regulatory forces, specifically the U.S. Environmental Protection Agency (EPA), for changes to industry oversight and the implementation of new national standards for energy development.

As of mid-March, the Henry Hub spot price averaged \$4.66 per million British thermal units (MMBtu), a decrease of \$1.75/MMBtu when compared to the week prior. Working natural gas in storage fell to 1,001 billion cubic feet (Bcf) as of Friday, March 7, 2014, according to the U.S. Energy Information Administration (EIA) Weekly Natural Gas Storage Report (WNGSR). A net storage withdrawal of 195 Bcf for that week resulted in storage levels 48.9 percent below year-ago levels, and 46.2 percent below the 5-year average.



## NEW REPORT EXAMINES PETRO-WEALTH IN THE STATE OF TEXAS



According to a new analysis prepared by Blackbeard Data Services LLC, Texas contains approximately \$140 billion worth of petro-wealth in proved producing reserves. Of this, Blackbeard reports that corporations own \$110 billion, individuals own more than \$22 billion, trusts own \$5 billion, and the remaining \$3 billion is spread between non-profits, educational institutions, religious organizations and government coffers.

The Austin-based data service provider also calculates that Texans own an overwhelming majority of oil and gas assets in the state - estimated at approximately 80 percent of the total petro-wealth. When compared to other states in the country, mineral ownership is much less elsewhere; Oklahoma is projected at 3.7 percent, Colorado at 1.5 percent, and California at 1.3 percent, respectively.

When petro-wealth is broken down by city, the largest share is held in Houston, according to Blackbeard's assessment, totaling \$47.8 billion. In second place, Midland holds \$14.7 billion in estimated petro-wealth.

## PRESIDENT'S MESSAGE

### TIPRO Members -

This week marks an important anniversary for our industry, as we celebrate 65 years of hydraulic fracturing in the U.S. On March 17, 1949, Halliburton successfully conducted its first fracing job in Stephens County, Oklahoma, near the small town of Duncan. This milestone represents the start of commercial use of hydraulic fracturing in our country, which has since completely transformed domestic oil and gas operations and sparked an energy revolution in America. According to reports, the first uses of fracing by Halliburton increased well production by an average of 75 percent - representing a remarkable jump in the recovery of oil and gas from deep below the earth's surface.

The fracing process had also previously been experimented with a few years earlier in 1946, in the Hugoton gas field in Kansas. However, not until Halliburton's development of the technique in Oklahoma in 1949 did widespread use begin to unfold across the nation. After more than six decades of use, the stimulation technology continues to be heavily used by the majority of producers today.

As many of us can appreciate, fracing safely unlocks unconventional formations, and allows operators the ability to access and produce mineral resources from vast shale plays which span across North America. To date, fracing has been used on over a million wells nationwide. In fact, each year, producers fracture as many as 35,000 wells of all types (including vertical and horizontal, oil and natural gas).

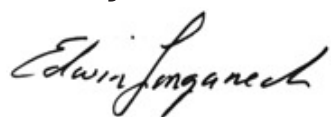
Altogether, hydraulic fracturing coupled with horizontal drilling continues to support a large portion of U.S. oil and gas production. And thanks to rising use of fracing - and consequently domestic production output - the U.S. does not have to rely on importing as much crude petroleum from foreign nations.

Nevertheless, despite its long history and proven track record, many environmental activists persist with efforts to try to ban hydraulic fracturing. Primarily targeting municipalities and local governments, we have seen this strategy used in states throughout the country, from Illinois to Colorado and even in our own backyard right here in Texas. Case-in-point, most recently an organization called the Denton Drilling Awareness Group has formed to try to stop hydraulic fracturing within its city limits. The town, which is located near Dallas in North Texas, sits atop the Barnett Shale formation, and could therefore benefit tremendously from drilling activity -- that is, only if it is allowed to continue in the area. The threat of restrictive ordinances though could very well slow down domestic oil and gas operations in this region of the state, and limit the production of minerals.

Outside of the threat of new rules for fracing in future years, whether they be on the local, state or federal level, in my opinion another noteworthy battle is public education on the industry's use of hydraulic fracturing. As several polls have indicated, too many Americans aren't aware of the facts behind this advanced stimulation technique. With basic understanding of the process, more individuals will realize the measures taken to ensure responsible development of oil and gas, and in turn become supportive of fracing.

Therefore, while we pause to mark this week's significant anniversary of fracing in the U.S., we still must recognize the potential hurdles which could stand in our way in the future, and work proactively to ensure the ongoing success of the U.S. oil and gas industry.

**Sincerely,**




**Ed Longanecker**

## NEW OIL & GAS TRAINING CENTER OPENS IN SOUTH TEXAS' EAGLE FORD SHALE

On Wednesday, March 19, 2014, international energy services company Wood Group announced it has opened a 16,000 square foot training facility in Kenedy, Texas, where educational programs for Eagle Ford shale workers will be offered. According to the company, the center features a 300-person capacity training room, an instrumentation and electrical (I&E) lab, a computer-based training (CBT) lab and a board room. The facility also has an outside pad with a tank battery and an area with buried pipe for pipeline finding, which will be used for hands-on training of industry professionals.

"Wood Group is excited to provide this new service and facility in Kenedy," commented Mitch Fralick and John Glithero, co-presidents of Wood Group PSN Americas, in a prepared statement. "Through the use of dynamic curriculum and client-specific requests, Wood Group can help to ensure knowledgeable personnel and a safe environment for the region."

### TIPRO Calendar of Events

MARCH 24-26, 2014	APRIL 16, 2014	MAY 14, 2014	JUNE 11, 2014
FORT WORTH — TIPRO'S 68 <sup>th</sup> Annual Convention, Hilton Hotel. For info, call: (512) 477-4452.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.

## OKLAHOMA ATTORNEY GENERAL SUES FEDERAL GOVERNMENT OVER HANDLING OF ESA

On Monday, March 17, 2014, Oklahoma Attorney General Scott Pruitt filed a lawsuit against the federal government, alleging bureaucratic agencies engaged in “sue and settle” tactics when they previously agreed to settle lawsuits with a national environmental group over the listing status of several animal species, including the Lesser Prairie Chicken. The U.S. Fish & Wildlife Service (USFWS) and U.S. Department of Interior were specifically cited for entering into a consent decree in 2010 with Wild Earth Guardians that mandates the federal government to decide the listing status of more than 250 species before September 30, 2015.

“Increasingly, federal agencies are colluding with like-minded special interest groups by using ‘sue and settle’ tactics to reach ‘friendly settlements’ of lawsuits filed by the interest groups. These settlements, which often impose tougher regulations and shorter timelines than those imposed by Congress, are having a crippling effect on the U.S. economy. Furthermore, because these settlements are taking place without public input, attorneys general are unable to represent the respective interests of their states, businesses, and citizens,” said Attorney General Pruitt.

Just the same as here in Texas, Oklahoma officials remain deeply concerned over the potential impact of a threatened or endangered listing of the Lesser Prairie Chicken - of which, the USFWS must make a final determination no later than March 31, 2014. Although substantial efforts have been made in recent years to increase conservation efforts across the chicken’s habitat, nonetheless, a formal listing could have a detrimental impact on drilling activities in those states where the Lesser Prairie Chicken resides, which include Texas, Oklahoma, Kansas, Colorado and New Mexico.

“Oklahoma has spent millions to develop a conservation plan that offers adequate protections for the Lesser Prairie Chicken, yet those efforts could be undone without input from the state because of a consent decree between the USFWS and a national environmental group,” added Attorney General Pruitt. “Oklahoma has indicated its willingness to protect the chicken but it seems increasingly clear this issue isn’t about sound science or saving endangered species. Using the courts to impose regulations undermines the rule of law.”

In addition, the lawsuit argues that the USFWS violated the law by agreeing to a truncated timeline for the decision-making process on the listing status of the 251 candidate species, which according to the attorney general, is sidestepping formal procedures established for rule-making.

The Domestic Energy Producers Alliance (DEPA), which represents a broad coalition of energy producers across the nation, was also a party to the lawsuit.

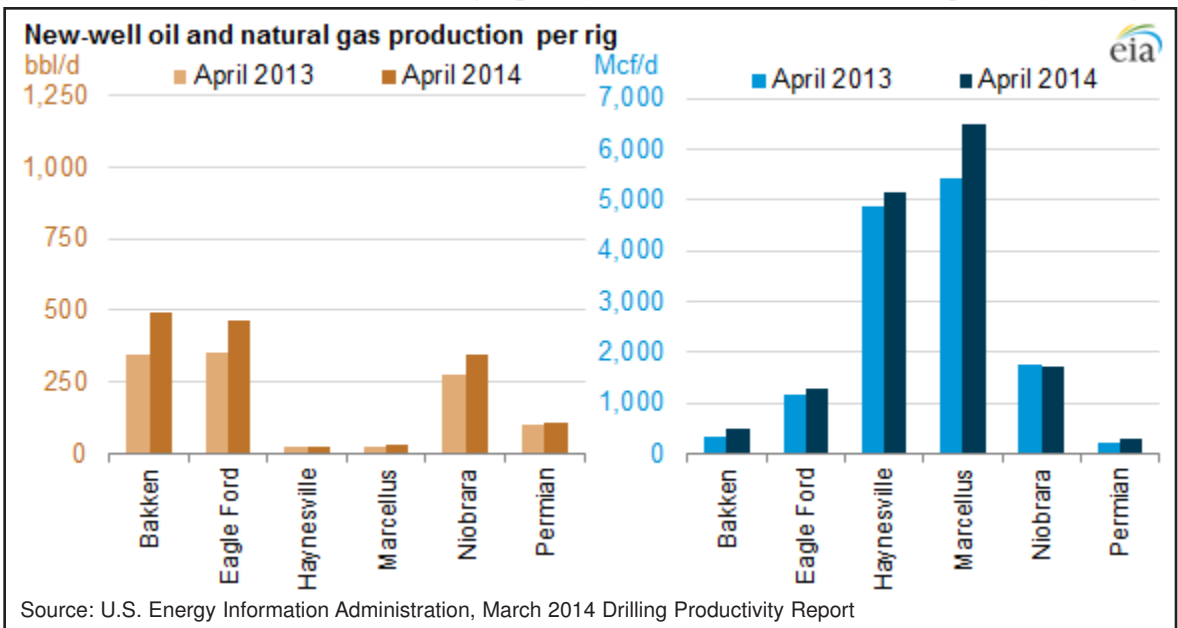


Photo Credit: © R. Douglas Holt

## DRILLING ADVANCEMENTS CONTRIBUTE TO SURGE IN U.S. OIL AND GAS PRODUCTION

As more and more producers employ best practices and utilize advancing technology, oil and gas output per rig continues to grow. In fact, according to the U.S. Energy Information Administration (EIA), five of the six U.S. shale plays tracked by the agency have seen increases in oil and natural gas production per rig over the past few years. Of those formations analyzed, South Texas’ Eagle Ford Shale leads in increased production of oil per rig, while the Marcellus Shale is leading in terms of increased production of natural gas per rig. More specifically, the EIA estimates that as of April 2014, each drilling rig in the Eagle Ford Shale will contribute over 400 barrels of oil per day (bbl/d) more than it would have in the same formation in January 2007. At the same time, in the Marcellus, in April 2014, wells can be expected to yield over 6 million cubic feet of natural gas per day (Mcf/d) more than a well completed by that rig in that formation back in 2007.

The EIA does note that the geology of each resource play can be diverse, and that as a result, individual rig or well performances will vary dramatically. Even so, overall trends indicate that increasing efficiencies in hydraulic fracturing as well as horizontal drilling have contributed to greater domestic oil and gas production per rig. Accordingly, the EIA projects U.S. oil production will reach 9.6 million bbl/d by 2019, and natural gas production will increase by as much as 56 percent through year 2040.





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# THE TIPRO TARGET



**Texas Independent  
Producers &  
Royalty Owners  
Association**

With more than 2,500 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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