



Texas

**Independent  
Producers and  
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Association**

## INTERIOR DEPARTMENT UNVEILS NEW FEDERAL REGULATIONS FOR HYDRAULIC FRACTURING

On Friday, March 20, 2015, the U.S. Department of Interior announced new federal standards for hydraulic fracturing on public and American Indian lands. According to the Interior Department, these new regulations complement existing rules and strive to improve safety while also protecting groundwater resources through updated requirements for well-bore integrity, wastewater disposal and public disclosure of chemicals.

“Current federal well-drilling regulations are more than 30 years old and they simply have not kept pace with the technical complexities of today’s hydraulic fracturing operations,” commented Sally Jewell, secretary of the Interior Department. “This updated and strengthened rule provides a framework of safeguards and disclosure protocols that will allow for the continued responsible development of our federal oil and gas resources. As we continue to offer millions of acres of public lands for conventional and renewable energy production, it is absolutely critical the public have confidence that transparent and effective safety and environmental protections are in place.”

The federal government first began working on the new hydraulic fracturing standards in November 2010. At that time, the Interior Department held its first public forum amid growing public interest regarding the expanding use of hydraulic fracturing throughout the United States. On May 11, 2012, a rule proposed by the Interior Department was published in the Federal Register, titled “Oil and Gas; Well Stimulation, Including Hydraulic Fracturing, on Federal and Indian Lands.” However, due to the significant public attention on hydraulic fracturing and this rulemaking, a supplemental notice of a revised proposed rulemaking was published in the Federal Register on May 24, 2013, requesting comment on the updated rule pertaining to hydraulic fracturing on federal and Indian lands.

The new regulations will take effect in 90 days after date of publication in the Federal Register, and include the following provisions:

- Requirements for ensuring the protection of groundwater supplies by mandating a validation of well integrity and strong cement barriers between the wellbore and water zones through which the wellbore passes;
- Increased transparency by requiring companies to publicly disclose chemicals used in hydraulic fracturing to the Bureau of Land Management (BLM) through the website FracFocus, within 30 days of completing fracturing operations;
- Higher standards for interim storage of recovered waste fluids from hydraulic fracturing to mitigate risks to air, water and wildlife;
- Measures to lower the risk of cross-well contamination with chemicals and fluids used in the fracturing operation, by requiring companies to submit more detailed information on the geology, depth, and location of pre-existing wells to afford the BLM an opportunity to better evaluate and manage unique site characteristics.

“[The rule] will be implemented in the most efficient way possible to avoid duplication or unnecessary activities by industry, other regulators, or BLM staff. We know how important it is to get this right,” assured Janice Schneider, assistant secretary for land and minerals management at the BLM.

Following the announcement of the new federal rules last week, the Independent Petroleum Association of America (IPAA) and the Western Energy Alliance filed a lawsuit against the U.S. Secretary of the Interior and the BLM, challenging the agency’s issuance of regulations related to hydraulic fracturing on federal and Indian lands. The complaint, which was filed in federal district court in Wyoming, characterizes BLM’s rulemaking as “a reaction to unsubstantiated concerns” and requests the regulations be set aside because the administrative record lacks the factual, scientific, or engineering evidence necessary to sustain the agency’s action.

States have an outstanding record of protecting the environment and safeguarding the public, the two organizations contend. This new rule is simply another regulatory overreach by the Obama Administration that will hurt America’s oil and natural gas producers, both groups warn.



## CHAIRMAN'S MESSAGE

### TIPRO Members -

On Monday, March 23, TIPRO's President Ed Longanecker and I testified before members of the House Energy Resources Committee, expressing our association's support of House Bill 40. As most of you are aware, this proposed legislation would preserve control of municipalities by providing local governments the ability to address concerns related to surface activity that is incident to oil and gas operations (such as noise, traffic and lights), so long as rules and ordinances are commercially reasonable. However, the bill also defines and affirms the state's role in oil and gas regulation by expressing that municipalities may not regulate aspects of oil and gas activity that are already under the exclusive jurisdiction of the state. This directly pertains to drilling, hydraulic fracturing and production operations. In doing so, the legislation prevents a "patchwork" of ordinances and differing regulatory standards by local communities, helping to ensure that there are not multiple layers of conflicting regulations for oil and gas producers to abide by from one region of the state to the next.

The existing regulatory framework put in place by the Texas Legislature provides for fair, appropriate oversight on energy development in the Lone Star State. For decades, the Texas Railroad Commission and the Texas Commission on Environmental Quality, which are charged with oversight of the oil and gas industry, have enforced comprehensive, environmentally-sound regulations which cover all aspects of oil and gas development. Unlike some local ordinances we've seen enacted in small Texas towns in recent years, statewide rules and requirements are based on scientific fact, not emotionally-charged hyperbole spread by environmental activists. Robust state regulations ensure the safety and protection of public health and the environment, while also allowing for a consistent and predictable regulatory structure in Texas.

Companies choose to explore and produce in Texas because our state affords the opportunity for safe and responsible oil and gas production. Texas maintains an environment of regulatory certainty and stability, which is crucial for business investments and also is necessary to continuing the shale revolution our state has enjoyed. Without dependable and stable regulations, Texas independent oil and gas producers would shift their focus outside of the state, taking away the many consequential contributions made to the state and local economies.

My own company, Welder Exploration & Production, has had experience with municipal drilling and production, as we have in our history successfully drilled within the town-sites of both Victoria and Beeville, Texas. I strongly believe that House Bill 40 strikes a careful and functional balance by allowing municipalities to still enact reasonable regulations while also preserving the ability for oil and gas production to continue in our great state. This legislation is the right path to ensure regulatory certainty, protect private property rights, and address a growing challenge from a regulatory standpoint for the oil and gas industry.

During Monday's Energy Resource Committee hearing, legislators also took up House Bill 539, which relates to the procedural requirements for the adoption of a municipal regulation, limitation, or prohibition on the production, storage, or transportation of oil or natural gas. In addition to H.B. 40, TIPRO also actively supports H.B. 539.

Altogether, Monday's committee meeting lasted for nearly nine hours, concluding just after midnight. More than 160 people testified at the hearing, with 296 registering their interest – for, against or neutral – on H.B. 40 and H.B. 539. Both bills were left pending in committee.

This week, the Senate Committee on Natural Resources & Economic Development also reviewed the companion legislation to H.B. 40 -- Senate Bill 1165. TIPRO also testified before this legislative committee as well, lending our support to S.B. 1165. Following several hours of public testimony on the bill, the Senate Natural Resources & Economic Development Committee voted on Tuesday, March 24, to successfully pass the bill out of committee. Next, S.B. 1165 will be taken up for consideration by the full Senate chamber.

TIPRO would like to praise the leadership of Texas officials for their work on this important issue - on behalf of the state's independent oil and gas producers and royalty owners, we want to thank Senators Troy Fraiser (R), Eddie Lucio (D), Kevin Eltife (R), Kel Seliger (R) and Donna Campbell (R) and Representatives Drew Darby (R), Phil King (R), Jim Keffer (R), Senfronia Thompson (D) and Rene Oliveria (D).

Sincerely,

Raymond James Welder, III



**Raymond James Welder III**

### TIPRO Calendar of Events

APRIL 8, 2015	MAY 13, 2015	JUNE 10, 2015	JULY 8, 2015
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.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.

## TEXAS GOVERNOR REQUESTS THAT THE EPA HALT RELEASE OF NEW AIR STANDARDS

In a letter sent last week to Gina McCarthy, administrator of the U.S. Environmental Protection Agency (EPA), Texas Governor Greg Abbott called on the federal agency to void its proposed changes to the National Ambient Air Quality Standard (NAAQS) for ozone in favor of maintaining the current standard of 75 parts per billion (ppb).

Governor Abbott argued that the EPA's latest arbitrary standard proposal would go to such extremes that even some of Texas' most pristine national parks would not be able to comply with the new requirements. "It goes without saying that most cities and counties have no chance of attaining this standard," said the governor in the letter to McCarthy. "Indeed, many areas of our states have background levels of ozone at or near the levels you are proposing. According to an estimate by the Congressional Research Service, the EPA's power-grab could plunge anywhere from 76 percent to 96 percent of the counties currently monitored for ozone into non-attainment."

"Non-attainment is an economic penalty box so severe that needed economic growth is stunted," the letter continued. "In non-attainment areas, any growth is predicated on successfully navigating a bureaucratic maze of federal and state regulators. New development resulting in any new ozone emissions in the area must be offset with emission reductions elsewhere—turning economic development into a zero-sum game."

Such extreme policies by the EPA would undoubtedly impose an onerous, job-crushing standard, said Governor Abbott, which would hurt the economy and even could jeopardize much-needed transportation infrastructure projects in the future. "The latest regulations proposed by the EPA are a continuation of the federal government's agenda that aims to stifle economic growth and job creation. Instead of working against our nation's job creators, Washington should be looking for ways to partner with them and create economic opportunity for all."

Ten other governors also co-signed onto the letter, including governors from the following states: Oklahoma, Mississippi, Indiana, Louisiana, Maine, Wisconsin, Georgia, Idaho, South Carolina and Arkansas.

## GOVERNOR'S FORUM FOCUSES ON BUSINESS OPPORTUNITIES IN THE EAGLE FORD

Highlighting emerging business opportunities in the Eagle Ford Shale, on Tuesday, March 17, 2015, the Texas Governor's Office hosted a Small Business Forum in the town of La Vernia, Texas, located just outside San Antonio in South Texas. The Governor's Small Business Forum Series, sponsored by the Texas Governor's Office, the Texas Workforce Commission and other local partners, is designed to give entrepreneurs and small businesses valuable tools, skills and knowledge needed to thrive in today's fast-paced economy.

Topics addressed during the business workshops include: workforce and skills development programs; conducting business with relevant industries in the area; export opportunities and logistics; access to capital; start-up essentials; hiring and managing employees; social media/marketing training; networking and business-to-business connections; opportunities for minority- and woman-owned businesses, and veterans; and providing contacts with federal, state, and local government agencies.

At the La Vernia forum, business owners and leaders from neighboring Eagle Ford communities received a snapshot of current economic activity in the region and advice on how to grow. Event organizers emphasized the importance of these types of events for company leadership, especially when the market is experiencing a downturn. And with oil trading around \$50 per barrel, smaller oil and gas producers can appreciate the advice offered by expert speakers, industry specialists, government officials and service providers at events like the Governor's Small Business Forum.

For information on upcoming business forums and related seminars, visit the website below:

<https://texaswideopenforbusiness.com/small-business/governors-small-business-forums>

## TEXAS LAWMAKERS ELECTED TO LEAD EAGLE FORD SHALE LEGISLATIVE CAUCUS

On Tuesday, March 17, Texas Senator Judith Zaffirini, D-Laredo, and Representative John Cyrier, R-Lockhart, were elected to serve as chairs of the Eagle Ford Shale Legislative Caucus, a group of more than 30 legislators who focus on issues related to oil and gas development in the South Texas shale region.

"I am delighted to be the Senate Chair of the Eagle Ford Shale Legislative Caucus, especially because of the shale's tremendous economic impact on our district and state," said Senator Zaffirini, a member of the Senate Natural Resources Committee and vice chair of the Senate Agriculture, Water and Rural Affairs Committee. "What's more, I look forward to continuing to collaborate with my colleagues in championing legislation and funding that promote responsible development and address the region's unique opportunities and challenges."

"I am honored to serve as House Chair," commented Representative Cyrier, a member of the House Land & Resource Management Committee. "As the representative for Karnes County, the largest oil producing county in the state, I am deeply interested in the region's future. I look forward to working with my colleagues and constituents to address the challenges facing the Eagle Ford Shale region and to ensure its continued prosperity."

The Eagle Ford Shale Legislative Caucus was initially formed in 2012 to allow Texas legislators to work together to identify short- and long-term solutions regarding the impacts of the shale development on transportation, education, public safety, housing, the environment and other areas.



## TYRON LEWIS NAMED CHAIR OF TEXAS TRANSPORTATION COMMISSION

Tryon D. Lewis has been appointed to serve as chair of the Texas Transportation Commission, for a term to expire at the pleasure of the governor. The Texas Transportation Commission oversees statewide activities of the Texas Department of Transportation (TxDOT).

Lewis formerly served as a state representative for Texas' 81<sup>st</sup> District, serving from 2008 to 2015. During Representative Lewis' legislative career, he served as the chairman of the Judiciary and Civil Jurisprudence Committee and was the co-chair of the Joint House Senate Committee on Judicial Selection. Representative Lewis also served on the House Higher Education Committee and the House Committee on Public Safety.

Prior to his service in the legislature, Lewis held office as a state district judge, serving in that capacity from 1985 until 2006. He practiced law in Odessa from 1973 to 1984, and then again from 2006 to present. He is currently a shareholder in the Atkins Hollman Jones Peacock Lewis & Lyon Law Firm.

## PROPOSED LEGISLATION FIGHTS AGAINST FEDERAL OVERREACH BY THE EPA

At the Texas capitol in Austin, a legislative initiative is underway by state lawmakers who are hoping to combat federal overreach by the U.S. Environmental Protection Agency (EPA). House Bill 3450, filed by Representative Jodie Laubenberg, and its companion Senate Bill 1404, authored by Senator Craig Estes, lends support to Texas' existing regulatory structure as administered by the state's own environmental agency, the Texas Commission on Environmental Quality (TCEQ). Under the bills, the TCEQ would be required to notify and advise the governor, the lieutenant governor and the speaker of the house of representatives of proposed action by the EPA under the federal Clean Air Act which could adversely affect the state's sovereignty, economic development or job creation.

Under the proposed policy, the TCEQ would also be required to conduct a regulatory analysis that considers the costs and environmental effects and benefits expected to result from implementation of and compliance with any new environmental rule.

## NEW STUDY EXPLORES ECONOMIC BENEFITS OF SHALE FOR AMERICAN CONSUMERS

America's shale gas revolution has provided substantial economic stimulus, generating billions of dollars in total savings for consumers in recent years, concludes a new report by the Brookings Institute. In March, researchers from the Institute offered a new analysis reviewing the broad-scale welfare and distributional implications of the natural gas supply boom for consumers, producers and the manufacturing industry.

According to Institute report, all energy consumers have gained from the natural gas revolution, with average consumer savings equating to approximately \$150 a year. "... The change in benefits accruing to consumers as a result of the price decline and quantity expansion from 2007 to 2013, totals almost \$75 billion per year... The electric power sector, which in 2013 consumed the largest amount of natural gas, experienced the greatest benefit from the price decline, with an increase in consumer surplus of around \$25 billion. Consumer surplus in the industrial sector increased by around \$22 billion, residential by \$17 billion, and commercial by \$11 billion per year... The total increase in consumer surplus ranges from a low of \$45 billion per year to a high of \$93 billion."



Additionally, authors of the report concluded the study by discussing some of the current regulatory challenges pertaining to the shale gas industry. Namely, the researchers stressed the heightened need for more data collection on activities associated with fracking. More comprehensive data on baseline levels of environmental quality as well as information on air emissions from producers would go a long way in helping to enhance regulatory management of shale development, researchers contend.

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## TEXAS RAILROAD COMMISSION OFFERS NEW APPLICATION FORMS ONLINE

As part of the agency's ongoing IT modernization initiative, the Texas Railroad Commission (RRC) has announced the launch of two more electronic applications, which oil and gas operators can complete and file online. The commission's GW-1 form [Groundwater Protection Determination Request Form] and Statewide Rule 13 exception requests [SWR 3.13 regarding Casing, Cementing, Drilling, Well Control and Completion Requirements] can now be submitted online via the agency's website.

"These modernization and efficiency upgrades will help the commission reduce regulatory burdens on industry without compromising the safety of our citizens and natural resources," said Christi Craddick, chair of the RRC. "The agency is able to make these improvements thanks to legislative support and funding made available last session for important IT functions."

RRC Commissioner Ryan Sitton added, "These new applications will for the first time allow operators to fill out their requests online and submit payments in one process. They will provide greater efficiencies in well-constructing permitting to protect public safety and our natural resources while encouraging the development of our home-grown, domestic energy. It is our duty to use the resources the legislature appropriated to us to make Texas the easiest and best place in the world to develop energy."

Online filings of the two forms are strongly encouraged. Effective immediately, all hardcopy applications (and fee payments) must be sent to the RRC's Austin office, Attention Oil & Gas Division, P.O. Box 12967, Austin, Texas 78711-2967. The hardcopy applications will be processed into the online system for review. Any hardcopy applications sent to the commission's district offices will be forwarded to the Austin office before review can begin. Applications submitted via fax are no longer accepted by the commission.

## RRC COMMISSIONER DAVID PORTER KICKS OFF 2015 NATURAL GAS INITIATIVE

Railroad Commissioner David Porter launched his 2015 Natural Gas Initiative at an industry workshop on Thursday, March 26. Joined by legislators and national business leaders, Thursday's event focused on rising natural gas development in the state of Texas and highlighted economic benefits of growing markets for Texas-produced natural gas resources. The workshop included three panels, which specifically addressed opportunities related to transportation, exploration and production for fleet managers and oilfield operators.

As announced by the Railroad Commission earlier this month, the number of natural gas fueling stations operating in Texas now stands at 130, a 25 percent increase from September 2014. The commission estimates more than 40 additional stations are in the planning stages, indicating a steady build-out of natural gas infrastructure in Texas. "We have seen unprecedented growth in Texas' natural gas industry; more natural gas vehicles on the road, more fuel sold and more fueling stations installed," Commissioner Porter observed. "Fleets are buying more natural gas vehicles because we have more stations. And the more vehicles they buy, the more natural gas stations get built."



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## “AGENCY NAME CHANGE WOULD BENEFIT TEXANS”

### BY TEXAS RAILROAD COMMISSIONER RYAN SITTON

Having served on the commission charged with overseeing energy production in Texas for only two months, I recognize that I'm the “new kid on the block.” But people, including legislators, continually ask my opinion about an important topic: Should the name of the Texas Railroad Commission be changed? After spending months visiting with people from across the state ranging from grass-roots groups to local elected officials to industry leaders, I'm more convinced than ever that we need to rename the agency that regulates energy production in Texas.

The Railroad Commission has nothing to do with trains! Did you know that? If not, you aren't alone. There's a woefully inadequate level of understanding regarding what the Railroad Commission does. When we researched the issue during my campaign, we found only 3 percent to 5 percent of voters were aware of the critical role the railroad commission plays in making sure energy in Texas is produced safely, responsibly and efficiently. After seeing this data, I spent a large part of my campaign budget and my only radio ad in the runoff informing voters that most Railroad Commission activities are focused on regulating oil and gas production in Texas. That means that while Texas energy production has tripled in size over the past six years, contributed over \$15 billion to state coffers last year and supported 41 percent of the state's economy, a fraction of Texans know that there's a state agency ensuring operators follow the law and best practices.

A name change may sound unimportant, but at a time when Texans should be confident in the growth in the industry and excited about the opportunities, I am concerned that some are skeptical due to a lack of awareness and understanding about what our agency does. That's unacceptable.

How should this change be done? We need a constitutional amendment to rename the Railroad Commission. This would ensure that our citizens are a part of the change, have a voice in the process and are made aware of the agency's primary functions. The agency was provided for in the Constitution and any name change needs to be constitutional, not statutory. State Representative Larry Phillips, R-Sherman, has proposed a House Joint Resolution to do this, and I support his constitutional amendment. I firmly believe that in the interest of transparency and good government that a state agency's name should provide a good indication of what it does.

The Texas Railroad Commission has a long and storied history that all Texans should be proud of. Changing its name won't change that history. It will simply eliminate confusion regarding the commission's purpose, which is to oversee energy production by protecting the public, preventing waste and protecting correlative rights.

In my first couple of months on the job, I have already worked with dozens of legislators. I am continually impressed with their diligence; I respect their perspective a great deal, and I appreciate the hard work they do every day. I'm anxious to visit with them and anyone else who wants to discuss the urgent need for this change. I'll continue to work with anyone who is interested in how Texas can continue to advance and improve how we produce and regulate energy in our great state. After all, we have the opportunity in front of us to retake the position of global energy leader.

But to achieve that, we need the people of Texas to confidently support the industry's growth and understand that there is a state agency regulating how our energy is produced. The name change can be one of many ways we make that happen.



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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.

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