



## TEXAS LAWMAKERS ALLOCATE \$225 MILLION FOR ROAD IMPROVEMENTS NEAR STATE'S SHALE PLAYS

During the final days of the 83<sup>rd</sup> Regular Legislative Session, members of the Texas House of Representatives and Texas Senate approved measures to provide funding for road repair and maintenance in those counties that have been significantly impacted by surging oil and gas development. Senate Bill 1747, authored by Senator Carlos Uresti, will allot \$225 million in general revenue to counties in and around the Eagle Ford Shale and Permian Basin regions. According to the legislation, money will be pulled from the state budget and directed to the Texas Department of Transportation (TxDOT), which in turn will be responsible for distributing grants to areas that have been most affected by increasing oil and gas activity.

"Help is on the way for these counties," said Senator Uresti. "Working in a bipartisan fashion, the legislature has recognized that county roads are the gateway to the oil patch and must be maintained for the state's oil boom to continue. With this bill, we are saving the goose that laid the golden egg. This bill and the funding that it brings will take a giant step toward addressing the long-term needs of county roads, which are the linchpin of our energy production efforts."

Language for the bill was crafted with the support of Representative Jim Keffer, Senator Kel Seliger, Senator Judith Zaffirini, Senator Tommy Williams and Senator Glenn Hegar, as well as many other Texas lawmakers who remained committed to finding a solution to the state's ongoing road infrastructure issues this session.

As oil and gas development from Texas' shale formations continues to rise in the years ahead, adequate funding for roads will remain critical. With proper planning and investment, state lawmakers have taken action to address some of the state's largest infrastructure needs by allocating millions of dollars in funding for county roads that span across South and West Texas. Senate Bill 1747 provides a reliable revenue source to fix local roads, helping to aid those regions that have seen a rise in traffic as a result of oil and gas operations.



## RRC SUNSET FAILS, BUT AGENCY WILL CONTINUE FOR ANOTHER 4 YEARS

Although the Sunset review of the Texas Railroad Commission (RRC) failed to pass in the 83<sup>rd</sup> Regular Texas Legislative Session, the state agency responsible for overseeing oil and gas activity in Texas will still continue operations for another four years. House Bill 1675, filed by Sunset Chairman Representative Dennis Bonnen, permits the commission to function until the year 2017, when it will undergo another full Sunset review during the 85<sup>th</sup> Legislative Session. At that time, the bill notes, the Sunset report must include an assessment of existing state agencies that are capable of performing the commission's functions in the scenario that the RRC is to be dissolved. It also must include an examination of methods to help increase the public's role in decisions of the RRC that relate to the effect of the growth of resource extraction. Additionally, during the next Sunset process, the RRC will be responsible for paying all costs incurred by the Sunset Advisory Commission in performing its formal review of the agency.

"Over the years, the RRC has played a critical role in serving as the leading regulatory agency on energy policy -- a model for all oil and gas producing states," said Ed Longanecker, president of the Texas Independent Producers & Royalty Owners Association (TIPRO). "While our association worked diligently to support passage of the Sunset bill, the legislation failed late in session in the House Energy Resources Committee. Subsequently, TIPRO supported efforts to include the continuation of the RRC within House Bill 1675. We appreciate the work of our elected officials to continue the operations of the agency for another four years."

Furthermore, the resign-to-run provision originally part of the proposed RRC Sunset bill was successfully passed this session, after being included as an amendment to Senate Bill 219, the Sunset bill for the Ethics Commission. The rule will now force sitting RRC Commissioners to resign office if they should decide to run for another office.

## PRESIDENT'S MESSAGE

TIPRO Members -

Following the devastating outbreak of severe weather in the Midwest last week, I'm proud to see several of our nation's oil and gas producers step up to provide relief for those living in the areas that were directly impacted by the dangerous storms. Oil and gas companies have already committed more than \$7 million to help those in Oklahoma that were living in the path of the deadly tornadoes which ripped across communities located in America's heartland.

For example, Apache, an explorer member of TIPRO, has pledged \$500,000 towards providing storm shelters and safe rooms for Oklahoma schools. As many are aware, eight children were tragically killed when their elementary school - which did not have a storm shelter - collapsed under the pressure of the storm's strong winds. This donation from Apache will allow schools throughout the state to build shelters that can withstand these types of powerful and dangerous storms, should they happen again in the future, helping to better protect American children.

Similarly, Chesapeake Energy Corporation, also an explorer member of our association, will give \$1 million for rescue and recovery efforts to aid the victims of the destructive tornadoes. In the days following the storm, the company also organized hundreds of employee volunteers to assist tornado victims and offered Chesapeake equipment, machinery and resources to help Oklahoma communities in need.

TIPRO member companies Devon Energy and Continental Resources have announced they also will donate \$2.5 million to assist with ongoing relief efforts in Oklahoma. Likewise, ConocoPhillips will contribute \$1 million, as well as match the donations given by ConocoPhillips employees.

Yet again, this response to the Oklahoma tornadoes truly illustrates the generosity of America's oil and gas producers. Day-in, day-out, members of the oil and gas industry remain committed to serving the communities and neighborhoods that they live and operate in. As such, often they willingly share their good fortune and give back to charitable organizations and projects. They also maintain programs throughout the year to encourage philanthropic giving by their employees, in order to help enhance the level of donations for non-profits and provide additional contributions for good causes. These companies value the relationship they maintain with the general public, and make efforts to support local communities and organizations whenever possible. They will continue to be dedicated to acting as good corporate citizens by building enduring relationships and operating responsibly.

Unfortunately, all too often, stories of this nature are left out of the news headlines. Instead, the media frequently tries to paint a bleak portrayal of the oil and gas industry, spreading falsehoods and hype, rather than sharing stories of how oil and gas producers make efforts to help in those times of need.

Therefore, we must continue to do what we can to inform the American public of the good will that the oil and gas industry can provide. TIPRO will continue to do its part to educate Americans of the positive outreach by oil and gas companies in communities across Texas and the nation.

Sincerely,




**Ed Longanecker**

## HAVE YOU CONNECTED WITH TIPRO ONLINE? DO SO TODAY!

Follow the **Texas Independent Producers & Royalty Owners Association** online to learn the latest that is happening in the oil and gas industry. From Twitter to Facebook and LinkedIn, TIPRO's social media accounts offer new ways to receive updates and connect with other professionals in the E&P sector.

Don't miss out - visit TIPRO's website at [www.tipro.org](http://www.tipro.org) to learn more.



### Calendar of Events

<b>JUNE 12, 2013</b> HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.	<b>JULY 10, 2013</b> HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.	<b>AUGUST 8-10, 2013</b> SAN ANTONIO — TIPRO's Summer Conference & Golf Tournament Westin La Cantera For info, call: (512) 477-4452	<b>AUGUST 14, 2013</b> HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.
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## 83<sup>RD</sup> TEXAS LEGISLATIVE SESSION OVERVIEW

The 83<sup>rd</sup> Regular Texas Legislative Session ended on Monday, May 27, 2013. Altogether more than 5,700 bills were filed for consideration this year - including over 3,870 in the Texas House of Representatives and 1,830 in the Texas Senate. Of these, TIPRO tracked more than 450 pieces of legislation which pertained to members of the Texas oil and gas industry. Below please find a list of some of the bills significant to the E&P sector which were successfully passed out of the House and Senate:

**HB 4** - Filed by Representative Allan Ritter, sponsored by Senator Troy Fraser - Relating to the creation and funding of the state water implementation fund for Texas to assist the Texas Water Development Board (TWDB) in the funding of certain water-related projects.

**HB 341** - Filed by Representative Jim Pitts, sponsored by Senator Robert Nichols - Relating to the exclusion of mineral interests from the property interests that may be condemned by a regional tollway authority.

**HB 788** - Filed by Representative Wayne Smith, sponsored by Senator Chuy Hinojosa - Relating to regulation of greenhouse gas emissions by the Texas Commission on Environmental Quality (TCEQ).

**HB 878** - Filed by Representative Myra Crownover, sponsored by Senator Craig Estes - Relating to the filing with the state of well logs by operators of oil-related or gas-related wells.

**HB 1025** - Filed by Representative Jim Pitts, sponsored by Senator Tommy Williams - Relating to making supplemental appropriations and reductions in appropriations and giving direction and adjustment authority regarding appropriations.

**HB 1675** - Filed by Representative Dennis Bonnen, sponsored by Senator Tommy Williams - Relating to the sunset review process and governmental entities subject to that process, including the continuation of the Texas Railroad Commission (RRC).

**HB 2148** - Filed by Representative Harvey Hilderbran, sponsored by Senator Tommy Williams - Relating to the motor fuel tax on compressed natural gas and liquefied natural gas.

**HB 2300** - Filed by Representative Jim Keffer, sponsored by Senator Carlos Uresti - Relating to the creation of County Energy Transportation Reinvestment zones.

**HB 2571** - Filed by Representative Jim Keffer, sponsored by Senator Troy Fraser - Relating to the inspection of certain information regarding the production, transportation, sale, and marketing of oil and gas from state land.

**HB 2590** - Filed by Representative Jim Keffer, sponsored by Senator Kevin Eltife - Relating to the foreclosure sale of property subject to certain agreements related to the production or sale of oil or gas.

**HB 2741** - Filed by Representative Larry Phillips, sponsored by Senator Robert Nichols - Relating to the regulation of motor vehicles by counties and the Texas Department of Motor Vehicles (DMV).

**HB 3509** - Filed by Representative Dennis Bonnen, sponsored by Senator Kel Seliger - Relating to endangered species habitat conservation.

**SB 900** - Filed by Senator Troy Fraser, sponsored by Representative Gene Wu - Relating to the amounts of the administrative, civil and criminal penalties for violating certain statutes under the jurisdiction of, rules or orders adopted by, or licenses, permits, or certificates issued by the RRC.

**SB 901** - Filed by Senator Troy Fraser, sponsored by Representative Chris Paddie - Relating to safety standards and practices applicable to the transportation by pipeline of certain substances.

**SB 1747** - Filed by Senator Carlos Uresti, sponsored by Representative Jim Keffer - Relating to funding and donations for county transportation projects, including projects of county energy transportation reinvestment zones.

**SJR 1** - Filed by Senator Tommy Williams, sponsored by Representative Jim Pitts - Proposing a constitutional amendment providing for the creation and use of funds in the state treasury to provide financial assistance for certain projects related to economic development and water infrastructure.



*Story continued on page 4...*



# 83<sup>RD</sup> TEXAS LEGISLATIVE SESSION OVERVIEW



However, while noteworthy, many bills failed to pass this legislative session. Legislation related to the oil and gas industry that stalled in the House or Senate this year includes:

**HB 11** - Filed by Representative Allan Ritter - Relating to the appropriation of money from the economic stabilization fund to finance certain water-related projects.

**HB 55** - Filed by Representative Lon Burnam - Relating to the exemption of tax reduction for certain high-cost gas.

**HB 227** - Filed by Representative Lyle Larson - Relating to the appropriation of money from the economic stabilization fund to be used for the purposes of the water infrastructure fund during the next state fiscal biennium.

**HB 314** - Filed by Representative Tony Dale - Relating to the abolition of the Alternative Fuels Research and Education Division (AFRED) program administered by the RRC.

**HB 379** - Filed by Representative Lon Burnam - Relating to the imposition of a fee on oil and gas waste disposed of by injection in a commercial injection well permitted by the RRC.

**HB 448** - Filed by Representative Dawna Dukes - Relating to a requirement that the operator of an oil or gas well on which a hydraulic fracturing treatment is to be performed mail a list of the chemicals to be used in the treatment to persons residing near the well.

**HB 563** - Filed by Representative Ryan Guillen - Relating to shale transportation districts, authorizing the issuance of bonds.

**HB 1336** - Filed by Representative Jim Keffer - Relating to funding for state and county roads affected in areas of increased energy production.

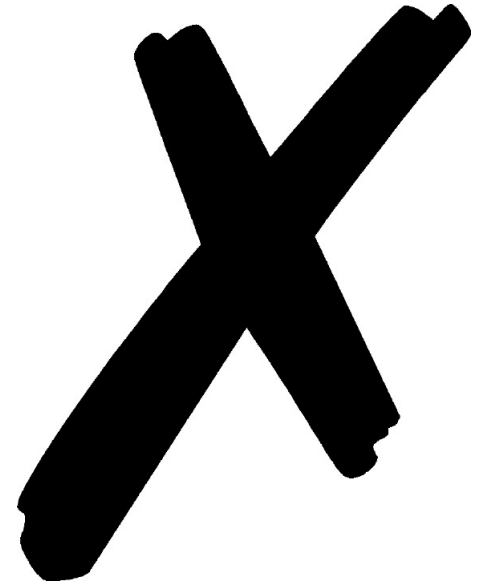
**HB 1475** - Filed by Representative Harvey Hilderbran - Relating to the exclusion of certain flow-through payments related to petroleum and mineral interests in determining total revenue for purposes of the franchise tax. The companion bill SB 868, by Senator Eltife, also failed to pass.

**HB 1986** - Filed by Representative Charles Perry - Relating to the effect of rules and standards adopted by the RRC relating to the liquefied petroleum gas industry on ordinances, orders, or rules adopted by political subdivisions relating to that industry.

**HB 2047** - Filed by Representative Jose Lozano - Relating to a sales and use tax exemption for certain tangible personal property and services related to mineral exploration and production. The companion bill SB 1252, by Senator Patrick, also failed to pass.

**HB 2577** - Filed by Representative Lyle Larson, sponsored by Senator Kel Seliger - Relating to water well record-keeping and reporting requirements, including the production, use and withdrawal of groundwater.

**HB 2578** - Filed by Representative Lyle Larson, sponsored by Senator Carlos Uresti - Relating to the development of brackish groundwater. The companion bill SB 1760, by Senator Uresti, also failed to pass this legislative session.



*Story continued on page 5...*



## 83<sup>RD</sup> TEXAS LEGISLATIVE SESSION OVERVIEW

Other bills that did not pass during the 83<sup>rd</sup> Legislative Session:

**HB 2633** - Filed by Representative Phil Stephenson - Relating to the compensation of an owner of the surface estate in land for damages associated with mineral exploration and production operations.

**HB 2661** - Filed by Representative Jim Keffer, sponsored by Senator Glenn Hegar - Relating to the information required to be provided by a payor of proceeds from the sale of oil or gas from an oil or gas well to a payee. The companion bill SB 865, by Senator Hegar, also failed to pass.

**HB 2748** - Filed by Representative Tyron Lewis - Relating to the burden of proof in proceedings in district, statutory county court, and county courts; involving the determination of common carrier status.

**HB 3317** - Filed by Representative Jim Keffer - Relating to the exemption of a water well from certain permitting by and compliance with rules of a groundwater conservation district. The companion bill SB 1749, by Senator Uresti, also did not pass this session.

**HB 3596** - Filed by Representative Lon Burnam - Relating to the regulation of emissions of air contaminants from the drilling or reworking of oil or gas wells.

**HB 3599** - Filed by Representative Lon Burnam - Relating to restrictions on the siting, drilling, completion, and operation of oil and gas wells in certain locations.

**HB 3600** - Filed by Representative Lon Burnam - Relating to the rights of an owner of the surface estate in land in connection with oil and gas exploration and production operations.

**SB 4** - Filed by Senator Troy Fraser - Relating to the administration and functions of the TWDB.

**SB 22** - Filed by Senator Troy Fraser - Relating to the administration of the TWDB.

**SB 224** - Filed by Senator Kel Seliger - Relating to the availability of money from the economic stabilization fund to be used for the purposes of projects in the state water plan.

**SB 300** - Filed by Senator Carlos Uresti - Relating to funding for certain county transportation infrastructure projects.

**SB 467** - Filed by Senator Glenn Hegar - Relating to the regulatory analysis of rules proposed by the TCEQ.

**SB 873** - Filed by Senator Glenn Hegar - Relating to the authority of a groundwater conservation district to require a permit for the drilling or operation of a water well used to supply water for the performance of a hydraulic fracturing treatment on an oil or gas well.

**SB 1670** - Filed by Senator Robert Nichols, sponsored by Representative Larry Phillips - Relating to the fees for oversize and overweight vehicle permits.

**SB 1671** - Filed by Senator Robert Nichols, sponsored by Representative Allen Fletcher - Relating to the fines for and other enforcement of laws providing for the operation of oversize or overweight vehicles.

## TEXAS LEGISLATURE GRANTS \$24.7 MILLION FOR IT OVERHAUL AT RAILROAD COMMISSION

The Texas Railroad Commission (RRC) will receive a much-needed overhaul of its Information Technology (IT) department, with the passage of legislation that will supply \$24.7 million for the upgrade at the agency. The funding will allow the commission to make its website more user-friendly, and integrate web-based applications that simplify the filing and exchange of data.

“One of the RRC’s top priorities this session has been to secure funding for the development and initiation of IT modernization efforts,” said RRC Commissioner Christi Craddick. “In response to requests for greater access to information housed by the agency, plans for the IT renovation will allow for improved efficiency, effectiveness and transparency within the Commission and make information more readily available to the public.”

Other IT improvements expected at the RRC include:

- Upgrades to the RRC’s Geographical Information System (GIS);
- Revising outdated manual processes to obtain process efficiency;
- Integrating additional online filings with revenue or fee collection;
- Consolidating the compliant, inspection, violation, enforcement, and docket tracking processes and systems;
- Providing Commission stakeholders (industry, public, interest groups) efficient access to timely and accurate data;
- Minimizing dependence on mainframe systems; and
- Developing applications that can take advantage of mobile technologies in the future.

“It is well known that this agency’s IT program is considerably behind current technology,” added Commissioner Craddick. “We regulate an industry that is constantly evolving and is one of the most technologically advanced industries in the world. In fact, that technology is driving the immense growth in energy production we are seeing today. However, with the current status of our agency’s IT department, the Commission is struggling to keep pace with growth in an industry that is a key factor responsible for the strength of the Texas economy.”

## “TEXAS RAILROAD COMMISSION STRENGTHENS CONSTRUCTION STANDARDS”

### BY DAVID PORTER, TEXAS RAILROAD COMMISSIONER

Texas is the nation's top oil and natural gas producing state, representing a staggering 40 percent of the country's oil production and 30 percent of its natural gas production. Texas also leads the country in energy policy and technology, and prolific oil and gas plays across the state will continue to fuel an unprecedented growth of exploration and production.

The Texas Railroad Commission (RRC) is responsible for overseeing this booming industry across our state. For more than 120 years, the RRC has played a critical role in the establishment of Texas as an international energy leader. As the state's senior energy regulator, it has been my top priority that we continue this tradition by ensuring that our state's rules and regulations account for current technologies and environmental and safety needs in a manner that is efficient and consistent with sound market principles.

Accordingly, my fellow RRC Commissioners and I have been working with various stakeholders over the past year to amend Statewide Rule 13, the rule governing well construction requirements. Our objective was to ensure that every oil and gas well drilled in the state follows the best practices already being implemented by the oil and gas industry across Texas. Based on extensive input, deliberation, and collaboration among RRC engineers and geologists, oil and gas industry representatives, landowners, and environmentalists, the amended rule successfully meets this objective. The rule now more clearly outlines the requirements for all wells, consolidates the requirements for well control and blow-out preventers, and updates the requirements for drilling, casing, cementing and fracture stimulation. These requirements will be applied fairly and do not add unnecessary burdens and costs to operators, and importantly, are not intended to have a more significant impact on smaller businesses than larger corporations.

The rule also requires additional safeguards for groundwater protection. It is important to note that these safeguards are just that: precautionary measures. Thanks to the oil and gas industry's best practices and strict regulation and enforcement by the RRC, there has never been a documented case of groundwater contamination due to hydraulic fracturing in Texas.

As Texas RRC Commissioner, I am proud that we strengthened this rule under my watch, and I commend all stakeholders for their expertise and steadfast commitment over the past year. This rulemaking process is a prime example of all sides coming together to satisfy one mutual goal: effective energy regulations that ensure resource recovery operations meet or exceed environmental and safety compliance standards. Once again, with stricter well construction requirements, Texas is pioneering the way for other states to adopt similar measures and sending a strong message to the federal government. We in Texas know best how to achieve a balance of economic vitality and environmental safety - as we responsibly and proudly reign as the top producer in the country.

## RAILROAD COMMISSION CHAIRMAN PARTICIPATES IN ENERGY ROUNDTABLE AT U.S. SENATE

Participating in a roundtable discussion hosted by the U.S. Senate Committee on Energy & Natural Resources on May 23, 2013, Barry Smitherman, chairman of the Texas Railroad Commission (RRC), addressed Texas’ approach to regulation of oil and gas operations.

“As you can see, the RRC is of the position that our state agency is the appropriate arbiter of rules affecting the oil and gas industry in our state, rather than the U.S. Environmental Protection Agency (EPA),” commented Smitherman during the event. “Our best practices support a robust environment for the oil and gas industry, while still protecting natural resources. The reliable, safe, and thriving oil and gas industry in Texas demonstrates that our best practices are a success for the industry and environment alike.”

## FORMER EPA ADMINISTRATOR LISA JACKSON TO JOIN APPLE AS ENVIRONMENTAL VP

Former administrator of the U.S. Environmental Protection Agency (EPA) Lisa Jackson will soon join computer giant Apple, announced Tim Cook, the company's CEO, during an industry conference in Southern California on Tuesday, May 29, 2013. Jackson will serve as Apple's new vice president for environmental initiatives, helping minimize the impact of manufacturing products and instating higher environmental standards for the company.

"Apple has shown how innovation can drive real progress by removing toxics from its products, incorporating renewable energy in its data center plans, and continually raising the bar for energy efficiency in the electronics industry," Jackson said in a statement made to *Politico*. "I look forward to helping support and promote these efforts, as well as leading new ones in the future aimed at protecting the environment."

Jackson resigned from the EPA at the end of last year, after four tumultuous years leading the federal agency. Her replacement, Gina McCarthy, is still undergoing the approval process by the U.S. Senate to lead the bureaucratic agency.

## DOMESTIC OIL PRODUCTION IN THE U.S. SURGES

From Texas to North Dakota, and everywhere in between, the domestic production of oil in the United States is rising at a remarkable rate. The U.S. Energy Information Administration (EIA) reports that between February 2010 and February 2013, onshore oil production, including crude oil and lease condensate, rose more than 2 million barrels per day (mmbd), or 64 percent, in the Lower 48 states. Since 2010, Texas alone has nearly doubled its production of oil, now producing a total of 1.6 mmbd, the highest monthly level seen in years. Similarly, North Dakota's output has tripled during the three-year time span. Most of the surge in oil production is attributed to increased drilling of shale plays, which house oil-bearing, low-permeability rocks, through the use of hydraulic fracturing and horizontal drilling.

## TIPRO MEMBERS CAN RECEIVE DISCOUNT AT SIX FLAGS THEME PARK

As you make plans for your summer vacation this year, don't forget that members of TIPRO are eligible to receive a discount for tickets to the Six Flags Fiesta Texas theme park in San Antonio, Texas. Experience thrilling rides like the new Iron Rattler, Superman, Scream and Poltergeist roller coasters, as well as enjoy the free water park and relax as you float along their lazy river. You can also catch one of the many entertaining shows available, and watch fireworks light up the evening sky,

TIPRO members may now purchase tickets for half of the regular price -- just \$30.99. However, act fast, as this special deal will expire on Sunday, June 16, 2013.

Accessing your special ticket is easier than ever. Simply log into the Six Flags site and buy your park tickets with substantial savings off the main gate price.

You may access the site via the link provided below, and log in with the following username and password:

**Special Ticket Link:** <https://shopsixflags.accesso.com/clients/sixflags/affiliate/index.php?m=15672>

**Username:** TIPRO

**Password:** SixFlags4

\*Note: The password is numeric and case sensitive

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**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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