Texas Independent **Producers and Royalty Owners Association** 

#### PRIMARY ELECTION RESULTS ARE IN!

With all votes tallied from the May 29 Texas Primary Election, it appears several races will require a run-off election in July to determine party nominations.

Both seats on the Railroad Commission will require run-offs. Railroad Commission Chairman Barry Smitherman captured 44 percent of the vote in the race for the Republican nomination for the position formerly held by Commissioner Michael Williams. The term, not yet expired, would last for two years

before up for election again in 2014. Other contenders in the race included Comal County Commissioner Greg Parker, Guadalupe County attorney Elizabeth Murray-Kolb and businessman Al Lee. Just shy of the majority needed to secure the nomination, a run-off will be held between Smitherman and Parker to determine the final GOP candidate for the position.

Smitherman was originally appointed by Gov. Perry to fill the role on July 8, 2011, after the seat was vacated by Williams. Then, in February 2012, Smitherman was elected as Chairman of the Commission. Previously he served seven years at the Public Utility Commission (PUC), three years as a member and four years as Chairman of the Commission. Smitherman currently serves as Texas' representative on the Interstate Oil and Gas Compact Commission, and as vice chair of the National Association of Regulatory Utility Commissioners' Gas Committee. He is on the Visiting Committee of the Bureau of Economic Geology with the Jackson School of Geosciences at The University of Texas at Austin, The University of Texas School of Law Center for Global Energy, International Arbitration, and Environmental Law, and the Eanes Education Foundation Advisory Board. Smitherman has also served on the Department of Energy's Electricity Advisory Committee and as an Adjunct Professor of Public Administration at St. Thomas University.

Meanwhile, Parker has served on the Comal County Commissioners Court since November 2004. He is author of the book "Global Warming...Really?" and a member of the International Association for Energy Economics, the United States Association for Energy Economics, and the American Society for Public Administration, Section on Environmental and Natural Resource Administration.

There is no Democratic challenger in the race, meaning the winner of the run-off will go unopposed during the General Election.

In the race to fill the seat formerly held by Railroad Commissioner Elizabeth Ames Jones, Representative Warren Chisum and Christi Craddick earned the most votes, forcing a run-off election between the two candidates. The two topped a field that included a total of six candidates.

Chisum was elected to the Texas Legislature in November 1988, and is presently serving his 12th term, representing House District 88. He is an active member in the Energy Council, an organization of legislators from ten energy-producing states, who address energy and environmental policy issues. Most recently he has served on the Energy Council's Executive Committee. Chisum is also the owner of Omega Energy and Wolf Creek Exploration Company and operates the Chisum Ranch in Roberts County.

Christi Craddick, a native of Midland, is a small business owner and attorney specializing in

oil and gas, water, tax issues, electric deregulation and environmental policy. Craddick currently serves as president of a grassroots advocacy firm specializing in coalition building in the public policy arena and development and implementation of issue strategies.

The winner of the July run-off election between Chisum and Craddick will have to face Democratic opponent Dale Henry in the November 6 General Election. Henry, who ran unsuccessfully for Railroad Commissioner in 2006 and in 2008, was unopposed in his party's Primary Election race.

A run-off race will also be held to determine the Republication nomination for Texas' open U.S. Senate seat, Christi Craddick pitting Lt. Gov. David Dewhurst against former state solicitor general Ted Cruz, due to the fact neither candidate secured the 50 percent threshold which is necessary to outright win the party nomination.

Former Railroad Commissioner Elizabeth Ames Jones lost her bid against state Senator Jeff Wentworth in the Senate primary for District 25.

In other races held in districts across the state, most incumbents held on to their party nominations, easily securing a majority of the vote. However, incumbents who were defeated in the 2012 Primary Election include: Representative Rob Eissler, Representative Mike Hamilton, Representative Vicki Truitt, Representative Wayne Christian, Representative Marva Beck, Representative Leo Berman and Representative Barbara Nash.

For more information on the Primary Election, including results from your district, visit www.sos.state.tx.us/elections.



### CHAIRMAN'S MESSAGE

TIPRO Members-

Following the recent Primary Election in Texas, one thing is clear: the next 6 months will be critical for the future success of the oil and gas industry. With redistricting completed, the General Election in November will bring many new faces to the Capitol, with 30 to 50 new Representatives and four to six new Senators likely taking office next January. With so much turn-over in those officials who hold office, now more than ever before must we work to educate as many as possible on the need for domestic exploration and production. Particularly since the 83<sup>rd</sup> Legislative Session will be here before we know it.

Between now and the kick-off of Session next January, we need to continue to reach out to those candidates that are running for office in efforts to build their understanding of the oil and gas sector. It is our responsibility to ensure that everybody in the Texas House and Senate is fully informed on the basics of the oil and gas industry. We must enhance their appreciation of all that industry does to support local, state and



Stephen N. Castle

federal coffers and help create American jobs. We also must get them caught-up on those issues which threaten to slow development of oil and gas, including the ongoing threat of overregulation by the federal government. Unnecessary, overburdensome federal regulations stand in the way of domestic production and hurt businesses. No longer do we just have to be concerned with the cost of operations; we also must worry about the cost of compliance. Regulations imposed by the U.S. Fish & Wildlife Service (USFWS) and the U.S. Environmental Protection Agency (EPA), for instance, could slow, if not stop, oil and gas activity. Training our elected officials on the development of oil and gas is no easy task - and will surely be a huge undertaking - but rest assured, TIPRO will continue to do its part to work with elected officials on behalf of independent producers and royalty owners, fighting to preserve the ability to explore for and produce oil and natural gas.

Similarly, it is also of critical importance that we as independent producers and royalty owners also stay up-to-date on all those issues that are currently impacting the industry. One of the best opportunities to do so is during our association's annual meetings, including the upcoming TIPRO Summer Conference & Golf Tournament. This event, which brings together a wide variety of TIPRO members, in addition to elected officials and state regulators, serves as a special opportunity for members to gather for a weekend of business and entertainment. We are excited this year to host the event in a new location, at the Moody Gardens Hotel and Spa in Galveston, Texas. The conference will kick off with our Golf Tournament and Reception on Thursday, August 9. The rest of the Conference will then continue August 10-11, with the General Session presentations focusing on a wide range of topics, including: how industry CEOs are acclimating to a shifting business environment, state and federal issues update and complete political analysis during this crucial election year. This year's Conference will feature an outstanding line-up of speakers, including executive officers, Congressional representatives and regulatory officials. On page 5 of this newsletter find information on sponsorship opportunities for the event. Additional details on TIPRO's Summer Conference will be published in the next edition of *The TIPRO Target*.

#### Sincerely,

Stephen M. Carle

## MEMBERS OF HOUSE ENERGY ACTION TEAM PARTICIPATE IN ENERGY AND JOBS TOUR

On Thursday, May 24, 2012, members of the House Energy Action Team (HEAT) and other members of the U.S. House of Representatives spanned the country to participate in the "2012 American Energy and Jobs Tour," promoting a true all-of-the-above energy agenda aimed at increasing economic growth and creating jobs. Several participants took the opportunity to tour oil rigs and hydraulic fracturing sites in Texas, seeing firsthand how Texas producers help contribute to the nation's supply of American energy.

"Today's HEAT event in the Permian Basin – as well the others held around the nation – highlight just how badly our nation and economy need energy policies that will allow for the greater production of American energy," commented Congressman Francisco "Quico" Canseco (TX-23).

The tour also included roundtable discussions with representatives of the energy industry to help the Congressmen gain a better understanding of how Washington overregulation hinders industry operations.

#### Calendar of Events

#### **JUNE 13, 2012**

HOUSTON IPAA/TIPRO
Leaders in Industry
Luncheon, 11:30 a.m.
Houston Petroleum Club.
For info, call: (713) 503-1298.

#### **JULY 11, 2012**

HOUSTON IPAA/TIPRO
Leaders in Industry
Luncheon, 11:30 a.m.
Houston Petroleum Club.
For info, call: (713) 503-1298.

#### **AUGUST 8, 2012**

HOUSTON IPAA/TIPRO
Leaders in Industry
Luncheon, 11:30 a.m.
Houston Petroleum Club.
For info, call: (713) 503-1298.

#### **AUGUST 9-11, 2012**

GALVESTON TIPRO'S

Summer Conference &

Golf Tournament,

Moody Gardens.

For info, call: (512) 477-4452.

## RRC COMMISSIONER LAUNCHES INITIATIVE TO UPDATE FLARING RULES

Following a recent meeting of the Eagle Ford Task Force, Railroad Commissioner David Porter unveiled new plans to modernize current agency rules on flaring and venting.

"Technical and engineering innovations have positioned Texas as the nation's top natural gas-producing state and largest natural gas employer, with nearly 1.3 million direct and indirect jobs. In fiscal year 2011, oil and gas contributed about 10 percent of all revenue in the state's general fund," noted Commissioner Porter. "This is great news, but we must address flaring that is associated with the rapid industry expansion."

Specifically, Porter hope to:

- Ensure operators fully comply with current Commission flaring and venting rules;
- Amend Commission flaring and venting rules to comport with increased production of shale plays across the state;
- Review flaring technologies to encourage the use of efficient, environmentally protective and energy-saving flares;
- Work in partnership with all other state regulatory entities to streamline air emission rules, monitoring and reporting;
- Work in partnership with Texas electrical energy regulators to identify opportunities for using excess gas as a strategic sources of power generation; and
- Study a pilot program to use gas as a source of power for on-lease operations in lieu of flaring the gas.

"We must proactively address flaring with fair, predictable, common-sense regulations based on science and fact," added Commissioner Porter. "I look forward to working with the oil and gas industry, fellow state agencies and legislators, and the public to ensure that responsible development and public safety remain our chief goal while recognizing that energy is the economic driver of our state," added Commissioner Porter.

### TCEQ CREATES NEW WEBSITE ON INDUSTRY COMPLIANCE

The Texas Commission on Environmental Quality (TCEQ) has launched a new website that will help operators better understand state regulations of oil and gas operations. The new resource offers information on compliance requirements for oil and gas facilities in Texas, as well as additional information on oil and gas development.

Check out the website by visiting www.tceq.texas.gov/assistance/industry/oilgas.html.



### EAGLE FORD PROVIDES "PROFOUND IMPACT ON TEXAS" SAYS FEDERAL RESERVE

Oil and gas activity in the Eagle Ford Shale has dramatically increased job growth, wages and retail sales in South Texas, according to a new report released by the Federal Reserve Bank of Dallas.



Although each of the 23 counties in the region have enjoyed a strong positive economic impact from the increase in area exploration and production, Dimmit, La Salle and McMullen counties have experienced the greatest economic growth. In Dimmit County, weekly wages rose at an annual rate of 35.8 percent between the first quarter of 2010 and the third quarter of 2011. Similarly, in McMullen County, wages grew 25.1 percent during the same time period. Overall, throughout the region, jobs grew at an annual rate of 5.9 percent, nearly double the rate of job creation statewide.

Additionally, the report emphasized the potential future economic impact of the Eagle Ford Shale. Although difficult to predict how the levels of activity might change during the coming years with changing prices of oil and natural gas, the billions of dollars already committed to expanding infrastructure in the region signal high expectations for continued growth in production in the coming years, notes the report.

"While recent activity is impressive, more growth may lie ahead to meet demand," said the report. "The scale of development has surpassed the capacity of local industry. Hotels, restaurants and gasoline stations are jammed with outside managers, crews and technicians. As the Eagle Ford matures and the local service industry expands, many outside workers may become local residents and employees."

## NEW TASK FORCE FORMED TO PROMOTE FORT WORTH AS ENERGY CENTER

A new task force called the "Natural Gas Task Force" has been formed in Fort Worth to help enhance appreciation of natural gas development in the Barnett Shale and link Fort Worth with natural gas innovation, development and education. The group also hopes to attract the best oil and gas talent to the area, as development of the shale play continues.

The Barnett Shale currently supports over 100,000 jobs in North Texas and supplies billions of dollars in annual output each year. Over the last decade, Barnett Shale activity has accounted for 38.5 percent of the incremental growth in the economy of the region, and now constitutes about 8.5 percent of the local business complex.

"The purpose of the task force is to promote the idea that Fort Worth is the energy capital," said Ed Ireland, executive director of the Barnett Shale Energy Education Council in Fort Worth and member of the new task force. "The fact that George Mitchell, who is considered the father of shale gas for pioneering the technology used to extract the underground resource, developed those tools in the Barnett makes Fort Worth the birthplace of a new energy scene."

About 15 people make up the task force, including Bill Thornton, president and CEO of the Fort Worth Chamber of Commerce, David Berzina, executive vice president of development of the Fort Worth Chamber of Commerce; Julie Wilson, vice president of urban development for Chesapeake Energy Corp., Mike Berry, president of Hillwood Development and Larry Brogdon, partner and chief geologist for Four Sevens Oil Co. Other members include educators, economic development leaders and industry representatives.

## "An American success story in Paris"

## By Simon Lomax, Energy In Depth

The production of natural gas from deep shale formations, thanks to the combination of horizontal drilling and hydraulic fracturing, was pioneered in the U.S. and it's a technological breakthrough that continues to transform the nation's energy economy. But this American success story probably won't end at the water's edge. In fact, shale-gas may provide the world with an abundant, affordable and secure energy source for decades to come.

That's the conclusion of the International Energy Agency in a special report released this week, "Golden Rules for a Golden Age of Gas." The report concludes that with the right mix of technology, industry best practices and government regulation, America's shale-gas success can be repeated across the globe:

"Advances in upstream technology have led to a surge in the production of unconventional gas in North America in recent years, holding out the prospect of further increases in production there and the emergence of a large-scale unconventional gas industry in other parts of the world, where sizeable resources are known to exist. The boost that this would give to gas supply would bring a number of benefits in the form of greater energy diversity and more secure supply in those countries that rely on imports to meet their gas needs, as well as global benefits in the form of reduced energy costs." (IEA report, p. 11)

In fact, the amount of gas produced globally from horizontal drilling and hydraulic fracturing could triple by 2035, according to IEA projections. Here at home, the U.S. would maintain its status as the world's leading natural gas producer, with a 62 percent increase in shale gas, tight gas and coalbed methane production projected by 2035. If shale-gas supports 600,000 jobs today, imagine how many hundreds of thousands more workers might be getting paychecks if the industry expands by almost two thirds in just over two decades.



# Sign up to sponsor 71PRO's upcoming Summer Conference!

#### ☐ Gold Level - \$6,000

Receive 4 complimentary registrations & recognition at all events

☐ Silver Level - \$3,000

Receive 2 complimentary registrations & sponsor recognition ☐ Bronze Level - \$1,500 Receive 1 complimentary registration & sponsor recognition

☐ Hospitality Suite Sponsor

Receive 1 conference registration & recognition in hospitality suite



One sponsorship available

#### REGISTRATION SPONSORSHIP OPPORTUNITIES

**☐** T-Shirt Sponsor - \$4,000

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

One sponsorship available

☐ Koozie Sponsor - \$1,500

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

One sponsorship available

☐ Lanyard Sponsor - \$1,000

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

One sponsorship available

#### GOLF SPONSORSHIP OPPORTUNITIES

□19<sup>th</sup> Hole Reception - \$2,000

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

One sponsorship available

☐ Visor Sponsor - \$2,000

Receive 2 golf registrations & company logo embroidered on visors

One sponsorship available

☐ Beverage Cart - \$1,500

Receive 2 golf registrations, cart signage & tournament signage

Two sponsorships available

☐ Driving Range - \$750

Receive 1 golf registration, driving range signage & tournament signage

Two sponsorships available

☐ Hole Sponsor - \$500

Receive 1 golf registration & recognition on Tee Box

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Credit Card No.:				Exp. Date:	
CID:	Signature	::			
Fax form to (512) 476-8	8070 or mail to 7	ΓΙΡRO at: 919 Congress	Avenue Suite 10	000, Austin, Texas 78701	

For additional information, contact TIPRO at (512) 477-4452, or visit www.tipro.org.



## "AN AMERICAN SUCCESS STORY IN PARIS"... CONTINUED FROM PAGE 4

But perhaps the most striking thing about this report is who wrote it. The IEA is based in Paris, the capital of France, where hydraulic fracturing is currently banned. Plus, most of the IEA's 28 member countries give their government agencies sweeping powers, and they tend to heap more regulations on all industries — including energy production – than the American public would ever allow. But even so, in a nation where hydraulic fracturing is outlawed and at an agency with a bias towards heavy-handed regulation, a team of researchers said the technology is safe and "many countries are lining up to emulate" America's experience:

Technology is opening up possibilities for unconventional gas to play a major role in the future global energy mix, a development that would ease concerns about the reliability, affordability and security of energy supply. In North America, production of unconventional gas – notably shale gas – has risen rapidly in recent years and is expected to dominate growth in overall US natural gas production in the coming years and decades. Naturally, there is keen interest in replicating this success in other parts of the world, where sizeable resources of unconventional gas are known to exist. (IEA report, p. 17)

Naturally, the report also discusses the "social and environmental concerns" associated with shale-gas production that energy companies and regulators must carefully manage. Of course, every commercial activity, whether it's running a shopping mall, operating an airline or producing shale gas, needs to manage social and environmental concerns. In the case of shale gas, the IEA says those concerns include land use, water use, well site emissions, and the potential impact on groundwater. Nothing new there, and the report states the obvious – if the oil and gas industry and its regulators don't appropriately deal with those social and environmental concerns, new hurdles could be erected to future energy development.

Of course, some media outlets couldn't help themselves, and tried to cast the IEA's report as a bad omen for the shale-gas industry. Here's what Bloomberg reported under the headline "Natural Gas Golden Age Is Threatened By Pollution":

"A tripling of natural-gas production from unconventional sources, such as shale formations, will only happen if environmental concerns are addressed, according to the International Energy Agency."

Really? In other completely obvious news, your favorite Major League baseball team will only clinch a World Series championship if it wins more games than it loses, and a musician who wants to perform at Carnegie Hall will only get there with practice. Of course there are environmental concerns to be addressed in relation to shale-gas development – the same goes for every other energy source, even wind farms and solar arrays. But what this and other news accounts fail to mention is that the IEA report also says shale-gas operators and regulators in the U.S. are already dealing with those concerns:

"The technologies and know-how exist for unconventional gas to be produced in a way that satisfactorily meets these challenges, but a continuous drive from governments and industry to improve performance is required if public confidence is to be maintained or earned." (IEA report, p. 11)

"As pioneers of large-scale unconventional gas development, policy-makers, regulators, producers and the general public in the United States have been the first to face the question of how to evaluate and minimize the associated environmental risks. The emergence of unconventional gas production on a large scale has prompted a broad debate, particularly as production has moved out of traditional oil and gas producing areas. It has also led to changes in the regulatory framework and industry practices." (IEA report, p. 103)

"The legal and regulatory framework for the development of unconventional resources in the United States is a mixture of laws, statutes and regulations at the federal, state, regional and local levels. Most of these rules apply to oil and gas generally and were in place before unconventional resource development took off. They cover virtually all phases of an unconventional resource development, from exploration through to site restoration, and include provisions for environmental protection and management of air, land, waste and water. States carry the primary responsibility for regulation and enforcement on lands outside federal ownership. This approach allows for some regionally specific conditions, such as geology or differing economic or environmental priorities, to be taken into account, with consequential variations in regulatory practices among states." (IEA report, p. 104)

"The industry itself has taken steps to promote best practice, both through industry bodies, such as the American Petroleum Institute and through initiatives such as the creation of the FracFocus website, a voluntary online registry to which companies submit data about chemicals used in hydraulic fracturing operations..." (IEA report, p. 105)

To focus on the existence of environmental concerns, rather than the steps that the shale-gas industry and its regulators are already taking to responsibly deal with them, is to miss the whole point of the IEA report. It holds up the American shale-gas experience as a positive example for other countries to follow. It says hydraulic fracturing is a safe technology and that regulations governing its use can be tailored to the specific demands of each country, or even different regions within a country.

The IEA report also says that despite the efforts of some environmental activists to scare the public about hydraulic fracturing, America's shale-gas companies have earned the public's confidence, and will maintain that confidence as long as they continue to develop this abundant natural resource responsibly. That's probably why a Harris Poll in March found 57 percent of Americans support the use of hydraulic fracturing, with only 22 percent opposed. That's a margin of more than two to one.

But the IEA report also has a more fundamental message, one that recalls the reason why the agency was founded in 1974 – the Arab oil embargo. For decades, the world has been dangerously dependent on a small number of energy-rich countries, namely the members of OPEC, and the IEA says shale gas can help break that dependence. And that's why, the IEA says, "there has been a surge of interest from countries all around the world in improving their security of supply and gaining economic benefits" by using horizontal drilling and hydraulic fracturing to responsibly produce their own shale gas.



## **\*SAVE THE DATE...**

An Evening With

## **GREG HALL**

Engineer of the Chilean Mine Miracle

Please Join Centers for Children and Families Friday, July 20, 2012

## Midland County Horseshoe

Enjoy an evening with Greg Hall benefitting Centers for Children and Families at the Midland Horseshoe Arena. Greg's keynote will include exciting details of the rescue of the Chilean miners and video from the scene. In addition, the evening will include dinner, live and silent auctions, colossal cork pull, raffle, video from the scene and an opportunity for a technical question and answer session for those interested.

In August of 2010, 33 Chilean miners were trapped 2,000 feet underground by a minor earthquake. Chilean government officials and experts from around the world raced against time to find a way to rescue the men beneath the earth. Greg Hall of Drillers Supply International, Cypress, Texas, knew there had to be a way to drill through the more than 2,000 feet of solid rock to save their lives. Greg engineered \*Plan B" and after 69 historic days, all 33 miners were miraculously recovered in the deepest rescue ever attempted. Greg, a Texas A&M graduate and Deacon in the Catholic Church, credits a higher power for his achievement. He says, "God drilled the hole. I just had a good seat."

To reserve a table, please call (432) 570-1084, ext. 23 or email mmacferran@centerswesttexas.org
Proceeds benefitting Centers for Children and Families
www.centerswesttexas.org

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#### Texas Independent Producers & Royalty Owners Association

With more than 2,300 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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