



**TIPRO**  
Texas  
**Independent  
Producers and  
Royalty Owners  
Association**

## EPA REGION VI ADMINISTRATOR RESIGNS AFTER MAKING OUTLANDISH “CRUCIFY INDUSTRY” REMARKS

Al Armendariz, director of the U.S. Environmental Protection Agency (EPA)’s Region VI office, resigned Sunday, April 29, after video surfaced of the regulator explaining the federal agency’s enforcement policy of “crucifying” oil and natural gas companies. The videotape showed Armendariz speaking at a public meeting held in 2010 in Dish, Texas, in which he compared the

EPA’s philosophy to Roman crucifixions.

“I was in a meeting once and I gave an analogy to my staff about my philosophy of enforcement,” said Armendariz. “It was kind of like how the Romans used to conquer little villages in the Mediterranean. They’d go into a little Turkish town somewhere, they’d find the first five guys they saw and they’d crucify them. And then you know that town was really easy to manage for the next few years. And so you make examples out of people.”

The remarks by Armendariz sparked strong reactions from elected officials, including Texas Gov. Rick Perry. “Beyond the jaw-dropping unprofessionalism he displayed and the utterly appalling nature of his comments, Armendariz confirmed everyone’s worst suspicions about his approach to managing his region,” commented Gov. Perry. “If before, it merely appeared that the EPA was more interested in forcing companies to follow its political agenda than in cleaning the air and water, Armendariz volunteered overwhelming evidence to prove exactly that.”

Several U.S. Congressmen, as well as state regulators at the Railroad Commission of Texas (RRC) and the Texas Commission of Environmental Quality (TCEQ), called for the immediate suspension of Armendariz, due to an abuse of power. “The EPA’s job is to regulate based on science and fact,” said RRC Chairman Barry Smitherman. “This is just one more example of how Al Armendariz had bias against those who produce domestic energy using our most abundant resources: oil and gas.”

*Story continued on page 3...*

## BIG CHANGES TO COME FOR TEXAS ELECTRICITY BILLS

### AN UPDATE FROM THE TIPRO POWER COALITION

In attempts to promote more investment toward new power plants in Texas the Public Utility Commission is expected to increase the electricity wholesale pricing cap by 50 percent from \$3,000 to \$4,500 per megawatt-hour beginning in August.

What this means for consumers is that there is potential for energy prices to be much higher during the peaks we experience in the coming high-usage months. Most analysts agree that we have seen the bottom in energy prices. Even though natural gas prices are currently extremely low, rates are expected to continue to rise.

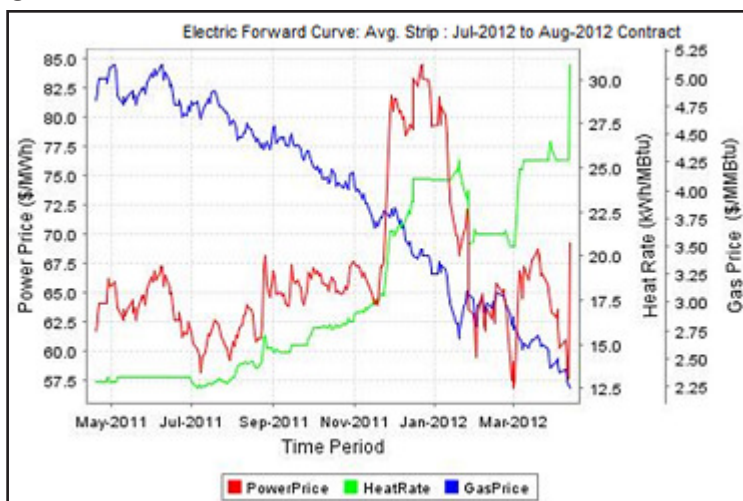
The accompanying graph shows how energy prices have increased during the last year, even though natural gas prices have dropped:

With the new offer cap rising, it is vital that all customers be placed off variable, indexed products and on a fixed rate contract.

The TIPRO Power Coalition can help you navigate through these market changes and ensure your company is not only protected, but continues to take advantage of the competitive marketplace.

Here are a few highlights from The TIPRO Power Coalition:

- 1) Within the first 6 months, **7 TIPRO members** saved a total of **\$1.3 million** on their future energy spend,
- 2) Over **20 different Retail Electric Providers** to procure competitive offers from,
- 3) Current fixed energy rates are still in the **4-5 cent/kWh range**, but slowly rising. Note - we can lock in rates up to 12 months in advance.



*Story continued on page 2...*

## PRESIDENT'S MESSAGE

TIPRO Members -

Following recent revelations of Environmental Protection Agency (EPA) Administrator Al Armendariz's enforcement philosophy to 'crucify' American oil and gas companies, I echo the sentiments expressed by many of our state regulators who have applauded his resignation and continue to call for a full investigation of all actions Armendariz took while in office. At a time when our country is enjoying an energy revolution, thanks to advancements in technology and recent discoveries of new shale formations, we should not have to worry about a biased, agenda-driven official who has his heart set on "making examples" of domestic producers. Already it is difficult to imagine the damage that this mindset might have caused, such as in the case against Range Resources in Parker County, Texas. No doubt this philosophy has cost Americans jobs and money, in addition to slowing down the domestic production of oil and natural gas.

Unfortunately, over the last few years, we have seen federal agencies attempt to heap overly burdensome, unnecessary, and costly regulations upon the oil and gas industry. On many occasions, the EPA and others have exceeded their constitutional authority by implementing regulations that should require congressional action to initiate. We agree that regulation and oversight has its place - but unjustifiable, politically-driven regulation can destroy an industry.

Rather than allowing federal regulation to be based on fear and intimidation, we should all band together to advocate for industry oversight by state regulators, who best understand the conditions of a region. They are fully capable of managing operations, and able to protect the public and the environment through reasonable, scientifically justifiable regulations consistent with sustainable economic development. I urge you to join TIPRO in this fight.

On another note, I also want to encourage you and your colleagues to attend TIPRO's upcoming 3<sup>rd</sup> Annual East Texas Conference, to be held Tuesday, May 8, in Kilgore, at the East Texas Oil Museum. During the event, we will hear from an exciting line-up of presenters, who will share insight into growing development in the region. Then, following the conclusion of the conference, a reception will be held at the Meadowbrook Country Club.

I extend my gratitude for support from all of this year's event sponsors, which include: DrillingInfo, KSA Engineers, Valence Operating Company, EXCO, Newpark Drilling Fluids, US Infrastructure, Keystone Aerial Surveys and CIMA Energy LTD.

The association's regional events, which are free to TIPRO members, provide exclusive opportunities to interact with other professionals in the Texas oil and gas industry, and allow attendees the chance to make new business connections. Don't miss out - register for the event by filling out the form on page 7 of this newsletter or visit [www.tipro.org](http://www.tipro.org) to sign-up online.



**Justin Furnace**

**Sincerely,**

## TIPRO POWER COALITION UPDATE... CONTINUED FROM PAGE 1

Most importantly, TIPRO members now have a single point of contact if there are any billing questions, problems or meter adds/drops that need to be made to their energy contracts. **We encourage members to request bids through the coalition to determine the level of savings that can be achieved for your operations in deregulated areas of Texas.**

To join the other coalition members by finding electricity bids from TIPRO's exclusive broker, or to learn more about what's happening in Austin at the PUC and ERCOT, contact **Jason O'Krent** at Fox, Smolen & Associates by phone at (512) 322-9090 x104 or by email at [okrent@foxsmolen.com](mailto:okrent@foxsmolen.com).



**Fox Smolen & Associates**

ELECTRICITY PURCHASING SOLUTIONS

### Calendar of Events

MAY 8, 2012	MAY 9, 2012	JUNE 13, 2012	JULY 11, 2012
KILGORE TIPRO S 3 <sup>RD</sup> Annual East Texas Conference, East Texas Oil Museum. For info, call: (512) 477-4452.	HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.	HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.	HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.

## EPA REGION VI ADMINISTRATOR RESIGNS... CONTINUED FROM PAGE 1

Following the controversy, Armendariz offered his resignation, effective immediately. He was originally appointed to the position by President Obama in November 2009. Prior to his time at the EPA, Armendariz previously spent eight years working as a professor in the Department of Environmental and Civil Engineering at Southern Methodist University in Dallas.

Commissioners at the TCEQ also reacted to Armendariz's resignation by saying, "The EPA's 'crucifixion' philosophy and agenda is unacceptable and embarrassing. The EPA Region 6 director's outlandish comments significantly cheapen the role of the state and federal regulators who strive to ensure that sound environmental rules and policies are promulgated and enforced. We are under no illusions that his resignation will change the direction of the EPA. This EPA administration has been unwavering in its determination to impose new regulations and new costs on Americans and American industry, often without any real scientific determination that new laws will result in any environmental benefits."

"His comments give us a rare glimpse into the Obama administration's true agenda," added Oklahoma Sen. James Inhofe, who brought the video of Armendariz to the attention of other Congressmen during a recent Senate hearing. Sen. Inhofe has since announced that an investigation will be held to examine enforcement practices of the EPA throughout the past couple of years, particularly during cases against natural gas producers in Parker County, Texas, Pavilion, Wyoming, and Dimock, Pennsylvania. "Against the backdrop of recent events, and Administrator Armendariz's admission that the EPA is out to crucify natural gas companies, it's clear that the EPA did not base these three studies on sound science or engage in the proper scientific process; the agency has been using questionable authorities while usurping the rightful regulatory authority of states."

In the wake of Armendariz's resignation, Regional Administrator Sam Coleman was named as Acting Regional Administrator. In the role, Coleman will be responsible for managing EPA activities in the South Central Region, which includes Texas, Arkansas, Louisiana, New Mexico and Oklahoma.



**Sam Coleman**

## RRC OFFERS GRANTS TO ENCOURAGE FLEET CONVERSION TO NATURAL GAS

The Railroad Commission of Texas will award grants to help school districts, cities and counties purchase new, ultra-low-emission natural gas vehicles for public fleets, including school buses, medium-duty trucks, vans and light-duty vehicles. The program also will pay for new propane or natural gas fueling stations on partner properties.

The state agency has \$700,000 available in grant funds, which the Commission originally received to use for propane-fueled vehicles. However, the program was recently expanded to help fund additional use of natural gas vehicles as well.

"When you look at the price of natural gas, anything we can do to encourage consumption is going to have a positive effect not only on the industry but also the entire economy of the state," said Railroad Commissioner David Porter. "It's a small step by the agency that we can build on to encourage not only the use of propane, but also natural gas as a transportation fuel, and I want to see the agency continue to move in that direction."

"You'd be surprised at how quickly a fleet needs to be turned over, and without these types of programs often fleet managers would just turn to conventional vehicles," added Railroad Commissioner Buddy Garcia. "This type of grant program really does encourage our Texas public fleets to consider the natural gas or propane component."

Public fleets statewide are eligible to apply for the grants, regardless of the fleet location's air-quality classification. The grant program will last through January 31, 2014.

## MINERAL AUCTION

**June 12<sup>th</sup> @ 1:00 pm**

**Oklahoma City**

Watch, listen and bid live on the internet. On successful sales a 10% earnest money deposit will be required with title company. Buyers will have 30 days due-diligence to prove title.

A 10% buyers premium will be added to final bid price.

**North Dakota – Bakken - Over 1,500 acres selling in the following counties: Burke, Dunn, Mountrail, Oliver & Ward.**

**Wyoming – Niobrara – Over 1,100 acres selling in Laramie County.**

**Colorado – Las Animas County – Over 700 acres**

**Oklahoma – Texas County – 158 acres**

*Some of these properties are leased and some open. There are some that have been permitted for drilling.*

Register with DV Auction to watch the live auction. If you wish to bid you must pre-register with DV Auction at 402-316-5460. Bidding tutorials are available on the DV site.

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## PRICE RATIO OF OIL TO NATURAL GAS CONTINUES TO SWELL

Since January 2009, the crude oil-to-natural gas spot price ratio has continued to increase dramatically. Warmer-than-normal temperatures across the country, which stifled demand, coupled with growing production of natural gas from shale formations, have led to an abundant supply of natural gas, dropping the price to 10-year lows.

During the last six months, the price for natural gas at the Henry Hub dropped from \$3.57 per million British thermal units (MMBtu) to \$1.98/MMBtu, a decline in price of nearly 45 percent. Meanwhile, throughout the same time period, the price of Brent crude oil grew approximately 19 percent, reaching \$123.81 per barrel on March 30, 2012, up from \$103.90 per barrel on October 3, 2011.

According to the Energy Information Administration, "This crude oil-to-natural gas spot price ratio has implications for production and consumption. In terms of production implications, a higher crude oil-to-natural gas ratio encourages drilling for oil in preference to natural gas and makes natural gas liquids developments relatively more attractive than the development of dry natural gas resources. On the consumption side, the higher ratio also encourages end users to choose natural gas over products derived from crude oil, such as distillate and residual fuel oil, wherever substitution is feasible."

During TIPRO's recent 66<sup>th</sup> Annual Convention in Dallas, Magnum Hunter CEO Gary Evans commented on the situation, saying, "the price of oil to gas is nearly a 50:1 ratio, which we have never experienced, ever, in this industry. Everybody is drilling oil wells, so the gas rig count is dropping and continues to drop. This will eventually get fixed, but we've never been in a situation in our lives where we've had so much gas and that we've been so good at finding it. It could hurt companies that are 80 to 90 percent natural gas-oriented."

## TIPRO MEMBER BAKER HUGHES DONATES \$1.7 MILLION TO UT TO TRAIN NEXT GENERATION

Baker Hughes, a member company of TIPRO, will donate \$1.7 million to The University of Texas at Austin in support of future technology innovation for the oil and gas industry. The gift will help build three new labs in the university's Petroleum and Geosystems Engineering Department, which will focus on zonal isolation improvement, drilling simulator and real-time operations, and drilling automation and efficiency. Future research discoveries at the labs could even help to improve methods for hydraulic fracturing.

"We want to build the best drilling and completions-related program in the world, and the generous funding provided by Baker Hughes is integral to achieving this goal," said Eric van Oort, a professor in UT's Cockrell School of Engineering's Department of Petroleum and Geosystems Engineering. "With this funding, our students and faculty will have access to state-of-the-art equipment and facilities that support world-class teaching and research as well as development."

As the industry prepares for the approaching retirement of significant numbers of drilling and completion engineers, educational institutions like UT are critical to training a new generation of industry workers.

The oil and gas industry continues to invest heavily in research, development and innovation in efforts to advance efficient recovery of natural resources.

"Technology innovation is a cornerstone of our success and will pave the way for our industry and The University of Texas at Austin students who may join us in the future," said Paul Butero, Baker Hughes' president of U.S. Land. "We have a vested interest in training and teaching the next generation of engineers. Offering labs that serve as incubators for future technologies allows for the further development of important drilling and completions research and solutions."

The new labs are expected to be complete in the fall of 2012.



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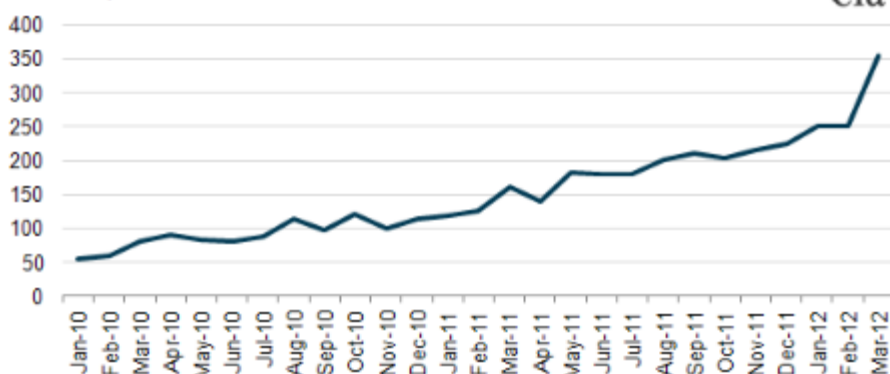
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## EAGLE FORD OIL AND NATURAL GAS WELL STARTS INCREASE 110 PERCENT IN 2012

Eagle Ford well starts  
new wells per month



Source: U.S. Energy Information Administration, Bentek Energy LLC.

Operators drilled 856 new wells in the Eagle Ford Shale during the first quarter of 2012, an increase of approximately 110 percent as compared to the same period a year ago, according to a new report released by the Energy Information Administration and Bentek Energy LLC. As of April 2012, there was a record-breaking rig count in the region, totaling 217 units. Horizontal wells accounted for nearly all of the new well starts, with much of the drilling activity targeting crude oil and wet natural gas resources, due to the low spot price for natural gas at the Henry Hub.

In the report, Bentek estimates in March 2012, Eagle Ford crude oil and lease condensate production approached similar levels of production

from North Dakota, part of the Bakken formation. Production was estimated to average over 500 thousand barrels per day (bbl/d) of crude oil and condensate in April 2012, up from 182 thousand bbl/d in April 2011. Natural gas production in the Eagle Ford was also projected to reach two billion cubic feet per day.

## NATURAL RESOURCES SUBCOMMITTEE REVIEWS IMPACT OF ENDANGERED LISTING OF LIZARD

On Monday, April 30, 2012, members of the Texas Senate Natural Resources Subcommittee conducted a legislative hearing at The University of Texas at the Permian Basin in Odessa to discuss the inclusion of the Dunes Sagebrush Lizard on the U.S. Fish and Wildlife Service (USFWS) Endangered Species List and learn more on the negative impact such a listing would have on regional oil and gas industry operations.

Several state and local officials were in attendance, including Subcommittee Chairman Sen. Kel Seliger, Sen. Carlos Uresti, Sen. Robert Duncan, Rep. Tryon Lewis and Rep. Jim Keffer, in addition to Comptroller Susan Combs, Land Commissioner Jerry Patterson and Railroad Commission Chairman Barry Smitherman, among others.

"The potential decision by U.S. Fish and Wildlife Service has far reaching consequences both for the preservation of the species and the viability of an essential industry," said Sen. Seliger. "The best way to resolve these issues is with a full and public discussion by all interested parties."

The lizard was originally proposed to be listed by USFWS, under the provisions of the Endangered Species Act, in December 2010. If listed, the resulting regulatory protections could limit or halt industry activity in and around its habitat.

The Dunes Sagebrush Lizard, native to the American Southwest, is a small light brown spiny lizard that resides in the heart of the Permian Basin. Specifically, the lizard resides in nine of the state's top 10 producing counties in West Texas, including Andrews, Ector and Gaines counties.

*Story continued on page 6...*

## OIL AND GAS INDUSTRY CONTINUES TO SPUR JOB CREATION IN THE LONE STAR STATE

Cities throughout Texas continue to enjoy significant job growth as a result of increased oil and gas activity.

Industry job fairs are held frequently in different regions of the state, helping oil and gas companies to fill thousands of open job positions. As these companies look to expand operations and capitalize on emerging opportunities for exploration and production of Texas shale formations, industry job creation is putting Texans to work and helping bolster the state's economy.

Overall, Texas continues to receive national recognition for outstanding economic growth following the latest recession. Most recently, *Chief Executive Magazine* ranked Texas as the best state in the nation for job growth and business development for the eighth year in a row, praising the state's business-friendly tax and regulatory environment as compared to other states.

"I am proud of our state's accomplishments and remain committed to upholding principles, like low taxes, restrained spending, reasonable regulations and a fair legal system, that have made Texas the best state in the nation to live, work, raise a family and start a business," said Texas Gov. Rick Perry.



## LEGISLATORS LEARN ABOUT THE DUNES SAGEBRUSH LIZARD... CONTINUED FROM PAGE 5

“The range of the Dunes Sagebrush Lizard coincides with the Permian Basin, which is the nation’s most prolific oil-producing region,” emphasized Chairman Smitherman. “Listing the Dunes Sagebrush Lizard as threatened or endangered would adversely impact a region that produces over one million barrels of oil and well over one billion cubic feet of natural gas per day. This production accounts for approximately 20 percent of all oil produced in the United States.”

USFWS extended the December 2011 deadline on whether to list the lizard, in efforts to gather additional scientific information and public comment before making any final listing decisions on the lizard. The federal agency must make a final determination by June 2012.

“Businesses today already operate in an uncertain regulatory climate and take risks every day in order to grow and provide employment,” said Lt. Gov. David Dewhurst of the potential endangered listing of the lizard. “The Obama Administration must not choose lizards over livelihoods.”

During Monday’s legislative hearing, legislators listened to public testimony from local residents as well. “When I read that its (Dunes Sagebrush Lizard) habitat was being destroyed at an increasing rate, I was amazed because I’ve been working that habitat for over 50 years and I see an ecosystem that’s doing very well,” said Bill Wight, a resident of Odessa. “I also found in the rule calling for its listing blatant misstatements, the most ridiculous of which was that the habitat has decreased 40 percent.”

Experts have predicted that if the lizard is listed as endangered, and development in the region grinds to a halt as a result, it could cost over 1,000 jobs and an estimated \$1 billion in county, school and state severance taxes just in the counties with Shinnery Dunes.

## LAST CHANCE TO REGISTER TO ATTEND TIPRO’S 3<sup>RD</sup> ANNUAL EAST TEXAS CONFERENCE

Make plans to join us for TIPRO’s upcoming 3<sup>rd</sup> Annual East Texas Conference. The event, to be held next Tuesday, May 8, at the East Texas Oil Museum in Kilgore, will feature exciting presentations on future oil and liquids development in East Texas. Beginning at 3:30 p.m., Dr. Fred Wang, research scientist for the Bureau of Economic Geology, and Harold E. McGowen III, president and CEO of Navidad Resources LLC, will speak, providing an update on development in the East Texas Basin. Afterwards, there will be a reception at the Meadowbrook Country Club.

During the event, TIPRO will again make a donation to the East Texas Oil Museum on behalf of Texas oil and gas producers. The museum, which works year-round to teach individuals on the history of oil and gas in Texas, serves as a critical educational resource for Texans.

While the event is free for members of TIPRO, nonmembers must pay \$35. To register, simply fill out and return the form on page 7 of this newsletter, or visit [www.tipro.org](http://www.tipro.org) to register online.

## SPECIAL THANKS TO EVENT SPONSORS:



## HOST COMMITTEE:



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# TIPRO's 3<sup>rd</sup> Annual East Texas Conference

**When:** May 8, 2012

**Where:** East Texas Oil Museum  
Hwy. 259 at Ross St.  
Kilgore, Texas 75662  
Ph: (903) 983-8295

**Price:** Free for TIPRO members;  
\$35.00 for non-TIPRO members

## *Registrant Information:*

(Please use one form per person)

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**Or find my check #**\_\_\_\_\_ **enclosed for \$**\_\_\_\_\_.

TIPRO must receive notice of cancellation by Friday, May 1, 2012.  
Refunds will not be given after this date. No shows will not receive refunds.  
Reservations must be accompanied by a form of payment.

## **Please remit payment to:**

**Texas Independent Producers & Royalty Owners Association**  
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Register online for the event at [www.tipro.org](http://www.tipro.org).

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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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