



**Texas  
Independent  
Producers and  
Royalty Owners  
Association**

## EARLY VOTING BEGINS; DENTON RESIDENTS STREAM TO THE POLLS TO VOTE ON FRACING BAN

As early voting kicked off on Monday, October 20, all eyes turned to the North Texas town of Denton, where residents will vote on a proposed ban on hydraulic fracturing in city limits.

On the ballot, Denton's drilling ban proposition reads: "Shall an ordinance be enacted prohibiting, within the corporate limits of the city of Denton, Texas, hydraulic fracturing, a well stimulation process

involving the use of water, sand and/or chemical additives pumped under high pressure to fracture subsurface non-porous rock formations such as shale to improve the flow of natural gas, oil, or other hydrocarbons into the well, with subsequent high rate, extended flowback to expel fracture fluids and solids?"

During a public hearing on July 15, Denton City Council members voted against the proposition, but agreed to put the ban initiative on a public ballot in November. Weeks later, the Denton Chamber of Commerce unanimously approved a resolution opposing the City of Denton's November 4<sup>th</sup> proposition to permanently ban hydraulic fracturing within its city limits. "Total revenue from natural gas royalties to individuals, businesses, the City of Denton and the University of North Texas will be subject to a significant decline if citizens vote to implement a permanent ban on hydraulic fracturing (fracing) within the city limits of Denton," said the Chamber.

Ahead of the election, several forums have been hosted in recent weeks by parties both for-and-against the ban, promoting lively discussion amongst residents on the issue of energy development in the region. Next Monday, October 27, the conversation will continue when a debate is held in Dallas between *FrackNation* Producer Phelim McAleer and environmental activist Calvin Tillman on the proposed fracing ban. The debate, which starts at 7 p.m. at the Brookhaven College Geotechnology Institute, is free and open to the public.

Since the July 15<sup>th</sup> City Council hearing, 11,662 people have registered to vote in Denton County, with approximately 30 percent of newly registered voters in Denton.

*Recent economic impact studies have shown that a hydraulic fracturing ban in Denton would cost the city, and the state of Texas, hundreds of millions of dollars in lost gross product.*

## MILITARY VETERANS, STUDENTS RECRUITED FOR FIRST-EVER TEXAS NATURAL GAS SUMMIT

On Thursday, October 23, thousands of jobseekers participated in the first-ever Texas Natural Gas Summit and Job Fair at the Palmer Events Center in Austin. The free event, which showcased the economic, environmental and energy-security benefits of Texas natural gas, featured 64 exhibitors, including major employers like Atmos Energy, GE, Halliburton and Ryder. At the summit, companies were looking to fill a wide-variety of positions, seeking to hire business managers, construction workers, engineers, field service technicians, finance and accounting professionals, mechanics, rig hands, sales and marketing professionals, truck drivers and welders. Thirty natural gas vehicles and related equipment also were on display at the summit.

"Texas' natural gas industry is generating big benefits for our state," said Railroad Commissioner David Porter. "I look forward to helping more Texans enjoy those benefits at the summit and in the future through my Natural Gas Initiative."

Ahead of the job fair, Railroad Commissioner Porter, who helped coordinate and host the summit, made a special effort to connect Texas' military servicemen and women with quality jobs in the state's vibrant oil and natural gas industry. At his invitation, hundreds of transitioning servicemen and women from Camp Bullis, Camp Mabry, Fort Hood, Fort Sam Houston, Lackland Air Force Base and Randolph Air Force Base attended the summit to meet with industry recruiters. Likewise, students from Texas' universities were also encouraged to participate in the event.

"Increasing activity and an aging workforce have the oil and gas industry eager to fill jobs," Porter said. "That's why I personally invited the leaders of military bases and institutions of higher education across Texas to send job seekers to the Natural Gas Summit."

## PRESIDENT'S MESSAGE

### TIPRO Members-

Texans will vote on a proposed constitutional amendment, Proposition 1, on November 4, 2014 to provide billions of dollars in reliable funding for current and future transportation investment needs. An estimated \$1.7 billion would be allocated in the first year alone, with no new taxes, fees or debt for the life of the program, if approved by voters. Providing adequate funding for roads repair, maintenance and infrastructure investment remains a top priority for TIPRO and the Texas oil and gas industry, particularly in the areas that are experiencing a significant increase in exploration and production activity.

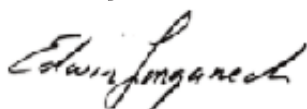
The amendment to the Texas Constitution under Proposition 1 reads on the ballot: "The constitutional amendment providing for the use and dedication of certain money transferred to the state highway fund to assist in the completion of transportation construction, maintenance, and rehabilitation projects, not to include toll roads." Specifically, the proposed amendment could direct a portion of the revenue from oil and gas production taxes to the State Highway Fund. Currently, the majority of this tax revenue is transferred to the Texas Economic Stabilization Fund, also known as the Rainy Day Fund, which currently has an estimated balance of over \$8 billion. Proposition 1 funds would be dedicated to constructing, maintaining and acquiring rights of way for public roadways, other than toll roads, which is a key element to ensure this funding source is used for its desired intent.

The Rainy Day Fund, which is almost entirely fueled by oil and natural gas severance taxes, has been tapped in years past to pay for public schools, prisons and health care during tight budgets, as well as supporting economic development efforts in the state. Last year, voters overwhelmingly approved another constitutional amendment, Proposition 6, granting the state permission to allocate \$2 billion from the state's Rainy Day Fund to help fund water conservation projects under the Texas State Water Plan. Propositions 1 and 6 provide unique examples of how increased levels of oil and natural gas production in the state are helping to fund critical programs that impact all Texans. All businesses and industries utilize our state water resources and transportation infrastructure, but the oil and natural gas industry continues to provide more solutions, support, and funding than any other sector in efforts to preserve and protect our natural resources and all citizens that use our roadways.

Oil and natural gas producers in Texas pay five times more in state and local taxes and royalties per job than the average private sector job. TIPRO believes that existing tax revenue streams, or revenue from the Rainy Day Fund, should be a primary funding source utilized for current and future infrastructure spending and to help narrow the budget deficits currently facing TXDOT. Proposition 1 has strong bi-partisan support, but we need your help to pass this important proposal on November 4.

Please vote YES for Prop 1 to support continued economic growth in our state and to help protect the safety of all Texas citizens.

Sincerely,




**Ed Longanecker**

## METHANE EMISSIONS FROM FRACING ARE DOWN 73 PERCENT SINCE 2011, REPORTS EPA

New data from the U.S. Environmental Protection Agency's (EPA) annual Greenhouse Gas Reporting Program indicates the oil and gas industry has continued to reduce methane emissions over the last few years. "Methane emissions from petroleum and natural gas systems sector have decreased by 12 percent since 2011, with the largest reductions coming from hydraulically fractured natural gas wells, which have decreased by 73 percent during that period," said the agency. "The EPA expects to see further emission reductions as the agency's 2012 standards for the oil and gas industry become fully implemented."

The EPA's Greenhouse Gas Reporting Program is the only program that collects facility-level greenhouse gas data from major industrial sources across the United States, including power plants, oil and gas production and refining, iron and steel mills and landfills. The program strives to detail greenhouse gas pollution trends and emissions broken down by industrial sector, geographic region and individual facilities.

Altogether, the EPA says that partnerships with industry have prevented more than 365 million metric tons of greenhouse gas pollution, equal to the annual electricity use of more than 50 million homes.

### TIPRO Calendar of Events

<p><b>OCTOBER 24, 2014</b> DALLAS — Texas Energy Update 2014 Conference, Belo Mansion. For info, call: (214) 207-0369.</p>	<p><b>OCTOBER 28, 2014</b> HOUSTON — 3<sup>rd</sup> Annual Texas Top Producers Awards Banquet, Houston Petroleum Club. For info, call: (512) 477-4452.</p>	<p><b>NOVEMBER 19, 2014</b> HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.</p>	<p><b>DECEMBER 10, 2014</b> HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.</p>
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## TEXAS JOBS SURGE; ANNUAL JOB GROWTH BREAKS STATE RECORD

Over the last year, Texas has added 413,700 jobs, representing the largest gain over a 12-month period ever recorded in the Lone Star State, the Texas Workforce Commission (TWC) reports.

“The Texas economy, from our employers across all major industries to our skilled and dedicated workers, continues to perform at a record pace,” said TWC Chairman Andres Alcantar. “With a record setting 413,700 jobs added over the year, and our labor force surpassing the 13 million milestone, our state shows how partnerships and a strong business climate fuel job growth for the people of Texas.”

In the last 12 months, every major industry in Texas has shown positive annual growth, with seven out of 11 having grown at rates at or above 3.0 percent. The oil and gas sector continues to drive high levels of job creation in the Lone Star State. Last year, oil and gas industry employment totaled 411,600 in Texas, with 23,100 new jobs added since the year prior, according to TIPRO’s recent “State of Energy” Report.

“With so much consistent expansion and hundreds of thousands of jobs added year-over-year, Texas employers should be proud of the tremendous growth they have been able to achieve here,” said TWC Commissioner Representing Employers Hope Andrade.

“There’s never been a better time to look for new opportunities in Texas,” added TWC Commissioner Representing Labor Ronny Congleton.

## TEXAS HAS MOST FAVORABLE BUSINESS CLIMATE IN THE NATION

Texas has again been recognized for its strong business climate, after being named the best state for business in the nation by U.S. corporate executives. Every three years, Development Counsellors International (DCI) polls C-level executives to track trends in economic development.

“Winning Strategies provides a glimpse into the minds of corporate executives and site selection consultants and their perceptions of locations across the United States and the world,” said Andrew T. Levine, president of DCI. “With competition for business more fierce than ever, this information is particularly important for communities as they look at how to influence corporate executives’ decisions on where to locate, invest and create jobs.”

Since 1999, Texas has consistently held the No. 1 ranking in the survey. Respondents cited the state’s pro-business environment, tax climate, workforce quality and incentives as reasons for favoring Texas over other states.

Florida ranked second in the DCI poll with 18.1 percent of the votes; and Georgia and North Carolina tied for third place with 17.6 percent of votes. Altogether, over 350 CEOs and corporate executives participated in this year’s DCI survey.

## RRC CHAIR SAYS MEXICO’S ENERGY POTENTIAL IS A GAME CHANGER

In a recent editorial for the *Houston Chronicle*, Texas Railroad Commission Chairman Christi Craddick discussed significant reforms by Mexico’s energy industry that have allowed the country to better capitalize on its access to major oil and gas reserves. “As chairman of the Railroad Commission of Texas, I have an up-close view of the Texas energy industry and a strong sense of the potential strength of that same industry on the other side of our southern border. Mexico not only shares a cultural past and a strong trading relationship with Texas, that country of some 122 million people also has access to many of the same geological formations that are driving the resurgence of our energy industry,” said Chairman Craddick.

She added, “In order to reach its full potential, the Mexican energy industry will require significant investments in infrastructure, from roads and pipelines to water and electricity. To encourage infrastructure investments, the Mexican government will have to ramp up its emphasis on public safety by breaking the drug cartels’ grip on so many regions and making the rewards of the drug trade less attractive. If any industry is capable of outshining the lure of the narco-economy, it is most certainly the energy industry. In time, with increased stability and predictability flowing from the current culture of reform, those necessary investments will be much more likely.”

Craddick encouraged Texans to work in partnership with its southern neighbor to help Mexico achieve its energy goals. “If we can move from a mindset of fear toward one of cooperation and collaboration, we will be well on our way to a mutually beneficial future. When we can measure our success in job creation, reduced crime, stabilized migration and less dependence on Middle Eastern oil, Texas and Mexico will be even stronger neighbors and economic partners.”

## LAST CHANCE TO REGISTER FOR THE TEXAS TOP PRODUCERS BANQUET!

Join TIPRO for the 3<sup>rd</sup> Annual Texas Top Producers awards banquet, set to be held next Tuesday, October 28, 2014, at the Houston Petroleum Club. Finalists of this year’s Texas Top Producers awards program will be recognized, and top winners will also be announced at the banquet, including the Best CEOs, Best Engineers, Best Geoscientists and Best Landmen in the Texas oil and gas industry. Guest speaker Allen Gilmer, CEO of Drillinginfo, will provide remarks during the event.

The annual Texas Top Producers banquet provides a special occasion for members of the E&P sector to join together and celebrate the best professionals in the business. During the event, award recipients will be recognized for their outstanding accomplishments in recent years. In addition, the banquet will also prove to be a great opportunity to network with other professionals and meet new associates in the industry.

For additional information, please contact Stephen Coffman by phone at (512) 477-4452.

# LAST CHANCE TO REGISTER FOR THE 3<sup>RD</sup> ANNUAL TEXAS TOP PRODUCERS AWARDS BANQUET



**TUESDAY, THE TWENTY-EIGHTH OF OCTOBER  
SIX THIRTY P.M.  
THE PETROLEUM CLUB OF HOUSTON  
HOUSTON, TEXAS**

**WE ENCOURAGE YOU TO ALSO INVITE  
YOUR FAMILY AND FRIENDS TO ATTEND**

**TABLE - RESERVED SEATING FOR 10: \$1,500  
INDIVIDUAL TICKET: \$140**

**NAME:** \_\_\_\_\_

**COMPANY:** \_\_\_\_\_

**ADDRESS:** \_\_\_\_\_

**CITY:** \_\_\_\_\_ **STATE:** \_\_\_\_\_ **ZIP:** \_\_\_\_\_

**PHONE:** \_\_\_\_\_ **EMAIL:** \_\_\_\_\_

**I WOULD LIKE TO:**

**RESERVE A TABLE: #**\_\_\_\_\_

**OR**

**PURCHASE TICKETS: #** \_\_\_\_\_

**METHOD OF PAYMENT:**

**ENCLOSED FIND A CHECK MADE OUT TO TIPRO**

**PAY BY CREDIT CARD**

**CREDIT CARD NO.:** \_\_\_\_\_ **EXP. DATE:** \_\_\_\_\_

**CID:** \_\_\_\_\_ **SIGNATURE:** \_\_\_\_\_

**REFUNDS WILL NOT BE GIVEN AFTER  
THE TWENTY-FOURTH OF OCTOBER.  
ALL RESERVATIONS MUST BE ACCOMPANIED  
BY PAYMENT.**

**PLEASE RETURN FORM, WITH PAYMENT, TO:  
TIPRO, 919 CONGRESS AVE., STE. 1000, AUSTIN, TX 78701  
OR FAX TO (512) 476-8070**

**FOR MORE INFORMATION, CALL TIPRO AT (512) 477-4452**

## ALLOWING CRUDE EXPORTS COULD REDUCE CONSUMER FUEL PRICES, FEDERAL AGENCY FINDS

A new report released by the U.S. Government Accountability Office (GAO) says that removing existing crude oil export restrictions will increase domestic crude oil prices while also decreasing consumer fuel prices. “Prices for some U.S. crude oils are lower than international prices—for example, one benchmark U.S. crude oil averaged \$101 per barrel in 2014, while a comparable international crude oil averaged \$109. Studies estimate that U.S. crude oil prices would increase by about \$2 to \$8 per barrel—bringing them closer to international prices. At the same time, studies and some stakeholders suggest that U.S. prices for gasoline, diesel, and other consumer fuels follow international prices, so allowing crude oil exports would increase world supplies of crude oil, which is expected to reduce international prices and, subsequently, lower consumer fuel prices,” explains the GAO report.

According to the GAO, removing export restrictions would also help increase the size of the economy, with positive implications for employment, investment and public revenue. By removing restrictions, the GAO also expects a further decline in net crude oil imports, reducing the U.S. trade deficit.

“This latest review by the GAO is a welcome addition to the growing body of analysis supporting the case for greater oil exports,” commented U.S. Senator Lisa Murkowski of Alaska, the top Republican on the Energy and Natural Resources Committee, in a recent interview.

## U.S. BUSINESS GROUPS EXPRESS CONCERNS OVER PROPOSED ESA CHANGES

As federal agencies work to revise definitions of and regulations regarding critical habitat under the Endangered Species Act (ESA), nearly a dozen American business groups have filed comments in opposition, warning of the stifling economic impact such proposed changes could have in the United States. The U.S. Chamber of Commerce, National Association of Manufacturers and American Chemistry Council, joined by the American Iron and Steel Institute, Brick Industry Association, Corn Refiners Association, Gas Processors Association, MarkWest Energy Partners, L.P., National Oilseed Processors Association and the National Stone, Sand and Gravel Association, collectively filed comments concerning potential changes to the ESA by the U.S. Fish & Wildlife Service (USFWS) and National Marine Fisheries Services (NMFS), ahead of the October 9 public comment deadline.

“The potential consequences of the proposals are real, and they are serious,” the groups said in their comments. “If finalized, the proposed rules will have a ripple effect across the nation’s economy. Ninety percent of all listed species have some or all habitat on private land, and for 73 percent of the listed species, private land accounts for more than 60 percent of their habitats... Each critical habitat designation carries with it massive economic implications for every industry operating nearby, and each finding of destruction or adverse modification stifles growth. The designation and regulation of critical habitat work together to create significant constraints on landowners and land users. Those constraints raise the costs of otherwise more-productive economic activities and reduce the value that can be generated from the land and from activities and operations on it. In short, critical habitat devalues land for private enterprise.”

On May 12, 2014, the USFWS and NMFS published three related documents concerning designation and implementation of critical habitats in the U.S., including two proposed regulation amendments and one draft policy. The regulatory revisions seek to clarify, interpret and implement portions of the ESA concerning the procedures and criteria used for adding species to the Lists of Endangered and Threatened Wildlife and Plants and designating and revising critical habitat. According to the two government agencies, the proposed amendments would make minor edits to the scope and purpose, add and remove some definitions, and clarify the criteria for designating critical habitat. However, American businesses warn it isn’t that simple.

“We recognize the importance of the Services updating their regulations to reflect the experiences that they have gained with designating critical habitat over the past 35 years, and we support their stated goal of revising federal regulatory programs to make them clearer and more efficient. Nevertheless, we believe that the proposed CH rule could not do that because it is too broad and does not comport with the statute,” explained the groups.

“The proposed CH rule would inject too much discretion into the critical habitat designation process and allow the Services to designate areas that do not meet these definitions. It would impermissibly blur the lines between critical habitat designations for occupied and unoccupied areas and would allow designations to extend far beyond the bounds that Congress contemplated in the ESA. It would allow the Services to designate critical habitat in areas where species have never lived based on predictions about possible future effects from climate change. And for these reasons, it would be arbitrary and capricious if implemented.”

Earlier this year, the USFWS and NMFS also announced modifications to ESA policy to clarify their interpretation of the phrase “significant portion of its range” in the Act’s definitions of “endangered species” and “threatened species,” in efforts to reflect a permissible reading of the law and minimize undesirable policy outcomes, while fulfilling the conservation purposes of the ESA. Under the new policy, the two services are able to list a species as threatened or endangered throughout its range if the best available science shows that the species is threatened or endangered in a vital portion of that range, the loss of which would put the species as a whole at risk of extinction. That portion of the range would be determined to be “significant.” Specifically, the policy clarifies a species’ “range” as the geographical area within which that species is found at the time of the listing determination. The term “significant portion” is defined to mean a portion of that range whose contribution to the viability of the species is so important that, without the individuals in it, the species as a whole would be in danger of extinction (meriting an endangered status), or likely to become so in the foreseeable future (meriting a threatened status).



## Leading a Responsible Energy Future™

**At Chesapeake, we strive for continuous improvement in everything we do.** We're finding energy and producing it smarter and more efficiently while reducing our environmental footprint. We're dedicated to supporting economic growth and giving back to our communities and neighbors. This is our commitment to leading a responsible energy future.



# THE TIPRO TARGET



## Texas Independent Producers & Royalty Owners Association

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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