



Texas
Independent
Producers and
Royalty Owners
Association

TIPRO SUBMITS COMMENTS ON SUNSET REVIEW OF THE RAILROAD COMMISSION

With the approach of the 83rd Legislative Session, staff of the Sunset Advisory Commission recently requested public input on the operations of the Texas Railroad Commission (RRC). On behalf of the association's members, TIPRO submitted comments and feedback on the review of the state agency.

The RRC was previously reviewed by the Sunset Commission in the spring of 2011 during the 82nd Legislative Session; however, the legislation which pertained to changes for the agency failed to pass. As a result, additional legislation was approved by legislators to allow the RRC to continue operations until 2013. At that time, the Sunset Commission was instructed to once again review the RRC for the next Legislative Session.

Noteworthy items currently being considered by the Sunset staff include changing the name of the state agency to the Texas Oil & Gas Commission, keeping the same governance structure of the RRC, funding mechanisms for the state agency and the overall effectiveness of the permitting process, among other topics.

The Sunset Commission was established in 1977, charged with identifying and eliminating waste, duplication and inefficiency in state government agencies. The 12-member Sunset Commission is composed of five members from the Texas Senate, who are appointed by the Lieutenant Governor, as well as five members of the Texas House of Representatives, appointed by the Speaker of the House, and two members of the general public. This year, appointed members from the House will include: Chairman Dennis Bonnen, Rep. Rafael Anchia, Rep. Byron Cook, Rep. Harold V. Dutton, Jr., Rep. Four Price and Rep. Casandra Ortiz. Members from the Senate include: Vice-Chair Robert Nichols, Sen. Brian Birdwell, Sen. Joan Huffman, Sen. Dan Patrick and Sen. John Whitmire.

The staff of the Sunset Commission is expected to release their updated report containing recommendations on the RRC by mid-November 2012. The Sunset Commission will then meet to hear public testimony on the staff's ideas for the agency on December 18 and 19, 2012. TIPRO will testify at the sunset meetings. Based on public input and the final Sunset staff report, the Sunset Commission will move to adopt recommendations for the full Legislature to consider when it convenes on January 8, 2013.

The state agency has effectively regulated oil and gas activity in the Lone Star State since 1919. Over the last 93 years, the RRC has maintained a successful track record of overseeing industry operations in the state of Texas, and should continue to have the power to do so in the years to come.

RON CURRY APPOINTED AS NEW ADMINISTRATOR OF EPA REGION 6

President Obama has appointed Ron Curry as the new administrator of the U.S. Environmental Protection Agency's (EPA) Region 6 division. In the role, Curry will be responsible for managing all EPA activities in the South Central Region, which includes Texas, Arkansas, Louisiana, New Mexico and Oklahoma. Curry replaces former administrator Al Armendariz, who resigned in April of this year after a video surfaced of the regulator explaining his enforcement policy for the federal agency as "crucifying" oil and natural gas companies to set an example.

"At the EPA, Mr. Curry will provide valuable insight into the public health and environmental challenges facing Region 6, and will be able to offer a state's perspective within the agency," said David Gray, an EPA spokesman.

Previously, Curry served as secretary of the New Mexico Environment Department (NMED) from 2003 until 2010, under former New Mexico Gov. Bill Richardson.

"Mr. Curry has in the past expressed pride over shutting down coal fired power plants in New Mexico and has voiced concern with natural gas," commented U.S. Senator James Inhofe on the appointment. "He has also expressed his staunch support for the Clean Water Restoration Act, a bill that would give the federal government control over every body of water in America, including intermittent streams and irrigation ditches."

Curry, a native of Hobbs, New Mexico, is one of the first non-Texans to hold the EPA Region 6 administrator's job in Dallas since the EPA was established in 1970.



Ron Curry

PRESIDENT'S MESSAGE

TIPRO Members-

With the November general election just around the corner, now is the time for all of us to band together to push for a federal energy policy that will promote the exploration and production of oil and natural gas in America. As candidates run for public office, we need to work to advocate for their joint support of the development of energy resources.

Unfortunately, in recent years, the federal government has been set on working to impose unnecessary, overburdensome regulations that could hurt small independent producers and threaten to kill American jobs. Simply put, this must be put to a stop.

As we all have seen during the past couple of years, agencies like the U.S. Environmental Protection Agency (EPA), the U.S. Fish & Wildlife Service (USFWS) and the Bureau of Land Management (BLM) have continually proposed new rules that would unnecessarily limit or restrict the ability to drill for oil and gas. In doing so, the result has been an uncertain business environment in which many are cautious to expand their operations or hire additional employees, particularly while our nation continues to struggle to recover from the most recent economic recession. In fact, a recent report released by the National Federation of Independent Business and National Association of Manufacturers found a majority of decision-makers feel that there is too much uncertainty in the market today for them to expand, grow or hire new workers, and indicated their belief that the federal government's current regulatory policies have hurt small businesses and manufacturers in the United States.

Meanwhile, technological advancements made over the last couple of years, coupled with hydraulic fracturing and horizontal drilling, have provided oil and gas producers the ability to extract natural resources from deep below the ground unlike ever before. This enhanced access to shale formations has led to growth in the private-sector, and boosted the economy in a manner our nation needs now more than ever. It is frightening to think what condition our local, state and national economies would be in devoid of this drilling activity or without the support of the oil and gas industry.

With a more sound energy policy in place that encourages the development of oil and gas, rather than hinders it, we will be able to continue to fuel our economy and allow for increased business activity in Texas, as well as across the entire country. Rather than being concerned about the cost of compliance with unjustified federal regulations or rules, companies instead could focus their resources on investing in the industry, which would provide sustained economic growth in the years to come. There is no denying the truth, energy development is essential for a strong economy. This reality is something we must ensure our lawmakers understand, both now and in the critical months that lie ahead for us.

Please join us as we work with the Texas Legislature, Congress and other regulatory agencies to preserve the ability to explore and produce oil and gas in America.

Sincerely,




Rich Varela

ACTIVE ON LINKEDIN? BECOME A PART OF TIPRO'S GROUP!

For those on LinkedIn, make sure to sign up to join the "Texas Independent Producers & Royalty Owners Association" group. In doing so, you'll be able to become part of the conversation, receive timely updates and connect with others in the oil and gas industry. To view, go to: www.linkedin.com/groups?mostPopular=&gid=2871231.



Also be sure to follow TIPRO on twitter (@T_I_P_R_O). Connect by visiting: twitter.com/T_I_P_R_O.

Calendar of Events

OCTOBER 10, 2012	OCTOBER 12, 2012	NOVEMBER 14, 2012	DECEMBER 12, 2012
HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.	DALLAS Texas Energy Update Seminar, 7:30 a.m. - 11:30 a.m. The Belo Mansion. For info, call: (214) 207-0369.	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.

4,000+ ATTENDEES AND 350+ EXHIBITORS AT THE 2011 EVENT

DEVELOPING UNCONVENTIONALS



October 14 – 16, 2012

Henry B. Gonzales Convention Center
San Antonio, TX

Expanding the EAGLE FORD

The Eagle Ford shale is rapidly moving into the top tier of U.S. shale plays, propelled by excellent well results across its dry gas, rich gas and oil-prone areas. Now, the Pearsall shale play is growing in south Texas which expands the region's activities. The Eagle Ford also is spreading out to the Olmos and Escondido, primarily fractured through sandstone and the Austin Chalk.

The 2012 **DUG™ Eagle Ford Conference & Exhibition** will focus on the expanding Pearsall shale play and delve into both the sandstone and chalk developments.

Whether you are looking to make new business connections, or learn what operators are doing to protect and develop their investments, **DUG Eagle Ford** is THE conference you cannot afford to miss.

A special thanks to our TIPRO members - Save \$200, use code DUGEFTIPRO when registering online at dugeagleford.com

FEATURED SPEAKERS INCLUDE:



David E. Roberts, Jr.
EVP and COO
Marathon Oil Corp.



Timothy L. Dove
President and COO
Pioneer Natural Resources



Bruce H. Vincent
President
Swift Energy



John D. Clayton
SVP, Asset Development
Rosetta Resources Inc.



Greg L. Armstrong
Chairman and CEO
Plains All American GP LLC



James E. Wade
President and COO
Copano Energy LLC



David Porter
Commissioner
Texas Railroad Commission



Torstein Hole
SVP
Statoil ASA



David Biegler
Chairman and CEO
Southcross Energy



Rusty Shepherd
CEO
Momentum Oil and Gas



Don Hrap
President, Americas
ConocoPhillips



Brian Frederick
VP, Southern Business Unit
DCP Midstream

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HART ENERGY

HOSTED BY:

E&P

Oil and Gas
Investor

UG UNCONVENTIONAL
OIL & GAS CENTER

MIDSTREAM
Business

STUDY SHOWS PRODUCTION FROM TEXAS' SHALE PLAYS KEY TO THE NATION'S RECOVERY

By decades end, the dramatic increase in exploration and production of oil and gas from shale formations will help boost manufacturing in the United States and allow for up to 5 million American manufacturing jobs to be created, according to a new report released by Boston Consulting Group (BCG). In particular, with the recent spike in drilling in the state of Texas, there has been a surge in the supply of natural gas, which has helped to lower the costs associated with manufacturing products. With the price of natural gas expected to remain low for the foreseeable future, the fuel source will continue to be as much as 70 percent cheaper in the United States than in European countries or in Japan. This low price equates to lower costs for electricity generation and for the fuel used to power industrial plans.

Accordingly, with the decline in the price of natural gas -- thus overall manufacturing expenses -- more businesses will elect to operate in the U.S., shifting the production of their goods away from leading European countries and Japan, in order to take advantage of substantially lower costs to operate in the U.S. This will lead to an increase in business opportunities in America and help the nation's economy to grow.

In the group's recent analysis, BCG projects that by 2015, the average manufacturing costs will be approximately 8 percent lower in the U.S. than in the United Kingdom, 15 percent lower than in both Germany and France, 21 percent lower than in Japan and 23 percent lower than in Italy. The U.S. will also have a significantly lower export cost advantage as compared to Germany, Italy, France, the United Kingdom and Japan, in a range of different industries and sectors. Among the biggest drivers of these lower costs will be the reduced price of natural gas, labor and lowered price of electricity.

As a result, the U.S. could capture anywhere from 2 to 7 percent of exports from those countries by 2020, which could help the amount of U.S. exports to grow by up to \$90 billion per year, according to BCG.

"The export manufacturing sector has been the unsung hero of the U.S. economy for the past few years. But this is only the beginning," said Harold L. Sirkin, a BCG senior partner and coauthor of the research used in the study. "The U.S. is becoming one of the lowest-cost producers of the developed world, and companies in Europe and Japan are taking notice."

All together, U.S. exports have increased by 30 percent since 2006, far outpacing growth in gross domestic product, notes BCG.

"The signs pointing to continued export growth offer further evidence that the U.S. is poised for a manufacturing renaissance between 2015 and 2020," added Sirkin.

~ REMINDER: INDIVIDUAL MEMBERSHIP DIRECTORY LISTING DEADLINE APPROACHING ~

Don't forget to submit your updated contact information for TIPRO's next membership directory. You should have recently received your 2013 membership directory listing form in the mail - the deadline to submit all updates back to TIPRO will be **Wednesday, October 3, 2012**.

If you need assistance or did not receive your copy of the form, please contact TIPRO's Membership Coordinator Anjelica Torres by email at atorres@tipro.org or by phone at (512) 477-4452.

TEXAS ADDS MORE JOBS THAN ANY OTHER STATE LAST MONTH



The Lone Star State added more jobs than any other state in the country during the month of August, with more than 38,000 new jobs created, reports the U.S. Bureau of Labor and Statistics (BLS).

"A major component to Texas' long-term economic development is consistent job growth, and that is exactly what we are seeing across a number of different industries," said Texas Workforce Commission (TWC) Chairman Andres Alcantar. "The private sector in Texas has grown by 279,800 jobs over the last year, a 3.2 percent increase, while national private sector annual growth has been just 1.8 percent."

"Employers know that Texas continues to be a beacon for job creation in the U.S. thanks to the conservative fiscal policies that have helped strengthen our economy, like our low taxes, reasonable and predictable regulations, and fair courts, and the steps we've taken to promote a skilled workforce," added Gov. Perry. "We will continue to focus on

these principles to keep this momentum moving forward and keep our economy a national example for competitiveness and job growth."

Development of oil and gas resources has helped keep unemployment levels down and lent to the increase in job creation in the state of Texas. Midland and Odessa, located in the heart of West Texas' Permian Basin, continue to have the lowest unemployment rates in the state of Texas. Other cities located near the Eagle Ford Shale also boast of low unemployment.

STATE OF TEXAS LEADS THE WAY WITH INCREASED NGV USE

By current estimates, there are approximately 110,000 Natural Gas Vehicles (NGVs) on U.S. roads today, with nearly 1,000 natural gas fueling stations. However, in the coming years, more and more major automotive manufacturers are expected to develop NGVs and trucks, which will help to further establish a market for natural gas and motivate more Americans to switch to NGVs and Compressed Natural Gas (CNG).

“Creating a CNG market is like a puzzle,” commented Tod Hartje, head of market requirements for fleet operations at Chrysler Group, in a recent interview. “You have to get everything to work together. If you pull one lever, you could have a great infrastructure, but if there is no product and people don’t want it, it won’t happen.”

Even so, manufacturers seem to be getting serious about producing more NGVs, particularly with more fueling stations in the works, which will increase the adoption of the vehicles by the public.

In fact, just recently in Texas, the city of Midland announced that several CNG fueling stations would be installed for public use, which are expected to be in operation by the end of the year. Both sites will have two fuel dispensers, with each offering two hoses, allowing for four CNG-fueled vehicles to fill up at the same time. Other cities across the state of Texas, including Houston and Longview, have announced similar news in recent months.

Use of NGVs and CNG provides a number of important benefits to Americans. Studies show that fuel costs can be reduced by approximately 40 percent. Overall, NGVs have lower operating costs, offer better fuel efficiency and a higher octane rating. Moreover, NGVs release fewer emissions, helping our state and country to further reduce carbon dioxide levels and substantially lower the environmental impact of vehicles driving on the road.

Texas is leading the charge in the development of NGV infrastructure, with policies already in place that will help encourage the increased use of natural gas. In 2011, during the 82nd Legislative Session, lawmakers passed Senate Bill 20 that provides funding for the conversion of heavy duty vehicles to NGVs. Roughly 20 percent of the Texas Emissions Reduction Plan (TERP), equivalent to about \$10 million per year, was committed to provide rebates for those interested in switching heavy-duty fleets to NGVs and will help to also pay for the development of new natural gas infrastructure, like fueling stations. The bill also supports the development of the Texas Clean Transportation Triangle - a natural gas transportation corridor along the main interstate highways in Texas, which connects Dallas-Fort Worth, Austin, San Antonio and Houston. With at least 10 percent of the total U.S. transportation sector traveling through the Texas Triangle each year, the impact of such development is substantial.



WATER EXPECTED TO BE A MAIN FOCUS OF LEGISLATORS NEXT SESSION

Speaking at a recent convention in Austin, Texas, Speaker of the House Joe Straus illuminated to one of the largest topics that is expected to be up for discussion during the next Legislative Session: water. Due to growing levels of the state’s population, coupled with extreme droughts experienced in Texas during recent years, water levels have declined dramatically. As a result, elected officials and lawmakers are planning to take action to accommodate for the situation at hand.

“When the 83rd Legislature convenes in January, we’re going to have a unique opportunity to address the huge growth Texas is experiencing,” said Speaker of the House Straus. “Water will be at the center of the discussion. I don’t want to reach a day where a Texas company announces it’s moving to Florida or Ohio because of water issues.”

Water also remains a top concern for state regulators, as well as those operating in the oil and gas industry. Although all water use by Texas oil and gas industry together represents less than 1 percent of the state’s water use, according to the Texas Water Development Board (TWDB), technological advancements and new innovations have helped the industry to reduce the amount of water required for drilling operations. Producers remain mindful of community water needs, and are continually working to reduce water usage and recycle water, whenever possible.

During TIPRO’s Summer Conference held in August in Galveston, Texas, Railroad Commissioner David Porter emphasized the growing importance of conserving water for industry operations in Texas.

“It is more important now than ever that we do everything we can to conserve water... this is really important and I really want to emphasize this -- if we didn’t use another drop of water for anything to do with oil and gas production or completions, we would still have a serious water problem in this state because of the increase we are having in population in the state of Texas,” said Commissioner Porter. “I would however like to commend the industry for their strides in reducing the use of freshwater.”

On the following pages, check out a fact sheet on one water plan being proposed by the H2O4TEXAS Coalition that will be up for consideration by lawmakers during the 83rd Legislative Session.



H₂O4TEXAS.org

WHAT EVERY TEXAN SHOULD KNOW ABOUT OUR STATE WATER PLAN

We have a State Water Plan

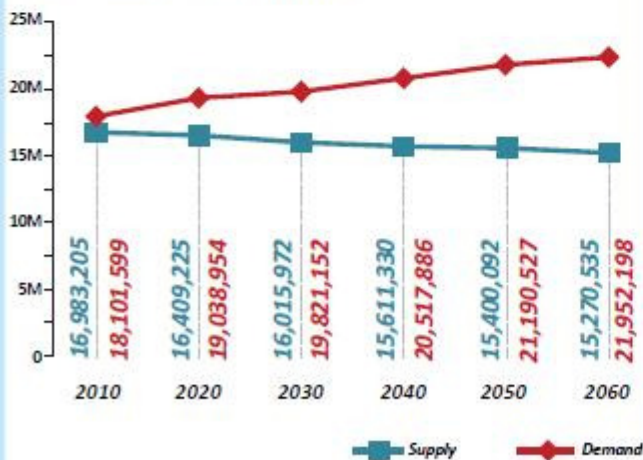
In 1997, the Texas Legislature adopted a consensus-driven water planning process. Our water planning process has received praise nationwide and is considered by many to be the model for successful, locally-driven state water planning efforts.



If we fail to implement our State Water Plan, by 2060, 50% of Texans will lack a sufficient water supply during severe drought conditions.

Projected water demand and existing supplies in acre-feet per year

(1 acre-foot = 325,851 gallons)



If we fail to implement the State Water Plan, the cost of inaction is severe

While our State Water Plan is essential to public health and the success of our economy, we have not fully implemented the plan – a move that requires state financing. If we fail to implement the plan, by 2060, half of Texans will not have enough water during certain drought conditions. Drought conditions cost Texas businesses and workers billions of dollars in lost income every year. If Texas does not implement the State Water Plan, those losses could grow to \$116 billion annually.

Your State Water Plan was designed by local, community representatives

Driven by local concerns and local decisions, Texas' water planning process is a bottom-up, locally driven model. The state is divided into 16 regional water planning groups. Each group is comprised of public and private interests, including Texans representing public health, economic development, agriculture, local government, ground and surface water management and power generation. Each planning group evaluates population projections, water demand projections, and other factors to identify Texans who will not have enough water during times of drought. The groups are also responsible for recommending strategies and projects that could be implemented to obtain more water.

Once the planning groups adopt their respective regional water plans, those plans are sent to the Texas Water Development Board for approval. The board then uses information from the regional water plans and other sources to develop the State Water Plan. Because our water planning process was designed to be adaptive, regional water planning groups are required to update local plans every five years in order to respond to changing conditions.



Failure to meet our water supply needs could result in a reduction in income of nearly \$116 billion annually by 2060, with over a million lost jobs.

<http://www.twdb.state.tx.us/wrpi/swp/swp.asp>

Our State Water Plan, Water for Texas 2012, is a nationally acclaimed approach to drought preparedness and meeting Texans' future water needs.



H₂O4TEXAS.org

WHAT EVERY TEXAN SHOULD KNOW ABOUT OUR STATE WATER PLAN

Investing in our State Water Plan supports water management tools that work

The water management strategies identified in the State Water Plan include the following proven tools:

Conservation

- 💧 Efficiency of use and decreased demand on existing supplies
- 💧 Savings from every sector, including municipal, agricultural, energy production, manufacturing, mining and more

Surface Water

- 💧 Connection to existing supplies via pipelines and other tools
- 💧 Building and expanding water treatment plants
- 💧 Stream diversions
- 💧 Reservoirs

Groundwater

- 💧 New wells
- 💧 Aquifer management

Reuse

- 💧 Treated wastewater for irrigation

Treatment of Brackish Water

Desalinization

Conjunctive Use of Surface and Groundwater

To learn which of these tools is recommended for your community's unique water needs, please visit http://www.twdb.state.tx.us/publications/state_water_plan/2012/02.pdf

Contact us

For additional information regarding opportunities to support the coalition, or to schedule a presentation regarding our efforts, please contact us by emailing info@h2o4texas.org. You may also contact the coalition's executive director, Heather Harward, at 512-826-7490, or via e-mail at heather@texaswaterplan.org



H2O4TX



@h2o4texas

The benefits of implementing our State Water Plan are clear

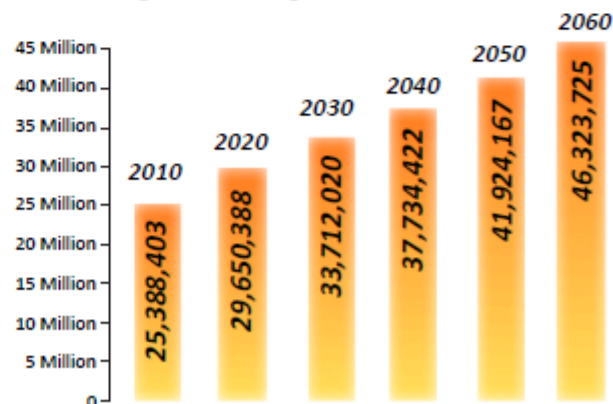
Ensuring that we have an adequate supply of clean, affordable water protects public health and the economy. It is estimated that every one billion dollars in financial assistance provided for state water plan projects will generate \$1.75 billion in sales revenues, create \$888.8 million in state gross domestic product, add \$43.9 million in state and local tax receipts, and create or support nearly 13,077 jobs across the state.

Water is not cheap

Our state's regional water planning groups are also charged with estimating the cost of implementing their recommended projects and strategies. To implement the State Water Plan, the regional water planning groups estimate that the total capital costs will be about \$53.1 billion over the next 50 years. Based on surveys conducted as part of the planning process, local jurisdictions indicate that a significant part of the total costs can be borne by local sponsors. However, the local jurisdictions identified specific funding needs best suited for state financing. As of 2011, the need for state financing to fully implement the State Water Plan is approximately \$29.1 billion over the next 50 years.

Projected Texas population growth

The population in Texas is expected to increase 82 percent between the years 2010 and 2060, growing from 25.4 million to 46.3 million people. We do not have enough existing water supplies to meet the water demands of those 46 million Texans during times of drought.



Our State Water Plan, Water for Texas 2012, is a nationally acclaimed approach to drought preparedness and meeting Texans' future water needs.



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THE TIPRO TARGET



**Texas Independent
Producers &
Royalty Owners
Association**

With more than 2,400 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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