

# THE TIPRO TARGET



**Independent  
Producers and  
Royalty Owners  
Association**

## RRC COMMISSIONERS REACT TO EPA PAVILLION INVESTIGATION

State leaders from the Railroad Commission of Texas (RRC) have sent a formal letter to regulators at the U.S. Environmental Protection Agency (EPA) in response to a recent draft report in which the EPA attempted to link groundwater contamination and hydraulic fracturing in Pavillion, Wyoming.

The report, released in December 2011, is filled with statements of conjecture and speculation, causing the findings to appear more inconclusive than definitive. The draft report also has yet to withstand the scrutiny of a scientific peer review and has not been subjected to qualified, third-party, scientific verification.

“The RRC bases its regulatory decisions on science and fact,” stated RRC Chairman Elizabeth Ames Jones. “It appears EPA reached its conclusions based on limited and questionable data.”

Commissioner Barry Smitherman added, “Unfortunately, the EPA seems to be using the same template here that they did in the Range Resources case: first, make a preliminary, unproven assertion that will be perceived by the media and the public as a condemnation of hydraulic fracturing, then quietly back away once the science has proved the assertions to be false.”

Despite explosive and unfounded charges made by the EPA, the oil and gas industry remains committed to the safe development of natural resources. Companies continue to strive to meet or exceed regulatory requirements and revolutionize the industry in a way that reinvigorates our economy while at the same time protecting public health and safety.

“This is just one more example of the federal government trying to pre-empt state regulatory authority in the oil and gas industry and it must be stopped,” commented Commissioner David Porter on the EPA Pavillion investigation.

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--COMMISSIONER PORTER**

## REGISTER TODAY TO ATTEND TIPRO'S 66<sup>TH</sup> ANNUAL CONVENTION!

Oil and gas production is at a level not seen in nearly 25 years, with record levels of drilling seen all over Texas. Analysts predict oil and gas activity to continue to rise. This is providing much-needed support to the economy, creating tens of thousands of jobs and offering large contributions to local, state and federal coffers.

However, in the coming years, a broad range of issues will impact Texas oil and gas producers and royalty owners - from endangered species to comprehensive tax reform.

The development of shale plays, along with increasing threats of unnecessary federal regulation, are sure to be key topics of discussion on March 27-28, as members of TIPRO meet at the Sheraton Hotel Downtown in Dallas, Texas, for TIPRO's 66<sup>th</sup> Annual Convention.

CEOs of top oil and gas companies are slated to present during the Convention, including Clarence Cazalot of Marathon Oil, Mark Ellis of LINN Energy, Gary Evans of Magnum Hunter, and Toby Darden of Quicksilver. These industry leaders will each share insight on how their companies are adapting to an ever-changing business and regulatory environment.

Additionally, William Kristol, national political analyst and commentator for FOX News Channel, will provide this year's keynote address. Kristol will share a national political overview and analysis of the primary elections. A change in elected leaders could have a radical effect on energy policy in the years to come, which is why it is as important as ever oil and gas professionals stay informed.

“The energy business is thriving and investments in the industry are up,” said Justin Furnace, president of TIPRO. “However, despite recent growth in production of oil, independent producers face a number of challenges ahead. Speakers at this year's TIPRO Convention will provide updates on the latest state and federal issues along with insight from corporate leaders on what the coming year may bring for our business. With an agenda packed full of informative sessions, this year's Convention is sure to be relevant, revealing and timely.”

View the Convention Agenda and Registration form on pages 6-7 of this newsletter.

*Story continued on page 6...*

## CHAIRMAN'S MESSAGE

TIPRO Members-

Earlier this week, the Obama administration released its proposed annual budget, once again targeting U.S. oil and gas producers. While the proposed fiscal 2013 budget does support industry research by allocating \$12 million to fund a multi-year research initiative aimed at advancing technology to develop natural gas, the budget also threatens to remove much-needed industry tax incentive provisions. Intangible Drilling Costs (IDCs), Percentage Depletion, the Geologic and Geophysical Deduction and other provisions all would be eliminated under the new proposed budget.

Removing these tax provisions would be a critical mistake, significantly impacting the ability for independent producers to explore and produce oil and gas. Existing tax policy, such as IDCs and depletion allowances, greatly enhances the ability for new American oil and natural gas production projects for investors by reducing the inherent risks of this capital-intensive business. However, increased taxes on American oil and natural gas production ultimately would mean less investment capital, which would equate to less American energy supplies and potentially more dependence on foreign oil. Without the proper incentives in place, development of shale plays could grind to a halt.

Moreover, majors and large integrated companies cannot fully utilize most of these deductions. Consequently, the elimination of such tax incentives will have a substantial impact on the smaller independent companies that produce the majority of America's domestic energy.

In light of such proposals, I will travel to Washington D.C. later this month with a group of TIPRO members and meet with U.S. Congressmen to educate them on the importance of these industry tax provisions. Altogether, during the trip, we will meet with 24 members of the Texas Delegation, in addition to meeting with Speaker John Boehner's office.

During the call-up, our group will tell the story of independent producers and royalty owners and highlight the importance of exploration and production in the United States. The truth remains that independent oil and gas producers, who are responsible for drilling nearly 94 percent of the country's oil and gas, are vital to the U.S. economy. Independents offer thousands of jobs to Americans and make enormous contributions to the U.S. Gross Domestic Product (GDP). We are the only industry that has increased employment of American citizens over the last four years.

Through it all, TIPRO will continue to remain committed to preserving the ability to explore and produce oil and natural gas and to promoting the general welfare of our members.

On another note, I want to thank Elizabeth Ames Jones for her outstanding service at the Texas Railroad Commission during the past 7 years. She has done a tremendous job as the leading regulator of the Texas oil and gas industry, and I commend Jones for all of her hard work at the Commission. Jones has also been a persistent advocate for state regulation as opposed to federal, a position that we at TIPRO strongly support. I wish her much success in the future.

Sincerely,




**Stephen N. Castle**

### CONNECT WITH TIPRO ONLINE TO GET TIMELY INDUSTRY UPDATES

Follow the **Texas Independent Producers & Royalty Owners Association** online to receive up-to-the-minute news on the latest happening in the oil and gas industry. From Twitter to Facebook and LinkedIn, TIPRO's social media accounts offer innovative ways to get information and connect with other professionals in the industry.

Visit our website at [www.tipro.org](http://www.tipro.org) to learn more.



### Calendar of Events

#### FEBRUARY 23-24, 2012

HOUSTON Wirtz  
NAPE Expo,  
George R. Brown  
Convention Center

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

#### FEBRUARY 27, 2012

Texas Top Producers  
electronic voter  
ballots distributed  
via email

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

#### MARCH 7-8, 2012

LONGVIEW East Texas  
Oilfield Expo,  
Maude Cobb  
Convention Center.

For info, call: (866) 918-5550.

#### MARCH 21, 2012

HOUSTON IPAA/TIPRO  
Leaders in Industry  
Luncheon, 11:30 a.m.  
Houston Petroleum Club.

For info, call: (713) 503-1298.

## VISIT TIPRO AT BOOTH #1903 DURING WINTER NAPE!

The Texas Independent Producers & Royalty Owners Association hopes to see you at the Winter NAPE Expo 2012, held February 23-24 at the George R. Brown Convention Center in Houston. TIPRO will be located at booth #1903 - be sure to stop by and visit us! The association's President Justin Furnace, Senior VP Rich Varela and Director of Public Affairs Teddy Carter will all be in attendance, as will TIPRO's new Director of Development Stephen Coffman.

The NAPE Expo provides a marketplace for the buying, selling and trading of oil and gas prospects and producing properties via exhibit booths. The Expo brings prospects and producing properties (from the U.S. and around the world), capital formation, services and technologies all together in one location, creating an environment to establish strategic alliances for doing business and initiating purchases and trades. Winter NAPE now hosts nearly 1600 booths and 16,000 attendees.

For more information or to view the schedule of events, floor plan and list of exhibitors, visit NAPE's website at: [www.napeexpo.com](http://www.napeexpo.com).

## ELIZABETH AMES JONES RESIGNS FROM TEXAS RAILROAD COMMISSION



Elizabeth Ames Jones

Chairman Elizabeth Ames Jones has resigned from the Texas Railroad Commission in order to fully devote time to the upcoming Texas Senate District 25 election, in which Jones is a candidate for the Republican nomination. While serving at the Commission, Jones has been a leader in the responsible oversight of oil and gas operations in the Lone Star State, at a time when advancing technological innovations have caused a surge in drilling activity across the state.

"Chairman Jones has had a long and distinguished career in public service. She has worked tirelessly to serve the people of Texas," said Railroad Commissioner Barry Smitherman. "Her efforts have had a positive impact on the state as a whole and the energy sector specifically. I admire her persistence and determination on behalf of the oil and gas industry, and I know that she will bring that same determination and intensity to her new endeavors."

Jones resignation will be effective February 28, 2012.

## RRC ADOPTS CHANGES TO FEES CHARGED BY THE OIL & GAS DIVISION

The Texas Railroad Commission (RRC) has adopted changes to Statewide Rule 78, raising certain fees charged by the agency's Oil & Gas Division.

Under Rule 78 as amended, surcharges have been imposed on certain fees as means to implement the provisions of Senate Bill 1, passed during the 82<sup>nd</sup> Legislative Session. The amendments to Rule 78 will take effect May 1, 2012.

According to the RRC, "Senate Bill 1 created the Oil and Gas Regulation and Cleanup Fund and mandated that the Commission impose reasonable surcharges on Commission fees. The funds collected through these surcharges will cover the Commission's costs in certain functional areas specified in the bill, including oil and gas monitoring and inspections, oil and gas remediation, oil and gas well plugging, public information and services related to those activities, and administrative costs and state benefits for personnel involved."

During the rulemaking process, the RRC identified the fees on which surcharges would be imposed based on the statutory requirements. Comparing the revenue generated by those fees with the costs associated with the functional areas specified in the statute, the RRC determined that a surcharge of 150 percent of the respective fees would be needed.

The RRC will impose surcharges on fees associated with the filing of:

- Drilling Permits
- Organization Reports
- Voluntary Cleanup Program Applications
- Inactive Wells (plugging extensions)
- Rule Exception requests
- Reconnection fees following cancellation of P-4 Certificates of Compliance
- Waste Disposal Facilities and Waste Hauler Permits (excluding disposal wells permitted under Rule 9)
- Surface Discharge permits
- Injection well permits
- Hydrocarbon Storage permits

For more detailed information regarding the affected fees, visit [www.rrc.state.tx.us/forms/reports/notices/Surcharges-021412.pdf](http://www.rrc.state.tx.us/forms/reports/notices/Surcharges-021412.pdf).



# TIPRO POWER COALITION SAVES MEMBERS \$1.2 MILLION IN 4 MONTHS

As you may have heard, TIPRO recently formed the TIPRO Power Coalition, an electricity purchasing group which allows TIPRO members to obtain competitive electricity bids from multiple Retail Electric Providers.

Within the first four months of the program, six TIPRO members have together saved over \$1.2 million on their future energy bills by joining the coalition!

Delray Oil, Goldston Oil, Great Western Drilling, H.P. Slagel Producing, Milagro Exploration and MSE Operating each were able to secure fixed energy rates in the 4-5 cent/kWh range for multiple years.

Most importantly, these 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 contract.

You can learn more details on the TIPRO Power Coalition by visiting [foxsmolen.com/tipro](http://foxsmolen.com/tipro).

Join the other coalition members by finding electricity bids from TIPRO's exclusive broker by contacting Jason O'Krent at Fox, Smolen & Associates, (512) 322-9090 x104 or [okrent@foxsmolen.com](mailto:okrent@foxsmolen.com).

There will never be any cost, or obligation, to get a savings comparison to your current rate!



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## DEPT. OF INTERIOR TO RELEASE NEW FRACING RULES IN 'A FEW WEEKS'

In the coming weeks, the U.S. Department of Interior will formally release proposed rules for hydraulic fracturing on federal lands, announced Interior Secretary Ken Salazar.

Within the new rules, operators on federal lands will have to disclose the chemicals used in the hydraulic fracturing process, successfully meet new requirements to ensure well-bore integrity and report intentions for disposal of flowback water. Trade secrets would be exempt.

A draft of the rules indicates that producers would be forced to perform extensive tests to prove that wells are strong enough to withstand maximum operating pressures. They also would have to disclose information on water used during fracing, and explain how they plan to dispose of wastewater that resurfaces after the fracing process is completed.

"The public needs to have confidence that fracing operations are being conducted safely, and that drinking water supplies are protected," said Salazar, in response to criticism of the rules.

Some U.S. Congressmen contend that the Department of Interior should wait until the U.S. Environmental Protection Agency (EPA) finishes a multi-year study on hydraulic fracturing's effect on groundwater. Meanwhile, other officials have expressed concerns that the Interior's rules would conflict with or duplicate state regulations already in place, and that the Interior is taking action simply as a result of the EPA Pavillion investigation, in which many believe faulty data was used for analysis.

Once released, the public will have the opportunity to submit comments on the proposed rules.

Earlier this month, the Texas Railroad Commission implemented Statewide Rule 29, which mandates disclosure of frac fluid chemicals used for new wells drilled in Texas. The first of its kind, the rule increases transparency about the safety of the hydraulic fracturing process and helps to better educate the public of industry operations. It also sends a clear message from the largest producing state in the country to federal regulators: leave the regulation of hydraulic fracturing where it belongs - with the states.

## EPA TO SAMPLE GROUNDWATER IN DIMOCK, PENNSYLVANIA

Similar to the investigation conducted in Pavillion, Wyoming, in the coming weeks the U.S. Environmental Protection Agency (EPA) will perform water sampling at approximately 60 homes in Dimock, Pennsylvania, to test water quality for homes in the community. The EPA expects validated results from quality-tested lab to be available five weeks after samples are taken.

This turn of events comes as a surprise considering that a month prior, in December 2011, residents of Dimock received an e-mail from the EPA indicating that data the agency had reviewed from state-certified laboratories and the Pennsylvania Department of Environmental Protection (DEP) showed groundwater to be safe:

“EPA has conducted a preliminary review and screening of the data provided by the DEP and residents,” said Trish Taylor, EPA Region 3 staffer, in the email. “While we are continuing our review, to date, the data does not indicate that the well water presents an immediate health threat to users.”

Much like in Pavillion, there seems to be little data to support the claim that groundwater contamination is linked to hydraulic fracturing taking place in the area. In fact, historical information from the area reveals compounds often occur naturally.

According to the U.S. Geological Survey, “overwhelmingly, the evidence that we have suggests that what we see in the groundwater originates from natural sources.”

## CABOT OIL & GAS CORP. RESPONDS TO EPA DECISION TO TEST WATER IN DIMOCK

Dear Administrator Jackson:

We understand that the US Environmental Protection Agency (EPA) intends to test water wells in the area of Dimock, Pennsylvania. As developers in the area, we have been working closely with the Dimock community and with state and local regulators on concerns in the area. We are concerned the EPA's actions can be easily misinterpreted and can undermine regulatory certainty necessary for development of oil and natural gas.

President Obama in his State of the Union address strongly highlighted the importance of shale gas development as a key aspect of this country's national energy policy and economic recovery. EPA's actions in Dimock appear to undercut the President's stated commitment to this important resource, even in light of EPA's regulatory mission.

We are disappointed that EPA has undertaken a course regarding water sampling that seems inconsistent with what is known about Dimock and what was recommended by state regulators. EPA's approach has caused confusion that undermines important policy goals of the United States to ensure safe, reliable, secure and clean energy sources from domestic natural gas. Specifically:

1. EPA has presented no credible evidence to suggest that its new sampling initiative is a wise use of resources given the collection and analysis of over 2000 water wells that has already occurred in the area. Over ten thousand pages of this data has been provided to the EPA.
2. EPA's concerns are inconsistent with the findings of state regulators who have concluded after extensive investigation that Dimock drinking water meets regulatory standards. State regulators are closest to the facts, and most familiar with groundwater and geological formations in the area.
3. EPA's initiative marks a change in position for the Agency, unsupported by any new facts. As recently as December 2011, EPA told Dimock residents that their drinking water did not present a health threat.

The President made a strong call to all Americans to take advantage of the new opportunities in shale gas development. To prevent uncertainty and further advance these opportunities, in our view, what is needed is an object approach by EPA to dealing with community concerns - something missing in recent EPA actions. EPA's changing posture on sampling in Dimock is indicative of a broader problem on inconsistency with scientific process and a lack of cooperation with state and private sector parties. Cabot hopes that we can work with EPA to further review existing data and to establish a firmer basis for Agency decision-making.

We would be happy to meet with you or your staff to discuss the Dimock situation. Please let us know if we can provide you with further information or ask additional questions.

Sincerely,



Dan O. Dinges  
Chairman, President and Chief Executive Officer, Cabot Oil & Gas Corp.

# TIPRO's ANNUAL CONVENTION AGENDA

## TUESDAY - MARCH 27

10:00 A.M. REGISTRATION OPENS  
 12:00 P.M. INFORMATION HALL OPENS

### GENERAL SESSION

1:00 P.M. WELCOME ADDRESS  
 STEPHEN CASTLE,  
 COWBOYS RESOURCES CORP. &  
 TIPRO CHAIRMAN

LT. GOV DAVID DEWHURST  
 2012 HAT'S OFF AWARD RECIPIENT

2:00 STATE/FEDERAL ISSUES UPDATE  
 TEDDY CARTER,  
 DIRECTOR OF PUBLIC AFFAIRS, TIPRO

3:00 TOBY DARDEN,  
 CHAIRMAN OF THE BOARD,  
 QUICKSILVER RESOURCES

4:00 MEMBERSHIP MEETING

4:15 "STATE OF THE ECONOMY"  
 MINE YUCEL, VP & SENIOR ECONOMIST  
 FEDERAL RESERVE BANK

5:30 WELCOME TO DALLAS RECEPTION

7:00 DINNER ON YOUR OWN

## WEDNESDAY - MARCH 28

7:00 A.M. REGISTRATION OPENS  
 INFORMATION HALL OPENS

### GENERAL SESSION

8:00 MEMBERSHIP BREAKFAST  
 ELIZABETH AMES JONES,  
 RAILROAD COMMISSION CHAIRMAN

9:00 TEXAS RAILROAD COMMISSION  
 CANDIDATE FORUM

10:00 GARY EVANS,  
 CEO, MAGNUM HUNTER

10:45 BREAK

11:15 MARK ELLIS,  
 CEO, LINN ENERGY

12:15 P.M. CEO LUNCHEON  
 CLARENCE CAZALOT,  
 CEO, MARATHON OIL

1:45 STATE ASSOCIATION PANEL  
 TOM STEWART, OOGA  
 STEVE HENKE, NMOGA  
 MIKE TERRY, OIPA  
 DON BRIGGS, LOGA

3:45 BARRY SMITHERMAN,  
 RAILROAD COMMISSIONER

5:30 CHAIRMAN'S RECEPTION

7:00 DINNER AND KEYNOTE  
 WILLIAM KRISTOL, FOX ANALYST,  
 FOUNDER *THE WEEKLY STANDARD*

## THURSDAY - MARCH 29

8:30 A.M. TIPRO AUDIT COMMITTEE MEETING

10:00 TIPRO BOARD MEMBER MEETING

### MAKE YOUR HOTEL RESERVATIONS TODAY!

Don't miss the chance to book a room for the  
 discounted group rate - the deadline to reserve a  
 room with the reduced rate of \$159 is  
**MARCH 1, 2012!**

Call the Sheraton at (888) 627-8191  
 or book a room online by visiting

[www.starwoodmeeting.com/StarGroupsWeb/res?id=1106135932&key=C3E0](http://www.starwoodmeeting.com/StarGroupsWeb/res?id=1106135932&key=C3E0)

# ANNUAL CONVENTION REGISTRATION FORM

## MEMBER REGISTRATION FEES:

INCLUDES ALL AGENDA EVENTS & MEALS

- Member - Full Registration: \$ 495
- Spouse - Full Registration: \$ 325

## EVENT-ONLY TICKETS:

- Dinner-Only Ticket: \$ 250 (Open Seating)
- Wednesday-Only Badge: \$ 395 (Includes Meals)

## NON-MEMBER REGISTRATION FEES:

INCLUDES ALL AGENDA EVENTS & MEALS

- Non-Member: \$ 695  
(Registration includes 1 year regular TIPRO membership)
- Non-Member Spouse: \$ 475

## EVENT-ONLY TICKETS:

- Non-Member Dinner Ticket: \$350 (Open Seating)
- Wednesday-Only Badge: \$595 (Includes Meals)



Special dietary needs or other considerations?  
Please contact TIPRO staff at (512) 477-4452.

FAX FORM TO (512) 476-8070  
OR VISIT [www.tipro.org](http://www.tipro.org)  
FOR ONLINE REGISTRATION

## ATTENDEE INFORMATION:

Name of Attendee: \_\_\_\_\_

Company: \_\_\_\_\_ E-mail: \_\_\_\_\_

Street Address: \_\_\_\_\_

City/State/Zip Code: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Cell: \_\_\_\_\_

Registered Spouse: \_\_\_\_\_

## PAYMENT INFORMATION:

Payment Method:  VISA  MASTERCARD  AMEX  CHECK NO: \_\_\_\_\_

Name: \_\_\_\_\_ Company: \_\_\_\_\_

Billing Address: \_\_\_\_\_

Credit Card No.: \_\_\_\_\_ Exp. Date: \_\_\_\_\_

Signature: \_\_\_\_\_ CID: \_\_\_\_\_

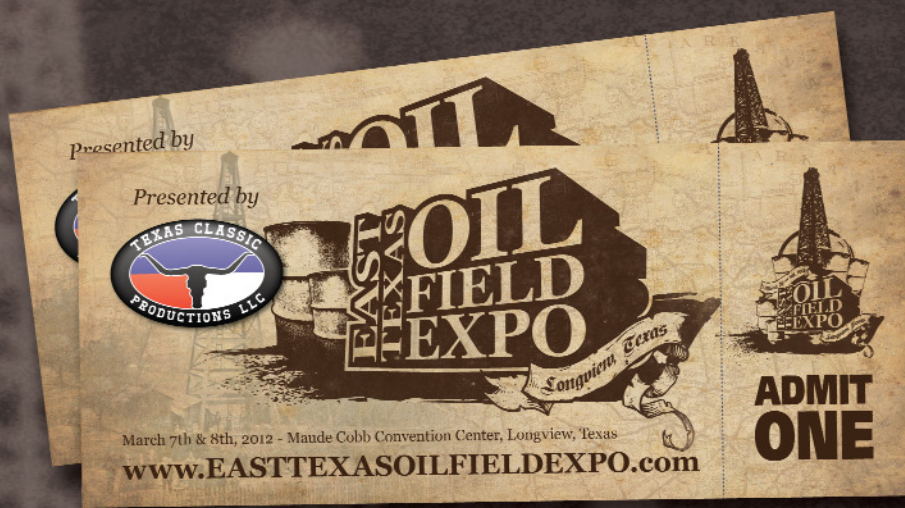
## CANCELLATION POLICY:

In order to receive a refund, TIPRO must be notified of your cancellation no later than

**FRIDAY, MARCH 22, 2012**

Mail Registration form to TIPRO at 919 Congress Avenue, Suite 1000, Austin, TX 78701.  
Registration forms must be accompanied by payment.





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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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