



**Texas  
Independent  
Producers and  
Royalty Owners  
Association**

## U.S. OIL AND GAS INDUSTRY EMPLOYMENT TOPS 1 MILLION IN 2013

### NEW TIPRO REPORT SHOWS CONTINUED GROWTH OF THE OIL AND GAS INDUSTRY

The Texas Independent Producers & Royalty Owners Association (TIPRO) today released a new report providing a mid-year analysis of U.S. oil and natural gas employment data. According to TIPRO, the U.S. oil and gas industry now employs more than one million workers, further reinforcing the significant economic contributions of the E&P sector at the local, state and national levels.

In the first half of 2013, the U.S. oil and gas industry added a net 23,700 jobs, for a net growth rate of 2.4 percent, reports TIPRO. Between June 2012 and June 2013, industry employment grew by 2.6 percent, which was faster than the overall U.S. private sector. Moreover, during the past 18-months, from January 2012 to June 2013, the industry grew by as much as 5.7 percent, a figure that also topped the overall U.S. private sector. The majority of the growth in 2013 was concentrated in oil and gas extraction, drilling and support activities. Over the 18-month period, nearly half the employment growth for the oil and gas industry was driven by supporting activity, which added 26,900 jobs compared to the 54,900 jobs added for the entire oil and gas industry. Altogether, the TIPRO report examines nine primary sectors comprising the U.S. oil and natural gas industry, revealing growth across all sectors for the first half of 2013, with the exception of the Oil & Gas Field Machinery and Equipment sector.

Innovation and advancements in hydraulic fracturing and horizontal drilling have made it possible to produce increased levels of oil and natural gas from shale plays that were once unreachable with conventional technologies. This in turn has allowed for a remarkable surge in the domestic production of oil and natural gas from shale formations in the U.S. During 2012, total U.S. crude-oil production reached its highest level in nearly 15 years, with daily production averaging nearly 6.5 million barrels, according to the U.S. Energy Information Administration (EIA). This growth continues to this day.

“The U.S. oil and gas industry continues to flourish, adding over 177,500 jobs since 2010,” said Ed Longanecker, president of TIPRO. “The positive economic impact of our industry is unmatched - with Texas leading the country in oil and gas production, innovation and employment trends. This is due in large part to our state's favorable business and regulatory climate, which serves as a model for others to follow.”

In 2012, the Texas oil and gas industry employed 388,000 professionals, adding 43,000 net new jobs in the oil and gas industry last year, the highest in the country. While state specific data is not yet available for 2013, it is estimated that more than half of the domestic oil and gas employment growth experienced in the first half of 2013 occurred in Texas, similar to trends and data previously provided by TIPRO for 2012.



*Continued on Page 4...*

## EIA: U.S. EXPECTED TO BE LARGEST PRODUCER OF PETROLEUM AND NATURAL GAS IN 2013

By the end of 2013, the U.S. will surpass Saudi Arabia and Russia to become the world's top producer of petroleum and natural gas hydrocarbons, calculates the U.S. Energy Information Administration (EIA), based on total petroleum and natural gas hydrocarbon production, in terms of energy content.

According to the EIA, since 2008, the U.S. has steadily increased domestic petroleum production by 7 quadrillion British thermal units (Btu), with dramatic growth experienced in Texas and North Dakota. Natural gas production has also increased by 3 quadrillion Btu over the same period, with much of the growth coming from the eastern U.S. Meanwhile, Russia and Saudi Arabia each increased their combined hydrocarbon output by about 1 quadrillion Btu over the past five years.

Although the differences in energy content of crude oil, condensates and produced natural gas can make accurate conversions difficult, stresses the EIA, for 2013, production estimates widen out, with experts anticipating the U.S. to outproduce Russia by as much as 5 quadrillion Btu.

## CHAIRMAN'S MESSAGE

TIPRO Members -

Just as we have been saying all along, a newly released study has again confirmed that shale development does not pose a serious health risk to those communities located near oil and gas development. The report, which was prepared by Houston-based ToxStrategies and will be published in an upcoming peer-reviewed publication "*The Science of The Total Environment*," evaluated the impact of shale gas operations in the Barnett Shale region. It analyzed the amount of volatile organic compounds (VOCs) present in the air, and investigated the potential risk to human health. Data for the report was collected by the Texas Commission on Environmental Quality (TCEQ), through the agency's extensive air monitoring network, which covers both richer ("wet") and dry gas portions of the shale formation. Altogether, more than 4.6 million data points were reviewed for this study, gathered from seven monitors at six locations in the region over an 11-year period between 2000 and 2011. In order to fully assess potential acute and chronic health effects, researchers compared air concentration levels to other federal and state health-based air comparison values (HBACVs).



**David F. Martineau**

As detailed within the new ToxStrategies report, none of the measured VOC concentrations in the region exceeded applicable HBACVs, further demonstrating that for the extensive number of VOCs measured, shale gas production activities have not resulted in community-wide exposures to those VOCs at a level that would pose a health concern for local residents. Only one chemical (1,2-dibromoethane) was found to exceed its HBACV - however, that individual compound is not known to be associated with any shale gas production activities and therefore is not industry-related.

Researchers point out that because existing air monitors in the Barnett Shale have been in place since the early 2000s, when operations in the shale formation really began to rise dramatically, they were able to fully examine the relationship between changes in air concentrations and the exponential increase in shale gas wells in the region. Coupled with the fact that there are a high number of active wells operating in the region under examination, results may be used to understand potential health risks from development in other shale plays throughout the state of Texas, and across the United States.

Findings such as this certainly are significant, and information which we need to help share and publicize. Particularly in North Texas, where local government entities are considering imposing additional restrictions on hydraulic fracturing and oil and gas development. This includes the city of Dallas, which for the past year has reviewed proposals to increase the required set-back distance to 1,500 feet... a move that would all but ban E&P activity in the region.

Additionally, this kind of information on air quality will help to clarify and resolve just some of the many falsehoods which we have seen spread by environmental activists, who have dubbed themselves "fractivists." These community activists like to show up at hearings and other related meetings to make bogus claims and allegations about unconventional development of oil and gas in shale plays, which remain unsupported by any sort of proof or scientific evidence.

Nonetheless, I'm glad to see additional data be released on the quality of air around shale plays, so that our elected officials and the general public may better understand oil and gas operations. Armed with the facts and true knowledge about E&P activities, lawmakers will also be better informed to make decisions on the future regulation of the oil and gas industry, and the implementation of policy pertaining to domestic energy development.

On a separate note, I want to encourage all of you to register to attend TIPRO's second annual Texas Top Producers awards banquet, which will take place on the evening of Tuesday, October 29, at the Petroleum Club of Houston. Our association is proud to again host this celebratory event, and help recognize the Best CEOs, Best Geoscientists, Best Landmen and Best Engineers in the state of Texas, in addition to highlight the outstanding achievements and economic contributions made by the Texas oil and gas industry. However, space is limited. Make your plans today to join us in honoring the 2013 Texas Top Producers. For more information on the banquet or the Texas Top Producers awards program, contact TIPRO's Director of Development Stephen Coffman at (512) 477-4452. I look forward to seeing you at the banquet at the end of the month.

Sincerely,

### Calendar of Events

<p><b>OCTOBER 29, 2013</b> HOUSTON — Texas Top Producers Awards Banquet, 6:30 p.m. Houston Petroleum Club. For info, call: (512) 477-4452.</p>	<p><b>NOVEMBER 13, 2013</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 11, 2013</b> HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.</p>	<p><b>JANUARY 8, 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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## TIPRO TESTIFIES ON STATE'S PLAN TO FUND TRANSPORTATION INFRASTRUCTURE

On Wednesday, October 9, the Texas Senate's Select Committee on Transportation Funding met to discuss the impact of energy sector activities on state roads. The committee was formed after a controversial decision by the Texas Department of Transportation (TxDOT) to convert 83 miles of state farm-to-market roads in the Eagle Ford and Permian Basin from asphalt to a "high-end unpaved" surface. The conversion decision ignited objections from industry, state legislators and affected communities. Many concerns centered on the absence of a public hearing process and the lack of transparency surrounding TxDOT's decisions, so early testimony focused on the agency's available funds and rationale for disbursement.

The Legislative Budget Board testified that, in addition to TxDOT's biennial budget, the Legislature appropriated an additional \$500 million to TxDOT for energy sector infrastructure projects. Of that money, \$225 million is solely dedicated to address state road needs in areas most affected by oil and gas activity.

TxDOT officials testified on project prioritization, referencing internal "ranking criteria" such as traffic volume, existing damage and safety. This ranking identified 109 "priority" projects, 39 of which will be paid for with the aforementioned \$225 million, leaving no funding for the remaining list of 70 priority projects. The 83 miles of conversion roads are not on any priority list, said TxDOT, so the best way to increase safety on those roads immediately is to apply an emulsified asphalt treatment, which would necessitate a lower speed limit.

TIPRO's Teddy Carter testified that lowering speed limits and load capacities could actually result in an unintended decrease in safety because splitting truck loads and lowering speed limits will necessitate companies using a higher number of trucks to compensate. Carter continued, "Data shows the highest accident rates during rush hour. Volume of vehicles is what increases the likelihood of accidents." Carter also stressed that consistent enforcement of posted speed limits on the energy industry is possibly the most critical element toward increasing safety. "You can make the speed limit 8 or 80, it doesn't matter if no one is out there writing tickets."

After several hours of testimony, Chairman Tommy Williams surprised the audience when he announced that he had just been informed of state vehicle registration fee collections exceeding previous projections by \$250 million. Williams offered his support for these funds being immediately appropriated to TxDOT to fund the remaining 70 priority road projects. Senator Carlos Uresti quickly established that these additional funds do nothing to remedy the downgrade of the 83 miles of roadways in question. Williams countered by expressing confidence in county officials' ability to utilize their resources to address those roadways. He also addressed some of TIPRO's primary concerns by issuing instructions to TxDOT leadership to increase communication and transparency and to implement a public hearing process before making any future conversion decisions.

## TEXAS LEGISLATORS TOMMY WILLIAMS, ALLAN RITTER ANNOUNCE RETIREMENT

Over the past two weeks, two prominent state legislators have announced they will not return for the 2015 Legislative Session. Senator Tommy Williams, who joined the Texas Senate in 2003 following three terms in the state House, has decided to pursue new opportunities and turn the page to a new chapter in life.

"I have enjoyed every minute of my service to the people of Southeast Texas," said Senator Williams in a prepared statement. "Any success I have enjoyed throughout my legislative service has been because of the tremendous support from my legislative and committee staffs."

During the 83<sup>rd</sup> Texas Legislative Session, Williams helped shape the state's 2014-15 budget as chairman of the Senate Finance Committee. He also chaired the Senate Select Committee on Transportation Funding, providing leadership on one of the state's most pressing issues.

State Representative Allan Ritter will also not seek re-election to the legislature, retiring after serving nearly 15 years in the Texas House of Representatives. During the past legislative session, Ritter was chair of the Texas House Natural Resources Committee, helping successfully pass legislation that will ensure Texas is able to meet future water needs.

Ritter said he plans to serve out the remainder of his term, which will end on December 31, 2014.

## GOVERNOR RICK PERRY CALLS ON TEXANS TO APPROVE PROPOSITION 6

Speaking at a press conference in San Angelo on Wednesday, October 2, 2013, Texas Governor Rick Perry lent his support to Proposition 6, which if approved by voters next month, will help fund critical water projects associated with the State's Water Plan.

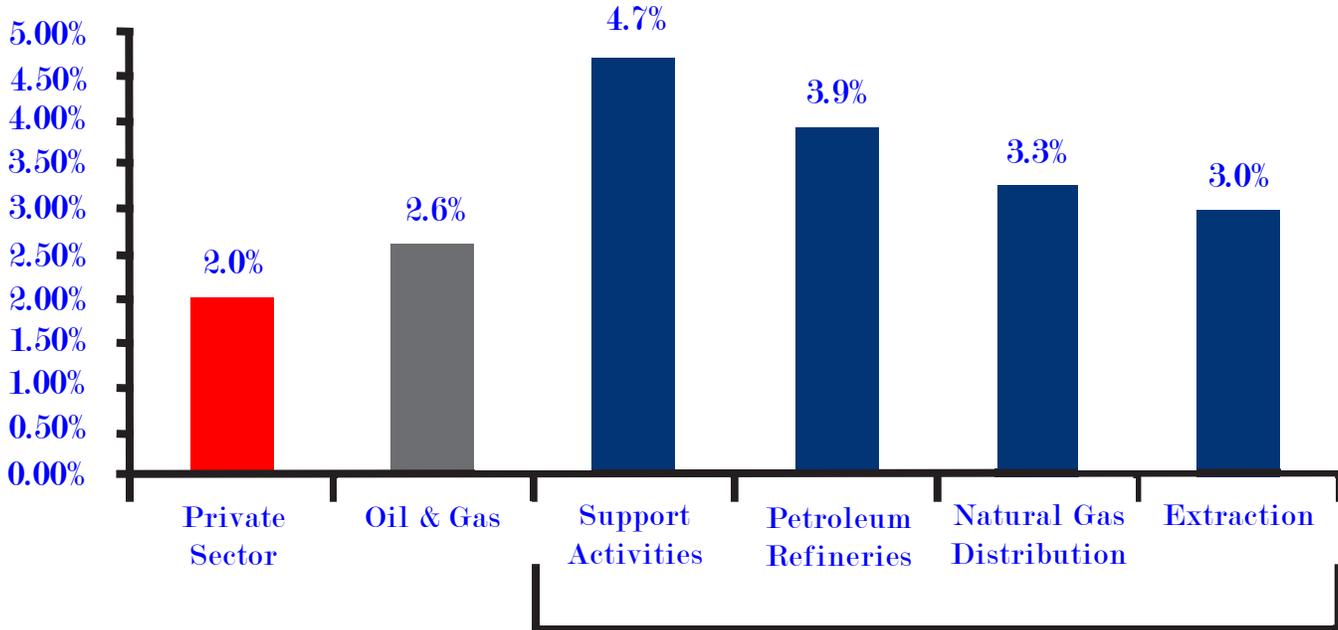
"Earlier this year the Texas Legislature passed, and I was proud to sign, House Bill 4, which makes a historic commitment to meet our state's current and future water needs without raising a single penny in taxes," said Governor Perry. "If Texas is to remain the best place to live, work, grow your business or raise your family, we must ensure adequate supplies for generations to come. We stand at a historic crossroads, with a prime opportunity to meet our water needs for ourselves and generations of future Texans."

The governor was in San Angelo last week to take a tour of the O.C. Fisher Reservoir, which is now just 0.8 percent full. In fact, without adequate rainfall in the coming weeks and months, scientists and climatologists expect that San Angelo - like many other towns and communities across Texas - could run out of water supply in 15 months. However, with the passage of Prop. 6 in the November 5 election, the state will have the authorization to allocate \$2 billion in water infrastructure funding, which communities like San Angelo could access for developing much-needed water projects.

# TIPRO's 2013 EMPLOYMENT REPORT... CONTINUED FROM PAGE 1

## EMPLOYMENT GROWTH RATE BY SECTOR

JUNE 2012 TO JUNE 2013

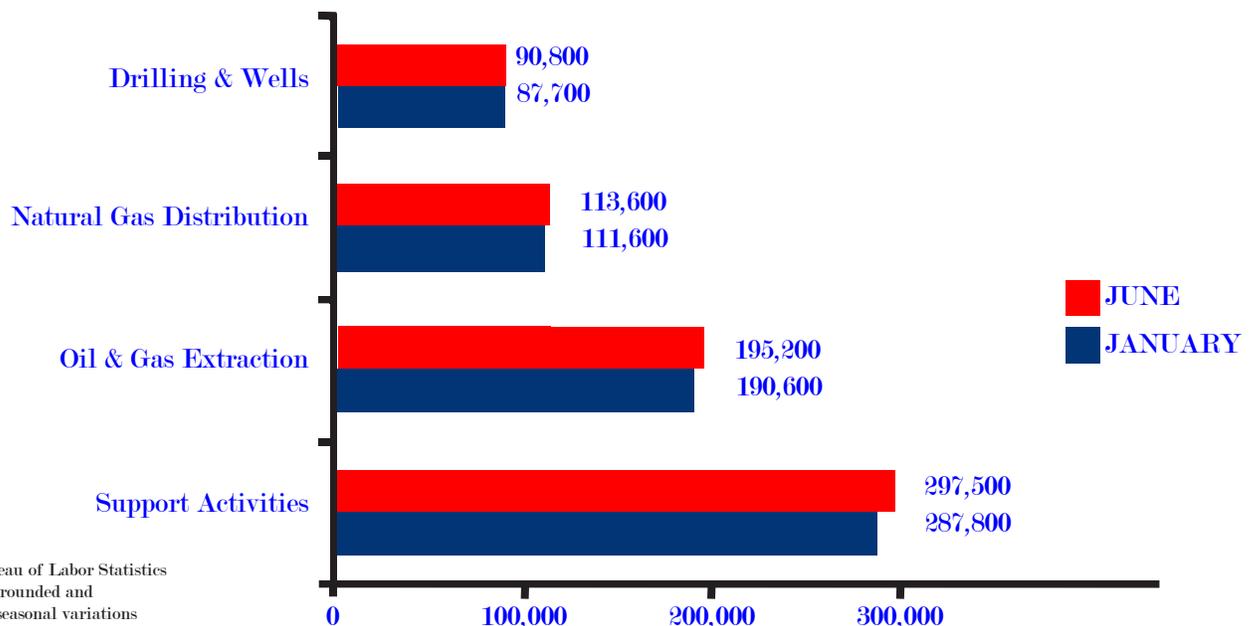


Source: U.S. Bureau of Labor Statistics  
 Note: Not adjusted for seasonal variations

*Leading Oil and Gas Sectors by Growth Rate*

## TOTAL NUMBER OF JOBS IN SELECT E&P SECTORS

JANUARY 2013 vs JUNE 2013

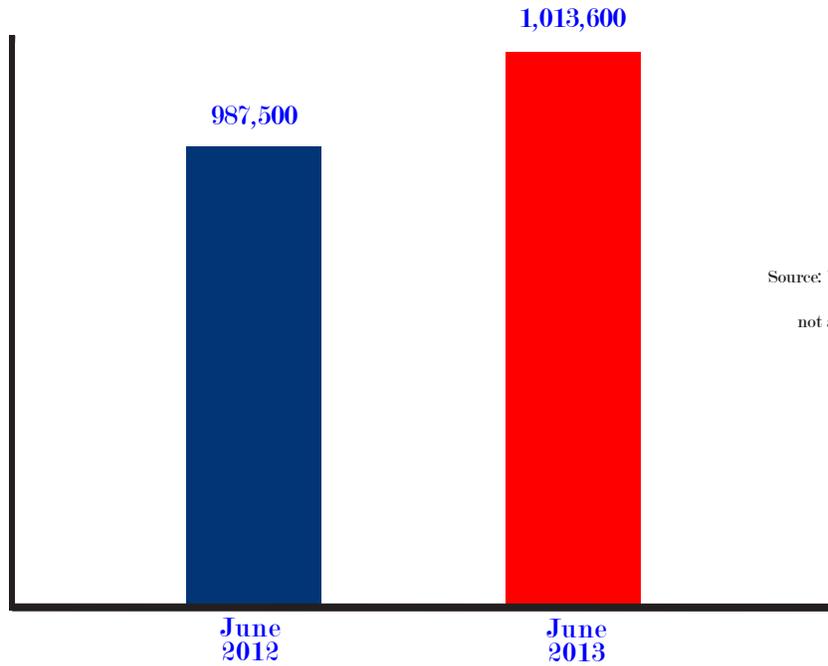


Source: U.S. Bureau of Labor Statistics  
 Note: All data is rounded and not adjusted for seasonal variations

# TIPRO's 2013 EMPLOYMENT REPORT... CONTINUED FROM PAGE 4

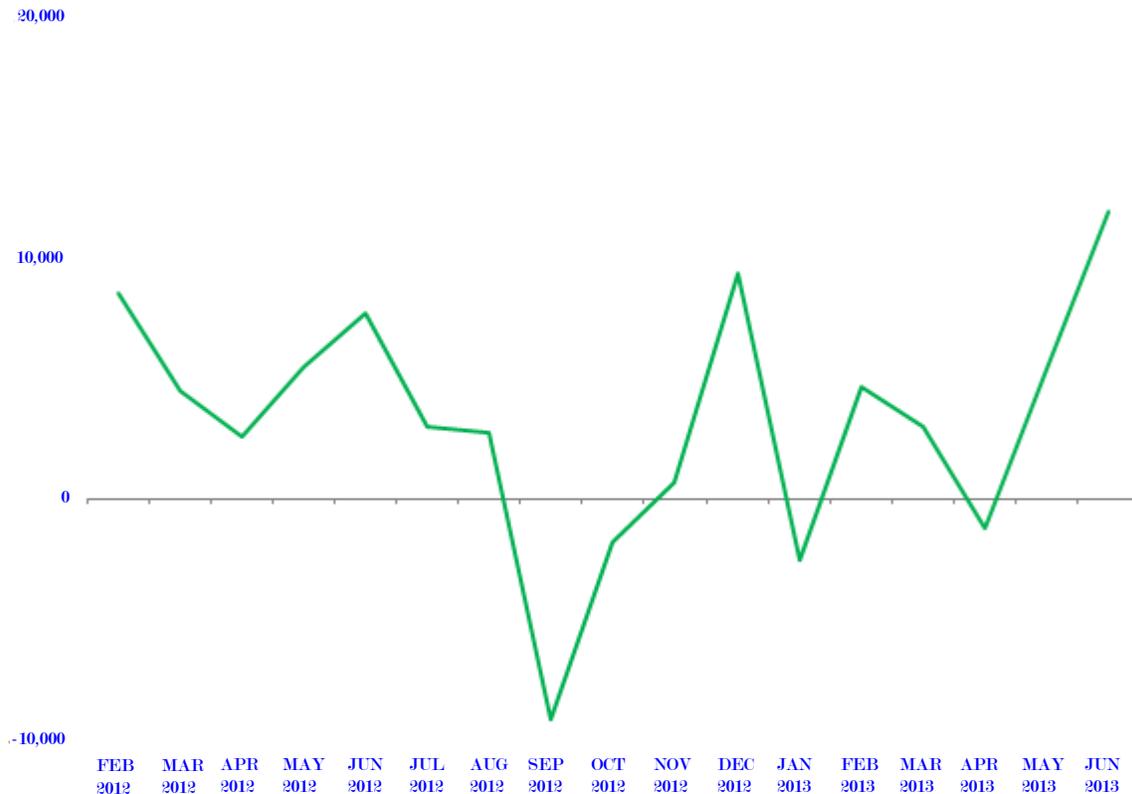
## INDUSTRY EMPLOYMENT OVER THE PAST YEAR

JUNE 2012 vs JUNE 2013



Source: U.S. Bureau of Labor Statistics  
 Note: All data is rounded and not adjusted for seasonal variations

## CHANGE IN EMPLOYMENT, PER MONTH



Source: U.S. Bureau of Labor Statistics  
 Note: Not adjusted for seasonal variations

## TIPRO EMPLOYMENT REPORT... CONTINUED FROM PAGE 5

Despite the positive economic impact of the oil and gas industry, and the many advantages associated with increasing domestic development of oil and natural gas, a number of state and federal issues threaten to slow this progress. Federal agencies like the U.S. Environmental Protection Agency (EPA), the U.S. Fish and Wildlife Service (USFWS), and the U.S. Department of Interior (DOI), continue with attempts to implement onerous regulations and restrictions on industry activity that have no basis in science, threatening the livelihood of oil and gas producers, particularly independents who collectively drill up to 95 percent of the oil and natural gas wells in America. For Texas operators, issues related to transportation, water, endangered species conservation reform, and numerous regulatory issues remain top priorities.

“If these issues are not properly addressed, growth in the oil and gas industry could slow, which will directly impact all areas that rely on funding and support from our industry, including schools, Medicaid, children's health insurance programs, children's protective services, roads, and police and fire departments,” added Longanecker. “We remain committed to working with all stakeholders to responsibly address the issues associated with this growth, while embracing the extraordinary opportunities and resources that exist in our state.”

All data from TIPRO's latest report was compiled from the U.S. Bureau of Labor Statistics' Current Employment Survey and is preliminary and not adjusted for seasonal variances.

This report can be downloaded in its entirety for free from TIPRO's website at [www.tipro.org/newsroom/other-energy-reports](http://www.tipro.org/newsroom/other-energy-reports).

## DISCUSSIONS BEGIN ON THE IMPLEMENTATION OF H.B. 2982

On Monday, October 7, 2013, staff from the Texas Railroad Commission (RRC) met with oil and gas stakeholders to review the implementation of House Bill 2982, which pertains to state oversight of intrastate transportation of hazardous liquids or carbon dioxide by pipelines and related facilities. The bill, passed earlier this year during the 83<sup>rd</sup> Legislative Session, will require the RRC to adopt new rules on safety standards for the transportation of hazardous liquids, carbon dioxide and natural gas by pipeline in rural locations. This will also include updating the state's safety standards pertaining to the prevention of damage of a facility from movement of the earth by someone in the vicinity of the facility.

Authored by Representative Jim Keffer, House Bill 2982 amends the Natural Resources Code, providing that rules adopted by the RRC that apply to intrastate transportation of hazardous liquids of carbon dioxide by gathering lines in class 1 locations be based only on the risks the facilities and activities present to the public's safety, to the extent consistent with federal law, or as necessary to maintain the maximum degree of federal delegation permissible under U.S.S. section 60101, if the federal safety standards for gathering facilities in class 1 locations are adopted.

The RRC will conduct a two-year study on the best way to classify pipelines in the future based on risk. Specific provisions included within House Bill 2982 must be implemented by the RRC no later than September 1, 2015.

## U.S. GOVERNMENT SHUTDOWN 2013 - THE IMPACT ON OIL AND GAS DEVELOPMENT

Although the federal government officially “shut down” on Tuesday, October 1, the majority of America's oil and gas producers won't experience too much of a detrimental impact, at least not in the immediate short term. However, until the President and members of Congress can come to an agreement and approve the government's budget for the next Fiscal Year, most agency offices will follow contingency plans, previously established in the event of a lapse in government appropriations. That means that only a small percentage of the government workforce will be available to maintain operations at offices for the U.S. Environmental Protection Agency (EPA), U.S. Department of Interior, U.S. Department of Energy, U.S. Fish & Wildlife Service (USFWS) and other energy divisions.

Not since 1996 has the U.S. government shut down. To-date, it remains unclear when federal officials will resolve budgetary issues and allow agencies to return to normal operations.

## BLM NEEDS BETTER DATA TO MANAGE OIL & GAS PERMITS, NEW GOVERNMENT REPORT FINDS

As domestic E&P activity across the nation continues to surge upwards, a new government report finds that the U.S. Department of Interior's Bureau of Land Management (BLM) is struggling to keep up with permits to drill. The U.S. Government Accountability Office (GAO) examined the changes in BLM's permitting workload since 2005, as well as ongoing challenges to process drilling applications for development of federal oil and gas resources.

According to the GAO analysis, “it is unclear whether the pilot project to improve permit processing has met its goals, as BLM has neither completed an assessment of the project in the past 5 years, nor reported to Congress, as required by the Energy Policy Act of 2005, on the results of the project along with a recommendation about implementing the project throughout the United States. Further, in a 2013 internal memorandum, BLM reported that it has been unable to consistently process completed APDs within the 30-day deadline required by the act. GAO found that BLM's central oil and gas database was missing certain data needed to assess compliance with this deadline and contained other inaccurate APD processing data.”

Consequently, the GAO recommends that the BLM report to Congress the results of internal efforts to increase permit processing, and take steps to improve the completeness and accuracy of information in the BLM database.

## RRC CHAIRMAN: TEXAS DRILLING PERMIT APPLICATIONS APPROACH HIGHEST LEVEL IN 30 YEARS

Speaking at an event hosted by the Locke Lord law firm earlier this week in Houston, Texas Railroad Commission (RRC) Chairman Barry Smitherman highlighted the tremendous surge in oil and gas development in the Lone Star State over the past few years. "This year, we are likely to issue more drilling permits for oil than we have since 1985," said Smitherman. Moreover, the chairman explained daily oil production in Texas has surpassed 1.8 million barrels, and is on track to reach 3 million barrels in 2017 and potentially 4 million barrels by 2020.

## NEW FACILITY IN SOUTH TEXAS WILL HELP EAGLE FORD OPERATORS RECYCLE MORE WATER

Oil and gas producers in the Eagle Ford Shale will soon have more options to recycle water from frac jobs, with the opening of a new centralized water treatment facility near the town of Gonzalez, Texas. Recently, Purestream Services announced it will deploy its AVARA brand vapor recompression commercial water treatment system in efforts to accommodate produced water from shale wells operating in the vicinity. In doing so, the company will help reduce costs associated with processing the produced and frac flow-back water and minimize the environmental impact of hauling the wastewater long distances. Purestream Services, which formed in 2009 to address the issues facing the world's oil and gas production fields, focuses specifically on the advancement of economically viable, environmentally responsible water management solutions.

"Oil and gas producers are looking for cost-effective water treatment processes that reduce the long distances required to haul water for disposal," stated Purestream CEO Neil Richardson.

According to the company, by utilizing technologies in the treatment process, they are able to commercially treat water following fracing operations. This includes the Induced-Gas Flootation (IGF) technology that clarifies water by removing hydrocarbons and Total Suspended Solids (TSS) to below 10ppm followed by the AVARA Vapor Recompression System that removes chlorides and total dissolved solids (TDS) from the wastewater to below 300ppm. The treated, distilled, water product is cleaner than U.S. drinking water quality standards and suitable for discharge.

"This technology allows producers to integrate new water treatment options into existing operations often at or below disposal and sourcing costs while meeting thresholds for re-use," said Richardson. "We are pleased to be introducing this process to the oil and gas industry in Texas."

## MORE TRUCKING FLEETS TO CONVERT FROM DIESEL TO CNG

While a large number of corporations, businesses and government entities have already taken initiative to convert vehicle fleets to utilize natural gas, the industry has secured the support of another significant sector, as national dairy cooperatives have signed a deal to haul milk with trucks using compressed natural gas (CNG). The Dairy Farmers of America (DFA) and Select Milk Producers, both national dairy cooperatives, will partner with AMP Americas to convert diesel fleets to CNG-powered trucks.

AMP Americas reports that under the agreement, seven new public fueling stations will be built between August 2013 and early 2014. Further, new CNG trucks will be leased - vehicles which ultimately will travel more than 13.2 million miles per year, servicing routes throughout Texas. The stations, which will be built in Waco, Amarillo, Harrold, Sweetwater, Weatherford, Kerrville and Midland, will initially fuel 40 new Class-8 Kenworth and Peterbilt CNG sleeper trucks, a number that will double over the course of the agreement.

"It is estimated that the culmination of this deal will displace carbon emissions equal to removing 2,400 cars per year from the road and will save the supply chain \$1.50 to \$2.00 in fuel savings on every gallon sold. It lets us build a network of public, fast-fill CNG stations across all of the major Texas corridors that can be used by any fleet running trucks across the state," according to Nathan Laurell, CEO of AMP Americas.

"This new network of CNG stations will allow AMP-Trillium to meet the rapidly increasing demand for CNG cars and trucks. The low cost, low-carbon emissions, and reliability of CNG has made it the ideal alternative to gasoline and diesel fuels," added Mary Boettcher, president of Trillium CNG™, which will help to support the new joint venture between AMP Americas and the dairy cooperatives.

## BE SURE TO CHECK OUT THE LATEST EDITION OF *UPSTREAM TEXAS* - NOW AVAILABLE!

The Fall/Winter edition of TIPRO's bi-annual magazine *Upstream Texas* will soon arrive in the mail. In this most recent issue of the publication, learn more about the Texas oil and gas industry's efforts to address current workforce challenges and hire skilled workers for oil and gas operations. This latest edition of *Upstream Texas* also takes a detailed look at the Texas Railroad Commission (RRC), and explores why this important state agency remains a central cog for the success of the oil and gas industry and the entire state of Texas.

Within the magazine, also learn about key industry members and regulators by reading profiles of: U.S. Congressman Ralph Hall, Texas Department of Transportation Commissioner Fred Underwood and Timothy Leach, president, CEO and chairman of Concho Resources, Inc.

You can also check out the digital edition of the magazine now by visiting:

[www.nxtbook.com/naylor/TIPB/TIPB0213/index.php](http://www.nxtbook.com/naylor/TIPB/TIPB0213/index.php)





## ***HELP CELEBRATE THE INDIVIDUALS WHO HAVE REVOLUTIONIZED OUR NATION'S ENERGY FUTURE...***

***MARK YOUR CALENDAR TO ATTEND THE 2013 TEXAS TOP PRODUCERS AWARDS BANQUET, HONORING THE BEST CEOs, BEST ENGINEERS, BEST LANDMEN AND BEST GEOSCIENTISTS IN THE LONE STAR STATE. THE EVENT WILL TAKE PLACE THE EVENING OF TUESDAY, OCTOBER 29, 2013, AT THE PETROLEUM CLUB OF HOUSTON.***



***TO LEARN MORE OR TO PURCHASE TICKETS FOR THE BANQUET, CONTACT TIPRO'S DIRECTOR OF DEVELOPMENT STEPHEN COFFMAN AT (512) 477-4452.***

***EVENT HOSTED BY:***



***2013 BANQUET UNDERWRITER:***



### **Texas Independent Producers & Royalty Owners Association**

With more than 2,500 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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