



**Texas
Independent
Producers and
Royalty Owners
Association**

DEEP-WATER DRILLING BAN LIFTED

MORATORIUM IS GONE, BUT STILL MIGHT BE WEEKS BEFORE DRILLING RESUMES

On Tuesday, Oct. 12, the Obama administration lifted a long-standing moratorium on deep-water drilling. The ban, which was scheduled to expire Nov. 30, ended early as administration representatives felt confident that they have made significant progress in reducing risks associated with deep-water drilling.

"It is now appropriate to lift the suspension of deep-water drilling for those operators who are able to clear the higher bar that we have set," said Interior Secretary Ken Salazar. "We are now open for business."

While many in the oil and gas industry are happy to have the moratorium lifted, industry representatives warned it could still be weeks or even months before the government is actually able to grant permits for new deep-water wells. They also caution of the importance of having sufficient governmental support to help drilling contractors meet new safety regulations and enough staff to process applications for drilling wells in a timely manner.

"You're going to need at least a couple of weeks, maybe more, for the companies to review the requirements and satisfy themselves that they have met their rules," said Michael Bromwich, director of the Bureau of Ocean Energy Management, Regulation and Enforcement. "We're going to need to do inspections on all the rigs before we are going to be able to give the go-ahead for deep-water drilling to resume. And it will take some time for us to review the applications."

One of the new rules calls for the CEO of a company responsible for a well to certify that the corporation has complied with all necessary regulations. Should any future accidents occur, this would make the person at the top fully liable. Other rules include certification that wells have working blowout preventers and have met standards for cementing wells. Additionally, a professional engineer must independently inspect and certify each stage of the drilling process. Blowout preventers must also be independently certified to ensure they can contain a major spill.

President Obama first announced a moratorium on deep-water exploration on May 27, 2010 in the wake of the Deepwater Horizon disaster. Since that time, investigators have been able to determine precisely what went wrong at the BP Macondo well and develop new guidelines and restrictions to step up the safety of offshore drilling.

Many have also raised concerns over the economic impact of the moratorium, citing job losses in particular as one of the biggest downfalls. According to The Olympian, a federal report said the moratorium might have caused a temporary loss of 8,000 to 12,000 jobs in the Gulf region. In response, many industry officials have advocated for an expedited process to issue permits, to help the already hard-hit gulf region.



CLARIFICATIONS TO COME FOR FILING H-11 FORM AT THE RAILROAD COMMISSION



The Railroad Commission of Texas (RRC) will soon announce clarification for filing an application for a permit to maintain and use a pit (H-11 form). The majority of non-commercial pit permit applications filed with the Commission are for relatively small pits where the waste is stored at or below ground level. Due to new technology, much larger pits are now needed for the storage and mixing of fresh water and frac flowback water. These pits can have a capacity up to 750,000 barrels and store waste above ground level. The RRC considers the design of these pits as the practice of engineering and must be prepared under seal of a registered engineer as required by the Occupations Code Chapter 1001. Therefore, some pits may now be required to supply an engineering study and PE certification to be allowed to convert from a freshwater pit into a frac flowback pit. While this was a requirement all along, there will now be strict enforcement of the rule.

For operators looking to simply create a freshwater pit, nothing additional will be required. However, should an operator elect to subsequently convert the freshwater pit into a frac flowback pit, an H-11 form will have to be submitted, with possible requirement of PE certification. Generally, a proposal to store waste above ground within dikes will require PE certification.

Story continued on page 2

PRESIDENT'S MESSAGE

TIPRO Members,

As early voting begins and we charge towards Election Day, I am reminded of the significant issues pressing our elected representatives in the upcoming legislative session. One of the largest issues to stand out in my mind is the budgetary deficit facing Texas. With a projected shortfall possibly exceeding \$18 billion, considerable cuts lay ahead.

Once elected to office in November, we will be dependent on our new leaders to make the right decisions when searching for additional revenue and deciding what cuts to make. They will have to weigh both the short and long-term effects of all proposed policy changes, and determine the best steps to correct the budgetary deficit. While the huge shortfall must be addressed and corrected, we must fight to ensure that elected officials do not simply look to increase taxes and push problems on the back of industry as a means to "fix" the predicament. Although increased taxes might initially look like a good solution to this problem, more taxes will be harmful to our industry, possibly resulting in job cuts as well as a decrease in revenue. Even though many of the politicians running for office have promised not to raise our taxes, we must be cautious of any provisions that they could tack on to bills which could have harmful effects on the industry.

Considering that the oil and gas industry already generates more tax revenue than any other Texas business segment, we should be wary of additional taxes imposed on the energy sector. In fiscal year 2009 alone, the oil and gas industry paid over \$8.5 billion in Texas state and local taxes and royalties. These funds helped pay for Texas schools, textbooks, Medicaid, child protective services, roads, in addition to salaries of policemen and firefighters. Moreover, the Texas Economic Stabilization Fund (ESF), otherwise known as the "Rainy Day Fund," is funded almost exclusively by taxes paid by the oil and gas industry. This fund helps close budget shortfalls and provides property tax relief. In times of need, it can be instrumental to funding important state programs. Already money from this fund has done a considerable part to provide financial relief for our state, but more will surely be demanded in the future to cover other financial shortfalls.

There is a big task at hand, with no easy answers. Elected officials will be soon asked to make important choices in regards to the state budget, with the potential for significant consequences. Without the right decisions, jobs could be unnecessarily cut, tax revenue reduced and ultimately, our fragile economy could take another downturn. Thus, it is more important than ever that ALL members exercise their right to vote in the upcoming election. We only have until Nov. 2 to make our voices heard and help elect those capable of fixing this dire situation. By getting out to the polls and casting a vote for the right leaders, we will take an important step towards correcting the \$18 billion disparity between the state's financial commitments and its revenue.



Justin Furnace

Sincerely,

CHANGES FOR H-11 FORM CONTINUED FROM PAGE 1

The RRC recommends operators contact staff for any questions on whether or not a proposed pit design requires the seal of a registered engineer.

As a result of this forthcoming change, please plan early and plan ahead. If known in advance that a freshwater pit will eventually be converted to a frac flowback pit, involve an engineer from the beginning of the process. This way, should additional certification be required later on, it will be easier to acquire authorization and help expedite the process.

Calendar of Events

NOVEMBER 10, 2010	DECEMBER 8, 2010	JANUARY 12, 2011	FEBRUARY 9, 2010
HOUSTON IPAA/TIPRO (Wednesday)	HOUSTON IPAA/TIPRO (Wednesday)	HOUSTON IPAA/TIPRO (Wednesday)	HOUSTON IPAA/TIPRO (Wednesday)
Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club For info, call: (512) 477-4452.	Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club For info, call: (512) 477-4452.	Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club For info, call: (512) 477-4452.	Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club For info, call: (512) 477-4452.

PUBLIC AFFAIRS UPDATE

At the state level, early voting began this week, with Election Day just around the corner. TIPRO members should take active part in the election process to ensure that we elect officials that truly understand the value that the oil and gas industry carries for Texas. I urge all to get out and vote, volunteer to block walk, make calls and talk to your neighbors. If you are not already engaged, now is the time to take action.

Last week, State Representative Warren Chisum (R-Pampa) announced his candidacy to be Speaker of the House of Representatives, pitting him against the sitting Speaker, Representative Joe Strauss (R-San Antonio). In his announcement, Mr. Chisum noted the Speaker's inexperience with several looming upcoming issues in the 82nd Legislative Session, including a difficult budget and redistricting. Mr. Chisum writes that he held high hopes for Speaker Strauss entering the 81st Session, but that the Speaker's leadership style and inexperience allowed the minority party to guide much of last session's agenda. In response, Speaker Strauss issued the following statement, "My style of respectful, inclusive leadership has earned the support of the vast majority of members of the Republican caucus and the Texas House. In these critical weeks before the election, I believe my fellow Republicans should be focused on building our Republican majority in the Texas House, as I am working hard to do." There is plenty of speculation around the Capitol as to whether there exists an appetite at the legislature for a contentious Speaker's race, and the answer is still not resounding either way. After Nov. 2, however, the climate will almost assuredly be easier to gauge.

A quick rules update: the deadline for comment on the TCEQ proposed changes to permit by rule and standard permitting process for oil and gas passed on Oct. 1, 2010. The TCEQ estimates they received over 200 total comment submissions, with over 2,100 issues raised. Input came from legislators, local entities, environmental groups, industry groups, trade associations, technical consultants and individual citizens. The TCEQ will now review and evaluate all submitted comments and make necessary changes to the rules and background. The resulting rule package will be filed on Dec. 1, 2010, and the commissioners will vote on rule adoption at the Dec. 14, 2010 TCEQ Agenda. The TCEQ also intends to offer outreach workshops beginning in January 2011 and lasting through March 2011.

On the federal front, Secretary of the Interior Ken Salazar lifted the ban on offshore drilling on October 13, well ahead of the original November 30 deadline. On the surface, this amounts to good news for the industry; however the lifting of the ban is only the first step, albeit a significant one, towards getting offshore drilling back online. The Obama administration has issued new, more stringent safety and environmental standards for offshore drilling, and it will still be a while before the industry is able to get back up to speed and begin repairing some of the economic damage the moratorium caused. "My sense is we will have permits approved by the end of the year, but how much before the end of the year I can't say, and how many before the end of the year I can't say," said Michael R. Bromwich, director of the Bureau of Ocean Energy Management, Regulation and Enforcement." For more details on this developing story, see page 1 of this newsletter.

As Director of Public Affairs, I am committed to protect and advance the interests of the entire TIPRO membership. It is my hope that these updates will provide you the knowledge and comfort that we never stop working for you. Thank you for placing your trust in us. Should you wish to contact me, I can be reached at headquarters at (512) 477-4452, or via email at tcarter@tipro.org.

- Teddy



Teddy Carter

U.S. DRILLING COMPANIES HELP SAVE CHILEAN MINERS



Photo courtesy of RODRIGO ARANGUA/AFP/Getty Images

On Wednesday, Oct. 13, the world rejoiced as 33 trapped miners were brought to the earth's surface, after being stuck in a collapsed gold and copper mine for months. For 71 days, the miners waited for rescue 2,000 feet underground in Copiapó, Chile. Originally told they would not be rescued until Christmas due to limited capabilities of the state-owned drilling company, officials looked to other experts for help.

Banding together, several American companies proposed solutions to bring the miners to safety. Known as Plans A, B, and C, three different schemes moved forward simultaneously - but it was Plan B that got to the miners first. Geotech Boyles Bros, a U.S.-Chilean company, assembled a team of expert drillers to manage the project. The U.S. made T130 drill and other larger-than-average drill bits were brought in, ultimately creating the 28 inch shaft that was big enough to bring miners up.

"It's no surprise that Chile chose the firms to assist in the effort," said Greg McCormack, an oil drilling consultant who formerly headed The University of Texas' Petroleum Extension Service. "Drilling technology is one of the areas where U.S. industry continues to lead the world."

One of the biggest hurdles to drilling efforts was the geology of the region. Abrasive volcanic rock infused with hard minerals caused significant difficulties to drillers, resulting in the need of special drill bits capable of breaking through the tough rock. The drilling equipment needed, known as downhole hammers, used air-powered bits that pounded the rock while the drill rotated simultaneously. Once brought in, drilling experts were able to navigate through approximately a half-mile of tough quartzite and silica using the specialized bits to save the 33 men trapped in the mine.

GET TO KNOW THE CANDIDATES

DAVID PORTER - REPUBLICAN CANDIDATE FOR RAILROAD COMMISSIONER



David Porter

Traveling around the great state of Texas these several months has reminded me of one important fact: Texas is a very big state.

Despite our size and geographic distance, one thing unites all Texans from the Permian Basin to the east Texas oil patch: we all agree that we must keep the Texas oil and gas industry strong, leading our state's economy in production and job creation. And no one knows that better than the Texas Independent Producers and Royalty Owners (TIPRO).

If I have the honor to serve you on the Texas Railroad Commission, I will come to work every day with that one common goal in mind. It's an economic issue, of course, but it's also a security issue for Texas and our nation. We must explore for energy here at home to reduce our reliance on foreign energy sources.

But we will never realize true energy security if Washington, D.C. continues to encroach upon Texas. Texas can regulate Texas; we don't need the EPA looking over our shoulder - even sticking its nose where it doesn't belong.

In Texas, we do it right. We are living proof that we can grow our economy, create jobs and produce the energy our state and nation so desperately need in an environmentally friendly way, while putting the health

and safety of citizens first.

Budget issues will be a great challenge with the looming shortfall. However, oil and gas production are at record levels and the Railroad Commission must have the resources necessary to do its job. The Commission must also work with the Legislature to more clearly define the responsibilities of the Commission, specifically related to environmental oversight.

I entered this race for several reasons. My priorities as your Railroad Commission will be:

1. The safety and health of the people living and working near oil wells and pipelines.
2. The safety and preservation of ground and surface water. The only thing I can see that will be more important than oil and gas for the future of Texas is water.
3. To ensure all regulations adopted are cost-efficient to minimize any burdens on the private sector to accomplish the needed safety objectives.
4. Texas has a strong voice for its energy industry. The Obama administration through its cap and trade energy tax, other tax and regulatory proposals has effectively declared war on the Texas oil and gas industry. I will fight back.
5. To help all Texans understand the importance of energy to the future of Texas. I support all forms of energy development, but know that for the near future the oil and gas industry will provide the largest share of our energy needs as well as jobs for hundreds of thousands of Texans and billions of tax dollars for our local and state governments.

For three decades I have worked with independent producers, service companies, oil field operators and royalty owners in Texas. Included among the facets of my broad-based experience are ownership of non-operating working and royal interests. I will bring real hands-on oil and gas experience to the Commission with a thoughtful blend of oil and gas accounting know-how. As a CPA, I know first-hand the challenges producers face from overregulation and taxes and will do all I can to ensure the business of the Railroad Commission doesn't stifle, but encourages production and job creation.

Independent producers in Texas have been leading the Texas oil and gas industry for decades, producing the energy our country needs. As your Railroad Commissioner, I pledge to work side-by-side with you to help you continue your good work keeping the Texas oil and gas industry leading the way to prosperity.

I will work hard these final days to earn your vote. And over the next 6 years, I look forward to earning your trust as I serve you at the Texas Railroad Commission.

GET TO KNOW THE CANDIDATES

JEFF WEEMS - DEMOCRATIC CANDIDATE FOR RAILROAD COMMISSIONER

The differences in qualifications between me and my opponent are glaring. I am the third generation of my family to spend his entire working career in the oilfield. I began throwing sacks of barite 35 years ago during the summers. I worked offshore to pay for college, and also worked as a mud man. After receiving my BBA in Petroleum Land Management with high honors from UT, I was a landman with Shell and then on my own. In the late 1980's, I enrolled in UT Law School and graduated with honors in two and half years. I next worked for Liddell, Sapp for over 10 years, focusing on oil and gas litigation. After making partner there, I left to join Harrison Bettis, where I have maintained my oil and gas practice to this day. In 2007, I was named an Energy Super Lawyer by Texas Monthly. I am also a member of the Houston Chapter of the API and TIPRO.

My experience matters because the two things a Commissioner should possess are (1) practical "field" knowledge of the oil and gas industry and (2) a solid understanding of oil and gas law (because the Commissioners sit as a judicial panel and decide disputes among industry participants - their decisions can weigh heavily on the development of oil and gas law in Texas). The Texas oil and gas industry needs the consistency of reasoning and decisions that stem from the thorough understanding of these two areas.

From all reports, my opponent has been a relatively successful tax accountant. However, there are no tax accounting issues at the Railroad Commission.

I have been endorsed by every newspaper in Texas that looked at this race except for my opponent's former hometown paper. Five of the last six presidents of TIPRO have endorsed me. At the same time, the Sierra Club has endorsed me, showing my appeal to folks with various perspectives. I have even been endorsed by several Republican activists - and the Rowlett Texas Tea Party! My message remains the same no matter - it is time to bring industry knowledge and common sense to the Railroad Commission.

The following includes my plans, should I be elected:

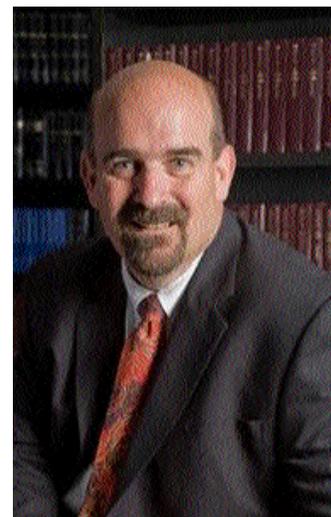
Fight for the workers - The employees at the Commission are excellent and need a Commissioner who is unafraid to get in front of legislators and demand better pay and more funding for them. The fact that there is only one field inspector for every 4500 facilities is a shame. A Commissioner should never brag about cutting the budget when the Commission has displayed an inability to fully complete its designated functions.

Accept responsibility - In the Barnett Shale, the Commissioners have bailed out on their statutory responsibility to monitor gaseous emissions from facilities within their jurisdiction. As a result, the TCEQ and EPA have stepped in, and that spells nothing but trouble for the industry. The Commission must take over this task so the process does not get bogged down in decades of studies, moratoriums, and the like, which is a likely result if we leave it in the hands of others.

Balance - My presence on the Commission would bring balance in many ways. First, as a Democrat on the Commission, I will take the lead on visiting with Democratic members of the Texas legislature and Congress on the dangers of the proposed Cap and Trade bill, the Frac Act, and other ill-conceived legislation making the rounds. Also, I will be sure no party in a dispute before the Commission gets favored treatment. Finally, as the only Commissioner with any real oil and gas field experience, I will bring practical balance to plans and proposals before the Commission.

Push measures that will strengthen the industry - We must build the base demand for natural gas, especially in light of the tremendous volumes of gas being discovered and developed in Texas right now. I want to lead the charge to require that new power facilities in Texas be designed to burn natural gas instead of imported coal, along with beginning the procedure to systematically convert existing power plants to use natural gas as a feedstock. We also should urge programs designed to help service stations install natural gas fueling outlets along major highways - let's build the infrastructure so that natural gas can become a viable transportation fuel alternative. Both of these measures should be accomplished with tax incentives, not tax increases.

Ethical housecleaning - I have urged legislation that will forbid a sitting Railroad Commissioner from accepting campaign contributions during the four and a half years they are not running for reelection. Further, I will push for a resign-to-run rule, wherein a sitting Railroad Commissioner must resign to run for a different office. Let's eliminate the "stepping-stone" aspect of the Commission and have Commissioners focus on their job alone.



Jeff Weems



**SAVE THE DATE
FOR
TIPRO'S 2011
ANNUAL CONVENTION!!!**

March 1-2, 2011
Omni Hotel
Austin, Texas

Be on the lookout for more details coming soon!

AIR STUDY RESULTS SHOW NO ELEVATED LEVELS

REPRINT COURTESY OF FLOWER-MOUND LEADER STAR

The results of the latest ambient air quality test in Flower Mound show little change from previous tests.

The third quarter test, which took place Aug. 25, shows that a number of volatile organic compounds (VOCs) are at concentrations above sample detection limits but below applicable regulatory comparison values. Further, it reveals that none of the VOCs noted exceed the Air Monitoring Comparison Values (AMCVs) or the short-term Effects Screening Level (ESLs).

AMCV is a standard developed by the Texas Commission on Environmental Quality (TCEQ) that refers to all odor-, vegetative- and health-based values used in reviewing air monitoring data.

ESLs are used for air permitting and air monitoring.

"In general, the observed concentrations appear to be consistent with published background ambient air concentrations observed in similar urban environments and consistent with the earlier sampling in Flower Mound and collected by others in similar environments," stated the report from the test conducted by Dr. Kenneth Tramm and Paul Hamilton of Kleinfelder Central Inc., an independent environmental testing agency.

The report also stated that the current ambient air observations appear to be consistent with urban ambient air and not indicative of significant releases or fugitive emissions from the nearby natural gas activities in or near Flower Mound. However, it recommended periodic evaluation in light of the changing nature of gas drilling.

Among the compounds examined were benzene and carbon disulfide. Benzene's comparison value in this study was up to 0.46 parts per billion (ppb), well below TCEQ's short-term ESL value of 180 ppb. Carbon disulfide's value was up to 2.1 ppb, below TCEQ's short-term ESL value of 10 ppb.

This was the third ambient air quality test conducted by Kleinfelder in Flower Mound this year.

This test took place at the same eight locations as the first quarter test in February: the Armstrong-Huggins gas well pad site, the intersection of High Road and Sunnyview, Scenic Road at the Wilson pad entrance, a Liberty Elementary School near Quail Run Road, Gerault Park, Furst Ranch, the Morriss Road park site and Fire Station No. 2.

The May test included four additional sites and used Environmental Protection Agency (EPA) methods to increase the amount of detectable compounds and to provide better detection for previously-identified Tentatively Identified Compounds (TICs). That test revealed a limited number of VOCs above detection levels but below AMCV levels. Acetone was detected above AMCV levels, but the report attributed it to laboratory interference.

In September, the town council voted to amend the fee schedule, which includes raising the gas inspection fee from \$500 per year to \$4,250 per year. The increase is expected to generate \$280,500 per year, but that money will go toward an additional fulltime employee for the environmental services department with a vehicle, more frequent gas well inspections, monthly ambient air quality tests and the purchase of a toxic vapor analyzer and a photo ionization detector.

"At the first of the year, we're going to begin monthly samplings," said Matt Woods, director of environmental services. "And we might have more. So our air monitoring will be increased to get more data."

In addition, the town has received an autoGC air quality monitor from TCEQ to provide 24-hour air quality monitoring online. Woods said it is being built right now and could be up and running in November.

REMINDER: PARTICIPATE IN RECENT TIPRO SURVEY

On Thursday, Oct. 14, TIPRO staff sent out a survey regarding TIPRO membership benefits. We are looking for valuable input from our members as we explore new methods or programs that can provide new services to better serve our members. Please take a few moments out of your day to answer questions to indicate what might be most beneficial for your organization. Thank you!

OIL & GAS SEMINAR 2010 - Nov. 4 IN DALLAS, TEXAS



TIPRO members are invited to the Oil & Gas Seminar 2010, presented by Shannon Gracey. The oil & gas attorneys of Shannon, Gracey, Ratliff & Miller, LLP will meet at The City Club in Dallas on November 4. The keynote speaker will be Richard K. Stoneburner, President and CEO of Petrohawk Energy Corporation, an independent energy company and a leader in the exploration and development of shale-based oil and natural gas resources in the U.S. Mr. Stoneburner's presentation will discuss the Eagle Ford Shale and what has been learned from activity in the first two years.

This complimentary seminar includes a continental breakfast and continuing education credits on topics including "The Trouble with Letter Agreements: A Litigator's Perspective," "The Pitfalls with Permits - Politics and the Public," "Title Insurance Issues Relating to Minerals and The Impact of Production, Transportation and other Post-Production Costs."

Please RSVP by Nov. 1 to Jennifer Cameron by email at JCameron@shannongracey.com or by phone at (817) 882-7671.

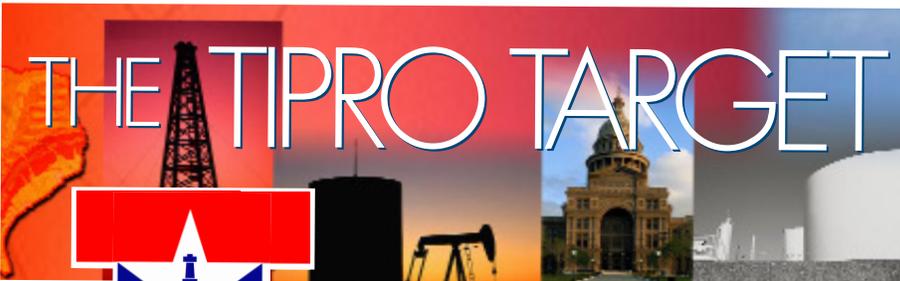


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**Texas Independent
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With more than 2500 members, TIPRO is the nation's largest statewide association representing both independent producers and royalty owners. Our members include small family-owned companies, the largest publicly traded independents and large and small mineral estates and trusts.

www.tipro.org
www.EnergyInDepth.org

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