



**Texas
Independent
Producers and
Royalty Owners
Association**

discuss our industry with new constituents who are less familiar with it and also to discuss with our industry the political realities of the new areas in which we do business. He described how many issues that rose as legislation last session started as constituent complaints over incidents which, in many cases, were simply not good business practices. He emphasized the importance of good community relations and practices in those situations where the industry's legal authority is not disputed but the implementation of that authority could be exercised in a better way.

The speech was timely as recent media coverage in the Fort Worth and Barnett Shale areas has increased on topics from air emissions to hydraulic fracturing regulation, water usage and local authority. Several legislators have called for interim legislative studies on the topics and many are included in the list of Interim Charges issued by Speaker of the House Joe Straus last week. The concerns are raised across party lines. "When you have one of the most liberal members of the House and one of the most conservative members of the House filing almost all of the bills, you know the issue is important," he said. He continued that when

Chairman Keffer Speaks at TIPRO Tuesday Luncheon

TIPRO members enjoyed a rare opportunity last week as Texas House Energy Resources Chairman Jim Keffer addressed the audience at our TIPRO luncheon in Dallas.

In what he called his "Clash of Cultures Tour," he explained that he's been traveling the state recently to



Explorer member Marla Custard, Pitts Oil, and Jim Keffer, House Energy Resources Committee Chairman.

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TIPRO's Sunset Task Force Tour of Texas



Task Force Co-chair Joe Abel, M.D. Abel Co. and TIPRO Explorer T.D. "Rusty" Howell, Howell Oil & Gas at the Tyler Chamber of Commerce.



BPBA and TIPRO co-host the meeting held at the Midland Petroleum Club.

TIPRO members statewide turned out last week for TIPRO's Sunset Task Force fact-finding tour. Reaching out to members with meetings in Houston, Tyler, Dallas, Fort Worth, Abilene, Midland, Amarillo, and Corpus Christi, staff garnered member input on a range of issues. Upcoming meetings are scheduled for San Antonio and Austin next week. Both members and leadership reviewed materials and major issues, engaged in dialogue and gathered input for a pivotal discourse on how producers are regulated for years to come.

"We can't emphasize enough the importance of our work here," said Adrian Acevedo, Anadarko Petroleum, Sunset Task Force Co-Chair. "Each agency has devised its own self-review and we've taken that as a starting point. We've started from the ground up: Does our industry need this agency? Is the agency meeting its goals? If the agency is abolished or changed, how will that affect our businesses? Will changes make things easier or harder? This opportunity is unique to Texas and only comes around once every ten years."

Agencies set for the intensive Sunset review by the legislature in 2010 that impact E&P include the Texas Railroad Commission, Texas Commission on Environmental Quality, Public Utility Commission, State Water Development Board and Department of Transportation. The scope of their responsibilities and authorities are all under discussion.



PPROA and TIPRO co-host the meeting at Amarillo's downtown public library.

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Keffer from page 1

these issues even are being raised by the City of Midland – the heart of the oil patch – they really have to be taken seriously and addressed.

Hearings will be held in the Fort Worth area and in other parts of the state during the interim study. TIPRO will keep you informed as schedules are finalized. These definitely will be proceedings in which members must get involved and make their voices heard.

Chairman Keffer knows from where he speaks. As the owner of his family’s foundry business in Eastland, Texas, and as the former chairman of both the House Ways and Means Committee and House Economic Development Committee, he knows firsthand the challenges that trade agreements, tax policies and environmental policies have had on U.S. industry. He traveled to Washington, D.C. this year to caution Congress about the ramifications of cap and trade issues. He also traveled to Midland to discuss ramifications of how local proposals can have unintended consequences for other parts of the state. He knows how much harm that can cause whether on a large or small scale.

You can count on TIPRO to be active during the interim studies and hearings next year. We will need your help and will keep you informed as events unfold.

Sunset Tour from page 1



The Sunset Task Force Committee meets at the Abilene Convention and Visitor’s Bureau. From left, Robyn Wertheim, of Rep. Susan King’s office; Bill Tenison, Tenison Oil Co., Task Force Co-chair Joe Abel, M.D. Abel Co; and, Phil Kendrick, Kendrick Oil and Gas.

“These meetings are two-way conversations,” said Donna Warndof, TIPRO Interim Executive Vice President and Director of Public Affairs. “We’re briefing members on issues that we know will come up that affect them directly. But we’re getting out of Austin to hear from people what’s important to them and what they want us to be working on.”

Topics have covered numerous issues, including the structure of the Oilfield Cleanup Fund, groundwater regulations, pipeline regulations, air emissions regulations, jurisdiction and funding of the agencies and the future of natural gas for electric power generation in Texas.



From left, Lindsey Dingmore, XTO Energy; Wana Dee Box, Carr Foundation; Charles Sartain, Looper Reed & McGraw, and Task Force Co-chair Adrian Acevedo, Anadarko, at the Fort Worth Petroleum Club Sunset Task Force Meeting.

“This process has been very helpful for me,” said attendee Grant Black of Samson Lone Star. “TIPRO is the association hitting this issue first and head-on to help us producers have a voice in the Sunset process.”

Important Notice:



Effective January 1, 2010 the *TIPRO Target* newsletter will **no longer** be available by fax. Please email laura@tipro.org or call (512) 477-4452 to notify us if you prefer to receive your newsletter by **EMAIL** or **MAIL** in 2010.

Happy  Thanksgiving

TIPRO wishes you a happy and safe Thanksgiving Day! TIPRO will be closed for the holiday on Thursday, November 26 and Friday, November 27. TIPRO’s normal office hours will resume on Monday, November 30.

December 9, 2009



LEADERS IN INDUSTRY LUNCHEON
Petroleum Club, Houston, TX

TIPRO Annual Convention
February 24-26, 2010
Westin Galleria Hotel
Houston, Texas



TCEQ Oil and Gas Workshop

On December 8, 2009 TCEQ will be hosting a Compliance Assistance and Pollution Prevention Oil and Gas Workshop in Fort Worth, Texas. The workshop will be held from 9:00 a.m. until Noon at the Automation & Robotics Research Institute. We would like to encourage your company's participation in this event. See below for the registration form. Given the timeliness and ramifications of the issues that TCEQ regulates, this is a workshop not to be missed.

**Texas Commission on Environmental Quality
Compliance Assistance and Pollution Prevention Oil and Gas Workshop
December 8, 2010
Texas Manufacturing Assistance Center
Automation & Robotics Research Institute
7300 Jack Newell Blvd., South, Fort Worth, TX 76118**

About the Workshop

The workshop will provide compliance and pollution prevention information to operators of oil and gas sites. It will benefit individuals from large to small oil-and gas-producing companies.

It is geared toward:

- Environmental, health, and safety managers
- Production managers
- Field personnel
- Engineers or related professionals

Tentative Agenda

8:30 a.m.-9:00 a.m.	Registration
9:00 a.m.-9:30 a.m.	TCEQ Goals for Oil and Gas Operations – Region 4 Management
9:30 a.m.-10:00 a.m.	Toxicology Presentation – Toxicology Division
10:00 a.m.-10:30 a.m.	Air Permitting Requirements – Air Permits Staff
10:30 a.m.-11:00 a.m.	Emissions Inventory – Air Quality Staff
11:00 a.m.-11:30 a.m.	Field Experience with Oil and Gas Operations – Region 4 Management
11:30 a.m.-Noon	Pollution Prevention Options – SBEA

Attendee Pre-Registration Form

TCEQ Compliance Assistance and Pollution Prevention Oil and Gas Workshop

Workshop is limited to 100 attendees

Name _____
 Company/Organization _____
 Type of Facility _____
 Address _____
 City _____ State _____ Zip _____
 Phone (____) _____ Fax (____) _____

To complete registration:

Email your completed copy of this form to events@tceq.state.tx.us or fax to 512.239.1065.

New SPCC Rules Take Effect: What TIPRO Members Need to Know

Note: This is a guest article by TIPRO Explorer and Leggette, Brashears and Graham General Manager J. Roger Kelly, P.E. This is a summary of his complete article, which is available in its entirety on the TIPRO website members' section at www.tipro.org. Please note that Mr. Kelly is not an attorney and that this article should not be construed as legal advice. We thank Mr. Kelly and his company for his time and generosity in sharing this with TIPRO members!

On November 5, 2009, the Environmental Protection Agency (EPA) adopted long awaited amendments to the Oil Spill Prevention; Spill Prevention Control and Countermeasure Rule, commonly recognized by producers and operators as the "SPCC plan rule." These amendments were published as final in the Federal Register on Friday, November 13, 2009.

The SPCC Rule, along with the requisite plans, has been a part of oil and gas exploration and production operations dating back to its initial promulgation in 1973. Since then it has only undergone some minor additions and modifications until 1992, when the EPA revisited the rule and began proposing more wide sweeping changes. TIPRO, IPAA, and API, along with many other state and federal oil and gas trade associations, began working with the EPA on the amendment process and continued to do so until the "final" amendments were published December 5, 2008. While the amended rule – commonly referred to as SPCC II – significantly tightened the requirements of the original rule, causing logistic and economic impediments to production, it was generally viewed as acceptable by the industry and had in fact set forth some provisions and clarifications that were considered improvements over the original rule.

However, SPCC II was to be short-lived as President Obama issued a White House memorandum in January, 2009, delaying implementation and pushing the effective date back to April, 2009. A later rule-making further delayed this date. But now "SPCC III" is final as amended and the oil and gas industry must determine how to deal with it. In the "What's New" section, this article explores the significant changes to the Rule as they affect the oil and gas industry. The next section, "What's Not New," it outlines the provisions of SPCC II that did not change significantly in SPCC III. **Please read the complete article in the members' section at www.tipro.org.**

What's New

While not an exhaustive review of the new SPCC III regulation, the complete article, which can be found on TIPRO's website at www.tipro.org in the members' section, provides insight into those provisions that apply generally to oil and gas exploration and production operations. SPCC II, published in December 2008, set forth most of the changes described herein and many of these provisions were maintained intact in the latest version of the rule. However, through SPCC III, published November 13, 2009, the EPA has made three rather significant changes to the previous version. These changes include:

- A) Removal of the blanket loading/unloading rack exclusion
- B) Removal of the general exemption for produced water tanks
- C) Elimination of the alternative eligibility criteria for Qualified Facilities

The loading/unloading rack exemption loss will probably have the least impact on the industry, as the loading/unloading rack definition retained from SPCC II essentially exempted most if not all production facilities. The loss of the produced water exemption is not a complete loss as the operator still has the alternative to skim the free phase oil from the produced water tanks and implement general secondary containment measures in order to take advantage of this conditional provision. However, the loss of the alternative qualified facility eligibility criteria for Qualified Facilities eliminates the relief for stripper or marginal wells and probably represents the greatest

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economic and operational burden to the industry. Marginal well operators might consider using alternate storage designs at these facilities in order to attain Tiered Qualified Facility status, if the certified SPCC plan pathway represents a significant burden to their facility.

What's Not New

SPCC III did retain many of the other provision of SPCC II that will become effective without change, and are presented in this section of the complete article, which can be found on TIPRO's website in the members section at www.tipro.org. Some minor wording changes were made in the text of the rule for the purpose of clarification and/or correction, but no material changes were made. Provisions include:

- Definition of Facility
- Facility Diagram
- Loading/Unloading Rack Definition
- General Secondary Containment
- Security
- Definition of a Production Facility
- Drilling and Workover Facilities
- Exemption of certain Intra-Facility Gathering
- Flow-lines and Intra-Facility Gathering Lines
- Flow-Through Process Vessels
- Alternative Compliance Measures for produced Water Containers
- Man Made Structures
- Amendments and Review period
- New facilities

The current deadline for implementation of SPCC III is November 10, 2010. This date had not been changed at the time of the publication of this article. No specific guidelines have been prepared or issued for SPCC III implementation, such that the 2005 SPCC Guidance for Regional Inspectors is still in effect as far as it has application. Neither has new guidance been provided for determining applicability of the SPCC Rule to a specific facility with regard to its proximity to "navigable waters of the United States". The plurality decision of *Rapanos v. U.S.* and *Carabell v. U.S.*(*Rapanos*) did not provide clear and concise guidance for making this determination. While a memorandum issued jointly by the EPA and the Army Corp of Engineers published on December 2, 2008, provided some guidance for this decision making process, the guidance is yet arbitrary. Owner/operators should seek advice when in question on this or any other of the provisions of SPCC III. The provisions of this rule may have deeper implications than appear and can be misleading.

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TIPRO Members Soldier on Through National Recession

Newfield, El Paso, Chesapeake, EOG Resources, Quicksilver report improving earnings.

Baker Hughes reports that although the gas rig counts still remain flat, oil rig counts are up and steadily climbing. The Department of Energy's Energy Information Administration is raising the forecast price of West Texas Intermediate (WTI) crude oil by \$7 per barrel compared with the last *Outlook*, to average about \$77 per barrel this winter (October-March). The forecast for monthly average WTI prices rises to about \$81 per barrel by December 2010. The business climate remains viable for many TIPRO member companies who continue to soldier on through the recession. Below are quotes from third quarter earnings for a **sampling** of TIPRO member companies.



Chesapeake continued the industry's most active drilling program during the first three quarters of 2009, drilling 853 gross operated wells (624 net wells with an average working interest of 73%) and participating in another 864 gross wells operated by other companies (76 net wells with an average working interest of 9%). The company's drilling success rate was 99% for company-operated wells and 98% for non-operated wells. During the first three quarters of 2009, Chesapeake invested \$2.21 billion in operated wells (using an average of 102 operated rigs) and \$330 million in non-operated wells (using an average of 57 non-operated rigs) for total drilling, completing and equipping costs of \$2.54 billion (net of carries).



El Paso Corporation reported 2009 adjusted earnings per share guidance raised to \$1.15 to \$1.20. Third quarter production averaged 732 million cubic feet equivalent per day (MMcfe/d), including 71 MMcfe/d of Four Star volumes. Strong domestic results, particularly from Haynesville Shale activities. The company announced that its first Eagle Ford shale well was successful and that it had increased its acreage position to 112,000 net acres. "I am very pleased with our third quarter financial results and the solid execution by our Pipeline and E&P businesses," said Doug Foshee, Chairman, President, and CEO of El Paso Corporation. "In E&P, we continued to generate excellent results from our Haynesville Shale program and have ramped up our activity level to five rigs. Importantly, we are transferring our Haynesville expertise to the Eagle Ford Shale, where we are off to a great start. In summary, we are generating consistent results that will provide sustained value creation for our shareholders."



"This is a challenging period for our industry because relatively strong North American natural gas supplies face currently weakened industrial and electric generation demand. In addition, reductions in the demand for crude oil and the corresponding decrease in prices have caused a worldwide slowdown in drilling. Once the global recession passes, we expect that the demand for crude oil will grow again. By following through on our conservative, yet growth-oriented strategy, EOG can weather the current economic storm and be positioned to take advantage of the market's eventual rebound. Year-in, year-out, EOG is simply achieving. Based on the performance of its North American liquids plays, EOG has increased its 2009 total company production growth target from 5.5 to 6 percent. For 2010, EOG has set a total company organic production growth target of 13 percent that includes total liquids production growth of 50%."

NEWFIELD



"Newfield's production in the third quarter of 2009 was 65.5 Bcfe, an increase of 7% over the third quarter of 2008. Newfield's oil liftings in the third quarter were 3.8 MMBbls, or an average of approximately 41,300 BOPD. This represents a 40% increase over the same period in 2008 and is primarily attributable to the timing of international oil liftings."



"For the nine months ended September 30, Quicksilver generated record cash flow through operating activities, reduced unit production costs nearly 30%, and is on pace for a record production year," said Glenn Darden, Quicksilver President and CEO. "All of this has been accomplished while limiting capital expenditures below cash inflows."

Devon Energy Announces Plan to Strategically Reposition Company as High-Growth, Onshore North American Exploration & Production Company



TIPRO Explorer member Devon Energy Corporation has announced its plan to strategically reposition the company as a high-growth North American onshore company. Devon intends to divest all of its Gulf of Mexico and international assets. The company plans to direct proceeds to its high-return U.S. and Canadian onshore portfolio and to retire debt.

"Devon's success has led to an overabundance of opportunities, and this repositioning will allow us to optimize value for our shareholders," said J. Larry Nichols, Chairman and Chief Executive Officer. "We do not believe that the value of our high-quality Gulf and international assets is being adequately reflected in our stock price. By monetizing these assets, we will realize their full value, allowing us to unleash the growth potential that resides within our world-class onshore assets."

"Following the divestitures, Devon will be uniquely positioned to deliver high organic growth on a sustainable basis, funded entirely with internally generated funds. Furthermore, we expect Devon to emerge with an even stronger balance sheet and one of the lowest overall cost structures in our peer group," added Nichols.

Devon also has plans to accelerate drilling in its southern Haynesville shale play based upon results from a well in San Augustine County, TX. David A. Hager, Devon Executive Vice-President for Exploration and Production, said the company plans a five-rig program in 2010 in this southern play area. Devon holds 570,000 net acres in the greater Haynesville play in east Texas and north Louisiana. Previously, Devon drilled eight horizontal Haynesville wells around Carthage, TX.

Upcoming Events

DECEMBER 2, 2009	DECEMBER 3, 2009	DECEMBER 9, 2009	JANUARY 13, 2010
AUSTIN— TIPRO Sunset Task Force Regional Meeting 3 - 5 p.m. Texas Capitol. For info call 512.477.4452.	SAN ANTONIO— TIPRO Sunset Task Force Regional Meeting 1 - 3 p.m. San Antonio Petroleum Club. For info call 512.477.4452.	HOUSTON— IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info call 512.477.4452.	HOUSTON— IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info call 512.477.4452.

Have You Been Defrauded in an Oil and Gas Investment?

Nelson S. Ebaugh, P.C., represents investors in litigation and arbitration.



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