



TIPRO TARGET

Volume 9, No. 1

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Calendar

January 11

TIPRO/IPAA "Leaders in Industry" Speakers Series featuring Kenneth R. Olive Jr., president and CEO, The Oil & Glass Asset Clearinghouse and executive managing director, Tristone Capital, Inc. 11:30 a.m., Houston Petroleum Club.

February 2-3

NAPE North American Prospects Exposition, George R. Brown Convention Center, Houston.

February 8

TIPRO/IPAA "Leaders in Industry" Speakers Series featuring Chuck Stanley, chairman and CEO, Questar Market Resources. 11:30 a.m., Houston Petroleum Club.

February 22-24

TIPRO 60th Annual Convention, Hilton Houston Post Oak. See back page for details.

March 8

TIPRO/IPAA "Leaders in Industry" Speakers Series featuring David Trice, chairman, CEO and president, Newfield Exploration. 11:30 a.m., Houston Petroleum Club.

RRC gas-gathering hearings resume in Kilgore this week

The final workshop on intrastate natural gas gathering will be held from 10 a.m. to 2 p.m. Thursday in Kilgore.

There will be a 30-minute break for lunch, and parking is available at the museum.

The Association encourages anyone with a stake in the issue to attend the workshop, which will be held at the East Texas Oil Museum, State High 259 at Ross. There, producers will be able to discuss issues of concern with Texas Railroad Commissioners or their staff.

Producers should be prepared to discuss, among other things, existing gas-gathering arrangements including terms,

■ For more on conditions in the gas-gathering market, turn to Page 2 to read an allegory about carrot farmer Wilbur Maynard and his gatherer, Tex Yew.

conditions and provisions considered abusive or discriminatory; inappropriate or unnecessary service fees — other than fees assessed for natural gas transportation; refusal by a gatherer to accept gas delivery; failure by a gatherer to pay for a gas delivery; denial of access by a gatherer to a gathering system; and, for those with a complaint against a gatherer, the reasons for not filing one with the commission.

Welcome, new, upgrading members!

NEW EXPLORER UPGRADE

>> **Sanford Fagadau**, Fagadau Energy Corp.

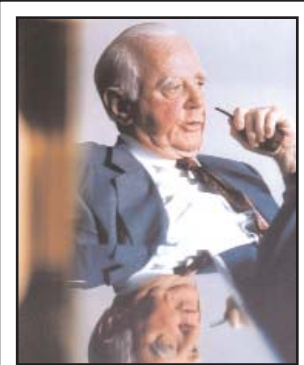
NEW REGULAR MEMBERS

>> **Paul Clark**, Clark Operating Inc.
>> **Thomas Hildebrand**, Zachry Exploration Ltd.
>> **Michael Riley**, Riley Energy Resources LLC

NEW ASSOCIATES

>> **Richard Catto**, IHS Energy
>> **Steve Glover**, IHS Energy

See **NEW** on Back Page



TIPRO to honor Plank for service

TIPRO is proud to announce its choice of Raymond Plank, chairman of the board of Apache Corp for special recognition at its 60th Annual Convention Feb. 22-24 in Houston.

TIPRO President J.R. Hurd said Plank

See **PLANK** on Page 3

National energy policy ends threat of mandatory storm water permitting

A more than decade-long effort to regulate storm water drainage at oilfield construction is drawing to an end.

On Friday, Jan. 9, a proposed rule exempting the oil and gas industry from federal storm water permitting was published in the Federal Register.

To conform with provisions of the recently enacted Energy Policy Act of 2005, the U.S. Environmental Protection Agency has proposed that the Clean Water Act exempts oil and gas activity from storm water permitting requirements.

The proposed rule for exemption would apply to construction of drilling sites, waste management pits and access roads as well as construction of the transportation and treatment infrastructure such as pipelines, natural gas treatment plants, natural gas pipeline compressor stations and crude oil pumping stations.

However, construction activities that result in the discharge of a reportable quantity release or that contribute to a water quality standard violation are still subject to permit cover-

See **PERMIT** on Back Page

Gittin' at the root of the problem

Editor's Note: The following allegory on conditions in the intrastate gas-gathering market appeared recently in a blog on the Drillinginfo.com Web site. To the small gas producer-shipper, the carrot farmer's plight sounds a familiar chord.

Wilbur Maynard here. Friends call me Dub. I do some carrot farming down the valley. I know, I know, it ain't sorghum or spinach, or some t'other crops the valley's famous for, but it's a livin'. Or was.

You'd thinks carrots would be easy ... don't rot very easy, easy to truck ... see, Chicago and the East Coast, they loooooove carrots, especially in the wintertime, when they make all that carrot salad.

The going rate for a bushel of carrots up there is usually near \$3-4 a bushel in the wintertime. There is also a carrot clearinghouse where all the carrot buyers go near Monroe, Louisiana. We call it the Bugs Bunny Hub, and you could usually sell your carrots for about 90% of what you could sell 'em for in Chicago. Me and daddy used to do that some.

There used to be a guy who would come by during harvest time who would pay us "Bugs minus a nickle." Saved us trucking them, and made some sense. He either sold 'em at Bugs Bunny or he would move 'em and a bunch others up the line.

He sold out and another guy started comin' by. Fella named Tex Yew. He only offered me 75% of Bugs, which by my counting, was a WHOLE lot of nickles less than Bugs. He said things were changing. We had a free market now, which apparently meant only that I get paid less for our carrots relative to Bugs. I asked the man, "Where you get all that? I thought free and open markets brought competition and thus middle-man margins down?"

I mean, I am not an educated man, I was just quotin' some of the smart college fellas at the diner in town about the free market stuff. I figured that them

"You damn carrot farmers are sure a greedy bunch. You've been gettin' a free ride all these years, usin' gummint handouts and such, and now you are complainin'?" is what 'ol Tex said to me. "I tell ya, it just makes me mad ... makes me want to whup you."

smart Carrot and Toy Train commissioners back in Austin who oversee this stuff must know all about that, is what I thought.

But I was real concerned because, hell, this winter, carrots were going for about \$10 a bushel, up from \$0.90 a few years back, and 25% of 10 smackers is a whole lot more than a nickle.

"You ARE a dumb hick," he sneered. "You only got the one road that comes by your farm, and I bought it from the county when we all got the Free Enterprise. No more gummint handouts for you, boy. The toll for hicks is a goddamn dollar a bushel!"

Well, I was a might taken aback, because, see, I had never had anyone do business with me thisaway. Especially when they wanted to buy MY goddam carrots!

"How much you charging Charlie next door to move his carrots? I asked.

"What? Jesus H. Christ! Explain to me how that is any of your damn business? We got a deal or not? I don't have all day," old Yew said to me.

I figured I was outfoxed here, since the old SOB apparently owned the only road by my farm, although I admit, I was havin' trouble figurin' out what part of this was the good ol' free markets that was so efficient that I learned about in school. I told him I would pay his damn dollar 'cause it was a damn sight cheaper than the \$2.50 he wanted to charge me before.

I loaded up my truck and started off. Sure enough, not two miles down,

stood a toll booth. The fella in the booth looked me and my truck over real slow like and said, "Friend, toll'll be 'bout \$2.00 a bushel."

"Friend, my ass," is what I was thinkin. But I responded, "I think you are mistaken. I just made a deal with your boss, Tex, for a \$1.00 a bushel."

"Yeah, but that was for just moving 'em on down the road. The other \$1.00 is for road maintenance," he told me. "Gotta make a profit, you know."

"But this road hadn't seen any kinda road crew in right near 10 years! You got potholes and washouts all up and down it!" is what I said to the man.

"Exactly," he said. "That's why you need to pay the maintenance. How is it gonna be fixed unless you pay to fix it? It's called the User Pays deal. Your lucky your trucking yourself, cause then ol' Tex would have charged you another \$1 a bushel for carrot loss, since a lot of carrots get knocked out of our trucks bouncing around these potholes," he added.

Well, I just paid the ol' boy, glad to get on to Monroe and Bugs. Mebbe this awful headache would go away if I could get away from this ol' boy. As I pulled onto the state highway four miles further, lo and behold, if there wasn't another damn ol' toll booth!

"Hello," said the toll both lady. "You aren't carrying a whole lot of carrots today," she smiled.

"No, ma'am. I just got me a section spread. Not like the big guys."

"Well, since you're carrying less, I'm gonna have to charge you more per bushel" she says.

"Now, how is that? I got a smaller truck, a lot less wear and tear on your road here. Why is it more?" I said to her.

"Well, you see we need to recoup the cost of my time of you paying me. See, a big load coming through takes the same amount of my time to collect the toll as a small load like yours, so it makes a lot more economic sense for me to spend my time collecting tolls on only large loads unless, of course, you pay

CARROTS from Page 2

me to make up the difference," she smiled sweetly.

Now how could I argue with that? I figured I was learnin' big time College level economics today. Hell, maybe even college Doctor level! I asked her, "Just how many more of these ol' toll booths are there between here and Bugs?"

"Don't rightly know. Our part is the next 14 miles. That's all I can really tell you."

This road owning business was looking like a whole lot better deal than being a carrot farmer to this ol' carrot farmer, I was thinking to myself. Who owns this stretch? I ask.

"It is owned by State Highway 214, LLC" she says.

"No kiddin', and who owns that?" I ask.

"Why, it's owned by ol' Tex Yew. He bought up all these roads around here. Clever son of a gun he is, 'cause everywhere there is an intersection, he put each stretch into different companies, so that each can collect tolls on each part. Now, don't get me wrong, we don't collude with each other or nothing, because that would be wrong and illegal. Each of us are free to set our tolls however we see fit in order to maximize the revenue to Tex. It's free markets at work! This is bona fide ... approved by FART, you know, the Federal Administration for Road Travel, if you don't believe me."

Holy mother of God! is what I was thinking to myself. How many different roads would I need to take to get to Bugs? I was trying to count them in my head, but I was getting dizzy.

"Uh, how much these tolls usually run?" I asked the lady.

"I mean, for each road?"

"That all depends!" she said. "Depends on what you

negotiate."

I didn't pay the lady. I just turned the truck around and drove it back to the farm, but not before the guy on the county road toll booth pulled me over and charged me another \$0.85 per bushel to get them back. He said he didn't see a lot of traffic this direction but needed to collect a toll either way.

I got home, and called up Tex and said, "You are a bad man, Tex. I'm thinkin' about callin' me a lawyer."

"Bring 'er on, boy. I got me a hunnert lawyers, and the best part about it, I get paid more if you sue me!" he laughed. How you work that? I asked.

"'Cause I am also a Carrot Utility ... I provide all the carrots to north Texas carrot-salad makers. Luby's mostly. And of course I have to compete with the other Carrot utilities, it being a free market and all. But as a Carrot Utility, I get paid on a cost plus basis. The more money I spend on lawyers, the more costs I have, and the more dollars I make! And hell, if in the snowball chance in hell you outlast my set of tricky dicks, I get to pass that along as a cost too! Damn, I loooooove the free markets!" explained Tex.

I told ol' Tex Yew to just come pick up his damn carrots.

"I can only pay you 65% of Bugs now," he chuckled.

"Fine," I said. "Just come get 'em. I have a property note due, and my kids need their school stuff.

"Mebbe only 60%," he added.

"Whatever. It's yours. Come get it. What choice do I have?"

"Now you are talking like a true American," says ol' Tex.

"Free markets and all," I added.



EIA foresees \$50+ global crude, reduced demand

In its recently released Annual Energy Report 2006, the Energy Information Administration has raised its projections for world oil prices through 2025.

In light of the current circumstances in oil markets, the EIA believes the average price of imported low-sulfur crude oil to U.S. refiners will increase from \$40.49 per barrel (2004 dollars) to \$54.08 in 2025. That's about \$21 per barrel higher than the EIA projection in its Annual Energy Report 2005.

The agency expects an average price of \$56.97 per barrel in 2030.

The agency believes higher world

oil prices will result in increased domestic crude oil production, decreased demand for petroleum products and, thus, lower levels of petroleum imports.

To view the report, visit the EIA Web site, at www.eia.doe.gov.

December injection cuts price

The Energy Information Administration late last week reported the first ever report of net December injection of natural gas into storage.

One Bcf of natural gas was injected into underground storage in the week that ended Dec. 30, compared to draws of 162 bcf the previous week and 151 bcf during the same period in 2004.

In less than a month, the price for the front-month natural gas contract has plunged from a high of \$15.78/MMbtu on Dec. 13 to as low as \$9.39/MMbtu during the Jan. 5 trading session. Above-average temperatures – not dwindling demand – led to the abrupt reversal, energy analysts believe.

PLANK from Front Page

was chosen for special recognition for a life of service to the petroleum industry.

"I can think of no one who better represents the spirit of independent producers than Raymond Plank," Hurd said. "He has always been willing to buck trends to stand up for what he believes. We look forward to hearing his thoughts on where independents stand in today's world."

Plank has been instrumental in building Apache into one of the world's leading independent oil and gas exploration and development companies.

Since 1979, Plank has been chairman of Apache, a company he founded in 1954. He was president from 1954 to 1979 and chief executive officer from 1966 until May 2002. He remains a member of Apache's executive committee.

A bomber pilot during World War II, Plank has been consistently active in civic, educational and business affairs.

www.tipro.org

With over 2,400 members, TIPRO is the nation's largest statewide association representing both independent producers and royalty owners. Our members include small mom and pop companies, the largest publicly traded independents, and large and small mineral estates and trusts.

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Reservation reminder

With the arrival of the new year, TIPRO begins marking a significant milestone — our 60th anniversary. Please, join us in celebrating the fact at our 60th Annual Convention, which will be held Feb. 22-24 at the Hilton Houston Post Oak Hotel.

The deadline to make hotel reservations is Wednesday, Feb. 8. To reserve space, call (800) HILTONS. Identify yourself as a TIPRO member and receive a special room rate of \$139 per night for single or double occupancy.

Call TIPRO's Laura Stubbins at (512) 477-4452 for more information.

NEW from Front Page

- >> **Bruce Griffith**, Always Consulting
- >> **Richard Hermann**, IHS Energy
- >> **Timothy Hopkins**, IHS Energy
- >> **David Lewis**, Always Consulting
- >> **Robert Stephen Molina**, Patton

Boggs LLP

- >> **Mark Rose**, IHS Energy
- >> **Patty Sanders**, Always Consulting
- >> **Tony Sperduti**, IHS Energy

For 60 years, TIPRO has been a forceful advocate for Texas' independent producers and royalty owners thanks to active members like you.

But challenges are constant. Help us meet and clear legislative and regulatory hurdles on the horizon by upgrading your membership or referring potential new members to TIPRO EVP Martin Fleming at (512) 477-4452.

PERMIT from Front Page

age.

The EPA also is encouraging operators of oil and gas field activities and operations to implement and maintain best-management practices to minimize soil erosion and control sediment during and after construction activities to help ensure protection of

surface water quality during storm events.

Permitting compliance would have prevented production of as much as 1.3 billion barrels of oil and 15 trillion cubic feet of gas by 2025, and Energy Department-sponsored study showed.

TIPRO: PRODUCING
TEXAS' ENERGY
FOR AMERICA