



# TIPRO TARGET

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## Calendar

>> **December 14**  
TIPRO/IPAA Leaders in Industry luncheon series continues with Paul G. Van Wagenen, president, chairman and CEO of Pogo Producing Co., 11:30 a.m., Houston Petroleum Club, 800 Bell St., 43rd floor.

>> **January 11**  
TIPRO/IPAA Leaders in Industry luncheon, with Floyd C. Wilson, president, chairman and CEO, Petrohawk Energy Corp., 11:30 a.m., Houston Petroleum Club.

>> **February 22-24, 2006**  
TIPRO 60th Annual Convention and Golf Tournament, Hilton Houston Post Oak, Houston Texas.

### STAFF TO SERVE YOU

>> **Martin V. Fleming**  
Executive Vice President  
[mfleming@tipro.org](mailto:mfleming@tipro.org)

>> **Adam P. Haynes**  
Director of Public Affairs  
[ahaynes@tipro.org](mailto:ahaynes@tipro.org)

>> **Julie Breaux**  
Communications Director  
[jbreaux@tipro.org](mailto:jbreaux@tipro.org)

>> **Steve Kirk**  
Web Master, IT Specialist  
[skirk@tipro.org](mailto:skirk@tipro.org)

>> **Joanne Reynolds**  
Director of Finance and Administration  
[joanne@tipro.org](mailto:joanne@tipro.org)

>> **Laura Stubbins**  
Director of Member Services  
[laura@tipro.org](mailto:laura@tipro.org)

>> **Julie Jensen**  
Administrative Assistant  
[jjensen@tipro.org](mailto:jjensen@tipro.org)

## Producers air grievances at RRC workshops

■ Stakeholders describe consequences of a market in which buyers far outnumber sellers.

MIDLAND Nearly every seat was filled for the Nov. 21 Texas Railroad Commission workshop on competitiveness in intrastate gas gathering, held at the Center for Energy and Economic Diversification.

Roughly half of the 60 people in attendance were producers or their representatives, assuring their viewpoint in this long-simmering dispute over midstream market conditions would be heard. But the reluctance among producers and gatherers to speak publicly about the status of this segment was less than encouraging.

Nonetheless, at the repeated urgings of RRC Chairman Elizabeth Ames Jones, lips finally began to loosen. What was said, and by whom, broke out as expected.

Veteran producer and TIPRO Explorer Clayton Williams Jr. succinctly framed producers' beliefs. "The word 'gas' comes from the Greek word for chaos," Williams told Jones and commissioners Victor Carrillo and Michael Williams. "Our experience has been anything associated with natural gas has been complete chaos."

Gatherers are seeking and getting a pound of flesh from producers through take-it-or-leave-it contract terms, which Williams said, are symptoms of a dysfunctional market in which sellers far outnumber buyers. Williams questioned the fairness of gatherers raising rates and fees to help them recover the costs of their infrastructure investments. He also urged the commission to enforce existing laws governing the code of conduct of gas

At the midway point of the RRC-sponsored workshops on natural-gas industry competitiveness, the message from the pipes to the producers is clear, summed up by an energy consultant speaking at the Midland workshop: You are making plenty of money, stop whining and expecting gatherers to work for free.

If you agree with those misguided musings, there's no need to attend the remaining three workshops in Houston, Dallas and Kilgore.

On the other hand, if you disagree with the consultant's assessment of the situation, you need to participate in the workshops, which are part of a year-long study of the gas-gathering market.

Your voice must be heard if the commission is to consider beneficial reforms.

The workshop schedule follows:

>> **1 to 5 p.m., Dec. 5, Houston: Hyatt Regency, 1200 Louisiana.**

>> **1 to 5 p.m., Dec. 7, Dallas: SMU Cox School of Business; Executive Education; James M. Collins Center, 3150 Binkley Ave. (Parking available at the Meadows Museum, 5900 Bishop Blvd., or at the Moody garage, 3060 SMU Blvd.)**

>> **9 a.m. to 1 p.m., Dec. 8, Kilgore: East Texas Oil Museum, Highway 259 at Ross.**

gathering companies.

"You guys need to intervene where we need you, where the little guy needs you," Williams implored.

Steve Hartmann, executive

director for University Lands' West Texas office, said he was concerned with the increasing number of deductions gatherers take from producers. Those deductions affect gas sales prices and volumes, which in turn, costs the Permanent University Fund \$1.5 million to \$2.5 million in royalty revenue each year, he said.

Energy consultant Michael Bansbach defended gas gatherers while acknowledging at the same time the existence of a small group of "true abusers" in the gathering segment. But he spent more time slamming producers, a small group of whom he characterized as "whiners ... who want to let government do for them what they won't do for themselves" or as "greedy" types "who expect gatherers to work for free."

Bill Graham of Incline Energy of Midland felt compelled to respond. Graham, who produces 100,000 mcf/d of low-pressure gas in the Permian Basin, wondered what the end result will be if the punitive elements of the gathering market are not reformed.

"If (gas gatherers) keep extracting more and more revenues from less and less gas, when do we turn off the lights?" Graham asked. "Somewhere, there's got to be some equity."

During the first two RRC workshops in Amarillo and San Antonio, representatives of pipeline associations said that they have urged producers to file complaints about contract rates, terms and conditions so that gatherers can better understand producers' problems. They said few producers have filed complaints, which indicates to them that the gathering segment has no systemic problems.

TIPRO will include more in-depth coverage of the workshops in its Nov. 28 edition.

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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.

Texas Independent Producers & Royalty Owners Association  
919 Congress, Suite 1000  
Austin, Texas 78701  
Phone: (512) 477-4452 Fax: (512) 476-8070



### High court upholds lower court ruling on school finance

The Texas Supreme Court on Tuesday agreed with a lower court that the system used to pay for public education is unconstitutional.

The nine-member Republican panel gave the state a June 1 deadline to fix the \$30 billion system, or else funding to school districts will cease.

A majority of the court agreed with one of three arguments in a lawsuit brought against the state by hundreds of school districts. But it found the system meets minimum constitutional requirements for an "adequate" education and equitable facilities funding.

Gov. Rick Perry applauded the ruling, saying he plans to call lawmakers back to Austin to take up the issue in a special legislative session.

During the last two regular sessions and three 30-day special sessions called by Perry, the Legislature has failed to provide a funding remedy.

The court has been considering the case for months on appeal from a district court in Austin. Property-rich and poor districts sued, claiming the method for funding education did not meet requirements set in the state constitution.

TIPRO will continue to monitor the situation as a select group of business leaders in Texas meet to devise ways to reduce property taxes for homeowners and businesses.



At this very special time of year, please accept our heartfelt thanks for your contributions to the Association over the years.

We hope the upcoming holidays find you and your family blessed.

For the past decade, the Texas Independent Producers and Royalty Owners Association fought to preserve, in the 2005 National Energy Policy Act, the oil and gas industry's exemption from federal stormwater runoff regulations. Walter G. Mayfield, president of Houston-based Goldston Oil Corp., praised TIPRO for leading the successful effort.



"... TIPRO was instrumental with the successful passage of the clarification language and should be commended by all U.S. oil and gas exploration and production companies, royalty owners, mineral owners and pipeline companies. Without TIPRO's involvement, the industry would have been forced to comply with new, complex and damaging EPA stormwater rules that would have been detrimental to many exploration and production projects."

**TIPRO: FOR 60 YEARS, AN INDEPENDENT VOICE**

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