



Texas Independent Producers and Royalty Owners Association

Much-needed accomplishments were made during last week's talks with TIPRO's leaders and Legislators during a round of meetings at the Capitol Building in Washington, DC. Conversing with lawmakers and their staffs face-to-face provided the opportunity for independent oil and gas producers to tell our story to those who can help make a difference in our livelihoods. "Ours is an industry that impacts Texas and our country at this important time," said TIPRO President Walter G. "Tad" Mayfield of Goldston Oil Corp. in Houston. "We must educate about the challenges and risks we face in upstream oil and gas exploration and production because it affects us all."

Teams of TIPRO leaders fanned out through the Capitol Building for a series of meetings over two days and met with dozens of legislators and staff representatives. (See list accompanying this article.) "We shook hands and put a face to the message that if the E&P tax initiatives we rely upon are eliminated with the stroke of a pen, then our businesses and the revenue we provide and the jobs we create will be reduced, too," said Stephen N. Castle, of Cowboys Resources, Corp. in Midland, TIPRO's incoming president.

Even beyond the Texas Delegation, TIPRO leaders met with the staff of the powerful Chair of the Ways & Means Committee Rep. Sander M. Levin, said Scott L. Anderson, of Anderson Oil Ltd. in Houston, Immediate Past TIPRO President. "The time we took and efforts we made were very productive."



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TIPRO ANNOUNCES NEW LEADERSHIP

Justin Furnace Named New Executive Vice President

Justin Furnace, Chief of Staff and Legal Counsel to Chairman Victor Carrillo of the Texas Railroad Commission, has been named the new Executive Vice President of the Texas Independent Producers & Royalty Owners Association announced today by TIPRO's President Walter "Tad" Mayfield. "As a trusted advisor at the Railroad Commission, Justin understands the legal, technical and legislative components of the oil and gas industry here in Texas," said Mayfield. "Furnace brings a vitality we independents need to face the challenges confronting our industry on regulatory and political fronts."

Furnace has served on Railroad Commission Chairman Victor Carrillo's staff for the past few years. "I'm eager to bring my expertise to TIPRO to evaluate current issues and seek strategies for the future to ensure independents can continue exploring and producing this important commodity for our state." Prior to his tenure at the Railroad Commission Furnace practiced law at the Beaumont office of Mehaffy Weber as an associate in the firm's Business and Litigation Departments. While at the firm he focused on transactions and litigation relating to oil and gas, real estate and corporate matters. Furnace received his Doctorate of Jurisprudence from Texas Tech University School of Law, where he graduated in the top 1/3 of his class and was selected to participate on the school's Environmental Law Moot Court Team. His undergraduate degree is from Hardin-Simmons University in Abilene where he was a member of the Phi Alpha Theta Honor Society. Furnace is a Texas native originally from the Belton area. Furnace begins his service to TIPRO in May, succeeding Richard A. Varela who resigned the position due to health concerns.



Justin Furnace

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Scott Anderson, Anderson Oil Ltd.; Tad Mayfield, Goldston Oil Corporation; and Steve Castle, Cowboys Resources Corp.

“We’re their constituents from home,” said Joseph C. Abel, of M.D. Abel Co., in Lampasas, TIPRO Past President. “We flew up to Washington to explain there will be ramifications larger than they can anticipate affecting jobs, revenue and the increased risks of relying on foreign fuel sources if we don’t work together to keep our industry vital here at home.”

TIPRO leaders also distributed folders prepared for each of the legislators and their staff on statistics, background and facts pertaining to their districts. “So, beyond talking points, each office can refer to these resources when voting on important legislation,” said TIPRO EVP Rich Varela who also lobbied during the Washington trip.

Just some of the many pertinent issues discussed with lawmakers include the following:

- Tax issues Affecting Independents: IDCs, G&G, Depletion Allowance, Marginal Well Credit, Section 199 Tax Deduction, EOR Tax Credit.
- Hydraulic fracturing is used in 90 percent of new natural gas wells and is essential to develop America’s expanding shale gas production.
- We contribute to the economy. In 2009, Texas producers paid more than \$2 billion in oil & natural gas severance taxes -- a tax no other energy source pays.
- We provide roughly 12% of total employment in Texas. That’s about 1.3 million

jobs: 249,00 direct, 329,000 indirect, and 691,000 induced. We pay local property taxes on both structures and minerals.

- Natural gas is abundant, available, clean-burning, job-creating, and American. It will play an important role in meeting future climate related initiatives.
- The states have effectively regulated crude oil and natural gas production activities for decades.

In addition to meeting with legislators and staff, TIPRO spoke with



Rep. Henry Cuellar (D-28) and Scott Anderson

Washington-based, related trade association representatives such as Regina Hopper, President of America’s Natural Gas Alliance as well the Washington Bureaus of Texas major dailies such as the *Dallas Morning News* and the *Houston Chronicle*. A news clip relaying the important Washington call up by TIPRO members was seen on Friday, April 30th Business Section of the *Houston Chronicle*. The clip is featured on page 3.

As always, TIPRO will continue to work on the political landscape to keep legislators and our own members informed on the people and issues affecting the oil and gas industry in Texas and the U.S. Please refer to TIPRO's website for the full outline of the issue talking points.



Steve Castle, Rep. Shelia Jackson-Lee (D-18) and Tad Mayfield.

See more D.C. Photos by Christie Zepeda on page 5.

TIPRO met with the following Legislators and Their Staff:

Rep. Joe Barton	Rep. Louie Gohmert	Rep. Sam Johnson
Rep. Kevin Brady	Rep. Charles Gonzalez	Rep. Kenny Marchant
Rep. Dr. Michael Burgess	Rep. Kay Granger	Rep. Solomon Ortiz
Rep. Mike Conoway	Rep. Gene Green	Rep. Ciro Rodriguez
Rep. Henry Cuellar	Rep. Ralph Hall	Rep. Lamar Smith
Rep. John Culberson	Rep. Jeb Hensarling	Rep. Mac Thornberry
Rep. Lloyd Doggett	Rep. Ruben Hinojosa	
Rep. Chet Edwards	Rep. Sheila Jackson-Lee	



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NewsWatch: Energy

Blogging the business of energy with Tom Fowler

April 29, 2010

Texas oil and gas producers lobby Congress on taxes, regulation

Texas oil and gas producers fanned out across the Capitol on Wednesday and Thursday in a campaign to convince lawmakers from the Lone Star State that Obama administration proposals to hike industry taxes would curb domestic drilling.

The latest effort, by the Texas Independent Producers and Royalty Owners Association, builds on previous lobbying pushes by national industry trade groups against the administration's plan to abolish a swath of tax incentives worth \$36.5 billion over the next decade.

Walter G. "Tad" Mayfield, the head of Houston-based Goldston Oil Corp., and president of the Texas group, insists that the tax deductions and other incentives are critical to operate marginally profitable wells and offset the high capital costs of drilling.

"With our business being such a risky business and so capital-intensive, it takes those provisions to attract the capital to put into the ground," Mayfield said.

Mayfield said the tax incentives -- or lack of them -- help dictate the economics of potential wells. If the tax proposals are enacted by Congress, "we're not going to be able to drill nearly as many wells," Mayfield said. "Without these provisions, the marginal wells are not going to be drilled (or) prices will have to go up until at some point they are economical."

President Obama's budget proposal would bar companies from deducting intangible drilling costs (such as repairs and hauling supplies); block oil and natural gas companies from taking advantage of an existing domestic manufacturing income deduction; and prevent mineral right owners from deducting a percentage of the value of oil and gas removed from their property.

Environmentalists have labeled the tax incentives as a "giveaway to Big Oil" that needs to be stricken from the tax code. And administration officials have said that tax preferences for fossil fuels unfairly give an advantage to natural gas, oil and coal, while suppressing investment in alternative energy.

The Texas group met with more than 20 House members or their chiefs of staff over the course of its two-day lobbying blitz. Members making their case included Scott Anderson, of Houston-based Anderson Oil Ltd., and Stephen Castle, of Cowboys Resources Corp., in Midland.

Mayfield said it was an "educational exercise" for lawmakers "to make sure they understand why (these issues are) so important," and hear it from "people who actually make decisions in the industry."

<http://blogs.chron.com>

Posted by Jennifer Dlouhy at April 29, 2010 04:48 PM

Calendar of Events

MAY 4, 2010

KILGORE — TIPRO's East Texas Mixer. Presentations, 3:30 p.m. at the East Texas Oil Museum, Mixer, 5:30 at Meadowbrook Country Club. For info call 512.477.4452

MAY 12, 2010

HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info call 512.477.4452

SAVE THE DATE

AUGUST 12-13, 2010

TIPRO's Summer Conference & Golf Tournament
Hyatt Hill Country Resort
San Antonio, Texas



Barnett Shale
Energy Education Council

CLEARING THE AIR ON THE BARNETT SHALE

By Ed Ireland, *Fort Worth Star-Telegram*, February 2, 2010

In the 29 years since the first well was drilled in the Barnett Shale, the natural gas industry has taken steps to ensure that it is a good neighbor. Paramount among those efforts is to operate in a safe, clean and environmentally friendly manner.

It's not only an operational imperative -- since the industry is among the world's most heavily regulated -- it also demonstrates the commitment to develop a long-term relationship with communities throughout the region. For these reasons, the North Texas region received positive news last week when we learned that the Texas Commission on Environmental Quality's air quality study found natural gas wells in the Barnett Shale have little to no impact on our regional air quality. Following a six-month investigation at 94 monitoring sites throughout the region, the commission's chief toxicologist stated the test results prove there is "no need for widespread alarm." It should be noted these results came on the heels of an equally exhaustive air quality study of 116 natural gas sites in Fort Worth which found no detectable levels of benzene.



Ed Ireland

While two sites in Wise County required immediate action, both were quickly corrected by the operators. Follow-up tests showed no emissions problems. Nineteen test results, many of which were clustered in a few rural locations, registered elevated levels that the TCEQ said "may require action by facility operators."

It is important to note that both sites that required immediate action were the result of temporary mechanical problems that were found and repaired by the operators during normal routine inspections. That is precisely why the industry has embraced the commission's "Find It and Fix It" program. The goal as an industry is zero violations, which signals the commitment to operate safely and responsibly -- and well within state regulations.

Equally important, however, is that unlike some inaccurate media headlines, this ongoing discussion be based upon facts and the commission's clear message that North Texas residents can continue to enjoy the benefits of Barnett Shale development without concern about our air quality.

As further proof, the ambient levels of airborne benzene in Fort Worth, the center of the Barnett Shale activity, have actually declined as more natural gas wells have been drilled. The commission's own independent air monitoring station at Meacham Airport shows ambient benzene levels have declined since 2005 and are slightly below the levels measured at their Dallas Hinton monitor, where there are no natural gas wells.

That is good news for North Texas. Development of the Barnett Shale is a source of many jobs and economic stimulus in the regional economy. In fact, the economic activity generated by Barnett Shale operations employs nearly 100,000 individuals -- that's more than American Airlines, Lockheed Martin and Bell Helicopter combined -- and contributes billions of dollars annually to the local economy.

Of course, the positive regional economic benefits of the Barnett Shale do not mean our community's health concerns should be ignored. That is why we strongly encourage people to call the commission's hotline if they are concerned about potential noncompliance issues. People also are encouraged to reach out to the Barnett Shale Energy Education Council with any concerns or issues.

As residents learn more about benzene, it is also important to understand the many ways in which Americans come into contact with benzene every day. According to the Centers for Disease Control and Prevention, benzene is present in everyday household products like glues, detergents and furniture wax. Further, the common use of these products means that the average home actually has higher levels of benzene than you find outdoors, according to the CDC.

Across the region, the natural gas industry's employees are servicing more than 14,000 Barnett Shale natural gas wells. They are members of this community. They're in line at the carpool next to you and joining you for a jog on the Trinity Trails. It's because of them that we have had great success in growing the regional economy, and it's because of them and their commitment to their neighbors that the industry works diligently to improve its already safe operations every day.

Ed Ireland is a resident of Tarrant County and executive director of the Barnett Shale Energy Education Council.
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US LAWMAKERS RESIST CALL FOR NATGAS DRILLING RULES

By Tom Doggett, Reprinted from *Reuters* (<http://www.reuters.com/article/idUSN2711218120100427>)

- Federal oversight of fracking called too burdensome
- Lawmakers say don't regulate until EPA study finished

WASHINGTON, April 27 (*Reuters*) - Two U.S. lawmakers on Tuesday urged Congress to resist calls to pass federal regulations limiting a drilling technique that extracts natural gas from rock formations but has been blamed for contaminating drinking water supplies.

State governments, not the federal government, are now responsible for regulating the drilling technique called hydraulic fracturing. Natural gas producers are worried that federal regulation could hinder extraction of gas from shale rock formations, which account for 15 percent to 20 percent of U.S. output of natural gas.

Demand for natural gas has grown as electric utilities build gas-fired power plants that emit much less carbon dioxide than coal generators.

The House Energy and Commerce Committee is investigating hydraulic fracturing, also known as fracking, and some lawmakers are pushing legislation to regulate the practice.

Two committee members, Representatives John Sullivan, a Republican from Oklahoma, and Arkansas Democrat Mike Ross, said the panel would be short-sighted to pass a bill putting fracking under U.S. safe drinking water law before the Environmental Protection Agency completes a study of the drilling technique which is expected to take two years.

Allowing the EPA to oversee fracking "would add burdensome and unnecessary regulatory requirements to the drilling and completion of oil and gas wells which could result in increasing costs of producing domestic natural gas resources," the lawmakers said in a letter to Representative Henry Waxman, the energy committee's chairman.

"We believe that state regulatory agencies are the most appropriate regulatory bodies to provide oversight and protection of hydrologically and environmentally sensitive localities as they relate to hydraulic fracturing," they said.

Fracking injects a mixture of water, sand and chemicals into rock formations to stimulate oil and natural gas production. Some environmental groups claim the technique can contaminate ground water and want the government to regulate it.

However, energy companies say improved fracking technology allows them to drill for oil and gas in an environmentally safe manner. They also say there is no evidence fracking has contaminated water supplies. (Reporting by Tom Doggett; Editing by David Gregorio)

Additional DC Photos:



Joe Abel, M.D. Abel Co.; Rep. Ciro Rodriguez (D-23); and Rich Varela, TIPRO



Rep. Chet Edwards (D-17) and Tad Mayfield



Tad Mayfield, Steve Castle, Martin Frost, Scott Anderson, Joe Abel and Rich Varela



**Texas Independent
Producers and
Royalty Owners
Association**

TIPRO represents more than 2,000 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

TIPRO — PRODUCING TEXAS' ENERGY for AMERICA

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