There’s a Whole Lotta Shakin’ Goin’ On
Or What about Oil and Gas Activity and Earthquakes

Jerry Simmons

Allow me to get my geek on for this article because as a geologist the question of “induced seismicity” (or doing something to cause an earthquake) is really fascinating and kind of cool. Not that I believe if you have had property damage it is a good thing, just the geeky scientist in me is intrigued by the proposition.

So what have you heard and what do you know about induced seismicity? Bet you have read or heard reports that fracking (better known as hydraulic fracturing) is the cause of the increase of earthquakes in Oklahoma, Texas, Kansas, Colorado, Ohio, etc. We will see if that is true or not in a bit. Have you heard that injection wells are most likely responsible for the quakes? How about the report I saw from a well-known geologist who said this is all natural and the oil and gas activity has nothing to do with the increase in quake activity? Have you heard or do the news stories suggest the oil and gas industry is allowed to place a disposal or injection well just about anywhere and pump into the earth whatever they like with basically no control?

Let’s take a look at these questions and see what we know, and don’t know, and where we need more information.

What we know. Over the past few years there has been a dramatic increase in “felt” earthquakes in some oil and gas producing regions around the country. In fact, Oklahoma had more earthquakes in 2014 than California (this is way out of the norm). If you live where this is occurring, you want some answers.

Now for some facts: Under the Safe Drinking Water Act (SDWA) the U.S. Environmental Protection Agency (EPA) is authorized: To establish the Federal Underground Injection Control (UIC) program; Required to protect underground sources of drinking water; Required to develop UIC regulations; and establish options for state UIC program delegation. What all that means is the EPA has had a technical and state-run regulatory program in place for over 30 years. So, oil and gas companies may not drill an injection or disposal well wherever they want and inject whatever and however they want. The sitting, well construction, injection rates and pressures are all permitted and regulated aspects.
of the U.S. EPA UIC program. In most states, this program is administered by the state oil and gas regulatory agency under a separate UIC program complete with geologists, engineers and other technical and legal staff as required by the EPA.

Alright, what about fracking being the culprit? From the National Research Council: “The process of hydraulic fracturing a well as presently implemented for shale gas recovery does not pose a high risk for inducing felt seismic events.” Also from Cliff Frohlich, Associate Director of the Institute for Geophysics at the University of Texas at Austin: “Although there is a considerable amount of hydraulic fracturing activity in the Eagle Ford, we don’t see a strong signal associated with that and earthquakes.” And from Stanford geophysicist Mark Zoback—“These microseismic events [from hydraulically fracturing a well] affect a very small volume of rock and release, on average, about the same amount of energy as a gallon of milk falling off a kitchen counter.” So when you hear or see a headline about fracking and earthquakes, you may probably tune out as the reporter most likely has an agenda or is not well informed.

Okay Jerry, we know there are regulations and technical specifications for injection wells and fracking is unlikely the problem, so what’s going on? Several recent studies suggest deep-well injection, and perhaps that combined with oil and gas extraction in an area, maybe worth looking at. The U.S. Geological Survey (USGS) recently released a report identifying the areas of the United States where induced seismicity has been linked to wastewater injection wells. From that report the USGS says “…The increased rate of earthquakes (including potentially induced earthquakes) translates into an increased earthquake hazard … and indicate that the seismicity in a given region has shown an increased earthquake rate that can be attributed to human activities, such as fluid injection or extraction. We acknowledge that this classification is based on circumstantial evidence and scientific judgment.” Also, from the USGS, “Of more than 150,000 Class II injection wells in the United States, roughly 40,000 are waste fluid disposal wells for oil and gas operations. Only a small fraction of these disposal wells have induced earthquakes that are large enough to be of concern to the public.”

Well, what’s being done? As you can see from the above, the federal government agencies, EPA and USGS are conducting studies and performing regulatory reviews to get a handle on the problem. The states have become proactive with the formation of the “States First” initiative to address the problem and respond to concerned citizens. This initiative combines a number of cross-disciplinary perspectives: Technical (geologic surveys, oil and gas regulators, industry, and academia); Communication—Focus on the importance of communicating effectively with all constituents on issues related to induced seismicity. Current status of the effort: 93 (and counting) involved members of the work group—4 areas of focus:

1. Traffic light approach as a decision-making tool
2. Ground motion
3. Data sharing
4. Seismic monitoring.

Work group status: Report from subgroup chairs due May 18, 2015; • Editing and review by editorial board comprised mostly of state officials; • Projected report release in September 2015.

What they hope to accomplish:
• Identify and present options for states that can be adapted to individual conditions and restrictions; • Flexibility is a hallmark of the effort and a fundamental strength of state governance;
• Serves as a model for approaching emerging issues; • Creation of a living document under near-constant review and revision; • Serve as a starting point for states who have yet to face the issue; • Help the public understand the issues and who’s addressing them; • Generate additional research to identify data gaps and policy considerations.

So what have we learned and what should we expect? We know that the EPA has existing UIC (Underground Injection Control) authority to address risks, they are developing a strategy with options for UIC programs to manage seismic risks and risk assessment of seismic events based on actual injection details coupled with geologic interpretation. Also, that the states have come together to form a working group to address the technical and regulatory aspects of induced seismicity and determine the most appropriate plan to mitigate future events. My takeaway is that the appropriate state and federal technical and regulatory personnel are addressing induced seismicity and when they have definite answers, they will do what is necessary to prevent future events and protect people and property.
Activity has cooled substantially and reports are that natural gas prices are as low as $1.10 per Mcf. That’s worse than the price in the early 1990s. And the prospects are not great that it will increase substantially soon. There is so much associated gas being produced with the “liquid rich” plays, it is glutting the market. The prospects are better for oil but again, the increase in oil production will have an inverse impact upon natural gas drilling.

It is all about cost and currently the estimate is that much of the oil prices from the Bakken, once delivered to the Gulf coast where the refineries are concentrated, range to $29 a barrel. That is well below the cost to drill and produce oil, especially when you figure in the royalty payment to the mineral owners.

Speaking of which, many have become alarmed at the increased percent of their check being eaten by post-production expenses as well as the low initial product price. This speaks louder and louder that the royalty owners need a voice in our state houses to demand that post-production expenses be limited. That limit certainly should not be less than one-eighth the value of the oil or gas. I don’t look for it to happen unless royalty owners are united and vociferous in our demand for such a reform.

I was in the Miller County court house recently and in southern Arkansas almost no mineral or oil and gas deeds have deed stamps. Somehow, I don’t think all those transactions were under $100. This seems to be common in all the southern counties. I rarely find a deed stamp on a mineral deed, unlike the northern counties where they are normally found on all but family transactions.

To remind you, when Chesapeake sold out to BHP Billiton, the deed stamps in White County alone ran over $200,000—money that goes to the state’s coffers. It was NARO Arkansas that led the fight to get the attorney general

**The saga continues…**

After working hard on the Guaranteed Minimum Royalty legislation, I am hopeful for a positive result this summer. It is possible we will also see meaningful language which improves transparency in the reporting of royalty income. MeeCee is in the capital daily monitoring progress and reinforcing the contacts made by members. Your calls to Pennsylvania house members continue to be helpful—so keep it up!

Industry would like our support of their position on the severance tax and proposed Chapter 78 regulations. While we focus our efforts on minimum royalty and transparency issues, it leaves no time or energy for other issues until we are successful. So, in case you think we are ignoring the severance tax, that is not the case.

To date, industry has stood in the way of any meaningful legislation to benefit royalty owners, with the possible exception of monthly reporting. The oil and gas industry is propping up Pennsylvania state and local economies without a doubt but we cannot stand by while some bad actors balance their budget on the back of both public and private mineral owners.

We still await news from the attorney general’s office. It is coming soon and will provide relief to many royalty recipients who have seen outrageous deductions and/or deductions in very obvious violation of lease terms. I know you have heard this before, but we continue to monitor progress and have been told it is moving forward.

Bigger, better and faster is one way to describe drilling trends in the northeast. The well’s laterals are longer, the IP rates continue to rise and the time from spud to completion continues to decline. The industry has cut back in all areas. Even though the number of well spuds are down dramatically, production continues to rise and prices remain low—wounded by their own success! This is a normal cycle for the oil and gas industry, one that is not easy to predict and eventually always swings the other way. I am guessing that the savvy mineral owner won’t be surprised by the next boom or downturn. They will expect that uncertainty is certain and plan accordingly.

Hope you all are enjoying the beautiful warm weather! I am.
Mark your calendars for June 16, our first ‘Fuel Yourself With Knowledge’ event. It will be held at Silver Star Smokehouse in Bossier City, La. Expect an email registration opportunity very soon. Space is limited to 50 and complimentary dinner will be served. Attendees will receive a Louisiana royalty owner update, hear about economics affecting oil and gas, and get some tips about mineral management.

Earlier this month, Tanya Allen and I represented NARO Louisiana at the state capitol's Oil and Gas Industry Day. An industry luncheon on the grounds was followed by an afternoon in the capitol rotunda where we exhibited and talked about NARO, its purpose, goals and benefits. The legislature was in session so on one end of the rotunda was the House and on the other, the Senate. The Louisiana Oil & Gas Association hosted this event as well as the reception that evening at the Jimmie Davis House which is LOGA's headquarters.

Speaking of the legislature, while trying to overcome a $1.6 billion budget deficit, Louisiana legislators are looking to the oil and gas industry to make up some of their deficit. HB 549 would create an additional hydrocarbon processing tax with a structured reduction based on the price of oil and natural gas. The bill has been approved by the House and is now in the Senate.

Proposed legislation affecting royalty owners: SB 88, authored by Sen. Adley, provides guidance for cross-unit well drilling in light of the 2014 study resolution passed by Adley. The bill has been passed by the Senate and now awaits House approval. “Legacy lawsuits” have become dirty words to the industry.

While operators are willing to take responsibility for any damages done by them, they expect any reward to pay for the damage and not be pocketed by the landowner. And, while landowners should be paid for damages, it shouldn’t be abused. SB 79, by Sen. Allain, provides for alternative dispute resolution for legacy lawsuit related cases. It would require parties to meet and confer to assess the dispute, narrow the issues and reach agreements useful or convenient for producers and royalty owners will not happen.

Under HB1476 enacted this session, the large trigger tax break goes away on Dec. 31 of this year. What the bill also does is eliminate several other extraction tax project reductions and reduces the overall rate from six and one-half to five percent, unless the price of oil is above $90 per barrel (adjusted annually to a producer price index for industrial commodities) then the rate is six percent. Here we go again with another trigger.

Your ND Chapter Board supported HB1476 as amended in the Senate. An action alert was sent out requesting NARO members to contact legislators who show support for the change. The prior tax code was certainly a complicated web that few, even producers, fully understood. It needed to be fixed—fair to producers and yet still generate sufficient tax revenues that meet the needs of state and local governments to respond to oil activity impacts.

The recent train derailment near Heimdal again raises attention to oil transportation and the need for more pipeline capacity. Fortunately, there were no injuries in this derailment. But because accidents do happen, the event reignited concerns about trains going through the heart of many communities. Something is being done to address concerns including oil conditioning standards regulations, stronger tank car construction specifications and training for emergency responders. They will never be able to eliminate all the various causes for accidents occurring but the moving of any volatile commodity must be done as safely as possible.

The Montana Dakota Utilities Group subsidiary WBI Energy and Calument Specialty Products Partners Dakota Prairie refinery at Dickinson is now in operation and refining Bakken crude oil into diesel fuel. It is the first new refinery built in the U.S. for many decades. Although the amount of barrels refined is relatively small, it is nonetheless important as higher gravity shale crude is being produced in volumes exceeding U.S. refining capacity.

Speaking of the Dickinson refinery ... John Stumpf, senior vice president of business development for WBI Energy, is a confirmed speaker for the North Dakota Chapter conference, June 25-26, in Minot’s Grand Hotel. John will talk about building the refinery and discuss current plans to build another refinery, likely in the Minot area.

Our annual meeting and conference entire slate of presenters is looking very impressive. If you own minerals in North Dakota, you will not want to miss this event. In addition, a Bakken tour on Thursday morning is planned. We...
NARO ND REGISTRATION FORM

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• Hotel arrangements must be made directly with
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• Hotel information online can be found at
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• Ask for the Special "NARO" Room Rate of $89.95.
• Cut-off Date for the group Room Rate is June 10, 2015
• Event registration includes all meal events, meetings, seminars and attendee materials.
• Refund, less $50 processing fee until June 10, 2015
• No refunds beginning June 11, 2015

AGENDA*

THURSDAY – June 25, 2015
11:00a Registration Opens
7:30a-12:30p Bakken Tour –$50 per person. Attendees must be preregistered! Lunch available for purchase in advance.
10:00-11:00a CMM Exams
1:00p Welcome to Minot! Kevin Conolley, Minot Alderman
1:15p TBA
2:15p Title Curative, Jannelle Combs Esq
3:10-3:25p Break
4:25p Oil and Gas Leasing 101, Dean Bangsund, North Dakota State University economist
5:20-6:00p Social and Drinks
6:00-7:00p Dinner with Radio Host, Scott Hennen & Keynote TBA
7:00 p Entertainer/Comedian, Mylo Hatzenbuhler

FRIDAY – June 26, 2015
7:00a Registration open
7:00-8:00a Continental Breakfast
8:00a TBA
9:00a ND Tax Policy on Extraction and Production, Ryan Rauschenberg, ND Tax Commissioner
9:55-10:10a Break
10:10a ND Administrative Hearings and Regulatory Functions, Bruce Hicks, ND Dept Mineral Resources
11:05a NARO National Update, Candace Brewer, NARO National President
11:25a Chapter Business meeting
12:00-1:30p Lunch Keynote: Author Lisa Peters, Fractured Lands
1:35p Williston Basin Geology, Kathy Neset, Geologist
2:30-2:45p Break
2:45p ND Oil Production, Oasis Petroleum Representative
3:45p Mineral Valuation and Appraisal, Drew Combs, ND Dept of Trust Lands Div. of ND Minerals Mgmt.
4:40p Conclusion and Thank you

*Some items may change.
Questions: Contact Dee Copeland, (800) 558-0557 or DCopeland@naro-us.org

Together Toward Tomorrow
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Great news all round!

An important bill passed at the end of this year’s legislative session. HB 1057—sponsored by Rep. Lois Court, D-Denver, and House Minority Leader Brian DelGrosso, R-Loveland—a business-backed bill that would require the state to assign fiscal-impact statements to citizen-generated ballot initiatives. Why is this important to us? If citizen-generated ballot initiatives pop up again in 2016 for local control or increased setbacks, voters will be informed beforehand exactly what impact the initiative will have on state revenues and spending. It also would require that the primary supporters of the initiatives be present at hearings regarding the efforts. This bill passed in spite of a myriad of protests from citizen activists. They said, “The bill was not about transparency so much as it was about creating barriers for groups to try to get measures onto the statewide ballot.” The Governor’s office response was, “We favor more information for voters. Opponents of this legislation do not.”

Update on Amicus Brief—Fort Collin’s Five-Year Moratorium on Hydraulic Fracturing

We filed our amicus brief and it was accepted by the court. We are now in the normal deliberative period. We should have a decision in about four to six months.

A brief refresher of the case:

On Aug. 7, 2014, Judge Lammons ruled that Fort Collin’s five-year moratorium (Moratorium) on hydraulic fracturing was illegal for two reasons: 1.) it was impliedly preempted by the Colorado Oil and Gas Conservation Act (Act); and 2.) it was operationally preempted because it conflicted with the Act and COGCC regulations. Fort Collins has appealed this decision to the Colorado Court of Appeals.

Other News

Colorado joined Wyoming and North Dakota in a lawsuit challenging hydraulic fracturing regulations recently issued by the federal Bureau of Land Management (BLM). Reason? The new BLM rules exceed the BLM’s statutory authority, contradict existing federal law and encroach on Colorado’s regulatory authority. The message being sent in my opinion? Please take your nose out of our business. We are doing just fine on our own.

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I am pleased to announce the election of our newest board member, John Will Stacy of West Liberty, Ky. Mr. Stacy is an attorney and graduate of the Morehead State University and the Northern Kentucky University School of Law. He is a past member of the Kentucky General Assembly where he held many key leadership positions during a twenty-year career representing a five county district of north eastern Kentucky. Mr. Stacy has owned and operated numerous small businesses, owns minerals and brings valuable business and legislative experience to our NARO Appalachian Kentucky section.

Please extend a warm welcome to Mr. Stacy (“John Will”), jwstacy@gmail.com, (606) 743-1516.

Annual 2015 Convention

It is not too early to start planning to attend our 2015 Appalachian Chapter annual conference, Aug. 30-Sept. 1! As in past years, it will be held at the world-famous Greenbrier Hotel and Resort at White Sulphur Springs, W. Va. If you attended last year, you know that the Greenbrier is one of America’s favorite destinations located in the quiet southern hills of West Virginia.

You Definitely Do Not Want to Miss this Year’s Convention!

Your board is planning another outstanding line up of speakers on topics valuable and timely to your learning more about managing your oil and gas holdings. We have arranged a very special block room rate of $199/night. Contact the Greenbrier (855) 805-7617 to make your hotel reservations and ask for the NARO block rate. Watch for more details in future ROAR articles. For more information call my office (877) 341-3244 or the NARO Tulsa office (800) 558-0557.

Scheduled topics include: the extraction and marketing of natural gas liquids; estate planning basics; understanding royalty checks; land and mineral owner experiences; force pooling; gas and oil pricing; gas and ethane pipeline projects in the northeast; geology of the Rogersville Shale in West Virginia and Kentucky; NARO’s activities to
2015 NARO Texas Convention
July 15-17 2015
Omni Barton Creek Resort, Austin, TX

Early Bird Prices
(Until June 2, 2015)
Member: $299 Non-member: $450*

Event registration after June 2 will be
Member: $399 Non-Member: $550*

*Non-member registration includes a one year NARO-TX membership

Hotel reservations are open. Make yours online at:
http://tinyurl.com/nil6mnv or by phone to (512) 329-4000. For our rate, the ID is National Association of Royalty Owners.

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Questions: Contact Dee Copeland, (800) 558-0557 or DCopeland@naro-us.org

Other Ways to Register: Mail to: NARO, 15 W 6th Street, # 2626 Tulsa, OK 74119, Attn: TX Convention
Phone: (800) 558-0557 or Online at: www.naro-us.org/events

2015 NARO Texas Convention Schedule

Wednesday – July 15, 2015
8:00 am – 5:00 pm CMM Review-All Day Breakout – Rayburn Room
(Prior arrangement required to attend.)
1:00 pm – 5:00 pm REGISTRATION OPEN – Wildflower Atrium
CLASS SESSIONS – Darrell Royal Ballroom
1:15 pm – 1:30 pm WELCOME, OPENING REMARKS
Jack Fleet, CMM, NARO-TX President
1:30 pm – 2:20 pm MINERALS MANAGEMENT 101
George Wilson, CMM, Attorney
2:30 pm – 3:15 pm DIVISION ORDERS & WHAT FOLLOWS
George Wilson, CMM, Attorney
3:15 pm – 3:30 pm BREAK
3:30 pm – 4:00 pm PRODUCTION VERIFICATION
George Wilson, CMM, Attorney
4:00 pm – 5:00 pm NARO NATIONAL UPDATE
Jerry Simmons & Cynthia Simonds, NARO
5:30 pm – 7:30 pm WELCOME RECEPTION
Wildflower Atrium & Exhibit Hall (Live Oak A B C)

Thursday – July 16, 2015
7:30 am – 8:30 am BREAKFAST – Wildflower Atrium
8:15 am – 8:30 am MEET YOUR DIRECTOR
Jack Fleet, CMM, NARO-TX President
8:30 am – 9:20 am COST FREE ROYALTY CLAUSE & CHK v. HYDER
John B. McFarland
9:30 am – 10:20 am EARTHQUAKES—WHAT WE KNOW ABOUT SEISMIC EVENTS
Ed Ireland, Ph.D., Exec Director of Barnett Shale Energy Education Council
10:30 am – 10:50 am BREAK
11:00 am – 11:50 am WALTZ ACROSS TEXAS
Allen Gilmer, DrillingInfo
12:00 pm – 1:20 pm LUNCHEON – Hill Country Dining Room
1:30 pm – 2:20 pm INVESTING IN U.S. ENERGY INDEPENDENCE
Dave Heflin, VP Goldman Sachs
2:30 pm – 3:20 pm SUCCESS WITH FRAC WATER IN TEXAS!
Cal Cooper, Director, Special Projects & Emerging Technology, Apache Corporation
3:20 pm – 3:35 pm BREAK
3:35 pm – 4:25 pm HELD BY PRODUCTION (HBP) & PAYING QUANTITIES, Don Burns
4:30 pm – 5:15 pm NARO-TEXAS ANNUAL MEETING
5:15 pm – 6:15 pm HAPPY HOUR – Wildflower Atrium

Friday – July 17, 2015
7:30 am – 8:30 am BREAKFAST – Wildflower Atrium
CLASS SESSIONS – Darrell Royal Ballroom
8:15 am – 8:30 am FRIDAY SESSION KICK-OFF
Jack Fleet, CMM, NARO-TX President
8:30 am – 9:10 am TEXAS LEGISLATIVE REPORT
Ed Longanecker, TIPRO
9:20 am – 10:00 am Q&A with THE EXPERTS (PANEL)
Jack Fleet (Moderator), George Wilson, David Wallace and Ed Ireland
10:10 am – 10:50 am THE PRICE IS RIGHT?
David Wallace, Attorney & NARO-TX Director
11:00 am – 11:50 am SPECIAL CLOSING SESSION
TEXAS MINERALS FUNDING TEXAS EDUCATION
Featured Speaker: George P. Bush, Texas Land Commissioner
1:00 pm– 2:30 pm CMM Exams I & II – Rayburn Room
(prior arrangement required)

There will be a DrillingInfo Basic Training Suite Thursday 9-11:45a and 1:30-4:45p for master assistance using the DrillingInfo system.

* See www.NARO-US.org for updated times and information.
A big Texas thank you for those members that reached out to our legislators on HB 1552 and HB 1392. The last day for the house to hear new bills on the floor was May 14. At this time, HB 1552 and HB 1392 are not being brought out of the House’s Energy Resource Committee and will not pass to the house floor for a vote. On June 1, the session will end. We will have a lot of work over the next couple of years as allocation wells will come up again in the next session.

Since the focus in the past few months has been on bills that are not in the best interest of royalty and mineral owners, below are a couple of bills that are good and supported by both industry and the landowner.

HB 40, authored by state representatives, Drew Darby, Jim Keffer, Phil King, Senfronia Thompson and Rene Oliveira, relates to the exclusive jurisdiction of the state to regulate oil and gas operations in the state and the expressed preemption of local regulation of those operations. It has passed both the house and senate and is waiting for the governor’s signature to become law. This bill will help restrict the drilling bans on hydraulic fracturing and well offsets set in local regulations. Some of these bans, such as the ban in Denton on all hydraulic fracturing and other where the offsets are being considered at 1500 feet are a takings of the mineral property.

HB 3291, authored by State Rep. Richard Pena Raymond, relates to increasing the punishment for certain offenses involving oil, gas, or condensate or equipment designed for the exploration or production of oil and gas—creating an offense. The royalty owner will benefit from this bill which strongly discourages theft. It has been approved by the house of representative and is now in the senate.

As of this writing, Sunoco’s crude

Integration hearings continue to offer relatively high bonuses despite low prices. Two integrations offered $1,000 and 20 percent royalty recently in Cleburne County and in the same area BHP was offering a choice of $1,800 and 20 percent royalty or $2,300 and 1/8 th royalty to those who had held out of voluntary integration.

In southern Arkansas, an offer was made in Columbia County for $225 per acre and 20 percent royalty, which appears to be a better offer than has previously seen in that area where $150 and one-eighth has been typical. Also, Great Lakes is proposing new injection wells and greater volumes in their plant which extracts bromine from the heavy brines of the Smackover formation. Lessors there are paid a flat fee per acre, which is adjusted on the basis of an inflation index.

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Colorful, new pump jacks in Ohio. Photo: Terrel Shields.
The forces opposed to oil production in California continue in their efforts to hinder the industry with unnecessary new laws and regulations. Three bills currently being proposed in our State Legislature are aimed at underground injection wells. If adopted, any one of these three bills would have a serious impact on the ability of producers to operate in California.

Californians for Energy Independence recently published the following brief synopsis of these three bills:

• Legislative Threats Will Significantly Hinder California’s Energy Production
• Hundreds of Thousands of Jobs and
• Billions in State and Local Tax Revenues at Risk

California is the third largest producer of oil in the United States, supporting hundreds of thousands of jobs and billions in state and local tax revenues that fund public safety, schools and other valued services. The more oil we produce in state, the less we have to rely on foreign and out-of-state oil to meet our energy needs. Unfortunately, despite the fact that California has the most stringent oversight and regulation in the country, those who oppose responsible oil production have undertaken new tactics in their ongoing efforts to hinder or stop production.

Recognizing that the vast majority of oil production depends on the use of injection wells, opponents are now targeting these wells and the state’s Underground Injection Control (UIC) program. The UIC program has regulated and monitored injection wells for the past 30 years to ensure protection of our groundwater resources. It is administered by the California Department of Conservation’s Division of Oil, Gas and Geothermal Resources (DOGGR) with oversight from the US EPA. Several bills have been introduced that would impose unnecessary and redundant changes to the UIC program, the practical implication of which is to significantly slow or completely shut-down oil production.

Collectively, these bills will shut down significant oil production in California:

• SB 248 (Pavley): SB 248 puts oil production at risk by imposing vague but extensive new requirements on the UIC program that are inconsistent with federal drinking water protections. The bill requires existing wells be brought into compliance with these new requirements without clearly stating what happens if DOGGR cannot meet them. This creates uncertainty as to when, or whether or not, production will be able to continue if these new, unnecessary requirements are not met.
• AB 356 (Williams): AB 356 requires a duplicative and extensive groundwater monitoring plan for California’s injection wells. This ignores stringent state and federal regulations already in place to protect groundwater resources. The State Water Resources Control Board and regional water quality control boards already require permits and provide oversight for oil operations, and the UIC program ensures that injection wells are not operating in areas that are or could become sources of protected water. AB 356 will only serve to cause significant delays, making this bill an effective ban on production, without providing additional protections for groundwater.
• SB 454 (Allen): SB 454 prohibits injection wells from operating in areas that the US EPA has found to be safe and appropriate to use for these wells. Current federal law ensures that sources of drinking water are protected from contamination. SB 454 would not enhance protections for drinking water, but would prohibit the use of injection wells, thereby shutting down production.

The rights of California’s mineral owners are under constant assault. NARO-California is doing all that we can to protect your rights and to educate the public. We will be voicing our strong opposition to these three bills. We suggest you do the same by contacting your state legislators. For more information, please go to the NARO-CA webpage at: http://www.naro-us.org/California. Get mad and get active now!
The United States Fish and Wildlife Service is expected to make a decision by this September whether to list the Sage Grouse as an endangered species. Ten Western states have been pouring resources into the preservation of the sage grouse to avoid such a listing. The grouse, also known as the sage chicken, once flourished in the west’s sagebrush, from Washington and Montana to Arizona and New Mexico. It is estimated that the bird has declined from 16 million to 400,000.

Environmental groups have claimed that oil and gas wells, livestock grazing, roads, and energy transmission lines destroy mating grounds, where the males dance to attract females every spring.

According to the Salt Lake Tribune, Congressman Rob Bishop sees other motives. “The Endangered Species Act has become a mechanism for controlling lands. People are not using the act as protection of life, but as a way to limit development of the land.”

Oil companies have been sensitive to the need to preserve the Sage Grouse throughout the west, and many have hired their own environmental teams to see how they can make sure the wells are compatible with the sage grouse’s mating. However, a listing by the Federal Government could severely limit further oil and gas development, and erode the promise of our energy independence.

We urge our members to contact their congressional representatives and state officials–stress that Western states and the private sector already have preservation strategies in place that should be sufficient to preserve the sage grouse.

**NARO Rockies Announces Board Member Representing Arizona**

Barbara Haney has graciously agreed to represent the state of Arizona on the NARO Rockies Board of Directors. Although at this time oil and gas development in Arizona is limited, there are many royalty owners who reside in that state. Most have interests in other states and belong to the appropriate state organization but they are often unable to attend local NARO chapter meetings. Working with NARO Rockies, Barbara will organize a group of royalty owners in Arizona. We intend to have at least an annual briefing on national issues for members and will encourage them to become more involved in their respective local organizations to protect their interest. Arizona members may reach Barbara at haney.barbara@gmail.com.
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The recent state convention for Oklahoma NARO was a resounding success! Located in historic downtown Tulsa, our convention chair, Janet Yeager, along with OK President Mason Mungle and Jerry Simmons and his NARO staff, provided a fun and fact-filled, three-day event. The convention began with a tour of the Oklahoma Aquarium and ended with attendees dodging the Oklahoma spring weather.

Convention 2015 featured numerous educational seminars including Mineral Management 101 and 102, wealth transference, geology of Oklahoma, Oklahoma Corporation Commission website navigation, to an informative question and answer session with a panel of experts; Dub Peace, David Sikes and Terry Stowers and moderated by Mason Mungle on pooling in Oklahoma. We were also fortunate to have Oklahoma Corporation Commissioner, Dana Murphy, and Oklahoma Secretary of Energy and Environment, Michael Teague, update us on the issues they are facing including seismicity and water usage and disposal that are at the forefront of Oklahoma’s oil and gas industry. Terry Stowers also updated us on the efforts of the Coalition of Surface and Mineral Owners at the state capital including the status of very important pending legislation.

As the incoming president of Oklahoma NARO, I feel fortunate to serve with a board dedicated to serve the mineral owners of this great state. Mason Mungle, past president, left a legacy of education and commitment that should sustain us for many years.

For registration and accommodation information see the NARO website at: http://naro-us.org/NorthDakota

Rig numbers continue to head south. The rigs themselves are not moving out-of-state, just the overall number of rigs are going down. They are mostly being stacked on storage locations in the state and the count is now in the low nineties.

The issue of gas flaring continues to draw attention. You will recall last year the North Dakota Industrial Commission issued an order setting forth requirements for industry supported gas capture plans, and the order established overall declining percentage targets. Gas capture plans were required to be part of all increased density, temporary and proper spacing hearings, and included with all applications for permits to drill.

Recently, the commission issued policy/guidance to allow flaring policy enforcement “flexibility.” When granting exemptions to the statute flaring requirement, events including force majeure, right-of-way acquisition delays, temporary mid-stream system down-times, federal regulatory restrictions, safety issues, electrical power delays, and potential reservoir damage, will be taken into consideration when the operator is unable to attain the Commission’s gas capture goals. The policy/guidance also imposes civil money penalties, but the big deterrent is production limits.

Several administrative hearings have been scheduled requesting exemptions to the flaring requirements. Additionally, several operators were required to curtail production. The recent price decline has further helped in meeting target goals, although that may not be viewed as much of a trade-off. The slowdown has meant a growing number of new wells are being drilled, but not completed, and as a result the wells have not been brought onto the system.

Everyone—the operators, owners, regulators, consumers and taxpayers—shares the same goal and do not want the associated gas flared.

For royalty owners the dilemma is production curtailment, which means the potential for significant reduction of royalties, or getting paid a small amount in comparison to oil royalty for gas that is flared.
the litigation of the action. The non-binding mediation might not eliminate court proceedings but it could greatly reduce the time in court and the attorney’s fees. Compensation to the mediator would be negotiated between the parties. This has passed out of the senate and now goes to house.

Summer vacations are just around the corner. Enjoy these low-fuel prices with your family.

### NARO TX from Page 9

The oil price on WTI is $57 and has been holding over $55 for the past week. There are numerous places to check crude oil prices WTI or Brent Ice, however, I like to check with a purchaser to find their posted price. Even with this posted price, the price reflected on your check run could vary as the pricing on your run is a monthly average and depends on the contract in place with the purchaser or how the operator pays on crude directly. The good news is the price is trending upward.

In an article from the *Dallas Morning News*, drilling activity is in resumes in North Dakota and the Permian Basin. Most likely, the increased price has the log of wells that were on the schedule prior to the drop in price to start resuming. A $60 per barrel of oil makes the economics of drilling these expensive wells more attractive. And as a result, leasing activity should pick up again. I was in Midland for nearly a month and while you can see the numbers of active rigs are down, by visual observation at night, there is still plenty of activity in and out of the oil patches. In Midland, the roads are like driving during Houston’s rush hour and the restaurants still have long waits to be seated.

NARO Texas Annual Convention is just around the corner. Be sure to register early and book your room. We have an exciting line up of speakers and topics dates are: Omni Barton Creek from July 15-17, 2015. See y’all there.

### NARO LA from Page 4

The non-binding mediation might not eliminate court proceedings but it could greatly reduce the time in court and the attorney’s fees. Compensation to the mediator would be negotiated between the parties. This has passed out of the senate and now goes to house.

### NARO CO from Page 6

3. Fall in Colorado is exceptional.
4. Great networking with great people!

- **Professor Jan Laitos, University of Denver, Sturms College of Law** He is one of the nation’s leading experts on property rights. A real privilege to hear him speak.
- **Dr. Patrick Fitzgerald, Ph.D., Ed.D., J.D., University of Denver | Daniels College of Business | Burns School of RECM** Widely known expert on lease terms, title, etc. Can answer any question you may have.
- **John Harpole, President Mercator Energy Business degree with an emphasis in mineral land management from the University of Colorado at Boulder.** John will be giving a global overview of oil and gas and what to expect in the future. His presentation is full of critical information and is fascinating.
- **Don Phend, CPA, NARO Colorado Board Member** Don will give a brief presentation, then will focus on issues that are sent to him by you, the mineral owner. Please contact Don at phendcpa@aol.com or (303) 298-7908.
- **Colorado Oil and Gas Conservation Commission** Representatives from the COGCC will be available to assist mineral/royalty owners, one on one, to learn the COGCC website and to answer questions specific to your mineral management. You will need to bring your own laptop computer or share with a friend, internet connection will be provided.

Also, we will be offering a meeting open to mineral owners and the public Friday evening. **Chris Wright, CEO of Liberty Resources** will be our speaker.

You don't want to miss this year. I attend several conferences during the year and this “lineup” of speakers would cost you hundreds of dollars more if put on by anyone else. A real value for our valued members.

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**Read articles, view educational videos, stay up-to-date ...**

**WWW.NARO-US.ORG**

- Mineral Management 101–Part 1, 2 & 5
- IHS Report on Percentage Depletion
- Fracking Videos
- Mineral Owner Resources
- Upcoming Fuel Yourself with Knowledge Events
- Upcoming Conventions
- State Message Boards
- CMM Q&As, and much more!

NARO’s website is being updated! Look for new tabs under the events section for additional event information, including speaker presentations as provided to us for publication.
protect royalty owners’ interests in the U.S. Congress; and the impact of Marcellus and Utica Shale drilling in Ohio.

A special two-hour panel discussion will take place Tuesday morning on building and acquiring right of ways for new natural gas pipelines in the Appalachian states. MarkWest and Dominion Pipeline companies along with NARO Ohio’s own Bob Rea and pipeline contractor Ronald Lane will be panel members. West Virginia delegate, Woody Ireland, will discuss the future of force pooling. Receptions will be held on Sunday and Monday evenings. Our banquet will take place right after Monday evenings reception. West Virginia’s own Sen. Joe Manchin has been invited to deliver the keynote address on Monday.

Look for more details in future ROARs and via email announcements to you.

years to come.

I plan to continue his passion for educating our mineral owners and empowering them to be a voice for their mineral rights. With the pressing issues in the oil and gas industry, it is imperative for mineral owners to become more active—stand together as a unified voice not only to protect their rights but also to educate the public as to advantages and services this industry provides our country.

There is power in numbers! We are a membership-driven organization. Recruiting new members is not just a duty of the board, it is a duty that every mineral owner needs to fulfill for our collective voice to be heard. Each member of OK-NARO needs to contact other mineral owners and encourage them to join NARO.

In the future, we will strive to keep you informed; request your assistance when action is necessary; and assist you in your effort to protect your legacy for generations to come.
2015 Conference Line up

NARO-ND: June 25-26, Minot
NARO-TX: July 15-17, Austin
NARO-AR: Aug. 22, Searcy
NARO-AP: Aug. 30-Sept. 1, White Sulphur Springs, WV

Rockies: Sept. 9-10, Vernal, Utah
NARO-CO: Sept. 18-19, Denver
National: Oct. 15-17, Las Vegas, NV

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