

SPOTLIGHT ON HYDRAULIC FRACTURING

TIPRO's Facts on Hydraulic Fracturing

TIPRO stands for the Texas Independent Producers & Royalty Owners Association
August 27, 2010

The oil and gas industry is under siege by the Environmental Protection Agency (EPA), the current administration, and many members of the US Congress in Washington DC. We are asking each individual who benefits from the oil and gas business to stand in support of our industry by making their voice heard at rallies, hearings, meetings, and any other public events. We would also encourage letters and calls to your elected officials to "defang" the effort to impose the federal bureaucracy on Texas and our industry. One of the many areas of attack is against the process known as Hydraulic Fracturing (HF). The following paragraphs provide some facts about the process of HF and its importance to help educate the public and aid in your support of this important activity.

Natural gas plays a key role in our nation's clean energy future and the combination of horizontal drilling and HF is the primary means of accessing that vital resource. HF is used by gas producers to stimulate wells and recover natural gas from tight formations such as coalbeds and shales. Over the past few years, several key technical, economic, and energy policy developments have spurred increased use of HF for gas extraction over a wider diversity of geographic regions and geologic formations across the US. Enormous amounts of gas remain in shale formations across the lower forty-eight. It is projected that shale gas will comprise over 20% of the total US gas supply by 2020. These energy supplies cannot be brought to consumers without the use of these advanced extraction methods. Natural gas heats more than half of U.S. homes and generates one fifth of our electricity accounting for nearly half of our energy needs. The plentiful supplies of gas, as a result of these new technologies, have kept the price of gas low and made the cost of heating and cooling our family's homes affordable, especially during these slow economic times. Furthermore, natural gas will not only dramatically reduce our reliance on foreign fuel imports, but also significantly reduce our national carbon dioxide (CO₂) emissions and to accelerate our transition to a carbon-light environment.

Although HF has been used since the 1940s in more than one million wells without a proven case of fresh water contamination in the United States, there have been increasing concerns about its potential impacts on drinking water resources, public health, and environmental impacts in the vicinity of these facilities. Environmental groups have lobbied aggressively against the use of HF by spreading inaccurate information and making false accusations against the industry. For the most part, these groups have become "super-charged" with emotion and ignore facts and scientific evidence while making their case against our industry and the HF process.

No other state compares to Texas in its contributions to US energy supplies. In 2009, Texas producers paid over \$2 billion in oil and natural gas severance taxes, a tax no other energy source pays. They paid almost \$800 million into the Texas Permanent School Fund and

the University Fund. The industry also provided roughly 12% of total employment in Texas which equates to approximately 1.3 million jobs. Additionally, they pay approximately \$2 billion in local property taxes on both surface structures and minerals associated with their leases. Our operators spend many millions of dollars annually to protect our natural resources. We strive to be good stewards of the environment and are very sensitive to the health and safety concerns of the public.

State oil and gas regulatory programs place great emphasis on protecting groundwater. Current well construction requirements consist of installing multiple layers of protective steel casing surrounded by cement that are specifically designed and installed to protect freshwater aquifers. The measures required by state regulatory agencies receive the highest of priority and have been very effective in protecting drinking water aquifers from contamination attributable to HF. While this focus and emphasis needs to continue, we do not need redundant layers of regulation to protect against an activity that has accumulated an excellent track record. Such an unnecessary regulatory burden would only serve to increase the cost of energy and hinder the exploration and development efforts of the industry to provide affordable energy.

(TIPRO stands for the Texas Independent Producers & Royalty Owners Association. TIPRO has grown into the largest statewide association of its kind since being founded in 1946, 64 years ago. It currently has over 2,100 members, primarily independent producers and royalty owners. Its website is <http://tipro.org> and Justin Furnace is Executive Vice President at jfurnace@tipro.org (512) 477-4452.)

Source: Texas Independent Producers & Royalty Owners Association (TIPRO), The TIPRO Target Newsletter, Volume 13, No. 17, August 27, 2010 [http://tipro.org/UserFiles/Ver%20Target%208-27-10\(2\).pdf](http://tipro.org/UserFiles/Ver%20Target%208-27-10(2).pdf)