



Texas Energy Sector Update

Victor G. Carrillo
Chairman

Railroad Commission of Texas



TX Legislative Issues

New Speaker, Joe Straus

- New Committee Chairs: Jim Keffer (Energy)

Rename Railroad Commission

- “Texas Energy Commission”
- SB 341 (Wentworth); HB 499 (Orr)

Restructure RRC: 3 to 1 commissioner

- HB1231 (Farabee)

Ineligibility of RR Commissioner to seek other office:

- HB3651 (Merritt)
- **RRC Legislative Appropriations Request**
 - **Seeking additional \$\$ and positions**
 - **Probably get 13 Pipeline Safety Positions**



TEXAS OVERVIEW

“Mature” Producing Province:

>7,500 active oil/gas operators

Total Active Producing Wells:

151,861 oil

95,826 natural gas

#1 producer of oil & natural gas in the U.S

~343 million barrels oil (2008)

~ 7.3 Tcf natural gas (2008)

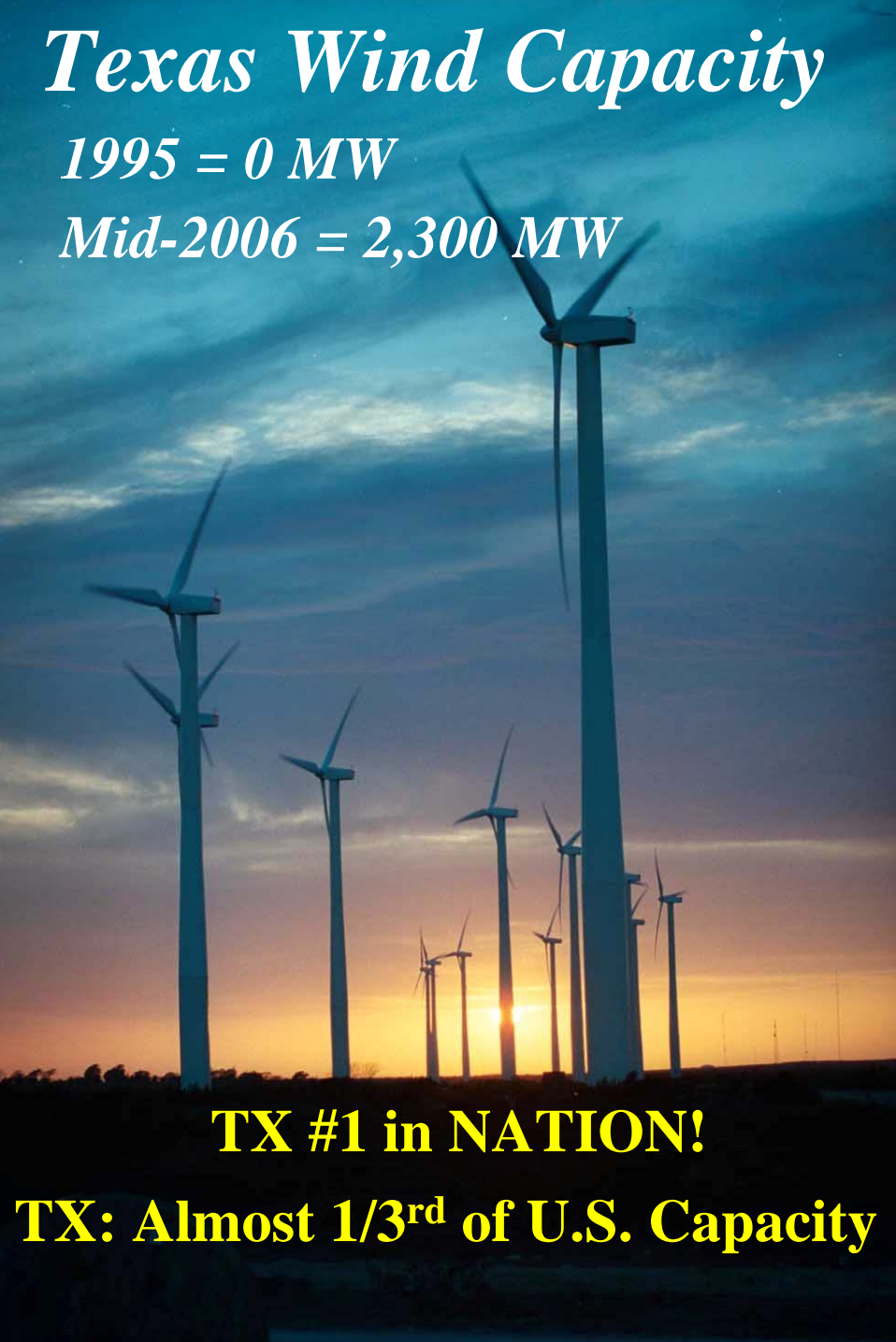
- Largest pipeline infrastructure in nation
- 27% total U.S. refinery capacity
- > 200,000 employed in sector (2008)
- Oil & gas & petrochemicals = \$160+ Billion (2008)
- **Texas #1 Wind Power Producing State!**



Texas Wind Capacity

1995 = 0 MW

Mid-2006 = 2,300 MW



TX #1 in NATION!

TX: Almost 1/3rd of U.S. Capacity

Feb 2009:

8,065 MW installed

~9,000 MW (end of 2009)

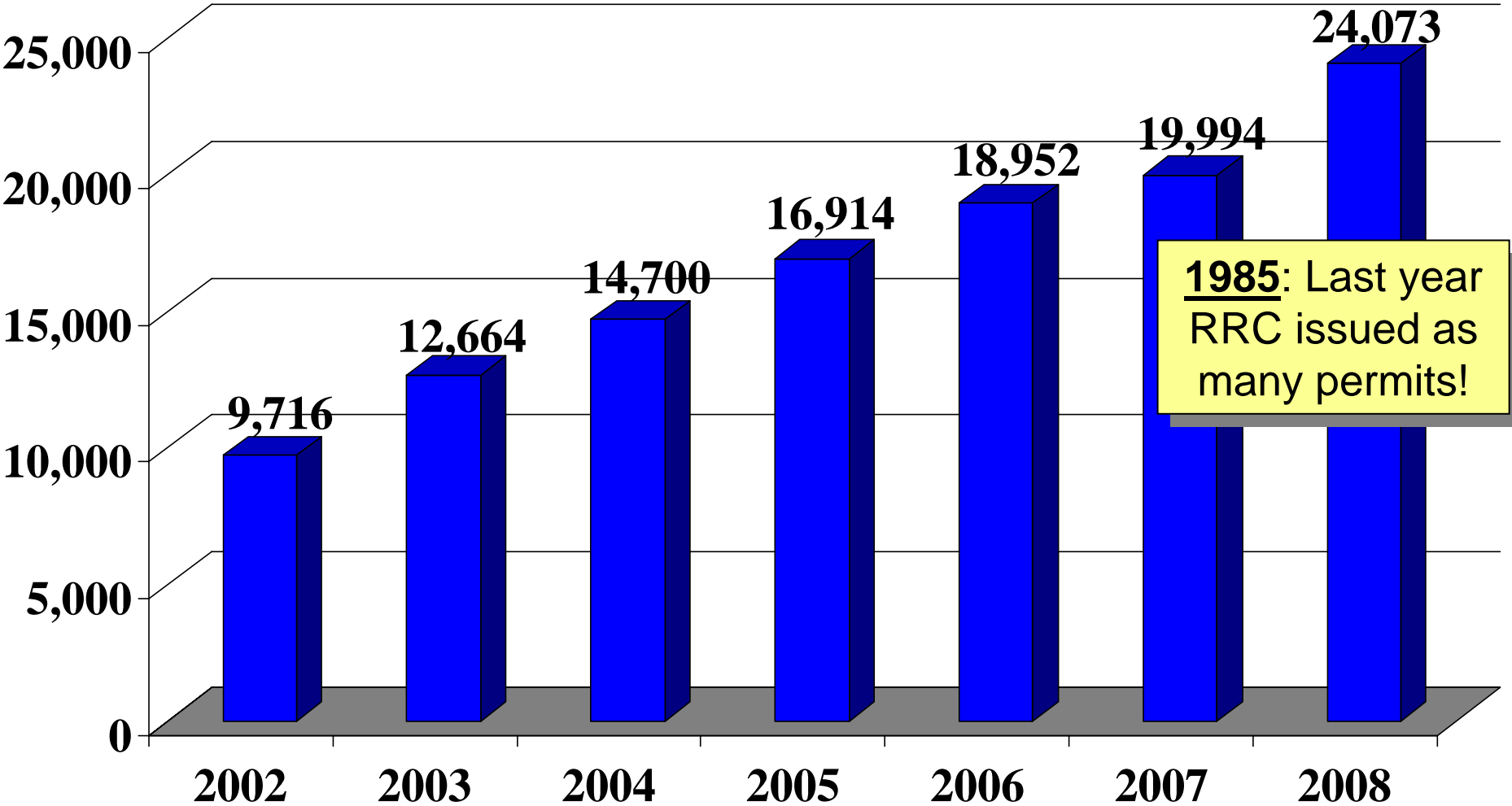
TX PUC Approves Plan

- *New Transmission Lines*
- *\$5.9 billion investment*
- *>18,000 MW in 5 years*

Texas Oil & Gas

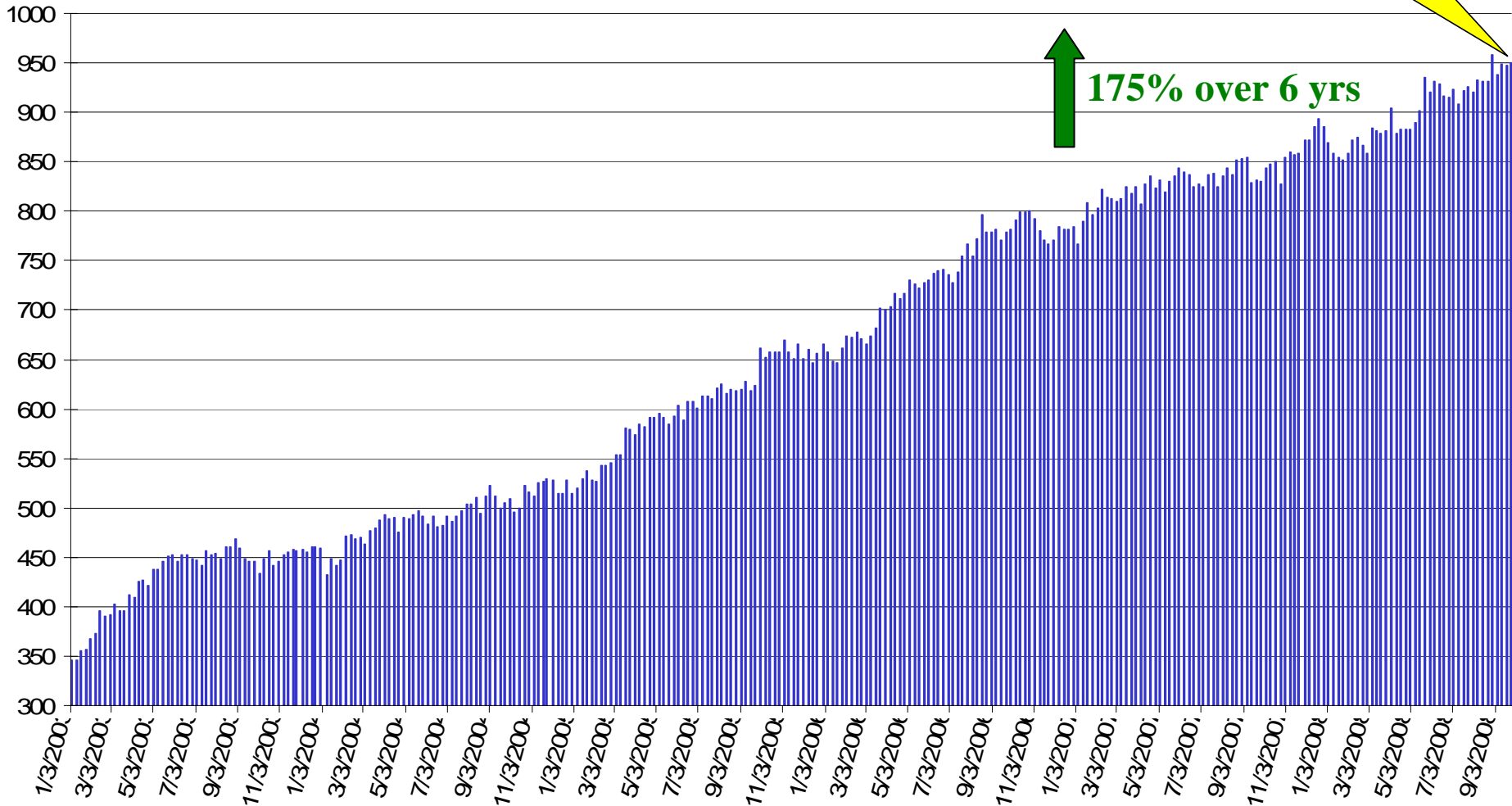


Texas Drilling Permits Issued 2002 - 2008

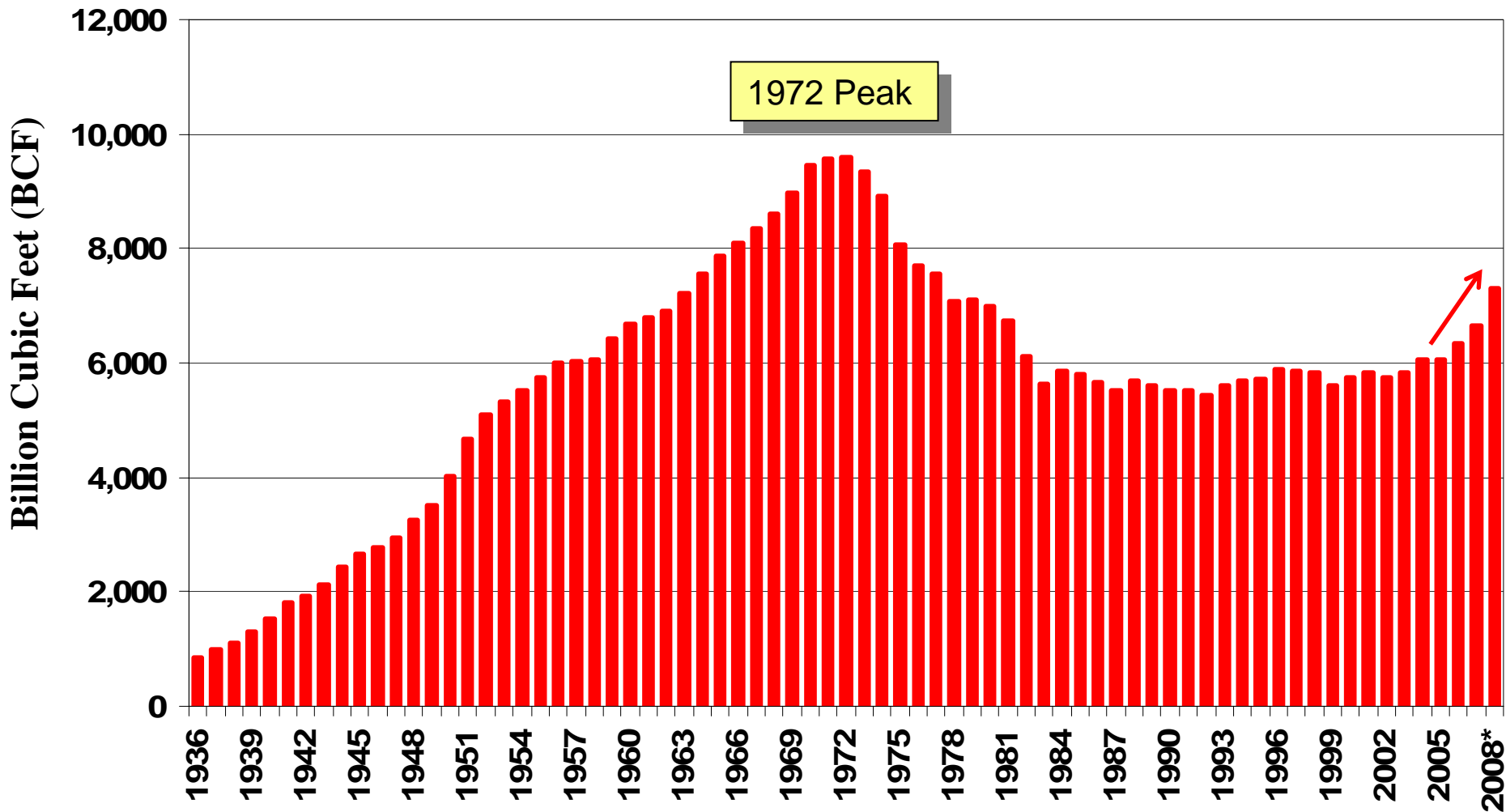


Texas Active Rig Count January 2003 – Sept. 2008 (Source: Baker Hughes)

950 TX Rigs
(Sept. 26, 2008)



Texas Natural Gas Production



Natural Gas



2008 U.S. Consumption: 23 Tcf

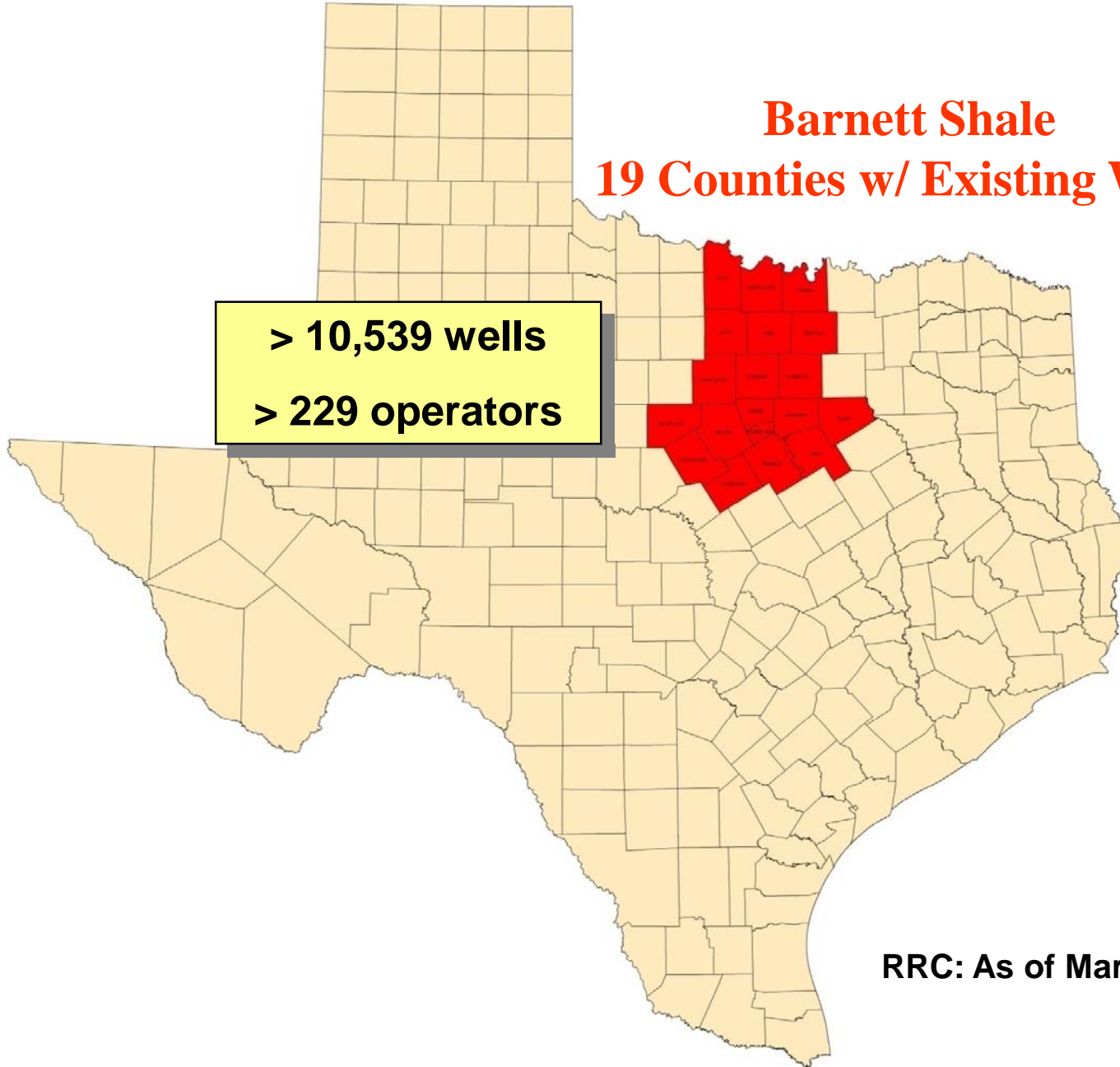
- U.S. much less dependent on natural gas imports
- U.S. imports ~ 20% of natural gas

TX Produced ~7.3 Tcf

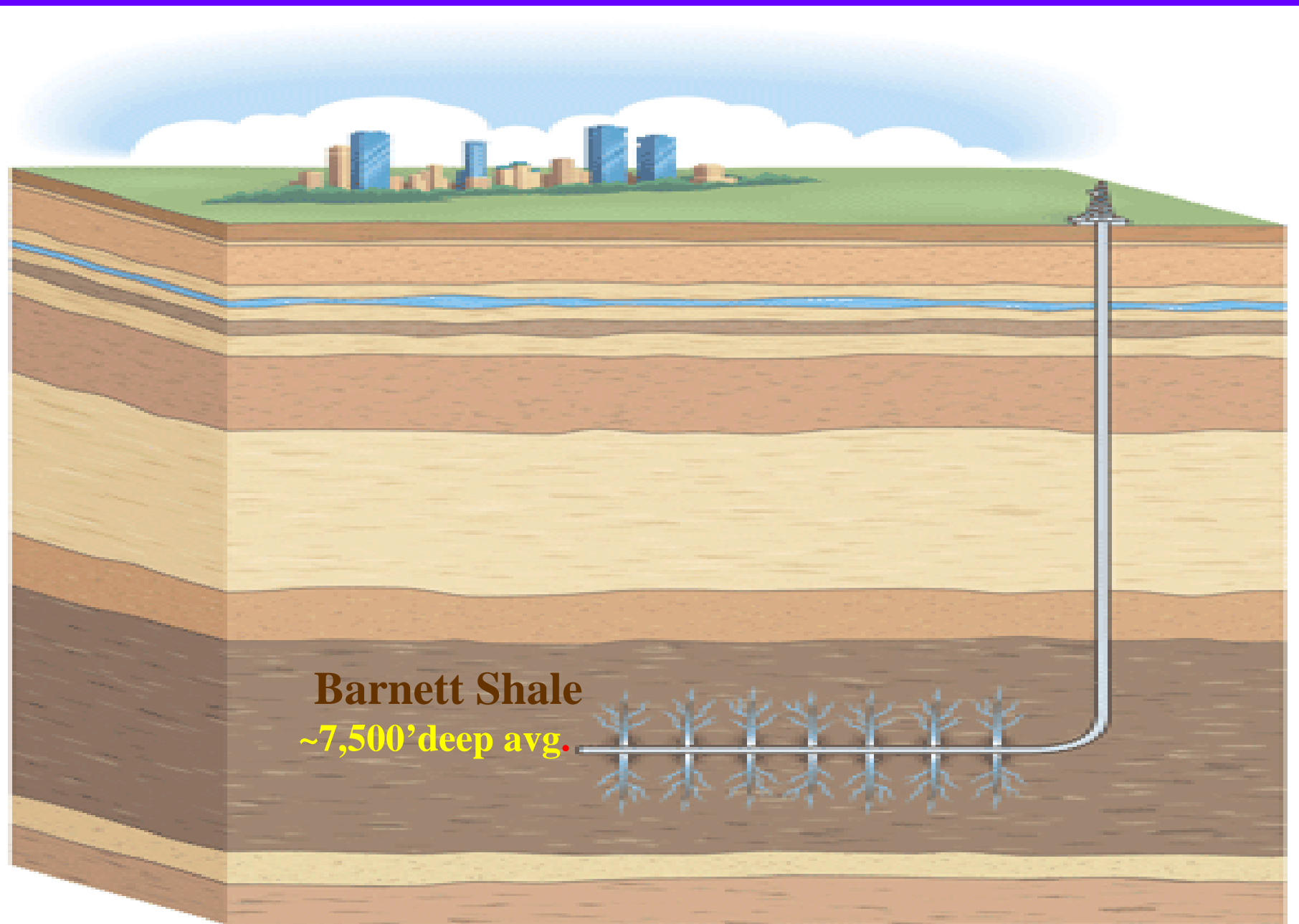
- 33% of U.S. marketed production
- **Without TX, U.S. would import ~50% nat. gas**

Barnett Shale
19 Counties w/ Existing Wells

> 10,539 wells
> 229 operators

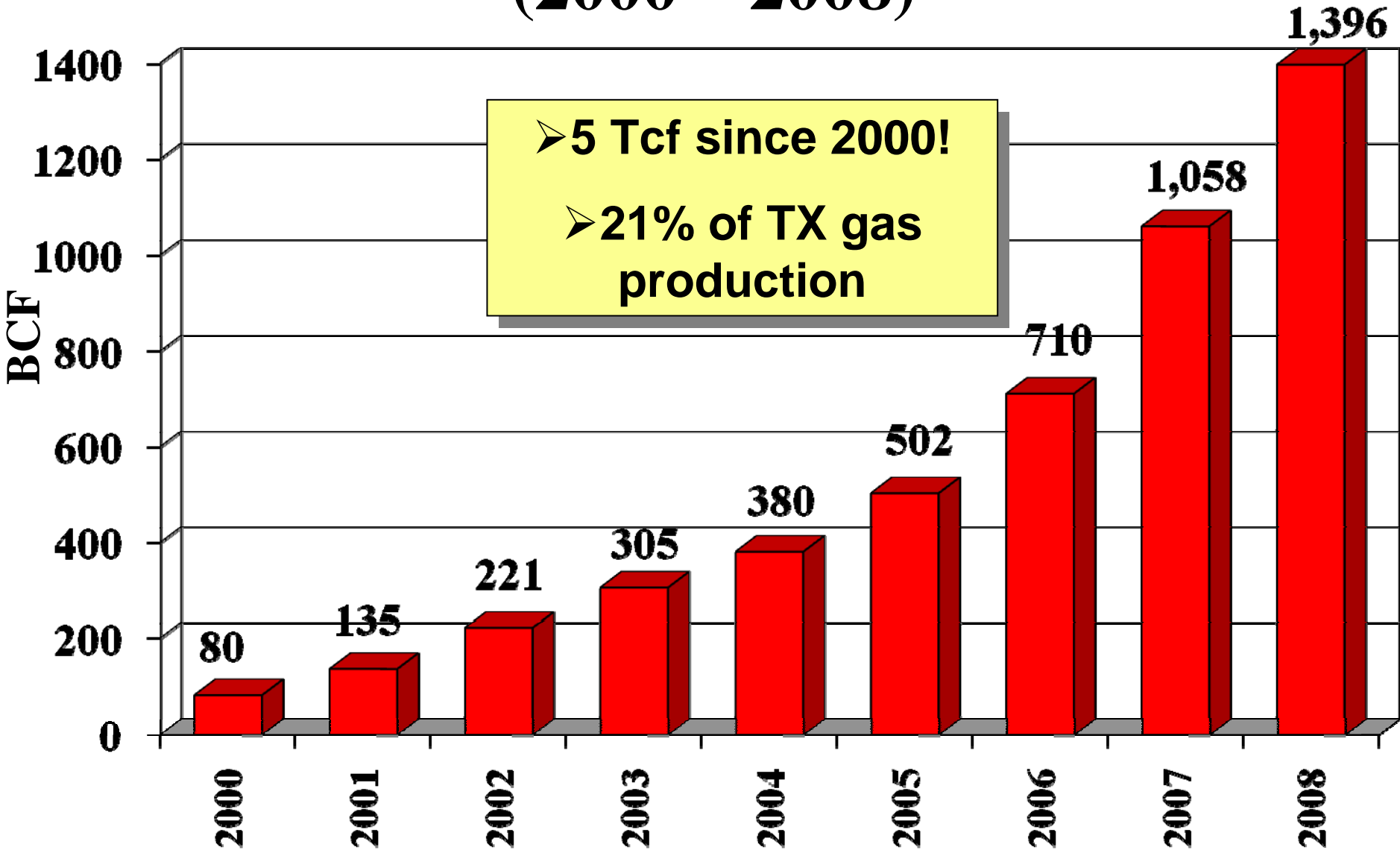


RRC: As of March 3, 2009

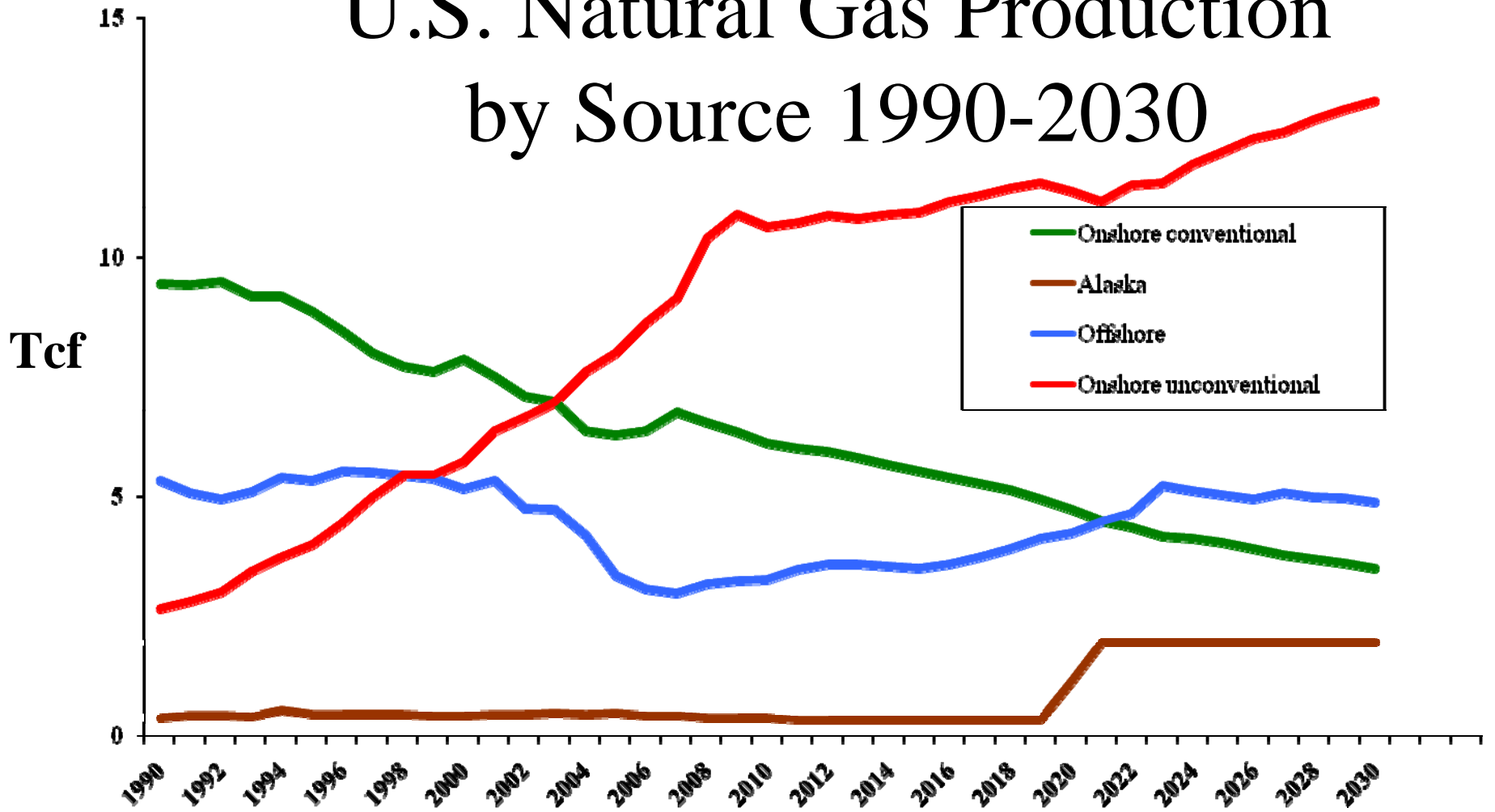


Barnett Shale
~7,500' deep avg.

Barnett Shale Natural Gas Production (2000 – 2008)



U.S. Natural Gas Production by Source 1990-2030



Crude Oil Spot WTI Cushing



Apr. 1, 2008 - Apr. 16, 2009

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Natural Gas Spot Henry Hub

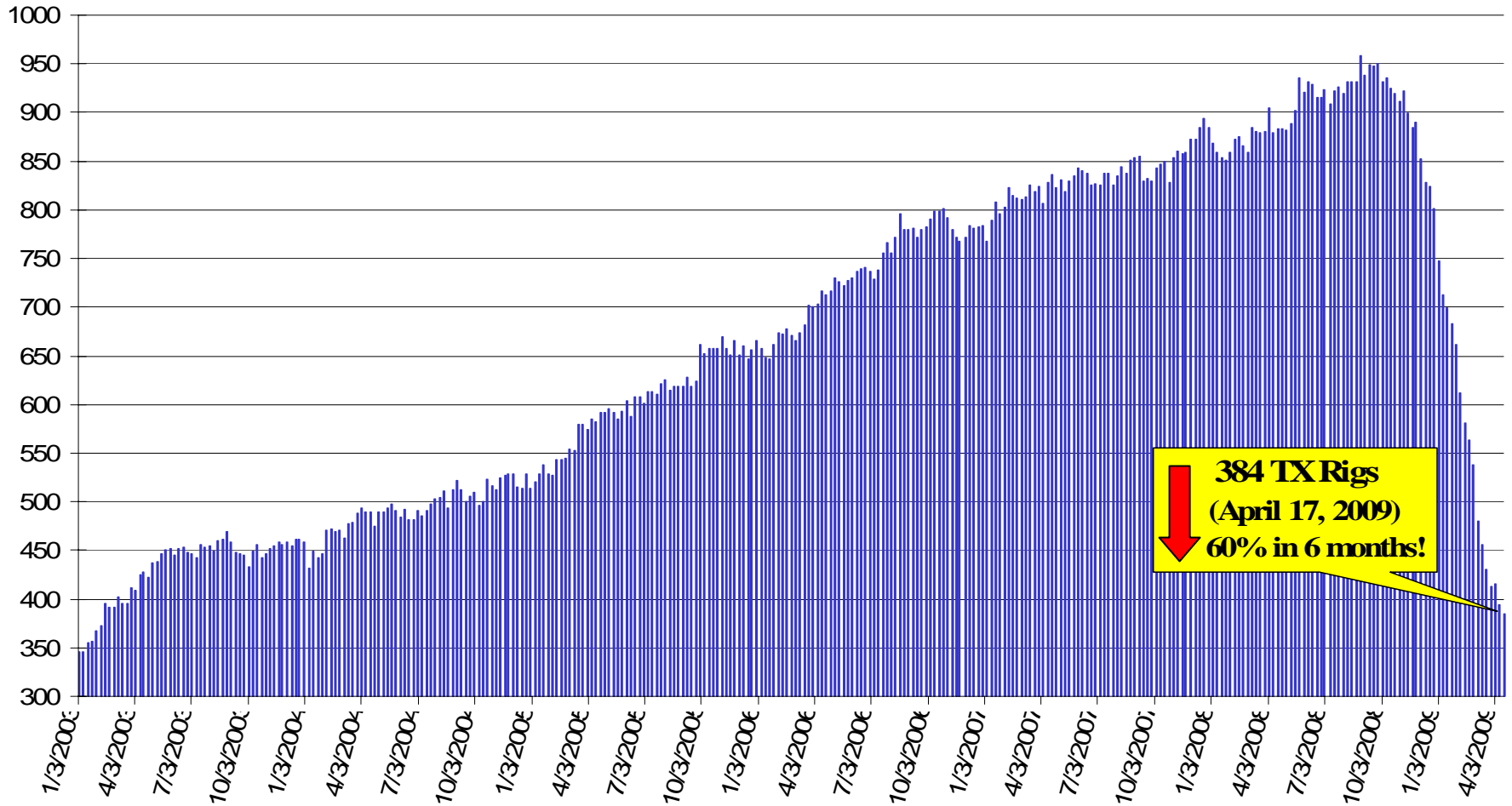


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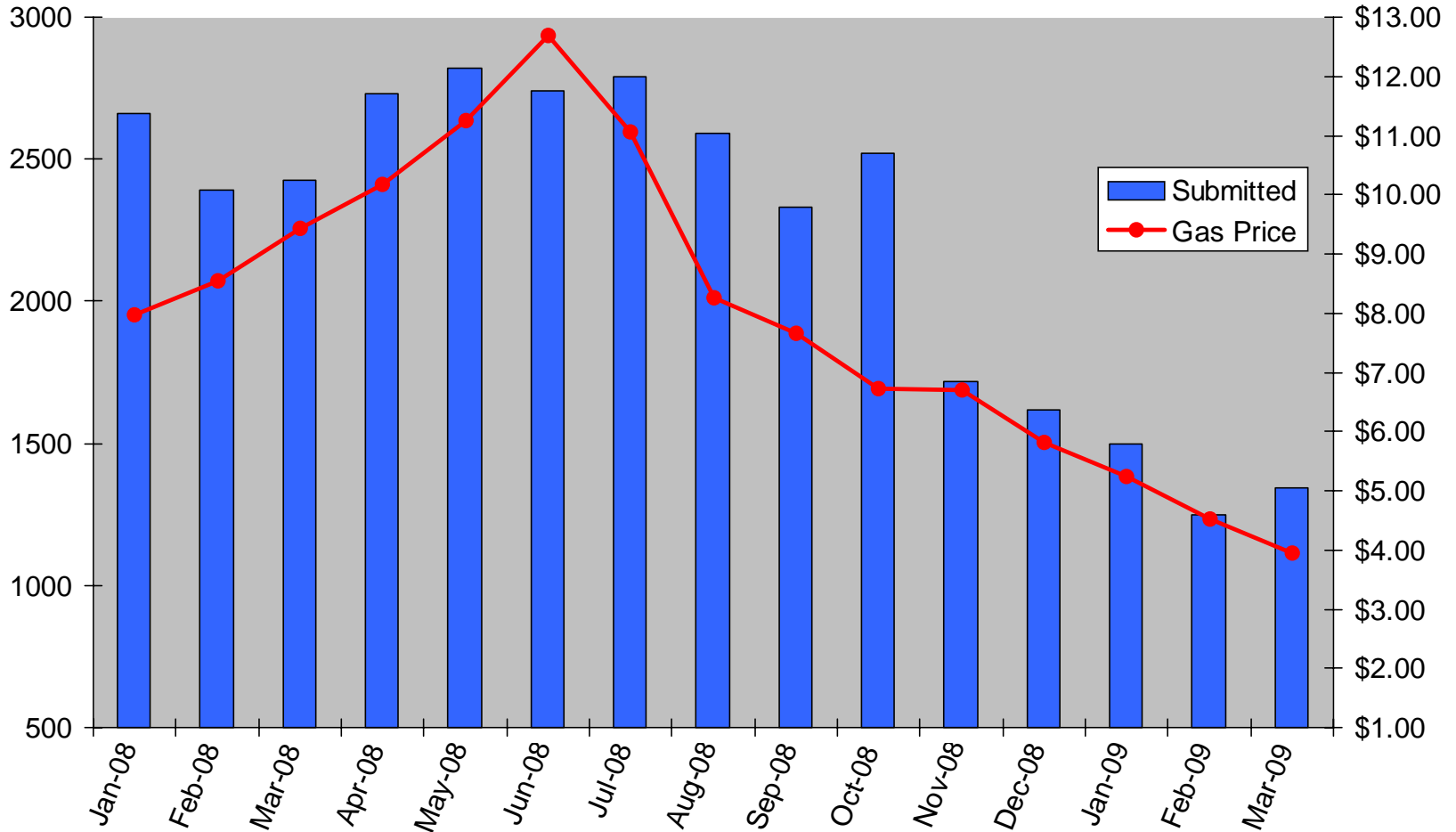


**384 TX Rigs
(April 17, 2009)
60% in 6 months!**

Drilling Permits Submitted (Natural Gas Price Overlay)

Submitted
Permits

Henry Hub
Spot Price
(\$/mmBTU)



Obama Administration Proposals:

Proposes changes to provisions in place for decades:

- Repeal Percentage Depletion Allowance
- Repeal Expensing of Intangible Drilling Costs
- Remove Marginal Well Tax Credits
- Increase Amortization of Geological & Geophysical Costs
- Will disproportionately impact INDEPENDENTS, who produce vast majority of domestic oil and gas

EPA declares CO₂ & Methane as POLLUTANTS!

- **Endanger “health & welfare of current & future generations”**
- **Rep. Ed Markey (D, Mass.): EPA decision is “a game changer”**
- **Look for Climate Change Legislation Soon**
- **Oil & Gas, Petrochemicals, Coal Plants, & CONSUMERS lose**

Hydraulic Fracturing & the Feds

- EPACT 2005: explicitly exempted hydraulic fracturing from federal regulation under SDWA
- Oct 2007 hearing, Henry Waxman (D-Ca.):
 - EPACT provision is “special interest giveaway”
 - Claims hydraulic fracturing is “*dangerous practice*” & serious environmental threat that EPA needs to regulate
- Nov 2008: Waxman now Chairs House Energy & Commerce Committee: Likely will seek frac legislation soon

Where's the Silver Lining?

- Oil & gas business is cyclic – we WILL see better days again!
- Economy will stabilize & recover
 - ENERGY DEMAND will continue to grow
- We'll continue to rely on hydrocarbons for many DECADES
- Independents are fighters & resilient survivors who provide a valuable, necessary commodity & contribute to
DOMESTIC ENERGY SECURITY

Keep up the great work!



Have a great EXPO!!!