



The ONLY national organization representing, solely and without compromise, oil and gas royalty owners interests.

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Short Commercial about NARO



The ONLY national organization representing, solely and without compromise, oil and gas royalty owners interests.

- What does this statement mean?
- Who are we?

35
YEARS

**NATIONAL ASSOCIATION OF
ROYALTY OWNERS**

1980-2015

Everyone Remember WPT?

From the Congressional Budget Office January 14, 1980

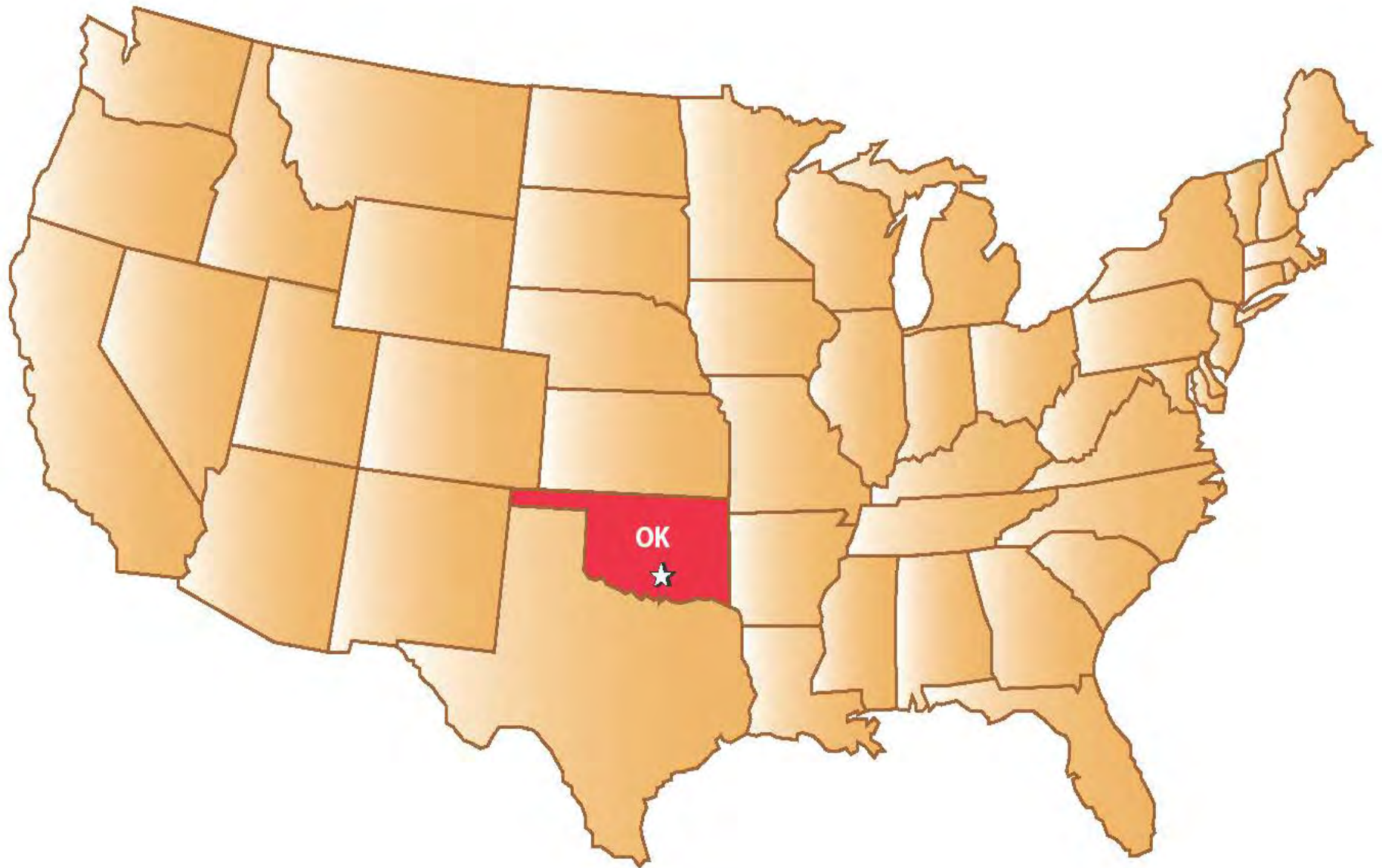
...”the effect of the tax could be to reduce domestic production by as much as 800,000 b/d by 1990 and reduce state revenues by more than \$16 billion. . .”

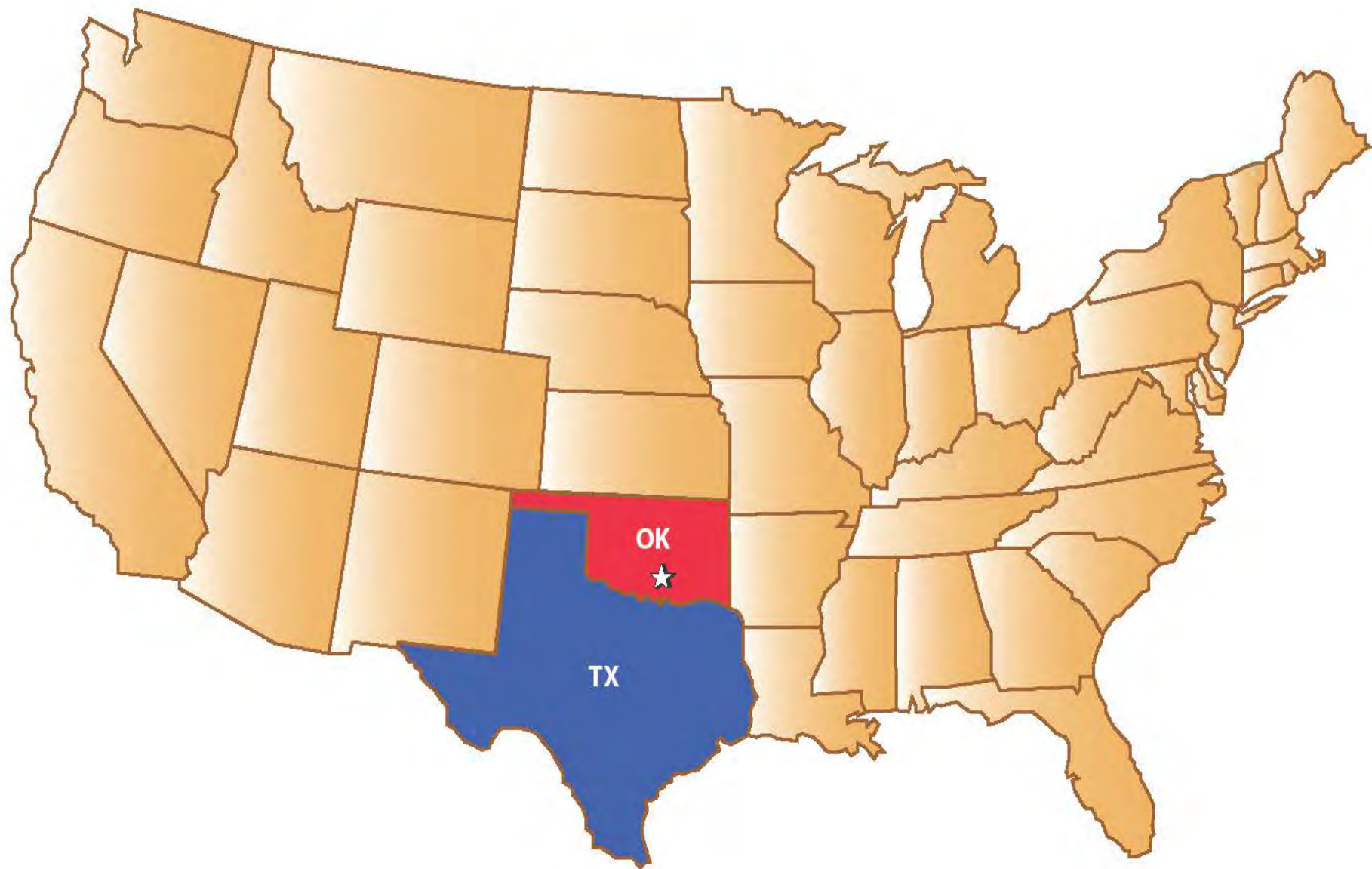
Result: According to EIA U.S. crude production in 1990 was 1.2 million b/d less than 1980.

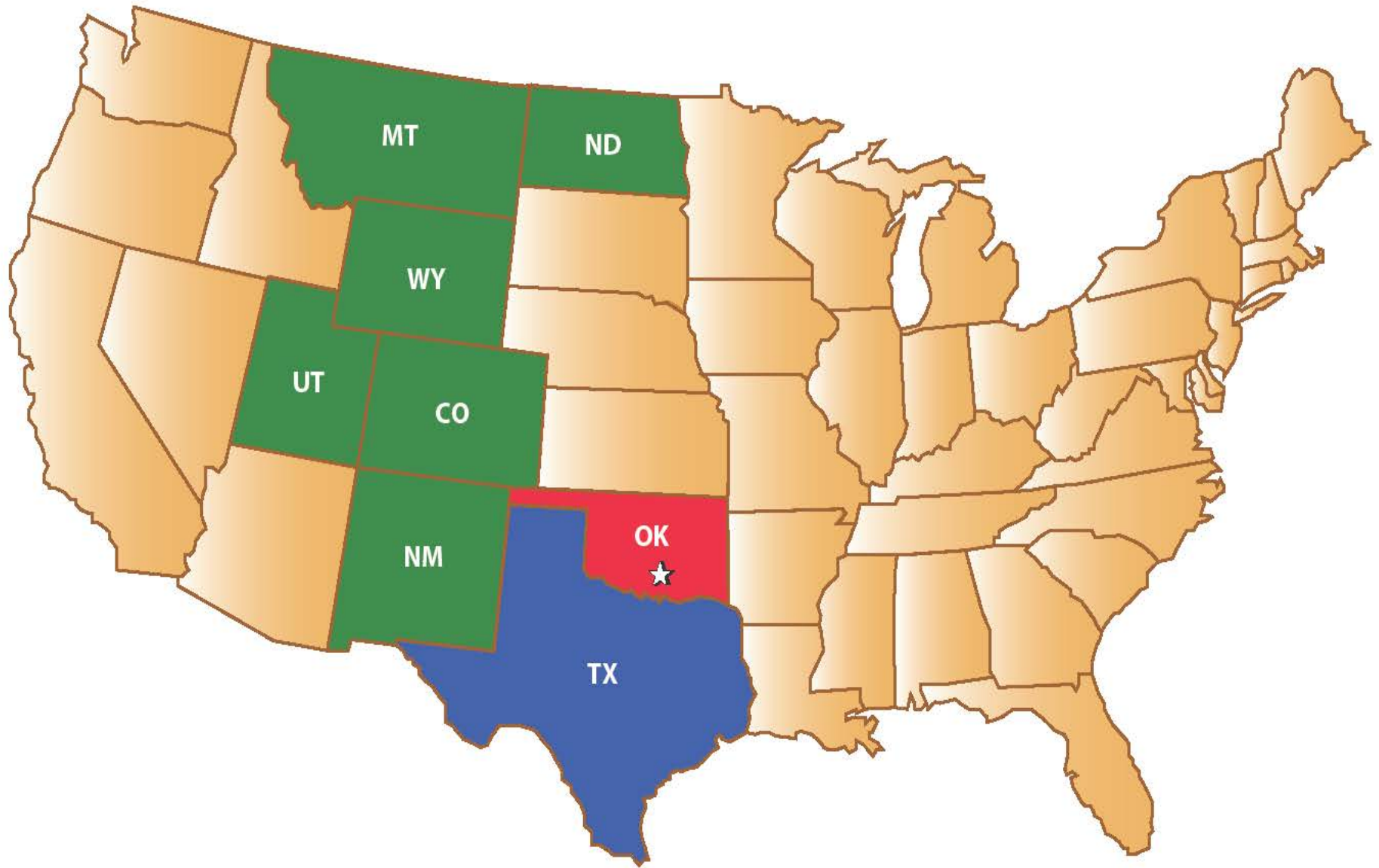
Conclusion of CBO report:

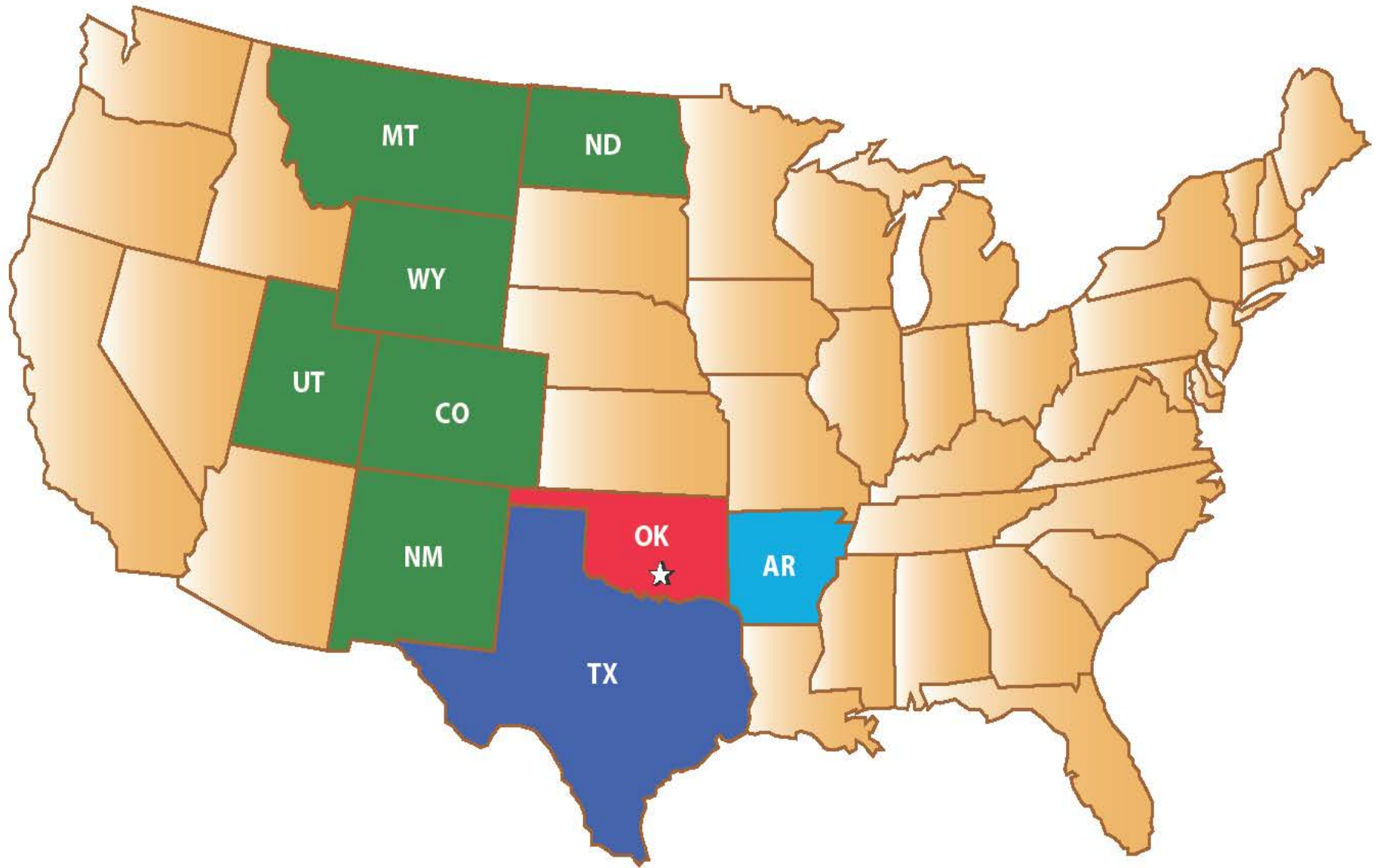
“...The tax now stands as a symbol of the frustration of the American public over the government’s inability to cope with the energy crisis. Political rhetoric aimed more towards garnering votes than towards clarifying the causes of the nation’s energy dilemma has convinced the public that the oil companies are to blame, and the public is demanding retribution. The WPT is the way politicians see of granting the public its wish. The trouble is the tax will not produce more energy; in fact it will inhibit energy production. Nor is it a question of allowing the oil companies to reap huge profits without paying any taxes whatsoever. Rather, it is a question of whether their tax rate should be 38% or 60% or 75%.

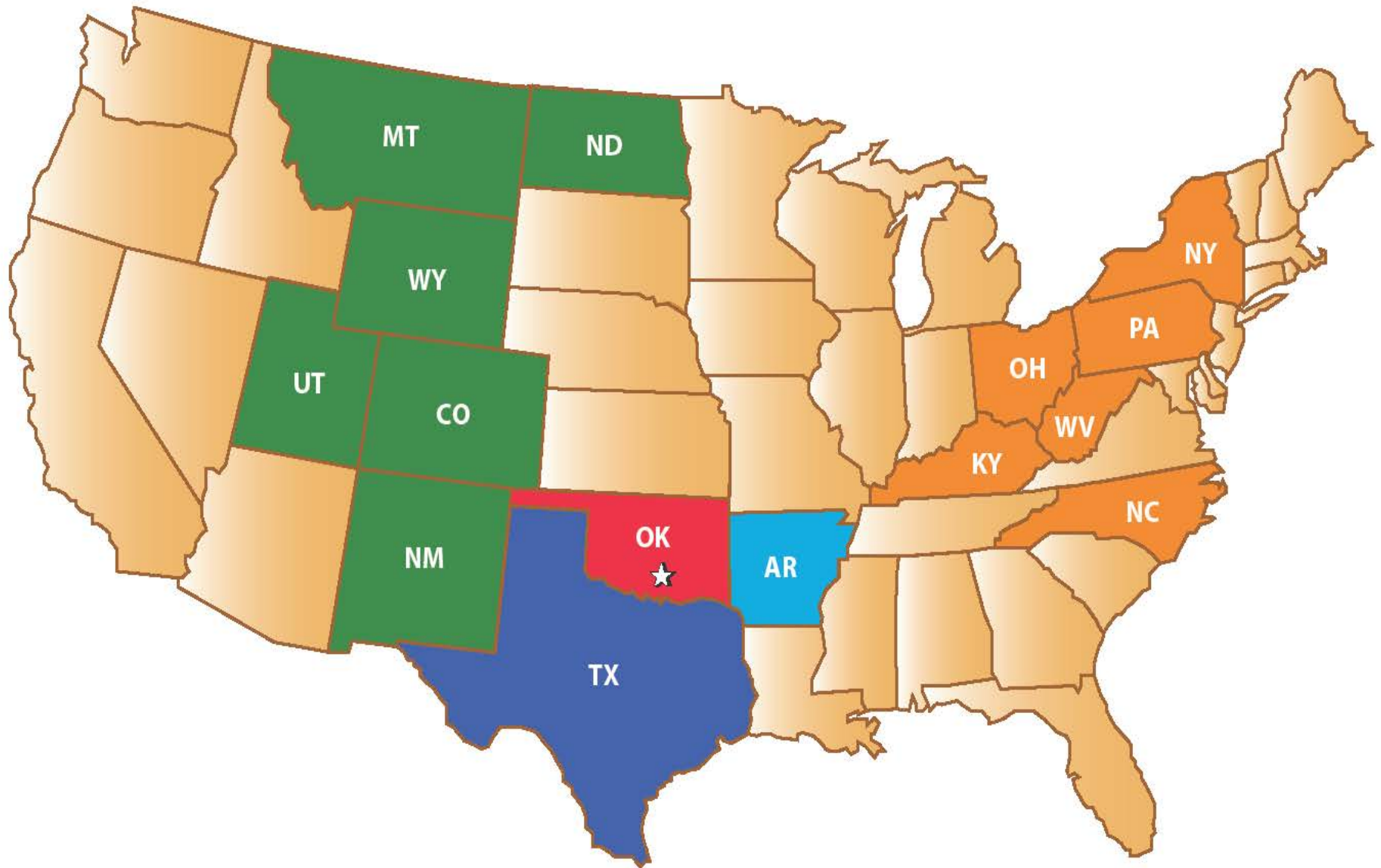


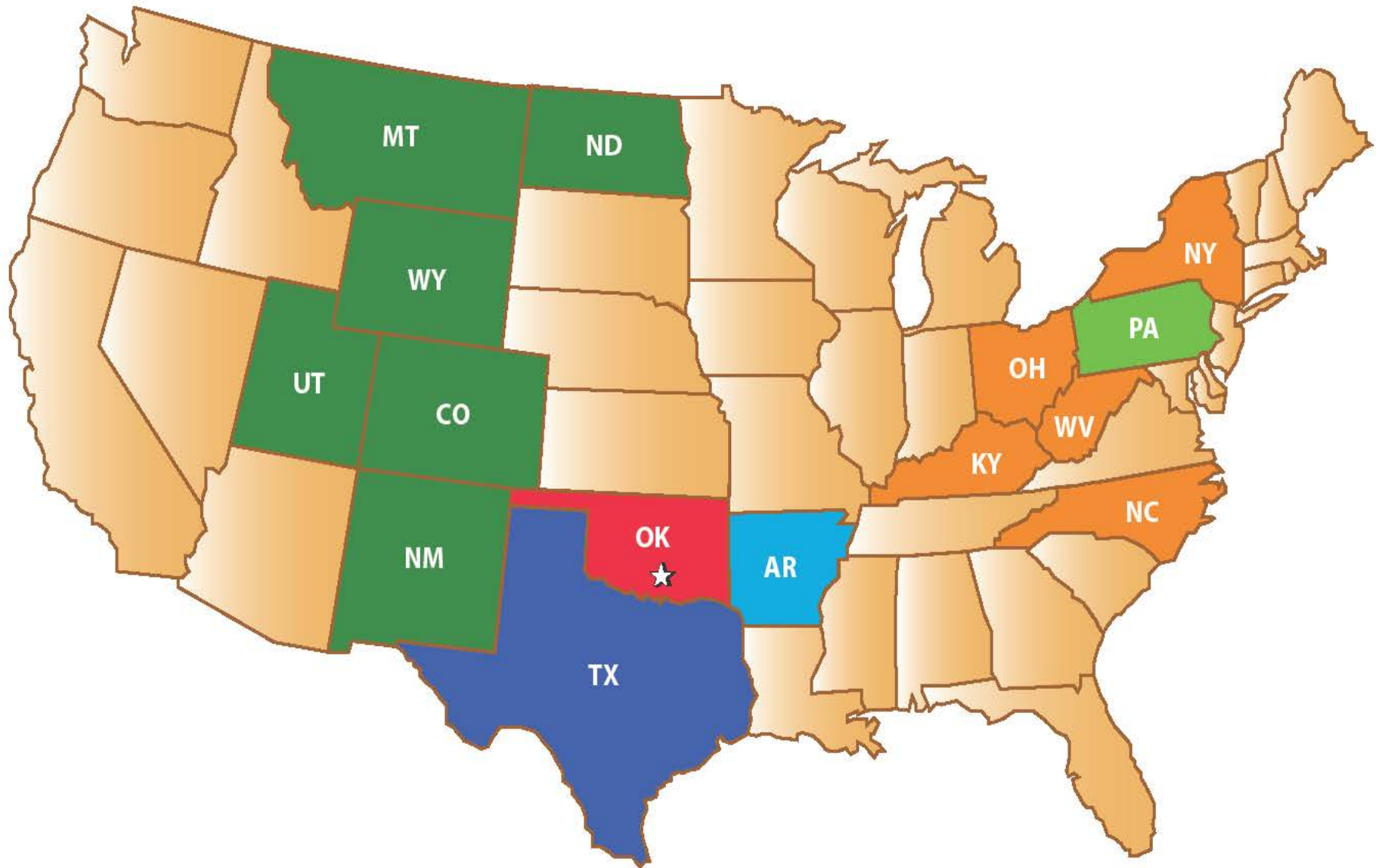


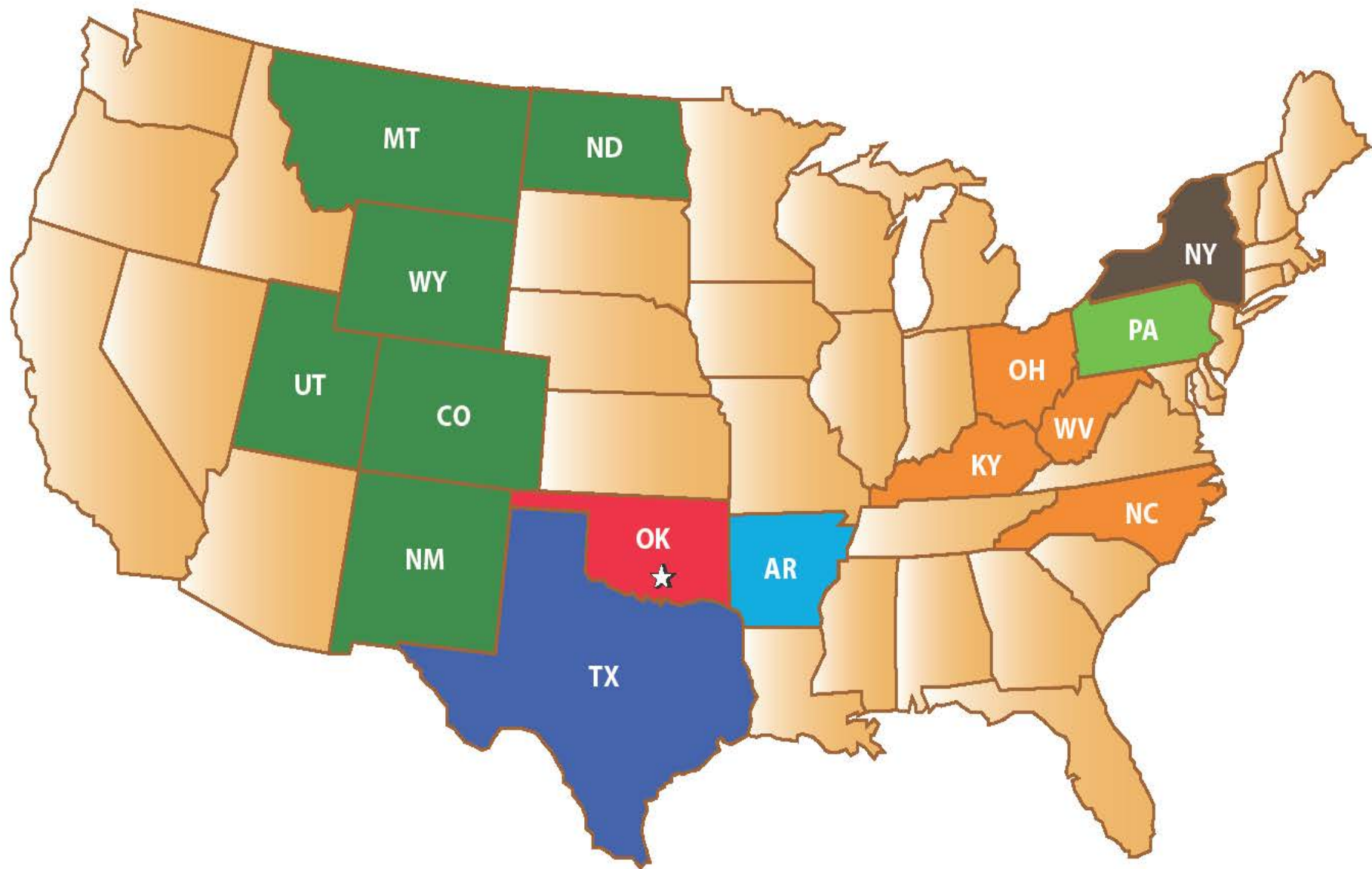


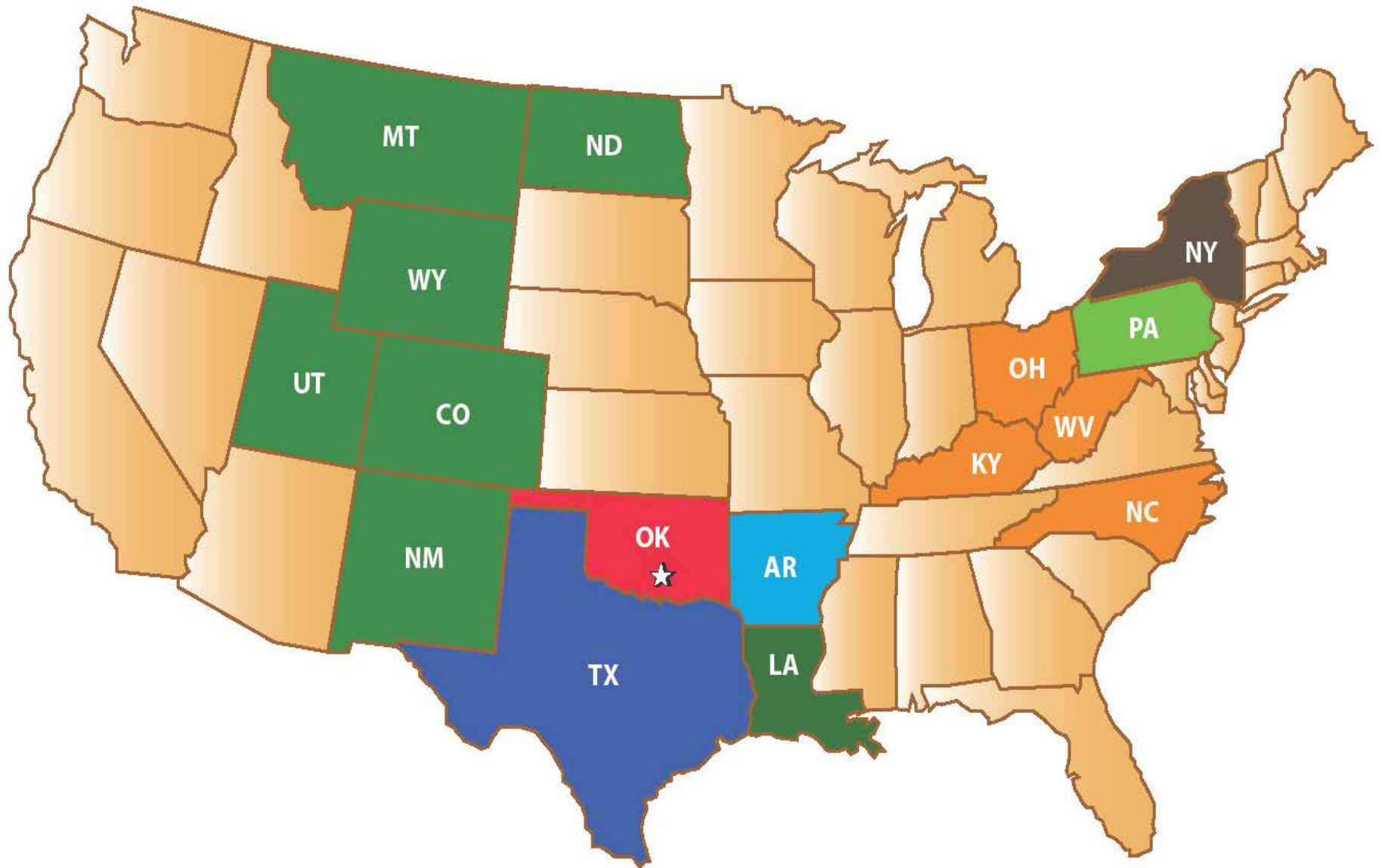


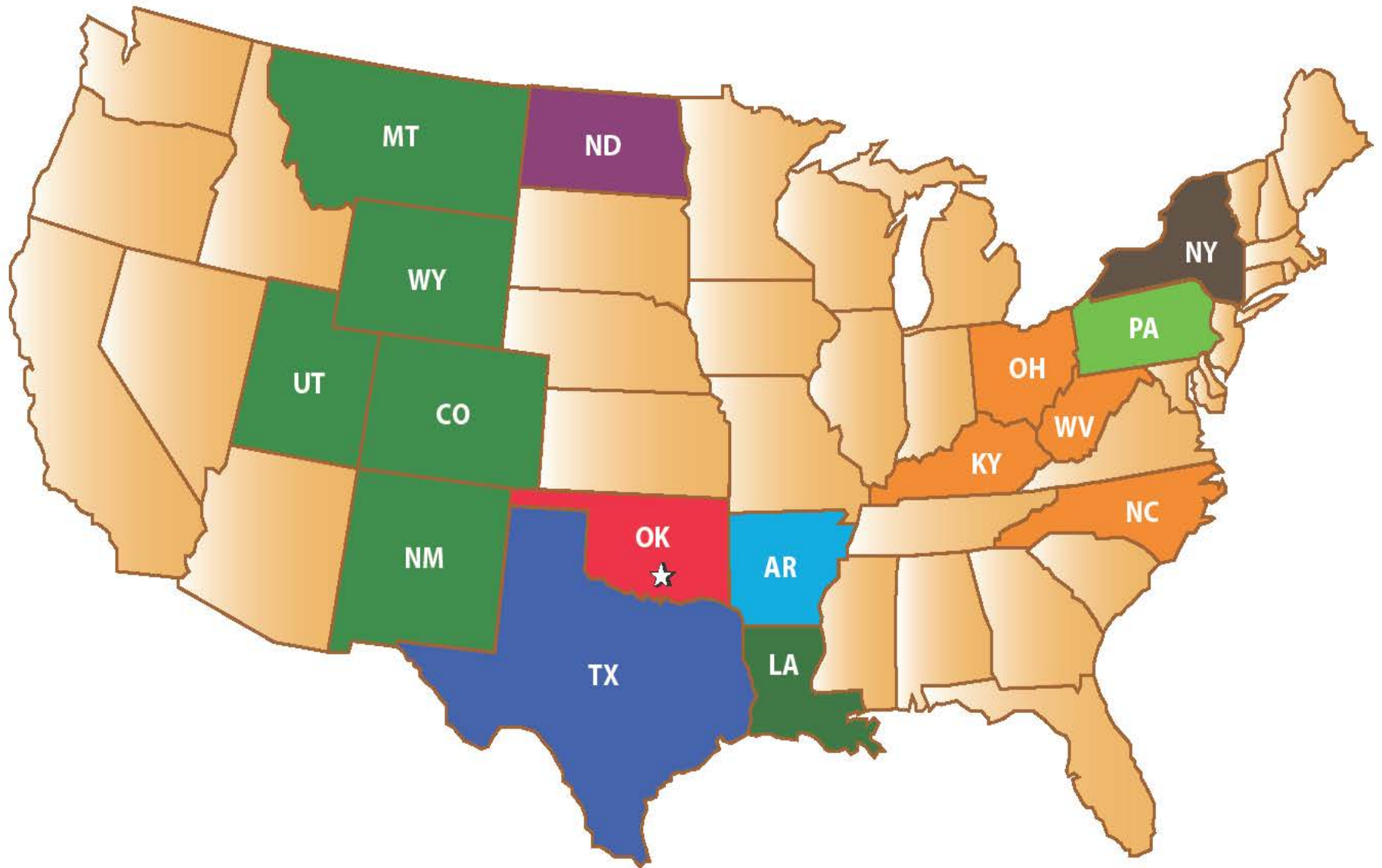


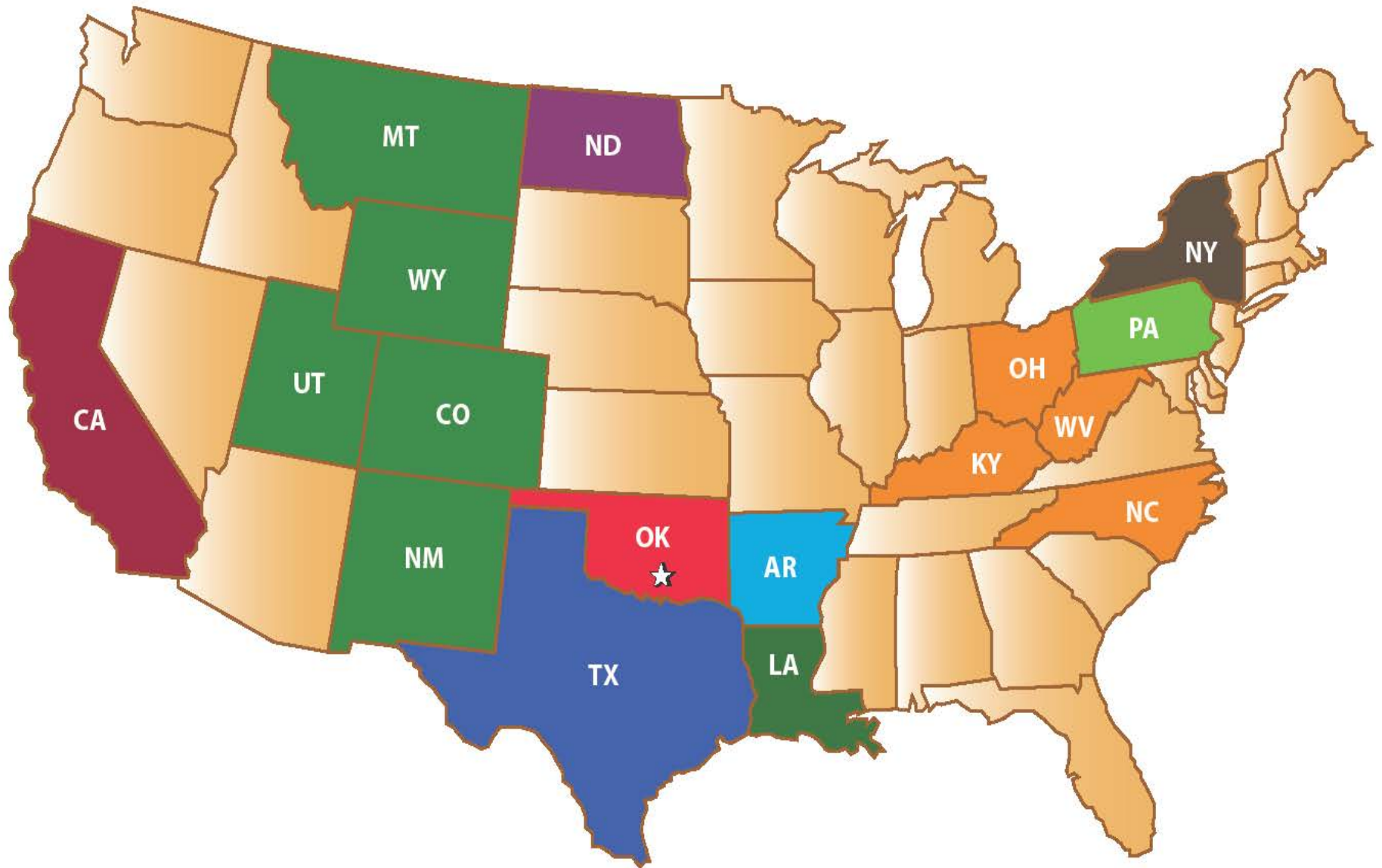


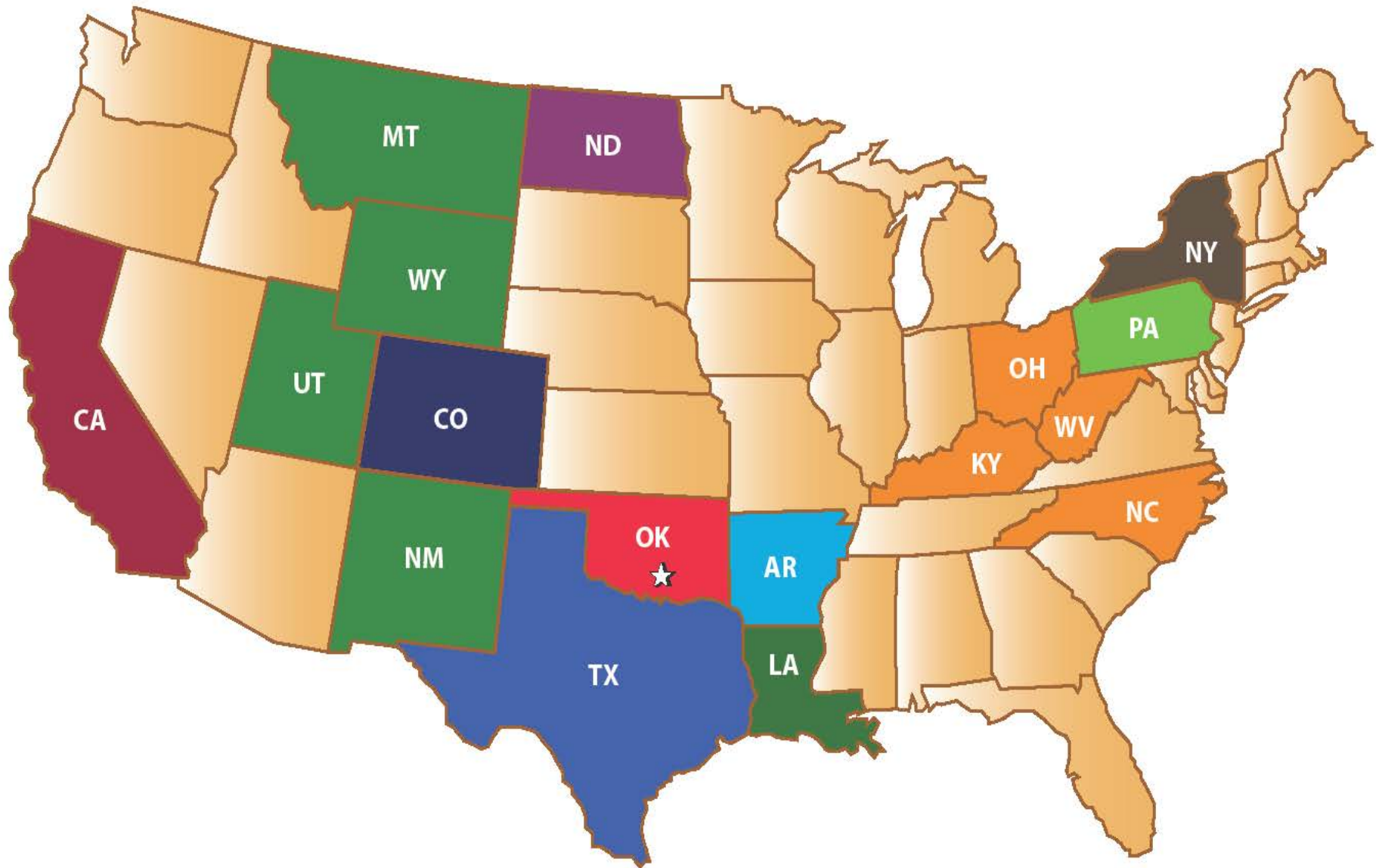


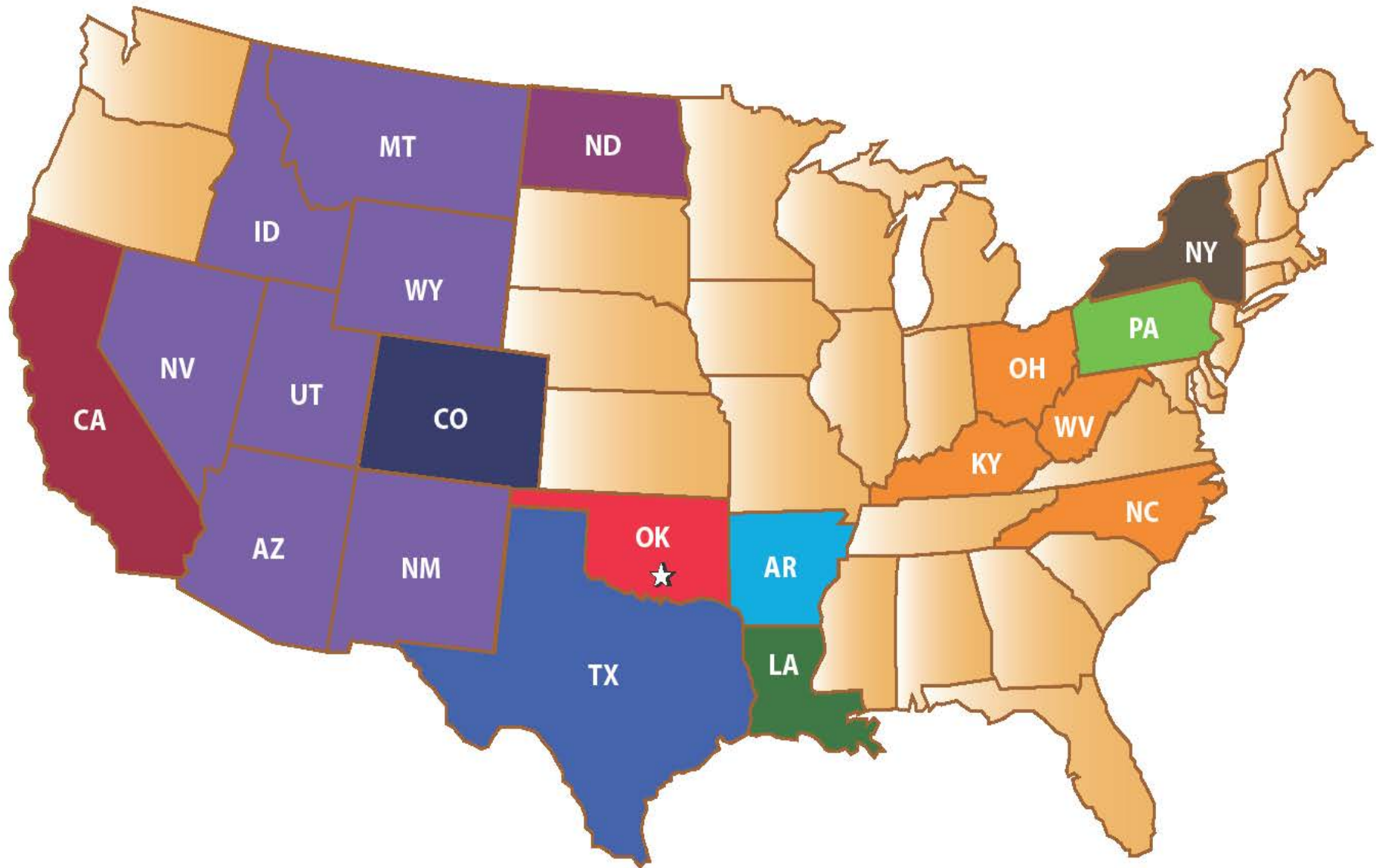














The ONLY national organization representing, solely and without compromise, oil and gas royalty owners interests.

- We have grown into an educational/advocacy organization
- NARO has three “parts”
 - The Association a 501 c (6)
 - The NARO-Foundation a 501 c (3) –
CMM Program
- Also have the NARO-PAC

TOP ISSUES

TAXES – Percentage Depletion

- President's budget
- Tax Reform

MUNICIPAL TAKINGS – NY State, CO, CA, TX, OK

ENDANGERED SPECIES ACT – Lizards, Prairie Chicken

WATERS OF THE U.S. – EPA now rules the world

FISH AND WILDLIFE – Rulemaking for Wildlife Refuge System

POLICY ON EXPORTS – Oil & Gas Exports Benefit Royalty

Chairman Camp's Tax Draft



WARNING: Congress wants your royalty income!

It's official. U.S. Rep. Dave Camp, R-Mich., chairman of the U.S. House Committee on Ways and Means unveiled his plan to grab 15 percent of your royalty income and cut the economic value of your oil and gas minerals. Camp plans to do this by repealing your ability to calculate mineral depreciation through percentage depletion. Small, domestic oil and gas producers will be hit hard too. They won't be able to afford to develop your minerals. That means fewer royalty checks and less money for you. In a blow to

the economy and U.S. energy security, almost 20 percent of total U.S. oil and gas resources could be shut in and lost forever.

This tax increase will harm **millions of royalty owners nationwide**, kill good-paying U.S. jobs, undermine America's manufacturing rebirth, and make your children and grandchildren more vulnerable to foreign oil powers.

Pick up the phone **today** and tell your U.S. Representative to block this proposed tax increase and to fight for your ability to use percentage depletion because royalty owners like you are critical to America's energy security.

SCRIPT: "I am one of the thousands of small independent oil and gas producers who rely on the percentage depletion allowance to stay in business, make payroll and provide much needed energy resources to this country. Chairman Camp's plan would raise my taxes by 15 percent and make my private minerals uneconomic to develop. If you do not vocally oppose this measure, I will assume you are for it, tell my friends and neighbors, and act accordingly in the voting booth."

Here are the phone numbers for Chairman Camp and key Republicans who serve with him at the Ways and Means Committee. Tell them the Camp plan is bad for royalty owners and America's energy security.

U.S. Rep. Dave Camp (MI): 202-225-3561
U.S. Rep. Charles Boustany (LA): 337-235-6322
U.S. Rep. Kevin Brady (TX): 936-439-9532
U.S. Rep. Tim Griffin (AR): 501-324-5941
U.S. Rep. Lynn Jenkins (KS): 785-234-5966
U.S. Rep. Sam Johnson (TX): 469-304-0382
U.S. Rep. Mike Kelly (PA): 724-282-2557
U.S. Rep. Kenny Marchant (TX): 972-556-0162
U.S. Rep. Devin Nunes (CA): 559-323-5235
U.S. Rep. Tom Reed (NY): 607-654-7566
U.S. Rep. Pat Tiberi (OH): 614-523-2555!

FRACKING . . . OH MY GOD NO!

What's the matter with you?

- Contaminate water
- Contaminate Air
- Pollute rivers and streams
- Increase incidence of cancer
- Increase incidence of birth defects
- Not regulated
- No one knows what the chemicals are
- Noisy operations with lots of truck traffic
 - And Probably why I have not yet won the Lottery –

Food & Water Watch says . . .

- “Fracking for oil and natural gas is too dangerous: it threatens the water we drink, the air we breathe, and our health. It also accelerates climate change. That’s why we need to ban fracking now.”
- “Fracking, also called “hydraulic fracturing,” is a destructive process that corporations like Halliburton, BP and ExxonMobil use to extract natural gas and oil from rock that lies deep underground. They drill a deep well and inject millions of gallons of toxic fracking fluid – a mix of water, sand and harsh chemicals – at a high enough pressure to fracture the rock and release the oil or gas.”
- “Fracking is exempt from major environmental laws, including the Safe Drinking Water Act, and spills and accidents are far too common.”

More food and water watch

- “The entire process of fracking — from drilling a well to transporting waste — endangers our water and the health of our communities. There is clear evidence of the growing damage caused by fracking:”
- “Some people who live near fracking sites have become **seriously ill from drinking contaminated water**. Others can light their tap on fire due to the amount of methane in their water.”
- “The oil and gas industry isn’t required to disclose the chemicals they use in the fracking process, but **many are known endocrine disruptors and carcinogens.**”
- “Communities with fracking have seen **declines in property values, increases in crime, and losses in local tourism and agriculture.**”
- “Methane, a **potent greenhouse gas that contributes to climate change**, leaks from fracking industry sites.”

SIERRA CLUB SAYS . . .

- “Increasing reliance on natural gas displaces the market for clean energy and harms human health and the environment in places where production occurs.”
- “Fracking for natural gas damages the land, pollutes water and air, and causes illness in surrounding communities. It is also a major threat to our climate. It is clear that we cannot transition from one fossil fuel to another and expect to see major climate benefits. We need to move beyond natural gas”

More Sierra Club . . .

- “The Safe Drinking Water Act (SDWA) was established to protect America's drinking water from being contaminated. However, the Energy Policy Act of 2005 -- also known as the "Halliburton Loophole" – exempted fracking from SDWA oversight, leaving drinking water sources in the 34 oil-and-gas-producing states unprotected from the host of toxic chemicals used during fracking, while exempting the industry from being held accountable for its pollution.”

About the “money shot” from Gasland Movie

- Three Weld County CO landowners, Mike Markham, Renee McClure, and Aimee Ellsworth, had water wells allegedly contaminated by oil and gas development. The COGCC investigated complaints from all three in 2008 and 2009, and issued written reports summarizing findings on each. Concluded that Aimee Ellsworth’s well contained a mixture of biogenic and thermogenic methane that was in part attributable to oil and gas development, and Mrs. Ellsworth and an operator reached a settlement in that case.

More from CO

- However, using the same investigative techniques, it was concluded that Mike Markham's and Renee McClure's wells contained biogenic gas that was not related to oil and gas activity.

More CO

- Laboratory analysis confirmed that the Markham and McClure wells contained biogenic methane typical of gas that is naturally found in the coals of the Laramie–Fox Hills Aquifer. This determination was based on a stable isotope analysis, which effectively “finger-printed” the gas as biogenic, as well as a gas composition analysis, which indicated that heavier hydrocarbons associated with thermogenic gas were absent. In addition, water samples from the wells were analyzed for benzene, toluene, ethylbenzene, and xylenes (BTEX), which are constituents of the hydrocarbons produced by oil and gas wells in the area. The absence of any BTEX compounds in these water samples provided additional evidence that oil and gas activity did not contaminate the Markham and McClure wells.

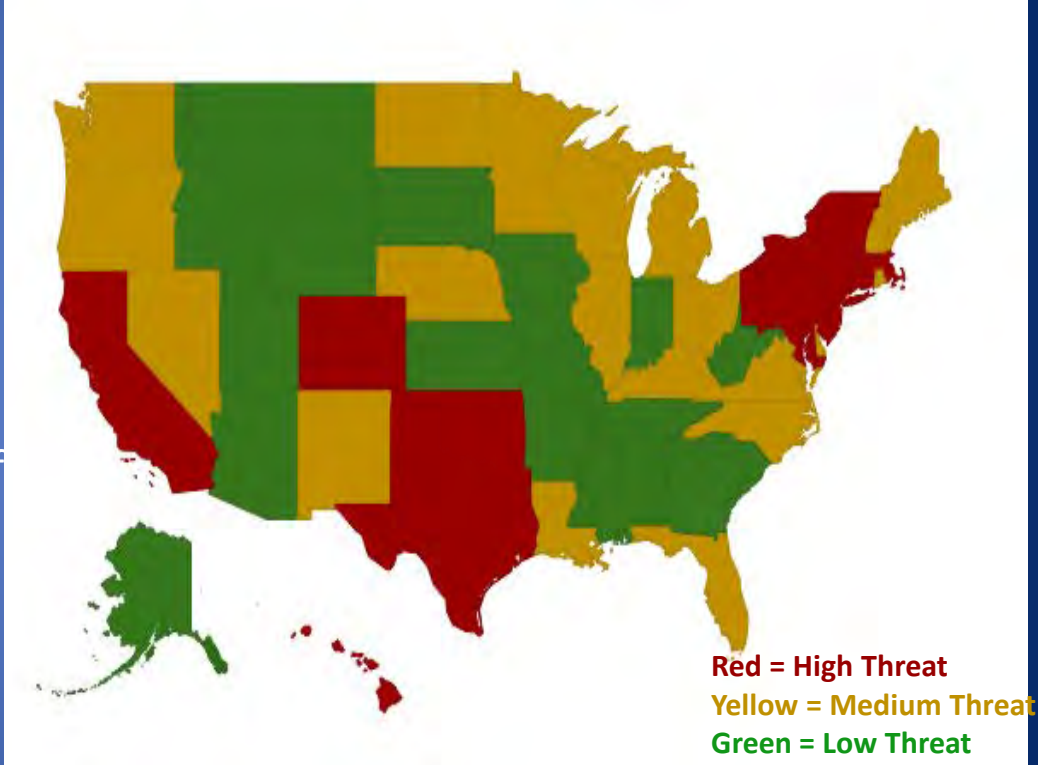
National Situation:

- Federal attempts to regulate:
 - Federal – Methane Regulations, Fracking Rules, Water, ESA
 - Public negatively views “fracking”

Local Efforts:

- Proliferation of anti-drilling measures
- Organized, well-funded; appearance of local, grassroots
- Emotional
- Savvy with media & social media
- Using successes to spur new fights

Source: Consumer Energy Alliance



Threats to Onshore Energy Development

- Attacks from well-coordinated, well-funded organizations that pose as “local grassroots movements”
- Activists capitalize on emotion and fear – they are indifferent to consumers cost impacts
- Efforts at ALL levels to target onshore, infrastructure, offshore, emissions, water, and other energy-related projects

Lack of 3rd party grassroots voices available to combat emotional pitch of anti-development groups



Denton, Texas

Situation:

- New Poster-Child of the anti-energy movement
- Citywide ban approved in November 2014 with 59% of the vote
 - Significant crossover vote when compared to statewide GOP FOR the ban, not Red, not Blue
- “Lessons-Learned” from Denton now being applied all over the nation
- Lawsuits filed to overturn City Ordinance
 - Likely to succeed, but at what cost?
- Legislation filed, but very difficult to overcome opposition from local governments
- Earthworks Denton to Austin Lobby Day at Texas Legislature planned for 3/2.

IF YOU CAN BAN FRACKING:

- **IN TEXAS**
- **IN A TOWN WITH 270 WELLS.**
- **WHERE BIG OIL OUTSPENT YOU 10:1**
- **WHERE FRACKING WAS INVENTED**

**THEN IT'S GAME ON
EVERYWHERE.**



Mansfield, Texas

Situation:

- Last year, approved beefed up oil and gas ordinance:
 - Bans fracking activity on Sundays
 - Prohibits flaring of useable gases
 - Forces companies to switch from diesel to electricity to power drilling operations
- *Mansfield Gas Well Awareness* group pushing for ADDITIONAL regulation at fracking sites, including increased setback distances
- The citizens' group has also spoken out against company's drilling permit renewal



Oklahoma

Situation:

- Oklahoma City, Stillwater and Norman are seeing HF-ban and local control groups sprout up
 - Recent City Council vote to ban fracking in Stillwater failed on a tie vote; scheduled public hearing on tighter restrictions (setbacks) for 4/6.
 - Stillwater City Council considering more restrictive ordinances prohibiting O&G development on land zoned for agriculture
 - *Don't Frack Payne County Coalition* organized (Stillwater)
 - Moratorium language introduced in OKC City Council
- Seismicity increasing focus – underground injection wells linked to highest earthquake rate in the US
- OK Legislature discussing state pre-emption



New Mexico

Situation:

- 4 County efforts to ban/restrict Hydraulic Fracturing – all northern NM
 - Websites, organizational support, local leadership
- Mora Co – First County to Ban in the Country (Project of the *Community Environmental Legal Defense Fund*)
 - Mora Co ban overturned by Courts on January 20th
- Santa Fe Co and San Miguel Co adopting O&G development regs so restrictive as to be a de facto ban
- O&G taxes make up over 1/3 of New Mexico's General Revenue Fund – serious gap in public understanding of importance of industry to NM



Louisiana

Situation:

- Efforts to stop hydraulic fracturing along the Northshore of Lake Pontchartrain.
 - Abita Springs & St. Tammany Parish have sued to stop one well
- *Concerned Citizens of St. Tammany* is the leading opposition group and recently intervened in the St. Tammany Parish suit
- *St. Tammany Together* hosted 2-day event featuring leading "fracktivists" from Denton to raise money for its "nonpartisan" Community Fracking Education Campaign
- On 2/5, St. Tammany Parish Council approved \$50,000 more for legal support to stop fracking (total legal fund is now \$175,000)



Pennsylvania

Situation:

- Local control efforts since 2011
 - Food & Water Watch took PA playbook to CO and elsewhere
- Gov. Wolf has expressed intent to impose new taxes on industry
 - Gov. recently announced restrictions on fracking on state lands
- *Energy Justice Shale Initiative* hosting Workshops to rally opposition
- *Pennsylvanians Against Fracking*, 8 members arrested at Wolf Inaugural
- *Food and Water Watch*, calls for PA to follow NY lead and ban fracking
- Prospective ban in Peters Township, Washington Co, will be spring agenda item
 - CEA-led effort to win ballot initiative in Peters Township in 2012 (80% victory margin)



Ohio

Situation:

- Ballot Initiatives driven by *Center for Environmental Legal Defense Fund*
- Youngstown a consistent target
 - Ballot initiatives in each of the last 4 election cycles. Each unsuccessful
 - Despite strong economic benefits of fracking
- CELDF ballot efforts successful in Broadview Heights, Oberlin & Athens
- Unsuccessful ban efforts in Kent, Gates Mills & Bowling Green (all non-producing)
- Columbus ballot ban – on infrastructure & production - in the works for Spring 2015
- Opposition to pipelines, including Spectra's project in Medina County, is also a factor
- The Ohio Supreme Court ruled that the City of Munroe Falls cannot regulate fracking as only the state has the ability to do so.



Colorado



Situation:

- Epicenter of HF and Local Control Issues
 - Longmont, Ft. Collins, Boulder, Lafayette and Broomfield have passed HF bans
 - Loveland rejected ban (52%-48%) but at a cost of \$2 million campaign
- Noble and Anadarko created *Coloradans for Responsible Energy Development* - \$20 million spent in 2014
- Gov Hickenlooper created CO Oil and Gas Task Force to address local control issues – report due by end of Feb 2015
- State ballot initiative expected, 2016



ELECTRICITY GENERATION

U.S. TOTAL

ENERGY SOURCE	GENERATION (Mega Watt Hours)
Coal	1,514,042,945
Natural Gas	1,225,894,175
Nuclear	769,331,249
Hydroelectric	276,240,223
Wind	140,821,703
Wood	37,449,067
Petroleum	23,189,541
Other Biomass	19,823,037
Geothermal	15,562,426
Other	13,787,067
Other Gases	11,897,585
Solar Thermal – Photovoltaic	4,326,675

Coal includes anthracite, bituminous coal, subbituminous coal, lignite, waste coal, and synthetic coal.

Other includes non-biogenic municipal solid waste, batteries, chemicals, hydrogen, pitch, purchased steam, sulfur, tire-derived fuels, and miscellaneous technologies.

Other Biomass includes biogenic municipal solid waste, landfill gas, sludge waste, agricultural byproducts, other biomass solids, other biomass liquids, and other biomass gases (including digester gases and methane).

Other Gases includes blast furnace gas, propane gas, and other manufactured and waste gases derived from fossil fuels.

Petroleum includes distillate fuel oil (all diesel and No. 1, No. 2, and No. 4 fuel oils), residual fuel oil (No. 5 and No. 6 fuel oils and bunker C fuel oil), jet fuel, kerosene, petroleum coke, and waste oil.

Wood and Wood Derived Fuels includes paper pellets, railroad ties, utility poles, wood chips, bark, red liquor, sludge wood, spent sulfite liquor, and black liquor, with other wood waste solids and wood-based liquids.

ELECTRICITY GENERATION NEW YORK

ENERGY SOURCE	GENERATION (Mega Watt Hours)
Coal	4,551,039
Natural Gas	59,462,256
Nuclear	40,774,560
Hydroelectric	24,652,495
Wind	2,991,580
Wood	487,784
Petroleum	580,284
Other Biomass	1,660,351
Geothermal	0
Other	968,133
Other Gases	0
Solar Thermal – Photovoltaic	52,713

Coal includes anthracite, bituminous coal, subbituminous coal, lignite, waste coal, and synthetic coal.

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ELECTRICITY GENERATION CALIFORNIA

ENERGY SOURCE	GENERATION (Mega Watt Hours)
Coal	1,375,083
Natural Gas	119,668,329
Nuclear	18,507,408
Hydroelectric	26,837,370
Wind	9,754,230
Wood	3,797,596
Petroleum	289,823
Other Biomass	2,513,721
Geothermal	12,518,999
Other	814,686
Other Gases	1,484,164
Solar Thermal – Photovoltaic	1,382,300

Coal includes anthracite, bituminous coal, subbituminous coal, lignite, waste coal, and synthetic coal.

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ELECTRICITY GENERATION TEXAS

ENERGY SOURCE	GENERATION (Mega Watt Hours)
Coal	138,088,223
Natural Gas	213,901,282
Nuclear	38,441,017
Hydroelectric	584,474
Wind	32,214,173
Wood	983,984
Petroleum	1,484,204
Other Biomass	700,275
Geothermal	0
Other	297,797
Other Gases	2,998,816
Solar Thermal – Photovoltaic	118,265

Coal includes anthracite, bituminous coal, subbituminous coal, lignite, waste coal, and synthetic coal.

Other includes non-biogenic municipal solid waste, batteries, chemicals, hydrogen, pitch, purchased steam, sulfur, tire-derived fuels, and miscellaneous technologies.

Other Biomass includes biogenic municipal solid waste, landfill gas, sludge waste, agricultural byproducts, other biomass solids, other biomass liquids, and other biomass gases (including digester gases and methane).

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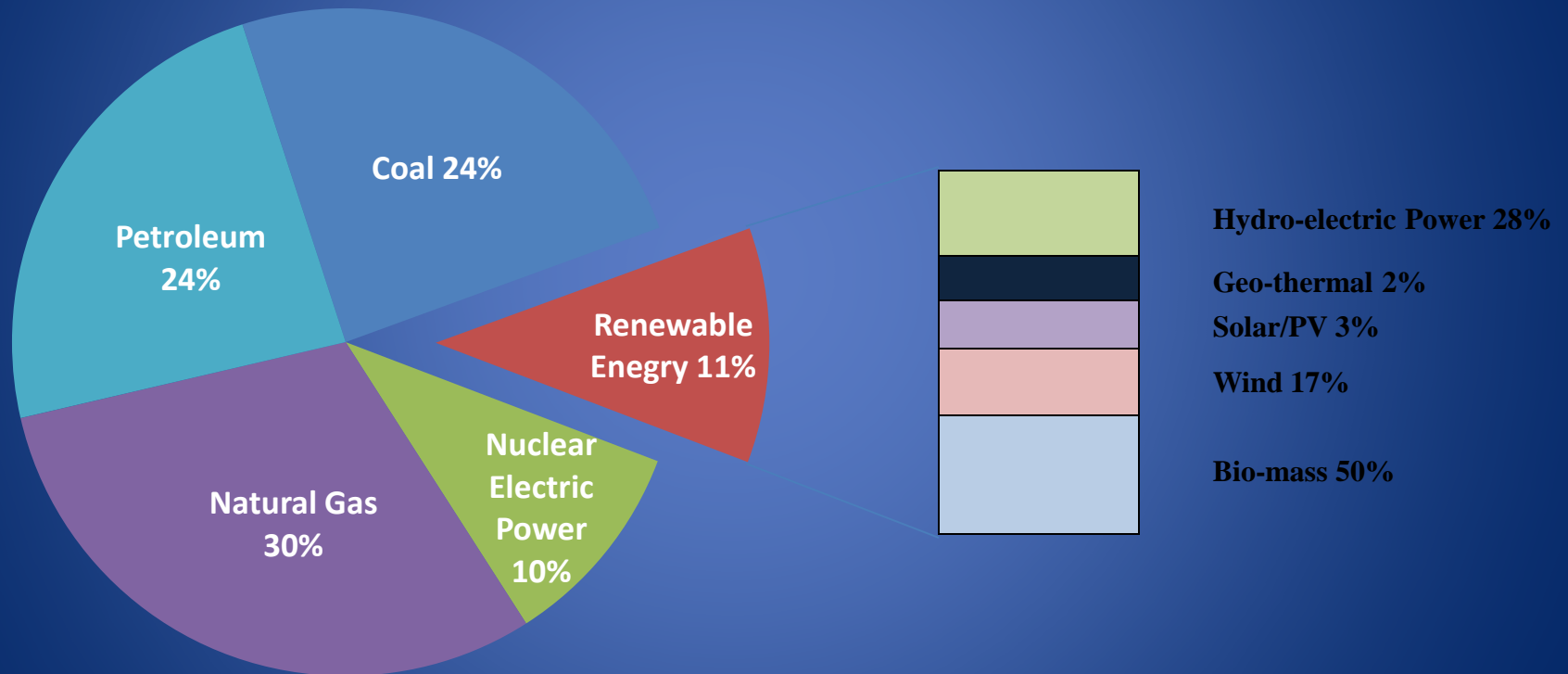
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Fossil Fuels Provide 79% of U.S. Energy

U.S. Energy Information Administration

Total: 81 quadrillion Btu

Total: 9 quadrillion Btu



Wind Mills and Solar Panels = Salvation

- A typical nuclear or fossil fuel power plant produces 1,000 megawatts of electricity per hour.

At 25 megawatts to 1500 acres for a nice wind farm of 60 to 70 turbines, you would need 60,000 acres and 2400 to 2800 wind turbines to equal 1,000 megawatts. Also factor in that wind turbines only about 25% of their rated capacity, so you really need four times as many wind turbines and four times as much space to produce, on average, 1,000 megawatts of electricity per hour. So that's, 240,000 acres and 9,600 to 11,200 turbines. 240,000 acres is 375 square miles.

At 5 acres of solar panels per megawatt, you need 5,000 acres of solar panels to equal 1,000 megawatts of electricity. Those solar panels only work at peak power levels during the sunny times, so, on average, they only put out about 25% of their rated capacity. That means you really need 20,000 acres of solar panels to generate 1,000 megawatts of electricity per hour, on average. 20,000 acres is 31.25 square miles

LAS VEGAS OCTOBER 15-17, 2015







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