



**Mike Callan**  
AIPRO President  
Stephens Production Company



## Annual Report //2018

### » From the President

**A**s I wrap up my term as AIPRO president, I am pleased to report that AIPRO is still working and succeeding at overcoming the effect of the downturn in the industry. Because of these efforts, the industry has become more cohesive and reliant on each other to solve common problems.

In 2018, we came together to address a report on the valuation of minerals and its implication, celebrated a milestone 10th Annual Meeting, gathered at the South Arkansas Fish Fry, and saw our Arkansas Energy Rocks! program expand its summer workshops for educators to the South Arkansas oil patch and Arkoma Basin, while also reaching a record number of students.

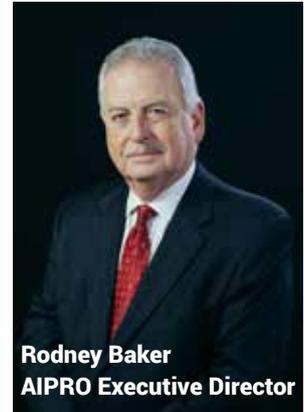
AIPRO also maintained its relationship with the legislature and continues to be mindful of the importance of those connections. This will be invaluable as we head into a legislative session in January.

As for the new companies now operating in our

state, I would like to say, "Welcome to Arkansas." We wish you success and hope you bring new vigor to one of the state's largest industries. AIPRO is glad you are here and stands ready to work with you to meet the challenges ahead.

AIPRO is well positioned for continued success under the leadership of incoming President Richard Walt and I would like to thank outgoing board members Rick Bauman and Gayle Mason for their service to the organization. We are fortunate to have AIPRO as a unifying voice and I encourage you to continue supporting it through your membership and involvement.

# » Director's Message



**Rodney Baker**  
AIPRO Executive Director

**A**s we prepare to close the record book on 2018, AIPRO members can look back on a year that was active in several areas. The public policy arena has been filled with legislative task forces, studies and potential legislation. AIPRO continued to enhance its education programs to reach a record number of teachers and students. Three of our larger producing companies are under new ownership and management.

## **ADVOCACY**

Turning to the future, we expect to be fully engaged in the 2019 legislative process. Three major areas that legislators and the Governor have focused on include tax reform and relief, transformation of state agencies and occupational licensing. We can also expect to see legislation aimed directly at the oil and gas industry relating to assessments and collections.

Tax Reform focuses largely on reducing the income tax rate. Two proposals are being considered. The Governor's would reduce the income tax rate from 6.9% to 5.9%, when fully implemented. The task-force-developed proposal would lower the rate from 6.9% to 6.5% and reduce the number of tax tables from three to one. The Governor's proposal appears to be the more popular of the two, but it requires a 75% vote, while the legislative proposal only requires a simple majority. Look for this issue to be addressed early in the session.

Gov. Hutchinson's proposed transformation of state government will reduce the number of agency directors on his cabinet from over 40 to 15 by grouping agencies into a department headed by a Secretary. It has been decades since a significant streamlining of state government has occurred. The current effort is by far the most thoughtful and comes at a time when other factors support its passage. For example, having licensing boards and commissions combined under a larger umbrella provides the state oversight for licensing boards that many legislators feel is necessary. Gov. Hutchinson has planned well and worked this issue with several key industries. I expect him to be successful with this bill although it will likely take most of the session to make it back to his desk.

The Red Tape Reduction Group, another legislative study group, has worked throughout

the past year to identify unnecessary barriers to someone entering an occupation. This is a three-year effort that is funded through 2021. Because of this effort, several agencies have already acted to minimize barriers such as lower licensing fees, revising requirements, speeding turn-around time on license applications and improving reciprocity. We can expect several bills resulting from this effort. Some approved by the members of the study group and some by individual legislators who favor moving the "lines" farther or removing them altogether.

Property tax assessment and property tax rates have been a front-burner issues for AIPRO members this year and will remain so through the legislation session. AIPRO, through the efforts of its leadership and members, has made significant progress toward resolving several of these issues. However, we expect there will be bills introduced during the session aimed at tweaking or revising current law. While it's not possible to know exactly what will be proposed, I would like to share some insight about what we do know and/or expect.

The Association of Arkansas Counties has shared its legislative package with the legislature. So far, it contains three bills aimed at our industry. The first bill addresses how division orders are handled. It would:

- Establish the reporting format;
- Require division orders be submitted electronically by March 31 of each year;
- Allow a county assessor to impose a 10% penalty for late filing or using the wrong form;
- Provide that division orders are not subject to the Freedom of Information Act; and
- Create an exemption for a tax payer who pay 100% of the property taxes due on assessed mineral interests.

The second bill flagged to us earlier this year would specify that the County Equalization Board does not have jurisdiction over the adjustment of the valuation of producing minerals in accordance with the directions and methods set forth by the Assessment Coordination Department.

The third bill would amend the statutes concerning disputed tax bills. Current law does not require the tax payer to pay any part of a real property tax bill if the bill is being disputed until the dispute is settled. This is different than personal property where the tax payer is required to pay the undisputed portion when the bill is due. This proposal changes the provision for real property to require the tax payer to pay the undisputed share, similar to personal property.

## **EDUCATION**

Arkansas Energy Rocks! and the Arkansas Energy Education Teacher Workshops had an outstanding year in 2018. It reached a record number of students and doubled the number of teachers involved in the workshops. All in all, a banner year. I would like to review how this important program has grown from its humble beginnings.

The program began in 2011 with the idea of reaching civic groups and talking with them about what was going on in the oil and gas community. At a time when exploration was booming, many Arkansans knew little if anything about the industry in their home state.

In 2013, after reviewing programs in neighboring states, it was decided to take our story directly to schools, where we could change the image of this industry by addressing the science behind it and the benefits to our state and country. Teachers were recruited to help build a website—[ArkansasEnergyRocks.com](http://ArkansasEnergyRocks.com)—and classroom visits began once the website was finished. That first spring, six schools were visited, reaching approximately 350 students.

The first Teacher Energy Education Workshop was held in June 2014 at SWN headquarters in Conway.

Over the next few years, the program grew in notoriety as the number of classroom and civic club presentations increased and more teachers were exposed to the industry through the teacher workshops. In the 2017-18 school

year, presentations were made to 44 schools and approximately 8,000 students.

This summer, the number of teacher workshops was increased to two and rotated into the South Arkansas and Arkoma production areas. Twice as many teachers were enrolled at a lower cost per teacher than previous years, while recruiting teachers from other areas of the state.

The 2018-2019 school year is shaping up to be another record year. The word is out in the education community about the quality of our program. We are reaching hundreds of teachers through these presentations and getting increased participation.

Unfortunately, Arkansas Energy Rocks! received some disappointing news in September. The American Petroleum Institute gave notification that they were immediately ending their financial support for the program in order to focus on other areas. Since its inception, API had been a major source of funding for the program.

The Arkansas Energy Education Foundation has voted to maintain the program through January and the AIPRO Board has stepped up to continue the program through June. These actions maintain the viability of the program.

Fortunately, there is light at the end of the tunnel and with a little effort we can reach it. In November, the AEEF Board approved a fund-raising campaign with a goal of \$50,000. The Foundation will be soliciting contributions from all AIPRO members. Several have already committed support for the coming year. Please review your budgets and add a line for the AEEF. In addition, there is the possibility of significant support from a third-party that we are aware of as well as potential support from new producers, but we will not be certain of that until sometime this spring. While \$50,000 is a large number, it is certainly obtainable if we all pitch in.

Thank you all for your continued support of AIPRO and its programs. Please don't hesitate to contact me if I can answer questions or assist you in any way.



# » 10th Annual Meeting



**R**eturning to the site of its first membership gathering, AIPRO held its 10th Annual Meeting at the Crowne Plaza Little Rock, October 10-11.

In addition to networking opportunities, the agenda included an outstanding line-up of speakers providing insight into the global economy, national regulatory environment, ballot initiatives, the upcoming legislative session and State government.

Presentations from select speakers are available online at [www.slideshare.net/AIPROorg](http://www.slideshare.net/AIPROorg).

See more pictures from the meeting at [www.flickr.com/photos/aiproorg/albums](http://www.flickr.com/photos/aiproorg/albums).



Presenter Michael Drury (left) with Rick Bauman (right), ARKLATX Operating Company.



Ross Bunting (left), with Enbridge, and Griffin Hanna (right), with Hanna Oil and Gas.



Left to right: Brooke Tharp, Greg Bates and Walter Duese, with XTO Energy Inc.



Incoming AIPRO President Richard Walt (left), with J. David Reynolds Co., recognizes Mike Callan (right), with Stephens Production Company, for his service as AIPRO president.



Left to right: Rodney Baker, AIPRO; Susan Ginsberg, IPAA; and Andy Miller, then with Southwestern Energy (now with Flywheel Energy).

## » AEEF Awards Excellence

The Arkansas Energy Education Foundation presented two awards at the AIPRO annual meeting on October 11.

Springdale Public Schools teacher Becca Jackson was honored as the Arkansas Energy Rocks! Outstanding Educator for her work as a 7th-grade science teacher at Helen Tyson Middle School.

The Arkansas STEPS Network presented an award to Jeremy Cox, then an HSE staff coordinator with Southwestern Energy in Conway, for his work to promote safety, health and environmental improvement in the exploration and production of oil and natural gas in Arkansas.

"The Arkansas Energy Education Foundation was formed three years ago to support outreach and education efforts, specifically

Arkansas Energy Rocks! and the Arkansas STEPS Network," said AEEF President Bill Hanna, with Hanna Oil and Gas Company. "We are pleased to honor Becca and Jeremy."

Learn more about Arkansas Energy Rocks! at [www.arkansasenergyrocks.com](http://www.arkansasenergyrocks.com) and the Arkansas STEPS Network at [www.arstepsnetwork.org](http://www.arstepsnetwork.org).



Arkansas Energy Rocks! Program Director Paige Miller (right) presented the Outstanding Educator Award to Springdale teacher Becca Jackson (left).



Arkansas STEPS Network recognized Jeremy Cox for his work with the program.

## » South Arkansas Fish Fry

On April 23, AIPRO held its 9th Annual Fish Fry at the Arkansas Museum of Natural Resources in Smackover. More than 50 AIPRO members and friends of the industry met for good food and fellowship, an association update and to recognize members of the Arkansas Oil and Gas Commission (AOGC).

Thank you to Lion Oil for sponsoring the event. See more pictures at [www.flickr.com/photos/aiproorg/albums](http://www.flickr.com/photos/aiproorg/albums).



Left to right: Dewayne Carmichael, Lion Oil; AOGC Director Lawrence Bengal; AOGC Chairman W. Frank Morledge; Patricia Hendrix; and Jay Hansen, AOGC.



# » Arkansas Energy Rocks!

The Arkansas Energy Education Foundation (AEEF) was created to promote and support the oil and natural gas industry in Arkansas. AEEF funds are used to get our message to students and educators through the Arkansas Energy Rocks! program. In 2018, the program reached a record number of students and teachers.

“Last school year, we reached more than 8,000 students at 44 schools with positive information about the industry’s economic and environmental benefits,” said Paige Miller, Arkansas Energy Rocks! director.

from the teachers,” said AIPRO President Mike Callan, with Stephens Production Company. “This success reflects what we intended when we developed the program and it’s great to see the teachers relate to it.”

This summer, the Arkansas Energy Rocks! program expanded its successful Teacher Energy Education Workshop (TEEW) to the South Arkansas oil patch (June 5-6) and Arkoma Basin in West Arkansas (June 11-12). A total of 42 educators participated in the two-day workshops.

Over the two days, educators heard from the industry representatives, Arkansas Oil and Gas Commission, Arkansas Department of Environmental Quality, conservation organizations, a local producer panel and economic development professionals. The workshops also included field tours highlighting the industry in each area.

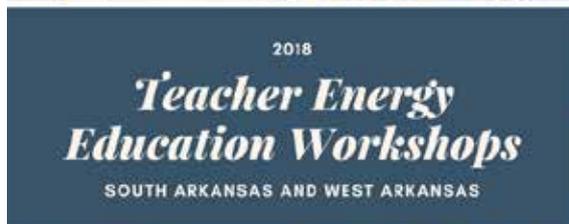
“The South Arkansas producers enjoyed the time we had to share our industry with our Arkansas educators,” said AIPRO Secretary Richard Walt, with J. David Reynolds Company. “I am already looking forward to the next one.”

To sustain and strengthen our work, we need your help. As a member of the state’s oil and natural gas production community, you recognize the need to share with others the importance of who we are and what we do to help meet energy demands on the state, national and global levels.

“The West Arkansas workshop went well and I was pleased with the depth of questions

**8,000**  
STUDENTS REACHED

**42**  
EDUCATORS PARTICIPATING  
IN SUMMER WORKSHOPS





## » Arkansas STEPS Network

The Arkansas STEPS Network was created in 2011 for employees the state's oil and natural gas production and operation community. Its mission is to promote safety, health and environmental improvement in the exploration and production of oil and natural gas. The STEPS Network fosters a work environment that relies upon open communication and trust.

Quarterly educational meetings are held in Heber Springs and Magnolia. Learn more at [arstepsnetwork.org](http://arstepsnetwork.org).

### TOPICS COVERED IN 2018:

- Nine Characteristics of the Perfect Employee
- Walking Working Surfaces
- Risk Tolerance
- H2S Instructor Development Course
- Energy Isolation Standard
- Work Zones
- Severe Weather and Storm Notification
- Save A Back
- Claims Management
- Case Management
- Last Minute Risk Assessment
- Reasonable Suspicion
- Drug Awareness
- ATV and Hunter Safety
- Bleeding Control
- OSHA Update



*In May, the SAVE A BACK program shared foundational information and practical applications so participants could learn to manage their back care.*



*STEPS meeting participants practice bleeding control at the October class in Heber Springs.*

220+

PARTICIPANTS

14

MEETINGS

HELD

16

TOPICS COVERED

**Arkansas Independent Producers and Royalty Owners**  
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**Little Rock AR 72201**

**501-975-0565**  
**[www.aipro.org](http://www.aipro.org)**



## » 2018 Officers & Board

### **PRESIDENT**

Mike Callan  
*Stephens Production Company*

### **SECRETARY**

Richard Walt  
*J. David Reynolds Company*

### **PAST PRESIDENT**

Andy Miller  
*Southwestern Energy*

### **SOUTH ARKANSAS**

Rick Bauman - ARKLATX Operating Company, Inc.  
Nathan Caldwell - Weiser-Brown Operating Company  
Chris Rogers - Mission Creek Resources

### **ARKOMA BASIN**

Bill Hanna - Hanna Oil and Gas  
Gayle Mason - Mid-State Energy, Inc.  
Howard Vernon - Toklan Oil and Gas Corporation

### **FAYETTEVILLE SHALE**

Ryan Ainsworth - Southwestern Energy  
Ryan Bowley - BHP  
Walter Duesday - XTO Energy Inc.

## » AIPRO Management

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