

## Association Strives To Deliver Value

By Dan Larson  
Special Correspondent

CLINTON, TN.—As members of the Tennessee Oil & Gas Association gather for their annual convention, May 21-23 at the Park Vista in Gatlinburg, Tn., they will consider the industry outlook for the months ahead, how to increase membership, and the ups and downs of the past year.

"We really are looking forward to this year's convention," says TOGA Chairwoman Vicki Griffith, chief financial officer for Griffith Services LLC of Clinton. "We have a goal this year to provide greater value for our members and will be rolling out some things in the next few months that I think they will like."

Griffith and TOGA President Chuck Laine both express optimism that natural gas development will pick up this year after a slowdown in drilling and production in 2013. According to the U.S. Energy Information Administration's state production rankings, Tennessee placed 26th in 2012 with natural gas production of 5.825 billion cubic feet, up from 4.851 Bcf in 2011.

Optimism is high that operators will continue to drill horizontal wells in the Mississippian Lime this year, says Griffith. "Last year was the learning process for Tennessee horizontal drilling, and despite all the problems, it was economically successful," she says.

Knoxville, Tn.-based Miller Energy Resources Inc. reported to investors that it drilled and completed three horizontal wells in 2013 and had identified more than 25 drilling targets in the formation. Two other companies have reported successful horizontal wells in the Mississippian Lime and still others continue to express interest, Griffith mentions.

"Tennessee has had many gas wells shut in because of gas prices and federal regulations," she continues. "We are hopeful the rise in prices from this past cold winter will restore shut-in production and even spark some new drilling."

Adds Laine, "Tennessee is fortunate to be a resource rich state. Oil and gas

### TOGA Annual Meeting Gatlinburg, Tn.

#### Wednesday, May 21

- 8 a.m. Golf Tournament Registration, Gatlinburg Golf Course  
Breakfast and Coffee Available at the Snack Bar
- 9 a.m. Shotgun Start  
Four Person Scramble  
Lunch Immediately Following Play
- 1-3 p.m. Exhibitor Setup, Park Vista
- 4-6 p.m. Exhibits Open
- 5-6 p.m. Reception
- 6:30-9:30 p.m. Loco Burro Dinner, Downtown Gatlinburg

#### Thursday, May 22

- 7:30 a.m.-6:30 p.m. Exhibits Open, Park Vista
- 8:30 a.m.-Noon Technical Sessions
- 10 a.m.-3 p.m. Spouses Trip  
Shopping and Lunch in Downtown Gatlinburg
- Noon-1:30 p.m. General Membership Luncheon
- 1:30-4 p.m. Technical Sessions
- 5:30-6:30 p.m. Reception
- 6:30-10:30 p.m. "TOGA-ritaville" Dinner, Auction & Dance, Park Vista

#### Friday, May 23

- 9 a.m. General Membership Meeting, Park Vista
- 10 a.m. Board of Directors Meeting

companies here will continue doing what they do best, and that is finding ways to get the job done. The way I see it, after the past couple years, there is nowhere to go but up."

#### University Research Project

One of the biggest stories in the Volunteer State last year was a proposal by the University of Tennessee to lease mineral development rights to an 8,000-acre tract of state-owned land within the Cumberland Forest as part of a university research project.

When the university's proposal was approved by the State Building Commission in March 2013, it appeared the

project would move forward after more than 12 years of consideration. Protests by environmentalist and conservation groups were held at the Capitol in Nashville and at the university in Knoxville. Coverage in the national media soon followed.

From the university's perspective, leasing the acreage for development would have allowed it to "conduct unbiased, scientifically sound research," according to William F. Brown, dean of research at the UT Agricultural Experiment Station. The project would have allowed university researchers to study the impact of drilling on water and air quality, wildlife and geology, and to recommend plans for mitigating possible damage, according to news reports of the commission hearing.

A representative of the Southern Environmental Law Center (SELC) called the plan "deeply flawed," the reports add, and since some of the research was to be funded by the company doing the drilling, SELC claimed the university was putting finances above health and environmental concerns.

Opposition to the research proposal continued through the summer until the university announced in late September that the project would not go forward because no companies tendered bids. According to a report by the *Knoxville News Sentinel*, the university said it would shelve the project, but noted that it could be revived "if there continues to be a need" for such research. No timetable for renewing the project was given.

While some opposition groups called the announcement a victory, TOGA saw it in a different light. "The people I talked with who had seen the request for proposals figured there would not be an industry bidder," comments Laine. "It wasn't the financial terms so much as there were just too many restrictions and conditions to make it workable."

According to reports at the time, the university proposal sought a minimum \$300,000 bonus bid, \$300,000 a year for the term of the lease, and a 15 percent royalty on production.

### Regulations And Legislation

After 18 months of hearings and discussions, Tennessee last year approved drilling and completion regulations that, for the first time applied specifically to hydraulic fracturing. And while not ideal, most operators have expressed support for the regulations, says Griffith.

"We have water well testing and public notice for hydraulic fracturing when the process reaches certain criteria," she imparts. "We really thought the new rules would quiet the opposition, but we had another bill presented in the legislature this year that would have banned fracturing (see story page 168). We worked with environmentalists to come up with regulations that might not be the best we could get, but we could live with them. And here they are again, (seeking) another fracturing ban. I believe it's time to move forward."

Laine says, "The new rules were the result of a lot of hard work by a lot of people. We now have fracturing rules in place and our operators are following them. I call that a success."

Laine notes there are other issues that will need attention during the interim and into next year's legislative session. "We got through this session in pretty good shape," he says. "Next year, we will look at several issues that members tell us are important to them."

Included on that list is a discrepancy in local ad valorem tax assessments and

collections around the state, he reports. Property owners with severed minerals are reported to be receiving tax notices on production that does not exist, while others are being billed by their local assessors as single mineral rights holders when a well may have several owners.

"It's a mess," exclaims Laine.

The primary issue with what Griffith calls a double severance tax is the legality of the local taxes on production. In TOGA's newsletter to members, Laine notes the state statute governing severance taxes declares "no other tax shall be imposed" on oil and gas by the state or local governments. "Clearly, the general assembly did not want counties or cities imposing their own tax schemes, but this is the exact situation that we now find ourselves facing."

A complaint against county property assessors was taken to court last year and in January, Laine reports, a summary judgment was issued finding the local assessment process was incorrect, but the decision stopped short of ruling the tax itself illegal.

In February, a group of TOGA board members met with officials from the state's property assessment department to discuss the issue. Laine says the assessors "admitted to some problems with the tax formula" and invited the association to "come up with better ways to measure the minerals and more fairly allocate the tax."

During this year's session, Laine says the association was able to generate support in the legislature for its concerns about property tax assessments, but it did not push a remedy while the lawsuit was under appeal.

### Scholarship Expands

An important means of building recognition and support for the association in the Capitol and elsewhere is the annual scholarship program hosted by TOGA. "Support for education shows the public we are involved in our communities," says Griffith.

Now in its fourth year, the TOGA scholarship is aimed at high school seniors in Tennessee's primary oil and gas producing counties: Anderson, Campbell, Claiborne, Fentress, Morgan, Overton, Pickett, and Scott.

Griffith says TOGA will award at least three—and hopefully, four—\$1,000 scholarships to deserving students based on financial need, grades, and a written essay. This year's essay topic is how shale drilling impacts America.

Reviewing the student essays gives her some insight into public perception of energy development, says Griffith, adding that she has reservations about how the subject is presented in school, given the lack of understanding the students display about oil and gas.

"It's really a shame how little these students know and understand about such an important topic," she remarks.

This year's scholarship winners will be announced at TOGA's annual meeting.

### Adding Value

During a TOGA Board of Directors meeting in March, the association's goals for 2014 were among the topics discussed, says Laine. "We plan to get more involved with national issues through the Independent Petroleum Association of America, and to connect with the other state trade associations," he reveals. "I know we are not the only ones fighting the ongoing battles over fracturing bans and the regulations coming from the federal government."

Griffith says another key goal for the association this year is growing the membership. "We recognize there are companies that are happy to ride on our coattails and we are going to appeal to them to join. But we have to provide more benefits to our members," she says.

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## **ConventionSection:** Tennessee Oil & Gas Association

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New member services are on the way, Griffith promises. Among the first to roll out will be a redesigned association website that will offer information not available elsewhere. An expanded “members only” section of the website will give users access to oil and gas well data that are not generally published by the state and are available primarily through personal visits to state offices.

“We will have to have somebody import it,” Griffith notes. “But having access to that kind of information makes association membership even more valuable.”

Another benefit to membership is the opportunity to reconnect with friends by attending events such as the annual meeting. “TOGA is more than just a lobbying organization,” reasons Griffith. “I like to think our technical sessions are some of the best, and I know our parties are more fun than anyone else’s. Our speakers at this year’s meeting will focus on important topics for members, but overall, a convention has to be beneficial to attendees and fun. We want members to come to

the convention, kick back and have a great time, but at the same time, appreciate the networking and topics.

“This year, we want our members to know the association really has changed over the past few years,” Griffith goes on. “Our job is to show members and nonmembers alike that joining the association is worth it.”

### **Annual Meeting**

TOGA is returning to the Smoky Mountains for this year’s annual convention, which Laine says “will feature political, regulatory and technical updates that deal with the most pressing issues facing the oil and gas industry.”

Convention activities get under way on Wednesday, May 21, with the 2014 TOGA Convention Golf Tournament at the Gatlinburg Golf Course, which Laine points out has been rated the top municipal course in the country by *Golf Digest*. Later that day, he continues, members will move to the Loco Burro in downtown Gatlinburg “for a night of dinner, dancing, singing and a bucking donkey ride.”

Thursday’s speaker lineup, May 22, includes presentations on horizontal drilling, completions, and advanced Tennessee geology, he says.

The social highlight of the meeting, Griffith says, is the association’s popular “TOGA-ritaville” dinner and auction, Thursday evening.

The meeting concludes Friday morning, May 23, with the annual membership and Board of Directors meetings. Exhibits will be open for viewing on Wednesday evening and all day Thursday.

For information or to register, call TOGA at 615-371-6137 or visit [www.tennoil.com](http://www.tennoil.com). □

