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Governor Rick Perry
PO Box 12068
Capitol Station
Austin, TX 78711

Dear Governor Perry:

As the legislative session opens, NARO-Texas would like to express their appreciation to all involved in the formulation of the Natural Gas Pipeline Competition Study Report recently sent to you by the Texas Railroad Commission. NARO-TEXAS -- as well as our national and other state associations -- shares the concern over pipeline practices. Enclosed is a brochure that sets out our position and beliefs.

The report generated by the Railroad Commission-appointed committee has some positive points, but fails in many respects to address the root cause of the problem: ***How have the midstream companies used their monopoly power to maximize profits?*** The answer has only been hypothetically addressed at this point because the midstream industry has not been forced to answer some hard questions concerning their business practices.

As the brochure points out, the financial structure of the natural gas midstream has changed dramatically, and is unquestionably driven to maximize profits. The majority of these profits do not benefit Texans, but the out-of-state investors in companies that have capitalized on the very limited regulatory oversight of intrastate midstream industry. Higher midstream profits can only come from three sectors: independent producers, royalty owners and the most vulnerable citizens-***Texas residential energy consumers.***

The public is entitled to answers. The system is badly in need of integrity.

Please be assured that royalty owners stand ready to help resolve these critical issues. A properly informed and empowered public will demand change. And a successful campaign for gas marketing practices reform could result in higher severance tax revenues for the State of Texas and lower utility prices for its millions of consumers.

Thank you for your efforts. Please let me know if I can be of assistance to you in any way.

Sincerely,

Patricia Bullard, President
National Association of Royalty Owners-Texas

cc: Members of the Texas Legislature and other Public Officials