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Dear Client:

**Historians will tell you the oil and gas boom decades ago moved Texas away from cotton and cattle as the driving economic forces. Then oil and gas gave way to tech and other business drivers. Now? Texas oil production has reached a level not seen since 1986 – reinforcing an energy renaissance for the Lone Star State.**

**It's hard to overemphasize the importance of this energy renaissance.** It is transforming the oil play areas of West Texas and South Texas, as well as metropolitan energy centers such as Houston. But the entire state – **including Austin where energy tax dollars fund the concentration of state government programs** – is being lifted by this boom that is likely to last for many years. The magnitude is impressive. Consider:

**Texas oil production reached more than 2 million barrels a day in February,** and West Texas's Permian Basin produced more than 1 million barrels of that. This is the highest level of production since 1986. After that peak, oil and gas production declined every year and reliance on foreign oil increased incrementally.

Then the fracking drilling frenzy began and **Texas is now the largest oil producer in the nation** – extracting about 35% of the country's crude oil. It is not simply the leader, it is producing three times the amount found in any other state.

In fact, **Texas alone will likely best the oil output of every OPEC country but Saudi Arabia by year end,** according to a top exploration officer **Greg Leveille** at ConocoPhillips, a key acreage holder in both South Texas's Eagle Ford and West Texas's Permian Basin. He estimated **the Lone Star State is expected to end 2014 with 3.4 million barrels per day in oil output** – exceeding that of 11 of the dozen OPEC nations.

Yeah, but, how long will this last? *Just one major player*, ConocoPhillips, boosted its reserve estimates in *just one major oil field*, Eagle Ford, by 39% **saying the company's reserves in the ground amount to 2.5 billion barrels of oil.** And Leveille said ConocoPhillips' drilling activity alone in the Eagle Ford is expected to continue into the 2020s and possibly the 2030s, ensuring **“decades and decades” of production in just South Texas.** (Remember, the Permian Basin play is much larger than Eagle Ford.) Check out the next item where another energy giant proclaims the biggest energy source for the future is NOT oil and gas.

**While massive amounts of recoverable oil and gas are vital to Texas economic future, the “greatest source of energy in the future is our ability to use it more efficiently,” claims an energy analyst with ExxonMobil Corp. This has major implications for Austin.**

Natural gas, which is found in abundance in Texas, will be the biggest player, overtaking coal generation worldwide, claims Exxon’s **Ted Pirog**. He maintains that based on today’s unconventional drilling techniques – fracking and horizontal drilling – **the world has a 200-year supply of natural gas.**

**Energy efficiency technology** is what will keep this source of energy in the forefront. Overall energy consumption will go up 35% by 2040, he says. But it would be far higher without advances in energy efficiencies – such as **everything from more fuel-efficient vehicles including hybrid cars to more fuel-efficient power plants.**

Electricity is the big need. Pirog says electricity generation will grow by 90% by 2040, but the amount of fuel needed to create electricity will grow only by 50%. **“We’re going to use the fuels more efficiently to generate more electricity,”** he said in Dallas last week.

**Pirog acknowledged utility scale solar and wind will play an increasingly larger role,** but because they are dependent on the weather, he pointed out there must be base load power backing it up.

This is where the City of Austin – that generates and supplies electricity from a number of sources – must be careful in its planning. **Already Austin Energy has raised rates to its customers by inordinate amounts recently. At the same time it is signing major long-term contracts for solar and wind power generated electricity.** Yes, it also gets electricity from natural gas, coal and nuclear power plants. **But future investments must be made in energy efficient technology using natural gas, primarily, as a source,** if Pirog is to be believed.

**Finally. The demand for Austin apartments was satisfied a bit, as more than 2,000 new units were completed and placed on the market in the first quarter. But rents still went up overall.**

More apartment units are on the way. **Robin Davis** at Apartment Trends says **more than 12,000 new units are expected to be completed over the next 12 months** and more than an additional 12,000 units will get started. So with all this new product, why are rents rising?

**The new units rent for more money per square foot.** And Davis said upgrades and renovations on the older units closed the gap between Class B and Class C products, allowing some landlords to increase rental rates on less desirable properties.

**Austin mayor Lee Leffingwell made a strong statement that, if adopted, would change a decades-long financial policy that could have the effect of lowering your utility bills.**

It was somewhat buried in a lengthy statement but it had major implications. Here it is, word for word: **“As a Council I am hopeful that we can work to do what we can to control utility rates and make efforts to move away from using utility revenue to subsidize the general services our city provides.”** Read that sentence again. It’s that important.

We’ve raised this issue for years, decades really. **Your electric bills and your water bills would be a lot lower if the City of Austin didn’t take away tens of millions of dollars a year from its utilities and use that money to pay for city services and operations.** Think about this. The water and electric utilities are owned by the City of Austin. They are monopolies. They have no competition.

The Austin City Council has total control over the money generated by these utilities. **Think about how much your water bills and your electric bills have increased over the years** – even though Austin’s record-setting growth has resulted in more revenue for these utilities. **If the utility revenue had stayed in the utility coffers, instead of going to pay for other non-related city pet projects, there is no doubt your utility bills would be lower.**

Some have argued that the tens of millions of dollars sucked out of the utilities each year to **pay for other items in the city budget is a form of a hidden tax.** Others have pointed out that **high utility bills have contributed greatly to the cost of living in Austin.**

**Mayor Leffingwell has taken the bold step of officially raising the issue.** He cannot seek re-election because of term limits. And since the current City Council has voted to perpetuate this practice in the past, it is not likely he will get much traction before his term ends.

But, need we remind you that, **this November, ten council members and a new mayor will be selected to govern Austin and to set policies.** The best estimate is that maybe as few as two current council members will be on the new council. The opportunity is there to pin down each candidate to take a position on this issue.

**UTAustin is moving closer and closer to the deadline it set years ago to raise \$3 billion in private funds. It’s not there yet, but how close is it to reaching that lofty goal?**

Last month, retired ExxonMobil CEO **Rex Tillerson** and his wife, **Renda**, pledged \$5 million to help build the Engineering and Education Research Center, bringing the total to – ta-dahhhh! -- \$2,835,369,779. Not there yet. But getting close.

**Tourism isn't just a big deal in Austin, what with all the events and attractions. It's also a big deal for some smaller Central Texas communities where the infusion of a few tourist dollars can go a long way.**

Take the LBJ National Historical Park, just on the other side of Hye, Texas on your way to Fredericksburg. **The LBJ Library & Museum in Austin seems to get all the notice.** Example: the visit by three former presidents and the sitting president during a 3-day civil rights summit last month.

With no big national events such as the summit to draw visitors, or no big names on book tours to call attention to it, the National Historical Park is often overlooked – except by “just folks.” A new National Park Service (NPS) report shows **there were 111,000 visitors to the Lyndon B. Johnson National Historical Park in Johnson City and Stonewall in 2012.** And they spent almost \$7 million in the communities near the park.

So, what's there to see and do? Well, first of all the **LBJ Ranch was the home of LBJ throughout his national political career and he hosted many heads of state at various BBQ's during his presidency.** He died there and is buried on the Ranch. The ranch house, filled with artifacts, is open for tours.

Also onsite is a visitor center with exhibits related to the man who was born in Central Texas and became president. **There are picnic areas along the Pedernales River. And LBJ's boyhood home is nearby.** The visitors left behind \$6,961,800 in nearby communities in 2012, supporting 84 jobs in the area. LBJ Park superintendent **Russ Whitlock:** “we are delighted to share the stories of this place and to use the national park as a way to introduce our visitors to the **love affair President and Mrs. Johnson had for the Hill Country.**”

Sunday, 4/27/14 at 9:15 am, at the intersection of Fifth Street and Lamar Boulevard, the hand-scrawled sign being held by a middle-aged lady seeking a handout caught **Dr. Louis Overholster's** attention. The sign read “His divorce lawyer was better than mine!”

Sincerely,



Editor/Publisher