DARYL L. FOWLER
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July 2, 2012

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FOR IMMEDIATE RELEASE:

CUERO - The Eagle Ford Shale Play in South Texas could be the most significant economic development in Texas history. Lying under at least 24 Texas counties and containing liquid hydrocarbons as well as natural gas, it is bringing new life to many declining towns. It is a mixed blessing, which manifests itself in similar ways all across the Play. DeWitt County is experiencing the rebirth first-hand: an exploding tax base stemming from unprecedented economic activity, and balanced by what was until now, unquantifiable road damage.

In January, the Commissioners Court hired Naismith Engineering, Inc. of Corpus Christi to study the county road system. The study released today evaluated 394 miles of DeWitt County roads and assigns costs per mile based upon drilling activity expectations. Indications are that the cost of providing a road system suitable for the public and the industry could cost as much as $432 million.

According to David Underbrink, Sr., the lead engineer on the project, the typical county road has base materials of 4” to 6” deep over soil and may have an asphalt seal coat. Its life span ranges up to 20 years. “All it takes is one pass of 6 million pounds of drilling equipment to destroy a road like that,” he says. Estimates are that current leaseholds can yield as many as 3,250 more wells at 65 acre spacing.

Fowler, who serves on the Energy Solutions Task Force commissioned by the Texas Department of Transportation, believes the impact is too large for his county and others like his which rely heavily on property taxes. DeWitt County’s budget forecasts $7,240,000 as property tax revenue for the current fiscal year that ends in September.

DeWitt County currently receives a financial contribution from two oil companies each time they spud a new well and the county uses the cash for road maintenance and repairs. Other companies are assisting with cash or materials on an ad hoc basis and some do not contribute at all.

"Rural counties do not have limitless income potential just because the tax base is exploding," according to the judge. He believes the solution for his county will be a combination of efforts including voluntary road use agreements coupled with fees to help offset the damages and reallocation of the Severance Tax collected by the State of Texas from oil and gas production.

Judge Fowler believes the State of Texas is enjoying a free lunch when it comes to the benefits from the Eagle Ford Shale. The Severance Tax is currently allocated into the Permanent School Fund and the Economic Stabilization Fund (the State's so-called rainy day fund), while the Farm-to-Market system and county road systems are suffering unlimited damages from the economic activity that creates the Severance Tax revenue.

Information he has collected from the Comptroller of Public Accounts, indicates that 24 counties in the Eagle Ford Shale Play are responsible for more than $323 million of Severance Tax receipts in the fiscal year ended last September. Production from wells in DeWitt County yielded $57.5 million of the total, and according to the county judge, the $57.5 million is hard to reconcile with the $112,000 his county received from the Comptroller for Overweight Axle Fees and gasoline tax remittances in the same period. He would like to see a portion of the Severance Tax dollars stay in the producing county.

Judge Fowler is hopeful that task force members who represent a cross-section of stakeholders, including state agencies, county government, and the energy industry can agree to present solutions to the Legislature for consideration and adoption during the next session that begins in January 2013.

Until the Legislature acts, Fowler admits he has to rely on voluntary donations from the oil companies and property taxes collected from the newly found wealth to address the road damage issue. Raising local taxes by $2 to 5 million per year is not a pleasant thought, he admits, and could be politically impossible because of (rollback) tax increase limitations contained in the Property Tax Code. The county could issue long-term bonds to fund the rebuilding effort, but Fowler knows that issuing debt against volatile commodities like oil and natural gas is a potential pathway to financial ruin.

"Right now, taxes and donations are the only two viable options available to fix county roads which may require up to $80,000 per mile to repair and up to $1,900,000 per mile to rebuild," he adds, quoting from the Naismith study. "Austin may be waiting for a rainy day, but you could describe our situation as similar to being in the middle of a monsoon; and it's high time to do something about it."