

Houston's Top Workplaces

See how they rank — and whether yours made the cut.
Section M



Rockets downed

Harden's triple-double wasted in loss to Spurs.
PAGE C6

Upset central

College football playoffs wide open as Nos. 2 and 3 lose. PAGE C12

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HOUSTON CHRONICLE

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Partly sunny; High 71, Low 53

K-Rino still is 'rockin' it' at 46

With 7 albums on way, rap king rules South Park

By Andrew Dansby

K-Rino lopes into MacGregor Park and sits on a bench beneath the high arches of its storied basketball court.

His head leans forward, his eyes intense and focused, even with the shoulders of his spider-like 6-foot-6 frame pulled back into a state of relaxation.

At rest. Aware. The same person, same place 20 years ago would have offered a different story. From the same bench, he'd have eyed the park with suspicion waiting for some upstart to spit rhymes at him, challenging his reputation as Houston's toughest battle rapper.

"Anywhere you went, there was the potential of getting into a battle with some guy wanting to prove himself," he remembers. "You walk out the door and any

K-Rino continues on A14



Yi-Chin Lee / Houston Chronicle
K-Rino began earning his reputation as Houston's toughest battle rapper as a young teenager.

OIL

THE RUSH IS ON IN PERMIAN BASIN



Michael Caglia photos / Houston Chronicle

Workers drill for oil and gas in September on a Diamondback Energy lease in Midland, where acreage has become so precious — and expensive — that landmen are dueling to secure rights.

Companies scrambling to secure land rights in competition likened to a 'knife fight'

By David Hunn

MIDLAND — Last spring, Pastor Jeff Franklin was fretting. He'd committed his congregation to three new international missions and wasn't quite sure where they'd get the money.

Then an oilman knocked on the door.

Franklin's church, Kelview Heights Baptist, is on 10 acres in the middle of this West Texas oil capital. Drillers were never interested before. But now acreage around Midland is so precious — and getting so expensive — landmen are dueling to secure leases for mineral rights under parks, restaurants, churches and thousands of Midland's ranch homes.

"They literally went to every



house," said Jim Connell, Kelview's associate pastor. "Who knew we'd get into the oil business?"

As oil prices have recovered, drillers have flocked back to Midland and the surrounding Permian Basin, one of the most productive oil fields in North America and among the few places where companies can

make money with crude hovering between \$40 and \$50 a barrel. Majors, independents and small private companies are scrambling to secure land and mineral rights in a competition some producers call a "knife fight."

As a result, land costs have skyrocketed from \$2,000 to as

Permian continues on A21

» Break down rig counts with our interactive tool at HoustonChronicle.com/rigtracker

More join in wave of Trump protests

After shooting, Portland mayor urges: Don't get mad, get organized

CHRONICLE NEWS SERVICES

Thousands of demonstrators in cities across the country filled public squares, parks and streets Saturday to protest President-elect Donald Trump, part of a wave of national resistance not seen in recent election cycles.

In one of the largest anti-Trump demonstrations since his election Tuesday, a mass of people marched from Union Square in Manhattan to Trump Tower, the headquarters and home of Trump. Protesters marched around one of Trump's

Marches continue from Los Angeles to New York.

buildings in Chicago. In Los Angeles, thousands of people marched up Wilshire Boulevard, forming a crowd that stretched for nearly a dozen blocks.

The increasingly tense protests escalated early Saturday with a shooting in Portland, Ore., that left one man hospitalized and scattered panicked protesters.

Portland police said the shooter had no connection to the protesters, but after the fourth straight night of demonstrations in response to Trump's unexpected victory, city and police officials here appeared harried and frustrated.

At a news conference Saturday, they told protesters to "stay home." Mayor Charlie Hales said Portland has experienced "great un-

Protest continues on A13

CHEMICAL BREAKDOWN Seventh in a series

Hazardous routes to a disaster

Chemicals still roll through populated areas of the city

By Susan Carroll and Matt Dempsey

Steve McCan cruised along the Southwest Freeway in his new Grand Prix on a Tuesday morning in 1976, happy to be home from Vietnam and free from the confines of a Navy submarine.

McCan, 27, glanced at a green Volvo and noticed the driver, a young woman with a baby. She's

pretty, he thought, as he drove past and into the shadow of the 610 overpass.

Above McCan, in the right lane of Interstate 610, a tractor-trailer struck the bridge rail. McCan watched in his rearview mirror as the truck rolled over the edge and fell about 15 feet onto the freeway. The tractor separated from the trailer, and its tank exploded, spewing 7,509 gallons of anhydrous ammonia. The toxic fog killed six people and injured 178.

Afterward, the National Transportation Safety Board praised the city of Houston for having desig-

nated the 610 Loop as the official route for hazardous materials, keeping trucks from more populous areas.

Forty years later, however, the 38-mile route remains the city's designated hazardous transportation route. No longer the outer loop, 610 snakes through a congested city that has doubled in population, leaving Houston vulnerable to a catastrophic accident.

About 400 trucks a day loaded with tons of hazardous chemicals, such as chlorine, butadiene and formaldehyde, inch along 610 in

Chemical continues on A16

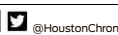


Houston Chronicle file

Clouds of ammonia spread over the 610 overpass at the Southwest Freeway about a minute after the 1976 crash.

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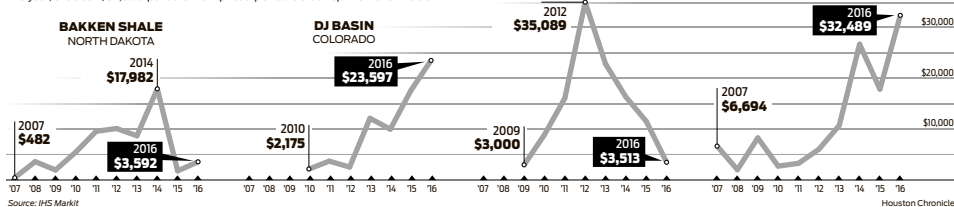
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FROM THE COVER

Oil deals: Price per acre

Companies have spent more than \$14 billion to buy oil rights in the Permian Basin this year, or about \$32,000 per acre. How prices-per-acre stack up in other oil fields:



Permian sees 80 oil rigs added since May

Permian from page A1

much as \$60,000 an acre, which one company paid this summer, raising eyebrows even among peers.

"Oh, yeah, everybody wants the same acreage," Elizabeth Moses, a vice president at Midland-based Diamondback Energy, said after buying 19,000 Permian acres for \$66 million. "Landmen are literally knocking on the same doors."

Franklin wouldn't say how much money KelView Heights Baptist pocketed. But the competition helped. At one point, negotiations with Midland's Arrington Oil & Gas were slowing down. Franklin sensed the church might get stiffed.

"Then the Lord led another landman by," he said.

Arrington cut the deal at the next meeting. Franklin promptly sent the cash to Honduras, for water wells, to Guatemala, for an orphanage and soup kitchen, and to India, for a new wing on a home for widows.

"It's a miracle," Franklin said.

Boom. Crash

The shale revolution came late to the Permian. Operators first perfected horizontal drilling and high-pressure hydraulic fracturing in shale gas fields, like Fort Worth's Barnett and Louisiana's Haynesville, and in newer oil plays, like North Dakota's Bakken and San Antonio's Eagle Ford.

"Everybody thought the Permian was dead," said Pete Stark, a senior director at research firm IHS Markit.

Companies eventually tried fracking there, but the rock was more complex — if drillers figured out how to fracture in one spot, that didn't mean they'd succeed a few miles away. It took years of trial-and-error to come up with the right horizontal drilling techniques that allowed them to efficiently tap the reservoirs of oil.

Soon after, drillers began singing the Permian's praises. The basin had dozens of layers of oil-soaked rock, meaning companies could access a lot of oil from one location and dig wells without hardly moving their rigs. Acres of the Permian were still unexplored. And the support that drillers needed — water trucks, service companies and pipelines — were readily available.

U.S. oil prices were surging then, to well over \$100 in 2011, and drillers began pumping at rates unseen in 20 years. But all the success eventually glutted the market; oil prices started tumbling in the summer of 2014, falling to a low of \$26 a barrel in February. The U.S. rig count plummeted from 2,000



Midland is getting a piece of the action as drillers fight to secure mineral rights in the Permian Basin. The city this summer awarded bids for 10 sections of public land — under parks, rights-of-way and other properties.

to just over 400, according to data compiled by oil field services firm Baker Hughes. At least 100,000 workers lost their jobs.

There was, however, a bright spot: the Permian. As oil prices stayed stubbornly low, producers found few other plays as economical. Companies like Irving-based Pioneer Natural Resources trimmed operations in other fields and focused on the Permian.

Companies have added about 80 rigs to the basin since May. No other play has grown as much since the bottom of the crash. The closest, Oklahoma's Cana Woodford, is up 16.

Two years ago, one-quarter of U.S. rigs were in the Permian. Now, more than 40 percent are.

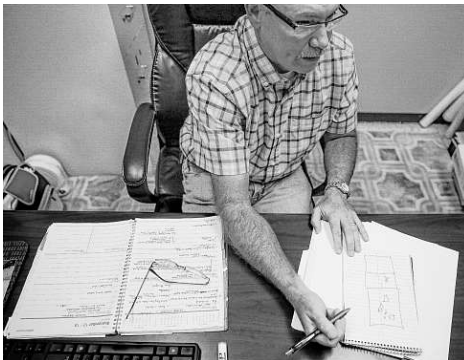
\$60,000 an acre

The rush for land in the Permian has driven prices to record levels. In 2006, companies spent \$2,000 on average per acre of oil land in the Permian, according to IHS Markit. So far this year, they've averaged more than \$30,000, almost 10 times higher than prices in the Bakken or Eagle Ford.

"They're paying absurd amounts of money," said Erik Paulson, 30, a landman who works in Midland.

In June, Denver's QEP Resources bought 9,400 acres for \$60,000 per undeveloped acre, according to analysts at energy research firm WoodMackenzie. In July, Houston-based Silver Run Acquisition bought 38,000 acres for \$29,000 an acre. And in August, companies booked four big deals, including Austin-based Parsley Energy's 9,000-acre buy for at least \$35,000 an acre.

The pace slowed in September, it seemed like the big deals had been cut.



Ron Jenkins, Midland's oil and gas coordinator, explains how oil companies have strung together leases to be able to drill horizontally under the city, which has made more than \$5 million this year on the leases.

But they returned in October. Dallas-based RSP Permian bought 41,000 acres for \$2.4 billion, or as much as \$47,000 per undeveloped acre. Then, Denver's SM Energy announced it was buying 35,700 acres from QStar of Houston for \$1.6 billion in cash and stock, or at least \$42,000 per undeveloped acre.

"The cost is worth it, said Steven Gray, chief executive of RSP Permian. "Some of the best wells in the entire basin are out of there," he said.

Ten years ago, substantial Permian deals — those over \$10 million each — totaled \$1.1 billion, or less than 2 percent of U.S. transactions. This year, oil companies have already spent more than \$14 billion, representing more than one-third of all U.S. exploration and production sales.

Longtime Permian operators now are watching their land sprout in value. Diamondback, a publicly traded company with prime Midland real estate, bought some of its best acreage 10 years ago for about \$2,500 an acre. The company now values it at \$60,000 an acre or more. Discovery Operating of Midland figures some of its leases are worth 30 to 40 times what it paid for them in 1999.

"There's lots of Wall Street money in the Permian right now," said chief operations officer Jeff Sparks. "They look at it as a good investment. I do, too."

Sparks isn't selling, and others wished they didn't have to. Eastland Oil, family-owned for 94 years, has tried to cobble together acreage in three different counties around Midland over the past year or so, only to watch big land companies swoop in and offer double the money.

Eastland had two choices. Start matching the offers or selling its rights to the com-

petition. It sold.

"We buy acreage to drill. We don't buy it to turn," said president and owner Robin Donnelly. "So our business model is not functioning right now."

'Never, never sell'

Companies aren't the only ones watching prices jump. Landmen are hounding rancher Mary Nell Haley, 50, who runs cattle on about 14,000 acres in Loving County, 80 miles west of Midland.

Haley says she gets calls, letters and emails each week from companies hoping to pick up leases on about 1,200 of her acres.

"I got four more requests in the mail the other day," Haley said last week.

The landmen used to offer about \$3,000 an acre. Now they're pushing \$8,000. And some want to buy — not lease — her mineral rights.

Haley chuckled. Texans, she said, know better

than that.

"You never, never, never sell," she said.

Even the city of Midland is getting a piece of the action. This summer, Midland awarded bids to four companies for 10 sections of city land — under parks, right-of-ways and other city properties. The city got as much as \$13,500 an acre, said oil and gas coordinator Ron Jenkins, and has already made more than \$5 million this year. The money goes into the city's general fund, which pays for streets, water and police, among other needs.

"That's real good, in my book," Jenkins said. "I'm not kidding. Everybody's liking me right now."

In the city's subdivisions, among brick homes and neatly trimmed front yards, homeowners were stunned to learn they still owned their mineral rights. Old Midland landowners often separated oil from surface rights before selling tracts to home builders, saving future royalties for themselves. If not, builders usually did before selling the homes.

Few thought to separate mineral from surface rights in city neighborhoods before the shale boom, since traditional vertical rigs drill straight down and Midland regulations bar drilling within 500 feet of homes. Horizontal wells changed all that, enabling drillers to reach oil with rigs a mile or more away.

Neighbor after neighbor here said they answered their doors to landmen over this past year. Most said the offer wasn't for a lot of money — about \$400 up front, plus 25 percent of the proceeds from the oil and gas under their properties.

Some liked the idea, and signed. Some were nervous about drilling under their homes. Most had mixed feelings.

Clarice Tabors, 64, a retired nursing home cook, scooted her wheelchair to her front door, a small house with dying grass and a bad paint job.

It's been a rough year for Tabors, personally and financially. She lost family oil land around San Antonio because she couldn't afford the taxes. Social Security cut her monthly benefits, saying she was getting too much. Her husband, in a nursing home, isn't doing well.

"This is one year I'll be glad when it goes away," she said.

She can still afford her mortgage and utilities, but there's nothing left over, she said. So the notice left on her door earlier this year seeking to lease her mineral rights was something of a blessing — if a small one.

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Pump jacks work outside the Adobe Meadows community in Midland.

Permian Basin deals boom

Ten years ago, Permian deals represented less than 2 percent of U.S. exploration and production deals. This year, they're more than one-third.



Source: IHS Markit
Houston Chronicle