



**Texas  
Independent  
Producers and  
Royalty Owners  
Association**

## DRILLING MORATORIUM - NOT A SOLUTION

When an airplane crashes, does the Air Transportation Safety Board ground all planes? Of course not, because a reactionary policy toward business is counterproductive. Those in lines of work that encompass risk accept the parameters. When our country needs energy -- independents answer the call. It's never been an easy line of work and the risks and benefits are difficult to balance. Here is a sobering statistic from the Texas Comptroller of Public Accounts: Natural gas and oil production tax collections combined are 40% lower for the first eight months of fiscal year 2010 compared to the same period in 2009 -- which was already down over 2008. Now add to that -- drilling moratoriums in the Gulf and in the Barnett Shale area. A drilling moratorium is counterproductive in the base case and, in the extreme, unconstitutional. Not long after the moratorium was announced, a federal judge overturned President Obama's moratorium as arbitrary. His decision said, "An invalid agency decision to suspend drilling of wells in depths of over 500 feet simply cannot justify the immeasurable effect on the plaintiffs, the local economy, the gulf region, and the critical present-day aspect of the availability of domestic energy in this country."

Recently Gulf Coast lawmakers in the House and Senate sent a letter to Secretary of the Interior Salazar beseeching a better solution than a drilling moratorium in the Gulf of Mexico. "It is our strong belief the moratorium -- if allowed to continue much longer -- will significantly damage our already weakened economy along the coast, cost tens of thousands of jobs, reduce local payrolls by nearly \$2 billion and threaten the survival of many energy related small and mid-size businesses in the region already hard hit by the spill."

Some elected officials are pro-moratorium, such as those in Flower Mound in Denton county. They believe their city is a "bellwether" to set an example for other locations and, not only will the moratorium be a model for other Texas cities, but it will be an example for other cities across the U.S. to stop drilling altogether.

Fortunately Texas still has some pro-energy elected officials. State Rep. Jim Keffer, said moratoriums aren't the answer. "I understand where people are coming from, but we don't want to throw the baby out with the bathwater," Keffer said. "We need to make sure bad operators are found. ... But I tell you what, there are a lot of good operators, people who know what they're doing," he was recently quoted saying in a Fort Worth newspaper.

Chairman Victor Carillo of the Texas Railroad Commission was quoted, with a regard to a Barnett Shale drilling moratorium, as saying, "Reactionary policy could have a devastating effect on Barnett Shale development that has been critically important to the Texas economy, jobs, and domestic energy security."

Reactionary politics are short sighted. All should not be "punished" for the few that allegedly have not complied with current safeguard rules and regulations. The congressional letter concludes with this reality check: "Very few energy related small businesses or their workers will be able to survive the six-month moratorium as currently defined. We believe this interim solution has merit and we respectfully urge your consideration. Like you, we remain committed in our belief that energy exploration can be achieved responsibly and with the needs of our environment foremost in mind." TIPRO echoes those sentiments.

## TIPRO TO REPRESENT ITS MEMBERS AT THE EPA PUBLIC MEETING

### ON HYDRAULIC FRACTURING IN FORT WORTH JULY 8

The Environmental Protection Agency has announced four public informational meetings to seek stakeholder input into developing its proposed plan to study the relationship between hydraulic fracturing and drinking water. TIPRO will attend the Thursday, July 8 meeting from 6 p.m. to 10 p.m. at the Hilton Fort Worth. Providing testimony for TIPRO will be Rich Varela, Director of Membership/Development. The meeting will provide public information about the proposed study scope and design. EPA will solicit public comments on the draft study plan. TIPRO will provide historical perspective on the safety of the hydraulic fracturing process along with the importance the industry provides Texas and the U.S. in domestic production and tax revenue and jobs. Other EPA sponsored-meeting will be held in Colorado, Pennsylvania, and New York.

For more information from the EPA, go to: [http://www.epa.gov/safewater/uic/wells\\_hydrofrac.html](http://www.epa.gov/safewater/uic/wells_hydrofrac.html) Please contact TIPRO offices for further information. We'll keep you up-to-date on the progress.

## CHAIRMAN'S MESSAGE

Let me begin by expressing my gratitude for your confidence in electing me to serve at TIPRO's helm. With the new designation of Board titles and responsibilities I serve as Chairman and the title of President now shifts to Justin Furnace (previously Executive Vice President) who leads our staff efforts in Austin. I appreciate the outstanding accomplishments of Tad Mayfield as he passes the reins to me. With an exemplary group of men and women on our Board and staff, we're ready to hit the ground running.

As I step up to the plate to take my turn at bat, I know this is not a game we can afford to lose. I look out onto a field where I'm being stared down by an opposing team ready to strike me out. On first base I see regulatory agencies on the state and federal level eager to keep me from getting a base hit. On second base are tax structures that are taunting me to try to pass. On third base are "green" reactionaries bent on keeping me from advancing. And on the pitcher's mound is a president who is determined that I don't get a chance to even step off home plate. Although our industry is in desperate need of a home run, we're going to have to work as a team to get a fair shake up at bat.

With issues such as the spill in the Gulf, people get riled up. From that discontent reactionary bad policies get set. We need to educate legislators and the public to get past the emotions. Last weekend on beaches across the country, people stood hand-in-hand to protest offshore drilling. TV news broadcasted the sound bites of their gripes to stop all drilling. And when the cameras were turned off and everyone was satisfied that they told off oil and gas companies, they all drove home in their SUVs, fired up the grill, watched TV, and checked their e-mails -- utilizing the very fuel sources they just protested against. If/when exploration and production gets financially too prohibitive for drilling, and costs rise and the U.S. is importing more oil, will those same people protest about the high cost of energy and still blame oil and gas companies?

I don't mean to sound cynical, but our industry is under assault. Many of you who know me and heard me say that I don't worry too much about the dog barking at the door, because I'm trying to survive the wolf that is chewing my leg off. I'd rather promote the positives of our industry. It's a field made up of incremental risk, just the same as an airline pilot has each time he steps into the cockpit. With natural disasters such as Hurricane Alex bearing down on Texas, each day brings a new dilemma for independent producers and royalty owners. We need to come together as an industry and not let small issues divide us. TIPRO is transitioning with staff, we have new initiatives in development, we're laying the groundwork to face the onslaught of a legislative session next year, and we're even publishing a new magazine to educate about who we are and how vital our industry is to Texas and the U.S.

We need your continued support. Please consider serving on a committee. If you can help us by increasing your dues it may help us make the difference in reducing onerous restrictions on the state and federal levels. I have stepped up to the plate to represent your interests. Let's remember our mission statement: TIPRO exists to preserve the ability to explore and produce oil and natural gas and to promote the general welfare of its members. Together we can make this season a winner!



Steve Castle

## TIPRO LAUNCHES NEW MAGAZINE

### *HELP US NAME IT*

As an Association, we at TIPRO are always seeking to find the best, most efficient ways to serve our members. In reviewing our own publications we know that Target is a well-read, focused newsletter that provides timely updates on news, details and specifics of interest. The Telegram serves as an effective news blast when an issue needs immediate response or a call to action. We realize it would be helpful to our advocacy efforts if we had a conduit of information that could go more in-depth on issues, expand coverage to provide member profiles, a mirror to display the past, present and future perspective to our industry. That's why we've partnered with Association publication experts Naylor to assist us in producing a new magazine. Its mission statement will be: "TIPRO's magazine is created to educate about the Texas independent oil and gas exploration and production industry. Its vision is to provide a historical and future perspective about who TIPRO members are and what they provide our state and country." The primary audience for our new magazine will be the TIPRO membership, and it will serve as a vehicle for news and information. But additionally the magazine will be distributed to lawmakers, regulatory agency personnel, and news media, and will be made available to the general public as well. We need to find every avenue to get our messaging out so the voice of the independent is heard. The four-color, glossy magazine will be mailed to you and will be available online. It will be totally supported by

## PUBLIC AFFAIRS UPDATE

As I continue to get settled in my new position, I am amazed at the outpouring of support I have received from past and present TIPRO staff, the association's membership, and its leadership. I want to offer my particular gratitude first to our outgoing President Tad Mayfield for his continuing guidance. Secondly, my thanks to our incoming Chairman Steve Castle, whom I was fortunate enough to get to visit with one-on-one when I visited his hometown of Midland this past week. Steve has a vision for the direction TIPRO should go, and the know-how to get it done. I am truly looking forward to playing a part in the positive things that TIPRO is going to be able to accomplish for its membership under Steve's leadership.



**Teddy Carter**

As Director of Public Affairs, I am committed to protect and advance the interests of the entire TIPRO membership. It is my hope that these updates on what I am working on week-to-week will provide you the knowledge and comfort that we never stop working for you. Thank you for placing your trust in us. Should you wish to contact me, please do so. I can be reached at headquarters, (512) 477-4452, or via email at [tcarter@tipro.org](mailto:tcarter@tipro.org).

- Distributed information regarding HBO film, GasLand to TIPRO members as well as Texas House, Senate, and leadership offices.
- Held several meetings with former TIPRO staff to get up-to-date on past and present TIPRO legislative issues.
- Attended an open meeting of the Texas Railroad Commission.
- Worked collaboratively with Texas, Louisiana, Oklahoma, Arkansas, and New Mexico associations to finalize a multi-state response letter to EPA Region 6 Administrator Al Armendariz regarding his request for the development of an oil and gas emissions inventory.
- Met with other Texas associations to discuss responses to Sunset Commission questionnaire on the Texas Railroad Commission.
- Continued work on Texas Commission on Environmental Quality Sunset comments.
- Represented TIPRO at the NARO-TX Convention in Midland.
- Met with legislative staff from various offices.
- Meet next week with Sunset staff to present TIPRO responses to RRC Sunset Questionnaire.
- In the process of developing an Environmental Task Force, made up of people with the technical and regulatory knowledge to adequately study specific issues (emissions inventory, permit-by-rule, and others) and provide guidance/recommendations to the State and Federal Issues Committees when needed.

### Calendar of Events

**AUGUST 11, 2010**  
HOUSTON— IPAA/TIPRO  
Leaders in Industry  
Luncheon, 11:30 a.m.  
Houston Petroleum Club.  
For info call  
512.477.4452

**AUGUST 12-14, 2010**  
SAN ANTONIO— TIPRO's  
Summer Conference and  
Golf Tournament at the Hyatt  
Hill Country Resort. For info  
call  
512.477.4452

**SEPTEMBER 8, 2010**  
HOUSTON— IPAA/TIPRO  
Leaders in Industry  
Luncheon, 11:30 a.m.  
Houston Petroleum Club.  
For info call  
512.477.4452

**OCTOBER 5, 2010**  
HOUSTON— IPAA/TIPRO  
(Tuesday)  
Leaders in Industry  
Luncheon, 11:30 a.m.  
Houston Petroleum Club.  
For info call  
512.477.4452



## TIPRO MEETS IN SAN ANTONIO, AUGUST 12-14 FOR ISSUES UPDATE AND FUN AT THE HYATT HILL COUNTRY RESORT

Hot topics and hot temperatures will merge for a cool time at TIPRO's Annual Summer Conference August 12-14 (Thursday – Saturday) in San Antonio at the Hyatt Hill Country Resort. Politics, tax and environmental issues will balance networking with colleagues and fun with family and friends at this great end-of-summer venue.

Popular Washington DC-based political analyst Charlie Cook will provide commentary on the mid-term elections and other federal issues. Cook has the inside scoop on the players and issues and is equally scathing for both sides of the aisle. Invitations have been sent to Senate Finance Chair Steve Ogden and House Ways & Means Chair Rep. Oliveria so we can hear about preparation by their Committees to face the challenges during the upcoming Legislative Session. Issues such as the election cycle, redistricting, the Sunset Task Force, environmental concerns, regulation and more will be addressed at the State Issues Update. Tax and Budget issues will be addressed by Dale Craymer of the TTARA (Texas Taxpayers and Research Association) for an in-depth look at Texas tax deficit. As well, Senior Economist for Wells Fargo Eugenio Aleman will discuss financial topics of interest to independents. Association Committee meetings will round out the program, along with plenty of networking opportunities for members and guests. Saturday morning's Membership Breakfast will give attendees a unique opportunity to meet and greet Railroad Commission Candidates David Porter and Jeff Weems.

The Summer Conference will be the first official meeting to be led by TIPRO's newly-elected Chairman of the Board Steve Castle of Cowboys Resources. For many members, it will also be the first opportunity to meet TIPRO's new staff leadership President Justin Furnace; Senior Vice President of Development Rich Varela and Director of Public Affairs Teddy Carter. Each will add commentary on their new initiatives as well as a foundation for what members can anticipate in the Texas Legislative Session that begins in January 2011. Kicking off the meeting will be a golf tournament at the award-winning 27-hole Arthur Hills champion golf course. TIPRO's new Chairman Steve Castle will close the event Saturday night with the Chairman's Dinner and a lucky casino night. Attendees are encouraged to bring their families for summer fun at the Resort which includes a lazy river tubing ride and other family amenities.

TIPRO welcomes sponsorship support—please contact Rich Varela for details. Registration details will be posted to TIPRO's website soon. Please call the Hyatt Hill Country at 800-233-1234 for room reservations at the TIPRO rate of \$179 for a standard room.

### AGENDA

#### Thursday August 12, 2010

1:00 pm Golf Tournament  
19th Hole Reception Following  
Dinner on your Own

#### Friday August 13, 2010

8:00 am Audit Committee Meeting

10:00 am Board Meeting

2:00 pm GENERAL SESSION  
Opening Remarks by TIPRO Chairman  
Steve Castle, Cowboys Resources Corp.

3:15 pm STATE ISSUES UPDATE  
JUSTIN FURNACE, TIPRO President  
Legislative Outlook

4:30 pm TEXAS TAX DEFICIT  
DALE CRAYMER  
TTARA President  
Challenges facing the Texas Legislature

5:30 pm Welcome to San Antonio Reception

#### Saturday August 14, 2010

8:00 am MEMBERSHIP BREAKFAST  
Introductions of RRC Candidates:  
David Porter & Jeff Weems

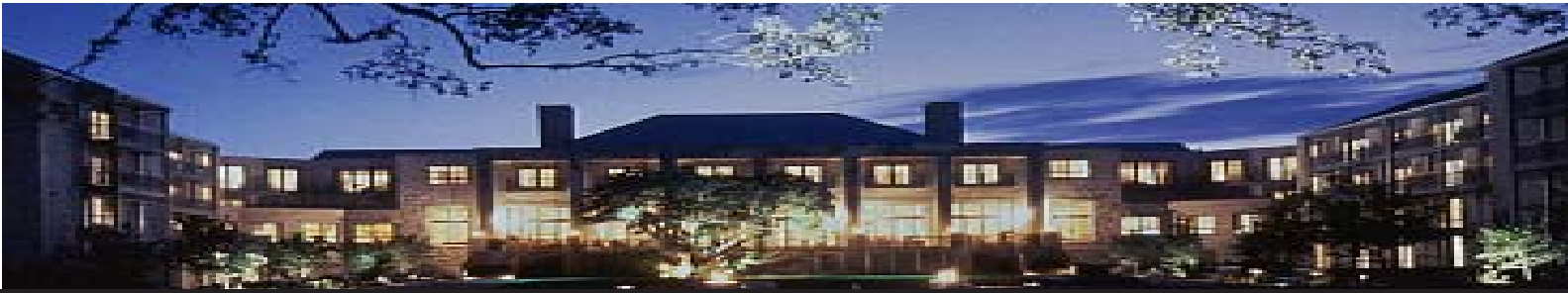
9:00 am FEDERAL UPDATE  
TEDDY CARTER  
TIPRO Director of Public Affairs

10:15 am KEYNOTE PRESENTATION:  
CHARLIE COOK,  
COOK POLITICAL REPORT

11:30 am FINANCIAL OUTLOOK  
EUGENIO ALEMAN  
Senior Economist Wells Fargo

12:30 pm Break for Family Time

6:00 pm Chairman's Dinner & Casino Night  
THE GREEN AMERICAN ROAD TRIP  
Presentation by Castlen Kennedy



# Registration Information

Name of Attendee and Spouse: \_\_\_\_\_

Company: \_\_\_\_\_ E-mail: \_\_\_\_\_

Street Address: \_\_\_\_\_

City/State/Zip Code: \_\_\_\_\_

Phone: \_\_\_\_\_ Fax: \_\_\_\_\_ Cell: \_\_\_\_\_

Children's Names: \_\_\_\_\_

## REGISTRATION FEES:

Member @ \$325 = \_\_\_\_\_

Non-Member @ \$425 = \_\_\_\_\_

Spouse @ \$195 = \_\_\_\_\_

Non-Member Spouse @ \$295 = \_\_\_\_\_

### Children

13 - 17 years old @ \$150 = \_\_\_\_\_

### Children

13 - 17 years old @ \$175 = \_\_\_\_\_

5 - 12 years old @ \$100 = \_\_\_\_\_

5 - 12 years old @ \$125 = \_\_\_\_\_

4 and under @ \$75 = \_\_\_\_\_

4 and under @ \$100 = \_\_\_\_\_

**Fax form to  
512.476.8070  
or visit  
[www.tipro.org](http://www.tipro.org)  
for online  
registration**

## GOLF REGISTRATION FEES:

### Member


Golf \_\_\_\_ @ \$195 = \_\_\_\_\_

Handicap(s): \_\_\_\_ \_\_\_\_

### Non- Member

Golf \_\_\_\_ @ \$250 = \_\_\_\_\_

Handicap(s): \_\_\_\_ \_\_\_\_

 Special dietary needs or other considerations?  
Please contact TIPRO staff

**REGISTRATION TOTAL**

**PAYMENT METHOD:**  VISA  MASTERCARD  AMEX  CHECK NO: \_\_\_\_\_

Name: \_\_\_\_\_ Company: \_\_\_\_\_

Billing Address: \_\_\_\_\_

Credit Card No.: \_\_\_\_\_ Exp. Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Mail Registration form to TIPRO at 919 Congress Avenue Suite 1000 Austin, Tx 78701

Registration forms must be accompanied by payment. No refunds after Aug 5th.



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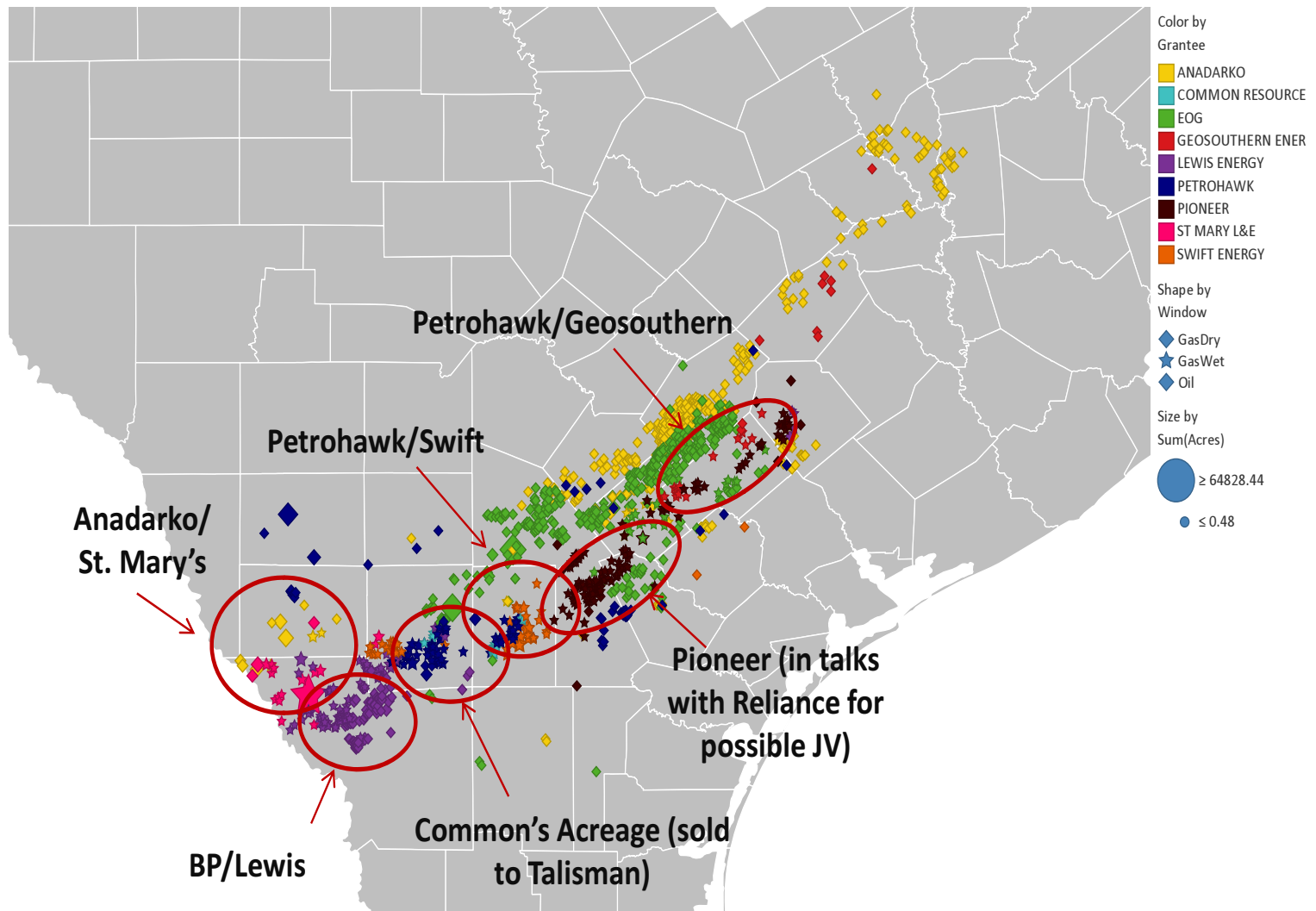
*FOR MORE INFORMATION, GO TO [WWW.DRILLINGINFO.COM](http://WWW.DRILLINGINFO.COM)*

With all of the recent activity in the South Texas Eagle Ford play some operators are involved in joint ventures as a way to help limit cost and risk. In the following map we see leasing positions for the top operators and some of the current JVs along with the acquired Common Resources' Eagle Ford assets by Talisman and the possible Pioneer/Reliance JV. This map was created using DI ESP's Eagle Ford Unconventional Play Platform along with further industry and internal research.



## Top Operator Leasing Positions and JV Positions

Top Operator and JV Positions



Note: Gas/Oil Windows based on public data (EOG, HK) and internal analysis



## TELLING THE U.S. NATURAL GAS STORY: TWO VERSIONS

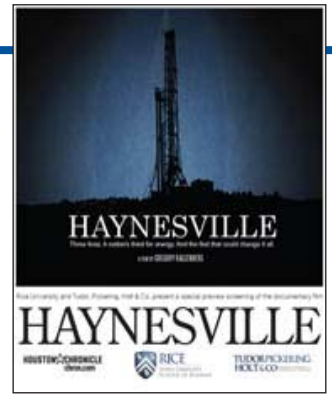
Gasland may be getting play on HBO, but another film about natural gas--Haynesville--has been making the rounds and is about to start a national theatrical tour this summer. Described by Bud Kennedy of the Fort Worth Star-Telegram as "fairer and smarter" than Gasland, and called elsewhere "the antidote to a one-sided energy discussion," Haynesville is a balanced look at the role unconventional gas reserves could have in creating a clean energy future for the nation. Natural gas is being embraced by a broad base of supporters, from T. Boone Pickens to even environmental groups, as a cleaner alternative to coal for our electric power generation and for its potential as a transportation fuel.

To arrive at his conclusions, filmmaker Gregory Kallenberg interviewed a broad spectrum of experts from the academic, energy, environmental, and entrepreneurial worlds. The consensus among this diverse group is that the new found natural gas supplies could provide the next logical step toward a green energy future. Kallenberg says, "We don't have HBO behind us spending millions of dollars on a marketing campaign, so we are relying on organizations, advocacy groups, and individuals to help bring the film to their area and spread the message." Kallenberg says that hosting a screening begins with sending an email to the production at [info@haynesvillemovie.com](mailto:info@haynesvillemovie.com). Kallenberg says they have seen a diverse array of groups and organizations get behind the film, citing its appeal to the common ground, rather than the extremes, and as a film that searches for answers to our problems. "Let's not forget who the enemy is: dirty coal," says Kallenberg. "We've got to start moving off of coal today and toward cleaner energy sources. Natural gas is a major component of that path."

Haynesville is not just garnering acclaim for its balanced approach to the issue--it has also been screened at some of the world's most prestigious film festivals and venues including a showcase screening at the IFC Center in New York City, a featured "Spotlight Premiere" at South by Southwest Film Festival in Austin, Texas, a nomination for the Green Doc Award at in England's prestigious Doc/Fest, a special invitation by the city of Copenhagen to screen at the World Climate Summit in December 2009, and an upcoming two day run at the Alamo Drafthouse in Houston on July 14 & 15. "It's truly a grassroots effort. We're asking for the help of anyone who believes these issues are important to help push Haynesville into the national spotlight," says Kallenberg.

Haynesville follows the early days of the momentous discovery of the Haynesville Shale, one of the largest natural gas reservoirs in the U.S. Set in the backwoods of northwestern Louisiana, the film follows the lives of three people caught up in the early days of this modern day "gold rush." A single mom forms a community coalition to negotiate their environmental protections, a self-described "country boy" finds himself conflicted as he weighs the impact to his land against a gas company's offer to make him a millionaire, and an African American preacher attempts to use the new found riches to build a Christian school. Starting in Texas and Louisiana, Haynesville is slated to play select venues in the following states: Texas, Louisiana, Colorado, California, New York, Pennsylvania, West Virginia, Arkansas, and Michigan.

The film trailer and more information about tour dates and venues can be found at the website:  
<http://www.haynesvillemovie.com/>

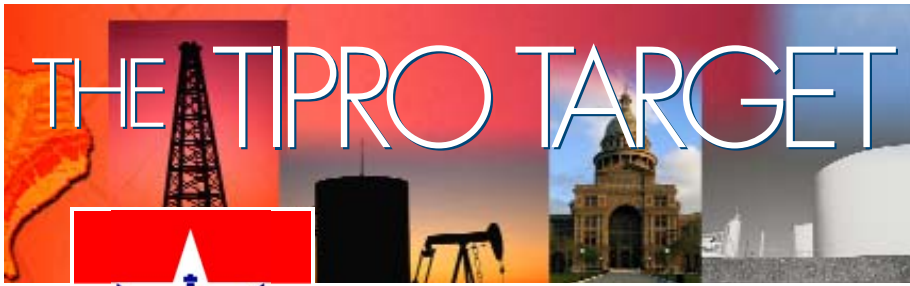


### Magazine from page 2

advertising dollars, so be assured, it's an added membership benefit that won't cost you a dime more in membership dues. The publishing company we've chosen, Naylor, is the leading provider of print and online media solutions serving the association marketplace. Founded in 1969, Naylor provides specialized turnkey services that build image and drive non-dues revenue for associations in the U.S. and currently serves more than 500 associations in 85 industries. A Naylor representative may call you for an interview or to reach out to you for promotional opportunities.

As we roll out the magazine, its inaugural issue will be published in November with a spring edition to follow. In the coming months and years, we plan to have a variety of articles of interest to readers such as TIPRO member profiles, key State and Federal legislative profiles, the changing face of oil and gas in Texas from rural to urban, a typical day in the life of an independent, the future of petroleum engineering with advanced technologies, future cast -- what will the industry look like in the next 20, 50 and 100 years?, and much more. This is YOUR magazine. We value your input. Please share with us your ideas for story ideas. Is your company doing something new and exciting? Do you have news to share? Please send it to TIPRO headquarters or call us so we can add it to our publications.

We have the basis, the production, and the sales tools for TIPRO's new publication. What we need now is your creative input. We want this magazine to be a reflection of you and represent your interests. Please help us name it! We have some ideas but value your feedback. Please review these suggested titles and let us know what you think, or come up with your own new name idea: Upstream Texas; or Delve; or Wellhead Prospector. Please respond to Jen Noble by e-mailing her at [jnoble@tipro.org](mailto:jnoble@tipro.org) or call to TIPRO headquarters at 512.477.4452. We'll tally the results and make an announcement of the winning name at the Summer Meeting in San Antonio August 13. We look forward to adding this membership benefit to you and hearing from you.



**Texas Independent  
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TIPRO represents more than 2,000 independent producers and royalty owners. Our members include small family-owned companies, the largest publicly traded independents and large and small mineral estates and trusts.

[www.tipro.org](http://www.tipro.org)  
[www.EnergyInDepth.org](http://www.EnergyInDepth.org)

**TIPRO — PRODUCING TEXAS' ENERGY for AMERICA**  
919 Congress Ave., Suite 1000, Austin, Texas 78701, Phone: 512.477.4452, Fax: 512.476.8070

**The Power of Knowing  
Is the Power to optimized production  
The Power of maximized profit**

<b>Remote Monitoring Earning's Return</b>						
<b>Mean payback timeframe 10 months</b>	<b>Remote Monitoring Delivers 10% increase in a well's production. Therefore a well producing 80mcf/d will produce an additional 8mcf/d</b>					
	<b>Total investment to Implement Remote Monitoring on 100 wells.</b>	<b>Price per MCF</b>	<b>Payback Period in Months</b>			
		\$2.50	\$3.50	\$4.00	\$5.00	\$6.00
\$500,000	8 months	6 months	5 months	4 months	3 months	
\$550,000	9 months	6 months	6 months	5 months	4 months	
\$600,000	10 months	7 months	6 months	5 months	4 months	
\$650,000	11 months	8 months	7 months	5 months	4 months	
\$700,000	12 months	8 months	7 months	6 months	5 months	
\$750,000	13 months	9 months	8 months	6 months	5 months	

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*~The Cheapest Production You Can Find  
May Be The Production You Already Have ~*