



**Texas
Independent
Producers and
Royalty Owners
Association**

RACE FOR THE RAILROAD COMMISSION: RUN-OFF ELECTIONS TO BE HELD IN MAY FOR BOTH PARTIES

On Tuesday, March 1, known widely as “Super Tuesday,” Texans went to the polls and cast their votes in the primary election to select party nominees for November’s General Election. In the much talked about race for Railroad Commissioner, however, a run-off race will be required for both the Republican and Democratic parties.

Democratic candidates Grady Yarborough, a former schoolteacher from San Antonio, and Cody Garrett, a former party campaign director and journalist from the Austin area, each will advance to the party’s run-off election for Railroad Commission. Meanwhile, on the Republican side, Rosenberg rancher and real estate mogul Gary Gates will face former state Representative Wayne Christian in the Republican run-off election for the open seat at the commission that regulates the Texas oil and gas industry.

The primary run-off election will take place Tuesday, May 24, 2016. Early voting for the run-off will last from May 16-20, 2016.

————— 2016 —————
**PRIMARY
ELECTION**

TIPRO’S 70TH ANNUAL CONVENTION: PRESENTERS REVIEW CURRENT STATE OF THE INDUSTRY

Members of TIPRO gathered in San Antonio on February 22-23, 2016, for the association’s 70th Annual Convention. During the two-day meeting, presenters reviewed the latest regulatory and legislative developments of importance to the Texas oil and gas industry.



TIPRO President Ed Longanecker and TIPRO Chairman Raymond Welder III with state Representatives Chris Paddie, Drew Darby and Phil King

Speaker of the Texas House Joe Straus kicked off the conference, thanking TIPRO members for everything they do to support the Lone Star State. Following Straus’ remarks, analyst Bob Brackett offered a market update to attendees, forecasting economic conditions through the rest of the year.

Texas Congressman Mike Conaway provided attendees with a federal perspective on significant oil and gas issues being discussed by lawmakers in Washington D.C., including the recent lifting of the crude oil export ban. Congressman Conaway warned of other federal concerns including regulatory proposals by the U.S. Environmental Protection Agency (EPA) that could pose serious threat to the oil and gas business. Congressman Conaway also advised TIPRO members to continue to monitor proposals for tax reform in the future, particularly for policies like Intangible Drilling Costs (IDCs). “There is constant conversation of changes to tax provisions,” he noted.

Ten candidates running in the primary race for the open seat at the Railroad Commission participated in TIPRO’s candidate forum, held Monday, February 22nd in conjunction with TIPRO’s 70th Annual Convention. Each candidate highlighted their background experience and outlined their priorities if they were to be elected to serve in office.

Continental Resources Chairman and Chief Executive Officer Harold Hamm provided the keynote address for the 2016 TIPRO Convention, lending his own outlook on the U.S. oil and gas sector and his company’s strategy to handle low oil prices.

Additionally, Texas Comptroller Glenn Hegar reviewed the current economic conditions in the Lone Star State. “I have been as focused on oil prices as you have,” reassured the comptroller. And though the oil and gas industry has a large role in supporting the state budget, Comptroller Hegar indicated optimism as to the future growth of the Texas economy. “The fundamental elements of our economy have not changed,” he said.

At the association’s 70th Annual Convention, with the help of state Representative Chris Paddie, TIPRO was also proud to present House Energy Resources Chairman Drew Darby with TIPRO’s Hats Off Award for his leadership during the 84th Legislative Session.

During TIPRO’s Convention, industry experts also discussed new OSHA standards, seismicity, oil and gas taxes, and job safety. Speaker presentations are available online for members through the members-only section of TIPRO’s website. For direct access, please visit the following link: www.tipro.org/meetingsevents/archived-presentations.

Check out photos from TIPRO’s Annual Convention on pages 4-5...

DRILLINGINFO CEO ALLEN GILMER SELECTED AS NEXT CHAIRMAN OF TIPRO

During the association's membership meeting on February 23, 2016, Allen Gilmer was elected to serve as the next chairman of the Texas Independent Producers & Royalty Owners Association (TIPRO), beginning his term on July 1, 2016.

Gilmer is the chairman and CEO of Drillinginfo, a leading, data-powered SAAS company based in Austin that empowers oil and natural gas industry clients with solid intelligence and advanced analytics. Gilmer first began his oil patch career with Marathon Oil Corporation, as a geophysicist working in research, seismic acquisitions, and South American exploration. Prior to co-founding Drillinginfo in 1999, Gilmer was an independent oilman for seven years, co-founding three profitable E&P companies. He received a B.A. in geology from Rice University and a M.S. in geology from The University of Texas at El Paso. Gilmer holds several patents in the field of multi-component seismology.

In accordance with the association's bylaws, the TIPRO membership has also confirmed the following individuals to serve on the Board of Directors, with terms starting on July 1st:

- Eugene Garcia, Hurd Enterprises - Treasurer (Class B Director); Term expiring on June 30, 2018
- Patricia D. Boswell McCall, Boswell Interests, Ltd. - Secretary (Class B Director); Term expiring on June 30, 2018
- Tadd Owens, Pioneer Natural Resources - Region 3 Director (Class A Director); Term expiring on June 30, 2019
- Dennis Hendrix, Great Western Drilling - Region 5 (Class A Director); Term expiring on June 30, 2019
- Frederick "Rick" J. Plaeger II, EOG Resources - At-Large Representative (Class A Director); Term expiring on June 30, 2019
- William "Bill" Wallace, Wallace Petroleum Investments, Inc. - At-Large Representative (Class A Director); Term expiring on June 30, 2019
- Judd Walker, Enervest - Chairman Appointee (Class C Director); Term expiring on June 30, 2018
- John Swords, Tracker Services - Chairman Appointee (Class C Director); Term expiring on June 30, 2018
- Greg Jacobs, Devon Energy - Chairman Appointee (Class C Director); Term expiring on June 30, 2018
- Scott L. Anderson, Anderson Oil - Past Chairman (Class D Director); Term expiring June 30, 2019
- Walter "Tad" Mayfield, Goldston Oil Corp. - Past Chairman (Class D Director); Term expiring June 30, 2019

TIPRO thanks all of the candidates for graciously accepting their nominations, and agreeing to serve on the Board.

NOTICE: LEGISLATIVE COMMITTEE HEARINGS TO BE HELD MARCH 7TH AND MARCH 8TH

Members of the House Committee on Energy Resources will convene in Austin on Monday, March 7, to study current enforcement policies at the Railroad Commission of Texas (RRC). The committee will consider the effectiveness of maximum fines at the agency as a deterrent of violation, the economic benefit of non-compliance, and greater accessibility to enforcement and complaint data for the public. In addition, the committee intends to discuss potential opportunities to streamline programs and services while maintaining the mission of the agency and its programs. Finally, next Monday, the Committee on Energy Resources will also review seismic research needs for the University of Texas Bureau of Economic Geology (BEG) and any response to research findings by the RRC.

The following day, on Tuesday, March 8, the House Committee on Energy Resources will meet jointly at the state capitol with the House Committee on International Trade & Intergovernmental Affairs to review how the Mexican energy transformation has bolstered or diminished the energy economy in Texas. Legislators will also explore opportunities that would encourage binational exchange and commerce of oil, natural gas and oilfield materials, as well as discuss how a competitive market across the border will affect supply, market price, reliability of Texas oil, gas, and energy markets, pipeline build-out and other economic factors such as workforce and local economy sustainability.

On behalf of TIPRO membership, the association will participate in both legislative hearings scheduled next week.

REMEMBERING AUBREY MCCLENDON

TIPRO mourns the unexpected loss of longtime TIPRO supporter, former TIPRO member and industry pioneer Aubrey McClendon. McClendon was the former chief executive officer of Chesapeake Energy. He later served as founder and chief executive officer of American Energy Partners.

Aubrey's many contributions will have a lasting impact for the U.S. oil and natural gas industry. TIPRO expresses condolences to his family, colleagues, and friends.



TIPRO Calendar of Events

MARCH 9, 2016	APRIL 7, 2016	MAY 11, 2016	JUNE 8, 2016
HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (202) 857-4733.

FEDERAL JUDGE UPHOLDS COURT DECISION TO VACATE LESSER PRAIRIE-CHICKEN LISTING

A federal court has denied a motion by the U.S. Fish & Wildlife Service (USFWS) and the U.S. Department of Interior to overturn the September 1, 2015, ruling regarding the listing of the Lesser Prairie-Chicken.

Last September, U.S. District Judge Robert A. Junell found that the USFWS failed to follow its own procedures in determining whether the bird should receive protection under the Endangered Species Act (ESA). Namely, the agency did not thoroughly consider active conservation efforts when making the decision to list the chicken as threatened, including activities associated with the Lesser Prairie Chicken Range-Wide Plan (RWP). Consequently, the court vacated federal protections for the Lesser Prairie Chicken.

“The court decision on September 1 and the ruling made [Monday] underscore the validity of a comprehensive conservation effort involving state conservation agencies, landowners and industry. The RWP was developed to ensure conservation of the Lesser Prairie-Chicken with voluntary cooperation of landowners and industry. This plan allows agriculture producers and industry to continue operations while reducing impacts to the bird and its habitat,” commented the Western Association of Fish and Wildlife Agencies (WAFWA), which is responsible for administering and managing the RWP in collaboration with state wildlife agencies from Texas, New Mexico, Oklahoma, Kansas and Colorado.

In fact, according to a 2015 range-wide aerial survey, the Lesser Prairie-Chicken population increased by approximately 25 percent between 2014-2015, verifying success of the RWP. WAFWA reports that over 101,000 acres of farm and ranch land have been enrolled in 10-year agreements for the conservation plan. Moreover, to create new habitat for the species and begin to address the impact of habitat fragmentation for the Lesser Prairie-Chicken, WAFWA has contracted with landowners to restore more than 15,000 acres of habitat. Interest and support in the WAFWA conservation program also continues to increase among landowners, notes the organization. No enrolled landowners have terminated their contracts and there are more than 50 landowners on the waiting list for term contracts. WAFWA is also in discussions with several landowners who have expressed interest in selling permanent conservation easements.

GLO COMMISSIONER LAUNCHES DIGITAL ‘ENERGY MAP OF TEXAS’

General Land Office (GLO) Commissioner George P. Bush has unveiled a new ‘Energy Map of Texas,’ which highlights the 500-year history of energy production across the state. The energy map, launched on February 22, 2016, includes locations of significant wells, pipelines, and wind farms. It also traces the history of energy development across the Lone Star State.

“God has blessed Texas with abundant energy resources, and this map is the first to capture that story and connect it to the great epic of Texas,” Commissioner Bush said. “Having the opportunity to create a new map for the people of Texas and become a part of this great tradition is one of the highest honors of serving as Texas Land Commissioner.”

The commemorative map is part of a long-standing tradition at the GLO, first started in 1954 by Land Commissioner Bascom Giles and continued over the past 60 years by each GLO commissioner. However, the 2016 energy map by Commissioner Bush is the first ever digital interactive map to be offered. Limited edition first-run prints of this map can also be purchased online at www.savetexashistory.org for \$20, with 100 percent of the proceeds going towards GLO map and document conservation.

“Energy production is one of the most significant drivers of the Texas economy and affects the lives of all who call the Lone Star State home,” Commissioner Bush continued. “As Texas Land Commissioner, I oversee more than 13 million acres of land and mineral rights that benefit the school kids of Texas through the Permanent School Fund. Creating the Texas Energy Map links several vital sectors of the GLO - education, asset management and historic conservation. Additionally, sales of the Texas Energy Map and all map reproductions sold by the GLO benefit the Save Texas History program, which is preserving millions of Texas’ most significant documents and making them available online for all to enjoy.”

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Texas Land Commissioner George Bush

RAILROAD COMMISSION WILL MARK AGENCY’S 125TH ANNIVERSARY THIS YEAR

During 2016, the Railroad Commission of Texas (RRC) will celebrate its 125th anniversary. Established in 1891, the RRC is the oldest regulatory agency in the state of Texas, and one of the oldest regulatory agencies in the country.

In the early 1890s, Texas Governor James S. Hogg pushed for regulatory reform over the railroad industry, and on April 3, 1891, the Texas Legislature passed legislation to create the RRC, specifically to prevent discrimination in railroad charges and establish reasonable tariffs. Over the years, the agency expanded its regulatory jurisdiction to oversee other industries, including oil and natural gas development, alternative fuels safety, natural gas utilities, surface mining and intrastate pipelines. The RRC no longer holds any jurisdiction or authority over railroads in Texas, a duty which was transferred to other agencies, with the last of the rail functions transferred to the Texas Department of Transportation in 2005.

Learn more about the history of the Railroad Commission by visiting the agency’s website at www.rrc.texas.gov.

PHOTOS FROM TIPRO'S 70TH ANNUAL CONVENTION...



Speaker of the House Joe Straus welcomes TIPRO members to San Antonio



TIPRO board members and staff visit with Speaker of the House Joe Straus



TIPRO members listen to remarks from conference speakers



TIPRO's Railroad Commission Candidate Forum



Congressman Mike Conaway presents at TIPRO's 70th Annual Convention



TIPRO's Railroad Commission Candidate Forum

PHOTOS FROM TIPRO'S 70TH ANNUAL CONVENTION...



Continental Resources Chairman and CEO Harold Hamm provides the keynote presentation at TIPRO's Convention



State Comptroller Glenn Hegar offers an economic update to TIPRO members



TIPRO executive leaders with Harold Hamm, chairman and chief executive officer of Continental Resources



House Energy Resources Chairman Drew Darby speaks at TIPRO's Annual Convention



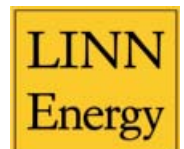
TIPRO member Mark Gipson with Representative Drew Darby, Representative Phil King, and Jason Modglin, chief of staff for Representative Darby



TIPRO's Board of Directors

TIPRO'S 70TH ANNUAL CONVENTION

SPECIAL THANKS TO ALL EVENT SPONSORS:



FIRST LNG SHIPMENT DEPARTS U.S. FOR BRAZIL

Marking a historic moment for the U.S. natural gas industry, the first shipment of liquefied natural gas (LNG) left America's gulf shore and has set sail for Brazil. Last Wednesday, February 24, Cheniere Energy announced that the first commissioning cargo with LNG would depart imminently, storing LNG produced from the company's Sabine Pass liquefaction facility located in Cameron Parish, Louisiana.

"This event opens a new chapter for the country in energy trade and is a significant milestone for Cheniere as we prepare Train 1 for commercial operations," commented Neal Shear, chairman of the board and interim chief executive officer of Cheniere Partners. "This accomplishment would not have been possible without many years of hard work by our employees, our construction partner, Bechtel, other contractors and thousands of workers at the Sabine Pass site. We especially want to thank our federal, state and local agencies, elected officials and community leaders from across Louisiana and the United States for their continued support and contributions during development and construction."

As the nation ramps up its LNG export capabilities, elected officials from the state of Texas have openly expressed support in favor of the global export of natural gas produced from U.S. shale fields. In 2015, the Texas Legislature approved without opposition Senate Concurrent Resolution 32, which urged Congress to expedite natural gas exports. The bill, authored by state Senator Paul Bunnell and sponsored by state Representative Gene Wu, called for Congress to address the costly and time-consuming regulatory limitations against the export of U.S. natural gas, which hinders trade expansion opportunities and domestic job creation, and also works against the national security interests of the country.

"Bipartisan support isn't something you hear very often in Washington, D.C., but in Texas we understand the importance of working together to support efforts that will benefit the Texas economy and add jobs. LNG exports are an opportunity to do just that... Texas is uniquely positioned to become a leader in the next chapter in America's energy transformation due to our abundant natural gas supply, infrastructure and access to deep water ports..." wrote Senator Bunnell and Representative Wu in an opinion editorial published February 23, 2016.

INDUSTRY CALLS ON CAPITOL HILL TO PROVIDE MORE RELIEF FOR SMALL PRODUCERS

As the nation's smallest oil producers work to keep afloat amid low commodity prices, a coalition of industry leaders are calling on Congress to approve federal legislation aimed at helping small independent producers and businesses.

Under House Resolution 4672, introduced by U.S. Representative Lynn Jenkins (R-KS) on March 2, 2016, the Internal Revenue Code of 1986 would be amended to make permanent the exception for marginal production from the taxable income limit on percentage depletion for oil and natural gas wells.

The National Stripper Well Association, joined by TIPRO and 12 other national oil and gas trades, has sent a letter to members of Congress this week in support of the policy proposal to remove the net income limitation on percentage depletion for oil and natural gas produced from marginal properties.

"Small independent producers and businesses use the percentage depletion allowance for capital to invest in current wells, as well as exploration to drill more. Percentage depletion plays a significant role in keeping America's marginal wells producing and is a vital accounting mechanism for the country's small independent petroleum companies, investors, and royalty owners alike," the group said in their letter.

The letter also explained, "Without this exemption, the deductible allowance for oil and natural gas production is limited to a property's net income. In a low-price competitive environment that can mean if a property suffers losses or the net income is less than the 15 percent of gross revenue, the ability to use percentage depletion is unreasonably limited. This limitation puts at risk thousands of the more than 600,000 marginal oil and natural gas wells in the United States, which collectively produce approximately 1.2 million barrels per day of oil production and nearly 5.8 billion cubic feet of natural gas per day. Across America, these independent owners and operators are the small business sector of the American oil and natural gas industry, and it is vital we keep them in operation."

AMERICANS CONCERNED OVER NATION'S ENERGY SECURITY, NEW POLL REVEALS

A majority of Americans hope for increased energy independence for the United States, indicates a new poll released in February by The University of Texas at Austin (UT). The semi-annual survey polled a total of 2,043 Americans in January on a wide array of energy issues.

In the survey, both Republicans and Democrats expressed interest in having the government and energy industry collaborate to achieve further national energy security. The latest UT Energy Poll shows 55 percent of Americans are concerned about future energy security needs, including 51 percent of Republicans and 65 percent of Democrats.

"Energy security means different things to different people, but it is clear that most people want government and private industry to work together," said Sheril Kirshenbaum, director of the UT Energy Poll.

The UT survey also showed rising support of hydraulic fracturing amongst Americans. Of those who say they are familiar with the technology, more individuals expressed approval of its use as compared to last Fall.

In recent years, increasing use of hydraulic fracturing and horizontal drilling have allowed U.S. producers to develop oil and natural gas resources locked in unconventional geologic formations, alleviating concerns on supply scarcity.




TIPRO is Celebrating 70 Years!

Show your support for this important milestone
by advertising in the Spring/Summer issue of *Upstream Texas!*
Our Cover Story will celebrate TIPRO over the past seven decades,
with photos and stories from members and partners .

This keepsake issue will be read again and again.
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Contact Mike Ross at mross@naylor.com
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THE TIPRO TARGET



**Texas Independent
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Royalty Owners
Association**

With more than 3,000 members, TIPRO is the nation's largest statewide association representing both 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.

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