



**Texas
Independent
Producers and
Royalty Owners
Association**

PRESIDENT OBAMA OPENS MORE OFFSHORE DRILLING OPTIONS WHAT DOES THAT MEAN FOR TEXAS INDEPENDENTS?

Increasing more domestic production as a way to reduce foreign imports has been a message TIPRO has been espousing for years. With President Obama's announcement last week of a plan to open more offshore drilling sites off coastal areas of the northern Atlantic, parts of the Gulf of Mexico and select locations off Alaska, the conversation begins again on the pluses and minuses of such a decision. Does it offer opportunities or obstacles?

President Obama stated in a news conference last week, "The bottom line is this: Given our energy needs, in order to sustain economic growth and produce jobs and keep our businesses competitive, we're going to need to harness traditional sources of fuel even as we ramp up production of new sources of renewable, homegrown energy."

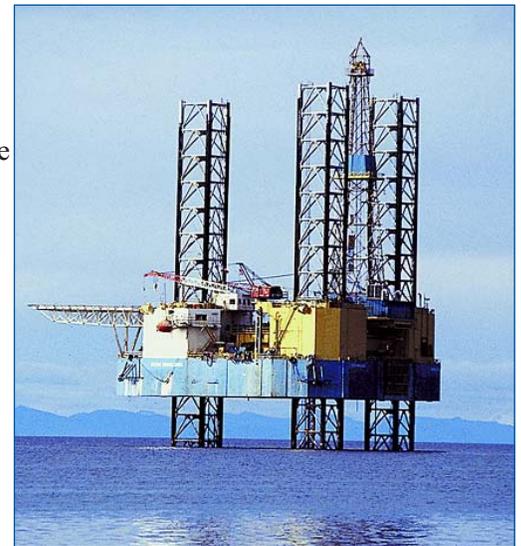
Investor's Business Daily sees the Administration's move as not going far enough. "The administration appears to be embracing economic and energy reality. Our struggling economy needs energy and jobs, and prospects of getting what we need from switch grass and windmills grow dimmer every day. Drill Baby, Drill."

While TIPRO supports increased access to American energy, we also ask the Administration to keep the incentives already in place for independents so we can continue providing the country with the sustaining oil and gas already available. "It makes no sense to increase economic opportunity with one hand and take it away with the other," says Donna Warndorf, TIPRO Vice President of Public Affairs. "That's also true of administrative hurdles that agencies could place on the leasing process."

There is also speculation that increased economic difficulties by the states have cleared some past opposition to the ban. As those economic pressures increase, so may the political acceptance of the value America's independent producers bring to a community. "When we go into a community we not only provide jobs, but also do business with the local community through hotels, car dealerships, restaurants and other vendors," comments Rich Varela, TIPRO Executive Vice President.

T. Boone Pickens says "President Obama's plan to promote more offshore drilling for oil and natural gas is an important step in achieving true energy reform. We should be taking full advantage of every available American resource to help decrease our crippling dependency on foreign oil—a dependency that is slowing our economic recovery and jeopardizing our homeland security."

Regardless of your stance, actual drilling results of new offshore locations is years off from now. In the meantime, as independent face the daily challenges of running their businesses and dealing with today's marketplace, they are coping with the realities of the here and now. TIPRO stands shoulder to shoulder with you to overcome the hurdles.



TIPRO PRESIDENT'S MESSAGE



Walter G. "Tad" Mayfield

Texas is America's energy capital. Our state is the nation's largest producer of oil and gas, besides federal offshore areas, accounting for approximately 20% of oil and 30% natural gas of total U.S. production. It's that leadership that has been the foundation of our state's essential prosperity and stability for decades. Even through this current national economic recession, Texas stands as one of the state's that has weathered the storm the best thanks to severance taxes and rainy day funds provided by our industry. As the Texas Comptroller of Public Accounts says about oil and gas in Texas, "the industry is important to our welfare. Thanks to its history as a leading energy producer, Texas is blessed with an abundance of technical, legal, financial and research expertise that can be deployed to meet the challenges of providing energy for a growing population and economy." With Texas gaining 1,000 new residents each day, that burden is starting to weigh us down.

The crux of our message to our Texas Delegation and others when we travel to Washington, DC later this month will be "You need us and now we need you." Armed with the facts we'll educate about how:

- Independent producers re-invest up to 150% of their cash flow back into production.
- In 2008, the Texas energy industry employed nearly 368,000 people who earned more than \$39 billion in total wages.
- The Administration's budget request would eliminate or restrict oil and gas tax provisions that have been in place for decades. (IDCs, depletion allowance, G&Gs, Section 199 tax deduction, marginal well tax credit and Enhanced Oil Recovery tax credit.)

We will meet with lawmakers and their staffs to remind them of this messaging so they will be sure to fight on our behalf because the very welfare of the entire state rests on our shoulders. We producers know a bit of how Atlas must have felt. We've carried the burden, now we need some relief.

Sincerely,

Tad Mayfield

TIPRO'S EAST TEXAS MIXER IN KILGORE

Please join us Tuesday, May 4, 2010 in Kilgore, Texas to honor the legacy of R. Lacy during our East Texas Mixer. Enjoy three fantastic events for TIPRO members and their guests:

- Free admission to the East Texas Oil Museum for TIPRO members.
- 3:30 p.m. at the East Texas Oil Museum - Presentations from Eric Potter from the Bureau of Economic Geology, Grant Farris, Cima Energy Ltd. will speak on Best Practices in Natural Gas Marketing and David Burnett will present Environmentally Friendly Drilling.
- 5:30 p.m. TIPRO members and guests social mixer at the Meadowbrook Country Club in Kilgore.

A relaxed time to meet and network with old friends and make new ones. Please bring a friend and take time to acquaint or reacquaint with your fellow East Texas oil patch friends. The event is free for TIPRO members. Nonmembers are \$35. Thanks to our sponsors thus far: Cima Energy Ltd., Lehnertz-Faulkner, Inc., Jack L. Phillips, Independent Producer, Sulpher River Exploration, Inc. and TC Technologies. [Register online at www.tipro.org](http://www.tipro.org).

Calendar of Events

MAY 12, 2010

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

JUNE 9, 2010

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

SAVE THE DATE

AUGUST 12-13, 2010

TIPRO's Summer Conference & Golf Tournament
Hyatt Hill Country Resort
San Antonio, Texas

UNRULY RULES!

This interim has seen an unusually active rulemaking season at agencies in Texas. The Legislature’s interim committees have also started a robust schedule of hearings and stakeholder meetings. TIPRO is actively participating in these activities and appreciate all the work and feedback our committees and membership provided to us in the process!

There are two active proposals at the Railroad Commission to implement recent legislation. The deadline for comment on draft rules on carbon sequestration and storage are due April 16th and TIPRO has solicited member comments and is working with the industry’s stakeholder group to ensure that producers’ concern are addressed. The proposed rules on financial assurance and clean-up of inactive well sites have completed their Informal Comment period and are expected to be revised for Formal Comments very soon. TIPRO continued its involvement with industry stakeholders through the Inactive Well Study Group, which was able to find consensus on a joint comments letter.

While the rules being developed at the RRC will have significant long-term consequences, the dangers of a new rule proposal at the TCEQ would have immediate, disastrous impacts on the industry. The proposed revisions to Permits By Rule extended farther into upstream operations than ever before. TIPRO is actively working to oppose and educate policymakers on these detrimental provisions.

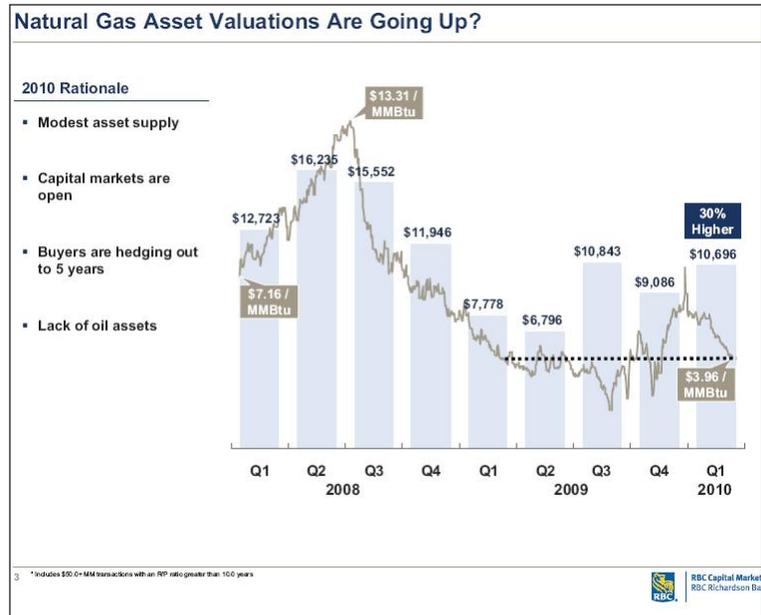
Finally, interim studies focused on taxes and the mineral valuations for property tax purposes have heated up. TIPRO testified at the House Ways and Means Committee hearing, attended a stakeholder meeting at the Office of Comptroller and will testify at the upcoming Senate Finance hearing.

We continue to fight for Texas producers at both the legislature and at Texas agencies!

Oil and Natural Gas Marketplace According to RBC

Speaking at the TIPRO/IPAA Leaders in Industry luncheon in Houston last Tuesday, Scott Richardson, Co-Founding Principal RBC Richardson Barr provided an overview of the marketplace for oil and gas as his company sees it: natural gas is resilient and oil is still stalwart. An overview of his viewpoints are recounted in the points below:

- Asset supply has been less than anticipated
- Natural gas asset valuations have been surprisingly resilient to lower gas prices
- Proved undeveloped reserves are starting to garner value in the acquisition market
- The market is bullish on oil and oil-weighted companies
- The capital markets are open for all sectors
- Private equity companies are aggressively pursuing any and all conventional asset packages
- MLPs have come back to the market in a big way in 2010 International companies are interested in North America’s natural gas resource plays
- The most coveted resource plays are the Eagle Ford, Marcellus and Haynesville
- M&A has been relatively quiet with the few transactions being more commodity driven (EAC, ARD).



For more insight into these points, please contact Scott Richardson at RBC Richardson Barr, Five Post Oak Park, 4400 Post Oak Parkway, Suite 2400, Houston, Texas 77027, 713.585.3300, www.richardsonbarr.com

TEXAS MONTHLY OIL AND GAS STATISTICS

FROM THE TEXAS RAILROAD COMMISSION NEWS RELEASE - MARCH 26, 2010

FEBRUARY PERMITS TO DRILL

The Commission issued a total of 1,403 original drilling permits in February 2010 compared to 943 in February 2009. The February total included 1,200 permits to drill new oil and gas wells, 27 to re-enter existing well bores, and 176 for re-completions. Permits issued in February 2010 included 366 oil, 240 gas, 735 oil and gas, 61 injection, zero service and one other permit.

TABLE 1 -- FEBRUARY TEXAS OIL AND GAS DRILLING PERMITS AND COMPLETIONS BY DISTRICT

RAILROAD COMMISSION DISTRICT	PERMITS TO DRILL OIL/GAS HOLES	OIL COMPLETIONS	GAS COMPLETIONS
(1) SAN ANTONIO AREA	70	27	13
(2) REFUGIO AREA	68	13	38
(3) SOUTHEAST TEXAS	74	24	21
(4) DEEP SOUTH TEXAS	67	0	44
(5) EAST CENTRAL TX	31	6	29
(6) EAST TEXAS	82	11	58
(7B) WEST CENTRAL TX	51	48	5
(7C) SAN ANGELO AREA	179	73	36
(8) MIDLAND	404	85	19
(8A) LUBBOCK AREA	113	36	1
(9) NORTH TEXAS	206	71	134
(10) PANHANDLE	58	16	37

FEBRUARY OIL AND GAS COMPLETIONS

In February 2010, operators reported 410 oil, 435 gas, 54 injection and two other completions compared to 777 oil, 800 gas, 147 injection and two other completions during February 2009. Total well completions for 2010 year to date are 1,664 down from 3,190 recorded during the same period in 2009.

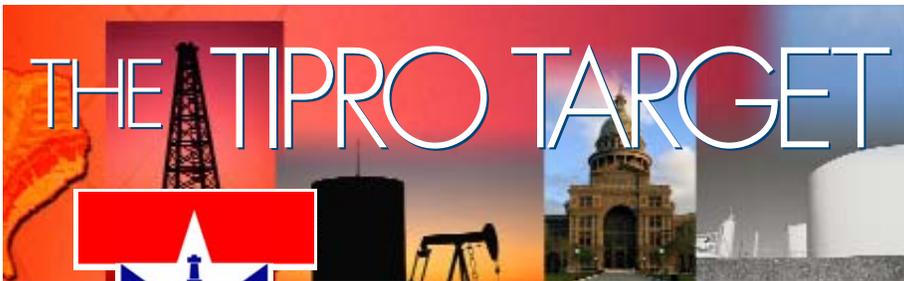
Operators reported 304 holes plugged and two dry holes in February 2010 compared to 604 holes plugged and two dry holes in February 2009.

CNG CONVERSIONS





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**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
www.EnergyInDepth.org

TIPRO — PRODUCING TEXAS' ENERGY for AMERICA

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