



TIPRO
Texas
**Independent
Producers and
Royalty Owners
Association**

Based on RULE §3.295, any electricity or natural gas meter in Texas “(C) exploring for, producing, or transporting a material extracted from the earth” is eligible for sales tax exemptions. If your meters are deemed tax exempt, you will not have to pay taxes moving forward, and may also be able to receive a refund for all taxes that you have been paid in the past four years!

It is important that the proper documentation be filed with the state Comptroller's Office in order to protect yourself from any possible penalties: “(2) The [predominant use] study must be completed and on file at the location of the person claiming the exemption at the time an exemption certificate is submitted to the utility company. Without the study, the claim for exemption will be presumed to be invalid. Persons obtaining a sales tax refund without a valid study will be assessed tax, penalty, and interest by the comptroller on the full amount of the refund, if the exemption is not proved.”

Your TIPRO Power Coalition has partnered with a licensed, reputable engineering firm to conduct the necessary “predominant use study” and file all documents with the state.



Fox Smolen & Associates

ELECTRICITY PURCHASING SOLUTIONS

*Note that you do not have to have an electricity contract signed with the TIPRO Power Coalition to take advantage of these possible savings.

DRILLING IN TEXAS HELPS LESSEN U.S. DEPENDENCE ON FOREIGN OIL TO 20-YEAR LOW

Since peaking in 2005, U.S. dependence on foreign oil has slowly decreased over the last several years, due in large part to the domestic development of shale formations. In particular, oil production from West Texas' Permian Basin and South Texas' Eagle Ford Shale has allowed for U.S. demand of imported crude oil to fall to approximately 42 percent this year, the lowest level seen in nearly two decades, reports the U.S. Energy Information Administration (EIA). With the recent increase in industry activity in the Lone Star State, domestic supplies have grown, helping to reduce the need to import oil from foreign countries.

Last year, during 2011, the U.S. relied on imports for 44.8 percent of its petroleum consumption, down from 60.3 percent in 2005, according to the EIA. However, with ongoing exploration and production right here in Texas will continue to help decrease the need to import crude oil, while at the same time enhancing our country's energy security. Only five or six years ago, many thought it was inconceivable to decline imports by such a dramatic amount, showcasing the incredible benefits of hydraulic fracturing and horizontal drilling that have spurred activity in shale plays throughout the U.S.

ELIMINATE SALES TAX: AN UPDATE PROVIDED BY THE TIPRO POWER COALITION

Did you know that you can shop for your electricity contracts for meters which lie in deregulated areas? TIPRO members have already saved over \$1.4 million by getting competitive electricity bids from over twenty different Retail Electricity Providers through the TIPRO Power Coalition. However, many are not aware that utility costs can also be lowered by eliminating sales tax!



Please contact Jason O'Krent at Fox, Smolen & Associates by phone at (512) 322-9090 x104 or email okrent@foxsmolen.com for more information about your tax exemption possibilities, or if you need anything else regarding your electricity accounts (including an electricity contract*... current fixed rates are as low as 4 cents/kWh and contracts can be secured up to 12 months in advance).

**The TIPRO office will be closed on Monday, September 3, 2012, for Labor Day.
Normal office hours will resume on Tuesday, September 4.**

PRESIDENT'S MESSAGE

TIPRO Members-

As most of you recall, earlier this summer the U.S. Fish & Wildlife Service (USFWS) determined it was unnecessary to formally list the Dunes Sagebrush Lizard (DSL) as threatened or endangered. TIPRO played an important role by strongly advocating that the facts be considered prior to the determination. Based upon scientific evidence and factual data that was collected on the species, officials made the right decision not to classify the lizard under the Endangered Species Act.

Texas and the oil and gas industry appreciate the need to protect the habitat of certain species when proper science and evidence conclusively show that a species is truly threatened. However, as expected, the federal agency is once again proceeding without sufficient basis. Now their focus is on the Lesser Prairie Chicken (LPC), as the bird could be proposed for listing by the USFWS by October. Once that happens, the formal review process begins, with hearings in the affected states, and ultimately a final decision by fall 2013. The LPC, one of 12 species of grouse found in the United States, is a brown, ground-nesting bird that weighs 1 to 2 pounds.

Action taken by USFWS could yet again put oil and gas operations in Texas at risk, in one of the state's most active regions - the Panhandle and the Permian Basin. It could hinder exploration and production in up to 24 Texas counties, tremendously limiting energy development and jeopardizing thousands of jobs. Beyond the oil and gas industry, this listing could also affect the region's agriculture, ranching, transportation, energy transmission and construction.

Following the potential listing of the LPC, a long list of other species could be next - which all together live in nearly every county in the state. In fact, more than 100 species in Texas will be up for consideration in the next five or six years by USFWS. While currently operators in North and West Texas must take immediate action to try to halt unnecessary listings of endangered species, ultimately, it could be those living in regions all over the state that have to step up and take action. It is also important for us to keep in mind that once a species is named as threatened or endangered, it is very rarely removed from the list. To date, 1,500-2,000 species are listed as endangered. Since 1967, only 26 species have been recovered and ultimately taken off the list.

Nonetheless, rest assured, as in the case of the DSL, we will not back down. We will continue to fight on behalf of our state's producers and royalty owners to ensure that the federal government does not slow or stop the development of oil and gas unnecessarily. I'm thankful to say that we have a strong list of supporters on our side, including many of our state's esteemed officials. They recognize the significance of federal regulation putting businesses and people's livelihood at stake, with entire sectors at risk for impact as well. They have continued to prove to be strong advocates for Texans, and have done their part to speak out on this very important issue, and we are very grateful for their backing. Moreover, they've also recently helped push for Congress to review the entire Endangered Species Act, and help refine the process by which species are designated as in jeopardy.

On a different note, I again want to encourage all of you who have not yet registered to attend TIPRO's Texas Top Producers Awards Banquet to do so soon. Less than two weeks remain until the event, and only a limited number of seats are still available. This banquet is sure to be a special occasion, as we gather to recognize the best in the business and celebrate our industry's success in recent years. I am excited to announce that our keynote speaker for the event will be renowned businessman Mr. Red McCombs. McCombs is the founder of the Red McCombs Automotive Group, a co-founder of Clear Channel Communications, a former owner of the San Antonio Spurs, Denver Nuggets and the Minnesota Vikings, and the namesake of the McCombs School of Business at The University of Texas at Austin. He also has built McCombs Energy into a well-recognized oil and gas producer, with properties located in the United States, the Gulf of Mexico and Colombia. Don't miss out on the chance to hear Mr. McCombs speak on the current business climate in Texas, as well as address the significant support that the oil and gas industry provides for our economy. I look forward to seeing many of you there.



Rich Varela

Sincerely,

Calendar of Events

SEPTEMBER 11, 2012	SEPTEMBER 12, 2012	OCTOBER 10, 2012	OCTOBER 12, 2012
HOUSTON Texas	HOUSTON IPAA/TIPRO	HOUSTON IPAA/TIPRO	DALLAS Texas Energy
Top Producers Awards Banquet, 6:30 p.m.	Leaders in Industry Luncheon, 11:30 a.m.	Leaders in Industry Luncheon, 11:30 a.m.	Update Seminar, 7:30 a.m. - 11:30 a.m.
Houston Petroleum Club.	Houston Petroleum Club.	Houston Petroleum Club.	The Belo Mansion.
For info, call: (512) 477-4452.	For info, call: (713) 503-1298.	For info, call: (713) 503-1298.	For info, call: (214) 207-0369.



THE TEXAS INDEPENDENT PRODUCERS &
ROYALTY OWNERS ASSOCIATION
CORDIALLY INVITES YOU TO JOIN THEM
FOR AN AWARDS BANQUET
HONORING THE



TUESDAY, THE ELEVENTH OF SEPTEMBER
SIX THIRTY P.M.
THE PETROLEUM CLUB OF HOUSTON
HOUSTON, TEXAS

COCKTAIL ATTIRE

KINDLY REPLY BY THE SEVENTH OF SEPTEMBER

(512) 477-4452

2012 UNDERWRITER





**AWARDS BANQUET
TUESDAY, THE ELEVENTH OF SEPTEMBER
SIX THIRTY P.M.
THE PETROLEUM CLUB OF HOUSTON
HOUSTON, TEXAS**

WE ENCOURAGE YOU TO ALSO INVITE
YOUR FAMILY AND FRIENDS TO ATTEND

TABLE - RESERVED SEATING FOR 10: \$1,000
INDIVIDUAL TICKET: \$100

NAME: _____

COMPANY: _____

ADDRESS: _____

CITY: _____ STATE: _____ ZIP: _____

PHONE: _____ EMAIL: _____

I WOULD LIKE TO:

RESERVE A TABLE: # _____

OR

PURCHASE TICKETS: # _____

METHOD OF PAYMENT:

ENCLOSED FIND A CHECK MADE OUT TO TIPRO

PAY BY CREDIT CARD

CREDIT CARD NO.: _____ EXP. DATE: _____

CID: _____ SIGNATURE: _____

TIPRO MUST RECEIVE NOTICE OF CANCELLATION
BY THE SEVENTH OF SEPTEMBER.

REFUNDS WILL NOT BE GIVEN AFTER THIS DATE.

ALL RESERVATIONS MUST BE ACCOMPANIED BY PAYMENT.

PLEASE RETURN FORM, WITH PAYMENT, TO:
TIPRO, 919 CONGRESS AVE., STE. 1000, AUSTIN, TX 78701
OR FAX TO (512) 476-8070

FOR MORE INFORMATION, CALL TIPRO AT (512) 477-4452

TCEQ NOW ACCEPTING NOMINATIONS FOR ENVIRONMENTAL EXCELLENCE AWARD



The Texas Commission on Environmental Quality (TCEQ) is now accepting applications for the agency's 2013 Texas Environmental Excellence Awards, the state's highest environmental honor. The annual award recognizes the outstanding efforts of citizens, communities, business and organizations to preserve and protect the Texas environment.

"The Texas Environmental Excellence Awards are a tribute to those who show innovation and initiative in protecting our state's natural resources," said TCEQ Chairman Bryan W. Shaw, Ph.D. "Recipients represent the best our state has to offer."

An individual, community, company or organization may be recognized by the award. Award categories include: Agriculture, Civic/Community, Education, Individual, Innovative Operations and Management, Pollution Prevention, Technical/Technology, Water Conservation, and Youth.

"We shine a spotlight on these winners and their commitment - it's our way of saying 'thank you' for their hard work," added Commissioner Carlos Rubinstein. "These grassroots efforts are the backbone of environmental stewardship, and it's an honor to award them."

For more information, or to download an application form, visit: www.teca.org/apply. The deadline to submit applications for the award is October 5, 2012.

MAKE PLANS TO ATTEND THE TEXAS ENERGY UPDATE - OCTOBER 12, 2012

Mark your calendars to attend Texas Energy Update 2012 on Friday, October 12, 2012, from 7:30 a.m. to 11:30 a.m. at The Belo Mansion in Dallas, Texas. This half-day event will provide an update on the current economic and regulatory climate for the energy industry.

Today's ever-changing energy industry is adjusting once again to increased regulatory hurdles created by federal regulations and continued challenges from anti-development forces. Texas' strong energy sector has benefited from the energy deals made by the energy-focused private equity firms which continue to dominate the Texas deal-making landscape. It remains to be seen whether increased international economic tensions will begin to erode the robust energy business in Texas or provide an incentive for increased activity.

During the 2012 Texas Energy Update, Ken Cohen, head of public and government affairs with Exxon Mobil Corporation, will provide a global and legislative energy perspective. His remarks will be followed by a national and local legislative update. A regulatory update will be addressed by a distinguished panel, including Commissioner David J. Porter with the Texas Railroad Commission and a representative of an environmental regulatory body. Another panel of experts will share their forecast for the energy marketplace beyond 2012. This final panel is comprised of deal-makers from EnCap Investment L.P., Energy Spectrum Capital and Natural Gas Partners.

Since TIPRO is an industry sponsor of this event, TIPRO members can register for only \$50, a discount on the regular price of \$60. All walk-ins can attend for \$75. To register, please visit www.texasenergyupdate.org. (*note - website does not go live until September 4, 2012).

Event sponsors include: F&M Bank, Jackson Walker, LLP and UHY LLP.

This half-day seminar is sure to be a great opportunity to spend a morning being updated on these crucial topics! Don't miss out!





★ **TEXAS** ★
ENERGY UPDATE 2012

HURRICANE ISAAC SHUTS DOWN PRODUCTION IN THE GULF, IMPACTS THE MARKET

With the approach of Hurricane Isaac in the warm waters of the Gulf of Mexico, offshore oil and gas operators were forced to evacuate platforms and drilling rigs in the path of the storm. This included the evacuation of personnel on 50 different rigs, equivalent to 66 percent of the 76 manned rigs currently operating in the Gulf, in addition to workers on 505 production platforms, according to the Bureau of Safety and Environmental Enforcement (BSEE). Hurricane Isaac also caused operators to shut-in oil and gas production for safety and environmental reasons.

"As part of the evacuation process, personnel activate the applicable shut-in procedure, which can frequently be accomplished from a remote location," noted the BSEE. "This involves closing the sub-surface safety valves located below the surface of the ocean floor to prevent the release of oil or gas. During previous hurricane seasons, the shut-in valves functioned 100 percent of the time, efficiently shutting in production from wells on the Outer Continental Shelf and protecting the marine and coastal environments."

Estimates reveal that approximately 95 percent of the current daily oil production in the Gulf of Mexico was shut-in, equivalent to 1.3 million barrels of oil per day (Mbopd), as well as nearly 72 percent of the current daily natural gas production, totaling nearly 3.2 billion cubic feet (bcf), as detailed in daily operator reports.



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to our unitholders*

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Respect Others · Be Passionate · Connect



THE TIPRO TARGET



**Texas Independent
Producers &
Royalty Owners
Association**

With more than 2,400 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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