



**Independent
Producers and
Royalty Owners
Association**

TASK FORCE EXAMINES WATER ISSUES IN SOUTH TEXAS

Led by Railroad Commissioner David Porter, members of the Eagle Ford Task Force have determined that water supply in South Texas is currently adequate to support increased oil and gas development in the Eagle Ford Shale, as well as provide sufficient resources for other residential or commercial uses.

During the last several months, the 26-member group closely analyzed information regarding industry water usage in the region. Recent data suggests industry water demand in the Eagle Ford represents only 5 to 7 percent of total water demand in the region, while irrigation accounts for 64 percent and municipal uses account for 17 percent.

Water in the region is supplied primarily by the prolific Carrizo-Wilcox aquifer, which provides vast amounts of water to South Texas.

Nonetheless, water management remains a top concern for producers across the state. Texas oil and gas companies continue to search for and implement new ways to reduce environmental impact and lessen water usage wherever possible. Companies also utilize innovative conservation and recycling efforts when they can. Already efforts are paying off - industry currently uses an average of approximately 11 acre-feet of water to complete each well, down from the nearly 15 acre-feet previously needed for well completion, according to the Task Force.

State officials and regulators also remain focused on closely monitoring the situation, and continue to actively engage in conversations on how to best plan for water usage in the future.

"We will continue to study best practices for water management in the region to help mitigate any future issues," emphasized Commissioner Porter.

During the past year, the Eagle Ford Shale has experienced record levels of activity. In 2011, over 2,828 drilling permits were issued for the Shale play, as opposed to just 26 drilling permits granted in 2008. At peak demand, industry experts expect approximately 2,600 to 2,800 new wells to be completed annually in the Eagle Ford Shale.



LAST CHANCE TO REGISTER TO VOTE ON TEXAS' TOP PRODUCERS!

Time is quickly running out to register to participate in Texas Top Producers, a program recently launched by the Texas Independent Producers & Royalty Owners Association (TIPRO), the publishers of *Texas Monthly* and the Best Companies Group, which aim to honor the best in the Texas oil and gas industry.

Together, these organizations will design and administer a review process that invites petroleum professionals to cast their vote for those whom they believe are worthy of the title of: Best CEO, Best Engineer, Best Geoscientist and Best Landman.

Before **February 15, 2012**, all professionals in the Texas oil and gas industry interested in participating must individually register on the TIPRO website in order to receive an electronic ballot, which is to be sent out in late February. Corporate officers may select more than one profession in which to vote. There is no cost to participate.

All registered voters will then be sent an electronic survey distributed via email on February 27. The final deadline for casting votes will be March 16, 2012.

For more information or to register, visit www.tipro.org.

Texas Top Producers
LONE STAR LEADERS IN THE OIL AND GAS INDUSTRY

PRESIDENT'S MESSAGE

TIPRO Members-

As the federal government shines a spotlight on the oil and natural gas industry, now is a critical time to ensure elected officials and the general public understand how important a role domestic exploration and production plays in our country's future. Accordingly, TIPRO leadership and several association members will travel to Washington D.C. in late February to meet with U.S. Congressmen and staff to spread awareness on the need for continued support of the oil and gas industry.

Emerging shale plays across the country and recent technological innovations have vastly increased the amount of recoverable resources available deep underground. As a result, just over the past few years, domestic production of oil and natural gas has grown rapidly, especially in the Eagle Ford Shale, Wolfberry, Haynesville Shale and other formations found throughout Texas. And it doesn't stop there - the Energy Information Agency (EIA) recently announced an increase in the agency's estimates of production from shale formations through the year 2035.

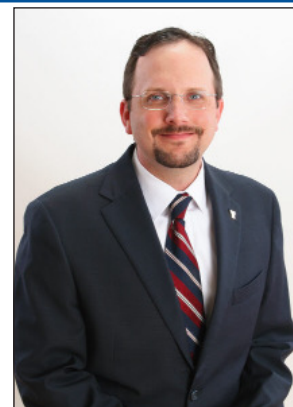
Not only does increased oil and gas production offer hope of reducing our country's reliance on foreign oil, it also brings jobs to our communities and supports the economy. Data presented by the Bureau of Labor Statistics reveals Midland has one of the lowest unemployment rates in the country and is experiencing record levels of economic growth. Located in the heart of the Permian Basin, it is no secret that drilling of oil and gas has played a significant role in boosting the region's economy. Similar situations are also playing out across the country, from North Dakota to Ohio.

However, despite the promise of a bright future from oil and gas development, unnecessary federal regulation threatens to hinder industry progress. From the listing of endangered species by the U.S. Fish and Wildlife Service (USFWS) to changes in the federal tax code, the oil and gas industry faces serious battles ahead.

Rest assured, day-in, day-out, TIPRO is here to preserve the ability to explore and produce oil and natural gas and promote the general welfare of our members.

On another note, I sincerely hope that all TIPRO members have signed up to vote on Texas' Top Producers, which will honor the top CEOs, Geoscientists, Engineers and Landmen in the Texas oil and gas industry. This unique opportunity allows us all to band together to recognize the greats of our industry and pay tribute to the best in the business. For those interested, I urge you to learn more details on the opportunity by visiting our website at: www.tipro.org. Thank you to all of those who have already registered to participate!

Sincerely,

Justin Furnace

CONNECT WITH TIPRO ONLINE TO GET TIMELY INDUSTRY UPDATES

Be sure to follow the **Texas Independent Producers & Royalty Owners Association** online to receive up-to-the-minute news on the latest happening in the oil and gas industry. From Twitter to Facebook and LinkedIn, TIPRO's social media accounts offer innovative ways to get information and connect with other professionals in the industry.

Visit our website at www.tipro.org to learn more.



Calendar of Events

FEBRUARY 8, 2012

HOUSTON IPAA/TIPRO
Leaders in Industry
Luncheon, 11:30 a.m.
Houston Petroleum Club.
For info, call: (713) 503-1298.

FEBRUARY 15, 2012

AUSTIN Deadline to
register to participate in
Texas Top Producers
survey.
For info, call: (512) 477-4452.

FEBRUARY 22-24, 2012

HOUSTON Winter
NAPE Expo,
George R. Brown
Convention Center
For info, call: (512) 477-4452.

MARCH 21, 2012

HOUSTON IPAA/TIPRO
Leaders in Industry
Luncheon, 11:30 a.m.
Houston Petroleum Club.
For info, call: (713) 503-1298.

TIPRO MEMBERS - ANNUAL MEETING NOTICE

In accordance with Article IV Section 1 of the TIPRO Bylaws, Chairman Steve Castle hereby calls a Membership Meeting for all TIPRO members in conjunction with the 66th Annual Convention. The Annual Membership Meeting will take place Tuesday, March 27, 2012, at 4 p.m. in the Houston Ballroom of the Downtown Sheraton Hotel in Dallas, Texas.

During the TIPRO Board Meeting, held last November in Dallas, members of the TIPRO Nominations Committee presented their recommendations for nominees of TIPRO Officers and Directors, beginning terms on July 1, 2012.

The Board unanimously approved the following candidates, and hereby presents the slate of recommended candidates for TIPRO to vote on during its next Annual Convention.

In accordance with Article V Section 2 of the TIPRO Bylaws, the following candidates are presented:

- Mr. Allen Gilmer, DrillingInfo, Inc. - Region 4 (Class A Director)
- Mr. Lindsey Dingmore, XTO Energy, Inc. - At-Large Representative (Class A Director)
- Mr. Levert Gillman, Travelers Oil Co. - Region 6 (Class A Director)
- Mr. John R. Smitherman, BOPCO, L.P. - At-Large Representative (Class A Director)

In accordance with Article V Section 3 of the TIPRO Bylaws, the following candidates are presented:

- Mr. David F. Martineau, Pitts Oil Co., LLC - Chairman of the Board (Class B Director)
- Mr. Todd Wehner, Jones Energy, Ltd. - Treasurer (Class B Director)
- Mrs. Patricia D. Boswell McCall, Boswell Interests, Ltd. - Secretary (Class B Director)

In accordance with Article V Section 5 of the TIPRO Bylaws, the following candidates are presented:

- Rex White (Class D Director)
- Walter G. "Tad" Mayfield (Class D Director)
- Rusty Howell (Class D Director)

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

RAILROAD COMMISSION PROPOSES INCREASED PENALTIES FOR SAFETY VIOLATIONS

Leaders of the Texas Railroad Commission (RRC) have approved draft rules to implement across-the-board penalty increases for safety violations in: oil and gas regulations, pipeline safety regulations, Liquefied Petroleum (LP)-gas safety rules, Compressed Natural Gas (CNG) safety rules, Liquefied Natural Gas (LNG) safety rules and requirements relating to underground pipeline damage prevention.

Commissioners attribute the proposed penalties increase to the Sunset Advisory Commission's recommendation during the 82nd Legislative Session that the state agency adopt penalty guidelines in rule form and that the rules assign penalties to violations based on their risk and severity. By putting these guidelines into rule, the RRC hopes to enhance transparency and communication to industry and the public regarding RRC penalties, and align all penalty guidelines with existing Pipeline Safety Division penalty rules.

Penalty guidelines at the RRC have not been updated since 2004, and they have never been adopted as official RRC rules, with the exception of rules for pipeline safety violations.

Published February 10 in the Texas Register, the proposed changes will be open for public comment for 30-days after publication, with a final comment deadline of March 12, 2012.

"It is due time that the Railroad Commission adopt formal rules strengthening enforcement penalties," said Railroad Commissioner David Porter. "I am especially pleased to see the proposals to increase penalties on repeat offenders. The energy industry overall has a solid record at the Commission, and we shouldn't let these few bad actors tarnish the state's reputation as the gold standard."

View rule proposals at the following links:

- Oil and Gas Violations: <http://www.rrc.state.tx.us/rules/prop-new-3-107-web.PDF>
- Pipeline Safety Violations: <http://www.rrc.state.tx.us/rules/prop-amend-8-135-web.pdf>
- LP-Gas Safety Violations: <http://www.rrc.state.tx.us/rules/prop-new-9-15-web.pdf>
- CNG Safety Violations: <http://www.rrc.state.tx.us/rules/prop-new-13-15-web.pdf>
- LNG Safety Violations: <http://www.rrc.state.tx.us/rules/prop-new-14-2015-web.pdf>
- Underground Pipeline Damage Prevention Violations: <http://www.rrc.state.tx.us/rules/prop-amend-18-12-web.pdf>



CONGRESSMEN PROPOSE “REASONABLE PROFITS BOARD” FOR THE OIL AND GAS INDUSTRY

Earlier this year, six U.S. Congressmen released plans to create a federally-run board that would have the ability to levy increased tax rates on oil and natural gas companies whenever fuel prices jump. Labeled the Reasonable Profits Board, the group would have the authority to “impose a windfall profit tax on oil and natural gas (and refined products) whenever energy companies record windfall profits,” according to the bill.

H.R.3784 - now known as the Gas Price Spike Act of 2012 - was proposed on January 18, 2012, by Rep. Dennis Kucinich (D-Ohio) along with Reps. John Conyers Jr. (D-Michigan), Bob Filner (D-California), Marcia Fudge (D-Ohio), Jim Langevin (D-Rhode Island) and Lynn Woolsey (D-California). The bill has since been referred to the House Committee on Ways and Means, in addition to the Committee on Transportation and Infrastructure, for review.

If passed, the bill would amend the Internal Revenue Code of 1986 to apply a windfall tax on the sale of oil and gas that ranges from 50 percent to 100 percent on all surplus earnings that exceed “a reasonable profit” and allocate the money raised to subsidize fuel-efficient cars and provide grants for mass transit. Levels deemed exceeding reasonable profits would be established by members of the Reasonable Profits Board, which would be composed of three individuals appointed by the President of the United States.

Since the announcement of the bill, however, many questions on the proposal have been raised. In particular, the Gas Price Spike Act provides no specific guidelines for how the members of the board would determine what constitutes a reasonable profit. Moreover, some argue, the oil and gas industry seems to be targeted, as in some cases large corporations like Coca Cola, Google and Apple make larger profit margins than oil and gas companies, yet they are not subject to legislation aiming to regulate “excessive profits.”

PRESIDENT OBAMA PRAISES BENEFITS OF NATURAL GAS DEVELOPMENT

In his State of the Union address presented on January 24, President Barack Obama highlighted how development of shale formations can fuel economic growth for America, as the country recovers from the most recent economic recession.

Citing recent studies released by IHS Global Insight, Obama commended the shale gas industry for supporting more than 600,000 American jobs during 2010.

In his speech, Obama also called on Congress to require a large percentage of the nation's electric power to come from low-pollution sources, like natural gas. Additionally, the president directed his administration to allow increased leasing of federal land to support exploration and production of natural resources.

“Tonight, I'm directing my Administration to open more than 75 percent of our potential offshore oil and gas resources,” said Obama. “Right now, American oil production is the highest that it's been in eight years. That's right -- eight years. Not only that -- last year, we relied less on foreign oil than in any of the past 16 years.”

The President emphasized how technological innovations and growing development of oil and gas will continue to power the country's economy in coming years.

This praise comes just a few weeks after the White House released a 16-page report, titled “*Investing in America: Building an Economy That Lasts*,” which supports increased domestic production of natural gas.

“Since the mid-2000s, the discovery of new natural gas reserves, such as the Marcellus Shale, and the development of hydraulic fracturing techniques to extract natural gas from these reserves has led to rapidly growing domestic production and relatively low domestic prices for households and downstream industrial users,” reads the report. “The surge in domestic natural gas production can lower energy costs, reduce pollution and drive investment in the industries that supply equipment to the natural gas sector and those that use natural gas as an input to production.”



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STATEWIDE RULE 29 TAKES EFFECT, MANDATES DISCLOSURE OF FRAC FLUID COMPONENTS

As of Wednesday, February 1, 2012, all operators in the state of Texas are now required by Statewide Rule 29 (16 Tex. Admin. Code 3.29) to publicly disclose chemical ingredients and total water used during the hydraulic fracturing process. The new rule is the result of legislation passed during the 82nd Legislative Session last spring with the support of Texas Gov. Rick Perry, House Energy Resources Chairman Jim Keffer, the oil and gas industry and environmental groups. TIPRO is proud to also have been part of the process in working to develop this new benchmark for industry disclosure.

Under Statewide Rule 29, operators must report all chemical components and water used in the fracing process on the national hydraulic fracturing registry website fracfocus.org, managed by the Ground Water Protection Council (GWPC) and Interstate Oil and Gas Compact Commission (IOGCC). All chemicals are disclosed are the site, unless deemed proprietary information based on the trade secret provisions.

“Once again, the RRC is taking lead in helping the public understand the safety of hydraulic fracturing with this rule's adoption,” said RRC Chairman Elizabeth Ames Jones. “In fact, with this new rule, Texans will know more about what is going in the ground for energy production than about the ingredients that go into their sodas.”

The first of its kind, the new rule will undoubtedly serve as a model for other states to follow in the future. It increases transparency about the safety of the hydraulic fracturing process and helps to better educate the public of industry operations. It also sends a clear message from the largest producing state in the country to federal regulators: leave the regulation of hydraulic fracturing where it belongs - with the states.

RRC TO HOST TRAINING SESSIONS ON FRACFOCUS DATABASE

In efforts to teach operators how to use the FracFocus database and provide information on the new Statewide Rule 29, which requires disclosure of all compounds used during the hydraulic fracturing process, the Texas Railroad Commission will provide the following training sessions, free of charge:

- February 10, 2012, from 9 a.m. to noon at the Chesapeake offices in Fort Worth, Texas
- February 15, 2012, from 9 a.m. to noon at the Midland Petroleum Club in Midland, Texas

To register, or obtain more information, contact Leslie Savage at leslie.savage@rrc.state.tx.us.

RRC EXAMINES MINERAL INTEREST POOLING ACT (MIPA)

In accordance with a Notice of Hearing issued by the Railroad Commission of Texas (RRC) on January 3, RRC staff conducted an informal hearing on Monday, January 30, to receive testimony and input from interested parties on the Mineral Interest Pooling Act (MIPA). Information gathered during the January 30 hearing will be used to help staff better determine whether the RRC should adopt a formal rule to implement provisions of the MIPA in the future.

TIPRO, along with other industry associations, testified against the formal rule, as the MIPA continues to serve the purpose of encouraging voluntary pooling in Texas, and additional rules to further define the use of the MIPA are not necessary at this time.

APACHE TO BUY CORDILLERA ENERGY PARTNERS FOR \$2.85 BILLION



In a move to increase the company's development program onshore, Apache Corp. will acquire Cordillera Energy Partners III LLC for \$2.85 billion. Cordillera, a privately held company with operations in the Texas Panhandle and Western Oklahoma, has assembled leading acreage position with estimated proved reserves of nearly 71.5 million barrels of oil equivalent (boe) and current net production of 18,000 boe per day.

“This is an important growth step for Apache - a unique bolt-on opportunity that more than doubles Apache's acreage in a highly liquids-rich fairway in the Anadarko Basin,” said G. Steven Farris, chairman and chief executive officer of Apache. “Multiple, stacked horizontal targets will provide decades of potential drilling locations.”

The deal is expected to close in the second quarter of 2012.

TIPRO's ANNUAL CONVENTION AGENDA

TUESDAY - MARCH 27

10:00 A.M. REGISTRATION OPENS
12:00 P.M. INFORMATION HALL OPENS

GENERAL SESSION

1:00 P.M. WELCOME ADDRESS
STEPHEN CASTLE,
COWBOYS RESOURCES CORP. &
TIPRO CHAIRMAN

LT. GOV DAVID DEWHURST
2012 HAT'S OFF AWARD RECIPIENT

2:00 STATE/FEDERAL ISSUES UPDATE
TEDDY CARTER,
DIRECTOR OF PUBLIC AFFAIRS, TIPRO

3:00 TOBY DARDEN,
CHAIRMAN OF THE BOARD,
QUICKSILVER RESOURCES

4:00 MEMBERSHIP MEETING

4:15 "STATE OF THE ECONOMY"

5:30 WELCOME TO DALLAS RECEPTION

7:00 DINNER ON YOUR OWN



WEDNESDAY - MARCH 28

7:00 A.M. REGISTRATION OPENS
INFORMATION HALL OPENS

GENERAL SESSION

8:00 MEMBERSHIP BREAKFAST
ELIZABETH AMES JONES,
RAILROAD COMMISSION CHAIRMAN

9:00 TEXAS RAILROAD COMMISSION
CANDIDATE FORUM

10:00 GARY EVANS,
CEO, MAGNUM HUNTER

10:45 BREAK

11:15 MARK ELLIS,
CEO, LINN ENERGY

12:15 P.M. CEO LUNCHEON
CLARENCE CAZALOT,
CEO, MARATHON OIL

1:45 STATE ASSOCIATION PANEL
TOM STEWART, OOGA
STEVE HENKE, NMOGA
MIKE TERRY, OIPA
DON BRIGGS, LOGA

3:45 BARRY SMITHERMAN,
RAILROAD COMMISSIONER

5:30 CHAIRMAN'S RECEPTION

7:00 DINNER AND KEYNOTE
WILLIAM KRISTOL, FOX ANALYST,
FOUNDER *THE WEEKLY STANDARD*

THURSDAY - MARCH 29

8:30 A.M. TIPRO AUDIT COMMITTEE MEETING

10:00 TIPRO BOARD MEMBER MEETING

CONVENTION REGISTRATION INFORMATION

MEMBER REGISTRATION FEES:

INCLUDES ALL AGENDA EVENTS & MEALS

☐ Member - Full Registration: \$ 495

☐ Spouse - Full Registration: \$ 325

EVENT-ONLY TICKETS:

☐ Dinner-Only Ticket: \$ 250 (Open Seating)

☐ Wednesday-Only Badge: \$ 395 (Includes Meals)

NON-MEMBER REGISTRATION FEES:

INCLUDES ALL AGENDA EVENTS & MEALS

☐ Non-Member: \$ 695
(Registration includes 1 year regular TIPRO membership)

☐ Non-Member Spouse: \$ 475

EVENT-ONLY TICKETS:

☐ Non-Member Dinner Ticket: \$350 (Open Seating)

☐ Wednesday-Only Badge: \$595 (Includes Meals)



Special dietary needs or
other considerations?
Please contact TIPRO staff
at (512) 477-4452.

FAX FORM TO (512) 476-8070
OR VISIT www.tipro.org
FOR ONLINE REGISTRATION

ATTENDEE INFORMATION:

Name of Attendee: _____

Company: _____ E-mail: _____

Street Address: _____

City/State/Zip Code: _____

Phone: _____ Fax: _____ Cell: _____

Registered Spouse: _____

PAYMENT INFORMATION:

Payment Method: ☐ VISA ☐ MASTERCARD ☐ AMEX ☐ CHECK NO: _____

Name: _____ Company: _____

Billing Address: _____

Credit Card No.: _____ Exp. Date: _____

Signature: _____ CID: _____

CANCELLATION POLICY:

In order to receive a refund, TIPRO must be notified of your cancellation no later than

FRIDAY, MARCH 22, 2012

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

Registration forms must be accompanied by payment.



TIPRO'S 66TH ANNUAL CONVENTION

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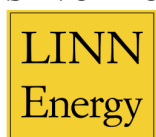


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**Texas Independent
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With more than 2,300 members, TIPRO is the nation's largest statewide association representing both independent producers and royalty owners. Our members include small family-owned companies, the largest publicly traded independents and large and small mineral estates and trusts.

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