



**Texas
Independent
Producers and
Royalty Owners
Association**

TIPRO MEMBERS TRAVEL TO D.C. TO DISCUSS WITH LAWMAKERS THE BENEFITS OF OIL AND GAS DEVELOPMENT

Unlike ever seen before, the federal government is attempting to heap overly burdensome, unnecessary and costly regulations upon the oil and gas industry. Ironically, the targeted industry is the very one that is helping to support local, state and national economies unlike any others, generating new jobs and paying substantial funds to government coffers. The oil and natural gas industry truly is the

backbone of the nation's economy, and is one of the only sectors that continues to thrive amidst current economic turmoil.

In 2010, America's oil and natural gas industry supported more than 1.84 million jobs and delivered more than \$85 billion a day in revenue to the federal government. Increased development of American shale formations will help this figure to grow greatly, as significant numbers of new American jobs are created and hundreds of billions more in revenue are delivered to the U.S. government.

Nonetheless, federal agencies like the U.S. Fish and Wildlife Service (USFWS) and U.S. Environmental Protection Agency (EPA) continue to propose restrictive regulations on industry activity, which often are needless and repetitive of state rules. The administration keeps pushing to remove critical tax provisions like Intangible Drilling Costs (IDCs) and Percentage Depletion, which are utilized heavily by small operators. If successful in their efforts, expensive, unnecessary regulations could hurt more than just our nation's productions. The increased burden on independent producers will mean less investment capital, resulting in less American energy supplies, cutting job creation and decreasing economic support of government coffers.

Considering the Lone Star State remains the leading U.S. producer of oil and natural gas, the impact of such federal action is tremendous in Texas.

As a result, 15 members of TIPRO traveled to Washington D.C. this week to meet with members of Congress and educate them on the important role domestic energy production plays in supporting our nation's economy. During the meetings, the group also addressed President Obama's recent budget proposal, summarized tax provisions vital to independent producers and illuminated how federal agencies are imposing unnecessary regulations on industry operations. Altogether, the group visited with 28 Congressional members, including Chairman of the House Natural Resources Committee Rep. Doc Hastings and Speaker John Boehner's energy staff.

Regulatory oversight needs to remain in the hands of individual states, which are fully capable of managing industry operations. State regulators have a long history of handling oil and gas activity, and do not need intervention by the federal government. Moreover, it is essential that the federal government support American oil and gas development and stop demonizing the very companies that help employ millions of hard-working Americans and support our economy.



BARRY SMITHERMAN NAMED NEW CHAIRMAN OF THE TEXAS RAILROAD COMMISSION



Barry Smitherman

Barry Smitherman was unanimously elected Chairman of the Texas Railroad Commission (RRC) during the RRC's open hearing held Tuesday, February 28. Smitherman replaces former Chairman Elizabeth Ames Jones, who resigned from the RRC to focus on the Republican Primary race for State Senate District 25.

"I am honored that my fellow commissioners placed their confidence in me to lead the RRC in this exciting time," said Chairman Smitherman. "As Texas energy production is increasing at an unprecedented rate, the RRC must continue to maintain a fair and predictable regulatory climate in this state."

"As Chairman, I will continue to ensure that we meet the unscientific, politically-motivated decisions coming out of Washington, D.C. with science-backed, factually correct responses," he continued. "Oil and gas production, and mining operations power our state's economy. We must not let the political appointees in Washington kill our economic engine and kill our jobs."

Smitherman was appointed to the RRC by Gov. Rick Perry in July 2011, and is up for election this November.

PRESIDENT'S MESSAGE

TIPRO Members-

Here in the Lone Star State, we are blessed with diverse geologic formations, which are now accessible thanks to hydraulic fracturing and horizontal drilling. As a result, operators are producing at levels not seen in years. In the Permian Basin, for instance, production is making a great comeback, with the potential for oil production to reach nearly 2 million barrels a day. Already the horizontal rig count has ballooned to 104 rigs in December 2011, a 7-fold increase from January 2010, and the vertical rig count has nearly doubled to 352 rigs. Industry experts are predicting the growth to continue in the years ahead, as more oil is discovered in shale formations.

Similarly, in the Eagle Ford Shale in South Texas, a rapid surge in drilling has taken place over the last couple of years. More than 2,800 drilling permits were issued just last year, leading to a substantial jump in the region's levels of production. During the past 12 months, roughly 21,808,400 barrels of oil were produced in the Eagle Ford, in addition to 18,677,400 barrels of condensate and 221 billion cubic feet of natural gas. With increased oil and gas drilling comes increased economic support. Already the 24 counties that make up the shale play are reporting positive economic impacts from the oil and gas activity. In 2010, the Eagle Ford Shale generated close to \$2.9 billion in total economic output and added nearly \$61 million in state revenues, according to The University of Texas at San Antonio's Institute for Economic Development. The activity supported approximately 12,600 full-time jobs in the area, paying \$511.8 million in salaries and benefits to workers. The economic benefits from development of the shale play will continue to grow exponentially as activity increases in the area, providing close to \$450 million of annual revenue to local governments and supporting almost 68,000 full-time jobs by 2020.

Over the next 5 to 10 years, analysts expect the Eagle Ford to become the single most important driver for U.S. oil production growth. By the end of 2015, Eagle Ford production alone could exceed 1.6 million barrels per day. Put simply, this development is extraordinary, and will do wonders for our state's economy.

On another note, I also want to congratulate Barry Smitherman on being named Chairman of the Texas Railroad Commission. He has done an exceptional job as a Commissioner thus far, and we look forward to continuing to work closely with him as he leads such an important regulatory agency in the future.

Sincerely,




Justin Furnace

VOTE NOW ON TEXAS' TOP PRODUCERS!

Electronic ballots have now been distributed to those who registered to vote on Texas' Top Producers. This program, created in partnership with the publishers of *Texas Monthly* and the Best Companies Group, strives to recognize the greats of the Texas oil and gas industry.

Within the survey, petroleum professionals have been invited to cast their vote for those whom they believe are worthy of the title of: Best CEO, Best Engineer, Best Geoscientist and Best Landman.

TIPRO asks all registered voters to please take a moment and vote. The final deadline to submit ballots will be **March 16, 2012**.



Calendar of Events

MARCH 7-8, 2012	MARCH 16, 2012	MARCH 21, 2012	MARCH 27-28, 2012
<p>LONGVIEW East Texas Oilfield Expo, Maude Cobb Convention Center. For info, call: (866) 918-5550.</p>	<p>Deadline to submit votes on Texas Top Producers electronic voter ballots For info, call: (512) 477-4452.</p>	<p>HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.</p>	<p>DALLAS TIPRO S 66TH Annual Convention, Sheraton Downtown Hotel. For info, call: (512) 477-4452.</p>

RRC TO ACCEPT INFORMAL COMMENTS ON WATER RECYCLING RULE AMENDMENTS

Staff of the Texas Railroad Commission (RRC) has been directed to begin collecting informal comments on proposed amendments to rules related to water recycling.

In an open hearing held in November 2011, Commissioners asked staff to analyze current agency rules on water recycling and identify ways in which the RRC may encourage companies to expand recycling activities in the future. With ongoing advancements in technology, often the latest innovations do not easily fit within the constraints of the agency's regulations. Therefore, the RRC hopes to update rules regarding recycling in a manner that helps companies to manage their water use and conserve whenever possible.

Existing rules currently include two categories of commercial recycling facilities: mobile facilities and stationary facilities. However, since adoption of the recycling rules in 2006, the RRC has received an increasing number of applications for permits for facilities that do not fit in either category. As a result, the agency hopes to create a third category, for semi-mobile commercial recycling facility, to accommodate more requests.

The RRC will host a workshop in March to further discuss the draft proposed amendments on water recycling.

"There has been a lot of interest on this," said Commissioner David Porter. "People are excited about recycling right now and a lot of folks are looking forward to this workshop. It is an important issue, and I commend staff for getting this done in such a timely manner."



TCEQ EXECUTIVE DIRECTOR TO RETIRE



Executive Director of the Texas Commission on Environmental Quality (TCEQ) Mark Vickery will retire from the state agency, effective this May.

"It has been my honor to work for the people of this great state for more than a quarter-century, but now it's time for me and my family to explore new opportunities and to start writing the next chapter of our lives," said Vickery. "I'm extremely grateful to have worked with so many dedicated employees at the TCEQ and its predecessor agencies on a wide range of environmental issues. Texas is a better place because of the tremendous work being done each and every day to vigorously protect the environment using sound science and common sense."

Vickery began working in state government 25 years ago as an enforcement coordinator with the Texas Water Commission, a predecessor agency of the TCEQ. Throughout the span of his career, he has worked in virtually every area of the agency including industrial and hazardous waste and municipal solid waste enforcement, waste tires, director of field operations, deputy director office of compliance and enforcement, deputy director office of permitting and registration, and deputy executive director. He was named executive director of the TCEQ in June 2008.

"Mark's knowledge and experience on environmental matters is second to none," said TCEQ Chairman Bryan W. Shaw, Ph.D. "We've relied on that experience for decades as Mark guided this agency through some of the most challenging environmental issues this state has ever faced. We owe a tremendous debt to Mark for his dedicated service and his steady leadership of this agency."

OUTSIDE OF TEXAS, OIL AND GAS DRILLING OFFERS ECONOMIC SUPPORT IN OHIO

Much like the positive impact seen in South Texas from the Eagle Ford Shale, development of the Utica Shale will trigger substantial economic benefits for Ohio in the coming years.

According to a study released by the Ohio Shale Coalition, in the next two years, development will create or support at least 65,680 jobs. The majority of the increase in employment will come from oil and gas service companies, although employment in the personal service sector will also grow significantly. Furthermore, by 2014, it is projected that additional state and local income taxes collected as a result of the Utica Shale development will total \$433.5 million.

The report was put together by a team of economic, energy and geology experts from Cleveland State University, Ohio State University and Marietta College's Department of Petroleum, in efforts to display the powerful impact shale drilling will play in supporting Ohio's ailing economy.

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"
MINE YUCEL, VP & SENIOR ECONOMIST
FEDERAL RESERVE BANK

5:30 WELCOME TO DALLAS RECEPTION
REP. HARVEY HILDERBRAN,
HOUSE WAYS & MEANS COMMITTEE CHAIR

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

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, OHIO OIL & GAS
STEVE HENKE, NEW MEXICO OIL & GAS
MIKE TERRY, OKLAHOMA OIL & GAS
DON BRIGGS, LOUISIANA OIL & GAS

3:45 BARRY SMITHERMAN,
RAILROAD COMMISSION CHAIRMAN

5:30 CHAIRMAN'S RECEPTION

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

MAKE YOUR HOTEL RESERVATIONS TODAY!

Don't miss the chance to book a room for the discounted group rate - the deadline to reserve a room with the reduced rate of \$159 has been extended until **MARCH 6, 2012!**

Call the Sheraton at (888) 627-8191
or book a room online by visiting

www.starwoodmeeting.com/StarGroupsWeb/res?id=1106135932&key=C3E0

THURSDAY - MARCH 29

8:30 A.M. TIPRO AUDIT COMMITTEE MEETING

10:00 TIPRO BOARD MEMBER MEETING

ANNUAL CONVENTION REGISTRATION FORM

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
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ATTENDEE INFORMATION:

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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.



USFWS APPROVES CONSERVATION AGREEMENT, REOPENS COMMENT PERIOD ON LIZARD

The U.S. Fish and Wildlife Service (USFWS) has signed a Candidate Conservation Agreement with Assurances (CCAA) with the Texas Comptroller, in efforts to provide protection of the Dunes Sagebrush Lizard.

"This is great news for the Texas economy and all the people who put in hard work to develop this vital plan," said Texas Comptroller Susan Combs. "I strongly oppose listing the Dunes Sagebrush Lizard as an endangered species. What the CCAA offers is a way to conserve the lizard's habitat while allowing vital sectors of the economy such as the oil and gas industry and agriculture to thrive in Texas."

The Dunes Sagebrush Lizard, native to the Permian Basin and the American Southwest, is currently a candidate for the Federal List of Endangered and Threatened Wildlife. The species was originally proposed to be listed as endangered on December 14, 2010. However, due to scientific disagreement surrounding the lizard's total population, on December 5, 2011, the USFWS granted a 6-month extension on the agency's decision to list the lizard as endangered, in hopes of acquiring more scientific research and analysis on the species.

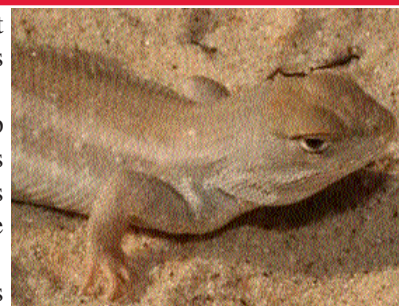
The range of the lizard is in a region responsible for producing over 1 million barrels of oil a day – which is 68 percent of Texas' total production and 20 percent of the production of the lower 48 states, according the University of Texas Permian Basin Center for Energy and Economic Diversification. Thus, a decision to list the lizard as endangered could have a tremendous impact on Texas producers' ability to operate.

The CCAA is a voluntary plan which serves as a safety net for landowners and businesses in West Texas who choose to enroll. Participants, who take action to protect the Dunes Sagebrush Lizard and its habitat as outlined in the CCAA, will receive assurance from the USFWS that no additional conservation measures will be required in the future. The Texas Plan will be in effect for 30 years, and will serve as a Habitat Conservation Plan (HCP) should the lizard be formally listed as endangered.

"We will continue to work with landowners and the states of Texas and New Mexico to develop these voluntary agreements, which will provide protections for the lizard while providing the regulatory assurance that landowners need to continue to derive economic benefits from their land," said Dr. Benjamin Tuggle, Regional Director for the Southwest Region.

Additionally, as a result of the new conservation measures provided in the CCAA, the USFWS has reopened the comment period in the Federal Register on its 2010 endangerment proposal on the lizard for 15 days. Specifically, the USFWS is seeking comments on the likelihood of implementation and effectiveness of the conservation measures provided in both the Texas Plan and the New Mexico Plan, which was finalized in 2008. All written comments must be received on or before March 12, 2012.

For more information on the Conservation agreement, or to submit comments, visit the USFWS's Southwest Region's website at <http://southwest.fws.gov/>.



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PARTICIPATE IN RRC CUSTOMER SERVICE SURVEY TODAY!

The Texas Railroad Commission (RRC) invites constituents and the public to submit feedback on the agency's customer service performance. The RRC is conducting a Customer Service Survey as part of their 2012 Report on Customer Service, and wants to hear how they have been doing and how they might improve.

Although the survey is available on the RRC website year-round, feedback received by April 6, 2012 will be included in the RRC's 2012 Report of Customer Service. Please take the time to help the Commission to serve you better.

Access the online survey by visiting:

<http://www.rrc.state.tx.us/about/input/cussurvey08.php>.

UT ENERGY INSTITUTE CONFIRMS - NO GROUNDWATER CONTAMINATION FROM FRACING

Researchers at The University of Texas' Energy Institute have confirmed there is no direct connection between reports of groundwater contamination and the hydraulic fracturing of shale formations. Extensive analysis revealed many problems ascribed to hydraulic fracturing are actually related to processes common to all types of oil and gas drilling operations, not solely to fracing.

"These problems are not unique to hydraulic fracturing," said Charles "Chip" Groat, the Energy Institute associate director who led the project.

Hydraulic fracturing, a technique that involves pumping fluid and proppant into a wellbore so as to fracture the rock deep underground, has allowed producers the ability to extract oil and natural gas found in deep shale formations. This technological advancement has led to extensive growth in production across the United States and is significantly helping to decrease America's reliance on foreign fuel sources.

Members of the Energy Institute research team examined reports of contamination in three prominent shale plays - the Barnett Shale in North Texas; the Marcellus Shale in the Northeast; and the Haynesville Shale in Louisiana and Northeast Texas. Experts also reviewed regulations of shale development and evaluated the ability of state governments to effectively enforce rules.

"Our goal was to provide policymakers a foundation for developing sensible regulations that ensure responsible shale gas development," added Groat. "What we've tried to do is separate fact from fiction."

Researchers also analyzed public perceptions of hydraulic fracturing, as covered in print, broadcast and online media, as well as in scientific literature and online surveys. Overall they found media coverage of fracing to be decidedly negative, with approximately two-thirds of the stories examined deemed negative in tone, consistent on both national and local levels. Moreover, less than 20 percent of news reports actually discussed scientific research related to the practice.

"Realization of the full benefit of this tremendous energy asset can only come about through resolution of controversies through effective policies and regulations," reads the Energy Institute study. "Fact-based regulation and policies based on sound science are essential for achieving the twin objectives of shale gas resource availability and protection of human health and the environment."

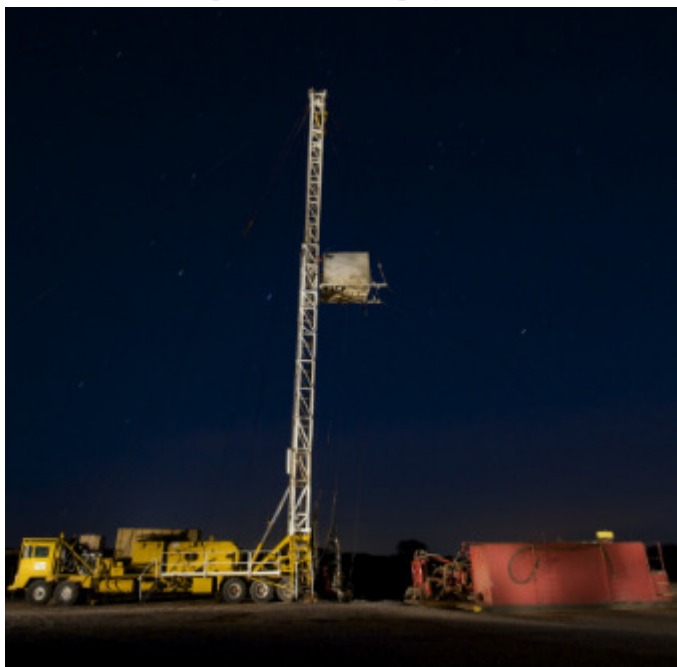
Findings of this initiative were developed from the professional opinions of a team of energy experts primarily from The University of Texas at Austin. The Environmental Defense Fund also assisted in developing the scope and methodology. The study was completely funded by the Energy Institute.

"This University of Texas study is as objective and unbiased as you can get," commented Railroad Commission Chairman Barry Smitherman on the report. "I would recommend it for everybody to read."

In the 65 years hydraulic fracturing has been utilized, there has not been a single proven case of drinking water contamination directly related to fracing.

To read the complete Energy Institute report on hydraulic fracturing, visit <http://energy.utexas.edu>.

Researchers also plan to supplement this study with an examination of atmospheric emissions and seismic activity attributed to hydraulic fracturing, which have emerged as significant issues of concern in recent months.



TEXAS SUPREME COURT RULES ON LANDMARK GROUNDWATER CASE

The Texas Supreme Court has determined in the court case of *The Edwards Aquifer Authority v. Day* that groundwater in place cannot be taken for public use without adequate compensation.

"Whether groundwater can be owned in place is an issue we have never decided," the court wrote. "But we held long ago that oil and gas are owned in place, and we find no reason to treat groundwater differently."

The court points out that although "groundwater in an aquifer is often being replenished from the surface, and while it may be sold as a commodity, its uses vary widely, from irrigation, to industry, to drinking, to recreation." It continues by saying, "groundwater regulation must take into account not only historical usage but future needs, including the relative importance of various uses, as well as concerns unrelated to use, such as environmental impacts and subsidence."

According to the Texas Water Development Board, groundwater provides 60 percent of the 16.1 million acre-feet of water used in the state.



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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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