



Texas
Independent
Producers and
Royalty Owners
Association

TEXAS PRIMARY RESULTS ARE IN: CANDIDATES SELECTED FOR NOVEMBER ELECTION

In an unusually crowded primary election, Texans went to the polls on Tuesday, March 4, 2014, to nominate candidates to represent the Republican and Democratic Parties in the upcoming general election. This year, however, voters had more power at the ballot box as they selected several new leaders for statewide offices, due to the fact that many sitting officials decided to run for different

statewide offices rather than seek re-election for their current position.

Attorney General Greg Abbott easily gained the Republican nomination for Governor of Texas, picking up more than 91 percent of his party's votes. Similarly, Texas Senator Wendy Davis trounced her competition by collecting close to 80 percent of her party's vote.

Meanwhile, in the Republican Lieutenant Governor's race, a runoff election will be held May 27 between incumbent David Dewhurst and challenger state Senator Dan Patrick. Texas Senator Leticia Van de Putte of San Antonio won the Democratic nomination for the state office position.

A runoff election will also be necessary between Ken Paxton and Dan Branch for the Republican nomination for attorney general. Sam Houston was selected as the Democratic nominee in the race.

Moreover, former state Representative Wayne Christian will face off against oil and gas engineer Ryan Sitton in the May 27 runoff election for the Republican nomination for Texas Railroad Commissioner. Christian picked up 42.7 percent of the party's votes, while Sitton had 30.5 percent of the vote. The four-way race also included geologist Becky Berger and Dallas businessman Malachi Boyuls. Democrat Steve Brown scored his party's nomination for the open seat at the state regulatory agency.

George P. Bush won the Republican nomination for Texas Land Commissioner with 73 percent of his party's vote. Bush will face off against Democratic candidate John Cook in the November general election.

In the race for House District 60, Texas Representative Jim Keffer secured a win in his race for the 2014 Republican Primary. Representative Keffer currently serves as the chairman of the House Energy Resources Committee, which has jurisdiction over the production, regulation, transportation and development of oil, gas and other energy resources; energy efficiency and the development of alternative energy sources; and oversight of pipelines, pipeline companies and all others operating as common carriers in the state.

"I want to extend a heartfelt thanks to all the voters, volunteers and supporters in House District 60 and around the state," commented Representative Keffer following his victory on Tuesday. "Your help is what carried me across the finish line in this race, and I'll forever appreciate the kindness you have shown me and my family. God bless you, and God bless Texas."

Notably, two members of the House Energy Resources Committee were defeated in this year's primary election, meaning there will be at least two open seats on the committee during the next legislative session in Texas. Democratic Representative Lon Burnam, who currently serves Texas House District 90 - which encompasses downtown Fort Worth and parts of the surrounding area - was defeated by his primary opponent Ramon Romero Jr. In addition, state Representative Ralph Sheffield lost the Republican party nomination for House District 55 to Molly S. White.

Tea party challenger Don Huffines narrowly beat longtime state Senator John Carona in the race for the Republican nomination to represent District 16. First elected to the Texas House in 1990, Carona's primary loss brings his 24-year Texas legislative career to an end, blocking the senator's hopes for a seventh term serving in the Texas Senate. In 2013, Caronia participated in seven legislative committees, including the Senate Business and Commerce committee.

Texas Senator Kel Seliger, representing District 31 in the Panhandle and the Permian Basin, defeated his opponent former Midland Mayor Mike Canon in Tuesday's Republican primary election. Seliger currently serves on the Senate Natural Resources Committee, amongst others legislative committees. Although there is no democratic opponent in his race for District 31, Senator Seliger will face Libertarian Party of Texas candidate Steven Gibson in the November 4 general election.



CHAIRMAN'S MESSAGE

TIPRO Members -

Last week in West Texas, one of the state's leading energy regulators hosted a special workshop devoted to encouraging increased usage of natural gas in the Lone Star State. As part of a series of statewide meetings aimed at expanding natural gas use in transportation, drilling, and production-enhancement operations, Texas Railroad Commissioner David Porter continued to promote his Natural Gas Vehicle (NGV) Initiative in Midland on Wednesday, February 26, by addressing a wide-variety of stakeholders who gathered to continue the discussion on domestic development of natural gas. TIPRO was proud to participate in the seminar on behalf of the association's membership.

The Midland workshop consisted of three panel discussions, which collectively focused on: natural gas use in exploration and production, natural gas fleets and refueling; and regulatory issues. Notable panelists included State Representative Jason Isaac, member of the House Environmental Regulation Committee, and State Representative Drew Darby, chairman of the House Energy Caucus.

Commissioner Porter says that he hopes these seminars will facilitate communication between potential consumers, existing users and regulators. The next workshop is set to be held in Longview, Texas, on March 12 at the Convention Complex, followed by Laredo on April 17 at the Uni-Trade Stadium; and a statewide NGV Summit that will convene in late summer/early fall of 2014 in Austin.

I must admit, it is uplifting to see our state officials recognize the benefits offered from domestic natural gas, particularly in relation to the transportation sector. There is great potential for this market too, as more and more Americans convert to using NGVs. As many of us know, natural gas is a clean, alternative fuel source, which offers reductions in air emissions. Moreover, NGVs also outperform conventional fuels with a significantly higher octane rating, better fuel efficiency and lower operating costs.

On top of the environmental advantages, natural gas also plays a significant role in supporting our nation's energy future, helping reduce foreign imports of petroleum from unstable parts of the world. Rather than relying on crude oil supplied from the Middle East, we can instead count on natural gas produced from North American shale formations.

As the nation's top producer of natural gas, our state should continue to lead the charge in expanding usage of this important energy source. Members of TIPRO, as well as the industry as a whole, should maintain our efforts to work together and identify opportunities as well as key priorities in order to fully capitalize on this abundant Texas resource. With the help and support of Commissioner Porter, along with other statewide officials, I'm optimistic we will be successful in advancing natural gas development and usage.

During TIPRO's upcoming Annual Convention, natural gas will be a significant topic for discussion; attendees will be provided with insight on the future outlook for the industry, along with updates on regulatory hurdles that could face domestic natural gas E&P activity in the years ahead. With a strong line-up of presenters, from industry leaders to elected officials, I hope all of you will make plans to join us for this event, set to be held later this month on March 24-26, 2014, at the Hilton Hotel in Fort Worth. For those interested in registering to attend, please see page 5 of this newsletter, or you may sign-up online through TIPRO's website at www.tipro.org. I look forward to seeing you there, and appreciate your participation.

Sincerely,




David F. Martineau

TRACK THE LATEST INDUSTRY NEWS BY CONNECTING WITH TIPRO ONLINE

Want to learn the latest news happening in the Texas oil and gas industry? Be sure to follow the Texas Independent Producers & Royalty Owners Association online to receive updates pertinent to independent producers and royalty owners. From Twitter to Facebook and LinkedIn, TIPRO's social media accounts offer new ways to obtain industry information, as well as connect with other professionals and business associates in the E&P sector.

Don't miss out - visit TIPRO's website at www.tipro.org to learn more.

TIPRO Calendar of Events

MARCH 19, 2014	MARCH 24-26, 2014	APRIL 16, 2014	MAY 14, 2014
HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.	FORT WORTH — TIPRO'S 68 th Annual Convention, Hilton Hotel. For info, call: (512) 477-4452.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.	HOUSTON — IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (832) 233-5502.

TIPRO MEMBERSHIP MEETING NOTICE

In accordance with Article IV, Section 1, of the TIPRO Bylaws, Chairman David F. Martineau hereby calls a Membership Meeting for all TIPRO members in conjunction with the 68th Annual Convention.

The Annual Membership Meeting will take place on Tuesday, March 25, 2014, at 3 p.m. in the ballroom of the Downtown Hilton Hotel in Fort Worth, Texas.

During the TIPRO Board Meeting, held February 24, 2014, members of the TIPRO Nominations Committee presented their final recommendations for nominees of TIPRO Officers and Directors, with terms to begin on July 1, 2014.

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:

- Brent Hopkins, Suemaur Exploration - Region 1 (Class A Director); Term expiring June 30, 2017.
- Jeff Simmons, Oxy - Region 2 (Class A Director); Term expiring June 30, 2017.
- Robert Ranck, El Ran Inc. - At Large Representative (Class A Director); Term expiring June 30, 2017.

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

- Raymond Welder, III, Welder Exploration - Chairman of the Board (Class B Director); Term expiring June 30, 2016.
- Todd Wehner, Jones Energy, Ltd. - Treasurer (Class B Director); Term expiring June 30, 2016.
- Patricia D. Boswell McCall, Boswell Interests, Ltd. - Secretary (Class B Director); Term expiring June 30, 2016.

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

- Joseph Abel (Class D Director); Term expiring June 30, 2017.
- Scott L. Anderson (Class D Director); Term expiring June 30, 2017.
- Stephen N. Castle (Class D Director); Term expiring June 30, 2017.

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

TIME IS RUNNING OUT FOR SHARYLAND UTILITIES CUSTOMERS

If you have energy meters in the Sharyland Utilities service territory, your deadline is quickly approaching to select a competitive energy contract before being transitioned to an energy rate that will be around 150 percent higher than the competitive market prices!

Customers with meters in Stanton, Colorado City, Brady, and Celeste territories (the former Cap Rock service area) must select a REP by April 13, 2014. If they do not, Sharyland will randomly assign a default REP, who will then sell you electricity with a market-based, month-to-month variable rate which may be higher than competitive rate offers.

TIPRO's exclusive energy broker Fox, Smolen & Associates (FSA), a licensed aggregator registered with the Public Utility Commission of Texas (registration #80056) manages The Electric Coalition, a purchasing group consisting of 33 Chambers of Commerce, a number of cities and trade associations across the state.

FSA is currently working with their 20 different providers in preparation of the Sharyland transition. At this time, just a small number of providers are offering contracts in the area, but others are slowly becoming available. FSA will be monitoring progress and working with TIPRO members on scheduling the most opportune time to begin the procurement process.

If you have an energy meter which currently lies in Sharyland Utility's service territory, please contact Jason O'Krent at Fox, Smolen & Associates at (888) 822-9090 x104 or email okrent@foxsmolen.com to avoid being placed on the higher default rate.

If you don't have locations in the Sharyland territory, remember to contact FSA if your electricity contract expires within the next 12 months, as competitive market rates have been rising since the 2012 bottom and should be secured before they rise any higher.



Would You Like to be Alerted if Your:

- **Salt Water Tank is HIGH?**
- **Site Power FAILS?**
- **Compressor is OFF?**
- **Generator is OFF?**
- **Fuel Tank is LOW?**
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PRESIDENT OBAMA ANNOUNCES FY 2015 BUDGET PROPOSAL



On Tuesday, March 4, 2014, President Barack Obama unveiled his final budget for the coming fiscal year, outlining his top priorities and initiatives which he hopes will receive government backing. The president's FY 2015 request also details budgetary funding that is to be extended to federal agencies, if approved by Congress, including those that oversee energy development in the United States.

Under President Obama's budgetary plan, the U.S. Department of Interior would receive approximately \$12 billion, representing a 3.5 percent increase from the \$11.6 billion Congress allocated to the federal agency in the current fiscal year. Moreover, if approved, the Interior's Bureau of Ocean Energy Management, which helps manage offshore drilling on federal areas, would receive \$170 million in the next fiscal year, while the Interior's Bureau of Safety and Environmental Enforcement could be allocated up to \$205 million.

The president also has recommended \$7.89 billion be used to fund the U.S. Environmental Protection Agency (EPA) in FY 2015. Along with supporting the agency's mission statement, the EPA reports that FY 2015 resources will be used to make progress on priority areas, including climate change and air quality, toxics and chemical safety, and clean water.

"This budget is key to a new era of partnerships for the U.S. environmental protection enterprise, where the EPA will work hand in hand—with our sister federal agencies, states, tribes, localities, agricultural and manufacturing sectors, small businesses, industry, and other stakeholders—to improve the health of families and protect the environment, one community at a time, all across the country," commented EPA Administrator Gina McCarthy. "Our request focuses our resources on the things that really matter to the people of this country. We will seek to make a visible difference—whether it is protecting our precious waters and leaving our children a legacy so they can safely drink water from their small community water systems and fish and swim in their local rivers; reducing air pollution along roadways and neighborhoods; or cleaning up communities to maximize environmental and economic benefits."

The U.S. Department of Energy also would receive \$27.9 billion under President Obama's FY 2015 budget proposal. If approved by Congress later this year, \$475 million is specifically to be provided for Fossil Energy Research and Development in efforts to advance carbon capture and storage and natural gas technologies. Approximately \$123 million is also be allocated for the Energy Information Administration to modernize its data infrastructure and meet evolving customer needs.

"The United States remains the global leader in energy, science and security, building on its longstanding commitment to innovation," said U.S. Energy Secretary Ernest Moniz. "The President's budget request for the Department of Energy sustains this commitment for future generations."

Unfortunately, in its 2015 budget plan, the White House has again called for the elimination of critical federal tax provisions used by the oil and natural gas industry, including the deduction of intangible drilling costs (IDCs) and the percentage-depletion allowance for wells. Several other significant tax deductions utilized by independent oil and gas producers are also in jeopardy, as the budget recommends cutting the tax credit for oil and gas produced from marginal wells, repealing the enhanced oil recovery credit and increasing the geological and geophysical amortization period for independent producers to seven years. If enacted, such changes to the federal tax code could have substantial impact on domestic oil and gas production, as operators - who take on the high capital risk of exploring for and producing oil and natural gas - would be forced to scale back on domestic drilling.

Beyond the removal of industry tax provisions, the White House has also proposed new inspection fees for future onshore oil and gas drilling on federal lands. In doing so, the White House expects to raise \$49 million in added revenue from the fees imposed on the industry, which will be used to help reform and speed permitting for the Bureau of Land Management's oil and gas program and strengthen government oversight and enforcement. In the coming fiscal year, the Interior Department also hopes to reform its royalty program for oil and gas development on federal lands. In total, the president's administration projects that this package of reforms is estimated to generate roughly \$2.5 billion in net revenues to the Treasury over the next 10 years.

TEXAS SUPREME COURT 2014 PRIMARY RACES

The March 4 primary races for the Texas Supreme Court secured the nomination of four Republican incumbents to run in the November 2014 general election.

Chief Justice Nathan Hecht won with a significant margin, receiving over 60 percent of the vote. Hecht was appointed by Governor Rick Perry in 2013. During his tenure on the Court, he has offered more than 350 opinions and is currently the longest serving appellate judge in Texas. Justice Jeff Brown also easily held on to the Republican Party's nomination with over 70 percent of the vote. Brown was also appointed to the Supreme Court by Governor Rick Perry in 2013. Previously Brown served on the Houston 14th Court of Appeals. In addition, Brown has served as Judge of the 55th District Court in Houston. Justice Steve Johnson pulled nearly 65 percent of the vote in the primary election, again demonstrating a distinctive margin in the Republican Party's elected candidate. Johnson was appointed to the Supreme Court in 2005, and previously served as the Chief Justice of the Seventh Court of Appeals. Chief Justice Jeffery Boyd was unopposed in this year's primary election.

Of the four incumbents, Boyd, Brown and Hecht will face Democratic opponents next November. It is likely the Republicans will maintain an advantage throughout the general election, providing yet again for fair and conservative leadership for Texas' civil justice system.

LAST CHANCE TO REGISTER FOR TIPRO'S ANNUAL CONVENTION!

MEMBER REGISTRATION FEES:

INCLUDES ALL AGENDA EVENTS & MEALS

■ MEMBER - FULL REGISTRATION: \$495

■ SPOUSE - FULL REGISTRATION: \$325

EVENT-SPECIFIC TICKETS:

■ TUESDAY-ONLY BADGE: \$395

■ DINNER-ONLY TICKET: \$250

NON-MEMBER REGISTRATION FEES:

INCLUDES ALL AGENDA EVENTS & MEALS

■ NON-MEMBER - FULL REGISTRATION: \$695
(REGISTRATION INCLUDES 1 YEAR REGULAR TIPRO MEMBERSHIP)

■ NON-MEMBER SPOUSE - FULL REGISTRATION: \$475

EVENT-SPECIFIC, NON-MEMBER TICKETS:

■ TUESDAY-ONLY BADGE: \$595

■ DINNER-ONLY TICKET: \$300



Have 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

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CANCELLATION POLICY

In order to receive a refund, TIPRO must be notified of your cancellation no later than
Friday, March 14, 2014

Return registration form to TIPRO at: 919 Congress Avenue, Suite 1000, Austin, Texas 78701.

Registration forms must be accompanied by payment.



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Pioneer is proud to sponsor
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THE TIPRO TARGET



**Texas Independent
Producers &
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Association**

With more than 2,500 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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