



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

TIPRO MEMBERSHIP, STATE OFFICIALS GATHER IN AUSTIN FOR THE ASSOCIATION'S 67TH ANNUAL CONVENTION

TIPRO's 67th Annual Convention, held February 26-28 in Austin, Texas, featured a strong line-up of presenters, from state legislators to industry analysts. State Representative Chris Paddie kicked off the event, addressing the work that is currently underway at the Texas Capitol during the 83rd Legislative Session.

Industry expert Andrew Weissman, senior energy advisor at Haynes and Boones, provided Convention attendees with an outlook on future trends of oil and gas development in the U.S., as well as explored some of the regulatory hurdles that the industry will face in the years ahead. "The future of every company in this room is going to be decided over the course of the next 12 months," Weissman warned. He went on to explain the significance of public demand in the market, emphasizing the correlation it has to natural gas prices and domestic development of shale formations.

Christi Craddick, commissioner of the Texas Railroad Commission (RRC), highlighted the latest regulatory accomplishments at the state agency that is responsible for overseeing industry operations in Texas. She spoke of the measures taken by the RRC in recent months to more effectively manage increasing activity in regions across the state. Commissioner Craddick also outlined the RRC's legislative initiatives for this session, including her view on proposals made by the Sunset Advisory Commission to improve operations at the agency.

Moreover, analysts Harvey Kronberg and Ross Ramsey provided insight on the current standing of politics in Texas, and Steve Beach highlighted projects currently being supported by the Research Partnership to Secure Energy for America (RPSEA).

During the second day of the Convention, Rep. Jim Keffer, Rep. Dennis Bonnen and Ken Armbrister, director of legislative affairs for the Governor, participated in a state issues panel, discussing energy-related priorities for lawmakers this session.

Additionally, Corey Goulet, vice president of Keystone Pipeline Projects, detailed the regulatory hurdles facing the development of the Keystone Pipeline in America, a crucial infrastructure project that would greatly ease the transport of oil and gas to the market.

During the Lunch on the Lawn, the association was excited to welcome the Dallas Cowboys Cheerleaders, who performed one of their most popular dance routines on the steps of the state capitol.

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PRESIDENT OBAMA ANNOUNCES NOMINEES TO LEAD EPA, DOE

On Monday, March 4, 2013, President Obama unveiled his nominees to lead the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE).

The President has proposed Gina McCarthy as the next administrator of the EPA, taking over for Lisa Jackson who announced her resignation in late December. McCarthy currently serves as assistant administrator for the EPA's Office of Air and Radiation. Prior to that role, she was commissioner of the Connecticut Department of Environmental Protection. In her 25 year career, McCarthy has worked at the federal, state and local levels to develop policies related to energy, transportation and the environment.

President Obama also has nominated Dr. Ernest Moniz to serve as the next secretary of the DOE, replacing Steven Chu. Dr. Moniz holds previous experience working for the DOE, as he previously was the Under Secretary of Energy for President Clinton from 1997 until January 2001. He also served as the associate director of the White House's Office of Science and Technology Policy from 1995-1997. Currently Moniz is a professor of physics and engineering systems and director of the laboratory for energy and the environment at the Massachusetts Institute of Technology (MIT), where he has worked on the faculty since 1973.

"They're going to be making sure that we're investing in American energy, that we're doing everything that we can to combat the threat of climate change, that we're going to be creating jobs and economic opportunity in the first place," said President Obama of the two candidates. "They are going to be a great team."

If their nominations are approved by the U.S. Senate, both McCarthy and Moniz are expected to assist the President with his initiative to fight climate change, likely imposing additional federal regulation on air and water, as well as tougher standards on greenhouse gas emissions and hydraulic fracturing.

"I hope the Senate will confirm them as soon as possible, because we've got a lot of work to do and we cannot afford delay," the President added. "But I can promise you that as soon as the Senate gives them the go ahead, they're going to hit the ground running and they're going to help make America a stronger and more prosperous country."

PRESIDENT'S MESSAGE

TIPRO Members-

I want to thank everyone that was able to attend TIPRO's 67th Annual Convention last week. A very special thank you as well to our sponsors. It was an honor to welcome our members and industry to the Texas state capitol in Austin and to be joined by numerous elected officials, legislators and industry regulators. We had an excellent turnout for this year's meeting, in addition to record levels of sponsorship. TIPRO's Convention serves as an important time for all of us to band together to discuss those issues most pressing to our industry, and allow for us to work jointly to accomplish TIPRO's mission of promoting and supporting an environment that is conducive to continue exploration and production of oil and natural gas in our state.

As you all are aware, this is a crucial time for our industry. Oil and gas development promises a bright future for our state and nation, but we must have the right policies and leadership in place in order to continue to enjoy the positive benefits associated with exploration and production activities. Nowhere else is this better exemplified than right here in Texas. Because our state hosts a business-friendly environment, the oil and gas industry has been able to dramatically increase drilling operations in recent years. As a result, oil and gas companies operating in the state have been able to support hundreds of thousands of jobs, on top of paying billions to local and state government coffers through taxes. Our economic contributions are increasing too, as production levels continue to rise in areas like the Eagle Ford Shale and the Permian Basin. Currently there are 841 drilling rigs operating in Texas, equal to approximately 48 percent of all U.S. rigs or more than one-fifth of the world's operating rigs. Production of oil in Texas has grown to almost 1.5 million barrels of oil per day (bopd), a nearly 50 percent jump in the state's crude oil production in just one year. Natural gas production in North Texas' Barnett Shale and the Haynesville shale formation in East Texas is also noteworthy, providing a clean, abundant alternative fuel source. New innovations will only further enhance producers' abilities to recover oil and natural gas from the vast reserves found in shale formations..

Accordingly, we hope that our state lawmakers will keep all of this in mind as they begin to review bills that have been filed during this year's legislative session. A great deal is at stake for our industry in the months ahead, with proposed legislation focused on eliminating high-cost gas tax incentives, several bills seeking to address road infrastructure challenges and the state water plan, as well as changes expected to be made to operations at the Railroad Commission (RRC). With so many proposals currently being floated around the capitol, it is important to remember that we must maintain an economic climate that will continue to support job growth, E&P activities and economic strength for our state. Considering many across the nation look to Texas as the leading example when it comes to oil and natural gas development, let's make sure that we continue to work together to support this extraordinary momentum that is literally fueling our state and country.

On a separate note, I want to take this opportunity to encourage all of you to submit your nominations for the 2013 Texas Top Producers awards. TIPRO, in partnership with the publishers of Texas Monthly and the Best Companies Group, is proud to once again honor the best in the Texas oil and gas industry through our annual Texas Top Producers program. Winners of this unique award have helped revolutionize the business, and they deserve to be recognized. Award categories have been divided into four professions, including Best CEOs, Best Engineers, Best Geoscientists and Best Landmen.

We ask all professionals working in the Texas oil and gas industry, including members of TIPRO, to send us your nominees for the 2013 awards by emailing texastopproducers@tipro.org. Please be sure to include the name, company and job position of the proposed candidate, as well as a short description of why this individual is worthy of the award.

In the weeks to come, all nominations will be reviewed by the TIPRO-Texas Top Producers awards committee. The top 15 finalists for each category will then be included in the official Texas Top Producers survey, which will be distributed on May 1, 2013. Voting for the survey will close on May 31, 2013. Survey results announcing the winners of the Texas Top Producers program will be published later this year in the November 2013 edition of Texas Monthly magazine. For additional information on Texas Top Producers, or to register to receive an electronic ballot to vote in the survey, visit www.tipro.org/index.php/about-us/ttp.

Please take a moment to send us your nominees of those who should be considered for this prestigious industry award. Thank you for your continued support and involvement.

Sincerely,




Ed Longanecker

Calendar of Events

MARCH 20, 2013		APRIL 10, 2013		MAY 8, 2013		JUNE 12, 2013	
HOUSTON	IPAA/TIPRO	HOUSTON	IPAA/TIPRO	HOUSTON	IPAA/TIPRO	HOUSTON	IPAA/TIPRO
Leaders in Industry		Leaders in Industry		Leaders in Industry		Leaders in Industry	
Luncheon, 11:30 a.m.		Luncheon, 11:30 a.m.		Luncheon, 11:30 a.m.		Luncheon, 11:30 a.m.	
Houston Petroleum Club.		Houston Petroleum Club.		Houston Petroleum Club.		Houston Petroleum Club.	
For info, call: (832) 233-5502.		For info, call: (832) 233-5502.		For info, call: (832) 233-5502.		For info, call: (832) 233-5502.	

RRC SUNSET BILL FILED, ALONG WITH HUNDREDS OF OTHERS THAT COULD IMPACT INDUSTRY

After much anticipation, H.B. 2166, relating to the continuation, functions and name of the Railroad Commission (RRC), has been filed in the Texas Legislature. The bill, authored by Representative Dennis Bonnen, outlines many of the recommendations that were previously set forth during the Sunset Review of the state agency, including changing the name from the RRC to the Texas Energy Resources Commission and placing restrictions on the political campaigns of Commissioners running for office. As the language currently reads, H.B. 2166 also would do away with the collections cap on the oil and gas regulation and oil-field cleanup fund. The bill will now be assigned to a house committee for review, before it is voted on by the legislature. If the bill passes this session, it would take effect September 1, 2013.

Other legislation recently filed of interest to the oil and gas industry includes:

- House Bills 1770 and 1771 would direct an allocation of money from the Economic Stabilization Fund (ESF), commonly referred to as the Rainy Day Fund, to the Foundation School Fund (FSF) to supply grants to school districts across the state. H.B. 1770 would take an appropriation from the ESF to the FSF to offers grants to certain school districts in need of improving security. H.B. 1771 is similar; however, the money granted from the FSF fund would provide for the purchase of equipment for certain career and technology courses at public schools. Both of the bills are important to the oil and gas industry because if passed, they would pull additional revenue from the ESF, at a time when other lawmakers are asking money from the ESF to be used to help pay for transportation and water infrastructure in Texas.
- House Bill 1198, filed by Representative Richard Pena Raymond, calls for the authorization of a county fee of \$10 for vehicle registration in certain counties. The revenue generated from this fee would then be deposited into the road and bridge fund for road repairs and maintenance, in efforts to to aid the infrastructure needs of the counties experiencing increased oil and gas activity. Several other bills have been filed that are similar in nature, hoping to provide a method of assisting with the costs associated with infrastructure needs across the state. However, this particular bill allocates funds to certain counties.
- House Bill 2047, authored by Representative J.M. Lozano, would provide a sales and use tax exemption for certain tangible personal property and services related to mineral exploration and production. It would amend the state's tax code to allow machinery, drill pipe, casing, tubing and other pipe used during the exploration for or production of oil and natural gas to be included on the exemption list for sales and use tax.

SENATOR CORNYN INTRODUCES BILL TO REFORM THE ENDANGERED SPECIES ACT

In efforts to help prevent abuse of the Endangered Species Act (ESA), U.S. Senator John Cornyn (R-TX) has proposed new legislation that would provide impacted local parties a say in the settlement of ESA litigation between special interest groups and the U.S. Fish and Wildlife Service (USFWS).

In 2011, two environmental groups settled lawsuits with the federal agency, resulting in a "work plan" that forces the USFWS to make final determinations on hundreds of species that are part of the endangered species list. The settlement also used taxpayer money to pay off the plaintiff's litigation fees.

"ESA litigation abuse has shut out those folks most affected by the kind of closed-door settlements we've seen," said Senator Cornyn. My bill opens up the process to give job creators and local officials a say."

Cornyn adds that closed-door ESA settlements have not only threatened to impose unwarranted regulation, but they have also given plaintiffs undue leverage over local land owners, businesses, and elected officials in the conservation process.

In Texas, more than 100 species are slated for federal review within the next five years. Every single county in the Lone Star State contains at least one species that will be up for consideration as either endangered or threatened. Currently, the USFWS is reviewing the status of the Lesser Prairie Chicken, which roams across the Panhandle Region. If listed, the resulting regulation could restrict oil and gas operations and hinder production in the area.

If enacted, Senator Cornyn's ESA Reform Act would give local government and stakeholders a say in ESA settlements that affect them, limit the use of taxpayer dollars to fund ESA "citizen suits," and preserve the USFWS's regulatory authority.

BARNETT SHALE GAS BOOM WILL CONTINUE FOR DECADES, NEW STUDY REPORTS

The Barnett Shale formation, located in North Texas, will continue to be a major contributor to U.S. natural gas production until at least 2030, suggests a new study published by the Bureau of Economic Geology (BEG) at The University of Texas at Austin. According to researchers, the Barnett will continue to provide a reliable supply of natural gas for decades to come, with total recovery at greater than three times cumulative production to date.

To complete their assessment on production trends in the formation, researchers from the BEG reviewed actual production data from more than 16,000 individual wells drilled in the Barnett Shale through mid-2011, examining the production history of every well and then determining what areas remain to be drilled within the shale play.

"The implication of this in a general sense is there's quite a bit of drilling still to be done and production still to come from shale," said Scott Tinker, director of the BEG and co-principal investigator for the study.

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COVERAGE OF TIPRO'S 67TH ANNUAL CONVENTION... CONTINUED FROM PAGE 1

Following the Lunch on the Lawn, TIPRO hosted one of the most successful series of call-up meetings in the history of the association. Through TIPRO's capitol call-up meetings, members were able to meet with: the Texas Governor; the Speaker of the House of Representatives; 11 members of the Senate Natural Resources Committee (the entire committee); nine members of the Senate Finance Committee (including the chair and vice-chair); three members of the Senate Transportation Committee (including the chair); seven members of the Senate State Affairs Committee (including the chair and vice-chair); 11 members of the House Energy Resources Committee (the entire committee); three members of the House Natural Resources Committee (including the chair); two members of the House Appropriations Committee (including the chair); and 3 members of the Sunset Advisory Commission (including the chair and vice-chair). TIPRO thanks all members who were able to participate in the call-up meetings and help with efforts to educate lawmakers on the importance of exploration and production to the state.

Later that evening, Sen. Kel Seliger, member of the Senate Natural Resources Committee, provided the keynote address at the Chairman's Dinner. During the dinner, TIPRO was also proud to present Rep. Jim Keffer with the association's Hat's Off Award for all of his work in the state legislature. The Hat's Off Award is the association's highest award, honoring those who have made significant contributions helping the organization and the entire oil and gas industry.

"GASLAND II" TO PREMIERE AT TRIBECA FILM FESTIVAL IN APRIL

The popular Tribeca Film Festival, running April 17 through April 28 in New York, will screen "Gasland Part II," the follow-up to HBO documentary "Gasland" which aired two years ago examining hydraulic fracturing and the natural gas industry. In the sequel, director Josh Fox continues to investigate the environmental impact of fracking. Much like "Gasland," "Gasland Part II" is expected to likely promote falsehoods and exaggerations related to unconventional drilling in America, making accusations without sufficient scientific evidence to support those claims that are made within the movie.

The Tribeca Film Festival will serve as the world premiere of the new documentary. It will also air on HBO later in 2013.

THE SEQUESTER'S IMPACT ON OIL AND GAS DEVELOPMENT

Starting March 1, a series of automatic, arbitrary budget cuts, referred to as the sequester, have begun to be imposed by the federal government in efforts to save \$1.2 trillion over the course of nine years, causing far-reaching implications on the American economy, as well as the oil and gas industry. Most significantly, with the sequestration now in effect, the government's federally-funded grants will likely be stifled, potentially resulting in \$12.5 billion cuts per year to federally funded research and development efforts, according to some reports. This will greatly hurt progress made through R&D projects that relate to advancing technology, which have enhanced unconventional development of shale formations throughout the U.S. in recent years. Investments made in R&D promote business development and help ensure a bright future for the oil and gas industry. Without such funding in place to help encourage new innovations, improvements to drilling techniques could be limited.

Moreover, the sequester will also affect job creation in the U.S., at a time when the country was only just starting to recover from the last economic recession. Analysts predict thousands of jobs could be lost, if the President and Congress cannot agree to take action to rectify the sequester and address the budgetary cuts which weaken the economy.

BARNETT SHALE STUDY... CONTINUED FROM PAGE 3

According to the BEG, the research team was able to further enhance their analysis by identifying and assessing the potential of wells using 10 production quality tiers. The team found economic feasibility of production varies tremendously across the basin depending upon production quality tier. While the BEG model shows a correlation between the price of natural gas and production levels, it suggests that price sensitivity is not overly dramatic, at least in the early phase of a formation's development. This is due to the fact that there are still many locations to drill into the better rock, which is cost effective even at lower prices.

"Drilling into unconventional reserves is potentially analogous to offshore oil in terms of impact," added Tinker.

The BEG plans to complete similar studies of three other major shale gas basins spanning the U.S. by the end of this year.

The study was funded by the non-partisan Alfred P. Sloan Foundation.

BEG TO HOST "INDUSTRY DAY" ON MARCH 22 IN AUSTIN

The Bureau of Economic Geology (BEG) will host "Industry Day" on Friday, March 22, to showcase the broad spectrum of research taking place at the BEG, as well as provide a glimpse of the preeminent archive of well cores and cuttings housed at the BEG's Core Research Center. The event will also include a series of presentations by experts, focusing on energy development and water use.

"Industry Day" will be held at the BEG's Core Research Center on the J J Pickle Research Campus in Austin, and is free to attend. For additional information, or to register visit www.beg.utexas.edu/industryday2013.php.

PICTURES FROM TIPRO'S 67TH ANNUAL CONVENTION!

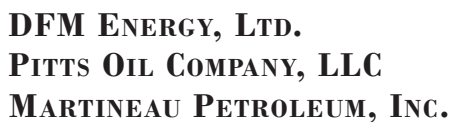


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PICTURES FROM TIPRO'S 67TH ANNUAL CONVENTION... CONTINUED FROM PAGE 5



SPECIAL THANKS TO ALL CONVENTION SPONSORS:



STRATEGICALLY POSITIONED AT THE FOREFRONT OF ALASKA'S MODERN DAY GOLD RUSH..

THE HISTORY...

The Nome Gold Rush took place in Nome, Alaska from 1899 to 1909. Early prospectors were astonished to discover immense concentrations of placer gold flakes simply lying on the sands of Nome's beaches. Freezing water temperatures and a lack of modern technology prohibited feasible offshore subsea gold recovery until now!

THE CALLING...

Blue Water Gold, LLC was formed to use state of the art technology and equipment to mine the gold bearing sands just off the coast of Nome. Blue Water Gold has obtained the necessary equipment and manpower to successfully reach and recover these highly concentrated offshore gold veins.



Processing gold concentrate via centrifuge to separate gold from sea floor sediment.

THE LEASES...

Blue Water Gold secured subsea mining rights to 584 acres just off the beaches of Nome. These leases are surrounded by some of the largest gold companies in the world including AngloGold Ashanti-DeBeers and Solomon Gold, Inc.

Nome, AK

THE TECHNOLOGY...

Blue Water Gold utilizes the most up to date technology, professional divers, geologists, and the most highly skilled personnel to maximize gold recovery. In 2012 Blue Water Gold established our Nome offshore mining and base camp operations. We currently operate a fleet of two state of the art dredging vessels, the "Havilah" and "Ophir".



The 60' long "Havilah" is our primary 10" diver operated suction dredge for gold recovery. It is designed to mine continuously when dredging conditions are favorable.

If you would like information about investment opportunities or Blue Water Gold's upcoming projects, please contact us at:

Blue Water Gold, LLC | 115 Wild Basin, Suite #102 | Austin, Texas 78746

Phone: 512-334-2331 or 888-532-5998 | E-mail: info@bluewatergold.com | Web: www.bluewatergold.com

THE TIPRO TARGET



TIPRO

**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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