



**Independent
Producers and
Royalty Owners
Association**

TIPRO CELEBRATES TEXAS TOP PRODUCERS AWARD WINNERS

Nearly 300 industry professionals gathered on the evening of Tuesday, September 11, 2012, at the Houston Petroleum Club in Houston, Texas, for the first annual Texas Top Producers awards banquet, hosted by the Texas Independent Producers & Royalty Owners Association (TIPRO). Underwritten by PricewaterhouseCoopers, the event served as a unique opportunity for members of the Texas oil

and gas industry to come together and recognize the accomplishments of the Texas Top Producers. Collectively, the 2012 Texas Top Producers award winners represent the best in the business, and have revolutionized the way the oil and gas industry operates. Each and every day, their hard work adds to the ongoing development of natural resources in America, and enhances the ability to explore for and produce oil and natural gas.

Mr. Red McCombs of McCombs Energy presented the keynote speech during the awards banquet. A renowned businessman, McCombs has served in a variety of leadership roles for different local, state and national organizations, and has worked in the energy business since the early 1960's.

"I want to congratulate all of you honorees," commented McCombs. "I think that all of us only most sparingly give recognition, although it gives so much reward. However, I think the greatest tool that all of us have that we can use on a daily basis is recognition. All of us like it, but we are reluctant to give it. So I'm very pleased to see that it is happening tonight. And I would just like to add that being recognized by your peers is just about the greatest thing that can happen - so I applaud all of you for the recognition that you have received."

McCombs went on to detail his own personal experiences working in the oil and gas industry through the years. "We're so fortunate to be in Texas, and fortunate to be in the oil and gas business. I have been fascinated by (the industry) from the time I was growing up in the small town of Spur, Texas. From the time I could read, I loved (learning) about what was going on out in Big Springs, Midland, and Andrews, as well as the great business in general - the oil business."

During his speech, McCombs also emphasized the importance of voting in the upcoming elections in November to the banquet attendees. "We need to make certain that we prevail. I'm grateful for those who give themselves for public service, and we have got to decide who it is in our community that will provide the service in the future in the matter that we want it."

TIPRO again congratulates all of the 2012 Texas Top Producers award winners in the categories of Best CEOs, Best Landmen, Best Engineers and Best Geoscientists!



Check out event photos from the banquet on pages 4-5...

MILTON RISTER NAMED AS NEW EXECUTIVE DIRECTOR OF THE RAILROAD COMMISSION

During an open hearing held Tuesday, September 11, 2012, the Texas Railroad Commission (RRC) named Milton A. Rister as the new executive director for the state agency. Rister replaces former Executive Director John Tintera. His first day will be on October 1, 2012.

"As the RRC undergoes a second round of Sunset Review, and as our agency enters a new Legislative session next year, Mr. Rister's comprehensive experience and background in working with our state's top elected officials and the Legislature will be invaluable," said RRC Chairman Barry Smitherman.

Previously, Rister served as the director of administration in the Office of the Governor of Texas. Formerly, from 2006 until 2009, he worked as the executive director of the Texas Legislative Council. Rister has also served as executive director of the Republican Party of Texas, and been a senior advisor for Lt. Gov. David Dewhurst.

RRC Commissioner David Porter added, "The RRC is a global leader in energy regulation and has almost 100 years of experience in protecting the environment and public safety. I look forward to working with Mr. Rister to help continue to enhance the commission's expertise in regulating our robust oil and gas industry."

CHAIRMAN'S MESSAGE

TIPRO Members-

Despite all of the significant contributions that the oil and gas industry makes each and every day in providing support for our state and nation, these days it seems that all the media can focus on is negative, outlandish accusations and unsupported hyperbole. Often times, the headlines in the paper scream of false claims, with little to support the statements being made. In my opinion, far too little science and facts are being used to back-up what is being published in the papers or shown on the television screen. Movies like "Gasland," by director Josh Fox, perpetuate falsehoods and mislead the public on the realities of energy production. Even worse, recently, Hollywood celebrities have decided to speak out on the development of oil and gas, even though they have no qualifications whatsoever to discuss the topic at hand. With musicians, actresses and actors like Mark Ruffalo, Lady Gaga, Yoko Ono, Paul McCartney, Uma Thurman and Alec Baldwin launching an anti-fracing coalition that will "work to expose and stop the harmful and contaminating practice of fracing," we in the industry cannot afford to just sit back and let them actively spread hype and falsehoods. Consequently, it is our responsibility to address this problem at hand and work that much harder to ensure that the public receives the truth about domestic exploration and production of oil and gas.



David F. Martineau

In particular, we must continue to do all we can to inform Americans on hydraulic fracturing, sharing the in's and out's of the process. Fracing has been used in this country by the oil and gas industry for more than 65 years - and is something the public should support, not be afraid of. It is a safe, responsible method of extracting hydrocarbons from shale formations, and will provide incredible opportunities to power our nation for generations to come. With better education, more individuals will fully appreciate how hydraulic fracturing and horizontal drilling have provided an incredible increase in exploration and production of natural resources in recent years. This in turn has decreased our country's reliance on importing petroleum from foreign countries. In fact, we have reduced imports of crude oil to approximately 42 percent this year, the lowest level experienced in two decades, enhancing our country's security. In the years to come, this number is expected to continue to decline. The oil and gas industry also provides jobs to millions of Americans and pours money into our local, state and federal government coffers. We have got to engage in an open conversation with the public and spread the truth as explicitly and candidly as possible about the process to extract oil and natural gas from deep below the earth's surface.

As always, TIPRO will continue to do its part to combat these false reports and better educate the community on the reality of drilling for oil and natural gas in Texas and across the country. The association works day-in, day-out, to supply the facts and help the public, as well as elected officials, grasp the importance of fracing. We remain committed to our mission of advocating on behalf of our membership to promote domestic exploration and production.

Nonetheless, we need your individual help in contesting the extreme exaggerations and assertions often presented by environmentalists. With the 83rd Legislative Session right around the corner and the federal government continuing to attempt to impose incredibly burdensome, unnecessary regulations on industry operations, now is the time we must amplify our voice and make our message heard. Start a conversation on energy development with your family, friends and neighbors. Work to screen the documentary "Truthland" - the industry's counter response to "Gasland" - to your local organizations and rotary clubs so your community better understands the facts on hydraulic fracturing. Write the editors of your local newspapers. And perhaps most significantly, contact your legislators and local officials such as judges and county commissioners, to open a dialogue about the importance of fracing and the measures that our industry is already taking to protect the environment and the health and safety of their communities.

Sincerely,

Calendar of Events

OCTOBER 10, 2012	OCTOBER 12, 2012	NOVEMBER 14, 2012	DECEMBER 12, 2012
HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.	DALLAS Texas Energy Update Seminar, 7:30 a.m. - 11:30 a.m. The Belo Mansion. For info, call: (214) 207-0369.	HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.	HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.

“LET STATES REGULATE RESOURCE DEVELOPMENT”

BY TEXAS RAILROAD COMMISSIONER DAVID PORTER

“It's like déjà vu all over again.”

The old Yogi Berra saying comes to mind after the most recent debacle in a series of attempts by the U.S. Environmental Protection Agency (EPA) to link groundwater contamination to hydraulic fracturing.

After several months of public speculation, the EPA finally issued a press release on July 25 concluding that water supplies in Dimock, Pennsylvania, had not been contaminated by drilling activities in the area.

In late 2011, after the town's residents expressed concern over the quality of their drinking water, the EPA visited Dimock to conduct surveys regarding their private wells and review drinking water data supplied by the Pennsylvania Department of Environmental Protection, Cabot Oil and Gas Exploration and the residents.

The EPA thought it had found the perfect headline to further its political agenda, and Dimock became a poster child for anti-fracing campaigns. The town was even featured in the 2010 documentary “Gasland,” which infamously showed residents igniting water coming from their kitchen faucets and pointed to hydraulic fracturing as the culprit.

However, in April 2012, the agency released preliminary test results from Dimock that “did not show levels of contaminants that would give EPA reason to take immediate action.”

After sampling private drinking water wells serving 64 homes between January and June of 2012, the EPA eventually admitted in late July that chemical substances found during their testing were naturally occurring and not the result of hydraulic fracturing.

The EPA also jumped the gun in Pavillion, Wyoming, by releasing a draft report in December 2011 indicating that hydraulic fracturing was responsible for water contamination in private drinking water wells before thoroughly vetting the report. The agency bypassed the scientific process of independent peer review and publicly made claims that were not fully substantiated. Only after receiving backlash did the EPA agree to back down and retest their samples. As of June, the agency was still resampling monitoring wells and collecting data.

The federal agency appears to be developing a habit of capturing the public's attention with sensational accusations only to later discreetly retract its claims.

The Range Resources case in Texas has a fact pattern strikingly similar to the cases in Dimock and Pavilion.

In December 2010, the EPA issued a misguided emergency order against Range Resources, alleging the company's shale drilling and exploration activities contaminated a pair of drinking wells in Parker County. Al Armendariz, then EPA Region 6 administrator, claimed there was “an imminent and substantial risk of explosion or fire,” and contended there were “two people whose houses could explode.”

The Railroad Commission of Texas immediately opened an investigation and subsequently held a hearing on the Range case. We determined that the gas found in the Parker County water wells came from the shallow Strawn gas field, which is only a few hundred feet deep, and not as a result of activities conducted by Range Resources. Moreover, the facts and record indicated virtually zero potential for any fire or explosion at the Parker County site.

On March 30, 2012, the EPA withdrew the Imminent and Substantial Endangerment Order and dropped the lawsuit against Range Resources the following day. Consequently, Armendariz resigned and is now working for the Sierra Club.

It is important to note that after more than 60 years of hydraulic fracturing, there has never been a single documented case unquestionably connecting the practice to groundwater pollution.

In Texas, the Railroad Commission is responsible for the prevention and abatement of surface and subsurface water pollution from oil and gas exploration and production activities, including hydraulic fracturing. The commission has a long history of enforcing state regulations and protecting the health and safety of Texas citizens. That tradition continues as we embark on a new era of oil and gas recovery through hydraulic fracturing and as our country takes a significant step toward energy independence.

I believe allowing the federal government to regulate the oil and gas industry would cripple energy production and devastate the most robust sector of our economy. According to a 2011 IHS Global Insight study, shale gas production contributed \$18.6 billion in federal, state and local government tax and federal royalty revenues in 2010. Over the next 25 years, the industry is projected to generate cumulatively more than \$933 billion in federal, state and local tax and royalty revenues. During a time of chronic unemployment nationwide, the shale gas industry was responsible for supporting 600,000 American jobs in 2010. That number is expected to grow to nearly 870,000 jobs in 2015 and eventually to more than 1.6 million by 2035.

It is clear that “one-size-fits-all” regulation from a federal administration, especially one that is garnering a reputation for masquerading premature conclusions as proven facts, is not the answer. States must fight to retain autonomy, as we have a better understanding of our unique geological, regulatory and economic environments.

As Yogi Berra would say, the EPA has “made too many wrong mistakes.”



Commissioner Porter

PICTURES FROM TIPRO's 2012 TEXAS TOP PRODUCERS AWARDS BANQUET...



...PICTURES FROM TIPRO'S 2012 TEXAS TOP PRODUCERS AWARDS BANQUET



TIPRO JOINS IPAA IN COMMENTING ON PROPOSED FRACING REGULATIONS BY THE BLM

The Texas Independent Producers & Royalty Owners Association (TIPRO) recently joined the Independent Petroleum Association of America (IPAA) and the Western Energy Alliance (The Alliance), as well as 45 other industry associations, in an initiative to formally file comments on the Bureau of Land Management's (BLM) proposed rule for oil and gas well stimulation and hydraulic fracturing operations on federal and Indian lands.

Across the United States, the BLM currently oversees approximately 700 million subsurface acres of federal mineral estate and 56 million subsurface acres of Indian mineral estate.

According to the rule filed in the Federal Register on May 11, 2012, "The BLM proposes to modernize its management of well stimulation activities, including hydraulic fracturing, to ensure that fracturing operations conducted on the public mineral estate (including split estate where the Federal Government owns the subsurface mineral estate) follow certain best practices, including: (1) The public disclosure of chemicals used in hydraulic fracturing operations on Federal lands; (2) confirmation that wells used in fracturing operations meet appropriate construction standards; and (3) a requirement that operators put in place appropriate plans for managing flowback waters from fracturing operations. The BLM proposes to apply the same rules and standards to Indian lands so that these lands and communities receive the same level of protection provided for public lands."

However, members of the oil and gas industry have expressed significant concerns with the proposed BLM rules, as it would impose impractical, duplicative and costly requirements on operators. There is no basis or need for the proposed regulations, which duplicate state efforts to manage industry operations. Moreover, the BLM's economic analysis is grossly flawed, with the federal agency vastly underestimating the economic impacts the rule could have. The regulations would adversely affect small businesses, with a very real concern that many small operators will not be able to endure the added compliance costs that could be associated with proposed BLM rule.

Leaders at the Texas Railroad Commission (RRC) said of the proposed rules, "The BLM does not justify the proposed requirements with science. The rule would duplicate existing state regulation of hydraulic fracturing. BLM has not indicated how it believes that the state regulations are inadequate. Nor has BLM provided any evidence of contamination as a result of hydraulic fracturing activities."

TCEQ TO HOLD STAKEHOLDER MEETINGS ON MSS EMISSION RULEMAKINGS

The Texas Commission on Environmental Quality (TCEQ) will host a series of stakeholder meetings in the coming weeks to obtain public input on upcoming rulemakings to address authorization of Maintenance, Startup and Shutdown (MSS) emissions from oil and gas facilities outside of the Barnett Shale Counties.

The TCEQ is proposing creation of a new Permit By Rule (PBR) as an option for the oil and gas industry to authorize MSS emissions. This new rulemaking is on track to provide applicants an MSS authorization mechanism prior to the January 5, 2014, deadline.

Accordingly, the TCEQ will hold several meetings to help the agency draft informed and appropriate rule language. The meetings will be open to the public and are intended to provide an opportunity for open dialogue and exchange among all participants.

Stakeholder meetings are tentatively scheduled for:

- September 27, 2012, in Austin, with video teleconference at certain TCEQ regional offices
- October 1, 2012, in San Antonio
- October 4, 2012, in Arlington
- October 9, 2012, in Midland

For additional information or to register for one of the upcoming stakeholder meetings, visit www.TexasOilandGasHelp.org.

ANALYSTS PREDICT U.S. OIL PRODUCTION TO GROW 74 PERCENT BY 2022

According to Bentek Energy, in the next 10 years, domestic production of crude oil could grow by as much as 74 percent, or 4.9 million barrels per day, to equal an average of 11.6 million barrels per day.

"Not only will the projected record growth in oil production affect North America, it will have dramatic implications for global crude-oil markets," said Jodi Quinnell, Bentek oil analysis manager, in a statement Monday. "We foresee a massive displacement of traditional waterborne oil imports to the United States by 2022, taking them from 45 percent of U.S. total crude supply to no more than five percent."

Much of the increase in production is expected to come from drilling operations in Texas' Permian Basin and Eagle Ford Shale. Data from the Texas Railroad Commission (RRC) and the U.S. Energy Information Administration (EIA) reveals that oil production in West Texas' Permian Basin for calendar year 2011 accounted for 14 percent of the total United States oil production, equal to approximately 2 billion barrels. Meanwhile, in 2011, oil production from South Texas' Eagle Ford Shale supplied over 43 million barrels of oil. Statewide Texas oil production provides approximately 22 percent of the total U.S. oil production.

TIPRO CHAIRMAN APPOINTS NEW MEMBER FOR THE BOARD OF DIRECTORS

TIPRO has recently been informed that Vicki Hollub has accepted a new position with Oxy and will be vacating her seat on TIPRO's Board of Directors. Hollub, formerly president and general manager of Oxy's Permian CO2 business unit has been promoted to executive vice president of California Operations for Oxy Oil & Gas. TIPRO wishes Vicki all the best on her new endeavors with Oxy. Accordingly, Jeff Simmons had been proposed as a replacement for her position on the board.

Jeff Simmons is the new president and general manager of Oxy's Permian CO2 business unit, which is Oxy's largest business unit with approximately 140 MBOEPD of net production, and includes 27 active CO2 projects and numerous drilling programs.

Prior to this assignment, Mr. Simmons was the senior vice president of Subsurface Engineering for Occidental Oil and Gas Corporation. In this role, he was the functional lead for reservoir and production engineering for Occidental world wide - providing technical review and staff planning for subsurface engineering disciplines.

Previously, Mr. Simmons served as the manager of Asset Development for Oxy Permian, and a leader in the application of miscible CO2 flooding. In this role, he was responsible for managing technical professionals supporting flood improvement projects in EOR projects and directing a 350 well per year primary drilling program in Texas and New Mexico.

Mr. Simmons has served as the manager of the simulation support group for Oxy Permian, and has been an operations manager of CO2 & water floods. He has also worked in supplemental recovery research at Shell Development and served as a reservoir and production engineer for the offshore Gulf of Mexico.

Mr. Simmons holds a B.S. degree in mechanical engineering from the University of Missouri-Rolla, and a M.S. degree in petroleum engineering from Stanford University.

Mr. Simmons is an industry expert, with more than 30 years of oil and gas experience. He is the recipient of the Society of Petroleum Engineers Cedric Ferguson Medal (1991) and holds several patents on well testing techniques. He is also the author of 14 engineering publications.

Per the association's bylaws, Article V, section 10, "in the event of a vacancy on the Board of Directors, the Chairman shall appoint a new Director to serve the balance of the term of the vacant position subject to ratification by the Board of Directors. The new Director may serve on one or more consecutive terms granted in these Bylaws without regard to the balance of the term served for the vacant position."

Therefore, TIPRO Chairman David Martineau has nominated Jeff Simmons as a Chairman's Appointee to replace Vicki Hollub on the Board of Directors, effective immediately.



Jeff Simmons

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



★ TEXAS ★
ENERGY UPDATE 2012

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

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

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

Gas Partners.

Since TIPRO is an industry sponsor of this event, TIPRO members can register for only \$50, a discount on the regular price of \$60. All walk-ins can attend for \$75. To register, please visit www.texasenergyupdate.org.

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

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

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With more than 2,400 members, TIPRO is the nation's largest statewide association representing both independent producers and royalty owners. Our members include small family-owned companies, the largest publicly traded independents and large and small mineral estates and trusts.

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