



**Independent
Producers and
Royalty
Owners
Association**

TIPRO's 65th Annual Convention:

TIPRO's 65th Annual Convention in Austin proved a tremendous success, as the association welcomed more than 150 individuals from across Texas. The meeting served as a unique chance for members to come together in the state's capitol to celebrate the 65th birthday of the association all while learning from industry insiders to gain a better understanding of the current business climate for oil and gas development. Above all else, speakers stressed how Texans must continue to support "the goose that laid the golden egg" - referring to the industry's ability to create jobs and generate state revenue at a time when it is needed most. A record number of legislators appeared at events throughout the two days - with more than 18 state representatives and senators in attendance.

The convention began with a bang, as Texas Lieutenant Governor David Dewhurst provided opening remarks. Dewhurst started by thanking TIPRO members and industry professionals for all they do, each day helping Texans get back to work and putting our state in good shape again. "We have so much to be proud of," Dewhurst proclaimed. Acknowledging a lot of tough decisions lay ahead as legislators strive to find ways to make state government more efficient and fix the budget deficit, Dewhurst stressed his goal in the coming months is to incentivize individuals and companies.

Following that, Evan Smith of *The Texas Tribune* and Harvey Kronberg of *The Quorum Report* provided an outlook on state politics. Analyzing the results from November's election, the two pointed out Democrats were fired much more than Republicans were being hired. But the sale isn't closed, they cautioned, and the next election could see the pendulum swing back the other way if voters still are not satisfied. "Leave the car running at the curb, because you might not be voted to stay," Smith warned for freshmen Republicans. "The Republican primary will be an exciting one to watch, as those who are angry will be searching for an opportunity to vent." Unlike the last election when the focus was on economic recovery, the election in 2012 could be centered on social issues instead, Kronberg and Smith noted.

Smith and Kronberg also offered insight into the current legislative session. "Public education, higher education and health and human services will all get substantial cuts," said Smith. "Either way, pain is coming. Big cuts are likely, as state officials find ways to make up for the budget shortfall." Kronberg added that it is likely legislators will have to spend some of the Rainy Day Fund. At the end of it all, the biggest challenge for state legislators will be explaining to voters back home why they made the cuts they did, despite political promises made as they campaigned for office. As officials discover the difficulties of the job, they are beginning to understand the phrase "campaigning is easy, it is governing that is hard!"

Texas Land Commissioner Jerry Patterson gave the crowd laughs as he outlined Texas history, detailing the battle over the tidelands along the Texas coast. In his presentation, Patterson offered insight into how the partnership between the General Land Office and independent producers helps fund public education. "If you're not making money, we're not making money. So therefore, it is in my interest that you make money!" Patterson emphasized. He went on to say, while renewable energy is great and something we will need to pursue in the future, it is oil and gas that meets Texas demand day in day out.

Afterward, Director of the Bureau of Economic Geology and State Geologist of Texas Scott Tinker taught attendees on the role of energy both in America and around the globe. Development of shale plays will be critical in meeting demands for energy in the coming decades, Tinker pointed out, as large countries like China and India significantly increase their use. In just six years, China alone is expected to double its energy demand. Meanwhile, India has 600 million (the equivalent of two full United States) living without modern energy. "These individuals will cause dramatic changes in consumption of energy," noted Tinker. However, there is hope with the drilling of shale and advances in hydraulic fracturing. "It is an amazing story, led by the independents, then followed by the majors. Altogether it is quite a remarkable story for the U.S."



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The second day of convention proved just as stimulating for attendees. The day began with the membership breakfast and annual meeting, where Brad Foster of Devon Energy and Raymond James Welder, III both were unanimously approved to serve a second term as board members for TIPRO, beginning July 1, 2011. Additionally, former TIPRO Chairman Walter G. "Tad" Mayfield and Rep. Rick Hardcastle were honored for their service to the energy industry.

After that, tax consultant James Le Bas, former state Sen. Kip Averitt and Jim Grace of Baker Botts contributed to a state issues panel wherein they updated the audience on those issues making headlines in the legislature today. Averitt offered hope, saying "the sun will still come up" despite the current legislative session being one of the toughest in Texas history. He also praised the oil and gas industry as being primarily responsible for job creation in Texas at a time when the budget issue is key. Le Bas supported his conclusions, declaring "somebody ought to say thank you" for all the contributions made from the industry.

In taxes alone, oil and gas gives an extensive amount back, paying on average \$27,000 per person, while all other business together pays only \$5,500 per person. Grace went on to emphasize that now we should be encouraging job development, not laying people off. The panelists concluded by acknowledging the difficulty of balancing our state budget, agreeing our industry could be left in harm's way as cuts are made.

In his presentation on the impact of federal tax reform, Abdon Rangel informed attendees of the latest developments in Washington D.C. in tax proposals made by the Obama administration and congressmen. More than anything, it seems President Obama would like to see an overhaul to simplify the system. His recommendations look to eliminate tax incentives that promote economic growth within the industry. "Business leaders need to have an active voice in shaping legislation - sharing knowledge on how best to promote economic growth and use tax laws. Right now officials are looking at the situation from one perspective, not considering the implications of tax reform on jobs. We must work to educate them on the consequences."

The group took a break to lunch on the lawn of the Capitol grounds, enjoying the beautiful spring weather Austin was experiencing. Legislative staff and representatives from the Railroad Commission joined in the fun, allowing for special opportunity for members to network. Afterwards, attendees broke into groups to meet with representatives and senators at the capitol to stress the importance of the oil and gas industry and the need for high-cost gas tax incentives.

Former Arkansas Governor Mike Huckabee wrapped up convention activities with his keynote address during the Chairman's reception and dinner, concentrating on the need for a simplified federal government. Huckabee kept an optimistic tone, saying we all need to keep our eyes focused on what is to come and the potential for our country.