



**Texas
Independent
Producers and
Royalty Owners
Association**

GULF SPILL'S RIPPLE EFFECT ON THE OIL & GAS INDUSTRY

The recent oil spill in the Gulf of Mexico at BP's Deepwater Horizon will affect independent producers whether you're a small or large company, whether you have offshore production or not and whether or not you have a perfect compliance/safety record. Every day the spill remains still out of control, news media lead newscasts of the coverage on TV and front-page newspaper articles continue to report on the amount of gallons spewing into the gulf waters. Consequently, public sentiment rails against the industry and lawmakers are hearing and reacting. "I have just returned from DC and have never seen more political uncertainty regarding our industry due to the Gulf blowout," said TIPRO's

President Walter "Tad" Mayfield. "While we have furthered the mission of TIPRO, the current political environment poses unprecedented and tenuous challenges. TIPRO's work with our state and federal representatives along with our regulatory agencies is more important than ever for the foreseeable future."

Quickly being formulated are dozens of bills and legislation in the Federal House and Senate relating to the spill, what caused it and how risk factors can be reduced in the future. Hearings, investigations and ramifications are being considered on many levels with respect to oil and gas exploration and production. Considering that many independents explore and produce oil and gas in the Gulf, it could have a huge impact on our industry. In the meantime, all applications for drilling in the Gulf have been halted according to MMS.

Oil & Gas Journal columnist Nick Snow's recent editorial states, "The U.S. oil and gas industry has mobilized dramatically in response to the Apr. 20 rig explosion and fire and subsequent crude oil spill in the Gulf of Mexico. U.S. Interior Secretary Ken Salazar asked industry leaders to put their best people to work on finding out what happened and why, and report their findings to him by the end of May. "Our best minds are working hard on this. It's unprecedented," a source told me on May 6. "This reaches across companies and trade associations like never before, with frequent conference calls and consultations. We're determined to give the secretary what he needs. The stakes are that high."

TIPRO will continue to monitor and report on issues and their impact on its members. Please go to www.tipro.org for continuing updates.

TIPRO NAMES TEDDY CARTER AS DIRECTOR OF PUBLIC AFFAIRS

Teddy Carter has been named Director of Public Affairs for the TIPRO announced by President Walter "Tad" Mayfield. "Carter's experience weaves energy, political and regulatory backgrounds together to form a strong foundation that will benefit Texas independent oil and gas producers. As our industry faces challenges, Carter will be able to represent our needs at the Capitol, with regulatory agencies and in the public forum."

Carter begins his tenure at TIPRO in June after serving over a decade at the Texas Senate in various roles. Carter's most recent role was as Committee Director/Clerk for the Texas Senate's Natural Resources Committee under Sen. Kip Averitt. Additionally, Carter held a similar position for the Natural Resources Committee under then Chairman Sen. J.E. "Buster" Brown. Carter also served at the Senate Committee on Jurisprudence and the Senate Committee on State Affairs as Clerk under Sen. Robert Duncan.

Carter brings expertise on oil and gas policy issues as well as environmental issues encompassing air, water and waste. Carter is a Texas native and attended Texas Tech and received his bachelor's degree from Texas State University.

Carter is replacing Donna Warndorf, TIPRO's Vice President of Public Affairs, who accepted the position of Manager, Regional Communications and Public Affairs for TIPRO Explorer member Occidental Petroleum. Her responsibilities will include media/community relations and internal/public affairs in Texas, New Mexico and Colorado. TIPRO thanks Warndorf for her service to both TIPRO and our industry.

"The 82nd Legislative Session will offer Texas independent oil and gas producers opportunities as well as opposition," said TIPRO's EVP Justin Furnace. "How we successfully balance the two will enable us to reach successful outcomes for our members. I could not be more pleased to have Teddy on board with TIPRO. He will be a terrific asset to our members as we enter into the 2011 session."



Teddy Carter

TIPRO PRESIDENT'S MESSAGE: REFLECTIONS, CHANGES AND CHALLENGES



Walter G. "Tad" Mayfield

As my two-year tenure as TIPRO's President heads into the home stretch, I'm grateful to reflect upon the positive goals that have been achieved by the Association. A few of the highlights include a vision process TIPRO initiated in 2008 resulting in our membership mission being clearly articulated: "To preserve the ability to explore and produce oil and natural gas and to promote the general welfare of our membership." The following year, TIPRO assisted in defeating many of the 400+ bills filed during the 2009 Texas Legislative Session that were detrimental to our industry. And TIPRO was successful in the passage of several of its initiatives despite many hurdles. Later in 2009, when it was learned that several state agencies including the Railroad Commission would come under the Sunset Review Process, TIPRO formed the Sunset Task Force to gather grass-roots feedback from across Texas. From that, we formulated our position on issues to improve our regulatory environment.

This past February the annual convention in Houston was phenomenally successful with a great line-up of speakers including the one and only, T. Boone Pickens. TIPRO hosted Houston's first showcase of compressed natural gas vehicles, along with quite a few booths and vendors that all complemented our theme, *Natural Gas In Texas: Glowing Stronger Every Day*. Since our Annual meeting earlier this year, TIPRO has been active in numerous efforts including Barnett Shale issues, TCEQ's aggregation and permit-by-rule issues, EPA Region 6 desires to have a comprehensive inventory of all emission sources, and the many Federal issues including, but not limited to, potential loss of intangible drilling costs and percentage depletion tax incentives, hydraulic fracturing regulations, carbon capping, and the political and regulatory fallout that's occurring due to the Gulf blowout. As of this writing, I have just returned from D.C. and have never seen more political uncertainty regarding our industry. While we have furthered the mission of TIPRO, the current political environment poses unprecedented and tenuous challenges. TIPRO's work with our state and federal representatives along with our regulatory agencies is more important than ever for the foreseeable future.

What I am most proud about during these last two years are the footprints and legacy that have been left due to such a talented staff. We have had three very dynamic and professional Executive Vice Presidents of TIPRO during my tenure including Adam Haynes who departed to Chesapeake Energy last year, but remains a very strong supporter and committed TIPRO member. Rich Varela took over for Adam at the beginning of this year, but stepped down from his position as EVP due to health reasons. As well, newly-hired Justin Furnace, who previously was RRC Chairman Victor Carrillo's Legal Counsel and Chief of Staff, is now firmly holding the reins at the helm of TIPRO. I'm most honored to have had the opportunity to serve with all three of these most accomplished TIPRO heads and look forward to their continued support of TIPRO in their various capacities.

With the departure of a brilliant lobbyist and my good friend Donna Warndorf to Oxy, we now welcome the very seasoned and experienced Teddy Carter to our staff as Director of Public Affairs beginning in June. Teddy has served over a decade in the Texas Senate in various roles and most recently as a Director/Clerk for the Texas Senate's Natural Resources Committee under Sen. Kip Averitt. I'm most grateful to Donna for her many years of going to battle for our industry, and look forward to Teddy carrying the baton forward. TIPRO also couldn't function without our other invaluable staff members, Joanne McCord-Reynolds, Director of Finance and Administration; Laura Stubbins, Director of Membership; Jen Noble, Administrative Assistant; along with Samantha Sipowicz, our Director of Communications/Media Relations.

Many thanks go to Steve Castle of Cowboys Resources in Midland who will be taking over my position July 1st. Per the Association's new bylaws, he will serve as Chairman of the Board rather than President, and Justin's title will change from Executive Vice President to President.

I can assure our membership that TIPRO has a very motivated, experienced, and talented staff, Chairman, and Board second to none. I'm most confident that we will move the ball forward in furtherance of our mission in spite of the most significant challenges our industry is facing on so many fronts. Now, more than ever, we need our Association to represent our needs so the independent oil and gas industry can survive and thrive. Thank you for your help with spreading the word about TIPRO to recruit new members and I urge you to increase your financial support for TIPRO moving forward.

Sincerely,

Tad Mayfield

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Below is a notice regarding an inventory of voluntary actions taken to reduce greenhouse gas emissions that TCEQ asked be distributed to our membership. Your participation in this project is voluntary. TCEQ mentioned it prefers the data be submitted before September, but they will accept submissions for sometime after that. If you have any questions please contact TIPRO or the TCEQ at the number below.

Pursuant to House Bill 1796, 81st Texas Legislature, the TCEQ is required to establish an inventory of voluntary actions taken since 2001 to reduce greenhouse gases.

This inventory is intended to help establish credit for early actions in the event of federal greenhouse gas regulation.

Submission of data for this inventory is completely voluntary. TCEQ has established a Web page with additional information and how to voluntarily participate in the inventory. The Web page may be found at the following:

<http://www.tceq.state.tx.us/goto/voluntary-actions> If you have any questions, please contact Mark Palmie at (512) 239-3143 or p2@tceq.state.tx.us.

CARBON SEQUESTRATION COMMENTS SUBMITTED

TIPRO recently submitted comments regarding the proposed rules for implementation of SB 1387 relating to the capture and storage of anthropogenic carbon dioxide as it pertains to proposed rule Title 16 Economic Regulation, part 1, chapter 5. TIPRO submitted its comments April 26 along with related oil and gas organizations PPROA, PBPA and TxOGA. The following is an excerpt of the letter and its remarks:

“For almost a century, the Texas Railroad Commission has regulated the oil and gas industry developing more expertise than any other regulatory agency in the world. Additionally, the state of Texas has dedicated significant financial and academic resources to nurture the use of carbon dioxide in the EOR industry through the use of strategic partnerships with other experts and environmental authorities including the TCEQ, the GLO and UT’s BEG. There is no other state or nation with as much knowledge, expertise or experience with the handling, transportation or storage of carbon dioxide, whether naturally occurring or anthropogenic. For these reasons, in addition to the power vested in the Commission by the state legislature to regulate issues relating to anthropogenic carbon capture and sequestration, our members strongly believe that the Commission should be granted primacy by the U.S. EPA for the purposes of administering the State’s program going forward.

The Commission offers unique and proven expertise in the use and regulation of carbon dioxide for the purpose of EOR. The first carbon dioxide EOR project in the world was permitted by the RRC more than 40 years ago and today there are more active carbon dioxide injection wells in Texas than any other state or nation. Currently, more than 20% of the total oil production in Texas is accomplished by injecting carbon dioxide into older, more mature reservoirs, to enhance oil recovery. This ultimately results in more efficient production of domestic energy supplies. According to DOE, EOR allows the extraction of more than 30% to 60% of a reservoir’s original oil, compared to recovery only 20% to 40% when using primary and secondary production techniques.

Texas is one of a few states blessed with the (perfect) lithography, specifically natural formations within the earth, into which significant amounts of carbon can be injected. Whether in depleted oil or gas reservoirs, or a brine solution, the state has readily available “space” to permanently store emissions. This provides a significant opportunity for the state not only to reduce its emissions but also to sequester the carbon emissions from sources throughout the country.”

TIPRO Members:

If you see TIPRO news and information in your local publications, or would like to share your company’s news with us, please send our offices a copy of the clip. We’re really getting the word out about our industry’s news and information and would like your help to be our eyes and ears. Please mail clips to Jen Noble at TIPRO headquarters or email jnoble@tipro.org. Thank you.

ROYALTY OWNERS CORNER - PROBLEMS WITH UNRECORDED MINERAL INTERESTS

By Ross Spence and Aaron Guerrero of Snow, Fogel, Spence LLP

It is a rare occasion that a single party has adequate acreage and financing to explore, develop and drill mineral properties. Instead, one or more working-interest partners join and invest in a program for exploration, development and drilling of mineral properties, enter into a joint operating agreement (“JOA”), and, if these drilling activities prove successful, the investing parties are entitled to an assignment of an interest in the completed wells.

For a multitude of reasons, these assignments sometimes are not recorded. Whatever the reason, failure to record an assignment of a mineral interest can lead to significant legal and financial problems.

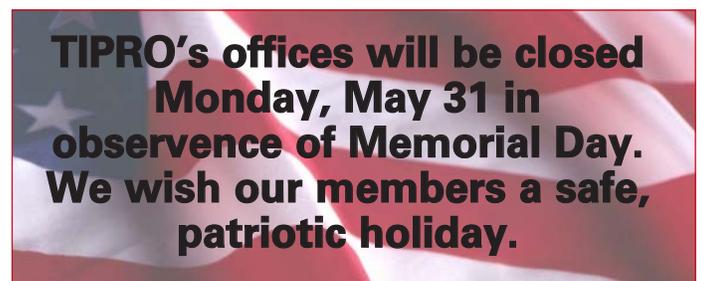
For example, section 544(a)(3) of the Bankruptcy Code provides the bankruptcy trustee with a powerful tool to avoid unrecorded transfers of interest in oil and gas properties under many circumstances. Under 544(a)(3), if a trustee can prove that it is a bona fide purchaser under the applicable state law, then the trustee can avoid the unrecorded assignment.

Under Texas law, is there anything that a holder of an unrecorded assignment can do to prevent this from occurring? Yes. First and foremost, the holder of the assignment needs to record its assignments in the proper county’s real property records as soon as it receives the assignment. Indeed, a memorandum of the JOA should be recorded in the real property records as soon as the JOA is signed, and that memorandum should give a legal description of the mineral interests and clearly state the percentage interest of each party.

When there are no recorded instruments, the holder of an unrecorded assignment must show that the bankruptcy trustee has constructive notice of the assignment either through the doctrine of inquiry or by the appropriate filing of a lis pendens to overcome the bankruptcy trustee’s “strong arm” powers. Even absent constructive notice, the trustee cannot use its strong-arm powers to avoid unrecorded transfers of property when the debtor merely holds bare legal title. This occurs through the imposition of a constructive trust, which is justified only when there is actual fraud or there was a breach of a confidential or fiduciary relationship.

The consequences of failing to record an assignment of mineral interest and obtaining record title can be financially disastrous. Rather than owning an interest in an actually producing well or lease, an investor who has made a large investment in oil and gas properties could find itself with nothing more than an unsecured claim against a bankrupt debtor because the investor failed to record its assignment. Although there are exceptions to this general rule, the exceptions are incredibly narrow.

About the Authors: Ross Spence is a partner in the law firm of Snow Fogel Spence LLP and handles business and bankruptcy litigation. Aaron Guerrero is an associate of the firm and also handles business and bankruptcy litigation. The full text of this article can be found at <http://www.snowfogel.com/content/Article.pdf>.



Calendar of Events

<p>JUNE 9, 2010 HOUSTON— IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info call 512.477.4452</p>	<p>JULY 14, 2010 HOUSTON— IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info call 512.477.4452</p>	<p>AUGUST 11, 2010 HOUSTON— IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info call 512.477.4452</p>	<p>AUGUST 12-14, 2010 SAN ANTONIO— TIPRO's Summer Conference and Golf Tournament at the Hyatt Hill Country Resort. For info call 512.477.4452</p>
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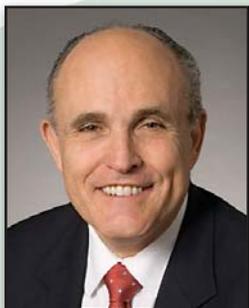
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Rudolph W. Giuliani
Partner
Bracewell & Giuliani LLP

Former two-term mayor of the city of New York, former Presidential candidate, and a partner at Bracewell & Giuliani LLP since 2005, Giuliani's work in law enforcement strategies became the model for cities around the world. In recognition of his leadership following the September 11 terrorist attacks, *Time* magazine named Giuliani its 2001 "Person of the Year." He was knighted by Queen Elizabeth II and was presented the Ronald Reagan Presidential Freedom Award by former First Lady Nancy Reagan.

The Conference

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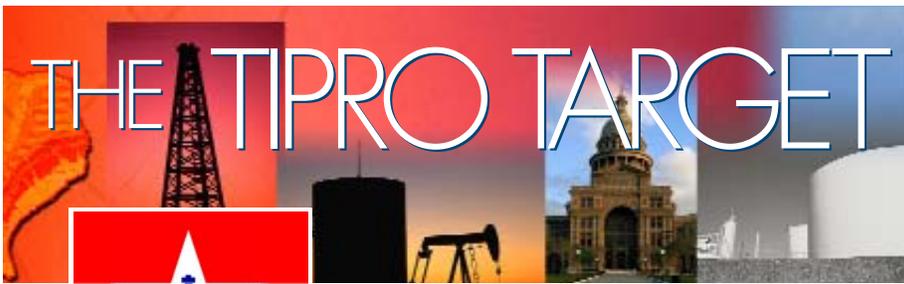
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Texas Independent Producers and Royalty Owners Association

TIPRO represents more than 2,000 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.

www.tipro.org
www.EnergyInDepth.org

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Green American Road Trip -- Ready, Set, Go!

Castlen Kennedy, Apache Corp., TIPRO Explorer, has hit the road in her CNG-powered vehicle. She departed yesterday amidst a fanfare of news cameras and well wishers. She will travel from Austin to Boston this week with stops along the way extolling the benefits of natural gas. The project is a component of her Master's thesis at the LBJ school. The expedition has garnered much publicity from TV news in Austin as well as industry trades and daily newspapers. To follow Castlen's progress go to www.greenamericanroadtrip.com or go to Facebook™ and Twitter™@castlen. TIPRO wishes her safe travels.



Castlen Kennedy, Apache Corp. at the news conference for the launch of The Green American Road Trip.

