



**Independent
Producers and
Royalty Owners
Association**

STRONG LINE-UP PLANNED FOR TIPRO'S 66TH ANNUAL CONVENTION

With rapid development of shale plays expected in the coming years, the energy sector is thriving. Discoveries of new geologic formations and advancing technology are allowing for a significant surge in the production of oil and gas in Texas and in regions across the country.

Accordingly, TIPRO's 66th Annual Convention will feature leaders of the Texas oil and gas industry, who will each share insight on how their companies are adapting to an ever-changing business and regulatory environment. CEOs of top companies are expected to present, including Clarence Cazalot of Marathon Oil, Mark Ellis of LINN Energy, Gary Evans of Magnum Hunter, Hal Hickey of EXCO and Glenn Darden of Quicksilver.

Additionally, William Kristol, national political analyst and commentator for FOX News Channel, will provide this year's keynote address. Kristol will share a national political overview and analysis of the primary elections. A change in elected leaders could have a radical effect on energy policy in the years to come, which is why it is as important as ever TIPRO members stay informed.

Attendees can also count on receiving the latest updates on state and federal issues. Leaders of other state oil and gas associations, from New Mexico, Oklahoma, Louisiana and Ohio, will join TIPRO in a panel discussion of what challenges lay ahead, and how producers and royalty owners might best respond.

TIPRO events allow members the unique chance to meet key players of the Texas oil and gas industry and interact with distinguished experts and politicians. Participants will be able to network with other professionals and make valuable business connections. These exclusive opportunities are ideal for meeting new associates in the industry.



William Kristol

Membership present at the annual meeting will also vote on the board's recommendations to elect David Martineau as the association's next Chairman.

TIPRO's Annual Convention will be held March 27-28 at the Sheraton hotel in downtown Dallas, Texas. Watch for more information to come on the event!

TIPRO MEMBERS ENCOURAGED TO REGISTER TO BE HONORED AS TEXAS' TOP PRODUCERS!

The Texas Independent Producers & Royalty Owners Association (TIPRO) has partnered with the publishers of *Texas Monthly* and the Best Companies Group to recognize the greats of the Texas oil and gas industry.

Together, these three organizations will design and administer a review process that invites petroleum professionals to cast their vote for those whom they believe are worthy of the title of: **Best CEO, Best Engineer, Best Geoscientist and Best Landman.**

Before **February 1, 2012**, all professionals in the Texas oil and gas industry (**including all TIPRO members**) interested in participating must individually register on the TIPRO website in order to receive an electronic ballot and cast a vote within their respective profession. Corporate officers may select more than one profession in which to vote.

For more information and to register, visit www.tipro.org/index.php/about-us/ttp.



CALL TO ACTION:

1. Visit TIPRO's website to register to vote,
2. Pass along information to colleagues and coworkers so that they may participate in the survey as well,
3. Vote in the survey in late-February!

CHAIRMAN'S MESSAGE

TIPRO Members-

As we start a new year, the oil and gas industry is gearing up for what is sure to be a busy 12-months ahead. This coming year, the federal government is likely to continue pressing hard for unnecessary restrictions on industry operations. Proposed rules by the U.S. Environmental Protection Agency (EPA) might inflict undue burden on independent producers, who are responsible for drilling up to 95 percent of the nation's oil and gas wells. The U.S. Fish and Wildlife Service (USFWS) could also halt industry activity if the agency elects to list certain species as endangered. More than 100 species found in Texas are up for federal review within the next five years, which could have significant economic consequences if they are formally designated as endangered. The ongoing threat of federal action carries a real risk of limiting the ability to efficiently produce oil and gas, and could jeopardize the economy as our country struggles to overcome the latest recession.



Stephen N. Castle

Moreover, industry will need to work hard this year to continue to educate lawmakers on the need for tax provisions that encourage oil and gas development. With the discovery of vast shale plays across America, we have a great opportunity before us to dramatically increase production, create jobs and lessen our dependence on foreign oil - but we'll need the right support to allow advancement of industry operations. We cannot afford to eliminate provisions like IDC or Percentage Depletion in the federal tax code.

In 2012, water will also be a key topic for discussion, as our state continues to face severe drought conditions. Concerns are particularly high in the Eagle Ford Shale, as the region experiences record-breaking drilling of oil and gas. With increased activity comes the need for more water. However, Texans can take comfort that officials, regulators and industry remain committed to closely monitoring the situation, and are actively engaging in conversations on how best to plan for future water usage.

I know that you, like myself, are optimistic about the great opportunities that await us in 2012. Please know that TIPRO will continue to pursue our mission for 66 years of working to preserve the ability to explore and produce oil and natural gas and promote the general welfare of our members.

On another note, following the recent announcement of TIPRO's partnership with *Texas Monthly* to recognize the greats in the Texas oil and gas industry, I want to encourage all to participate. By simply visiting the TIPRO website (www.tipro.org/index.php/about-us/ttp), you can register to help identify the top CEOs, Geoscientists, Engineers and Landmen. This is a unique chance for us all to band together to honor Texas' Top Producers, and hopefully will become an annual tradition. Visit the TIPRO website and sign-up today!

Sincerely,

FOLLOW TIPRO ONLINE TO GET TIMELY UPDATES, AS NEWS HAPPENS

Be sure to follow the **Texas Independent Producers & Royalty Owners Association** online to receive up-to-the-minute news on the latest happening in the oil and gas industry. From Twitter to Facebook and LinkedIn, TIPRO's social media accounts offer convenient ways to get information and interact with other professionals in the industry.

Learn how to connect with TIPRO online by visiting our website at www.tipro.org.

Calendar of Events

JANUARY 11, 2012	FEBRUARY 1, 2012	FEBRUARY 8, 2012	FEBRUARY 22-24, 2012
HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.	AUSTIN Deadline to register to participate in Texas Top Producers survey. For info, call: (512) 477-4452.	HOUSTON IPAA/TIPRO Leaders in Industry Luncheon, 11:30 a.m. Houston Petroleum Club. For info, call: (713) 503-1298.	HOUSTON Wirtz NAPE Expo, George R. Brown Convention Center For info, call: (512) 477-4452.

TIPRO WELCOMES NEW DIRECTOR OF DEVELOPMENT



Stephen Coffman

Stephen Coffman has been named Director of Development for the Texas Independent Producers & Royalty Owners Association. Coffman will be tasked with building membership, promoting sponsorship of association events and advocating for the general welfare of members, as he helps assist the efforts of TIPRO's Senior Vice President Rich Varela.

"As we prepare for the coming year, we are excited to welcome a new team member to TIPRO who will help spread our message and build the strength of our association," said TIPRO's President Justin Furnace. "Now more than ever do we need enhanced support to be able to successfully fight the onerous challenges that lay ahead."

Coffman graduated from Texas Tech University with a bachelor's degree of business administration in management and marketing. He previously worked for RuffaloCODY in the Office of Annual Giving at Texas Tech, where he was responsible for building relationships with Tech alumni and pursuing donations for the university's colleges. Coffman also attained the rank of Eagle Scout for the Boy Scouts of America Troop 82.

TCEQ TO BEGIN MONITORING AIR QUALITY IN EAGLE FORD SHALE IN 2012

In the coming year, the Texas Commission of Environmental Quality (TCEQ) will start to monitor air quality of drilling sites in the Eagle Ford Shale. The region, which covers 24-counties in South Texas, has experienced a surge of activity throughout the past three years. Regulators are looking to discover if the increase in operations might be negatively affecting the quality of air in the area. Although the state agency is in the preliminary stages of evaluating the logistics, resources, locations and type of monitoring, specific decisions have not yet been made regarding when monitoring will begin, where monitors will be installed and how long air testing might last.

"Our experience in the Barnett Shale tells us that when an oil or gas site is operating within their authorization, we have not seen concentrations of concern," noted Andrea Morrow, spokeswoman for the TCEQ.



EPA-PAVILLION INVESTIGATION: GROUNDWATER IMPROPERLY TESTED?

In the weeks after the U.S. Environmental Protection Agency (EPA) announced preliminary findings from groundwater investigation near Pavillion, Wyoming, additional scientific challenges to the study have surfaced.

Faulty samples may have been used to analyze groundwater in the area. Recent reports question the collection process of water samples and the quality of data used by the EPA in the Pavillion investigation.



"Encana strongly disagrees with the conclusions in the EPA's draft report related to the groundwater study in the Pavillion field of Wyoming," said David Stewart, Group Lead of Environment, Health & Safety, North Rockies for Encana, which operates wells in the region under review. "In fact, it is our belief that the EPA made critical mistakes and misjudgments at almost every step in the process – from the way it designed the study, to the way it drilled and completed its wells, to the way it collected and interpreted the data, to its decision to release a preliminary draft report without independent, third-party peer review. We are especially disappointed that the EPA released its draft report, outlining preliminary findings, before subjecting it to qualified, third-party, scientific verification."

In a letter written to EPA Administrator Lisa Jackson, Wyoming's Governor Matt Mead urged a cooperative approach between the state and the EPA to best provide a scientific, credible inquiry. The Governor addressed the need for more data and requested public hearings be held in Wyoming as part of the formal

review process.

"I would like to see efforts based on a cooperative, fully science-based analysis that truly serves the interests of Wyoming's people, particularly citizens in the Pavillion area, Wyoming's resources and industries, and the public at large," Governor Mead wrote.

Oil and gas producers remain committed to the safe development of natural resources. The health and safety of individuals continues to be a top priority, as does the impact of energy development on the environment.

NEW CEO TAKES THE REINS AT BAKER HUGHES

Baker Hughes has named Martin Craighead as the company’s President and Chief Executive Officer, following the seven-year tenure of Chad Deaton. Since 1986, when he first started working for the company, Craighead has gained extensive experience, serving various roles and positions of leadership across an array of Baker Hughes’ business units through the years. Deaton will remain Chairman of the Board of Directors for Baker Hughes.

“With Martin at the helm, I am confident that Baker Hughes has the right management team going forward,” Deaton said. “Martin is a strong leader with an excellent technical and commercial acumen. With the Board of Directors, we have been working on this transition for some time, and we are confident that Martin’s knowledge of Baker Hughes’ business and depth of experience within our company will serve our investors and customers well.”

As Baker Hughes CEO and President, Craighead will be responsible for overseeing operations in more than 80 countries and managing more than 53,000 employees.

STUDY SHOWS AMERICANS APPRECIATE REWARDS OF SHALE GAS OVER RISKS

Most Americans relate natural gas development with job creation and economic revitalization, reveals a new survey released by the Deloitte Center for Energy Solutions. Over 83 percent of participants feel shale development can lead to the creation of high-paying jobs in communities or states where formations are located, and increased exploration and production will help stimulate economic growth. As production of shale gas makes up an ever-increasing percentage of natural gas production, the economic benefits will only increase.



Additionally, 58 percent of respondents believe the benefits of shale gas development outweigh the risks, and would recommend that their family and friends lease land to a producer. This sentiment was highest in more mature shale regions, where oil and gas development has already occurred for a sufficient period of time. Residents of Texas, Louisiana and Arkansas were most excited about the prospects of shale development. In contrast, individuals in states like Pennsylvania and New York, who were less familiar with the drilling process and technologies associated with hydraulic fracturing, had more modest views of shale production.

A majority reported a basic understanding of the benefits which result from increased shale production. Above all else, most believe energy independence is the most important benefit to come from shale development, ranked above other benefits such as improvements in air quality, job creation and economic boosts.

When asked, participants made positive associations in connection to natural gas, with a high percentage of those surveyed using words like “clean,” “reliable,” “affordable” and “abundant” to describe the natural resource.

Overall, many indicated not being familiar with shale gas or the production process. Approximately 23 percent of respondents reported that they have “never heard of hydraulic fracturing.” Of those respondents who are familiar with shale, 73 percent receive information about shale development from the news media. However, only 17 percent view the source as trustworthy when it comes to providing unbiased coverage of the natural gas industry.

“There’s so much shale activity in so many parts of the country that it’s important to communicate and operate effectively,” said Peter Robertson, an independent senior adviser for oil and gas at Deloitte. “Everything shale gas producers do gets enormously magnified. That’s why they have to get it right every time, on every well drilled. Consistently operating with excellence and communicating effectively with all impacted stakeholders are critical attributes.”

Largely Americans feel industry operations are currently being effectively regulated, with a majority believing oversight is “just right” or “on the right track.”

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MORE JOB OPENINGS TO BE FILLED IN EAGLE FORD SHALE

On January 13, another job fair is set to be held in Laredo, Texas, as employers look to fill job positions related to drilling of the Eagle Ford Shale. Vendors range from small local businesses to major oil companies, with a strong community showing is expected at the event, as individuals seek new employment opportunities. A separate Eagle Ford Shale job fair is to be held at the Henry B. Gonzalez Convention Center in San Antonio on January 19.

Several successful Eagle Ford Shale career fairs have already previously occurred in other towns across South Texas, such as Beeville and Robstown, where thousands of positions were filled on the spot. The oil and gas industry continues to provide high-paying jobs to nearly 300,000 Texans, offering openings in every major sector of the industry - including production, natural gas distribution, refining, petrochemicals, oil field machinery manufacturing, product wholesaling and pipelines, as well as office positions. According to the Texas Comptroller, employment in the oil and gas industry rose by 15.6 percent, or more than 11,000 jobs, between 2006 and 2010. This figure does not include contract workers, who typically are not covered in official government estimates.

DRILLING IN PERMIAN BASIN BOOSTS LOCAL ECONOMY TO RECORD LEVELS

A surge of drilling in the Permian Basin has helped bolster the Midland-Odessa economy to new levels, allowing the region's economy to surpass previous highs enjoyed in December 2008, before the national recession hit. An increase in the number of rigs operating in the area, coupled with higher prices of crude oil, is credited with positively affecting the economy.

According to the Railroad Commission, an average 403 rigs were operating in the Permian Basin in November 2011, up nearly 45 percent from the previous November.

"That's an extraordinary milestone," said Karr Ingham, energy economist. "As best I can determine from research, the highest average was 320 rigs in December 1984. These are clearly historic times for the region in terms of oil and gas exploration and production activity, made entirely possible by the advancement of technology and price, which makes it affordable and economic to employ that technology."

Local businesses are reaping the benefits, with consumer spending at record levels. Throughout 2011, spending was up 12 percent compared to the previous peak in spending experienced in 2008. The housing market also experienced strong gains, as workers in the oil field seek residence. Construction activity was up, with the highest number of construction permits sought since 1995.

Analysts expect the upward momentum to continue in the months ahead.

COMPTROLLER LAUNCHES NEW WEBSITE TO TRACK GROWTH OF TEXAS ECONOMY

The Texas Comptroller recently launched a new online resource in efforts to provide a comprehensive guide to the economic forces shaping the nation's fastest-growing large state. The Texas Economy website provides an inside look at the Texas economy by offering infographics, timely articles, interviews with government and private-sector experts and data on the latest financial trends to impact the state.

Visit www.TheTexasEconomy.org and check it out!

INTERNATIONAL ENERGY COMPANIES INVEST HEAVILY IN AMERICAN SHALE

Billions of dollars are to be invested in America's booming shale oil and gas industry by foreign energy companies. Last week, France's Total S.A. announced it will invest over \$2.3 billion in Chesapeake Energy Corp. assets, while China's Sinopec International Petroleum Exploration & Petroleum Corp. will invest \$2.5 billion in Devon.

Foreign investments in shale development are up dramatically throughout the past couple of years, as new players hope to jump on emerging opportunities presented by increased production of shale formations. According to IHS, overseas-based companies spent approximately \$33 billion on U.S. shale acquisitions or joint ventures last year. This figure is up from 2010, when \$15.8 billion was spent on shale investments. In 2009, just \$3.6 billion was spent in foreign funds supporting drilling of shale plays.





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Texas Independent Producers & Royalty Owners Association

With more than 2,300 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.

919 Congress Avenue, Suite 1000
Austin, Texas 78701
Phone: (512) 477-4452
Fax: (512) 476-8070
www.tipro.org