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Letter From the President

Dear TAPL Members,

I hope everyone has had a chance to get outside and enjoy this wonderful Springtime weather we are currently enjoying in Tulsa. March was a busy month for TAPL. We hosted Tom Seng at our monthly dinner meeting and served 588 plates of food during our day of service at Iron Gate. April will be no different. Maurice Storm, President and CEO of Tecolote Energy will be our dinner speaker for TAPL's executive night on April 10th. Later that same week on the 13th we will be holding our annual Spring Seminar at the University of Oklahoma-Tulsa Schusterman Center. Space is limited for both events so please register. We will be closing out the month by hosting our first annual TAPL Land Run. The event is being held on April 30th at 1:30pm. All proceeds benefit the Scholarship Endowments. See more information on Page 6 and below is the link to sign up for the run:

<https://runsignup.com/tapllandrunk>

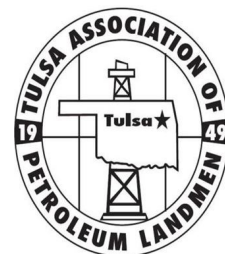
The TAPL Spring Scramble is just around the corner. As of last Friday afternoon, the event is currently FULL. You can still send in registrations for the wait list. This event will be held on May 8th at Indian Springs Country Club. See more information on Page 8.

Last, please be on the lookout for the upcoming TAPL Board of Directors ballot. The ballot should be in your mailbox toward the middle of the month. Pursuant to the TAPL By Laws, only active members (which is defined as those "Landmen regularly employed and engaged in Land Work in the petroleum industry") are eligible to vote. This includes any Partial Year Members. Should you receive a ballot, but are not eligible, please discard the ballot and ensure your membership is stated correctly in our membership files online.

Finally, if you ever have any questions, concerns, or comments, please do not hesitate to contact me at 918-629-2734 or by email at andrewgrimm@anchorlandgroup.com

See everyone on the 10th!

Andrew R. Grimm
TAPL President



APRIL DINNER MEETING



Date: Monday, April 10th

Cocktails: 5:00 pm, Summit Club, 31st Floor

Dinner: 6:00 pm, Summit Club, 30th Floor

Speaker: Maurice Storm, CEO, Tecolote Energy

RSVP: **REGISTRATION IS REQUIRED.**

Registration Deadline is 2:00 pm, Friday, April 7th.



TAPL SPRING SEMINAR

REGISTER NOW



**TAPL SPRING SEMINAR
THURSDAY, APRIL 13TH**

REGISTRATION IS REQUIRED FOR THIS EVENT

Check-in opens at 8:00am

Event will run from 8:30am-4:00pm

The TAPL Education Committee is proud to announce our 2017 Spring Seminar. In selecting topics for this year's seminar, we've sought to address some traditional subjects that will assist the land professional in navigating common challenges faced in our line of work. We've also sought to educate our membership on trends that are re-shaping activity in the Mid-continent region. We've selected an excellent array of speakers, each a professional well-versed in their respective area of expertise.

Our committee has worked hard on the behalf of our membership to secure a lineup that we are confident will benefit the full spectrum of our membership. We have requested approval from the AAPL for 6 RL/RPL/CPL credit hours, including 1 ethics credit as well as CLE credits from the Oklahoma Bar Association.



Thanks to the sponsoring companies!



TAPL SPRING SEMINAR

OVERVIEW

EVENT SUMMARY

8:30am – 8:45am: WELCOME/ OPENING REMARKS

8:45am - 9:45am: “COMMUNITIZATION AGREEMENTS AND BIA/BLM PERMITTING”

Our opening segment will address communitization agreements, BLM permitting, and the current regulatory environment related to BLM and BIA issues. An understanding of what is required to develop your Federal/Indian leasehold and the timing involved is critical for a landman in order to stay ahead of the rigs while preparing drilling locations. Reagan Smith Energy Solutions will provide two of their experts, [Scott St. John](#), VP of Regulatory Compliance and [Nelson Anaback](#), Senior Federal Unit Specialist, to educate us on these topics.

10:00am - 11:00am – LEASE MAINTENANCE: “HOW H’d IS THAT HBP LEASE?”

In times of industry downturn, maintaining lease inventory becomes a particularly difficult task as weak market conditions and budget restrictions act to hinder the proper development of leases. When making acquisitions that include producing properties, the landman must always be wary of the term “held by production” and ensure that the production/operations on each property have been sufficient to maintain associated leasehold. [Professor Keith Sellers](#), an attorney with Sellers Law Firm, P.C., and Adjunct Professor of Law with the University of Tulsa with 36 years of experience in oil and gas law, will educate us on the topic of lease maintenance and what is required to hold a lease, as well as what is required to assert that a lease is no longer held by production.

11:00am - 12:00pm: OCC UPDATE: “LIFE AFTER FAIRFIELD”

[Ben Brown, Esq.](#) of Charney, Baker & Brown and [Grayson Barnes Esq.](#), of Barnes Law Tulsa- two of Tulsa’s premier oil and gas regulatory attorneys will discuss recent developments at the Oklahoma Corporation Commission such as the “[Continental v. Fairfield Minerals Decision](#)”, a very important ruling with implications that must be properly understood by all Mid-Continent landmen working Oklahoma. Our speakers will lend their expertise to provide an interactive presentation on the “Fairfield Decision”, encouraging questions from the audience to ensure all perspectives are addressed.

12:00pm - 1:00pm – CATERED LUNCH

TAPL SPRING SEMINAR

OVERVIEW

EVENT SUMMARY

1:00pm - 3:00pm (w/ 15-min break): PRIVATE EQUITY PANEL

The massive infusion of private equity investment into US oil and gas plays over the last several years has undeniably reshaped our industry. In the wake of the 2014 oil crash that shuttered many large corporate offices in cities like Tulsa, scores of PE-funded startups have exploded onto the scene equipped with hundreds of millions of dollars to pump into the market, becoming a prominent feature of the energy landscape.

So let's learn about how all these startups get funded.

TAPL's education committee has gathered a panel of speakers representing top Private Equity firms, Energy Advisories and a local PE-backed energy company that successfully executed on its second round. These professionals will combine their experiences, knowledge and different perspectives to provide you with some excellent insight into the world of private equity.

The first segment of our panel will explore the basic roles of private equity providers and investment advisory services in the upstream development process, particularly as it applies to the Mid-continent region. We will then host a moderated discussion panel on topics ranging from deal structures, selecting portfolio companies, networking, exit strategies and more. We encourage engagement from the audience and will provide ample opportunity for Q&A

Panel Speakers:

[Steve Antry](#) – CEO of Eagle Energy Exploration, LLC

[Patrick J. Lissonet](#) - Senior Vice President of Kayne Anderson Energy Funds

[Lindsay Sherrer](#) - Co-Founder of TenOaks Energy Advisors

[Drew Wellsfry](#) – Vice President of EnCap Investments, L.P.

3:00pm - 4:00pm - ETHICS PRESENTATION

"Always do right. That will gratify some people and astonish the rest." -Mark Twain

We work in an industry in which many of us will be faced with dubious situations throughout our career. Ethical guidelines and rules for landmen are set by the American Association of Professional Landmen ("AAPL"), the largest trade association of landmen in the country. Fortunately for us, [Scott Stone](#) of Spartan Resources, a former AAPL President, will speak to us about maintaining our professional integrity as we navigate ethical dilemmas that can appear in shades of gray rather than black and white.

TAPL LAND RUN

SIGN UP NOW!

Dear TAPL Members:

The Tulsa Association of Professional Landmen (TAPL) is hosting the first annual TAPL Land Run with a 5K and 1 Mile Fun Run at the River West Festival Park on the Arkansas River on April 30th, 2016. The event will benefit the scholarship endowments. The race will begin at 1:30 pm. In addition to the race itself, we plan to have family friendly activities for all ages.

[SIGN UP HERE!](#)

In an effort to make this a first-class event that the TAPL members and their guests will enjoy, sponsorships are available. Sponsor's names will be displayed at the starting line, on race t-shirts, on items provided to runners and on the TAPL website depending on the level of sponsorship. [Click Here](#) to access the Sponsorship Letter.

We're hopeful this event will become an annual family favorite for members of TAPL, as it is intended to be enjoyed by all age groups. If you should have any questions, feel free to contact one of our committee members below.

5K Fun Run Committee

Eric Weidemann
ericw@counciloak.net
918-513-0924

Alisha Stacy
astacy@rebellionenergy.com
918-607-1925

Elliott Dowling
Elliot-dowling@utulsa.edu
214-534-9609

Amanda Calhoun
Amanda-calhoun@utulsa.edu
281-714-5749



TAPL SPRING GOLF

TOURNAMENT NOW FULL!

Monday, May 8, 2017

Check-in at 10:00 am, Shotgun Start at 12:00 pm



Dear TAPL Members,

The tournament is now full, but please send in any completed entry forms to Denton at dsmith@titaniumep.com to be placed on the wait list. All wait list entries will be accepted in the order in which payment is received. Payment for teams on the wait list will not be processed until a spot in the tournament is confirmed.

We are very appreciative of the numerous companies and individuals who help sponsor our golf tournament each year. Your generosity continues to provide TAPL with the financial assistance it needs to offer first-class networking events to its membership. This year's tournament offers several [sponsorship opportunities](#). As a sponsor, you will be recognized for your support of TAPL through signs, announcements, and/or the TAPL website and monthly newsletter.

If you have any questions, please contact this year's golf tournament committee chairs, Denton Smith at (dsmith@titaniumep.com) or Andy Matson at (amatson@midcon-energy.com).

TAPL—TULSANS AFFECTING PEOPLE'S LIVES

COMMUNITY SERVICE: IRON GATE



TAPL completed its first quarter service project last Friday at Iron Gate in Downtown Tulsa. Eight TAPL members served 588 plates of hot, home-cooked meals to Tulsa's hungry and most vulnerable neighbors. It was humbling to come face to face with poverty and hunger in our community. We served all kinds of people ... families, children, workers, teachers, seniors, immigrants, and the homeless.

Iron Gate is Tulsa's largest Community Meal and Food Pantry. The organization is 39 years old and accepts only private funding. In fact, nearly all of the money Iron Gate raises is done so locally in Tulsa. This allows the organization to feed anyone who is hungry, a luxury that cannot be done with government funds. Iron Gate operates 365 day a year and depends on the help of volunteers. TAPL was proud to do our part in helping our neighbors.

Thanks,

Shane Saunders, External Affairs Director

TAPL—TULSANS AFFECTING PEOPLE'S LIVES

COMMUNITY SERVICE: IRON GATE



We would like to thank all the sponsors that helped to make our day possible with their generosity.

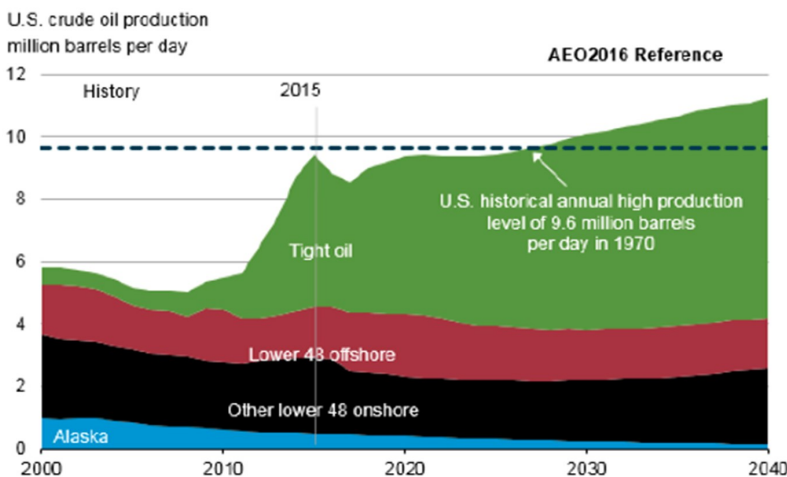
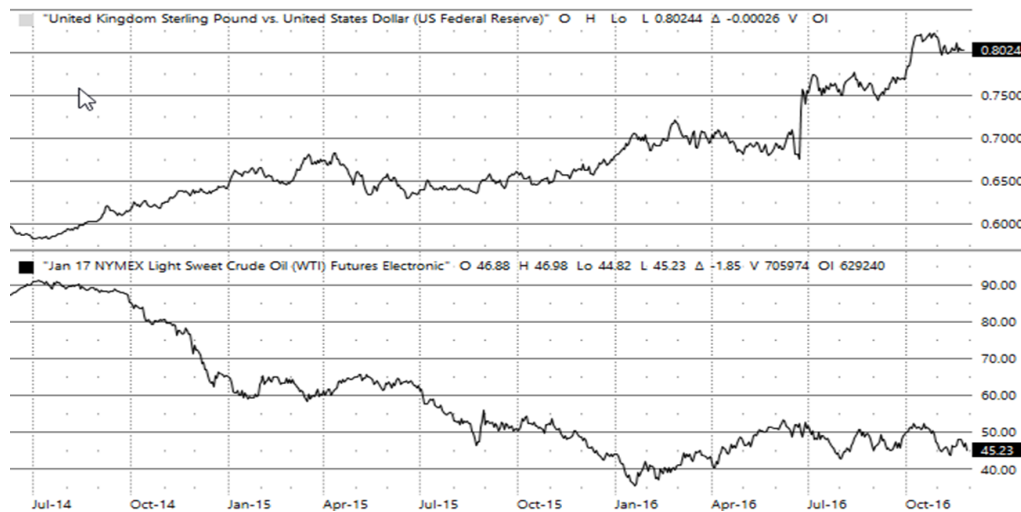
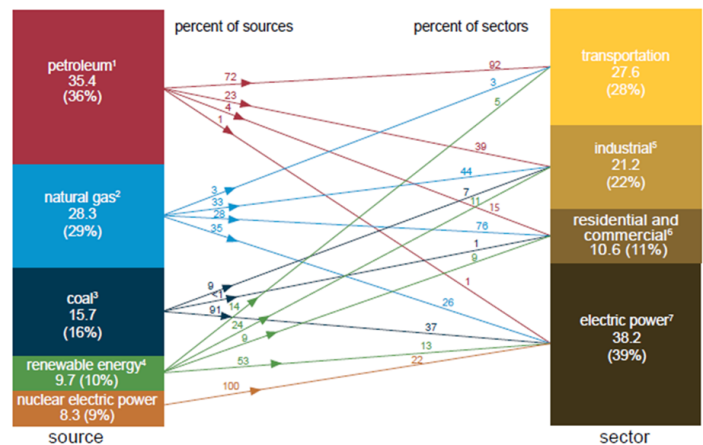


MARCH DINNER MEETING

Special thanks to Dr. Tom Seng, Assistant Director of the School of Energy at The University of Tulsa, for speaking at our March Dinner Meeting. His topic, "Majors Factors Influencing Oil and Gas Markets Today" was very interesting and timely as we are seeing many changes in pricing due to the causes listed below.

- Supply growth: +4.1 mb/d 2016 - 2021
(vs. +11.0 2009 - 2015)
- Lower capex: -24% 2016; -17% 2017
- Demand growth: 1.2 mb/d per annum through 2021
- Est total = 100 million Bbld by 2020
- India/China/Asia
- US Exports \approx 1.0 million Bbld

U.S. primary energy consumption by source and sector, 2015
Total = 97.7 quadrillion British thermal units (Btu)



Source: EIA, Annual Energy Outlook 2016

AAPL UPDATE

JEFF MYERS, CPL

AAPL Board of Directors Meeting Quarterly Report

Santa Barbara, California, March 12, 2017

By: Jeff Myers, CPL, Tulsa Association of Petroleum Landmen Director

Summary and Highlights

While there is other news to report from the last AAPL Board Meeting, perhaps the most newsworthy item to our Tulsa Association that comes from the meeting is the nomination of one of our own members, Hamel B. Reinmiller, CPL, to the slot of Secretary for the next Executive Committee for AAPL!

Many thanks and congrats go out to Hamel for stepping up to an important leadership position for AAPL!! I first joined AAPL back in the late 70's as a student member and I can't recall that we have ever had a Tulsa member on the Executive Committee!

Assuming voting is routine, Hamel will take office at the Annual Meeting in Seattle, Washington this summer when our next President, David Miller, CPL takes office.

Seattle 2017 Annual Meeting

Speaking of Seattle and the Annual Meeting, I am registered to attend and I would encourage those of you who may be contemplating attending to register ASAP.

Also, as a reminder, next year's Annual Meeting (2018) will be in Denver and for those who are looking past that, the following year's Annual Meeting (2019) has now been approved by the Board to be in Pittsburgh, PA.

The last time it was held there was in 1998 and the meeting was well attended and received. If you are perhaps only looking at attending one of the next three Annual Meetings that are planned so far, Denver would of course be the closest and perhaps most economical to attend to us Tulsa members.

The Seattle meeting registration numbers are already at more members than we had in total at the Annual Meeting in Orlando, FL, last year, and hopefully we will ultimately have enough attendees this year to make it to at least a "Break-Even" economic level for AAPL. While AAPL was able to successfully "whittle down" the guaranteed number of rooms from when it was set up back when oil prices were higher, AAPL is still contractually obligated for 300 rooms in Seattle this year and hopefully we will sell those out and be close to covering our costs!

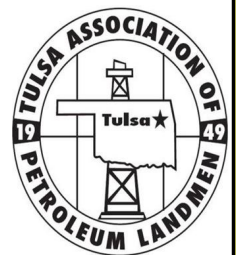
The educational lineup and receptions have been finalized and registration is open. Highlights are as follows:

- 15 CEUs of education sessions (includes 2 ethics credits)

- Hot Basins/Plays Happy Hour planned for Thursday evening of Annual Meeting

- Keynote speaker during opening ceremonies and Landman's Bash moved to Friday evening.

- Joint AAPL/RMMLF Workshop on the New Model Form Operating Agreement



AAPL UPDATE

JEFF MYERS, CPL

Houston NAPE Summit 2017 Status

The final attendance numbers for the February NAPE show are in but were not yet finalized (April). The resulting attendance was good and very similar to last years and we should turn a reasonable return and profit to AAPL.

General Colin Powell was the keynote our NAPE Charities Luncheon and was a huge success with 1,006 attendees and \$180,000 donated from NAPE Charities Fund to three deserving charities honoring American veterans

AAPL Dues Increase News:

As you may already be aware, due to the difficult industry conditions recently, revenues have been down for AAPL and the Board was put into the tough position of needing to take measures to “stop the bleeding” and counter the negative cash flow that AAPL has been under in recent years.

Regretfully, even though AAPL staff numbers are down and changes have been made, when looking at all the other available economic options and our obligations, an increase in yearly dues for AAPL was one of the choices we had to make.

By utilizing some staffing changes/reductions and the old recertification fees being reinstituted, with the dues increase, the budget should be balanced for the first time in several years. It had been operating over \$4,000,000 in the red for the last four years.

FYI, while we all hate the necessity of a dues increase, the last dues increase was 14 years ago in 2003 when they were increased from \$75.00 to \$100.00. This just-approved increase is the longest period between dues increases in AAPL history.

Also, FYI, the purchasing power of \$100.00 in 2003 is equal to \$129.77 in 2016 so perhaps we can take solace in them only being raised by \$25.00. With NAPE revenues down significantly, services would have to be cut without an increase in dues and in order to support our education obligations to the members, it was our only prudent option.

Technology Update:

Electronic Ballot System

After final ExCom and Board approval, the 2017-18 AAPL Officer Election via Intelliscan, which is an online ballot system, launched March 13th for us to vote for officers online (huge savings vs. mail).

Contract Center

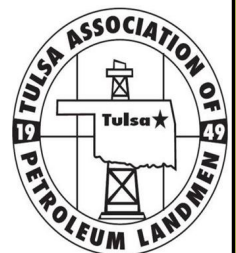
Contract Center will soon release the ability for subscribers to customize and save templates for frequent use. This additional service will streamline negotiations for commonly used provisions and clauses.

New forms of Contracts/Agreements are under development by the Forms Committee for inclusion in

Contract Center and are:

Master Land Service Agreement (MLSA)

Participation Agreement



AAPL UPDATE

JEFF MYERS, CPL

Treasurer's Report

1. Statements of Financial Condition

As compared to December 31, 2015, total assets have decreased from \$30,736,492 to \$30,069,402; a change of \$667,090 or 2.17%. Total liabilities as compared to December 31, 2015 have decreased from \$2,926,302 to \$1,448,113; a change of \$1,478,189 or 50.51%. This is primarily due to the repayment of the \$1,000,000 building note payable, as well as a \$244,401 decrease in unearned long term 3 and 5 year dues.

2. Statement of Activities

Revenues (exclusive of investment revenue) compared to December 31, 2015 have decreased 20.03% from \$2,151,256 to \$1,720,342. The decrease in revenue is primarily due to a reduction in NAPE distributions and management fee of \$264,574 (33.86% reduction from \$781,487 to \$516,913). This is due to lower attendance at Summer NAPE. Educational seminar fees decreased \$66,828 (18.12% reduction from \$368,909 to \$302,081) due to a decline in CPL review attendance because of a rule change.

Expenses have decreased 21.66% from \$4,033,918 to \$3,160,165. The decrease in expenses is due in large measure to reduced food and beverage, speaker expense and fees, and virtual attendance for education seminars (64.64% reduction from \$507,155 to \$179,315), a reduction in costs due to ceasing the Landman 2 publication and a decrease in G&A expenses.

3. Statement of Investments Accounts

Investments as of December 31, 2016 are \$23,877,276, a decrease of \$131,230 or .55% as compared to the same period last year. The decrease has been the result of transfers of cash of \$2,430,000 since December 31, 2015 to the AAPL operating account, however, this has been partially offset due to the unrealized and realized gains in the AAPL investment account of \$2,298,770.

FYI, the **Educational Foundation** and **Landman Scholarship Trust** accounts do not change much from year to year and usually maintain around \$3.5 MM and \$6.5MM, respectively in each in assets.

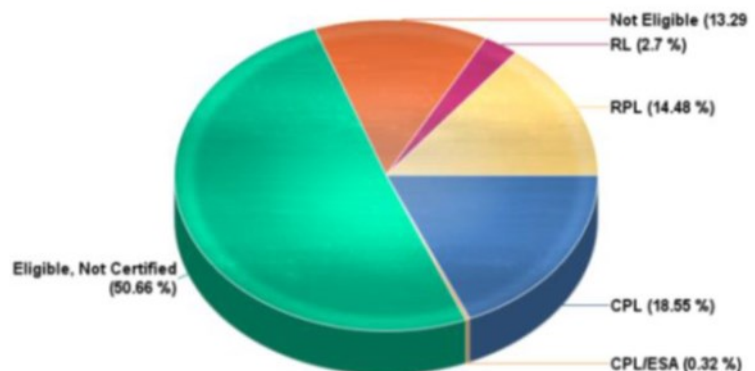
AAPL Membership (As of February 20, 2017)

Total Membership: **15,576**
Active Members: **13,354**
Associate Members: **1,469**
Retired CPLs: **30**
Senior Members: **118**
Student Members: **605**
New Members YTD: **567**
New Members since December BOD Meeting: **163**

Certification (As of February 20, 2017)

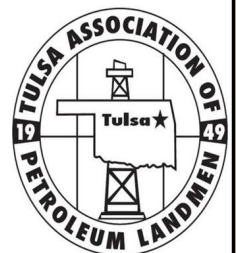
Members with AAPL Certification Designations:

CPLs 2,889
CPL/ESA 50
RPLs 2,255
RLs 421
Retired CPLs 30
Total 5,645



That wraps up my report for this quarter but if anyone wishes I can email you significantly more backup on most of the items in this summary report, just let me know. Also let me know if there is anything AAPL related I can look into or pass on at the next Board Meeting in Seattle. I hope to see you there!

Jeff Myers, CPL
Tulsa Association's AAPL Board Representative



MEMBERSHIP RENEWALS

PLEASE VERIFY/UPDATE YOUR ADDRESS ON THE WEBSITE SO YOU CAN RECEIVE YOUR TAPL BOARD OF DIRECTORS BALLOT

**If you have not renewed your TAPL Membership for the 2016-2017 year...
SIGN UP FOR A PARTIAL YEAR MEMBERSHIP NOW!**

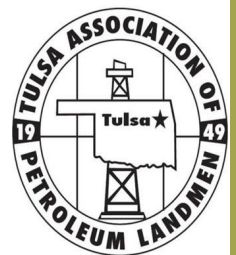
TAPL Board of Directors Elections are coming up soon. Only active or active partial year members are allowed to vote for the Board. Don't miss out on voting or any of the other great events scheduled at the close of our 2016-2017 year. **TAPL is offering to renew with a partial year membership beginning January 1, 2017 through June 30, 2017 for only \$75!**

Memberships can be renewed by logging in to the TAPL webpage: www.tapl.org or the membership renewal page: <http://www.tapl.org/memberships/applications/tapl-membership/>. Once you have successfully logged in to the website your membership page will be displayed and you will be notified that your membership has expired and you will be prompted to renew. Once you follow the renewal link you will have a chance to update your membership information and you will be able to select a payment method for the renewal of your membership.

If you have any questions about membership renewal or with the renewal process, please contact myself or Grace Grimm (gracegrimmTAPL@gmail.com) at your convenience.

Thank you,

M. Scott Hakel, CPL
Director of Land
TAPL Membership Director
ETX Energy, LLC
10441 S. Regal Blvd, Suite 210
Tulsa, OK 74133
918-991-1905 (Cell)
shakel@etx-energy.com



CAREER ASSISTANCE

As we all know, the oil and gas industry is still in a down cycle however there are jobs to be had and TAPL wants to help landmen and prospective companies with this process. Currently our job board is bare and we want to fill it up! TAPL, and the Career Assistance Committee is in the process of revamping this area and would like your feedback. We are working on a new approach in making the process anonymous and would like your feedback.

If you have thoughts or concerns you would like to communicate regarding past experience or future ideas, please email Debbie Bodenhamer, Benefits Coordinator at dbodenhamer@rimrockresource.com

Thank you and look forward to your input!

Debbie Bodenhamer
Benefits Director



AAPL EDUCATIONAL EVENTS

EARN CEU CREDITS

Field Landman Seminar—Oklahoma City, OK

April 20, 2017

2017 Southwest Land Institute—Dallas, TX (webinar available)

April 24, 2017

Due Diligence Seminar—Midland, TX

April 28, 2017

Oil and Gas Land Review, CPL/RPL Exam—Pittsburgh , PA

May 2—5, 2017

Oil and Gas Lease Fundamentals—Fort Worth, TX (Webinar available)

May 11, 2017

RMMLF Oil and Gas Agreement: Surface Use

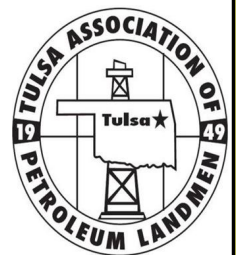
May 17—18, 2017

Ethics 360—Fort Worth, TX

June 1, 2017

WI/NRI/Workshop—Denver, CO

June 2, 2017



AAPL EDUCATIONAL EVENTS

EARN CEU CREDITS

Be sure to check out the remaining Landman 2.0 series of webinars and classes.

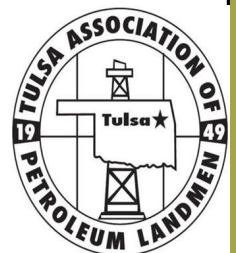
The Landman 2.0 Series is going to be a six session series put on by Attorneys from Beckmen Law PC. The sessions will be held at AAPL Headquarters: 800 Fournier Street Fort Worth, TX 76102 from 10am-3pm. Four continuing education credits will be given every session. There will be a webinar and a live option.

Workout, Workover & Do Over - Fort Worth, TX
(Webinar Available)

April 21, 2017

The Exit: Cashing Out— Fort Worth, TX
(Webinar Available)

June 9, 2017



HOW TO CLAIM CE CREDITS

AFFIDAVIT OF ATTENDANCE

Recertification Credits Online



After attending an event, or purchasing a video in which you get RL, RPL, CPL recertification credits you must submit your affidavit of attendance; which is done by using the code you received with purchase or at the end of the actual class.

To do so:

1. Simply login to the portal, locate the "Submit Affidavit of Attendance" link under the My CE Credits section:

A screenshot of a web portal interface. At the top, there is a header with a small icon and the text "My CE Credits". Below this, there is a section titled "Year-to-date Credits:" followed by the value "0.0". Underneath, there are two bullet points: "• [Check My CE Credit / Certified Transcript](#)" and "• [Submit Affidavit of Attendance](#)".

My CE Credits	
Year-to-date Credits:	0.0
<ul style="list-style-type: none">• Check My CE Credit / Certified Transcript• Submit Affidavit of Attendance	

2. You will be asked to enter the code for the class or home study

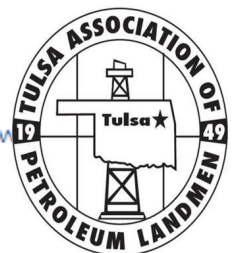
Report Component Attendance

Select a Component

First, we need to know what component you are registering for. Enter in the code or ID number of the component.

Component ID/Code: *

3. Then you will be prompted to digitally sign that you attended the class or have reviewed home study information.
4. Click "Finish" to confirm your credits



AAPL TOOLKIT

DEFENDING OUR INDUSTRY

As you know, our industry is constantly under fire from environmental groups in many cities & states across the country and AAPL is actively promoting and lobbying for our profession. Part of that goal is to stomp out misinformation that if left unaddressed can be very harmful to the progress of our industry. In the face of a dramatic legislative assault in Colorado, Anadarko Petroleum along with Noble Energy and others put together a short 40 page booklet or “toolkit” that explains some of the common practices of our industry and attempts to rectify some of the misinformation that exists amongst the general public that may not have the same exposure that we do to the good work that our industry is doing every day. This booklet is intended to serve as a tool to help those in-house and field landmen who are dealing with the public on a daily basis and it has been approved for wide circulation, so feel free to share it with your team. Approximately 10% of the material is Anadarko specific and the remaining 90% is factual science & economy based information that has been vetted and sourced by numerous organizations. AAPL has a similar “toolkit” and may dovetail this information into our own product and / or rebrand this and disseminate as an additional tool to the AAPL Membership, but until that time, the TAPL Board wanted to make it available to any of you who might be interested in using it in your day to day operations.

[Click Here to View the Toolkit](#)



INDUSTRY ARTICLE

DOMESTIC NEWS

SCOOP, STACK plays bright spots for Oklahoma, expo speaker says

By Casey Smith Tulsa World

The commodity price crash. A state budget crisis. Earthquakes.

There has been a bright light at the end of the tunnel during the past few years, Oklahoma Oil & Gas Association President Chad Warmington said Wednesday. That's been the SCOOP and the STACK — the oil and gas plays in the western part of the state. Without production from those areas, Oklahoma's \$900 million budget shortfall would be significantly worse, he said.

"The potential of the SCOOP and the STACK is really unbelievable if you look at just what the price of oil has done since 1986 through 2016 and that dramatic drop," Warmington said. "If we didn't have the significant increase of production that the SCOOP and the STACK have provided for us, this state would be in a lot of dire straits."

Warmington was among the keynote speakers Wednesday at the Pipeline and Energy Expo, a three-day event produced by Tulsa-based PennWell Corp. that is taking place in the Cox Business Center through Thursday.

Data show that Oklahoma currently has 117 horizontal rigs running, Warmington said, almost all in the SCOOP and the STACK. But right now the majority of the 18 productive geologic formations found in the plays are uneconomic because of a current legislative restriction that limits extended horizontal drilling to shale formations. Without that restriction, which came out of the state Legislature's 2011 Shale Reservoir Development Act, there could be a 30 to 40 percent increase in drilling opportunities, he said.

"We talk constantly with legislators about what a pro-energy policy looks like, what a pro-tax environment looks like in a fair regulatory environment," Warmington said. "The main piece of legislation that we're working on this year is how do we expand that in Oklahoma. We know the SCOOP and the STACK is great — we know it's done wonderful things for Oklahoma. But what do we do to continue the next iteration of that?"

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REGULATORY NEWS

Warmington said the association, made up of large energy companies, has been meeting its biggest opposition from small, independent producers that don't want to see change for self-preservation reasons. However, he said that he's optimistic about what could happen this session.

"We're making good progress, and after four years I'm optimistic that in the next two months we'll get something done on that," Warmington said.

Also among the keynote speakers Wednesday were Corey Goulet of TransCanada and Bob Tippee, chief editor of PennWell's Oil & Gas Journal.

Goulet, TransCanada's senior vice president of natural gas pipelines major projects, included in his presentation an update on the status of one of the company's most talked-about projects — the Keystone XL, a 36-inch-diameter crude oil pipeline that will run from Alberta to Nebraska.

"After 8½ years we finally received our presidential permit on March 24," Goulet said. "We also filed our application with the Nebraska Public Service Commission on Feb. 16 for route approval, and we hope to have that solved by the end of 2017.

"Construction of the proposed project is expected to start after that approval and other remaining permits, and it will create thousands of good-paying construction jobs. The project is planned to be placed into service within two to three years of the start of construction, and we will look forward to engaging state, tribal and local leaders as well as all other stakeholders as this project moves forward."

Tippee's focus was on the oil market's desire for supply management. In the future, he said, supply management may depend less on OPEC and more on large independent companies.

In January and February, the Organization of the Petroleum Exporting Countries' compliance with production caps was at 98 percent, Tippee said. However the figures were disproportionately tied to a 135 percent promised cut from Saudi Arabia, and Saudi officials have since hinted that their patience with quota cheating on the part of others has limits.

"Outside OPEC in the world I'm imagining production management increasingly comes from market-based decisions of large companies controlling enough rapid response production in shale and other resource plays to meaningfully influence global supply," Tippee said. "Those companies cannot collaborate of course with OPEC or among themselves, but they have something OPEC lacks — effective enforcement."

INDUSTRY ARTICLE

LEGISLATIVE NEWS

Group of vertical producers want increase in Oklahoma severance taxes

By: Paul Monies Published: April 5, 2017 12:00 AM CDT The Oklahoman

A group of small vertical oil producers has proposed raising Oklahoma's gross production tax to 7 percent, an idea larger energy associations said is a non-starter for their members as the state faces a \$878 million budget shortfall.

The Oklahoma Energy Producers Alliance said it will hold a rally Wednesday at the Capitol, followed by meetings with lawmakers. The alliance describes itself as "small, privately owned oil and natural gas producers from all corners of the state."

"We are the traditional oil and natural gas producers," said co-chair Lee Levinson, a Tulsa attorney and oilman. "We are a new group, but not new to the industry or to Oklahoma."

Former Tulsa Mayor Dewey Bartlett Jr., who plans to speak at the rally, said restoring the gross production tax to 7 percent could generate \$200 million to \$250 million per year. He said schools are in a funding crisis and state services are being decimated.

"We believe the industry should stand up and agree that returning the oil and gas production tax to its historical level demonstrates our commitment to help solve this serious state budget crisis," said Bartlett, owner of Keener Oil and Gas Co. in Tulsa.

The alliance is also fighting efforts to lift the prohibition on longer drilling laterals in non-shale formations, an idea being backed by both the Oklahoma Oil and Gas Association and the Oklahoma Independent Petroleum Association. Those two energy associations are working on separate long-lateral bills — Senate Bill 284 and SB 669 — to resolve some of their differences.

Levinson called SB 284 and SB 669 "a direct assault on the property rights of every traditional oil and gas producer in Oklahoma." He said if the legislation passes, it could invite a court challenge.

"It will create total chaos in re-sorting oil and gas rights," Levinson said. "The right to continue to own and produce oil and gas in existing wells is sacrosanct. The Legislature shouldn't be providing cover for these giant, powerful oil companies to take what doesn't belong to them."

Levinson said he's not against horizontal drilling, but he has several wells that have suffered losses in production from nearby horizontal drilling.

"We don't want any expansions in horizontal drilling until protections are in place," Levinson said.

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Group of vertical producers want increase in Oklahoma severance taxes cont.

Tax rates changed in 2014

Oklahoma lawmakers in 2014 revised the state's tax rates on gross production, replacing a two-tier system for horizontal and vertical producers that had several incentives for horizontal, deep wells and other drilling techniques. Since the law went into effect in July 2015, all new wells are taxed at 2 percent for three years, before the rates rise to 7 percent.

Wells drilled before July 2015 are taxed at a mix of 1 percent, 4 percent and 7 percent. That translated into an effective gross production tax rate of 3.2 percent for fiscal year 2016, according to Oklahoma Tax Commission data. That's down from an effective gross production tax rate of 6 percent in fiscal year 2012.

Depressed oil prices affected gross production tax collections, even as production remained fairly steady in the state. Oklahoma oil production reached 157.8 million barrels in 2015 — a 30-year high — before falling 3 percent in 2016, according to the federal Energy Information Administration.

Leaders at OIPA and the Oklahoma Oil and Gas Association said the alliance of small vertical producers was trying to derail discussions over the long-lateral bills. They said their associations would fight any increase in the gross production tax rate.

"We are a member-driven and committee-driven organization, and our No. 1 priority coming into this session was protecting the gross production tax rate," said Tim Wigley, OIPA's executive vice president of governmental affairs. "Why we would want to do anything coming out of a severe downturn to impact that doesn't make sense to me."

Chad Warmington, president of the Oklahoma Oil and Gas Association, said it was "disappointing to see well-respected Oklahomans use such misleading arguments to push for job-killing tax increases."

"Those who formed OEPA are not drilling new wells, making new and significant capital investments in the state, or creating new jobs," Warmington said in a statement. "In other words, they are not currently participating in the type of activity that will lead our state out of two years of a struggling economy."

Warmington's association said Oklahoma's steady increase in drilling rigs in areas like the SCOOP and STACK is proof the current tax environment is working effectively. It said the most active operators in the state have already pledged to spend \$5.5 billion in capital investments this year, with the state adding more 2,500 jobs in January and February.

INDUSTRY ARTICLE

LEGISLATIVE NEWS

Smaller Oklahoma energy producers rally for higher gross production tax rate, protection in long-lateral bills

By: Paul Monies Published: April 6, 2017 12:00 AM CDT The Oklahoman

Wearing green "7 percent" and red "50 percent" stickers, about 50 smaller oil and gas producers rallied at the Capitol on Wednesday to advocate for higher gross production taxes and the protection of vertical wells in pending legislation.

The Oklahoma Energy Producers Alliance wants to tie together the tax issue and the protection of vertical wells as two larger Oklahoma energy associations work out their differences on long-lateral bills, Senate Bill 284 and SB 669.

State law currently allows horizontal drilling longer than a mile only in shale formations. The long-lateral bills would expand that to non-shale formations.

The Oklahoma Energy Producers Alliance said it viewed the long-lateral issue as a "David vs. Goliath" fight with larger, horizontal drillers. Most of the alliance's members operate older vertical wells that are taxed at the full 7 percent rate. Since July 2015, all new wells are taxed at 2 percent for three years before the rate rises to 7 percent.

The group wants any long-lateral bill to include protections for vertical producers. It is proposing any plan to drill horizontally through existing vertical units should get approval from 50 percent of the affected vertical owners.

"It's not that we're against technology. We just want fairness," said Mike Cantrell, one of the organizers and an oilman from Ada. "All of us have been here for decades. We've paid 7 percent gross production tax since 1973.

"We think we ought to end all special deals. We're a conservative group; we're not a tax-and-spend group at all. We just don't think there ought to be any special deals at all."

Several lawmakers spoke to the alliance and pledged their support, including Rep. Pat Ownbey, R-Ardmore. They said the rights of smaller vertical producers should be protected.

"I'm all for the big producers, but we still have to do what's right," Ownbey said. "If others run over your property, you should have a way to get that back."

Lee Levinson, a Tulsa attorney, oilman and co-chair of the alliance, urged the vertical producers to document how their wells have been negatively affected by nearby horizontal drilling and hydraulic fracturing. He said the Corporation Commission should hear from those operators.

David Guest, a third-generation oil and gas producer and royalty owner from Edmond, said he's had three wells affected by hydraulic fracturing from horizontal wells in Pawnee County.

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"I could take them to district court, but with the amount I would spend on legal fees, by the time we're finished the company might have to file for bankruptcy. It would be like throwing good money after bad," Guest said in an interview after the rally. "The Corporation Commission is not protecting my rights when they're allowing a horizontal well to frack into me, and they're not preventing waste if they're allowing my well to be damaged."

Some of the members of the Oklahoma Energy Producers Alliance previously were members of the Oklahoma Independent Petroleum Association. Cantrell said they tried to work within that association on the long-lateral issue for the past couple of years.

Cantrell and former Tulsa Mayor Dewey Barlett Jr., who also spoke at the rally, are former chairmen of OIPA.

Tim Wigley, OIPA's executive vice president of governmental affairs, said his association has been working on the long-lateral issue and recently came to a consensus.

"I know this has been very controversial in our organization for a number of years," Wigley said. "But our board voted 42-20 recently to support long-lateral legislation, and 96 or 97 percent of the wells that are drilled are lateral."

Wigley said the state needs stable tax policies to continue to attract drilling investment.

"Companies look at a variety of things before they invest anywhere," Wigley said. "Competition for internal capital is intense for many of these companies. They look at political environment, tax environment and regulatory environment, among other things. Why would we want to upset that and possibly cause someone to rethink their investment and go elsewhere?"

Wigley said recent studies show the energy industry pays about one-fourth of all the taxes in the state when income taxes, gross production taxes and other industry taxes are taken into account.

The Oklahoma Oil and Gas Association said the spillover effect from more drilling rigs — including service companies and local businesses — is a prime job creator.

"Drilling is the job creator," said Chad Warmington, the association's president. "That's what OKOGA's member companies are doing, and it's the driving force behind our policy agenda at the Capitol — job creation in Oklahoma. Not job creation in Texas, North Dakota or New Mexico, where these companies are also drilling. OKOGA's policy priorities encourage these energy jobs to be created here, in our state of Oklahoma. This is what will grow our state's economy."

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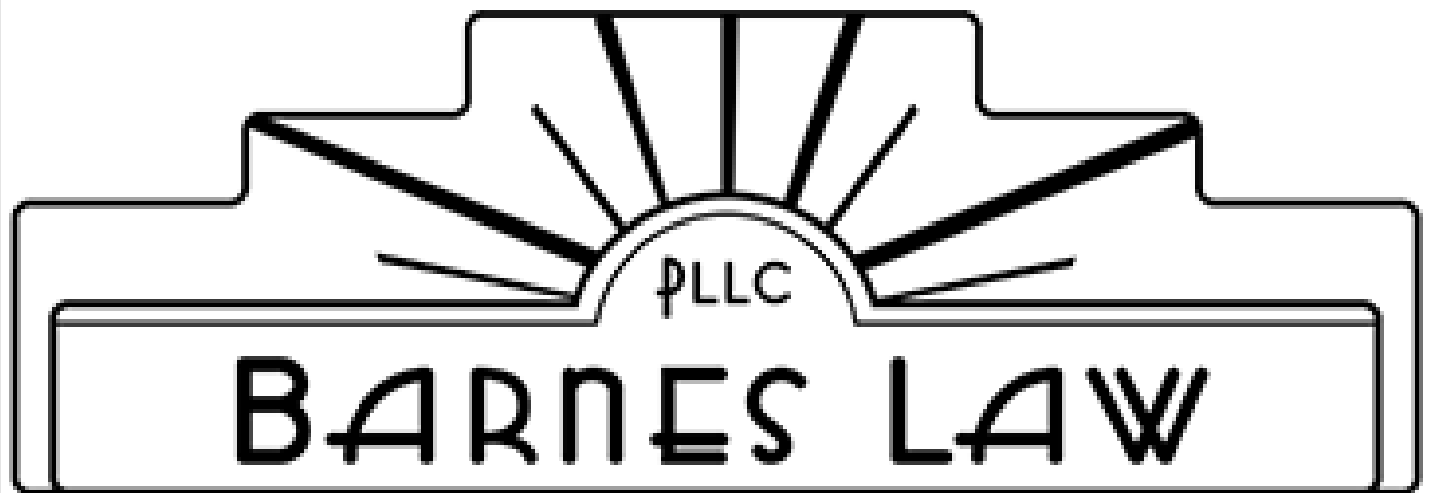
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