GOLF!

Thank you everyone who made the tournament a success!


Volunteers: Data Land Consulting, Manning Land and ValPoint Operating.

Committee chairs: Patrick Weir and Jason Manning.

Ross Rogers Golf Course

Congrats to these winners:
1st flight, 1st place - Broc Holleyman, Jeff Delgado, Bary Holleyman, Jason Patrick
1st flight, 2nd place - Heath Stevens, David Strange, Gregg Jordan, Alan Bolden
2nd flight, 1st place - Cash Greathouse, David Martin, Jarrod Riggs, Mason Wood
2nd flight, 2nd place - Bill Aikman, Macin Frock, Brock Hall, Tony Hall

Long drive #16 - Cory Bentley  Close to pin #4 - Tony Hall
Close to pin #15 - Lee Ogletree  Straight drive #1 - Aaron Grunau
Dear PPROA Members,

As I write, the price for WTI surpassed the critical $50 mark and is currently at an 11-month high of $51.11. Henry Hub natural gas is at $2.47. I am hopeful that we have seen the bottom and the oil market seems to be balancing. The U.S. rig count stands at 408, up 9 from last week. Oil inventory draw downs have occurred for the past two weeks and are expected again this week. Continued militant attacks on oil facilities in Nigeria, wildfires in Canada, unrest in Libya, and continued U.S. production declines have all contributed to a decrease of 3.5 million barrels per day in oil production, the largest drop since 2003, according to The Wall Street Journal. Demand is somewhat stronger than expected. According to the IEA, India’s oil demand has now exceeded that of China and is now the fastest growing market for oil. China continues to purchase low-priced oil to fill its strategic petroleum reserve.

OPEC countries are clearly suffering from lost revenue and are borrowing money, issuing bonds, and enacting social spending reforms in effort to deal with low oil prices, caused by their “war” on U.S. shale. Some analysts are predicting that OPEC may decrease and increase their production levels to support $50-70 oil for several months, enough to entice U.S. shale producers back to drilling, and then decrease production again to drive prices closer to $40 in effort to further distress U.S. producers. We are still woefully dependent on foreign oil. If you have not already done so, I urge you to acquaint yourself with and consider supporting the Panhandle Import Reduction Initiative (P.I.R.I.) which could provide future stability for our country and our industry, while decreasing our dependence on foreign oil. The U.S. has long needed a national energy policy and this could be an important first step. If you would like more information, please contact our office.

Sincerely,

[Signature]

Stacey Ladd

PPROA President
From the desk of Judy Stark

PPROA Board and staff keep a non-stop agenda. During the month of May we responded to the Sunset Review. You can read our responses in this month’s newsletter.

The PPROA directory has been mailed. Remember if you are NOT listed it is because you failed to return your form giving any listing information or updates. It was mailed and reminders were emailed to all members along with additional reminders on our website.

Our golf tournament on June 2nd was a huge success. We almost matched last year’s sponsorships and players! Beautiful weather, great fun, prizes for every team and special awards. Many thanks to our tournament co-chairs Patrick Weir and Jason Manning for all their hard work.

The Annual Meeting and Living Legend Gala is September 13th. This year we will have a one-day event. We will start with lunch with a guest speaker, a legislative session and a breakout presentation. We will have a short break and move on to a cocktail hour and then the Living Legend Gala honoring Texas Panhandle Icon, Harold Courson.

CORRECTIONS TO ARTICLES IN the MAY 2016 PIPELINE

I have been in development, marketing, management and public relations for many national companies. I have dealt with media sources and have been misquoted on almost every occasion whether it is an interview that is “cut off in the middle of a statement” an embellishment by the writer to “prove their point” or simply incorrect information gathered by some other source. Rarely are retractions ever printed and if they are they are rarely seen.

Front page story: Texas, New Mexico oil producers push for import limits
Susan Montoya Bryan – Albuquerque, NM (AP)
4th Paragraph Under the plan unveiled by Panhandle Producers & Royalty Owners Association
PPROA did not start or unveil this initiative. It was started by 60 independent oil and gas producers who have managed their own fundraising. We have attended their meetings and our members individually decide if they agree and want to participate.

Ed Hirs – University of Houston
This is no doubt a great story and would have been much better had I not, inadvertently, cut off page 2 of the article! My apologies to the author. You may read the full article by clicking the link to his story on our website.

Articles published in the PIPELINE are a variety of staff, industry and guest columns. We do proof them in an effort to assure they are truthful, factual and of interest to our readers – pro or con. The articles do not always reflect the opinions of the staff nor the Board of Directors; however, as with any good publication, most articles provide information to members and it is up to the reader to agree or disagree but it is NEVER our intent to promote an adversarial position in lieu of the fact that we have members from all facets of the industry. If any reader disagrees with an article or a stance, we welcome your submission to the contrary.

In Memoriam

Joyce Courson
February 16, 1935—May 2, 2016

Norma Cambridge
July 29, 1937—May 13, 2016

Your life is made up of two dates and a dash. Make the most of the dash.
FourPoint Energy Closes Acquisition of Western Anadarko Basin Assets

FOR IMMEDIATE RELEASE: June 1, 2016

Denver, June 1 – FourPoint Energy, LLC announced today the closing of the previously announced acquisition to acquire all of Chesapeake Energy’s remaining Western Anadarko Basin oil and gas assets for a purchase price of $385 million. The transaction was funded by proceeds from equity issued to existing and new investors.

Subject to closing and post-closing adjustments the assets acquired include an interest in nearly 3,500 producing wells primarily in the Granite Wash, Missourian Wash, Upper and Lower Cleveland and Tonkawa formations. The production mix is approximately 64 percent natural gas and 36 percent oil and natural gas liquids. The assets cover approximately 473,000 net acres, within 15 counties in Western Oklahoma and the Texas Panhandle and are 98 percent held by production.

As of today, FourPoint Energy has assumed full operations of Chesapeake’s remaining Western Anadarko Basin properties. Included in the transaction FourPoint will take over three Chesapeake field offices located in Elk City, Oklahoma and Borger and Shamrock, Texas. Upon closing, FourPoint hired over 90 former Chesapeake employees to join their existing field staff of 42. Including FourPoint’s current field office located in Woodward, Oklahoma, the company will now manage its field operations from all four of these locations.

Prior to customary post-closing adjustments, FourPoint’s Western Anadarko footprint boasts close to 900,000 net acres and net production of 435 Mmcfed with 42% of the production coming from oil and natural gas liquids. With the completion of this transaction FourPoint will become one of the largest exploration and production companies in the Mid-Continent region. As FourPoint begins the process of integrating these assets, it will continue to focus on growth through an active development program and through additional acquisitions.

Jefferies LLC acted as financial advisor and Andrews Kurth LLP acted as legal advisor to FourPoint Energy in connection with both the M&A and equity transactions.

FourPoint Energy is a privately held acquisition, exploration and production company headquartered in Denver, Colorado. Join our team at FourPointEnergy.com.

LongPoint Minerals Announces Closing of $525 Million Capital Raise

FOR IMMEDIATE RELEASE: June 8, 2016

Denver, June 8 – LongPoint Minerals, LLC announced today the closing of its initial capital raise totaling $525 million with a lead equity commitment of $450 million from an affiliate of CPPIB Credit Investments Inc. (CPPIB Credit), a wholly owned subsidiary of the Canada Pension Plan Investment Board (CPPIB), alongside $75 million from third party investors. There will also be a second closing within 60 days for up to an additional $200 million of commitments.

LongPoint Minerals is a recently launched Denver-based company focused specifically on the acquisition of oil and gas mineral interests. The company is backed by a management team that brings together over 30 years of industry leading experience with a proven track record. LongPoint will seek to acquire high-growth, long-life mineral interests in the top U.S. resource plays by leveraging management’s unique technical and land expertise.

"This is an important partnership for LongPoint. With CPPIB’s strong financial backing along with other institutional investors, we can deploy our differentiated technical model for strategic mineral and royalty acquisitions in the targeted basin areas,” said George Solich, President and CEO. “Over time, we will look to expand our capabilities to other regions in the U.S.”

“Our multi-year commitment represents an attractive entry into the mineral interest and royalty sector. In owning royalty interests, we are able to participate in production revenues without the burden of associated capital or operating costs,” said Adam Vigna, Managing Director, Head of Principal Credit Investments.

LongPoint will initially focus its strategy to acquire mineral interest in three prolific basins, the Mid-Continent, Permian and Denver-Julesburg, with future expansion to the Marcellus, Utica, and East Texas Basins. Capitalizing on management’s extensive history and knowledge of these regions the company will utilize its cross functional technical approach to acquire mineral interests with both current cash flow and undeveloped locations.

Over the past year, LongPoint has been actively acquiring assets in the core areas of the Mid-Continent to include the SCOOP/STACK/Cana and Western Anadarko Basins as well as in the Midland and Delaware Basins. As of this date, completed and pending acquisitions give LongPoint a strong initial footprint with over 15,000 net mineral acres producing over 2,000 boe/d with hundreds of future drilling locations.

Jefferies LLC acted as financial advisor and Andrews Kurth LLP acted as legal advisor to LongPoint Minerals in connection with the transaction.

CONTACT: Jenna Samek
303.785.1564
OUR BUSINESS IS BUILT ON THE EARTH’S GREATEST UNTAPPED RESOURCE: OPPORTUNITIES.
PPROA Responds to the Sunset Committee Recommendations

**Issue 1: Continue the RRC for 12 Years with a new name, Texas Energy Resources Commission**

PPROA agrees the agency should continue for 12 years; however, considering the agency has been in place since the mid-1800s and is readily recognizable by anyone industry related combined with the cost of a name change at such an inopportune time, PPROA feels a name change at this time would not be beneficial.

**Issue 2: Contested Hearings and Gas Utility Oversight Are Not Core Commission Functions and Should Be Transferred to Other Agencies**

**Key Recommendations**
- Require use of State Office of Hearings for contested gas utility cases.
- Require the use of SOAH for all other contested case hearings.
- Transfer gas utility regulation from the Railroad Commission to the PUC.

PPROA believes that the Commission should maintain control over all current functions particularly contested cases. It is well known the Commission has lacked funding for critical improvements and with increased appropriations for pertinent upgrades should be implemented prior to implement costly transfer of functions. Again our industry is in a depressed state and to carry out change and disrupt the current flow could potentially create an unstable regulatory atmosphere. It takes knowledge and tenure to understand, regulate and mediate contested matters concerning the oil and gas industry and those should be retained at the Commission.

PPROA believes that transferring contested hearings to the State Office of Administrative Hearings is unjustified and reflects a lack of knowledge about the oil and gas industry. No other industry does what we do. Experience with administrative matters in other substantive areas does not qualify one to preside over hearings on oil and gas questions. The RRC staff and hearing examiners are already familiar with geology, reservoir pressure transients, surface vs underground rights, relative permeability to oil, water, and gas and many other topics that are unique to the oil industry. A State Administrative judge, no matter how intelligent, will not be able to grasp these concepts in a reasonable time to determine the correct answers to complex issues that will be presented in the oil and gas industry. The RRC examiners are already familiar with these concepts and will do a much more efficient and equitable job in determining the right answers to questions posed.

**Issue 3: Oil and Gas Monitoring and Enforcement Need Improvements to effectively ensure Public Safety and Environmental Protection.**

According to Sunset staff, RRC struggles to provide reliable data to show the effectiveness of its oil and gas enforcement program. What information is available suggests that the commission’s enforcement actions have little deterrent effect and its main enforcement tool — severing a lease to stop production — lacks adequate cross checks to ensure compliance with the severance.

PPROA agrees with proactive measures to increase public safety and environmental protection. We support the Commission’s efforts to improve, increase and proactively educate those improvements to the general populous bearing in mind that those improvements are not arduous to smaller producers.

**Key Recommendations**
- Develop a strategic plan to track and measure the effectiveness of monitoring and enforcement.

PPROA agrees with this recommendation.
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Develop in rule a process for issuing expedited penalties for minor violations.

**PPROA does not support** any effort expedite or increase penalties for minor violations but instead encourages corrective actions and compliance through communications. This method is less laborious, costly. The oil and gas industry is already penalized and regulated more than any other.

Develop a definition of repeat violations in rule and report results on its website.

**PPROA does not see this as productive.** Our industry and oil and gas producers are faced with an onslaught of compliance issues, particularly those that operate multiple leases and wells (sometimes into the hundreds). It is difficult at best to maintain complete compliance on a daily basis and publishing those infractions potentially, and possibly unfairly, taints opinions of governing agencies and the public in general. Reporting is already available for those in the industry.

Direct an audit of a sample of production and transportation reports

**PPROA would agree to this recommendation.**

Require all production reports be filed electronically.

**PPROA would agree to this recommendation.**

**Issue 4: Insufficient and Inequitable Statutory Bonding Requirements Contribute to the Large Backlog of Abandoned Wells**

The Legislature requires all oil and gas well operators to provide financial assurance to cover a portion of the cost to plug the well and remediate the site should the operator go out of business. According to Sunset staff, insufficient statutory bond requirements have left the Railroad Commission with less funding to plug wells and increased liability, as the cost to plug wells has more than doubled since the bond amounts were set in 1991. In addition, the current statutory blanket bond structure does not account for risk of well abandonment and places a disproportionate share of bond coverage per well on oil and gas producers who operate fewer than 19 wells. Increasing the number of blanket bond tiers and decreasing the bond requirements for operators with fewer wells would increase equitability and better reflect risk. The Alliance takes strong exception to this requirement.

**Key Recommendation**

- Amend blanket bond requirements in statute to better reflect risk and increase equitability. Recommended tier structures are:
  1. 10 or fewer wells require a $22,500 blanket bond
  2. 11 to 20 wells require a $40,500 blanket bond
  3. 21 to 35 wells require a $74,000 blanket bond
  4. 36 to 60 wells require a $128,000 blanket bond
  5. 61 to 99 wells require a $213,000 blanket bond

**PPROA adamantly disagrees with this recommendation.**

Adequate funding of the RRC should resolve any increase of abandoned or orphaned wells. Previous legislatures opposed increasing bond requirements in recognition that posting bonds is but one option to deal with this issue.

The RRC has in place stringent regulatory requirements to address the issue of inactive wells. Bonding is one of several of those operator requirements. Operators that fail to plug wells are not allowed to renew the required P-5 license.

The RRC has long had a program for safely plugging abandoned wells using a fund paid for by industry. These procedures include environmental requirements on every abandoned well. Field inspections, completion data,
Kimrad is a major transporter of petroleum crude oil and condensate in Texas and Oklahoma and other parts of the country. Drivers are fully trained to “properly work the oil” and are capable of loading and unloading in many different configurations.
freshwater protection, and fluid levels in wellbore are all required and reported.

Our industry is already in dire distress and increasing bonds for operators will cause an additional expense that will, not only raise the cost of doing business for compliant operators, but may very well prevent them from being able to do business going forward. This recommendation will slow the recovery of reorganizing companies, lost jobs and drilling.

**Issue 5: Improved Oversight of Texas’ (Interstate) Pipeline Infrastructure Would Help Further Ensure Public Safety.**

**Key Recommendations**
- Authorize enforcement of damage prevention requirements for interstate pipelines.
- Authorize the Railroad Commission to create a pipeline permit fee.

PPROA agrees with the recommendations which would grant the Railroad Commission statutory authority to enforce damage prevention requirements for interstate pipelines and authorizes the Railroad Commission to create a pipeline permit fee.

**Issue 6: The Railroad Commission’s Contracting Procedures Are Improving, but Continued Attention Is Needed.**

Almost 40 percent of the agency’s fiscal year 2015 expenditures were on contracted activities including state-funded well plugging, site remediation, and information technology improvements. Sunset staff found that the Railroad Commission is actively implementing policies to improve contracting procedures, but institutionalizing these improvements will ensure the effort continues.

**Key Recommendations**
- Centralize all contract administration functions by September 1, 2016.
- Implement contracting best practices as outlined by recent legislation and the comptroller.

PPROA agrees with the recommendations to centralize contract administration and implement best practices; however, increased cost for well plugging and site remediation needs to be considered for overall impact.

**Issue 7: The Railroad Commission’s Statute Does Not Reflect Standard Elements of Sunset Reviews.**

The Railroad Commission’s governing statute does not include a standard provision relating to alternative dispute resolution that would help improve rulemaking and resolution of other disputes. In addition, the Texas Sunset Act states that advisory committees are abolished on the date set for abolition of an agency unless the committee is expressly continued by law. Sunset staff found that the Oil and Gas Regulation and Cleanup Fund Advisory Committee has not met in more than four years and should be allowed to expire. The Sunset Act also directs the Sunset Commission to recommend the continuation or abolishment of each reporting requirement imposed on an agency under review.

**Key Recommendations**
- Apply the Sunset across-the-board recommendation regarding alternative dispute resolution.
- Allow the Oil and Gas Regulation and Cleanup Fund Advisory Committee to expire.
- Continue requiring the Railroad Commission to submit its report on the Oil and Gas Regulation and Cleanup Fund to the Legislature.

PPROA has no comment to the contrary.
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Aycock v. Vantage Fort Worth Energy, LLC held that a recovery by unleased cotenants for payment of bonus after ratification of the lease must come from the lessor, not the lessee. Vantage leased some of the cotenants in a 1,409-acre tract and paid its lessors $750 per net mineral acre for their undivided 526-acre interest. Vantage never drilled and the lease expired. The unleased cotenants claimed that they had ratified the lease and sued Vantage for their share of the bonus.

“Owners of undivided mineral interests are tenants in common. A cotenant may lease its undivided interest without joinder of another cotenant. The lease does not bind a nonconsenting cotenant. The lessor cotenant, however, must account to its nonconsenting cotenant for any minerals produced where the lessor cotenant has leased both its and the nonconsenting cotenant’s interest or has received production payments on the nonconsenting cotenants interest.”

The unpaid cotenants argued that Vantage leased the entire 1,409 acres and that they ratified the lease by a subsequent letter to Vantage. Vantage claimed that the proportionate reduction clause in the lease, along with other documents, shows that Vantage only intended to lease the 526-acre undivided interest. The court noted that “[a] proportionate reduction clause acts to protect the lessee from paying the lessor more than the lessor is due, but it does not act to reduce what the lessor conveys to the lessee.”

However, the court assumed, without deciding, that Vantage leased the entire interest and that the unleased cotenants ratified the lease. Vantage was not the lessor cotenant and received no money accruing under the lease. Therefore, the unpaid mineral cotenants cannot recover bonus money from Vantage. The court concluded that Vantage established that the unpaid cotenants could only recover from bonus money paid to the lessors, if any, for the unleased cotenants’ interest. The unleased cotenants also could not recover against Vantage on an unjust enrichment claim, because Vantage did not profit at their expense.

This significance of the case is the holding that a recovery by unleased cotenants for payment of bonus after ratification of the lease must come from the lessor, not the lessee.

Jeff McCarn may be contacted at (806) 345-6340 or jmccarn@bf-law.com
RRC Commissioners Today Ask AG's Office to Consider Litigation Related to EPA Methane Rules

AUSTIN - All three Texas Railroad Commissioners are asking the Texas Attorney General to file a Petition for Review relating to the Environmental Protection Agency's rules over methane and other emissions from oil and gas wells and associated facilities. The Commissioners took this action today in their regularly scheduled, open Conference.

Chairman David Porter said, "These rules are just another assault from the Obama Administration in its war against fossil fuels and a blatant attempt to forcibly take over the regulation of Texas' oil and gas industry, a job the Railroad Commission has excelled at for almost a century. These overbearing regulations accomplish nothing other than encumbering business, wounding our economy and killing the jobs Texans rely on to support their families. I appreciate the Attorney General's consideration in this matter and look forward to working together to protect our state from the oppressive ambitions of this Administration."

Commissioner Christi Craddick said, "These new rules would have little to no impact on the environment while placing an undue burden on an industry that is succeeding in this area on its own. As a natural response to the free market, methane emissions have dramatically fallen during recent energy growth, thanks to technology and industry leadership on the issue. One again, the EPA is improperly injecting bureaucracy and mandates where private business already thrives."

Commissioner Ryan Sitton said, "The EPA's methane rules will harm Texas energy producers and accomplish very little in terms of protecting the environment. EPA needs to follow the law, produce better scientific analysis, and properly consider the economic implications of their rules. I'm confident General Paxton will successfully challenge these flawed rules."

Contact: Ramona Nye
P: 512-463-4817
E: Ramona.Nye@rrc.texas.gov
### Active Drilling Locations By County - PPROA Service Area
Texas Panhandle/western OK, SW KS - 5/6/16 RigData, Inc.

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### Drilling Permits By County - Dist. 10
4/27/16 – 6/6/16 DrillingInfo.com

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<td></td>
<td>Le Norman Britt</td>
<td>5/20/2016</td>
<td>15,000</td>
</tr>
<tr>
<td></td>
<td>SLT Dakota Sheria</td>
<td>5/20/2016</td>
<td>2,144</td>
</tr>
<tr>
<td></td>
<td>Enervest Coates</td>
<td>5/26/2016</td>
<td>15,600</td>
</tr>
</tbody>
</table>

### Natural Gas - Henry Hub
- $ per MMBtu

### Crude Oil - Texas Panhandle All Fields
- 120

### Rig Count - Texas Panhandle

### Rig Count - United States
OFFICE SPACE FOR RENT
INSIDE THE PPROA OFFICE SUITE
REMODELED IN 2015
$300/month
Utilities, office furniture and access to office equipment.

CALL 352-5637 FOR MORE DETAILS
# RRC District 10 Production Data

## June 2015 — May 2016

<table>
<thead>
<tr>
<th>County</th>
<th>Oil (BBL)</th>
<th>CH Gas (MCF)</th>
<th>GW Gas (MCF)</th>
<th>Cond. (BBL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CARSON</td>
<td>119,945</td>
<td>786,684</td>
<td>7,023,593</td>
<td>5,339</td>
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<tr>
<td>CHILDRESS</td>
<td>6,707</td>
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<tr>
<td>COLLINGSWORTH</td>
<td>3,995</td>
<td>59,371</td>
<td>836,833</td>
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<td>DONLEY</td>
<td>0</td>
<td>0</td>
<td>9,129</td>
<td>149</td>
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<tr>
<td>GRAY</td>
<td>753,246</td>
<td>1,601,741</td>
<td>5,207,775</td>
<td>2,784</td>
</tr>
<tr>
<td>HANSFORD</td>
<td>129,666</td>
<td>740,747</td>
<td>9,279,553</td>
<td>14,076</td>
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<tr>
<td>HARTLEY</td>
<td>242,959</td>
<td>101,514</td>
<td>1,129,733</td>
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<tr>
<td>HEMPHILL</td>
<td>1,298,670</td>
<td>9,621,832</td>
<td>103,892,508</td>
<td>1,933,336</td>
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<tr>
<td>HUTCHINSON</td>
<td>420,930</td>
<td>2,511,764</td>
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<tr>
<td>LIPSCOMB</td>
<td>1,668,469</td>
<td>14,534,621</td>
<td>36,919,031</td>
<td>1,252,470</td>
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<tr>
<td>MOORE</td>
<td>240,831</td>
<td>1,351,891</td>
<td>21,784,931</td>
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<td>5,312,931</td>
<td>22,861,472</td>
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<td>352,663</td>
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<tr>
<td>OLDHAM</td>
<td>297,968</td>
<td>591,140</td>
<td>50,057</td>
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<tr>
<td>POTTER</td>
<td>445,862</td>
<td>622,380</td>
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<tr>
<td>ROBERTS</td>
<td>1,884,397</td>
<td>15,901,289</td>
<td>42,703,121</td>
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<tr>
<td>SHERMAN</td>
<td>56,142</td>
<td>58,221</td>
<td>13,691,675</td>
<td>2,097</td>
</tr>
<tr>
<td>WHEELER</td>
<td>1,787,179</td>
<td>12,395,907</td>
<td>119,885,876</td>
<td>3,026,258</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>14,669,897</strong></td>
<td><strong>83,740,574</strong></td>
<td><strong>386,566,942</strong></td>
<td><strong>7,447,451</strong></td>
</tr>
</tbody>
</table>