



Houston Association of Professional Landmen

August 1, 2016

www.hapl.org

HAPL Bulletin #453

HAPL UPCOMING EVENTS:

August 6

HAPL Annual Skeet Shoot,
American Shooting Center

August 11

HAPL Permian Basin
Social,
St. Arnold's Brewery

September 6

HAPL Luncheon,
Houston Petroleum Club

September 29

HAPL Shale Play Seminar
& Social,
Smith & Wollensky
Restaurant

October 13

HAPL Executive Night,
Hilton Americas

October 15

HAPL Fall Saturday
Seminar,
Percheron LLC Office



HAPL SEPTEMBER LUNCHEON SPEAKER CHAIRMAN DAVID J. PORTER



Chairman David Porter was elected statewide by the people of Texas in November 2010 to serve a six-year term as Railroad Commissioner and was unanimously elected by his fellow commissioners to serve as Chairman in June 2015. Chairman Porter has a strong and proven record of principle-driven free market, conservative leadership for Texas.

Since taking office, Chairman Porter has been appointed to the Interstate Oil and Gas Compact Commission as the Official Representative of Texas and currently serves as Vice Chairman of the organization. He is an advisory board member for the Texas Journal of Oil, Gas, and Energy Law. He also served as the Official Representative on the Interstate Mining Compact Commission from 2011 to 2014.

Upon taking office in 2011, Porter created the Eagle Ford Shale Task Force, the first of its kind at the Texas Railroad Commission, to establish a forum that brings the community together to foster a productive and forward-looking dialogue regarding drilling activities in the Eagle Ford Shale. The Task Force is comprised of local community leaders, elected officials, industry representatives, environmental groups, and landowners. The goal of the group is to open the lines of communication between all parties involved, establish recommendations for developing the Eagle Ford Shale, and promote economic benefits locally and statewide.

In 2013, Porter launched his Texas Natural Gas Initiative: a series of statewide events that bring stakeholders together to discuss business opportunities, challenges and regulatory barriers and solutions for natural gas conversion and infrastructure – focusing largely on the transportation and exploration and production sectors.

In recognition of his foresight and leadership, Porter was named “Man of the Year” by The Oil & Gas Year, Eagle Ford, Texas 2013. He has also been recognized by Shale Oil & Gas Business Magazine and Unconventional Oil & Gas Magazine for his proactive efforts to implement policies that allow industry to safely, efficiently, and economically produce the energy that is needed to support Texans and the Texas economy.

Before taking office, Porter built a successful small business around his CPA practice in Midland, Texas, providing accounting and tax services to oil and gas producers, royalty owners, oil field service companies, and other small businesses and individuals.

Porter was born in Fort Lewis, Washington in 1956 while his father was serving in the US Army. He graduated magna cum laude from Harding University in 1977 with a bachelor's degree in accounting, and passed the CPA exam later that year. He became a Texas CPA in 1981, the same year he moved to Midland.

David met his wife, Cheryl, while attending Harding University, and they were married in 1979. They are the proud parents of one daughter and grandparents of three grandchildren.

Register online at <http://www.hapl.org/events/630/>

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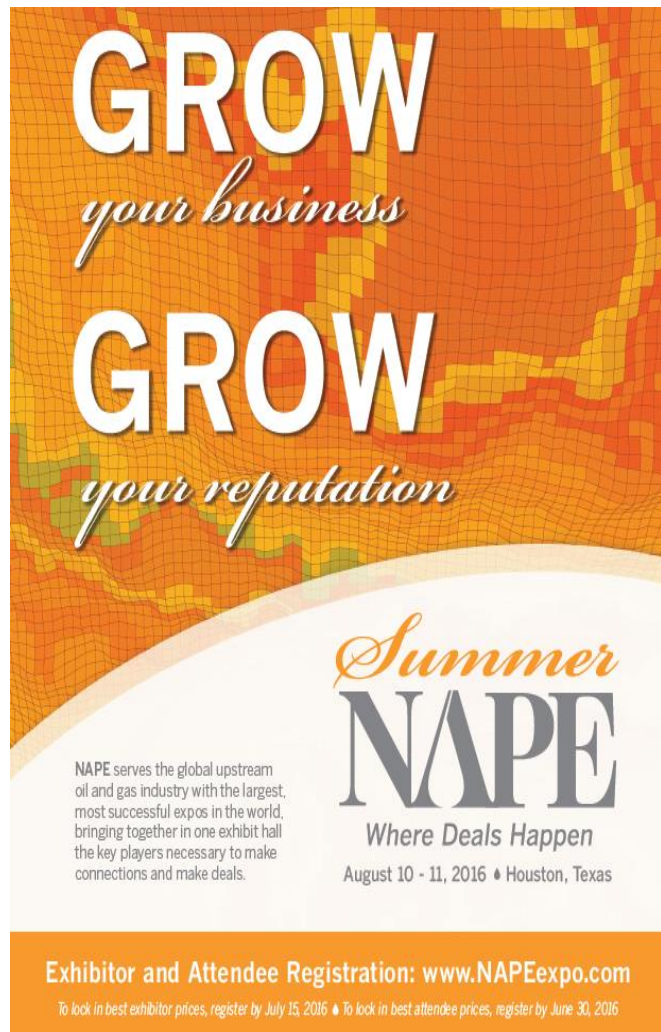
AAPL 2016 SUMMER NAPE

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Hotel Reservations may be made by going to:

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<http://www.nadoa.org>

All hotel accommodations will be the responsibility of the registrant. Hotel Reservation Deadline: August 15th, 2016.

Class Schedule (link): [2016 Institute Program.pdf](#)

How to electronically view the institute journal instructions: [Adding the NADOA Institute Journal to your device.pdf](#)

Institute Papers:

Coming soon!

Institute Late Registration deadline is August 8th. Prices go up \$100 on August 9th!

Certifications:

CDOA - 16 credits

CMM - TBD

CPLTA - TBD

CPL/RPL/RL - TBD

For more industry events, check out the HAPL calendar at <http://www.hapl.org/events/month/>

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HAPL OFFICER FORUM

2016-2017 HAPL PRESIDENT

JUSTIN MATTHEWS, CPL



I am honored and blessed to be the 70th President of this historic organization. I find it incredible and inspiring to think about how so long ago, a group of Landmen congregated and were driven by a need to create the HAPL. Seventy years. Let's take a minute to reflect on that. The average cost of a new house in the United States at that time was approximately \$5,000, the price for a gallon of gas, \$0.15. Harry Truman was president and adjusting for inflation, the price per barrel of crude oil was about \$20; the nominal price was \$1.63 per barrel. A lot and a little have changed since that time depending on your perspective, but as they say, the only constant is change. I believe many of us are tired of the talk of the "downturn," not tired in the sense of "sick and tired," though a little of that too. What I mean is, it's been said, the saying itself is tired. We know what it is and many of us are living it, but it's time to accept the change that has occurred and move in a new direction, a direction filled with possibility. Those possibilities of course are endless, they can be beneficial and they can be detrimental to us as an industry and as a profession, but not to us as individuals because we can control our output and therefore our ultimate outcome. So it's time to refocus our energy away from yesterday and dedicate it to tomorrow.

For many years the president of the HAPL has selected a theme that is meant to frame his or her term in office. It's often reflective of the person or of the times and is meant as a vision for how our members can themselves frame the year or the time. It also serves as a guideline for the other officers to follow as they write their statements to you throughout the year in our newsletter. This year I've selected the theme, *"Tomorrow hopes we've learned something from Yesterday"*. The theme is taken from something John Wayne said in an interview more than four decades ago. It has always resonated with me and certainly resonates with the times we have been through in this industry. Wayne said,

"Tomorrow is the most important thing in life. Comes into us at midnight very clean. It's perfect when it arrives and it puts itself in our hands. It hopes we've learned something from yesterday."

So let me relate that to what we as landmen and as an industry have experienced. I personally see a very literal meaning behind the hope to have learned something from yesterday. Young landmen now are beginning to take up a larger percentage of our profession's demographics. According to the Pew Research Center as of Q1 2015 Millennials (53.5MM) have surpassed both Baby Boomers (44.6) and us Generation Xers (52.7) in the U.S. workforce. That is a statistic across the entire workforce, so you can imagine, and probably can visibly see, what that is beginning to look like in an industry that stopped recruiting talent for 20 years. Thus, in the literal sense, it is incredibly important for the less experienced landmen to absorb the knowledge of the more experienced—to learn something from yesterday. It's equally important for the experienced landmen to mentor those younger than themselves and we provide a conduit for that at the HAPL. Contact me or our office for information on how to get involved in a mentoring opportunity.

What's also important to remember about yesterday as we focus our hope on tomorrow is the business that we have conducted in the recent past, the commercial terms we have papered and the relative damage it all has caused. The onerous terms that were agreed to for the victory of owning another acre are today sterilizing swaths of land and draping good people's property in the residue of all of our respective indulgence—theirs and ours alike. It is our duty as landmen to etch that reminder and all other recent enlightenments on the front curb of our companies and discuss explicitly with potential lessors as well as management, clients, and other constituents. Lease terms such as favored nations clauses, cost free royalty or contracts with burdensome clauses like reassignment provisions that are designed to trap others in agreements are not typically good for prudent development of mineral resources or at the least aren't good for one of either the lessor, the lessee or a business partner. Contracts and negotiations don't always have to have a winner and a loser. Of course there are times when these types of provisions are prudent, but today we are experiencing the net effect and damage of some of the agreements that were put in place when commodity prices were historically high. We witness it quarterly as companies are forced to reduce their G&A or shut their doors altogether and land sits uneconomic and undrilled. Landmen have always stood on the fate forefront of the upstream oil and gas industry—we are the allegorical canary in the coal mine. When we get slow, a slowdown is coming. When we are busy, hold on to your hats. It is now more critical than ever that we as landmen lead in our organizations and remember yesterday so that we can construct the hope for tomorrow. Let's work together to improve the work that we did when weren't focused on what it could look like in more challenging times. Don't get me wrong, a lot of good work was done as well, but in retrospect, we know we can do better.

If there is any action I can take or decision that I can make to improve your, or any other Landman's experience, please reach out to me, let's talk. Thank you for all you do out there, let's keep it up. Remember yesterday and hope for tomorrow. It will be here sooner than we think.





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HAPL LUNCHEON SERIES SEPTEMBER 2016 – MAY 2017

We will be starting our luncheon series up again in September at the Houston Petroleum Club. Speakers will be announced in upcoming newsletters and under the events on our website. To prepay for the luncheon series, please fill out the form below and mail to the HAPL Office. To pay by credit card, please call the HAPL office.

Full Name: _____

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Address: _____

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Please circle: Vegetarian or Non-vegetarian

September 2016 – May 2017 = \$245 for members

*There are 8 luncheons total but you pay for only 7 when you prepay

Mail to: HAPL, 800 Bering Dr., Ste. 120, Houston, TX 77057

Please note that our luncheons will now be held on the first Tuesday of each month with the exception of the January Joint luncheon. You can register online at www.hapl.org under the events tab.

DATES:

Tuesday, September 6, 2016

NO OCTOBER 2016 MEETING

Tuesday, November 1, 2016

Tuesday, December 6, 2016

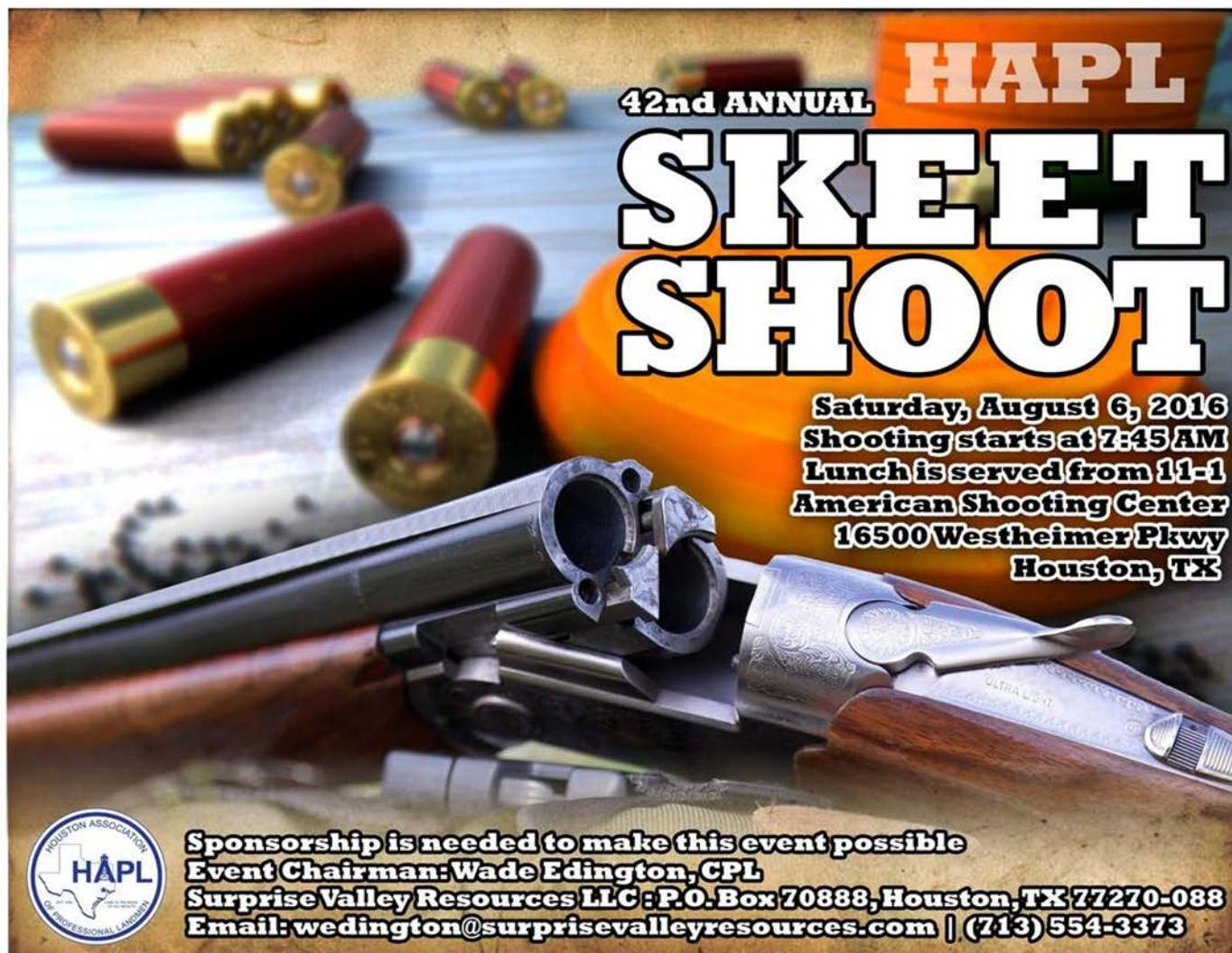
Tuesday, January 10, 2017 *Joint luncheon with NHAPL & WHAPL – AAPL President will be speaking

Tuesday, February 7, 2017

Tuesday, March 7, 2017


Tuesday, April 4, 2017

Tuesday, May 2, 2017 * Tribute to Education/Scholarship Awards



42nd ANNUAL HAPL SKEET SHOOT

Saturday, August 6, 2016
Shooting starts at 7:45 AM
Lunch is served from 11-1
American Shooting Center
16500 Westheimer Pkwy
Houston, TX

 **Sponsorship is needed to make this event possible**
Event Chairman: Wade Edington, CPL
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PRESENTED BY THE HOUSTON ASSOCIATION OF PROFESSIONAL LANDSMEN

42nd Annual HAPL Skeet Shoot

American Shooting Center | 16500 Westheimer Pkwy, Houston, TX

Shooting starts at 7:45 AM | Lunch served from 11-1

PLATINUM: \$1,000.00 AND HIGHER

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*****ALL sponsors will be featured in the HAPL newsletter**

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The Sponsor Shoot Rate is the same as the H.A.P.L. member rate of \$100.00

The registration form can be found online at <http://www.hapl.org/events/625/>

HAPL SALTWATER FISHING TOURNAMENT RECAP & PICTURES

On June 11th, 2016, the H.A.P.L. Saltwater Fishing Tournament was held in Galveston, Texas. 213 folks entered the tournament—yet another record attendance year.

The weather was perfect for fishing and lots of really nice fish were caught this year. There were great door prizes for everyone that showed up for the awards presentation - courtesy of our fine Sponsors.

In addition to the door prizes for everyone, there were 2 trips donated as grand door prizes. Mickey Phelan, President of Energy Land Resources in Beaumont, donated a weekend for two couples at his very nice and spacious bay house at Pass Christian, Mississippi, right near all the casinos and other nice places to visit, won by Brent Miller with BHP. The Baton Rouge law firm of Mayhall, Fondren and Blaize donated a weekend fishing trip for two at their very nice Pelican Landing Fishing Camp in Dulac, Louisiana, with a guide for one day and Mr. Kim Mayhall as host and guide, which was won by Allison Abney. All I can say is “Gee, I wish I had won any one of those fine prizes!”. Liskow & Lewis, APLC, donated a nice Yeti Hopper 30 (again, why didn't I win that!) and John Fenstermaker of C. H. Fenstermaker & Associates gave away a really good combo spinning rod and reel.

Again, ***all thanks to our excellent Sponsors***, by showing up at the weigh-in for lunch and staying for the awarding of door prizes, everyone present won a nice Door Prize and had a good meal. That's a great deal for entering any tournament and it all is due to our fine Sponsors. The West End Marina once again hosted our event and did a great job.

Below is a list of the winners for each Category. Congratulations and Great Catching!!

<u>Trout</u>	<u>Slot Reds</u>	<u>Bull Reds</u>	<u>Big Fish</u>
1 st : Ashley Stinson	Don Wilson	Ben Marchive	Tim Moree
2 nd : Dianne Klam	Ben Herbst	Nelson Schexnayder	William Blocher
3 rd : Ray Nelson	Wayne Barnard	Charles Blaize	Jay Ackel

THANK YOU TO OUR SPONSORS!!! THEY MAKE THIS EVENT GREAT!

I HOPE THE SPONSORS CONTINUE TO SUPPORT THIS EVENT NEXT YEAR.

I would like to thank my co-chairman Katie Eisterhold, as well as Ed Gorden, Trey McCoy, Thomas A.C. Davis, Andrew Rische, Travis Crawford, Jim Niekamp, Travis Niekamp, Ross Wardlaw, Diane Snyder and Lindsey Griffith for their help with running the tournament.

Thank you,

Jerry D. Niekamp, Tournament Co-Chairman

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Elena Engles - EnerVest

Eli Huffman - Lone Star Production Co.

Cody S. Travers - ConocoPhillips

Tyler Woodruff - Alamo Resources II

2016 HAPL Energy Entrepreneurs Social Recap

The 2016 HAPL Energy Entrepreneurs Social was held June 22, 2016 at the SPTJST Lodge 88 in the Heights. About 85 people from different energy disciplines attended. The venue was excellent; guests mixed, mingled and enjoyed snacks and beverages. There was also an exciting microphone session during which attendees introduced themselves and spoke about their projects and interests. The event illustrated that, despite the downturn, there are still plenty of folks out there making things happen.

This event was made possible by the generous donations of our many sponsors, listed below. We cannot thank them enough for their support! The planning committee put a great deal of work into organizing this event, and we sincerely appreciate their efforts. The planning committee members were: Laura Cass, Chair; Tiffany Ganer, Assistant Chair; Mike Hinze; Chris Atherton, Elena Engles, Jeffrey Klam, and our newest committee member, Karen Schnell. Diane Snyder, Lindsey Griffith and Mimi McGehee were also indispensable in making this event a success! Also, a special thanks to Mike Gibson for his support as HAPL President.

The HAPL thanks you all!

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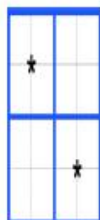


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HAPL Energy Entrepreneurs Committee: Laura Cass, Tiffany Ganer, Mike Hinze, Jeffrey Klam
Not shown: Elena Engles, Chris Atherton, Karen Schnell



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LEGAL UPDATE: NEW LEASE OR TOP LEASE? LESSOR'S INTENT WILL GOVERN

BY: ELI KIEFABER & ZACHARY OLIVA OF KIEFABER & OLIVA LLP

In *Anadarko Petroleum Corp. v. TRO-X, L.P.*, No. 08-15-00158-CV, 2016 Tex. App. LEXIS 2861, the El Paso Court of Appeals concluded that the execution of new leases operated to terminate and release old leases covering the same lands. *Id.*, at *22. The Court recognized that there was not enough evidence to show (i) that the Lessors placed any emphasis on the execution of a separate release of the old leases to make the new leases effective, or (ii) that the Lessors intended for the new leases to be top leases that would come into effect only upon the recordation of a Release Agreement. *Id.*, at *21-22.

In February 2007, David E. Cooper, Hill-Cooper, Ltd., Richard W. Cooper, Kendall C. Hill, and Shirley Cooper (the "Lessors") executed five oil and gas leases in favor of TRO-X, as Lessee (the "2007 Leases"). *Id.*, at *2. The 2007 Leases contained an Off-Set Well Provision that required TRO-X to protect against drainage from wells completed outside of the lease boundaries. *Id.* The Provision stated that "[i]f Lessee should fail to timely commence operations for the drilling of an offset well, then, on demand of Lessor, Lessee shall surrender this Lease as to that portion of the Leased Premises" *Id.*, at *3.

In March 2007, TRO-X assigned its interest in the 2007 Leases to Eagle Oil & Gas Co. ("Eagle"), and reserved a limited contingent reversionary interest (the "Assignment"). *Id.*, *3-4. Once Eagle reached payout on its drilling activity on the 2007 Leases, then TRO-X could exercise a "back-in" option allowing TRO-X to receive five percent (5%) of its original working interest in the 2007 Leases. *Id.*, at *4. Subsequently, Eagle assigned all of its interest in the 2007 Leases to Anadarko, which began drilling operations on the leasehold. *Id.*

On November 15, 2008, Anadarko completed a well on non-leasehold land that was 550 feet from the boarder of the 2007 Leases. *Id.*, at *6. The parties disputed whether Anadarko's off-lease well fell within the 2007 Leases' off-set zone in light of an administrative change to the Railroad Commission's drilling patterns in the Phantom Wolfcamp Field. *Id.* The parties did not dispute that if the off-set provision was triggered, then Anadarko failed to drill a reciprocal off-set well as required by the 2007 Leases. *Id.* However, the issue of whether the off-set well provision in the 2007 Leases was breached was not before Court.

Rather, two years later, on May 25, 2011, the Lessors sent Anadarko a demand letter alleging that they had the right to terminate the 2007 Leases for breach of the Off-Set Well Provision, stating "[t]his letter shall serve as the above mentioned Demand of Release. I would appreciate your timely review and preparation of the Release of Oil and Gas Lease." *Id.* Upon review, Anadarko determined that it had, in fact, breached the Off-Set Well Provision, and that the Lessors' written demand automatically re-vested the leased mineral interests back with the Lessors. *Id.*, at 6-7. As a result, Anadarko and the Lessors entered into lease negotiations. On June 6, 2011, Anadarko sent an e-mail to the Lessors, stating in relevant part:

"Anadarko would be prepared to offer you and the other Hill/Cooper family members a new lease – on the full 640 acres – for \$400 per acre, at a one year primary term. The lease would be made on a form practically identical to our existing lease. Ideally, the lease would be dated effective, on or about June 24, 2011 – and we would file a release of the existing lease concurrent with the execution of the new lease[.]" *Id.*, at *7.

The Lessors responded that if Anadarko increased their offer to \$800 an acre, then they would be amenable to accepting the offer. *Id.* at 7-8. Anadarko replied asking if the suggestion could be restated as a formal counter-offer that could be presented to Anadarko for approval. The Lessors then sent the following response e-mail:

"I will give you an answer before 5. I am also assuming that the document would be an extension of the current lease so we do not have to deal with renegotiating any other point in the 2007 lease and the addendum A thereto. I believe you stated so earlier, but I just wanted to be sure." *Id.*, at *8.

Anadarko responded, in relevant part:

"Yes. The document would be on the same form and content as the current lease so you are correct there would not be any other renegotiating point. It would not be an 'extension' so much as a new lease (again, of the same form and content as the old) made effective this month (with a concurrent release of the old lease)[.]" *Id.*

(Continued on the next page)

Eventually, the Lessors and Anadarko reached an agreement, and on June 17, 2011, the Lessors executed new leases (the “2011 Leases”) naming Anadarko as lessee with respect to all of the mineral interests covered by the five original 2007 Leases. Id., at *8-9. The new leases required Anadarko to pay a higher rate per acre, shortened the length of the primary term from three years to one year, and imposed a 240-day drilling commitment on Anadarko. Id. On June 30, 2011, Anadarko executed a release of any interests it held on the 2007 Leases (the “Release Agreement”). Id. The 2011 Leases were recorded on June 30, 2011, but the Release Agreement was not recorded until August 4, 2011. Id.

TRO-X then brought suit against Anadarko, as assignee of Eagle, alleging that it was entitled to five percent of Anadarko’s interest in the 2011 Leases, pursuant to the “back-in” provision under the Assignment. Id., at *10. The trial court concluded that the 2011 Leases were top leases and that TRO-X was entitled to its 5% back-in working interest. Id.

The Court of Appeals disagreed and reversed the trial court’s determination. The central question on appeal was whether, the delay between the execution of the new leases and the execution of a written release of the old leases was evidence of the Lessors’ intent that the 2011 Leases were to be top leases that came into being only upon recording the Release Agreement for the 2007 Leases. Id., at *10-11. If the 2011 Leases were determined to be top leases, then TRO-X would be entitled to the five percent back-in working interest pursuant to the “back-in” provision under the Assignment. Id.

The Court of Appeals did not address whether Anadarko breached the Off-set Well provision in the 2007 Leases. Instead the Court focused on whether the execution of new leases by the Lessors was sufficient to demonstrate the Lessors’ intent to terminate the prior leases. The Court explained that executing and recording a Release Agreement after executing the new leases is not sufficient to show that the Lessors intended for the leases to function as top leases until the release was executed and recorded. Id., at *15. In *Sasser v. Dantex Oil & Gas, Inc.*, 906 S.W.2d 599, 603-05 (Tex.App.–San Antonio 1995, writ denied), the San Antonio Court of Appeals concluded that “by signing a new lease with the intent to terminate a prior lease, a lessor waives strict compliance with a surrender clause and effectively terminates or releases the prior lease.”

Here, TRO-X was unable to meet its burden to establish that Lessors’ intended the 2011 Leases to be top leases. The evidence before the Court suggested that it was the Lessors’ intent that new leases would be executed and the 2007 leases would be terminated. For example, the e-mails showed that Anadarko did not request an extension of the 2007 Leases, but instead proposed new leases covering the same mineral estate on different terms. Id., at *19-20. Moreover, the Lessors never (i) questioned the characterization of the leases as being “new,” (ii) objected that the new leases and the release of the old leases would go into effect simultaneously, and (iii) voiced any other wishes to structure that transaction using top leases as legal scaffolding around the deconstruction of the old leases. Id., at *20. Instead, the focus of the negotiations between Lessors and Anadarko was on a new price point and new drilling terms. Therefore, the Court determined that nothing in the record showed that the Lessors intended for the 2011 Leases to be top leases that would come into effect only upon execution of a release. Id.

In summary, the lessor’s intent will have a significant role in determining whether new leases will be characterized as top leases or as new leases terminating any prior leases. It is important that when operators are negotiating with mineral owners that the negotiations are well documented and it is clear between both parties whether the newly executed is a top lease and will not be effective until the prior lease is released or if the lease is a new lease and the prior leases are terminated and washed out.



Eli Kiefaber is a partner with Kiefaber & Oliva LLP. Eli focuses his practice on oil and gas matters, including acquisition and divestiture of oil and gas assets, title opinions, joint operating agreements, federal leases, pooling and unitization issues. Eli is licensed to practice law in Texas, Oklahoma, Colorado and Ohio and is a regular speaker on issues relating to the development of unconventional shale plays and has given a variety of presentations regarding legal issues relating to oil and gas development. Eli earned his B.A from Kenyon College and his J.D., with honors, from Marquette University Law School.



Zachary Oliva is a partner with Kiefaber & Oliva LLP. Zack focuses his practice on energy and corporate law. He regularly assists clients in the drafting of oil and gas title opinions, purchase and sale agreements and contract interpretation. Additionally, he assists clients with the negotiation, drafting and review of business formations, contracts and service agreements. Zack earned his B.A. from The Ohio State University and his J.D. from Capital University Law School. He is licensed to practice in New Mexico, Ohio and Texas.



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AAPL DIRECTORS REPORT REGION IV

BY: T. GRANT JOHNSON, RPL

The fourth quarterly AAPL Board Meeting for the fiscal year was held on June 15, 2016 at the Hyatt Regency in Orlando, Florida. AAPL President Marc Strahn called the meeting to order to discuss a wide range of topics presented by AAPL Staff, Executive Committee Members, Committee Chairmen and Regional Directors. The following is a salient list of subjects that were brought for consideration, discussion and approval during the meeting:

Financials

AAPL Treasurer, Jay Beavers reported that as of March 31, 2016 total assets for the AAPL have decreased from \$33,314,620 in 1Q 2016 to \$29,078,331, a change of -12.7% or (\$4,236,288). This was due in large part to the paying of \$1,338,651 on the new building loan, transfers of \$1,730,000 to the operating account to meet day to day expenses and the decline in market value of the investments. Revenues (exclusive of investment revenues) for the same period have decreased by 24.5% to \$2,988,349 and expenses have increased 10.3% to \$6,212,805. The decrease in revenue is due in part to the decrease in education revenues as a result of the discount program on tuition and books which ended December 31, 2015, the elimination of recertification fees, a decrease in NAPE distributions and management fee, timing of revenue recognition and reduction in the earned dues income. The increase in expenses is in large measure due to the inclusion of depreciation as an expense and computer/internet expenses and contract labor costs related to the implementation of Personify; and other technology initiatives and online services designed to more effectively provide service and value to our membership. Other expenses that increased include credit card processing fees, wages, legal settlements, publication printing, and building repair and maintenance. Jay also reported that investments are \$22,567,781, a decrease of (\$3,824,896) or (14.5%) as compared to the same period last year. The decrease has been the result of repaying a portion of the line of credit used to purchase the new building, a transfer of \$1,730,000 to the AAPL checking account and *realized and unrealized gains and losses* in the AAPL investment account.

The total assets in the AAPL Education Foundation Inc. currently amount to \$3,285,571. This is down ~\$300,000 due primarily because we are no longer carrying the old building and general market conditions on the investment account. As a reminder, AAPL's Educational Foundation pays member fees for students at 11 colleges, assist local associations in their hosting of Landmen Field Seminars to the tune of \$2,500/each event and provides tuition assistance to AAPL's members. The total assets in the AAPL Landman Scholarship Trust currently amount to \$6,075,666. This is down very slightly due to market conditions affecting our investment account.

Staff Report

Our Executive Vice President, Melanie Bell presented her staff report. Melanie and her staff prepared a thorough and informative report. I have included some items for which I thought would be of interest to AAPL's general membership. AAPL staff headcount stands at 30 towards the re-org planned total of 34. At present we have four vacancies, being Personify Database Administrator, Electronic Media Administrator, Business Development Manager and Publications/Marketing Manager. Further, our Comptroller, Alan Kotler will soon be retiring. Alan has been AAPL's Comptroller for over 10 years and has done an outstanding job serving AAPL. Stepping in as Interim Comptroller will be Amanda Johnson. Amanda has been a CPA at AAPL for 4 ½ years. Given the industry downturn there are no immediate plans to fill the remaining vacancies. There continues to be well placed attention on AAPL Staff Development. AAPL's Employee Policy Handbook is being revised to align with Tri-Net (the actual employer that manages staff benefits).

An unaudited look back for NAPE Summit 2016 show that \$5.123mm in net proceeds were distributed to the NAPE partners and AAPL's share, including management fees was \$3.102mm. More to follow in the NAPE report below.

Membership as of May 10, 2016 stands at 15,727 are active members, 2,233 associate, 175 senior, 595 students for total 18,730. Membership renewals for 2016-2017 fiscal years began in April. Given the importance of getting the annual membership directory out earlier in the year, the cutoff date for listing in the printed directory will be June 30th. The online directory will be updated periodically as late renewals are inputted. From February through April we have had 63 CPL, 110 RPL and 33 RL applications reviewed. Now 31.78% of the Active members hold a certification. We now have 2,899 CPLs, 2,335 RPLs and 689 RLs for a total of 5,954 holding various levels of certification.

(Continued on next page)

AAPL's new mobile app has been implemented and was rolled out in May with the initial focus on the 62nd Annual Meeting in Orlando. You were able to access details on the educational speakers, find activities, receptions and maps for the convention. A new software has been secured to provide subscriptions for contract templates, including the 2015 JOA. Forms-on-a-Disk will cease new sales on August 1, 2016. Access to all contract templates will be provided exclusively through subscription to AAPL's Contract Corner beginning January 1, 2017. AAPL's online communities continue to be very active with Landnews drawing in excess of 30,000 subscribers made up of both members and non-members. During these difficult times AAPL's Job Board has been active, providing a means for both job seekers and employers to post resumes and job opportunities. The new online membership application launched this month enabling new members to enroll in AAPL via an online process. Christopher Halaszynski, AAPL's Director of Education & Member Services reported that in an attempt to reduce expenses to AAPL and to the members, more emphasis will be placed on AAPL's new webcast seminars. AAPL was credited for perfecting this education delivery method for Landman.

AAPL is updating its education model. The model and calendar have been vetted with local associations. The objectives are:

- Increase the affordability and availability of continuing education
- Provide at least 6 CPL/RPL Reviews for members, all available by live webinar, and local testing centers.
- Bring seminars to central locations near large numbers of members, i.e. Oklahoma City, Denver, Midland, Pittsburgh, Bakersfield / LA, Lafayette, DFW area and Houston
- Hold 2 seminars a month at Fort Worth headquarters, webcast live and videoed for members to attend at their convenience
- Suspend FLS Seminars for the '16-17 year due to budget (approved at March BOD meeting)
- Provide discount pricing at \$10 per CEU for on-line videos (see on www.landman.org)

AAPL will be offering the following new classes in '16-17:

- Landman 2.0 Series – new advanced offering
- Held By Production
- O&G Contracts and Agreements
- Wills and Heirships: Oil and Gas Working Interest, Mineral and Royalty Rights

AAPL Business Items

- Becky Weber, Membership Chairman, reported we had 12 individuals who would qualify for Senior Membership status. These names were presented to the board. A motion made, discussion, vote had and the motion passed.
- Melanie reported that the elevator was out at the AAPL headquarters building in Fort Worth. At the time of purchasing the new building, we knew the elevator was older and would require attention in the future. The cost to repair was estimated to be \$43,000. Although this seemed expensive for a repair, a new elevator would cost \$150-200k. A motion was made to fund the repair, discussion, vote had and the motion passed.
- The Master Planning Document task force made its recommendations to ExCom. One of many items addressed was that outgoing chairmen would remain on their respective committee for one year as Chairman Emeritus to help with the chairmanship transition. Many other improvements were discussed. A motion was made, discussion, vote had and the motion passed.
- Taylor Cann, Chairman of the Certification Committee presented two motions for consideration. The first motion dealt with the timing for taking CPL and RPL exams. It was proposed that an individual cannot sit for the exam until after they submit their application and receive approval subject to outcome of the exam. This new timing will allow members the maximum time to retake any failed parts of exam without the necessity of reapplying. The motion was made, discussion, vote had and the motion passed.
- Taylor's second motion dealt with allowing experienced non-degreed Landmen being able to sit for the CPL exam only in instances where they have a minimum of 15 years experience and RPL status for at least 3 years. Otherwise a college degree is still needed to gain CPL status. The motion was made and there was lots of discussion. A 2/3rds board vote is required to pass CPS changes. A vote was had but the motion did not pass with 21 votes "for" and 19 "against".

NAPE

Chairman, Jeanine Haller-Piskurich, reported NAPE Summit 2016 was successfully planned and executed and continues as the crown jewel for NAPE. Even in the industry downturn, with a 25% decrease in attendance (15,000/11,300) and 20% decrease in exhibitor booths (876/700), NAPE ended with a \$5.2 million profit (down 9% from \$5.7 in 2015). LeAnn Callahan and the NAPE team cut over \$2 million in expenses without compromising the NAPE experience provided to its exhibitors and attendees. The NAPE Summit Business Conference & Luncheon featuring EOG CEO Bill Thomas and Texas Railroad Commission Christie Craddick drew 633 attendees. The NAPE Charities Luncheon was successful with nearly 1100 attendees and keynote speaker Mayor Rudy Giuliani. The event raised over \$260,000 in contributions to Canine Companions for Independence, Operation Finally Home and Rebuilding Americas Warriors. Jeanine announced that General Colin Powell, former Secretary of State and retired four-star general in the US Army, will be our guest speaker for the 2017 NAPE Charities Luncheon.

JOA Task Force

Fred MacDonald, chairman of the Form 610 JOA Revision Task Force reported that the new 2015 JOA is complete. The new form will be rolled out July 1 and can be accessed via AAPL's Contract Center. Licensed users will receive login credentials that can be used from any computer or mobile device. In addition, the Contract Center will allow online collaboration and eliminate endless back-and-forth emails. Individuals will pay an annual license fee to access AAPL JOA Form 610-2015, 1982, 1989 and 1989 with horizontal modifications, COPAS 2005 Accounting Procedure, 1998 Procedures, AAPL Gas Balancing Agreement, AAPL Recording Supplement and AAPL Confidentiality Agreement. Look for the Contract Center on AAPL's website.

Landman Scholarship Trust

Executive Committee Member and LST Committee Chairman, Carl D. Campbell reported that the LST awarded 37 student scholarship for the 2016-2017 academic cycle totaling \$134,000. Three were at Calgary, seven at OU, three at ULL and six at WVU. Garrett Guinn is the recipient of this year's Keown Award at OU. Benjamin A. Gorney of OU received the Outstanding Graduate Award. Ben was introduced at the Orlando Awards Ceremony. The LST plans to help support the current needs of the Accreditation Committee by providing \$7,500 for each of the next two years to offset the site visit expenses to each of the accredited Universities. This financial support will help the respective AC members make each of their visits and ensure that the universities are properly maintaining their accreditation status.

Legislative/Regulatory Committee

Russell Cohen's weekly governmental affairs report continues to be well received by our membership. If you have any legislative or governmental affairs related information that you think would be helpful to our membership, please contact Russell. Russell's contact information is as follows:

Russell B. Cohen
AAPL Governmental Affairs Analyst
D 817.484.3618
P 817.847.7700 ext. 119
F 817.847.7704

Field Landman Seminar Committee

The 2015-2016 Field Landman Seminar Committee, chaired by Randy Nichols, continued its goals of education, networking and outreach during the first quarter of 2016 with Field Landman Seminars successfully held in Denver (CO), Bakersfield (CA), Pittsburgh (PA), and Oklahoma City (OKC). Speakers generously donated their time to educate our field and in-house members on regional topics. Dave Hampton with Hampton & Milligan Law who presented at the OKC FLS on 'BIA Curative Curing Indian Title in the STACK and SCOOP Play'. FLS seminars grew increasingly popular in the first quarter with attendance reaching 70 at the Pittsburgh seminar and 97 at the Oklahoma City seminar. This high attendance justifies the efforts of the FLS committee as well as those of AAPL and the Education Foundation in providing needed benefits and outreach during a downturned market. Education and networking are both critical to a landman's success and the committee strongly believes that FLS seminars provide these resources to our members.

Annual Meeting Committee

Committee Chairman Alan Morgan was congratulated on his and the staff's excellent job in hosting a top notch annual meeting during difficult times. These meetings are booked years in advance when you cannot possibly know the state of our industry at the time of the actual event. Alan and the staff worked hard keeping costs in check while still delivering an annual meeting that met all expectations. Mark your calendar for June 20-24, 2017 when AAPL will host it's next annual meeting in Seattle, Washington. You should start seeing marketing materials on this event in the early fall. Given the cautious approach not to over book hotels during a down cycle, space might be limited. If you're like me and enjoy a cool respite during Houston's June heat, I would encourage you to book early.

It is the duty of your AAPL Director to represent the views and positions of the HAPL. If you have any AAPL issues or concerns that you wish to discuss in greater detail, please feel free to contact me or any HAPL Board Member. The next AAPL Board Meeting is scheduled for September 11th in Jackson Hole, Wyoming.

Joel Loshak will be your next AAPL Director and I know he will serve HAPL well. This is my last report but I want each HAPL member to know how much I enjoyed representing you over these last two years. It was truly an honor and a privilege to represent the largest local association at AAPL board meetings. I made numerous new friendships that would not have been possible without sitting as your board representative. If you are not involved in AAPL, I strongly encourage you to find a spot where you can participate. You will not regret it!

Respectfully submitted by:



T. Grant Johnson, RPL
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LOUISIANA MINERAL LEASES: A TREATISE



A fuller understanding of mineral leases, and the law applicable thereto, has been enhanced by the publication of a treatise authored by Lafayette lawyer, Patrick S. Ottinger.

In rich detail, the Treatise examines the evolution of the mineral lease under the civil law that prevails in Louisiana; the contours and various attributes of the lease relationship; the statutory laws that regulate it, as well as the clauses (both customary and special) contained in the mineral lease forms used in Louisiana. Additionally, the Treatise analyzes the types and kinds of mineral lease; transfers of the lease contract, as well as security interests in the mineral lease, and remedies for the breach of the lease.

Ottinger has practiced oil and gas law in Lafayette, Louisiana, for more than 42 years, and, for two decades, has taught the courses in mineral rights and oil and gas law, as an adjunct professor of law at the Paul M. Hebert Law Center at LSU. He is a frequent speaker at seminars on oil and gas topics, and is the author of course materials on the course in Mineral Rights, used at three law schools in Louisiana.

Ottinger has donated all proceeds from royalties generated by the sale of the Treatise to the Alzheimer's Association.

THE TREATISE IS AVAILABLE AT WWW.CLAITORS.COM

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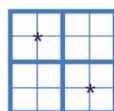
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HAPL AT SUMMER NAPE

Come see us at Summer NAPE on August 10th and 11th at the George R. Brown Convention Center. We will be at **booth number 3309**. We will be signing up new members, renewing membership dues, taking pictures for the online membership directory and giving away some very useful goodies. If you plan on being at NAPE, stop by and say hi!



2016 HAPL OFFSHORE SEMINAR & RECEPTION

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Reception: 5PM - 7PM

Attendees must be registered 3 days prior to event and have a matching valid ID

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THE PRICE OF OIL & THE COMMITMENT OF TRADERS REPORT

BY: JOCELYN L. BUCKLEY & T.C. TURNER OF BUCKLEY & TURNER, PLLC

There are numerous factors that influence the price of oil. The one we are all familiar with from Econ 101 is supply and demand. For West Texas Intermediate, this is the measure of supply at Cushing, Oklahoma vs. the estimated measure of demand. The price of WTI generally rises when there is a draw down in stocks at Cushing, and falls when there is a rise in stocks relative to demand.

Although impossible to predict, there are key indicators of the oil market's price direction. One of these is the Commitment of Traders Report, which provides a weekly breakdown of open interest in the futures markets.

Futures Contracts

Futures trading in the United States began with the grain markets. Farmers would bring their grains to fixed points in the Midwest, such as Minneapolis (MGEX), Kansas City (KCBT) and Chicago (CBOT) to sell their products for either immediate delivery (spot/cash market) or forward delivery. These forward delivery contracts, or futures, are now standardized and traded on exchanges.

The West Texas Intermediate contract is traded on the New York Mercantile Exchange (NYMEX). Each WTI contract represents 1,000 U. S. barrels of oil (42,000 gallons). The tick size, or minimum price movement per contract is .01, at a value of \$10.00 per one-cent move.

A recent conversation with a very successful oil and gas producer had some surprising results. He replied, "I manage risk to the question "what do you do." Futures contracts are one of his risk management vehicles.

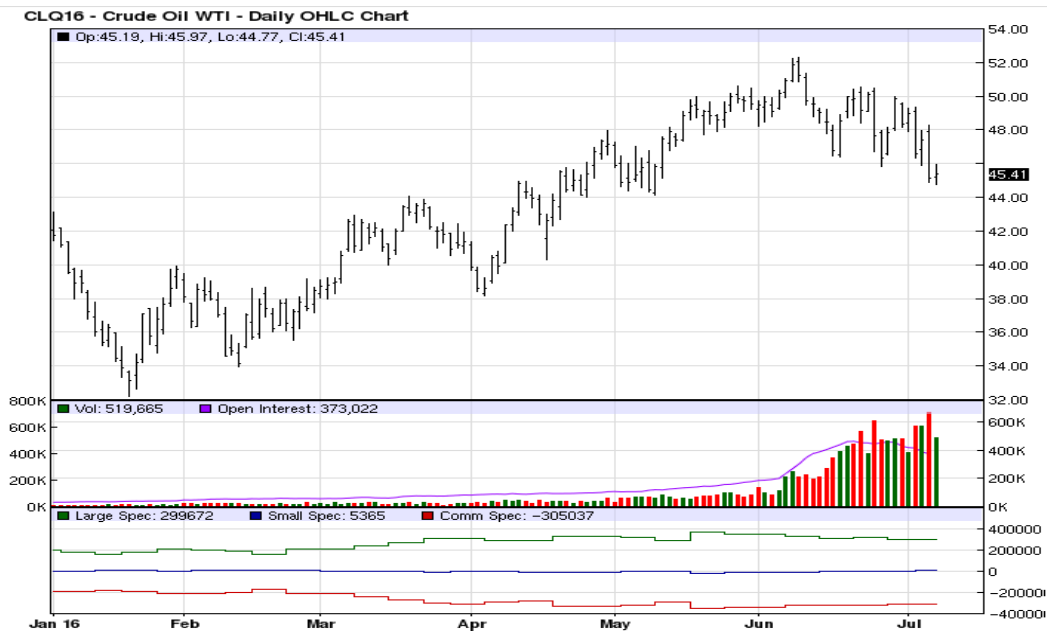
An oil and gas producer is always "long" the physical crude market. She wants to sell her oil for the highest price. Obviously, a high price is not always possible due to extreme fluctuations in the price of oil. To best manage risk, a producer (hedger) will sell forward contracts (futures) to speculators in order to lock in a price and bank a certain amount of profit. This enables the producer to better service debt, manage payroll, and generally have a sound financial baseline for her operations. The speculator takes on this risk in order to benefit from favorable price movement.

Commitment of Traders Report (COT)

The COT Report provides a breakdown of the open interest in which 20 or more traders hold positions equal to or greater than the reporting levels set by the Commodity Futures Trading Commission. Open interests are the total of all futures contracts entered into but not yet offset by a transaction, meaning the buyer has yet to sell, or the short seller has yet to buy. The COT Report is split into three categories: commercials (producers/merchants, etc.), large speculators (hedge funds, managed money, etc.) and small speculators (average schmoes like you and me).

Many traders believe the commercial trader activity is the best yardstick for the true value of a commodity and to determine market direction. An examination of the COT Report in 2016 versus price of WTI reveals that as prices bottomed at \$32.22 in January, large speculators began to buy while commercial traders continued their trend of reduced action (see chart below). The large speculators' buying boosted the price of WTI to a high of \$52.28 on June 9.

(Continued on next page)



(Large Speculators = Green, top line; Commercial Traders = Red, bottom line)

Unfortunately, the chart also shows that large speculators stopped buying and began closing their positions in mid June. At the same time, commercial traders used the speculative increase in price to lock in windfall profits by selling contracts at or near the high of \$52.22. As of this writing, the selling by commercial traders continues to increase while the selling/inactivity of large speculators also increases. When everyone is selling, price goes down. This takes us back to Econ 101: supply vs. demand.

Only time will tell if this current slump in prices down from \$52.28 to around \$45.00 a barrel will continue. The next few months will determine whether or not the large speculators can continue the rally began in mid-January. Being an optimist, I believe in the industry and see higher prices ahead. When that will happen, however, is the billion-dollar question.



Jocelyn L. Buckley is a founding partner of Buckley & Turner, PLLC and focuses her practice on oil, gas, and mineral law. She is licensed in Texas, Pennsylvania and New York and has over twelve years of experience in the oil and gas industry as a landman and attorney. She is a graduate of Seton Hall University School of Law and is a proud Terp, having attended the University of Maryland, College Park.



T. C. Turner is a founding partner of Buckley & Turner, PLLC and specializes in oil, gas, and mineral law. He is licensed in Texas, Louisiana and New Mexico and is Board Certified by the Texas Board of Legal Specialization. He loves the practice of oil and gas law and particularly enjoys the more obscure nuances of New Mexico and Louisiana law. Though trained as a common law attorney at the University of Texas School of Law, he has come to appreciate the finer aspects of the Louisiana Civil Code.

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