

KIOGA

The Voice of the
Kansas Independent
Petroleum Industry

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2020 Kansas Legislative Session

KIOGA to Advance
Abandoned Well Proposals



KIOGA has been busy preparing for the upcoming 2020 regular Kansas legislative session. Many KIOGA members have been participating in legislative and regulatory meetings focusing on issues important to the independent oil and gas industry. KIOGA is also diligently monitoring interim committee hearings

to cover the interests of the independent oil and gas industry.

KIOGA Engaged During Legislative Interim

Several KIOGA members have been participating in legislative and regulatory

Continued on Page 10

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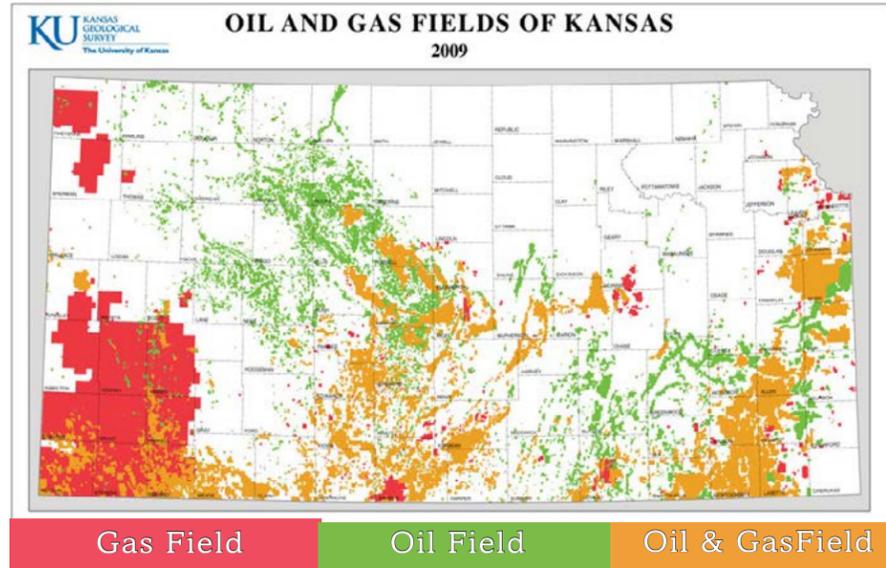
- Edward Cross - President**
- Kelly Rains - Operations Manager**

The Kansas Independent Oil & Gas Association (KIOGA) believes in seeking common ground, through common sense solutions, to the challenges facing the Kansas oil and gas industry. Our bipartisan approach provides a uniquely powerful voice for our members at the state and national level.

**Our work is critical.
Your support is vital.**

KIOGA Wichita Office
229 E. William - Suite 211
Wichita, Kansas 67202-4027
316-263-7297

KIOGA Topeka Office
800 SW Jackson Street - Suite 1400
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Message from the Chairman

David Bleakley
2019-2021, Chairman KIOGA

Greetings KIOGA Members,

The last two months have been a whirlwind of activity as I dove in head-first to educate myself about the many issues facing our organization.

I quickly determined that my theme as Chairman would be:

- A: advocacy
- B: business
- C: camaraderie

ADVOCACY

As usual, Ed has been working hard carrying our message to the local, state, and national level. Ed and I recently attended the IPAA Convention in Washington

D.C., and I was able to network with other organization members and see Ed in action. He represents our organization very well and has great respect among the other associations. I encourage you to read his President's Express, his white papers and to give him input on any issues you are facing. I assure you that your voice will be heard!

At the end of October, Ed and I made the annual "Listening Tour" trip to Western Kansas. We met with many KIOGA members in Great Bend, Garden City, and Russell. Everyone shares the same concerns about price, rules and regulations, utility costs and the shortage of labor in our industry.

The Abandoned Well Working Group and the Oil and Gas Advisory Committee continues to work to advance the Abandoned Well Legislation and is preparing to testify and support such legislation in next year's session.

BUSINESS

When the Annual Convention ended in August, I scheduled appointments with the Auditor, the Accountant, and the Investment Manager in an effort to educate myself on the

finances of KIOGA and to fully understand how our organization uses its funds to further the mission on which our organization was founded. This exercise was very enlightening, and some proposals will be forthcoming.

In addition, I talked to the three past Convention Chairs then scheduled appointments with the incoming Convention Chair Mike Pisciotte and the Hyatt to discuss our 2020 Convention plans and expenses. We heard strong input about the conflicting date with Back-to-School functions. Unfortunately, we are locked in on contract dates for the coming year but will continue to work on alternative dates for the future. Please mark your calendars for August 16-18, 2020 in Wichita. We are in good hands with 2020 Convention Chair Mike Pisciotte. He has some new ideas for changes to make the

2020 Convention a great annual meeting!

Finally, I will be reinstating the Executive Committee set forth in our By-Laws and will be bringing issues to the Executive Committee that need discussion between Board Meetings with recommendations to the Board of Directors for final approval. The Past Presidents' Advisory Committee will also be utilized for discussion and input as situations necessitate. I believe in full transparency and will be presenting background information for Previous Notice prior to votes. In all my conversations, the membership is energized and ready to honor the past but move KIOGA forward into the future.

CAMARADERIE

I will soon be appointing new Committee Chairmen and Committee Members to carry out the Board of Directors' work for KIOGA. In my forty-one years of involvement with the oil and gas industry, I have found that the "Best things in life are found on the top shelf." I encourage you to stretch yourself, get involved, share your talents, and help KIOGA build on the foundation we have inherited from our past

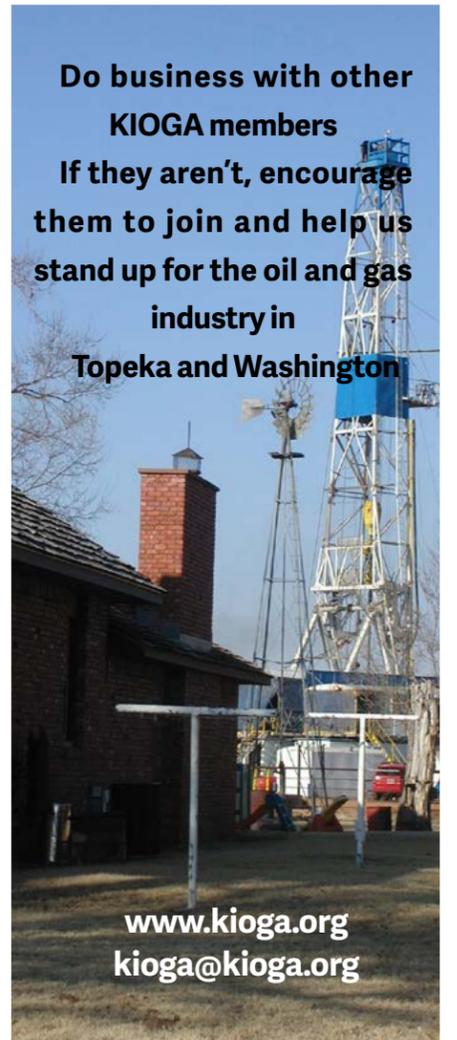
leaders. You will not only be helping our organization but will build many industry friendships along the way.

As always, I welcome your input and am always available to discuss ideas, concerns, or member's needs. My cell phone number is (620) 365-9419.

Again, as Chairman for the next two years, I look forward to working with the entire KIOGA membership. If you are reading this newsletter and are not a member, I encourage you to join us and become an active supporter of the Kansas oil and gas industry through your membership in KIOGA. Please contact our Topeka Office (785) 232-7772, our Wichita Office (316) 263-7297, or me directly if you have any questions or desire additional information about the Association.

Sincerely,

David P. Bleakley
KIOGA Chairman



Association Health Insurance Update

Blue Cross Blue Shield of Kansas has provided KIOGA a proposal to establish a KIOGA Association Health Insurance Plan. After a lot of discussion with Blue Cross regarding the plan options themselves and their proposals, we do have some proposed premium numbers for the various options.

We have learned that most individual plans may be facing significant premium increases in 2020 and that there may be changes to the plans that you currently have.

Former KIOGA Chairman Ken White is leading the KIOGA association health insurance plan effort and has sent out the Blue Cross proposed premium rates **ONLY TO CENSUS SURVEY PARTICIPANTS**. White encouraged census survey participants to compare the rates for the four proposed Blue Cross options to each participant's current policy,

and to let KIOGA know how they compare. Jamie McDonald with Hays Companies of Kansas will be happy to help you with that comparison since it is likely that the policy you currently hold differs in some ways from the current Blue Cross proposal.

KIOGA is still looking into a Plan "B", or maybe even a Plan "C" or Plan "D" with other policy options, and other companies. Currently, it is not likely we will have an association health insurance plan in place by January 1, 2020, but that really should not matter since health policies can be changed at any time. Even though you renew annually, you are not locked in to the policy for a year.

Anyone who has questions about the KIOGA Association Health Plan proposal and progress should contact Ken White at kswhite@white-exploration.com or call at 316-682-6300.

Check out the Career Center on KIOGA Website post a job, post a resume. www.kioga.org

Save the Dates

KIOGA 28th Annual Midyear Meeting
April 15-17, 2020
Garden City, KS

KIOGA 83rd Annual Meeting & Expo
August 16-18, 2020
Wichita, KS

KIOGA Mark your Calendar

Event Name	Date	Location
Energy Council Energy/Env. Conf.	December 5-8, 2019	White Sulpher Springs, WV
KIOGA Board General Membership	December 11, 2019	Wichita, KS
Annual Suppliers Party	December 11, 2019	Wichita, KS
2020 Kansas Legislative Session	January 13, 2020	Topeka, KS
Kansas O&G Day Legislative Reception	January 29, 2020	Topeka, KS
NAPE Summit Week	February 3-7, 2020	Houston, TX
AESC 2020 Winter Meeting	February 26-28, 2020	Galveston, TX
KIOGA 28th Midyear Meeting	April 15-17, 2020	Garden City, KS
KIOGA 83rd Annual Convention	August 16-18, 2020	Wichita, KS

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2020 Kansas Legislative Session Calendar

- January 13th - Session opens.
- February 3rd - Last day for individual members to request sponsored bill drafts.
- February 10th - Last day for non-exempt committees to request bill drafts.
- February 12th - Last day for individual bill introductions.
- February 14th - Last day for non-exempt committee bill introduction.
- February 24th - Last day for committees to meet.
- February 27th - Turnaround Day, last day for non-exempt bills in house of origin.
- February 28th – March 3rd – No session.
- March 20th - Last day for non-exempt committees to meet and consider bills.
- March 25th - Last day for debate of non-exempt bills in either chamber.
- March 26th-27th - No session.
- March 30th-31st - Conference committees meet.
- April 1st - Last day for conference committees to agree.
- April 3rd - Last day for conference committee agreements, First Adjournment.
- April 4th - 26th - Spring Break.
- April 27th - Veto session opens.
- May 13th – Projected session adjournment.

KIOGA New Members

We welcome the following members to the KIOGA family. Thank You for your continued support!

Name	Company	City & State
Tim Beck	WH Beck, Inc.	Hennessey, OK
Janae Talbott	Mechanized Concepts Kansas	Russell, KS





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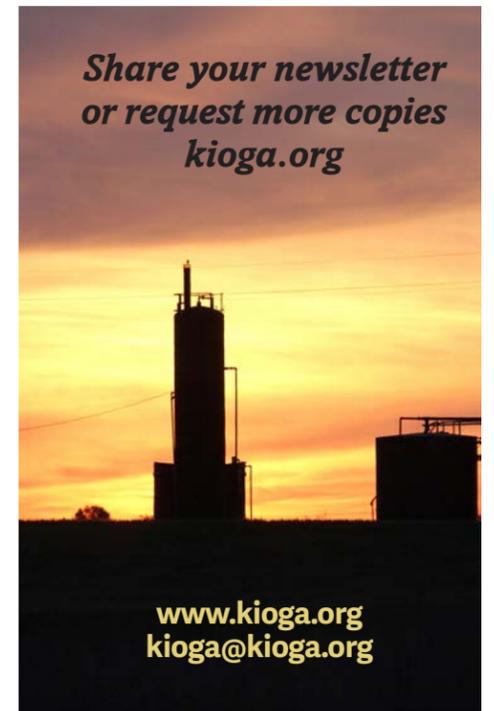


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2020 Legislative Session Continued

Abandoned Well

party. One fund is used for abandoned wells drilled prior to 1996 and the second fund is used for abandoned wells drilled after 1996. The fund for wells drilled after 1996 is used infrequently and often builds in value creating a target for legislative sweeps. We will propose combining the two funds so that funds paid by industry to plug abandoned wells with no responsible party can be used to plug such wells across the state, regardless of when they were drilled. A second bill will instill regulatory certainty into abandoned well plugging responsibility. Both industry and the KCC have been plagued by the question of who is responsible for plugging orphaned wells since the Kansas Appeals Court in January 2015 overturned the Quest Order. The court held that a company acquiring a lease was not responsible for plugging any orphan wells found on it as long as the company did not cause those abandoned wells to become environmental hazards. KIOGA will be advancing legislation in the 2020 session to clarify responsibility for abandoned wells.

Environmental Activists Expected to again introduce uninformed oil and gas regulation bills – Several issues affecting KIOGA members could emerge during the 2020 Kansas Legislative Session. During the 2019 Kansas Legislative Session, lawmakers rejected uninformed injection well/earthquake bills advanced by the Sierra Club and other activists. Each of the last seven years, the Sierra Club and other activists have had bills introduced that include a list of onerous rules and regulations designed to stop oil and gas production. This laundry list of oil and gas regulations that have no environmental benefit but high associated

costs and includes carefully thought-out restrictions on hydraulic fracturing, waste management, emissions, moratoriums on injection wells, establishing an earthquake risk pool fund, and other measures with the goal of stopping oil and gas production. The foundations for these proposals are based on unfounded information and activist propaganda.

This upcoming session (2020) will likely see the same. We can expect activists to try to advance legislative proposals to create a risk pool to compensate property owners suffering earthquake damage, force the KCC to consider potential seismicity in issuing permits for injection wells, and imposing a volume cap on wells throughout the state.

KIOGA stays keenly poised to address any attempts by those who oppose American oil and gas development to promote legislation and/or regulations designed to stop oil and gas production. KIOGA President Edward Cross will be meeting with key legislative leaders and committee chairs in advance of the legislative session to provide fact-based scientific information about injection wells, seismic activity, hydraulic fracturing, climate issues, and more. KIOGA is prepared and ready to defend the oil and gas industry at every opportunity.

Uniform Partition of Heirs Property Act – During the 2019 session, the Uniform Partition of Heirs Act was introduced. KIOGA opposed the measure because the proposal would have made it practically impossible to partition many parcels of real estate in Kansas. The problem is that partitioning is often the best option to fix title problems that would otherwise render the land unable to be developed for oil and gas production. Last year, the measure

did not advance out of committee. KIOGA will be vigilant to address any action to advance the measure again in 2020.

Electric Rate Study – An electric rate study bill passed the Kansas Legislature in 2019 that directed the Legislative Coordinating Council (LCC) to authorize a study of retail rates of Kansas electric public utilities. The study would provide information that may assist future legislative and regulatory efforts in developing electric policy that includes regionally competitive rates and reliable electric service. The bill requires the study to be completed in two parts. The first part will be completed by January 8, 2020 and would examine the effectiveness of current Kansas rate-making practices and examine options available to the KCC and the Kansas Legislature to affect Kansas retail electricity prices to become regionally competitive while providing the best practicable combination of price, quality, and service. The second part of the study would be completed by July 1, 2020 and will look at how Kansas' electric rates affect the state's economy.

Other Issues – Several more issues may emerge during the 2020 Kansas Legislative Session. In the past, some have tried to advance proposals to change oil and gas tax structures with schemes that expose oil and gas operations to higher tax rates. KIOGA will stay vigilant defending industry against any taxation schemes that attempt to unfairly target the oil and gas industry for higher taxes. KIOGA will be ready to provide relevant information if such a proposal emerges. KIOGA will stay vigilant identifying and preparing for additional emerging issues.



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KIOGA Member News

KIOGA Educational Foundation

The KIOGA Educational Foundation (KEF) has given out eleven grants to date. We are in the process of taking applications thru the end of December to award other Kansas Schools for their STEM (Science, Technology, Engineering and Math) projects. If you know a school that would fit in this category, please have their school contact us. Grants awarded to date:

- Gordon Parks Academy - Wichita, KS (2)
- Heller Elementary - Neodesha, KS
- Marshall Elementary - Eureka, KS
- Victoria Elementary - Victoria, KS
- Spaght Science & Communications - Wichita, KS
- Derby North Middle School - Derby, KS (2)
- Brooks Center for STEM - Wichita, KS
- Bucklin High School - Bucklin, KS

If you are interested in donating to the the program, contact KEF at kef@kioga.org. Check out the new Facebook page.



Please consider making KIOGA Educational Foundation as your donation in lieu of flowers. KEF is dedicated to the education of teachers and students, on the benefits of the oil and gas industry
KEF | 229 E William Suite 211 | Wichita, KS 670202

In Memory Of:

Brad Wright

W. Michael "Mike" Raymond

Ronald T. Mackey

TRC

Raymond Oil Company

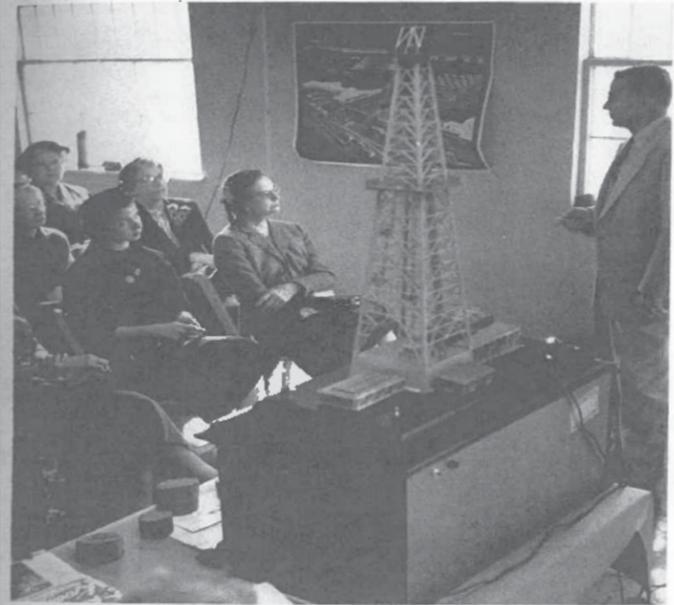
Mackey Oil Co./ Venture Resources

Yukon, OK

Wichita, KS

Longmont, CO

KIOGA Hosts 50 School Teachers at All Day Study of Kansas Petroleum Industry



1955 KIOGA Log

One of the outstanding activities of your Association in 1955 was the day we spent with fifty Wichita school teachers. Kioga made a color, sound movie of this event, in which we described the contributions to the public welfare made by the geologist, land man, drilling contractor, oil attorney, petroleum engineer, and the private investor.

We especially appreciated the opportunity to discuss the proposed severance tax with them, as they indicated their desire to know more about this state issue. Many of them expressed surprise at the amount of taxes the oil industry is now paying, as they had been told that the oil industry is not paying its fair share of taxes.

We hope to develop this phase of our public relations program to a far more effective degree.

Here we see P.T. Amstutz, consulting petroleum engineer, discussing the methods used in determining reserves. Our guests were enthusiastic about the entire program, and asked many intelligent and basic questions

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What Does 2020 Congress Hold for Oil & Gas Industry?

KIOGA Engaged in Addressing Tax and Energy Policy Challenges

As we prepare for the remainder of 2019 and going forward into 2020, tax and energy policy continues to be prominent topics of discussion in Washington. As 2020 begins we enter the second year of the 116th Congress. Lawmakers in both parties agree the partisan politics of the 2020 election will kick into high gear as soon as January making the passage of any major legislation unlikely until 2021. The Trump Administration has dismantled many of the failed energy policies of the previous administration. However, many House Democrats and presidential candidates are promoting a return to energy policies that overregulate, pick winners and losers in the marketplace, and make American energy increasingly expensive and uncompetitive.



“We cannot be silent with Congress,” said Edward Cross, KIOGA President. “We must voice our concerns. We

have made a number of new friends, both Republican and Democrat, in Congress. But we must stay vigilant in voicing our concerns and educating policymakers, media, and the public on the issues. Going forward, we truly have something to build upon and can be proud of the bipartisan support we have developed for the oil and gas industry.”

Federal Oil & Gas Tax Issues Arise



Federal oil and gas tax discussions have recently emerged in Washington.

With Democratic presidential candidates and advocates for the Green New Deal calling for the end to oil and gas tax provisions, critical oil and gas tax provisions like percentage depletion are under scrutiny. KIOGA has been engaged early-on to provide a foundation and resource for credible information regarding oil and gas tax provisions to a number of key federal policymakers. On September 24th and 25th, KIOGA President Edward Cross joined other members of the National Stripper Well Association (NSWA) in meeting with the Congressional Joint Committee on Tax to educate key federal policymakers on the importance of critical tax provisions, namely percentage depletion and intangible drilling costs (IDCs) on the small businesses that make up the independent oil and gas industry in Kansas and across the nation.

In September, KIOGA President Edward Cross met with Congressional members of the Joint Committee on Taxation (JCT) including JCT Chair Representative **Richard Neal (D-MA)**, JCT Vice Chair Senator **Chuck Grassley (R-IA)**. He also met with JCT committee members Representatives **John Lewis (D-GA)**, **Lloyd Doggett (D-TX)**, **Kevin Brady (R-TX)**, **Devin Nunes (R-CA)** as well as JCT committee

members Senators **Mike Crapo (R-ID)**, **Michael Enzi (R-WY)**, **Ron Wyden (D-OR)**, and **Debbie Stabenow (D-MI)**. Cross also met with Kansas Senator **Jerry Moran (R-KS)** to share information learned from the JCT meeting.



Cross shared with each of the policymakers the importance of critical tax provisions, namely percentage depletion and IDCs, on the small businesses that make up the independent oil and gas industry in Kansas and across the nation.

The bottom-line message provided to each of the policymakers was clear. Congress should reject unwarranted proposals that would significantly harm the competitiveness of American natural resources industries by eliminating or reducing the present-law percentage depletion and IDCs tax provisions. Cross provided and discussed with each of the policymakers the following information:

- The IHS study The Economic Impact of Eliminating the Percentage Depletion Allowance
- KIOGA written comments submitted to the Joint Committee on Taxation
- KIOGA white paper explaining percentage depletion and IDCs
- KIOGA white paper on the origin and evolution of the depletion allowance and IDCs
- KIOGA report on the economic impact of the oil and gas industry in Kansas and the impact percentage depletion and IDCs have on the industry in Kansas
- KIOGA white paper on why percentage depletion and IDCs are not subsidies
- KIOGA comparison of tax provisions for majors and

- independents
- KIOGA White Paper State of the Oil & Gas Industry

Going forward - Going forward, we will likely have to fight to justify percentage depletion, which is arguably the most important federal tax provision we have. JCT members asked for information and Cross followed up the meetings with written correspondence providing additional information on questions and concerns posed by policymakers and staffers. As we get into the congressional lame duck session, the wind lobby is pushing for more subsidies. This prompted JCT staff to contact KIOGA President Edward Cross in November for more information and explanation of why oil and gas tax provisions are not subsidies. Cross provided that information and discussion in November. The meetings were very productive in terms of learning where the JCT committee stand on oil and gas tax provisions and what we (KIOGA) need to be doing to prepare.

KIOGA has prepared for these battles and have built significant positive relationships with several key Republican and Democrat policymakers in Congress. KIOGA continually meets with key federal policymakers. Face-to-face meetings are crucial to keep our interests protected.

KIOGA will be working hard with Republicans and Democrats to make sure there is no doubt about the depth of industry opposition to eliminating critical oil and gas tax provisions like percentage depletion and IDCs. Two members of the Kansas Congressional delegation serve on critical tax committees. **Senator Pat Roberts (R-KS)** serves on the Senate Finance Committee and **Congressman Ron Estes (R-KS)** serves on the House Ways & Means Committee. KIOGA stays in continual contact with all members of our congressional delegation and will be keeping them informed and alerted

to the importance of critical oil and gas tax provisions.



The battles are far from over and KIOGA will continue to take the positions of small independent oil and gas producers directly to those in Congress. KIOGA has established a forward-looking presence with key federal Republican and Democrat policymakers. We are in a good position to defend on tax provisions going forward. We have been engaged in every stage of the process and are recognized in Washington as an advocate for the small onshore independent oil and gas industry. Many key policymakers look to us for credible information on tax reform. We will continue to provide credible information and not decrease our efforts just because there is not a strong chance that tax reform will pass this year.

Tax Foundation – KIOGA President Edward Cross was contacted by the Tax Foundation, a Washington, DC think tank that focuses on tax policy, in early September. The



Tax Foundation had read KIOGA's report titled Kansas Oil & Gas Industry Strategic Analysis and KIOGA's white paper titled State of the Oil & Gas Industry – Dynamic Challenges Facing Kansas Oil and Natural Gas Industry. They were very interested in the analysis of the impact of state and federal taxes on the small businesses that make up the Kansas oil and gas industry. Cross met with the Tax Foundation in September to further discuss Kansas oil

Continued on page 20

2020 Congress Continued

Tax and Energy Policy

and gas industry tax analyses metrics.

Carbon Tax - In September, KIOGA President Edward Cross was contacted by U.S. Senator Todd Young (R-IN), U.S. Senator Mark Warner (D-VA), and



Congressman Doug Collins (R-GA) asking for KIOGA thoughts on carbon tax proposals. Cross said that all too often state and federal proposals to tax carbon directly or launch new carbon tax schemes have much more to do with raising revenue than helping our environment. For those who prefer higher taxation to spending cuts, having an entirely new source of revenue is appealing. However, taxing carbon only takes more resources from the private sector to support swelling state and federal government.

A recent study analyzed probable effects of a U.S. carbon tax that starts at \$20 per ton and then rises 4% per year, which is in line with recent proposals. The study suggested that such a tax would decrease household consumption,

due to the increased cost of goods. The average household would have to pay 40% more for natural gas, 13% more for electricity, and more than 20 cents per gallon extra for gasoline. Costs would rise even more in subsequent years.

Price hikes like these can only mean lower standards of living and less opportunity. Families that spend a bigger portion of their household income on transportation, utilities and household goods are hurt, not helped, by carbon tax schemes that make traditional forms of energy more expensive.

Lawmaker Carbon Tax Ideas – Two Republican lawmakers in Congress have said they would like to see a carbon tax of \$24 per ton. Four Democratic lawmakers in Congress have pegged the price at \$50 per ton. Liberal think tanks have said the price needs to be \$230 per ton. President Trump has said something more like \$1 to \$7 per ton. Democrats in general are supporting a new carbon tax, but won't seriously talk about it unless they have the presidency and Congress. On the other side, President Trump and Republicans firmly oppose any efforts to increase the cost of energy through taxes and regulations.

U.S. Doesn't Need a Carbon Tax – Even if the U.S. imposed some kind of carbon tax, it would not make a difference to global climate. This is what KIOGA President Edward Cross told several federal lawmakers in September. In 2018, U.S. carbon emissions were around 5,100 billion metric tons from all sources, an almost 20% drop below emissions in 2007. While U.S. greenhouse gas emissions have been falling

in recent years, world carbon emissions keep increasing by an average of more than 300 gigatons each year for the last decade, driven primarily by China's and India's increasing demand for energy. Together, these two countries now account for one-third of world carbon emissions. China and India are not going to impose a carbon tax on themselves. Doing so would increase their energy costs and reduce their economic growth. Neither will Russia, nor countries in the Middle East, nor developing nations whose primary concern is improving the economic well-being of their citizens.

Energy Policy



The U.S. currently has a better, more sensible approach to energy development than any other country in the world, both for the short-term and long-term. Where government policy has been absent, free markets have filled the void with great success. KIOGA President Edward Cross recently wrote an editorial about carbon taxes and energy policy that appeared in media across Kansas and elsewhere including the Kansas City Star. The editorial brings to light the fact that by focusing on more efficient use of energy, it is possible to lower emissions without imposing a carbon tax or even

more environmental restrictions. An American energy policy that values innovation over regulation can turn energy policy challenges into great opportunities for economic growth and energy security.

America's newfound status as a global energy superpower has created economic opportunities and a cleaner environment here at home as well as stability around the world. The oil and gas industry is leading the way in technology developments and innovative solutions to find new and better ways to produce and use energy. In order to harness our abundant natural resources and spur innovation, we need elected officials who support forward-looking policies. Pro-energy elected officials will ensure the oil and gas industry has the opportunity to improve all Americans' access to abundant, affordable energy and to provide hundreds of thousands of new high-paying jobs across the nation.

Few doubt that energy has improved lives and enabled human progress. Yet one of the biggest challenges facing the world is the polarized debate over the future of energy. Facts and economics are too often replaced with assertions and emotions. Discussions about fossil fuels and alternative energy sources often degenerate into a battle to delegitimize the other side. This is a recipe for inaction. And it keeps billions of people trapped in energy poverty. Almost 40% of humanity, or three billion people, have access to only rudimentary forms of energy and a very low standard living. The world expects and deserves better.

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Federal Regulatory Policy in Focus

Brouillette Nominated to Head DOE-DOT May Open Up Railroads for LNG Shipments

KIOGA's advocacy efforts on the federal regulatory challenges facing the Kansas oil and gas industry continues. KIOGA is actively engaged and vigilant in staying on top of federal regulatory concerns impacting Kansas oil and gas producers and reporting to membership. KIOGA continues to work with our allies at DEPA, IPAA, and Liaison Committee of Cooperating Oil & Gas Associations and others to engage not only in advocacy on the regulatory front, but also in legal challenges. Since there is not room to include an in-depth look into all of KIOGA's efforts in every issue of our newsletter, please check our website at www.kioga.org for the latest information on KIOGA's efforts on behalf of the Kansas independent oil and gas industry.

Brouillette Nominated to Lead DOE

President Trump announced on October 18th that he would nominate Deputy Secretary of Energy Dan Brouillette to replace Energy Secretary Rick Perry, who announced on October 17th that he would resign his post by the end of the year. The role of Deputy



Secretary is to run the agency's daily operations, largely behind the scenes. Like his counterparts at EPA and the Interior Department, Andrew Wheeler and David Bernhardt respectively, Brouillette is on track to ascent to DOE's top post after winning support from Republicans while in his Deputy Secretary role. Brouillette is a Louisiana native who served in the military before heading to Washington. His first job in Washington was in the office of former Louisiana Representative Billy Tauzin. Brouillette went on to serve in the private sector as a lobbyist and at DOE in the George W. Bush era.

Update on Proposed Gas Gathering Line Regulations

The U.S. Department of Transportation Pipeline and Hazardous Materials Safety Administration (PHMSA) continues developing a gas gathering line regulatory proposal. PHMSA's final gas gathering safety rule is being prepared and is anticipated to be



sent to the DOT Secretary's office in early 2020. KIOGA President Edward Cross is a member of the Independent Petroleum Association of America (IPAA) Pipeline Safety Task Force. We (IPAA task Force) have been working to educate PHMSA about the concerns of small independent producers. PHMSA plans to issues regulations for gas gathering lines 8 5/8" OD and greater.

PHMSA is also looking to develop regulations that focus on Safety Provisions for Large Diameter Rural Gas Gathering Lines. These include Type C and Type D gathering lines.

Type C: Any gathering line greater than 12.75" outside diameter, with a maximum allowable pressure (MAOP) of 20% or more of specified minimum yield strength (SMYS). If stress level is unknown, operator shall determine according to applicable provisions in subpart C of 49 CFR 192, or use the MAOP limitation that applies to non-metallic lines (> 125 psig). For lines greater than 12.75", up to and including 16", which do not contain any buildings intended for human occupancy or other impacted site within a class location unit or potential impact radius, operator may treat as a Type D line.

Type D: Any gathering line greater than 12.75" outside diameter, with MAOP less than 20% SMYS or MAOP equal to or less than 125 psig.

We have also been working to get PHMSA to recognize Recommended Practices (RP) governing the endpoints of production and gathering. PHMSA had proposed to eliminate RP-80, which has been the RP that PHMSA has used in the past that defines gathering by function, not line diameter. However, at industry's urging, PHMSA is now proposing to retain and update RP-80, contingent upon progress by the industry-led group to update RP-80. While it is impossible to develop a version of RP-80 that regulators, industry, and the public would all find to be perfect, the current proposal retains much of the function definition as to what constitutes gathering, which is vitally important for KIOGA members.

FMCSA Hours of Service (HOS) for Drivers Rule Proposal

The Federal Motor Carrier Safety Administration (FMCSA) has proposed changes to its Hours of Service (HOS) rules for drivers. The proposal includes five main changes: 1) Change the short-haul exception available to certain commercial drivers by lengthening the drivers' maximum on-duty period from 12 to 14 hours and extending the distance



limit within which the driver may operate from 100 air miles to 150 air miles; 2) Modify the adverse driving conditions exception by extending by 2 hours the maximum window during which driving is permitted; 3) Increase flexibility for the 30-minute break rule by tying the break requirement to 8 hours of driving time without an interruption for at least 30 minutes, and allowing the break to be satisfied by a driver using "on duty, not driving" status, rather than "off duty" only; 4) Modify the sleeper-berth exception to allow drivers to split their required 10 hours off duty into two periods: one period of at least 7 consecutive hours in the sleeper berth and the other period of not less than 2 consecutive hours, either off duty or in the sleeper berth. Neither period would count against the driver's 14-hour driving window; and, 5) Allow one off-duty break of at least 30 minutes, but not more than 3 hours, that would pause a truck driver's 14-hour driving window, provided the driver takes 10 consecutive hours off-duty at the end of the work shift. KIOGA President Edward Cross sent a letter on behalf of KIOGA to FMCSA commending them on their retrospective review of the current HOS rule and offered our support for the proposed changes.

U.S. DOT May Open Up Railroads for LNG Shipments

The U.S. Department of Transportation (DOT) has proposed allowing railroads to begin transporting liquefied natural gas (LNG) in special cryogenic tanker cars. These tanker cars can maintain temperatures of less than minus 300 degrees, and are currently used to

move chemicals like ammonia and ethylene. Pipelines are still the most optimal way to transport gas, but LNG by rail can be a great way to move gas into places with pipeline constraints, like the Northeast.

Pipeline projects are under increasing scrutiny. New York Governor Andrew Cuomo has blocked construction of new pipelines running through New York and into New England.

Tanker cars full of natural gas may represent a significant safety risk. However, the Pipeline and Hazardous Material Safety Administration (PHMSA), maintains it has studied the risks and decided they are manageable.

"This major rule will establish a safe, reliable, and durable mode of transportation for LNG, while substantially increasing economic benefits and our nation's energy competitiveness in the global market," PHMSA Administrator Skip Elliott said in a statement.

The environmental group Earthjustice, representing a coalition of activist groups, warned that the administration has not done enough to establish that LNG could be moved safely by rail.

The transportation of LNG by rail car is already allowed in Canada and Japan. The oil company Japan Petroleum Exploration has moved LNG by cryogenic containers loaded onto trains for close to two decades. Enestas, a Mexican company with offices in Houston, uses trucks to transport natural gas from South Texas to clients in Mexico.

Injection Well Issues Lead State Regulatory Concerns

KIOGA Engaged

KIOGA has been busy during the legislative interim addressing several oil and gas industry concerns and issues. Several KIOGA members have participated in regulatory meetings focusing on issues important to the independent oil and gas industry.

Injection Well/Earthquake Issues



In October, Earl Lewis, Acting Director of the Kansas Water Office, contacted KIOGA and asked for an industry speaker to participate in a panel discussion of groundwater issues and Arbuckle formation injection during the Governor's Water Conference in Wichita. Dana Wreath of Berexco LLC agreed to participate as the industry representative on the panel. On November 7th, Dana participated in a panel discussion of Arbuckle injection well issues during the Governor's Water Conference in Wichita. The panel discussion was moderated by Rex Buchanan, Director Emeritus Kansas Geological Survey. The other panelists included Rick Miller and Dave Newell of the Kansas Geological Survey and Brian Clennan, Director

of Public Works for the City of Hutchinson.

It was unfortunate to hear Dave Newell of the Kansas Geological Survey tell the audience that Arbuckle wells could become artesian wells "spitting up" salt water to the surface or contaminating ground water. This, of course, is false. Newell failed to provide facts about distance between zones, impermeable rock layers, surface casing, production casing, completion actions, etc. Dana Wreath did a spectacular job providing an industry perspective on the issues surrounding Arbuckle injection wells. Dana corrected some of the misinformation and provided facts and information for a more complete and informed discussion.

Governor Forming Arbuckle Study Workgroup - On November 4th, KIOGA President Edward Cross met with Governor Kelly and her Chief of Staff to discuss the injection well/seismic activity issue. Governor Kelly has been approached by the Kansas Water Authority and encouraged to form a workgroup led by the Kansas Water authority to "study the Arbuckle". Governor Kelly wants the Kansas Water Office to facilitate the study with the workgroup consisting of representatives from the Kansas Corporation Commission (KCC), Kansas Department of Health & Environment (KDHE), Kansas Geological Survey, Kansas Wildlife

& Parks, Kansas Department of Commerce, KIOGA, a Class I injection well operator, and a public stakeholder. While the workgroup is still coming together, Governor Kelly hopes the workgroup could come up with a study plan by September 1, 2020 and then establish a timetable for completing the study. The Governor and her Chief of Staff asked Cross for his thoughts on the issue and the workgroup. Cross said that KIOGA takes the issue of injection wells/seismic concerns very seriously and continually works to find fact-based scientific solutions. Cross explained that the real issue is that any injection well (Class I or Class II) drilled into and injecting into the granite wash in high seismic risk areas increases risk for seismic activity. Cross provided the Governor and her staff several information pieces we (KIOGA) developed (Facts About Induced Seismicity, Seismicity & Injection Wells in Kansas, Seismic Activity in Kansas, and KCC developed map of locations of recent earthquake epicenters and Class I and Class II wells). As far as the workgroup, Cross said KIOGA would be helpful by ensuring any study is correct, scientifically-based, and limited in scope to the site-specific features of the areas in question. Cross also suggested a good first step would be a more complete sharing of injection well data from the KDHE. Governor Kelly said she understands that there is a serious lack of data sharing.

Governor Kelly said she was appreciative that KIOGA provided helpful information and she would look to us for credible information on energy issues going forward.

KCC Continues Looking to Revise Regulations



The Kansas Corporation Commission (KCC) Oil & Gas Advisory Board has

formed groups to look into specific topics and report back recommendations to the Advisory for potential regulatory amendments, deletions, or additions. Several KIOGA members participate in each of the workgroups. The abandoned well workgroup has completed work on revising K.S.A. 55-179. KIOGA and the KCC will be working to advance legislation in the 2020 Kansas legislative Session to diminish regulatory uncertainty regarding abandoned well responsibility. Three additional workgroups will look at:

- Topic: K.A.R. 82-3-100 series of regulations. Purpose: This working group will review the 100 series regulations and provide suggestions for updating the entire series of regulations.
 - The KCC has outlined several areas they think need updated including definitions, TA well

regulations, licensing, and notices/protests. The KCC is developing a markup of regulations they think need attention and have encouraged industry to identify areas where the 100 series regulations need work. Several KIOGA members are participating in the workgroup.

- Topic: Finance Working Group. Purpose: This working group will review reported revenue and track production trends to advise if regulatory amendments are necessary to the oil and gas production assessments.
 - KIOGA representatives participated in this work group discussion as dialogue began on the KCC budgeting process, cost and revenue projections,

mill levy changes, and other sources of revenue.

- Topic: 15-CONS-770-CMSC. Purpose: This working group will discuss drafting potential permanent regulations based on the Commission's Orders in the saltwater injection volume limitation docket for portions of south-central Kansas.

- The group agreed with the KCC proposal to draft permanent regulations based on the KCC's Orders in the saltwater injection volume limitation docket for portions of south-central Kansas. KCC is working to draft regulations for working group review.

Opportunity Through Challenge



A message from your KIOGA President, Edward Cross



Please let me wish each of you and your family a most joyful holiday season and healthy and happy New Year! Each of you makes a difference every day for our nation's energy security and economic well-being. You are a crucial part of what makes this nation function efficiently day to day. You are amazing!

I take great pride in my role within KIOGA. With respect to the past and an eye to the future, KIOGA has a firm foundation and a bright future, as does our industry, our members, our great State of Kansas, and our beloved country.

Over my 30+ year oil and gas career, I have seen many changes in the oil and gas industry. But at no time in my career have I experienced a time of more dramatic and rapid change than what's happening today. I don't know a lot of things about the future, but I do know the pace and complexity

of change will likely increase. Tension between oil and gas developers and environmental concerns will continue to be a significant challenge. However, I also believe great opportunities can arise from addressing critical issues.

KIOGA, and its members, and its allies are now as busy, relevant, and strong in our efforts as at any time in the association's history, working on behalf of the Kansas independent oil and gas industry. As has been the case historically through times of challenge, industry adapts and evolves to produce the next generation of dynamic growth and success.

KIOGA has been a leader in the discussions taking place in Topeka and Washington about key energy policy concerns. At the same time, we aggressively combat state and federal regulatory onslaughts by providing facts and analyses through advocacy and legal challenges.

As you will see in this newsletter, we continue to connect and communicate with key policymakers in Topeka and Washington. This newsletter also provides an update on our regulatory advocacy and litigation efforts.

KIOGA's vision is simple - to promote the development of

Kansas's oil and natural gas resources for the betterment of society. We recognize that our members truly are the fabric of many communities throughout Kansas. KIOGA members not only employ and support over 100,000 Kansans and their families with good-paying jobs boosting our state economy, but also pay significant taxes and often make significant charitable gifts that support communities and general overall well-being of our state.

Through rigorous engagement at the state and federal level, KIOGA works to create a more stable and predictable political and regulatory environment for our members.

We are committed to being a positive, credible, and proactive voice for industry, promoting respectful dialogue and education to advance oil and gas interests at the state and federal level. We accomplish

this through the three pillars of our Business Strategy: Legislative, Regulatory, and Outreach.

Our challenge going forward as advocates of this industry is to work hard each and every day to make sure people have access to the best information available. I encourage all of you to communicate with state and federal policymakers and the public about why making the right decisions on energy is so important for our nation's future. I have found that when people know more about our industry, energy issues, and energy in general, they support public policies that include oil and natural gas. Good communication requires accurate, fact-based information. KIOGA continually updates our fact sheets and reference material and you can find that information on our website at www.kioga.org or contact us and we will get that information to you.

Going forward in 2020, KIOGA will work together with our allies to promote sensible energy policy that promotes American energy development and not penalize America's independent oil and gas producers. We will focus our efforts to highlight the important role oil and natural gas plays in enriching life experiences and enhancing our quality of life.

Our regulatory advocacy efforts emphasize common sense regulatory policy and will focus on protecting operational certainty. We will be informing key policymakers of the key advantages available to our state and nation through increased domestic oil and natural gas production.

These activities are only possible thanks to the commitment of KIOGA members. Your support of KIOGA is now even more vital to our future. The work we have done over the past several years to educate policymakers and the public about our industry has laid a foundation for moving forward. Our voice is being heard and many key policymakers and government officials look to KIOGA and our colleagues for guidance on sensitive and critical oil and natural gas issues. I would like to especially thank each and every one of you for your participation and commitment to our association during these challenging times.

KIOGA will be here to inform and guide our industry through any challenges. We will stay vigilant and stand up for different issues pertinent to our industry and America's future.

On behalf of the KIOGA board and voluntary leadership, I thank you for your continued membership and support. Your membership makes a positive difference and your support is vital to our industry's future.

JOIN!



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**Kansas Independent Oil & Gas Association (KIOGA)
 Eastern Kansas Oil & Gas Association (EKOGA)
 Kansas Petroleum Council (KPC)**

Invite you to:

**Kansas Oil & Gas Day
 Legislative Reception**

The Kansas Independent Oil & Gas Association (KIOGA), Eastern Kansas Oil & Gas Association (EKOGA), and Kansas Petroleum Council (KPC) will be sponsoring an "Oil & Gas Day" legislative reception event during the 2020 Kansas Legislative Session. The event will be held in the **north wing of the 1st floor** of the **Kansas State Capitol** in **Topeka** on **Wednesday, January 29, 2020** from **7:30 a.m. to 9:30 a.m.** A Kansas country breakfast will be offered to all Kansas lawmakers and governmental decision-makers as well as all KIOGA, EKOGA, and KPC members who attend. Our legislative sponsor this year is **State Senator Rob Olson (R-Olathe)**. KIOGA will also distribute information about the Kansas oil and gas industry. The 2020 reception marks the 14th consecutive year we have organized the event. The event has proven to be very effective for building good will and providing an opportunity for our industry to communicate with legislators on issues important to our industry. Mark your calendars and we will see you in Topeka on January 29th!

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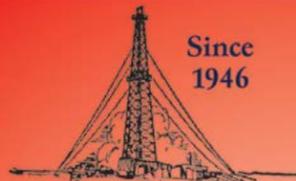
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Lesli has a Bachelor's degree in Business and is a 3rd generation operator in Eastern Kansas. Lesli is an EKOGA board member and a member of KIOGA.

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Update on Methane Regulations

Kansas Marginal Well Investigations - KIOGA Submits Comments



One of KIOGA's top federal priorities is EPA's ongoing efforts to rewrite methane emissions regulations released by the Obama administration in 2016. The EPA announced on August 29th changes from the Obama-era methane regulations including the change of the regulated emission from methane to volatile organic compounds (VOC). The August 29th EPA announcement was supported by KIOGA because it would be far more cost effective with regard to the breadth of emission sources.

EPA Proposal to Change Regulations from Methane to VOC

On August 29th, the EPA announced changes from the Obama-era methane regulations. The proposal reverses a 2016 Obama Administration action (Subpart OOOOa) that changed the regulated emissions to methane. Previously, 2012 regulations (Subpart OOOO) targeted VOC emissions. KIOGA has consistently advocated for the use of VOC emissions as the basis of these air regulations. For the oil and natural gas production portions of the regulations, the choice of regulated emissions does not change the environmental benefits. Both VOC and methane

are emitted together and the technologies to manage either manage both.

Biggest Impact is on Existing Facilities

The principal aspect of this VOC proposal relates to its implications for existing facility regulations. By choosing methane as the regulated emission in 2016, the Obama Administration triggered a little used provision of the Clean Air Act. Under this provision (titled Section 111(d)), when EPA issued its new source methane regulations, it initiated the development of a nationwide regulation on all existing facilities. The Trump Administration suspended this effort in 2017. Currently, there are about one million existing oil and natural gas production facilities. Of these about 125,000 to 150,000 are regulated under the 2012 Subpart OOOO regulations. This number will grow each year as new wells are drilled. However, of the remaining facilities, about 770,000 are low production, marginal wells. These wells would be significantly affected and threatened if methane continues to be the regulated emission. The most threatening part of the EPA regulations is a fugitive emissions requirement that is an expensive, perpetual operating cost and not cost effective for low production wells.

New Facilities Still Regulated

Importantly, the change in the regulated emission to VOC does not alter the requirements for new facilities. Controls on storage tanks, pneumatic controllers, pneumatic pumps, reduced emissions completions (REC), fugitive emissions and other elements of Subpart OOOO and Subpart OOOOa will continue to be

required. Many media accounts have mischaracterized the scope of the VOC proposal, suggesting that these regulations would be eliminated for oil and natural gas production operations.

EPA Still Working on Reconsideration Regulations

Part of the confusion regarding the implications of the VOC proposal results from a second EPA regulatory initiative – Subpart OOOOa Reconsideration – that was released in 2018. This proposal includes provisions changing the 2016 Subpart OOOOa regulations but it does not change the regulated emission



from methane. These changes include: changes to storage tank management requirements, revisions to the frequency of the fugitive emissions program, the creation of different requirements for new low production wells, provisions related to alternatives to the fugitive emissions programs and mechanisms to allow the use of state fugitive emissions programs. KIOGA filed extensive comments on this Reconsideration proposal (December 2018 and June 2019) requesting changes to make it workable and met with EPA Administrator Andrew Wheeler and EPA staff to press for these changes. Without change, the regulatory proposal will not provide meaningful revisions. The Reconsideration proposal is moving toward finalization over the next few months.

Environmental Activists Attack

Environmental activists oppose both of these proposals and are actively mischaracterizing them. A key issue for these activists in the 2016 Obama Administration regulations was the decision to regulate methane. The reason – it would apply the costly fugitive emissions requirements to all existing facilities in the country. Now, they are focusing their attention on the VOC proposal arguing that it would result in no existing facility controls, primarily focusing on the fugitive emissions requirements. This is false. First, all new facilities after mid-2017 must continue to apply the 2016 fugitive emissions program. As more wells are drilled, this fugitive emissions program will be applied to them. Second, states have existing facility regulations – some are VOC based, some are methane based. These are not affected. Third, in October 2016, EPA released a Control Techniques Guidelines model regulations document that states must use to develop existing facility regulations in Ozone Nonattainment areas, such as the Dallas-Fort Worth area and the entire state of Pennsylvania. Fourth, many companies are engaged in voluntary programs that include fugitive emissions management initiatives.

Next Steps – KIOGA will be developing comments supporting the VOC proposal and meeting with regulatory agencies to encourage action. KIOGA submitted comments to the EPA on November 22nd supporting the proposal to change the targeted emissions from methane to VOC because it gives EPA the opportunity to fully understand

the potential consequences of future options and design those that are necessary to be fair and cost effective. Additionally, further action will be necessary to support necessary changes in the Reconsideration proposal as it reaches completion.

Methane Emission Marginal Well Field Investigations

Researchers invited participation from Kansas oil and gas producers in a confidential survey assessing emissions from marginal oil and natural gas wells. Specifically, data was sought on methane emissions from America's marginal wells in order to address critical knowledge gaps and supply valuable information used to develop industry regulations. This project is being funded by the U.S. Department of Energy's (DOE) Office of Fossil Energy and in-kind contributions.

The Kansas oil and gas industry joined the Michigan oil and gas industry, Illinois oil and gas industry, and Indiana oil and gas industry to participate in the U.S. Department of Energy (DOE) study [*Quantification of Methane Emissions from Marginal (Small Producing) Oil and Gas Wells* (DE-FE0031702)] to quantify and compare methane emissions at marginal and non-marginal wells. We believe that unbiased, representative and appropriate results are necessary to respond to recent and future proposed amendments to EPA's New Source Performance Standards (NSPS, 40 CFR Part 60, Subpart OOOOa) methane emissions rules.

GSI Environmental, Inc. is the EPA/DOE approved contractor employed to conduct the study. GSI agreed to include a survey of methane emissions from marginal wells of the type found in Michigan, Kansas, Illinois, West Virginia, and Indiana in the study.

While the EPA is currently reconsidering segments of the NSPS for the oil and natural gas sector, including provisions

relating to low production well sites, more comprehensive data on marginal oil and gas production sites across the U.S. is needed to improve the understanding of emissions from marginal wells and could help shape rules promulgated by the government in the future.

The EPA made it very clear that if we do not provide data and specific examples to support our comments, EPA will



not revise the proposal. That is why the work that we do (the methane emission survey, KIOGA comments, methane coalition comments, and the DOE study) is critical going forward. KIOGA

submitted a comprehensive white paper on the impact of methane regulations on marginal oil and gas producers in Kansas that includes compliance cost estimates, project economics, documentation burden, and more. The KIOGA white paper included defensible data and supporting information to help build a solid position for reinstating a low-production well exemption. KIOGA also join the industry methane litigation coalition comments to EPA.

The methane emissions survey being conducted by GSI Environmental, Inc. is progressing. GSI has completed a desktop review of 75,000 wells from 40,000 sites across the U.S. including many here in Kansas. The next step is field investigations. GSI plans to conduct field investigations at 100-200 sites in 3 regions across the U.S. GSI will be coming to field sites to measure methane emissions from wells and tank batteries from operators who have voluntarily offered site access. The operator of any site selected for measurements will be contacted in advance of any field investigation. As of this writing, GSI has conducted field investigations in West Virginia and Kentucky, will be moving to Indiana in late November, and will be in Kansas on December 12th-13th. GSI plans to complete the site measurements in December and hope to have a final report ready by the end of May 2020.

KIOGA Completes Western Kansas Listening Tour

KIOGA appreciates the opportunity to seek advice of our members

KIOGA Chairman David Bleakley and KIOGA President Edward Cross toured western Kansas on October 28th-29th to listen to the thoughts, ideas, and concerns of Kansas oil and natural gas producers. Roundtable discussions were held in **Great Bend, Garden City, and Russell**. Special thanks go to **Ed Nemnich, Kyle Nemnich, and Karen Mitchell** for organizing the Great Bend event at the Kansas Oil & Gas Museum, **H.J. Swender** for organizing

the Garden City event at the offices of American Warrior, Inc., and **Tim Scheck** for organizing the Russell event at the Dole-Specter Conference Center in Russell. These roundtable discussions add to the western Kansas meetings KIOGA conducted in July in Hays, Victoria, Russell, Great Bend, Sterling, Hutchinson, and Wichita.

The Kansas oil and natural gas industry is an important part of the Kansas economy and KIOGA wanted to hear first-hand the concerns of our membership. The informal roundtable events provided an opportunity for producers

and KIOGA members to share concerns and thoughts about important state and federal issues that affect them and their businesses and what they believe is important for growth and protection of the oil and gas industry and the Association. KIOGA greatly appreciated the opportunity to seek the advice of our members on issues important to our industry.



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Promises to Ban Hydraulic Fracturing

Not Popular in Key Swing States

New polling shows promises to ban hydraulic fracturing are not popular in key swing states – especially Pennsylvania, a must-win state for Democratic presidential hopefuls. A survey of voters in Pennsylvania, Michigan, Wisconsin, and Minnesota released on November 7th offered a warning sign for progressive candidates in the 2020 presidential field, indicating swing voters have a less-than-favorable view on an

outright ban on fracking.

A ban on fracking, supported by several in the Democratic field, is a “bad idea” to 57% of swing voters surveyed.

The results lend credence to what many Democrats have warned recently: that the party risks alienating some working class voters with such proposals.

Among Democratic voters, 36% list Medicare-for-All as a “top priority.” Republicans, independents and Democrats alike in higher numbers said lowering prescription drug costs and maintaining

protections for people with pre-existing conditions are top priorities.

Repealing and replacing the Affordable Care Act remained a significant desire mostly for Republicans, 52% of whom labeled it a top priority.

Health care, generally, is the most important issue for Democrats and independents heading into 2020, according to the survey, while a large margin of Republicans feel the economy is their focus.

President Trump has run most of his re-election campaign on the strength of the economy, touting low unemployment numbers and wage growth. Democrats generally view the economy with pessimism, according to the poll. About 8 in 10 Democratic voters say the economy will experience “bad times” over the next year. While independents were evenly divided on the issue, 80% of Republicans said they expect “good times” for the economy.

Of the Democratic field, Elizabeth Warren placed first among Democrats in three of the battleground states with Joe Biden claiming the top spot for Democrats in Pennsylvania.



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Voice of the Kansas Independent Petroleum Industry

Your KIOGA Membership Makes a Difference



Founded in 1937, the Kansas Independent Oil & Gas Association (KIOGA) is a non-profit member organization representing oil and gas producers in Kansas, as well as allied service and supply companies.

KIOGA represents the interests of the oil and gas industry at the local, state, and federal levels of government. KIOGA is committed to ensuring that tomorrow's economic climate will be one in which our members can grow and prosper. Our active presence before the Kansas Legislature, U.S. Congress, and state and federal regulatory agencies means that the concerns of independents like you are foremost in the minds of legislators and government officials. Our cooperative partnerships and networking with other state associations, the Domestic Energy Producers Alliance (DEPA), Independent Petroleum Association of America (IPAA), U.S. Global Leadership Coalition (USGLC), National Stripper Well Association (NSWA), Interstate

Oil & Gas Compact Commission (IOGCC), Council for a Secure America (CSA), and the Energy Education Partnership, Inc. (EEPI) means the concerns of Kansas Independent oil and gas producers are heard in Topeka as well as Washington.

When addressing the benefits of KIOGA membership, we can begin with our motto **"KIOGA - Voice of the Kansas Independent Petroleum Industry"**. KIOGA is an everyday, frontline representative of the Kansas independent oil and natural gas industry.

Membership in KIOGA gives you:

- A United Voice in Topeka and Washington
- Few independent businesses have the budget, time, and expertise to individually tackle issues at the federal, state, and local levels of government as well as regulatory issues.
- The Power of Unity
 - KIOGA achieves results through a strong coalition of independent businesses with a common purpose and goal optimizing our effectiveness on critical issues.
- Access to Legislative and

Business Information

- Whether you need to know how to comply with the latest laws and regulations or need legislative updates on pending issues, KIOGA provides you with timely information that can affect your company's profit and growth opportunities.
- KIOGA Newsletter published 6 times a year that covers government relations issues and other industry topics important to you.
- KIOGA Website at www.kioga.org for industry information and online communication capabilities.
- KIOGA Express is an email information service that keeps members abreast of ongoing and breaking oil and natural gas industry news.
- The American Oil & Gas Reporter, a fast-paced monthly magazine that covers the industry from A to Z.
- KIOGA President Reports and KIOGA Federal & State Legislative Reports keep members current with federal and state legislative, regulatory, and policy issues.

Understanding

- Today, public perception continues to be a major challenge facing the domestic oil and gas industry. Join our efforts to fight the negative public image that has made voters and policymakers unsympathetic to major problems confronting independent oil and gas producers.

Our industry faces many challenges. Thanks to KIOGA members, voters and policymakers in Kansas are learning that the oil and gas industry is working for them, the economy, and the environment. KIOGA advances in

the name of the industry pausing only to acknowledge the accomplishments of our members whose support makes our efforts possible. To you, our gratitude.

If you are not a member of KIOGA, we encourage you to join. Through KIOGA you can play a significant role in our efforts to win the political battles in Topeka and Washington and the public relations battle in the court of public opinion. Be a part of the solution. Join us today! Your membership makes a difference and is vital if we are to maintain our status as the **"Voice of the Kansas Independent Petroleum Industry"**.

Membership in KIOGA gives you:

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- Access to Legislative & Business Information
- A Way to build public understanding

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KIOGA
 The Voice of the Kansas Independent Petroleum Industry
 Founded in 1937

Public Perception Challenges Critical for Oil & Gas Industry

An Informed Public has Never Been More Necessary

For decades, the U.S. oil and gas industry has lamented the industry's public perception and the lingering lack of trust between the public and industry. Despite periodic calls for more industry openness as well as a number of high-profile campaigns to inform the public, Americans seem to have never been less mindful of the importance of oil and natural gas in their day-to-day lives, nor more skeptical toward companies that find, produce, and deliver the oil and gas that make modern living possible.

In this era of technological disruption, many industries are fighting to stay relevant. Oil and gas is facing a time when energy abundance allows consumers to make new choices about their energy usage. In this environment, public perception of the industry is ever more critical.

How Does the Public View the Oil & Gas Industry?

A recent nationwide study gauged how the public and industry think about a number of key energy issues. The study found that Americans value the industry for its expertise and its technological prowess, but they remain unconvinced that oil and gas companies are trustworthy on important issues such as protecting the environment. Most importantly, Americans recognize that the oil and gas industry efficiently delivers products they need, but increasingly

would prefer other sources. Specifically, the study found:

The public agree oil and gas are necessary and valuable to modern lifestyle. Few study respondents doubt the industry's importance to the economy, and they appreciate its role as an employer. However, the public also overwhelmingly agree the industry is a polluter.

Americans are divided on which traits define the oil and gas industry. About half of the study respondents recognized the oil and gas industry for its technological leadership and innovation. But fewer than half would welcome the industry in their community.

- The public has an overall positive view of the oil and gas industry, but rate other industries higher. They think of oil first when they think of the oil and gas industry. The public believes oil and gas are important to the national economy and modern lifestyle, but distrust industry to protect the environment or consumer pocketbooks. Overall, public believes the industry is good for society though they still see it as a problem causer, not a problem solver.
- Even though, across generations, there is a net positive perception of oil and gas, the perception that the oil and gas industry is good for society decreases with each new generation. Oil and gas value to consumers is based largely on necessity, a weak attribute for long-term appreciation and support.
- Industry underestimates the level of trust the public has in the

industry. The study found that about half of the respondents said they trust oil and gas companies while 76% of industry expect the public not to trust industry.

- The public believes oil and gas should be the primary sources of U.S. energy until cleaner energy sources can replace them. Consumers are waiting for the next best thing when it comes to their energy. In the meantime, they will accept oil and gas.
- Industry too believes oil and gas should be the primary sources of U.S. energy until cleaner energy sources can replace them. But the agreement is based on different understandings. Industry has a deeper understanding of the time frames involved in the complex shift from one major fuel source to another. In a society that is built around oil and gas, a comprehensive adoption of other fuel sources will likely take decades. In addition, some desired forms of clean energy, such as battery-powered vehicles, still face significant technological hurdles before they can become inexpensive and widespread. Industry also has a different perspective on what the word "replace" means. The public isn't likely to be thinking in terms of issues such as pricing, efficiency, degree of access, and all the other factors involved in ensuring that people and businesses have the fuel they need. But, to industry, oil and gas cannot be fully replaced until there is something

just as cheap, just as reliable, and just as readily available. That fact raises the "replacement bar" considerably and extends the lifetime of traditional hydrocarbons.

These perceptions color every opinion the public has of oil and gas companies – from their reputation as corporate citizens to their attractiveness as places to work.

Next Step to Raising Awareness



For years, KIOGA has served as the primary source of information on issues ranging from oil and gas taxation, environmental issues, energy policy, economic impact of the oil and gas industry and more. As the debate around oil and gas production continues to resonate around the country, KIOGA continues to provide fact-based scientific information to inform policymakers and the public about the economic and environmental benefits of safe and responsible oil and gas development. However, we recognized early-on that responding to public concerns about oil and gas issues with technical information alone did not address the visceral concerns of the public.

In response, KIOGA launched our *Next Step to Raising Energy Awareness* campaign in 2017. This program combines technical, fact-based, scientific information with explanations of how integral responsibility is to industry actions. In addition, the communication

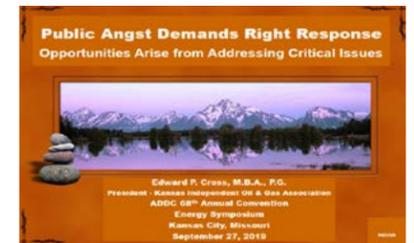
strategy demonstrates how oil and gas lift people up by enriching life experiences and enhancing the quality of life for all people. The program empathizes with people's concerns, shows leadership in addressing those concerns, and underscores the considerable extent to which industry and societal values align all of which help foster public trust and support.

Since being launched, KIOGA's *Next Step to Raising Energy Awareness* program has taken the Kansas oil and gas industry to a new and unprecedented level of communication and public engagement. Through aggressive public outreach efforts including speaking engagements, editorials, media interviews, and more, KIOGA has moved the oil and gas industry from merely having a dialogue with policymakers and the public to the forefront of a multidimensional public education effort. It is working! KIOGA has spoken at 22 public forums, engaged in over 50 media inquiries, and provided 13 editorials to media across Kansas and the nation in 2019.

KIOGA's 2020 communication strategy is to highlight the issues that often get buried underneath the political positioning. KIOGA's public outreach efforts work hand-in-hand with our government relations programs to enhance the effectiveness of KIOGA's advocacy efforts.

There is a very real opportunity to create a stronger, more effective connection with the American public that recognizes their values and concerns and allows them to understand better the critical role that oil and gas play in America's everyday lives. This type of connection is more than an opportunity. Earning the trust of the American public will become an absolute necessity to protect and enhance the many key elements of business success - from recruiting and retaining talent to access to capital, regulatory stability, tax fairness, and more.

Getting the Message Out -



KIOGA continues our vigorous campaign speaking at public forums across Kansas and elsewhere. KIOGA has made presentations at 22 public forums in 2019. The presentations summarize America's energy picture today, the challenges faced by the small businesses that make up the Kansas independent oil and gas industry, and what industry is doing to address those challenges. KIOGA



presentations bring to light the facts and science about important energy issues and topics from injection wells and earthquakes to hydraulic fracturing and energy policy. We also include facts and information in every presentation on how the oil and gas industry greatly enhances quality of life for all. Fossil fuels are needed throughout the world to lift people up, which is different than a philosophy of embracing a zero-emissions world. On September 27th, KIOGA President Edward Cross joined The Petroleum Alliance of Oklahoma President Chad Warmington in a discussion of industry image issues and what our industry is doing to address public perception challenges at an energy symposium during the Association of Desk & Derrick Clubs Annual Convention in Kansas City. Warren Martin of Kansas Strong provided a motivational talk during a luncheon at the convention as well.

Continued on page 40

Public Perception

Continued

Informed Public



Going forward in 2020, KIOGA already has speaking engagements scheduled with the Society of Independent Professional Earth Scientists (SIPES) in Wichita, the Vanguard Club in Kansas City, and



the Southwest Topeka Kiwanis Club. In addition, the Kansas Farm & Ranch Radio Network has reached out to KIOGA for information about the Kansas oil and gas industry and KIOGA. KIOGA will be conducting a series of radio interviews with the Kansas Farm & Ranch Radio Network over the next several weeks and months to raise awareness about the challenges and opportunities facing the small businesses that make up the Kansas oil and gas industry. The news and information will be broadcast on 39 radio stations throughout Kansas. KIOGA has engaged in over 50 media inquiries in 2019.

KIOGA Editorials Receive Big Response - In early November, KIOGA President Edward Cross wrote an editorial on energy policy and distributed it to media. The editorial titled *Let's Focus Energy Policy on Lifting People Up* received a big response being published in 17 newspapers across Kansas. The newspapers include:

- *Butler County Times-Gazette*
- *Hays Daily News*
- *Hutchinson News*

- *McPherson Sentinel*
- *The Kansan (Newton)*
- *Ottawa Herald*
- *Salina Journal*
- *Wellington Daily News*
- *Dodge City Globe*
- *Garden City Telegram*
- *Kiowa County Signal*
- *Pratt Tribune*
- *St. John News*
- *Leavenworth Times*
- *Topeka Capital-Journal*
- *Gyp Hill Premier (Medicine Lodge)*
- *Coffeyville Journal*

The Kansas City Star, *St. Louis Post-Dispatch*, and *Arkansas Democrat Gazette* (Little Rock) said they were interested in the article but would only run editorials that were exclusive to them.

KIOGA editorials continue to be published by newspapers and media across Kansas and elsewhere. Thirteen (13) KIOGA editorials have been published by media across Kansas and elsewhere in 2019. KIOGA editorials focus on relaying messages that our state and nation must continue to move forward to promote comprehensive energy policy that will improve America's energy supply and national security and that oil and natural gas must be a part of our energy solution. In addition, KIOGA communicates how responsibility is an integral part of industry's considerations and decisions. KIOGA emphasizes how the independent oil and gas industry's values align with societal values and illustrates and describe how the industry enriches life experiences and enhances our quality of life.

Going forward in 2020, the Center for Economic Development and Business



Research at Wichita State University has asked KIOGA President Edward Cross to write an article summarizing Kansas oil and gas industry economic impact and forecast going forward for their 2020 Kansas Economic Outlook publication. In addition, World Oil magazine and the Bakken Oil Business Journal has asked KIOGA President Edward Cross for articles and editorials addressing energy policy and public perception challenges. The Energy Education Partnership, Inc. (EEPI), a non-profit corporate organization consisting of representatives appointed to serve on the Interstate Oil & Gas Compact Commission (IOGCC) is working to develop programs for state regulatory field inspector education and training. KIOGA President Edward Cross serves as Vice Chair of the EEPI. Cross has been sharing several papers

and presentations on basic oil and gas operations with the EEPI group to help develop a field inspector training program.

Plan for Growth Going Forward

While improved communication is certainly one element of a stronger relationship with the American public, it is by no means the only change needed to improve industry's reputations and build a higher level of trust. Success for oil and gas companies going forward will require a dramatic transition in more than just business strategy. Oil and gas companies will have to develop new corporate cultures, customer-facing philosophies and everyday business practices that are aligned with the public's desire for a more environmentally conscious, more consumer-oriented industry. That is a tremendous undertaking that will impact every function within the typical oil and gas company.

Surviving for another 100 years will require new skills and strengths, and an outward focus that recognizes the industry's limitations and strives to meet consumer needs. The winners will be those companies that can grasp the monumental changes under way today and reinvent themselves.



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Let's Focus Energy Policy on Lifting People UP

Opinion Editorial Written by KIOGA President Edward Cross that appeared in media across Kansas and elsewhere in November 2019

Energy is so thoroughly woven into our daily lives that few ever question whether it will be there, or where it comes from. Oil-based products are likely the first thing you touch at the beginning and end of each day, whether it is your alarm clock, cellphone, or even the toothpaste and toothbrush you use to brush your teeth. As a key component in heart valves, seat belts, helmets, life vests, and even Kevlar, petroleum is saving tens of thousands of lives daily. Furthermore, oil and gas are key components in many medicines and antibiotics such as antiseptics, antihistamines, aspirin, and sulfa drugs.

The oil and gas industry has done such a good job of creating abundant, affordable, always-available energy that the world takes it for granted. Because energy is so reliable and available, some think we no longer require it. We encounter this paradox anytime we hear from those who want to end oil and gas production but still want to benefit from oil and gas based

materials and fuels.

What Americans expect and deserve are the facts. And the fact is, recent history has disproved the false premise that economic growth and significant increases in energy production must, necessarily, come at the expense of environmental improvement.

Today, the U.S. is not only the world leader in energy production, but we have some of the cleanest air in the world. From 1970-2017, the six major pollutants monitored by the Environmental Protection Agency (EPA) have plunged 73%, while the U.S. economy grew by 262%. EPA Data also shows that from 2011 to 2017, methane emissions from oil and natural gas production in the U.S. decreased by 24%. The oil and natural gas industry has proven that over the long-term, we can lead the world in energy production and environmental stewardship.

What would it mean for consumers, the economy, and future job creation if we substantially limited exploration, development, and use of fossil fuels in America's energy supply mix? A recent study by the Energy Information Administration indicates the average American family would see their energy costs increase by \$4,550 per year.

It could mean a cumulative loss of \$11.8 trillion in the nation's GDP and the loss of 6 million jobs. Recent studies indicate that if the U.S. eliminated all CO2 emissions immediately, it would avert 0.07 degrees of warming by 2050. If Kansas alone eliminated all CO2 emissions, it would avert 0.001 degrees of warming by 2050. How many lost jobs is that worth?

The U.S. has a unique opportunity to show the world how energy abundance can be used as a positive force to lift people up, which is different than a zero-emissions world. We should work to ensure more people have access to safe, affordable, and reliable energy. Because to rise out of poverty and enjoy health and safety, people need more energy, not less.

We should set aside the acrimony and division that has marked too much of past energy policy discussions and work together as one nation on a positive forward-looking energy future based on the understanding that our nation's best energy future can only be achieved through a true all-of-the-above energy strategy.



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