



Kansas Independent Oil & Gas Association
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March 2, 2023

The Honorable Kevin McCarthy
House Republican Leader
H-204, The Capitol
Washington, DC 20515

Re: Energy Policy Concerns of the Small Businesses that make up the Independent Oil & Gas Industry

Dear Leader McCarthy:

Greetings! The Kansas Independent Oil & Gas Association (KIOGA) looks forward to working with you during the 118th Congress. KIOGA represents thousands of small independent oil and natural gas producers and businesses in Kansas. KIOGA member companies are innovative leaders.

The oil and natural gas industry supports over 100,000 jobs in Kansas, over \$3 billion in family income, and over \$1.4 billion in state and local tax revenue. The average Kansas oil well produces 2 barrels of per day and the average natural gas well produces 25 Mcf of natural gas per day. The small businesses that produce Kansas wells account for 92% of the oil and 63% of the natural gas produced in Kansas.

Independent American oil and natural gas producers are a driving force in our economy and support millions of jobs in the U.S.

As we have seen over the past few years, the choices our nation makes regarding energy policy will have a huge impact on America's economy and our international position. If America does not pursue a thoughtful energy policy, the nation will suffer economically. Efforts by the Biden Administration to suppress U.S. oil and natural gas production are counterproductive and do not serve the best interests of our nation. Energy is a geopolitical issue and it not only benefits the United States, but the entire world when America is an energy superpower.

Additionally, natural gas production and use has created the cleanest air quality the nation has seen in two decades. The United States is the envy of nations around the globe for our dedication to reliable, affordable, responsible energy production. The continued growth of America's oil and natural gas renaissance is essential and can be done with even greater efficiency and technological acumen. KIOGA and the thousands of men and women who work in the Kansas oil and gas industry stand ready to help you ensure America has a strong and vibrant energy economy for years to come.

We believe there are several issues that are key to helping the United States remain at the forefront of energy development in the coming years. We look forward to working with you during the 118th Congress.

Tax Policy

Tax policies, particularly those designed to punish the energy sector, only serve to raise costs to consumers while limiting opportunities for growth and development. Any proposed modifications to the tax code regarding American energy policy must recognize the critical role capital formation and capital recovery play for our nation's oil and natural gas industries. It is key for our industry that Congress retains necessary and ordinary business tax treatments critical to capital recovery and redeployment. We also support any efforts to lower the overall tax liability for American companies, allowing for a greater degree of investment and growth. America's oil and natural gas producers continue to reinvest capital at a rate well over 100% of their U.S. cash flow, hiring employees, purchasing equipment, and exploring new energy frontiers. Sound tax policy regarding the oil and natural gas industry has been a significant reason the U.S. is a leader in energy production and is poised to remain there for years to come.

Methane

Well-structured, cost-effective regulations are essential to manage methane emissions while assuring that American oil and natural gas producers can provide the energy demanded by the U.S. and world economies. At the same time, technology to manage emissions is evolving and the regulatory process needs the flexibility to allow energy innovators to utilize new

technology. Rather than mandate a “one-size-fits-all” system of rules and regulations, the EPA and other federal regulatory agencies need to embrace evolving information and technologies to address issues surrounding the management of methane.

One key aspect of the independent component of the American oil and natural gas production industry is its breadth – spanning from large publicly traded companies to small business and from large, high production wells to marginal production wells. Of the roughly one million active oil and natural gas wells in the U.S., about 750,000 are low production wells. However, these low production oil wells produce about one million barrels/day and low production natural gas wells account for 8% to 10% of U.S. production. Yet, collectively, these wells only account for 1.2% of GHG inventory CO₂ equivalent emissions. The regulatory structure to address methane emissions applied to low production wells is significant because their viability is dependent on their cost of operation.

In 2022, the Department of Energy completed a report on the emissions profile of low production wells. The DOE report offers insights into understanding the nature of methane emissions from these operations. The report shows that the primary emissions at low production sites come from storage tanks and some separators. Well sites producing less than 6 barrels/day or 6-15 barrels/day with 5 or fewer pieces of equipment fall below thresholds that EPA has considered as low emitting sites.

Congress needs to engage the EPA to ensure the agency develops a cost-effective regulatory program that encourages energy innovators to address methane and other issues. The 2022 DOE report presents information that can be a guide to cost effective management of methane. EPA should look for ways to provide flexibility in its regulatory regime and encourage innovation in addressing these important issues.

Energy Infrastructure

Expanding and modernizing America’s energy infrastructure are critical components of continuing our increased production of oil and natural gas, increased reliance on natural gas for electricity generation and reduced greenhouse gas emissions. Groups opposed to fossil fuel production have seized upon opposition to infrastructure to stymie production. If natural gas can’t be transported to markets, it won’t be produced. The Federal Energy Regulatory Commission (FERC) remains the key regulator for approving interstate natural gas pipeline projects. Unfortunately, FERC has become increasingly polarized with the Democrats on the commission voting against projects not based on their merits, but to simply halt much needed natural gas projects. KIOGA urges Congress to conduct robust oversight of FERC and the entire federal system for approving natural gas pipelines to ensure the system is not used to stop needed infrastructure projects to placate environmental extremists.

Crude Oil Releases from the Strategic Petroleum Reserve

The Strategic Petroleum Reserve (SPR) is meant to protect Americans against emergency supply disruptions, not be a tool for politicians. KIOGA has long believed that the SPR should not be used to manipulate the crude oil market. The SPR is America's first line of defense against a major disruption in domestic petroleum supplies. Releasing oil from the SPR is a short-term fix for prices at best. It not only reduces our capacity to protect ourselves in case of a true emergency, but also increases America's reliance on politically volatile countries around the globe.

Policy makers should oppose all non-emergency sales of oil from the SPR. Rather than looking for a quick fix, the Biden Administration should promote the production of oil and natural gas in the U.S. Exploring for more oil and natural gas at home will not only increase our nation's energy supply but will also create jobs and increase government revenues through taxes and federal royalties.

Endangered & Threatened Species

Ensuring the protection of species and their ecosystems is an important component of American oil and natural gas exploration. However, the Endangered Species Act (ESA) continues to be used by opponents of American energy production to stymie needed energy projects across the nation. Leadership is needed to ensure listing decisions under the ESA are done in an open and transparent manner and are designed to achieve a positive outcome that will ensure protection of species while at the same time allowing important energy projects to move forward.

Access to Capital Markets

Over the past several years, there have been concerted efforts to use government actions to prevent investment in American oil and natural gas production and use. Some of these have surfaced in legislative actions such as those that were thwarted in the legislation to respond to the COVID pandemic, proposals that would have prevented oil and natural gas producers from accessing recovery funds designed to assist all Americans. Other efforts have been created in the Administration to use financial agencies, like the Treasury Department, the Securities and Exchange Commission, the Commodity Futures Trading Commission, the Office of the Comptroller of the Currency and others, to develop regulations and policies designed to inhibit investment in the industry. These actions need to be scrutinized and prevented.

America's independent oil and natural gas producers stand at the forefront of energy use and development in the coming years. We look forward to working with you and your colleagues to develop innovative solutions to address America's energy challenges in the coming years.

For further information or any questions, please contact Edward Cross, President, Kansas Independent Oil & Gas Association, 800 SW Jackson Street, Suite 1400, Topeka, Kansas (785-232-7772; email ed@kioga.org).

Sincerely,

A handwritten signature in black ink that reads "Edward P. Cross". The signature is written in a cursive style with a large initial 'E' and 'C'.

Edward P. Cross, President
Kansas Independent Oil & Gas Association