KIOGA

Kansas Independent Oil & Gas Association

THE VOICE OF THE KANSAS INDEPENDENT PETROLEUM INDUSTRY

JANUARY/FEBRUARY 2022

Challenging Issues

FACE 2022 KANSAS LEGISLATURE

Energy Policy for 2022 **6**

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ANDREA KRAUSS
KIOGA CHAIR

A NEW YEAR BRINGS NEW **OPPORTUNITIES** AND NEW **CHALLENGES**

A new year always provides a fresh start … whether that be New Year's resolutions, or daylight that lingers a little longer each day, or the promise of fresh grass and budding trees. It's hard not to feel optimistic with the coming of a new year.

However, a new year also brings new challenges. The oil and gas industry will continue to face challenges from those in Washington, D.C. who would like to eliminate the use of fossil fuels. Closer to home, our industry will face challenges in the Legislature from those who don't understand how important fossil fuels are to our state's economy and to maintaining their own standard of living.

Your membership in KIOGA is more valuable now than ever before. Once again this year, KIOGA is advocating for Kansas oil and gas producers at both the federal and state levels. KIOGA will make sure that your voice is heard both in Washington, D.C. and in Topeka. As members, you will have an opportunity to speak with state legislators directly at the annual Kansas Oil & Gas Day Legislative Reception on January 19. Please come join us, and share your concerns with the legislators who sit on the key committees affecting our industry.

This new year also brings a new opportunity for KIOGA members and sponsors. KIOGA is offering an enhanced sponsor benefit package for our sponsors. This opportunity allows sponsors at the Black Gold level and above to pay one sponsorship at the beginning of the year and enjoy the benefits at both the Midyear Meeting and the Annual Convention. In addition, we are also rolling out new benefits for all sponsors of the Midyear Meeting. Contact Holly McGinnis for more details.

And finally, mark your calendars for April 20–22, 2022 for the Midyear Meeting in Russell. Plans are under way for a meeting that will be both informative and fun. Russell is centrally located and easy to get to from any direction. Don't miss this opportunity to network with colleagues and catch up with old friends.

Until then, I hope you have great start to the new year. K

All the best,

KIOGA Chair

KIOGA Webinar Series

Provides Educational Opportunities for KIOGA Members!

KIOGA continues our efforts to bring members educational opportunities and will be hosting a series of webinars in early 2022 to bring our members informative content that will guide future business and policy decisions.

The mission of the webinars is to provide educational opportunities for KIOGA members on important issues, regulations, and topics of interest. KIOGA broadcast 18 webinars in three webinar series in 2020–2021. Our average attendance at each webinar was 109. Thanks to all of you who attended KIOGA webinars in 2021. Also, **Thank You** to all of our sponsors who have made the webinars possible. Your generosity is greatly appreciated!

More KIOGA webinars are being planned. Please contact the KIOGA office at 785-232-7772 or holly@kioga.org for sponsorship opportunities. Watch KIOGA communications for webinar announcements. Also, the 2022 KIOGA Midyear Meeting is scheduled April 20–22, 2022 in Russell, Kansas, and the KIOGA 2022 Annual Convention is scheduled for August 14–16, 2022 in Wichita, Kansas.

EDWARD CROSS
KIOGA PRESIDENT

ENERGY POLICY FOR 2022

A Message from your KIOGA President Edward Cross

With the start of a New Year, many of us take some time to reflect on the past and to think about the future. We often realize that our future is ultimately of our own design. The same holds true for a nation.

In 2022, we will decide if America continues to march toward global energy leadership or remains content to play a supporting role in the global energy market. We can implement smart, pro-growth energy policies that will help ensure that future Americans only know their country as an energy leader, or we can squander the opportunity and become once-again dependent on energy sources from less stable and friendly nations.

Later this year, we will choose who will lead us in Washington, D.C. and Topeka. Those choices will have a lasting and profound impact on the direction of our nation's energy policy. The collective decisions of the 2022 voters will shape whether and the extent to which our nation fulfills its potential as an energy superpower.

To educate the public on energy policy and the game-changing impact of the choices our nation faces when it comes to energy policy, the Kansas Independent Oil & Gas Association (KIOGA) advocacy efforts in 2022 will focus on the energy policy choices we face. Our message is clear. Domestic oil and natural gas production must remain a top energy priority because it is good for the economy, jobs, government revenue, and energy security.

Our underlying message is simple. Oil and natural gas are fundamental to our modern way of life and high standard of living. Combined, these sources supply more than 69% of the energy Americans use every day. Moreover, they are the building blocks of thousands of products that make our lives more comfortable, safer, cleaner, and healthier. This abundant supply of affordable and reliable energy is made possible by the hard work of millions of men and women who work directly for our industry or for businesses that support the oil and natural gas industry. The men and women of the oil and natural gas industry reject the stale mindset of last century's thinking, peddled by some, that oil and natural gas production and environmental stewardship are not compatible.

According to the Energy Information Administration (EIA), oil and natural gas supply 69% of U.S. energy today and will supply roughly 50% of U.S. energy needs in 2050. Globally, the EIA projects that by 2050, world energy demand will increase by 28%, and 50% of that demand will be supplied by oil and natural gas.

While the ambitious pledges from various international bodies and governments would suggest the energy transition is near, the gap between theory and reality is vast. Fossil fuels supplied 84% of global energy needs in 2021 and are projected to provide 69% of global energy demand in 2045. Renewable energy sources, led by wind and solar, are expected to grow briskly in the coming decades and could approach 10% of the global energy mix by 2050. It will likely be decades before an energy transition can take place. The energy transition may have begun, but there is a very

long way to go before fossil fuel dominance is truly challenged.

The energy policy choices we make today are among the most important and far reaching policy decisions we will make in the 21st century. Energy policy should be based on current reality and our potential as an energy leader, not political ideologies or the wishes of professional environmental groups.

It should be a simple choice. Do we as a nation decide to use our vast energy resources to help meet the world's growing energy needs and in the process boost our global competitiveness, realign our foreign policy goals and national security priorities, encourage American manufacturing, provide millions-more Americans with good-paying jobs and provide billions of dollars in revenue to local, state, and federal governments in the coming decades, or not?

Our ability to cut through the partisan noise and stale ideology of our critics is due to the oil and natural gas industry's years-long effort to ensure that American energy policy is not a Republican issue or a Democrat issue. It is an American prosperity and leadership issue.

As we look ahead, we will continue our forward-looking energy policy advocacy efforts to spur more pro-energy policies and to ensure that our nation's discussion on energy policy is based on fact and reality, not political ideology and hyperbole.

KIOGA's energy policy advocacy efforts send a message to lawmakers at all levels of government that the time to end the intrusion of extreme political ideology or personal agendas in the energy policy debate is now, and that the only limits on our nation's energy potential will be self-imposed by short-sighted, politically motivated energy policy decisions. The American public and future generations deserve better. K

Edward P. Cross

KIOGA President

OIL & GAS OUTLOOK IN WASHINGTON

CHALLENGING ISSUES CONTINUE IN 2022

With the start of 2022, energy policy continues to be a prominent topic of discussion in Washington. President Biden and many House and Senate Democrats continue promoting a return to energy policies that over-regulate, pick winners and losers in the marketplace, and make American energy increasingly expensive and uncompetitive.

As Americans continue to face a fragile economy, it is important to pull back the curtain on the ideologically driven processes the Biden administration is using to justify an avalanche of costly rules. KIOGA is vigilant in staying on top of these issues and reporting to membership. KIOGA works with our allies at the Domestic Energy Producers Alliance (DEPA), Independent Petroleum Association of America (IPAA), Liaison Committee of Cooperating Oil & Gas Associations, National Stripper Well Association (NSWA), U.S. Global Leadership Coalition (USGLC), and others to engage not only in advocacy, but also in legal challenges. Please check our website at www.kioga.org for all the latest information on KIOGA's efforts on behalf of the Kansas independent oil and gas industry.

"We cannot be silent with Congress and the Biden administration," said Edward Cross, KIOGA President. "We must voice our concerns. KIOGA will be working hard to meet with and educate members of the Biden administration as well as Senate and House members throughout 2022."

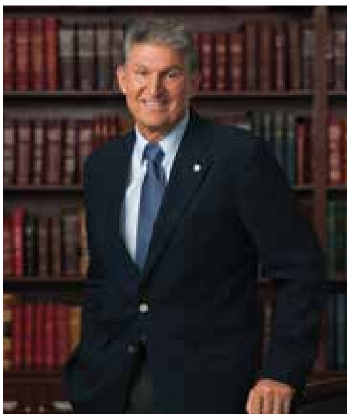
KIOGA Federal Advocacy Strategy
KIOGA is fully engaged in federal advocacy in Washington, D.C. We are taking our case directly to congressional policymakers. We have met with (live and virtual) over 150 federal policymakers over the last two years as well as key agency decision-makers and have developed credible relationships with a number of key Democrat and Republican members of Congress. We are assisting a number of U.S. Senate and House members with credible information to defend against efforts to eliminate critical oil and gas tax provisions, impose federal hydraulic fracturing oversight, Endangered Species Act abuses, impose emissions regulations, and more.

KIOGA works with our allies at the DEPA, IPAA, NSWA, USGLC, Council for a Secure America (CSA), Liaison Committee of Cooperating Oil & Gas Associations, and others to engage not only in advocacy, but also in legal challenges.

Manchin Gets it Right—Voting No on Build Back Better (BBB) Act
In late December, U.S. Senator Joe Manchin (D-WV) announced he would vote NO on the U.S. House-passed version of the Build Back Better (BBB) Act. This is great news!

"My Democratic colleagues in Washington are determined to dramatically reshape our society in a way that leaves our country even more vulnerable to the threats we face," said Senator Manchin. "I cannot take that risk with a staggering debt for more than $29 trillion and inflation taxes that are real and harmful to every hard-working American at the gasoline pumps, grocery stores, and utility bills with no end in sight."

KIOGA met with Senator Manchin four times in 2021 providing credible information about how the BBB package would destroy jobs, weaken America's geopolitical standing, and impose crushing energy costs on Americans who can least afford to pay. Senator Manchin's position in opposition to the BBB Act is exactly what he told us when we met with him.



JOE MANCHIN (D-WV)

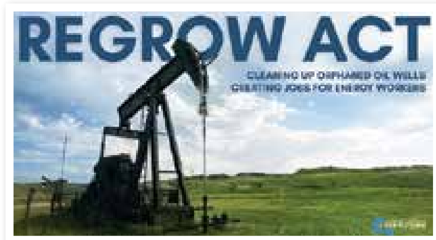
President Biden and congressional Democrats will likely assess options and look for opportunities to get parts of the BBB passed on other measures during the first few months of 2022.

Carbon Capture Tax Credits

Legislation was introduced in mid-December proposing to repeal the tax credit for carbon sequestration (Section 45Q). The measure was introduced by U.S. Representatives Ro Khanna (D-CA), Raul Grijalva (D-AZ), and Mike Quigley (D-IL). Democratic lawmakers seek to end the carbon capture tax credits because they preserve a role for oil and natural gas in the future energy mix.

Federal Orphan Well Plugging Measure

On November 5, the U.S. House passed (228–206) a $1 trillion infrastructure bill. President Biden signed the measure into law on November 15. Included in the measure was the Regrow Act



which contained monies to plug and remediate orphaned wells across the nation. Senators Kevin Cramer (R-ND) and Ben Ray Lujan (D-NM) led the Regrow Act in the Senate, and Representatives Kelly Armstrong (R-ND) and Lizzie Fletcher (D-TX) introduced the bill in the House. The bill provides $4.275 billion for orphaned well cleanup on state and private lands, $400 million for orphaned well cleanup on public and tribal lands, and $32 million for related research, development, and implementation. States must make their applications for initial grants under the Act by May 15, 2022. States may receive up to $25 million for eligible activities if they are a member of the Interstate Oil and Gas Compact Commission (IOGCC), have one or more documented orphaned wells in the State, and agree to use not less than 90% of the funding to issue new contracts, amend existing contracts, or issue grants for plugging, remediation, and reclamation work by not later than 90 days after the date of receipt of the funds.

Carbon Tax

Taxing carbon to tackle climate change is one of those big ideas that have long held a kind of bipartisan sway.

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 the 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 suggests 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.

Recently, several major integrated companies who were once powerful skeptics

of global warming, are now supporting a carbon tax. Clearly, this is just a ploy to stifle competition. Major integrated companies can pass along tax increases to consumers, while small companies that are not integrated from production through end-product do not have the ability to pass along tax increases.

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. 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.

KIOGA's Federal Advocacy Strategy Going Forward

KIOGA's federal advocacy going forward in 2022 includes preparation of our federal legislative/regulatory agenda for 2022. The agenda lays out what's important to KIOGA members and where we stand on energy, tax, and regulatory issues. This agenda was shared with key congressional policymakers and key federal regulatory officials in early 2022.

The relationships KIOGA has built over the last 10-plus years with several key Democrat and Republican federal policymakers (over 350) puts us in a unique position to educate federal policymakers about the importance of prioritizing critical oil and gas energy policies. We will diligently work throughout 2022 to consolidate relationships built over the last 10-plus years to address federal legislative challenges and regulatory reform.

KIOGA is prepared and is fully engaged in advocacy in Washington, D.C. We take our concerns directly to congressional policymakers. Frequent contact and meetings are crucial to keep our interests protected. We assist several U.S. Senate and House members with credible information to defend the small businesses that make up the Kansas oil and gas industry against efforts to eliminate critical oil and gas tax provisions, impose federal hydraulic fracturing oversight, address Endangered Species Act abuses, impose emissions regulations, and more.

Going forward, we will be working hard with Republicans and Democrats to maintain our relationships. In preparation, KIOGA has updated many of our

fact sheets and reference material on all the issues impacting Kansas oil and gas producers. We provide discussion and copies of the reference material to each of the policymakers and/or their staff.

KIOGA is recognized and plays a vital role in providing credible information to key Democrat and Republican policymakers and regulatory officials. KIOGA has established a forward-looking presence with key federal Republican and Democrat policymakers and regulatory officials, and we will remain focused. K

2022 Kansas Legislative Session Calendar

January 10—Session opens.

January 31—Last day for individual members to request sponsored bill drafts.

February 7—Last day for non-exempt committees to request bill drafts.

February 9—Last day for individual bill introductions.

February 11—Last day for non-exempt committee bill introduction.

February 21—Last day for committees to meet prior to turnaround.

February 24—Turnaround Day, last day for non-exempt bills in house of origin.

February 25–28—No session.

March 18—Last day for non-exempt committees to meet and consider bills.

March 24–27—No session.

April 1—First adjournment.

April 2–24—Spring Break.

April 25—Veto session opens.

May 10—Projected session adjournment.

OIL & GAS DAY AT THE STATE HOUSE

Exceptional Communication Venue for Kansas Oil and Gas Industry

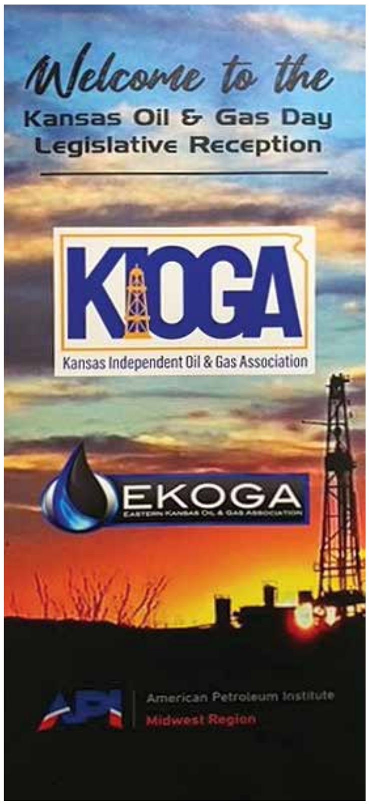
KANSAS STATE CAPITOL

The Kansas Independent Oil & Gas Association (KIOGA) along with the Eastern Kansas Oil & Gas Association (EKOGA) and the American Petroleum Institute (API) hosted an "Oil & Gas Day" legislative reception in the **Kansas State Capitol** in **Topeka** on January 19, 2022. Several KIOGA, EKOGA, and API members made the trip to Topeka to showcase the Kansas oil and gas industry and remind legislators and government officials about the challenges facing the oil and gas industry and the importance of oil and gas to our state.

A Kansas Country breakfast was offered to all Kansas legislators, government officials, and other decision-makers. Over 20 KIOGA members joined **KIOGA Chair Andrea Krauss** and our legislative sponsor **State Representative Troy Waymaster (R-Bunker Hill)** in welcoming legislators and governmental decision-makers to the **Kansas Oil & Gas Day** at the State Capitol.

"The difference this day makes for the Kansas oil and gas industry is tremendous," said Edward Cross, KIOGA President. "By having oil and gas producers from across the state taking part, our legislative leaders and governmental decision-makers will have no doubt about the challenges and opportunities facing the Kansas oil and gas industry."

Several KIOGA members took the opportunity to meet with key legislators to discuss issues important to the Kansas oil and gas industry. In addition, KIOGA President Edward Cross made presentations before the Kansas House Energy Committee, Kansas House Appropriations Committee, and the Kansas Senate Utilities Committee on the state of the oil and gas industry and the challenges and opportunities facing the Kansas oil and gas industry.



Several legislators and government officials joined the reception including:

- **House Speaker Ron Ryckman, Jr. (R-Olathe)**
- **House Assistant Majority Leader Les Mason (R-Lindsborg)**
- **House Minority Leader Tom Sawyer (D-Wichita)**
- **House Majority Whip Blake Carpenter (R-Derby)**
- **House Energy Committee Chair Blaine Finch (R-Ottawa)**
- **House Agriculture Committee Chair Ken Rahjes (R-Agra)**
- **House Appropriations Committee Chair Troy Waymaster (R-Bunker Hill)**
- **Senate President Ty Masterson (R-Andover)**
- **Senate Vice President Rick Wilborn (R-McPherson)**
- **Senate Majority Leader Larry Alley (R-Winfield)**
- **Senate Utility Committee Chair Mike Thompson (R-Shawnee)**
- **Senate Commerce Committee Chair Renee Erickson (R-Wichita)**
- **Senate Federal & State Affairs Committee Chair Rob Olson (R-Olathe)**
- **53 State Representatives**
- **16 State Senators**

In addition, a number of agency decision-makers and legislative staffers stopped by to visit. Turnout for the reception was exceptional. Over **200** people attended the reception.

Many legislators, government officials, and other decision-makers expressed their gratitude for the breakfast, camaraderie, and discussions saying they look forward to our event every year because "it is the best breakfast reception of the entire session." The good will and positive relationships we nurture at this annual event provide phenomenal value for our industry. The 2022 reception marks the 16th consecutive year we have organized the event, and we are delighted that our friends at EKOGA and API joined us to host the event. The event has proven to be an exceptional venue and opportunity for our industry to communicate with state legislators and government decision-makers on issues important to our industry. K

KANSAS DEPARTMENT OF REVENUE

Property Valuation Division Appraisal Courses

INTRODUCTORY LEVEL COURSES

February 7–9, 2022
Virtual; Microsoft Teams, 785-296-2365

Enrollment Fee Received at least 30 days prior to the class:
$170 for State of Kansas employees
and Kansas county personnel
$190 for all others

For registration submitted within 30 days of class, add $15

ADVANCED LEVEL COURSES

February 14–16, 2022
Virtual; Microsoft Teams, 785-296-2365

Enrollment Fee Received at least 30 days prior to the class:
$155 for State of Kansas employees
and Kansas county personnel
$175 for all others

For registration submitted within 30 days of class, add $15

OIL & GAS APPRAISAL GUIDE SEMINAR

February 23–24, 2022
Virtual; Microsoft Teams, 785-296-2365

Enrollment Fee Received at least 30 days prior to the class:
$120 for State of Kansas employees
and Kansas county personnel
$140 for all others

For registration submitted within 30 days of class, add $15

For more information and registration, go online to the Kansas Customer Service Center at www.ksrevenue.org to the Kansas Customer Service Center (KCSC) and click on the Customer Service Center “Register Now” link in the upper right-hand corner.

KIOGA

DYNAMIC DESIGN TO MEET TODAY'S CHALLENGES!

The Kansas Independent Oil & Gas Association (KIOGA) is playing a significant role in today's oil and gas industry. The industry is a $2.2 billion industry that puts tens of thousands of people across Kansas to work each day and pumps hundreds of millions of dollars into the state's economy each year. KIOGA continues our diligent work to ensure that tomorrow's economic climate will be one in which our members can grow and prosper.

The Kansas independent oil and gas industry, however, continues to strain to adjust to a host of potentially harmful issues that raise pointed questions about industry's long-term strategy. Crude oil market dynamics seriously challenge independent producers. Anti-oil and gas development groups are using a host of regulatory and environmental issues to establish barriers to responsible oil and gas development. Other significant challenges include improving our efforts to educate policymakers and the public on the positive contributions the oil and gas industry makes to life on earth, addressing taxation and environmental regulatory concerns, responding to attacks from anti-oil and gas development groups, and presenting a strong voice for the industry to the federal and state policymakers. In addition, we are seeing dramatic changes within our industry. Technology changes. People retire. Younger men and women step up. KIOGA will be there for the next generation of young professionals, as we have been for preceding generations.

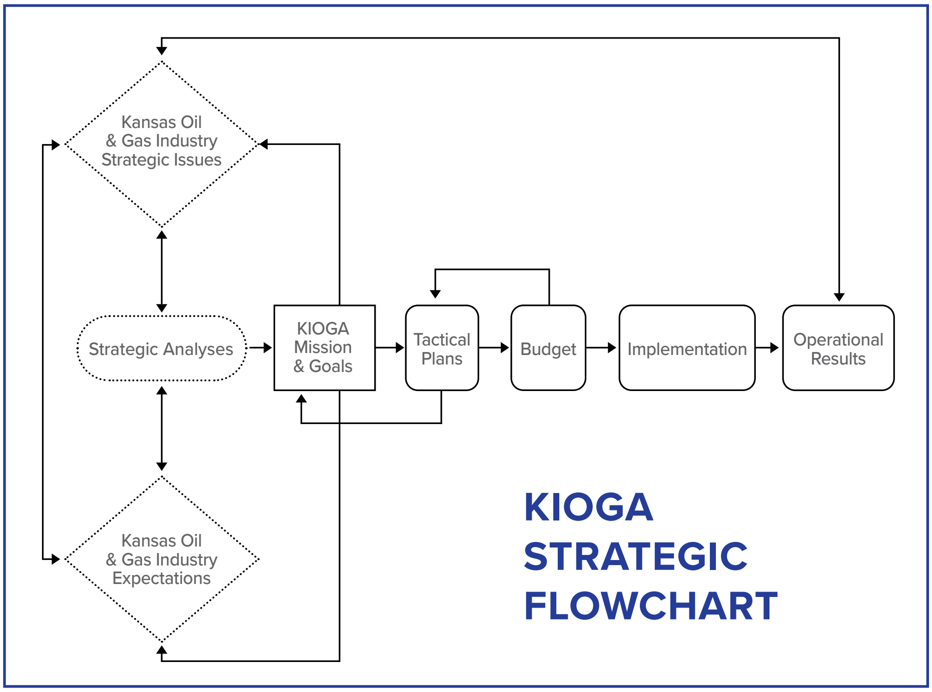
Model for Membership Value Creation and Growth

KIOGA uses a fully-integrated business model designed to build legacy value for KIOGA members. The goal is to continue to build an association that can meet the needs of our members while also allowing the industry to speak as a single voice on issues critical to all members. KIOGA plays an important role in today's oil and gas industry by providing quick analyses and evaluation of issues and concerns facing the Kansas oil and gas industry. As a result, arbitrage value is created for KIOGA members who benefit from substantial first mover advantages.

KIOGA manages spending as a single enterprise-wide process that is implemented in a category-specific way to allow better resource deployment that creates significant membership value benefit. KIOGA's streamlined budget, best practices, and improved procurement processes have reduced marginal costs and improved operating efficiencies. KIOGA anticipates continued growth in membership value with minimal capital expenditure.

A Stronger Industry Voice

KIOGA is the government relations branch for each of our members. Our personal and frequent contacts with key legislators and decision-makers effectively influence public policy on behalf of KIOGA members. Our cooperative



KIOGA STRATEGIC FLOWCHART

partnerships with other state and national associations mean the concerns of Kansas independent oil and gas producers are heard in Topeka and Washington, D.C. KIOGA's government relations effectiveness is greatly enhanced by our grassroots program. By conveying KIOGA's messages to members throughout the state and assigning them members of the Kansas Congressional Delegation, statewide elected officials, and/or agency decision-makers, KIOGA's messages reach Kansas officials through constituents. The numbers are exciting! If 100 KIOGA members contact two officials four times annually, then 800 positive industry messages reach Kansas officials each year. KIOGA's grassroots program translates into political muscle.

In addition, KIOGA's legislative contact volunteer program provides financial support for elected officials who listen, understand, and support the needs and concerns of the Kansas independent oil and gas industry. The program supports pro-industry incumbents and challengers whose votes we can depend on to ensure a strong American oil and gas industry.

KIOGA is playing an important role in energy policy advocacy efforts, from state and federal advocacy to working with media and civic organizations. KIOGA regularly writes and distributes opinion editorials and business essays to media outlets across Kansas and the nation. Also, the Association continues a vigorous campaign speaking at public forums across Kansas and the nation. The efforts have made KIOGA a credible voice in the court of public opinion.

Active involvement by KIOGA members in the political process has translated into greater government relations effectiveness. Member involvement through the grassroots program, legislative contact volunteer program, and public outreach program is an important addition to KIOGA's direct lobbying.

Membership Numbers—
A Key to Success

Association membership numbers are important to legislators. Greater membership numbers enhance the grassroots program and increases the effectiveness of the collective voice of the industry.

Today, with nearly **3,000 members**, KIOGA is the largest and strongest state and national advocate for the Kansas independent oil and gas industry. Our members account for 86% of the oil and 63% of the natural gas produced in Kansas. KIOGA is the lead state and national advocate for the Kansas independent oil and gas industry. However, there are still far too many companies that do not belong. We must continue to build association membership to be successful against well-funded and determined opponents.

Meaningful Participation

KIOGA has built programs that meet the needs of our members and offers members the opportunity to participate in meaningful ways. The efforts differentiate KIOGA from other advocacy groups.

All KIOGA members receive analyses and publications that help them keep their business competitive and current on industry trends and issues. The centerpiece is the Association's magazine published six times each year. Other publications members receive include *The American Oil & Gas Reporter* (a monthly magazine that covers the industry from A to Z), Federal & State Legislative Updates, *KIOGA Express* (an email communication tool designed to keep membership abreast of ongoing and breaking oil and gas industry news), multiple email reports to executive committee members, the *Kansas Oil & Gas Industry Strategic Analysis* (an

annual Kansas oil and gas industry economic impact study), and more. All the information can also be found on the Association's website (www.kioga.org).

KIOGA continues to aggressively pursue a design for growth in 2022 and beyond. KIOGA is a result-oriented organization that aggressively represents the interests of Kansas independent oil and gas producers. Value-added participation by KIOGA members contributes powerfully to the advancement of our growth strategy and is a major success driver. An outstanding talent pool lies within KIOGA membership. Substantial membership value is gained by leveraging our Association's core competencies, namely intellectual capital and volunteerism.

Business Development

For many, the quality of an association's meetings is a key factor in evaluating membership value. Recognizing the importance of this value, KIOGA provides numerous business development and marketing opportunities. The KIOGA Annual Convention held each August in Wichita features over 70 exhibitors and draws nearly 700 attendees and is the largest oil and gas meeting in Kansas. Rotated throughout western Kansas, the KIOGA Midyear Meeting is held each April and features unique marketing and networking opportunities. KIOGA's industry training and education initiatives include workshops and webinars that bring our members informative content that guides future business and policy decisions. The workshops and webinars provide educational opportunities for KIOGA members on important issues, regulations, and topics of interest. In addition, service and supply company members are provided sponsorship opportunities at KIOGA events and advertisement opportunities in KIOGA's newsletter and online buyers guide. Sponsorship provides opportunities for service and supply companies to increase visibility and encourages KIOGA members to do business with fellow KIOGA members.

Meetings, workshops, webinars, and business development and marketing initiatives are a major component in the Association's effort to build membership legacy value. By conducting multiple meetings, workshops, and webinars, and providing business development and marketing opportunities, KIOGA keeps in touch with our members and develops a better understanding of our members' needs and concerns. We are building legacy value!

Insurance Program

KIOGA also offers insurance programs that can save members significant dollars and add to their profitability. KIOGA's insurance program provides comprehensive insurance products capable of covering all exposure with expanded limits of coverage on general and pollution liability, underground resources, downhole, as well as basic coverages on equipment, buildings, autos, and workers' compensation.

Keepin' It Real

KIOGA has always believed that the key to building an outstanding organization was in developing proactive programs that meet the needs of our members. At the same time, we have not forgotten that our primary priority is to advocate for the Kansas oil and gas industry. We understand the need for sound public policies, cost effective operating strategies, enhanced access to exploration and production (E&P) and human capital, and improved efficiencies. KIOGA continues to develop a strong voice through membership growth and has created a government relations program second to none. Our track record reflects our emphasis on results.

The bottom line is that unsound policies threaten the profit and growth opportunities of every company in the oil and gas industry. KIOGA will not lose focus on that fact. The Association is "keepin' it real" and is committed to protecting the interests of the Kansas independent oil and gas industry.

Membership Opportunity

If you are not a member of KIOGA, we encourage you to join. All members receive the services and products outlined above plus more with individual memberships starting at just $300 annually. Through KIOGA you can play a significant role in our efforts to win the political battles in Topeka and Washington and the public information battle in the court of public opinion. Be a part of the solution. Join us today! Your membership does make a difference!

Kansas Independent Oil & Gas Association

MEMBERSHIP APPLICATION

THANK YOU FOR YOUR COMMITMENT TO KIOGA.

Please indicate your desired membership level and return this form, along with payment to:
800 SW Jackson Street, Suite #1400, Topeka, Kansas 66612-1216.
You may also join online at www.kioga.org.

Company: ______________________________

Name: ____________ Category: ____________ Operator #: ____________

Address: ______________________________

City: ____________ State: ________ Zip: ________ County: ________

Office Phone: ____________ Cell Phone: ____________

Email: ____________ Website: ____________

How do you prefer to receive communication from KIOGA? ______ Email ______ Mail

_______ Enroll me as a Producer Member and bill me accordingly.
(If you are an operator in Kansas, we ask you to consider joining as a producer member. Contact KIOGA for more details.)

_______ Enroll me as a Regular Member at $300.00 ______ Voluntary Public Relations Fund at $25

For my annual KIOGA dues investment of $ ____________ ,

Please charge my: ______ Mastercard ______ VISA ______ Discover ______ AMEX

Account Number: ____________ Exp. Date: ____________

_______ Find my check enclosed

MICHAEL REGAN
EPA ADMINISTRATOR

BIDEN ADMINISTRATION PROPOSES REVISED **WOTUS DEFINITION**

Federal regulators are proceeding with plans to again revise the government's definition of "waters of the United States" (WOTUS) and formally scrap the Navigable Waters Protection Rule promulgated by the Trump administration, which established the scope of waters federally regulated under the Clean Water Act. After announcing over the summer an intent to redefine WOTUS, the U.S. Environmental Protection Agency (EPA) and U.S. Department of Army on November 18 proposed a rule to re-establish the more restrictive pre-2015 WOTUS definition and at the same time rescind the Navigable Waters Protection Rule, which was finalized in 2020.

"In recent years, the only constant with WOTUS has been change, creating a whiplash in how to best protect our waters in communities across America," said EPA Administrator Michael Regan. "Through our engagement with stakeholders across the country, we've heard overwhelming calls for a durable definition of WOTUS that protects the environment and that is grounded in the experience of those who steward our waters. This action advances our process toward a stronger rule that achieves our shared priorities."

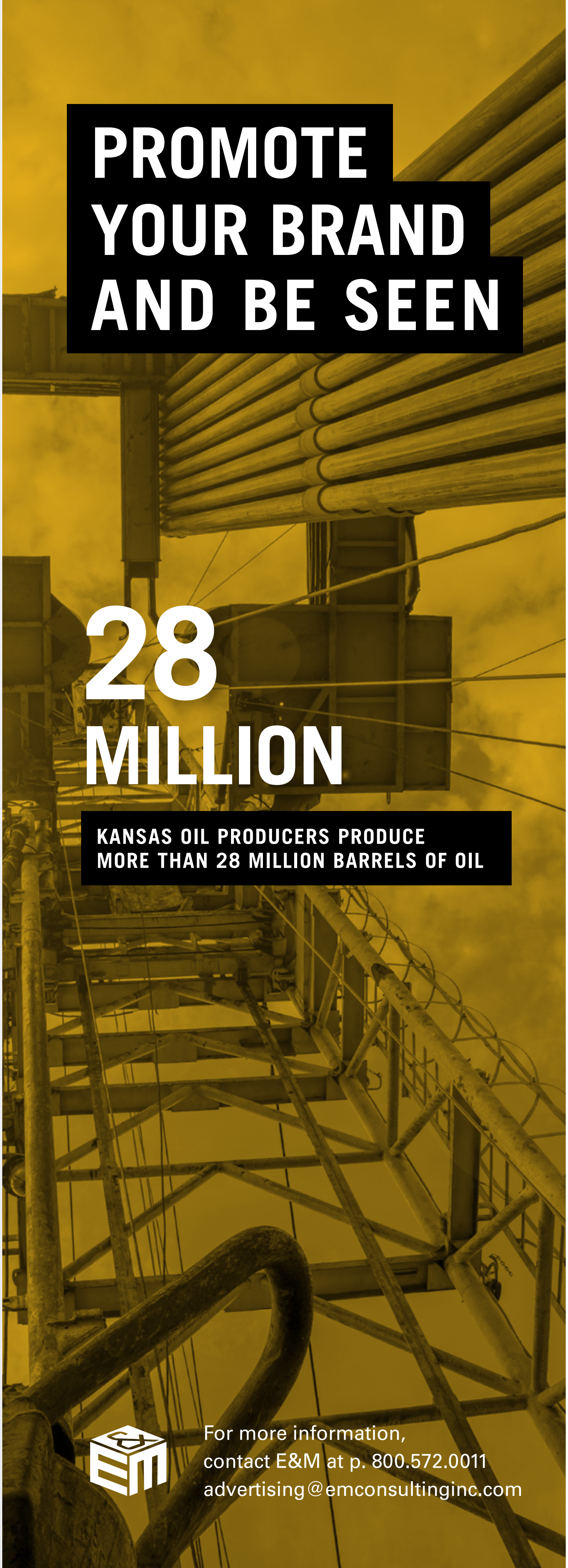
> **"THROUGH OUR ENGAGEMENT WITH STAKEHOLDERS ACROSS THE COUNTRY, WE'VE HEARD OVERWHELMING CALLS FOR A DURABLE DEFINITION OF WOTUS THAT PROTECTS THE ENVIRONMENT AND THAT IS GROUNDED IN THE EXPERIENCE OF THOSE WHO STEWARD OUR WATERS."**

Court rulings by the U.S. District Courts for both Arizona and New Mexico had already vacated the Navigable Waters Protection Rule, leading the Biden administration to implement the pre-2015 WOTUS regulatory regime nationwide since early September 2021.

The EPA said such court decisions reinforce the need for a "stable and certain" definition of "waters of the United States" that protects public health, the environment, and downstream communities while supporting economic opportunity, agriculture and other industries that depend on clean water.

A second rule on WOTUS is also anticipated from the Biden administration that will build on the regulatory foundation and technical expertise set forth by the newly updated WOTUS regulation. According to the EPA, this regulatory effort will be guided by priorities that include protecting water resources and communities consistent with the Clean Water Act, the latest science and data concerning effects of climate change on U.S. waters, and a practical implementation approach. The agencies maintain a commitment to meaningful stakeholder engagement to ensure that respective WOTUS regulations consider essential clean water protections, as well as weigh how the use of water supports key economic sectors.

KIOGA joined representatives from several other stakeholder groups (agriculture, conservation groups, developers, water and waste management, environmental organizations, and more) in requesting the EPA form a High Plains Regional Roundtable discussion. This High Plains group sent a letter to the EPA in December 2021 asking for a High Plains roundtable discussion since the High Plains have significantly unique water features and hydrology. If granted by the EPA, KIOGA will be able to provide industry perspective to the EPA to inform the development of a durable and workable definition of WOTUS.



KANSAS INDEPENDENT OIL & GAS ASSOCIATION

KIOGA

THE VOICE OF THE KANSAS INDEPENDENT PETROLEUM INDUSTRY

Published six times per year, *KIOGA Magazine* is a one-stop shop for all independent oil and natural gas industry news written for professionals in the field. As a recognized industry publication with an established readership and trusted content, it makes a targeted impact. Advertise directly to your peers and get noticed.

12,000+

KIOGA Magazine reaches more than 12,000 independent oil and natural gas producers.

100,000+

More than 100,000 Kansans are employed in the independent oil and gas industry.

$2.1 BILLION

Reach CEOs, Presidents, Directors, Purchasing Agents, and Senior Management in the $2.1 billion oil and gas industry throughout the state of Kansas.

KIOGA
Kansas Independent Oil & Gas Association

Challenging Issues

FACE 2022 KANSAS LEGISLATURE

The 2022 Kansas Legislative Session began on January 10. Governor Kelly delivered her “State of the State” address on January 11. The session began with the enjoying of a nearly $3 billion State General Fund balance. This prompted many state agencies and others to suggest more spending. Republican leaders in the Legislature and Attorney General Derek Schmidt have said that it is important that state leaders resist the urge to start spending more, because it could lead to instability in the future when revenues are not as high.

KIOGA prepared for the 2022 Kansas Legislative Session. As a professional advocate for the Kansas oil and gas industry, KIOGA uses our significant advocacy experience and talent to form strong and productive bipartisan relationships with state and federal policymakers as well as state and federal regulatory agencies. Many KIOGA members have been participating in legislative and regulatory meetings focusing on issues important to the Kansas oil and gas industry.

KIOGA STATE ADVOCACY STRATEGY

The core focus of KIOGA’s work at the Statehouse during the 2022 Legislative Session will be on protecting the Kansas oil and gas industry from increased costs while also defending industry gains made in recent years.

KIOGA has prepared for state advocacy going forward into 2022. The KIOGA legislative agenda for the 2022 Legislative Session will be one in which we will work to minimize legislative assaults on the independent oil and gas industry and optimize legislative targets of opportunity. In preparation, KIOGA prepared our annual state and federal legislative/regulatory/communication agenda. KIOGA President Edward Cross presented this agenda to Governor Kelly and key Kansas legislators in January. The agenda lays out what’s important to KIOGA members and where we stand on energy, tax, and regulatory issues.

KIOGA supports a rational, data-driven, common-sense approach to energy policy that recognizes our best energy future can only be achieved through a true all-of-the-above energy strategy. We will:

Kansas Independent Oil & Gas Association (KIOGA)
2022 State & Federal
Legislative/Regulatory/Communication Agenda

We’ve Got Your Back!

- Oppose any legislation designed to stop oil and gas production or measures that have very little environmental benefit but high associated costs. This includes restrictions on hydraulic fracturing, waste management, emissions, injection wells, or other measures designed to stop oil and gas production.
- Support legislative study/action on the competitiveness of Kansas energy rates, including electric generation deregulation.
- Oppose mandates and policies that increase costs when sourcing energy.
- Oppose policies picking winners and losers among energy sources and technologies.
- Support efforts to limit or block federal regulations which

overreach and impose undue expense and regulatory burden on the Kansas oil & gas industry.

- Encourage the least restrictive method of regulation that supports the goal of protecting the public without limiting business activity.

- Oppose measures to limit the availability of partition to mineral owners.

KIOGA will urge the legislature to reduce cost of doing business, and will:

- Oppose any measures that target oil and gas industry for increased local or state tax base.

- Support measures that reduce government spending instead of increasing the cost of doing business through tax increases.

- Support tax policies that treat all energy sources equally, allowing market demand to drive efficiencies.

Meeting with Governor Kelly and Key House & Senate Leadership—KIOGA President Edward Cross met with Governor Kelly in January to provide an update on the state of the Kansas oil and gas industry and to share KIOGA's legislative agenda, which lays out what's important to KIOGA members and where we stand on energy, tax, and regulatory issues. Cross also met with the House Speaker, Senate President, and Chairs of the key energy and tax committees in separate meetings in January to discuss energy issues and begin laying groundwork for the upcoming 2022 Kansas Legislative Session.

LAURA KELLY
GOVERNOR OF KANSAS

KIOGA Reference Material—KIOGA is proactive and prepared in advance of the 2022 Kansas Legislative Session by developing and updating several white papers, fact sheets, brochures, and other informational pieces in advance of the session. These include:

- *Kansas Oil & Gas Industry Strategic Analysis* (January 2022)—an annual comprehensive report that provides the latest information on the economic impact of the Kansas oil and gas industry including statistics on Kansas oil and gas industry activity, taxes, production, issues, challenges, and opportunities;

- *State of the Oil & Gas Industry—Dynamic Challenges Facing Kansas Oil & Gas Industry* (January 2022)—a white paper that summarizes America's energy picture today, challenges faced by the small businesses that make up the Kansas oil and gas industry, and what the industry is doing to address those challenges;

- *Hydraulic Fracturing—Regulatory & Policy Considerations* (January 2022)

- *Hydraulic Fracturing & Drinking Water Contamination* (January 2022)

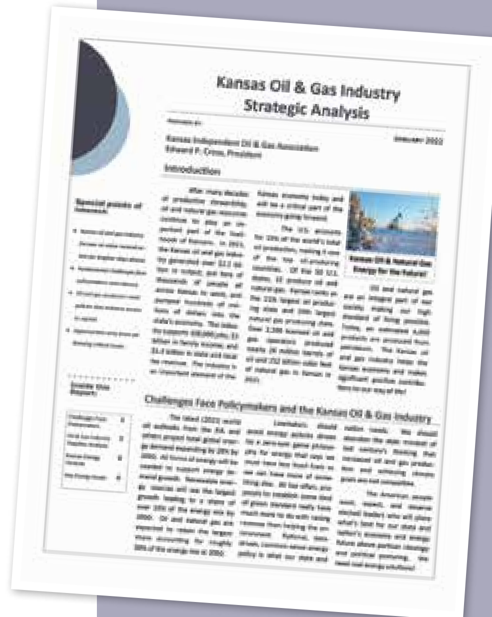
- *Climate Issues* (January 2022)

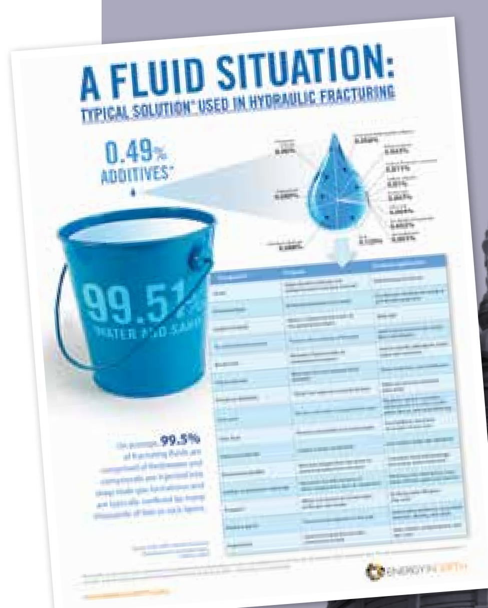
- *Facts About Induced Seismicity* (January 2022)

- *Seismic Activity in Kansas* (January 2022)

- *Induced Seismicity & Injection Wells in Kansas* (January 2022)

- And More





KIOGA shares these white papers, fact sheets, reports, brochures, and other informational pieces with key state legislators. The reference material is also shared with the Kansas Congressional delegation and other key federal policymakers. Many state and federal policymakers have expressed their gratitude for factual science-based information. All of the reference material can be found on the KIOGA website at www.kioga.org.

WHAT TO EXPECT IN THE UPCOMING SESSION

Kansas House and Senate committee assignments are expected to stay the same as last session (2021) with the exception of a few Committees. Senate President Ty Masterson (R-Andover) named Senator Rob Olson (R-Olathe) to chair the Senate Federal & State Affairs Committee in 2022 replacing Senator Larry Alley (R-Winfield) who is now Senate Majority Leader. Olson was Chair of the Senate Commerce Committee, and Masterson named Senator Renee Erickson (R-Wichita) to chair the Senate Commerce Committee in 2022. Masterson also created a new Senate Committee on Redistricting and named Senator Rick Wilborn (R-McPherson) to chair the committee. In the House, Representative Blaine Finch (R-Ottawa) was named to chair the House Energy, Utilities, & Telecommunications Committee, Representative Emil Bergquist (R-Park City) was named to chair the House Elections Committee, and Representative Stephen Owens (R-Hesston) was named to chair the House Corrections/Juvenile Justice Committee.

Economic Forecast—Slow economic recovery from the sudden and severe contraction of 2020 is expected to continue in the Kansas economy in 2022. Kansas Gross State Product (GSP) is projected to grow by 3.6% in 2022. U.S. Gross Domestic Product (GDP) is projected to grow by 4.4% in 2022.

POTENTIAL OIL & GAS ISSUES IN THE 2022 KANSAS LEGISLATIVE SESSION

Several issues affecting the Kansas oil and gas industry could emerge during the 2022 Kansas Legislative Session. KIOGA stays vigilant identifying and preparing for emerging issues. KIOGA will also continue to work to improve and maintain relationships with key lawmakers and decision-makers on active initiatives and engage in policy developments affecting the Kansas oil and gas industry.

Energy Policy—KIOGA supports a rational, data-driven, common-sense approach to energy policy that recognizes our best energy future can only be achieved through a true all-of-the-above energy strategy. We will oppose policies picking winners and losers among energy sources and technologies. We will oppose policies that impose mandates that increase costs when sourcing energy. We will encourage the least restrictive method of regulation that supports the goal of protecting the public without limiting business activity.

Uniform Partition of Heirs Property Act—The Kansas Association of Realtors have been trying to get a Uniform Partition of Heirs Property Act passed over the last few years. KIOGA opposed this legislation in 2019, and it was defeated. In 2021, the Kansas Association of Realtors introduced the legislation again on both the House and Senate side. During the 2021 session, KIOGA President Edward Cross provided the Kansas Senate Judiciary Committee Chair Kellie Warren (R-Leawood) and the Kansas House Judiciary Committee Chair Fred Patton (R-Topeka) with information explaining why such legislation was not needed in Kansas.

Recently, the Kansas Association of Realtors approached KIOGA saying they would be trying to advance the legislation again in 2022. Cross told the Kansas Association of Realtors that partition has been used in Kansas by the oil and gas industry to consolidate diverse mineral interests for development, protect land from drainage, protect mineral interest owners, and to facilitate unitization and secondary recovery. Sometimes a partition action is the only tool available to develop a property. The Uniform Partition of Heirs Act would limit the availability of partition to mineral owners. Cross told the Kansas Association of Realtors that the bottom line is we remain opposed to this measure because the abuses the Act is trying to prevent do not appear to be prevalent in partitions of oil, gas, and mineral interests and do not work for partitioning oil, gas, and mineral interests.

Electric Rates—KIOGA President Edward Cross has been working with KIOGA Electric Power Committee Chair Adam Beren as well as State Senator Mike Thompson (R-Shawnee) and State Senator Caryn Tyson (R-Parker) on legislative actions to address high electric rates. KIOGA encourages a temporary rate moratorium to allow the legislature to devise ways to lower rates. KIOGA is also encouraging electric providers and lawmakers to consider win/win proposals presented by KIOGA including provisions for a marginal electric load rider, economic development rider, a reclassification of oil electric load, and more.

Taxes—KIOGA President Edward Cross is working with Kansas Senate Tax Committee Chair Caryn Tyson (R-Parker) on potential tax legislation. Senator Tyson has reached out to KIOGA asking for a summary of oil and gas tax provisions in Kansas. Cross provided a detailed summary of oil and gas tax provisions. KIOGA is working with Senator Tyson and other lawmakers to support tax policies that treat all energy sources equally, allowing market demand to drive efficiencies.

Pipeline Safety Proposal—The Kansas Corporation Commission (KCC) introduced legislation in the 2021 Kansas Legislative Session to amend statutes dealing with KCC jurisdiction over pipeline safety matters for intrastate natural gas pipelines. The measure stalled in 2021 due to the lack of time necessary to get it through the legislative process. The KCC has indicated they plan to advance the legislation in 2022. The KCC proposal would remove K.S.A. 66-1150(b), which is an exemption that the legislature placed in the law in 1993 that does not allow KCC authority over natural gas pipelines serving farming activities or some activities associated with oil or gas production. If those pipelines are subject to pipeline safety regulations (i.e., the gas is in transportation), they would remain jurisdictional to the USDOT Pipeline and Hazardous Materials Administration. Regarding gathering lines, the proposed changes would give the KCC jurisdiction over any gathering lines that are already subject to federal rules under 49CFR Part 192. The proposal was vetted with the KIOGA Natural Gas Committee and several KIOGA members who have gas gathering lines. The proposal appears to offer no changes to current gas gathering operations and regulations in Kansas.

Carbon Capture Utilization & Storage (CCUS)—For the last two years (2020

and 2021), the Kansas Geological Survey, Oxy, and others proposed a measure to expand CCUS activities in Kansas. KIOGA has serious concerns about the proposal for many reasons. The proposal would allow condemnation to be used not just for pipeline rights-of-way to include carbon dioxide pipeline, but also would use eminent domain to condemn subsurface strata. Legal challenges involving mineral rights and pore space ownership would likely arise. In addition, any operator wanting to participate in a CCUS project would have to be willing to accept significant CAPEX and operating expenses (OPEX) risks. CCUS is a very complicated issue with the potential for lots of unintended consequences that could affect large segments of the industry in many ways.

Search of Private Property—This measure would create law concerning the authority of Kansas Department of Wildlife, Parks and Tourism (KDWPT) to conduct surveillance on private property. The proposed bill would prohibit KDWPT employees from conducting surveillance on private property unless authorized pursuant to a search warrant under continuing law, the U.S. Constitution, or an exception listed by the bill. The measure is sponsored by State Representative Ken Corbet (R-Topeka) and is supported by the Kansas Farm Bureau, Kansas Livestock Association, and the ACLU.

Investment Boycott of Energy Companies—Some financial and investment institutions across the nation are being pressured by the Biden administration to boycott traditional energy production industries. KIOGA believes financial institutions should award financing based on an unbiased, non-political basis. Oil and gas companies are not asking for special treatment, but are simply asking for financial institutions to be unbiased in their assessments. West Virginia State Treasurer Riley Moore recently launched a coalition of 15 state treasurers to defend against the Biden administration's pressure on the banking industry to cut off investments to legally operating U.S. business. Senator Mike Thompson (R-Shawnee) introduced legislation concerning state agencies requiring the Kansas public employees retirement system (KPERS) to divest investments in entities that boycott energy companies and prohibiting state contracts without written verification that a company is not boycotting energy companies.

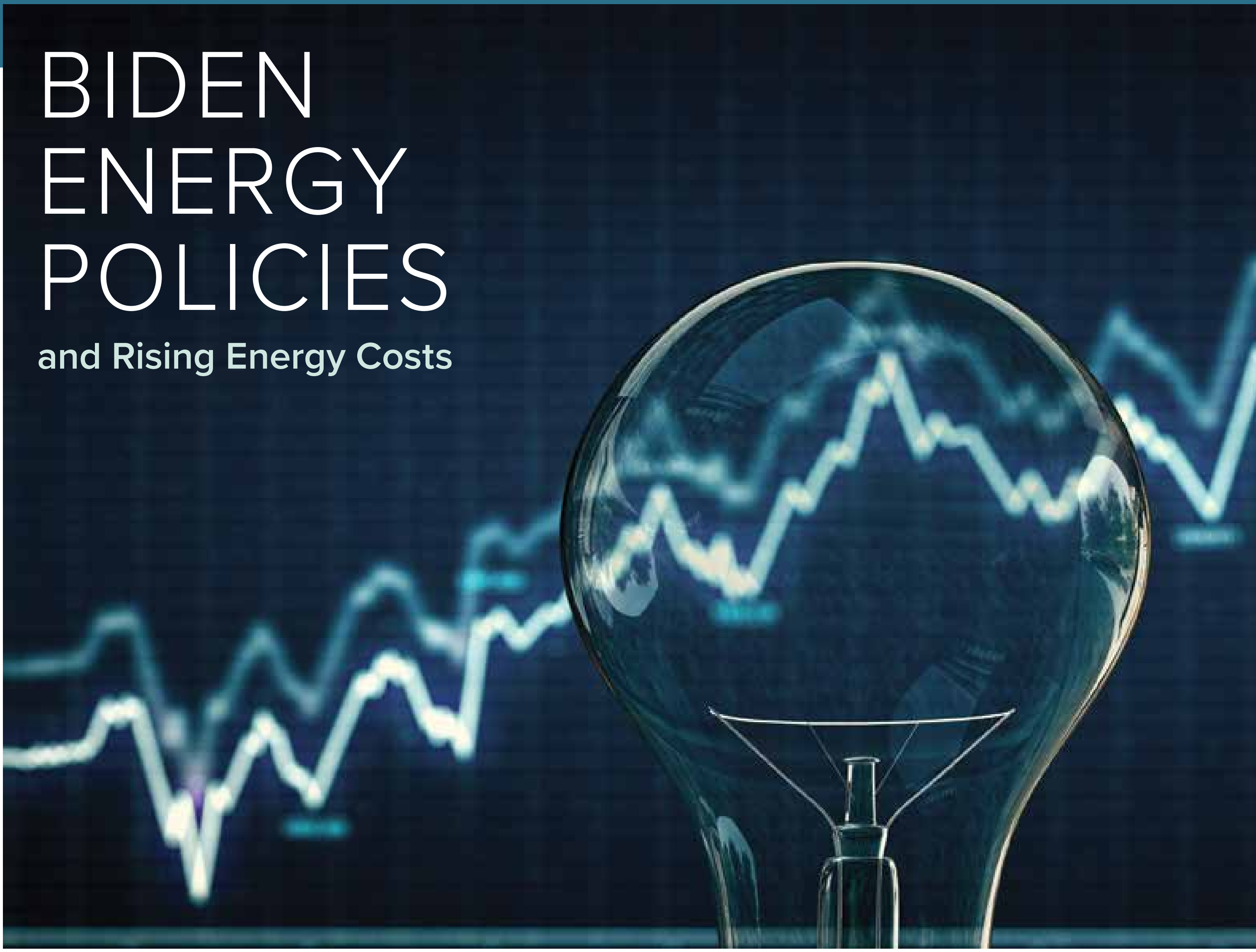
Environmental Assaults—Several issues affecting KIOGA members could emerge during the 2022 Kansas Legislative Session. Each of the last ten years, the Sierra Club and other activists have introduced bills that include a list of onerous rules and regulations designed to stop oil and gas production. This laundry list of oil and gas regulations has 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. The upcoming session (2022) could see the same.

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 meets with key legislative leaders and committee chairs through-out 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.

Other issues—Several more issues may emerge during the 2022 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 the 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.

BIDEN ENERGY POLICIES

and Rising Energy Costs



As the Biden administration calls for an investigation into rising gas prices and begins tapping into the Strategic Petroleum Reserve (SPR) to help slow rising gas prices, it is important to pull back the curtain on the ideologically driven processes the Biden administration is using to justify these bad policy decisions.

COP26 Climate Summit
The United Nations (UN) completed the COP26 climate talks in November 2021 in Glasgow, UK. Sadly, the highlights were more of the same old hysterical alarmism.

COP26 climate carnival was expensive, energy-burning theater. One hundred eighteen private jets flew into the airport, and President Biden's motorcade had 24 vehicles.

The 20,000 wealthy diplomats, Wall Street financiers, and activists who attended claim that the world's future is their priority, but their actions reveal a disdain for humanity that should undermine any ideas they propose. The main message was people should use less and do with less.

President Biden should have touted America's successes in reducing emissions. From 2005 to 2018, total US energy-related CO^2 emissions fell 12% while global energy-related emissions increased nearly 24%. Since 2005, national greenhouse gas emissions fell by 10%, and power sector emissions by 27%—as the U.S. economy grew by 25%. Biden should have compared that to China's announcement of 30 new coal-fired power plants and China being the world's biggest polluter.

The president should have stood up for his people.

Rising Energy Costs

The Biden administration need look no further than their own actions to find the primary reason energy prices have escalated since he took office. Within the first week of office, Biden issued an executive order halting all U.S. drilling permits and federal leasing. He added further injury to the American oil and gas industry through a batch of punitive, unnecessary, and burdensome regulations on oil and gas operations. These actions have severely hampered American oil and gas companies' ability to adequately supply the market and have put American energy independence at risk.

The market supply deficit, which has been artificially created by the Biden administration, can quickly be erased by simply reversing these punitive oil and gas policies. American consumers see through this political charade and demand these policies be ended.

Tapping into the Strategic Petroleum Reserve (SPR) to help slow rising gas prices is not a prudent policy decision. Gas prices have and will continue to rise due to production restrictions on federal lands, cancellation of the Keystone XL Pipeline, and heightened environmental regulations, including those on methane emissions.

We should not extract oil from the SPR to address a self-inflicted crisis caused by this administration. We must continue to reserve the world's largest supply of emergency crude for national emergencies that cannot otherwise be prevented.

There is no reason to use our country's safety net to bail out President Biden's failed policies and poor planning. Rather, it would be in our best interest to reopen oil and gas production on federal lands and ease regulatory restrictions on domestic production, which would equate to a 20% increase in our domestic oil production.

The First Climate Change "Summit"

Higher gas prices hurt the American public. Encouraging domestic oil and gas production helps to create American jobs, energy independence from Russia and the Middle East, and cheaper visits to the pump.

Resorting to withdrawals from the SPR only postpones reality and creates larger economic concerns for the future. At a time when we are experiencing harsh winter storms and hurricanes, along with an uncertain global geopolitical environment, future withdrawals from the SPR may be urgently needed. We must ensure the SPR is fully stocked and able to protect Americans the way it was intended to.

Low energy supplies, mortgaged to Russian control of the Nord Stream II gas pipeline (given the go-ahead by Biden), and shortages of wind power are jacking up energy prices in Europe and making leaders there nervous.

In the U.S., gasoline prices have been rising steadily, and they are about to be joined by heating oil and natural gas heat. President Biden should be rethinking permits for the Keystone Pipeline and punitive regulatory actions. Instead, the president asked that the Organization of the Petroleum Exporting Countries (OPEC) pump more oil and ship it halfway around the world in diesel or coal-powered ships to American ports with offloading problems. OPEC has said no. That is not surprising to anyone but, perhaps, the president.

In an effort to woo Iran, the administration came into office deriding Saudi Arabia and what it called "the Saudi war in Yemen." More correctly, that war is the Iranian-fostered Houthi war in Yemen and Saudi Arabia, in which Saudi cities and oil production facilities have been attacked. But in September, the administration pulled American Patriot Missile batteries out of Saudi Arabia, Iraq, and some from Jordan, leaving those countries exposed to increasingly long range and accurate missiles supplied to the Houthis by Tehran.

In what universe would Saudi Arabia pump more oil, lower the price, and help out the United States?

Americans have had fairly stable energy prices for the past few years, and fairly low ones, in part due to the tremendous increase in energy production in the United States—both oil and natural gas. In 2018, the U.S. produced 95% of its domestic energy requirements, the largest share since 1967. Gas prices, the marker Americans watch almost to the exclusion of everything else, averaged $2.60/gal in 2019, 4% lower than in 2018.

Then in 2020, Russia and Saudi Arabia colluded oddly, not to keep the price up but to outdo one another in production to drive it down to where it would bankrupt American producers, looking for market share for when they drove us out.

President Trump used the situation to fill the Strategic Petroleum Reserve, which President Biden is now tapping.

The truth of the climate summit and energy policy is that people don't want high energy costs or to be cold, and their governments have to respond—in China, in Europe, or in America the ramifications of high energy costs and cold citizens are politically dangerous whether they go to the ballot box or have revolutions.

For all the high-minded talk at the climate summit, the reality is it is all about production. And for Americans, it should be domestic production for domestic consumption. ✓

2021—A YEAR OF RECOVERY FOR OIL & GAS INDUSTRY

INDUSTRY FOCUSES ON VALUE RECONSTRUCTION

These are critical times for the Kansas oil and natural gas industry, economically and politically. The challenges we face grow in number and complexity and are exacerbated by a volatile oil and natural gas price environment. The advocacy efforts of the Kansas Independent Oil & Gas Association (KIOGA) have only gotten more urgent.

The economy has been engaged in a slow recovery from the worst of the coronavirus, and the accompanying improvement in energy demand has been evident in crude oil prices. Kansas crude oil prices topped $53/barrel (bbl) in early January 2020 and then dipped below $1/bbl in April 2020. Crude oil prices began to recover thereafter, surpassing $35/bbl by the end of 2020. Improving market conditions in 2021 resulted in increased energy demand. Oil prices rose steadily through 2021 topping $74/bbl in November 2021 before falling back to $61/bbl by the end of 2021.

Crude oil prices dropped in late 2021 following the identification of the new COVID-19 Omicron variant, which raised the possibility that oil demand could decline in the near term. Fear exists on both sides of the oil ledger with concerns about slowing demand and swelling supplies. Crude oil markets remain subject to heightened levels of uncertainty related to the ongoing recovery from the COVID-19 pandemic. The crude oil market is fraught with uncertainty that creates volatility in crude oil prices. Volatile crude oil prices have a significant impact on the small businesses that make up the Kansas oil and natural gas industry.

KIOGA has compiled statistics that paint a remarkable picture of the oil and natural gas industry's impact on the Kansas economy and the level of state taxes imposed on the industry. KIOGA has prepared several white papers and reports that provide a summary of the current state of the oil and natural gas industry.

"These informational pieces highlight how oil and natural gas uniquely impact many aspects of our life," said Edward Cross, KIOGA President. "Whether it is providing well-paying jobs, saving consumers thousands of dollars each year on their energy bills, producing the building blocks for products we use every day, or developing innovations that have reduced air emissions to historic lows, the oil and natural gas industry is a vital part of the Kansas and U.S. economy."


Kansas Oil & Gas Industry
Strategic Analysis

PREPARED BY: JANUARY 2022

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

Introduction

Special points of interest:

Kansas Oil & Natural Gas Energy for the Future!

Inside this Report:

Challenges Face Policymakers and the Kansas Oil & Gas Industry

INDEPENDENT OIL AND GAS INDUSTRY LEADS THE WAY

The independent oil and natural gas producers continue to lead the way in the Kansas oil and natural gas industry. Independent producers account for over 92% of the oil and 63% of the natural gas produced in Kansas.

Kansas independent oil and natural gas producers have significant advantages. The independent oil and natural gas producers in Kansas have developed strong skill sets based on their size and scale. Independents historically use their resources to the fullest and therefore accelerate the process of creating value from their assets. Independents are typically able to run quicker and leaner than larger companies. Finally, Kansas independents know Kansas geology and how to develop wells in Kansas. Kansas independent producers have a subsurface intelligence that you cannot buy and that gives them a very unique competitive advantage. Kansas independent producers have a significant advantage by running lean but being smart. All of this gives independents significant advantages.

KANSAS INDUSTRY ACTIVITY

COVID-19 and concurrent crude oil supply shock destroyed about 30% of global crude oil demand in 2020. Oil and gas activity in Kansas slowed dramatically in 2020 as operators shut in production, and cut capital expenditures (CAPEX) by as much as 60%.

Nearly 5,000 wells were shut down in Kansas in 2020 resulting in oil production dropping by 12.4% and natural gas production dropping by 10.8%. In 2020, Kansas experienced over $810 million in lost oil output. The concomitant economic impact of lost production is felt by all Kansans as this lost output resulted in over $1.6 billion in lost gross state product (GSP).

Kansas producers worked in 2021 to optimize supply chain relationships, improve operational efficiencies, and refocus capital expenditures (CAPEX) on the most resilient short-cycle projects.

As market conditions improved in 2021, oil and gas exploration/production activity increased throughout the year. As a result, Kansas crude oil production declined by only 3.9% in 2021, and natural gas production declined by 7%.

The Kansas oil and gas industry produced nearly 28 million barrels of oil and over 153 billion cubic feet of natural gas in 2021. Nearly 78% of the value of the Kansas oil and natural gas industry comes from oil production, and 22% comes from natural gas production. The industry saw 16–40 drilling rigs running each month during 2021 (a 107% increase from 2020). The Kansas Corporation Commission (KCC) reports over 1,250 drilling permits were issued in 2021 (up 125% from 2020). Kansas oil production fell by 3.9% in 2021, which followed a 12.5% drop in 2020 and 4.4% drop in 2019. Kansas oil production has dropped by 43.5% since 2014. Kansas natural gas production fell by 7% in 2021 and has decreased by 46.2% since 2014. While the average oil well in Kansas produces 2 barrels of oil per day (BOPD) and the average natural gas well produces 25 Mcf (1,000 cubic feet) per day, the industry supports more than 100,000 jobs and pays $3 billion in family income and $1.4 billion in state and local taxes.

KANSAS OIL & GAS INDUSTRY STRATEGIC ANALYSIS

KIOGA has prepared several reports and white papers on the oil and natural gas industry's impact on the economic vitality of Kansas and the level of state taxes imposed on the industry. The report shows that the oil and natural gas industry is a key contributor to the Kansas economy.

After many decades of productive stewardship, oil and natural gas resources continue to play an important part of the livelihoods of Kansans throughout the state. The Kansas oil and natural gas industry is a critical part of the Kansas economy. In 2021, the Kansas oil and natural gas industry generated over $2.2 billion in output, put tens of thousands of people all across Kansas to work each day, and pumped hundreds of millions of dollars into the state's economy—money that helped support families, fund schools, and build roads. The Kansas oil and natural gas industry is a vital element of the Kansas economy today and will be a critical part of the economy going forward.

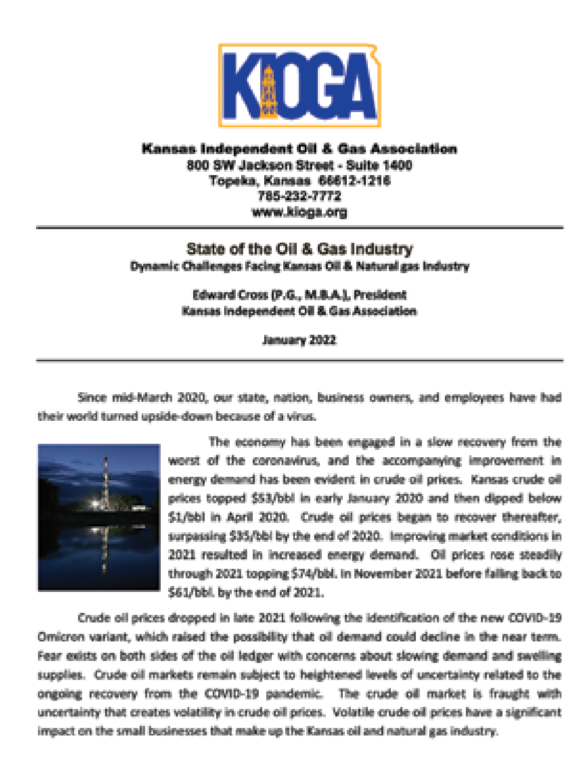
The energy outlook for 2022 remains subject to heightened levels of uncertainty as responses to COVID-19 continue to evolve. The COVID-19 pandemic caused changes in energy demand/supply patterns in 2020/2021 that continue into 2022.

Going forward, Kansas producers are focusing on the most resilient short-cycle projects and concentrating on their core competencies and smaller producer advantages. Kansas producers are working to optimize supply chain relationships, improve operational efficiencies, reduce and refocus CAPEX, and examine acquisition and divestiture opportunities. Operators are high-grading and drilling only the best projects. In many cases, improved productivity is less about improved technology and more about better application of existing technology.

KIOGA put together our annual *Kansas Oil & Gas Industry Strategic Analysis* study to highlight the importance of the oil and gas industry in Kansas. You can find this report on KIOGA's website at **www.kioga.org**. Some of the key findings include:

- Drilling permits in Kansas increased by more than 120% in 2021.
- Royalty payments dropped by over $400 million across Kansas in 2018–2020.
- Family income dropped by $341 million across Kansas in 2018–2020.
- Severance tax collections on oil and natural gas production increased by $20 million in 2021 but remain nearly 72% below 2014 levels.
- Ad Valorem taxes collections on oil and natural gas increased by about $10 million in 2021 but remain nearly 61% below 2014 levels.
- Over 13% of the value of oil and natural gas produced is paid in taxes. And that doesn't include sales taxes, income taxes, or the taxes imposed on final products. This makes the oil and gas industry one of the most heavily taxed industries in Kansas.
- The Kansas oil and gas industry pays taxes not just once, but multiple times before the oil and natural gas reach their final destination. Taxes are imposed on oil and natural gas while still in the ground, then again when they are produced, when transported, when refined, and again when sold as final products. Plus the Kansas oil and gas industry is subject to all other general business and income taxes that other businesses pay. These taxes reduce the rates of return on new exploration and production investments by an average of 26.5%.

KIOGA also updates our continually evolving *State of the Oil & Gas Industry* white paper that summarizes America's energy picture today, challenges and opportunities faced by the small businesses that make up the Kansas oil and gas industry, and what the industry is doing to address those challenges. You can find the white paper titled *State of the Oil & Gas Industry—Dynamic Challenges Facing Kansas Oil & Gas Industry* on KIOGA's website at **www.kioga.org**.



KIOGA

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State of the Oil & Gas Industry
Dynamic Challenges Facing Kansas Oil & Natural gas Industry

Edward Cross (P.G., M.B.A.), President
Kansas Independent Oil & Gas Association

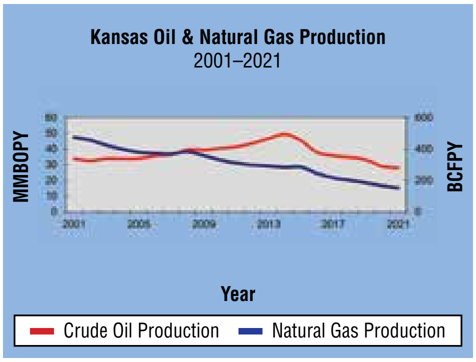
January 2022

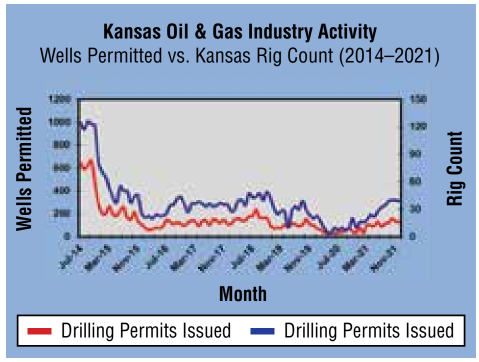
Since mid-March 2020, our state, nation, business owners, and employees have had their world turned upside-down because of a virus.

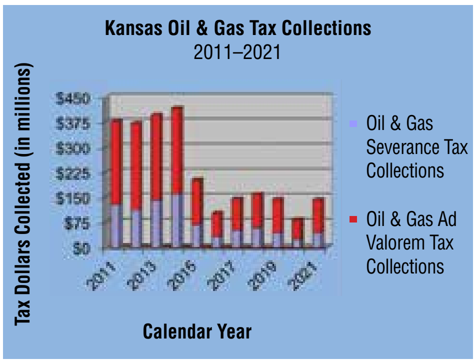
The economy has been engaged in a slow recovery from the worst of the coronavirus, and the accompanying improvement in energy demand has been evident in crude oil prices. Kansas crude oil prices topped $53/bbl in early January 2020 and then dipped below $1/bbl in April 2020. Crude oil prices began to recover thereafter, surpassing $35/bbl by the end of 2020. Improving market conditions in 2021 resulted in increased energy demand. Oil prices rose steadily through 2021 topping $74/bbl. In November 2021 before falling back to $61/bbl. by the end of 2021.

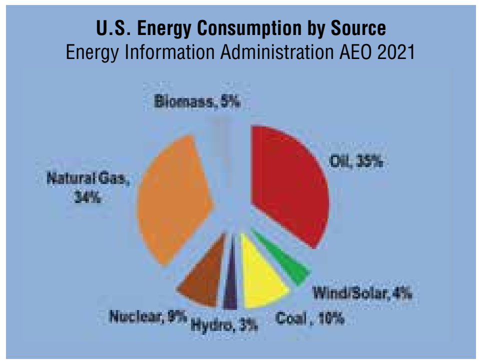
Crude oil prices dropped in late 2021 following the identification of the new COVID-19 Omicron variant, which raised the possibility that oil demand could decline in the near term. Fear exists on both sides of the oil ledger with concerns about slowing demand and swelling supplies. Crude oil markets remain subject to heightened levels of uncertainty related to the ongoing recovery from the COVID-19 pandemic. The crude oil market is fraught with uncertainty that creates volatility in crude oil prices. Volatile crude oil prices have a significant impact on the small businesses that make up the Kansas oil and natural gas industry.

During the give and take of public discourse, few truly stop to think how absolutely essential oil and natural gas are to our lives, to our prosperity and security, and to our future. Oil and natural gas are the foundation of our energy-dependent economy. They profoundly affect how we live and work.









They are key to our mobility, to keeping our homes and businesses warm, to providing us with electric power, and to supplying the raw materials for countless consumer and industrial products.

Oil and natural gas are an integral part of our society. Much of our high standard of living can be traced to the use of petroleum. The Kansas oil and natural gas industry fuels America, helps the Kansas economy, and makes positive contributions to our way of life! K

EPA RELEASES PROPOSED

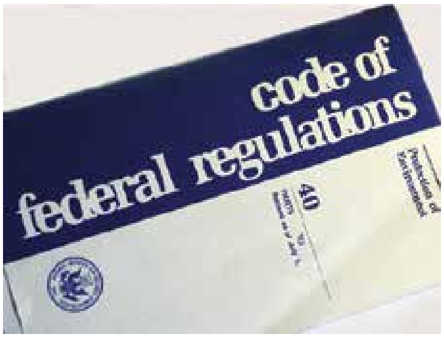
METHANE REGULATIONS

KIOGA continues to work with other oil and gas groups from across the nation to address the Environmental Protection Agency's (EPA) newly proposed methane regulations. The independent oil and gas industry recognizes the need to manage their air emissions. The issue for the small businesses that make up the independent oil and gas industry has never been whether regulations were necessary; it has always been whether the regulations were sound and cost effective.

EPA RELEASES PROPOSED METHANE RULE FOR OIL & NATURAL GAS

On November 2, the Biden administration released its new strategy and regulatory framework for reducing methane emissions, including EPA-proposed regulations that KIOGA will be addressing in comments in the coming months. KIOGA's initial review of the EPA's proposed methane rule for oil and natural gas indicates the EPA tried to be responsive to some of the small business concerns KIOGA and others provided in comments earlier this year.

As it was developing the proposed rule, the EPA convened a Small Business Advocacy Review (SBAR) panel. KIOGA President Edward Cross was invited to participate as a Small Entity Representative (SER) on the SBAR. In addition to Cross' representation of Kansas, other SERs included representatives from the oil and gas industry in West Virginia, Pennsylvania, Michigan, Indiana, Kentucky, Oklahoma, and two national associations: the Domestic Energy Producers Alliance (DEPA) and the Independent Petroleum Association of America (IPAA). The SBAR met with the EPA on June 29, July 6, July 29, August 3, December 3, and December 10. The EPA asked the SERs for information to justify provisions to help small businesses.



It appears EPA responded to a number of the SBAR panel's recommendations in the EPA-proposed new methane rule. Specifically, the EPA appears to have been responsive to our concerns for improved cost-effective monitoring technology. The EPA proposal states **"well sites with emissions of less than three tons per year would not be required to conduct ongoing monitoring."** Also, EPA says **"As the panel recommended, the proposed leaks monitoring program would not require leaks monitoring for 'wellhead only' well sites."** The proposed rule also reflects the panel's recommendation to exclude well sites with only a wellhead and small compressor from the definition of a centralized production facility.

BACKGROUND

On April 28, 2021, the U.S. Senate voted to approve a measure to rescind the Trump EPA rule that removed methane from regulation as a pollutant. This action essentially reinstated the 2012 and 2016 New Source Performance Standards (NSPS) for oil and natural gas under Subpart OOOO and OOOOa of the Clean Air Act.

Under the Trump rule, protection of human health and the environment would have continued through controls for volatile organic compounds (VOCs) for the production and processing segments of the industry, reducing methane at the same time. The same technology that manages methane also manages VOCs. However, changing the targeted emission to be regulated from VOCs to methane opens a pathway to the regulation of one million existing facilities ("existing sources"), 750,000 of which are small business operations.

EPA's decision to regulate methane in 2016 was a political decision driven by environmental activists and lobbying groups like the Environmental Defense Fund. These groups demanded methane regulation for a single purpose—to use a little utilized provision of the Clean Air Act (Section 111(d)) to regulate low production existing wells out of business.

Because Section 111(d) uses new source Best Systems of Emissions Reduction (BSER) technology for existing sources instead of Reasonable Available Control Technology (RACT) like other sections of the Clean Air Act, these groups saw Section 111(d) as a pathway to require the cost ineffective Subpart OOOOa fugitive emissions requirements to push low production wells to shut down.

Methane (CH_4) is a more potent greenhouse gas than carbon dioxide (CO_2), though CH_4 is far less prevalent than CO_2 and has a much shorter atmospheric life. The real reason methane has become an obsession of environmental activist groups is that it sometimes leaks in nominal amounts when extracting or transporting oil and especially natural gas. Thus, methane can be a pretext for interfering with and raising the costs of drilling. But this means willfully ignoring the plunge in U.S. methane emissions. Methane emissions from oil and gas operations declined by 14% from 1990–2017. According to the EPA, oil and gas methane emissions account for only 1.22% of total U.S. greenhouse gas emissions.

The Congressional action on this rule represents another of the Biden administration's measures to eliminate fossil fuels under the Green New Deal.

With Congressional action rescinding the Trump EPA methane rule, the current EPA moved forward in June 2021 to develop a proposed new rule to regulate methane from new and existing sources in the oil and natural gas industry.

The EPA accepted initial comments on the proposed new methane rule in August 2021. KIOGA submitted comprehensive written comments focusing on the significant cost-of-compliance issues and the need for the EPA to recognize the low-production well emission profile. KIOGA's comments emphasized the Kansas oil and gas industry's recognition of the importance of environmentally sound, cost-effective regulations to manage methane emissions. KIOGA encouraged the EPA to find a regulatory pathway designed for the sources it regulates. KIOGA stated that any new regulatory actions should recognize the differences between existing small operations and newly built large facilities.

KIOGA's comments also underscored the need for the EPA to allow ample time to consider a federally-funded study of the emission profile of low-production wells. Starting in 2019, KIOGA joined associations from Michigan, Indiana, Illinois, Kentucky, West Virginia, and Texas to contract a U.S. Department of Energy (DOE) study of methane emissions from marginal wells and facilities. The final DOE report is expected by the end of 2021 or early 2022.

GOING FORWARD

Despite the pending DOE study, the EPA proposed a new methane rule in November 2021. The Biden administration proceeded with its rulemaking before the DOE study was complete to appease climate alarmists and therefore prevented the data from being taken into consideration. KIOGA submitted comments on the proposed new methane rule before the comment deadline expired on January 31, 2022.

One of the many challenges going forward is helping the EPA interpret the DOE study. Environmental activist groups are trying to misguide and steer the EPA into a flawed interpretation. KIOGA has been working with our peers to provide credible, science-based interpretation for the EPA to consider as they review the study results.

Going forward, EPA is taking a layered approach over the next six months to a year to implement its framework. EPA will receive comments on the proposed new rule released in November 2021. KIOGA will be developing and submitting comments in the coming months. Comments on EPA's initial proposal are due January 31, 2022. KIOGA submitted comments that focus on the need for EPA to consider the DOE study of the emission profile of low-production wells. KIOGA's comments also emphasize cost-of-compliance issues and the need for the EPA to find a regulatory pathway designed for the sources it regulates.

After receiving comments on the initial proposal, EPA appears to be planning a second, more specific proposal in 2022 that reflect the comments received. This will likely occur in March or April 2022, which means the final methane rule would be promulgated in late 2022. Subsequently, states will then initiate their regulatory actions to develop regulations on a timeline that will extend into 2023. These actions remain unclear on both time and scope. More information will develop in the coming weeks/months. K

KIOGA
New Members

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

Larry Skow
BioActive Services USA, LLC

Chad Arnold
CVR Refining

Michael Kildow
Foley Equipment

John Francis
Francis Financial Services, Inc.

Russ Zimmers
International Hydrocarbon, LLC

Jeremy Viscomi
PIKA Industries

Mike Campbell
Sunrise Oilfield Supply

KIOGA CALENDAR

Event Name	Date	Location
NAPE Summit 2022	February 9–11, 2022	Houston, TX
AAPG Annual Convention & Exhibition 2022	April 10–13, 2022	Houston, TX
KIOGA 2022 Midyear Meeting	April 20–22, 2022	Russell, KS
SPE Improved Oil Recovery Conference	April 25–29, 2022	Virtual
IOGCC Annual Business Meeting	May 15–17, 2022	Oklahoma City, OK
IPAA Midyear Meeting	July 20–22, 2022	Colorado Springs, CO
AIPG 2022 National Conference	August 6–9, 2022	Marquette, MI
KIOGA 2022 Annual Convention	August 14–16, 2022	Wichita, KS

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Charles Wilson, Southwest Vice Chair
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Edward Cross, Ex-Officio Member

STAFF

Edward Cross, President
Holly McGinnis, Administrative Assistant

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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

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