Kansas Independent Oil & Gas Association

THE VOICE OF THE KANSAS INDEPENDENT PETROLEUM INDUSTRY

JANUARY/FEBRUARY 2023

ECONOMIC BRIGHT SPOT

INDUSTRY FOCUSES ON VALUE RECONSTRUCTION

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MANAGERS
Caleb Tindal
Kayla Grams

LAYOUT & DESIGN
Dan Opheim

COPY EDITOR(S)
Victoria Luing

For information regarding advertising, please contact us at advertising@eandmsales.com or 800-572-0011 x8005.

CHALLENGING 2023 AWAITS

ANDREA KRAUSS
KIOGA CHAIR

It's hard to believe that another year has come and gone. It is certainly a very different world than it was a year ago. The year 2023 is certain to be a very challenging year in many ways.

Out of control inflation coupled with workforce shortages has created a very difficult operating environment for many of our KIOGA members. Not only do we all face economic headwinds, but the regulatory environment has also become much more hostile over the past 12 months.

The oil and gas industry continues 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. Once again this year, KIOGA is advocating for Kansas oil and gas producers at both the federal and state levels.

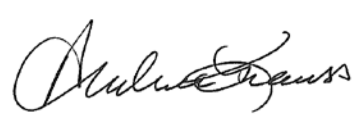
At the federal level, our industry is facing the threats of proposed methane emissions regulations and the relisting of the lesser prairie chicken as a threatened species. From providing public comments on the methane regulations to the recent webinar on compliance with the USFWS lesser prairie chicken listing, KIOGA is working to mitigate these threats and provide information to our members to help them deal with these very complicated issues. More in-depth information on both of these topics can be found elsewhere in this magazine.

At the state level, KIOGA has been staying abreast of potential new CCUS legislation, working to make sure that the concerns of Kansas operators, such as pore space ownership and oil & gas lease primacy, are reflected in any proposed legislation. In addition, we are closely monitoring a proposal to expand the size of the KCC, which would also make the commissioners' positions into elected offices. KIOGA will be reporting on the status of these issues and other proposed legislation throughout the legislative session.

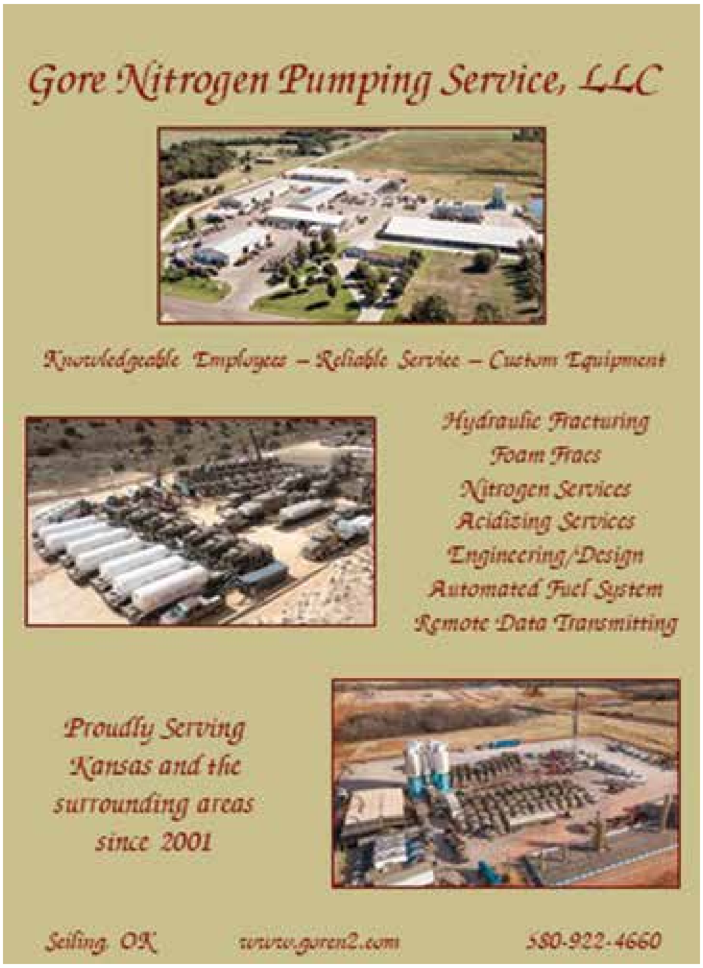
Your membership in KIOGA is more valuable now than ever before. KIOGA will make sure that your voice is heard both in Washington, D.C. and in Topeka. As members, you will have an opportunity to speak with state legislators directly at the annual Kansas Oil & Gas Day Legislative Reception on January 19.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

And finally, mark your calendars for April 19–21, 2023, for the Midyear Meeting in McPherson. Plans are under way for a meeting that will be both informative and fun. McPherson 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 a happy and prosperous 2023. K



KIOGA Chair



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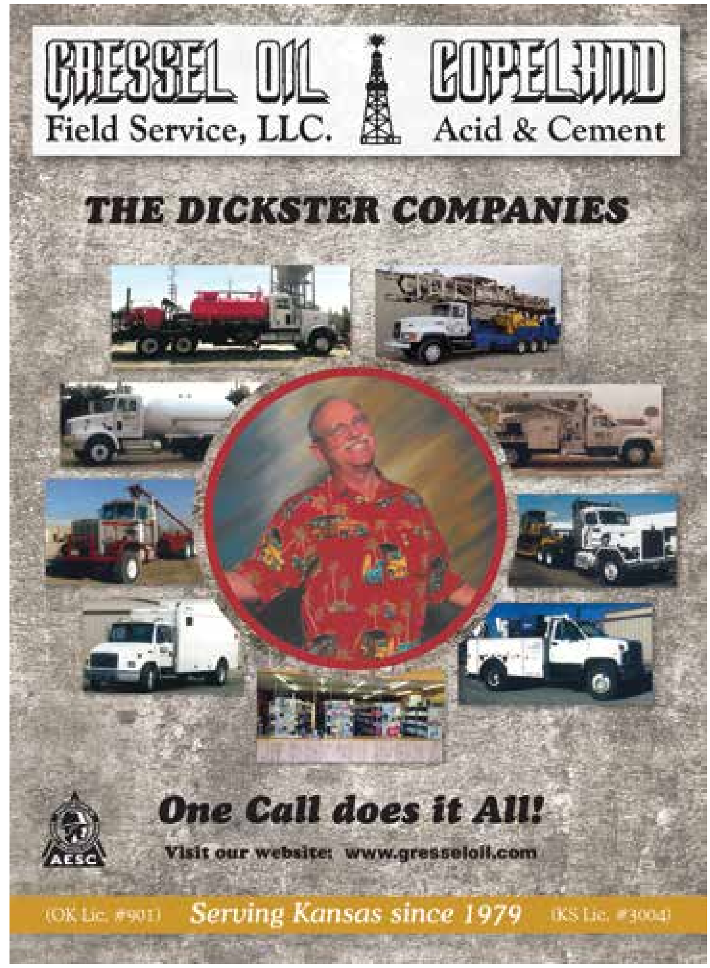

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EDWARD CROSS
KIOGA PRESIDENT

ENERGY MATTERS—A LOT

A Message from your KIOGA President Edward Cross

For most of us, 2022 was a very busy and challenging year. As I look back, I reflect on the blessings of last year with optimism and anticipation for the new year.

In 2023, we will see if America will march toward global energy leadership or remain 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.

Few doubt that energy has improved lives and enabled human progress. Yet, one of the biggest challenges facing the world is the polarized debate over the future of energy. Facts and economics are too often replaced with assertions and emotions. Discussion about fossil fuels and alternative energy sources often degenerate into a battle to delegitimize the other side. This is a recipe for inaction. And it keeps billions of people trapped in energy poverty.

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 2023 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 over 68% of U.S. energy today and will supply roughly 50% of U.S. energy needs in 2045. Globally, the EIA projects that by 2050, world energy demand will increase by 23% 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 more than 82% of global energy needs in 2023 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 11% of the global energy mix by 2045. 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 UNDERLYING MESSAGE IS SIMPLE. OIL AND NATURAL GAS ARE FUNDAMENTAL TO OUR MODERN WAY OF LIFE AND HIGH STANDARD OF LIVING.**

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 sends 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 DAY AT THE STATE HOUSE

Exceptional Communication Venue for Kansas Oil and Gas Industry

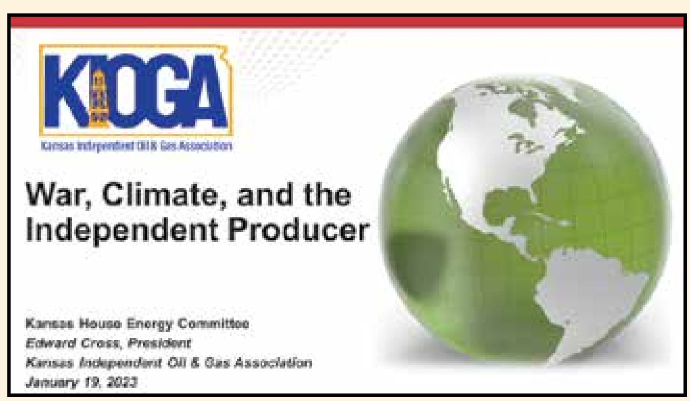
KANSAS STATE CAPITOL

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, 2023. 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** in welcoming legislators and governmental decision-makers to the **Kansas Oil & Gas Day** at the State Capitol.

Kansas 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 Dan Hawkins (R-Wichita)**
- **House Majority Leader Chris Croft (R-Overland Park)**
- **House Assistant Majority Leader Les Mason (R-Lindsborg)**
- **House Majority Whip Susan Estes (R-Wichita)**
- **House Democrat Caucus Chair Barbara Ballard (D-Lawrence)**
- **House Energy Committee Chair Leo Delperdang (R-Wichita)**
- **House Agriculture & Natural Resources Committee Chair Ken Rahjes (R-Agra)**
- **House Agriculture & Natural Resources Budget Committee Chair Ken Corbet (R-Topeka)**
- **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 Minority Agenda Chair Marci Francisco (D-Lawrence)**
- **Senate Utility Committee Chair Mike Thompson (R-Shawnee)**
- **Senate Ways & Committee Chair Rick Billinger**
- **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 provides phenomenal value for our industry. The 2023 reception marks the 17th 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.

KANSAS LAWMAKERS BEGIN 2023 SESSION

The 2023 Kansas Legislative Session began on January 9. The session began with the State enjoying a $2.3 billion budget surplus that is expected to grow to $3.2 billion in 2024. Several state agencies and government groups are advocating more spending. Republican legislative leaders have cautioned against starting more spending, because it could lead to instability in the future when revenues are not as high.

KIOGA prepared for the 2023 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 nonpartisan relationships with the 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.

The oil and gas industry continues to face many challenges. We have powerful enemies that want to severely limit our access to abundant reserves of oil and gas, shut down drilling because of exaggerated issues, litigate us to death, and unfairly tax and regulate us to the breaking point.

KIOGA PARTICIPATES IN 2023 KANSAS GUBERNATORIAL INAUGURATION

KIOGA participated in the 2023 Kansas Gubernatorial inauguration activities for Governor Laura Kelly and Lieutenant Governor David Toland. KIOGA was present during the swearing-in ceremonies on the south lawn of the Kansas State Capitol on January 9. KIOGA also participated in the Inaugural Dinner and Ball at the Stormont-Vail Event Center in Topeka on January 8. KIOGA visited with newly elected Governor Laura Kelly, Lieutenant Governor David Toland, and several elected officials congratulating them on their election.

KIOGA STATE ADVOCACY STRATEGY

The core focus of KIOGA's work at the Statehouse during the 2023 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 in 2023. The KIOGA legislative agenda for the 2023 legislative session will 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 early 2023. 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:

- 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.
- Support policies that take measures to ensure America's long-term energy affordability, security, leadership, and progress including actions to reevaluate federal energy policies that have curtailed domestic production of oil and natural gas.

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 increase.
- 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 early 2023 to provide an update on the state of

GOVERNOR LAURA KELLY

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 early 2023 to discuss energy issues and begin laying groundwork for the 2023 Kansas Legislative Session.

KIOGA Reference Material— KIOGA is proactive and prepared in advance of the 2023 Kansas Legislative Session by developing and updating several white papers, fact sheets, brochures, and other informational pieces in advance of the session. These include:

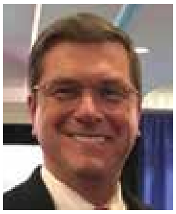
- *Kansas Oil & Gas Industry Strategic Analysis* (January 2023)—an annual comprehensive report that provides the latest information on the economic impact of the Kansas oil and gas industry including statistics on Kansas oil and gas industry activity, taxes, production, issues, challenges, and opportunities;
- *State of the Oil & Gas Industry—* Dynamic Challenges Facing Kansas Oil & Gas Industry (January 2023)—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 industry is doing to address those challenges;
- *Hydraulic Fracturing— Regulatory & Policy Considerations* (January 2023)
- *Hydraulic Fracturing & Drinking Water Contamination* (January 2023)
- *Climate Issues* (January 2023)
- *Facts About Induced Seismicity* (January 2023)
- *Seismic Activity in Kansas* (January 2023)
- *Pro-Freedom Policy for CO_2 Emissions* (January 2023)
- 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 scientific-based information. All the reference material can be found on the KIOGA website at www.kioga.org.

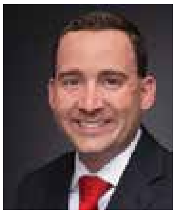
WHAT TO EXPECT IN THE UPCOMING SESSION

During the first week of December, Kansas House Republicans and Democrats reorganized leadership of the chamber. Kansas House Republicans elected Dan Hawkins (R-Wichita) as Speaker, Chris Croft (R-Overland Park) as Majority Leader, Blake Carpenter (R-Derby) Speaker Pro Tem, Les Mason (R-McPherson) Assistant Majority Leader, Susan Estes (R-Wichita) Majority Whip, and Kristey Williams (R-Augusta) Republican Caucus Chair. Kansas House Democrats elected Vic Miller (D-Topeka) Minority Leader, Valdenia Winn (D-Kansas City) Assistant Minority Leader, Stephanie Clayton (D-Overland Park) Minority Whip, and Barbara Ballard (D-Lawrence) Democrat Caucus Chair.

Dan Hawkins

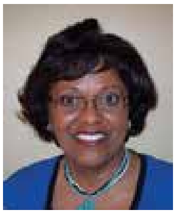


Chris Croft



Blake Carpenter

Vic Miller



Valdenia Winn

Kansas House Speaker Dan Hawkins (R-Wichita) named the chairs and vice chairs of House committees in early December. Chairs of key House Committees where many oil and gas issues are directed include:

- House Appropriations Committee: Troy Waymaster (R-Bunker Hill)
- House Energy Committee: Leo Delperdang (R-Wichita)
- House Water Committee: Jim Minnix (R-Scott City)
- House Agriculture & Natural Resources Committee: Ken Rahjes (R-Agra)
- House Taxation Committee: Adam Smith (R-Weskan)
- House Agriculture & Natural Resources Budget Committee: Ken Corbet (R-Topeka)

Economic Forecast—While the U.S. and Kansas economies continue to grow, uncertainty remains as a number of economic indicators are estimated to show smaller real growth over the next few years. Significant concerns exist for the economy as a whole relative to inflation, volatility in energy prices, U.S. trade and foreign policy, and consumer and business demand for products and services. Kansas gross state product (GSP) is projected to grow by 0.9% in 2022 and flatten to 0.0% in 2023. U.S. economic activity contracted in the fourth quarter of 2022 (4Q22) and is projected to contract in 1Q23. U.S. Gross Domestic Product (GDP) is projected to remain flat in 2023. grow by 1.5% in 2022 and grow by 1.1% in 2023.

In the latest Energy Information Administration (EIA) Short-Term Energy Outlook (STEO), Kansas crude oil prices are projected to average about $74–$75 per barrel in the first half of 2023. Weakening global economic conditions, which could limit oil demand growth, create the potential for oil prices to fall. Higher oil prices could stem from supply disruptions resulting from the EU's impending bans on seaborne import of crude oil and petroleum products from Russia. Crude oil markets swung into contango in late 2022. Despite concerns around weakening global economic conditions, global oil consumption will outpace global oil production in 2023, which will contribute to increasing oil prices in the second half of 2023. EIA projects Kansas crude oil prices will rise from an average of $75/barrel in the first half of 2023 to an average of $79/barrel in the fourth quarter of 2023.

POTENTIAL OIL & GAS ISSUES IN THE 2023 KANSAS LEGISLATIVE SESSION

Several issues affecting the Kansas oil and gas industry could emerge during the 2023 Kansas Legislative Session. KIOGA will stay 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.

American Energy Resolution—During the 2022 Kansas Legislative Session, KIOGA President Edward Cross testified before the Senate Utilities Committee on March 3 about U.S. energy policy and the Russian/Ukraine war. Cross also prepared and distributed to media an editorial on the issue titled "Role of U.S. Energy Policy Highlighted by Russian Invasion of Ukraine."

Building on the testimony and editorial, Senator Billinger (R-Goodland) and Senator Fagg (R-Eldorado) developed an American Energy Resolution. The Resolution (SCR 1623) passed the Senate 37-0 but the session ended before the House could take it up. KIOGA has been working with Senator

Fagg and Senator Billinger in advance of the 2023 Kansas Legislative Session to prefile a revised version of the Resolution. The Resolution makes findings regarding Russia's invasion of Ukraine, its ramifications on the world, energy leadership and stability, energy independence and security, government regulations. The 2023 resolution urges President Biden to, among other things, support policies that take measures to ensure America's long-term energy affordability, security, leadership, and progress, including actions to increase investment in domestic oil and natural gas production; reject unscientific environmental mandates; expand the operation of existing oil and natural gas pipelines and the construction of new pipelines; and reevaluate energy policies that have curtailed domestic production of oil and natural gas.

Energy Policy—KIOGA will deliver our annual State of the Kansas Oil & Gas Industry report to the Kansas Senate Utilities Committee, Kansas Senate Ways & Means Committee, Kansas House Energy Committee, and the Kansas House Appropriations Committee in early 2023.

Carbon Capture Utilization & Storage (CCUS)—For the last three years (2020, 2021, and 2022), the Kansas Geological Survey and others proposed a measure to expand CCUS activities in Kansas. KIOGA had 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 allow eminent domain to be used 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 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.

Kansas Energy Office—In 2020, Governor Kelly proposed to move the Kansas Energy office out of the Kansas Corporation (KCC) and to the Department of Administration (DOA) in her Executive Reorganization Order #46 (ERO 46). The Kansas House and Senate killed the ERO in 2020. KIOGA has serious concerns about establishing a politically-influenced, agenda-driven, energy office.

Electric Rates—Rising energy costs continues to be an issue for KIOGA members. KIOGA will continue to lead discussions on ways to help address high electric costs.

Arbuckle Study Funding—The Kansas Water Office (KWO) made a budget request in 2022 to increase funds for the "Arbuckle Study" portion of the KWO budget. The purpose of the Arbuckle Study is to determine a testing procedure to measure pressures in the Arbuckle formation. KWO contracts with the Kansas Geological Survey (KGS) to conduct Arbuckle pressure tests. The study's progress was slowed in the past because of the KWO/KGS lack of oil and gas operations experience. The oil and gas industry tried to help advance the study by offering wells to test and other resources. Both industry and the Kansas Corporation Commission (KCC) offered wells for testing. Unfortunately, the KGS turned down wells offered for testing. Additional funding for the Arbuckle Study may not be needed. KIOGA will be keeping key legislators informed about the issue of KWO funding of an Arbuckle Study.

Environmental Assaults—Several issues affecting KIOGA members could emerge during the 2023 Kansas Legislative Session. For a decade, the Sierra Club and other activists have had bills introduced that include a list of onerous rules and regulations designed to stop oil and gas production. This laundry list of oil and gas regulations that have no environmental benefit but high associated costs and includes carefully thought-out restrictions on hydraulic fracturing, waste management, emissions, moratoriums on injection wells, establishing an earthquake risk pool fund, and other measures with the goal of stopping oil and gas production. The foundations for these proposals are based on unfounded information and activist propaganda. The upcoming session (2023) 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 will be meeting with key legislative leaders and committee chairs in advance of the legislative session to provide fact-based scientific information about injection wells, seismic activity, hydraulic fracturing, climate issues, and more. KIOGA is prepared and ready to defend the oil and gas industry at every opportunity.

Other issues—Several more issues may emerge during the 2023 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 attempts to unfairly target the oil and gas industry for higher taxes. KIOGA will stay vigilant identifying and preparing for additional emerging issues.

NEW CONGRESS RETURNS TO WASHINGTON:

Threats to Small Oil & Natural Gas Producers at Forefront

While the U.S. and Kansas economies continue to recover, significant concerns exist including high inflation, volatility in energy markets, U.S. trade and foreign policies, and more. The election of a Republican U.S. House of Representatives is good for the economy. Inflation is at a staggering 14% since President Biden was inaugurated, real wages have fallen 4%, and the stock market is down 16%. Most destructive for the economy has been Biden's historic spending spree—$4.8 trillion in new spending—which the Federal Reserve said was the main inflation contributor.

The cost to heat a home, drive to work, and run a business have increased exponentially since President Biden took office. Currently, a record 20 million Americans are behind on their utilities and one in six families will receive a disconnect notice from a provider this year. We now beg foreign dictators for oil while domestic production has still not returned to its 2019 level, despite oil prices being much higher. In two short years, we have gone from American energy dominance to American energy despair. The American people are suffering at the hands of the climate change cultists running Washington, and they expect a new course in 2023.

In recent comments, President Biden promised tens of thousands of new American jobs would be created from clean energy technology. What the president doesn't explain to people is that those energy sources are much more expensive than the energy sources we already have. The truth is, in places where they have done this, they have already lost over two jobs for every job the government created in these new energy sources simply because the cost of energy went up. Domestic fossil fuel sources are abundant and affordable. We are not going to run out of energy any time soon. The question is whether or not the government will force us to use much more expensive alternatives that don't work as well and will lower our standard of living. Energy is an area where compromise may be used by both parties in the new Congress to develop a bipartisan approach to increasing energy supply.

KIOGA has been very busy preparing for the new Congress. KIOGA expects Biden's FY 2024 budget will again propose eliminating all tax provisions for small oil and natural gas producers. We also expect the Biden administration to take a stronger role on the regulatory front to push environmental and climate proposals. KIOGA has been diligently preparing our advocacy strategies for educating new and returning members of Congress on issues important to small independent oil and natural gas producers and will continue to take our concerns directly to those in Congress during 2023.

ENERGY POLICY CHALLENGES FACING THE 112TH CONGRESS

Last November, voters expressed their frustration with current federal policies and priorities by returning control of the U.S. House of Representatives to Republicans. The November 2022 election results illustrate the American public expecting progress in a number

of different areas requiring Republican and Democrats to work together to create policies that are in the best interest of the American people.

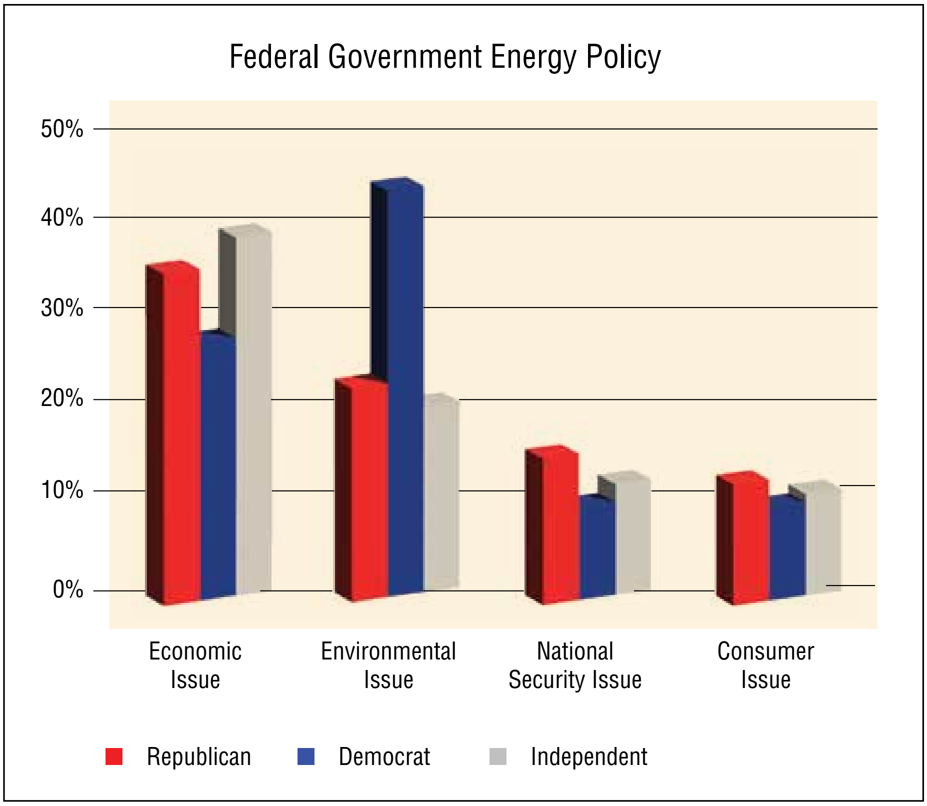
One area where Republicans and Democrats are expected to work to find a compromise is in the area of energy policy. During times of economic recession and recovery, the public's priorities revolve around improving the economy. This extends to energy legislation. According to several recent public opinion reports, the public supports moving to renewable energy, but is concerned about the impact to the lives and finances of the American consumer. The U.S. public wants Congress to provide energy legislation that will help bolster the economy, protect the environment, and require very minimal personal sacrifice by the consumer.

There is also large support from both Republicans and Democrats to continue the development of alternative fuels in order to become less dependent on fossil fuel sources. However, while the end goal is the same, the approach to the transition to renewable fuel sources differs. The difference is the time frame in which renewable fuels can meet the demand and replace the economic benefits fossil fuel sources currently provide.

While not all segments of the population are ready for a transition to renewable fuels to begin, it is clearly an expectation for the future. We can expect the 118th Congress to propose energy initiatives that not only promote renewable energy but protect the economic benefits currently provided by fossil fuel industries.

The public primarily sees energy policy as an economic issue (33%) or environmental issue (32%), with some individuals identifying energy policy as a national security issue (13%) or a consumer issue (11%). Men and Republicans primarily view energy policy as an economic issue. This is in stark contrast to individuals who view energy policy primarily through an environmental perspective. Democrats are far more likely to view energy policy as an environmental issue (44%) compared to Republicans (23%). Not surprisingly, those who are more environmentally conscious also view energy policy as an environmental issue. Also, individuals with an annual household income of over $100,000, women, and college graduates are more likely to associate energy policy as an environmental issue.

The energy policy challenge for the 118th Congress will be to mediate these two opposing viewpoints to create policy that is beneficial to the economy and the environment.



The federal government has a variety of issues to address, and for some energy policy is not a top priority in comparison to health care, reducing the deficit, improving education, and ensuring national security. However, for many, energy policy is a top priority issue that needs to be addressed.

The public is divided as to whether U.S. energy policy is an economic or environmental issue. Essentially, the public wants a strong economy while improving environmental standards. We can expect Congress to try to achieve this outcome.

Public opinion on a couple of key issues affecting the small independent oil and gas producer is intriguing. There is moderate support for eliminating the tax provisions critical for the small independent oil and natural gas producer (percentage depletion, intangible drilling costs, etc.). Republicans have traditionally been the base of support for fossil fuel industries such as oil, natural gas, and coal, while Democrats are more likely to support eliminating these tax provisions. There appears to be a strong element of opposition in the Republican Party to eliminating these tax provisions.

The general public is supportive of policy initiatives that expand renewable energy sources, but they are not as supportive of penalizing the oil and natural gas industry. Less than half of the general public supports a tax on carbon emissions. While Democrats are largely supportive of taxing carbon emissions, Republicans are likely to oppose such initiatives. The public seems far more supportive of incentivizing companies to pursue renewable fuel sources rather than penalizing industries.

Many folks across the nation are not financially secure enough to deal with rising energy costs and unwilling to make significant changes to their lifestyle. Republicans and Democrats will need to work together to improve energy policy. This will be difficult due to the competing interests of industries and environmental organizations. Environmental organizations want policy that utilizes the highest environmental standards and industry wants policy that has minimal impact to the economy. If energy legislation does not serve the best interest of the public, it offers no incentive for the public to make significant changes in their lifestyle.

Is energy policy that creates a compromise of all interested parties and public expectations better than no energy policy at all? That is a question the 118th Congress may have to answer. One thing is certain. The public places high priority on energy policy and will continue to be dissatisfied with the direction of energy policy unless progress is made.

KIOGA CONTINUES STRONG ADVOCACY EFFORTS

KIOGA has been diligently preparing for the new Congress. We have been working with our colleagues at the Domestic Energy Producers Alliance (DEPA) and Independent Petroleum Association of America (IPAA) to gain a better understanding of the dynamics in Washington and make necessary plans for protecting our industry in the new Congress. As the new Congress convened in January, we anticipate threats to small independent oil and natural gas producers will be at the forefront of energy and tax policy discussions. We expect President Biden to again propose eliminating our tax provisions (percentage depletion, intangible drilling costs, etc.) in his FY 2024 budget proposal.

Moving Forward—Over the past 14-plus years, KIOGA has worked hard to build credible relationships with key members of Congress. Our voice is being heard and many of those Senators and Representatives now look to KIOGA for guidance on many critical oil and natural gas issues. KIOGA has been very successful in voicing the concerns of the small onshore independent oil and natural gas producer.

New Republican Chairs of key U.S. House committees are expected to be more favorably inclined to the oil and natural gas industry. Democrats will continue to chair the Senate Finance Committee and the Senate Energy & Natural Resources Committee, so the bipartisan work done by KIOGA over the last 14-plus years will continue to be very important during this Congress.

Going forward, KIOGA has prepared an incremental strategy focusing on dismantling key provisions that form the very foundation of proposals to eliminate oil and gas tax provisions and impose greenhouse gas (GHG) regulations. Our strategy includes proposing and supporting defunding provisions, aggressive regulatory oversight, and triggers to delay or block implementation.

The bottom line is that we still have many challenges ahead of us. KIOGA will continue our aggressive campaign to expand the presentation of our messages to a more extensive number of Congressional members across the nation. We will continue to monitor Congress very closely and continue our efforts to educate new and returning Congressional members on the issues important to our industry. We have made tremendous progress, but the battle is far from over. We will continue to take our industry's case directly to those in Congress throughout 2023.

2023 Kansas Legislative Session Calendar

January 9—Session opens.

January 30—Last day for individual members to request sponsored bill drafts.

February 6—Last day for non-exempt committees to request bill drafts.

February 8—Last day for individual bill introductions.

February 10—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 24—Last day for non-exempt committees to meet and consider bills.

March 29—Last day for non-exempt bills to be considered in either chamber.

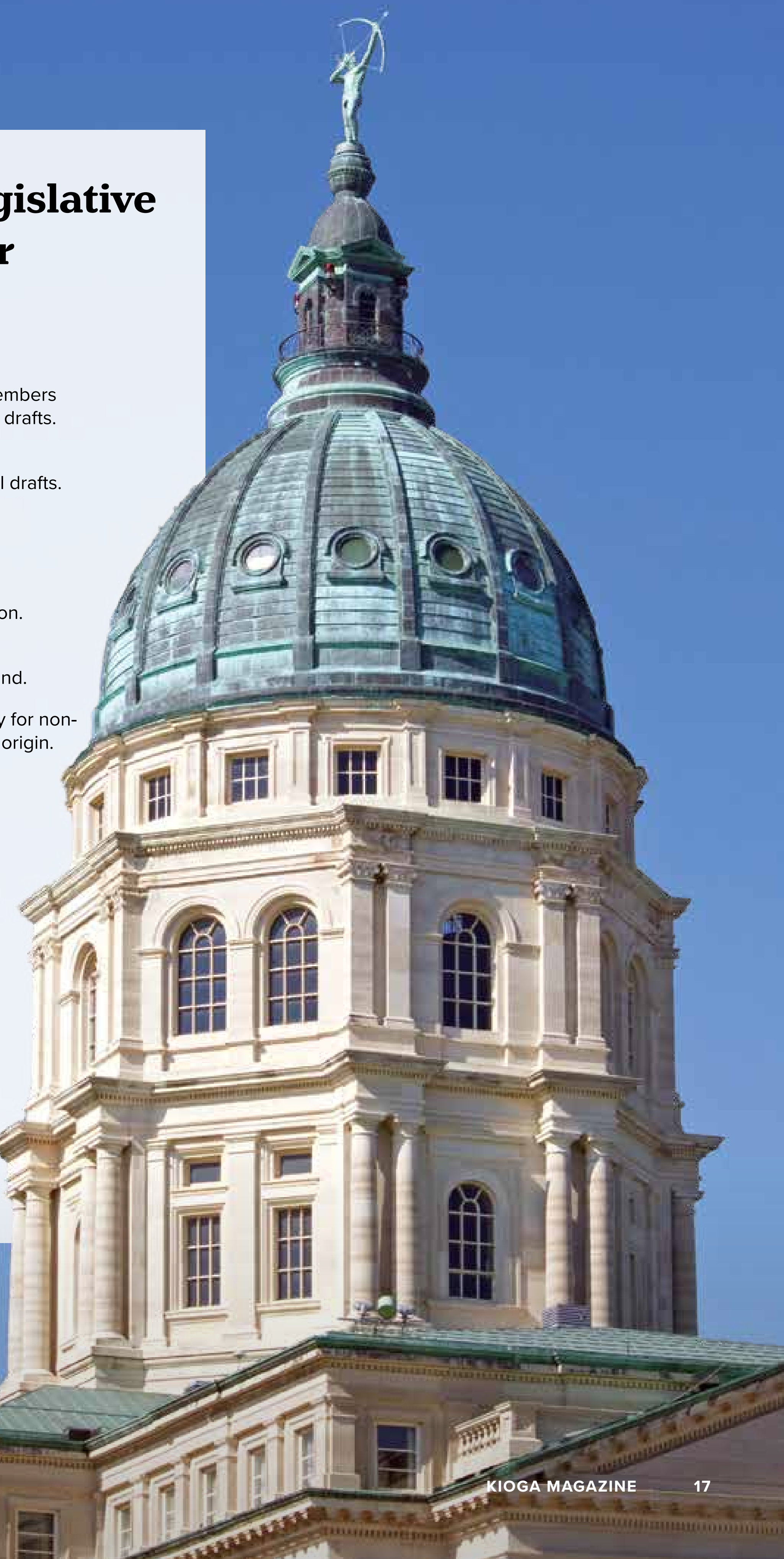
March 30–April 2—No session.

April 6—First adjournment.

April 7–25—Spring Break.

April 26—Veto session opens.

April 29—Projected session adjournment.



LABOR MARKET CHALLENGES

The Kansas oil and gas industry, like many industries across Kansas, continues to face labor challenges. KIOGA asked the Center for Economic Development and Business Research (CEDBR) at Wichita State University to share their thoughts on the labor market challenges facing businesses across Kansas. Here is a summary of their thoughts:

CEDBR
Center for Economic Development and Business Research

WHY DO EMPLOYERS HAVE DIFFICULTIES IN FILLING EMPLOYMENT POSITIONS?

- The three driving forces behind employers experiencing a lack of qualified candidates are demographics, an overly heated economy, and friction within the labor market. First, U.S. population growth, along with immigration, has restricted the labor supply. Within the demographic shift, which has been well published, are baby boomer exits, leaving behind a labor gap.

- The second thing to consider is the economic state of the economy. After four years and a pandemic, we faintly remember what the economy was like in 2018. It is important to note that the economy was nearing full capacity. The pandemic itself paused parts of the economy but was not a correction within the market. With the injection of federal funds, the economy bounced back quickly, returning us to a heated economy where firms have already soaked up all of the high, moderate, and low-quality labor. When we look at the percentage of the employed population (employment-population ratio), Kansas returned to its pre-pandemic typical levels in mid-2021. Thus, in 2022 we see increased competition among employers for remaining labor.

- The third perspective, which doesn't seem to get much attention, is that there are lots of pressures on the labor market. Firms have changed products and processes, requiring a different combination of occupations, skills, and knowledge to produce goods and services. That sudden shift in demand, along with increased home prices, mortgage rates, cost of education, uncertainty, and the time needed to reskill, adds friction to the labor market's ability to adapt to demand. However, the reality is the labor market is responding quickly, and it will take years for households to move and gain the education and experience that firms are demanding today.

WHAT ARE THE MAIN FACTORS THAT ARE INFLUENCING THE HIGH TURNOVER RATES IN THE LABOR MARKET?

- Now that the economy has returned to full employment and demand for labor is higher than supply, the market power has shifted. The market power is akin to housing, which moves between buyers and sellers. The difference is that firms have had monopsonistic power for over a decade, and human resource teams are uncertain about how to react to this paradigm shift.

- From the household's perspective, labor opportunity hasn't been this bright in a long time. When evaluating one's skills and experience along with the work environment and compensation, a share of the labor market is using the increased power to move up in their career, creating a high turnover effect.

WHAT WILL BE THE ECONOMIC IMPACT, IF ANY, OF THIS TREND?

- The impact from the household perspective is positive for the short and long run, as there doesn't appear to be any significant policy or structural changes on the current horizon that will reduce demand and the subsequent power they currently have over firms. The upside is that there will likely be upward mobility, where people in low and moderately-skilled jobs will have an opportunity to move up and gain experience and increased income.

- One might expect that the impact of unfilled positions would have a negative effect on the firm. In the short run, some businesses will experience hardship because they cannot find the labor to fill the demand; however, we might need to look at the labor market differently since we are at full employment. It is not that households are not willing to work; they are willing, provided that the compensation and environment align with their expectations. The impact on businesses is they need to shift their perspective. Suppose labor remains a critical component of competitiveness. In that case, they need to increase compensation to attract employees, train lower-skilled staff to allow for upward mobility, or add technology to increase the productivity of the current employees. These efforts will cut into corporate profits, which will likely shake out weaker players and industries.

HOW CAN EMPLOYERS ATTRACT AND RETAIN EMPLOYEES DURING THIS TROUBLING PERIOD?

- Manufacturing and service-related sectors have dramatically changed their compensation packages over the last two years. Although there has been a reluctance to continue that pace of change with the high level of uncertainty, the pressure will likely continue into 2023 and beyond. Firms in Kansas have shared that the return on investment to attract labor in a tight market had decreasing returns over the last six months. The head-to-head competition with larger firms or markets made it cost-prohibitive; instead, businesses have found it more cost-effective to focus on improving their internal environment and making technology investments.

IN YOUR OPINION, WILL THIS IMBALANCE IN THE LABOR MARKET CONTINUE TO BE AN ISSUE THROUGHOUT ALL OF 2023 OR WILL IT GET SOLVED FASTER?

- A tight labor market is likely here to stay, meaning that searching for and retaining labor will remain difficult for some time in the future; however, three things will help relieve struggling employers. First, a recession will take some pressure off of the labor market. Second, the labor market will continue to adapt by moving and gaining more education. Third, firms will be forced to invest in technology and utilize labor more efficiently than they did in the past. K

ECONOMIC BRIGHT SPOT:

INDUSTRY FOCUSES ON VALUE RECONSTRUCTION

After many decades of productive stewardship, oil and natural gas resources continue to play an important part of the livelihoods of Kansans. In 2022, the Kansas oil and gas industry generated nearly $3.6 billion in output, put tens of thousands of people across Kansas to work, and pumped hundreds of millions of dollars into the state's economy. The industry supports 100,000 jobs, $3 billion in family income, and $1.4 billion in state/local tax revenue. The industry is an important element of the Kansas economy today and will be a critical part of the economy going forward.

The economy is one big circle. The oil and natural gas industry employs people who pay taxes to various governmental entities, which then provides services such as schools, roads, and hospitals to individuals. When the oil and natural gas industry thrives, everyone benefits!

While the U.S. and Kansas economies continue to grow, uncertainty remains as a number of economic indicators show smaller real growth over the next few years. Inflation is a staggering 14% since Biden was inaugurated, real wages have fallen 4% and the stock market is down 16%. Most destructive for the economy has been Biden's historic spending spree. The Democrat-led Congress has given the Biden administration $4.8 trillion in new spending, which the Federal Reserve said was the main inflation contributor. Kansas crude oil prices averaged $84/barrel in 2022 recovering from $30 in 2020 and $57 in 2021.

Crude oil markets remain subject to heightened levels of uncertainty related to inflation, volatility in energy prices, U.S. trade and foreign policy, and demand. 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. The report shows that the oil and natural gas industry is a key contributor to the Kansas economy. KIOGA has prepared several white papers and reports that provide a summary of the current state of the oil and natural gas industry.

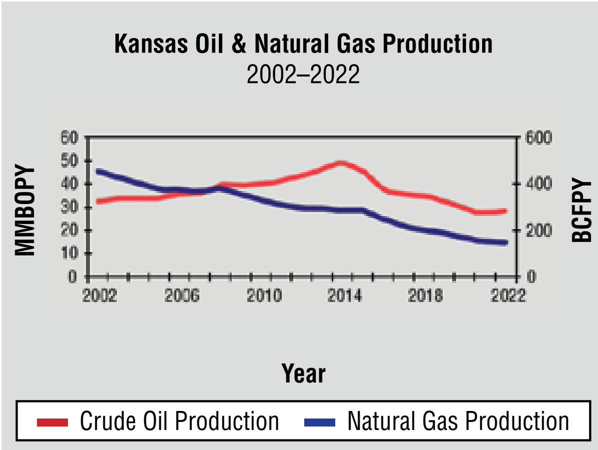
"These informational pieces highlight how oil and natural gas uniquely impacts many aspects of our life," said Edward Cross, KIOGA President. "Whether it is providing well-paying jobs, saving consumers thousands of dollars each year on their energy bills, producing the building blocks for products we 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."

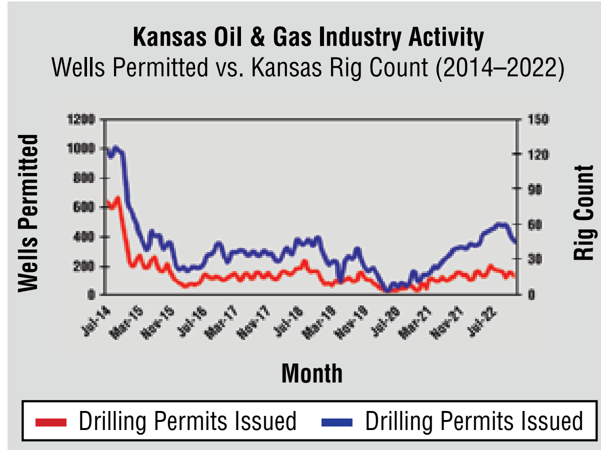
INDEPENDENT OIL AND GAS INDUSTRY LEADS THE WAY

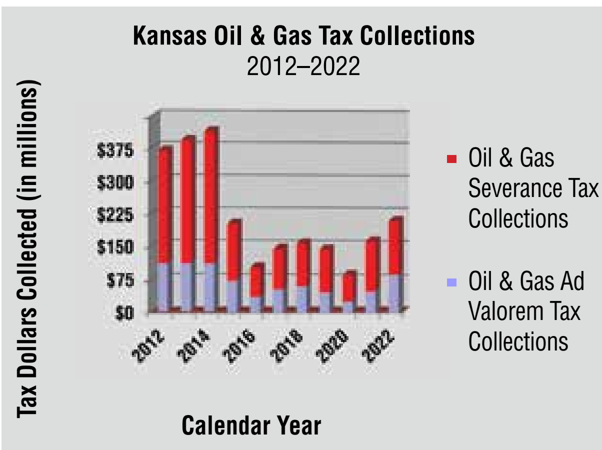
The independent oil and natural gas producers continue to lead the way in the Kansas oil and natural gas industry. Independent producers account for over 92% of the oil and 63% of the natural gas produced in Kansas.

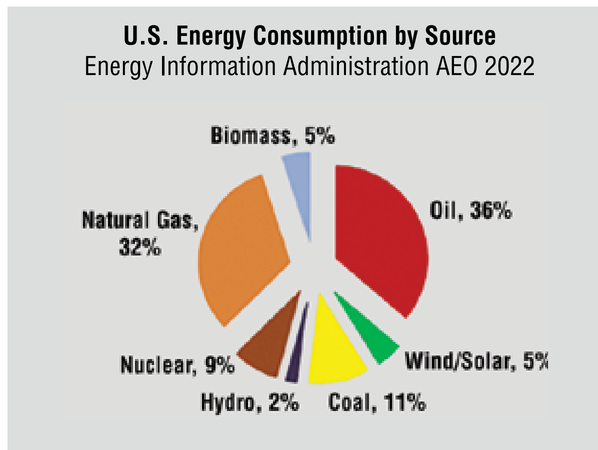
Kansas independent oil and natural gas producers have significant advantages. The independent oil and natural gas producers in Kansas have

> **"THE KANSAS OIL AND GAS INDUSTRY PRODUCED OVER 28 MILLION BARRELS OF OIL AND NEARLY 150 BILLION CUBIC FEET OF NATURAL GAS IN 2022.**









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 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

Kansas producers worked in 2022 to optimize supply chain relationships, improve operational efficiencies, and refocus capex on the most resilient short-cycle projects.

As market conditions improved in 2022, oil and gas exploration/production activity increased throughout the year. As a result, Kansas crude oil production increased by 1.9% and natural gas production declined by only 3%.

The Kansas oil and gas industry produced over 28 million barrels of oil and nearly 150 billion cubic feet of natural gas in 2022. Nearly 76% of the value of the Kansas oil and natural gas industry comes from oil production and 24% comes from natural gas production. The industry saw 41–60 drilling rigs running each month during 2022. The KCC reports over 1,700 drilling permits were issued in 2022 (up 35% from 2021).

While the average oil well in Kansas produces 2 BOPD and the average natural gas well produces 23 Mcf per day, the industry supports more than 100,000 jobs, $3 billion in family income, and pays $1.4 billion and 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.

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 examining 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 35% in 2022.
- Severance tax collections on oil and natural gas production increased by $39 million in 2022 but remain nearly 46% below 2014 levels.
- Ad Valorem taxes collections on oil and natural gas increased by about $5 million in 2022 but remain nearly 53% below 2014 levels.
- Over 10% 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 reached its 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.

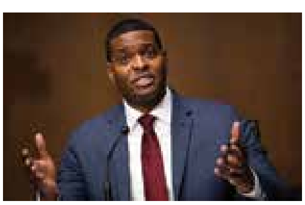
More work. More jobs. More money for everyone. More taxes paid. That's what keeps the wheels turning on the economy in Kansas. K

EPA Releases Oil & Gas Methane Regulation Proposal

FEDERAL MARCH TOWARD OVER-REGULATION CONTINUES

Expansion of federal regulations affecting oil and natural gas production continues to grow. KIOGA's advocacy efforts for the problems our industry faces have gotten more urgent. Active engagement by KIOGA and our allies is necessary to mitigate the damage to the industry as the Biden administration seeks to implement dubious regulatory policy decisions.

The Biden administration is strengthening its plan for limiting methane emissions from oil and gas wells after environmentalists said an earlier version was too weak. The Environmental Protection Agency (EPA) advanced the supplemental proposed rule on November 11, 2022, hours before President Biden was set to tout U.S. efforts to fight climate change at the COP27 summit in Egypt. The proposed regulation would require oil and gas companies to do more to stifle leaks. The measure, which isn't set to be finalized until next year, responds to criticism by environmentalists by strengthening leak-detection-and-repair (LDAR) requirements for small oil and gas wells and by establishing requirements for abandoned facilities.



Michael Regan
EPA Administrator

"All well sites, regardless of their size, will be regularly monitored and checked for leaks," said EPA Administrator Michael Regan. That marks a shift from the initial proposal unveiled last year, which included exemptions for some wells. In November 2021, EPA released a proposal that exempted well sites that emit less than three tons per year. Changes in the proposal would ensure regular inspections even at low-producing wells. And a newly proposed 'super-emitter response program' would require oil and gas companies to respond to credible third-party reports of high-volume methane leaks at their operations. That's an initiative meant to help environmental activists who use specialized and other technology to track methane plumes and venting wells unseen by the naked eye.

KIOGA RECOMMENDS MORE FLEXIBILITY & COST EFFECTIVENESS IN EPA METHANE REGULATIONS

The EPA released their first oil and gas methane rule proposal in November 2021. The November 2021 EPA proposal did not require ongoing emission monitoring at well sites that emit less than three tons per year (TPY).

KIOGA submitted comments on the EPA's November 2021 oil and gas methane rule proposal in January 2022. KIOGA's comments focused on the significant cost-of-compliance issues and the need for EPA to recognize the low-production well emission profile.

"For over 12 years, KIOGA has been actively engaged in working with the EPA to promulgate NSPS for the oil and natural gas sector that are cost-effective, reasonable, and justified under the Clean Air Act," said KIOGA President Edward Cross. "KIOGA's message has been clear and consistent: EPA's 'one-size-fits-all' approach to regulating the oil and natural gas industry is inappropriate and disproportionately impacts conventional, low-production wells, and small businesses."

KIOGA is also an active member of the Methane Coalition. The Methane Coalition is a collaborative effort of over 100 participants from industry trade associations and organizations across the U.S. The Methane Coalition submitted comprehensive comments on the proposed new EPA methane rule on January 31, 2022. KIOGA has been an active member of the Methane Coalition throughout the process. In addition to being recognized as a contributor to and supporter of the Methane Coalition comments, KIOGA submitted complementary comments focusing on the significant cost-of-compliance issues and the need for EPA to recognize the low-production well emission profile.

The U.S. Department of Energy (DOE) released its study on emissions from marginal wells in May 2022. The DOE study on low production well emission profiles indicates that wells producing less than six BOEPD would emit less than three TPY. KIOGA informed the EPA that their proposal's use of an emission threshold (three TPY) instead of a production rate threshold (barrel/day) fails to recognize operational difficulties for existing well sites. The emission calculation is based on Subpart W, but most low production existing well producers fall below the Subpart W reporting threshold and the cost and complexity of completing Subpart W reporting for these operators is burdensome.

Nationally, a marginal well is defined as a well producing less than 15 BOEPD. Of the 730,000 marginal wells in the U.S., 83% (or 600,000) produce six BOEPD or less. The DOE marginal well emissions study demonstrates that most small wells, particularly those that produce less than 10 BOEPD, fall below the three TPY threshold. KIOGA urged the EPA to use a production rate approach as an alternative that would be much easier.

In May 2022, KIOGA joined 23 of our colleagues in a meeting with the EPA to discuss the proposed EPA methane rule, focusing on the low production well issue. The U.S. Department of Energy (DOE) released its study on emissions from marginal wells in May. The DOE report presents information that can be a guide to cost effective management of methane emissions from marginal well facilities.


KIOGA

KIOGA met again with EPA officials in September 2022 providing them our (KIOGA) summary of the DOE marginal well emissions report. You can find that summary on KIOGA's website. EPA asked what recommendations KIOGA had for small producers regarding the EPA's proposed methane regulations. KIOGA recommended more flexibility and cost effectiveness in EPA methane regulations. EPA's 'one-size-fits-all' approach to regulating the oil and natural gas industry is inappropriate and disproportionately impacts conventional, low-producing wells and small businesses. Specifically, KIOGA recommended changes to the EPA's proposal to improve cost effectiveness and workability for small businesses and low-production wells.

KIOGA President Edward Cross was interviewed by *Reuters* and the *Daily Caller* about the proposed EPA methane rules for oil and gas. KIOGA emphasized that 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. The DOE study shows the emissions from marginal wells are well below the inflated information provided environmental groups like the Environmental Defense Fund.

On November 11, 2022, the EPA advanced their supplemental proposed rule to regulate oil and gas methane emissions. The EPA largely ignored the third-party study conducted by the U.S. Department of Energy (DOE) on low-production well emission profiles. Instead, the EPA responded to criticism from environmental groups by strengthening LDAR requirements for small oil and gas wells and establishing requirements for abandoned facilities.

KIOGA participated in a webinar with the EPA on November 14, 2022, when EPA officials reviewed the proposal. EPA officials said the supplemental proposal offer alternative monitoring requirements for affected facilities. The EPA said an affected facility is the collection of fugitive emissions components located at a well site or centralized production facility with no exemptions. Fugitive emissions component means any component that has the potential to emit fugitive emissions of methane or VOC at a well site, centralized production facility, or compressor station, including valves, connectors, pressure relief devices, open-ended lines, flanges, covers and closed vent systems not subject to §60.5411b (closed vent systems), thief hatches or other openings on a storage vessel not subject to §60.5395b (storage vessels), compressors, instruments, meters, and in yard piping. EPA is not maintaining the inclusion of natural gas-driven pneumatic controllers or natural gas-driven pneumatic pumps as fugitive emissions components. These devices are both separate affected facilities with separate standards identified as BSER. EPA is not defining control devices as fugitive emissions components.

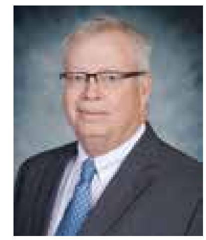
The EPA outlined the following alternative monitoring requirements:

- Single wellhead only well sites—a wellhead only well site as a well site that contains one or more wellheads and no major production and processing equipment would require quarterly audio, visual, olfactory (AVO) inspections.

- Wellhead only well sites with two or more wellheads would require Semiannual OGI (or EPA Method 21) monitoring and quarterly AVO inspections at wellhead only well sites with two or more wellheads.

- Well sites and centralized production facilities with major production and processing equipment. Centralized production facilities include one or more storage vessels and all equipment at a single surface site used to gather, for the purpose of sale or processing to sell, crude oil, condensate, produced water, or intermediate hydrocarbon liquid from one or more offsite natural gas or oil production wells. This equipment includes, but is not limited to, equipment used for storage, separation, treating, dehydration, artificial lift, combustion, compression, pumping, metering, monitoring, and flowline. Process vessels and process tanks are not considered storage vessels or storage tanks. A centralized production facility is located upstream of the natural gas processing plant or the crude oil pipeline breakout station and is a part of producing operations. These would require quarterly OGI (or EPA Method 21) monitoring and bimonthly AVO inspections at well sites and centralized production facilities with: (1) One or more controlled storage vessels or tank batteries; (2) one or more control devices; (3) one or more natural gas-driven pneumatic controllers; or (4) two or more pieces of major production or processing equipment not listed in items (1) through (3).

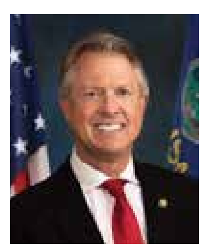
- Small well sites are single wellhead well sites that do not contain any controlled storage vessels, control devices, pneumatic controller affected facilities, or pneumatic pump affected facilities, and include only one other piece of major production and processing equipment. Major production and processing equipment that would be allowed at a small well site would include a single separator, glycol dehydrator, centrifugal and reciprocating compressor, heater/treater, and storage vessel that is not controlled. By this definition, a small well site could only potentially contain a well affected facility (for well completion operations or gas well liquids unloading operations that do not utilize a CVS to route emissions to a control device) and a fugitive emissions components affected facility. No other affected facilities, including those utilizing CVS (such as pneumatic pumps routing to control) can be present for a well site to meet the definition of a small well site. These sites would require quarterly AVO inspections.



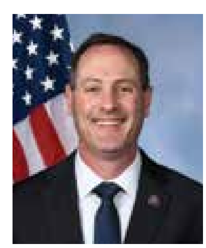
Leo Henning
KDHE Deputy Secretary

Implementation of the new rule will be done by state agencies. The Kansas Department of Health & Environment (KDHE) is the Kansas agency charged with implementing air emission regulations. KIOGA President Edward Cross met with KDHE Deputy Secretary Leo Henning and KDHE Air Monitoring & Planning Section Chief, Douglas Watson in November 2022 to offer our assistance in helping make sure Kansas gets delegation of the regulatory program. If not, EPA writes the regulations and enforces them.

Congressional Letter to EPA—KIOGA worked with U.S. Senator Marshall (R-KS) and U.S. Congressman Mann (R-KS) to develop a congressional letter opposing the EPA proposed new methane rule. Senator Marshall led the effort with Senator Cruz (R-TX) as a co-sponsor. The letter was a bicameral effort with Representative Mann (R-KS) and Representative Arrington (R-TX) leading the House side.



U.S. Senator
Roger Marshall, M.D. (R-KS)



U.S. Representative
Tracey Mann (R-KS)

GOING FORWARD

Comments on the revised EPA oil and gas methane regulation proposal are due by February 13, 2023. KIOGA will be submitting comments. The final EPA rule is expected in mid to late 2023. States will have 18 months after publication of the rule to submit their implementation plans. Compliance with the new rule will be required in three years.

KANSAS DEPARTMENT OF REVENUE

Property Valuation Division Appraisal Courses

INTRODUCTORY LEVEL COURSES

February 6–8, 2023
Hays, KS

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 8–10, 2023
Hays, KS

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

March 1–2, 2023
Topeka, KS

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 or go to the Kansas Customer Service Center (KCSC) and click on the Customer Service Center "Register Now" link in the upper right-hand corner.

Chickening Out

USFWS LIST LESSER PRAIRIE CHICKEN AS "THREATENED" IN KANSAS

The U.S. Fish & Wildlife Service (USFWS) announced on November 17, 2022, that they will list the lesser prairie chicken (LPC) as a threatened/endangered species and be covered by protections from the Endangered Species Act (ESA).

The USFWS said they will list the LPC as "Threatened" in the northern distinct population segment and list the LPC as "endangered" in the southern distinct population segment. The northern segment includes Kansas. The LPC listing became effective **January 24, 2023**.

Effective January 24, 2023, the USFWS has made it illegal under the ESA to harm, or so much as disturb the normal habits of a LPC. The penalties for doing so can be very costly. KIOGA cannot opine as to the likelihood or level of enforcement of the LPC regulations. Historically, federal migratory bird regulations have been aggressively enforced.

Listing of the LPC as a "threatened" species in Kansas under the ESA makes it illegal to "take" an LPC. "Take" means to harm and harass, as well as kill. "Harass" is defined to include annoying an animal to such an extent as to disrupt its normal breeding, feeding, or sheltering habits. Therefore, after January 24, 2023, it will be illegal to so much as disrupt the normal habits of a LPC in much of western Kansas.

Penalties for violating the taking rules are severe. For each knowing violation, the ESA imposes up to (1) a $25,000 civil penalty; (2) a $50,000 criminal penalty; and (3) one year in prison. The ESA also authorizes private parties to sue an operator who violates the taking rules to enforce the Act. Private parties that bring suit can recover their attorney fees from the violator.

The USFWS has promulgated approved conservation plans to provide regulatory assurances to continue operations and development in the LPC habitat areas. These plans impose restrictions on oil and gas operations and requires payment of significant fees for any new drilling or construction projects. These plans include:

- Western Association of Fish and Wildlife Agencies (WAFWA) Candidate Conservation Agreement with Assurances (CCAA) for oil and gas
- LPC Conservation LLC Habitat Conservation Plan (HCP) for oil and gas development
- Development of plans for individual developments, individual companies, or group of companies

Ultimately, it is a business decision whether to enroll in a conservation plan, and if so, which plan is best. An operator must weigh the risk of not having whatever protections a conservation plan provides with the costs and operational burdens the plan imposes if you enroll.

The status of the LPC has long been a focus of environmental petitions and lawsuits, pursued the past 25 years by environmental advocacy organizations, with heightened legal activity experienced over the past decade. Notably, in 2014, the USFWS issued a final rule listing the LPC as a threatened species under the Endangered Species Act (ESA) and concurrently published a final 4(d) rule for the bird. However, on September 1, 2015, this final listing rule for the LPC was vacated by the US District Court for the Western District of Texas, which also mooted the final 4(d) rule. On July 20, 2016, the USFWS published in the Federal Register a final rule that removed the LPC from the List of Endangered and Threatened Wildlife in accordance with the court decision.

KIOGA has long advocated that the best scientific and commercial information available demonstrates that the LPC does not meet the ESA's definitions of either a threatened or endangered species. None of the five factors utilized by the USFWS under the ESA to determine if a species is endangered or threatened are present in the case of the LPC in the northern distinct population segment. In Kansas, the LPC has a stable and growing habitat and range. There is no overutilization that places the species at risk. There is no disease or predation beyond the typical norm. There are adequate existing regulatory mechanisms in place that have already produced demonstrable successes. And there are no other natural or manmade factors that affect the continued viability of the species. In short, there is no basis for action under the ESA and its implementing regulations.

The USFWS accepted comments in 2021 and in early 2022 regarding the proposed rule to list the LPC. KIOGA prepared and submitted comprehensive comments during the comment period in 2021 and 2022. KIOGA's comments provided a body of information to support a "Not Warranted" USFWS determination for listing the LPC.

KIOGA met with USFWS officials in 2022 and told them that through a combination of public and private efforts, the LPC is now better protected than at any previous time. A listing as threatened or endangered will not provide any additional conservation benefits above what already exists.

KANSAS CONGRESSIONAL DELEGATION RESPONSE—


Roger Marshall


Tracey Mann


Ron Estes

U.S. Senator Marshall (R-KS) introduced a Congressional Review Act (CRA) challenge to the listing of the LPC. Senator Marshall held a press conference in December detailing the concerns that prompted the CRA challenge. Former KIOGA Chair Ken White spoke at the press conference expressing the concerns the listing has for the Kansas oil and gas industry. Congressman Tracey Mann (R-KS) introduced a measure in the U.S. House to prohibit the U.S. Interior Secretary and U.S. Commerce Secretary from listing a species as threatened or endangered under the ESA without congressional approval. Congress Ron Estes (R-KS) introduced a measure in the U.S. House that would delist the LPC and put the LPC habitat protection under local control.

KIOGA HOSTS WEBINAR WITH USFWS ON LPC LISTING— KIOGA hosted a webinar on January 5, 2023, with special guest Chris O'Meilia, Wildlife Biologist with the Kansas Ecological Services Field office of the USFWS. O'Meilia discussed the LPC status and outlined compliance approaches available for the Kansas oil and gas industry.

KIOGA
MIDYEAR MEETING& EXPO
2023

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Phone : 785-232-7772 | Email : holly@kioga.org

SCHEDULE
OF EVENTS

2023 MIDYEAR MEETING | APRIL 19–21
McPherson Community Building | 122 East Marlin Street | McPherson, KS 67460

WEDNESDAY, APRIL 19

12:00 pm–5:00 pm Vendor Set-up

6:00 pm–9:00 pm Wine, Spirits, & Beer Tasting
Open Bar | Heavy Hors d'oeuvres | Music by William Flynn Trio
Trolley and shuttles will run between event and hotels

THURSDAY, APRIL 20

7:00 am–8:00 am Registration | Lobby

8:00 am–3:00 pm Trade Show | Gymnasium

9:00 am–10:00 am **Morning Seminar:** Refinery 101 | Main room

10:00 am–11:00 am **Morning Seminar:** Hedging | Upstairs Conference Room

9:00 am–11:00 am Tour—CHS Refinery
Shuttle will run every 30 minutes from event to refinery

11:30 pm–1:00 pm Lunch | BBQ by Tammy's Country Catering
Bloody Marys and Screwdrivers at the bar | Beer Tubs in Trade Show

1:00 pm–2:00 pm **Afternoon Seminar:** Refinery 101 | Main room

2:00 pm–3:00 pm **Afternoon Seminar:** Hedging | Upstairs Conference Room

3:30 pm–5:00 pm Board & General Membership Meeting | Upstairs Balcony
This is open to all KIOGA members

5:30 pm–6:30 pm Cocktails | Main Room

6:30 pm–7:30 pm Dinner | Main Room

7:30 pm–10:00 pm Casino Night | Gymnasium

FRIDAY, APRIL 21

7:00 am Golf Registration | Turkey Creek Golf Course, 1000 Fox Run Road, KS 67460
Coffee/fruit/pastries served

8:00 am Shot Gun Start
Lunch and awards will follow

8:30 am–12:00 pm Pickleball Tournament | Gymnasium at the Community Building

SPONSORSHIP **FORM**

2023 MIDYEAR MEETING | APRIL 19–21

McPherson Community Building | 122 East Marlin Street | McPherson, KS 67460

Contact Person: ______________________________

Individual/Company Name: ______________________________

Address: ______________ State: ________ Zip: ________ Email Address: ______________

Business Phone: ______________ Cell Phone: ______________

LEVELS OF SPONSORSHIP

Platinum Sponsor | $5,000 + $__________

Gold Sponsor | $2,500 + $__________

Silver Sponsor | $1,000 + $__________

Bronze Sponsor | $600 + $__________

General Sponsor | $300 + $__________

Card #______________________________

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Name on Card: ______________________________

Billing Zip Code:______________________________

TO PLEDGE YOUR SPONSORSHIP ONLINE, GO TO:
https://kioga.org/events1/2023-mid-year-meeting-expo

FOR MAIL-IN SPONSORSHIPS, REMIT PAYMENT TO:
KIOGA
800 SW Jackson Street, Suite #1400
Topeka, KS 66612
785-232-7772 or email holly@kioga.org

MUST RECEIVE FORM BY FEBRUARY 15 TO BE LISTED IN THE BROCHURE— NO EXCEPTIONS

PLATINUM SPONSOR BENEFITS:

- Company logo in midyear meeting brochure
- Company logo on signage at midyear meeting
- Premium seating for two (2) at midyear meeting
- Two midyear meeting registrations (excluding golf & clays)

GOLD SPONSORSHIP BENEFITS:

- Company name in midyear meeting brochure
- Company name on signage at midyear meeting
- Premium seating for two (2) at midyear meeting
- One midyear meeting registration (excluding golf & clays)

SILVER SPONSORSHIP BENEFITS:

- Company name in midyear meeting brochure
- Company name on signage at midyear meeting
- One midyear meeting registration (excluding golf & clays)

BRONZE SPONSORSHIP BENEFITS:

- Company name in midyear meeting brochure
- Company name on signage at midyear meeting

GENERAL SPONSORSHIP BENEFITS

- Company name in midyear meeting brochure

EXHIBITOR **FORM**

2023 MIDYEAR MEETING | APRIL 19–21

McPherson Community Building | 122 East Marlin Street | McPherson, KS 67460

1. The undersigned (Lessee) hereby applies for commercial rate exhibit space at the 2023 Mid-year meeting of KIOGA, to be held at the McPherson Community Building, in McPherson, Kansas on Wednesday, April 19, 2023. The meeting is conducted by KIOGA. All payments, correspondence, notifications and other communications to KIOGA concerning the subject matter of this application and contracts shall be sent to Holly McGinnis (holly@kioga.org).
2. Please enclose full payment with registration form. If you need to be invoiced in advance, please email Holly at holly@kioga.org.
3. This contract shall be governed by the laws of the State of Kansas, USA.

Your exhibitor fees and sponsorship monies are tax deductible as ordinary and necessary business expenses. They are not tax deductible as a contribution or gift for federal income tax purposes.

Installation and Dismantling of Exhibits: Move-in may begin at 3:00 pm on Wednesday, April 20, 2022. **Dismantling of exhibits must be completed by 4:00 pm on Thursday, April 20, 2023.**

Exhibits will officially open to registrants from 8:00 am–3:00 pm on Thursday, April 20.

Booth Design and Furnishings: All booths are 10 feet wide by 8 feet deep. KIOGA will furnish each exhibitor with back and side drapes, identification sign, 6-foot-table, chair and waste basket. If your booth requires electricity, check here. ☐

BOOTH RENTAL: (INCLUDES LUNCH FOR 2)

MEMBER PRICING: $400.00

NON-MEMBER PRICING: $600.00

MUST RECEIVE REGISTRATION BY FEBRUARY 15 TO BE LISTED IN THE BROCHURE.

NO EXCEPTIONS

Name of Lessee:________________________________

Contact Name:________________________________

Booth Contact (if different):______________________

Booth #—1st Choice _______ 2nd Choice_________

Address:________________________________

City/State:______________ Zip Code:______________

Phone:_________________ Cell:_________________

Email:________________________________

Booth name for signs and brochure:_________________

(Must complete Booth Name or booth sign will be the name of the Lessee)

Date of Registration:____________________________

Full payment enclosed:__________________________

Name on Card:________________________________

Card # ________________________________

Exp:_______ CVV:______ Billing Zip Code:______________

COMPLETE AND RETURN TO:

Holly McGinnis | KIOGA
800 SW Jackson Street, Suite #1400
Topeka, KS 66612
785-232-7772

TO REGISTER ONLINE, GO TO:

www.kioga.org/events

REGISTRATION **FORM**

2023 MIDYEAR MEETING | APRIL 19–21

McPherson Community Building | 122 East Marlin Street | McPherson, KS 67460

All inclusive Member Registration—$200

All inclusive Non-member Registration—$250

Includes the following:

- Wednesday night
  Heavy Hors d'oeuvres | Tasting Event
- Thursday lunch-BBQ | Trade show
- Thursday Cocktail Hour, dinner, and Casino night
- All tours and seminars
- Board/General Membership meeting
  included in member price

PRE-REGISTRATION CLOSES APRIL 14.
NO REFUNDS AFTER APRIL 17.

GOLF TOURNAMENT

Golf Tournament-Member Price—$100

Golf Tournament-Non member—$150

Individual Player ☐	Handicap ☐
Team Requested	Handicap/Ave Score
____________________	____________________
____________________	____________________
____________________	____________________
____________________	____________________

PICKLEBALL TOURNAMENT

This is a team sport, so please list who you want to play with and if you're paying for them or they're registering themselves

Member—$50 Teammate ____________________
Non-member—$60 Teammate ____________________

(Price includes light breakfast and lunch for both events)

Individual Name (as you want it to appear on name tag):______________________________

Company Name (as you want it to appear on name tag):______________________________

Address (City and State will be on name tag):____

Member All-inclusive $200 ☐ Non-member All-inclusive $250 ☐

Golf-Member $100 ☐ Golf Non-member $150 ☐ Hole Sponsor $100 ☐

Pickleball Member $50 ☐ Pickleball Non-member $100 ☐

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Name on Card:______________________________ Amount to be billed $_______________

Hotel Accommodations—Holiday Inn Express | 620-241-5566 Fairfield Inn & Suites | 620-504-5353
Call before March 29 to receive KIOGA rate (Must call hotels directly and mention KIOGA to reserve)

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KIOGA
Kansas Independent Oil & Gas Association

KIOGA is Here to Help!

For over 160 years, the oil and gas industry has been a vital part of Kansas's way of life, and at KIOGA our goal is to help ensure our industry thrives well into the future.

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

With nearly 3,000 members, KIOGA is the lead state/national advocate for the Kansas oil and gas industry. KIOGA identifies and interprets public policies and regulations that are fundamental to our member's success. Our quick analyses and evaluations of issues and concerns result in significant arbitrage value for KIOGA members who benefit from our substantial first-mover advocacy advantages. We engage on state and federal regulatory issues and meet with key state and federal policymakers on policy issues. We continue to build relationships and work with allies at the state and federal level. Finally, we litigate when necessary.

Through rigorous engagement at the state and federal level, KIOGA works to create a more stable and predictable political and regulatory environment for our members. We are committed to being a positive, credible, and proactive voice for the industry, promoting respectful dialogue and education to advance oil and gas interests at the state and federal level.

In 2022, our mission manifested itself in many positive ways including:

Legislative Success: KIOGA engaged in 24 state legislative issues impacting the Kansas oil and gas industry in 2022. We engaged in many tough policy debates on issues critical for the Kansas oil and gas industry explaining what's important to KIOGA members and where we stand on energy, tax, and regulatory issues. Our core focus was on protecting the Kansas oil and gas industry from increased costs while also defending industry gains in recent years. At the federal level, KIOGA engaged key federal policymakers to provide fact-based information to pull back the curtain on the ideological-driven processes the Biden administration is using to justify an avalanche of costly policies and rules.

Regulatory Success: KIOGA engaged the Kansas Corporation Commission (KCC) on issues concerning KCC budget, temporary abandonment of wells, abandoned well plugging, potential regulatory amendments, and more. At the federal level, KIOGA continues to push for more flexible and cost effective EPA oil and gas methane regulations that recognize the emission profile of marginal wells. KIOGA is also engaged in U.S. Fish & Wildlife Service (USFWS) lesser prairie chicken concerns.

Public Outreach: KIOGA continues our Next Step to Raising Energy Awareness program providing 18 webinars to bring informative content to guide future business and policy decisions. KIOGA spoke at 15 public forums, engaged in over 50 media inquiries, and provided 13 editorials to media across Kansas and the nation last year.

It is only with your support that we were able to accomplish these goals. KIOGA wants to build on this momentum in 2023, and your support allows us to continue to proactively engage state and federal policymakers and regulatory officials to aggressively defend our industry and promote the development of Kansas's oil and natural gas resources.

Though we face many familiar legislative and regulatory challenges in 2023, KIOGA stands stronger and more united than ever to face these obstacles and seek meaningful opportunities to evolve and succeed. To be a member of KIOGA is to be among the premier oil and gas companies in Kansas and across the nation.

As a professional advocate for the Kansas oil and natural gas industry, KIOGA has used our significant advocacy experience and talent to form strong and productive nonpartisan relationships with state and federal policymakers as well as state and federal regulatory agencies.

The bottom line is that unsound policies, regulations, and public perceptions threaten the profit and growth opportunities of every company in the oil and natural gas industry. Companies need the best and latest advocacy and public outreach efforts. That is what you get with KIOGA.

For the oil and gas industry, the challenges never end. KIOGA takes our charge seriously and pursues excellence on your behalf each day. Let KIOGA be your partner in success. We provide unmatched public policy advocacy and a powerful voice for you in state and federal government. KIOGA is an investment in our energy future!

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, KS 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

KIOGA
New Members

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

Sam Bradley
Canyon Operating

Stephen Clopton
Energy Flow Equipment

Matt Farmer
USI Insurance Services

Paul Smith
Red Hills Energy, LLC

KIOGA CALENDAR

Event Name	Date	Location
NAPE Summit 2023	February 1–3, 2023	Houston, TX
North American Helium Conference	March 22–23, 2023	Denver, CO
NSWA Energy Gala	April 14, 2023	Oklahoma City, OK
KIOGA Midyear Meeting	April 19–21, 2023	McPherson, KS
IOGCC Annual Business Meeting	May 22–24, 2023	Oklahoma City, OK
KIOGA 86th Annual Convention & Expo	August 20–22, 2023	Wichita, KS

OFFICERS & EXECUTIVE COMMITTEE

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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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