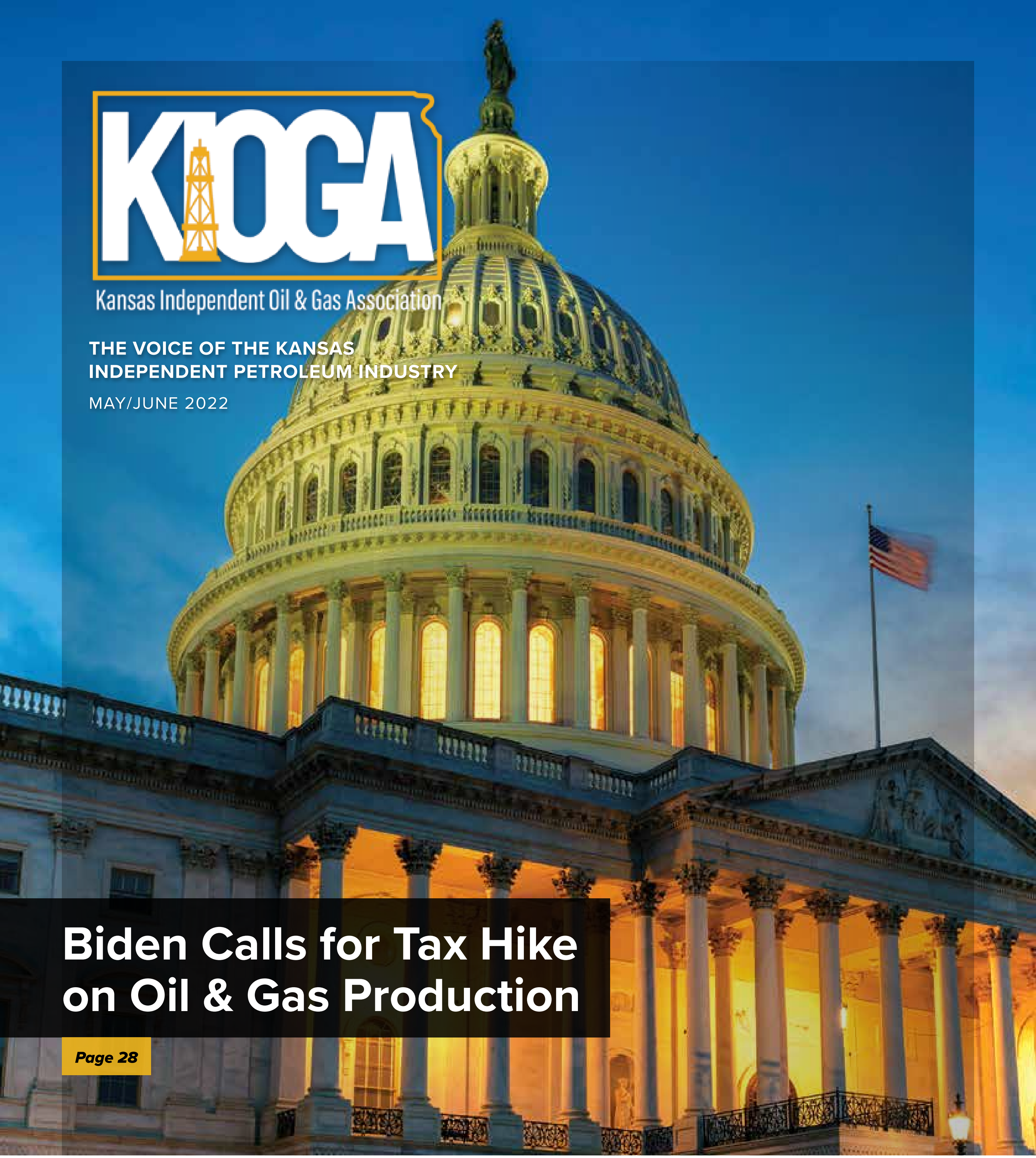


KIOGA

Kansas Independent Oil & Gas Association

THE VOICE OF THE KANSAS INDEPENDENT PETROLEUM INDUSTRY

MAY/JUNE 2022

Biden Calls for Tax Hike on Oil & Gas Production

Page 28

REVELANT
PRODUCTION SOLUTIONS

Corroded Paraffin Tool Exchange Program

How the Corroded Paraffin Tool Exchange Program Works

- Who is eligible?

  Any current owner of an authentic Enercat™* tool.

- Why should I exchange my current tool for an original Revelant *Avenger* product?

  Avenger products are corrosion resistant, incorporate our high performing materials, and do not require "charging" during manufacturing.

- How do I exchange my corroded tool for a new *Avenger* product?

  Simple! When an authentic Enercat™ tool is pulled from a well, exchange it for an original Revelant *Avenger* product.

- Do you warranty the *Avenger* tools against corrosion?

  Of course! *Avenger* products have a 3 year limited warranty.**

- Do you offer incentive pricing under this program?

  Absolutely! For pricing and details, contact your Revelant sales representative at 832-905-6980, a Revelant distributor, or send us an email at exchange@revelant.com.

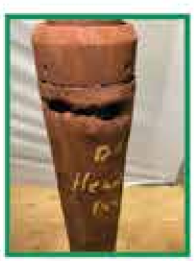
Program Benefits

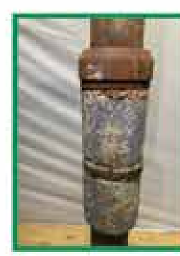
- Products are designed to last longer in your well
- Discounted pricing on original Revelant *Avenger* products
- Three-year limited warranty*
- Free tear-down report detailing well number, date of pull, and condition of the authentic Enercat™ tool.

* Enercat is a registered trademark of Synergetic Oil Tools, Inc.

** Revelant will repair or replace the Avenger band-pass filter if corroded from produced water, hydrochloric or hydrofluoric acid within three years of your purchase.

Corroded Authentic Enercat™ Tools





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PRODUCTIVE YEAR FOR KIOGA ADVOCACY EFFORTS

ANDREA KRAUSS
KIOGA CHAIR

The month of May once again brings the end of the annual legislative session. Over the past four months, Ed Cross has made numerous trips across the street to the Capitol to meet with legislators, to provide information about issues affecting the Kansas oil and gas industry, to testify before several committees and to answer questions from legislators. KIOGA serves its membership by tracking bills and advocating against onerous legislation which would make it more difficult and expensive for the industry to operate. From that standpoint, it was a successful legislative session, in that none of the legislation targeting our industry even made it out of committee this year.

However, at the beginning of the session, it was discovered that a technical correction was needed for last year's legislation combining the state's two abandoned well funds. With the guidance of the Kansas Corporation Commission (KCC) and the leadership of Rep. Troy Waymaster, the technical correction bill was quickly passed into law.

Between last year's passage of the abandoned well fund bill and this year's announcement of federal well plugging funds, the state of Kansas is positioned to plug thousands of abandoned wells over the next several years. Attendees at the Midyear Meeting in Russell were able to hear KCC's Ryan Hoffman talk about how the federal funds can be used to plug these wells. The KCC is working on regulations which will provide guidance on how that funding can be accessed by those wishing to plug abandoned wells. This funding will provide a great opportunity for our state to make significant progress on this front.

Attendees at the Midyear Meeting also got the opportunity to hear from Dr. Franek Hasiuk with the Kansas Geological Survey (KGS) about new energy research in Kansas and Dr. Chris Kuehl with Armada Corporate Intelligence about the state of the economy, and the impacts of inflation and geopolitics. In addition, attendees had an opportunity to connect with 31 vendors at the trade show and network with each other during the Wednesday night wine, beer and spirits tasting. The event concluded with a steak dinner and an opportunity to win prizes valued at over $3,000. Although we had plenty of weather-related challenges, I believe that a good time was had by all. The Midyear Committee thanks the attendees for their patience as we made venue adjustments on the fly.

Now that the Midyear Meeting is behind us, it is not too soon to look forward to the Annual Meeting and Convention in August. Adam Petz and the Convention Committee are working hard to plan a fantastic event. Booth space is going fast, so be sure to contact Holly McGinnis to reserve your spot. I hope you all have a wonderful Memorial weekend, as we remember those who gave their lives to defend our great country.

All the best,

KIOGA Chair


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EDWARD CROSS
KIOGA PRESIDENT

WHAT IS OUR ENERGY FUTURE?

A Message from your KIOGA President Edward Cross

Debate continues across the country on our nation's energy future. The competing visions, however, are not just philosophical arguments. There are real differences between these two visions and their outcomes on our economy, on consumers, and on our way of life.

On one hand, we have the energy reality that the U.S. can lead the world in production of oil and natural gas and consumers enjoy almost unprecedented energy security. The overwhelming majority of Americans support policies to maintain U.S. energy leadership. This pro-energy vision means energy from all sources, including oil and natural gas, generate economic growth and reduce carbon emissions.

On the other hand, extreme environmental activists work to obstruct energy development and infrastructure projects, reducing our energy options under a false belief that oil and natural gas production and use are incompatible with environmental progress. Their vision is one of constrained energy choices, with less certainty and reliability, and with less assurance on affordable power.

Fact is, the U.S. leads the world in reduction of carbon emissions. From 2005 to 2018, total U.S. 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 fell by 27%—as the U.S. economy grew by 25%.

The oil and natural gas industry has proven that over the long-term, it is possible to lead in energy production AND in environmental stewardship. Those are the facts.

Cutting American oil and natural gas production would take us back to last century's era of energy dependency. The U.S. economy would lose a projected 5.9 million jobs. But the vision of extreme environmental activists would take us there again, plunging the economy into persistent recession-level unemployment throughout 2022–2040. Lower U.S. energy production and higher energy prices could reduce cumulative GDP by $11.8 trillion.

That is a stark contrast to today's world, in which U.S. energy leadership can generate major economic benefits for American families and businesses. Increased energy production and infrastructure investment could create hundreds of thousands of additional jobs.

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.

Those who oppose American energy development at the state and national level are using environmental and regulatory issues to disrupt orderly oil and natural gas development and influence policymakers. They use these issues not to make energy development better, but to impede or stop oil and natural gas development. They have shown a propensity to align themselves rhetorically with public sentiment for more American energy development even as they espouse policies that would put that goal farther and farther out of reach.

History has shown that increasing taxes on oil and natural gas development negatively affects consumers, businesses, and the economy. Imposing new duplicative federal regulations when the industry is already well-regulated by the states will not put America on a path of preparing for its real energy future. Imposing burdensome and restrictive air emission regulations will not ensure Americans have ample supplies of the oil and natural gas that every projection shows they will be demanding in the near future.

Contrary to claims from extreme environmental activists, cutting U.S. oil and natural gas production would not magically reduce world energy demand. But it could raise costs significantly for American families and manufacturers, profoundly damage the U.S. economy, diminish our geopolitical influence, and severely weaken our energy security. That's where extreme environmental activists ideologies and policies lead, and it is not a path most Americans want to take.

The most pressing risks facing U.S. companies in the foreseeable future are unlikely to be those arising from climate change or an energy transition. Rather, the factors to watch are more apt to be inflation, rising energy costs, and national security threats. The Biden administration is too focused on climate change to anticipate or deter these significant real threats.

KIOGA's advocacy for the issues and concerns our industry faces has only gotten more urgent. KIOGA, its members, and its allies are now as busy, relevant and strong in our efforts than any time in the association's history, working on behalf of the Kansas independent oil and gas industry.

Of course, it has always been KIOGA's members as leaders in this industry that have driven our success and set the way for creating a thriving network of advocacy and information that we are now able to exercise and expand upon.

Thank you for your continued membership and support. Your membership makes a positive difference and your support is vital to our industry's future. K

Edward P. Cross

KIOGA President

FEDERAL LAWMAKERS INTRODUCE MEASURES TO "END THE BIDEN BAN"

Republican members of the U.S. House of Representatives Natural Resources Committee introduced six bills on March 30 that will unleash America's domestic energy potential, restart onshore and offshore lease sales and require the timely issuance of permits to drill.

While the Biden administration works to implement solutions responding to the developing energy crisis, officials on Capitol Hill continue to press the president and his cabinet to take action and support policies that will strengthen oil and gas development in the U.S. U.S. House Republicans are hoping to build support for a package of legislative bills that would encourage greater oil and gas production in America's oilfields. U.S. House Committee on Natural Resources Ranking Member Bruce Westerman (R-AR) along with U.S. Reps. Jerry Carl (R-AK), Garret Graves (R-LA), Yvette Herrell (R-NM), Blake Moore (R-UT), Matt Rosendale (R-MT) and Beth Van Duyne (R-TX) introduced six bills on March 30 to restart onshore and offshore lease sales and require the timely issuance of permits by the Department of the Interior to allow more drilling and energy output. Legislation filed includes:

The Unleashing American Energy Act - Introduced by U.S. Representative Carl (R-AK), requires a minimum of two oil and gas lease sales to be held annually in available federal waters in the Central and Western Gulf of Mexico Planning Area, and in the Alaska region of the Outer Continental Shelf.

The Securing American Energy and Investing in Resiliency Act - Introduced by U.S. Representative Graves (R-LA), requires the Department of the Interior to conduct all remaining offshore oil and gas lease sales in the current leasing plan and issue leases won as a result of Lease Sale 257.

The Energy Permitting Certainty Act - Introduced by U.S. Representative Herrell (R-NM), requires the Department of the Interior to process Applications for Permits to Drill (APDs) under a valid existing lease regardless of any unrelated civil action.

The Promoting Energy Independence and Transparency Act - Introduced by U.S. Representative Moore (R-UT), requires any pending permits for which required views have been completed be issued within 30 days of enactment.

The Restore Onshore Energy Production Act - Introduced by U.S. Representative Rosendale (R-MT), immediately resumes oil and gas lease sales on eligible federal lands and requires a minimum of four leases sales per year in each state with an oil and gas program.

The Strategy to Secure Offshore Energy Act - Introduced by U.S. Representative Van Duyne (R-TX), requires the publication of the 2022–2027 plan for offshore oil and gas lease sales by the time the current plan expires on June 30, 2022.

"The bills we introduced today will allow us to tap into the rich stores of resources America already has, and further both our energy independence and our innovation in the energy sector," said Representative Westerman (R-AR).

KIOGA is pleased to support the suite of energy bills introduced by Republican members of the U.S. House Natural Resources Committee. These bills, many of which simply codify existing regulatory-mandated timelines, will provide the certainty needed by oil and gas producers.

Meanwhile, at the start of April, U.S. Sens. Joe Manchin (D-WV), chairman of the Senate Energy and Natural Resources Committee, and Mark Kelly (D-AZ), a member of the committee, wrote the president asking his administration to develop and implement a new five-year oil and gas leasing plan in the Gulf of Mexico to ensure offshore development will continue in the years to come. Approximately 98% of offshore oil produced by the U.S. occurs in the Gulf. The current five-year plan is due to expire in June, and it is unclear if the Biden administration will move forward with a new round of lease area designations in the future.

"Increasing domestic oil production to meet demand is a critical step to lowering gas prices and reducing our reliance on foreign sources," wrote the Senators. "Allowing energy projects to languish in court or remain suspended in years of bureaucratic limbo is not addressing the pain at the pump or the climate crisis."

In their letter, the two lawmakers also underscored that advancing oil and gas production offshore does not mean America will have to abandon its climate goals. "The Gulf of Mexico is among the lowest greenhouse gas-emission-intensity oil production sites in the world and would offset foreign imports that are shipped across oceans. The United States can and should increase its renewable energy production and lower its greenhouse gas emissions, but this must occur responsibly, pragmatically and through an all-of-the-above energy approach that takes advantage of our resources at home."

KIOGA FEDERAL ADVOCACY STRATEGY GOING FORWARD

KIOGA continues to spearhead many oil and gas industry efforts to address several challenges including energy policy, energy tax, emissions and more. KIOGA President Edward Cross participated in several meetings and calls in April and May with key federal policymakers to discuss issues important to the Kansas independent oil and gas industry, including tax issues (percentage depletion allowance and expensing of IDCs), methane emissions, and other federal energy policy issues. KIOGA met with 23 key federal policymakers in May.

KIOGA will continue to work with key congressional members going forward. KIOGA President Edward Cross is an executive board member of the Domestic Energy Producers Alliance (DEPA), advisory board member of the U.S. Global Leadership Coalition (USGLC), board member of the Council for a Secure America (CSA), committee member on several committees of the Independent Petroleum Association of America (IPAA), and works closely with the National Stripper Well Association of America (NSWA).

The relationships KIOGA has built over the last 10+ 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 the remainder of 2022 to consolidate relationships built over the last 10+ years to address federal legislative challenges and regulatory reform.

KIOGA is prepared and is fully engaged in federal advocacy. 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.

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.

2022

KANSAS LEGISLATIVE SESSION CONCLUDES

The 2022 Kansas Legislative Session kicked off on January 10, gaveled out for first adjournment on April 2, returned for the veto session on April 25 and adjourned on April 28.

The Legislature passed a three-year phase-out of the state's 6.5% sales tax on groceries. The measure will cut the state sales tax on groceries from 6.5% to 4% on January 1, 2023, to 2% on January 1, 2024, and to zero on January 1, 2025.

KIOGA prepared for the 2022 Kansas Legislative Session and has been actively engaged. Many KIOGA members have participated in legislative and regulatory meetings focusing on issues important to the independent oil and gas industry. KIOGA also diligently monitored committee hearings to cover interests of the Kansas independent oil and gas industry.

On April 25, a Wyandotte County District judge struck down as unconstitutional and unfair to minority voters the Republican-drawn congressional reapportionment map for the upcoming and next decade's election cycles. Kansas Attorney General Derek Schmidt immediately filed an appeal of the decision with the Kansas Supreme Court, seeking the court to overturn the district court decision.

Revenue estimates for the state of Kansas in the upcoming fiscal year have increased sharply, pushing the state's projected ending balance next year to $1.7 billion. Many Democrats called for more spending. Republicans were concerned with inflation that could shrink that tax base if prices rise sharply.

KIOGA State Advocacy Strategy
The 2022 Kansas Legislative Session saw many tough policy debates on issues critical for the Kansas oil and gas industry. KIOGA prepared a legislative agenda in advance of the 2022 Legislative Session that laid out what's important to KIOGA members and where we stand on

energy, tax, and regulatory issues. The core focus of KIOGA's work at the statehouse during the 2022 legislative session was on protecting the Kansas oil and gas industry from increased costs while also defending industry gains made in recent years. KIOGA's legislative agenda for the 2022 legislative session was one in which we worked to minimize legislative assaults on the oil and gas industry and optimize legislative targets of opportunity.

KIOGA Urges KPERS to Divest from Investments with Entities Boycotting Energy Companies

Activists have increasingly set their sights on the financial sector and legal system, not Congress, for pushing their aggressive climate agenda. Congress has been unwilling to impose much in the way of costs to address climate change. Frustrated by that, activists (like BlackRock) want to use non-legislative ways to impose perceived climate costs and raise the price of energy. One of the ways they are doing it is under the guise of environmental, social and governance (ESG) investments.

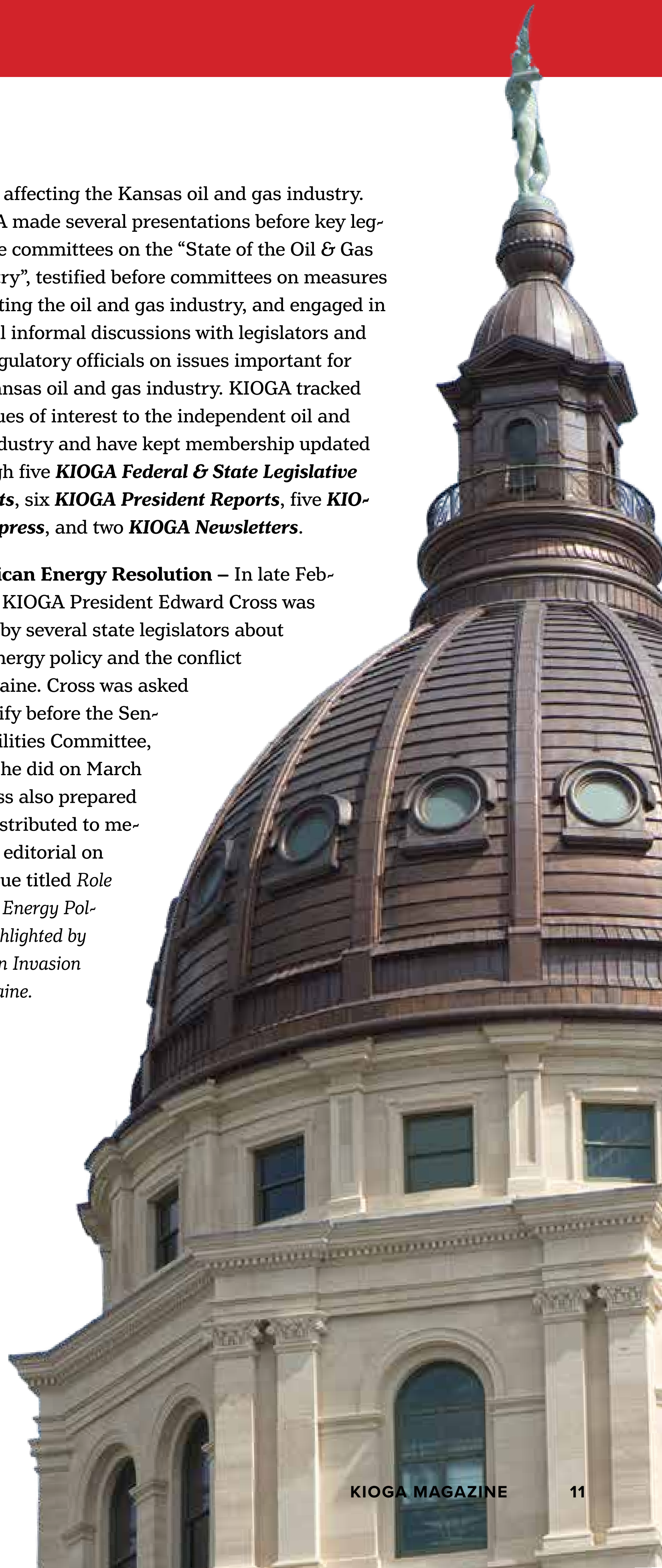
Employing so-called ESG initiatives, financial institutions and government agencies have quietly implemented policies prioritizing a focus on factors unrelated to a company's bottom line.

KIOGA believes financial institutions should award financing based on an unbiased, non-political basis. On March 24, KIOGA strongly urged the Kansas Public Employees Retirement System (KPERS) Board of Trustees to divest from investments with entities boycotting energy companies. KIOGA's request was recognized at the March 25 KPERS Board Meeting and will be discussed further at future KPERS Board meetings.

State Legislative Actions

KIOGA was busy during the 2022 Kansas Legislative Session working 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. KIOGA made several presentations before key legislative committees on the "State of the Oil & Gas Industry", testified before committees on measures impacting the oil and gas industry, and engaged in several informal discussions with legislators and key regulatory officials on issues important for the Kansas oil and gas industry. KIOGA tracked 24 issues of interest to the independent oil and gas industry and have kept membership updated through five ***KIOGA Federal & State Legislative Reports***, six ***KIOGA President Reports***, five ***KIOGA Express***, and two ***KIOGA Newsletters***.

American Energy Resolution – In late February, KIOGA President Edward Cross was asked by several state legislators about U.S. energy policy and the conflict in Ukraine. Cross was asked to testify before the Senate Utilities Committee, which he did on March 3. 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.*



Going forward from the testimony and editorial, Sen. Rick Billinger (R-Goodland) and Sen. Michael Fagg (R-Eldorado) developed an *American Energy Resolution*. The resolution reflects many of the policy statements provided in Cross' testimony and editorial. The Resolution (SCR 1623) was introduced in the Senate on March 9 and passed the Senate floor 37-0 on March 15. The Resolution makes findings regarding Russia's invasion of Ukraine on February 24, 2022, its ramifications on the world, energy leadership and stability, energy independence and security, government regulations, and the stoppage of importing oil, gas, and biofuels from Russia. The 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 that continue the operation of existing oil and natural gas pipelines and the construction of new pipelines, including the Keystone pipeline; stop importing oil and natural gas from Russia and restore energy independence in the United States; and reevaluate energy policies that have curtailed domestic production of oil and natural gas. Interestingly, the Resolution had a mix of bipartisan co-sponsors—basically the leadership of the Kansas Senate from both sides of the aisle.

Energy Policy – On several occasions during the legislative session, KIOGA was asked for our position on energy policy in general. 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 oppose policies picking winners and losers among energy sources and technologies. We oppose policies that impose mandates that increase costs when sourcing energy. We encourage the least restrictive method of regulation that supports the goal of protecting the public without limiting business activity.

Electric Rates –
Rising energy costs have been an issue for several years among KIOGA members. KIOGA supports free market, open competition with as little regulation as possible. KIOGA member Dana Wreath of Berexco testified before the Senate Utilities Committee on February 15 in support of a measure to curb Kansas' above average energy prices. The measure would have prohibited the Kansas Corporation Commission (KCC) from approving any increase in retail electric utility rates greater than 1% more than the previous year's total retail rates, or an average of 1% per year if the electric public utility does not file for a rate increase in two or more subsequent years. The bill did not make it out of committee. Going forward, KIOGA will continue to lead discussions on ways to help address higher than average electric costs.

Rules & Regulations Legislation – On February 23, the Senate passed (32-7) a proposed constitutional amendment that would simplify the rejection of state administrative rules and regulations that some lawmakers feel exceed their intentions in granting administration authority to state agencies. The measure is a legislative/executive branch scrap, with conservative lawmakers asserting that the current rules/regulations procedure—requiring a vote subject to veto and then two-thirds majority for passage to kill rules and regulations that are created by cabinet-level agencies which are headed by gubernatorial appointees—is administration-slanted. House debate on the measure heard several comments on "un-elected state bureaucracies" enacting rules and regulations to carry out state law that are difficult for lawmakers to overturn. The House passed the measure (88-34) on March 21. Passage puts the relatively complex issue on the November election ballot where a majority of votes can approve the constitutional amendment handing that power to the Legislature.

Abandoned Well Plugging Technical Cleanup Measure – Last year, the Kansas Corporation Commission (KCC) introduced legislation addressing the plugging of abandoned wells. KIOGA was supportive of the measure and helped advance the legislation. It was signed into law by Gov. Laura Kelly on April 9, 2021. However, some technical issues were discovered in the measure after it was signed into law. The issue stems from the 55-193 statute appearing in two separate bills at the same time, with neither bill explicitly resolving the revision made by the other bill. The KCC cannot assign assumptions of legislative intent (i.e., whether the statute should be repealed as provided in HB 2022 or amended as provided in HB 2007). To remedy the situation, the KCC introduced a technical clean-up bill that only repeals 55-193 as it was intended when the measure was passed last year. KIOGA worked to help the KCC advance the measure. The measure was championed by State Rep. Troy Waymaster (R-Bunker Hill) and passed the House 112-0 on February 17 and passed the Senate 40-0 on March 7. The bill was approved by the Governor on March 22 and enrolled and effective on March 31.

Environmental Assaults – 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 is prepared and ready to defend the oil and gas industry at every opportunity.

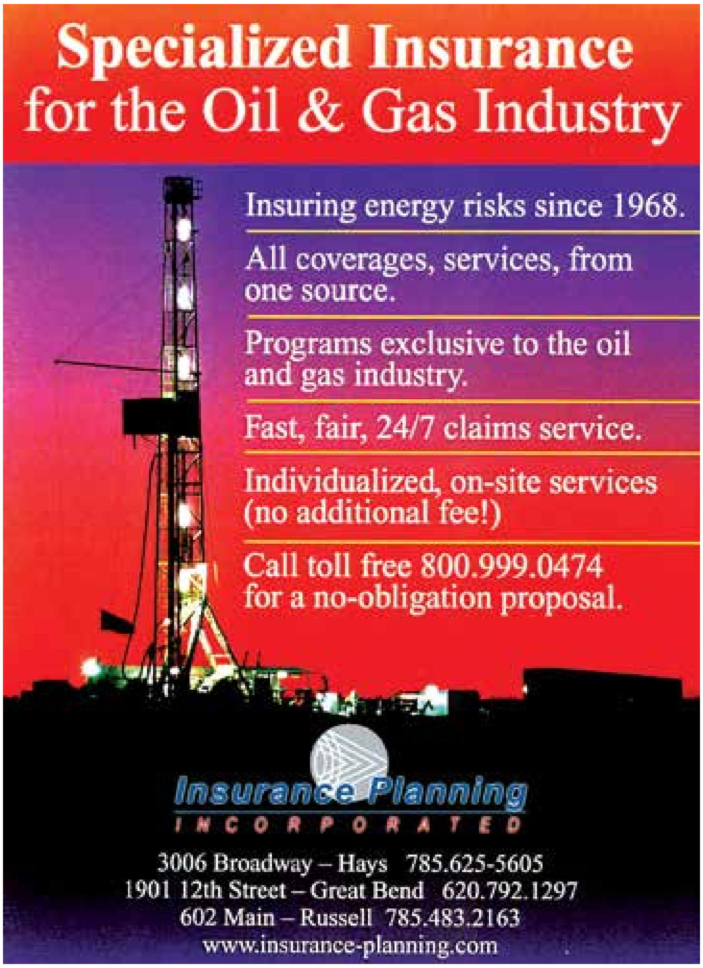
The Legislature officially adjourned (sine die) in May, after which legislative candidates can legally receive financial contributions to their reelection campaigns. The Legislature will stay adjourned until January 2023, unless a special session is called. K

KIOGA 2022 ANNUAL CONVENTION

INSIGHTS INTO THE ENERGY FUTURE

AUGUST 14–16, 2022 | WICHITA, KANSAS

In this challenging year, filled with anticipation over uncertain action towards regulations and legislation and uncertainty about energy policy, KIOGA invites you to attend our 2022 Annual Convention as we proudly enter our 85th year focusing on **Insights into the Energy Future.** Our convention will focus on issues that confront our businesses—from examining what new opportunities await our industry to learning new ways of tackling familiar challenges. Join us as we come together as an industry to discuss the ongoing challenges we face in Topeka, Washington, and across Kansas and the nation to prepare for brighter days ahead. The KIOGA 2022 Annual Convention will feature enlightening perspectives and foster inspired conversation. Set your expectations high and join us as we move forward together to engage our energy future! Register today ! Get the latest details including registration information, confirmed speakers, networking events, and more at **www.kioga.org** or call at **785-232-7772**.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KIOGA Responds to White House Claim that **Oil & Gas Companies are not Drilling Leases**

On March 3, White House Press Secretary Jen Psaki, in response to a question about increasing domestic oil production, attempted to shift blame to oil companies by citing "9,000 approved oil leases that the oil companies are not tapping into currently."

Here are some facts KIOGA shared with key federal policymakers (both Republican and Democrat) in March following the White House statement:

- There are about 37,496 federal leases in effect. Assuming her number on nonproducing leases is correct (as FY 2021 data are not yet available from the government), a 75% utilization rate is a historic high.
- Many leases are held up in litigation by environmental groups. Most of the leases cannot be developed while those cases are ongoing.
- Companies must put together a complete leasehold before moving forward, particularly with horizontal wells that can cut across multiple leases. Sometimes, a new lease is needed to combine with existing leases to make a full unit. Since the Biden federal leasing ban remains in effect, some leases are held up waiting for new leases or for the government to combine them into a formal unit.
- Before allowing development on federal leases, the government conducts environmental analysis under the National Environmental Policy Act (NEPA), which often takes years to complete. Many leases can be hung up by NEPA or awaiting other government approvals.
- Finally, not all leases will be developed because, after conducting exploratory work, companies may determine there are not sufficient quantities of oil and natural gas on them.

The White House later said they were talking about permits, not leases. There are currently 4,621 permits to drill awaiting approval. The government could approve these permits now, enabling companies to forward with development. There are also about 9,173 outstanding approved permits, but there are factors that cause companies to wait to drill those wells.

- Because of the uncertainty of operating on federal lands, companies must build up a sufficient inventory of permits before rigs can be contracted to ensure the permits stay ahead of the rigs. We drill wells in a matter of days and rigs are very expensive, so it's a delicate balancing act.
- The federal permit to drill is not the only government approval required. Rights of way (ROW) can take years to acquire before companies can access their leases and put in natural gas gathering systems. With the pressure not to flare from regulators and investors, most companies cannot drill before gathering lines are in place. Timely approvals of ROWs would enable companies to develop sooner.
- The administration has worked with anti-oil and -gas activists to slow pipeline infrastructure. Without pipelines to move the oil and natural gas produced, wells cannot be developed.
- Capital must be acquired. Activist investors, encouraged by an administration intent on expanding its financial regulatory powers, have worked to de-bank and de-capitalize the industry. Many companies, particularly the small independents who drill the majority of federal wells, are having difficulty acquiring the credit and capital necessary to develop. By calling off bureaucratic efforts to deny financing to the industry, the president would send a strong signal to the market that investments in oil and natural gas are safe and new production could move forward.
- The Biden administration has embarked on an agenda of regulatory overreach with extensive new regulations in the works. The uncertainty of all the new red tape puts a damper on new investment and development today.

MANCHIN EXAMINES

BIPARTISAN ENERGY/ CLIMATE PACKAGE

Senator Joe Manchin (D-WV)

After President Biden released his FY 2023 budget in late March, Sen. Joe Manchin (D-WV) and Sen. Kyrsten Sinema (D-AZ) said efforts to revive subsidies for renewables, electric vehicles, and green initiatives were highly unlikely this year. The Green New Deal appears to be dormant.

However, Sen. Manchin is examining an energy and climate package aimed at winning enough Republican support to avoid the partisan budget reconciliation process.

A bipartisan energy package, like the infrastructure bill passed last year, could undercut the broader Democratic agenda but give President Joe Biden an election-year victory on an issue voter's care about.

Manchin met with other senators from both parties to "gauge bipartisan interest in a path forward that addresses our nation's climate and energy security needs head on."

Manchin said that one area of common ground could be reform of the federal oil and gas leasing process. The Biden administration, which has sought ways to increase domestic oil production, has called on Congress to make oil drillers pay penalties when they don't use leases.

"You're going to have to have a leasing program that works, okay, and making sure that leases are fair, and people are not sitting on leases," Manchin said.

"We need to look at all that," he said. "We haven't done that."

Manchin also said Congress could focus on increasing domestic production of energy in the near term and provide incentives for climate-related projects in the longer term.

The approach could revive some of the $550 billion in climate and energy spending in the Build Back Better Act, which stalled in December after Manchin declared he couldn't support it. He has since talked about a possible reconciliation package that would include energy, tax and drug pricing pieces along with substantial deficit reduction.

In addition to reform on permitting, a potential package could include revisions to federal land policy, aid for domestic pipelines, efforts to bolster production of both liquefied natural gas at home and abroad and critical minerals. It's possible the changes could be paired with hundreds of billions of dollars in new and expanded tax credits for wind and solar power, nuclear plants, biofuels and advanced energy manufacturing sought by Democrats and the White House and included in earlier iterations of the Build Back Better spending bill.

The move is a long-shot. An effort to side-step the budget reconciliation process would require at least 10 Republicans to reach the 60 votes needed for passage, while at the same time winning the support of progressive Democrats in the House.

A bipartisan deal could also provide a path forward for other energy priorities that Manchin has called for in recent weeks, including action on Equitrans Midstream Corporation's Mountain Valley Pipeline, construction of which stalled in his home state after a federal court in January rejected its permit to cross a national forest.

Manchin publicly called on the administration to move forward with a litany of energy requests including increasing oil and gas production on both federal and private lands, a new five-year Gulf of Mexico oil and gas leasing plan from the Department of the Interior to replace one expiring in June, and the construction of new natural-gas pipelines and export terminals.

Kansas Supreme Court Agrees with KIOGA Amicus Brief in Royalty Payment Issues Case

On April 15, the Kansas Supreme Court released its opinion in *Fawcett v. Oil Producers, Inc. of Kansas*. KIOGA filed an amicus brief in the case and we are pleased that the Kansas Supreme Court rejected the plaintiffs' theory that we opposed in our amicus brief.

In July of 2015, the Kansas Supreme Court ruled on the *Fawcett v. Oil Producers, Inc. of Kansas* case. The case involved the royalty clause of an oil and gas lease that provides for a royalty payment of the proceeds from the sale of gas at the well. An effort to reanimate the case made its way back to the Kansas Supreme Court in March 2021.

The controversy arises because the lessee-operator sells its raw natural gas at the wellhead to third parties, who in turn process the gas before it enters the interstate pipeline system. The price an operator is paid—and upon which royalties have been calculated—is based on a formula that starts with the price those third parties receive for the processed gas (or a published index price) then deducts certain costs incurred or adjustments made. The class argued those subtracted costs and adjustments are the operator's sole responsibility.

In 2015, the district court granted summary judgment to the class. The Court of Appeals affirmed. KIOGA filed an amicus brief in the 2015 case that was contrary to the district court and Court of Appeals judgments. In July 2015, the Kansas Supreme Court reversed the judgement of the Court of Appeals and reversed the judgment of the district court to this issue and remanded the case to the district court. The Law Office of Morris Laing defended *Oil Producers, Inc. of Kansas* in the case in 2015 and David Nickel, then of Depew, Gillen, Rathbun, & McInteer, LC, prepared and submitted the amicus brief on behalf of KIOGA.

The 2015 Kansas Supreme Court opinion was an evenly-reasoned opinion. The plaintiffs' attorney, Rex Sharp, changed his theory in 2021. On remand, he argued that the implied duty to market may be satisfied by a wellhead sale, but the implied obligation of good faith and fair dealing is not. Sharp is attempted to start over seeking the same damages based upon this new theory. The District Court rejected this theory, and the Court of Appeals affirmed the district court also rejecting that theory. However, the Kansas Supreme Court granted review of the case.

In seeking review, the plaintiffs directly asked the Kansas Supreme Court to overrule its first *Fawcett* decision. It is important for all natural gas operators in Kansas that the *Fawcett* decision be preserved and the clear holding that enforced the leases permitting wellhead or on the lease sales be continued. Jeff Kennedy of the Martin Pringle Law Firm prepared and submitted an amicus brief on behalf of KIOGA supporting the Kansas Supreme Court's 2015 opinion.

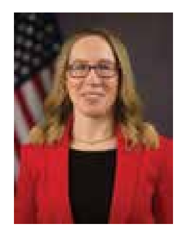
SEC Proposes Sweeping Climate Disclosure Rules for American Companies

The U.S. Securities and Exchange Commission (SEC) in late March formally proposed regulatory changes that would require businesses to share information about climate risks in annual filings, as well as report data on greenhouse gas emissions and also show how much energy the business consumes.

What the 534 pages of the proposed rule boils down to is producers being required to not only report what their emitted emissions from facilities and vehicles directly owned by the company are, but also the emissions emitted by all of their suppliers and service companies.

"The Commission has broad authority to promulgate disclosure rules that are in the public interest or for the protection of investors and that promote efficiency, competition, and capital formation," said the SEC. "In light of the present and growing significance of climate-related risk to registrants and the inadequacies of current climate disclosures, we are proposing to revise our rules to include climate-related disclosure items and metrics to elicit investment decision-useful information that is necessary or appropriate to protect investors."

U.S. Sen. Pat Toomey (R-PA) replied to the SEC's proposed rule saying: "Today's action hijacks the democratic process and disrespects the limited scope of authority that Congress gave to the SEC. This is a thinly-veiled effort to have unelected financial regulators set climate and energy policy for America. Forcing publicly-traded companies to gather and report global warming data—almost none of which is material to the business's finances—extends far beyond the SEC's mission and expertise."



SEC Commissioner Hester Peirce

SEC Commissioner Hester Peirce provided a statement on the proposal that hits the problem on the head. Peirce provided comments to SEC Chair Gary Gensler. Peirce's comments stated, in part, that "contrary to the hopes of the eager anticipators, the proposal will not bring consistency, comparability, and reliability to company climate disclosures. The proposal, however, will undermine the existing regulatory framework that for many decades has undergirded consistent, comparable, and reliable company disclosures. We cannot make such fundamental changes to our disclosure regime without harming investors, the economy, and this agency. For that reason, I cannot support the proposal.

The proposal turns the disclosure regime on its head. Current SEC disclosure mandates are intended to provide investors with an accurate picture of the company's present and prospective performance through managers' own eyes. How are they thinking about the company? What opportunities and risks do the board and managers see? What are the material determinants of the company's financial value? The proposal, by contrast, tells corporate managers how regulators, doing the bidding of an array of non-investor stakeholders, expect them to run their companies. It identifies a set of risks and opportunities—some perhaps real; others clearly theoretical—those managers should be considering and even suggests specific ways to mitigate those risks. It forces investors to view companies through the eyes of a vocal set of stakeholders, for whom a company's climate reputation is of equal or greater importance than a company's financial performance.

The proposal covers a lot of territory. It establishes a disclosure framework based, in large part, on the Task Force on Climate-Related Financial Disclosures (TCFD) Framework and the Greenhouse Gas Protocol. It requires disclosure of: climate-related risks; climate-related effects on strategy, business model, and outlook; board and management oversight of climate-related issues; processes for identifying, assessing, and managing climate risks; plans for transition; financial statement metrics related to climate; greenhouse gas (GHG) emissions; and climate targets and goals. It establishes a safe harbor for Scope 3 disclosures and an attestation requirement for large companies' Scope 1 and 2 disclosures.

Some elements are missing, however, from these action-packed 534 pages:

- A credible rationale for such a prescriptive framework when our existing disclosure requirements already capture material risks relating to climate change;
- A materiality limitation;
- A compelling explanation of how the proposal will generate comparable, consistent, and reliable disclosures;
- An adequate statutory basis for the proposal;
- A reasonable estimate of costs to companies; and
- An honest reckoning with the consequences to investors, the economy, and this agency."

EDITORIAL WRITTEN BY EDWARD CROSS, PRESIDENT
KANSAS INDEPENDENT OIL & GAS ASSOCIATION

Role of U.S. Energy Policy Highlighted by RUSSIAN INVASION OF UKRAINE

We all feel the effects of rising energy prices. The Russian invasion of Ukraine only adds to our energy concerns and heightens the importance of the role of U.S. energy policy.

European countries are starting to realize their fears about energy access and affordability with the breakout of conflict in Ukraine. Broadly similar to green new deal style policies, the European Union (EU) has been cutting off their own fossil fuel production and usage without a viable alternative to meet that baseline demand. With their domestic sources waning, Russia stepped in to meet that demand. Now that Russian supply is threatened, renewable sources are not able to meet demand and energy prices continue to increase sharply across the continent.

The lesson learned from Europe is that renewable energy sources are not ready to meet national energy demand. Over-reliance on renewable energy and Russian gas has been a recipe for disaster for the EU. President Biden should heed this as a warning of what his energy agenda will bring if he continues his war on American oil and gas.

Americans had fairly stable energy prices in 2017–2019, 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.

Here's a key point: when a country becomes the leading producer of oil and natural gas and has reduced CO_2 emissions by 70% in 10 years, it is clearly doing many things right.

The Biden administration need look no further than their own actions to find the primary reason energy prices have escalated since he took office. First, a pipeline bringing oil from Canada to the U.S. was quickly cancelled. Then, new leasing for energy development on federal acreage was stopped. Added to that was a batch of proposed 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. These are short-sighted energy policies that result in higher energy costs that disproportionately harm low-income groups.

U.S. energy policies that restrict domestic production force our country to seek relief from foreign suppliers of energy, undermining our energy independence. The problem is that when certain foreign governments control your energy, they have the power to use it for their own purposes, not yours. America should not be in the position of asking for foreign energy supplies, especially when we have abundant resources produced to standards that are among the highest in the world, right here at home.

Instead, we should be leading. Energy should be a bipartisan priority. Nothing is more essential to economic growth than reliable, affordable and abundant energy. To lose that advantage is not in anybody's best interest.

John Kerry, President Biden's special presidential envoy for climate, is concerned that the war in Ukraine will distract attention away from the 'climate crisis'. Unserious statements like those coming from Kerry and others in the Biden administration are creating a geopolitical power vacuum. We might not be serious, but our enemies are ruthlessly so. They raise a toast to our self-inflicted demise. We are left with a simple choice in the U.S.: get serious about our energy policy and preserve our place in the geopolitical order or be forced to stop play-acting as a superpower.

It is time for President Biden to recognize the strategic importance of American energy production. He should abandon his quixotic energy strategy immediately. Senseless pandering to the green left has helped foster the very conditions that have given Vladimir Putin confidence that his war on Ukraine will be met with little resistance from the U.S.

While claiming to fight to bring energy prices down, President Biden has made the wrong move at every turn. Nothing less than a total reversal of his approach is necessary. This is the signal that President Biden needs to send to the world to stop the decline of American energy security. Certain times require a reevaluation of priorities and a reorganization of values. The global crisis that Putin has set in motion is such a moment.

Putin tends to lash out when energy prices are high. Lowering these costs will not be easy. It will take time. And the only effective means of lowering the price of energy is increasing its supply.

President Biden should embrace oil and gas exploration. If the U.S. is energy independent, then we don't beg people in the Middle East or Russia to help us and Putin would not have the financial reserves to subsidize an invasion. America was energy independent just a few years ago. Biden should do everything he can to make us energy independent again.

President Biden and all federal and state policymakers should prioritize advancing American energy leadership with policies that encourage development of responsibly produced energy here at home. These policies should recognize the volatile world we live in and the long-term impacts of returning to the days of foreign energy dependency. K

VOICE OF THE KANSAS INDEPENDENT PETROLEUM INDUSTRY

YOUR KIOGA MEMBERSHIP MAKES A DIFFERENCE!

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

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

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

MEMBERSHIP IN KIOGA GIVES YOU:

A United Voice in Topeka and Washington

- Few independent businesses have the budget, time, and expertise to individually tackle issues at the federal, state, and local levels of government as well as regulatory issues.

The Power of Unity

- KIOGA achieves results through a strong coalition of independent businesses with a common purpose and goal optimizing our effectiveness on critical issues.

Access to Legislative and Business Information

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

A Way to Build Public Understanding

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

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

KIOGA has developed a KIOGA Membership Resource Guide and KIOGA Membership Brochures that provide a concise summary of the benefits of KIOGA membership highlighting KIOGA's advocacy priorities, meetings, business development events, and other value-added activities. These new membership marketing materials are available to all members who would like to use them in mailings to clients or distribution. You can find them on the KIOGA website at www.kioga.org or contact the KIOGA office at 785-232-7772 or holly@kioga.org for copies.

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

WELCOME TO

FANTASY ISLAND

President Biden's approval rating has recently sunk to 33%. Many Democrats claimed to be shocked by the approval rating and surprised at Biden's unpopularity.

The ideology making Democrats unpopular is also preventing them from understanding why they are unpopular. Democratic failure on basic issues like crime and inflation are related to the culture-war radicalism that has captured their party. Twitter, not the blue-collar union hall, is now the heart of the Democratic Party which is controlled by the woke crowd. This group is championing cultural radicalism, entrenching its own economic interests, and neglecting the common good.

Progressives are out of touch with the American people and the economy. They say people can help avert climate breakdown by making relatively straightforward lifestyle changes. They encourage people to take the following actions to keep global heating down to 1.5 degrees:

- Eat a largely plant-based diet, with healthy portions and no waste
- Buy no more than three new items of clothing per year
- Keep electrical products for at least seven years
- Take no more than one short-haul flight every three years and one long-haul flight every eight years
- Get rid of personal motor vehicles
- Make at least one life shift to nudge the system, like changing pension supplier to one that does not invest in fossil fuels

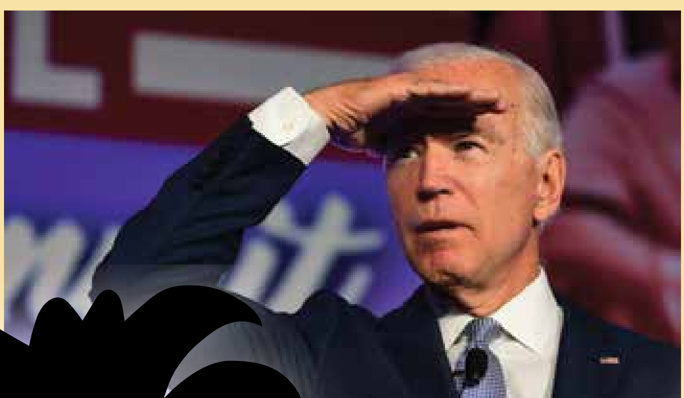
The inconvenient truth for progressives is that fossil fuels are ubiquitous and indispensable. Replacing oil and gas as an energy source poses enormous technological challenges. Replacing them would be next to impossible. As much as progressives loathe fossil fuels, they can't live without them.

The Biden administration's overly ambitious climate-change agenda has gone next to nowhere in Congress, but the war on coal, oil and natural-gas production has continued by other means. To understand the Biden administration's stubbornness, it helps to appreciate how long environmental alarmism has been capturing the imagination of our intellectual elites. Before global warming, overpopulation was the existential threat du jour. The modern green movement dates to the 1960s and apocalyptic predictions have long been the claim of this realm. Five decades on, these predictions have not aged well. The U.S. population now numbers more than 330 million, up from around 200 million in 1970. Yet Americans breathe cleaner air and drink cleaner water than they did 50 years ago. Poverty rates are lower, obesity is a bigger problem than hunger, and the current unemployment rate if anything reflects a labor shortage. Between 1990 and 2014, the proportion of land set aside for wildlife reserves, national parks and the like grew by 80%, and marine conservation areas more than doubled.

It would be hard to make this kind of stuff up – When President Biden and other advocates of wind and solar generation speak, they appear to believe that the challenge posed is just a matter of currently having too much fossil fuel generation and not enough wind and solar; and therefore, accomplishing the transition to "net zero" will be a simple matter of building sufficient wind and solar facilities and having those facilities replace the current ones that use fossil fuels. They are completely wrong about that.

The proposed transition to "net zero" via wind and solar power is not only not easy, but is a total fantasy. It likely cannot occur at all without dramatically undermining our economy, lifestyle and security, and it certainly cannot occur at anything remotely approaching reasonable cost. At some point, the ongoing forced transition will crash and burn. It doesn't matter whether you build a million wind turbines and solar panels, or a billion, or a trillion. On a calm night, they still produce nothing, and will require full back-up from some other source.

Biden Looking Everywhere for Excuse – The Biden administration has been attempting to use the ongoing Ukraine tragedy to attack the fossil fuel industry. The laughable attempt to blame high gasoline prices on anyone, everyone other than the Biden administration is absurd. Saying that high gasoline prices represent "Putin's price hike' is a stance not consistent with the reality that gasoline prices have been rising since December 2020.

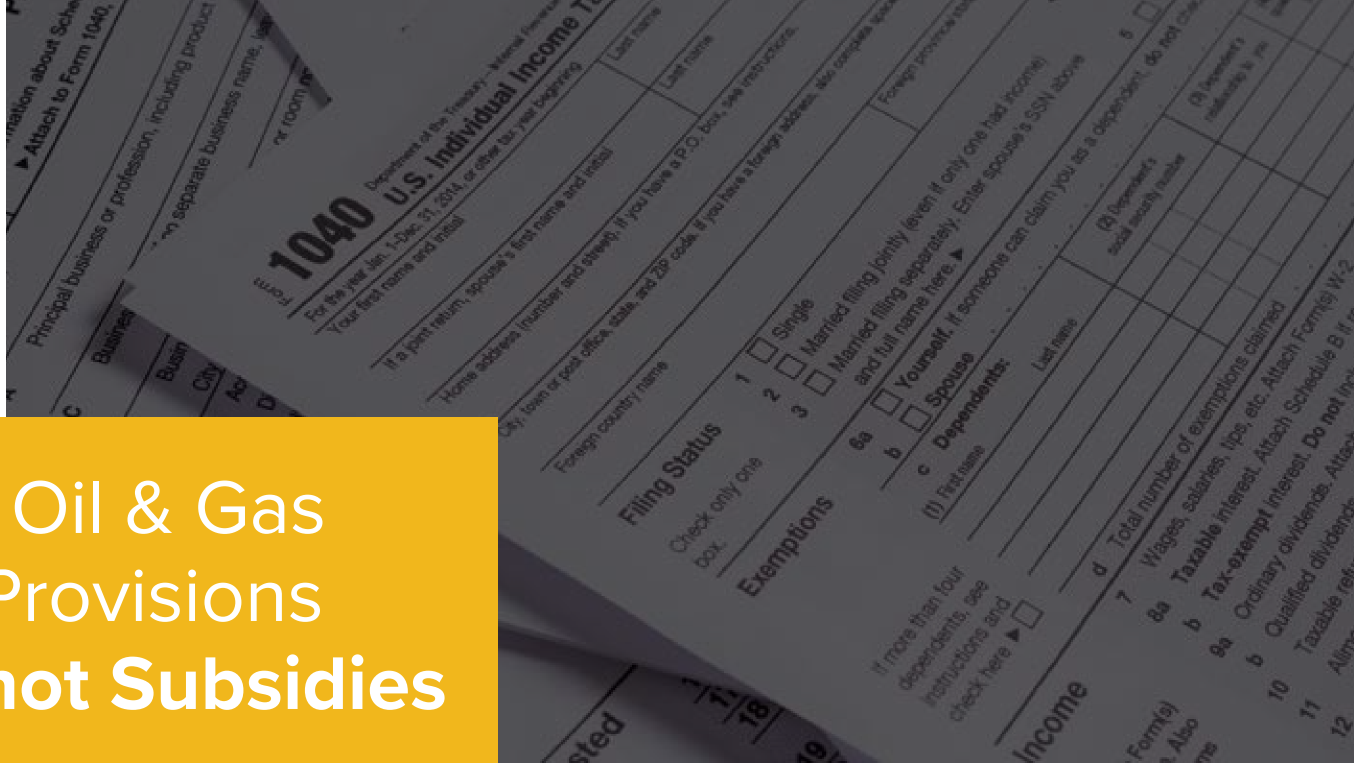


He Is Who He Said He Was – Today's sky-high gas prices were a policy choice, not an unavoidable accident. No matter how many misleading statistics White House officials and congressional liberals try to throw at the people, the blame for high energy costs rests with them.

"No more subsidies for the fossil fuel industry. No more drilling including offshore. No ability for the oil industry to continue to drill period. It ends." – President Joe Biden, March 2020.

It is Time for President Biden to End His U.S. Oil Embargo – President Biden made the right decision in banning Russian oil and natural gas imports. Yet at the same time, he declared full-steam ahead on his green energy transition that includes an assault on U.S. fossil fuels.

Only a sustained commitment to policies facilitating expanded private investment in the development of fossil fuels, an important form of national wealth, and associated infrastructure can lead the Biden administration out of the fuel-cost morass that it has created for itself and for all of us. But that would require an abandonment of the deeply dubious 'climate crisis' narrative.



Why Oil & Gas Tax Provisions **are not Subsidies**

Contrary to what some in politics and the media have said, the oil and natural gas industry currently enjoys no unique tax credits or deductions. Since its inception, the U.S. tax code has allowed corporate tax payers the ability to recover costs and to be taxed only on net income. These cost recovery mechanisms or tax provisions, also known in policy circles as “tax expenditures,” should in no way be confused with “subsidy,” i.e., direct government spending.

Cost recovery measures, like the percentage depletion deduction and the intangible drilling costs (IDCs) deduction, are neither subsidies nor loopholes but tax provisions critical for American oil and natural gas producers to sustain capital availability and formation. By improving cash flow, these cost recovery measures allow the small businesses that make up the America oil and natural gas industry to invest more money into creating jobs and producing the energy that our economy needs.

Percentage Depletion – The percentage depletion deduction is a cost recovery method that allows taxpayers to recover their lease investment in a mineral interest through a percentage of gross income from a well. Percentage depletion is available to all extractive industries (gold, iron, etc.) in the U.S. and is in no way unique to the oil and gas industry. In fact, this depletion method is limited for the small businesses that make up the independent oil and gas industry and not available at all for major integrated companies.

Intangible Drilling Costs (IDCs) – The IDC deduction is a cost-recovery mechanism that allows for the deduction of drilling costs, such as labor costs, associated with exploration activities. IDC is a deduction, not a credit or government spending outlay and is no different than the policy behind the treatment of R&D cost deduction available to other industries. The IDC deduction is utilized by independent oil and gas producers most of the time and is only available to the major integrated companies on a reduced basis.

Many policymakers need more facts to clear up misunderstandings about “subsidies” and “tax provisions”. Percentage depletion and IDCs are cost recovery mechanisms similar to those used by other industries. These tax provisions are critical for independent oil and gas producers to sustain capital availability and formation. Market-created jobs, rather than those directly created and supported by the government, is a key benefit of increased activity by the small businesses that make up the American independent oil and natural gas industry. These jobs are stable, high-paying, and often in rural areas of the country that are struggling for opportunity. These tax provisions are neither “loopholes” nor “subsidies” but rather methods very similar to real estate depreciation in accounting for capital expenditures.

Carbon Tax – Taxing carbon to tackle climate change may sound like a good idea. All too often proposals to tax carbon directly or launch new carbon tax schemes have much more to do with raising revenue than helping our environment. However, taxing carbon only takes more resources from the private sector to support swelling state and federal government.

The American Petroleum Institute (API), a group who were once powerful skeptics of global warming, drafted a proposal in April that would include a tax of $35–$50 per ton of carbon dioxide emitted by fossil fuels. A carbon tax of $35 per ton would raise gasoline costs by about 28 cents a gallon while a $50-per-ton tax would increase pump prices by 41 cents a gallon. In addition, the average household would have to pay 40% more for natural gas and 13% more for electricity.

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.

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.

Not only are most Americans skeptical about oil and gas industry tax hikes, but the increases simply would not be effective. We could raise far more revenue another way without putting additional burdens on the American people or on the economy.

The solution is to allow American oil and natural gas companies to produce at home more of the oil and natural gas we know our nation is demanding. By encouraging more development of our nation's ample oil and natural gas resources, we could deliver substantially more revenue to the government in the form of income taxes and royalties.

As Americans continue to face a fragile economy, the American oil and natural gas industry has the power to help. Tax policy needs to move in the direction of strengthening businesses of all sizes, including small businesses, putting our economy on a track for growth. Tax policies must recognize successful tax policies currently in place and look for changes that support growth and continued investment in the U.S.

That's the kind of bipartisan solution that's needed in Washington today!

Biden Calls for Tax Hike on Oil & Gas Production

Releases $5.8 Trillion FY 2023 Budget

The White House released its FY 2023 budget proposal on March 28 and once again President Biden called for the elimination of the independent oil and natural gas industry's critical tax provisions. This is the second consecutive year that he has proposed eliminating items like percentage depletion and intangible drilling costs (IDCs).

Biden's budget submission shows he has learned nothing over the past year—nothing about how his policies have failed the American people. We see high gasoline prices, high food prices, chaotic border policy, high crime rates, and more. It appears he is just wants to double down on those very policies.

President Biden said, "We need to reduce our dependence on oil by ending the subsidies for oil companies and doubling down on clean energy." It appears that President Biden's energy goal is higher prices, lower production, and a government-led "green" industry. It is not difficult to understand President Biden's point of view on energy. When he first took office, he chose to surround himself with anti-energy advocates that view affordable energy as a problem, not a solution.

On March 29, several federal policymakers (as well as media) reached out to KIOGA President Edward Cross for information on KIOGA concerns with Biden's proposed FY 2023 budget. Cross told the policymakers and media that President Biden's FY 2023 budget proposal was out of touch with the economy and the American people.

KIOGA provided information to several key federal policymakers on March 29 on why oil and gas tax provisions are not subsidies. Cross told the policymakers that contrary to what some in politics and the media have said, the oil and natural gas industry currently enjoys no unique tax credits or deductions. Since its inception, the U.S. tax code has allowed corporate tax payers the ability to recover costs and to be taxed only on net income. These cost recovery mechanisms or tax provisions should in no way be confused with "subsidy," i.e., direct government spending.

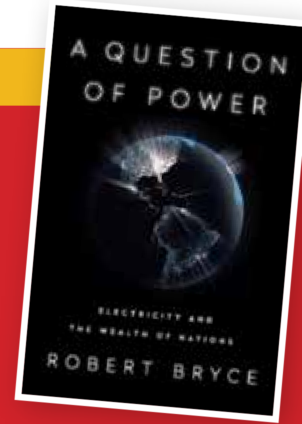
On May 10 and 11, KIOGA met with several key policymakers providing discussion and information summarizing federal oil and gas tax provisions and explaining the reasons for maintaining these tax provisions. KIOGA President Edward Cross met with U.S. Senate Finance Committee members Barrasso (R-WY), Young (R-IN), Daines (R-MT), Lankford (R-OK), Cassidy (R-LA), Scott (R-SC), Warner (D-VA), and Casey (D-PA). KIOGA also met with U.S. Ways & Means Committee members Brady (R-TX), Smith (R-NE), Walorski (R-IN), Arrington (R-TX), Estes (R-KS), Hern (R-OK), Miller (R-WV), and Doggett (D-TX). In addition, KIOGA met with and provided information to U.S. Sen. Joe Manchin (D-WV) and U.S. Sen. Kyrsten Sinema (D-AZ) and the entire Kansas congressional delegation.

Cost recovery measures, like the percentage depletion deduction and the intangible drilling costs (IDCs) deduction, are neither subsidies nor loopholes but tax provisions critical for American oil and natural gas producers to sustain capital availability and formation. By improving cash flow, these cost recovery measures allows the small businesses that make up the America oil and natural gas industry to invest more money into creating jobs and producing the energy that our economy needs.

“Eliminating key cost-recovery tax provisions like percentage depletion and IDCs for marginal wells would disincentivize additional production, decrease supply, and subsequently increase energy costs for families at a time of historic inflation and record-setting gasoline prices,” said KIOGA President Cross.

After discussions with several key policymakers, current bipartisan outlook suggests elimination of these key oil and gas tax provisions will not likely pass Congress. However, these outlooks could change and KIOGA will stay vigilant defending our industry’s critical tax provisions. We can expect President Biden and his administration and supporters to continue to use rhetoric against the oil and gas industry.

TOP ENERGY EXPERT TO KEYNOTE KIOGA 2022 ANNUAL CONVENTION & EXPO



KIOGA is pleased to announce that Robert Bryce will be our featured keynote speaker for the 85th KIOGA Annual Convention and Expo to be held at the Hyatt Regency/Century II in Wichita, Kansas on August 14-16, 2022.

Robert Bryce is an author, journalist, film producer, and podcaster. He is the acclaimed author of six books on energy and innovation, including most recently, *A Question of Power: Electricity and the Wealth of Nations*. Bryce has given more than 400 invited or keynote lectures to groups ranging from the Marines Corps War College to the Sydney Institute, as well as to a wide variety of associations, universities, and corporations. His work has appeared in dozens of publications including *The Wall Street Journal, New York Times, Washington Post, Forbes, Real Clear Energy, The Hill, Austin Chronicle,* and *Guardian.* Bryce has also appeared on numerous media outlets ranging from Fox News to Al Jazeera. He is also the host of the Power Hungry Podcast and the co-producer of the feature-length documentary: *Juice: How Electricity Explains the World*. Bryce has testified before the U.S. Congress six times, including three times in 2021.

Plans are being completed for the 2022 KIOGA Annual Convention & Expo with several value-added features being organized including seminars, trade show, golf tournament, sporting clays tournament, and more. Mark your calendars for **August 14–16, 2022** and watch KIOGA communications for more information!


ROBERT BRYCE

KIOGA 2022 MIDYEAR MEETING A RESOUNDING SUCCESS!

Informative Venues Educate and Entertain Participants!

Oil and gas producers and service company representatives converged on Russell for the 2022 KIOGA Midyear Meeting on April 20–22. The meeting, held at the **VFW** and **Fossil Creek Hotel/Dole-Specter Conference Center** in **Russell, Kansas**, blended **informational seminars** with a **wine, bourbon, and beer tasting** and tours of the **Oil Patch Museum**. The keynote speaker for the event was Dr. Christopher Kuehl.

The exhibit hall at the Midyear Meeting was filled with **31** exhibitors making a very good show.

The meeting attracted top industry executives, industry professionals, legislators, and government officials from across Kansas. The Midyear Meeting Committee, led by KIOGA Chair **Andrea Krauss** and consisting of **John Farmer, IV, Tim Scheck,** and **Craig Pangburn** organized an outstanding meeting and the hard work and tireless effort of KIOGA administrative assistant **Holly McGinnis** and her sisters **Brenda Buffum** and **Sandy Lewis,** along with the staff of the Fossil Creek Hotel made the event a remarkable success, despite all the unexpected and last-minute challenges that emerged.

The meeting attracted **228** participants and **31** exhibitors. Value-added seminars were well-attended and provided business development information and thought-provoking ideas.

The event kicked off on April 20 with a networking event in the *Dole-Spector Conference Center* that included live music from ***Grant & Mary Kate Wilkins***, food, and a tasting featuring wine from ***Resurrection Vineyards***, spirits from ***Boothill Distillery***, and beer from ***Defiance Brewery***.

Value-added seminars provided business development information and thought-provoking ideas during the day on April 21. Dr. Franek Hasiuk of the Kansas Geological Survey provided a very informative presentation on **New Energy Research in Kansas: CCUS, Energy Storage, Hydrogen, Critical Minerals, and New Tools.** In addition, Ryan Hoffman, KCC Oil & Gas Conservation Division Director provided a very interesting discussion on the **Federal Orphan Well Plugging Funds and Abandoned Well Plugging Reimbursement.** Participants were also entertained in the booth exhibit area by ***Ti3R Music Entertainment*** throughout the day and enjoyed a BBQ lunch served by ***YNOT BBQ & Catering.***

The keynote speaker of the KIOGA 2022 Midyear Meeting was **Dr. Christopher Kuehl,** an economic analyst and managing director of Armada Corporate Intelligence. Dr. Kuehl provided a phe-

KANSAS INDEPENDENT OIL & GAS ASSOCIATION
APRIL 2022 BOARD & GENERAL MEMBERSHIP MEETING

KIOGA BOARD & GENERAL MEMBERSHIP MEETING
VFW | RUSSELL, KANSAS | APRIL 21, 2022

nomenal presentation on the economic outlook, geopolitics, and factor influencing the business environment.

The April 21 dinner event at the VFW was exceptional. Attendees were entertained by the ***Jacob Long Jazz Trio*** and enjoyed a steak dinner prepared by ***Meridy's Restaurant.***

Several legislators, government officials and special guests participated in the convention including **Kansas Attorney General Derek Schmidt, Kansas Secretary of State Scott Schwab, Kansas State Senators** Rick Billinger, Elaine Bowers, Alicia Straub, **Kansas State Representatives** Troy Waymaster, Bill Clifford, Tatum Lee-Hahn, and Steve Johnson. Attendees also heard from **KCC Chairman Dwight Keen,** and **NSWA Chairman Dick Schremmer.**

Meeting participants were updated on the latest federal and state legislative and regulatory issues affecting the independent oil and gas industry during the **KIOGA Board Meeting and General Membership Meeting.** During the board/general membership meeting, KIOGA Chair Andrea Krauss led a discussion and called for a vote on technical leanup changes to the KIOGA Bylaws, which passed unanimously.

> **"I THINK THE KIOGA MIDYEAR WAS A TREMENDOUS SUCCESS. MANY OTHERS HAD THE SAME OPINION. I KNOW ALL DIDN'T GO ACCORDING TO PLAN. I DON'T THINK IT MATTERED. YOUR HARD WORK PAID OFF. CAN'T WAIT TO DO IT AGAIN IN AUGUST!**
>
> **THOMAS LARSON**
> ***Larson Engineering, Inc., Waterflood Equipment LLC***

Friday, April 22 saw 90 golfers participate in the golf tournament and 34 shooters participate in the Sporting Clays tournament.

A special thank you to all our sponsors including our *Sustainer Level Gusher Sponsor* **Mai Oil Operations, Inc.** and our *Sustainer Level Blackgold Sponsors* **CVR Refining, Colt Energy, Inc., IMA, Insurance Planning, Inc., Mull Drilling Company, Inc., Murfin Drilling Co., Inc.,** and **Trilobite Testing Inc./ Monster Pump Operations, Inc.**

KIOGA sincerely thanks our members, sponsors, exhibitors, and attendees for making the KIOGA 2022 Midyear Meeting a resounding success!

THANK YOU!

YNOT BBQ & CATERING

THANK YOU

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MEETING THE CHALLENGE

PARTICIPATE IN THE KIOGA LEGISLATIVE CONTACT VOLUNTEER PROGRAM!

KIOGA is making a positive difference and creating value for the Kansas oil and gas industry. Our goal is not to be the biggest industry association, just the most effective; and the key to that is value-added participation.

The 2023 Kansas legislative session may generate many issues that will affect KIOGA members. We must support those legislative candidates who understand the value provided by the oil and gas industry to the economy of Kansas. The core focus of KIOGA's work at the statehouse has been on protecting the Kansas oil and gas industry from increased costs while also defending industry gains made in recent years. KIOGA's 2023 legislative goals will most likely resemble those of the past few years and focus on minimizing impacts of negative legislative assaults on the independent oil and gas industry and optimize legislative targets of opportunities. More specific legislative goals will be evaluated later this year.

KIOGA has initiated our Legislative Contact Volunteer Program. The program is designed to provide financial support to pro-oil and -natural gas political candidates, primarily in tight races where funding can make a difference. The program also targets political candidates who serve in leadership roles and/or serve on legislative committees of primary concern to the oil and gas industry.

KIOGA members play a vital role in our government relations efforts. Our industry is sure to face significant challenges in the years ahead. Providing financial support to political candidates who share our goals for responsible oil and natural gas development and serve in leadership and/or on key legislative committees is vital.

Several anti-oil and -natural gas development groups provide financial support to political candidates who either support or are open to supporting their anti-oil and -natural gas ideas. We must support those candidates who listen, understand, and support the needs and concerns of the independent oil and natural gas industry. Candidates who share our goals are often your own legislator, but may also be legislators from other districts around the state. Your specific legislator may or may not serve on the key legislative committees that many oil and natural gas issues come before. Financially supporting pro-oil and -natural gas legislators builds positive relationships and strengthens KIOGA's government relations efforts. In addition, our legislative friends espouse our positions during caucuses when issues and bills concerning our industry are discussed between legislators. We must financially support those legislators who are open to our concerns, wherever they live in Kansas.

By making a modest financial contribution to key legislators identified by KIOGA, we can make a difference!

KIOGA looks at a number of factors when evaluating candidates. We look beyond the candidates voting record on the floor and watch how they vote in their committees on energy issues important for oil and gas producers. We also look at leadership roles of the candidates and the competitiveness of the candidate's campaign. Personal visits with candidates also help determine a candidate's position and understanding of oil and gas issues.

KIOGA supported 48 state candidates during the last election cycle, providing financial support to pro-oil and -natural gas candidates of which 45 were successful. KIOGA also supported candidates in leadership roles. During the last election cycle, KIOGA's support had a success rate of nearly 94%. KIOGA members and staff participate in several events for state candidates during the election cycle. Our participation allows us the opportunity to interact with candidates and educate them on issues of importance to our industry. Many senators and representatives have expressed their sincere appreciation to KIOGA for the financial support and manner in which we assign the responsibility to our members.

KIOGA will continue to work to ensure the voice of the Kansas independent petroleum industry is heard. KIOGA's involvement will help support elected officials and decision-makers who share the goals for responsible oil and gas development to build a safer and more secure energy future. Watch for your opportunity to participate in this year's Legislative Contact Volunteer Program or contact KIOGA at 785-232-7772 to express your wish to be included as a participant in the program. By working together, we can make a difference!

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: ____________

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KIOGA
New Members

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

Jonathan Behymer
Rose Rock Environmental Services

Harrison Gilliland
HG Oil Holdings, LLC

Hi Lewis
Shoreline Resources, LLC

John Moran
JACAM Catalyst

Jake Pellent
Russell Pump & Oilfield Supply

Kevin Wright
Flat Gathers, LLC

KIOGA CALENDAR

Event Name	Date	Location
IOGCC Annual Business Meeting	May 15–17, 2022	Oklahoma City, OK
WAPL (J. Fred Hambright Memorial) Golf Tournament	June 6, 2022	Rolling Hills Country Club, Wichita, KS
7th Washington Energy Summit 2022	June 8–9, 2022	Washington, D.C.
The Energy Council *Energy & Environment Conference*	June 9–12, 2022	Overland Park, KS
USGLC Forum	June 13–14, 2022	Washington, D.C.
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
Kansas State Fair	September 9–18, 2022	Hutchinson, KS

OFFICERS & EXECUTIVE COMMITTEE

Andrea Krauss, Chair
Ed Nemnich, Northwest Vice Chair
Charles Wilson, Southwest Vice Chair
Tim Hellman, South Central Vice Chair
Barry Hill, East Vice Chair
Jeff Bloomer, Treasurer
Dan Schippers, Secretary
David Bleakley, Immediate Past Chair
Jeff Kennedy, At-Large Member
Jay Prudhomme, At-Large Member
Edward Cross, Ex-Officio Member

STAFF

Edward Cross, President
Holly McGinnis, Administrative Assistant

FOLLOW US ON @KIOGA @KIOGAKansas

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.**


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