



Kansas Independent Oil & Gas Association

**THE VOICE OF THE KANSAS
INDEPENDENT PETROLEUM INDUSTRY**

MAY/JUNE 2023

BIDEN'S FY 2024 BUDGET TARGETS U.S. OIL & GAS TAX PROVISIONS

Releases \$6.9 trillion FY 2024 Budget with \$4.8 trillion in New Taxes

Finding Signal
Through the Noise

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KIOGA 2023 Midyear Meeting
Educates & Entertains

19

2023 Kansas Legislative
Session Draws to a Close

28



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ANDREA KRAUSS
KIOGA CHAIR

PRODUCTIVE YEAR FOR KIOGA ADVOCACY EFFORTS

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.

KIOGA successfully lobbied against legislative proposals that would have: 1) required the election of Kansas Corporation Commissioners, 2) amended the Carbon Dioxide Reduction Act to allow for carbon sequestration in a way that did not adequately take into consideration the primacy of the oil and gas estate, and 3) created a state energy office.

On the other hand, KIOGA prevailed in its efforts to support the passage of: 1) the ESG (Environmental, Social, and Governance) bill which prohibits KPERS, state agencies and other political subdivisions from giving preferential treatment to or discriminating against companies based on ESG criteria, 2) a measure that prohibits electric utilities from recovering costs associated with transmission facilities constructed as a result of the utility's internal planning process, and 3) increased funding for the Kansas Geological Survey.

“MANY THANKS TO ALL THE STAFF AT CHS WHO SPENT MANY HOURS PLANNING THIS VERY SUCCESSFUL MIDYEAR MEETING.”

Attendees at the recent Midyear Meeting in April got the opportunity to participate in two educational sessions. CHS Commodity Brokerage Director, Tony Headrick, discussed hedging in the oil markets and the potential timing and market impacts of refilling the Strategic Petroleum Reserve. CHS Chief Chemist, Darrel Colaw, talked about the chemistry

of petroleum refining in the session entitled *Refinery 101*. Both educational sessions were very informative. Attendees were also given an opportunity to take a bus tour of the CHS refinery. In addition, attendees had an opportunity to connect with 37 vendors at the trade show and network with each other. All-in-all, 256 participants took part in at least one of the activities during the three-day event. Many thanks to all the staff at CHS who spent many hours planning this very successful Midyear Meeting.

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. Be sure to hop on the KIOGA Cruise Ship as we Chart the Course for Energy.

I hope you all have a wonderful Memorial weekend as we remember those who gave their lives to defend our great country. ✍

KIOGA Chair

Lesli has been an invaluable resource to my company by finding ways to reduce costs and helping us stay current with ever-changing regulations.
--Doug Evans, DE Explorations, Inc.--

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- Oil & Gas County Assessments
- Insurance Management
- Mineral Tax Exemption
- Property Tax Exemption
- Tier II Reporting/SPCC Plan Management



Lesli has a Bachelor's degree in Business and is a 3rd generation operator in Eastern Kansas. Lesli is a Board Member for KIOGA, EKOGA & Kansas Strong.



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EDWARD CROSS
KIOGA PRESIDENT

WE FACE A UNIQUE SET OF CHALLENGES AND OPPORTUNITIES

A Message from your KIOGA President, Edward Cross

This year is bringing a host of challenges and opportunities for the oil and natural gas industry. The 118th Congress was sworn in in January. Republicans are now in the majority in the U.S. House of Representatives. However, the potential expansion of regulations and policies affecting oil and natural gas production continues to grow.

I had the privilege of testifying before the U.S. House of Representatives Committee on Small Business Subcommittee on Rural Development, Energy, and Supply Chains on March 29. I talked about how federal overreach—in both regulations and energy policy—is hurting the small businesses in the domestic oil and natural gas industry touching on tax policy (percentage depletion and IDC deductions), proposed EPA oil and gas methane regulations, Endangered Species Act concerns, access to capital markets, energy policy, and more. The testimony was requested as a lead up to the U.S. House of Representatives vote on H.R. 1, which occurred on March 30. I was honored and delighted to express the concerns of the small businesses that make up the domestic independent oil and gas industry.

I also had the honor, in early March, to speak at the Illinois Oil & Gas Association 2023 Annual Convention & Trade

Show. I delivered a presentation titled *War, Climate, and the Independent Producer* at a breakout session. I also delivered the keynote address titled *What's the Value of a State Oil & Gas Association?* at the IOGA plenary evening banquet.

“ HISTORY HAS SHOWN THAT INCREASING TAXES ON OIL AND NATURAL GAS DEVELOPMENT NEGATIVELY AFFECTS CONSUMERS, BUSINESSES, AND THE ECONOMY.”

KIOGA's advocacy for the issues and concerns our industry faces has only gotten more urgent in the wake of the Biden administrations' actions to attack, weaken, and destroy domestic oil and natural gas production at every opportunity. KIOGA, its members, and its allies are now as busy, relevant and strong in our efforts as at any time in the association's history, working on behalf of the Kansas independent oil and gas industry.

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.

As the public continues focusing on how to move to a vibrant energy future, we must recognize that oil and natural gas will continue to serve as the principal component of our economy for many years to come.

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 further and further out of reach.

History has shown that increasing taxes on oil and natural gas development negatively affects consumers, businesses, and the economy. Imposing new unnecessary 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 emis-

sion and greenhouse gas 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.

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

Today, domestic production and crude oil price, federal and state policy issues, governmental regulation, and constant litigation by environmentalist opponents are fundamental challenges to independent producers. Yet independents simply will not give up. They never have despite the challenges, because risk-taking is a way of life.

KIOGA will be here to inform and guide our industry through any challenges. We will stay vigilant and stand up for different issues pertinent to our industry and America's future. Going forward through the remainder of 2023,

we will work together with our allies to promote sensible energy policy that promotes American energy development and not penalize America's independent oil and gas producers.

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

Edward P. Cross

KIOGA President

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Kansas Independent Oil & Gas Association

THE VOICE OF THE KANSAS
INDEPENDENT PETROLEUM INDUSTRY



FEDERAL ABANDONED WELL PLUGGING UPDATE

BY RYAN HOFFMAN, KCC OIL & GAS CONSERVATION DIVISION DIRECTOR



Ryan Hoffman

OK, I ADMIT IT. I WAS WRONG.

Those words don't come out of my mouth often, but now they are forever etched in print. A little over

a year ago, on a KIOGA webinar, I flat out said that the KCC would not apply for the \$25 million Initial Grant to plug abandoned wells because the timelines and dollar amounts were not realistic. Today, I'm amazed to see how KCC Staff and industry responded to prove me wrong. Shortly after that webinar, Staff contacted me and asked why not at least try to go after the larger than \$5 million grant, because even if we fall short of the \$25 million, we can probably spend more than \$5 million that I figured as the more realistic Initial Grant option. I also heard from the industry that I should reconsider my stance on which grant to pursue. I challenged the Staff to prove to me they could put the projects together and put in the effort to recruit plugging contractors. The Staff responded and so did industry contractors. The Staff put together eight projects statewide including more than 2,200 wells. Additionally, the Staff had meetings with contractors to go over the different requirements involved when using Federal monies to plug wells. The turnout for those meetings was significant. As a result, we awarded bids on six of the eight projects before

the end of 2022 to meet the obligation deadline for the \$25 million Initial Grant.

After the first quarter of 2023, 453 abandoned wells have been plugged and more than \$5 million has been paid or encumbered to cover the costs of plugging those wells. To put this in perspective, that is more wells plugged in one quarter than were plugged either of the two prior Fiscal Years using the Abandoned Well Plugging Fund. At this pace, there is no reason to doubt that the Initial Grant plugging funds will be spent in less than the two years originally anticipated. This means that we, as a staff, are challenged to keep this momentum moving forward so there is not a lull or drop-off in contractor participation as we transition to the Formula Grant plugging funds.

Kansas has qualified for \$33.7 million in Formula Grant funding. The Department of Interior (DOI) issued draft guidance regarding the Formula Grant funds on January 31, 2023. The KCC filed comments in response to the draft that were critical of the DOI's overreach because the guidance mandates reporting requirements that are beyond what is required by the statute. Further, the KCC urged DOI to get Formula Grant funds into the hands of the states that need them to maintain the momentum established under the Initial Grant plugging funds and to get started on guidance for the

Performance Grants so that states can find a way to access those funds to supplement ongoing state plugging efforts. The Interstate Oil and Gas Compact Commission has assembled a repository for state comments on DOI's draft guidance that can be accessed here <https://iogcc.ok.gov/comments-doi-draft-state-formula-grant-guidance>.

While the pace and volume of abandoned well plugging using Federal money is encouraging, I would be remiss if I didn't mention some positive news on the state plugging contract. A combination of outdated state contract prices and competition for the Federal plugging jobs resulted in a dramatic slowdown in plugging abandoned wells using state funds. Staff held three meetings statewide with contractors to discuss the application process and answer questions related to being an approved abandoned well plugging contractor for the KCC. A total of 35 different contractors attended those meetings. When the contract bid closed on March 31, 2023, at least 25 contractors submitted applications to plug abandoned wells using state funds. Staff is still in the process of qualifying those contractors, but the prospects for the state plugging program are as positive as they have ever been. Again, none of this would be possible without tremendous effort from Staff statewide and an equally impressive response from the industry. ✍

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KIOGA PUBLIC RELATIONS EFFORTS MAKING A DIFFERENCE!

Today, we are under one of the most difficult and intense assaults our industry has ever faced. Promoting our goals and protecting our interests has become more challenging both in Washington, D.C. and Topeka. We are faced with the task of focusing the harsh light of reality onto the fantasy world in which too many have taken refuge. Many people live in a make-believe world that allows them to speak with sincerity about an economy and society that can thrive without oil and natural gas. Somehow, in some minds, the concept that an industry can exercise its traditional goals while meeting its responsibility to protect the environment is seen as being against the best interest of the nation.

While we all have our heads down trying to figure out how to operate our projects effectively, the energy sector is being transformed by a decarbonization agenda that is defining the future of global energy.

The oil and gas industry has done such a good job of creating abundant, affordable, always-available energy that the world takes it for granted. Around the world, billions of people are expecting a middle-class quality of life and its requisite available, affordable, reliable energy. None of this demand is going away soon. Because energy is so reliable and available, the public believes they no longer require it.

We all encounter this paradox anytime we engage in a conversation about energy and the environment. Many times, the public works under the assumption that we do not need fossil fuels anymore. A stark example is anyone who wants to end oil and gas production while still benefiting from oil and gas-based materials and fuels.

The problem is that all that takes at least three paragraphs and 45–60 minutes to explain. In the meantime, the Biden administration and environmental activist groups integrate decarbonization into every component of its work.

KIOGA's public information efforts continue to make a huge positive difference for the Kansas oil and natural gas industry. With continued public misconceptions about important oil and gas economic and environmental issues, KIOGA will continue to provide credible information and education to lawmakers, media, and the general public.

KIOGA Speaks at Public Forums—KIOGA continues our vigorous campaign speaking at public forums across Kansas and elsewhere. The presentations summarize America's energy picture today, the challenges faced by the small businesses that make up the Kansas independent oil and gas industry, and what the industry is doing to address those challenges. KIOGA presentations bring to light the facts and science about important energy issues and topics from injection wells and earthquakes to hydraulic fracturing and energy policy. We also include facts and information in every presentation on how the oil and gas industry enhances quality of life for all.

Fossil fuels are needed throughout the world to lift people up, which is different than a philosophy of embracing a zero-emissions world. KIOGA has spoken to 10 civic/technical/industry groups during the first four months of 2023.

KIOGA President Edward Cross Keynotes Illinois Oil & Gas Association Annual Convention—KIOGA President Edward Cross was invited by the Illinois Oil & Gas Association (IOGA) to make presentations at the IOGA 2023 Annual Convention in early March. Cross made two presentations at their convention on March 9. The first was a technical session presentation. The technical session presentation



was titled *War, Climate, and the Independent Producer*. A description of the presentation as it appeared in the IOGA convention brochure as follows:

Over the last several years, global use of fossil fuels reached new highs. By their energy choices, the eight billion people of the planet gave governments and the World Economic Forum a massive vote of no confidence in their plan to eliminate fossil fuels. The Ukraine war has dramatically underscored the folly of restricting U.S. production in the near term. Edward Cross will convey a message independent producers can deliver to fight global poverty, limit global warming, and provide the products the free nations of the world need.

KIOGA Editorials Receive Big Response—KIOGA currently uses editorials, white papers, webinars, and Zoom opportunities to get our message out. KIOGA President Edward Cross has published several editorials/articles in media across Kansas and elsewhere in 2023 including:

- *Biden's 2024 Proposed Budget Would Harm the Kansas Oil & Gas Industry;*
- *Let's Drill Some Hydrogen Wells!;*
- *Hyped-up hydrogen fuel still needs natural gas sources;*
- *OPEC+ Snubs Biden with Oil Output Cut;*
- *Wrong Policies at the Wrong Time;*
- *Biden's Energy Policies are Failing the People;*

KIOGA editorials have appeared in **more than 20 newspapers** across Kansas and elsewhere in 2023 including:

- | | |
|--------------------------------------|--|
| • <i>Butler County Times-Gazette</i> | • <i>Kiowa County Signal</i> |
| • <i>Hays Daily News</i> | • <i>Pratt Tribune</i> |
| • <i>Hutchinson News</i> | • <i>St. John News</i> |
| • <i>McPherson Sentinel</i> | • <i>Leavenworth Times</i> |
| • <i>The Kansan (Newton)</i> | • <i>Topeka Capital-Journal</i> |
| • <i>Ottawa Herald</i> | • <i>Gyp Hill Premier (Medicine Lodge)</i> |
| • <i>Salina Journal</i> | • <i>McLeansboro Gazette</i> |
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| • <i>Dodge City Globe</i> | • <i>Wichita Business Journal</i> |
| • <i>Garden City Telegram</i> | • <i>Kansas City Star</i> |



Cross was also invited to deliver the keynote address at the plenary evening banquet. Cross' keynote address was titled; *What's the value of a state oil and gas association?* He talked about success drivers for an effective association and related tangible benefits an effective oil and gas association provides for its members.

Cross received several comments from convention attendees. These comments include:

"Your presentation was outstanding and right on point. You are an excellent spokesperson for the entire industry."

"You are my main resource for keeping track of federal legislation/ regulation and the manner in which you service your members."

Energy Education Partnership, Inc.—The Energy Educa-



tion Partnership, Inc. (EEPI), a nonprofit corporate organization

consisting of representatives appointed to serve on the Interstate Oil & Gas Compact Commission (IOGCC), is working to develop programs for state regulatory field inspector education and training. KIOGA President Edward Cross serves as Vice Chair of the EEPI. Cross shared several papers and presentations on basic oil and gas operations with the EEPI group to help develop a field inspector training program. ✍

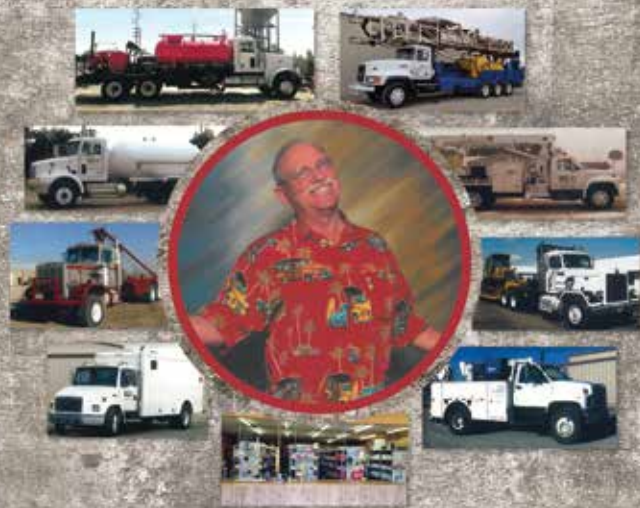


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Biden's 2024 Proposed Budget Would Harm Kansas Oil & Gas Industry



As if the Biden administration hasn't done enough to attack, weaken, and destroy domestic oil and natural gas production, President Biden wants to impose further harm on the oil and gas industry.

Biden's proposed 2024 budget justifies the damage as eliminating subsidies, but Edward Cross, president of the Kansas Independent Oil and Gas Association (KIOGA), says that isn't the case. Instead, he said these are tax provisions that—like such provisions for almost every industry—allow producers to recoup costs before taxes.

"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," said Cross.

In interviews with media, Cross pointed out that "percentage depletion deduction" is very similar to the tax deduction a manufacturer can take for equipment depreciation.

"Percentage depletion has been in the tax code since 1926," Cross said. "And it's limited to the first 1,000 barrels per day of production. So, the percentage depletion cost recovery tax provision is only available to small producers."

The percentage depletion cost-recovery tax provision has not been available to major oil producers for over 45 years. Eliminating the tax provision would only affect the small, marginal producers predominant in Kansas.

"The average well in Kansas makes about two barrels of oil per day and about 27,000 cubic feet of natural gas per day," Cross said. "Most wells in Kansas are considered marginal wells."

Eliminating the cost recovery provisions is estimated to raise about \$2.6 billion annually for the federal government. That sounds like a lot of money, but it becomes a rounding error in a total budget of approximately **\$6.9 trillion**.

"I'm not wanting to characterize it as nothing because that's a lot of money," Cross said. "But ... in the bigger picture, it's not really about raising money. It's about getting rid of the small producers."

The bottom line, Cross said, is that fossil fuel producers are not receiving a "subsidy" in the form of a direct payment but instead are being allowed to deduct a portion of the money they've spent.

"By no stretch of the imagination is the oil and gas industry subsidized," Cross said. "But, we have cost recovery mechanisms, tax provisions, just like every other industry has—whether you call it depreciation or research and development, or (as) we call it, percentage depletion and intangible drilling costs, it's their cost recovery tax provisions."

WIND INDUSTRY GETS PREFERENTIAL TAX TREATMENT

Meanwhile, the wind industry has much more favorable tax provisions at the federal and state levels.

Wind companies in Kansas enjoy a 10-year property tax exemption. While they make Payments in Lieu of Taxes, or PILOT, those payments are generally significantly less than what the property taxes would have been—and are made directly to counties. While most counties receiving PILOT share the revenue with cities and school boards, they are not required.

Currently—and uniquely in the United States—Kansas not only levies property taxes on the well but also on the oil **still in the ground**.

"The oil and gas industry does not have a 10-year property tax exemption," Cross said. "As a matter of fact, the oil and gas industry is taxed five times on each barrel of oil or 1,000 cubic feet of natural gas produced."

"A severance tax is levied against oil and natural gas production in Kansas. An ad valorem tax is levied against oil and gas companies' equipment, and then an ad valorem tax is levied against oil and natural gas reserves that have yet to be produced. And, producers pay their state income tax and federal income tax."

At the federal level, the Department of Energy provides a 2.6 cent per kilowatt-hour tax credit to wind companies. The per-kilowatt-hour credit is for the first 10 years of production for any individual turbine—and as credits, not deductions, are classical subsidies in the form of direct payments. ❧

U.S. House Passes Major Energy Bill

KIOGA TESTIFIES BEFORE U.S. HOUSE COMMITTEE



The U.S. House of Representatives on March 30 approved an energy measure that seeks to undo virtually all of President Biden's agenda to address climate change, with four Democrats joining Republicans in voting for passage. The massive bipartisan bill would sharply increase domestic production of oil, natural gas and coal, and ease permitting restrictions that delay pipelines, refineries, and other projects. Republicans gave the bill the symbolic label H.R. 1—the top legislative priority of the new Republican majority, which took control of the House in January.

“KIOGA applauds the U.S. House of Representatives for passing H.R. 1, commonsense legislation that puts our nation's energy security front and center,” said Edward Cross, KIOGA President. “It is clear now that both Republicans and Democrats share the common goal of providing reliable en-

ergy to Americans and making energy safer, cleaner, and more affordable. This is a positive step toward enacting serious, bipartisan energy policy and we look forward to continuing to collaborate on real solutions that will benefit all Americans.”

House passage of H.R. 1 included an amendment from Representative Ron Estes (R-KS) that will ensure the U.S. Department of Energy refills the Strategic Petroleum Reserve using a competitive market rate.

KIOGA President Edward Cross communicated with U.S. House Speaker Kevin McCarthy (R-CA) and House Majority Leader Steve Scalise (R-LA) on March 2 expressing energy policy concerns of the small businesses that make up the independent oil and gas industry. Majority Leader Scalise asked KIOGA President Edward Cross to testify at a hearing before the U.S. House Small Business Committee on the impacts of the Biden administration energy policies and regulations on the small businesses that make up the independent oil and gas industry in the U.S. U.S. House leadership wanted testimony and statements from the small businesses that make up the domestic oil and gas industry as a lead up to U.S. House vote on H.R. 1—the Lower Energy Costs Act. On March 21, the U.S. House Small Business Committee Chairman Roger Williams (R-TX) officially invited KIOGA President Edward Cross to testify

before the U.S. House Small Business Committee Subcommittee on Rural Development, Energy, and Supply Chains chaired by Representative Wesley Hunt (R-TX). Kansas Congressman Tracey Mann is a member of the committee and was very helpful during the hearing process.



Cross testified before the U.S. House Committee on Small Business Subcommittee on Rural Development, Energy, and Supply Chains on March 29. Cross talked about how federal overreach (in both regulations and energy policy) is hurting the small businesses in the domestic oil and gas industry touching on tax policy (percentage depletion and IDC deductions), proposed methane regulations, Endangered Species Act concerns, access to capital markets, labor market challenges, energy policy, and more.

Cross' testimony was published in the Domestic Energy Producers Alliance (DEPA) March 2023 newsletter—a national organization. Cross received several comments from producers across the U.S. These comments include:





"You did a fantastic job of covering much crucial information and did it so they could understand how significant it is to America." – Texas producer

"Thanks for always stepping up to the plate for the oil industry! You are a great asset to us all in the oil and gas business." – Illinois producer

"You did a great job, as always!" – Oklahoma producer

"Great job with your testimony. Thank you for stepping up and testifying before Congress for the industry." – IPAA

Other witnesses who testified before the Committee included NSWA Chairman (and former KIOGA Chairman) Nick Powell of Colt Energy, a representative of GO Wireline from North Dakota, and a solar company representative from West Virginia.



Also, on March 29, KIOGA met 18 key policymakers including House Speaker McCarthy (R-CA), House Majority Leader Scalise (R-LA), House Majority Whip Emmer (R-MN), House Small Business Committee Chair Williams (R-TX), House members Luetkemeyer (R-MO), Stauber (R-MN), Meuser (R-PA), Hunt (R-TX), Bean (R-FL), LaLota (R-NY), Smith (R-NE), Moore (R-UT), Mann (R-KS), LaTurner (R-KS), and Estes (R-KS). KIOGA also met with several U.S. Senators including Moran (R-KS), Marshall (R-KS), and Senate Finance Committee member Young (R-IN). KIOGA also joined a group of 25 oil and gas associations in a letter supporting H.R. 1.

H.R. 1 passed the U.S. House of Representatives on March 30 with a bipartisan vote of 225-204. The four democrats that voted for the measure included two Democrats who are members of the U.S. House Small Business Committee—U.S. Representative Marie Gluesenkamp Perez (D-WA) and U.S. Representative Jared Golden (D-ME). The other two Democrats who votes in favor of H.R. 1 was U.S. Representative Henry Cuellar (D-TX) and U.S. Representative Vicente Gonzalez (D-TX). KIOGA now urges the full U.S. Senate to support the legislation. ✂



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, proposed a tax on carbon dioxide emitted by fossil fuels. The API-proposed tax would



result in the average household paying 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! ✍

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KIOGA 2023 MIDYEAR MEETING EDUCATES & ENTERTAINS



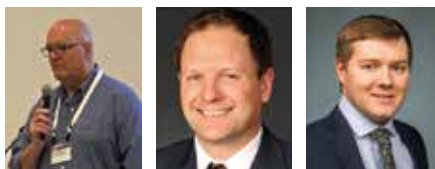
The KIOGA 2023 KIOGA Midyear Meeting, held at the **McPherson Community Building in McPherson, Kansas**, on April 19–21 was a resounding success blending informational seminars with CHS Refinery tours. The meeting attracted top industry executives, industry professionals, legislators, and government officials from across Kansas. The meeting attracted 260 participants! In addition, 36 exhibitors participated in the trade show.



KIOGA's Midyear Meeting Committee, led by **Brett Nowak** and consisting of **Bryon Smith**, **T.J. Gottschalk**, and **Cory Cooper**, did an outstanding job putting together a dynamic program. Also, a special thanks for the hard work and tireless effort of KIOGA Administrative Assistant **Holly McGinnis** and her sisters, **Brenda Buffum** and **Sandy Lewis**.

Participants began the convention on April 19 with a networking event featuring live music from the **William Flynn Trio**, spirits and beer tasting featuring **Smokey Valley Distillery** and **Three Rings Brewery**.

Value-added seminars provided business development information and thought-provoking ideas during the day on April 20. Darrel Colaw, of CHS Refinery, provided an overview of refining operations in a seminar titled **Refinery 101**. In addition, Tony Headrick and Riley Schwieger of CHS provided a **CHS Hedging seminar**.



The KIOGA of Directors & General Membership Meeting was held Thursday afternoon (April 20) where attendees had the opportunity to hear first-hand about current state and federal issues affecting oil and gas businesses and the latest efforts KIOGA has been involved in to help build their business.



The April 20 dinner event was exceptional. Attendees enjoyed a beef tenderloin dinner prepared by **Tammy's Country Catering**. Following dinner, meeting participants enjoyed **Casino Night** entertainment with slot ma-

chines, craps tables, roulette, Texas hold'em, blackjack, and more.

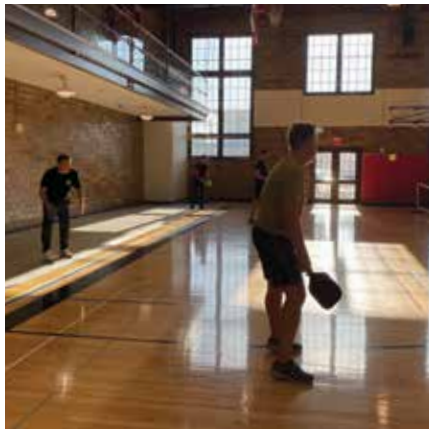
Several legislators and government officials participated in the convention including Kansas State Treasurer Steven Johnson, Kansas State Senators **Rick Wilborn**, **Rick Billinger**, and **Alicia Straub**. In addition, KCC Commissioners **Dwight Keen** and **Susan Duffy** participated in the Midyear Meeting, as did representatives from the offices of U.S. Senator Roger Marshall and U.S. Congressman Tracey Mann.

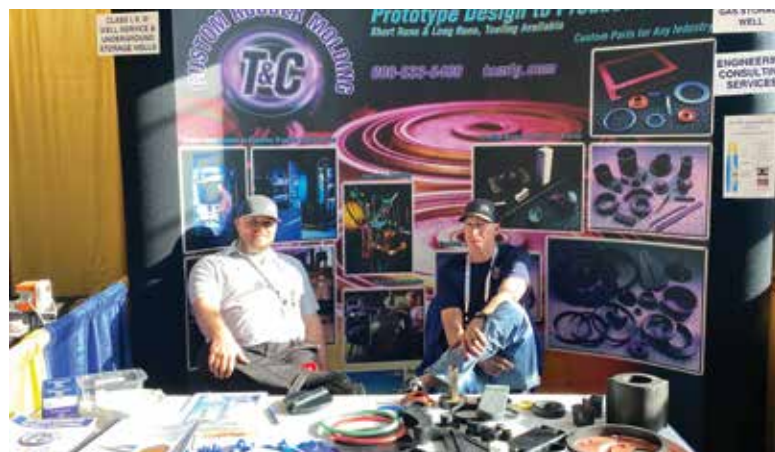


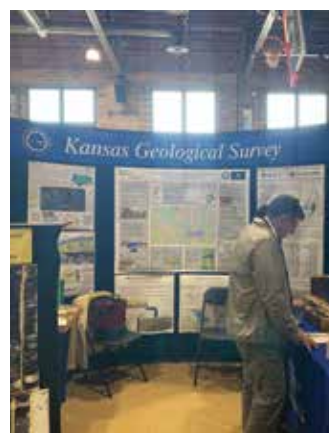
Friday, April 21, saw 79 golfers participate in the **golf tournament** and 20 players engaged in a **pickleball tournament**.

A special thank you to all our sponsors including our Sustainer Level Gusher Sponsors **Mai Oil Operations, Inc.** and **Berexco** our Sustainer Level Wildcatter Sponsor **Merit Energy Company** and our Sustainer Level Blackgold Sponsors **CHS**, **CVR Refining**, **Colt Energy, Inc.**, **IMA**, **Insurance Planning, Inc.**, **Mull Drilling Company, Inc.**, **Murfin Drilling Co., Inc.**, **Trilobite Testing Inc./Monster Pump Operations, Inc.**, and **ICI**. KIOGA sincerely thanks our members, sponsors, exhibitors, and attendees for making the KIOGA 2023 Midyear Meeting a resounding success! *K*









KIOGA 2023

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MIDYEAR MEETING & EXPO

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U.S. HOUSE CONSIDERS PROPOSED RESOLUTION TO **STRIKE LPC LISTING**

Members of the U.S. House Natural Resources Committee, in late April, held a hearing to review proposed legislation centered around reforms to the Endangered Species Act (ESA). Three joint resolutions of disapproval under the Congressional Review Act (CRA) relating to the ESA were covered during the April 17 hearing, including a proposal that would overturn the Lesser Prairie Chicken (LPC) listing under the ESA.



The U.S. House Resolution (H.J.Res.29) filed by U.S. Representative Tracey Mann (R-KS), was examined, and would provide congressional disapproval of the rule submitted by the United States Fish and Wildlife Service (USFWS) listing the Southern Distinct Population Segment (DPS) of the LPC as endangered and the Northern DPS of the chicken as threatened. If enacted, the congressional resolution would prevent the LPC ESA listing from having any force or effect.

“This resolution calls for an absolute refusal of this rule, which should have no force or effect until Congress is consulted. At a time when inflation is at a 40-year high and families are struggling to fuel their cars while keeping food on their tables, we should be working to eliminate barriers for the agriculture and energy sectors, not hamstringing hardworking Americans with government overreach. Since this rule threatens the livelihoods of the people who feed, fuel, and clothe us all, I hope that all my colleagues in Congress will join me in refusing to accept it,” said Representative Mann.

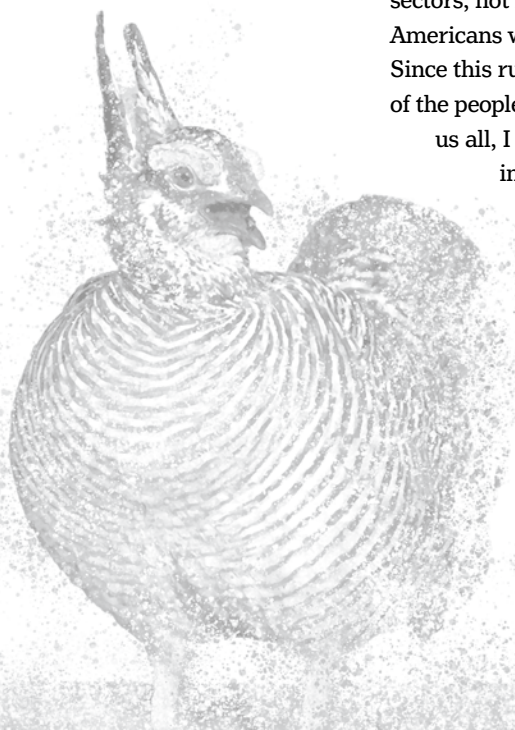
Also, U.S. Senator Roger Marshall (R-KS) introduced a companion Congressional Review Act



resolution (S.J.Res.9) before the Senate Environmental & Public Works Committee. Both Congressman Mann and Senator Marshall requested a support letter from KIOGA for each of the respective resolutions. KIOGA President Edward Cross wrote and submitted letters in support of the House Resolution and the Senate Resolution on April 26.

In late March, the USFWS officially listed the LPC as a protected species. Since then, challenges have been mounting to the listing of the LPC under the ESA, including progression of H.J.Res. 29 and S.J.Res.9 in Congress, as well as a series of lawsuits filed by KIOGA and other industry groups as well as the State of Kansas, Texas, and Oklahoma.

Though both CRA resolutions have strong support in the House and Senate, even if passed by Congress, the fate of the legislation remains uncertain after the president recently elected to veto another CRA measure that had been passed to try to overturn his administration's WOTUS rule. ❧



Top Climate/Energy Expert to Keynote

KIOGA 2023 Annual Convention & Expo

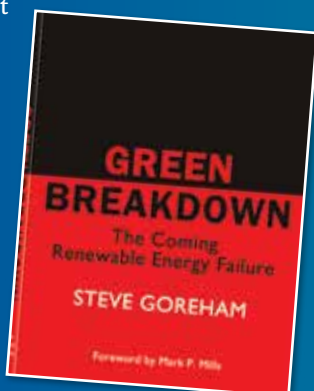


Steve Goreham

KIOGA is pleased to announce that Steve Goreham will be our featured keynote speaker for the 86th KIOGA Annual Convention and Expo to be held at the Hyatt Regency/Century II in Wichita, Kansas, on August 20–22, 2023.

Steve Goreham is an author, speaker, and researcher of environment, business, and public policy. He is the acclaimed author of four books on climate and energy policy, including most recently, *Green Breakdown: The Coming Renewable Energy Failure*. Goreham has given nearly 100 invited or keynote lectures to groups ranging from the Heat Exchange Institute to the Alaska Support Industry Alliance as well as to a wide variety of universities, and corporations. Goreham was the Senior Director of Product Development at Motorola, President and CEO of Cell Engines, Inc., Senior Vice President of Communications at Pemstar Corporation and Vice President and General Manager of Panduit Corporation. He holds a MS and BS in electrical engineering from the University of Illinois and a MBA from the University of Chicago.

Plans are being completed for the 2023 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 20–22, 2023 and watch KIOGA communications for more information! ✍



U.S. Senator Marshall Recognized for National Oil & Gas Leadership

The National Stripper Well Association (NSWA) took a moment to recognize some of America's distinguished energy leaders at its 17th Annual Energy Gala held in Oklahoma City, Oklahoma, on April 14. The NSWA presented its 2023 leadership awards before an audience of U.S. independent oil and natural gas industry policy and business leaders.

The NSWA honored U.S. Senator Roger Marshall, M.D. of Kansas with the NSWA 2023 Legislator of the Year award. Doctor Marshall is a physician, devoted father, grandfather, and U.S. Senator for Kansas. As a 5th generation farm kid growing up in Butler County, Doctor Marshall became the first in his family to attend college. After graduating from Butler County Community College, he received his bachelor's degree from Kansas State University and his Medical Doctorate from the University of Kansas.

Senator Marshall serves on the U.S. Senate Committee on Agriculture, Nutrition, & Forestry; the U.S. Senate Committee on Health, Education, Labor, & Pensions; the U.S. Senate Committee on Homeland Security & Government Affairs; and the U.S. Senate Committee on Budget.

"This was a wonderful evening, as we took a moment to recognize some of America's true energy leaders," said Nick Powell, NSWA Chairman. "The critical importance of America's independent oil and natural gas producers to our nation's economy and energy security could not be clearer."

The NSWA also recognized Oklahoma oil producer Dewey Bartlett, Jr. as its "Hero of Industry"; California producer Ken Hunter with the NSWA Distinguished Leadership Award; and Nebraska producer Sam Bradley with its Member of the Year award. ✍

2023 KANSAS LEGISLATIVE SESSION DRAWS TO A CLOSE

PRODUCTIVE SESSION FOR OIL & GAS INDUSTRY

THE 2023 KANSAS LEGISLATIVE SESSION KICKED OFF ON JANUARY 9, GAVELED OUT FOR FIRST ADJOURNMENT ON APRIL 6, RETURNED FOR THE VETO SESSION ON APRIL 26, AND ADJOURNED ON APRIL 28.



The legislature passed a major tax-cut bill that creates a flat 5.15% rate for Kansas taxpayers. The measure benefits all Kansans as it hiked the standard deduction so that even the poorest of Kansans won't see an increase in tax liability. Governor Kelly vetoed the measure on April 24 saying the flat tax proposed by Republicans was regressive. She proposed a \$450 rebate for single Kansans and a \$900 rebate for married couples filing jointly. Governor Kelly said she wanted the legislature to quickly adopt her proposal so the state could continue to fully fund public education. Republicans countered by saying that state tax receipts have climbed nearly 30% during the last three years. Offering modest tax relief to Kansans struggling to pay for daily necessities seems to be the right thing to do. The Kansas Legislature worked for a veto override challenge.

KIOGA prepared for the 2023 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.



KIOGA STATE ADVOCACY STRATEGY

The 2023 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 2023 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 2023 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 2023 legislative session was one in which we worked to minimize legislative assaults on the oil & gas industry and optimize legislative targets of opportunity.

STATE LEGISLATIVE ACTIONS

KIOGA was busy during the 2023 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 presentations before five 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 13 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 Magazines**.

American Energy Resolution—KIOGA worked with State Senator Rick Billinger (R-Goodland) and State Senator Michael Fagg (R-El Dorado) to develop language for a Senate Concurrent Resolution regarding American energy. The Resolution—which passed both the Kansas Senate and Kansas House—urges the President of the U.S. to restore energy independence in the United States.

Lesser Prairie Chicken Resolution—KIOGA testified in support of a resolution disapproving the designation of the lesser prairie chicken as a threatened species in Kansas by

the U.S. Fish & Wildlife Service. The measure passed both the Kansas Senate and the Kansas House.



Election of KCC Commissioners—KIOGA opposed measures calling for the statewide election of commissioners of the Kansas Corporation Commission (KCC).

KIOGA President Edward Cross testified in opposition to the measures emphasizing that establishing KCC Commissioners as elected positions would allow wealthy special interests to flood elections with vast amounts of spending and make it more difficult for everyday Kansans to have their voices heard as elected KCC Commissioners would favor policies that prioritize their donors. KIOGA told lawmakers that KCC Commissioners often deal with highly technical issues. KCC Commissioners' responsibilities require qualified professionals with high-level analytical skills and an objective apolitical approach to complex issues. Making those elected positions could turn commission decisions into who has the most leverage and power to win elections, rather than who can do the best job as a commissioner.



Carbon Capture Utilization & Storage (CCUS)—*Renew Kansas*, a Kansas ethanol association, introduced a bill in 2023 that

amended the *Carbon Dioxide Reduction Act* to allow for carbon capture and sequestration in Class VI injection wells. KIOGA met with *Renew Kansas* before the legislative session began and enlightened the group about the significant capex and opex risks associated with Class VI injection.

The Pacific Northwest National Laboratory has estimated that up to 23,000 miles of new pipeline will be needed to carry captured CO₂ to underground sequestration sites. Taxpayers will likely end up shouldering most of the cost. Some of the captured CO₂ could be used for EOR projects, but it has been estimated that less than 10% of captured CO₂ would actually be injected into American oilfields. Policymakers are wanting to get rid of about 3 billion tons per year. That works out to about 8.2 million tons of CO₂ per day, which would have to be collected and compressed to about 1,000 psi. In other words, we would need to find an underground location (locations) able to swallow a volume equal to the contents of 41 oil supertankers each day, 365 days a year. Because of the possibility of deadly leaks, few people will want to live near an underground storage cavern.

After hearing KIOGA's issues with the proposed bill and learning the Kansas House Agriculture & Natural Resources Committee would not pass the bill without KIOGA support, *Renew Kansas* pulled the bill from consideration.

CCUS is a very complicated issue with potential for lots of unintended consequences that could affect large segments of the industry.



Limiting cost recovery for electric public utilities' transmission-related costs—KIOGA supported a measure that would prohibit electrical utilities from recovering costs associated with

transmission facilities constructed as a result of such utility's internal or local planning processes. The bill would only allow the recovery of transmission related costs if such facilities were constructed due to a directive from a regional transmission organization or independent system operator that is regulated by the Federal Energy Regulatory Commission. The bill would only apply to electrical utility companies that are under the jurisdiction of the Kansas Corporation Commission. The measure passed both the Kansas Senate and Kansas House.



ESG Measures—Over the past several years, there have been concerted efforts to use government actions to prevent investment in American oil and natural gas production and use.

By employing environmental, social, and governance (ESG) standards, some financial institutions and government agencies espouse policies prioritizing a focus on factors unrelated to a company's bottom line. ESG forces investors and company managers to view company operations 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 Kansas Senate and Kansas House advanced bills to scrutinize and prevent these misguided actions. KIOGA supported both the Senate and House ESG measures. The measures would create the Kansas Public Investments and Contracts Protection Act and would amend law governing the Kansas Public Employees Retirement Fund (Trust Fund) and investment standards to prohibit state agencies and other political subdivisions and instrumentalities from giving preferential treatment to or discriminating against companies based on environmental,

social, or governance (ESG) criteria in the procuring or letting contracts; require fiduciaries of the Kansas Public Employees Retirement System (KPERS or System) to act solely in the interest of participants and beneficiaries of the System; and indemnify KPERS with respect to actions taken in compliance with this act.

Energy Policy—On several occasions during the legislative session, KIOGA was asked to express 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.

KGS Funding—KIOGA President Edward Cross worked with Kansas Geological Survey (KGS) director Jay Kalbas on a KGS budget enhancement request. KGS requested a budget enhancement of \$2.75 million. KGS said a flat budget for over 20 years had eroded their capabilities. The requested KGS budget increase will go primarily toward Energy & Water Resources divisions. KIOGA supported the KGS budget enhancement request.

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 2024, unless a special session is called. ✍

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A BIG THANK YOU!



The Kansas independent oil and gas industry has an outstanding talent pool that includes experts in a variety of technical specialties.

The diversity of thought contributes powerfully to the advancement of KIOGA's goals. Over the past several years, KIOGA has achieved nearly all of our legislative priorities and the 2023 Kansas Legislative Session was no exception. We achieve our goals because we have the values and human capital essential to the success of any major enterprise. We have skilled and dedicated oil and gas industry professionals and talented leadership who volunteer their time and efforts. Leveraging our industry's intellectual capital and leadership is a major driver of our success. The following KIOGA members are some of the many who gave a little extra for the oil and gas industry during the 2023 Kansas Legislative Session:

Andrea Krauss	Ken White	TJ Gottschalk
Dana Wreath	Will Darrah	Cory Cooper
Adam Beren	Nick Hess	Jennifer Mull
Richard Koll	David Bleakley	Mark Shreve
Dave Dayvault	Bryon Smith	Colin Marsh
Mitch Caddell	Taylor Salome	Jeff Bloomer
Steve Dillard	Brett Nowak	

We have learned many things over the past several years. One of the most important things we have learned is that we can accomplish more than we realized was possible. So, we advance in the name of the industry pausing to acknowledge and recognize the time, effort, and consideration provided by the industry leaders named above and to those we may have missed or who we are not aware. To you our gratitude and we say thank you! ✍

Dana Wreath Honored with KU CPE Hall of Fame Award

The University of Kansas (KU) Department of Chemical and Petroleum Engineering (CPE) honored Dana Wreath with the CPE Alumni Hall of Fame Award on May 6. The CPE Alumni Hall of Fame Award recognizes individuals who have made important contributions to the Chemical or Petroleum Engineering professions, the KU Chemical and Petroleum Engineering Department, or the KU School of Engineering, or have been outstanding role models for current and future engineering students.



Dana Wreath
Executive Vice
President,
Berexco, LLC



Dana Wreath and Cecil O'Brate

Wreath has over 30 years of experience in technical and managerial positions. He is currently Executive Vice President of Berexco, LLC in Wichita where he is responsible for the management and supervision of office and field staff. In that position, he has been a huge advocate for the University of Kansas by continued recruitment of KU graduates, support of

KU's research, serving on the TORP Advisory Board for many years, and supporting KU financially with a Berexco donor award. Prior to Berexco, Wreath held a position as reservoir engineer with Mobil E&P in Houston, Texas.

Wreath earned a Master of Science Degree from the University of Texas in petroleum engineering and a bachelor's degree in petroleum engineering from the University of Kansas.

Wreath is very active in the oil and gas industry in the Midcontinent having served as SPE Chairman in the Wichita Section, Board Member and Past President of the Nebraska Petroleum Producers Association, and is Chair-Elect for the Kansas Independent Oil & Gas Association.

KIOGA congratulates Dana Wreath for being selected as a member of the University of Kansas Department of Chemical and Petroleum Engineering Alumni Hall of Fame! ✍

Biden Vetoes Congressional Resolution

REPEALING WOTUS

On April 6, President Biden vetoed a legislative resolution that would have overturned regulatory changes to the Waters of the United States (WOTUS) rule adopted last December by the U.S. Environmental Protection Agency (EPA) and U.S. Army Corps of Engineers.

The president's veto was issued just a week after members of the U.S. Senate passed a Congressional Review Act (CRA) joint resolution of disapproval against the Biden administration's WOTUS policy by a vote of 53–43. Lawmakers voting in favor of the CRA resolution argued that the Biden administration's WOTUS rewrite changed the definition of "Waters of the United States" in a way that will significantly expand federal regulatory authority. Officials also warned the sweeping changes to WOTUS will have considerable economic impacts.

"By voting to overturn President Biden's waters rule, we are sending a clear, bipartisan message that Congress, even a divided one, will defend working Americans in the face of executive overreach," Senator Shelley Moore Capito (R-West Virginia), the ranking member of the Senate Environment and Public Works (EPW) Committee and a key proponent of the congressional resolution, commented before the president vetoed the bill. Senator Capito urged the administration to work on a new water rule that would not unfairly penalize millions of Americans and jeopardize future economic growth in the country.

The House of Representatives, also previously in March, approved the CRA disapproval resolution against WOTUS led by House Transportation and Infrastructure Committee Chairman Sam Graves (R-MO).

In his veto message denying the legislative measure, President Biden stated, "The resolution would leave Americans without a clear definition of 'Waters of the United States.' The increased uncertainty caused by H.J. Res. 27 would threaten economic growth, including for agriculture, local economies, and downstream communities. [...] The resolution would also negatively affect tens of millions of United States households that depend on healthy wetlands and streams."

Many Republican legislators slammed the president's decision to veto the WOTUS resolution, saying such a move defies congressional will and bipartisan support in both the House of Representatives and the Senate for putting a stop to the "overreaching" rule.

"By vetoing this CRA resolution of disapproval, President Biden is ignoring the will of a bipartisan majority in Congress, leaving millions of Americans in limbo, and crippling future energy and infrastructure projects with red tape. There's a reason those who work in agriculture, building, mining, and small businesses of all kinds across America strongly supported our effort to block the Biden waters rule, and I'm disappointed the president chose to stand by his blatant executive overreach," remarked Senator Capito.



Republicans now are calling for Congress to vote to override the president's veto of the WOTUS CRA resolution of disapproval. "We already had bipartisan support for the resolution. Now, we just need more of our colleagues on the other side of the aisle to recognize the pain that these kinds of costly, overreaching policies are inflicting on Americans across the country," said Chairman Graves. This effort, however, does not appear likely to prevail, as the proposal does not appear to have enough support to override the president's veto.



Kansas
Attorney General
Kris Kobach

In February, Kansas Attorney General Kris Kobach joined a coalition of more than 20 states to file a lawsuit against the U.S. Environmental Protection Agency, which asks a federal

court to vacate the newly published rule to redefine WOTUS and deem it illegal. Under the revised WOTUS rule, the EPA and Department of Army are seeking to grow federal administrative power by expanding the limits of their own jurisdiction beyond what Congress delegated to them. By design, Congress expressly limited their jurisdiction to

“navigable waters.” Ignoring Congress’s direction, the WOTUS rule seeks to subject land with isolated wetlands, ephemeral streams, and off-channel reservoirs to an expensive and burdensome federal permitting process.

“The time has come for the federal government to stop its unconstitutional attempts to regulate every ditch and farm pond in Kansas,” said Kobach. “This lawsuit is about the original meaning of the Constitution, and we are going to hold the Biden administration to it.”

For this administration, this isn’t about environmental protection—it’s about federal control over states.

Meanwhile, in Texas and Idaho, the WOTUS policy currently is blocked, after a federal judge in mid-March granted a preliminary injunction prohibiting the revised WOTUS rule from taking effect in the two states while the courts consider other legal challenges presented against the water regulation. The updated WOTUS rule was also halted on April 12 in 24 other states pending the outcome of a lawsuit on the regulation. The U.S. Supreme Court is also currently considering the scope of jurisdiction for WOTUS under the Clean Water Act in the legal case in *Sackett v. EPA* and is expected to issue a decision later this year that could impact implementation of the Biden administration’s rule. The high court’s forthcoming ruling on WOTUS may also lead to further litigation or challenges regarding the sources of water that can be regulated by the federal government. ✂

Kansas Joins Coalition of States Pushing Back Against EPA’s Proposed Oil & Gas Methane Regulations

Legal officers representing over 20 states recently wrote the U.S. Environmental Protection Agency (EPA) Administrator expressing concerns over the federal government’s efforts to expand regulatory oversight over the nation’s energy industry.



Kansas
Attorney General
Kris Kobach

Kansas Attorney General Kris Kobach joined a West Virginia-led letter commenting on the EPA’s proposed rule, “Standards of Performance for New, Reconstructed, and Modified Sources and Emissions Guidelines for Existing Sources: Oil and Natural Gas Sector Climate Review.” Kobach and the other state attorneys general warned in their letter that the EPA’s regulations overextend statutory and legal authority allowed by the federal agency under the Clean Air Act. Officials also said the EPA’s proposed rule would impose unnecessary costs on the country’s energy industry, with regulatory expenses anticipated to become especially burdensome on smaller production operations. This will lead to increased costs for the production of energy and drive up expenses to Americans, asserted the attorneys general.

“Reducing methane emissions is a noble goal that industry stakeholders have already been working toward,” explained the attorneys general in the comment letter. “The oil sector, for instance, reduced methane emissions relative to production by 60% between 2011 and 2020. Admirable environmental goals do not justify crushing the American energy sector. Top-down, heavy-handed governmental control is not the way to achieve the right balance between energy needs and environmental concerns—rather, we should look to American ingenuity and innovation, fostered by private initiative and state leadership, to provide solutions. The Supplemental Proposal leaves little room for that ... The agency should therefore abandon its latest methane misadventure and confine itself to lawful, reasonable rules that don’t upset a crucial sector of our economy.” ✂



2023 ANNUAL CONVENTION & EXPO

August 20–22 | Wichita, KS
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& Convention Center

Schedule of Events

Sunday, August 20

2:00–4:00 – Board & General Membership Meeting
4:00–7:00 – Trade Show
4:00–7:00 – View Silent Auction Items
7:00–9:30 – Chairman's Reception

Monday, August 21

7:00 – Registration
8:00–4:00 – Trade Show
8:00–4:00 – Silent Auction
8:00–9:30 – Breakfast Buffet
9:30–2:00 – Spouse Auxiliary Event
10:00–11:00 – Morning Seminar
11:00–12:30 – Adam's Oasis -
In Honor of our Event Chair, Adam Petz
12:30–2:00 – Member Luncheon
3:00–4:00 – Afternoon Seminars
5:00–7:00 – Kansas Strong Cocktail Reception
7:00–9:30 – Welcome Aboard the
KIOGA Cruise Ship!

Tuesday, August 22

Golf Tournament Crestview County Club
7:00 – Registration
8:00 – Shotgun Start

Pickleball Tournament–Chicken N Pickle
9:00 – Registration

Sporting Clays Tournament
Michael Murphy & Sons Sporting Clays
8:00 – Registration

Bingo Bash
11:00–1:30 – The River Room at The Hyatt

CHARTING THE COURSE FOR ENERGY

In this challenging year, filled with anticipation over uncertain action toward regulations, legislation and uncertainty about energy policy, KIOGA invites you to attend our 2023 Annual Convention & Expo as we proudly enter our 86th year focusing on ***Charting the Course for Energy***. 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 2023 Annual Convention & Expo will feature enlightening perspective 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.

BIDEN'S FY 2024 BUDGET TARGETS U.S. OIL & GAS TAX PROVISIONS

Releases **\$6.9 trillion** FY 2024 Budget with **\$4.8 trillion** in New Taxes

The White House released its Fiscal Year (FY) 2024 budget proposal on March 9, and once again, President Biden called for the elimination of the independent oil and natural gas industry's tax provisions. This is the third consecutive year that he has proposed eliminating items like percentage depletion and intangible drilling costs (IDCs).

BUDGET OF THE U.S. GOVERNMENT

FISCAL YEAR 2024



Biden's budget submission shows he has learned nothing over the past two years—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 just wants to double-down on those very policies.

In late March, several federal policymakers (as well as media) reached out to KIOGA President Edward Cross for information on KIOGA concerns with Biden's proposed FY 2024 budget. Cross told the policymakers and media that President Biden's FY 2024 budget proposal was out-of-touch with the economy and the American people.

Cross provided information to several key federal policymakers 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, also known in policy circles as

"tax expenditures," should in no way be confused with "subsidy," i.e., direct government spending.

KIOGA provided white papers summarizing federal oil and gas tax provisions and explaining the reasons for maintaining these tax provisions in testimony before the U.S. House Small Business Committee including Chairman Roger Williams (R-TX) and to U.S. Senate Finance Committee members Barrasso (R-WY), Young (R-IN), Daines (R-MT), Lankford (R-OK), Cassidy (R-LA), Scott (R-SC), and Warner (D-VA). KIOGA also provided this information to U.S. Ways & Means Committee members Smith (R-NE), Arrington (R-TX), Estes (R-KS), Hern (R-OK), and Miller (R-WV).

In addition, KIOGA communicated the information to U.S. Senator Joe Manchin (D-WV) and U.S. Senator 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 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.

“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 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. ✂



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Independence Key to America's Prosperity

BY EDWARD CROSS, PRESIDENT | KANSAS INDEPENDENT OIL & GAS ASSOCIATION

July is a special month for many Americans. Most of us will eagerly take a break from our busy summer schedules to celebrate Independence Day, once again. There will be much fanfare with fireworks, parades, picnics, and other patriotic events celebrating our country's independence from Great Britain in 1776. But when the festivities have ended, only a few will have reflected upon the true meaning of independence and the role it has played in shaping our nation's character.

Our founding fathers made it clear in the Declaration of Independence that all men were entitled to certain unalienable rights. Among those rights are life, liberty, and the pursuit of happiness. It is easy to take for granted those rights and freedoms we share as Americans. However, it is important that we understand and appreciate the hard work and sacrifice that our forefathers made in order for us to enjoy the luxury of freedom. Freedom and independence are cornerstones in the foundation of our country's heritage.



The independent ideology of the American people is a fundamental element of our society and a key to our nation's prosperity. We must protect that independence at all costs.

One important freedom we must protect is our free enterprise system. American business, and certainly the oil and gas industry, was founded upon the ideology of independence and free-market principles. Those principles allow business to be governed by the laws of supply and demand without government interference and excessive regulation. The dynamic free market has led to innovation and wealth creation and has established an economic environment where hard work is rewarded.

But now, it seems free-market capitalism and independence are under attack. Three important tenets separate the U.S. from other nations around the world—Freedom, Rule of Law, and Energy. Today, we see all three of these important ideals under attack. Extreme environmental activists work to obstruct energy development, 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.

Government's heavy-handed intervention into businesses and industries is unprecedented. It is alarmingly obvious that the increased governmental control is dragging on the economy. Where will it stop?

The oil and gas industry seems to always be in the crosshairs of government. We

are constantly battling excessive environmental regulation, drilling restrictions, and crippling tax proposals to fund politically expedient, yet questionably viable, federal energy policy initiatives.

Increasing taxes and regulations results in fewer jobs because businesses spend their resources on tax burdens and regulatory compliance instead of job creation. When tax expenditures and regulatory costs increase more than the real economy, the results are destructive to economic growth. The wrong governmental policy framework generates wrong policy and that is what we have been seeing in Washington. We are not likely to see significant economic growth until we see a change in basic policy. Energy policy should encourage, rather than block, the development of America's vast energy resources. We need actions that stop the propagation of endless regulations that burden business and, by imposing needless costs, make us all poorer. Even if those dubious energy and regulatory policy decisions were to become law, the revenues would not come close to satisfying the President's appetite for bigger government.

In his 1946 Independence Day speech, John F. Kennedy said, "Eternal vigilance is the price of liberty." Those words were never so true. Being mindful of the erosion of our independence and free-market system through excessive regulation and government interference cannot be over emphasized. We must, now more than ever, remain steadfast in our resolve to protect and preserve the precious independence that has molded our nation's character. ✕

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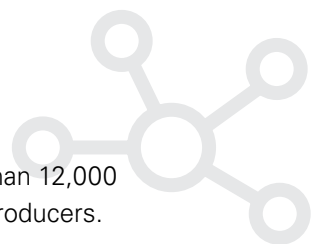
KIOGA

THE VOICE OF THE KANSAS INDEPENDENT PETROLEUM INDUSTRY

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

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Kansas Independent Oil & Gas Association

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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 Magazine published six 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." ✕



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

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(If you are an operator in Kansas, we ask you to consider joining as a producer member. Contact KIOGA for more details.)

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KIOGA

New Members

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

Christian Kurz

Instrumentation Service Group

Rusty Mourning

Konza Oil & Gas, LLC

Holly Wolters

GeoStar Seismic, LLC

Joel Taylor

Taylor Land Service

Kerrie Rodriguez

Superior Pipeline Company

Robert Goodrow

Chem-Tek, LLC

KIOGA CALENDAR

Event Name	Date	Location
IOGCC Annual Business Meeting	May 22–24, 2023	Oklahoma City, OK
USGLC Forum	June 7–8, 2023	Washington, D.C.
The Energy Council <i>Energy & Environmental Matters Conference</i>	June 22–24, 2023	Washington, D.C.
KIOGA 86 th Annual Convention & Expo	August 20–22, 2023	Wichita, KS
Kansas State Fair	September 8–17, 2023	Hutchinson, KS
AIPG 2023 National Conference	September 16–19, 2023	Covington, KY

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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.**



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- **We currently work with some of the largest producers in Kansas.** Because of our experience lending to businesses in the industry, we know that with the right financing, your operation could thrive.
- **We are uniquely connected to the industry,** largely due to our background. We operate a small oil and gas company, and WSB President Tyler Whitham is a petroleum engineer.

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