

State of the Oil & Gas Industry

Opportunities/Challenges Facing Kansas Oil & Gas Industry

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Kansas Independent Oil & Gas Association



WSU Center for Economic Development & Business Research

Salina Economic Outlook Conference

Salina Country Club

Salina, Kansas

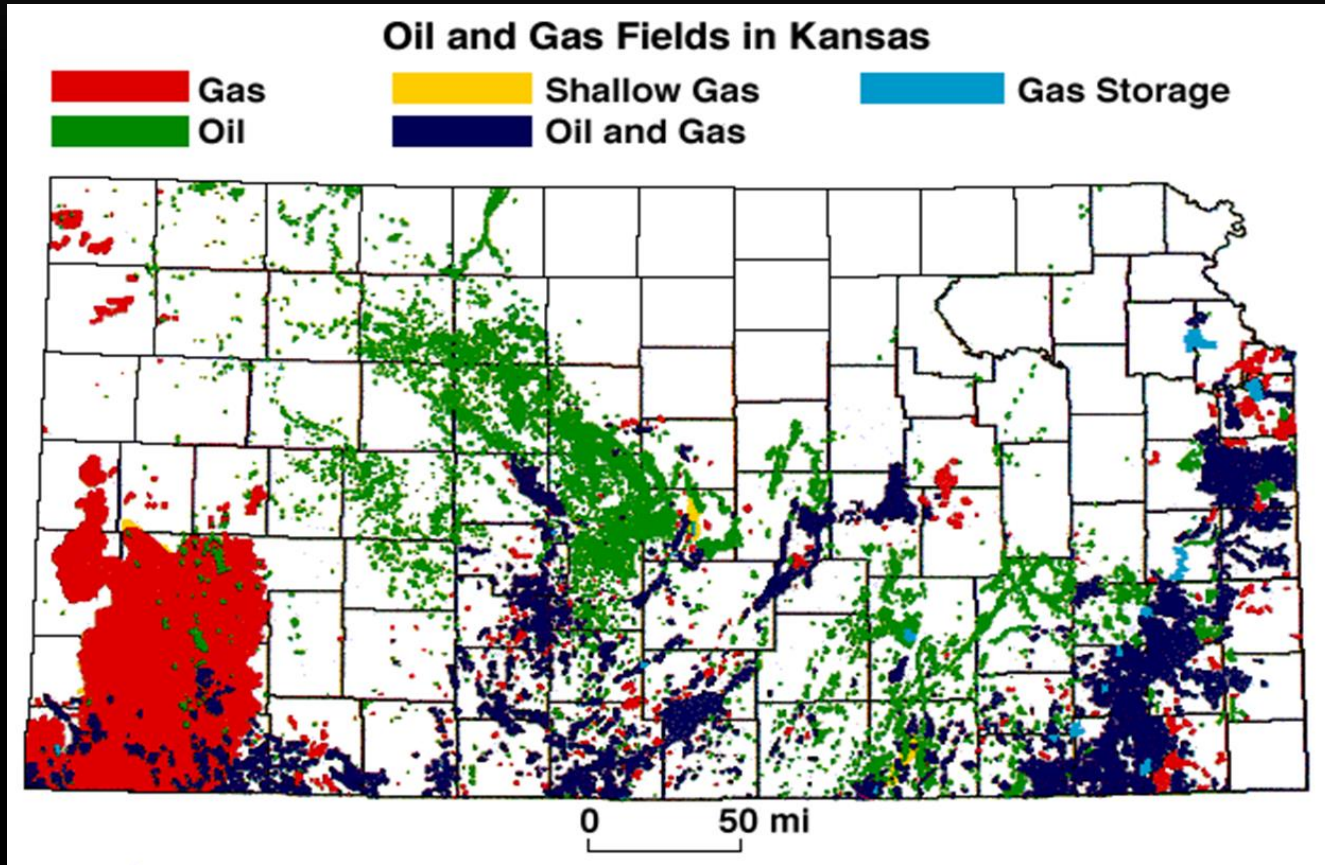
October 14, 2021

Who Are Independents?

- Small Businesses
- Drill & Produce Crude Oil and Natural Gas
- Not Integrated
 - Sell Crude Oil and Natural Gas to Purchasers
 - Do Not Generate End-Products



Kansas Oil & Natural Gas Production



Kansas Oil & Natural Gas Dynamics

- Average Daily Oil Well Production = 2 BOPD
 - 44% of Kansas Crude Oil Production From Marginal Wells
 - 45% of Total Kansas Oil Wells are Classified as Marginal Wells
 - Average Daily Natural Gas Well Production = 27 McF/day
 - 67% of Kansas Natural Gas Production from Marginal Wells
 - 55% of Kansas Natural Gas Wells are Classified as Marginal Wells
 - Supports 118,000 Kansas Jobs and \$3 Billion in Family Income
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Crude Oil Market Dynamics 2020

- Demand destruction
 - Pandemic destroyed about 30% of global crude oil demand
- Concurrent crude oil supply shock
 - Russia's refusal to hyphenate itself with OPEC production cuts in March 2020
 - Russia sought to exploit the situation to harm U.S. producers and gain market share
 - Unwilling to lose market share, Saudi Arabia raised production nearly 27% in April 2020
- Production cuts
 - April 2020, OPEC+ agreed to cut production (about 10 million b/d)
 - U.S. production fell by 1.7 million b/d
 - Production cuts were extended in June 2020
 - In December 2020, Saudi Arabia unilaterally cut production by 1 million b/d

Impact Of COVID-19 & Supply Shock On Kansas Oil Industry

- Destroyed 30% of global crude oil demand
- Cut Capex by 60%
- Shut-in nearly 5,000 wells
- Industry Lost \$180 Million in Oil & Gas Output
- Furlough and Layoffs
 - 25% of workforce
 - Wages reduced by 20% and more
 - Loss of \$341 million in Family Income

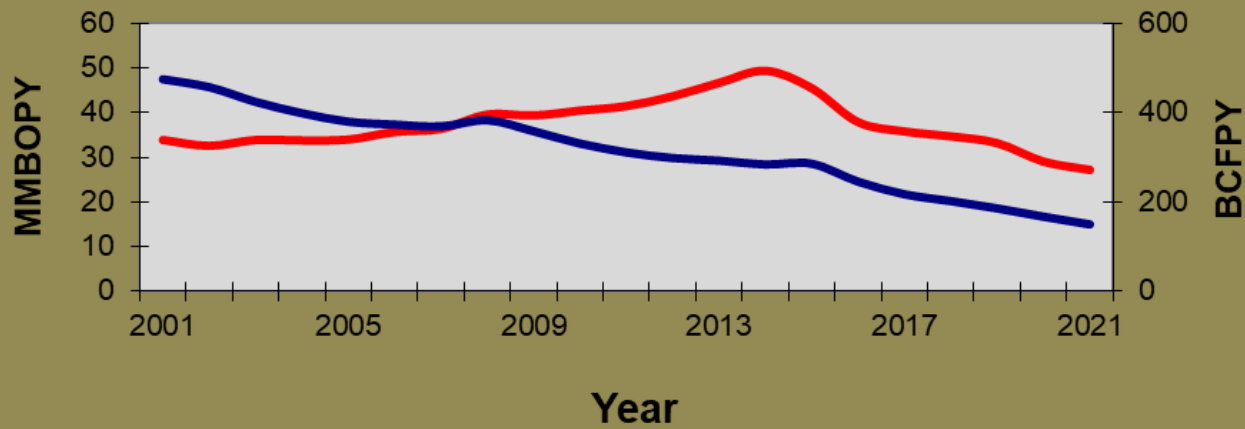
Over \$360 million in lost gross state product (GSP)

Crude Oil & Natural Gas Market Dynamics 2021-2022

- Production Cuts Tapered
 - OPEC+ reduced production cuts to about 5.8 million b/d in first half of 2021
 - OPEC+ to phase out production cuts entirely by September 2022
- World Oil Demand Forecast
 - Crude oil demand projected to increase by 6.6% in 2021
 - As vaccination rates rise, economic activity projected to return to pre-COVID levels in 2022
 - Oil demand recovery is expected to be realized in first half of 2022
- Natural Gas
 - Slow rebound in production following tropical storm Nicholas and hurricane Ida
 - Globally tight supplies
 - Bad energy policy
 - Natural gas prices hovering near 7-year high
 - 50% of US homes heated by natural gas - 38% of natural gas consumption goes to electricity

Kansas Oil & Natural Gas Production

**Kansas Oil & Natural Gas Production
2001 - 2021**

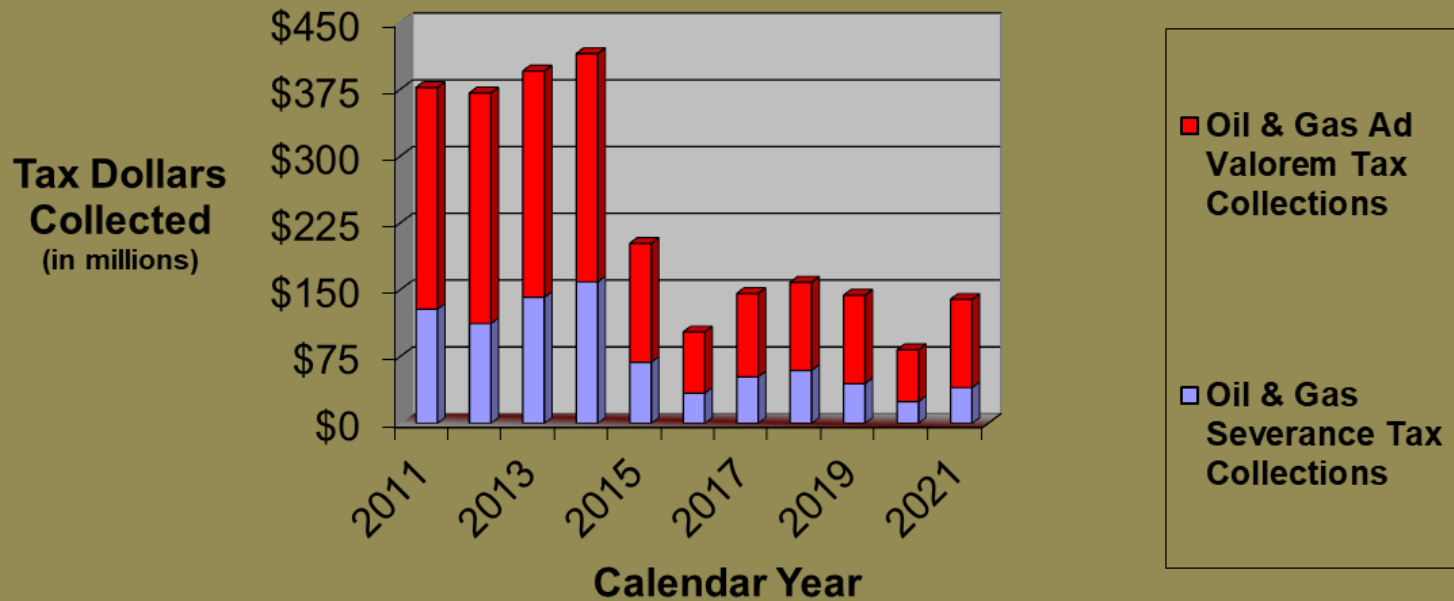


— Crude Oil Production

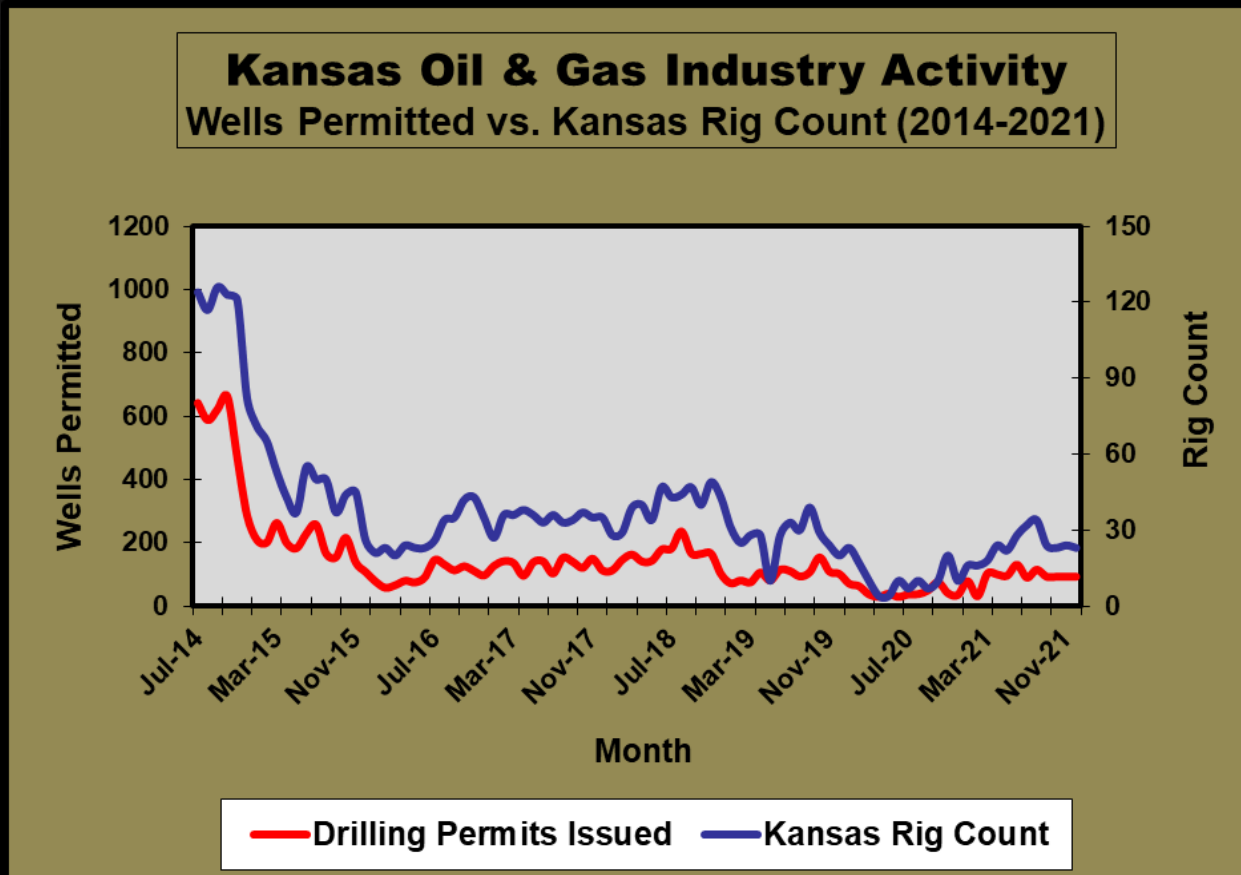
— Natural Gas Production

Kansas Oil & Natural Gas Tax Collections

**Kansas Oil & Gas Tax Collections
2011 - 2021**



Kansas Oil & Natural Gas Industry Activity



What Are Companies Doing?

- Supply Chain Optimization
 - Operational Improvements
 - Reduce and Refocus Capex
 - Acquisition/Divestiture
 - Talent Acquisitions
-

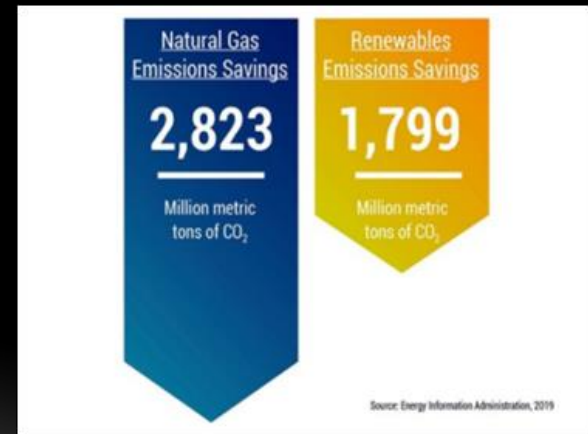
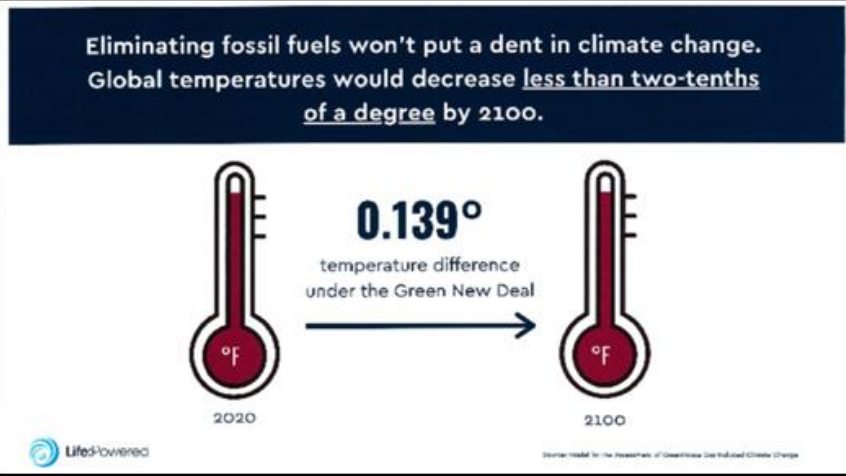
Energy Outlook For 2022



Key Challenges And Opportunities For Kansas Oil & Gas Industry



METHANE EMISSIONS DECLINE AS OIL & GAS PRODUCTION GROWS





What KIOGA Is Doing

- Resources, Webinars, & Information



KIOGA Focus on the Issues Webinar Series

Speaker
Jason Isaac – Director of Life:Powered, a project of the Texas Public Policy Foundation

Raising America's Energy IQ



KIOGA
Voice of the Kansas Independent Petroleum Industry



- Engage state and federal policymakers



Kansas Independent Oil & Gas Association (KIOGA)
2021 State & Federal
Legislative/Regulatory/Communication Agenda



We've Got Your Back

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 exists to promote the development of oil and natural gas resources in Kansas through bipartisan, common-sense solutions to challenges facing the oil and natural gas industry. KIOGA represents the interests of the oil and gas industry at the local, state, and federal levels of government. Our active presence before the Kansas Legislature, U.S. Congress, and state and federal regulatory agencies insures that the concerns of independents like you are foremost in the minds of legislators and government officials. Our cooperative partnerships with the Domestic Energy Producers Alliance (DEPA), Independent Petroleum Association of America (IPAA), Interstate Oil & Gas Compact Commission (IOGCC) and others means the concerns of Kansas independent oil and gas producers are heard in Topeka and Washington.

KIOGA 2021 Legislative & Regulatory Objectives

- Letter from p.2
- KIOGA Investment p.3
- KIOGA 2021 State Legislative & Regulatory Strategy p.4
- KIOGA 2021 Federal Legislative & Regulatory Strategy p.5
- KIOGA 2021 Communication Strategy p.6
- KIOGA Membership Value p.7
- Upcoming Events p.8

SIGN THE PETITION HERE



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Kansas Independent Oil & Gas Association



[Thryurl.com/ReduceMyElectricBills](https://thryurl.com/ReduceMyElectricBills)

HELP STOP THE CONTINUED INCREASE IN ELECTRIC RATES IN KANSAS

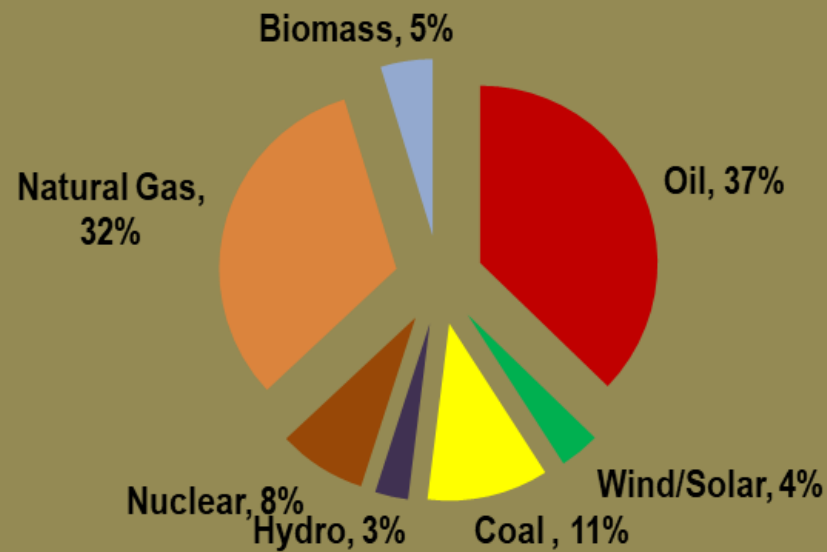
Form Strategic Coalitions



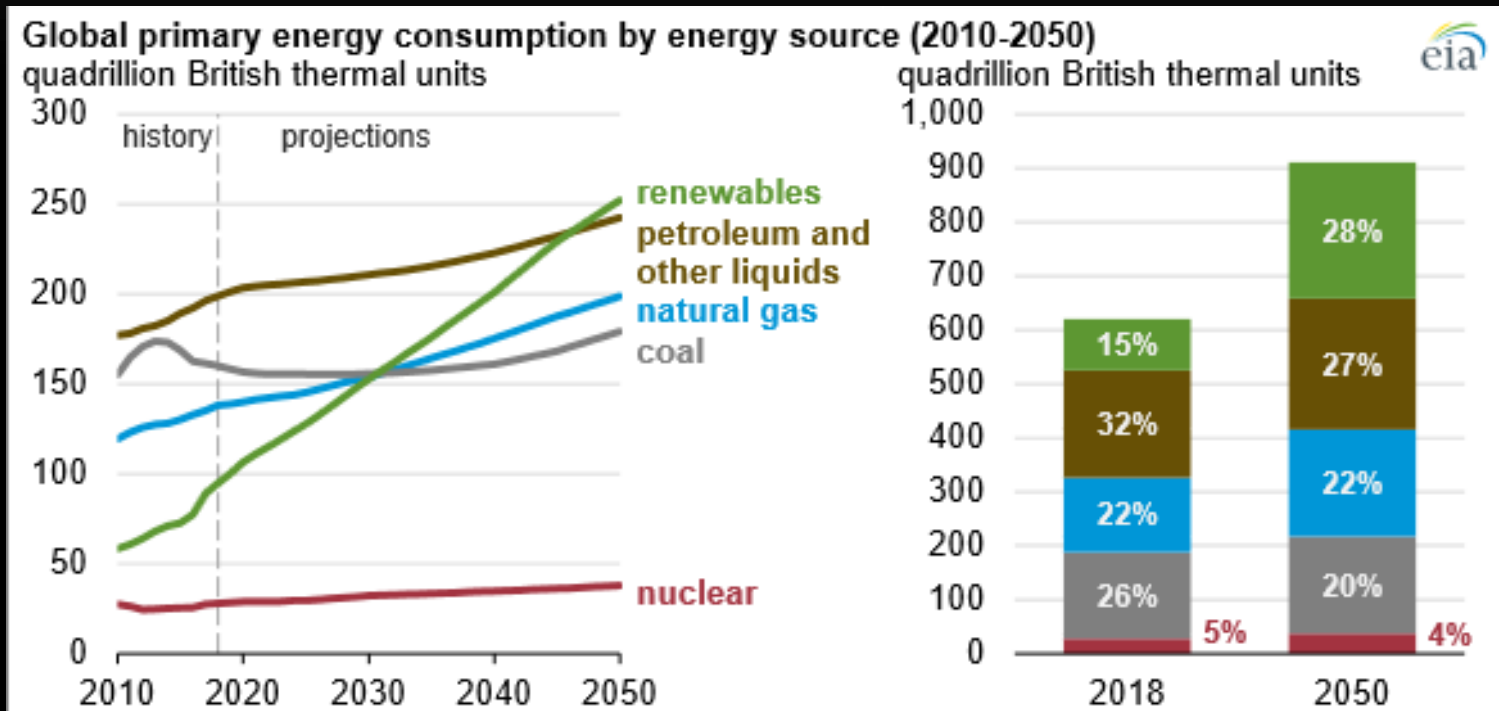
- State and National Groups
- Technology ~ Workforce ~ Legislative ~ Regulatory solutions
- Make U.S. Energy Independent
 - Create Jobs and Expand Opportunities
- Fewer & Smarter Regulations
 - Make Rules More Efficient and Effective

What Powers The U.S. Today

U.S. Energy Consumption by Source
Energy Information Administration AEO 2020



What Will Power The World In The Future?



What Is The Mission Of The Kansas Oil & Gas Industry?



Empower
People!

Improve
Lives!

Inspire
Success!

THANK YOU



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Kansas Independent Oil & Gas Association

Join KIOGA Today!

The leading advocate for Kansas independent oil
and natural gas producers.



www.kioga.org

Kansas Independent Oil & Gas Association

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