Since the COVID-19 crisis began, KIOGA has been and continues to stay engaged providing updates and resources important for the Kansas oil and gas industry.

**Kansas Department of Revenue Adjusts Crude Oil Price Bulletin**

In late March, KIOGA President Edward Cross met with the Kansas Department of Revenue Property Valuation Division (PVD) to ask about the possibility of adjusting the crude oil price bulletin used in the 2020 Oil & Gas Appraisal Guide. The PVD issued the 2020 Oil & Gas Appraisal Guide on February 1, 2020 with a crude

Continued on Page 12
In this challenging year, filled with anticipation over uncertain action towards regulations and legislation and uncertainty about oil prices, KIOGA invites you to attend our 2020 Annual convention as we proudly enter our 83rd year as we focus on Honoring Tradition and Building the Future. Our convention falls in the middle of election season. The White House, majority control of the U.S. Senate, U.S. House, Kansas Senate, and Kansas House are up in the air. 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. The KIOGA 2020 Annual Convention will feature enlightening perspectives and foster inspired conversation. Set your expectations high and join us as we move forward together to engage our energy future! Register today by visiting our website at www.kioga.org or call at 316-263-7297.
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Front Cover
Garet Dinkel
Have a photograph you would like to see on the cover? Send to kioga@kioga.org

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Encourage Others to Join

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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Wichita, Kansas 67202-4027
316-263-7297

KIOGA Topeka Office
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KU Kansas Oil & Gas Fields
2009
Fellow KIOGA Members,

“March Madness” THE basketball event of the year that we all look forward to, hoping that our team will be selected, will never again have the same singular meaning. For the rest of our lives, we will forever remember March Madness 2020 as the canceled tournament that signaled the beginning of the Coronavirus/Covid-19 outbreak in the US and how the world...our world, has been affected and changed.

As members of the oil and gas industry, how will we remember these disastrous events once this pandemic has passed? We will recall these words and phrases from C19: pandemic, tragedy, oil glut, price war, layoffs, furloughs, salary cuts, cancellations, Paycheck Protection Program (PPP), oil prices going negative, state prorationing of production volumes, shut-in wells, Zoom video conferencing, financial hardships, and more.

How will we remember the recovery? Perhaps we will remember bringing back employees, oil prices improving from historic lows, world economies improving, oil demand working its way back to pre-pandemic levels globally, turning shut-in wells back on, and beginning to drill new wells. We all know that recovery will happen, but we cannot project the timeline. However, the reality is that the world still needs our oil and gas and the products made from both, even if the general public has yet to acknowledge that fact. As we continue to flatten the pandemic curve, it would not be possible without the frontline doctors, nurses, and volunteers, but it would also not be possible without oil and gas. As Independent Producers of oil and gas, we should all be proud of the role fossil fuels have played in helping our nation recover. Very few non-industry people realize how many products are made from petroleum.

KIOGA’s Work Continues - KIOGA continues to work hard for its members even during these difficult times. Ed Cross has provided excellent communication with our members through well-crafted articles and papers advocating for our industry and explaining the difficulties to the public. By locally and nationally telling our story of coping with and surviving the pandemic and price war, Ed has made our plight known.
Several newspapers across the state and the country have picked up these articles. He has updated us regularly on the PPP and provided us with links to numerous Zoom video conferences and webinars to guide us through these programs with accountants, attorneys, state legislators, and congress members. Ed has had requests for his articles and papers from congressional members from other states and even the White House. KIOGA committees have continued to operate and do their business. The strategic planning committee has had numerous conference calls during this period, and we have made progress on ideas for the future that will not only breathe new life into the organization but also save us money.

**Annual Meeting**  – We are keeping ourselves abreast of Governor Kelly’s plans for reopening Kansas and the easing of restrictions for large group gatherings. We will make a group decision as to the annual meeting at the earliest time with consideration to our members and vendors alike. That being said, planning will continue for the annual meeting in August, and we remain optimistic that it will take place.

**Budget & Finances**  – Executive committee members Scott Fraizer, Barry Hill, and Andrea Krauss will continue to keep a watchful eye on the budget and our investment account during these tumultuous times. We will continue to look for ways to trim our costs as all of our KIOGA members have done. Provided soon will be a complete update.

To paraphrase, “We have been knocked down, but not knocked out!” Keep up the good work. We will get through this and recover together as we have done in the past. Stay strong!

Sincerely,

David P. Bleakley
KIOGA CHAIRMAN

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Stay Strong

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KIOGA
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KIOGA Supports Changes to New WOTUS Rule

Methane Rule Update - Earth Day

In April, the EPA finalized its Waters of the United States (WOTUS) rule as the Trump administration works to define what waterways, wetlands and streams qualify for Clean Water Act protections. The revised regulation significantly narrows the reach from the Obama-era rule.

KIOGA has helped to advance WOTUS Federal regulatory efforts including submittal of formal comments and litigation since the rule was first introduced by the Obama administration. While additional litigation against the revised version was expected we continue to support the changes EPA has made.

EPA said its rule will establish regulatory certainty for landowners after decades of muddled decisions from the Supreme Court. The agency has claimed the rule adheres to the limited authority provided by Congress, as well as Supreme Court precedent.

Some states have launched a legal attack on the Trump administration’s Clean Water Rule, saying it “opens the door to new and worse industry pollution. The lawsuit was filed in the U.S. District Court for the Northern District of California. It comes from 17 predominantly Democratic-led states: California, Connecticut, Illinois, Maine, Maryland, Massachusetts, Michigan, New Jersey, New Mexico, New York, North Carolina, Oregon, Rhode Island, Vermont, Virginia, Washington and Wisconsin. The District of Columbia and New York City also joined the suit.

Finalizing the rule has sparked an onslaught of litigation on all sides. On the right, property rights advocates filed an early lawsuit claiming the rule is still too broad. And several environmental coalitions have also filed litigation.

Methane Emissions Update

The EPA announced in August 2019 changes from the Obama-era methane regulations including the change of the regulated emission from methane to volatile organic compounds (VOC). KIOGA submitted comments to the EPA in November 2019 supporting the EPA proposal.

In 2019, researchers invited participation from Kansas oil and gas producers in a confidential survey assessing emissions from marginal oil and natural gas wells. Specifically, data was sought on methane emissions from America’s marginal wells in order to address critical knowledge gaps and supply valuable information used to develop industry regulations. This project was funded by the U.S. Department of Energy’s (DOE) Office of Fossil Energy and in-kind contributions.

The Kansas oil and gas industry joined the Michigan oil and gas industry, West Virginia oil and gas industry, Kentucky oil and gas industry, Illinois oil and gas industry, and Indiana oil and gas industry to participate in the U.S. Department of Energy (DOE) study [Quantification of Methane Emissions from Marginal (Small Producing) Oil and Gas Wells (DE-FE0031702)] to quantify and compare methane emissions at marginal and non-marginal wells. We believe that unbiased, representative and appropriate results are necessary to respond to recent and future proposed amendments to EPA’s New Source Performance Standards (NSPS, 40 CFR Part 60, Subpart OOOOa) methane emissions rules.

A survey of methane emissions from marginal wells of the type found in Michigan, Kansas, Illinois, West Virginia, Kentucky, and Indiana
was taken in late 2019. More comprehensive data on marginal oil/gas production sites is needed to improve the understanding of emissions from marginal wells and could help shape rules promulgated by the government in the future.

The methane emissions survey is progressing. A desktop review of 75,000 wells from 40,000 sites across the U.S. has been completed. Field investigations at hundreds of sites in West Virginia, Kentucky, Indiana, and Kansas to measure methane emissions from wells and tank batteries have been completed.

Measurements were taken in Kansas in December 2019. Initial preliminary results showed very few leaks and indicated no quantifiable or measurable releases of VOCs in any of the field site investigations (marginal wells or tank batteries) in any of the states visited.

Additional DOE funding has been secured and plans are made to conduct a second field campaign, originally scheduled to begin in April 2020 in the Permian and Anadarko basins (including western Kansas). However, due to the COVID-19 pandemic, the second field campaign has been postponed for at least two months. The final report is expected to be ready by the end of 2020.

On April 8th, KIOGA received a request from the New Mexico Air Quality Bureau (NMAQB) for information on methane emissions from marginal wells. KIOGA provided the NMAQB a copy of the KIOGA comments submitted to the EPA and a summary of the ongoing survey of methane emissions from marginal wells.

A Story You Likely Did Not Hear on “Earth Day”

“Earth Day” was April 22nd. Media and environmental activists attempted to generate hype around climate change. Climate change to them has become the proxy for all things scary from severe weather events to migrations and agriculture failure. Climate change is an appealing boutique issue for some liberal billionaires and some movie stars because “saving the planet” appeals to their vanity. But, if you are not a liberal billionaire, you’re trying to stay afloat not because oceans are rising but because pandemic and economic issues are creating formidable challenges.

Here are some facts that you probably did not hear in any “Earth Day” story. Between 2005 and 2018 (the most recent year available), global CO2 emissions from energy grew 20%. Declines in CO2 emissions between 2005 and 2018 were led by the United States, where we find CO2 emissions fell 12%. Annual CO2 emissions in the U.S. declined 8 times during this period. The next largest decline was the United Kingdom. The largest increase in CO2 emissions between 2005 and 2018 came from India (up 106%) and China (up 55%). Together China and India accounted for 80% of the increase in global CO2 emissions.
KIOGA
Member News

KIOGA EDUCATIONAL FOUNDATION

Our Mission
We are a 501(c)(3) organization that conducts educational programs & provides educational materials relating to energy sources and processes. We have implemented a grant program to teachers and schools across Kansas for STEM (Science, Technology, Engineering, and Math) related projects. KIOGA will work in conjunction with Kansas Strong and KIOGA to identify grant prospects. The grants will provide funding for items such as books, curriculum, equipment, field trips and supplies to help teachers implement STEM Education.

Types of Support
To date, the KIOGA Educational Foundation has awarded several grants, totaling over $4,700. The grants have been used to provide the following types of support:

- Field Trips
- Dot & Dash Robots
- Robotics Competition Expenses
- Math & Science Critical Thinking Tools
- Math Teaching Aids
- Leadership Camp Costs
- 3D Printers

How You Can Help
Consider making a yearly donation to KIOGA so that we can continue to help teachers and students with their STEM projects. Contact your school, talk to the teachers and let them know about the STEM grant program.

Donations can be sent directly to:
KIOGA Educational Foundation
229 E William Suite 211
Wichita, KS 67202
kef@kioga.org

Gordon Parks Academy | Wichita, KS
Leadership Camp

Marshall Elementary | Eureka, KS
3D Printer

Manhattan Elementary | Neodesha, KS
Tulsa Geoscience Center Field Trip

Testimonials
“KAY camp has also helped my kids become more independent, develop better social skills and have a positive attitude. The KAY mindset inspires them to dream big and take action. It teaches them responsibility inside and outside of the classroom... My children and I are extremely thankful for having given the opportunity to benefit from the KAY camp leadership experience.”

100% of funds donated are used to fund grant requests

Please consider making KIOGA Educational Foundation as your donation in lieu of flowers. KEF is dedicated to the education of teachers and students, on the benefits of the oil and gas industry.

KEF | 229 E William Suite 211 | Wichita, KS 670202

In Memory Of:
Lee Phillips
Lee Phillips Oil
Retired KCC Compliance Officer
Wichita, KS

Bruce A. Reed
TerraTech Energy
Wichita, KS

Dave Wertz
Retired KCC Compliance Officer
Wichita, KS
KIOGA New Members

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

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<td>Robert L. Williams Jr.</td>
<td>Pathway Petroleum, LLC</td>
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Save the Date

KIOGA 83rd Annual Meeting & Expo
August 16-18, 2020
Wichita, KS

Find your sponsorship/ trade show information/registration at www.kioga.org
E$$46. Cross met with PVD Director David Harper and other PVD officials to discuss adjusting the price bulletin used in the 2020 Oil & Gas Appraisal Guide. We talked about the current oil market situation and the current pandemic and how we could not have anticipated the magnitude of these events on crude oil prices last January. Cross provided them a briefing paper on the current oil market situation saying he did not know where oil prices will go in the future, but that oil price that day in Kansas was $10.50/bbl and many operators will be struggling to survive.

The PVD analyzed the information provided and researched other sources. On March 20th, KIOGA received notice from PVD Director David Harper that said he would use his authority to amend the crude oil price schedule for 2020 and issued an amended schedule with a crude oil price bulletin of $23.

**Essential Workers**

Governor Kelly issued a statewide “Stay at Home” order on Saturday (March 28th). Governor Kelly’s “Safer At Home” executive order identified essential business operations as essential functions and employees can continue to operate and be productive. Prior to the Governor’s announcement of a statewide “Safer At Home” order, the governor’s office asked KIOGA for guidance and information about oilfield operations as essential functions. KIOGA President Edward Cross communicated with Governor Kelly’s office on March 23rd, prior to her issuance of the Kansas Essential Functions Framework (KEFF) order. Governor Kelly’s office sought this information as they were working to develop their KEFF. Cross prepared and sent the Governor a letter that included a Department of Homeland Security Guidance for identifying essential workers. That guidance identified petroleum drilling, extraction, production, processing, refining, terminal operations, transporting, retail for use as end-use fuels or feedstocks for chemical manufacturing, onshore and offshore operations for maintenance and emergency response workers as “Essential Critical Infrastructure Workers”. Governor Kelly’s staffers were appreciative of the information and used the information to help form the KEFF framework. On March 31st, KIOGA received communication from Governor Kelly’s Chief Counsel verifying that indeed the KEFF does allow all the activities outlined in my communication.

To help our members, KIOGA prepared and distributed a form letter to our membership in late March that companies could use to let local authorities know that oil and gas work was an exempt essential function.

Every week or so, KIOGA President Edward Cross provides Kansas Governor Kelly’s office updates on the oil and gas industry, both nationally and for the state of Kansas. Governor Kelly’s office has always been appreciative of the updates saying they value the information. On April 29th, Governor Kelly’s office said: “Thank you for sharing your insights. It is definitely helpful to see this information to understand what is happening and what the road ahead looks like.”

**Electric Rates**

KIOGA communicated with the Kansas Electric Cooperatives, Inc. (KEC) in mid-March and urged them to consider the win/win proposals that KIOGA Electric Committee Chair Adam Beren has proposed in the past. KIOGA said that under the current market conditions caused by the COVID-19 pandemic and the actions of Saudi Arabia and Russia, many Kansas oil wells could be shut down. Shutting down wells would mean lots of electric load loss for the cooperatives and would result in higher rates for all electric customers. Electric costs are the highest operating cost for most wells and relief is needed to help keep active through this downturn. The KEC met with all the state electric cooperatives and suggested KIOGA members make requests for electric rate relief directly with their co-op providing service. KEC said the co-ops are simultaneously working to meet requests from many customers feeling financial distress across our state during these unprecedented times.

To help our members, KIOGA prepared and distributed a form letter to
Kansas.

KIOGA Electric Committee Chair Adam Beren is currently engaged with AECOM, the electric rate study firm contracted by the Kansas legislative Coordinating Council. AECOM’s portion of the electric rate study will address how Kansas’ electric rates affect the state’s economy. AECOM’s portion of the study is due by July 1, 2020 and will be debated in hearing during the 2021 Kansas legislative Session.

KIOGA and ABBB Host Business Survival Webinar

Several of the cooperatives responded, but the response was the same. The cooperatives said that while they are sympathetic to the current situation oil producers find themselves, they could not take action at this time. They said they were still evaluating the economic impact with regards to COVID-19 and are unable to take any rate action that may adversely affect any of its membership classes. They presented a laundry list of reasons for perpetually freezing or deferring any action that might mitigate near or long term damage to everyone. Notwithstanding the widely divergent contributions that different ratepayers make to the financial stability of any particular electric cooperative, they are seemingly willing to wait forever for that magical missing piece of information that will suddenly provide the clear, risk-free, “correct” and perfect solution for all.

KIOGA has been working diligently over the last few months to deliver important information in a timely manner to our members. We have kept membership abreast of relevant webinars and conference calls and other updates and resources to help navigate through these challenging times.

You spoke, we listened - Many KIOGA members have exercised a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan. KIOGA heard from several members who expressed questions about the final stage of the PPP loans. In an effort to get out in front of the final stage (audit period details), KIOGA worked with the accounting firm of Adams, Brown, Beran, & Ball (ABBB), a KIOGA member based in Great Bend, to organize a webinar to help KIOGA members navigate through the final stage of PPP loans.

Key topics covered during the May 4th webinar included:

- Maximizing Payroll Protection Program (PPP) loan forgiveness
- Tracking expenses and audit requirements related to the PPP
- Properly documenting rent expenses, utilities, mortgage interest, and insurance premiums
- Human resources perspectives in oil patch
- Navigating business interruption insurance

The webinar was a success with over 150 folks registered.

Stay engaged with all the breaking news, webinars, and more information coming from KIOGA

Get on Board the KIOGA Express
contact kioga@kioga
KIOGA Joins Calls for Investigations of Negative Crude Oil Prices and Crude Oil Dumping Actions

Kansas producers have been negatively impacted by Chicago Mercantile Exchange actions to allow negative crude oil prices and by actions taken by Saudi Arabia and Russia to unreasonably increase their supply of crude oil at prices below market value.

KIOGA Joins Call for Investigation of Negative Crude Oil Prices

Many Kansas producers, and producers across the nation, were negatively impacted by trading irregularities on April 20, 2020. Many producers are paid for oil sold based on a monthly average and a negative price greatly affects the monthly average. On May 1st, KIOGA joined several oil and gas groups in requesting the Commodity Futures Trading Commission (CFTC) begin an investigation without delay of the West Texas Intermediate (WTI) crude oil futures traded on the Chicago Mercantile Exchange (CME) on April 20th. KIOGA asked the CFTC to examine the CME’s sudden change in computer models during a time of increased volatility, the $40 drop in price in the last 22 minutes including a $25 drop in a 3-minute span just before trading closed, and more. We urge the market to change to a daily weighted average price to reflect trading value experienced throughout the trade month.

KIOGA Joins Call for Anti-Dumping Investigation

KIOGA condemned the reckless actions by Saudi Arabia and Russia in March to destabilize global energy markets in a play for global market share. On March 11th, KIOGA joined in a call for an anti-dumping action petition to be filed with the U.S. Department of Commerce. KIOGA sent a letter to U.S. Commerce Secretary Wilbur Ross on March 23rd saying:

“Saudi Arabia and Russia are taking advantage of the coronavirus pandemic that is sweeping the world to focus on the oil industry and to devastate it. These actions warrant the imposition of anti-dumping and/or countervailing duties on crude oil imported into the U.S. from these countries. These actions should be investigated to protect the U.S. domestic crude oil industry, U.S. energy security, and the U.S. economy.”

We greatly appreciate Senator Roberts’ leadership.


Senator Pat Roberts (R-KS) sent a letter to U.S. Commerce Secretary Wilbur Ross on April 3rd urging the U.S. Department of Commerce to investigate excessive dumping of crude oil by the Kingdom of Saudi Arabia and the Russia Federation. Roberts said:

“This deliberate decision to increase supply while offering steeper discounts during a time of decreased demand runs counter to market forces and demands intense scrutiny. It is fundamentally important that the Department of Commerce pursue an investigation into the deliberate actions of these nations to weaken America’s energy independence.”
“That’s odd: My Facebook friends who were constitutional scholars just a month ago are now infectious disease experts....”
Kansas Congressional Members Engage to Help Kansas Oil & Gas Industry

KIOGA Communicates with White House and Key Policymakers

Members of the Kansas delegation have been taking time from their busy schedules to listen to Kansas oil and gas industry concerns and answer questions. In addition, KIOGA has been very active voicing the concerns of the Kansas oil and gas industry to many federal policymakers and Trump Administration officials.

Congressional Members Send Letter to President Trump in Support of Oil and Gas Sector

Kansas Congressman Roger Marshall, M.D. and Kansas Congressman Ron Estes joined 40 additional congressional members in sending a letter to President Trump on April 3rd in support of the oil and gas sector. The letter addresses many of the important points we (KIOGA) and many of you have expressed to Congressman Marshall and Congressman Estes. The letter suggests several policy strategies including:

- Provide Relief to Producers
- Address Russia and Saudi Arabia’s Unfair Practices
- Continue Utilizing the Strategic Petroleum Reserve (SPR)
- Maintain Liquidity and Ensure Access to Capital
- Identify and Expedite Regulatory Relief Efforts – Rolls-back EPA Obama-era methane guidelines

We greatly appreciate Congressman Marshall and Congressman Estes leadership.

Kansas Congressman Marshall Joins KIOGA Executive Committee in Conference Call

Kansas Congressman Roger Marshall, M.D. joined the KIOGA executive committee on a conference call on March 23rd to learn about Congress’ response to the COVID-19 pandemic.

There is a lot happening at all levels of government. We appreciated Congressman Marshall taking time from his busy schedule to share his insights and answer questions from the KIOGA executive committee.

“It is vital to hear from business owners during this difficult economic time,” said Congressman Marshall. “On today’s call with KIOGA, we discussed the most pressing needs for Kansas oil and gas operators. It is clear the effects of coronavirus are impacting every corner of the economy. I appreciate the chance to speak with leaders at KIOGA and the Kansas oil and gas industry to provide an update on the federal efforts being taken in Washington to help businesses in Kansas.”

KIOGA Members Join Kansas Congressman Estes and Kansas House Majority Leader Hawkins in Paycheck Protection Program Conference Call

The Paycheck Protection Program (PPP) has been a topic of great interest. KIOGA has fielded many questions and comments from our members. Kansas Congressman Ron Estes and Kansas House Majority Leader Dan Hawkins invited KIOGA members to join both of them along with U.S. House Small Business Committee Ranking Member Steve Chabot (R-OH) on a conference call on April 16th to discuss the PPP program. Several KIOGA members participated in the call.

White House Invites KIOGA to Weigh-in on Current State of the Energy Sector

Several KIOGA members were invited to participate in a conference call with Secretary of the Interior David Bernhardt, Secretary of Energy Dan Brouillette, and Director of the National Economic Council, Larry Kudlow on April 3rd to discuss the current state of the energy sector. KIOGA President Edward Cross was also invited by the Special Assistant to President Trump to provide a written State of the Oil & Gas Industry summary for Bernhardt/Brouilette/Kudlow in advance of the conference call. KIOGA also shared this document with several federal policymakers including the entire Kansas Congressional delegation as well as Senators Enzi, Cassidy, Daines, Young, Barrasso, Crapo, and Representative Brady. In addition, the document was shred with Kansas Governor Kelly and Governor Kelly’s DC lobbyist. Governor Kelly’s DC lobbyist wanted to validate KIOGA’s efforts for Kansas saying several policymakers in DC are tracking
what we have been saying because they repeat my information to other policymakers and lobbyists often.

KIOGA President Edward Cross also was asked to provide suggested actions going forward. Below are three brief titles of proposals that were presented on April 3rd to Trump Administration officials Bernhardt/Brouilette/Kudlow.

Proposed Action 1: Invoke the Defense Production Act (DPA) to Increase Domestic Stockpiles of Crude Oil, Fuel, Raw Materials and Other Essential Supplies Solely from American Producers and Manufacturers for the U.S. Military, National Guard and Critical Infrastructure Industries.

Proposed Action 2: Invoke the DPA to Establish a Standby Well Commitment for Participating American Producers to Preserve and Maintain Active and Idle U.S. Oil and Gas Production and Injection Wells for 120 Days in Exchange for Expedited Financial Assistance on a Per Well Basis under Section 4003 of the CARES Act

Proposed Action 3: Establish Virtual Strategic Petroleum Reserves (SPR)

White House Asks for Information on impact of current oil market situation on small producers - On April 7th, KIOGA received communication from the Special Assistant to President Trump asking for information on the impact of the current oil market situation on the small businesses that make up the independent oil and gas industry. KIOGA President Edward Cross developed a report titled Crude Oil Market Dynamics that provided information on the potential impacts of COVID-19 and the concurrent supply shock created by OPEC+ and Russia. The report included a summary of potential implications from oversupplied markets and the anticipated demand destruction. KIOGA shared the report with 17 key federal policymakers, including the entire Kansas Congressional delegation. Several federal policymakers expressed appreciation for the information saying: “Your report is very informative and easy to comprehend. You light-ping us every couple weeks.” Also several oil and gas groups across the nation have used KIOGA reports in their most recent newsletters.

The Special Assistant to President Trump responded back to KIOGA expressing gratitude for the information and invited KIOGA President Edward Cross to listen in on a conference call in late April discussing Russian aims in the Middle East, including its long-term plans for military bases in the region and their plans to leverage Middle East energy supplies.

KIOGA President Edward Cross to President Trump’s Task Force
Kansas Senator Pat Roberts and Jerry Moran are among the lawmakers tapped for President Trump’s COVID-19 congressional task force. The Trump administration invited a bipartisan crew of lawmakers to participate in a task force to address the central question of when the country should return to normal amid the ongoing coronavirus pandemic.

Some Democrats Want to Cut Off Support for Oil & Gas Workers during COVID-19 Pandemic

Despite state and national level designation of oil and natural gas operations as “essential” or “critical,” 40 members of Congress wrote that fossil fuel companies should not be able to receive any assistance under the coronavirus relief package passed by Congress. In a letter to Treasury Secretary Steven Mnuchin and Federal Reserve Board Chairman Jerome Powell, lawmakers led by Senator Ed Markey say the $2 trillion deal was ‘intended to support struggling families, workers, businesses, states, and municipalities. … Giving that money to the fossil fuel industry will do nothing to stop the spread of the deadly virus or provide relief to those in need.’"

On May 5th, fringe legislators continued their aggressive campaigns to take advantage of a worldwide pandemic to push a radical anti-fossil fuel agenda. Democratic Congressional members Nanette Diaz (D-CA), Pramila Jayapal (D-WA), Ilhan Omar (D-MN), Jared Huffman (D-CA) and Senator Jeff Merkley (D-OR) unveiled a proposals to would prohibit fossil fuel companies from participating in coronavirus relief packages.

It seems these Democrats don’t believe that “struggling families, workers, and businesses,” include oil and natural gas workers and operators, yet you and I both know that’s the case.
We’ve Been Through Tough Times Before

A message from your KIOGA President, Edward Cross

As we advance through these challenging times, it has been impressive to me over the last few months to see how KIOGA members respond to adversity through leadership and action. Yours is a story of daring talent, of dedication to an idea even when the odds are great, and of the unshakeable belief that in America all things are possible.

I am lucky to be able to work on things I like to work on. But I am even more lucky to get to work with the men and women that make up this great industry.

Looking back at the challenges Kansas independent oil and gas producers have faced over the past 83 years and the multitude of political barriers we have overcome, ours is the ultimate story of blood, sweat, tears, willpower, unity, and passion. As independents, we know the oil and natural gas business is fraught with tremendous risk and carries extreme geological, commercial, and financial exposure. These very challenges have defined the generations of Kansas independent oil and gas producers who have played and continue to play a vital role in meeting our nation’s energy needs.

The history of the Kansas oil and gas industry is an American story of industrious entrepreneurs who exhibited the pioneering spirit this country is known for, of innovation, speculation, and perseverance. All contributed to the founding and development of the Kansas oil and gas industry, which has, and continues to transform the world. Looking at the history of the Kansas oil and gas industry gives us strength and courage going forward. We have many reasons to be optimistic about our future.

A good example from our past came during the Great Depression. The Great Depression ushered in a new era of thinking about how industries in general and oil and gas in particular should grow and how waste could be prevented. People began to worry that too much production in a time of too little demand might not only be a formula for disastrous drops in prices but also an incentive for waste. Sounds familiar.

In 1931, Alfred Landon, who grew up in the oil business, argued that if stripper well producers were forced out of business, their production would be forever lost and there might come a time when it was sorely needed. He attacked Standard Oil of Indiana, which had several gas stations across the state. He organized a boycott of those stations that did enough economic damage to get the company’s attention. Standard agreed to buy the production from stripper wells, the stripper wells stayed in production and Alfred Landon became governor of Kansas and a candidate for U.S. President in 1936.

It was in the midst of these oil market challenges that a small but determined group of pioneering producers formed the Kansas Independent Oil & Gas Association (KIOGA) in 1937. E.B. Shawver became the first KIOGA President in 1937 and was a major force in the Kansas State Legislature, fighting against taxes and regulations that threatened the success of the emerging Kansas oil and gas industry.

Over the years, independents got smarter too. They learned that organization, numbers, and votes gave them leverage in the government corridors of our state and nation.

KIOGA has since grown into the lead state and national advocate for Kansas independent oil and natural gas producers. Today, KIOGA is driven and led by a robust membership of nearly 4,000 members from 1,400 producers and service companies. Successfully advocating on behalf of Kansas’ independent oil and natural gas producers for 83 years, KIOGA continues to stand as the primary voice for Kansas independent oil and natural gas producers.

Today’s Kansas
independent producer no longer peers out from under oil-soaked hard hats. They may have degrees in geology or petroleum engineering hanging on the wall beside diplomas for business administration or finance. They can speak fluently in the language of bankers and analysts. If they don’t have the knowledge to handle legal and regulatory tasks a thousand times more complex than those faced in the not so distant past, he or she may have staff or access to professionals that specialize in traversing the legal and financial potholes on the road to success.

Kansas independent oil and gas producers have survived a past marked by frequent cycles of high and low prices and increasing public misunderstanding of their work and opposition to their activities. For the future, we can expect more of the same. But we will find the right ways to survive in the future as well.

Today, crude oil and natural gas market dynamics, federal and state policy issues, government 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.

Our industry has lived through several ugly downturns before, and we know that patience, persistence, insight, and innovation pay off. I look forward to working with all of you and our partners across the nation to come together, take stock, and prepare for brighter days ahead.

I was recently asked by media about the Kansas oil and gas industry story, what it means, and what is important to know about the Kansas oil and gas industry. I told them that the oil and gas industry is an exciting industry where innovation is a constant. I want people to know how hard the Kansas oil and gas industry works and how focused our industry is on performance and continuous improvement. Our industry never stops thinking about the next improvement, technology, or innovation that will improve our nation’s energy security. But most importantly, I want people to know that the Kansas oil and gas industry isn’t just working hard on what we learned. We are working hard to advance what we can do in the future.
Rapid Transition from Economic Growth to Decline

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

The oil and gas industry has not only been negatively impacted by the COVID-19 virus, but have also been hit by a concurrent global crude oil supply shock. Demand destruction created by COVID-19 and the concurrent supply shock has had a profound impact on KIOGA members.

From day one, KIOGA has been communicating with Kansas Governor Kelly and her administration as well as legislative leadership, state regulatory agency officials, federal policymakers, White House officials, federal regulatory agency officials, and others providing oil and gas industry updates, concerns, and insights. Whether it was how the state defined “essential businesses”, negotiating with the Kansas Department of Revenue to see the ad valorem tax crude oil price bulletin adjusted downward 50%, or calling for a federal investigation of crude oil dumping by Saudi Arabia, communicating on acute policy issues like the Paycheck Protection Program loans, filling the Strategic Petroleum Reserve with domestically produced crude oil, crude oil prices, methane emission issues, and more, KIOGA worked diligently to deliver important information in a timely manner to our members.

The fallout from COVID-19 and concurrent crude oil supply shock continues and activity levels in the oil patch have been in a free fall. This is very likely the most rapid transition from economic growth to decline ever observed. Just earlier this year, global crude oil demand in 2020 was expected to grow by well over 1 million barrels per day. U.S. crude oil production had continued to increase to meet this rising demand, exceeding 13 million barrels per day in February 2020. Now, global crude oil demand will be sharply negative in 2020, falling by 20 million barrels per day or more, and doing so in short order.

The market implications are unambiguous – crude oil production will fall to adjust to crashing demand. This is happening in the U.S. as drilling activity slows dramatically. Operators across the nation have responded quickly by laying down rigs, shutting in production, and cutting capex by as much as 60%. Total U.S. shut-ins now total more than 1 million barrels per day and are heading towards 1.5 mmb/d in late May to early June. In Kansas, we could see daily oil production drop to 45,000 barrels per day or less by June (down from an average of about 90,000 barrels per day in 2019). There is no question the U.S. is doing its part in terms of contributing to the broader supply solution. Unfortunately, Saudi Arabia and Russia, the next two largest crude oil producing countries in the world behind the U.S. decided to increase their production in March and April before agreeing to production cuts beginning on May 1st.

Saudi Arabia/Russia action was a play for global market share with each attempting to gain at the expense of the other, and at the expense of the United States. And this is wrong. It is counter-intuitive to market forces, and it appears to be a blatant attempt to capitalize on a potential global health crisis and the proper response to stop the spread of the virus.

KIOGA condemned the reckless actions by both countries to destabilize global energy markets in such an opportunistic fashion, and condemned their decision to attempt to punish the only major producing country in the world that is operating in a true market economy. COVID-19 and energy market dynamics continue to evolve rapidly, and KIOGA has been and continues to be in regular contact with state and federal lawmakers and regulators since early March.

A substantial production cut was agreed by the OPEC+ countries including Russia on April 9th. This was an international dispute between two of the three largest crude oil producers in the world and the U.S. (the largest producer) was caught in the crossfire. Only the Trump Administration and Congress were in a position to exert meaningful influence on
Saudi Arabia and Russia. KIOGA urged the Trump Administration to work to advance policies which lead to stable oil prices at a level which supports healthy and robust economic activity. We called on President Trump to use the tools at his disposal to defend American industry and jobs by correcting this imbalance. We cannot allow our freedom and jobs to be taken from us.

We are grateful to Senator Pat Roberts (R-KS) for listening to our concerns about crude oil supply dynamics and prices and directly requesting the U.S. Department of Commerce to investigate excessive dumping of crude oil by Saudi Arabia and Russia. We are also grateful to the Trump Administration for meeting with Saudi Arabia and Russia urging them to rethink their hasty decision to raise crude oil production.

Those in the oil and gas industry are dealing with a two-punch blow to the economy. Businesses are closing and Americans are losing their jobs. It is critical that we unite to fight this pandemic without risking our national security. It was long overdue for Russia and Saudi Arabia to do their part. This unprecedented health crisis has shaken the economy and, most importantly, led to the grave loss of life. America will survive this pandemic. But to fuel our recovery, it is paramount that American energy leads the way.

The following commentary are excerpts from a report titled Crude Oil Market Dynamics that KIOGA President Edward Cross developed and provided the White House, Federal policymakers, Governor Kelly, State legislators, governmental officials, media, and other oil and gas groups in April 2020.

How we got here

In March 2020, the oil markets – led by Saudi and OPEC - were blindsided by Russia’s refusal to cut oil production with OPEC in a year when oil demand growth was expected to decline independent of the coronavirus. Russia made some noise about OPEC cheating on its commitments but abandoned its three-year alliance with OPEC primarily to harm U.S. oil production and gain global market share at the expense of the U.S. Larger political reasons such as U.S. sanctions on Rosneft and Nord Stream 2 also motivated Russia.

Unwilling to lose market share and also to force Russia to return to negotiations, Saudi Arabia announced plans to raise production from 9.7 million barrels per day (bpd) to 12.3 million bpd starting April 2020. It also doubled down on its bet by offering discounts of $4 to $8 per barrel on its production. In solidarity, the United Arab Emirates will increase supply by 0.8 million bpd.

A third of the world’s population is today living in countries that have enforced moderate to severe lockdowns on virtually all human activity to mitigate the spread of COVID-19. In all, 27 countries have imposed lockdowns with nearly all of them opting for severe measures. Only three countries – Israel, Ireland, and the Czech Republic – have chosen to impose moderate lockdowns. In addition, there are a handful of countries where lockdowns have not been mandated but citizens in caution have voluntarily limited activity.

How much oil demand is impacted?

These lockdowns are collectively impacting oil demand in an unprecedented fashion. The 27 countries under moderate to severe lockdown consume ~61 million barrels of oil daily. Including other countries such as Brazil where gangs are enforcing lockdowns, almost two-thirds of global oil demand – ~66 million bpd – is under threat of significant destruction from COVID-19.

What can we learn from China’s lockdown?

These lockdowns are uncharted waters with little guidance on the extent of oil demand destruction. China is the only example we have of a region that has gone through this crisis before. Transportation data released by the Chinese Ministry of Transport suggests that lockdowns cut ~55% of road transportation and ~33% of truck traffic in February 2020.

How much oil demand will coronavirus destroy?

If we assume that these reductions in road and freight traffic hold across the ~30 countries with lockdowns. You can also believe that 60% of oil use in transportation is via gasoline, and the rest diesel and jet fuel. Given these assumptions, we have an estimated collective loss in oil demand of ~23%, which when applied to the ~66 million bpd of demand in the locked down countries translates to ~15 million bpd of demand destruction in 2Q 2020.

However, there are significant uncertainties, e.g., will COVID-19 impact all countries the same way as it did in China? Assumptions around the share of fuels in oil demand may also vary. Finally, several other factors could also provide significant influence on oil demand including demand elasticity at depressed prices, potential for a quicker rebound or an extended lockdown, and impact of government stimuli.

Oil and gas operators will cut production as oil prices reach new lows - WTI is barely at $20 in early April - but the extent is uncertain. But we do know that most of those supply cuts will likely happen in the U.S. Many large U.S. oil producers have started cutting capital spending with most reductions

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averaging 25% to 35%.

U.S. producers are cutting drilling budgets but continue completing well inventories. This could limit the supply impact. The last oil price crash was followed by supply cuts that exceeded 1 million bpd over 15 months beginning in late 2014. The U.S. oil industry will need to deliver much deeper cuts this time – probably around 2 million bpd through 2020 – in order to keep oil prices from falling and staying at marginal cash costs.

What Implications Can Be Drawn From Anticipated Demand Destruction?

Demand destruction of this order is unprecedented and would trigger significant implications.

1. Oil and gas producers will intensify capital cuts to cut growth. Marginal assets such as stripper wells will be distressed.
2. The industry will be caught up in a stampede for oil storage, which is underway with limited access to it especially for smaller producers.
3. Refiners will likely intensify cuts to crude runs and start ramping down utilization.
4. Further as fuel demand evaporates.
5. Lack of fuel demand will trigger force majeures by oil refiners. Some refiners are invoking force majeures on crude oil purchase contracts for April.
6. Significant changes in the product mix should be expected as refiners will try to shift yield toward diesel where demand destruction is expected to be lower than that for gasoline.
7. As refinery operators start cutting runs and utilization rates, they are likely to advance turnaround and other maintenance activities although this will vary based on asset type, location, and historical maintenance patterns.
8. Petrochemical producers will start evaluating their feedstock mix as refined product prices decline dramatically impacting relative competitiveness of naphtha and ethane for producing olefins.
9. As refinary operators start cutting runs and utilization rates, they are likely to advance turnaround and other maintenance activities although this will vary based on asset type, location, and historical maintenance patterns.
10. As refinary operators start cutting runs and utilization rates, they are likely to advance turnaround and other maintenance activities although this will vary based on asset type, location, and historical maintenance patterns.
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What happens now?

A substantial production cut was agreed by the OPEC+ countries on April 9th while other countries have signaled that their production is falling. The drop in oil demand, however, is so significant that this cut in supply will not begin to tighten the market until July or August. In the meantime, crude oil prices will be shaped by global stock build, the destruction in demand, OPEC+ compliance with new production targets, and the point at which global supply will actually be below global demand. These are all fluid developments over the next several months. Even so prices should recover over the course of the summer, fall and into the winter. Filling the Strategic Petroleum Reserve (SPR) in the next phase of the stimulus is likely the next market-shaping action of the Trump Administration.

Countries Agree to Massive Supply Cut - The 20 Countries of OPEC+ agreed to an historic production cut on April 9th to address the demand destruction of COVID-19. They pledged to cut production by 9.7 million b/d from an October 2018 base, except in the case of Saudi Arabia and Russia who will cut from 11.0 million b/d.

This agreement is a significant victory for Saudi Arabia. The Saudis will cut production in May by close to 4.0 million b/d from April's levels. This is a dramatic reduction. Russia, who refused to cut production in early March, has already lost production and will cut by roughly 2.0 million b/d between end March and end June. Meanwhile Iraq has pledged to cut almost 1.1 million b/d. This is another notable victory for Saudi Arabia because Iraq has done very little in recent years in support of production restraint. Most of the other contributions to this epic agreement were close to our expectations. Except Mexico, where the cut will be only 100,000 b/d after being asked to cut by 400,000 b/d.

A key wrinkle in the agreement is that the production cut is only for two months – May and June. After that, they will scale back their restraint to roughly 7.7 million b/d (from the October 2018 base) for the rest of the year. There is a subsequent agreement for 2021 and early 2022. U.S. oil production is projected to decline by 1.7 million b/d. Meanwhile Canadian production is falling and is projected to be 1.4 million b/d lower than February levels. Brazil has now stretched their expected reduction to 300,000 b/d. Others will cut production in response to lack of demand and low oil prices.

What does this mean for the market? - Even with lower production and even weaker oil demand, supply will exceed demand through June, and basically balanced in July. After July, demand will exceed supply.
The massive stock build underway will essentially stop in July and begin to reverse in August. The excess global inventories building this year will fall from a peak of about 1.6 billion barrels to a level under 700 million barrels.

**Prices will recover** - If all of these supply pledges come true or close, and if the social distancing and other measures associated with COVID-19 are eased or lifted, then oil demand will recover in the face of lower supply. The global market will tighten, and prices will rise. There are several uncertainties in the market that will temper the price recovery. The first is the inventory overhang which will keep spot prices in the physical markets below futures for several more weeks (contango market), and thus attenuate the impact of recovering prices. The second is the possibility that as prices rise late in the year, some of the production restraint in non-OPEC countries will diminish. The third is the depth and duration of demand destruction this year. Even so, looking out from today, WTI prices are projected to be in mid to upper $30s late in the second half of 2020 and possibly rise to $45-$55 in 2022.

**SPR Fill** - The success of the OPEC+ agreement was predicated on the active participation of President Trump. Although he could not pledge production cuts by the U.S. private oil industry, he indicated production would fall significantly, and essentially took the objections of Mexico to cutting production off the table. The next market-shaping action the Trump Administration is likely to take is a deal with Democrats in Congress in the Phase 4 stimulus to appropriate $2-$3 billion to purchase 65-75 million barrels of crude from U.S. producers to put in the SPR. This government stocking is a form of demand that would support prices as well.

**Implications** - A number of implications can be drawn from these thoughts and the oil and gas industry may consider paying attention to them.
1. Oil and gas companies should prepare for an average WTI oil price of $20 to $35 a barrel for 2020. Modest improvements will come in 2021 with recovery only in 2022.
2. Global oil inventory has surged and any price rise will have to wait until those inventories are depleted. Further, nearly two-thirds of U.S. shale production has been hedged at ~$55 a barrel for 2020 and is unlikely to fall at current prices.
3. U.S. oil production will fall – only by how much is up for debate. Even if hedges protect U.S. shale operators through 2020, sharp cuts will come in 2021. Unlike the oil price crash of 2014-16, there is limited private equity appetite to buy distressed operators. As a result, operators that are small or hold undifferentiated acreage will face significant distress.
4. North American natural gas producers will be an unlikely beneficiary of this oil price crash. As light tight oil supply falls so will associated gas production, which has driven over 50% of gas supply growth in North America in recent years. This reduction in the growth of gas supply should help Henry Hub pricing.
5. However, some of this will be limited by caps on natural gas demand growth that will come from delays to the second wave of LNG export projects in the US.
6. Refiners’ have gone from optimistic dreams of a “golden year” thanks to IMO 2020 to a nightmare scenario of cutting refinery runs as refined product demand grinds to a crushing halt due to COVID-19 lockdowns around the world. Downstream companies with complex refineries, strong linkages to export markets, mature commercial trading teams, and integrated petrochemical assets will weather through these times but other refiners will struggle.
7. Midstream companies will face challenges with product exports, in particular, light tight oil, which will have to be discounted extensively to find overseas buyers. Support for existing and new capital projects will decline. Finally, expect investor flight to quality based on contract portfolios.
8. Shipping and logistics players with tankers, terminals, product storage tanks, and blending capabilities may benefit in this environment as a contango market drives interest and demand for storage.

KIOGA has been working hard to monitor and engage state and federal measures under discussion in Topeka and Washington, DC. We work hard to educate and inform state and/or federal policymakers and government officials on the impact proposed policies have on the small businesses that make up the Kansas oil and gas industry so that they are aware if proposals could prove ultimately damaging to the industry, especially to independent oil and gas producers. KIOGA is also identifying measures that might be considered by Kansas regulatory agencies that may provide near-term cost or regulatory relief to operators. KIOGA will stay on top of this rapidly evolving situation and will play an active role in developing and responding to any potential policy solutions that may emerge.

As always, our goal is to stand in the gap for the oil and gas industry in the State of Kansas, and in particular our great independent oil and gas companies, service and drilling companies, and all directly related industries.
Crisis brings oil, gas challenges into focus

KIOGA Editorial appearing in 17 newspapers across Kansas in April 2020

Kansas oil and gas operators hope for everyone’s good health and a speedy end to this pandemic. Like other businesses, we are doing our best to find a way through this difficult time. Perhaps it’s a good time to consider ways to improve our industry for a more resilient and productive post Corona life.

First of all, it is no secret a significant consequence of the pandemic has been a collapse in oil and gas prices to levels not seen since the 1980s. The oil posting in Kansas is currently around $15 (vs $50-60) and the April natural gas index is $1.07 (vs $2-$4). At present, operators in Kansas are reluctantly shutting down hundreds, if not thousands of wells and laying off or furloughing our experienced employees. The oil service industry and others in the supply chain are suffering as well. Further complicating the situation is the mechanical concern wells may not recover oil production once shut down.

Prior to the current crisis, Kansas was home to approximately 41,000 wells whose cumulative value contributes to 118,000 jobs, $3.0 billion in family income, and $1.4 billion in state and local tax revenue annually. As we all know, oil industry ingenuity has thankfully brought our country to the holy grail of energy independence. Perhaps we take for granted the 6,000 products produced from petroleum which, like soap and plastic, contribute to comforts we all enjoy.

We will find a way to get by for now until we hopefully return to more reasonable oil and gas prices. However, to succeed in the future, we must confront and alter the pre virus dilemma of an industry with rising costs, flat commodity pricing, and normal declining production. These are some of the many challenges we must overcome to do so:

1. We need more manpower. We cannot automate and need people willing to work in the oil patch.
2. We need to find a solution to the burden of high electric rates. Kansas rates are the highest in our region and Kansas consumers spend over $1 billion per year more on electricity than just 10 years ago. With electric costs that are 30-50%+ of expenses, oil wells in rural Kansas could run for many years longer with more competitive electricity prices. Who will be left to absorb the high fixed costs that burden rates? Oklahoma rates can be more than 50% less than in Kansas.
3. The state has adequate renewable energy generation and careful study is required before allowing more subsidies. Methane and CO2 emissions are significantly down in the U.S. even as oil and gas production has dramatically increased. We must resist unduly penalizing and regulating the fossil fuel industry for political expediency.
4. Health, property and liability insurance costs continue to skyrocket, deductibles increase and exclusions expand. These costs need to be reduced as they affect all businesses in Kansas.
5. All industries have seen their property tax bills ratchet up and we must find solutions.

Oil producers appreciate the Kansas tradition of hard work, resilience, and ingenuity. We have been a part of the Kansas story for over a century and pledge to do our part to keep the Kansas economy thriving and growing for the next 100 years. We wish everyone a speedy and positive end to the current crisis.
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KIOGA
The Voice of the Kansas Independent Petroleum Industry
Founded in 1937
The 2020 Kansas Legislative Session kicked off on January 13th. After passing a state budget, the Legislature abruptly gavelled out for first adjournment on March 19th. A one-day veto session was held on May 21st and the Legislature adjourned the 2020 Kansas Legislative Session. Many KIOGA members participated in legislative and regulatory meetings focusing on issues important to the independent oil and gas industry. KIOGA diligently monitored committee hearings to cover interests of the Kansas independent oil and gas industry. And with all 165 state lawmakers up for reelection in 2020 as well as an open U.S. Senate seat, there were lots of political headlines.

KIOGA Reference Material - KIOGA is proactive and prepared in advance of the 2020 Kansas Legislative Session by developing and updating several white papers, fact sheets, brochures, and other informational pieces in advance of the session. These include:

- Kansas Oil & Gas Industry Strategic Analysis (January 2020) – an annual comprehensive report that provides the latest information on the economic impact of the Kansas oil and gas industry including statistics on Kansas oil and gas industry activity, taxes, production, issues, challenges, and opportunities;
- State of the Oil & Gas Industry – Dynamic Challenges Facing Kansas Oil & Gas Industry (January 2020) – a white paper that summarizes America’s energy picture today, challenges faced by the small businesses that make up the Kansas oil and gas industry, and what industry is doing to address those challenges;
- Hydraulic Fracturing – Regulatory & Policy Considerations (January 2020)
- Hydraulic Fracturing & Drinking Water Contamination (January 2020)
- Climate Issues (January 2020)

KIOGA State Advocacy Strategy

KIOGA prepared for the 2020 Kansas legislative Session. KIOGA Chairman David Bleakley and KIOGA President Edward Cross visited with several KIOGA members across the state in October 2019 in our annual listening tour to hear our members concerns and receive input about state and federal issues. Prior to every legislative session KIOGA prepares a Legislative/Regulatory/Communication Agenda. KIOGA’s legislative agenda was discussed at the December 11, 2019. The core focus of KIOGA’s work at the Statehouse during the 2020 legislative session has been on protecting the Kansas oil and gas industry from increased costs while also defending industry gains made in recent years. The KIOGA legislative agenda for the 2020 legislative session was one in which we worked to minimize legislative assaults on the independent oil and gas industry and optimize legislative targets of opportunity.

Meeting with Governor Kelly and Key House & Senate Leadership – KIOGA President Edward Cross met with Governor Kelly in January and again in February to provide an update on the state of the Kansas oil and gas...
industry and to share KIOGA’s legislative agenda which lays out what’s important to KIOGA members and where we stand on energy, tax, and regulatory issues. Cross also met with House Speaker Ron Ryckman (R-Olathe) and Senate President Susan Wagle (R-Wichita) in January in separate meetings to discuss energy issues and lay groundwork for the 2020 Kansas Legislative Session. Cross also met with the House Minority Leader Tom Sawyer (D-Wichita), House Speaker Pro Tem Blaine Finch (R-Ottawa), House Minority Whip Jim Gartner (D-Topeka) and Senate Vice President Jeff Longbine (R-Emporia). In addition, Cross met with the Chairs of the House Energy Committee, House Appropriations Committee, House Tax Committee, Senate Utilities Committee, Senate Judiciary Committee, and Senate Insurance & Financial Institutions Committee. Cross discussed the state of the Kansas oil and gas industry and what 2020 may hold for the Kansas oil and gas industry, abandoned well legislation, injection well issues, seismic issues, carbon capture issues, electric issues, and more.

State Legislative Actions

KIOGA President Edward Cross was invited and made informational presentations about the state of the Kansas oil and gas industry and the key challenges and opportunities the industry faces in 2020, including the impact of volatile oil prices, federal legislative and regulatory challenges, and state legislative and regulatory challenges. Cross has also met with a number of key legislators multiple times during the legislation session.

KIOGA tracked 18 issues of interest to the independent oil and gas industry during the 2020 Kansas Legislative Session and have kept membership updated through four KIOGA Federal & State Legislative Reports, thirty-two KIOGA President Reports, five KIOGA Express, and two KIOGA Newsletters.

State Legislative Action – The legislature stymied much of Governor Kelly’s state agenda during the 2020 legislative session having rejected her proposal to re-amortize KPERS liabilities, halted her plan to expand Medicaid, and rejected two of Governor Kelly’s Executive Reorganization orders (EROs) – one melding Children and Families, Aging and Disability services and a portion of Corrections into a single Kansas Department of Human Services; the other moving the Kansas Energy Office from the KCC to the Department of Administration.

The one-day veto session focused on wide-ranging COVID-19 related bills. The Legislature wanted to make sure Kansan’s voices were heard as the State moves forward with a plan for economic recovery. Senate Majority Leader Jim Denning (R-Overland Park) said the roughly $1.25 billion in federal aid to the state under the federal Coronavirus Aid, Relied and Economic Security (CARES) Act calls for legislative oversight, not just an executive decision. Senate President Susan Wagle (R-Wichita) said that some of Governor Kelly’s executive orders “exceed existing statutes, not to mention the discriminatory directives aimed at some businesses but not others.”

Governor Kelly Proposal to Move the Kansas Energy Office out of KCC Rejected by Kansas House – Governor Kelly proposed to move the Kansas Energy Office out of the Kansas Corporation Commission (KCC) and to the Department of Administration in her Executive Reorganization Order #46 (ERO 46). KIOGA President Edward Cross met with the Governor’s Chief of Staff, Government Affairs Director, and Policy Coordinator on February 5th and again on February 19th to discuss KIOGA concerns with the proposed energy office move. The House Energy Committee held a hearing on Governor Kelly’s ERO 46 on February 11th. KIOGA President Edward Cross met with the House Energy Committee chair and several committee members on February 10th and expressed KIOGA concerns with moving the Energy Office out of the KCC. He also met with House and Senate leadership to express KIOGA’s concerns. Cross told them the same thing he told the Governor and her staff. That KIOGA is concerned that the reorganization is about promoting energy policies driven by a zero-sum game philosophy for energy that says we must have less fossil fuels so that we can have more of something else. There are many examples of state energy

Continued on page 28
plans that fail because they start with a preferred resource and work backwards. Many such energy plans have agenda-driven framework to assess carbon risk, all leading to some kind of green standard, often referred to as “sustainable”. Cross told them that a rational, data-driven, common-sense approach to energy policy is what our state and nation require. We have serious concerns about establishing a politically-influenced, agenda-driven, energy office. We need energy policy based on science, the free market, and entrepreneurial spirit. The key is to avoid placing unnecessary political or legal obstacles in the way of innovation and expansion.

On February 11th, the House Energy Committee passed to the full House the committee’s disapproval of Governor Kelly’s plan to move the Energy Office (ERO 46). The House Energy Committee also passed a resolution (HCR 6031) to disapprove ERO 46. On February 19th, the Senate Utilities Committee held a hearing on the Governor’s plan to move the Energy Office out of the KCC. Kansas House and Senate Democrats have chided the actions are politically motivated and designed to damage Kelly’s administration. Republicans have countered that the ERO was a unilateral decision made by the Governor without adequate stakeholder input. On March 18th, the Kansas House killed Governor Kelly’s executive reorganization order (ERO) that would have moved the Kansas Energy office out of the KCC and to the Department of Administration under the Governor’s control.

**KIOGA Testifies in Support of KCC Abandoned Well Bills** – On February 13th, KIOGA Chairman David Bleakley testified in support of bills regarding abandoned wells before the House Appropriations Committee. The bills were brought by the Kansas Corporation (KCC) and propose to combine two abandoned well plugging funds, provide procedures for reimbursement for parties who wish to plug abandoned/orphaned wells, and established regulatory certainty into abandoned/orphaned well plugging responsibility. KCC Commissioner Dwight Keen and KCC Oil & Gas Conservation Division Director Ryan Hoffman introduced and testified in support of the bills. Bleakley’s proponent testimony was joined by proponent testimony from Chris McGown, President of EKOGA. Proponent testimony was also submitted in written form from John O. Farmer, Inc. and the Kansas Farm Bureau. Several folks, led by the Sierra Club, expressed opposition to the bills. The Sierra Club changed their opposition position to a neutral position after discussing the issue with the KCC and KIOGA. The measure passed the House Appropriations Committee in Mid-March and was scheduled for House Floor debate when the COVID-19 pandemic caused the Legislature to abruptly adjourn on March 19th. This measure is likely something we will have to work to advance in the 2021 Kansas legislative Session.

**Carbon Capture Utilization & Storage (CCUS)** - The Kansas Geological Survey (KGS) and other state agencies are looking to advance CCUS legislation in Kansas. In December and January, KIOGA President Edward Cross joined in conversations with KGS and other stakeholders to discuss CCUS issues. In 2018, KIOGA provided federal policymakers information about the challenges Kansas operators have with the IRS tax credits for CO2 enhanced oil recovery. The original KGS CCUS legislative proposal raised several red flags for Kansas operators. The CCUS is a very complicated issue with the potential for lots of unintended consequences that could affect large segments of industry in many ways. The issue has not been adequately vetted with all affected stakeholders. KIOGA invited to KGS to provide an informational seminar at the KIOGA Midyear Meeting in Garden City in April to present information about sequestration and storage aspects of CCUS. Unfortunately, we had to cancel the 2020 KIOGA Midyear Meeting in Garden City due to the COVID-19 pandemic. KGS agreed to participate in a future KIOGA meeting and said they would not push for legislative action this
legislative session other than expanding pipeline rights-of-way to include carbon dioxide.

**Electric Rate Study** – An electric rate study bill passed the Kansas Legislature in 2019 that directed the Legislative Coordinating Council (LCC) to authorize a study of retail rates of Kansas electric public utilities. The study would provide information that may assist future legislative and regulatory efforts in developing electric policy that includes regionally competitive rates and reliable electric service. The bill requires the study to be completed in two parts. The first part was completed in early January 2020 and examined the effectiveness of current Kansas ratemaking practices and examined options available to the Kansas Corporation Commission (KCC) and the Kansas Legislature to affect Kansas retail electricity prices to become regionally competitive while providing the best practicable combination of price, quality, and service. London Economics International (LEI) was the firm selected to complete the first part of the study. LEI released their 324-page study in early January 2020. KIOGA reviewed the full report and engaged in discussions and next steps during the 2020 legislative session. KIOGA Electric Committee Chair Adam Beren testified before the Senate Utilities Committee on February 11th during an informational hearing on the LEI study. Beren expressed concerns KIOGA had with the report and provided ideas for ways Kansas can improve energy costs for Kansas oil and gas producers. The second part of the study will be completed by July 1, 2020 and will look at how Kansas’ electric rates affect the state’s economy. KIOGA will be engaged in this part of the study as well.

**Environmental Assaults** - KIOGA stays keenly poised to address any attempts by those who oppose American oil and gas development to promote legislation and/or regulations designed to stop oil and gas production. The Sierra Club annually proposes a laundry list of oil and gas regulations that have no environmental benefit but high associated costs. This list includes carefully thought-out restrictions on hydraulic fracturing, waste management, emissions, moratoriums on injection wells, establishing an earthquake risk pool fund, and other measures with the goal of stopping oil and gas production. KIOGA is prepared and ready to defend the oil and gas industry at every opportunity.

**Legislature Adjourns** - The Legislature officially adjourned on sine die (May 21st), after which legislators can legally receive financial contributions to their re-election campaigns. The Legislature will stay adjourned until January 2021, unless a special session is called.
A Much Needed Injection of Truth

Response editorial written by KIOGA President Edward Cross that appeared in 17 newspapers across Kansas in late February 2020

A recent editorial from the Editorial Advisory Board titled Central Kansans need answers about quakes casted fact-challenged statements about the causes of earthquakes near Hutchinson. Injecting fluid into rock formations in or near the basement granite is likely to increase risk for seismic activity. However, the editorial incorrectly implied that the fluid being injected was from the production of oil and gas.

Fortunately for the public, the facts demonstrate something different. Injection of waste fluids from oil and gas production are not the likely cause. When examining data from earthquake epicenters along with the location of nearby injection wells, we start to see a very different story.

The location of Class I injection wells (wells used to inject hazardous and non-hazardous industrial and municipal wastewater) were very near the earthquake epicenters. The nearest Class II injection wells (wells used to inject fluid associated with oil and gas production) were 6 miles or further away.

Moreover, Class I injection wells were injecting tens of thousands of barrels per day while the Class II wells were injecting hundreds of barrels per day.

Efforts to address seismic activity in Kansas have been ongoing by the Kansas Corporation Commission (KCC) and industries for many years. The efforts have produced results. Seismic activity in Kansas has dropped by 67% from 2015-2019.

The group appointed by Governor Kelly and the other formed by the KCC to look into the issue of induced seismicity is very important. All industries, including the oil and gas industry, take the issue of induced seismicity very seriously and work to ensure that any study of induced seismicity is accurate, scientifically-based, and limited in scope to the site-specific features of the areas in question.
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Meeting the Challenge

Participate in the KIOGA Legislative Contact Volunteer Program!

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

The 2021 Kansas legislative session may generate many issues that will affect KIOGA members. We must support those legislative candidates who understand the value provided by the oil and gas industry to the economy of Kansas. The core focus of KIOGA’s work at the Statehouse has been on protecting the Kansas oil and gas industry from increased costs while also defending industry gains made in recent years. KIOGA’s 2021 legislative goals will most likely resemble those of the past few years and focus on minimizing impacts of negative legislative assaults on the independent oil and gas industry and optimize legislative targets of opportunities. More specific legislative goals will be evaluated later this year.

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

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

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

By making a modest financial contribution to key legislators identified by KIOGA, we can make a difference! KIOGA looks at a number of factors when evaluating candidates. We look beyond the candidates voting record on the floor and watch how they vote in their committees on energy issues important for oil and gas producers. We also look at leadership roles of the candidates and the competitiveness of the candidate’s campaign. Personal visits with candidates also help determine a candidate’s position and understanding of oil and gas issues.

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

KIOGA will continue to work to ensure the voice of the Kansas independent petroleum industry is heard. KIOGA’s involvement will help support elected officials and decision-makers who share the goals for responsible oil and gas development to build a safer and more secure energy future. Watch for your opportunity to participate in this year’s Legislative Contact Volunteer Program or contact the KIOGA Wichita Office at 316-263-7297 to express your wish to be included as a participant in the program. By working together, we can make a difference!
Voice of the Kansas Independent Petroleum Industry

Your KIOGA Membership Makes a Difference

Founded in 1937, the Kansas Independent Oil & Gas Association (KIOGA) is a nonprofit member organization representing oil and gas producers in Kansas, as well as allied service and supply companies. KIOGA represents the interests of the oil and gas industry at the local, state, and federal levels of government. KIOGA is committed to ensuring that tomorrow’s economic climate will be one in which our members can grow and prosper. Our active presence before the Kansas Legislature, U.S. Congress, and state and federal regulatory agencies means that the concerns of independents like you are foremost in the minds of legislators and government officials. Our cooperative partnerships and networking with other state associations, the Domestic Energy Producers Alliance (DEPA), Independent Petroleum Association of America (IPAA), U.S. Global Leadership Coalition (USGLC), National Stripper Well Association (NSWA), Interstate Oil & Gas Compact Commission (IOGCC), Council for a Secure America (CSA), and the Energy Education Partnership, Inc. (EEPI) means the concerns of Kansas Independent oil and gas producers are heard in Topeka as well as Washington.

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

Membership in KIOGA gives you:

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

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

Access to Legislative and Business Information
- Whether you need to know how to comply with the latest laws and regulations or need legislative updates on pending issues, KIOGA provides you with timely information that can affect your company’s profit and growth opportunities.
- KIOGA Newsletter published 6 times a year that covers government relations issues and other industry topics important to you.
- KIOGA Website at www.kioga.org for industry information and online communication capabilities.
- KIOGA Express is an email information service that keeps members abreast of ongoing and breaking oil and natural gas industry news.
- The American Oil & Gas Reporter, a fast-paced monthly magazine that covers the industry from A to Z.
- KIOGA President Reports and KIOGA Federal & State Legislative Reports keep members current with federal and state legislative, regulatory, and policy issues.
- Kansas Oil & Gas Industry Strategic Analysis is an annual comprehensive report that provides the latest information on the economic impact of the Kansas oil and gas industry including statistics on Kansas oil and gas industry activity, taxes, production, issues, challenges, and opportunities.
- KIOGA Annual Federal & State Legislative/Regulatory/Communication 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 advances in the name of the industry pausing only to acknowledge the accomplishments of our members whose support makes our efforts possible. To you, our gratitude.

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”.


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 2020 Kansas legislative session was no exception. We achieve our goals because we have the corporate 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 2020 Kansas legislative session:

- David Bleakley
- Nick Powell
- Tim Scheck
- Dick Schremmer
- Lesli Baker
- Ken White
- Alan Banta
- Adam Beren
- Dana Wreath
- Andrea Krauss
- Dave Murfin
- Charlie Wilson
- Ed Nemnich
- Jeff Bloomer
- Dave Dayvault
- Steve Dillard
- Emma Richmond
- Richard Koll
- Barry Hill
- Scott Fraizer
- Mike Dixon
- Paul Simpson
- Nick Hess
- Mark Shreve
- David Powell
- Dylan Klaus
- Dan Schippers

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 accomplishments of 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!
Membership in KIOGA gives you:

- A united Voice in Topeka & Washington
- Access to legislative & business information
- A Way to build public understanding
- A stronger industry voice
- Access to industry publications

Become a member today
Pass the newsletter to non-members
Help us grow our network in the oil and gas industry

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KIOGA in the News

Getting the Message Out!

Since the COVID-19 crisis began, KIOGA has been and continues to stay engaged. One of the important ways that we stay engaged is by providing fact-based scientific information to the public through our vigorous public information efforts.

There is a very real opportunity to create a stronger, more effective connection with the American public that recognizes their values and concerns and allows them to understand better the critical role that oil and gas play in America’s everyday lives. This type of connection is more than an opportunity. Earning the trust of the American public will become an absolute necessity to protect and enhance the many key elements of business success - from access to capital to regulatory stability, tax fairness, and more.

Through aggressive public outreach efforts including speaking engagements, editorials, media interviews, and more, KIOGA continues our multidimensional public education effort. KIOGA spoke at 22 public forums, engaged in over 50 media inquiries, and provided 13 editorials to media across Kansas and the nation in 2019. KIOGA continues our vigorous public information efforts in 2020.

Policy Issues Direct Public Information Efforts

KIOGA’s public outreach efforts work hand-in-hand with our government relations programs to enhance the effectiveness of KIOGA’s advocacy efforts.

KIOGA in the News - Over the last couple of months, several KIOGA members engaged media to talk about oil prices, COVID-19 impacts, and more. KIOGA Chairman David Bleakley and former KIOGA Chairman Ken White provided comments on the oil market situation for an article that appeared in the Topeka Capital-Journal. Former KIOGA Chairmen Dick Schremmer and Ken White as well as KIOGA South/Central Vice Chair Alan Banta provided interviews to KSN and KWCH 12 in Wichita on April 21st. Former KIOGA Chairman Nick Powell and KIOGA President Edward Cross provided comments on the oil market situation for an article in the April 20th Sentinel.

KIOGA Editorials – KIOGA President Edward Cross released an editorial in April on how the COVID-19/oil supply crisis has brought oil and gas challenges into focus. Cross has had 6 editorials published by media in 2020. The editorials appeared in more than 17 newspapers across Kansas including:
- Butler County Times-Gazette
- Hays Daily News
- Hutchinson News

KIOGA has also provided a number of interviews to radio, newspapers, and other media outlets over the last couple of months providing information about oil prices, COVID-19 impacts, and more. These include KSNT (Topeka), Hays Post, Oakland Express, Topeka Capital-Journal, Kansas Farm & Ranch Radio, Kansas Public Radio, and Great Plains Christian Radio.
On April 24th, Fort Hays State University (FHSU) Tiger Media Network released a news article titled Falling Oil Prices: How it Affects Kansas. The article was written by FHSU graduate student Guowei Li and included comments from Dr. Yang Jiao, Assistant Professor of Economics at FHSU, and KIOGA President Edward Cross.

**Reaching Out** - KIOGA made presentations at 22 public forums in 2019. During the first quarter of 2020, KIOGA has made multiple informational presentations before Kansas legislative committees in Topeka and to the Society of Independent Professional Earth Scientists (SIPES) in Wichita. 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 industry is doing to address those challenges. KIOGA presentations bring to light the facts and science about important energy issues and topics. We also include facts and information in every presentation on how the oil and gas industry greatly 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.

Going forward, when it is safe and the “stay-at-home” orders are relaxed, KIOGA has several speaking engagements scheduled with the Dwight D. Eisenhower Excellence in Public Service Series in Independence, the Vanguard Club in Kansas City, and the U.S. Global Leadership Coalition (USGLC) State Leaders Summit and more.

**Plan for Growth Going Forward**

While improved communication is certainly one element of a stronger relationship with the American public, it is by no means the only change needed to improve industry’s reputations and build a higher level of trust. Success for oil and gas companies going forward will require a dramatic transition to develop new corporate cultures, customer-facing philosophies and everyday business practices that are aligned with the public’s desire for a more environmentally conscious, more consumer-oriented industry. That is a tremendous undertaking that will impact every function within the typical oil and gas company.

Surviving for another 100 years will require new skills and strengths, and an outward focus that strives to meet consumer needs. The winners will be those companies that can grasp the monumental changes under way today and reinvent themselves.
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