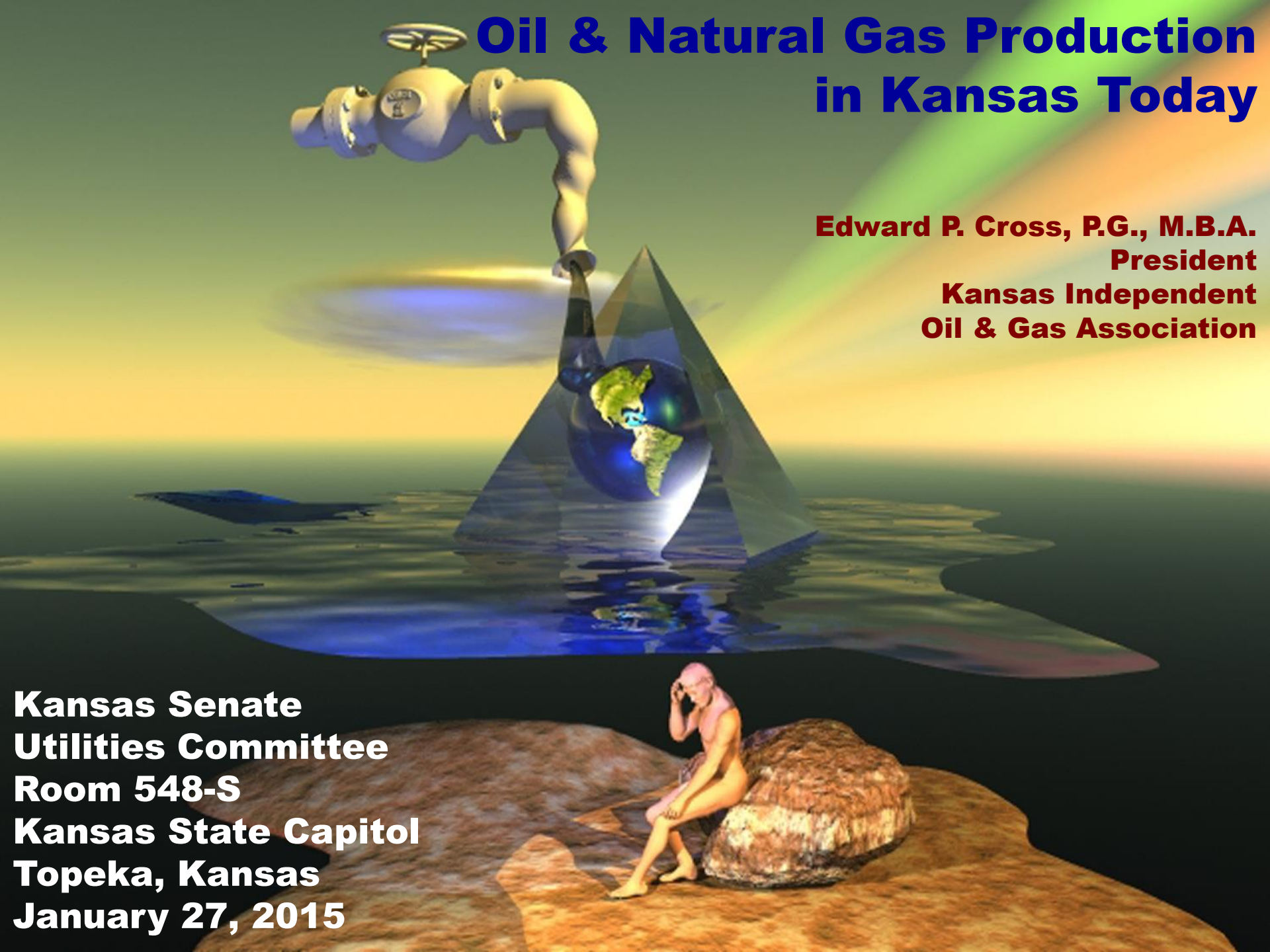


# **Oil & Natural Gas Production in Kansas Today**

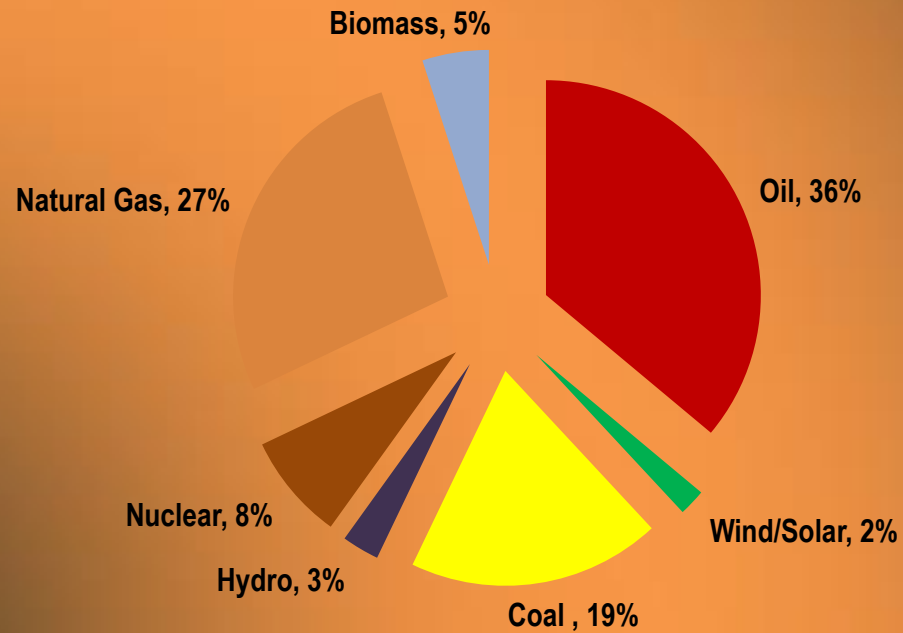
**Edward P. Cross, P.G., M.B.A.  
President  
Kansas Independent  
Oil & Gas Association**

**Kansas Senate  
Utilities Committee  
Room 548-S  
Kansas State Capitol  
Topeka, Kansas  
January 27, 2015**

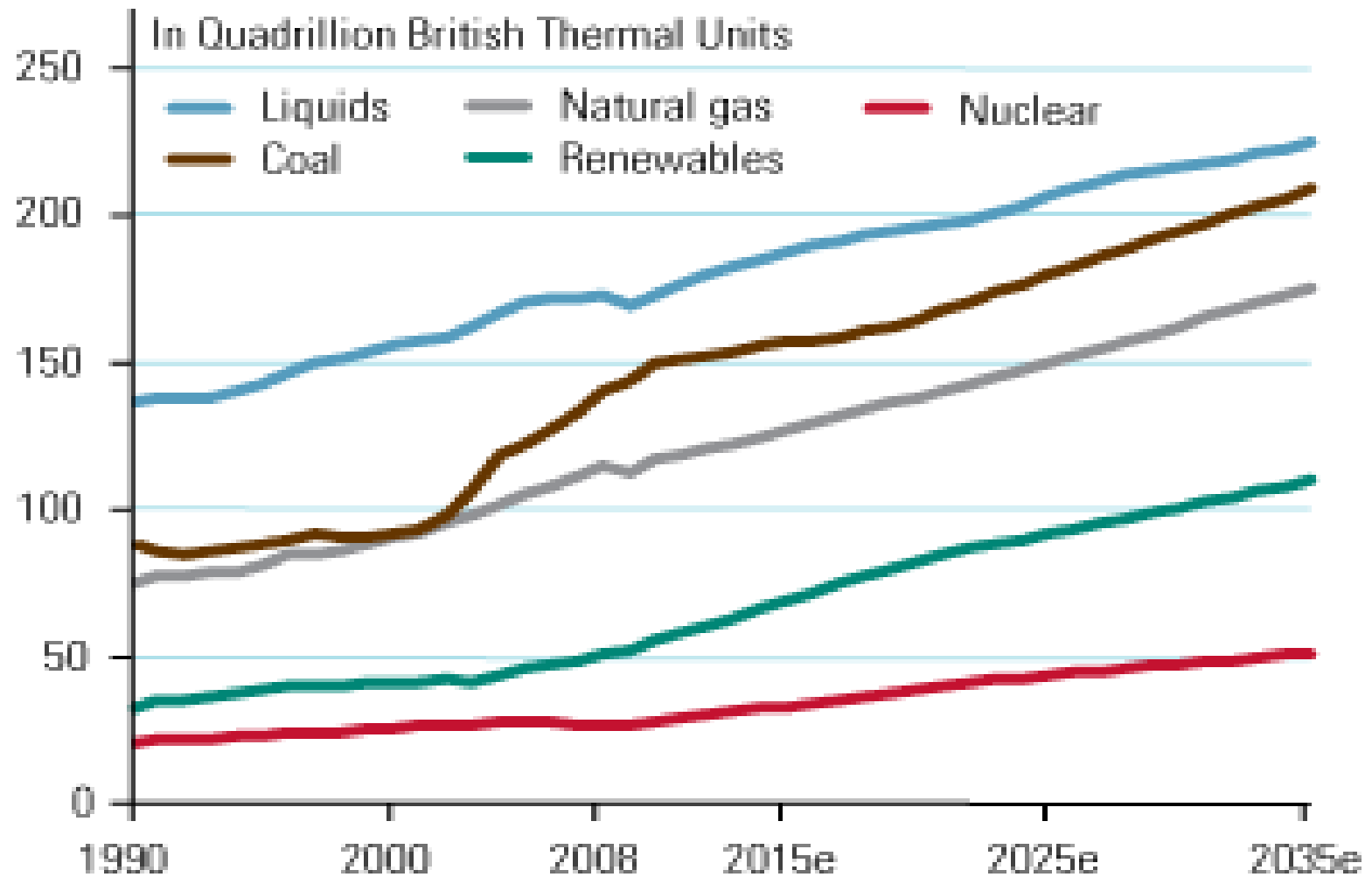


# What Powers the U.S.

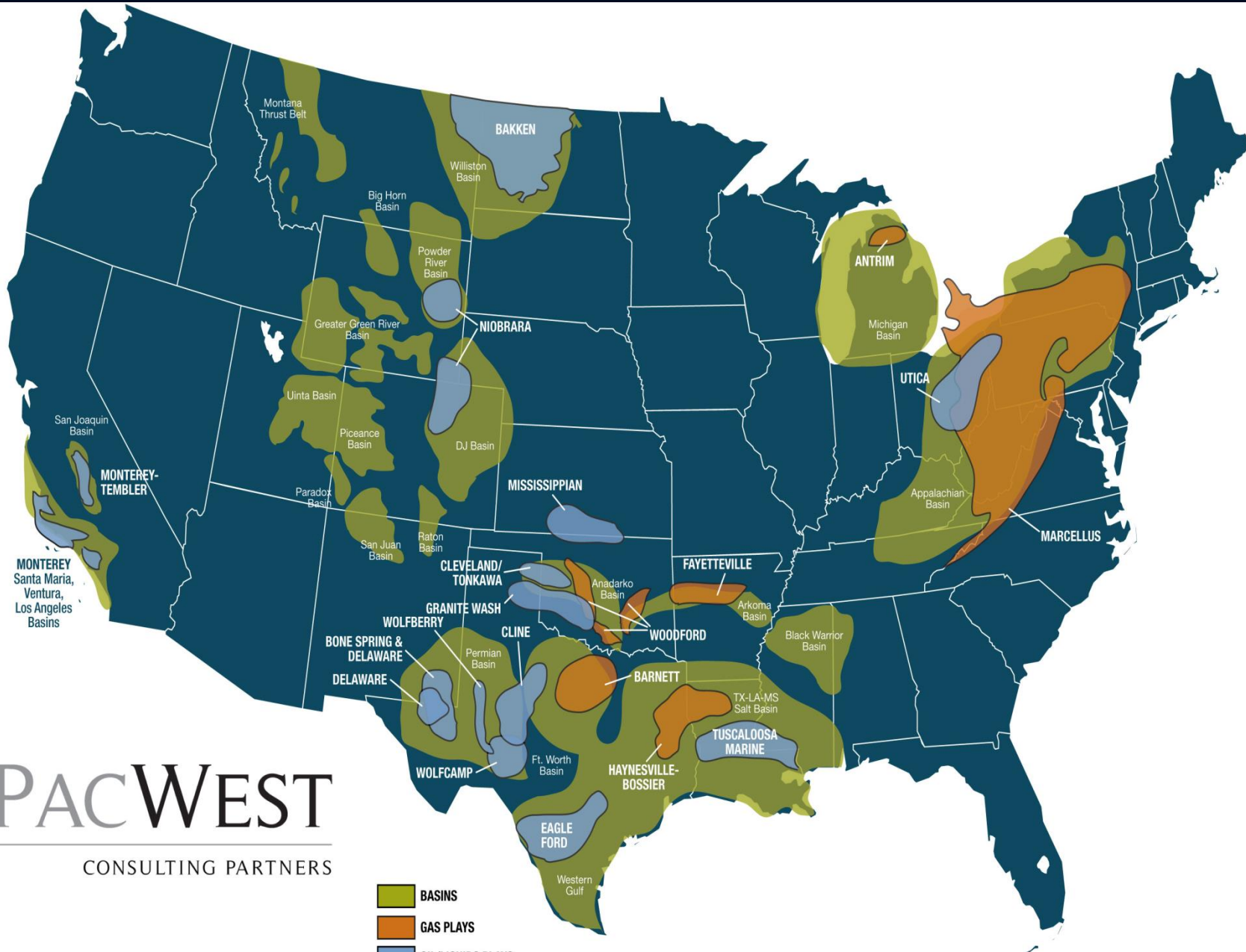
**U.S. Energy Consumption by Source**  
Energy Information Administration AEO 2014



## World Energy Consumption by Fuel

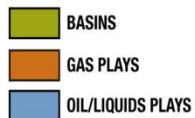


Source: U.S. Energy Information Administration



# PACWEST

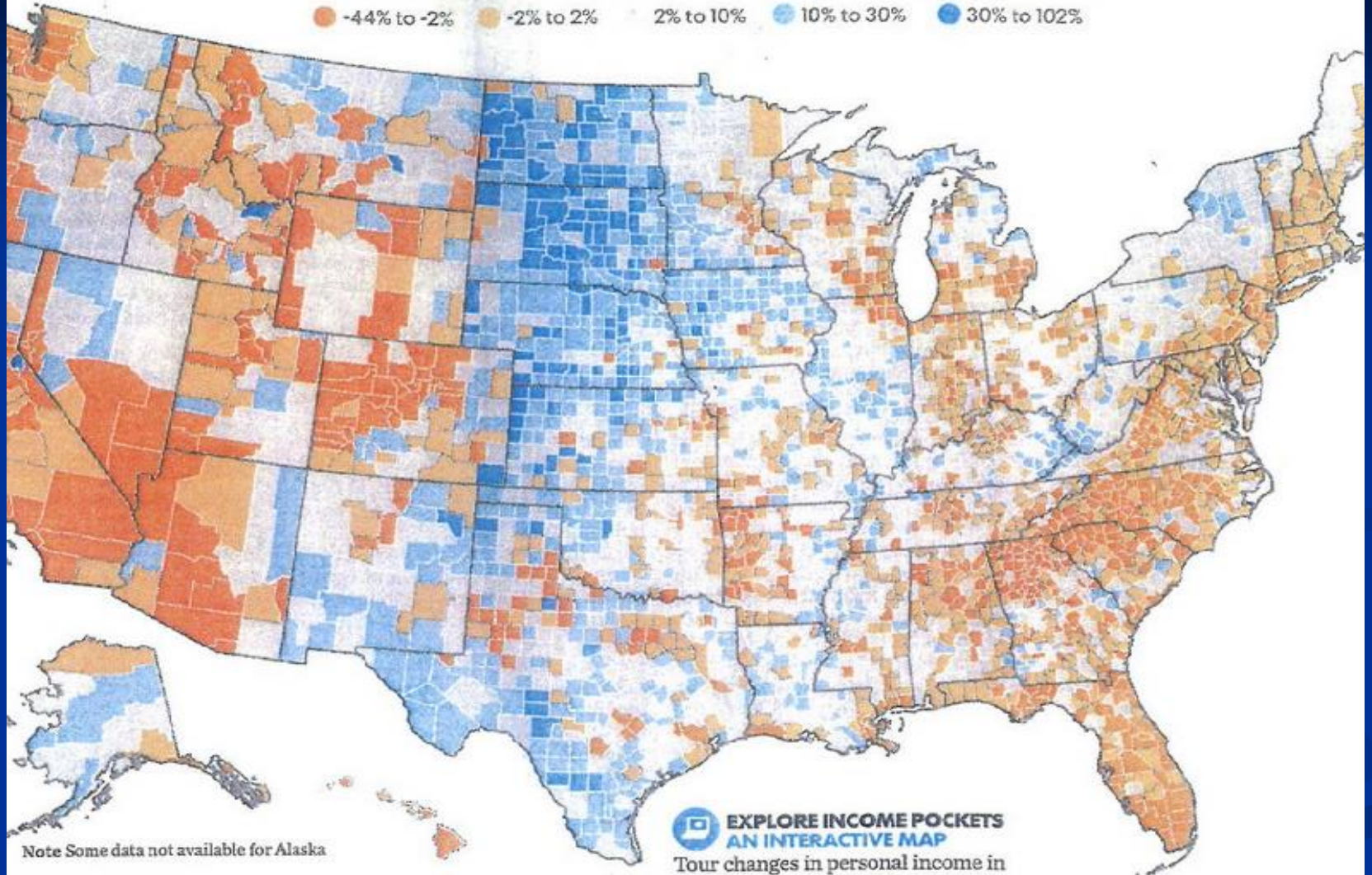
CONSULTING PARTNERS



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Per capita personal income, percent change from 2007 to 2011 (adjusted for inflation)

● -44% to -2%    ● -2% to 2%    ● 2% to 10%    ● 10% to 30%    ● 30% to 102%



Note Some data not available for Alaska

ureau of Economic Analysis  
AND JULIE SNIDER USA TODAY



**EXPLORE INCOME POCKETS**  
**AN INTERACTIVE MAP**

Tour changes in personal income in  
3,113 counties at [usatoday.com](http://usatoday.com)

# Who are Independents?

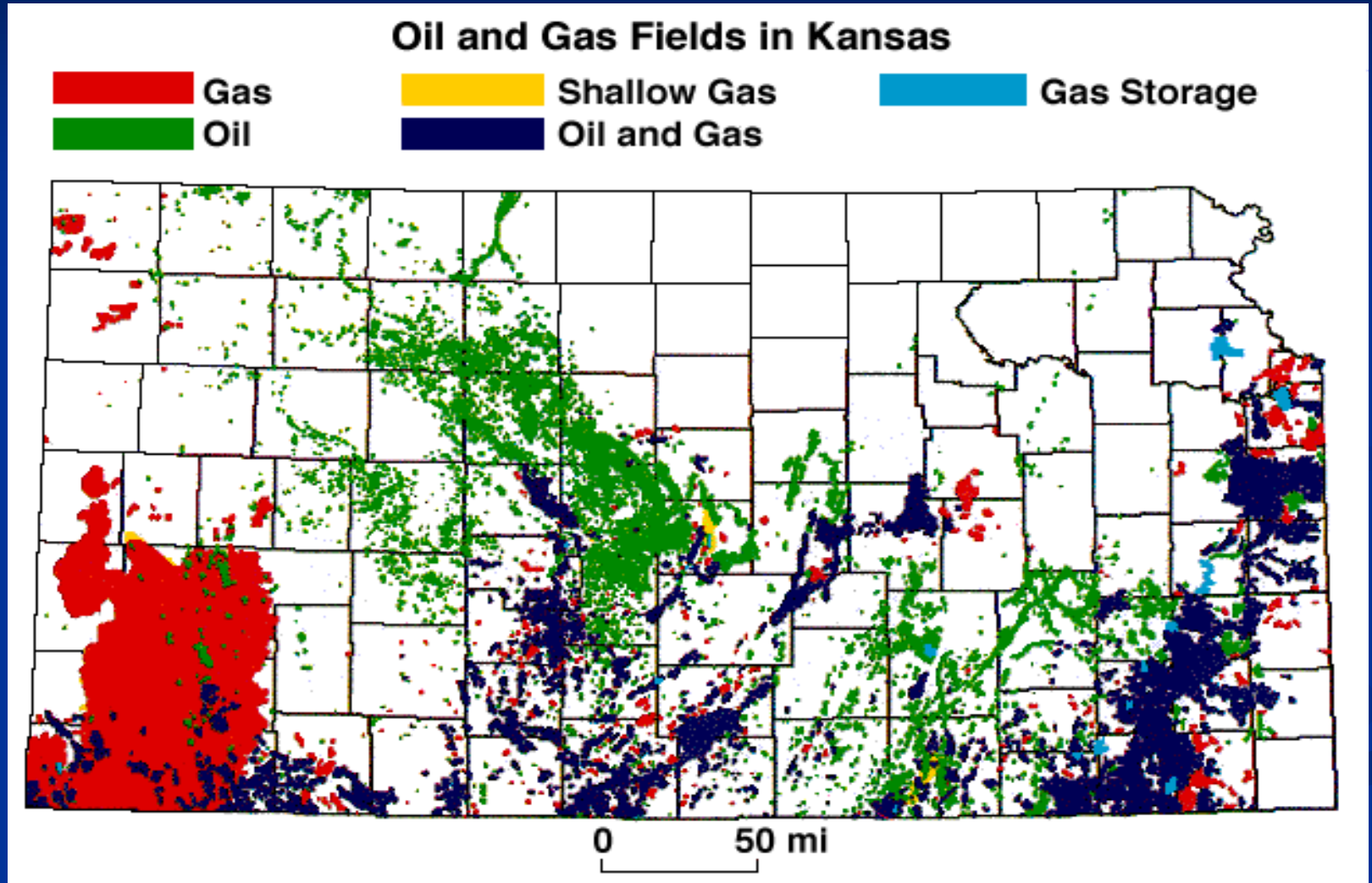
- Small Businesses
- Drill and produce crude oil and natural gas
- Not integrated
  - Sell crude and natural gas to purchasers
  - Do not generate and market end-products



# Kansas Oil & Gas Industry Statistics

- First Oil Well = 1860
  - Miami County
- First Natural Gas Well = 1873
  - Montgomery County
- Current # of Oil Wells = 40,850
- Current # of Gas Wells = 18,639
- Current # of Injection Wells = 15,428
- Current Total # of Wells = 74,654
- Current # of Operators = 2,113
- Current Oil Production
  - 49 Million Barrels Annually
  - 134,200 Barrels per Day
  - Increased 8 of last 9 years
  - Up 4.75% in 2014
  - Ranked 9<sup>th</sup> among 32 Oil Producing States
- Current Natural Gas Production
  - 281 Billion Cubic Feet Annually
  - 770 million Cubic Feet per Day
  - Ranked 12<sup>th</sup> among the 33 Natural Gas Producing States
- Drilling Permits Issued in 2014 = 7,100
  - Permits Issued in 2013 = 6,367
  - Permits Issued in 2012 = 6,991
- Number of Active Drilling Rigs = 82-133

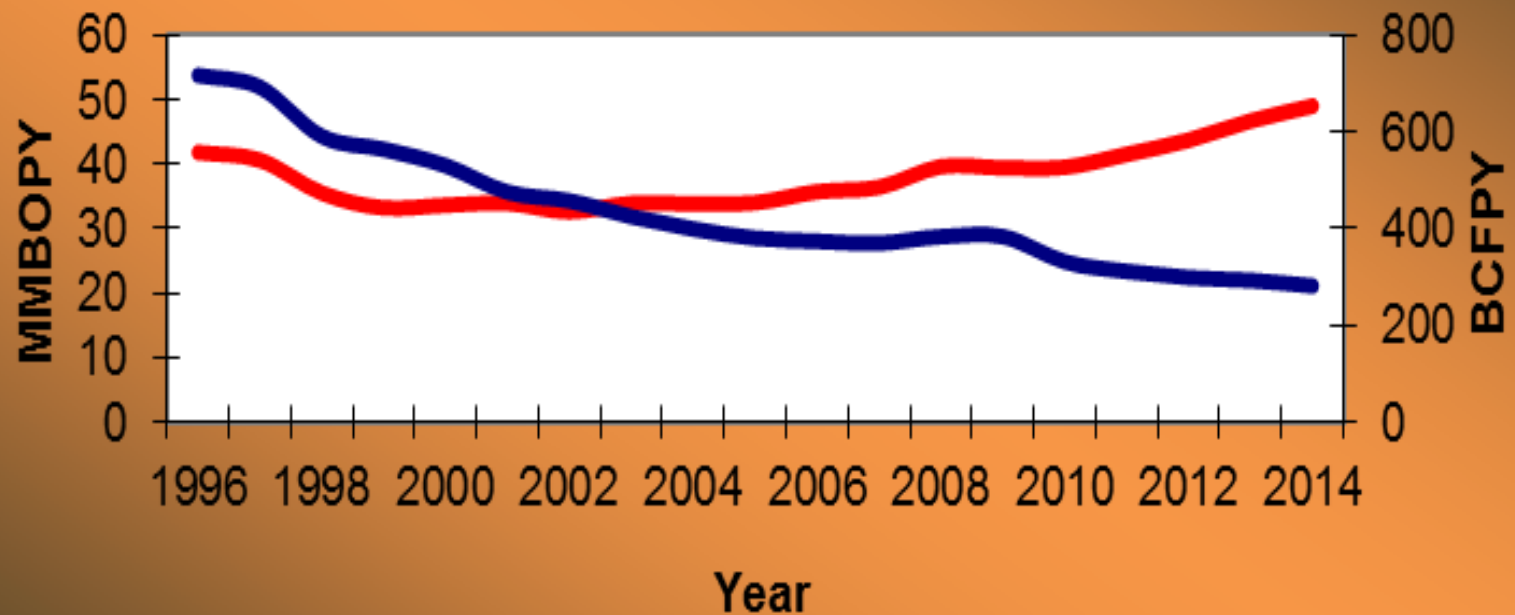
# Kansas Oil & Gas Fields



# Kansas Oil & Gas Industry Statistics

- Supports 118,000 Kansas Jobs and \$3 billion in family income
- Invests over \$1 billion in rural Kansas annually
- Average Daily Oil Well Production = 3.3 BOPD
  - 72% of Total Kansas Crude Oil Production from Marginal Wells
  - 94% of Total Kansas Oil Wells
- Average Daily Natural Gas Well Production = 41 Mcf/Day
  - 74% of Total Kansas Natural Gas Production from Marginal Wells
  - 81% of Total Kansas Natural Gas Wells

## Kansas Oil & Natural Gas Production 1995 - 2014



— Crude Oil Production — Natural Gas Production

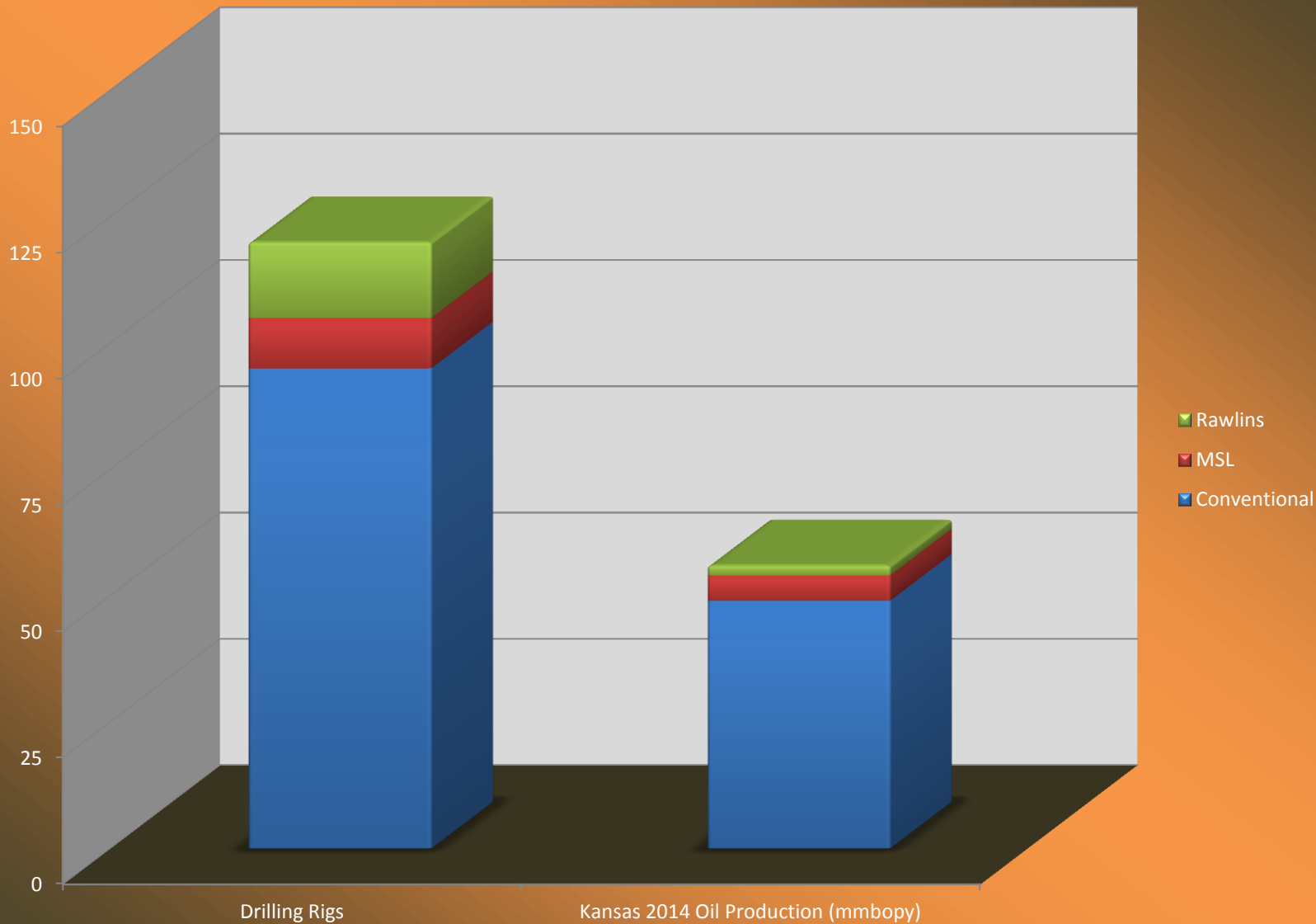
# Kansas Oil & Gas Industry Taxation

- Severance Tax up over 25% from last year
  - Oil tax collections up 113% over last 5 years
- Ad Valorem Tax up 9% from last year
  - Oil tax collections up 50% over last 5 years
- Average effective tax rate = 11.3%
  - Reduce ROI by 26.5%

# Mississippian Limestone Play

- 2014: 7,100 permits ~ 238 MSL
- 2013: 6,367 permits ~ 251 MSL
- 2012: 6,861 permits ~ 251 MSL
- 2011: 5,441 permits ~ 57 MSL
- 2010: 4,236 permits ~ 11 MSL
- 2010-2014: 30,005 permits ~ 808 MSL

## Kansas 2014 Oil & Gas Activity



# Key Challenges Facing the Kansas Oil & Gas Industry

- Crude Oil Prices
- Federal Tax Provisions are Critical
  - Repealing oil & gas tax provisions would result in \$3.9 billion negative impact on the Kansas economy ~ Reducing Kansas jobs ~ Increasing dependence on foreign energy supplies
- Federal Regulatory Over-reach
  - Endangered Species - Air Emissions - WOTUS - and more
  - Industry targeted by numerous federal regulatory agencies
    - EPA – USFWS – OSHA - Others
  - Need common sense regulatory structure
    - Invites input from industry – basis rulemakings on sound science – use legitimate cost/benefit analyses

# Energy Policy

- What would a national energy policy look like?
- What should the role of policy be in determining the future energy profile?
- Currently trapped by zero-sum game philosophy for energy
- We no longer live in a world of energy scarcity
- North American energy independent within a decade



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# Form Strategic Coalitions

- Council for a Secure America (CSA)
  - Onshore independent oil and gas industry - American Jewish Community
  - [www.councilforasecureamerica.org](http://www.councilforasecureamerica.org)



# KIOGA Editorials and Media Responses



# Energy for the Future



# Thank You



## [www.kioga.org](http://www.kioga.org)

# Kansas Independent Oil & Gas Association

## Edward Cross, President

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