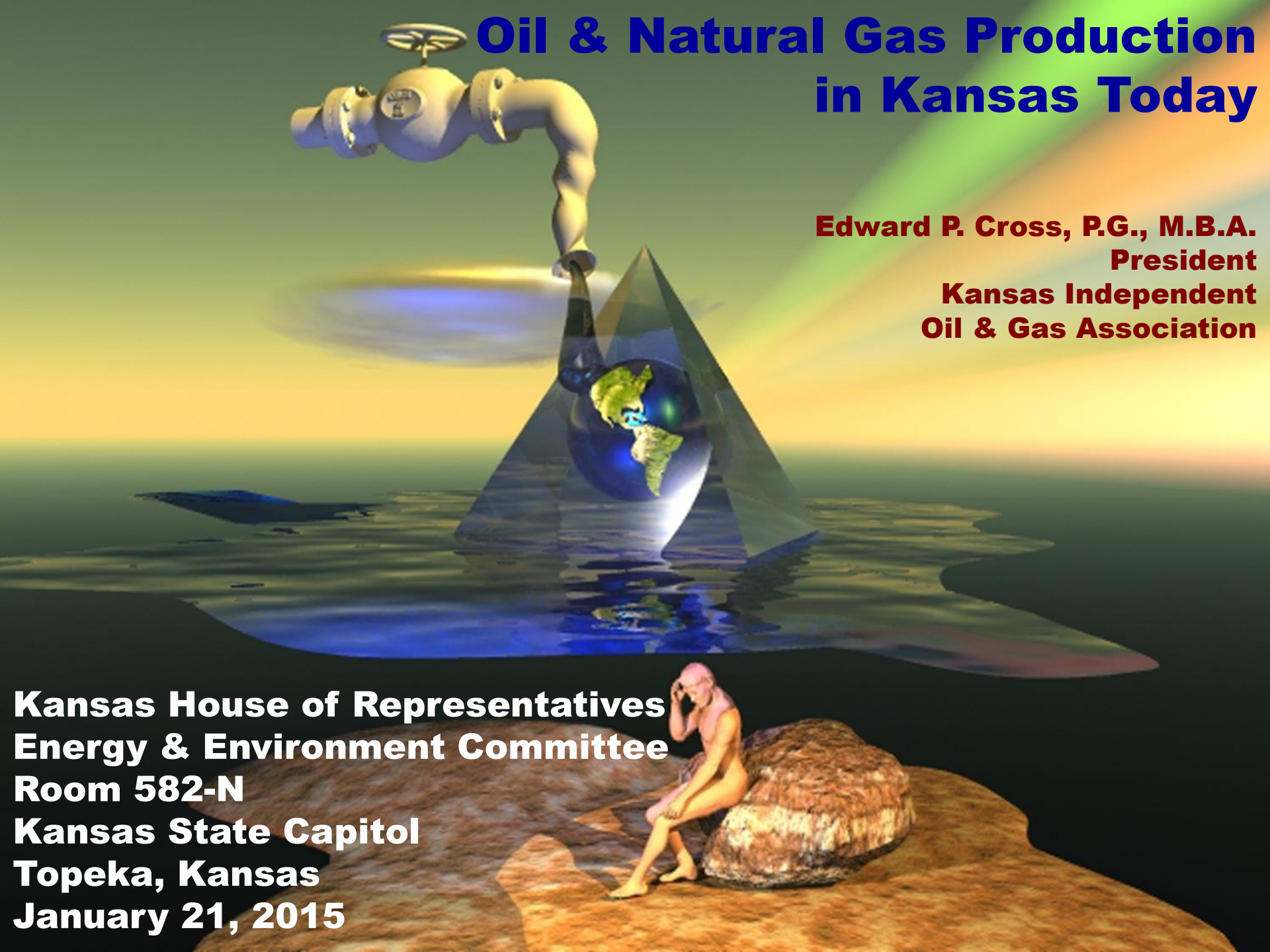


Oil & Natural Gas Production in Kansas Today

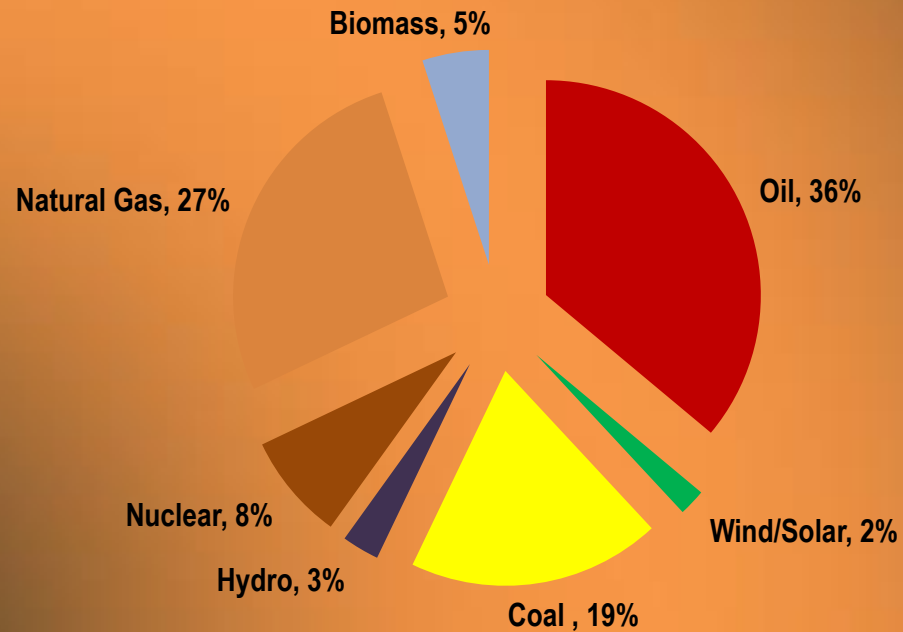
**Edward P. Cross, P.G., M.B.A.
President
Kansas Independent
Oil & Gas Association**

**Kansas House of Representatives
Energy & Environment Committee
Room 582-N
Kansas State Capitol
Topeka, Kansas
January 21, 2015**

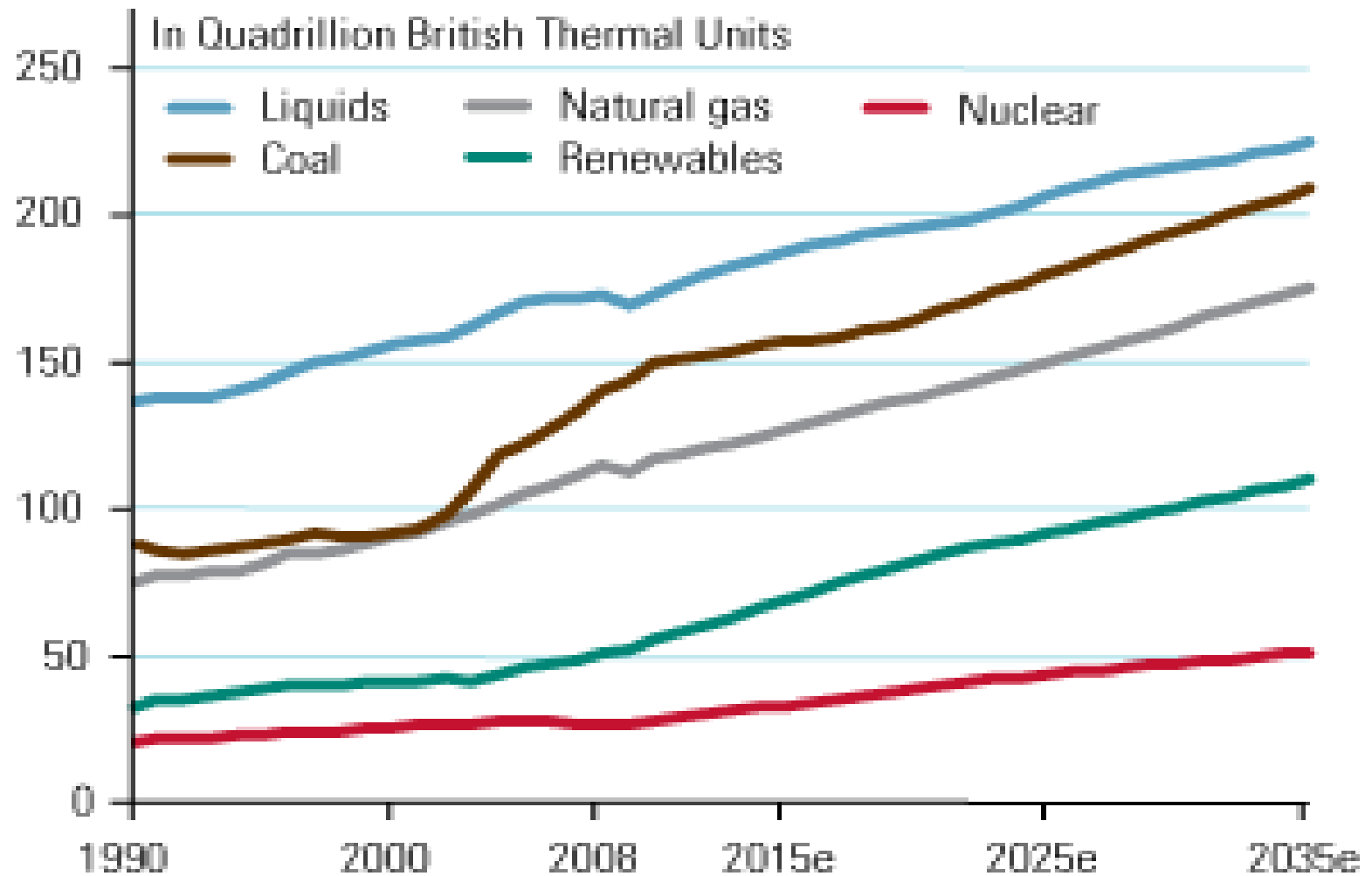


What Powers the U.S.

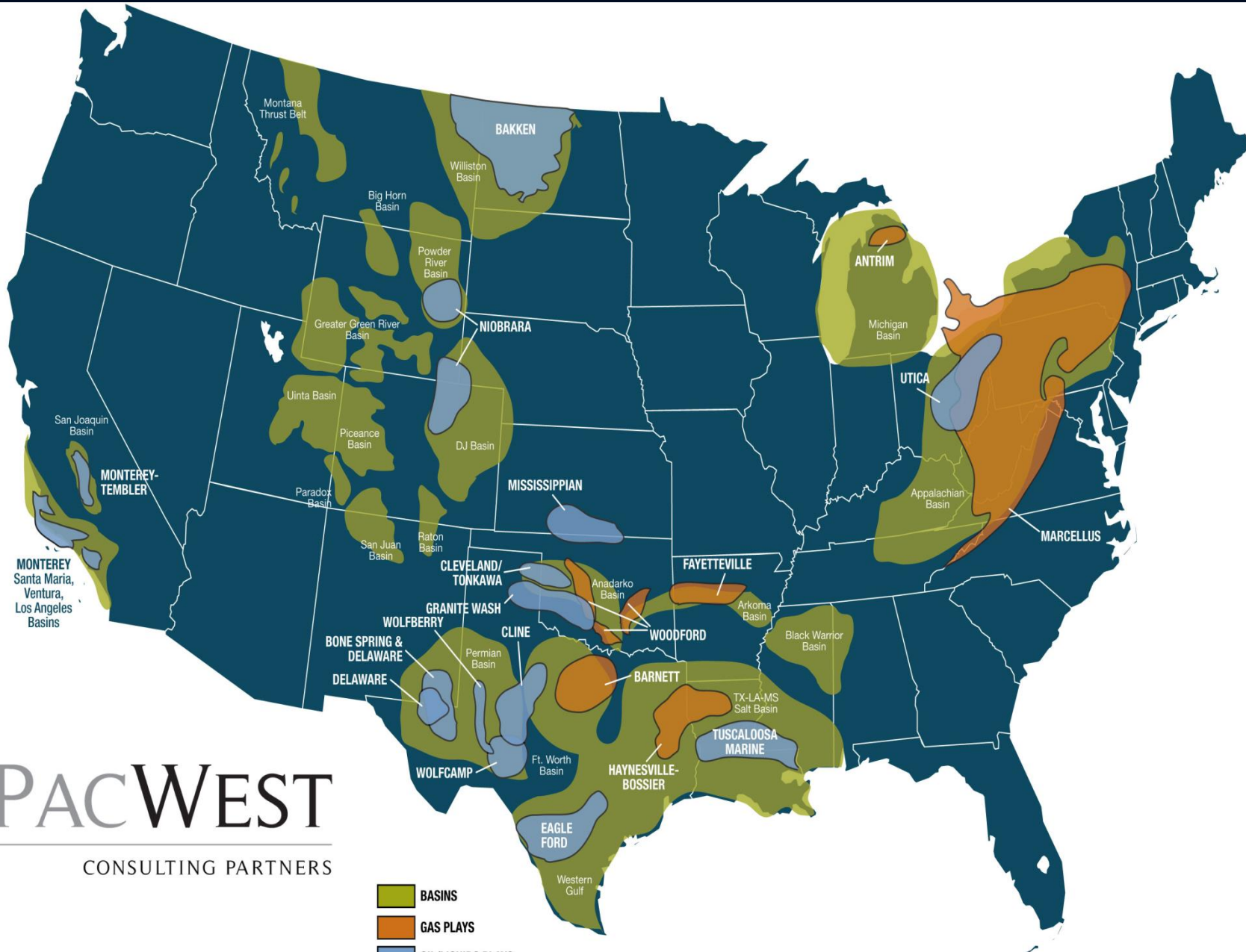
U.S. Energy Consumption by Source
Energy Information Administration AEO 2014



World Energy Consumption by Fuel



Source: U.S. Energy Information Administration

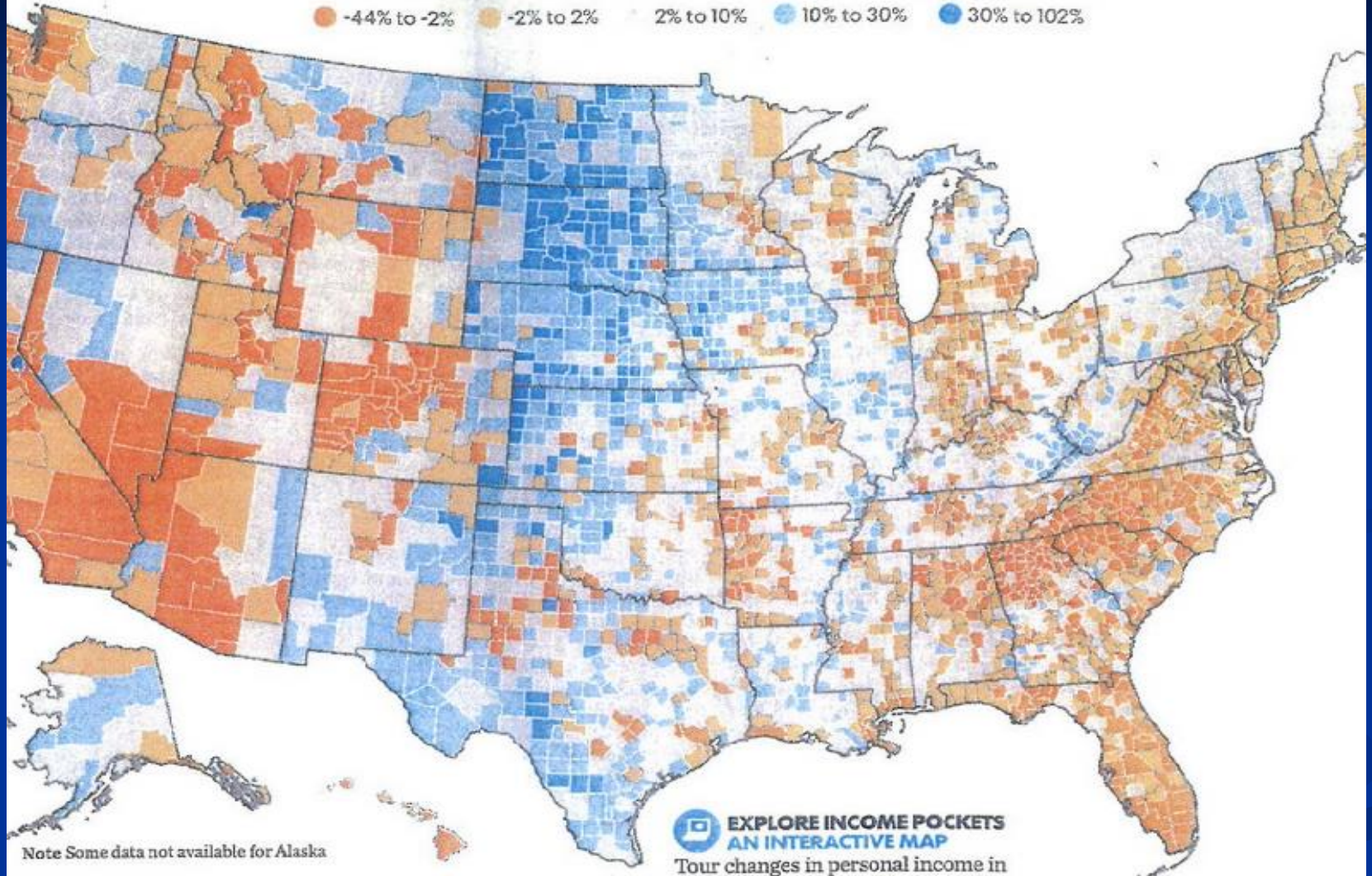


PACWEST

CONSULTING PARTNERS

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

Who are Independents?

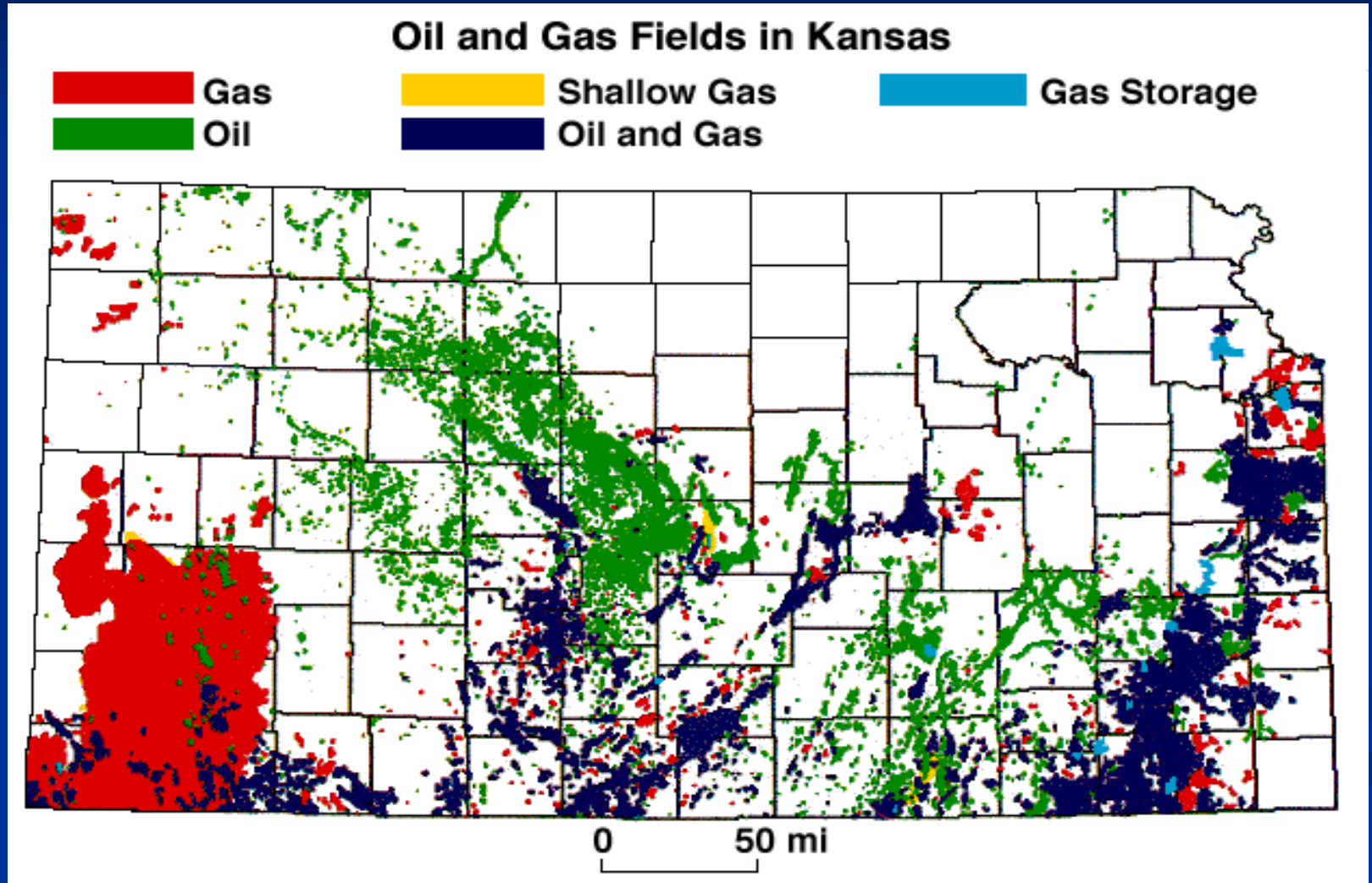
- Small Businesses
- Drill and produce crude oil and natural gas
- Not integrated
 - Sell crude and natural gas to purchasers
 - Do not generate and market end-products



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 9th among 32 Oil Producing States
- Current Natural Gas Production
 - 281 Billion Cubic Feet Annually
 - 770 million Cubic Feet per Day
 - Ranked 12th 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

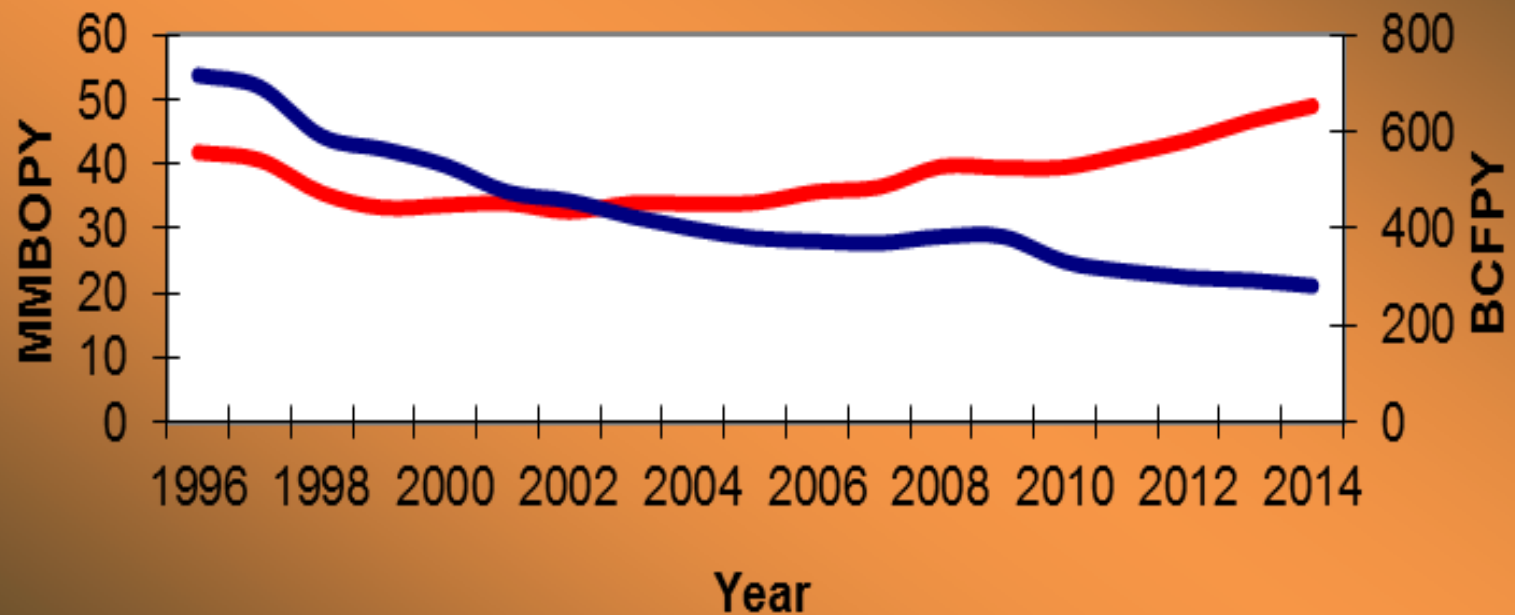
Kansas Oil & Gas Fields



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

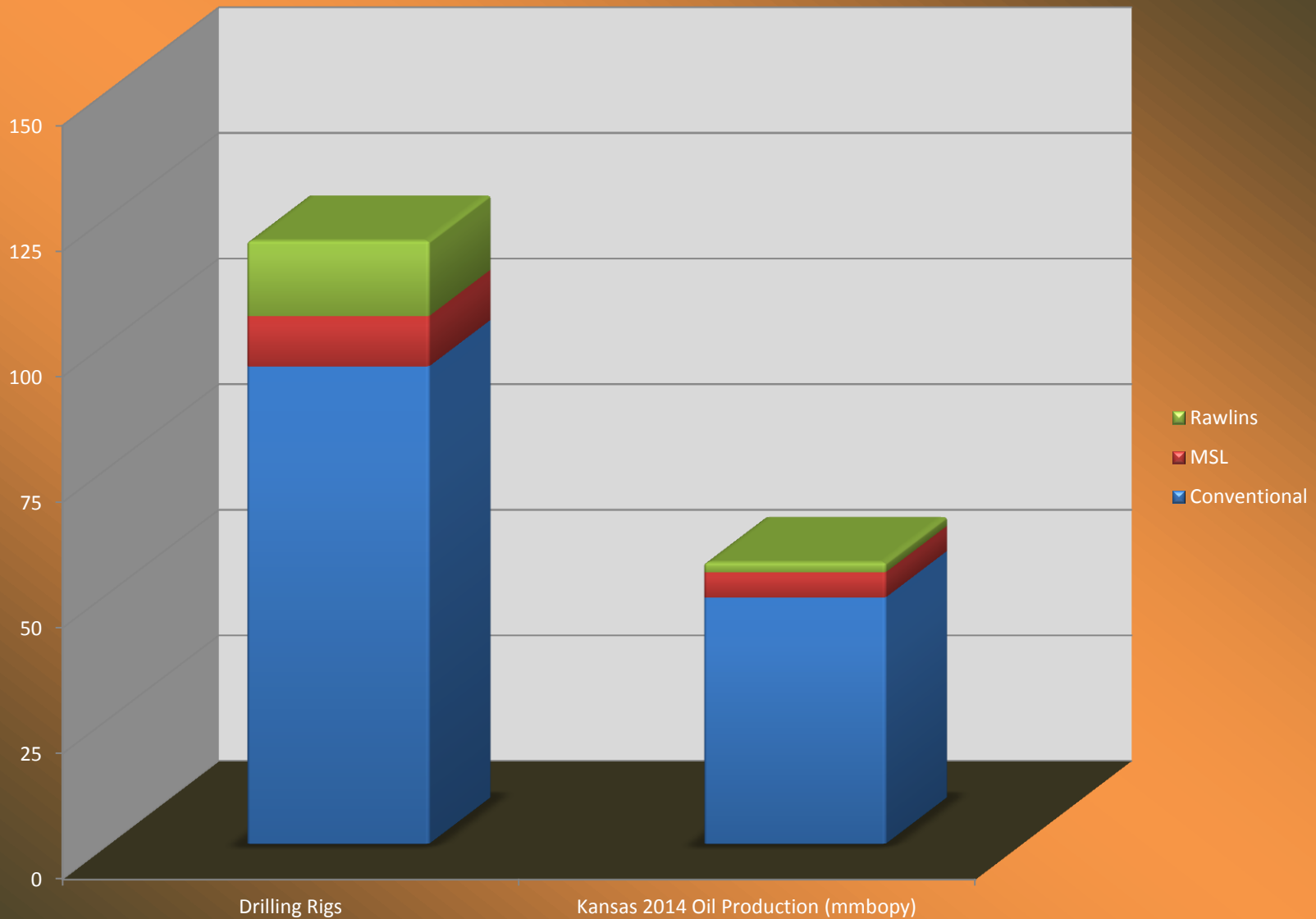
Kansas Oil & Gas Industry Taxation

- 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



KIOGA

Form Strategic Coalitions

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



KIOGA Editorials and Media Responses



Energy for the Future



Thank You



www.kioga.org

Kansas Independent Oil & Gas Association
Edward Cross, President