UNAPOLOGETICALLY FUELING A STRONGER OKLAHOMA

Jon Bargas
OIPA-OKOGA, SVP
Face of the Industry

- A unified voice to highlight the positive impact the industry has on Oklahoma is critical to our long-term success

- The merger of Oklahoma Oil & Gas Association (OKOGA) and the Oklahoma Independent Petroleum Association (OIPA)

- The largest statewide oil and gas advocacy organization in United States – representing over 1,300 companies
U.S. Oil & Natural Gas Production Transformation
U.S. crude oil production

Source: U.S. Energy Information Administration

Oil Imports Plunge As U.S. Oil and Natural Gas Production Increases

Source: U.S. Energy Information Administration
Figure 1. U.S. crude oil exports (1920-2018)

Industry’s Critical Role in America

Growth in Oil & Gas Employment Outpaces the Rest of the Economy

Source: FRED, Federal Reserve Bank of St. Louis
The Falling Cost of Energy

Source: Energy Information Administration
Who Gets Taxpayer Subsidies?

Federal subsidies per megawatt-hour

- Natural Gas and Petroleum: -$0.54
- Nuclear: $0.46
- Coal: $1.04
- Wind: $5.75
- Solar: $43.75

Source: EIA (FY 2016)
What’s up with Oklahoma production?
Oklahoma Dry Natural Gas Production

Million Cubic Feet

Source: U.S. Energy Information Administration
Oklahoma natural gas could be headed to China

by ADAM WILMOTH
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A construction project and a trade deal soon could send natural gas from Oklahoma to China and other overseas markets.
Industry’s Critical Role in Oklahoma

Unemployment at 3.5%, and oil field employment at 87,400 – up over 12% since last year

1 in 6
Jobs in Oklahoma are tied to energy

25%
Of all taxes paid in Oklahoma come from the oil and natural gas industry – the largest contributor

$2.11B
Contributed to state’s education over the last ten years, from GPT alone

$225M+
Industry taxes were dedicated to education funding in FY18

$94,000+
Average Oklahoma industry employee earns more than per year
Reducing Seismicity

- Oklahoma Corporation Commission has directed the reduction of wastewater disposal volumes by nearly 1 million barrels a day.
- For 2+ years, regulators, researchers and oil and gas industry experts have collaborated to find solutions to reduce seismicity.
- Industry has provided millions of dollars to reducing seismicity.
- Legislation passed to strengthen state’s ability to take action.
In 2018, Oklahoma earthquakes **declined** while production and drilling **increased**.

Seismicity Facts

- **76%** Oklahoma felt earthquakes in 2018 from 2015 levels
- **18%** Oklahoma oil production in 2018 from 2015 levels
- **9%** Oklahoma average rig counts in 2018 from 2015 levels

Sources: U.S. Energy Information Administration, United States Geological Survey and Baker Hughes

*Note: Based on latest available data as of July 1, 2018.*
Earthquakes, Injection, Oil Production

- M3.0+ OK Earthquakes
- OK Oil Production X10
- AOI Injection
Industry Contributions to Education

Distribution of GPT

- School Districts
- Common Education Technical Fund
- Higher Education Capital Fund
- Oklahoma Student Aid Revolving Fund

$225,977,244
$467,744,416

Industry Contribution

$693,721,660

Oil & Gas Industry Contribution to Education, 2018
More Than 2 Million Students
grades K-12 Oklahoma students reached since 1996 through OERB energy education programs.
On Average, 40,000 Students

grades K-12 Oklahoma students attend free field trips as part of the OERB energy education curricula.
More than 16,000 Teachers throughout the state trained in OERB’s energy education curricula.
Community STEM Nights
throughout the year in mostly rural communities, each attracting up to 1,600 students, parents and educators.
$2 Million Annual STEM Grants
started in 2018, available to EVERY Oklahoma public school system.
Thanks For Nothing
Oklahoma Tax Hikes on Oil & Gas: A Brief History

Increase after increase has yet to solve our state’s budget woes.

2015
Lawmakers increased taxes on enhanced production and three-dimensional seismic surveys.

2016
Oklahoma faced another budget shortfall, and the legislature raised taxes on oil & gas by an additional $120 million.

2017
The Oklahoma legislature increased the tax rate on recently drilled horizontal wells by 300%; three months later, lawmakers nearly doubled it again.

2018
The legislature increased the tax rate on new producing wells by 300%.
A Low-Tax State?

Oklahoma has the third-highest overall tax rate in the nation for oil and natural gas companies.

# Single Largest Threat to Development

<table>
<thead>
<tr>
<th>Regulation</th>
<th>Oklahoma City</th>
<th>Edmond</th>
<th>Oklahoma</th>
<th>Piedmont</th>
<th>Yukon</th>
<th>Mustang</th>
<th>Newcastle</th>
<th>Stillwater</th>
<th>Newcastle</th>
<th>Standard</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permit Fee</td>
<td>$2,750</td>
<td>$3,500</td>
<td>$15,000</td>
<td>$14,000</td>
<td>$7,500</td>
<td>$7,500</td>
<td>$5,000</td>
<td>$15,000</td>
<td>$15,000</td>
<td>$7,500</td>
</tr>
<tr>
<td>Setback</td>
<td>600' of the well, but requires special rules within 600'</td>
<td>700'</td>
<td>1,000'</td>
<td>700'</td>
<td>300'</td>
<td>700'</td>
<td>700'</td>
<td>600'</td>
<td>600'</td>
<td>700'</td>
</tr>
<tr>
<td>Traffic</td>
<td>City inspector approves route</td>
<td>Street Usage Fee $25,000/acre for the first 5 years; $10,000/acre for the remaining life of the well</td>
<td>City inspector approves route</td>
<td>City approves route (Planning Commission and City Council)</td>
<td>Lease roads well maintained at least 25' wide Non-specific about traffic route otherwise</td>
<td>Route and permit approved by City Council</td>
<td>City decides official route but DOT load permit transposes City</td>
<td>Route defined by the City Council but Blanchard will Comply with ODOT recommendations – baseline video of truck route entering Corporate City Limits to site location</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fencing</td>
<td>Site proof within 600'</td>
<td>6' tall stake- proof fencing with gates locked</td>
<td>5 strand barbed wire</td>
<td>Nine-gauge chain link wire mesh at least 6' high with locked gates</td>
<td>Site proof fencing within 600’ from any dwelling. Outside of 600’ either stockade fence or nine-gauge chain link</td>
<td>Site proof fencing within 600’ from any dwelling. Outside of 600’ either stockade fence or nine-gauge chain link</td>
<td>Within 90 days of completion-opaque permanent 8’ fencing to secure production site – may be reduced to 6’ if vegetation on trees planted</td>
<td>Security fencing within 30’ of other property or vehicle openings not &gt;20’ wide</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Noise</td>
<td>Eliminate noise in accordance with best practices</td>
<td>Eliminate noise in accordance with best practices</td>
<td>45 dB</td>
<td>Eliminate noise in accordance with best practices</td>
<td>70 dB</td>
<td>69 dB</td>
<td>Noise abatement analysis – 75 dB measured @ 10’ of PU</td>
<td>Daytime 90 dB; 6am-9am; 6pm-9pm; evening limited to single work shift</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Misc.</td>
<td>N/A</td>
<td>Banned Soil Farming and SWD, time restrictions on operations</td>
<td>No SWD, time restrictions for tank trucks</td>
<td></td>
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</tr>
</tbody>
</table>
Future of the Oil & Natural Gas Industry in Oklahoma

Unapologetic Commitment to the Success of Oklahoma

- Responsible and safe production by mitigating seismicity
- Supporting a strong education system empowered by talented teachers
- Secure a fair and stable operating environment
Naftalan (Azerbaijan) (AFP) - Immersed up to her neck in a dark viscous liquid, Sufiya smiles in delight, confident that the fetid substance will cure her painful condition.
OKLAHOMA'S OIL AND NATURAL GAS INDUSTRY