

Ed Cross

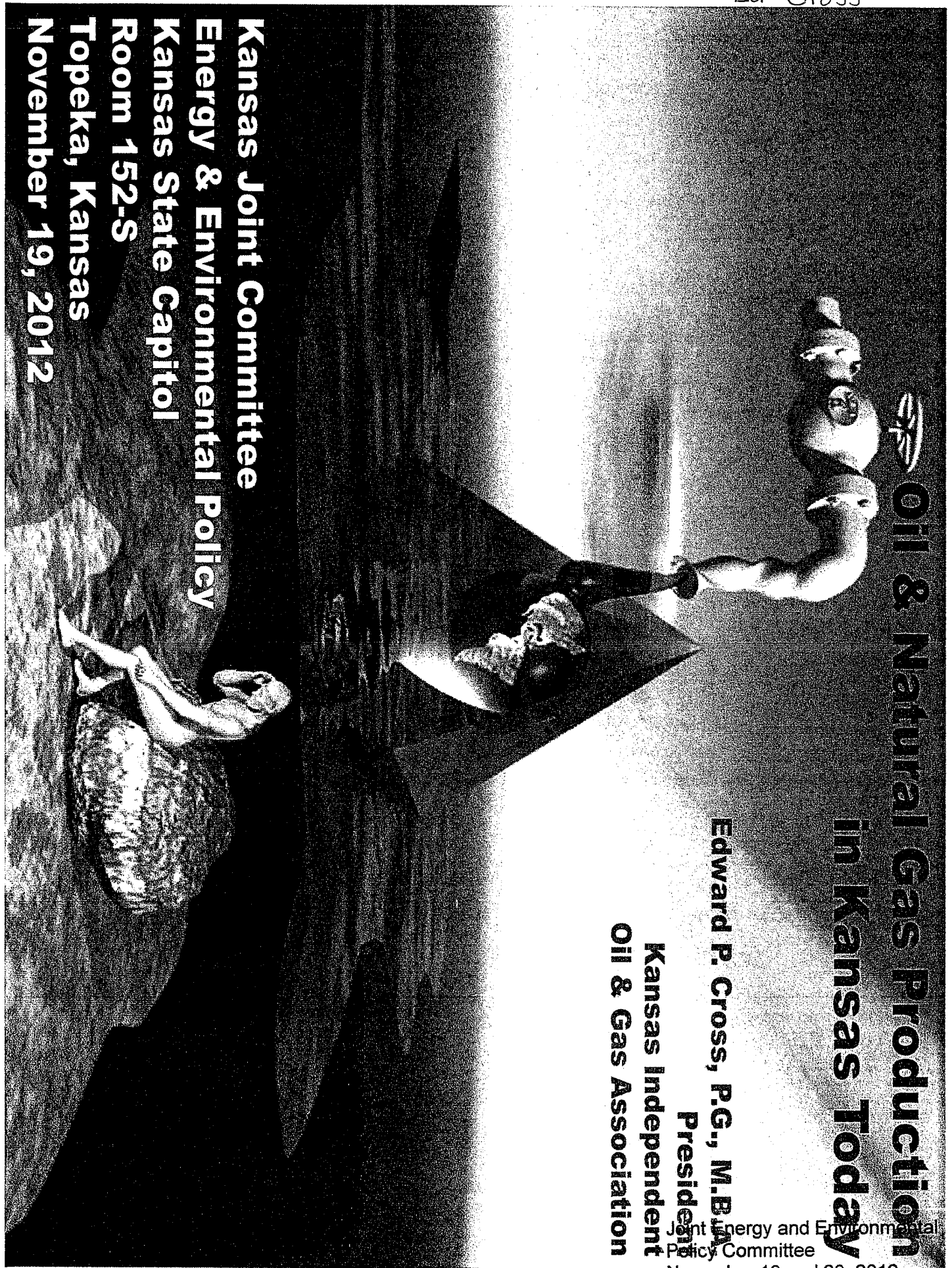


Oil & Natural Gas Production in Kansas Today

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

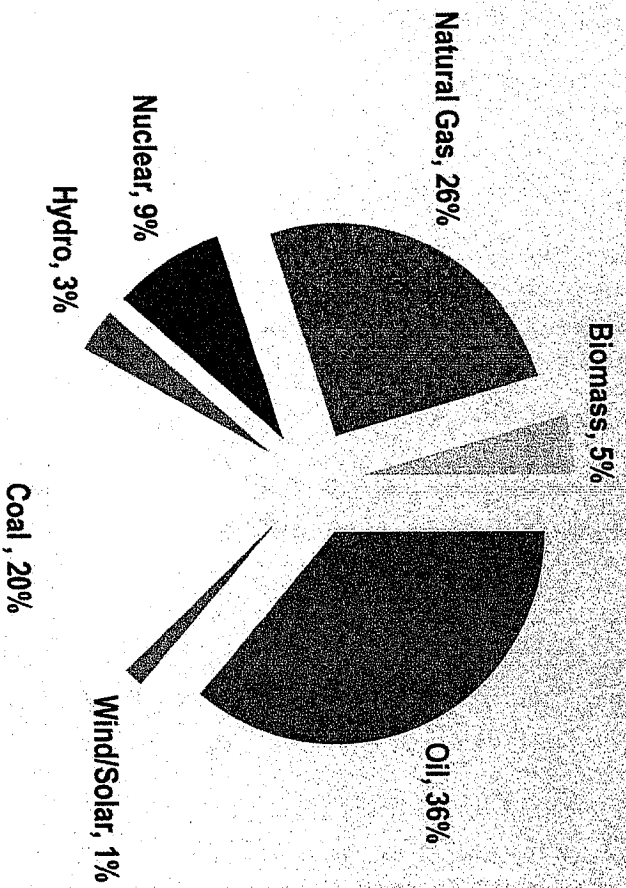
Joint Energy and Environmental
Policy Committee
November 19 and 20, 2012
Attachment: 2

**Kansas Joint Committee
Energy & Environmental Policy
Kansas State Capitol
Room 152-S
Topeka, Kansas
November 19, 2012**



What Powers the U.S.

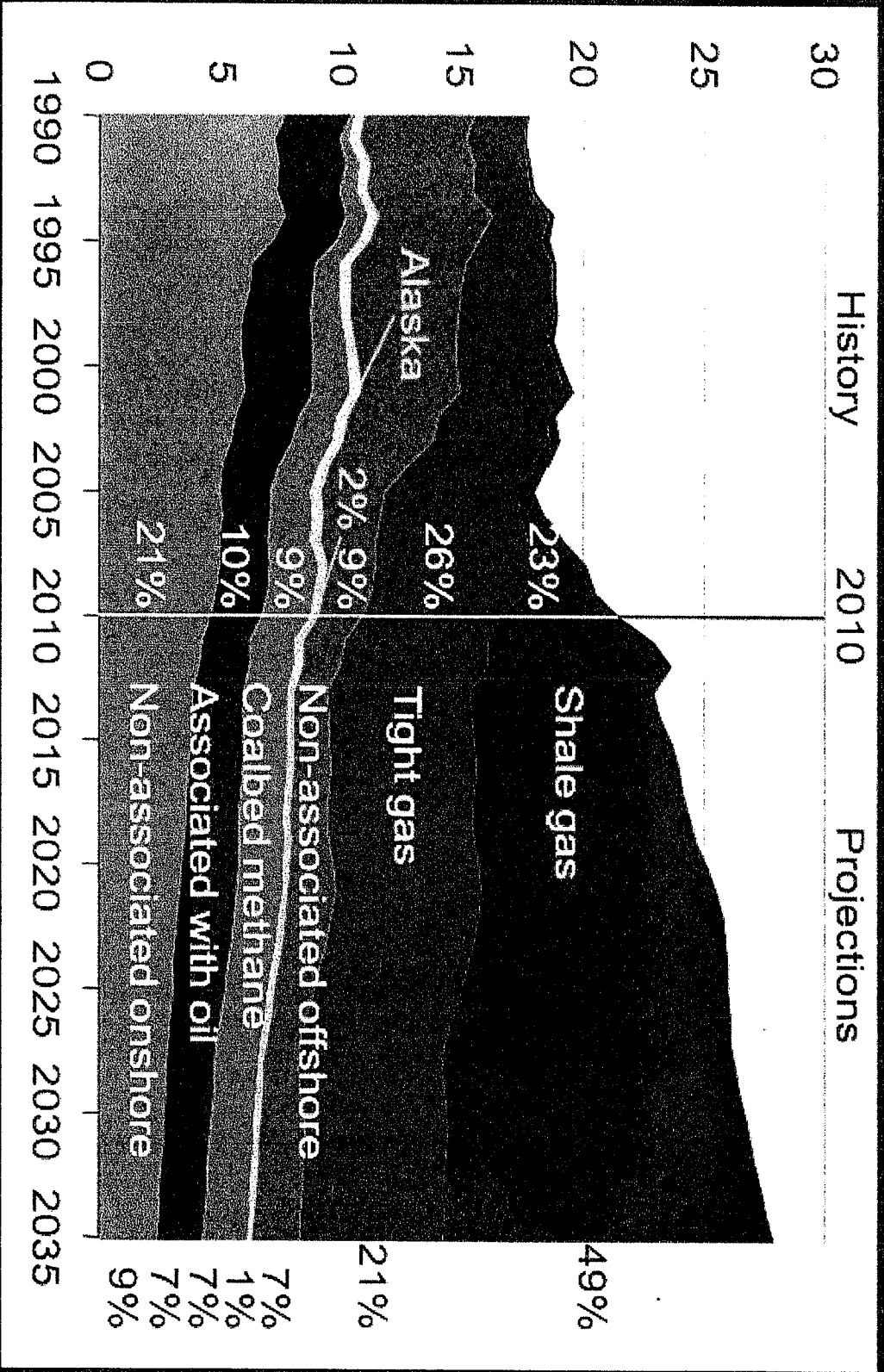
U.S. Energy Consumption by Source
Energy Information Administration AEO 2012



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U.S. Natural Gas Production

1990-2035

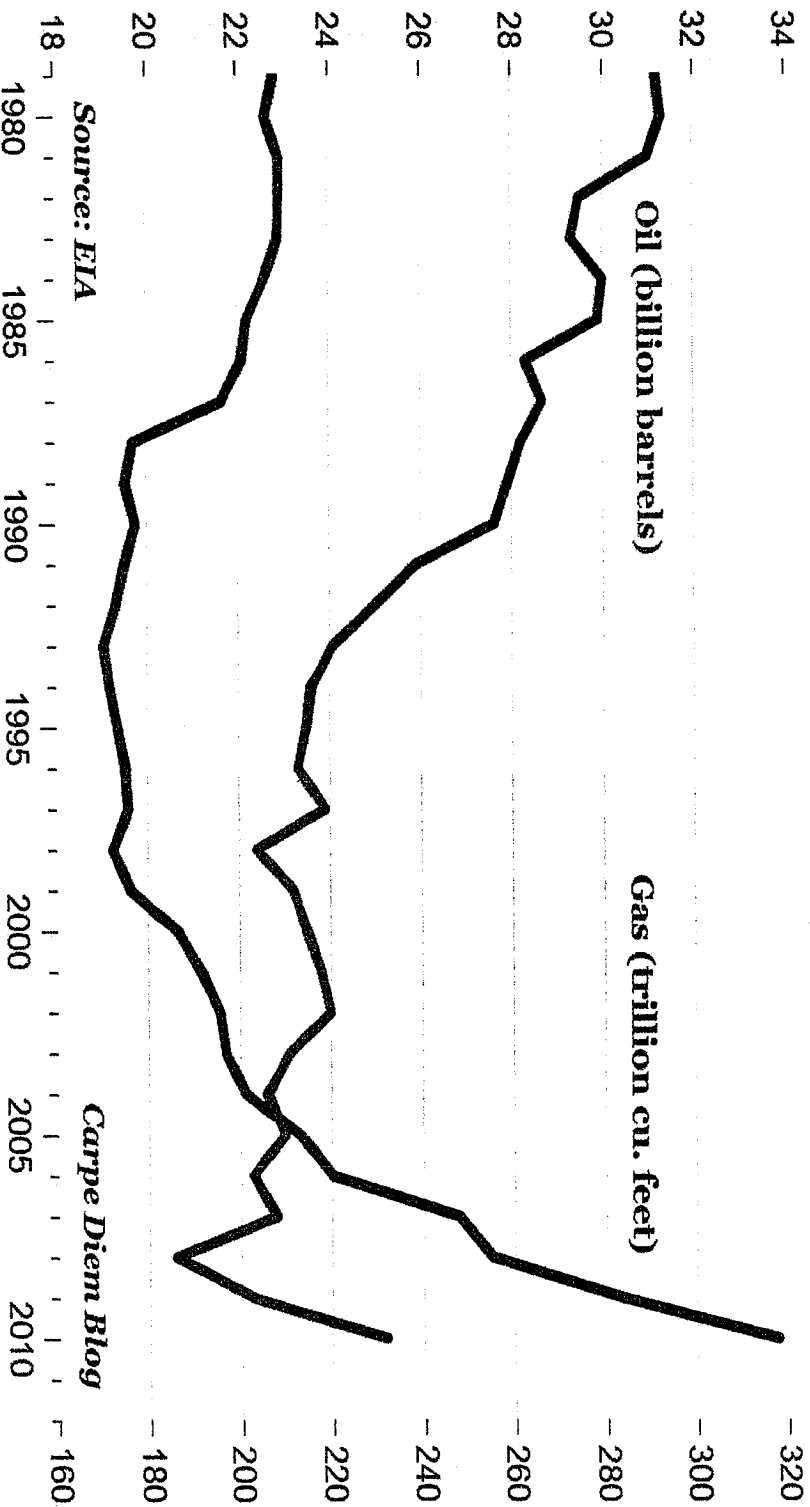


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Are we about to enter the age of fossil fuels?

2-4

U.S. Oil and Natural Gas Proved Reserves, 1979-2010

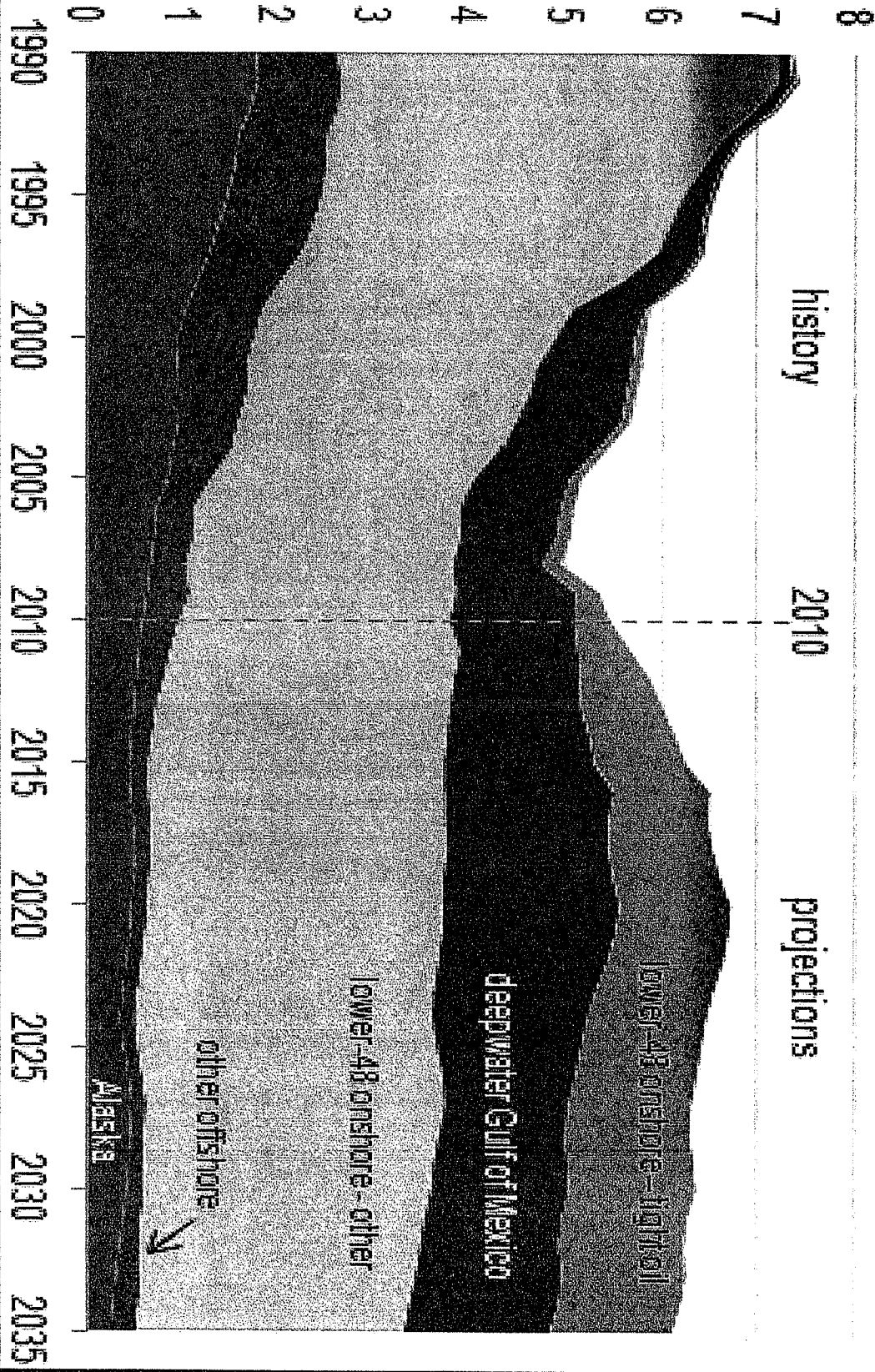


Source: EIA

Carpe Diem Blog

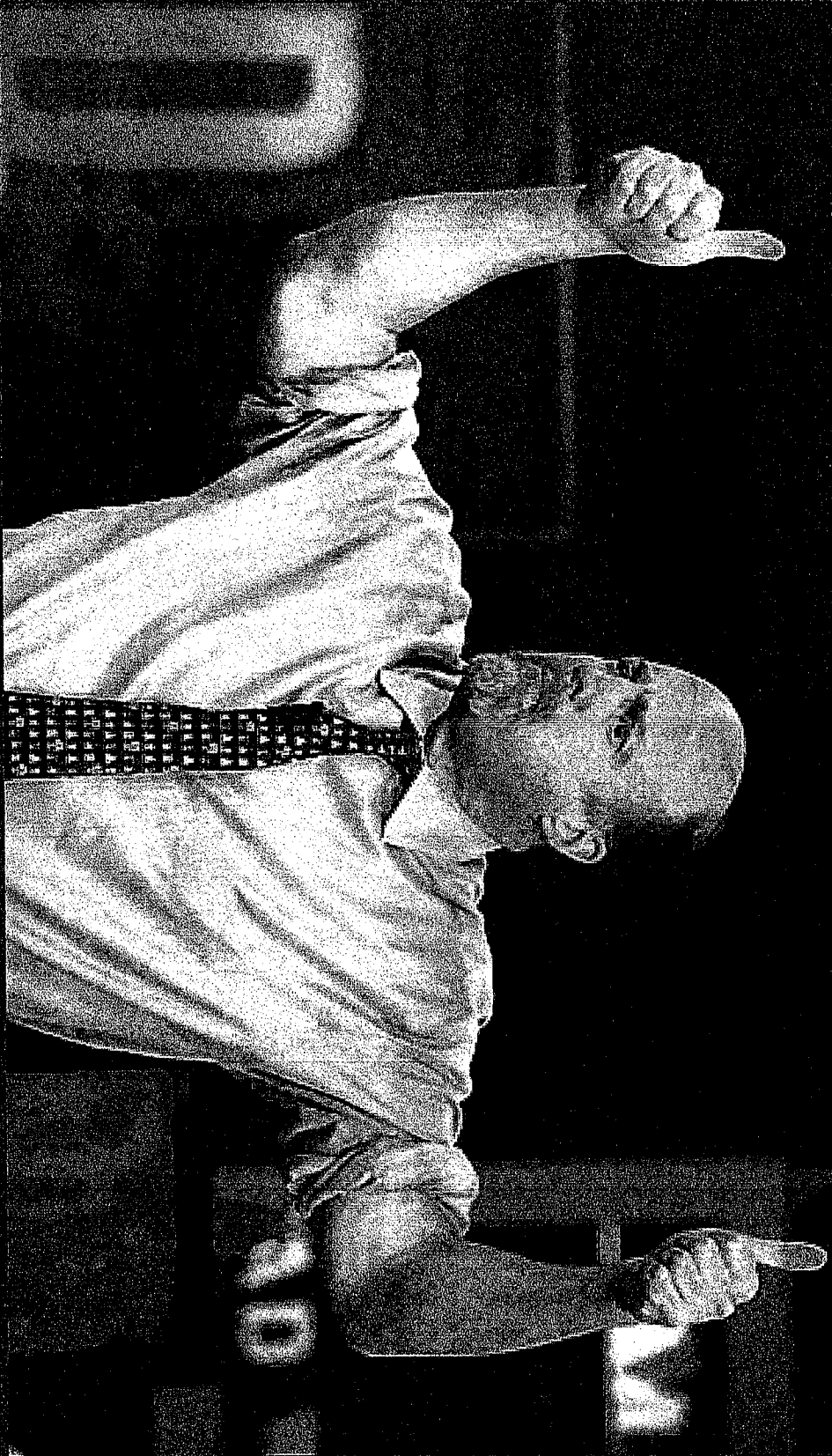
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U.S. crude oil production million barrels per day



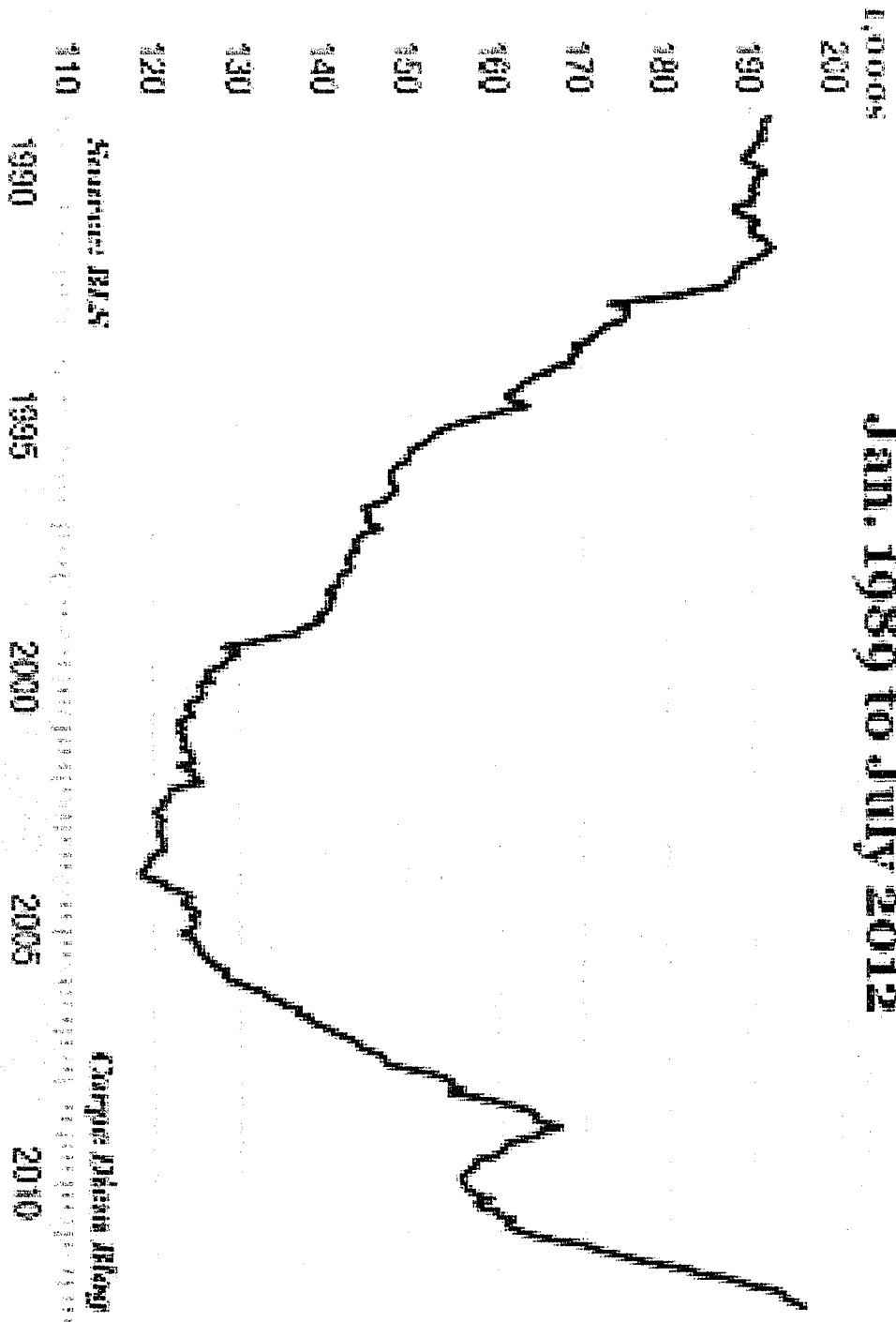
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CRAMER'S TOP ENERGY PLAYS



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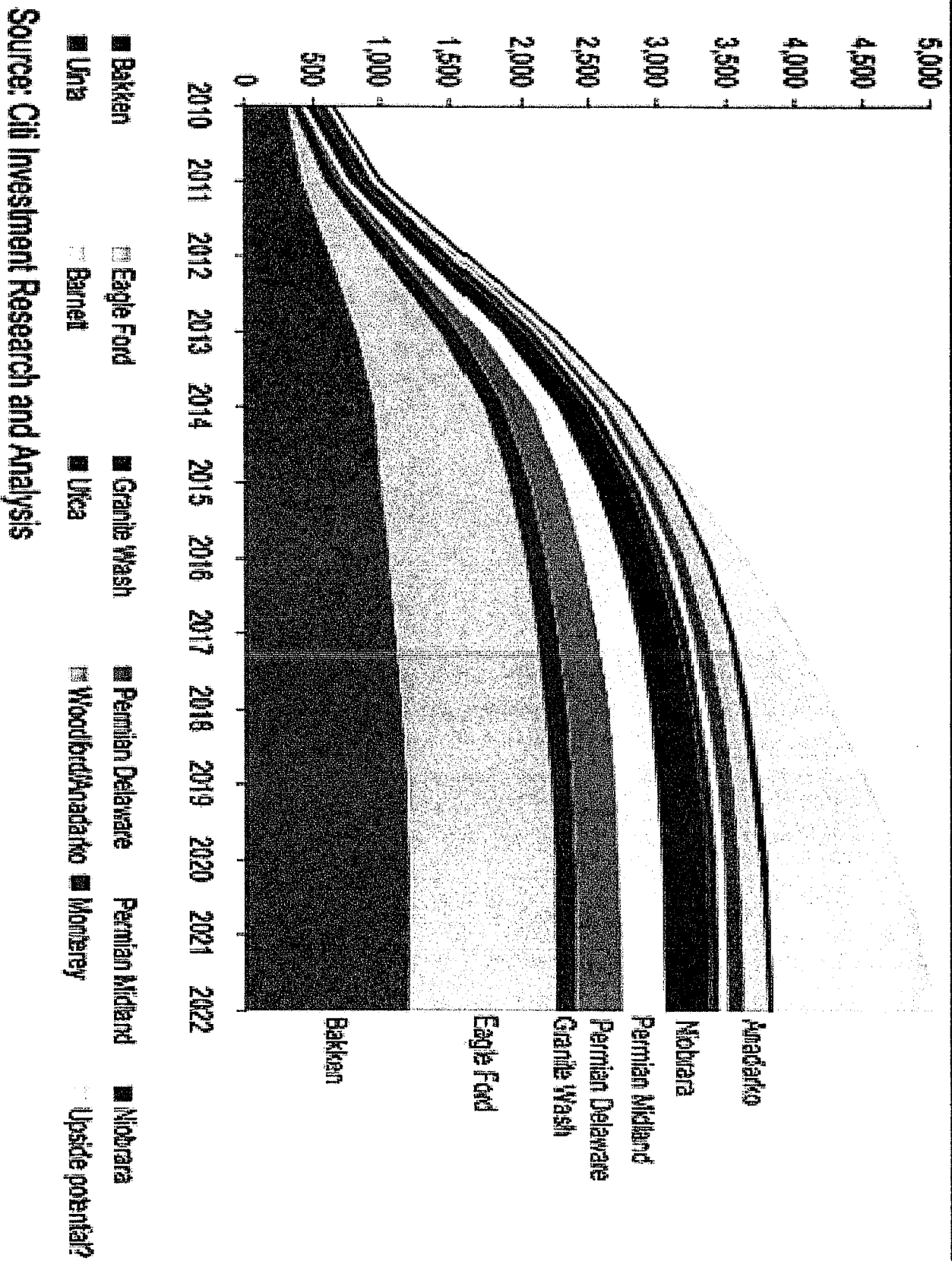
U.S. Oil and Gas Jobs Jan. 1989 to July 2012



Source: BLS

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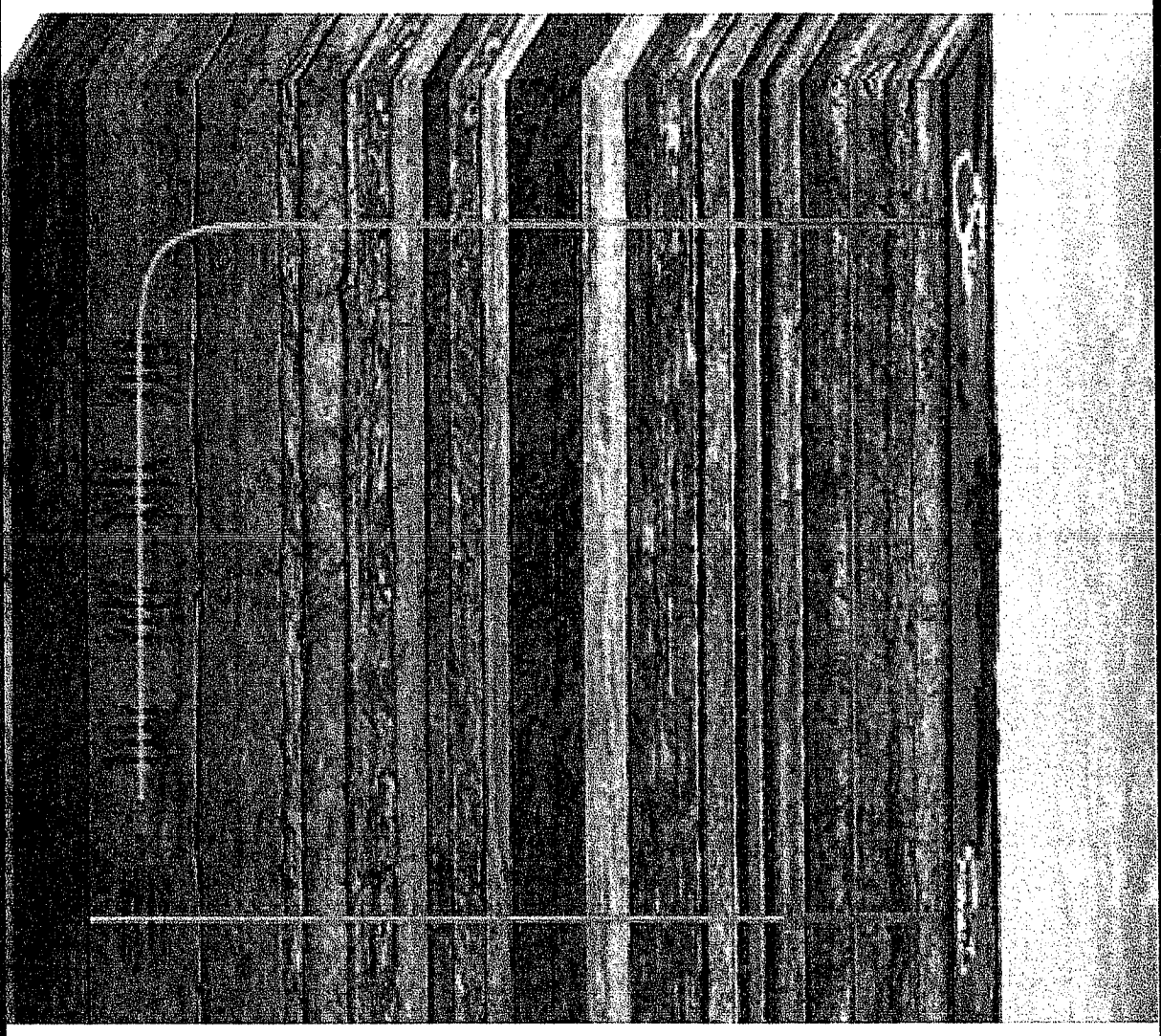
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Source: Citi Investment Research and Analysis

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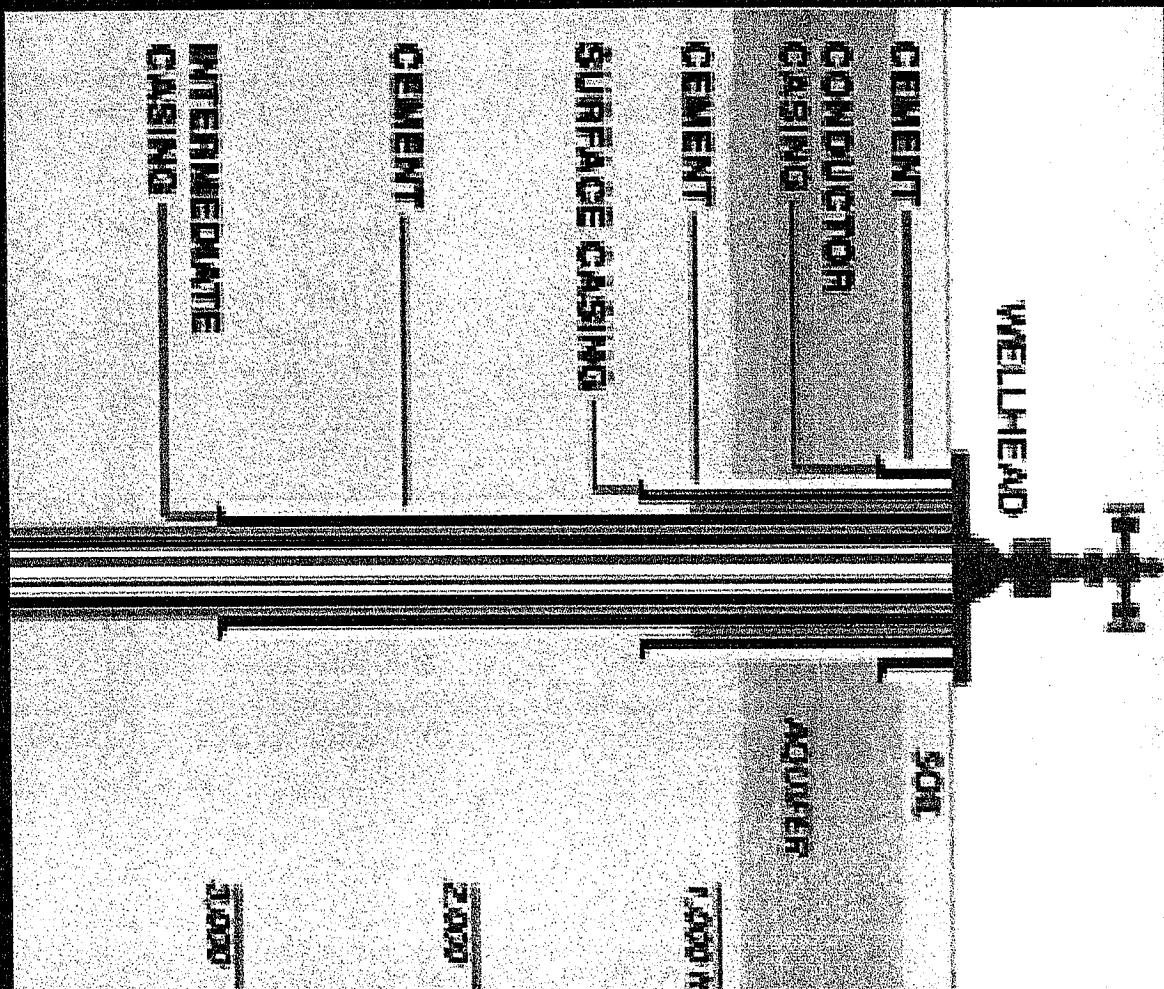
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Kansas Oil & Gas Industry Statistics

- 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

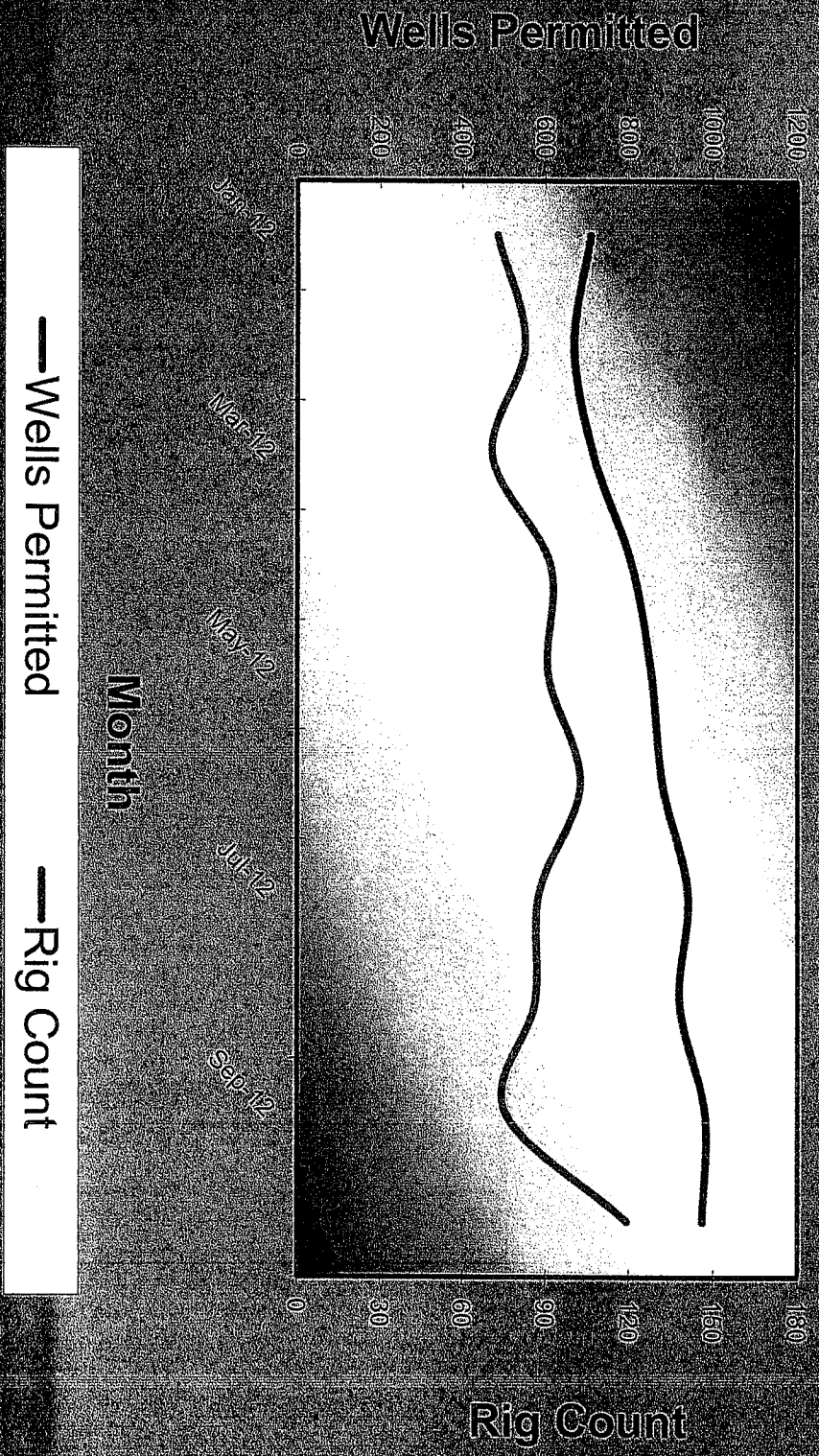
- Current Oil Production
 - 41.6 Million Barrels Annually
 - 114,000 Barrels per Day
 - Increased 5 of last 6 years
 - Ranked 9th Among 31 Oil Producing States
- Current Natural Gas Production
 - 313 Billion Cubic Feet Annually
 - 860 million Cubic Feet per Day
 - Ranked 9th Among the 32 Natural Gas Producing States
- Drilling Permits Issued in 2012 = 5,866
 - 263 MSL Permits (through November 13th)
 - Permits Issued in 2011 = 5,441
 - 70 MSL Permits
- Number of Active Drilling Rigs = 147



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Kansas Oil & Gas Industry Activity

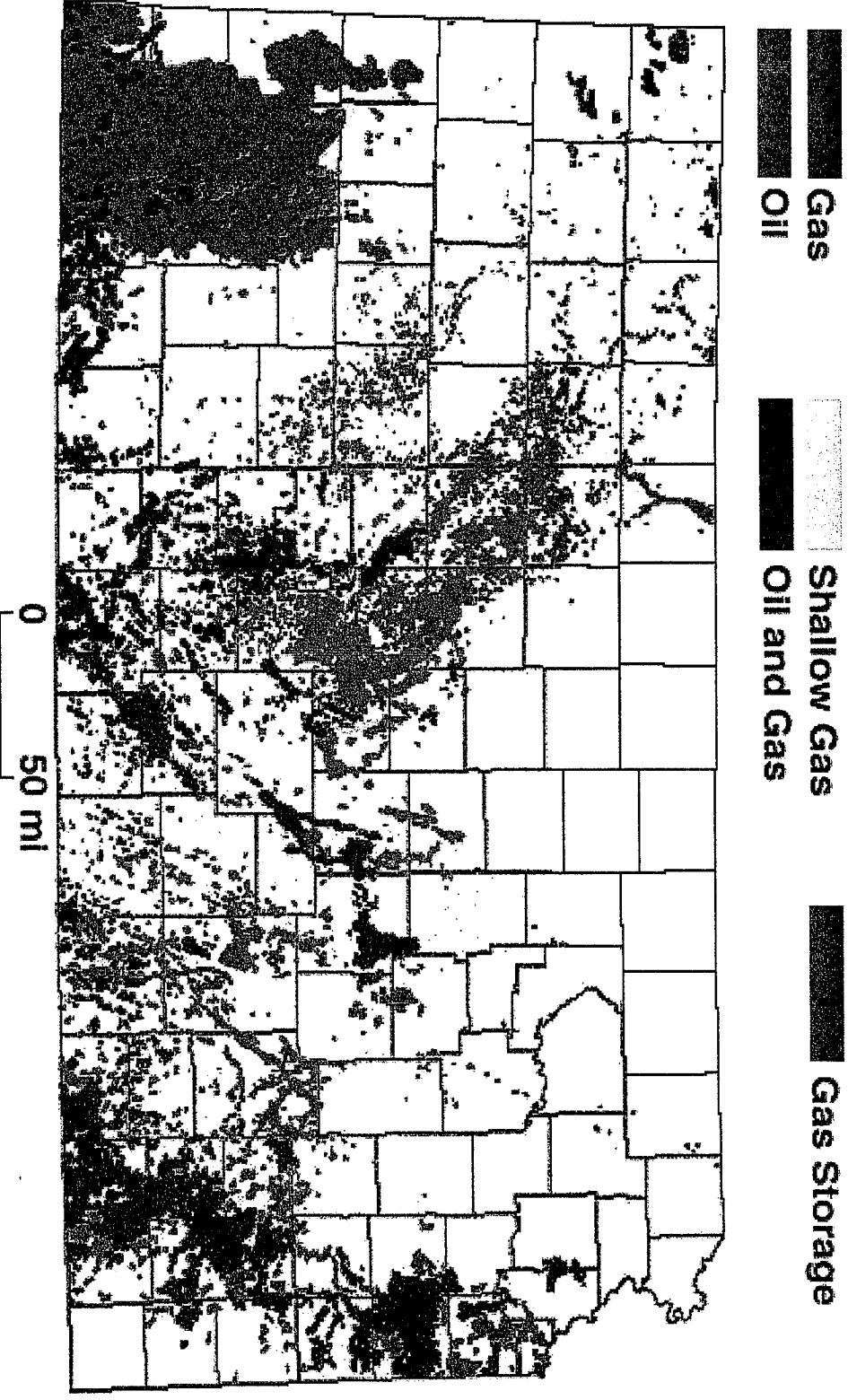
Wells Permitted vs. Kansas Rig Count



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Kansas Oil & Gas Fields

Oil and Gas Fields in Kansas

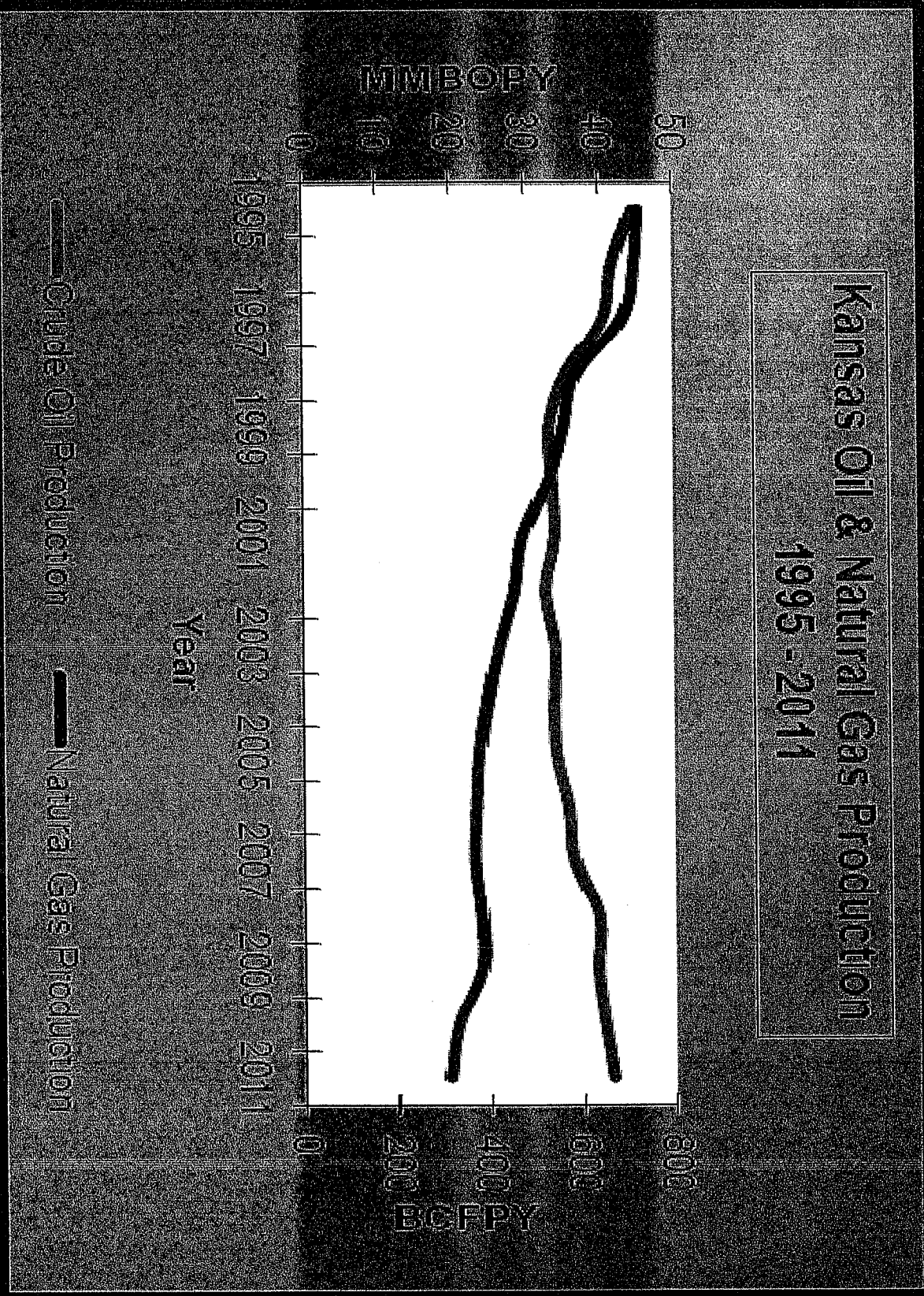


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Kansas Oil & Gas Industry Statistics

- Supports 67,000 Kansas Jobs and \$2.7 billion in family income
- Invests over \$1 billion in rural Kansas annually
- Average Daily Oil Well Production = 2.79 BOPD
 - 72% of Total Kansas Crude Oil Production from Marginal Wells
 - 94% of Total Kansas Oil Wells
- Average Daily Natural Gas Well Production = 46 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 - 2011

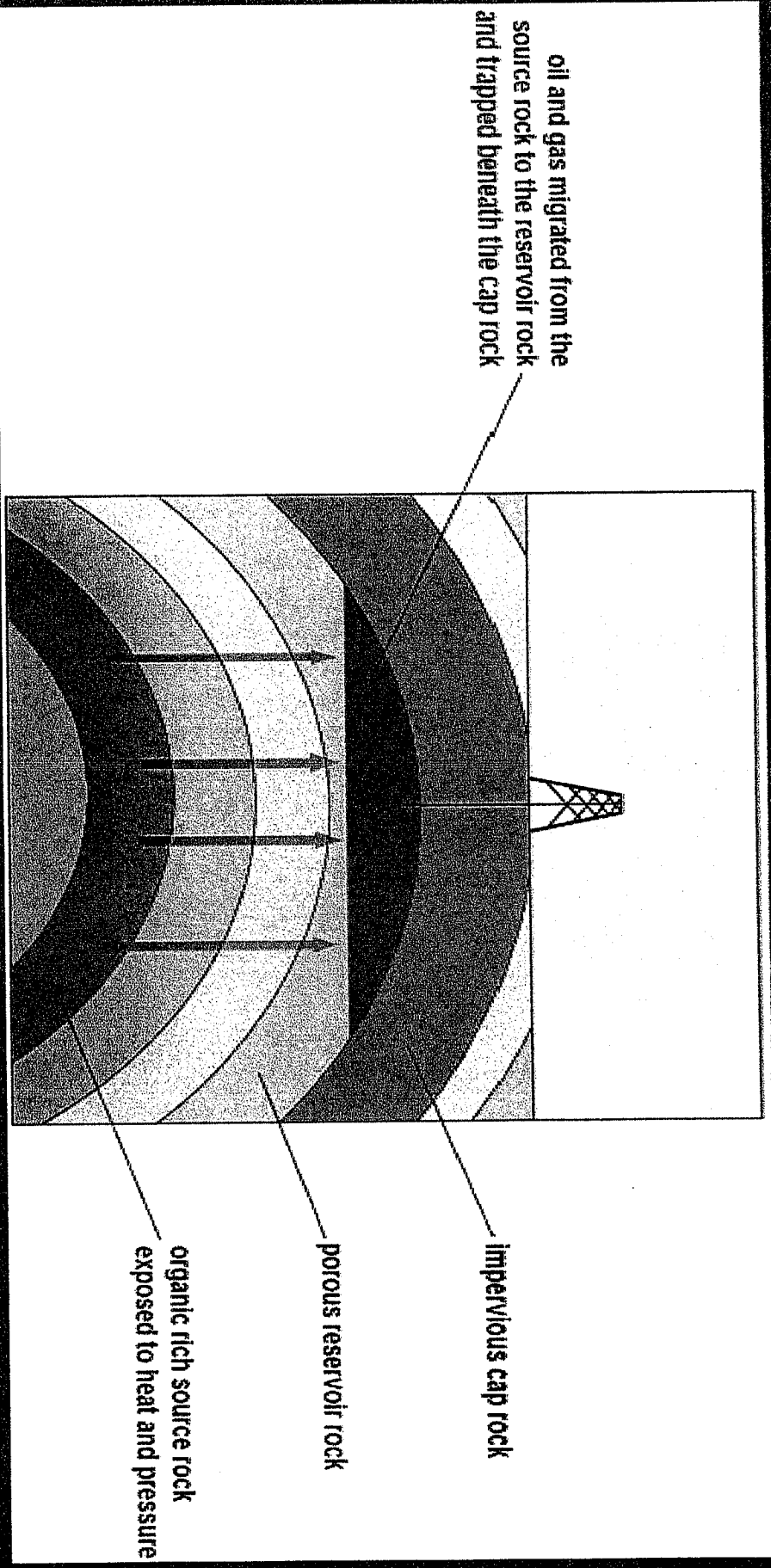


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Kansas Oil & Gas Industry Taxation

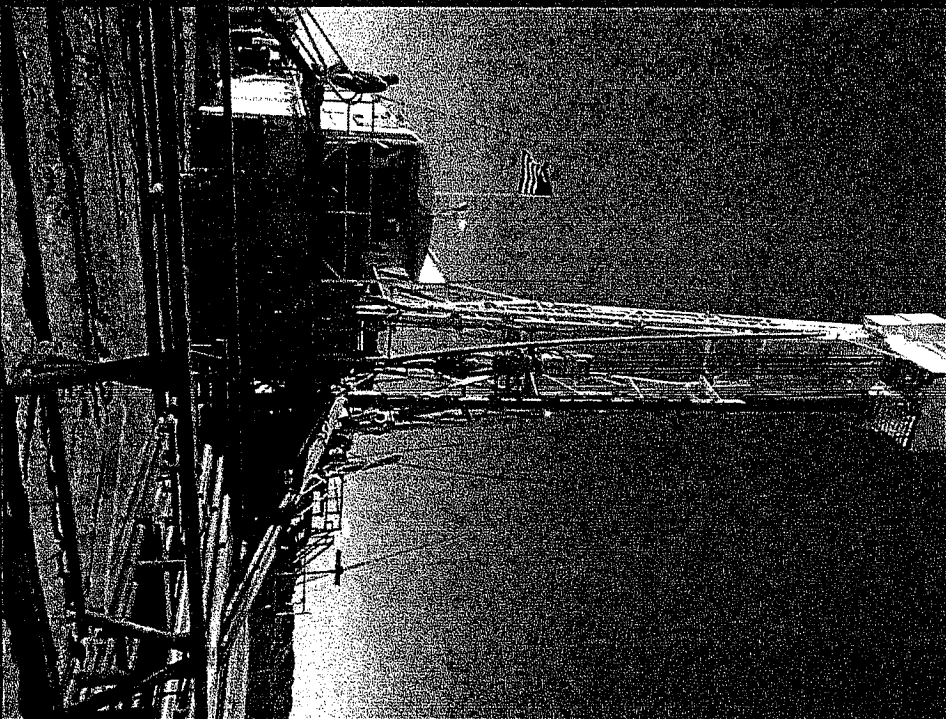
- Severance Tax up nearly 69% since 2000
 - Oil tax collections up 121% over last 2 years
- Ad Valorem Tax up 171% since 2000
 - Oil tax collections up 40% over last 2 years
- Average effective tax rate = 11.61%
 - Reduce ROI by 26.5%

Conventional Oil & Gas Development



Conventional Well Drilling

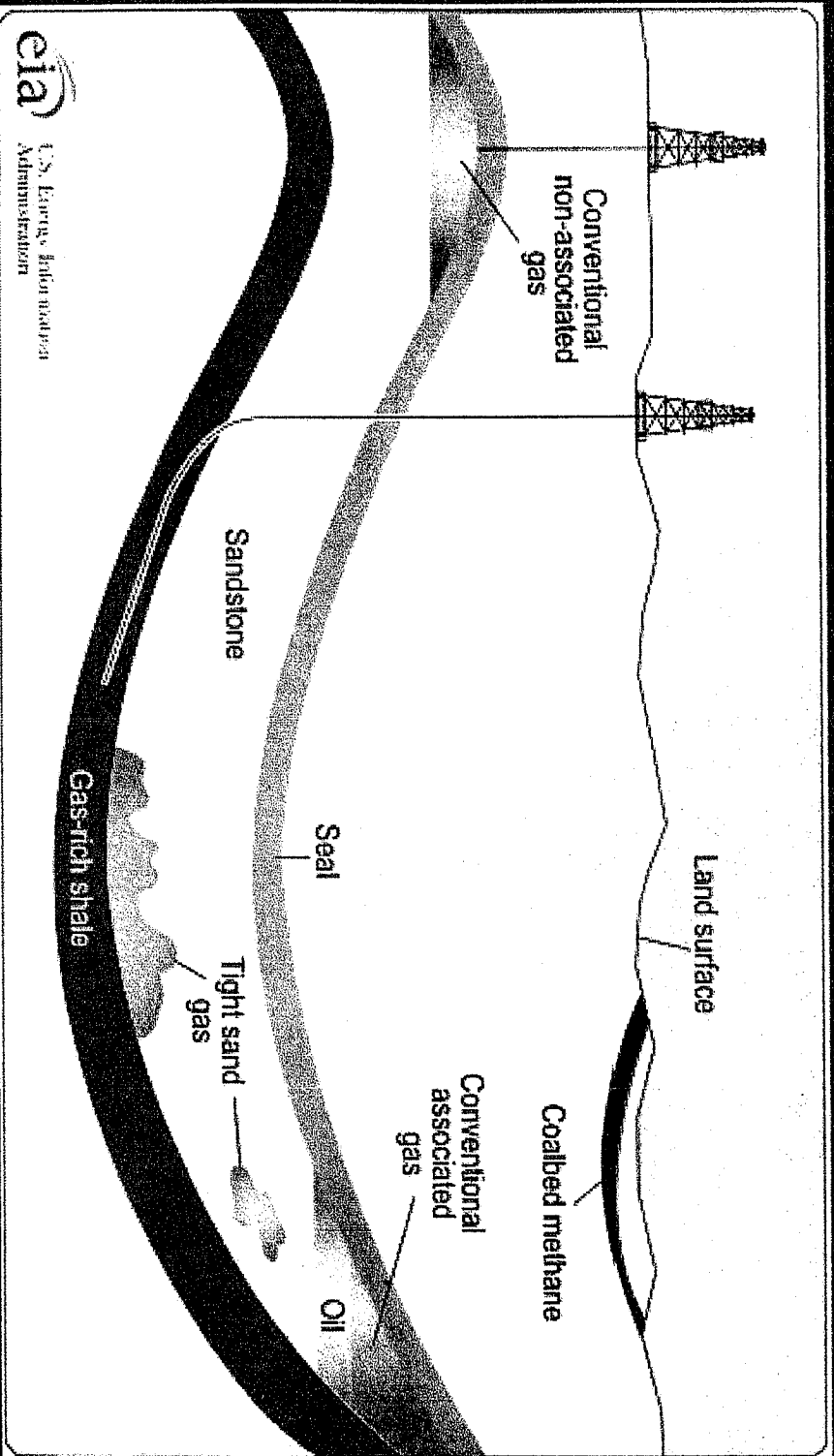
Hodgeman County, Kansas October 17, 2012




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Unconventional Plays

- Reservoir - seal - and source rock are all one in the same

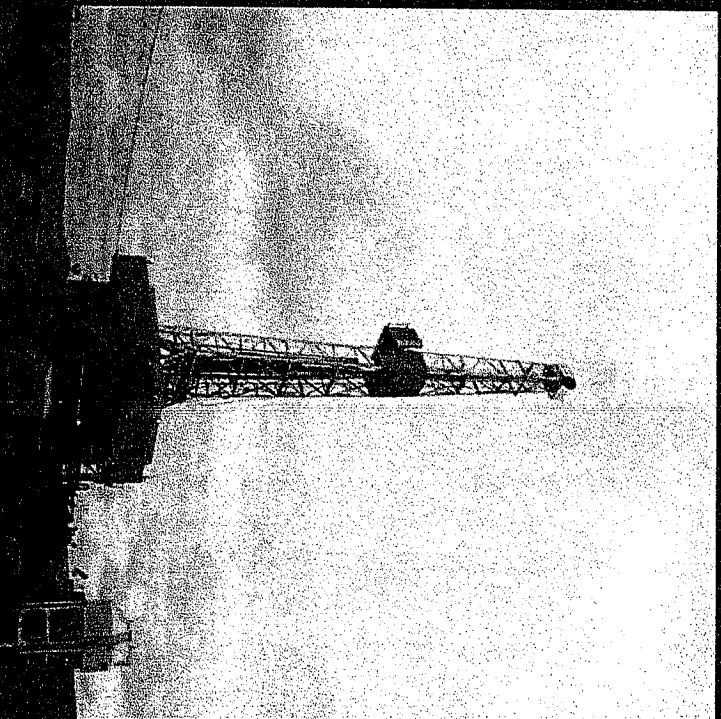


 EIA Energy Information Administration

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Unconventional Well Drilling

Dunn County, North Dakota, October 11, 2012



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Mississippian Limestone Play

- One of newest oil plays in U.S.
- Emerging Play
 - Northern OK and southern KS
 - \$1.2 - \$1.5 billion Capex plans
 - 270-500 BOE per day in first 30 days
 - \$3 - \$3.5 million drilling & completion costs
 - 4,500 feet vertical and 4,500 feet lateral
 - Could add up to 13% to Kansas production

Key Challenges facing the Kansas Oil & Gas Industry

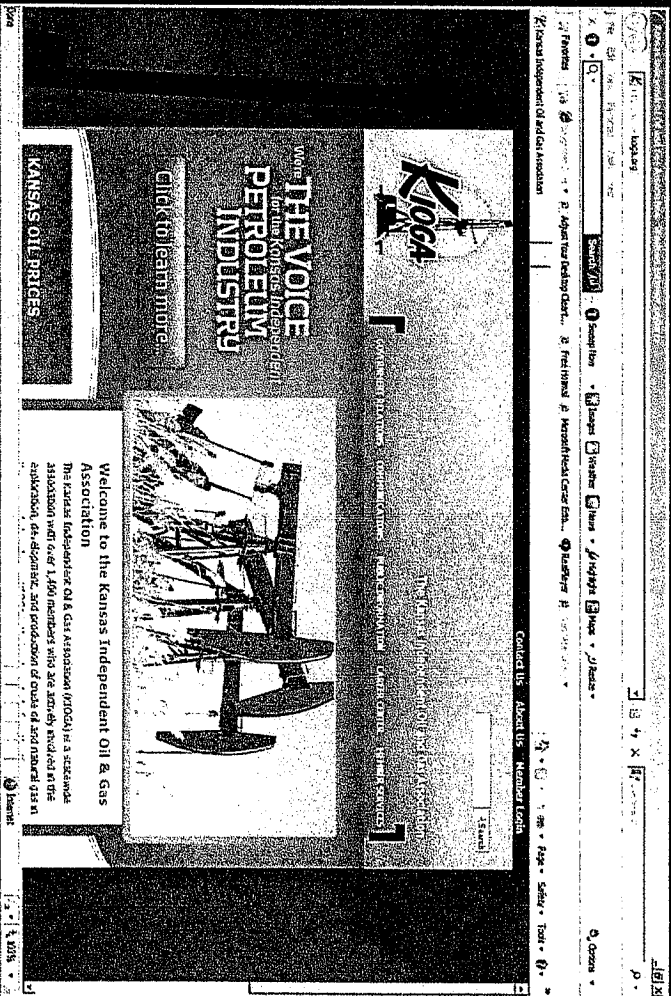
- Federal Tax Provisions are Critical
 - Repealing oil & gas tax provisions would result in \$3.9 billion negative impact on the Kansas economy
 - Reduces Kansas jobs
 - Increases dependence on foreign energy supplies
- Regulatory Over-reach
 - Hydraulic fracturing
 - 65-year old technology
 - Aply and aggressively regulated by States
 - Industry under siege from numerous federal regulatory agencies
 - EPA ~ OSHA ~ USFWS ~ Others

Energy for the Future



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Thank You



www.kioqa.org

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