

DOMESTIC ENERGY PRODUCERS ALLIANCE

DEPA

MARCH

2023



DRILLER

DEPA REPORT ON INDUSTRY, LEADERSHIP, LEGISLATION AND ENERGY REGULATION

H.R. 1 PASSES THE HOUSE. Is It DOA IN THE SENATE?

What is H.R. 1? A bill to lower energy costs by increasing American energy production, exports, infrastructure, and critical minerals processing, by promoting transparency, accountability, permitting, and production of American resources, and by improving water quality certification and energy projects, and for other purposes.

"Every piece of legislation is assigned a number when it's first introduced. Most of these numbers are chronological. But as speaker, I get to pick which bills are assigned the numbers one through ten as a way to show how important that legislation is," House Speaker Kevin McCarthy said when he announced the bill calling it "our top priority."

Thursday, March 30, 221 Republicans and four Democrats voted to pass H.R. 1 or *The Lower Energy Costs Act*. 203 Democrats voted against it. Those against the bill have said it would set back efforts to transition to clean energy sources

"The Administration wants to work in bipartisan manner with Congress to address lowering energy costs, permitting reform, and addressing energy challenges," the White House said in [a statement](#) Monday. "However, H.R. 1 would take us backward. Therefore, if presented to the president in its current form, he would veto it."

The measure, which combines dozens of separate proposals, represents more than two years of work by Republicans. The Biden administration's environmental agenda has increased costs across the board for American citizens by thwarting US energy production.

"Families are struggling because of President Biden's war on American energy," said House Majority Leader Steve Scalise of Louisiana, one of the bill's main authors. "We have way too many energy resources here in America to be relying on hostile nations and paying [high prices] at the pump."

"Every time we need a pipeline, a road or a dam, it gets held up five to seven years and adds millions of dollars in costs for the project to comply with Washington's permitting process," McCarthy said in a speech on the House floor. "It's too long, it's unaffordable, it's not based on science and it's holding us back."



House Republicans @HouseGOP · Mar 30

"The Commitment to America we made is to stand up for those families who have been left behind by Washington for far too long. The good news for them is help is on the way...we're not going to slow down, we're not going to stop working." - Majority Leader @SteveScalise



Rep. Jay Obernolte @JayObernolte · 4h

Families in #CA23 are paying up to 3x last year's natural gas prices as a result of restrictive government energy policies. I'm proud to support H.R. 1 to unleash domestic energy production, fix permitting & lower prices to provide relief for our families.



WAYS & MEANS COMMITTEE HELD HEARING IN OK



The second field hearing on the State of the American Economy: The Heartland took place on March 7 in Yukon Oklahoma.

“During our first official hearing of the 118th Congress, the Ways and Means Committee heard from small business owners, workers, and families in Appalachia about the state of the American economy. Their testimony highlighted the divide between the rosy picture the White House paints and the grim reality on the ground for millions of working Americans and families who are struggling to make ends meet and provide for their loved ones. This Committee will next visit the Heartland in Oklahoma, to hear from farmers, small business owners, workers, and those in the U.S. energy sector about the challenges facing working-class Americans and how they think Congress can help. Over the next two years, this Committee will partner with the American people to develop solutions that will reverse the course of the Biden economy and deliver results that will improve their livelihoods,” said Committee Chairman Jason Smith (MO-08).

Witnesses were Bryan Jackson, Co-Founder, Route 66 Processing, Chuck Mills, Owner and President, Mills Machine Company, Inc., Kelli Payne, former President of the Oklahoma National Stockyards, Joe Brevetti, Founder and Managing Member, Charter Oak Production Co., LLC.

In his opening statement, Chairman Smith said “ESG standards will limit the capital needed to expand Oklahoma’s oil and gas leadership and put radical climate and social policies ahead of the retirement security of working families.”

The full hearing is available on [YouTube](#).

DEPA REGULATORY COMMITTEE MEETINGS 2023

JUNE 15

SEPTEMBER 21

DECEMBER 21

**COMMITTEE MEETINGS
ARE HELD VIA ZOOM AT 2:00 PM CDT**



EXECUTIVE BOARD OF DIRECTORS

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MARKETING AND
COMMUNICATIONS DIR.

DEBBIE BLOEM
EXECUTIVE ASSISTANT/
BOOKKEEPING

DEPA believes in seeking common ground, through common sense solutions, to the challenges facing our 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.*

PO Box 33190 TULSA, OK 74153 405-669-6646 INFO@DEPAUSA.ORG



DC FLY-IN AND BOARD MEETING 2023

MAY 10 - 11

HAY ADAMS HOTEL

REGISTER TO ATTEND ONLINE

WWW.DEPAUSA.ORG/DC-FLY-IN/

**WATCH FOR ADDITIONAL
AGENDA INFORMATION
IN YOUR EMAIL INBOX.**

TENTATIVE EVENT AGENDA

WEDNESDAY, MAY 10

- NOON BOARD LUNCH
- 12:30 PM BOARD MEETING
- 5:30 PM WELCOME RECEPTION
- 7:30 PM DINNER

THURSDAY, MAY 11

- 7:30 AM GROUP BREAKFAST
- 9:00 AM SHUTTLE TO THE HILL
- 10:00 AM PRIVATE ROOM VISITORS TO SPEAK TO THE GROUP
- 12:00 PM LUNCH
- 1:00 PM OFFICE VISITS
- 3:30 PM RETURN TO THE HOTEL
- 4:30 PM RECEPTION

OTHER DETAILS

The Hay Adams Hotel

800 16th Street NW

800-4245054 or 202-638-6600

Room Block Rate expires April 12, 2023

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WWW.DEPAUSA.ORG/DC-FLY-IN/

AMERICA'S ENERGY EXPANSION

These Energy and Commerce bills unleash American energy, lower prices, and secure our supply chains. It's just the beginning of our work on energy and climate solutions that reverse the damage done by President Biden's agenda from day one to shut down our energy production and make us reliant on China.

- **H.R. 1085, the Researching Efficient Federal Improvements for Necessary Energy Refining (REFINER) Act (Rep. Latta):** Will help lower gas prices by identifying ways to increase our refining capacity in the United States.
- **H.R. 1058, the Promoting Cross-border Energy Infrastructure Act (Rep. Armstrong):** Increases North American energy security by reforming permitting for the construction of energy infrastructure projects across our borders.
- **H. Con. Res. 14 to Disapprove of Biden Canceling Keystone XL (Rep. Lesko and Rep. Balderson):** Expresses disapproval for President Biden's canceling of the Keystone XL pipeline and shutting down a project that was estimated to provide approximately 11,000 American jobs.
- **H. Con. Res. 17 to Support America's Energy Expansion (Rep. Guthrie):** Expresses the sense of Congress that the Federal government should not impose any restrictions on the export of crude oil or other petroleum products.
- **H.R. 1155, the Keeping America's Refineries Act (Rep. Crenshaw):** Stops the Biden administration from their efforts to phase out gasoline and internal combustion engines, which makes energy more expensive and forces America to be dependent on dirty supply chains that are controlled by China.
- **H.R. 1130, the Unlocking Our Domestic LNG Potential Act (Rep. Johnson):** Cuts red tape surrounding the natural gas export permitting process, protects American jobs, unleashes homegrown American energy, helps our allies, and reduces emissions.
- **H.R. 1115, the Promoting Interagency Coordination for Review of Natural Gas Pipelines Act (Rep. Burgess):** Streamlines the permitting process for America to build more natural gas pipelines, which will restore American energy independence and improve our ability to get affordable natural gas to the communities that need it most.
- **H.R. 1141, the Natural Gas Tax Repeal Act (Rep. Pfluger):** Repeals President Biden's harmful natural gas tax that is hurting American families and increasing household energy bills across the country.
- **H.R. 1068, the Securing America's Critical Minerals Supply Act (Rep. Bucshon):** Strengthens America's critical mineral supply by requiring the Department of Energy (DOE) to identify resources that are vulnerable to supply disruptions.
- **H.R. 1121, the Protecting American Energy Production Act (Rep. Duncan):** Stops President Biden from issuing a moratorium on hydraulic fracturing so we flip the switch and unleash American energy production.
- **H.R. 1070 to Streamline Permitting for Refining Critical Materials (Rep. Carter):** Enhances America's ability to develop critical energy resources by improving the hazardous waste permitting process at critical energy resource refining and processing facilities, which will help America develop its own supply of critical materials and ensure we aren't relying on China for key energy resources.
- **H.R. 1131 to Cut Red Tape for Critical Energy Resource Facilities (Rep. Joyce):** Helps eliminate China's influence in America's energy supply chains and strengthens our capacity to develop critical materials here at home by requiring the Administrator of the Environmental Protection Agency to authorize the use of flexible air permitting and cut red tape for operations at critical energy resource facilities.
- **H.R. 1140 to Unlock Critical Energy Materials (Rep. Pence):** Secures our energy supply chains and bolsters our national and energy security by authorizing the Administrator of the Environmental Protection Agency to waive applications of certain requirements for processing and refining of critical energy materials.
- **H.R. 1158, the Elimination of Future Technology Delays Act (Rep. Curtis):** Strengthens domestic production of critical materials and cuts our reliance on the Chinese Communist Party by improving EPA review and determinations practices to encourage innovation in critical materials.
- **H.R. 1023 to Repeal the Democrats' Climate Bank (Rep. Palmer):** Rolls back a \$27 billion "green bank"—a slush fund for the Democrat's political allies that lacks any accountability to taxpayers. It's the largest single grant program in the Democrats' massive spending bill, the so-called Inflation Reduction Act.



HOUSE COMMITTEE ON
NATURAL RESOURCES
CHAIRMAN BRUCE WESTERMAN

THE TRANSPARENCY, ACCOUNTABILITY, PERMITTING AND PRODUCTION OF (TAPP) AMERICAN RESOURCES ACT

This legislation unleashes the full power of American energy and minerals by eliminating burdensome permitting requirements, creating jobs, fostering innovation, and pursuing an all-of-the-above strategy. Without swift action, our adversaries will continue to profit while our supply chains grow weaker.

TOPLINE POINTS

- Spurs responsible development of domestic energy and mineral resources.
- Maximizes efficiency and minimizes delays for hardrock mining projects on federal land by extending existing permitting efficiencies to mineral development and limiting claims on mine projects to those filed within 120 days of a final agency action.
- Modernizes the National Environmental Policy Act (NEPA) to further energy and infrastructure development without sacrificing environmental standards or public involvement.

BACKGROUND

Facing historically high energy prices and inflation, families across the country are on the front lines of dealing with the Biden administration's failed policies. The Energy Information Administration predicts a 50 percent increase in global energy consumption by 2050, while global demand for critical minerals necessary for defense, smart phones and renewable energy technology is increasing exponentially. An all-of-the-above approach to domestic energy and mining is the best way to support the energy needs of American families and meet our technological and national security needs.

The NEPA process remains a significant barrier for transportation, infrastructure, energy development, transmission lines, wildfire prevention, and drought resilience projects. The current permitting process is filled with repetitive, dupli-

cative assessments and prolonged processing, making it difficult for developers to plan and build projects efficiently.

The Transparency, Accountability, Permitting and Production of (TAPP) American Resources Act will bring outdated regulations into the 21st Century, provide clear timelines and certainty, and unlock the power of American innovation. This kind of predictability will prevent current and future administrations from keeping businesses and workers in permitting limbo, and will also strengthen our national security by securing supply chains and pulling production, refining, and processing capabilities away from China and back to the U.S. This all-of-the-above approach to policy will put America back where we belong: the global leader in energy development and deployment of innovative technologies.

Key legislative provisions include:

- Requires the Department of the Interior (DOI) to follow the law and immediately **resume quarterly lease sales on federal lands**, and requires a minimum of four lease sales per year in onshore states with eligible lands.
- Requires the **publication of the 2023-2028 plan** for offshore oil and gas lease sales and sets deadlines for publishing future five-year plans.
- **Repeals harmful royalties and fee increases** imposed on energy production.
- Ensures parity in **energy revenue sharing** for states with onshore and offshore energy development.
- Requires DOI to **publish information online and report to Congress** regarding the processing of onshore and offshore drilling and exploration permits, nominated parcels for lease, leases won, and usage of Applications for Permit to Drill (APD) fees.



HOUSE COMMITTEE ON
NATURAL RESOURCES
CHAIRMAN BRUCE WESTERMAN

CONTINUED

- Requires DOI to process APDs under a valid existing lease, **regardless of any unrelated civil action.**
- **Ends the existing moratorium** on new coal leasing.
- Reforms NEPA to **streamline federal permitting** for all sectors of the economy.
- Requires that certain low-impact activities and activities in previously studied areas on public lands are **not major federal actions under NEPA**. This applies to all kinds of energy projects and includes activities such as geotechnical investigations, transmission infrastructure upgrades, off-road vehicle use in existing rights-of-way, meteorological towers, and geothermal exploratory wells.
- Allows the Secretary of the Interior to accept non-federal

funding to pay for dedicated staff and technology upgrades **to expedite permits.**

- Clarifies that environmental reviews for lease sales should be **limited to impacts directly related** to that sale.
- Imposes a **120-day deadline** on filing litigation on final agency actions concerning energy and mining projects, and a 120-day deadline to file a claim on any final agency action subject to NEPA.
- Sets **deadlines for completion of NEPA review** at one year for environmental assessments and two years for environmental impact statements, unless a deadline extension is agreed to by the project sponsor.
- Amends existing criteria to **prevent the unilateral exclusion of uranium** from future consideration as a critical mineral.



COMMITTEE ON
**TRANSPORTATION
& INFRASTRUCTURE**
SAM GRAVES, CHAIRMAN

**H.R. 1 LOWER ENERGY COSTS ACT
IMPROVING WATER QUALITY CERTIFICATIONS
AND AMERICAN ENERGY INFRASTRUCTURE**

Purpose:

H.R.1 promotes the development of the Nation's energy infrastructure by streamlining the permitting process under Section 401 of the Clean Water Act (CWA) and clarifying Section 401's focus on water quality.

Summary:

- Section 401 of the CWA allows states or tribes to issue water quality certifications for any applicant seeking a Federal permit or license for activity that "may result in any discharge into navigable waters."
- Projects requiring certification under Section 401 include those needing Federal permits under Sections 402 and 404 of the CWA and the Rivers and Harbors Act, as well as from the Federal Energy Regulatory Commission (FERC).
- In recent years, states, such as Washington, Oregon, and New York, have weaponized Section 401 to deny certification to projects such as a coal export terminal, a natural gas pipeline, and liquefied natural gas export facility for reasons outside Section 401's scope
- H.R. 1 amends Section 401 of the CWA and clarifies that the scope of Section 401 review is restricted to CWA water quality impacts and states may only issue final decisions based on water quality.
- The bill requires states to publish clear requirements for their water quality certifications and clarifies that states may only consider discharges as a result of the Federally permitted or licensed activity, not from other sources.
- In 2020, the Trump Administration issued the "Clean Water Act Section 401 Certification Rule," which included many of these clarifications. However, the Biden Administration initiated a rulemaking to repeal and replace the 2020 rule.
- These provisions of H.R. 1 were initially introduced as separate legislation (H.R. 1152) on February 24, 2023, by Water Resources and Environment Subcommittee Chairman David Rouzer (R-NC) and Aviation Subcommittee Chairman Garret Graves (R-LA), as an original cosponsor. It was ordered reported out of the Committee on Transportation and Infrastructure on February 28, 2023, without amendment, by voice vote.

WHAT YOU MISSED ON TWITTER THIS MONTH

IF YOU DON'T PARTICIPATE



Steve Everley @saeveryley · Mar 12
Why won't the industry ramp up production?
Oh.



Ben Lefebvre @bjlefebvre · Mar 12
BREAKING: White House will ban new oil and gas leases in the US Arctic Ocean and in the National Petroleum Reserve-Alaska, administration official says.
[Show this thread](#)



Sen. Kevin Cramer @SenKevinCramer · 21h
Today, the Congressional Review Act I introduced with my Republican colleagues challenging the Biden administration's overreaching WOTUS rule passed the Senate with bipartisan support.

Listen to my full statement [🔊](#)

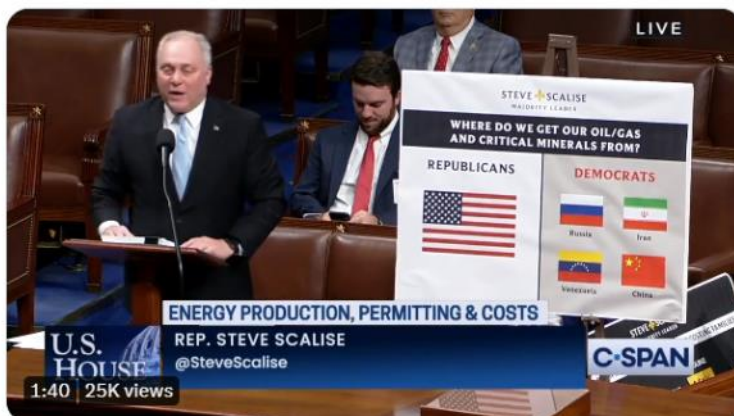


Alex Epstein @AlexEpstein
"it is just crazy that we can talk about solar and wind being incredibly energy secure. When the supply chain is just completely dominated by China... they can cut it off at a moment's notice. So they can destroy the whole thing."

With [@GOPoversight](#)



Steve Scalise @SteveScalise · 5h
Just went to the House Floor to call out Dems' hypocrisy on energy.
They get oil from hostile nations like Iran that produce it dirtier than us.
Yet block unleashing American energy production.
Thanks to them prices are higher for families.
It doesn't have to be like this.

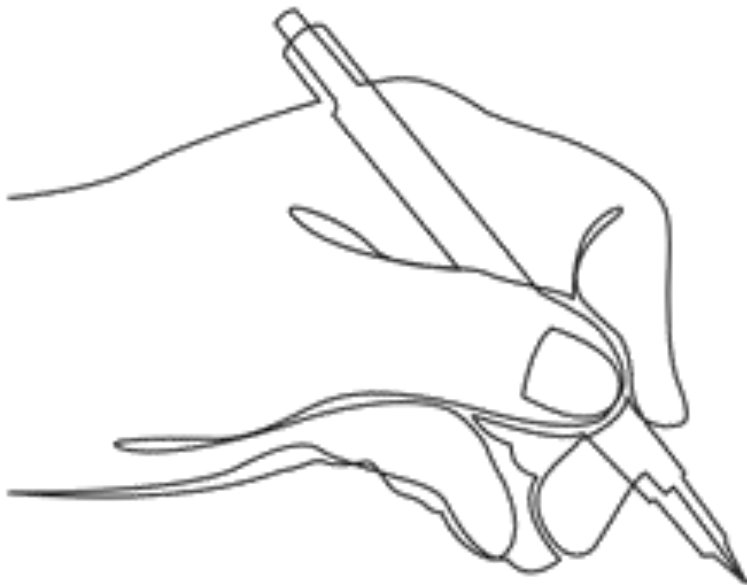


Alex Epstein @AlexEpstein
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With [@GOPoversight](#)



2023 · 23.2K Views



SOME EXCELLENT NEWSLETTERS, WRITERS, AND WEBSITES WE RECOMMEND

If you haven't discovered these energy bloggers and newsletters we recommend subscribing to them. They are good sources for keeping up with current events inside the domestic oil and gas industry.

THE PIPELINE | **"ENERGY TOWN HALL"** | **WWW.AMERICANENERGYALLIANCE.ORG**

ENERGY IN-DEPTH | **WWW.ENERGYINDEPTH.ORG**

ALEX EPSTEIN | **WWW.ENERGYTALKINGPOINTS.COM**

REAL CLIMATE SCIENCE | **REALCLIMATESCIENCE.COM** | **RICHARD FEYNMAN**

POWER HUNGRY WITH ROBERT BRYCE | **ROBERTBRYCE.COM/POWER-HUNGRY-PODCAST**

Bryce is a Texas-based author, journalist, podcaster, film producer, and public speaker. Over the past three decades, his articles have appeared in numerous publications including the *Wall Street Journal*, *New York Times*, *National Review*, *Field & Stream*, and *Austin Chronicle*.

In 2010, Bryce published *Power Hungry: The Myths of "Green" Energy, and the Real Fuels of the Future*. In a review of *Power Hungry* in the *Wall Street Journal*, Trevor Butterworth called the book "unsentimental, unsparing, and impassioned; and if you'll excuse the pun, it is precisely the kind of journalism we need to hold truth to power."

WATTS UP WITH THAT? | **WWW.WATTSUPWITHTHAT.COM** | **ANTHONY WATTS**

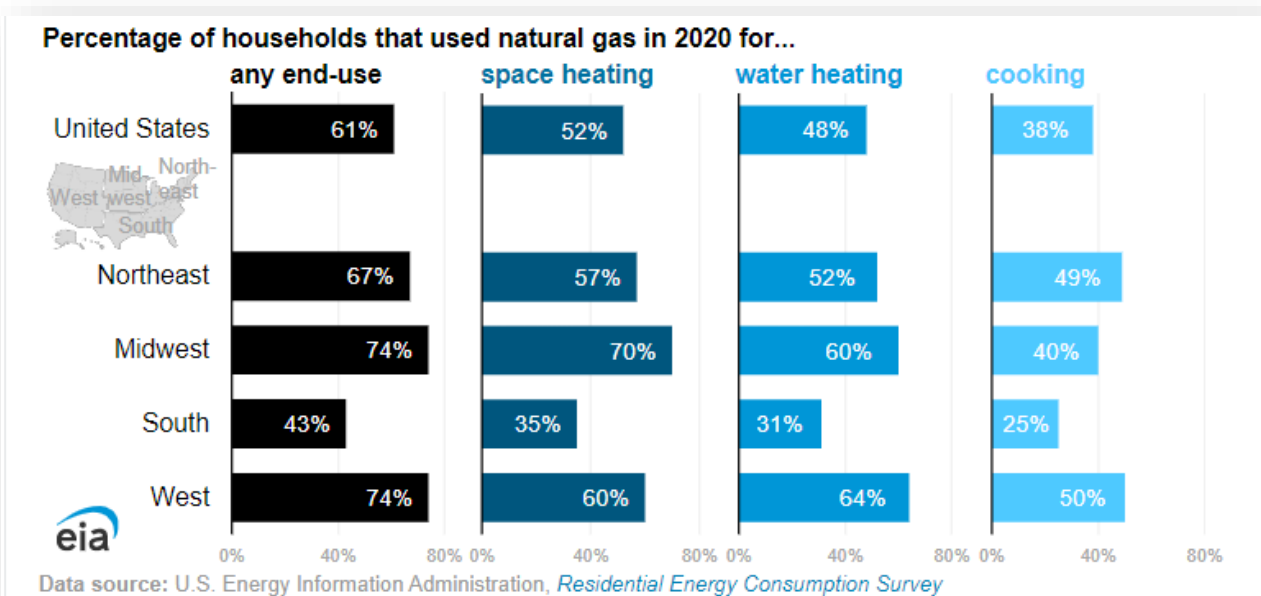
Anthony is a meteorologist and also founder of the Surface Stations Project, a volunteer initiative to document the condition of US weather stations.

He established his *Watts Up With That?* Blog in 2006. The blog features material on climate change. It hosts several guest bloggers in addition to Mr. Watts.

REAL CLIMATE SCIENCE | **REALCLIMATESCIENCE.COM** | **RICHARD FEYNMAN**

THE MAJORITY OF U.S. HOUSEHOLDS USED NATURAL GAS IN 2020

Written by Kaili Diamond and Matthew Sanders for EIA | March 2023



In 2020, 61% of U.S. households used natural gas for at least one energy end use, according to our 2020 [Residential Energy Consumption Survey](#) (RECS). Space heating, water heating, and cooking were the most common end uses; more than half of U.S. households used natural gas for space heating, closely followed by water heating.

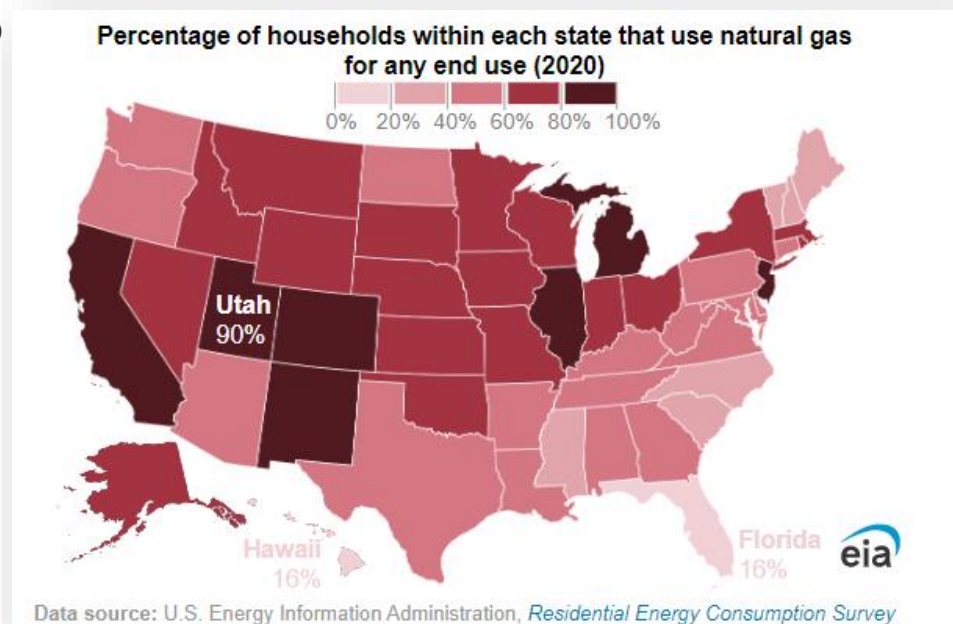
Although space heating, water heating, and cooking are the most prevalent household uses of natural gas in the United States, it is also used for clothes drying, outdoor grilling, and heating pools and hot tubs.

The share of households using natural gas for any end use in 2020 was highest in the Midwest Census Region and West [Census Region](#), both at an estimated 74%. The Midwest and the West had the highest shares of households using natural gas for space heating (70% and 60%) and water heating (60% and 64%). The highest shares of households using natural gas to cook were the West (50%) and the Northeast (49%). The South had the smallest share of households using any natural gas, at 43%. The South was the lowest end-use region for space heating (35%), water heating (31%), and cooking (25%) in 2020.

Geographic characteristics affected the prevalence of natural gas use across the United States. Areas of the country with cold climates had the greatest shares of households using natural gas. For example, 90% of households in Utah used natural gas, but only 16% of households in Florida and Hawaii used natural gas. In addition, the vast majority (91%) of households using natural gas were located in urban areas.

Although 61% of U.S. households used natural gas in 2020, another 12% of households reported having access to natural gas but not using it for any end use. For households not using natural gas despite its availability, [electricity was most often the energy source used](#) for space heating, water heating, and cooking.

We collected the 2020 RECS household energy-use data from 18,496 households, the largest responding sample in the program's history. For the first time in RECS program history, these data are available for all 50 states and the District of Columbia. We recently released [revised housing characteristics and square footage tables](#) and will release initial consumption and expenditures tables in March.



DEPA JOINS SUPPORT LETTER FOR HR1

“The bill is a welcome answer to government-imposed distortions to energy markets that have decimated the energy independence that America enjoyed just a few short years ago.”

Dear Speaker McCarthy and Majority Leader Scalise:

For too long, the government has interfered with energy markets, burdening American production with undue restrictions, distorting markets with wasteful government spending, and discouraging private sector production. Biden Administration actions and the Inflation Reduction Act (IRA) have enacted further red tape, higher costs, and permitting obstacles that serve as barriers to efficient and timely production in response to national and global demand. As a result, American oil and natural gas producers have been hindered from producing up to three million barrels of oil a day,¹ a government imposed scarcity that has created high costs for citizens and instability in relation to our adversaries in China and Russia.

We, the undersigned 25 oil and natural gas trade associations, strongly support H.R. 1. The bill is a welcome answer to government-imposed distortions to energy markets that have decimated the energy independence that America enjoyed just a few short years ago. Make no mistake, we wholeheartedly believe in producing energy in an environmentally responsible manner that protects the nation’s air, water, land, wildlife, and cultural resources while providing billions in taxes and royalties that sustain communities and vital public services at every level of government. We are proud that American oil and natural gas are developed under the world’s most protective standards and our companies readily comply with the bedrock environmental laws. However the red tape we have experienced over the past few years is not intended to protect the environment but to handcuff American oil and natural gas production in a misguided attempt to quickly transition to an alternative reality that does not exist. The result is higher prices for all Americans and more imports from unfriendly countries.

We are most grateful for the comprehensive way in which Congress is tackling the hurdles that render America energy insecure and prevent vital infrastructure. The several bills that constitute H.R. 1 contain numerous worthwhile provisions that were we to address some of them in this brief letter we would do injustice to many others. Rather than delving into the details, we would like to highlight what these bills would achieve in the aggregate.

RESTORE CERTAINTY IN FEDERAL ON- AND OFFSHORE

PRODUCTION: Oil and natural gas produced on federal lands and waters are some of the most sustainable in the world because of all the additional protections inherent with federal development. H.R. 1 would remove all the additional costs and barriers that were implemented in IRA to fulfill the president’s promise of “no federal oil.” The bill would restore regularity in leasing and permitting processes to ensure that federal production, which normally constitutes about a quarter of our country’s total, resumes at appropriate levels.

REMOVE BARRICADES TO VITAL INFRASTRUCTURE

DEVELOPMENT: Infrastructure projects, from pipelines to roads and bridges, are necessary to sustain a functioning modern society. Yet for too long National Environmental Protection Act (NEPA) analysis has strayed far from its intent to protect the environment through thoughtful analysis and mitigation. Instead, it has become a tool for simply saying “no” to projects or for dragging them out for years while leaving Americans saddled with crumbling infrastructure and much higher bills to fix it. The bill would restore sanity to NEPA processes so that the country can achieve both—better infrastructure and better environmental protection.

PROVIDE SUSTAINABLE CLIMATE CHANGE SOLUTIONS:

Natural gas is the number one reason the United States has reduced more greenhouse gas emissions than any other country.² Increased natural gas electricity generation has reduced more greenhouse gases than wind and solar energy combined because of its low-carbon profile and 24/7 reliability.³ Yet despite that real solution for addressing climate change

concerns, IRA increased taxes on natural gas as a means to reduce its production, distribution, and use. Those who push to electrify everything seem to forget that natural gas provides nearly 40% of all U.S. electricity, compared to about 11% for wind and solar energy.⁴ Natural gas is necessary back-up when the wind doesn't blow and the sun doesn't shine. By removing new taxes on natural gas and enabling its export to our allies, we can continue to reduce the carbon profile of the U.S. electricity sector while enabling other countries to likewise reduce their greenhouse gas emissions.

RESTORE ENERGY SECURITY AND LOWER PRICES: In totality, H.R. 1 restores the balance between the regulatory regime and responsibly produced oil and natural gas. It reverses an agenda meant to severely constrain and ultimately stop the production of the very energy sources that meet about 80% of Americans' energy needs. The no-fossil-fuels agenda has already been shown by Germany to lead to astronomical prices, energy insecurity, and paradoxically, higher greenhouse gas emissions as coal-generated electricity replaces Russian natural gas. In the United States, if we don't produce oil and natural gas here, the demand doesn't go away but is instead met by non sustainably produced energy from unfriendly countries like Venezuela and Iran. By encouraging rather than discouraging American energy production, H.R. 1 increases American national security and lowers prices for consumers here and around the globe.

We are thrilled that you have placed such an emphasis on unleashing American energy and actually reducing energy inflation by designating this legislative package as H.R. 1. Thank you for this important bill and for your leadership on these fundamental issues that affect every aspect of the economy and Americans' lives.

Sincerely,

Alaska Support Industry Alliance
 Colorado Alliance of Mineral and Royalty Owners
 Colorado Oil & Gas Association
 Domestic Energy Producers Alliance
 EnerGeo Alliance
 Energy Workforce & Technology Council
 Independent Petroleum Association of America
 Independent Petroleum Assn of New Mexico
 Kansas Independent Oil & Gas Association
 Kentucky Oil and Gas Association
 Marcellus Shale Coalition
 Montana Petroleum Association
 New Mexico Oil and Gas Association
 North Dakota Petroleum Council
 Panhandle Producers & Royalty Owners Assn
 Permian Basin Petroleum Association
 Petroleum Association of Wyoming
 Southeast Oil and Gas Association
 Texas Alliance of Energy Producers
 The Energy Council
 The Petroleum Alliance of Oklahoma
 U.S. Oil & Gas Association
 Utah Petroleum Council
 Western Energy Alliance
 Texas Indep. Producers & Royalty Owners Assn
 cc: Chair Cathy McMorris Rodgers,
 Committee on Energy and Commerce
 Chairman Bruce Westerman,
 House Committee on Natural Resources
 Chairman Sam Graves,
 Committee on Transportation and Infrastructure



HIGHLIGHTING THE ROLE OF SMALL BUSINESSES IN DOMESTIC ENERGY PRODUCTION

TESTIMONY TO U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON SMALL BUSINESS SUBCOMMITTEE ON RURAL DEVELOPMENT, ENERGY, AND SUPPLY CHAINS



Chairman Hunt, Ranking Member Perez and members of the subcommittee. I am Edward Cross, President of the Kansas Independent Oil & Gas Association (KIOGA). KIOGA represents thou-

sands of independent oil and natural gas explorers and producers, as well as allied service and supply companies. In Kansas, small independent producers account for 92% of the oil and 63% of the natural gas produced. Nationally, independent producers drill about 90% of American oil and natural gas wells; produce about 54% of American oil, and more than 85% of American natural gas. With nearly 3,000 members across Kansas, KIOGA is the lead state and national advocate for the Kansas independent oil and natural gas industry.

I am delighted to share my thoughts about the role of small businesses in domestic energy production and regulatory and policy hurdles that threaten American energy independence.

Federal Energy Policy/Regulatory Overreach is Hurting Small Businesses in the Domestic Oil & Natural Gas Industry

As we have seen over the past few years, the choices our nation makes regarding energy policy will have a huge impact on America's economy and our international position. If America does not pursue a thoughtful energy policy, the nation will suffer economically. Efforts by the Biden Administration to suppress U.S. oil and natural gas production are counterproductive and do not serve the best interests of our nation. Energy is a geopolitical issue, and it not only benefits the United States, but the entire world when America is an energy superpower.

Additionally, natural gas production and use has created the cleanest air quality the nation has seen in two decades. The United States is the envy of nations around the globe for our

BY ED CROSS, PRESIDENT KANSAS INDEPENDENT OIL AND GAS ASSOCIATION

MARCH 29, 2023

dedication to reliable, affordable, responsible energy production. The continued growth of America's oil and natural gas renaissance is essential and can be done with even greater efficiency and technological acumen. KIOGA and the thousands of men and women who work in the Kansas oil and gas industry stand ready to help you ensure America has a strong and vibrant energy economy for years to come.

We believe there are several issues that are key to helping the United States remain at the forefront of energy development in the coming years. We look forward to working with you during the 118th Congress.

Tax Policy

Tax policies, particularly those designed to punish the energy sector, only serve to raise costs to consumers while limiting opportunities for growth and development. Any proposed modifications to the tax code regarding American energy policy must recognize the critical role capital formation and capital recovery play for our nation's oil and natural gas industries. It is key for our industry that Congress retains necessary and ordinary business tax treatments critical to capital recovery and redeployment. We also support any efforts to lower the overall tax liability for American companies, allowing for a greater degree of investment and growth. America's oil and natural gas producers continue to reinvest capital at a rate well over 100% of their U.S. cash flow, hiring employees, purchasing equipment, and exploring new energy frontiers. Sound tax policy regarding the oil and natural gas industry has been a significant reason the U.S. is a leader in energy production and is poised to remain there for years to come.

Contrary to what some in politics and the media have said, the oil and natural gas industry currently enjoys no unique tax credits or deductions. Since its inception, the U.S. tax code has allowed corporate taxpayers the ability to recover costs and to be taxed only on net income. These cost recovery mechanisms or tax provisions, also known in policy circles as "tax expenditures", should in no way be confused with "subsidy", i.e., direct government spending. Cost recovery measures, like the percentage depletion deduction and the

intangible drilling costs (IDCs) deduction, are neither subsidies nor loopholes but tax provisions critical for American oil and natural gas producers to sustain capital availability and formation. By improving cash flow, natural gas industry to invest more money into creating jobs and producing the energy that our economy needs.

Percentage Depletion - The percentage depletion deduction is a cost recovery method that allows taxpayers to recover their lease investment in a mineral interest through a percentage of gross income from a well. Percentage depletion is available to all extractive industries (gold, iron, etc.) in the U.S. and is in no way unique to the oil and gas industry. In fact, this depletion method is limited for the small businesses that make up the independent oil and gas industry and not available at all for major integrated companies.

Intangible Drilling Costs {IDCs}- The IDC deduction is a cost-recovery mechanism that allows for the deduction of drilling costs, such as labor costs, associated with exploration activities. IDC is a deduction, not a credit or government spending outlay and is no different than the policy behind the treatment of R&D cost deduction available to other industries. The IDC deduction is utilized by independent oil and gas producers most of the time and is only available to the major integrated companies on a reduced basis.

Percentage depletion and IDCs are cost recovery mechanisms similar to those used by other industries. These tax provisions are critical for independent oil and gas producers to sustain capital availability and formation. Market-created jobs, rather than those directly created and supported by the government, is a key benefit of increased activity by the small businesses that make up the American independent oil and natural gas industry. These jobs are stable, high-paying, and often in rural areas of the country that are struggling for opportunity. These tax provisions are neither "loopholes" nor "subsidies" but rather methods very similar to real estate depreciation in accounting for capital expenditures.

Carbon Tax - Taxing carbon to tackle climate change may sound like a good idea. All too often proposals to tax carbon directly or launch new carbon tax schemes have much more to do with raising revenue than helping our environment. However, taxing carbon only takes more resources from the private sector to

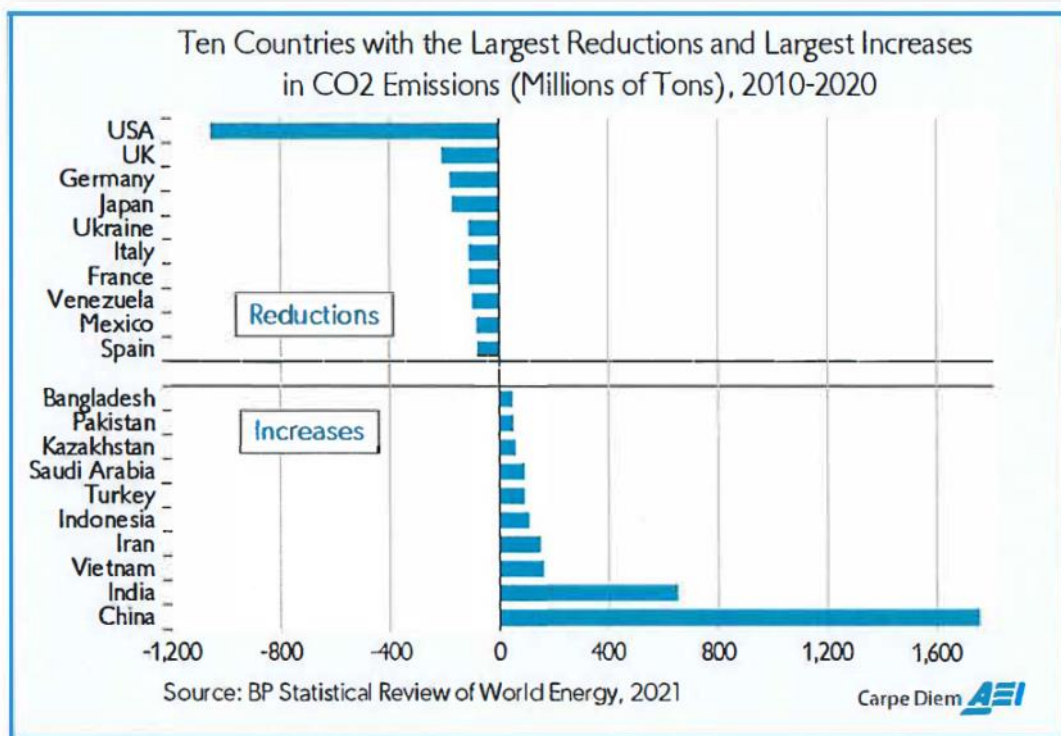
support swelling state and federal government.

U.S. Doesn't Need a Carbon Tax- Even if the U.S. imposed some kind of carbon tax, it would not make a difference to global climate. In 2018, U.S. carbon emissions were around 5,100 billion metric tons from all sources, an almost 20% drop below emissions in 2007. While U.S. greenhouse gas emissions have been falling in recent years, world carbon emissions keep increasing by an average of more than 300 gigatons each year for the last decade, driven primarily by China's and India's increasing demand for energy. Together, these two countries now account for one-third of world carbon emissions. China and India are not going to impose a carbon tax on themselves. Doing so would increase their energy costs and reduce their economic growth.

Methane

Addressing an onslaught of prohibitive federal regulations is a growing challenge and has become a primary priority for KIOGA. As Americans continue to face a fragile economy, it is important to pull back the curtain on the ideological-driven processes the EPA and other federal regulatory agencies are using to justify an avalanche of costly rules.

The Biden administration is strengthening its plan for limiting methane emissions from oil and gas wells after environmentalists said an earlier version was too weak. The Environmental Protection Agency (EPA) advanced the supplemental proposed rule on November 11, 2022. The proposed regulation, which isn't set to be finalized until later this year (2023), responds to criticism by environmentalists by strengthening leak-detection-and-repair (LOAR) requirements for small oil and gas wells.



Methane (CH₄) is a more potent greenhouse gas than carbon dioxide (CO₂), though CH₄ is far less prevalent than CO₂ and has a much shorter atmospheric life. The real reason methane has become an obsession of environmental activist groups is that it sometimes leaks in nominal amounts when extracting or transporting oil and natural gas. Thus, methane can be a pretext for interfering with and raising the costs of drilling. But this means willfully ignoring the plunge in U.S. methane emissions. According to the EPA, methane emissions from oil and gas operations declined by 14% from 1990-2017. According to the EPA, oil and gas methane emissions account for only 1.22% of total U.S. greenhouse gas emissions.

Methane is a greenhouse gas, emitted both by natural sources and from human activity. Methane is also the largest component of natural gas, the product that companies sell. Operators have every incentive to capture and sell as much of this product as possible to American consumers, rather than letting it escape into the atmosphere.

In fact, the United States leads the world in the reduction of carbon emissions, even as the production of U.S. oil and natural gas continues to increase. Our success in lowering carbon emissions in the U.S. is not because of additional regulations, but because of the increased use of natural gas.

The EPA released their first oil and gas methane rule proposal in November 2021. The November 2021 EPA proposal did not require ongoing emission monitoring at well sites that emit less than 3 tons per year (TPY).

In 2022, the Department of Energy (DOE) completed a report on the emissions profile of low production wells. The DOE report offers insights into understanding the nature of methane emissions from these operations. The report shows that the primary emissions at low production sites come from storage tanks and some separators. Well sites producing less than 6 barrels/day or 6-15 barrels/day with 5 or fewer pieces of equipment fall below thresholds that EPA has considered as low emitting sites.

On November 11, 2022, the EPA advanced their supplemental proposed rule to regulate oil and gas methane emissions. The EPA largely ignored the third-party DOE study on low-production well emission profiles. Instead, the EPA responded to criticism from environmental groups by strengthening LOAR requirements for small oil and gas wells and establishing requirements for abandoned facilities.

Our experience is that EPA often underestimates the cost of compliance and overestimates the benefits provided by proposed regulations. We solicited quotes for combustion devices prescribed to meet compliance with proposed EPA oil and gas methane regulations. A certified combustion device that will meet gas flow rate requirements and gas quality will cost owners/operators \$12,000 - \$22,000 to purchase and an additional \$8,000 to install, for a total installed cost of \$20,000 - \$30,000 per well. A conventional oil well in Kansas may cost \$300,000 to \$600,000 to drill and complete. Installation of a combustion system could add 5%

to 10% to the total cost of the project.

In addition, proposed EPA requirements for LOAR emissions testing using EPA Method 21 or a forward looking infrared (FUR) camera is cost prohibitive. Each FUR camera could cost more than \$90,000 and requires training to properly operate the equipment. Utilizing EPA Method 21 requires each operator to pay an outside contractor to visit each location with monitoring equipment and produce a report of leaking components. In addition, Method 21 also requires each facility to have a drawing of each fugitive gas emission component, and have each component tagged and labeled on the drawing. Both options are very expensive for small operators with limited budgets. The additional compliance cost will eliminate projects from being implemented.

If the cost of compliance was only \$405 (as cited by the EPA), we would agree with EPA that the costs are not exorbitant; or "more than the industry can bear and survive". We find that compliance costs will be considerably greater than the estimates that have been provided. We estimate that the compliance costs could exceed 15% of the capital cost to drill a well. These costs are significant and could drive many small operators out of business. We disagree with EPA's assessment that the industry can bear the cost and survive.

Also, the EPA has said they want implementation of the new proposed oil and gas methane rule to be implemented by state agencies. However, many state agencies have commented to the EPA that implementation of such a rule would be enormously costly. The Kansas implementation agency said the cost to implement the proposed EPA oil and gas methane rule would be "enormous". West Virginia stated in their comments that it would cost \$40 million annually and require the hiring of 373 additional full-time equivalent employees. These cost estimates far exceed the state agency's entire budget.

Well-structured, cost-effective regulations are essential to manage methane emissions while assuring that American oil and natural gas producers can provide the energy demanded by the U.S. and world economies. At the same time, technology to manage emissions is evolving and the regulatory process needs the flexibility to allow energy innovators to utilize new technology. Rather than mandate a "one-size-fits-all" system of rules and regulations, the EPA and other federal regulatory agencies need to embrace evolving information and technologies to address issues surrounding the management of methane.

One key aspect of the independent component of the American oil and natural gas production industry is its breadth - spanning from large publicly traded companies to small business and from large, high production wells to marginal production wells. Of the roughly one million active oil and natural gas wells in the U.S., about 750,000 are low production wells. However, these low production oil wells produce about one million barrels/day and low production natural gas wells account for 8% to 10% of U.S. production. Yet, collec-

tively, these wells only account for 1.2% of GHG inventory CO2 equivalent emissions. The regulatory structure to address methane emissions applied to low production wells is significant because their viability is dependent on their cost of operation.

An important point is that the EPA-proposed oil and gas methane rule is contrary to congressional intent as the Inflation Reduction Act of 2022 (P.L. 117-169) exempted smaller wells from regulation. It appears the EPA is engaged in the practice of changing, altering, and amending laws after the fact. They say that their role and responsibility at the agency level is to improve upon a statute if they disagree with it. This creates a lot of regulatory uncertainty.

Congress needs to engage the EPA to ensure the agency develops a cost-effective regulatory program that encourages energy innovators to address methane and other issues. The 2022 DOE report presents information that can be a guide to cost effective management of methane. EPA should look for ways to provide flexibility in its regulatory regime and encourage innovation in addressing these important issues.

Endangered & Threatened Species

Ensuring the protection of species and their ecosystems is an important component of American oil and natural gas exploration. However, the Endangered Species Act (ESA) continues to be used by opponents of American energy production to stymie needed energy projects across the nation. Leadership is needed to ensure listing decisions under the ESA are done in an open and transparent manner and are designed to achieve a positive outcome that will ensure protection of species while at the same time allowing important energy projects to move forward.

Unfortunately, the ESA has evolved into a litigation tool used by some to advance an agenda that impedes American



oil and natural gas production -destroying economic growth and job creation while diverting hundreds of millions of taxpayer dollars away from species recovery.

Despite the significant amount of taxpayer dollars spent in the name of the ESA, the law has failed at its underlining mission of recovering and delisting species. Less than 2% of all listed species have been removed from ESA protection

since 1973.

Independent oil and natural gas producers are good stewards of the land and are committed to protecting the environment. Energy production and species conservation can go hand in hand.

In Kansas, the U.S. Fish & Wildlife Service (USFWS) listed the lesser prairie chicken (LPC) as a "threatened" species effective March 27, 2023. For oil and gas operators, big or small, the ESA is becoming a huge problem. Operating or just living within the area of an endangered or threatened species' habitat becomes hazardous because your operations may impact a protected animal that could result in enforcement actions that include criminal liability. You might conduct oil field or farming operations that create sounds that disturb lesser prairie chickens or engage in field operations too early in the morning. Nearly any activity that could disturb the animal and its habitat becomes a jurisdictional hurdle.

The best scientific and commercial information available demonstrates that the LPC does not meet the ESA's definitions of either a threatened or endangered species. None of the five factors utilized by the USFWS under the ESA to determine if a species is endangered or threatened are present in the case of the LPC in the northern distinct population segment. In short, there is no basis for action under the ESA and its implementing regulations. Through a combination of public and private efforts, the LPC is now better protected than at any previous time. A listing as threatened or endangered will not provide any additional conservation benefits above what already exists.

Energy Infrastructure

Expanding and modernizing America's energy infrastructure are critical components of continuing our increased production of oil and natural gas, increased reliance on natural gas for electricity generation and reduced greenhouse gas emissions. Groups opposed to fossil fuel production have seized upon opposition to infrastructure to stymie production. If natural gas can't be transported to markets, it won't be produced. The Federal Energy Regulatory Commission (FERC) remains the key regulator for approving interstate natural gas pipeline projects. Unfortunately, FERC has become increasingly polarized with the Democrats on the commission voting against projects not based on their merits, but to simply halt much needed natural gas projects. KIOGA urges Congress to conduct robust oversight of FERC and the entire federal system for approving natural gas pipelines to ensure the system is not used to stop needed infrastructure projects to placate environmental extremists.

Crude Oil Releases from the Strategic Petroleum Reserve

The Strategic Petroleum Reserve (SPR) is meant to protect Americans against emergency supply disruptions, not be a tool for politicians. KIOGA has long believed that the SPR should not be used to manipulate the crude oil market. The SPR is America's first line of defense against a major disruption in domestic petroleum supplies. Releasing oil from the SPR is a short-term fix for prices at best. It not only reduces our capacity to protect ourselves in case of a true emergency, but also increases America's reliance

on politically volatile countries around the globe.

Policy makers should oppose all non-emergency sales of oil from the SPR. Rather than looking for a quick fix, the Biden Administration should promote the production of oil and natural gas in the U.S. Exploring for more oil and natural gas at home will not only increase our nation's energy supply but will also create jobs and increase government revenues through taxes and federal royalties.

Access to Capital Markets

Over the past several years, there have been concerted efforts to use government actions to prevent investment in American oil and natural gas production and use. Some of these have surfaced in legislative actions such as those that were thwarted in the legislation to respond to the COVID pandemic, proposals that would have prevented oil and natural gas producers from accessing recovery funds designed to assist all Americans. Other efforts have been created in the Administration to use financial agencies, like the Treasury Department, the Securities and Exchange Commission, the Commodity Futures Trading Commission, the Office of the Comptroller of the Currency and others, to develop regulations and policies designed to inhibit investment in the industry. These are attempts to use non-legislative ways to impose perceived climate costs and raise the price of energy. By employing environmental, social and governance (ESG) standards, some financial institutions and government agencies espouse policies prioritizing a focus on factors unrelated to a company's bottom line. ESG forces investors and company managers to view company operations through the eyes of a vocal set of stakeholders, for whom a company's climate reputation is of equal or greater importance than a company's financial performance. These actions need to be scrutinized and prevented.



Labor Market Challenges

Labor is a critical issue for the Kansas oil and gas industry. Tight labor markets make it difficult to find qualified workers. Tight labor markets are caused by demographics (baby-



boomer exits), overly heated economy (increased competition among employers), and friction within the labor market (time needed to develop new skills for new processes).

The oil and gas industry has lived through several ugly downturns before, and we know that patience, persistence, insight, and innovation pay off. We move forward together in 2023 to focus on value reconstruction and prepare for brighter days ahead.

Energy Policy

One area where Republicans and Democrats can work to find a compromise is around energy policy. During times of economic recession and recovery, the public's priorities revolve around improving the economy. This extends to energy legislation. According to several recent public opinion reports, the public supports moving to renewable energy, but is concerned about the impact to the lives and finances of the American consumer. The U.S. public wants Congress to provide energy legislation that will help bolster the economy, protect the environment, and require very minimal personal sacrifice by the consumer.

While not all segments of the population are ready for a transition to renewable fuels to begin, it is clearly an expectation for the future. We expect the 118th Congress to propose energy initiatives that not only promote renewable energy but protect the economic benefits currently provided by fossil fuel industries.

Recent polling indicates the public primarily sees energy policy as an economic issue or environmental issue. The energy policy challenge for the 118th Congress will be to mediate these opposing viewpoints to create policy that is beneficial to the economy and the environment.

The federal government has a variety of issues to address, and for some energy policy is not a top priority in comparison to inflation, healthcare, reducing the deficit, improving education, and ensuring national security. However, for many, energy policy is a top priority issue that needs to be addressed.

The public is divided as to whether U.S. energy policy is an economic or environmental issue. Essentially, the public wants a strong economy while improving environmental standards.

The general public is supportive of policy initiatives that expand renewable energy sources, but they are not as supportive of penalizing the oil and natural gas industry. Less than half of the general public supports a tax on carbon emissions. While Democrats are largely supportive of taxing carbon emissions, Republicans are likely to oppose such initiatives. The public seems far more supportive of incentivizing companies to pursue renewable fuel sources rather than penalizing industries.

Many folks across the nation are not financially secure enough to deal with rising energy costs and unwilling to make significant changes to their lifestyle. Republicans and Democrats will need to work together to improve energy policy. This will be difficult due to the competing interests of industries and environmental organizations. Environmental organizations want policies that utilize the highest environmental standards and industry wants policy that has minimal impact to the economy. If energy legislation does not serve the best interest of the public, it offers no incentive for the public to make significant changes in their lifestyle.

Is energy policy that creates a compromise of all interested parties and public expectations better than no energy policy at all? That is a question the 118th Congress may have to answer. One thing is certain. The public places a high priority on energy policy and will continue to be dissatisfied with

the direction of energy policy unless progress is made.

Just a few years ago, no one would have imagined the U.S. could increase production of oil and natural gas while cutting greenhouse gas emissions, which are now near 25-year lows. The oil and gas industry has proven that over the long-term, it is possible to lead in energy production and environmental stewardship.

By focusing on more efficient use of energy, it is possible to lower emissions without imposing a carbon tax or even more environmental restrictions. Energy policy that values innovation over regulation can turn energy policy challenges into great opportunities for economic growth and energy security. This approach is not just good business, it's good stewardship and a much better strategy for improving the quality of life for all.

Energy prices affect all corners of the economy, and keeping up with demand is essential for maintaining a high standard of living. Thankfully, that doesn't require abandoning efforts to protect the environment, because newer technology is cleaner technology. The key is to avoid placing unnecessary political or legal obstacles in the way of innovation and expansion.

Conclusion

America's independent oil and natural gas producers stand at the forefront of energy use and development in the coming years. We look forward to working with you and your colleagues to develop innovative solutions to address America's energy challenges in the coming years.



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FOR 2023-2024
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	PAC: nonmulticandidate	\$3,300* per election	\$5,000 per year	\$10,000 per year (combined)	\$41,300* per year	\$123,900* per account, per year
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Our charge for 2022 was Rational. Going into 2023 DEPA will continue to seek rational decisions, while we keep **purposeful goals in mind**. Our leaders and voters need to overcome the emotional response to the inaccurate messages and keep the purpose of our industry in mind- The welfare of the US, and the world starts with energy. DEPA will bring facts and clear thinking to the table where challenges are being discussed.

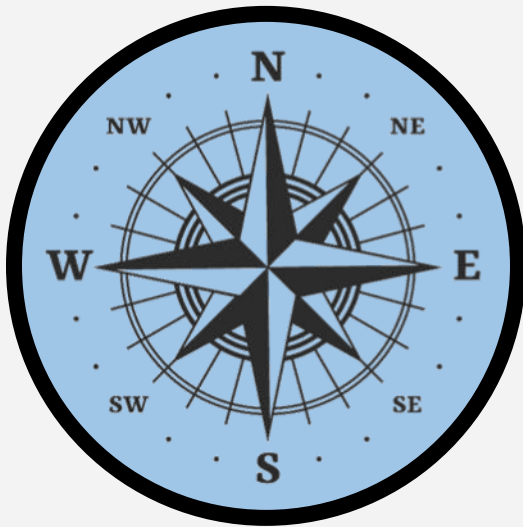
Purposeful

pur-pose-ful (adjective) /'pərpəs(ə)l/

1: Having or showing determination or resolve

2: Having a useful purpose

3: Intentional



2023

**“EFFORTS AND COURAGE ARE NOT ENOUGH
WITHOUT PURPOSE AND DIRECTION”**

- JOHN F. KENNEDY

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-Judy Stark, Pres. Panhandle Producers and Royalty Owners Assoc, on the fight to protect the oil and gas industry from misinformation

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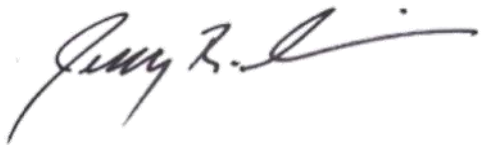
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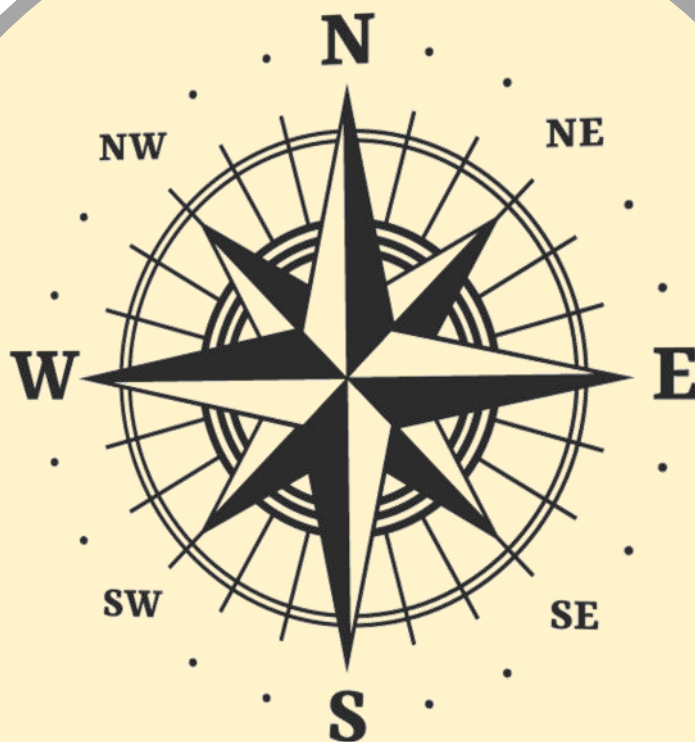
The welfare of the US, and the world starts with energy. In 2023 our mission is to be purposeful. “Efforts and courage are not enough without purpose and direction.” DEPA will continue the effort to seek rational decisions, while we keep **purposeful goals** on the forefront of our agenda. Our leaders and voters need to overcome the emotional response to the inaccurate messages and keep the purpose of our industry in mind. DEPA will bring facts and clear thinking to the table where challenges are being discussed.

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Jerry Simmons
DEPA President/CEO



DEPA PAC

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