

“STRENGTHS, WEAKNESS, OPPORTUNITIES & THREATS”

January 19, 2023

Good afternoon and thank you for having me. It's a pleasure to be here.

On September 1, I officially took on the new role of President & CEO of the Independent Petroleum Association of America. IPAA was founded nearly 95 years ago, and in this tumultuous time, it's my belief that the association's efforts are needed now more than ever.

I'm honored to have the opportunity to step up to the plate and go to bat for our industry. I've worked in oil and natural gas for more than 25 years, including s IPAA's Energy In Depth, the industry's rapid response, research and communications coalition, in 2009. With my colleague, Dan Naatz, IPAA Chief Operating Officer and Executive Vice President, I'm working closely with the IPAA board to support a smooth and organized transition that builds on our association's efforts to advocate for independent producers in Washington and provide member value through facilitating capital raising, business development and educational opportunities.

As you know, the American natural gas and oil industry is very diverse and consists of many sectors. IPAA represents the exploration and production part of the industry -- the "independent" companies who don't have refineries or gasoline stations. These companies specifically search for and develop the nation's gas and oil wells.

There are about 6,000 independent producers exploring for and producing the nation's supply every day of the year. They are spread across 33 states.

And here's the kicker that a lot of people don't realize: collectively, these small businesses are responsible for developing 91 percent of the nation's natural gas and oil wells, accounting for 83 percent of America's domestic oil supply and 90 percent of our domestic natural gas supply. "Independents" employ millions of people nationwide and account for three percent of the nation's gross domestic product. Through good times and bad, our companies invest billions in new projects, searching for America's energy.

Through the effort of independent producers, today, America is a world leader in natural gas and oil production. And we are doing it responsibly. Now, thanks to the use of affordable, reliable natural gas, America has its cleanest air in more than two decades, while natural gas and oil production is at record levels. We are the envy of nations – we lead the world in reducing emissions.

In this time of continuing uncertainty, one thing is certain: a healthy oil and natural gas industry is good for America – for our economic and national security – as well as for our allies across the globe.

But make no mistake — the industry and all its important benefits are at risk. The Biden Administration's attacks on American oil and natural gas producers have been relentless. The President and some Democratic leaders want to shackle our industry with new taxes, increase regulations and limit access for oil and natural gas development. President Biden and his allies in Congress seem determined to stop the energy renaissance America has enjoyed over the last decade.

And who (other than our companies) pays the price? American consumers.

Skyrocketing prices didn't seem to bother this administration — until the November elections. That's when the president spent more time on the phone with OPEC and Venezuela — begging them to increase production. Meanwhile, our industry, the true solution to stable prices, didn't even get a single phone call.

And, let's not even get started on the release of oil from the Strategic Petroleum Reserve. That was not strategic, that was political. The SPR should only be used in times of crises and emergencies. If the President really needs new supplies of oil, look no further than America's oil industry.

As I see it in Washington there are many Strengths, Weaknesses, Opportunities and Threats faced by our industry. Let me take a minute to address some of these.

Strengths.

Natural gas production is actually good for the environment — as I mentioned before, the nation has its cleanest air in 20 years. According to the Environmental Protection Agency's 2021 Greenhouse Gas Inventory, methane emissions in the United States continue a downward trend from 2005 levels. In fact, total U.S. greenhouse gas emissions continue to decline despite increased production and consumption of natural gas. Our industry is committed to reducing leaks and improving pipeline infrastructure. Initiatives like The Environmental Partnership bring companies together to discuss best practices to improve the industry's environmental performance. American producers are taking the right steps to produce energy more cleanly, safely and reliably.

I think we are the only country to reach the Paris Climate Accord goals — without even signing the accord itself!

Other strengths of our industry include America's vast natural gas and oil reserves. We have more than a 100 year supply of energy underneath our country. Oil and gas will remain America's largest fuel source through 2050 at least!

And we will produce it not only responsibly, but also utilizing some of the most advanced technologies available. I once heard it said that our industry rivals the technology of NASA – they explore outside of the earth, and we explore within it.

So, we have a very strong, resilient industry. What are some of our weaknesses?

Weaknesses.

Inflation, which affects all Americans. Our industry is not just producing energy, we are also energy consumers. A weak economy results in a weakened industry. Labor and service costs, for example, purchasing tubular goods, have driven up the costs of drilling and completing wells by 30 % year over year. Supply chain issues, even the ability to acquire pickup trucks, has also impacted the industry.

But there are some good opportunities to keep in mind.

Opportunities.

America's natural gas and oil production are also vital here at home. I always like to point out that taxes, royalties, rents, fees and bonuses – particularly from federal land production – are the US Treasuries second largest revenue source! We, as an industry, have the opportunity to make America's national security, as well as economic security strong.

We also have a positive impact and opportunity on the global level. Natural gas and oil are international commodities – and our industry is vital to global security. We are an ally that our friends can count on thanks to the shipment of crude oil exports and liquefied natural gas. Just two weeks ago, Germany accepted its first shipment of US LNG. And other nation's will as well – especially those being crippled by Russia, and in some cases, by their own governments who chose to subsidize unreliable, unaffordable alternative energy programs, rather than promoting traditional energy, such as natural gas and oil.

Another opportunity is the Republican takeover of the U.S. House of Representatives. For example, three days after the House elected Kevin McCarthy as speaker, the House Energy and Commerce Committee, it's in first action of the 108th Congress, held a roundtable on energy prices. I was lucky enough to be invited and testified as the sole energy representative on the panel. Holding this roundtable was a clear signal that this new House is making energy a priority.

But all of these strengths and opportunities are jeopardized by many threats. The largest of which is uncertainty.

Threats.

And uncertainty breeds inaction. But that's not an option. So what are the threats that create uncertainty. They are vast, and everyday there seems to be a new one:

- Lawsuits filed by environmental activists
- Permitting and infrastructure regulations
- Threats of new regulations (such as Endangered Species Act and Waters of the US)
- Increased taxes (methane and proposed Windfall Profits Tax)
- ESG rules / investment rules
- Securities and Exchange Commission "Climate Plan" on banks and funding
- Bans and setbacks
- Electrification proposals (no new gas stoves / no new natural gas hookups in houses and federal buildings)
- Delayed lease sales onshore and offshore
- Misinformation campaigns / aggressive opposition cites incorrect seismic, health, safety information

And more.

So, what can be done to address these challenges – the strengths, weaknesses, opportunities and threats?

First, we must encourage capital investment and dial back activist pressure to divest from oil and natural gas production. Second, business thrives where there is a predictable landscape. Federal, state and local government must streamline ordinances, so producers have a predictable market in which to operate. Third, remove the hurdles for pipeline projects and allow abundant natural gas supplies to reach customers in the cleanest, most efficient method available. Fourth, regulators should develop and greenlight new infrastructure projects to meet growing demand.

These solutions won't immediately solve all the questions surrounding the world's energy challenges. However, they make for a good starting point. Now is the time to protect our future in a holistic way that considers economic, national security and environmental implications.

It is time for the Biden Administration to look at American oil and natural gas as a partner in efforts to address our nation's energy challenges, not the enemy.

IPAA and GO-WV members understand we aren't the only solution to questions surrounding American energy, but we must be part of the conversation.

Our members have never faced such an arduous challenge from politicians, the media and academia, and this next chapter will undeniably be tough. The IPAA board and staff are proud

to work on our members' behalf, for this industry and for our country. And we look forward to continue working with each of you.

Once again, thank you for this opportunity – we really appreciate the invite and opportunity to keep growing our relationship among the associations.