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The Eastern Kansas Oil and Gas Association is a unified voice representing the unique interests of Eastern Kansas oil and gas producers, service companies, suppliers and royalty owners before the state government in Topeka on matters involving oil and gas regulations, taxes, safety standards, environmental concerns and other energy related issues.



Message from the President Bryson Owens Owens Petroleum / Owens Oil Company

It looks like we may have made it through winter without much winter weather this year. Although we sometimes had a little snow and ice, it was nothing like other parts of the country have experienced this season. I don't know about you, but our mild winter didn't bother me a bit. I know we could use the moisture, but rain instead of snow is just fine with me. Hopefully, that darn groundhog's prediction does not include Kansas, and spring will be here soon.

You should have received your EKOGA dues invoice in early February. For those who have paid your 2023 dues, on behalf of myself and the EKOGA board of directors, THANK YOU! We appreciate your continued support of the association. Your dues help EKOGA fight the actions of legislators and regulators to impose more onerous and expensive demands on our industry. If you haven't returned your dues payment, please consider doing so soon. Remember, *We are Stronger Together*.

The Kansas Oil & Gas Day Legislative Breakfast was a success. We had a good number of members, and legislators attend. I don't particularly like doing this kind of stuff, so I am grateful to all who made the trip to Topeka. I hope everyone enjoyed the breakfast and was able to talk with legislators about our issues. Thank you to our sponsors, CVR Refining, Fidelis Energy Group, and Trimble & Maclaskey Oil.

You should have received a Save the Date postcard about our Mid-Year meeting on May 4 at Top Golf. Plan to join us as we hear from economist Chris Kuehl about how federal and state politics and economic trends affect our industry. Of course, we will enjoy a few hours of food, fun, and Top Golf play. And don't forget about the refreshing beverages. You can find more information on the Mid-Year at Top Golf on page 10.

Finally, a reminder to mark September 27-28 for the EKOGA Annual Meeting at Prairie Band Casino and Resort.



Legislative Report Kevin Gregg, Lobbyist

The list of bills in the Legislature shrank considerably on Friday, February 24, Turnaround Day. Turnaround Day is a legislative deadline requiring any bill that has not been passed through its house of origin to be stricken from the calendar. There are certain select committees that are "exempt" from this rule. They include House and Senate Tax, Federal and State Affairs, Budget, as well as Senate Ways and Means and House Appropriations. Procedurally, leadership will identify which bills they still want to consider after turnaround and refer them to one of the aforementioned committees to protect them from being removed from the calendar.

We have mentioned several times that the electric utilities are taking a lot of heat this session. Generally, legislative leadership has heard from their constituents that they are tired of increasing electric bills. This goes for residential and business customers alike. Several bills were introduced early in the session to address utility rates from multiple angles. They included bills to expand the number of KCC commissioners, the election of KCC commissioners, limit Evergy from recovering certain transmission-related costs, enhancing the benefits for customers who sell power back to Evergy, and requiring the KCC to study cost competitiveness in our region. House Utility Chairman, Rep. Leo Delperdang, announced to his committee on its last day of meetings before the break that they aren't going to work any of these bills before turnaround and instead would add them to a list of general energy policy study. SB 88 and its companion HB 2154, the KCC election bill, are off the table, as are most of the other bills meant to push back on rising electric rates in Kansas.

The chairman also said he is in talks with TC Energy to have them provide a briefing, likely sometime in March, on the pipeline spill in Washington County. Expect some noise from the usual suspects when TC Energy comes in to discuss their mitigation efforts. The timing of their presentation comes after turnaround day and ensures no punitive legislation may be brought against them or the industry as a result. HB 2327 was just such a bill that didn't receive a hearing in committee. If passed, it would have revoked any property tax exemption received by a pipeline that experienced a spill. It would have also forced the company to pay any property taxes it had been previously exempted from. This type of bill is harmful to the industry and fails to recognize the role domestic fossil fuel production plays in the United States.

On the other hand, SCR 1603 was brought forward by several Senators urging the President of the United States to restore energy independence in the United States. The highlights of SCR 1603 urge President Biden to 1) Reject unscientific environmental mandates that restrict domestic energy production and raise costs for American families; 2) Consider current geopolitical tensions and support policies that ensure America's long-term energy affordability, security, leadership, and progress, including actions to increase investment in domestic refineries and natural gas production; 3) Expand



Warren Martin, Executive Director Kansas Strong

Speaking to the Next Generation

"But how many of them vote?"

I was recently in a meeting talking about messaging and campaigns to reach the people of Kansas. On the table was a proposal to do Spanish messaging in some parts of Kansas. The objection I expected and which came up was, "But how many of them vote?"

The reality is demographics are changing. Age, financial, language, and social interests are just a few of the changing metrics we follow. If you look at some regions in Kansas (i.e., Liberal, Dodge City, and Garden City) demographics have changed to where the minority has become the majority. However, Johnson County and Wyandotte County have also seen a dynamic shift in demographics, with more Spanish-speaking people moving into those regions.

It is not limited to a racial shift in demographics, though. There is a widening gap between age demographics, especially those concerned with specific social interests. Change is inevitable. Change is good. Change is bad. Change is...change. Change is reality.

The question becomes, how do we communicate with the changing demographics? Do we ignore them and play to the core demographics we have always tried to reach? Do we reach out to them? And if so, why."

The "why" is the main point. When asked the question, "But how many of them vote?" I was forced to acknowledge that not many of them do. And that is the way of change. Not many of the people who move into an area take an initial leadership role in an area or voice their concerns for the first-time vote! That is just a fact. They work in the shadows of the community and gradually get more and more involved.

However, they also tend to be very vocal and respected. They are what Seth Godin would call "sneezer"! In his book Ideavirus, he lays out how ideas spread like germs throughout a society. In the movie Inception (2010), this idea is played out by Cobb (Leonardo DiCaprio), who says, "An idea is like a virus, resilient, highly contagious. The smallest seed of an idea can grow. It can grow to define or destroy you."

This is the conclusion that began his statement, "What is the most resilient parasite? Bacteria? A virus? An intestinal worm? An idea. Resilient... highly contagious. Once an idea has taken hold of the brain it's almost impossible to eradicate."

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Keith's Corner Keith Brock

Anderson & Byrd, LLP

A Contractual Alternative to Well Location Exceptions

In Kansas, oil and gas wells cannot be drilled nearer than 330 feet from any lease or unit boundary line. In many Eastern Kansas counties, the well set back restriction is reduced to 165 feet for oil wells drilled to a depth of less than 2,000 feet (2,500 feet in Chautauqua County). Currently, no setback restriction applies to injection or disposal wells.

Various situations create the need to drill closer than the proscribed distance from a lease or unit boundary. One common example is a lease that excludes a small home site. In these situations, an operator can apply to the Kansas Corporation Commission for a "well location exception" and go through the process of obtaining authority to drill closer to the leased boundary. In order to receive a well location exception the operator must demonstrate that the exception is necessary to prevent waste or protect correlative rights. In addition, the application and regulatory process involved in obtaining a well location exception can be expensive and time-consuming.

However, an alternative exists which can eliminate the need for a well location exception in many instances. The alternative is rather simple, i.e., just move the lease boundary so that the desired drilling location is no longer too close. While this may not seem simple, it certainly can be if the neighboring mineral interest owner is cooperative. The strategy is to approach the neighboring mineral interest owner and request a lease covering the necessary perimeter segment of their property while also protecting their acreage with a surface use restriction prohibiting the lessee from ever entering upon their property at all. The adjoining mineral interest owner may agree simply as an accommodation to their neighbor since the lease doesn't allow anyone to ever set foot upon their property. Other times a lump sum cash payment or a small royalty is required in order to obtain their cooperation. Once the neighboring mineral interest owner agrees to cooperate the lease or unit boundary line can be effectively moved further onto their property by either 1) amending the existing lease to include a portion of the neighboring property and create the promised surface use restrictions; or 2) take a new lease upon the necessary portion of the neighboring property which incorporates the promised surface use restrictions and then pool or unitize it with the existing lease. Either of these two approaches will effectively move the lease or unit boundary line so that the proposed drilling location no longer requires a well location exception.

One caveat to this strategy is that the drafting necessary to accomplish this is somewhat nuanced, so you should engage an experienced oil and gas attorney to assist in drafting the requisite documents. However, even after engaging an attorney to draft the requisite documents, the cost and time involved in proceeding in this manner will undoubtedly be less than pursuing a formal well location exception through the Kansas Corporation Commission. In addition, this approach removes the uncertainty that is inherent in any well location exception docket.

DISCLAIMER: This article does not constitute legal advice, and no attorney-client relationship is intended or implied.

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Chad Anderes is leading Ascent Midstream's Kansas Operation as the SR Director of Crude Oil Supply. Chad has 3 decades of Crude Oil Marketing experience in Eastern Kansas and has seen great success helping producers through operational challenges and adverse market conditions. He is leading a customer focused purchasing operation that creates a more efficient and transparent marketing experience for the Eastern Kansas Crude Oil Producer. Call Chad today.



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EKOGA returning to Top Golf - Overland Park for our Mid-Year event. We will have our usual schedule of a board meeting, committee reports, lunch, and educational sessions, but we will end the day with two hours of play at Top Golf.

No worries about the weather; the bays are covered, and climate controlled. Not a golfer, not a problem. TopGolf has clubs available for use FREE of charge! TopGolf offers several different skill games for the nongolfers to the advanced golfers. If you can swing a club and hit a ball, you can play. TopGolf is fun for all. An additional plus for TopGolf is you get to enjoy refreshments as you play. Men, women, kids, young, old, members, and nonmembers are all welcome to participate.

Last year's presentation by John Schuster will be hard to beat, but we have secured a great speaker, Dr. Chris Kuehl, managing director of Armada Corporate Intelligence. He is an economic analyst with clients in various industries. He is the editor and publisher of the Flagship, a publication that provides information on national and regional political and economic trends that affect business decisions.

Plan to join your fellow EKOGA members on Thursday, May 4, at Top Golf. Registration and sponsorship form is available to the right. The registration form is also available on the EKOGA website.

Deadline for registrations and sponsorships is April 25, 2023.



Tentative Schedule

10:00 a.m. Board Meeting

10:30 a.m. Committee Reports (Legislative/Regulatory)

All levels will have their company name on signage at the event, slide-show presentation, on the EKOGA Website and 2nd quarter newsletter. 11:30 a.m. Lunch Lunch Sponsor - \$1,500 12:15 p.m. Education Sessions 3:00 p.m. Top Golf Refreshment Sponsor - \$1,250 Platinum Sponsorship - \$1,000 **COMPANY INFORMATION** ____ Gold Sponsorship - \$750 Company: _____ ____ Silver Sponsorship - \$500 ____ Bronze Sponsorship - \$250 Address: ____ Bay Sponsor - \$150 City: _____ State: ____ Zip: ____ **Sponsorship Total:** Sponsor name as you wish it to appear on signage. ATTENDEE INFORMATION Registration includes meetings, lunch (chicken tenders, Angus beef sliders, mini hot dogs, fruit, chips, cookie, and drink), education sessions, and two hours Top Golf play with two drink tickets (beer or wine). Meetings/Lunch/Top Golf \$160 Name: Meetings/Lunch/Top Golf \$160 Meetings/Lunch/Top Golf \$160 Meetings/Lunch/Top Golf \$160 @ \$160 Registration Total: Sponsorship Total: \$_____ Registration Total: \$_____ Total Amount Due: \$__ (Registration+Sponsorship) (from above) (from above)

PAYMENT INFORMATION

HOW TO REGISTER Choose from two easy ways to register.

1. By Email: judy@ekoga.org

2. By Mail:

EKOGA PO Box 678 Topeka, KS 66601-0678

Registration Deadline: 04/25/2023

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Mid Year Meeting Registration May 4, 2023 **Top Golf** 10611 Nall Ave, Overland Park

Mid Year Meeting Sponsorship Opportunities

Please select the sponsorship level at which you wish to participate.



Regulatory Update Rob Eberhart Bobcat Oilfield Service, Inc.

Supplemental Proposal on Quad O Final Comment

EKOGA has joined with other producer associations (including KIOGA, NSWA and other state associations) to file a final comment on the Supplemental Proposal on Quad O proposed regulations. The message the Producer Associations have consistently conveyed from the start is "one size does not fit all." Working with James Elliot of Spilman Thomas & Battle, comments were filed with the intent "to identify the most detrimental and unsupported proposals by EPA and provide alternatives that provide the equivalent or nearly the equivalent environmental benefits as substantially less cost and confusion to the Oil and Gas Industry, in particular the small business that are disproportionally impacted by these proposed regulations."

While the 48-page final comment documented extensively how the proposed regulations would impact producer association members, the following is a summary of some of the main issues documented in the comment. The comment clearly showed that "Producer Associations are committed to working with EPA to craft legally justified regulations that protect the environment and do not place unnecessary burdens on the Oil and Gas Industry." The final comment noted:

- 1. "Fugitive Emissions Monitoring of "Low Production Wells" Misses the Mark." EPA's continued focus on "component" counts creates a number of problems for regulators and the regulated. State regulators and owners/operators do not make decisions based on component counts. Nonetheless, EPA relies on component counts to determine the type and frequency of fugitive emissions monitoring. EPA defines four categories of sources/sites: a fifth category is needed an Intermediate Well Site. As proposed below, an Intermediate Well Site would allow certain wells sites, historically considered to be a "low production well", to utilize industry practices to identify leaks at substantially less cost than EPA's proposed framework. EPA's proposal places an economic burden on owners/operators of low production wells that is not justified or supported.
- 2. "EPA Utilizes Inaccurate Data to Justify "Zero-Emitting" BSER for Pneumatic Controllers and Pumps." Concurrent with this supplemental proposal, EPA has proposed revisions to its GHRP rules and acknowledges that current GHGRP rules yield inaccurate and poor-quality emissions data. ...EPA knowingly utilizes historical GHGRP Inventories that overstate methane emissions by as much as 96 percent for intermittent-bleed pneumatic devices to make the reasonableness determination work. Pneumatic controllers and pumps are not the problem EPA portrays them to be. EPA needs to withdraw the current "zeroemitting" BSER for pneumatic devices and consider the BSER alternatives proposed...
- 3. "The Super-Emitter Response Program Should be Revised to Address Unexpected Significant Releases, Without Subjecting Owners/Operators to Significant Expense." Malfunctions happen and equipment breaks such that greater than anticipated emissions to the atmosphere occur. The owner/operator of such equipment should not be characterized as a "super-emitter" and the negative

Continued on page 13

Regulatory Report Continued from page 12

connotations associated with such a label. EPA should clarify that any information submitted by a "third-party notifier" cannot be used as the basis for enforcement. Additionally, third-party notifiers should be required to post a bond or other financial assurances that would compensate owners/ operators for the cost associated with responding to an alleged unexpected significant release that is ultimately determined to not be an unexpected significant release."

The purpose of the final comment is to show that "America's oil and natural gas producers recognize their responsibility to effectively manage the environmental impact of their operations. Clearly among these is the control of methane emissions from their operations. The goal here should be to develop and implement cost effective regulations and voluntary programs to assure that methane emissions are controlled."

There is little indication the EPA will amend its approach or modify its regulatory process or enforcement in consideration of the above concerns. However, the implementation process will take some time. As states must come up with regulatory processes that are then approved by the EPA. Then, there is a 15-month window for implementation. This will push full implementation past the next election and potentially to a new administration which could potentially have a more favorable view towards the industry in its oversight of the implementation of regulations





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Legislative Report Continued from page 7

domestic energy production and ensure energy reliability and affordability for consumers by cutting through the red tape purposefully hampering the building of energy infrastructure, primarily pipelines; 4) Reevaluate energy policies that have curtailed domestic production of oil and natural gas; and 5) Utilize our nation's abundant natural resources and relationships with energy-producing allies as leverage against a Russian regime that is intent on disrupting world peace and threatening global stability. The measure passed the Senate (28- 10) and is currently in the House Energy Committee.

In the final hours before the Senate left, they amended a tax bill and eliminated the sales tax on all food and food products in Kansas. We all experienced the slight reduction that went into effect on January 1, but this amended bill, if passed, takes all food tax to zero. Where the legislature will receive pushback is from local units of government. As the bill reads, no entity is allowed to tax food or food products. This means lower state and local revenues which will have to be made up somewhere. The Senate also advanced a flat tax plan which will further reduce revenue. The revenue they are losing will have to be made up somewhere, or government will have to reduce spending. Of those two options, we all know which is more likely.

Perhaps there is a middle ground, or maybe they will modify the flat tax rate to recover some of the missing revenue. But we don't envision a plan where the size or cost of government is reduced. Keep an ear open for proposals to increase property tax to provide the remainder of the funds. This is where we foresee the tax plans affecting our industry. But until the final gavel, you never know what they will come up with.

Look for your EKOGA weekly update in your inbox. If you aren't receiving it, please email me at kevin@ekoga.org or Judy at judy@ekoga.org, and we will add you to the list.

Warren Martin Continued from page 8

Victor Hugo once wrote, "One resists the invasion of armies; one does not resist the invasion of ideas."

The reality is we are not competing for votes! That is a short-term solution that will inevitably lead to a colossal fall. We are competing for the minds of people. We are striving to educate and explain the position and purpose oil & natural gas play in people's lives and the consequences of regulating them out of existence.

It is vital to understand that while the people we speak to might not vote currently... their kids and grandkids will! And the messages ("ideas") they latch onto will most certainly guide their vote. That is why it is vital to communicate to ALL populations now! That is why Kansas Strong will launch its first-ever Spanish campaign in Kansas and continue to develop its efforts to communicate with students across the state.

Kansas Oil & Gas Day Legislative Breakfast

Thank you to all who came to the Capitol for the Kansas Oil & Gas Day Legislative Breakfast. We had a great turnout of members and legislators. The food was delicious, and everyone enjoyed the hearty breakfast.











Kansas Oil & Gas Day Thank You Sponsors!

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SAVE THE DATE!

May 4 - Mid-Year at Top Golf, Overland Park

Registration and Sponsorship information on page 10.

September 27 & 28 - Annual Meeting at Prairie Band Casino and Resort, Mayetta Watch for more information coming in July.