Dear Fellow Texans,

On behalf of the members of the Texas Oil & Gas Association, we are pleased to release our annual Energy & Economic Impact Report.

In many ways, 2019 was a banner year for the U.S. oil and natural gas industry. Thanks to Texas, we saw record-breaking production and our nation become a net oil exporter the first full month recorded in the U.S. Texas’ tremendous capacity to produce, transport and refine reliable, affordable energy is a stabilizing factor for our nation and our trading partners around the world.

Despite challenges associated with the global marketplace, growth in production, pipeline construction, refining and LNG expansions translated to record-breaking revenues for our state and local tax coffers in Texas. In fact, the Texas oil and natural gas industry once again shattered records, paying an unprecedented $16.278 billion into state and local treasuries. This is an increase of 16% from 2018 and translates to about $44 million a day that this industry contributes to state and local revenue. Since 2007, when TXOGA first started compiling this data, the Texas oil and natural gas industry has paid more than $149 billion in state and local taxes and state royalties alone, and this figure doesn’t include phenomenal payrolls and a host of other tangible economic contributions.

*Our nation is stronger, safer and more secure because of what’s happening in the Texas oil and natural gas industry.*

The following report will take a closer look at these economic figures as well as the ways Texas is putting oil and natural gas tax revenue to work for our state, schools, teachers, roads, infrastructure and healthcare.

Todd Staples
President
Texas Oil & Gas Association
The Texas Oil and Gas Industry Paid $16.3 Billion in Taxes and State Royalties in 2019

This equates to more than $44 million a day.

14 SECTORS COMPRISING THE TEXAS OIL AND NATURAL GAS INDUSTRY

As defined by the Texas Workforce Commission

- Crude petroleum extraction
- Natural gas extraction
- Industrial sand mining
- Drilling oil and gas wells
- Support activities for oil and gas operations
- Natural gas distribution
- Oil and gas pipeline and related structures construction
- Petroleum refineries
- Petroleum lubricating oil and grease manufacturing
- Petrochemical manufacturing
- Oil and gas field machinery and equipment
- Petroleum merchant wholesalers
- Fuel dealers
- Pipeline transportation

<table>
<thead>
<tr>
<th>TAXES AND ROYALTIES PAID BY TEXAS OIL AND NATURAL GAS INDUSTRY (FY 2019)</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property taxes*</td>
<td>$3.957 billion</td>
</tr>
<tr>
<td>Sales, state and local taxes*</td>
<td>$3.748 billion</td>
</tr>
<tr>
<td>Crude oil production tax**</td>
<td>$3.887 billion</td>
</tr>
<tr>
<td>Natural gas production tax**</td>
<td>$1.686 billion</td>
</tr>
<tr>
<td>Franchise, oil well servicing, and other taxes*</td>
<td>$828 million</td>
</tr>
<tr>
<td>Royalties to State Funds**</td>
<td>$2.173 billion</td>
</tr>
<tr>
<td><strong>Total Paid</strong></td>
<td>$16.278 billion</td>
</tr>
</tbody>
</table>

* Estimated, Tax & Fiscal Consulting, Austin
** Source: Texas Comptroller’s Office

* Historically, TXOGA has defined the oil and natural gas industry using 10 sectors that cover upstream, midstream and downstream operations. This year, we included 4 additional sectors to provide a more comprehensive view of the industry. These sectors include industrial sand mining, pipeline construction, oil and grease manufacturing and fuel dealers. Even without the addition of these 4 sectors, fiscal year 2019 was a record-breaking year in terms of state and local taxes and state royalties paid by the industry.
Record-breaking oil and natural gas production levels pushed production or "severance" tax revenues to new highs. Drilling and completion of new wells have also kept sales tax revenues high, and both increased production and new wells drilled have kept property tax revenues high.

U.S. crude oil production in October rose to a new record of 12.66 million barrels per day (bpd), and crude oil production in Texas rose to a record 5.27 million bpd in October, according to the U.S. Energy Information Administration (EIA).

U.S. natural gas production rose to 114 billion cubic feet per day (bcfd) in October, with Texas accounting for 25% of the nation’s total natural gas production at 29 bcfd in October 2019, according to EIA.

**Texas Crude Oil Production**

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<tbody>
<tr>
<td>4.72</td>
<td>5.27</td>
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<tr>
<td>million barrels per day</td>
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**Texas Natural Gas Production**

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<tr>
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<tbody>
<tr>
<td>25</td>
<td>29</td>
</tr>
<tr>
<td>billion cubic feet per day</td>
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**U.S. Crude Oil Production**

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>11.63</td>
<td>12.66</td>
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<tr>
<td>million barrels per day</td>
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</tbody>
</table>

**U.S. Natural Gas Production**

<table>
<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>105</td>
<td>114</td>
</tr>
<tr>
<td>billion cubic feet per day</td>
<td></td>
</tr>
</tbody>
</table>

“Despite challenges in the global marketplace, the Texas oil and natural gas industry shattered records last year.”
Since 2007, when TXOGA first started compiling this data, the Texas oil and natural gas industry has paid more than **$149 billion** in state and local taxes and state royalties.

“The reach and impact our state can make because of oil and natural gas activity here in Texas is incredible.”
Oil and natural gas does more than fuel our cars, power our homes, form the building blocks of our everyday goods and secure our nation.

Taxes paid by the oil and natural gas industry support teachers and schools, build roads, improve healthcare facilities and bolster our state’s infrastructure.

Texas oil and natural gas tax and royalty revenue is used to support education, transportation, healthcare and infrastructure through the State Highway Fund, Economic Stabilization Fund (commonly known as the Rainy Day Fund), Permanent School Fund (PSF) and Permanent University Fund (PUF) - all of which are funded with taxes and state royalties paid by the oil and natural gas industry.

Oil and natural gas tax and royalty revenue is the cornerstone of Texas schools, universities and road funding, dedicating billions into these categories every year.
Oil and natural gas royalties to state funds – particularly the Permanent University Fund and Permanent School Fund, which support Texas public education – also broke records in fiscal year 2019. In fact, 98% of the state’s oil and natural gas royalties were deposited into these funds with the PUF receiving $1.02 billion and the PSF receiving $1.11 billion.

Texas independent school districts directly received $1.54 billion in property taxes from mineral properties producing oil and natural gas, pipelines, and gas utilities.

Independent school districts in the Permian Basin received $654 million in oil and gas property taxes in 2019, while ISDs across the Eagle Ford Shale received $414 million.

Pecos-Barstow-Toyah ISD in West Texas ranked #1, receiving $109.2 million in these property taxes – an increase of 266% from last year.

**TOP 10 ISDs FOR OIL & NATURAL GAS PROPERTY TAXES**

<table>
<thead>
<tr>
<th>Rank</th>
<th>District</th>
<th>Amount</th>
<th>Tax Base %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pecos-Barstow-Toyah ISD</td>
<td>$109.2 m</td>
<td>75.6%</td>
</tr>
<tr>
<td>2</td>
<td>United ISD</td>
<td>$68.6 m</td>
<td>32.3%</td>
</tr>
<tr>
<td>3</td>
<td>Midland ISD</td>
<td>$68.2 m</td>
<td>25.2%</td>
</tr>
<tr>
<td>4</td>
<td>Carrizo Springs CISD</td>
<td>$53 m</td>
<td>85.4%</td>
</tr>
<tr>
<td>5</td>
<td>Wink-Loving ISD</td>
<td>$50 m</td>
<td>85.3%</td>
</tr>
<tr>
<td>6</td>
<td>Cotulla ISD</td>
<td>$50 m</td>
<td>77.9%</td>
</tr>
<tr>
<td>7</td>
<td>Karnes City ISD</td>
<td>$45.3 m</td>
<td>86.3%</td>
</tr>
<tr>
<td>8</td>
<td>Rankin ISD</td>
<td>$36.7 m</td>
<td>87.2%</td>
</tr>
<tr>
<td>9</td>
<td>Andrews ISD</td>
<td>$36.2 m</td>
<td>69.7%</td>
</tr>
<tr>
<td>10</td>
<td>Reagan County ISD</td>
<td>$28.8 m</td>
<td>71.3%</td>
</tr>
</tbody>
</table>

“Oil & natural gas” means mineral properties producing oil and gas, pipelines, and gas utilities. It does not include refineries, petrochemicals, or other properties.
In fiscal year 2019, Texas counties received $398.7 million in oil and natural gas mineral property taxes.

Counties in the Permian Basin received $209 million in oil and gas property taxes, while counties in the Eagle Ford Shale received $112 million.

**TOP 10 COUNTIES FOR PROPERTY TAXES**

1. Reeves County $41.6 million 70.4% of tax base
2. Webb County $21.4 million 24.3% of tax base
3. LaSalle County $16.9 million 68.4% of tax base
4. Andrews County $14.6 million 66.7% of tax base
5. Dimmit County $13.6 million 77.4% of tax base
6. Ward County $12.3 million 55.6% of tax base
7. Upton County $12 million 76.1% of tax base
8. Loving County $11.2 million 75.6% of tax base
9. Karnes County $11 million 72.9% of tax base
10. McMullen County $10.2 million 70.7% of tax base

“Oil & natural gas” means mineral properties producing oil and gas, pipelines, and gas utilities. It does not include refineries, petrochemicals, or other properties.

Reeves County ranked #1 with $41.6 million paid in oil and natural gas mineral property taxes – a quadruple increase from fiscal year 2018.
Through the state’s Economic Stabilization Fund (commonly known as the Rainy Day Fund), oil and natural gas tax revenue is used to support education, transportation, healthcare, infrastructure and other essential state services.

Other than interest from the Fund itself, 100% of the money in the Rainy Day Fund comes from taxes paid by oil and natural gas companies.

“Tax revenue from the oil and natural gas industry benefits every Texan – whether you live near the oil patch or not.”

Here are a few examples of how that money is put into action for the people of Texas:

- **$840 million** to the Texas Water Development Board for flood risk maps and grant funding for flood-related projects.
- **$445 million** to the Health and Human Services Commission to improve state hospital facilities.
- **$125 million** for grants to counties to plan, maintain, and reconstruct roads affected by oil and gas development.
- **$6 billion** from the state’s Rainy Day Fund toward many essential programs and initiatives.
- **Over $1.1 billion** to the Texas Teacher Retirement System to be invested in the pension fund and to finance a “13th check” for retired Texas teachers.
- **$807 million** to the Texas Education Agency to help school districts impacted by Hurricane Harvey.
FUELING HIGH-PAYING JOBS

Texas oil and natural gas industry jobs continue to be good for Texas as well as for the families and communities these jobs support.

The industry employed

428,234 Texans
during FY 2019

Wages and salaries paid by the Texas oil and natural gas industry also stand out significantly when compared to the rest of the private sector.

Texas oil and natural gas employers payed an average of $125,248 per job in 2019. Other private sectors averaged $56,902, less than half what oil and natural gas companies paid their employees.

On a per-employee basis, the Texas oil and natural gas industry paid $38,012 in state and local taxes and state royalties in fiscal 2019. This is 6.9 times more than the other private sectors paid on a per-employee basis. Per-job contributions matter because most state and local budget costs are determined on a per capita basis.

In a system that relies so heavily on business to pay the cost of government, it is clear that the oil and natural gas industry more than pays its way in Texas.
Texas is connecting families and businesses across the U.S. to energy...

while helping the nation lead the way in environmental progress.

- US Average Daily Field Production of Crude Oil: 12.66 million barrels/day (OCTOBER 2019)
- US Average Daily Natural Gas Production: 114.7 billion cubic feet/day (OCTOBER 2019)
- Texas Daily Average Oil Production: 5.27 million barrels (OCTOBER 2019)
- Texas Daily Average Natural Gas Production: 29 billion cubic feet (OCTOBER 2019)

**CRUDE OIL PRODUCTION RANK IF TEXAS WAS A COUNTRY**
(Source: Trading Economics, Data Provider)

1. United States
2. Russia
3. Saudi Arabia
4. Texas
5. Iraq
6. Canada
7. China
8. United Arab Emirates
9. Brazil
10. Kuwait

**TOP 5 OIL PRODUCING STATES** (OCTOBER 2019)

1. Texas
2. North Dakota
3. New Mexico
4. Oklahoma
5. Colorado

**TOP 5 NATURAL GAS PRODUCING STATES** (OCTOBER 2019)

1. Texas
2. Pennsylvania
3. Oklahoma
4. Louisiana
5. Ohio
Oil and natural gas does more than fuel our cars and power our homes. It does more than form the building blocks of our everyday goods and secure our nation. Every aspect of life in Texas benefits from tax revenue generated by a robust oil and natural gas industry – whether you live near the oil patch or not.

As these numbers confirm, Texans are benefitting in a big way. With billions of dollars invested, hundreds of thousands of employees and $16 billion in taxes and royalties paid last year alone, oil and natural gas continues to be the heartbeat of the Texas economy.

Continuous innovation and policies that encourage safe, responsible energy development are driving our nation, our state and our communities to new heights. But we know growth is not guaranteed. We are constantly looking toward the future of this industry by continuing to focus on progress in improving and protecting the environment and fortifying our economy.

We must do all we can to maintain the stabilizing force that Texas has become for the world, so that Texas can remain the epicenter of progress and promise, even in challenging times.