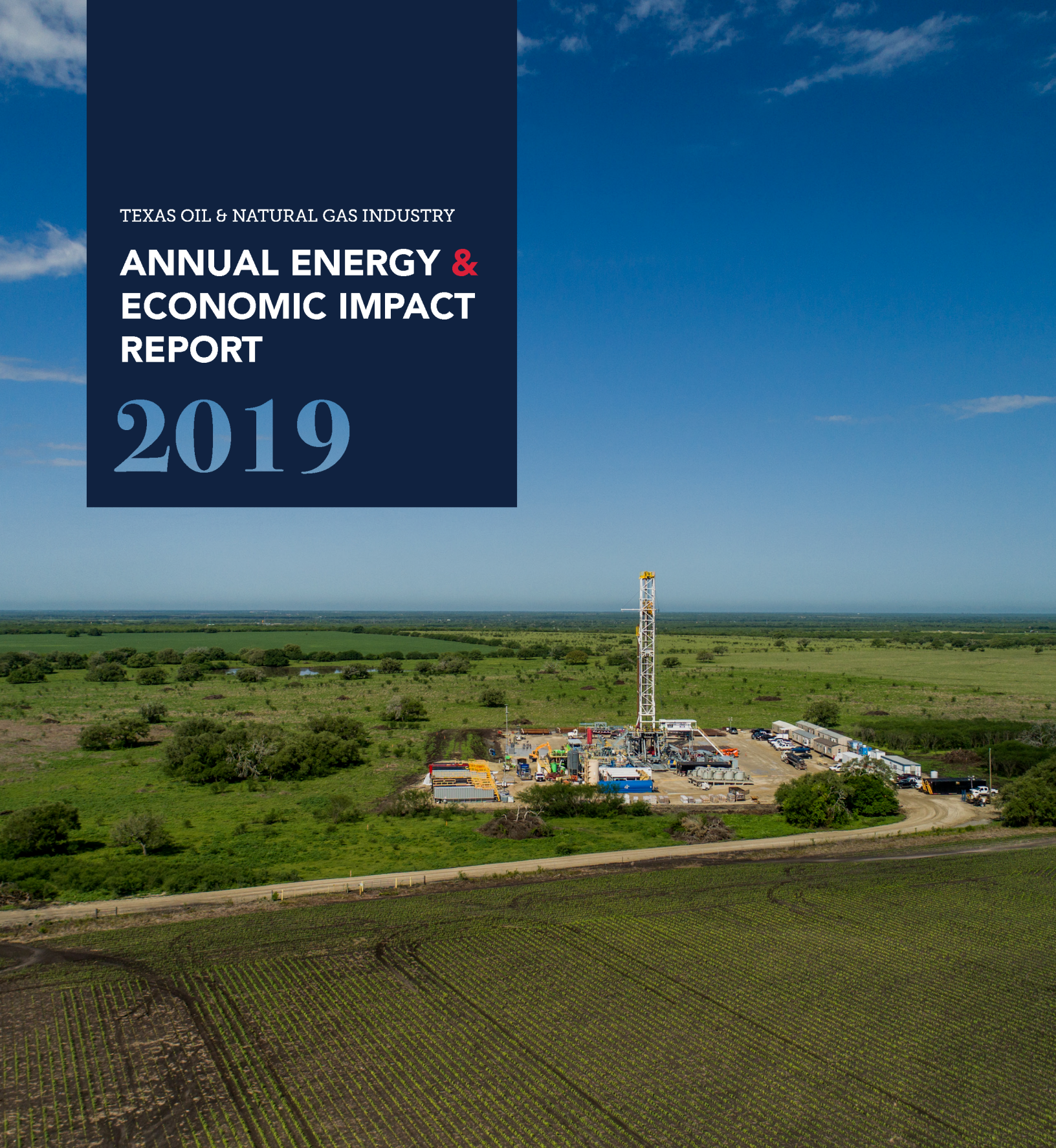


TEXAS OIL & NATURAL GAS INDUSTRY

ANNUAL ENERGY & ECONOMIC IMPACT REPORT

2019



TXOGA

TEXAS OIL & GAS ASSOCIATION | SINCE 1919



TEXAS OIL & GAS ASSOCIATION | SINCE 1919

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.

A handwritten signature in black ink that reads "Todd Staples".

Todd Staples

President

Texas Oil & Gas Association



NEW RECORD

The Texas Oil and Gas Industry Paid **\$16.3 Billion** in Taxes and State Royalties in 2019

Most in Texas History



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

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

* Estimated, Tax & Fiscal Consulting, Austin

** Source: Texas Comptroller's Office

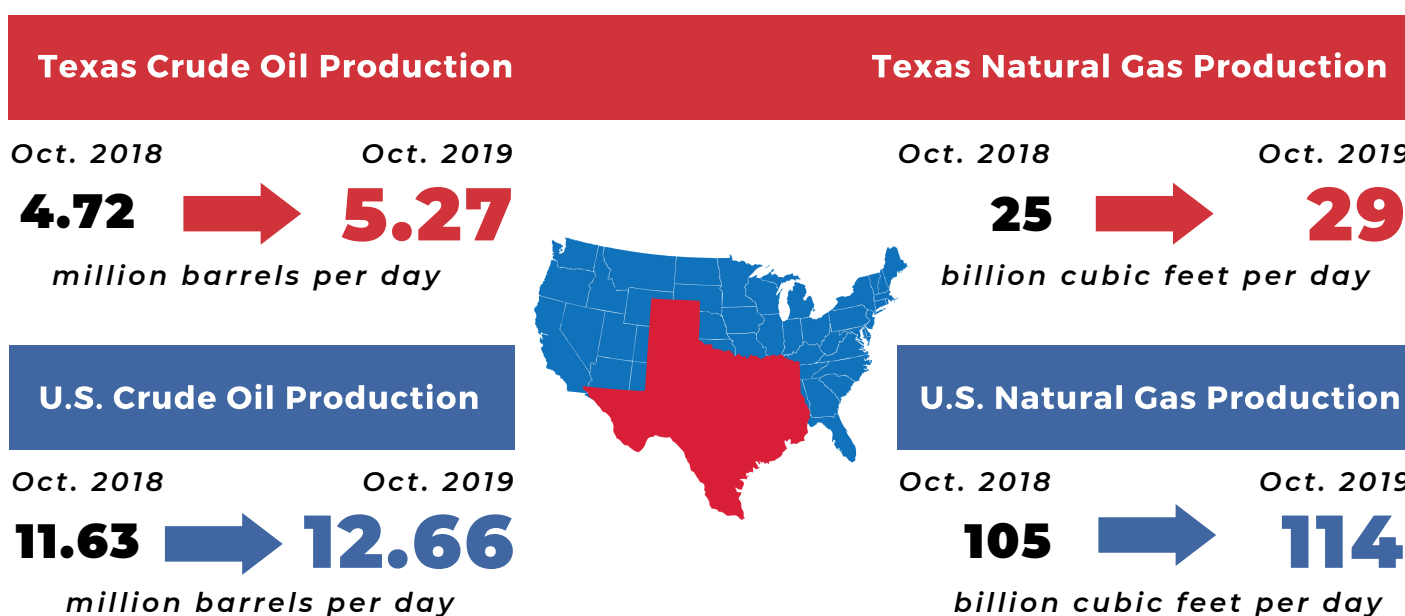
** Historically, TXOGA has defined the oil and natural gas industry using 10 sectors that cover upstream, midstream and downstream operations. This year, we included 4 additional sectors to provide a more comprehensive view of the industry. These sectors include industrial sand mining, pipeline construction, 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.

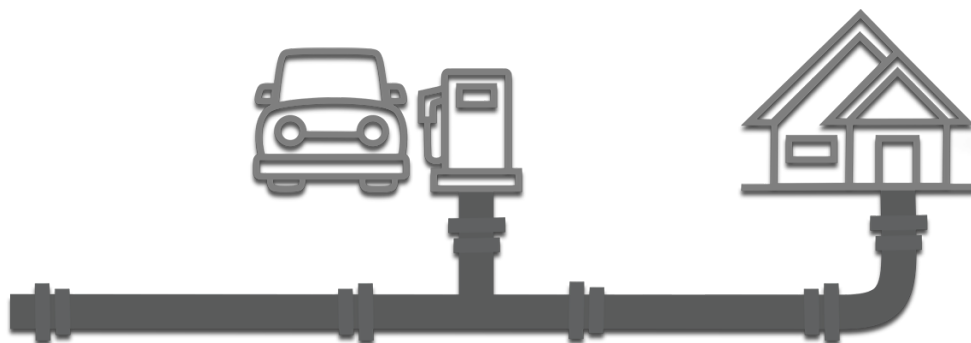


“Despite challenges in the global marketplace, the Texas oil and natural gas industry shattered records last year.”

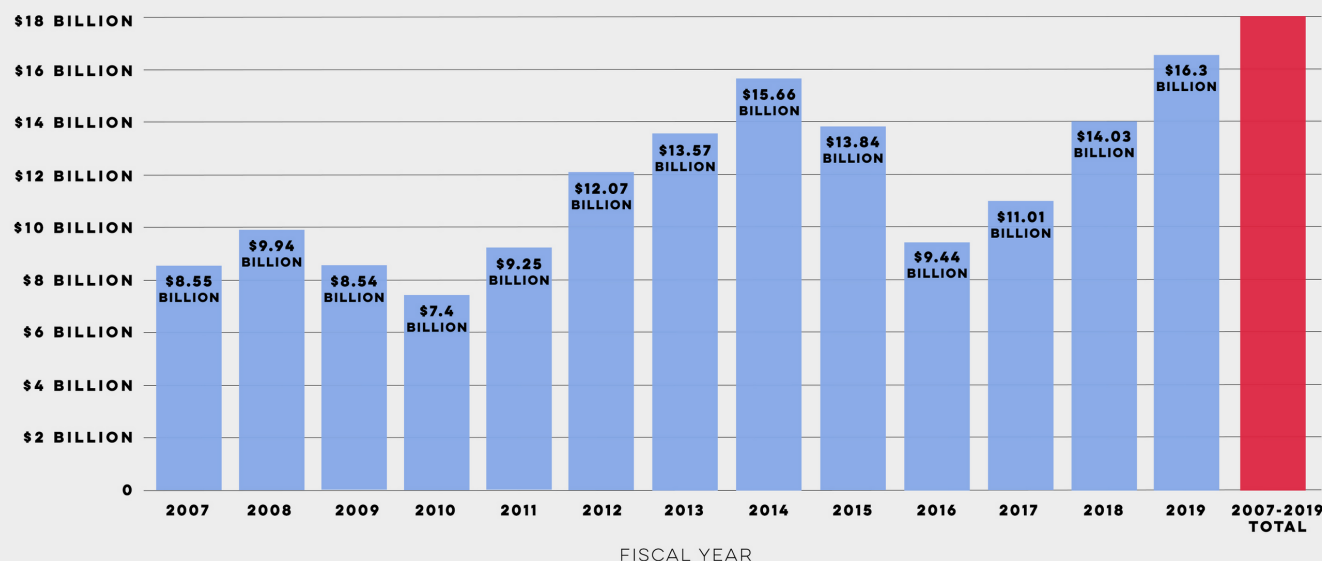


Since 2007, when TXOGA first started compiling this data, the Texas oil and natural gas industry has paid more than **\$149 billion** in state and local taxes and state royalties.

“The reach and impact our state can make because of oil and natural gas activity here in Texas is incredible.”

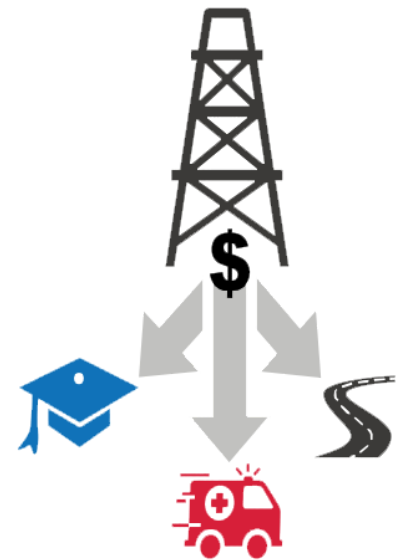


STATE AND LOCAL TAXES AND STATE ROYALTIES PAID BY TEXAS OIL & NATURAL GAS INDUSTRY



“ 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.

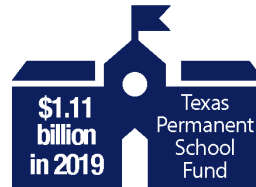


“ Oil and natural gas tax and royalty revenue is the cornerstone of Texas schools, universities and road funding, dedicating billions into these categories every year. ”

FUELING PUBLIC EDUCATION

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**.

\$1.02 billion
in 2019
Texas Permanent
University Fund



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

Oil & Gas Property Taxes by School District Fiscal Year 2019*

Click to view oil and natural gas property taxes paid to Texas independent school districts

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

1	Pecos-Barstow-Toyah ISD	\$109.2 million	75.6% of tax base
2	United ISD	\$68.6 million	32.3% of tax base
3	Midland ISD	\$68.2 million	25.2% of tax base
4	Carrizo Springs CISD	\$53 million	85.4% of tax base
5	Wink-Loving ISD	\$50 million	85.3% of tax base
6	Cotulla ISD	\$50 million	77.9% of tax base
7	Karnes City ISD	\$45.3 million	86.3% of tax base
8	Rankin ISD	\$36.7 million	87.2% of tax base
9	Andrews ISD	\$36.2 million	69.7% of tax base
10	Reagan County ISD	\$28.8 million	71.3% 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.

FUELING COMMUNITIES

In fiscal year 2019, Texas counties received **\$398.7 million** in oil and natural gas mineral property taxes.

Oil & Gas Property Taxes by County Fiscal Year 2019*

Click to view oil and natural gas property taxes paid to counties

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

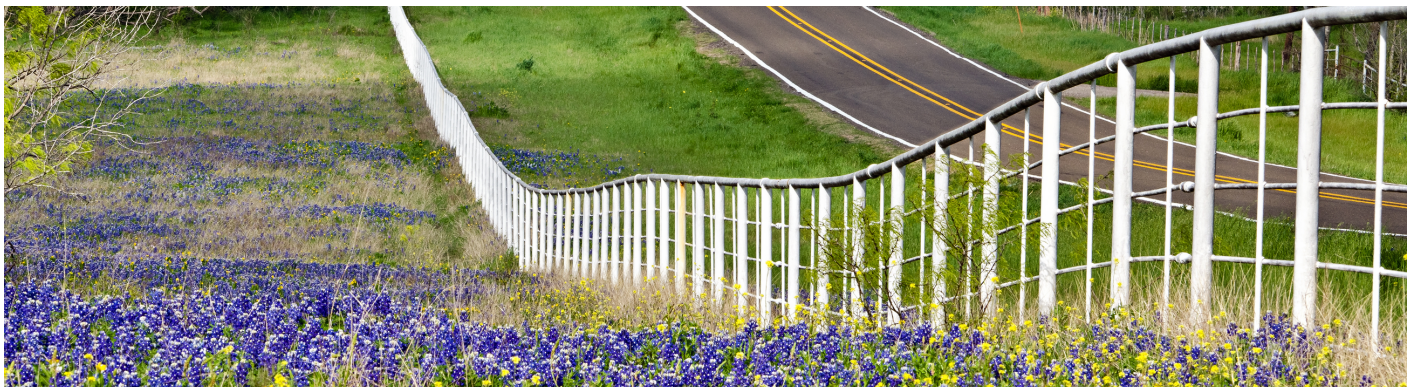
TOP 10 COUNTIES FOR PROPERTY TAXES

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.



FUELING THE RAINY DAY FUND

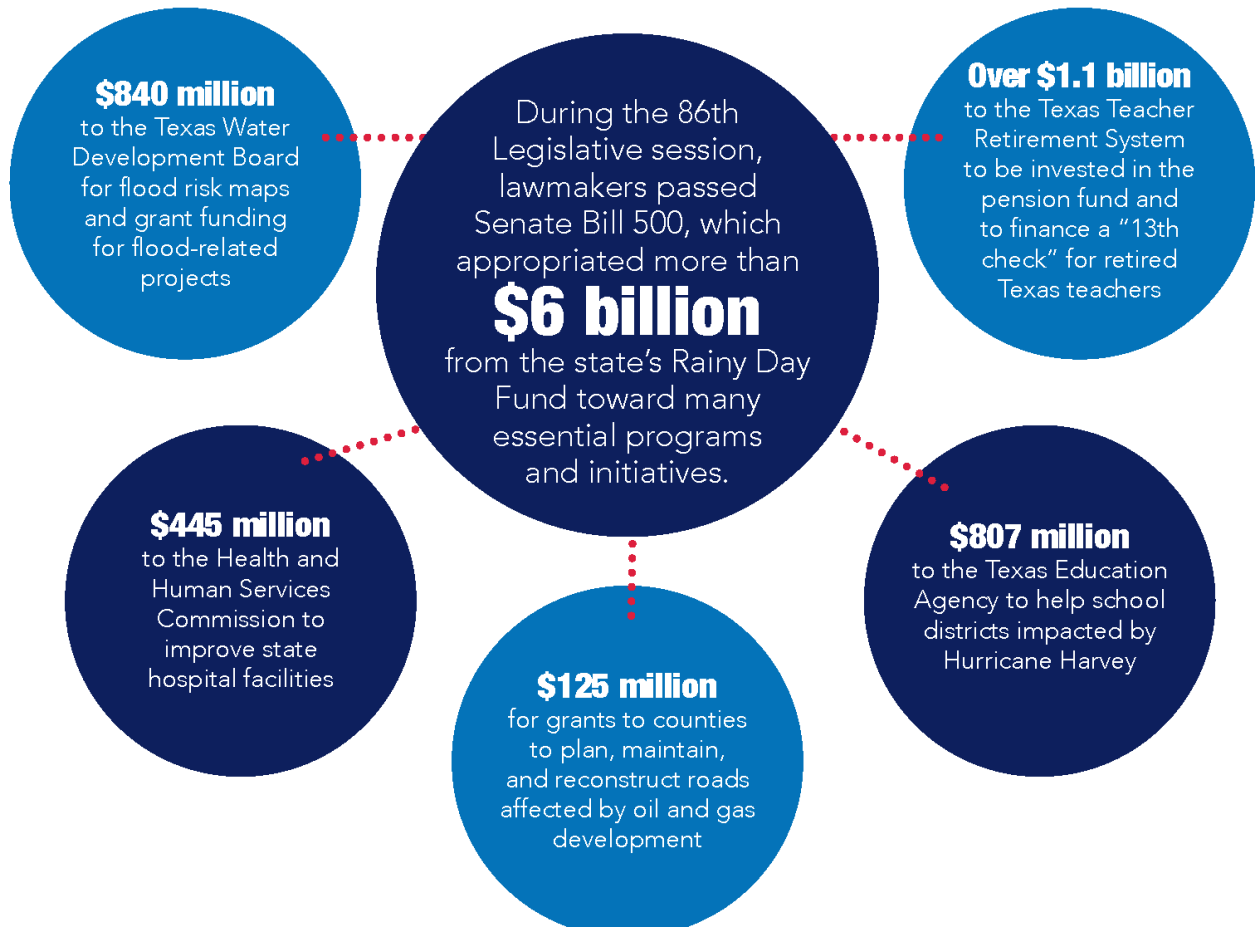
Through the state's Economic Stabilization Fund (commonly known as the Rainy Day Fund), oil and natural gas tax revenue is used to support education, transportation, healthcare, infrastructure and other essential state services.

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:



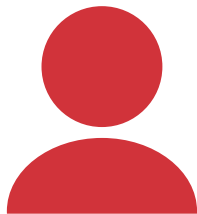
FUELING HIGH-PAYING JOBS

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 paid 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.



\$125,248

Texas oil and natural gas
employees



\$56,902

Other Texas private sector
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.

SECTOR	EMPLOYEES
Crude petroleum extraction	62,363
Natural gas extraction	13,781
Industrial sand mining	3,191
Drilling oil and gas wells	32,948
Support activities for oil and gas operations	128,800
Natural gas distribution	8,027
Oil and gas pipeline and related structures construction	56,914
Petroleum refineries	19,074
Petroleum lubricating oil and grease manufacturing	960
Petrochemical manufacturing	18,065
Oil and gas field machinery and equipment	40,191
Petroleum merchant wholesalers	22,413
Fuel dealers	2,737
Pipeline transportation	18,772
TOTAL:	428,234

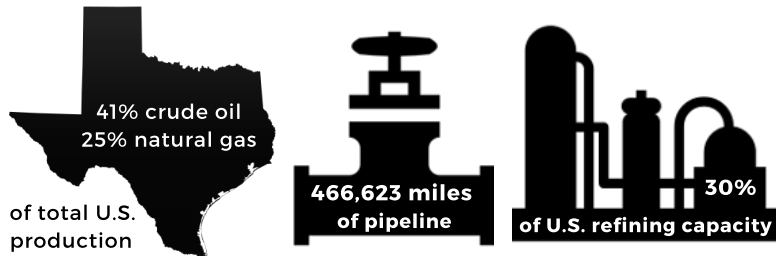
Data includes rounding



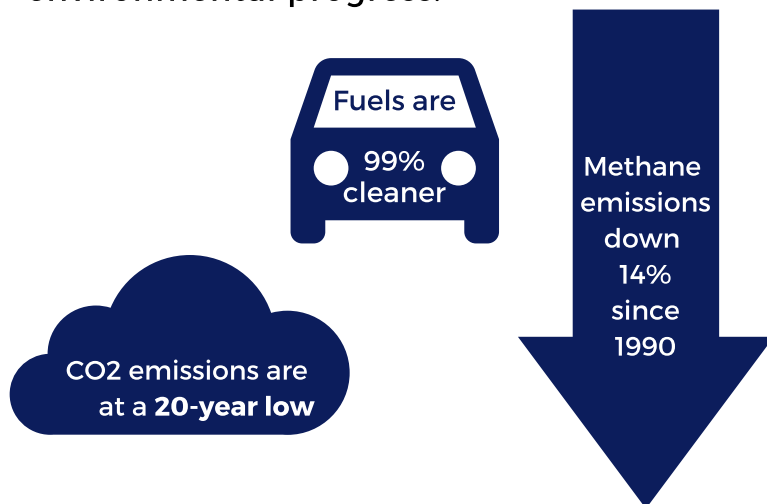
In a system that relies so heavily on business to pay the cost of government, it is clear that the oil and natural gas industry more than pays its way in Texas.

THE INDUSTRY AT A GLANCE

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

THE BIG PICTURE



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.



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