

Texas Oil & Natural Gas Industry
**ANNUAL ENERGY &
ECONOMIC IMPACT
REPORT**

2020



TXOGA

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.

It would be hard to overstate how much changed in 2020. The global pandemic tested our resolve and forced lightning-speed adaptation in nearly every aspect of life. Everything from education and the workplace to healthcare and commerce transformed, seemingly overnight.

However, one thing didn't change in 2020 and perhaps became more evident than ever: Oil and natural gas are essential and irreplaceable. While oil prices plummeted as a result of the pandemic, the need for products made from oil and natural gas skyrocketed. Nearly every in-demand product we need to be safe and to save lives – from face shields and other PPE to ventilators and hand sanitizers – is made from oil and natural gas. Products and services that power our economy and keep life moving – from computers and high-speed internet connections to food deliveries and virtual celebrations – are all made possible because of oil and natural gas. In fact, even before the pandemic, 96% of products we use every day like pharmaceuticals, electronics, cosmetics and clothing are all made from oil and natural gas. There is no substitute for oil and natural gas and a strong, robust industry benefits every Texan.

As challenging as last year was, the Texas oil and natural gas industry contributed tremendously to state and local tax coffers, paying **\$13.9 billion** in state and local taxes and state royalties in fiscal year 2020. This revenue from oil and natural gas production, pipelines, refineries and LNG facilities translates into about **\$38 million** each day that pay for our schools, universities, roads, first responders and essential services. Since 2007, when TXOGA first started compiling this data, the Texas oil and natural gas industry has paid more than **\$162.9 billion** in state and local taxes and state royalties, a figure that doesn't include the hundreds of billions of dollars in payroll for some of the highest paying jobs in the state and the economic ripple effect of the industry on other sectors of the economy.

Our state, nation and environment are benefitting tremendously because of oil and natural gas development here in Texas.

The following report will take a closer look at these economic figures as well as the ways the Texas oil and natural gas industry is investing and innovating to create a cleaner, stronger and better future for every Texan.



Todd Staples
President
Texas Oil & Gas Association



THE TEXAS OIL & NATURAL GAS INDUSTRY

PAID \$13.9 BILLION

IN STATE AND LOCAL TAXES AND STATE ROYALTIES IN FY 2020

This equates to more than \$38 million each day.

TAXES AND ROYALTIES PAID BY TEXAS OIL AND NATURAL GAS INDUSTRY (FY 2020)	AMOUNT
Property*	\$4.997 billion
Sales, state and local*	\$2.312 billion
State franchise and other taxes*	\$0.590 billion
Production of oil**	\$3.229 billion
Production of natural gas**	\$0.925 billion
Oil and gas well servicing**	\$0.119 billion
Royalties to state funds**	\$1.737 billion
TOTAL PAID:	\$13.9 billion

* Estimated, Tax & Fiscal Consulting, Austin

** Source: Texas Comptroller's Office

14 SECTORS COMPRISING THE TEXAS OIL AND NATURAL GAS INDUSTRY

Source: 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

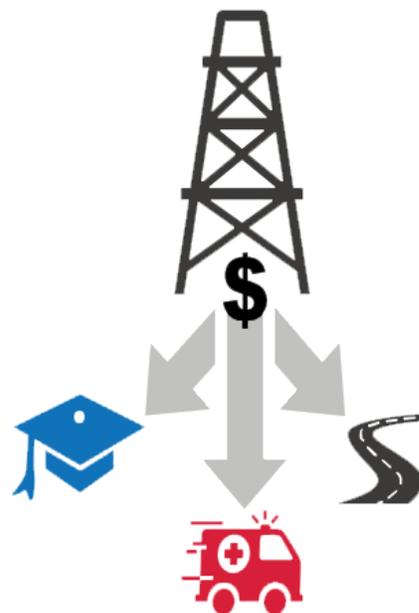
Since 2007, when TXOGA first started compiling this data, the Texas oil and natural gas industry has paid more than **\$162.9 billion** in state and local taxes and state royalties.

“ There is no substitute for oil and natural gas and a strong, robust industry benefits every Texan. ”

\$162.9
billion

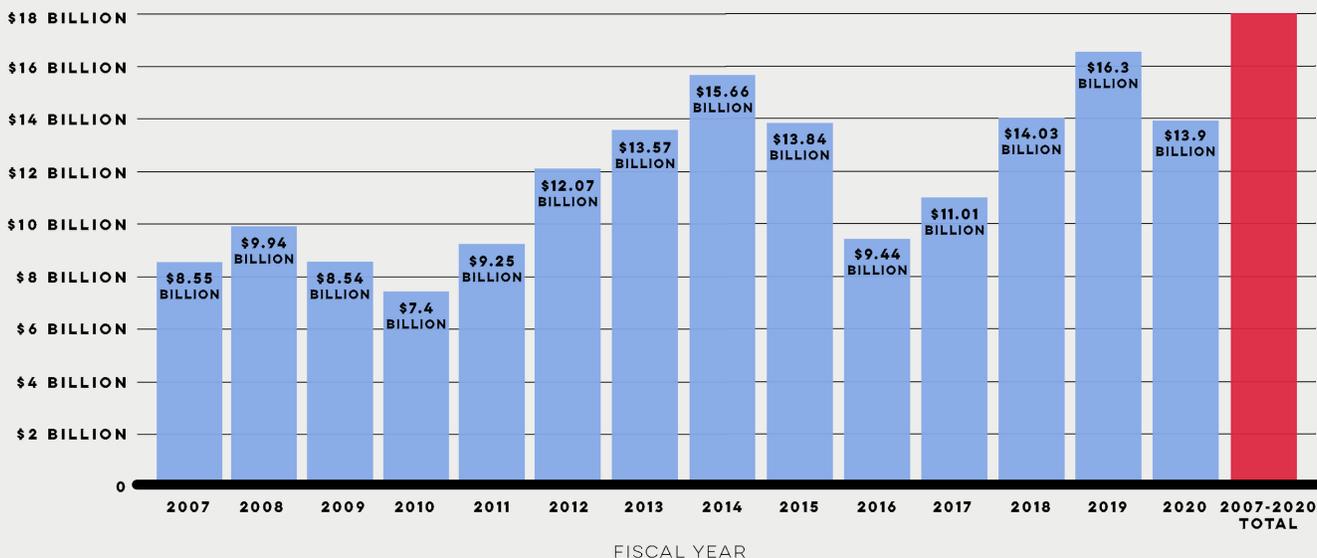


Texas oil and natural gas tax and royalty revenue is used to support education, transportation, healthcare and infrastructure through the State Highway Fund, Economic Stabilization Fund (commonly known as the Rainy Day Fund), Permanent School Fund (PSF) and Permanent University Fund (PUF) – all of which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



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

\$162.9
BILLION



Data includes rounding.

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

400,974 TEXANS

during FY 2020

Every direct job in the Texas oil and natural gas industry creates an additional 2.4 Texas jobs.

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 **\$128,861** per job in 2020. Other private sectors averaged **\$59,138**, 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 **\$34,691** in state and local taxes and state royalties in 2020. This is **6.3 times** more than the other private sectors paid on a per-employee basis. Per-job contributions matter because most state and local spending needs are driven by the size of the population.

SECTOR	EMPLOYEES
Crude petroleum extraction	60,553
Natural gas extraction	12,469
Industrial sand mining	2,361
Drilling oil and gas wells	26,719
Support activities for oil and gas operations	114,017
Natural gas distribution	8,193
Oil and gas pipeline and related structures construction	57,861
Petroleum refineries	18,430
Petroleum lubricating oil and gas grease manufacturing	961
Petrochemical manufacturing	17,919
Oil and gas field machinery and equipment	37,429
Petroleum merchant wholesalers	22,252
Fuel dealers	2,678
Pipeline transportation	19,133
TOTAL:	400,974

Direct oil and natural gas employment plus the industry's spending on expenses such as capital goods, electricity, construction, services and supplies generates a total of **1.37 million** Texas jobs.

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 share in Texas.

FUELING PUBLIC EDUCATION

Oil and natural gas royalties to state funds, particularly the Permanent University Fund and Permanent School Fund, widely support Texas public education. In fact, **99%** of the state's oil and natural gas royalties were deposited into these funds with the PUF receiving **\$771 million** and the PSF receiving **\$942 million**.



\$771 million in 2020

Texas Permanent University Fund

\$942 million in 2020

Texas Permanent School Fund



Texas independent school districts directly received **\$2.035 billion** in property taxes from mineral properties producing oil and natural gas, pipelines, and gas utilities.

Oil & Natural Gas Property Taxes by School District Fiscal Year 2020

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

Independent school districts in the Permian Basin directly received **\$978.75 million** in oil and natural gas property taxes in 2020, while ISDs across the Eagle Ford Shale received **\$520.62 million**.

Pecos-Barstow-Toyah ISD in West Texas ranked **#1**, receiving **\$167.6 million** in property taxes – an increase of **54%** from last year.



TOP 10 ISDs FOR OIL & NATURAL GAS PROPERTY TAXES

1	Pecos-Barstow-Toyah	\$167.6 million	79.6% of tax base
2	Midland	\$134.2 million	37.3% of tax base
3	Wink-Loving	\$109.9 million	88.7% of tax base
4	United	\$78.9 million	35.0% of tax base
5	Carrizo Springs	\$65.5 million	88.3% of tax base
6	Karnes City	\$60.3 million	90.4% of tax base
7	Cotulla	\$58.6 million	81.6% of tax base
8	Rankin	\$49.2 million	89.0% of tax base
9	Reagan County	\$43.9 million	79.4% of tax base
10	Andrews	\$37.3 million	69.8% of tax base

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

FUELING COMMUNITIES

In fiscal year 2020, Texas counties received **\$688.4 million** in property taxes from mineral properties producing oil and natural gas, pipelines, and gas utilities.

Oil & Natural Gas Property Taxes by County Fiscal Year 2020

[Click to view oil and natural gas property taxes paid to counties.](#)

Counties in the Permian Basin received **\$334.3 million** in oil and natural gas property taxes, while counties in the Eagle Ford Shale received **\$170.6 million**.

TOP 10 COUNTIES FOR OIL & NATURAL GAS PROPERTY TAXES

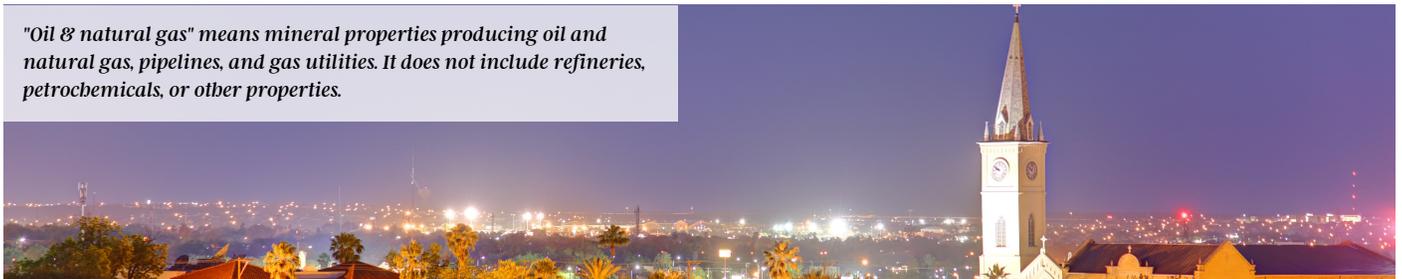
1	Reeves	\$74.5 million	84.4% of tax base
2	Webb	\$28.3 million	29.0% of tax base
3	Loving	\$27.5 million	91.4% of tax base
4	LaSalle	\$25.2 million	82.0% of tax base
5	Ward	\$21.7 million	70.2% of tax base
6	Dimmit	\$18.5 million	87.3% of tax base
7	Midland	\$17.9 million	37.0% of tax base
8	DeWitt	\$16.9 million	78.5% of tax base
9	Andrews	\$16.5 million	69.8% of tax base
10	Pecos	\$15.9 million	57.8% of tax base



Reeves County ranked **#1** with **\$74.5 million** paid in oil and natural gas mineral property taxes – a near **80%** increase from last year.



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

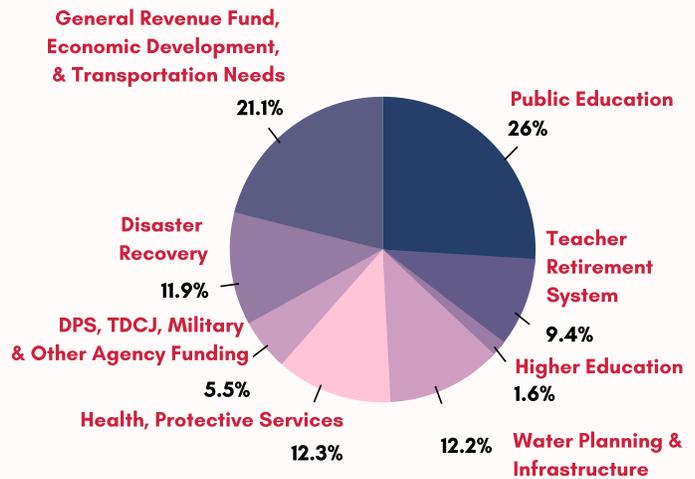


FUELING THE RAINY DAY FUND

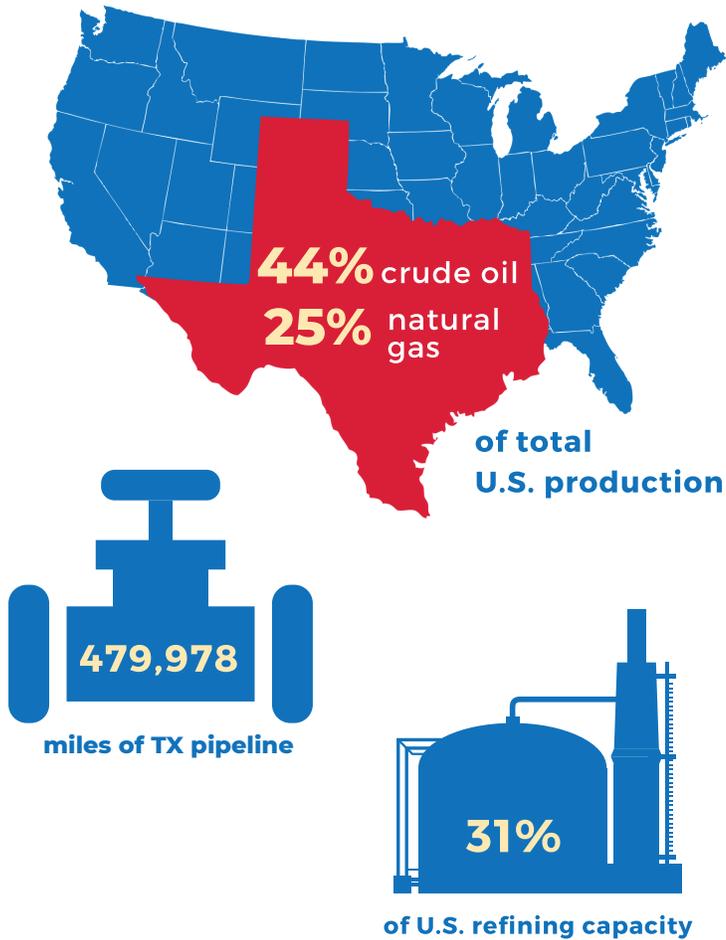
Since the Economic Stabilization (“Rainy Day”) Fund, or ESF, was established in 1987, it has been appropriated **113 times**, the first of which was to fund public education. The Texas oil and natural gas industry is the funding source for the ESF and the sum of all ESF appropriations since its inception totals **\$17.67 billion**. Without the direct funding from taxes paid by the Texas oil and natural gas industry, the following priority items would not have received the substantial dollars allocated to meet essential needs.



CATEGORY	SPEND
Public Education	\$4.59 billion
Teacher Retirement System	\$1.66 billion
Higher Education	\$0.29 billion
Water Planning and Infrastructure	\$2.15 billion
Health, Protective Services	\$2.18 billion
DPS, TDCJ, Military and Other Agency Funding	\$0.97 billion
Disaster Recovery	\$2.11 billion
General Revenue Fund, Economic Development, and Transportation Needs	\$3.72 billion
CURRENT TOTAL ESF LIFETIME FUNDING:	\$17.67 billion



THE INDUSTRY AT A GLANCE



OIL AND NATURAL GAS PRODUCTION

UNITED STATES AND TEXAS

- **U.S. Average Daily Crude Oil Production:**
10.4 million barrels
- **U.S. Average Daily Natural Gas Production:**
109.1 billion cubic feet
- **Texas Average Daily Crude Oil Production:**
4.6 million barrels
- **Texas Average Daily Natural Gas Production:**
27.4 billion cubic feet

Source: Energy Information Administration (EIA)
October 2020

CRUDE OIL PRODUCTION RANK IF TEXAS WERE A COUNTRY

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

Source: Trading Economics, Data Provider

TOP 5 OIL PRODUCING STATES

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

Source: Energy Information Administration (EIA)
October 2020

TOP 5 NATURAL GAS PRODUCING STATES

- 1 **Texas**
- 2 Pennsylvania
- 3 Louisiana
- 4 Oklahoma
- 5 Ohio

Source: Energy Information Administration (EIA)
October 2020

ESSENTIAL ENERGY INFRASTRUCTURE

Texas has the **ninth-largest economy** in the world, sustained in large part by an energy industry that relies on robust infrastructure to deliver products, creates well-paying jobs, and keeps utilities affordable and reliable for all Texans. Texas is one of the fastest growing states in the nation, and essential infrastructure is needed to meet the demands of our booming population.

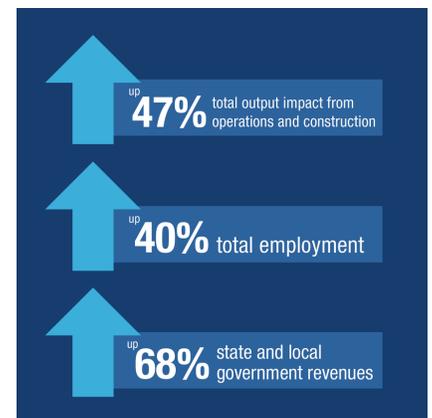
Pipelines are the safest, most secure and most dependable method of transportation for fuel, oil and natural gas, delivering product without incident over **99.99%** of the time. Precision in engineering, construction, and operations, extensive monitoring, and the use of advanced inspection tools like inline smart pigs ensure the integrity of the pipe to transport products in the most environmentally secure and safest manner.

Oil and natural gas infrastructure creates jobs and supports economic growth in Texas communities. In fact, according to a recent study by the Texas Pipeline Association, a typical Texas county receives an estimated **\$12,350** in property taxes per year for each mile of pipeline located in the county, and the projected statewide jobs impact from the operations and construction will continue to grow.

In 2019, the total economic impact from Texas pipeline operations and construction includes:



From 2013 to 2019, the economic impact of the Texas pipeline industry has grown substantially:



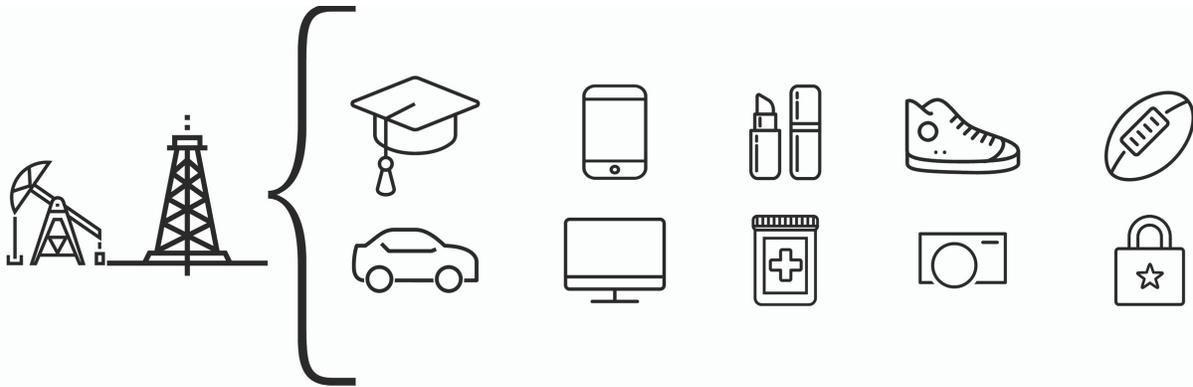
BENEFITS TO TEXAS	FISCAL YEAR 2019	NEXT 40 YEARS
Projected statewide jobs	238,000 JOBS	492,000 JOBS
Economic output	\$48.6 BILLION	\$1.49 TRILLION
Additional gross state product	\$29.3 BILLION	\$903 BILLION
State and local government revenues	\$2.7 BILLION	\$84 BILLION

Source: Texas Pipeline Association

For decades, landowners and public use entities have negotiated to guarantee that private property rights are respected and preserved while ensuring that needed essential infrastructure can be built.

Just like highways and high-speed internet access, pipelines for oil, natural gas and fuel are one of the ways to make certain the needs of a growing, thriving Texas are met through the building of essential infrastructure.

MODERN LIFE AS WE KNOW IT



Texas oil and natural gas fuels modern life as we know it. Beyond the hundreds of thousands of jobs it creates and billions in taxes it pays, oil and natural gas improves the economic and social progress of communities here and around the world.

We rely on oil and natural gas for cooking, fueling our cars and heating and cooling our homes, and oil and natural gas are also the building blocks for 96% of our everyday products. Cell phones, contact lenses and clothing, and life-saving essentials like medicines, heart valves and hospital equipment are all made possible by these essential resources.



Oil and natural gas are used to make the items we need to fight a global pandemic from the hand sanitizer that helps prevent the spread to the medical technology being used to help develop a vaccine.



“ Products and services that power our economy and keep life moving - from computers and high-speed internet connections to food deliveries and virtual celebrations - are all made possible because of oil and natural gas. ”

TECHNOLOGY & INNOVATION

Texas is a leader in resource development. The oil and natural gas industry focuses on innovation which advances economic growth while taking every step to protect the environment.

Continued technological advancements by the oil and natural gas industry will ensure communities can be powered by clean, affordable energy when we heat our homes or drive our cars.



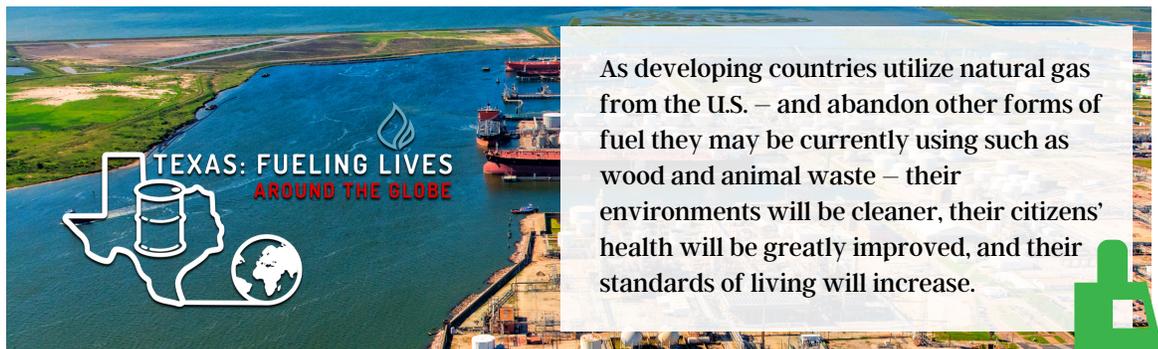
The best way to advance climate progress is through investments in innovation and technology.

Methane emissions down 23% since 1990.

The oil and natural gas industry is a leader in producing energy in cleaner and more efficient ways than 10-15 years ago and continues to produce the affordable and reliable energy indispensable to powering our daily lives. Innovations and advancements in oil and natural gas development allow the industry to develop and deploy cleaner energy technologies and world-class emissions control systems. These breakthroughs have led to the development of pioneering technologies to capture, store and reuse carbon dioxide, automation, and robotics. It has also led to the development of optical gas imaging cameras and drones to detect and repair leaks. These state-of-the-art operations are making a big impact in protecting and improving the environment.

CO2 emissions are at a 25-year low.

Vehicles are 99% cleaner.



As developing countries utilize natural gas from the U.S. – and abandon other forms of fuel they may be currently using such as wood and animal waste – their environments will be cleaner, their citizens' health will be greatly improved, and their standards of living will increase.

In 2020, U.S. LNG terminal deliveries reached a record of nearly

11.5 billion cubic feet per day.

Sources: Energy Information Administration; Environmental Protection Agency; S&P Global Platts Analytics

Since 2005, natural gas production in the United States has increased by 47%, and the U.S. Energy Information Administration (EIA) projects a 42% increase in total natural gas production from 2016 to 2040. EIA also confirms that increased natural gas production will support growing domestic demand for natural gas and LNG exports.

U.S. LNG exports will improve air quality worldwide, bolster our economy, strengthen the global energy market, and help enhance our national security interests abroad. LNG exports will also incentivize greater U.S. natural gas production and support thousands of additional American jobs.

ENVIRONMENTAL PROGRESS

To reduce methane emissions and flaring, a voluntary coalition of nearly **40** companies and seven trade organizations joined together to form the **Texas Methane and Flaring Coalition**. These solutions are working, and their work continues.

www.TexasMethaneFlaringCoalition.org



TEXAS
METHANE & FLARING
COALITION



Nearly 40 Texas oil and natural gas companies

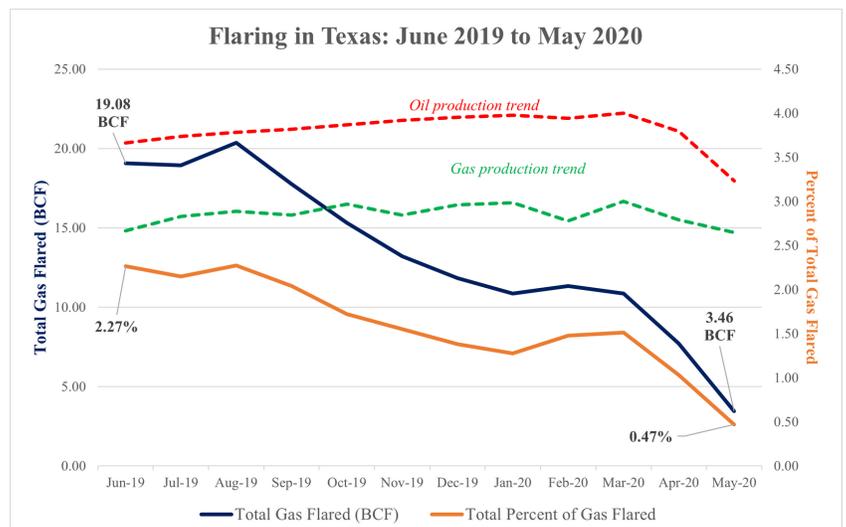
Mission Statement:

The Texas oil and natural gas industry is a global leader in the responsible production of energy that has powered life for more than a century. Always proactively innovating, Texas operators are committed to working collaboratively to develop our state's natural resources while improving environmental performance. To better assess the issues of methane emissions and flaring and develop industry-led solutions, a voluntary coalition of companies and organizations have joined together to form the Texas Methane & Flaring Coalition. The Coalition will collectively identify and promote operational and environmental recommended practices to minimize flaring and methane emissions.

According to data from the Railroad Commission of Texas, the percentage of natural gas flared out of all the natural gas produced in Texas dropped from a high of **2.27%** in June 2019, to **0.47%** in May 2020.

As of May 2020, over **99.5%** of the natural gas produced in Texas was delivered for beneficial use in the market.

Source: Railroad Commission of Texas



THE BIG PICTURE

CLEANER STRONGER BETTER

The security of our nation. The strength of our economy. The heat in our homes. The fuel in our cars. The computers that power our jobs. The clothes on our backs. Every aspect of life is impacted and made better because of Texas oil and natural gas. There is no substitute and the industry is making unmatched contributions that power the economy, while protecting and improving the environment, and elevating the human condition worldwide.

The dedicated men and women of this industry have proven we can meet our energy needs while advancing continued environmental progress. Meaningful action toward environmental improvements is rooted in investment and innovation, and no one is investing more in emission-reducing technology than the U.S. oil and natural gas industry.

As a result of constant industry innovation, Americans are breathing the cleanest air in decades, the U.S. leads the world in reducing carbon dioxide emissions and methane emissions from oil and natural gas systems are down **23%** since 1990. All this, while the United States enjoys more energy security than ever before and American-made energy is lifting people out of poverty and into economic prosperity around the world.

If 2020 taught us anything, it is that oil and natural gas are more indispensable than ever. Affordable, reliable energy is essential for clean, safe and healthy communities. Greater investment in all aspects of the oil and natural gas industry will power economic recovery and provide critical state and local tax revenue needed to fund our schools, roads, first responders, and essential public services. Smart policies that encourage investment in innovation by the oil and natural gas industry will power us toward the *cleaner, stronger and better* future every Texan deserves.

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