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.

<table>
<thead>
<tr>
<th>TAXES AND ROYALTIES PAID BY TEXAS OIL AND NATURAL GAS INDUSTRY (FY 2020)</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property*</td>
<td>$4.997 billion</td>
</tr>
<tr>
<td>Sales, state and local*</td>
<td>$2.312 billion</td>
</tr>
<tr>
<td>State franchise and other taxes*</td>
<td>$0.590 billion</td>
</tr>
<tr>
<td>Production of oil**</td>
<td>$3.229 billion</td>
</tr>
<tr>
<td>Production of natural gas**</td>
<td>$0.925 billion</td>
</tr>
<tr>
<td>Oil and gas well servicing**</td>
<td>$0.119 billion</td>
</tr>
<tr>
<td>Royalties to state funds**</td>
<td>$1.737 billion</td>
</tr>
</tbody>
</table>

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."

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.

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.

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.

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.
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.

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

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.

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

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.
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

| 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

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
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:

- Over $48.6 billion in economic output
- Over 238,000 jobs
- Over $29.3 billion in additional gross state product
- Over $2.7 billion in state and local government revenues

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

- 47% total output impact from operations and construction
- 40% total employment
- 68% state and local government revenues

<table>
<thead>
<tr>
<th>BENEFITS TO TEXAS</th>
<th>FISCAL YEAR 2019</th>
<th>NEXT 40 YEARS</th>
</tr>
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<tbody>
<tr>
<td>Projected statewide jobs</td>
<td>238,000 JOBS</td>
<td>492,000 JOBS</td>
</tr>
<tr>
<td>Economic output</td>
<td>$48.6 BILLION</td>
<td>$1.49 TRILLION</td>
</tr>
<tr>
<td>Additional gross state product</td>
<td>$29.3 BILLION</td>
<td>$903 BILLION</td>
</tr>
<tr>
<td>State and local government revenues</td>
<td>$2.7 BILLION</td>
<td>$84 BILLION</td>
</tr>
</tbody>
</table>

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.
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.”

MODERN LIFE AS WE KNOW IT

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

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.
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

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 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.