



PESA Government Affairs – Fall 2019

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Vice President Government Affairs





What do we do?

We work with our Member Companies to identify, analyze and advocate for legislative and regulatory issues that impact PESA Members and customers at the state and federal levels.

We do this by establishing relationships with elected officials and their staff to expand the reach and influence of the services and equipment sector and by maintaining an open and productive dialogue with regulators at relevant government agencies.



When do the tariffs end?

What is their impact?

- There is no timetable
- Tariffs are easier to impose than repeal
- Tariffs have a lasting impact: 40,000 steel industry jobs were lost in the five years after the Bush Administration imposed steel tariffs in 2002
- Retaliatory tariffs usually come after, escalation is always likely



Tariffs: Exclusion Process

Companies with products listed on the United States Trade Representative's tariff list may apply for an exclusion.

10-25% on hundreds of Chinese goods imported to the U.S.

Four lists detailing products included in the tariffs have been posted so far, may not be the end

U.S. Congress



115th Congress

• TAX REFORM

- Tax Cuts and Jobs Act of 2017
- Manufacturing index is at 61.3%, highest in 14 years
- Business investment increased at a rate of 8.3%
- Disposable personal income is up 2.9% since last year
- Consumer confidence is at a 17-year high

• REDUCED RED TAPE

- Congressional Review Act
- Repealed rule that gave more power to the federal government by diluting local and state input into land management
- REINS Act – requires Congressional approval for all new regulations that cost more than \$100 million
- Increased transparency in rulemaking process, allowing more input from the people

116th Congress

• CLIMATE CHANGE

- Newly-created *House Select Committee on the Climate Crisis* can hold hearings, write reports and bring public attention to political issues; cannot introduce legislation or issue subpoenas.
- Investigations of federal agencies and industry

• ACTION ON TARIFFS

- Legislation to reduce President's power to levy import tariffs
- Put pressure on Administration



USMCA – NAFTA 2.0

- Free trade agreement signed by U.S.'s Trump, Canada's Trudeau and Mexico's Peña Nieto in October of 2018
 - Only ratified by Mexico's Senate
- USTR Robert Lighthizer provided working group counterproposals in September related to working group concerns

LABOR STANDARDS	PRESCRIPTION DRUG PRICES	ENVIROMENTAL PROTECTIONS	ENFORCEMENT MECHANISMS
Rep. Jimmy Gomez (D-CA) Rep. Mike Thompson (D-CA)	Rep. Earl Blumenauer (D-OR) Rep. Jan Schakowsky (D-ILL)	Rep. Suzanne Bonamici (D-OR) Rep. John Larson (D-CT)	Rep. Terri Sewell (D-AL) Rep. Rosa DeLauro (D-CT)

- Speaker Pelosi and Minority Leader Schumer would like to vote before elections

State Issues



COLORADO

- SB 181, signed into law
- Changes makeup of Colorado Oil and Gas Conservation Commission
- Changes permitting practices
- Amends current preemption law
- Gives local governments land use authority over siting

NEW MEXICO

- Produced a record 250 million barrels of oil in 2018, increase of 46% over 2017
- Governor has plan to provide free college tuition to residents based on budget surplus provided by oil and gas production in SE NM, Legislature must approve
- Anti-fracking bill did not pass, but supporters promise to introduce in 2020

OKLAHOMA

- Oklahoma Corporation Commission working on new guidance for temporary water lines
- Budget at record high due to production
- Industry cautions state revenue collections are reliant on production
- State needs to diversify
- Oklahoma rig count stands at 82 down from 140 in January, nationwide count down to 916 from 1057.

State Government Affairs



- **Goal:** Increase PESA and sector visibility at state level in TX, CO, NM, LA and OK.
- **How:** Use existing regional districts to determine policy issues important to PESA members with operations in those regions
- **Goal:** Hold multiple PESA policy forums in targeted regions focused on issues facing the industry such as produced water disposal, sand mining as well as regulatory changes.
- **Target:** Target audience is state government and regulatory officials and policy makers as well as the public. Coordination of op-eds and media outreach will maximize reach and message.

Policy Priorities



1. JOBS & THE ECONOMY

- The oilfield services and equipment sector is a major contributor to our country's steady economic growth in recent years.
- The sector employs more than 292,000 Texans and 743,000 Americans with a mean salary of \$92,000 per year.

2. OFFSHORE ACCESS

- The U.S. Outer Continental Shelf (OCS) is estimated to contain some of the greatest quantities of undiscovered oil and natural gas resources.
- The Department of the Interior (DOI) estimates undiscovered, technically recoverable OCS resources to be 90 billion barrels of oil and 327 trillion cubic feet of gas.

3. TRADE

- Historically, tariffs and quotas have been proven to reduce economic competitiveness and increase manufacturing costs.
- The imposition of tariffs on Chinese imports used in the manufacturing process in the United States will increase the cost of these products. This increase would have to be passed on down the line.

4. ESG and Energy Evolution

- The United States should move towards an energy mix that utilizes our domestically occurring resources while also provides reliable and affordable energy to our citizens and our economy.
- Wind, solar and other renewables should play a role, however clean burning, plentiful, natural gas should also play a significant part in our energy future. Increased use of natural gas domestically, as well as increasing our exports of LNG, will benefit the American economy and help secure our sustainable future.

Target Audience



- CONGRESS

- 435 voting Members of the House
- 100 Senators
- Thousands of Congressional staff

- FEDERAL GOVERNMENT

- Thousands of political appointees
- Thousands of federal agency employees

- STATE GOVERNMENTS

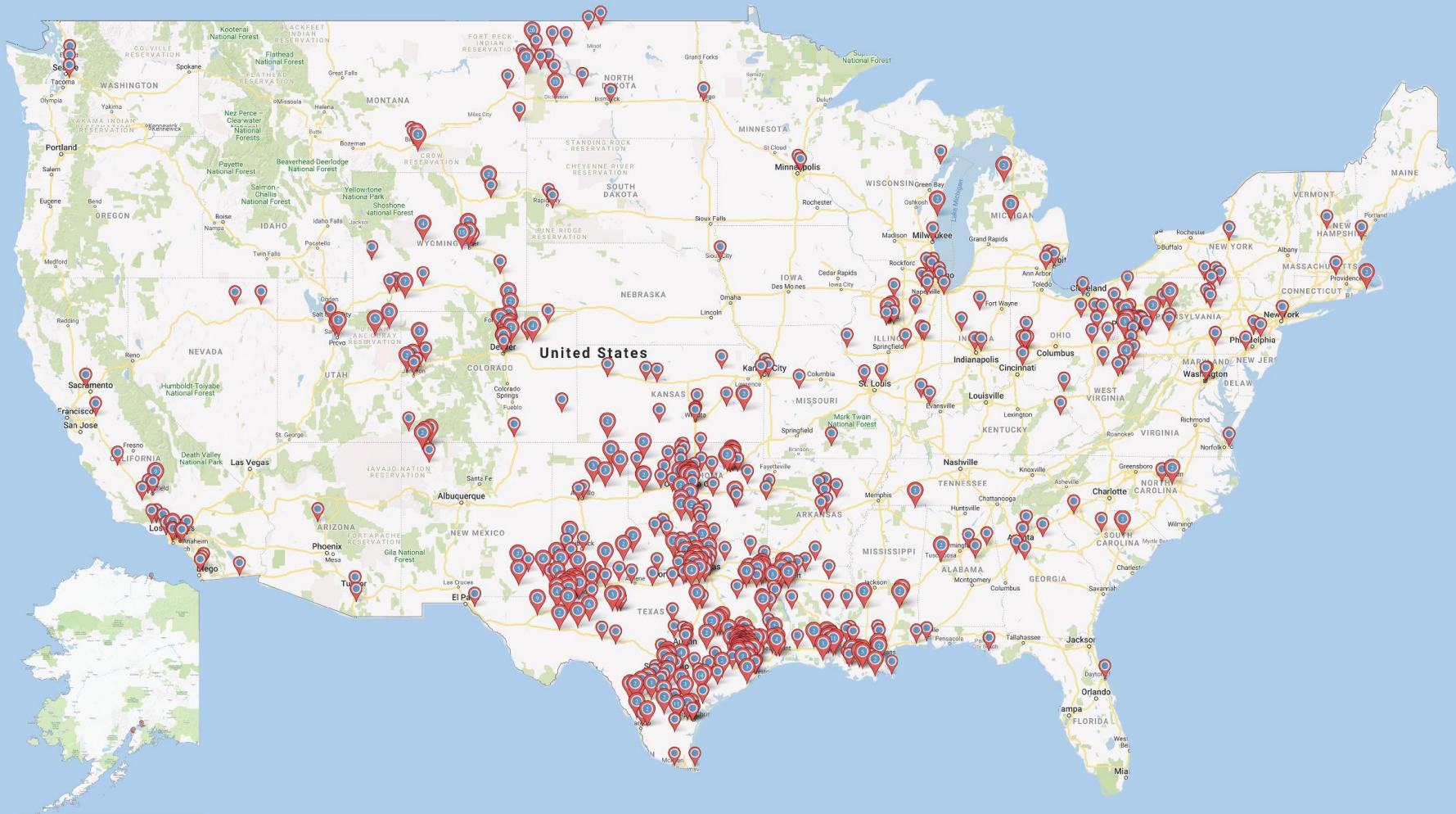
- Governors
- State agencies
- State legislators





How Do We Engage As A Sector?

- JOBS, JOBS, JOBS
- Show importance of sector beyond Gulf Coast
- Tell story of industry
- Build personal connections with legislators



Oilfield Services and Equipment in

TEXAS

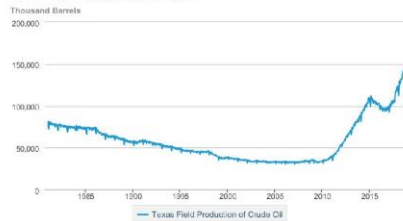
BACKGROUND

PESA Member Companies have a tremendous presence in the state of Texas, employing more than 54,000 individuals in nearly every corner of the state. The decision by Congress to repeal the oil export ban in 2015 has spurred an energy renaissance in the Permian Basin. In fact, the U.S. surpassed Russia in 2018 as the world's top oil producer. The International Energy Agency predicts American oil — most of it from the Permian — will account for 80% of the growth in global supply over the next seven years.

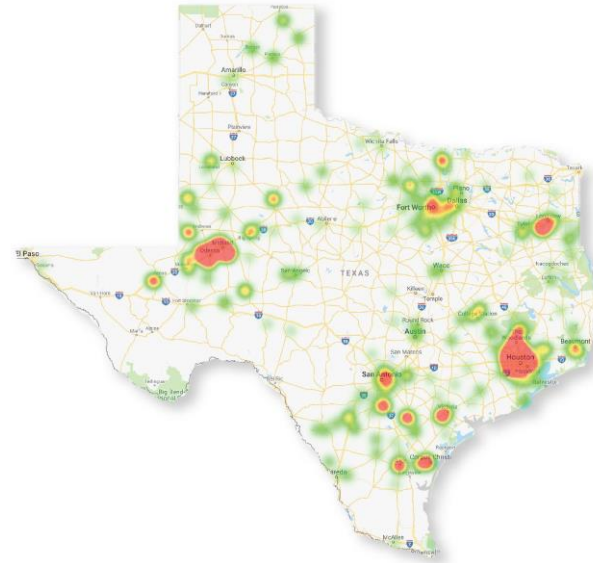
QUICK FACTS

- Texas produces 4,349,852 barrels of crude oil per day.
- Texas' monthly crude production has more than doubled in the last 30 years, going from 60,347,000 in 1998 to 132,308,000 barrels per month in 2018.
- The Texas oil industry supports more than 230,000 jobs.
- The vast majority of PESA Member Companies have headquarters or significant operations in the state.

Texas Field Production of Crude Oil



Source: U.S. Energy Information Administration





Oilfield Services and Equipment in

COLORADO

3RD DISTRICT, REP. SCOTT TIPTON

BACKGROUND

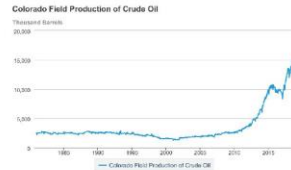
Colorado is currently ranked seventh in domestic oil production and sixth in natural gas production and has just over 53,000 active wells. PESA member companies directly employ more than 120 individuals in the third district of Colorado with high-paying manufacturing and technical jobs.

QUICK FACTS

- Colorado's crude oil production has quadrupled since 2010, and the state holds about 4% of total U.S. crude oil reserves.
- Colorado is the fifth-largest natural gas-producing state, and 11 of the nation's 100 biggest natural gas fields are located in the state.
- The oil and natural gas industry supports 232,900 jobs in the state and in 2015 contributed \$31.38 billion to the state's economy.

MEMBER LOCATIONS

- Apergy – Frederick
- Basic Energy Services – Grand Junction
- BJ Services – Rifle
- Cudd Energy Services – Fruita
- DistributionNOW – Rifle, Grand Junction, Cortez
- Endurance Lift Solutions – Rifle
- Halliburton – Grand Junction
- KLX Energy Services – Parachute
- NOV – Grand Junction, 42 employees; Rifle, 11 employees
- Patterson-UTI – Fruita
- Scientific Drilling International – Grand Junction, 48 employees
- Stallion Oilfield Services – Rifle, 17 employees



Source: U.S. Energy Information Administration

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Oilfield Services and Equipment in

OHIO

7TH DISTRICT, REP. BOB GIBBS

BACKGROUND

The 7th Congressional District of Ohio is home to a large Stallion Oilfield Services facility in Paris that employs 73 individuals. Most of Ohio's many natural gas and crude oil fields are in the eastern portion of the state, due to the fact that it sits directly above the natural-gas and crude oil rich Utica shale play. The Utica shale accounts for almost all of Ohio's rapid recent increase in natural gas production, which was 21 times greater in 2017 than in 2012. Several more oil fields lie further to the west in a narrow belt that crosses northwestern Ohio.

QUICK FACTS

- As of January 2017, Ohio had the sixth-largest crude oil-refining capacity in the nation.
- In 2017, natural gas production in Ohio was more than 21 times greater than in 2012, rising from less than 0.3% of the nation's total to nearly 5.4% during that period.
- Ohio has 24 natural gas storage fields with a combined total storage capacity of almost 576 billion cubic feet, about 6% of the nation's total.
- Among the states in the Appalachian basin, Ohio is first in crude oil production and second only to Alabama in crude oil reserves.
- The state's crude oil production has increased in recent years, reaching a high of almost 27 million barrels in 2015, and proved reserves reached a peak of 78 million barrels in 2014, the highest level in nearly 30 years.
- A surge in drilling in the Utica/Point Pleasant and Marcellus shale formations using advanced technologies accounted for the increase.
- Ohio is consistently among the top 10 oil-refining states in the nation. The state's four refineries have a combined processing capacity of about 583,000 barrels of crude oil per calendar day. Collectively, they can process a wide variety of crude oils from light, sweet crudes to heavy, sour ones. The crude oils come from Canada, the Midcontinent region, North Dakota, the Appalachian Basin, and the U.S. Gulf Coast.
- With its large population, heavily industrial economy, and large seasonal temperature variations, Ohio is among the top 10 states in total energy consumption.

MEMBER LOCATIONS

- Stallion Oilfield Services – Paris, 73 employees

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Ways To Get Involved



Any Questions?