



Utah Oil and Gas Industry Update

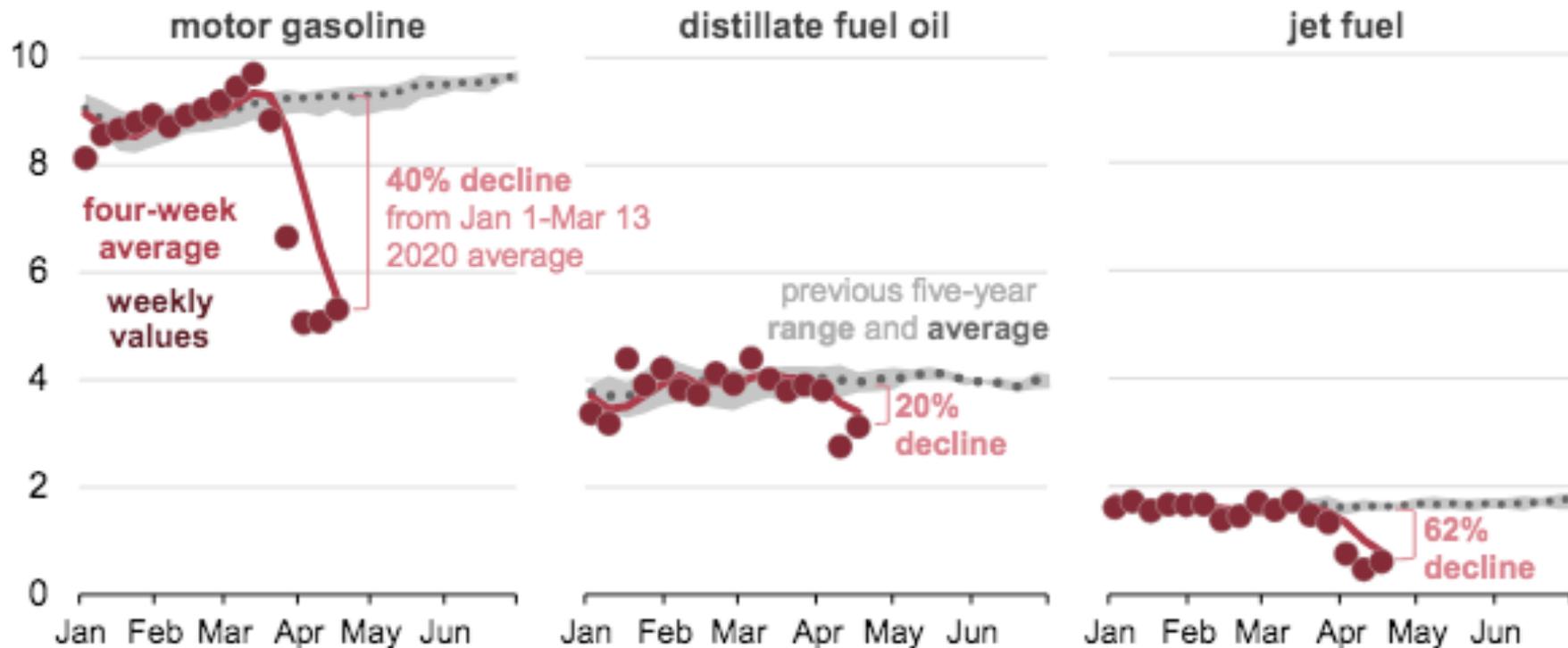
Utah Petroleum Association
June 2020 Interim Session

COVID-19 results in the lowest U.S. petroleum consumption in decades

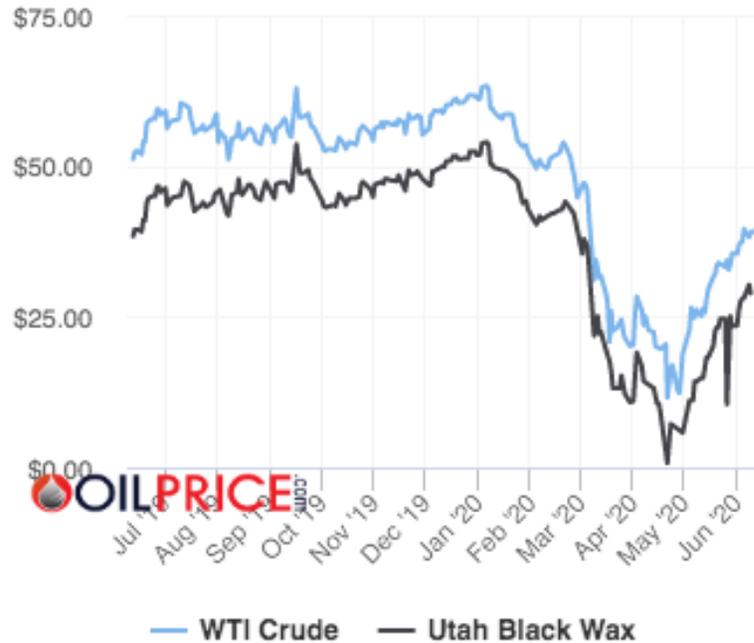


U.S. product supplied of selected petroleum products (Jan 2020-Apr 2020)

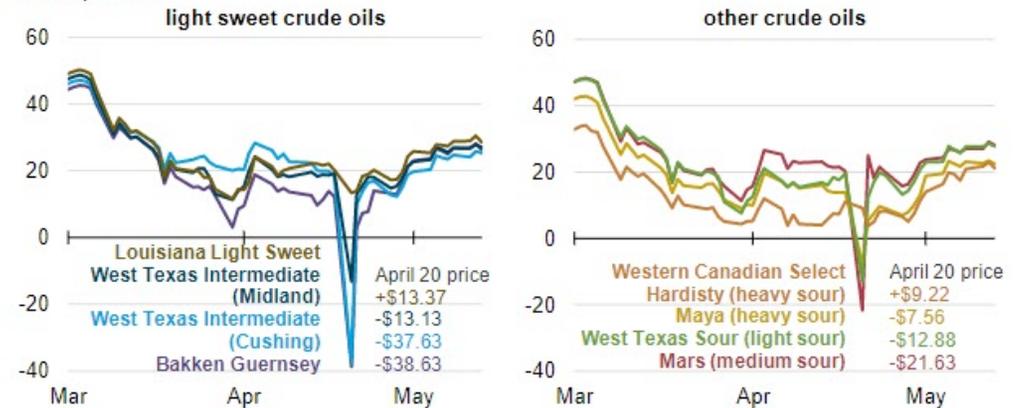
million barrels per day



Prices will stabilize when demand recovers



Selected North American crude oil prices (Mar 1–May 13, 2020)
dollars per barrel



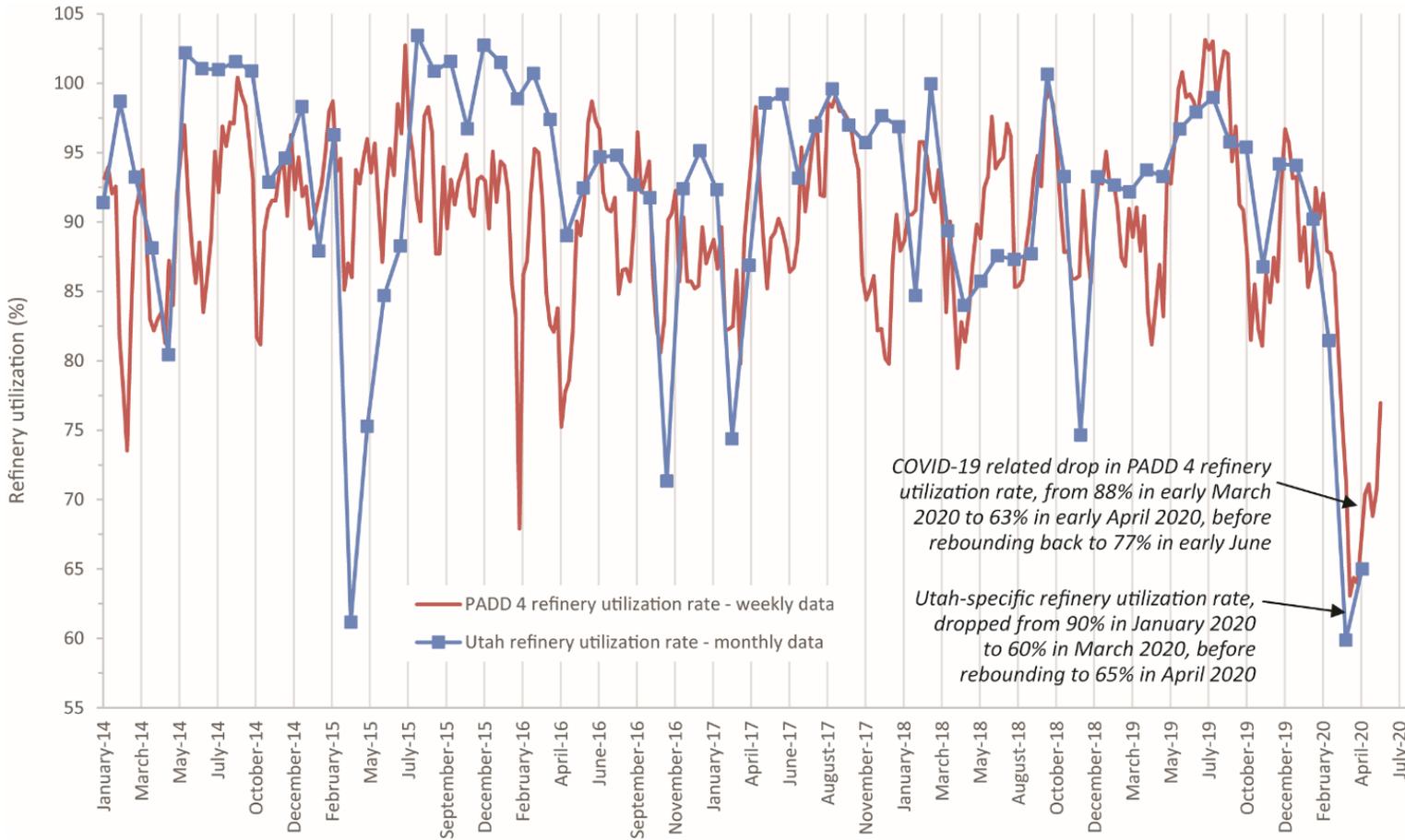
Source: U.S. Energy Information Administration, based on Bloomberg L.P. data
Note: All prices except West Texas Intermediate (Cushing) are spot prices.

Futures prices for physical delivery of crude oil in the upcoming month dipped to near \$-40/bbl on 4/20/2020.

Utah's integrated energy industry will support recovery



Weekly PADD 4 and Monthly Utah-specific refinery utilization rates, January 2014 to June 2020





Producers and refiners are carrying a heavy burden during the economic downturn caused by COVID-19.

- Refinery utilization is down from 90% to ~70-75%
- Crude production is likely to decrease significantly

Access to affordable, reliable, and clean energy drives Utah's community and is an essential part of our everyday life.

If we work together, Utah's energy future can propel communities, jobs, and the economy forward.



Policy Considerations

Pause new, non-urgent agency rulemakings

- Exclude any legislatively mandated rulemaking
- Exclude any federally required rulemaking

Pause any new agency fee increases

- Focus should be on investing limited capital into maintaining production
- Production revenue supports critical state social and education services and programs that improve communities



Severance Tax Study

In 2018 the oil and gas industry generated \$31.5 million in severance tax and conservation fees.

- Severance tax: \$28.1M
- Conservation Fee: \$3.5M

Oil & gas severance tax goes to the general fund.

DAQ and DOGM jointly used only 5.7% of the severance tax generated by the oil and gas industry.

- DAQ: \$623,800 - 2.2% of severance tax (which goes to general fund)
- DOGM: \$927,700 - 3.5% of severance tax

If these agencies are underfunded and unable to efficiently regulate the industry, the state stands to lose severance tax as production slows or moves out of state.



Thank You

Rikki Hrenko-Browning
President, UPA
rhrenko-browning@utahpetroleum.org