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At the beginning of 2020, we optimistically looked forward to the start of a new decade. No one could have imagined how virtually overnight, this hope-filled year would turn into one of unprecedented challenges.

While our industry, along with nearly every aspect of the economy, is suffering as a result of the financial fallout caused by COVID-19, we remain a vital part of our state's economic recovery.

We responsibly produce the cleanest oil and natural gas on the planet. Our industry enables Californians to have access to affordable energy as well as the essential consumer products made from petroleum. Additionally, we generate critically needed tax revenue, which is especially important now, when the state faces a deficit approaching tens of billions of dollars. At a time when a record number of Californians need public services such as unemployment insurance, we are doing our best to keep workers on our payrolls instead of relying upon overburdened government programs.

CIPA’s efforts have pivoted as a result of these times as well. We are advocating vigorously to maintain operations by protecting our status as essential businesses, fighting for producers – particularly small and medium sized businesses – to have access to relief programs, and ensuring policymakers understand the unique challenges we face at a time of low demand and foreign entities manipulating the marketplace.

While our industry, along with nearly every aspect of the economy, is suffering as a result of the financial fallout caused by COVID-19, we remain a vital part of our state’s economic recovery.

The team at CIPA has done all of this while still maintaining the perennial fight to protect our industry from burdensome regulations, extremist calls to end our businesses, and frivolous litigation.

Until the recovery is complete, the road ahead will continue to be a difficult one; however, I remain optimistic about our future because I know many opportunities for our industry will arise as a result of these troubled times. It is important to remember we are stronger together. I have faith the same spirit and determination that enabled us to overcome the challenges we have faced in the past, will give us the ability to not only survive, but also thrive in what I hope will be a new golden age for the industry.

STEPHEN LAYTON  
CIPA CHAIRMAN  
PRESIDENT OF E&B NATURAL RESOURCES
Now in its 44th year, the California Independent Petroleum Association (CIPA) is a non-profit, non-partisan trade association representing approximately 400 independent crude oil and natural gas producers, royalty owners, and service and supply companies operating in California. Since 1976, when the Independent Oil & Gas Producers Association merged with the California Independent Producers & Royalty Owners Association to form CIPA, the association has kept the political, regulatory, and public policy interests of independent oil and gas producers at the forefront of its agenda.

CIPA represents the diverse interests of its membership before the California State Legislature, the United States Congress, and numerous federal, state, and local regulatory agencies. The association is an advocate of free market principles, eliminating duplicative regulation, stimulating recovery of domestic resources, and educating the public about industry issues. CIPA is governed by a 48-member Board of Directors. The board is comprised of producers, both large and small, from the L.A. Basin, San Joaquin Valley, Central Coast, and Northern California to ensure the association’s policies are broad-based and reflect the interests of the state’s producers as a whole.

In 2001, CIPA established the California Natural Gas Producers Association (CNGPA) as a wholly-owned subsidiary. CNGPA was established with the specific intention of increasing public awareness and addressing policy issues specific to the state’s natural gas resources. The association is governed by an eleven-member Board of Directors.

In 2018, CIPA created the Independent Producers Exchange (IPEX), a wholly-owned independent subsidiary of CIPA providing marketing services to smaller members. IPEX is also looking at ways for producers to increase revenue and decrease costs by implementing programs that will reduce carbon intensity of production that qualifies for credits under the state’s Low Carbon Fuel Standard (LCFS) and Cap and Trade programs. One possibility is carbon dioxide sequestration and finding ways that renewable natural gas could be incorporated into facility operations.

New Directors voted in by the membership will officially assume their board seats at the close of the 3rd quarter CIPA Board of Directors Meeting. CIPA appreciates the service of Guy Evangelista of BOK Financial and Joe Selgrath of EnviroTech Consultants Inc. whose 3-year terms are ending and welcomes David Arias of Kenai Drilling Limited and Michael Mills of Stoel Rives, LLP whose terms are beginning.

CIPA extends congratulations to Christine Halley on her retirement and welcomes Jeremy Vanderziel as Sentinel Peak Resources board designee.
The California Natural Gas Producers Association (CNGPA) is a nonprofit trade association dedicated to representing the interests of independent natural gas producers operating in California.

The association’s mission is to increase public awareness about California’s natural gas resources and to affect policy at the legislative and regulatory level that would have an impact on California producers.

The association is governed by a nine-member board of directors which sets the agenda and direction of the association. Board members are:

- Derek Jones, Vern Jones Oil & Gas Corporation, CNGPA President
- Jerry Reedy, Reedy Family Partnership, CNGPA Treasurer
- P. Anthony Thomas, CNGPA Executive Director

Additional seats on the CNGPA Board are held by the following distinguished companies:

- ABA Energy Corporation
- Capitol Oil Corporation
- Concordia Resources, Inc.
- Foothill Energy, LLC
- Geolog, Inc.
- Robert A. Booher Consulting
COVID CRISIS SHIFTS CIPA’S AGGRESSIVE ADVOCACY EFFORTS

As the world’s economy came to a screeching halt amidst the financial fallout of the Coronavirus crisis, CIPA stepped up its aggressive advocacy efforts. As California independent operators were hit with unprecedented drops in demand, coupled with a glut created by Saudi-Russia price wars, CIPA took swift and immediate action to deliver results to protect California operators and service and supply companies. Listed below are some of the accomplishments CIPA delivered on behalf of its members:

- Worked with cities, counties, and the California Energy Commission to ensure that energy production was considered “essential” when jurisdictions started implementing shelter-in-place orders.
- Engaged in ongoing discussions with IPAA, DEPA, our federal lobbyists, and the U.S. Chamber to explore ways to lessen the impact of the oil-price war and offer relief to domestic producers, through increased storage capacity and promoting domestic production ahead of foreign imports.
- Evaluated and communicated the details of the Phase 3 Stimulus package as it relates to California producers; and our Board Member Ryan Nielsen (CPA) provided essential guidance and resources for small businesses to apply for the Paycheck Protection Plan.
- CIPA continues to work with Congressional offices to provide solutions that will provide economic relief to producers in the next phase of federal stimulus packages.
- Worked with federal regulators and Congressional offices to make administrative changes to expand the eligibility of Main Street Lending programs to help independent producers.
- Rallied our allies in the state legislature in opposition to CalGEM’s budget proposal to add 128 positions, a 40% increase in staff when they are presiding over falling production. The proposal was eliminated in the Governor’s revised budget.
- Communicated closely with county tax collectors and, in some cases, delivered an extension in fee payment while tax collection offices were closed due to shelter-in-place orders.
- Outlined a pathway for state regulators to provide temporary emergency relief and flexibility for independent producers, while also working with allies in the business community to build a consensus for overall regulatory relief to help our economy rebound. CalGEM extended deadlines and fee payments while offering regulatory flexibility on a case-by-case basis for members who prove they have been negatively impacted by the COVID-19 crisis.
- Mobilized industry to participate in virtual public meetings aimed at increasing burdensome rules that would not improve public health or safety.
- Continued our staunchest efforts on permitting and are finally seeing some movement in the backlog.
Petroleum is much more than a transportation fuel. Our industry creates the energy that heats and cools homes, allows families to cook their food, and makes life easier as a component in thousands of personal care products, medicines, and even clothing.

The COVID-19 crisis showed how the industry serves as the first line of defense for health care workers fighting to keep Americans healthy. Among the equipment made possible by petroleum:

- N95 and surgical masks
- Disposable gloves
- Face shields
- Hospital gowns and bodysuits
- Ventilators
- Scrubs
- Shoe covers
- Hand sanitizer
- Safety goggles and glasses
- Test tubes and COVID-19 test kits

This is in addition to the vast array of other medical equipment made from plastic, from the simplest bandages, syringes, and IV bags to the most complex machinery like MRIs, CAT scanners, ultrasounds, and heart valves — and the microchips and circuit boards that make those devices function. Many Americans rely on petrochemicals to manage their health every day, often without thinking about it, through life-sustaining products like insulin pens and inhalers.

Though the reputation of plastics has been sullied by extremists pushing unilateral bans, our health care system would grind to a halt without them. Plastic is simply the only practical and sterile option, making oil and natural gas production critical to our recovery from the coronavirus pandemic. Those who advocate to “keep it in the ground” have yet to provide an alternative path to replace not only the affordability and reliability of electricity produced through fossil fuels, but also the petroleum-based products that save lives every day.
In the 2019-20 legislative session, CIPA tracked more than two dozen pieces of legislation. This year, opposing legislation aimed at a job-killing expansion of workers’ compensation benefits related to COVID-19 shifted CIPA’s usual focus on bills that create overly-burdensome regulations on energy producers.

CIPA also earned a victory within the budget. In May, CalGEM dropped its proposal for 128 new staff over the next three years at a cost to operators of $24 million per year. CIPA opposed the BCP and developed a counter proposal that seeks to ensure CalGEM can perform all of its mandated work without a massive increase in staff.

CIPA’s top legislative priorities that directly impact local production are:

**Half-Mile Setback Production Ban:** AB 345 (Muratsuchi): This measure is an effective production ban by restricting oil and gas operations within a half-mile (2,500 feet) of certain locations. The bill would create “no-build zones” which will worsen the state’s housing affordability crisis and make it harder to build important infrastructure like hospitals. A legislative analysis found this would cost the state up to $3.5 billion and would expose the state to significant litigation costs on an annual basis. **CURRENT STATUS:** Passed Assembly, currently held in the Senate.

**Shifting Mission of Oil & Gas Supervisor:** AB 1441 (Levine): This unnecessary bill duplicates language in a bill signed by the governor last year and strikes language from statute that places importance on recovering minerals in California to the benefit of consumers and the state. **CURRENT STATUS:** Approved by Assembly, awaiting Senate review.

**Renewable Natural Gas as a Climate Solution:** AB 3027 (O’Donnell): This CIPA-supported measure would help reduce greenhouse gas emissions by providing an additional avenue for renewable natural gas to be used and credited in the production of California transportation fuels without having to build costly and redundant natural gas infrastructure. Similar legislation was approved by the Legislature with overwhelming bipartisan support, but was vetoed by the Governor. **CURRENT STATUS:** Held in the Assembly.

**Remediation for Wells Without Viable Owners:** SB 1012 (Hurtado): Recognizing that a vibrant energy industry will prevent the need for remediation of orphan wells, CIPA continued its constructive work with regulators on reforms to decommission assets without viable owners. **CURRENT STATUS:** Passed by the Senate Natural Resources Committee, awaiting hearing in the Senate Appropriations Committee.

**Oil Severance Tax:** SB 246 (Wieckowski): While the bill has been defeated in the Legislature many times before, this measure would impose an oil and gas severance tax at the rate of 10 percent of the average price per barrel of California oil or 10 percent of the average price per unit of gas. Under the proposal, the revenue would be directed to the state’s general fund. **CURRENT STATUS:** Dead
Nearly two dozen state lawmakers met with CIPA members to discuss issues important to the state and to the crude oil and natural gas production industry at CIPA’s 2020 State Call Up.

Members of the Legislature were reminded that California’s independent producers provide critical and affordable energy for the state’s citizens and businesses and employ 55,000 workers at an average salary of over $120,000 per year. State and local tax revenues generated by oil production not only provide a pathway to the American dream for families, but also critical tax revenues for everything from public safety to schools.

Showcasing the fact that California’s oil producers are on the cutting edge of energy innovation, members of the legislature were updated on CIPA members’ participation in the Low Carbon Fuel Standard (LCFS) program, which is administered by the California Air Resources Board (CARB). CIPA members are lowering the carbon intensity of the extraction process by installing solar power and solar steam projects. Additionally, CIPA members engage in biomass power generation and are exploring innovative carbon capture and sequestration projects.

Also discussed were the challenges CIPA members are facing. Even though California’s oil producers extract crude oil under the strictest air, soil and water regulations on the planet, detractors continue to vilify the CIPA’s members with bogus, unscientific claims, and bills designed to shut local production down. All the while, the state’s consumption of crude oil is going up, not down.

10th Annual Oil Symposium
CIPA’S PREMIER LEGISLATIVE EDUCATIONAL EVENT

CIPA celebrated a milestone with a decade of its premier legislative event, the Oil Symposium, hosted at the Pelican Hill Resort in Newport Beach. The annual event is a unique opportunity to discuss industry issues with legislators representing both sides of the aisle. 2019’s attendees included:

Senators:
- Steven Bradford
- Cathleen Galgiani
- Melissa Hurtado
- Tom Umberg

Assembly members:
- Wendy Carrillo
- Tyler Diep
- Jim Frazier
- Mike Gipson
- Chris Holden
- Reggie Jones-Sawyer
- Patrick O’Donnell
- Freddie Rodriguez
- Rudy Salas
- Marie Waldron
Building on the success of CIPA’s annual Oil Worker Day at the State Capitol, CIPA is actively engaging our workforce to share their personal stories about how burdensome regulations will impact their families and how they take pride in responsibly producing the energy needed to power California.

This effort also expands outside of industry workers to engage and deploy industry supporters to tell the story of domestic energy’s vital role in the future success of California.

This new external affairs unit within CIPA is headed by Vice President of External Affairs P. Anthony Thomas. It also includes an Employee Engagement Program with a website designed to keep employees informed on the latest issues impacting industry and giving calls to action to help defeat job-killing policies.

One of the early mobilization efforts was for a special Kern County Board of Supervisors meeting which highlighted the impacts of Sacramento’s focus on the oil and natural gas industry has on the local economy. Senior members of the Newsom Administration attended the hearing as did hundreds of local oil workers. In fact, turnout was so high that once the Supervisors’ chambers filled, crowds - which included more than 1,100 pro-industry attendees - overflowed into the lobby.

Member companies also turned out for stakeholder meetings California Geologic Energy Management Division (CalGEM) held seeking public comment on regulations impacting the industry. After shelter-in-place orders were instituted due to COVID-19, the meetings became virtual and strong industry participation continued.
Nearly 20 workers from CIPA member companies in January attended a lengthy legislative oversight hearing regarding the oil and natural gas industry.

Member companies who sent workers and helped ensure community leaders attended the legislative hearing include: Aera Energy, Anacapa Engineering and Design, Berry Petroleum, Halliburton, Macpherson Energy Company, Nalco Champion, Seneca Resources, Sentinel Peak Resources, and Vaquero Energy.

The joint hearing of the Senate and Assembly Natural Resources Committees was convened to examine the incident at Cymric as well as state regulators’ roles in overall oil and natural gas production.

Workers patiently waited to share their stories about the pride they take in responsibly producing arguably the cleanest oil and natural gas on the planet as well as the positive contributions industry has provided for their families and communities.

Public comment was heard at the end of the 4 ½ hour hearing, which lasted late into the evening. Central Valley leaders also testified, including the mayor of Taft, a Kern County firefighter, and the Kern Economic Development Corporation.

**USING DATA-DRIVEN MESSAGING**

CIPA is continuing its efforts with an industry-wide, coordinated communications strategy and, along with WSPA, is working with a consultant. On a quarterly basis, the consultant outlines what their analytics show are our strongest message points, particularly with the “moveable middle,” audiences who do not have deep-seated opinions about our industry.

**NATIONAL COORDINATED COMMUNICATIONS STRATEGY**

For two years, CIPA Vice President of Communications Sabrina Lockhart has participated on the steering committee for the Communications Advisory Council (CAC), a national meeting of oil and natural gas associations to discuss a coordinated industry communications strategy. The group has been meeting biweekly for more than a year on conference calls and every six months in person in order to work more strategically since the groups attacking us are working in coordination. The most recent in-person meeting was shifted to a virtual meeting where trades from various states shared emerging storylines. The CAC also launched a new portal for information sharing between trade groups to enable rapid response, share best practices, and serve as repository of materials and resources.
Even though our industry is not a top greenhouse gas emitter in the state, oil and natural gas has been the top industry targeted to address this issue. This ever-changing regulatory landscape have dramatically changed how producers operate in California.

California has the toughest regulations governing oil and gas production in the nation – and arguably on the planet. Industry supports regulations based on strong scientific data and we have been willing to work on strategies to address the reduction of greenhouse gas emissions while protecting our members' ability to operate.

Over the past year, CIPA has also spent a significant amount of time working with state regulators to determine why there is a backlog of permits. While CIPA continues a regular dialog with CalGEM, the state has made minimal progress on permitting reviews. CIPA is considering whether legal action could be taken to address this deficiency.

FAULTY METHODOLOGY LEADS TO VENTURA PRODUCTION BAN

Another emerging issue is unusual move by the United States Geological Survey (USGS) releasing preliminary data on groundwater quality in Kern and Ventura Counties and presenting the information as final determinations. The studies, commissioned by the State Water Board, were required under the state’s well stimulation regulations (SB 4) passed in 2014. CIPA has strong concerns about the errors in methodology used to write this report. For instance, USGS cites other studies but does not acknowledge the warnings in those studies that the findings can only be attributed to clean sands, not sands with clay like the Tulare Formation. The USGS report also did not consider whether other sources may have contributed to the salinity. Additionally, some data was not included in the report such as the extensive laboratory data collected during the life of the fields and there is no reasonable explanation why this was summarily dismissed.

The report should have undergone a thorough review and been subjected to significant statistical verification. The information has led to a production moratorium in Ventura County which in turn has put at least one company out of business. Due to these grave risks, CIPA is taking aggressive action to fix this problem by meeting with state and federal officials, including the Department of Interior, and is contemplating legal remediation.

Pushing back on this misinformation is critical as Ventura County is updating its General Plan. Issues within the General Plan that are still of concern for the industry include a potential setback for new production, requiring electrically-powered equipment for oil and natural gas exploration and production, and going beyond the state’s stringent regulations for well stimulation. CIPA continues to outline concerns about the legality of these piecemeal proposals that are vague and lack detailed analysis.
LOS ANGELES: LOCAL ACTIONS SPUR NEGATIVE STATEWIDE POLICIES

While a small percentage of CIPA members operate within the city of Los Angeles, what happens in Los Angeles can have an impact on operations statewide. Neighboring municipalities with production often look to the city and county of Los Angeles as an example when considering changes to their own ordinances. These policies sometimes also generate state legislation.

For example, the city and county of Los Angeles are considering setbacks for production. This likely led to the introduction of AB 345, which is an effective production ban by restricting oil and gas operations within a half-mile (2,500 feet) of a residence, school, childcare facility, playground, hospital, or health clinic. Killing this legislation is CIPA’s top legislative priority.

CIPA is also actively fighting the city’s proposed setback of 600 feet for existing production and 150 feet for new production. The city’s proposal does not specify what qualifies as new production.

LA County is currently developing its Climate Action Plan. The plan has a number of concerns that CIPA Vice President of Public Affairs Jennifer Rivera is tracking including:
- Setbacks
- Fenceline and community air monitoring
- Strategies to develop sunset strategy for all oil and natural gas operations

KERN EIR ONGOING LITIGATION

Fifth District Court of Appeal denied petitions submitted by the County of Kern and industry requesting a rehearing in response to its decision directing the County of Kern to rescind its oil and gas ordinance and associated Environmental Impact Report (EIR). The Court issued a modified opinion which further clarified that permits issued by the County of Kern are covered by CEQA during the court ordered 30-day window ending on March 26, 2020, at which point the ordinance was suspended.

The County of Kern has indicated it fully intends to address deficiencies identified by the Court in a supplemental environmental impact report in a process that is likely to take nearly a year to complete.
Californians for Energy Independence (CEI) serves as a backstop to Governor Gavin Newsom and the California Legislature’s aggressive efforts to phase out production in California as well as in production regions throughout the state.

CEI operates on a statewide level while engaging outreach teams in Los Angeles, Ventura, and Fresno. Close communication and coordination between regional and statewide teams facilitates the flow of information regarding the migration of harmful industry policies that influence statewide policies, such as setbacks, water protection, permitting and climate (Green New Deal).

The CEI team works closely with local producers and industry partners, CIPA and WSPA, to develop strategies to push back against executive, legislative, regulatory and voter approved statewide and regional proposals that will hinder or shut down local oil and natural gas production. These collaborations are critical to challenging threats to the industry.

FOR A BETTER VENTURA
CEI continues to aggressively execute advocacy, communications and coalition outreach efforts to support local oil and gas production in Ventura County. However, to affect real change, it is absolutely critical to shift the political makeup of the Board in the upcoming November 2020 general election. For a Better Ventura PAC saw success in the March 2020 primary with the election of Matt LeVere to District 1 and Kelly Long to District 3. District 5 will be decided in a run-off between Tim Flynn and environmental activist Carmen Ramirez in November.
CAREERS IN ENERGY
The Careers in Energy (CiE) Program helps strengthen relationships with key community organizations, local elected officials, educators and students in targeted regions throughout the state by providing tangible programs that deliver career and educational resources for students and community organizations. The educational programs focus on the importance of Science, Technology, Engineering, and Math (STEM) studies and how excelling in these fields can lead to high paying and fulfilling careers. Since its inception, CiE has hosted more than 77 events, interacting with more than 35,000 students and families. It’s flagship program – Channel Islands Dream/Upward Bound, through the League of United Latin American Citizens National Educational Service Center – provides academic support, career exploration, mentoring, civic engagement and college prep to more than 100 undocumented and/or low income students. Careers in Energy interacts with students on a monthly basis by providing mentoring, field trips, and speakers on key community and energy topics.

CALIFORNIA ENERGY WORKERS
California Energy Workers (CEW) amplifies the voices of California oil and gas employees, contractors, vendors and family members in public policy debates. CEW provides energy workers with timely information about policy debates happening locally and statewide, resources to provide factual rebuttals to attacks against the industry, proactive materials that demonstrate the value of energy workers to their communities, and opportunities for energy workers to advocate on behalf of their families and colleagues.

TV & DIGITAL CAMPAIGNS HIGHLIGHTING BENEFITS OF OIL AND NATURAL GAS
This past year, CEI launched three paid media efforts that included cable and broadcast TV, along with digital ads on key political sites. In November 2019, ads were run in Fresno around the California Economic Summit attended by the Governor and members of his Administration. The ads served to remind the Governor, elected officials and community partners how vitally important the industry is to the Central Valley.

In late January 2020, CEI launched a five-day paid media effort in Sacramento around the joint Assembly and Senate Natural Resource Committee hearing on cyclic steaming. The ad served to remind key decision makers of how state agencies are restricting production which is forcing California to import more oil from foreign countries, impacting affordability and reliability for all Californians.

In early February 2020, CEI launched a two-week paid media effort in Fresno and Bakersfield that focused on the importance of the oil and gas industry and its workforce to the economic vitality of the Central Valley.

PUSHING BACK ON MISINFORMATION
Extracting Fact is a platform to fact-check extremist misinformation and counter opposition narratives with fact-based rebuttals. The platform, ExtractingFact.com, is designed to push back on extremist efforts to ban or restrict production at the local and statewide levels, providing facts and information for producers, workers, industry champions, and other keys stake holders to leverage in the public discussion. In addition, it serves as an advocacy tool on key issues. There are 29 articles posted to the platform pushing back on regional and statewide issues/policies.
CIPA and its member companies invest in a one-of-a-kind program to prepare students for careers in energy through internships.

The successful program, which uniquely prioritizes recent high school graduates who may consider transitioning directly to the workforce, began in the summer of 2016 but was forced to take a hiatus in the summer of 2020 due to COVID-19 public health guidelines. CIPA, in collaboration with energy companies and school districts, implemented a first-of-its kind program that placed students in a paid position to gain work experience and learn science, technology, engineering, and math (S.T.E.M.) skills.

CIPA visits various high schools to expose students to the possibility of careers in the energy field. Students then participate in field trips to production facilities in the Los Angeles basin. The candidates from this pool apply for the internship program. Candidates are selected from Kern, Los Angeles, San Diego and Santa Barbara Counties.

The rigorous selection process includes submitting essays and letters of recommendation, as well as a panel interview conducted by CIPA and member company representatives. The interns are housed in dormitories so that they also experience living in a college-like setting.

Each year, the program has made an offer to an intern. In 2019, not only was an offer to an intern extended, but it was accepted. Ms. Malaysia Hollinquest, graduate of Banning High School in Wilmington, CA, is now employed by E&B Natural Resources in Bakersfield. Ms. Hollinquest started in November of 2019 and is currently a use lease operator. She was an outstanding intern, showed up on time to all of the required workshops, and displayed a keen interest in the industry.
Nearly 2,000 people spent their 2019 Veteran’s Day weekend celebrating Kern County’s energy industry at the biennial Kern Energy Festival in Bakersfield. The event chairman is CIPA Board Member and Kern Energy Foundation President Chad Hathaway.

Children and grown-ups alike enjoyed the popular “Kids Zone” area which included hands-on learning activities including mobile learning units sponsored by Chevron. At the STEM zone, parents and students participated in interactive activities to learn about how science, technology, engineering and math (STEM) can apply to careers in energy and other industries.

Students from local high schools and colleges demonstrated robotics including a water-powered model car and a plastic bowling ball controlled by an iPad.

Attendees also had an up-close view of large energy equipment that is rarely on public display. Companies also had staff on hand to answer questions about how the machinery is used for operations.

Thanks to the generosity of the Festival’s sponsors, the Kern Energy Foundation raised more than $100,000 that was reinvested in local STEM educational programs and scholarships, including the Kern County Hispanic Chamber of Commerce and the CIPA Energy Academy internship program.
Oil and natural gas producers in California are facing steeper obstacles to consistent profitable production. From the costs of electricity to regulatory compliance, it’s more expensive than ever to produce a barrel of crude oil. PG&E has ended the E37 rate that many producers enjoyed and simultaneously companies are forced to purchase expensive sources of electricity to satisfy state regulations. But in these challenges, new opportunities exist.

CIPA has created the Independent Producers Exchange (IPEX), a wholly owned subsidiary that markets crude, renewable energy projects, and cap and trade compliance products for CIPA member companies.

California operators are also increasingly taking advantage of nontraditional opportunities such as investments in renewable energy and innovative methods of production that are reducing costs and creating new revenue streams. In alignment with California’s environmental policy initiatives, IPEX is interested in emphasizing opportunities to expand innovative crude methods in California. Examples of innovative crude methods include:

- Solar steam generation
- Carbon capture and sequestration (CCS)
- Solar and wind electricity generation
- Solar heat generation
- Renewable natural gas (RNG) or biogas energy

The state is offering incentives to producers to deploy these new and innovative production methods. Because these methods involve renewable energy, there are different investment players than simple oil and gas investors who can partner with California operators to deploy these assets.

As the state continues to aggressively combat climate change through programs like the Low Carbon Fuel Standard (LCFS), oil producers have a unique opportunity to lower energy costs and increase revenue. The LCFS program rewards oil producers for investing in renewable energy projects in existing operations. These rewards come in the form of LCFS credits that have real monetary value, while at the same time sending a message to Sacramento that producers are successfully adapting to California’s changing policy landscape.

CIPA has developed a strategy to help producers navigate the process and benefits of leveraging the opportunities available through Low Carbon Fuel Standards (LCFS) credits program. CIPA has also produced materials to help producers understand the benefits of participating and the process of getting qualified projects started. These resources are available online by visiting: www.CIPA.org. Then click on "Innovative Crude Methods" (Member log in required). Contact Sean Wallentine, Vice President of Government Affairs, for more information about Innovative Crude Methods.
For more than two decades, CIPA has supported candidates at all levels of government who understand how a vibrant energy industry can help boost the state’s economy as a whole. CIPA’s independent political action committee (CIPAC) has raised more than $500,000 from its membership in support of job-creating candidates.

Strategic investments led to a CIPAC-supported candidate winning a Los Angeles City Council seat in a 2019 special election. CIPAC continues to support that candidate as well as other business-minded local candidates in Kern, Los Angeles, and Ventura Counties who are facing election in November 2020.

In the last election cycle, CIPAC promoted a citizen redistricting commission in Santa Barbara and continues to support efforts to put the power of drawing Supervisorial seat lines in the hands of the people and out of the hands of the politicians.

CIPAC also aligned with the labor community to bolster our working relationship in electing candidates who support keeping jobs and revenue in California.

CIPA Chairman Steve Layton and CIPA Member Debra Russell this summer opened their beachfront home for a CIPAC wine auction and reception overlooking the bay in Long Beach.

For three years, CIPAC has hosted an event at Rancho Valencia which supports key moderate-voice legislators.

This year’s event attendees included:
- Senator Steven Bradford
- Assembly member Jim Frazier
- Senator Steve Glazer
- Assembly member Tim Grayson
- Assembly member Mike Gipson
- Senator Melissa Hurtado
- Assembly member Patrick O’Donnell
- Assembly member Blanca Rubio
- Assembly member James Ramos
- Senator Susan Rubio
- Assembly member Rudy Salas
CONNECTING WITH COLLEAGUES

*CIPA events evolve to accommodate new public meeting guidelines*

While networking with industry colleagues continues to be one of our members' favorite aspects of CIPA, current conditions restricting public meetings have temporarily shifted how CIPA hosts events.

Given the uncertainty of when large groups will once again be able to assemble, CIPA's 2020 Annual Meeting, originally scheduled for June 4-7 in Santa Barbara, was rescheduled to a later date in 2020. CIPA has been planning for this eventuality and Vice President of Membership and Events Laura Wilkin is exploring other options to hold the meeting later this year, ideally in late August to coincide with our regularly scheduled 4th Quarter Board Meeting. In consideration of current market conditions, staff is also exploring the possibility of new format options that provide more flexible participation and lower costs.

The 3rd Quarter Board of Directors meeting is CIPA's first virtual event. We anticipate that public health guidelines will soon change so we can continue our tradition of hosting some of our industry's best-attended events at some of California's most spectacular venues.

Large photo on top: CIPA CEO Rock Zierman thanks AM 19 keynote speaker Harold Hamm, Founder, Chairman, and CEO of Continental Resources. CIPA’s 2019 Annual Meeting provided abundant networking opportunities and a top-notch speaking line-up in a beautiful Tahoe area setting.
CELEBRATING
Our Industry's Champions

Each year, CIPA honors individuals who have committed their time, energy and skills to the industry.

C.C. “BUD” ALBRIGHT AWARD
The Albright Award is conferred annually by CIPA’s membership to an individual outside the oil and gas industry whose efforts have contributed greatly to the continued viability of California’s independent producers.

EMMA SUMMERS AWARD
CIPA’s Emma Summers Award is named for the “Oil Queen of California” who came to Los Angeles from Boston in 1893, originally invested in a half-interest in a prospective well to be drilled nearby, and eventually came to own 14 wells producing 50,000 barrels a month, in addition to managing her supplies, 40 horses, 10 wagons and a blacksmith shop. The Summers Award is conferred annually by CIPA’s membership to a woman who, like Emma Summers, has played a leadership role in the viability of California’s independent crude oil and natural gas producing industry.

LEE MCFARLAND AWARD
The Lee McFarland Award is named for the founder of McFarland Energy and one of the founders and early Presidents of CIPA. Lee was admired in the industry for being honest, doing what he promised, making fair deals, and standing behind them. This award has been bestowed annually since 1991 by CIPA’s membership to an Associate Member who has contributed to the viability of California’s independent crude oil and natural gas producing industry.

GLENN C. FERGUSON AWARD
The Ferguson Award is named for another of CIPA’s founding fathers. Glenn Ferguson was the catalyst for the formation of CIPA back in 1976 by merging two separate associations. He is described as quiet, soft-spoken, and conservative, while also being very active in politics. This award is conferred annually by CIPA’s membership to a Producer Member who has greatly contributed to the success of CIPA and advanced the understanding of and appreciation for California’s independent crude oil and natural gas producing industry.
BY THE NUMBERS:
ABOUT CALIFORNIA OIL & NATURAL GAS PRODUCTION

- 7th largest oil producing state in the nation in 2019
- 442,000 average barrels of oil produced per day in 2019
- 180.6 billion cubic feet California’s gross natural gas production in 2018
- 2nd largest consumer of petroleum products in the nation
- #1 consumer of motor gasoline and jet fuel in the nation
- 1.8 million barrels of oil used per day
- 35.4 million registered vehicles, highest in the nation
- $874 average annual savings for household that uses natural gas appliances

CALIFORNIA’S OIL PRODUCING REGIONS

75% CENTRAL VALLEY
11% CENTRAL COAST
13% LOS ANGELES BASIN

SOURCE: Economic and Revenue Impacts of a Statewide Oil Production Ban in California, December 2018, Capitol Matrix Consulting
INCREASING DEPENDENCE ON IMPORTS

More than half of the crude oil refined in California comes from foreign suppliers.

2018 FOREIGN CRUDE SOURCES TO CALIFORNIA

Source: California Energy Commission

2019 CRUDE OIL PRICES

The average posted price in 2019 for Midway-Sunset 13 degree API gravity crude oil.

$60.71
Highest monthly average price (April 2019)

$67.74

$55.32
Lowest monthly average price (January 2019)
6,000+ everyday products made from petroleum such as shoes, phones, toothbrushes, eyeglasses, heart valves, disposable diapers

$1.7 billion in tax revenues for K-12 Schools, Higher Education, Health, Public Safety, Social Services

Californians pay over $25 billion a year for imported oil.

$123,000 average annual pay in the oil and natural gas industry, nearly double the private sector average in California

55,000 total jobs

Petroleum engineering is the best degree for home ownership, with enough earning power to buy a home in two years.

Nearly 50% of the oil and natural gas industry workforce is ethnically diverse.

Opportunity across the educational spectrum

- 23.3% of workers have a college degree.
- 28% have attended some college.
- 39.2% have a high school education or less.
The Consumer Energy Alliance (CEA) recently analyzed how much it would cost for households to replace natural gas appliances that Americans use for cooking, cleaning, heating, and cooling their homes. The Green New Deal would prohibit the use of natural gas, which has been an affordable energy source that has helped the U.S. become a global leader in greenhouse gas emission reductions.

The total for replacement of just four common household appliances (furnace, water heaters, natural gas cooking ranges, gas dryers) in the United States under the Green New Deal is almost $244 billion.

According to CEA estimates, an average household would have to shell out almost $5,000 to replace these four appliances.

Americans living at the poverty level wouldn’t be the only ones who couldn’t afford to pay. A survey conducted before the economic collapse caused by COVID19 found that 61 percent of Americans have less than $1,000 in their savings account.

<table>
<thead>
<tr>
<th>Appliance</th>
<th>Cost to Replace</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furnace</td>
<td>$2615</td>
</tr>
<tr>
<td>Water Heater</td>
<td>$889</td>
</tr>
<tr>
<td>Cooking Range</td>
<td>$678</td>
</tr>
<tr>
<td>Dryer</td>
<td>$665</td>
</tr>
</tbody>
</table>

The average amount U.S. households would have to pay to replace four appliances under the Green New Deal.

National cost to hardworking families.
UNFOUNDED ATTACKS ON
Clean, Reliable, & Affordable Energy

Natural gas has helped the U.S. become a global leader in reducing carbon emissions and provides clean, reliable, and affordable energy. The average household that uses natural gas saves nearly $900 a year in energy costs.

There is a push by coastal municipalities and others to ban natural gas (NG) production in some form or another. Up to 50 cities have signed resolutions signaling that new residential and commercial construction should be all electric. On the other hand, there are over 133 local governments who have passed resolutions that state “consumer choice” of their energy source should be our future and not excluding one in favor of the other.

Natural gas bans undermine the state’s clean energy goals and will hurt the Central Valley the most because families there already pay almost 60 percent more for their energy bills in the summer than coastal communities.

It will also not immediately reduce the need for natural gas. Almost half of the natural gas used in the state is for electricity generation and is critically needed when renewable energy is unavailable such as when the sun doesn’t shine or the wind doesn’t blow.

Seizing upon the opportunity and taking a proactive stance, CNGPA Executive Director P. Anthony Thomas started a coalition to combat any proposal that will deny consumers energy choice.

As a part of this effort, Vice President of Communications Sabrina Lockhart testified at the California Public Utilities Commission (CPUC) about decarbonization and the threats to energy affordability, reliability, and resiliency. The effort, which came just after the forced power shutdowns by public utilities, was led by LA BizFed to have business and local government leaders speak to the CPUC about the negative impacts of relying on one power supply.

$874
average annual electricity cost savings for a household that uses natural gas for heating, water heating, cooking, and clothes drying.

35%
of California’s total in-state net electricity generation came from natural gas-fueled power plants in 2018.

Almost 2/3
of California households use natural gas for home heating.
This past year, CIPA mourned the passing of three prominent members. We honor their contributions to our industry, their communities, and their beloved families.

**Former board members and Chairman, J.C. “Mac” McFarland passed away in October 2019 of a brain virus at the age of 72.**

While we remember Mac for his contributions to our industry – serving as CFO and CEO of his family business McFarland Energy and later as an independent consultant – his career was just one aspect of the full life he devoted to his family and his community.

He served proudly on the R.M. Pyles Boys Camp Board of Directors, the Whittier Presbyterian Intercommunity Hospital Board of Directors, the Whittier USD School Board, and was a 42-year member of the Whittier Area Lions Club.

Former state Sen. Frank Hill, who also served in the Lions Club, told the Whittier Daily News Mac was the “biggest cheapskate you can imagine and the most generous person you can imagine. He would bitch when the price of our meal went up 50 cents but would make a $100,000 donation to our scholarship fund.” Mac used this keen sense of financial prudence as the head of CIPA’s finance committee until late last year.

After his father Lee passed away in the early 1990s, Mac began serving on the CIPA Executive Committee and Board of Directors, eventually serving as its Chair. Mac is the only person to receive both CIPA’s Glenn Ferguson Award, which recognizes the outstanding Producer of the Year, as well as the Lee MacFarland award, named after his father which recognized the outstanding Associate of the Year. Mac became eligible for both awards given that after MacFarland Energy was sold, he rejoined CIPA as an associate member and remained active until late last year. Mac was recognized by CIPA’s Board of Directors at its Board Meeting last August at Pelican Hill Resort where Mac gave an impassioned speech about his commitment to the industry and his long-standing relationship and service to CIPA.

**Former Board Member Mike McFadden passed away in December 2019 after a long battle with cancer.**

Mike chaired the CIPA Fall Classic Golf Tournament for many years and was instrumental in the event’s continued success. He also was president of the Petroleum Club of Bakersfield from 1998-2003, a project he was especially proud to build. Mike was honored by the Independent Petroleum Association San Joaquin chapter as Oil Baron of the year in 1995.

He grew up in Arroyo Grande and moved to Bakersfield in 1977. With a suggestion from his then-father-in-law, Bill Scurlock, he began working in the oil fields as a derrick man. Mike learned the oil business from the bottom up and eventually started his own company, “Out Source Solutions Inc.” His family says that he loved the oil industry and the people and companies he worked with.

**Former member Russell Green, Jr. passed away in November 2019 at the age of 95.**

He was a World War II veteran who transitioned back to civilian life with a career in the oil industry. Green worked for Signal Oil for many years and ended his career as President of the company. He then embarked on a second career: winemaking. Green founded the Alexander Valley Association with other neighbors. He also applied for an appellation for Alexander Valley, he where ensured rural character and high-quality standards for wines.

Another cause he supported strongly was the Pyles Boys Camp. When he first headed the board, he didn’t believe in sedentary board meetings and marched the board into camp at his pace.
In 2011, CIPA purchased a 5,000 square foot office suite conveniently located one block from the State Capitol. The building is also a few blocks from the newly built Golden 1 Center where the Sacramento Kings NBA basketball team plays.

This downtown corridor is one of the most sought after locations. The area is currently under a major revitalization, which will only lead to growing property value for CIPA.

The asset has already proved to be a cost effective investment. 100 percent of the vacant office space is rented to tenants, which covers the interest cost of the building note and maintenance costs.

In 2019, CIPA refinanced its building loan to a fixed, 15-year note.

### AUDITED COMBINED STATEMENT OF FINANCIAL POSITION

**Year ending July 31, 2019**

**Assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and equivalents</td>
<td>$472,168</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>$194,148</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>$14,471</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$680,787</td>
</tr>
<tr>
<td>Fixed assets (office building), net</td>
<td>$1,566,989</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$2,247,776</td>
</tr>
</tbody>
</table>

**Liabilities and Net Assets**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable</td>
<td>$213,461</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>$72,106</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>$689,519</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>$38,657</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td>$1,013,743</td>
</tr>
<tr>
<td>Long-term debt, net of current portion</td>
<td>$774,921</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>$1,788,664</td>
</tr>
<tr>
<td>Net assets</td>
<td>$459,112</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$2,247,776</td>
</tr>
</tbody>
</table>
# Audited Combined Statement of Activities

**Year ending July 31, 2019**

## Revenue:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Membership dues</td>
<td>$2,714,517</td>
</tr>
<tr>
<td>Annual meeting</td>
<td>436,025</td>
</tr>
<tr>
<td>Voluntary assessments</td>
<td>127,022</td>
</tr>
<tr>
<td>Other revenue</td>
<td>158,498</td>
</tr>
</tbody>
</table>

**Total operating revenues:** $3,436,062

## Operating expenses:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member services</td>
<td>2,776,520</td>
</tr>
<tr>
<td>Conference / Annual Meeting</td>
<td>320,687</td>
</tr>
<tr>
<td>Management and general</td>
<td>299,019</td>
</tr>
</tbody>
</table>

**Total operating expenses:** $3,396,226

**Change in net assets from operations:** $39,836

## Other income and expense:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental income</td>
<td>60,270</td>
</tr>
<tr>
<td>Rental expense</td>
<td>(89,899)</td>
</tr>
</tbody>
</table>

**Total non-operating activities:** $(29,629)

**Change in net assets:** $10,207

**Net assets, beginning of year:** $448,905

**Net assets, end of year:** $459,112
Independent producers face unique challenges, so CIPA has retained experts to handle complex litigation, help navigate regulatory challenges - particularly with water and air - and advocate for members at the state and federal levels.

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CIPA has a dynamic and productive team that meets the daily needs of its 400 members. CIPA’s staff has a wide range of public and private sector experience to help producers navigate legislative, regulatory, and communications challenges.