

CIPA 2019
ANNUAL REPORT



CIPA

PEOPLE POWER CALIFORNIA



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MESSAGE FROM THE CHAIRMAN



This year's cover features the power behind our industry: the hard-working men and women who proudly and responsibly deliver the affordable and reliable energy Californians rely upon for nearly every aspect of their daily lives.

The stories our workforce tells about what this career means to them and their families is resonating in the hallways of the State Capitol and beyond. Providing quality careers with economic mobility for single parents, veterans, and second chancers is just one more positive contribution the oil and natural gas industry gives to our state.

Connecting to our communities through charitable giving has been so engrained in our businesses that we sometimes take for granted the impact of these contributions, such as:

- Supporting afterschool programs to keep young people off the streets and out of trouble.
- Providing paid internships to help high school graduates earn work experience and discover career pathways that do not necessarily require college degrees.
- Contributing to nonprofits who help the homeless, provide no cost medical and dental services to patients in need, and encourage students to pursue careers in science, technology, engineering and math (STEM).

We are innovators who are embracing a future with renewable and traditional energy sources working side by side. Companies large and small are adopting state-of-the-art technologies to produce energy with a smaller carbon footprint. To develop these advancements in energy recovery, we are hiring some of the brightest young minds who will now have the earning power our industry uniquely provides to give them a clear path to home ownership and all other aspects of financial security.

Through the many examples of our diverse workforce, we are sharing how California's oil and natural gas industry benefits California's families, economy, and the environment. By telling the stories of our workforce and letting communities know that we are invested in the neighborhoods where we work and live, we absolutely can turn the tide on the anti-oil activists who want to harm our economy and undermine the state's environmental goals by stopping production in California and instead rely solely on imports from foreign countries.

All of this is connected to the important advocacy work that CIPA does. Government policies, statistics and budget numbers impact real people not just corporations as some may think. CIPA, with your help, has been working hard to humanize our industry which is vital to what we all must do – continue to fight for our industry each and every day. Our resolve is strong and your continued commitment to CIPA is appreciated. Together, we will protect and grow an industry that has made California the global leader it is today.

Sincerely,

A handwritten signature in blue ink that reads "Stephen Layton". The signature is fluid and cursive, written in a professional style.

STEPHEN LAYTON

CIPA CHAIRMAN

PRESIDENT, E&B NATURAL RESOURCES

CIPA 2018-19

BOARD OF DIRECTORS

* denotes member of Executive Committee

Board Member	Member Company	Board Member	Member Company
Stephen Layton *	E&B Natural Resources	Christine Halley *	Sentinel Peak Resources
Alan Adler	ABA Energy Corporation	Chad Hathaway	Hathaway LLC
Hormoz Ameri *	Naftex Operating Company	Johnny Jordan	Royale Energy, Inc.
Craig Barto *	Signal Hill Petroleum	Derek Jones	Vern Jones Oil & Gas Corporation
Bruce Berwager	Beta Offshore	Kristen Kang	Commercial Global Insurance Services of California, LLC
Sean Brake *	Seneca Resources Company, LLC	David Kilpatrick	Royalty Owner
Randall Breitenbach *	Pacific Coast Energy	Donald Macpherson *	Macpherson Energy Corporation
Bill Buss	Termo Company	Ryan Nielsen	Brown Armstrong Accountancy Corporation
Brad Califf	Longbow, LLC	Jerry Reedy	Reedy Family Partnership
Charles Comfort	TRC Operating Company, Inc.	Wolf Regener	R & R Resources, LLC
Steven Coombs	Patriot Resources LLC	David Rose	Freeport-McMoRan Oil & Gas
Jeff Cooper	Cooper & Brain, Inc.	Trent Rosenlieb	RMX Resources, LLC
Scott Corby *	Aera Energy LLC	Michael Ross	Morgan Stanley
Brad DeWitt	Summit Energy, LLC	Joe Selgrath	EnviroTech Consultants Inc.
Joe Eller	Holmes Western Oil Corporation	Megan Silva *	Berry Petroleum Company, LLC
Stanford Eschner	Trio Petroleum LLC	Clifton Simonson	BFLP (Bentley Family Limited Partnership)
Rod Eson *	Foothill Energy, LLC	Jeff Smith	Maranatha Petroleum, Inc.
Guy Evangelista	BOK Financial	Kevin Tougas	Long Beach Energy Resources
Justin Foley *	Maverick Natural Resources, LLC	Ray Watson	Nalco Champion an Ecolab Company
Michael Gooding *	San Joaquin Facilities Management	Bruce Webster	Concordia Resources, Inc.
Joseph Grigg	American Energy Operations, Inc.	Charles Weiss *	California Resources Corporation
Chris Hall *	Drilling & Production Co.	Rock Zierman *	California Independent Petroleum Association

ABOUT CIPA

Now in its 43rd 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 which will provide 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.

CNGPA 2019

BOARD OF DIRECTORS

Board Member Member Company

Derek Jones	Vern Jones Oil & Gas Corporation
Nicki Carlsen	Alston & Bird, LLP
Rod Eson	Foothill Energy LLC
Shannon Peacock	Booher Consulting, LLC
Jerry Reedy	Reedy Family Partnership
Amir Sardari	Energy & Environment, Inc.
Bruce Webster	Concordia Resources, Inc.
Charles Weiss	California Resources Corporation
P. Anthony Thomas	CIPA

NATURAL GAS:

AFFORDABLE, ABUNDANT, & CLEAN ENERGY

Natural gas plays a critical role in California's energy supply. California power plants rely heavily on this affordable and abundant energy source. According to the California Energy Commission, nearly 45 percent of the natural gas used in California was for electricity generation, and much of the remainder consumed in the residential (21 percent), industrial (25 percent), and commercial (9 percent) sectors. Nearly 90 percent of California's natural gas supply comes from imports.

2018 was a banner year in the US's continued energy renaissance thanks to shale production. Greenhouse gas emissions also continue to decline, showing how natural gas is paving the way for abundant, clean, and affordable energy for Americans.

In late 2018, the USGS released a new assessment of technically recoverable resources in the Permian basin. According to Forbes, "The USGS estimates that over 46 billion barrels of oil, 280 trillion cubic feet of gas, and 20 billion barrels of natural gas liquids are trapped in these low-permeability shale formations. To better understand just how staggering these numbers are, think about this: at the end of 2017, total U.S. proven reserves of crude oil hovered around 40 billion barrels. For natural gas, figures stood around 465 trillion cubic feet (tcf). The new upward revision of Permian resources represents a more than 100% and 65% increase in U.S. oil and gas reserves, respectively, if they can be extracted economically."

These trends have national benefits. According to Energy in Depth, "the EIA believes the U.S. will become a net energy exporter by 2022. Natural gas is also fueling that push. After securing the title of net natural gas exporter for the first time in 60 years in 2017, the U.S. more than doubled its daily exports in the first half of 2018, averaging 0.87 Bcf/d. Between January and September, the United States exported over 762 million cubic feet of natural gas, up 64% from the same time period in 2017."

PROMISING NATURAL GAS TRENDS IN CALIFORNIA

Petroleum geologist consultant Ronald Bain presented his annual findings on Sacramento Valley drilling activities to the Sacramento Petroleum Association in March 2019. He found that drilling activity over the past two years is very similar and the number of operators dropped from four in 2017 to two in 2018. However, there could be some positive news for drilling activity in the near future.

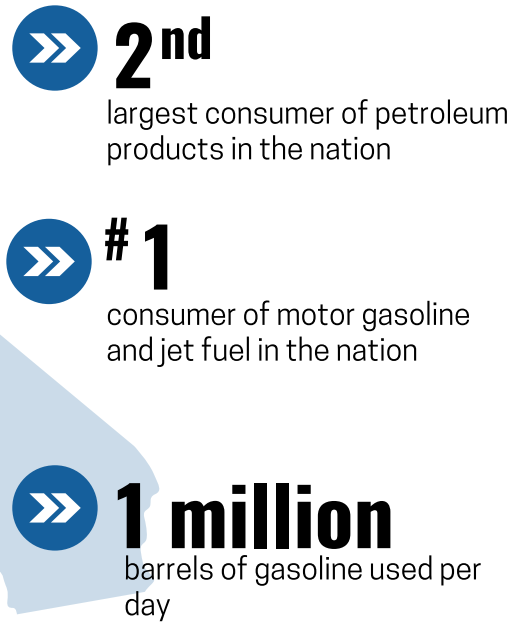
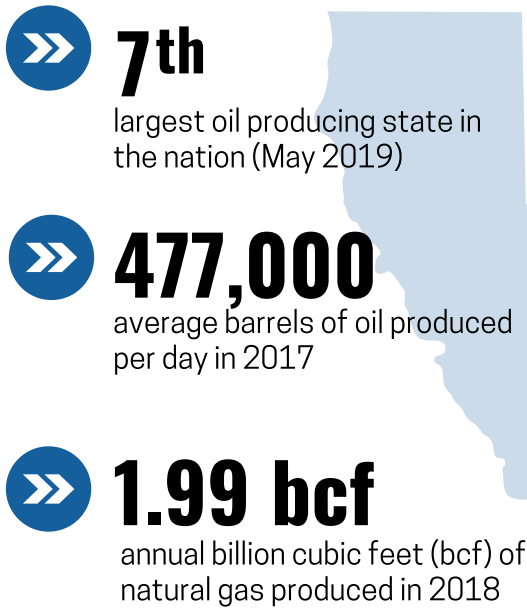
Bain noted the "rediscovery" of oil in the Brentwood Field, which was first discovered by Shell Oil in 1962 and reached peak production in 1964 (over one million barrels oil). The field was last produced in 2000 and abandoned in 2005. The completion test of the Temporary Energy, Venturini-Ginocchio No. 4 had the following results:

Tested average of 480 b/d oil under chock, 1029 open.
742 Mc/fd, 371 bbls oil total over 19 hour test period. 99.5% oil cut.

He also notes that Royale Energy's drilling program might encourage other operators to activate drilling projects. In 2018, Royale Energy continued its program in Rio Vista field and its CRC No. 33-1 during a two-hour test flowed at a stabilized rate of 4600 Mcf/day with high pressures from two zones within the Mokelumne River formation. The well reached a total depth of 6800 feet and discovered multiple pay zones. Royale Energy plans to drill seven additional wells at Rio Vista during its 2019 program as a part of a joint-venture with California Resources Producing Company (CRPC). According to the joint agreement, Royale has the rights to drill at least 30 wells in the Rio Vista field within three years.

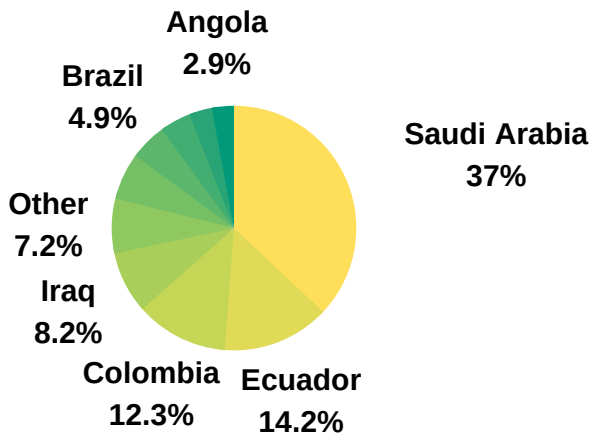
BY THE NUMBERS

California Oil & Natural Gas Production



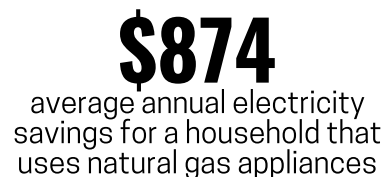
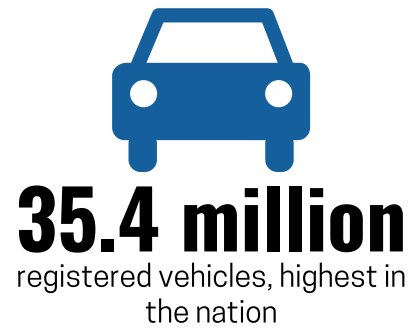
INCREASING DEPENDENCE ON IMPORTS

2018 Foreign Crude Sources to California

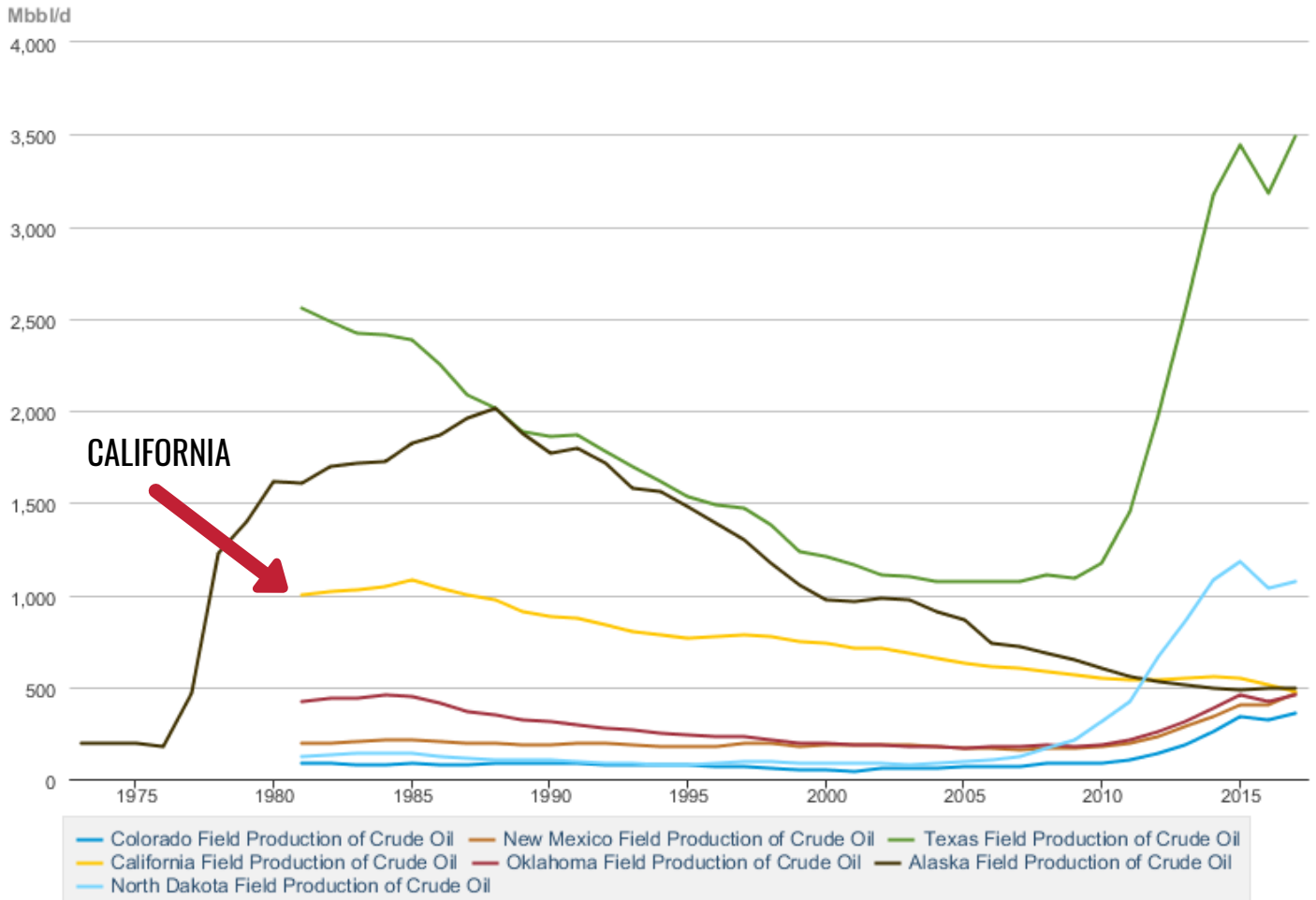


Source: California Energy Commission

MORE THAN HALF OF THE CRUDE OIL REFINED IN CALIFORNIA COMES FROM FOREIGN SUPPLIERS.



SHALE BOOM ECLIPSES CALIFORNIA'S HISTORIC PRODUCTION LEADERSHIP



California's historic standing as the nation's third largest oil producer dropped to number four in 2017, tying with New Mexico, where a portion of the Permian basin lies. According to the monthly totals as of May 2019, California dropped to the seventh largest producer in the nation. California does not have interstate pipelines so the oil produced in the Bakken and Permian basins do not contribute to California's supplies. This is why continued production in California, under the globe's strictest standards, is essential to reduce our state's dependence on foreign fuels imported from the Middle East.

2018 CRUDE PRICES



\$ 66.17

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



\$ 74.16

The year's high price (October 2018)



\$ 52.51

The year's low price. (December 2018)

Sources: DMC Oil Marketing, Energy Information Administration

2019 LEGISLATIVE PRIORITIES

2019's landscape changed dramatically at the State Capitol with Democrats building a supermajority in both chambers and Governor Gavin Newsom taking office.

While the dynamics at the Capitol changed, CIPA also evolved in its ongoing efforts to educate lawmakers about upstream activities and engage new audiences to stop overreaching legislation from becoming law.

This year, CIPA is tracking more than two dozen bills in the current legislative session. The top priorities are:



AB 345 (MURATSUCHI) HALF MILE BAN ON PRODUCTION

This measure 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. 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: Held in Assembly Appropriations Committee, effectively killed for this year, could be considered next year.



AB 1195 (O'DONNELL) RENEWABLE NATURAL GAS

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.

CURRENT STATUS: Approved by the Assembly, awaiting Senate consideration.



SB 246 (WIECKOWSKI) OIL SEVERANCE TAX

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: Pending hearing referral, effectively dead for this year, could be considered next year.



AB 937 (RIVAS) PRODUCED WATER RESTRICTIONS

This measure would add another layer of bureaucracy to the highly-regulated process of using produced water for the beneficial use of agriculture. The proposal received significant opposition from the agriculture community as well as oil and natural gas producers. Stakeholders, including CIPA, met with the bill's author to educate him about existing strict regulations and studies that have proven the safety of this more than 30-year old practice.

CURRENT STATUS: Author decided not to pursue this legislation, effectively dead for this year, could be considered next year.



AB 935 (RIVAS) BAN ON PRODUCTION NEAR "SENSITIVE FACILITIES"

This bill would define the term "sensitive production facility" to mean a production facility that is located within an area containing a building intended for human occupancy that is located within 2,500 feet of the production facility. CIPA met with the author to educate him about why this measure is not based in science, could expose the state to costly litigation, and hurt the economy.

CURRENT STATUS: Author decided not to pursue this legislation, effectively dead for this year, could be considered next year.

NINTH ANNUAL OIL SYMPOSIUM

For nearly a decade, CIPA's premier legislative event has been the Oil Symposium, hosted at the Pelican Hill Resort in Newport Beach.

The event is timed for within a month after the election so it is a pivotal opportunity to discuss industry issues with brand new as well as returning lawmakers.

The popular event features attendees representing both sides of the aisle. In 2018, attendees included:

SENATORS:

- Patricia Bates
- Steven Bradford
- Ted Gaines
- Steve Glazer
- Brian Jones
- Scott Wilk

ASSEMBLYMEMBERS:

- Tyler Diep
- Jim Frazier
- Tim Grayson
- Vince Fong
- Devon Mathis



The event was also attended by various local elected officials and local government staff representing areas within Southern California where there is production.

Each January, CIPA hosts a similar policy briefing for legislative staff at the State Capitol.

STATE CALL-UP

Each year, CIPA's State Call-Up gathers lawmakers who have different levels of support for our industry. At this event, member companies have the unique experience of participating in round table discussions about legislative and regulatory threats to upstream activities.

The engaging conversations also allow both lawmakers and members to ask each other questions in order to create a lively dialogue. This year, lawmakers from both sides of the aisle from the Assembly and the Senate attended the State Call-Up.





LACING UP WORK BOOTS TO WALK THE CAPITOL HALLWAYS

The men and women who proudly produce oil and natural gas under the world's strictest standards met with lawmakers at the State Capitol in April 2019 to share their powerful stories as single parents, veterans, union members, and second chancers. Workers also discussed the emphasis they place on safety and environmental protections in the workplace, because they live in neighboring communities and breathe the same air and drink the same water.

More than 70 workers participated in the 3rd annual Oil Workers Day, an event hosted by both CIPA and WSPA. Workers met with more than 50 legislators and legislative staff members who had varying ranges of support for the industry.

Some workers had the opportunity to meet with the chief of staff of Lieutenant Governor Eleni Kounalakis as well as Governor Newsom's legislative secretary.

The event has grown exponentially since the first year and feedback continues to be positive from both workers and the legislators and staffers.

This event allows policymakers to make a human connection to a highly-regulated industry that is often falsely maligned by those who do not understand that hardworking families will be hurt if production were to end in California.



Oil field workers in Governor Newsom's office meeting with the Governor's legislative secretary and Senate Minority Leader Shannon Grove (R-Bakersfield).

Thank you to our participants from:

- Aera Energy
- Boilermakers 549
- Boilermakers 92
- Chevron
- California Resources Corporation
- E&B Natural Resources
- Ironworkers Local 378
- Ironworkers Local 433
- Kenai Drilling Limited
- Kern County IBEW 428
- Macpherson Energy Company
- Nalco Champion
- Phillips 66
- Seneca Resources Company
- Sentinel Peak Resources
- Signal Hill Petroleum
- Teamsters Local 87
- UA Local 460

Search for "California Independent Petroleum Association" at www.YouTube.com to view videos highlighting past Oil Workers Day events.

LEVERAGING MARKET FORCES AS A PATH TO NEW ENERGY TECHNOLOGIES

Oil and 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.

The California Independent Petroleum Association (CIPA) is developing the California Oil Investment Network (COIN). COIN exists to connect California's independent oil and gas producers with investors to create mutually beneficial opportunities.

The expansion of traditional oil and natural gas production by California's independent producers is, from time to time, aided by outside capital investment. In addition to traditional oil and natural gas production, California operators are 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, COIN 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.

COIN met for the first time this year in New York City to connect venture capital, investment banks, and other solar providers with our members to explore deals.



CIPA Board members meet with potential investors in New York City.

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).

For additional information, contact **Sean Wallentine, Vice President of Strategic Development** at: sean@cipa.org.



House Minority Leader Kevin McCarthy meets with CIPA members, many of whom happen to be the Bakersfield Congressman's constituents.

2019 FEDERAL CALL-UP

While the bulk of CIPA's advocacy happens at the state and local levels, CIPA continues to maintain strong ties at the federal level as well. The annual Federal Call-Up plays an important role in bolstering those relationships, which have resulted in recent victories including preserving deductions for intangible drilling costs, percentage depletion, and amortization of geological and geophysical (G&G) expenses as well as lifting the export ban.

This year, fruitful meetings were conducted with various elected members or their staffs, and with leaders in federal agencies including:

- Office of the Vice President of the United States
- U.S. Department of Energy (including Secretary Rick Perry)
- U.S. Department of Interior (including Bureau of Land Management and Fish and Wildlife)
- U.S. Environmental Protection Agency
- Congressional members Kevin McCarthy, Doug LaMalfa, Norma Torres, Jim Costa, TJ Cox, and Lou Correa
- Staff Members from the offices of Ken Calvert, Mike Thompson, Jimmy Panetta, Tom McClintock, Mike Levin, Gil Cisneros, and Alan Lowenthal



CIPA members meet with North State Congressman Doug LaMalfa.

Topics of discussion in Washington D.C. ranged from unnecessarily stringent policies that have no measurable benefit to the environment to reasonable reforms on federal lands that will allow California's independent producers to access proven oil and natural gas reserves.

CALIFORNIA IS AN "ENERGY ISLAND"

Leaders were reminded that California is an "energy island." There are no crude oil pipelines delivering oil into California. If it is not produced in California by local companies, it must be imported to meet the state's two million barrels per day demand.

With gasoline prices above \$4 per gallon, a full dollar more than the rest of the country, it is wise for the State of California to ensure its consumption comes from oil produced in California rather than being brought into our ports from countries around the world that have no regard for environmental stewardship.

The economic benefit of CIPA members increasing their production on state and federal lands in California should be a major part of our state's plans to boost the local economy, produce energy with a reduced carbon intensity, and create good paying jobs that have a ripple effect throughout the manufacturing economy that remains in our state.

As America marches toward being a net exporter of crude oil and a renewed dominance in energy production, it is critical that California's energy production increase instead of steadily declining.

CIPA staff will follow up with those we met with to take advantage of opportunities to advance our industry's position through increased operations on federal lands. Instead of falling in the national production rankings, California could begin climbing, competing with Colorado, Oklahoma and New Mexico.



CIPA members meet with Central Valley Congressman Jim Costa.

STANDING TOGETHER TO SUPPORT SAFE, AFFORDABLE AND RELIABLE LOCAL OIL AND GAS PRODUCTION



The threats against domestic energy production extend beyond the legislative, legal, and regulatory fronts with anti-fossil fuel activists attempting to pass far-reaching energy bans at the local level.

To combat these growing attacks, CIPA, along with the Western States Petroleum Association (WSPA), has overseen a statewide campaign called Californians for Energy Independence (CEI) for the last six years.

Californians for Energy Independence is a diverse coalition of community, labor, business, and education groups that support continued domestic energy production and the jobs and vital tax revenues it provides to California's businesses, families and communities.

Through this effort, more than 200,000 Californians stand together in support of energy independence and lower energy costs. To learn more about CEI, visit www.EnergyIndependenceCA.com

Members' investment has led to several victories in the last year alone.

SLO COUNTY PRODUCTION BAN DEFEATED

The CEI coalition co-chaired by CIPA and WSPA, Stop the Oil and Gas Shutdown, resoundingly defeated an oil production ban in San Luis Obispo County. 54% of San Luis Obispo County voters opposed Measure G. The same firm that helped defeat Measure P, the 2014 energy ban in Santa Barbara, led the \$7.8 million campaign to defeat this ban.

STATEWIDE ARMY READY TO BE DEPLOYED

Californians for Energy Independence (CEI) is a statewide coalition funded by the top three oil producers and CIPA that works to protect our industry against efforts to end energy production in California. CEI maintains an army of advocates and consultants that can be deployed to any area of the state that threatens our viability, as was the case in San Luis Obispo County.

In addition to its statewide team, CEI maintains consultants and distinct producer committees in Fresno, Ventura, and Los Angeles and works with Kern Citizens for Energy.



CAREERS IN ENERGY

Another CEI program, Careers in Energy, coordinates with educators and community partners on identifying programming needs for students in disadvantaged communities.

Programs are developed to encourage students to explore STEM field careers, specifically those in the energy industry. Students interact with local energy employees of similar backgrounds to learn about different career pathways, how oil and gas are part of our everyday lives, and careers in the oil and gas industry.

Across California, CEI, along with local oil and natural gas producers, is working with great organizations like the Los Angeles Urban League, LULAC California, and the Fresno County Superintendent of Schools to promote the importance of STEM education. Since its inception in 2016, the Careers in Energy program has interacted with more than 20,000 students from communities across California.

A complementary program is California Energy Workers (CEW), which 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.

Further, CEW provides producers with resources to supplement their internal communications efforts within their own companies.

TV & DIGITAL CAMPAIGN HIGHLIGHTING BENEFITS OF OIL & NATURAL GAS

Since the beginning of the year, Californians for Energy Independence (CEI) has been airing ads highlighting how California producers must follow the strictest regulations in the world in order to bring consumers clean and affordable energy. The ads focused on our industry's diverse workforce, the quality jobs the industry creates, and discusses how without our industry, the state would need a greater reliance on foreign imported oil that is not produced with California's stringent environmental protections.

The television ads, which were timed with the beginning of the new legislative session, aired in Sacramento and were paired with a digital campaign that cost nearly \$2 million.

PUSHING BACK ON MISINFORMATION

Extracting Fact, another CEI tool, is designed to use facts and other public domain information to fundamentally undercut the claims and credibility of activist opponents to oil and gas production in California.

The main Extracting Fact platform is an online hub, **ExtractingFact.com**. In addition, the team sends out regular newsletters to supporters and key stakeholders, and targets select content online to key audiences.



Californians for Energy Independence believes in the importance of being a strong community partner by giving back through charitable giving, educational programming, and community outreach.

DATA-DRIVEN POLICY SOLUTIONS

Recently approved tighter regulations aimed at protecting air and water quality have impacted the industry dramatically. 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.

With the technical support of our members, CIPA is engaged in the rulemaking process to make sure that these policies do not overreach beyond their legislative intent. CIPA has partnered with regulators' development of many regulations impacting our industry, such as Cap-and-Trade, the methane rule adopted last year and the innovative crude methods program under the Low Carbon Fuel Standard.

CIPA did not oppose these policies and instead worked in earnest with state air officials to make the extensive regulations as fair as possible. As a result, 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.

In 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 and highlight the challenges in complying with proposed changes related to professional engineering licensing requirements for project documents.

ADDRESSING PERMITTING DELAYS

Over the past year, CIPA identified over 60 priority underground injection control (UIC) projects under review by the Division of Oil, Gas, and Geothermal Resources (DOGGR). Some applications had been under the review process for as long as three years.

Roughly 2,000 wells were impacted by this delay, which has significant economic repercussions since each drilling rig supports 100 jobs.

In addition to job loss, the backlog results in capital not being deployed in California, the tax base is not expanded, and energy security is threatened because the state must rely on foreign imports to meet energy demand.

After regular meetings with state officials and operators convened by CIPA, state regulators have approved three projects during the first two quarters of 2019.

NEIGHBORHOOD AIR MONITORING

The California Air Resources Board (CARB) is beginning air monitoring with the Study of Neighborhood Air near Petroleum Sources (SNAPS). The program has completed a selection process identifying over 50 different communities and recently announced the first four communities slated for air monitoring are:

- Lost Hills, Lost Hills Oil Field, Kern County
- McKittrick and Derby Acres, McKittrick Oil Field and Midway-Sunset Oil Field, Kern County
- Baldwin Hills, Inglewood Oil Field, Los Angeles County
- South Los Angeles, Las Cienegas Oil Field, Los Angeles County

Monitoring was scheduled to begin at the end of May.

This program is similar to another program, the Community Air Protection Program, which was mandated under AB 617. CIPA continues to have concerns related to data and procedures and will continue to engage with CARB staff to ensure monitoring data is fair and accurate to operators.

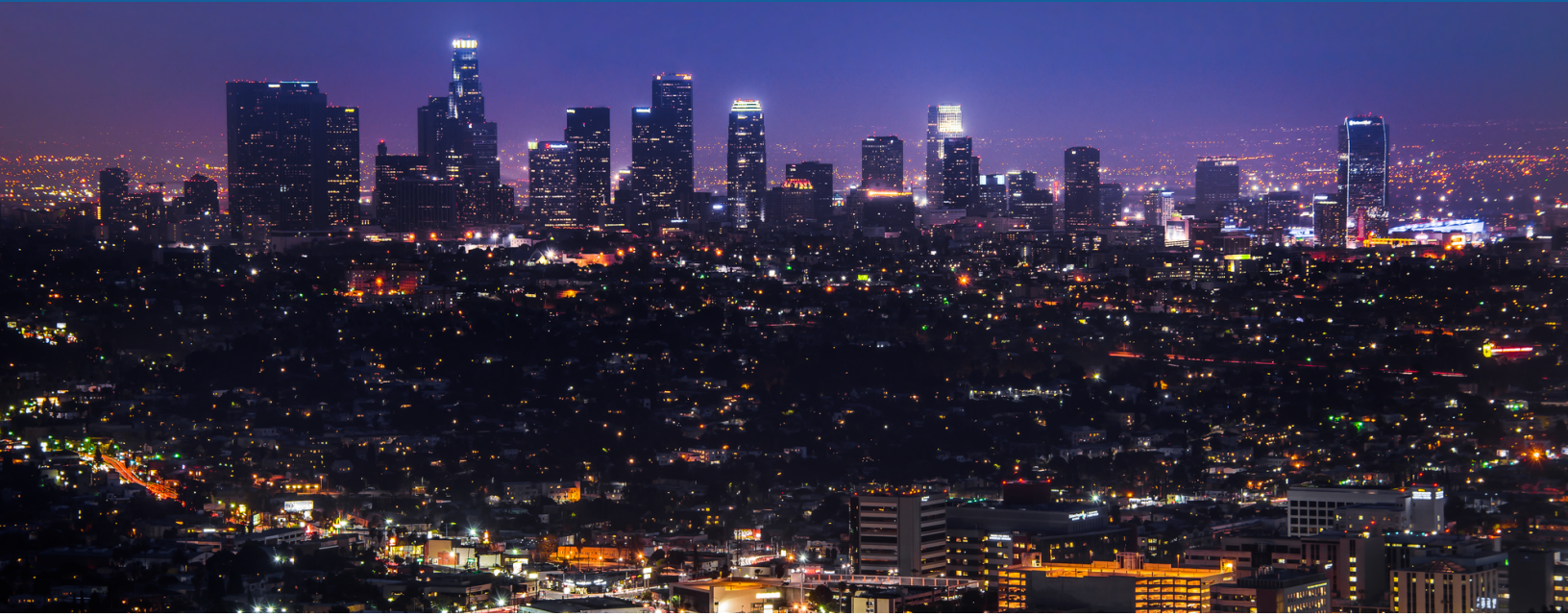
PERMITTING BACKLOG HURTS JOB GROWTH



≈2,000
wells impacted by
permitting delay

100 JOBS
supported by each
drilling rig

A vertical stack of 100 small white human figures, representing 100 jobs, set against a dark blue background.



EFFORTS TO HALT LOCAL PRODUCTION

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 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 Los Angeles Oil and Gas Administrator is expected to release a study on recommended 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. Due to CIPA and fellow stakeholders' engagement, we were collectively able to stop the bill from moving this legislative year.

Recognizing the growing threat to production in Los Angeles and the amplified effect this can have on production across the state, CIPA has hired a new **Vice President of Public Affairs, Jennifer Rivera**, who will focus on impacts to our industry in Los Angeles as well as Orange, San Luis Obispo, Santa Barbara and Ventura counties. She will also be responsible for developing relationships with and regularly engaging stakeholders outside of the oil and natural gas industry about production issues that may adversely impact the communities they represent.

METHANE RULE

CIPA is monitoring the implementation of the CARB Methane Rule at the state and local air district level. At the request of CIPA members, a workshop was hosted by the San Joaquin Valley Air Pollution Control District to discuss the rule's requirements and address questions and concerns. The workshop highlighted that certain concerns remain and CIPA has engaged CARB staff in an attempt to clarify exemptions and other requirements. Additionally, as a part of a recent CARB decision on the State Implementation Plan, CIPA spoke with CARB staff and secured a commitment to continue working with members in addressing our concerns.

SUSTAINABLE GROUNDWATER MANAGEMENT ACT

In response to California's recent drought conditions and increased reliance upon groundwater, in November 2014, the state legislature passed the Sustainable Groundwater Management Act (SGMA). SGMA mandates that groundwater basins designated by Department of Water Resources as high or medium priority develop groundwater sustainability plans (GSP) to become sustainable. The Kern Sub-unit of the Tulare Lake Basin, overlying the valley portion of Kern County, is designated as a high priority basin. The development of the basin's GSP is to occur through one or more local public agencies that have water supply, water management or land use responsibilities within a groundwater basin. CIPA has been engaged on behalf of operators to ensure current operations and future land use potential is preserved during the SGMA process. Many operations are still not formerly captured in a GSP and CIPA is actively engaged in discussions with key stakeholders on behalf of its members.

SHARING OUR STORY WITH NEW AUDIENCES

Building relationships with decision makers is one facet of CIPA's advocacy. Another important aspect is sharing industry's story with community partners.

CIPA staff members participated in several events this past year including:

Vice President of Government Affairs P. Anthony Thomas has developed a partnership with Los Angeles Unified School District, which continues to strengthen through CIPA's Energy Academy internship program. He has spoken to educators, parents, and students at numerous events.

Anthony was also invited to participate in the Young Men's Leadership Conference at Loyola Marymount University. One young man who attended the event remarked, "I enjoyed seeing men who look like me speak about how to be successful."

Vice President of Communications Sabrina Lockhart spoke at a conference in Vancouver, Canada hosted by the Institute for Humane Studies Conference for a panel discussion about Powering the Future through the Free-Market. The conference attendees included academics and graduate students from universities around the world.

Additionally, she spoke to University of San Francisco, School of Public Health graduate students about how stopping California production actually undermines the state's environmental goals.

Willie Rivera, CIPA's Vice President of Regulatory Affairs participated in a panel discussion on energy with CIPA member California Resources Corporation hosted by the Independent Cities Association at their annual Summer Seminar event. The panel focused on how energy companies are leading the way to drive local economies while helping the state achieve its aggressive environmental goals. The discussion covered how local governments can support their communities by ensuring energy policy is balanced, promotes competition, and pushes innovation while preserving affordability and customer choice.



CIPA has formed a Public Affairs Committee which convened for the first time earlier this year. When CIPA's Executive Committee met last December for a strategy session, one of the action items was creating a public affairs committee to strategically align our public affairs and communications efforts with our other overall goals.

The committee will also strive to share communications strategies among CIPA member companies in order for industry to project a unified, effective message. The committee is currently pursuing digital message tracking through a public affairs consultant to help inform industry on what are our most effective messages.

PROTECTING INDUSTRY FROM FRIVOLOUS LAWSUITS



In recent years, industry has had to devote significant financial resources to defending a half dozen meritless lawsuits filed by activist groups. In fact, two years ago CIPA's board approved a supplemental assessment because legal fees had skyrocketed. In 2018, the courts ordered one of the most litigious groups, Center for Biological Diversity, to pay a portion of CIPA's legal costs.

CIPA continued its challenge against the city of Los Angeles' legally questionable move to "sue and settle" with anti-oil activists. A court ruling earlier this year demonstrated that the oil industry is not the only victim of this potentially illegal tactic. This litigation began more than three years ago when anti-oil activists sued the city of Los Angeles for "rubber stamping" oil permits. CIPA successfully argued to the court that even though the trade association was not named in the lawsuit, it had legal grounds to join as an intervenor. The courts agreed.

While lower courts sided with CIPA and expressed dismay with the city's behind-closed-door efforts to meet with anti-oil activists to craft secret regulations impacting oil and gas industry, CIPA experienced a legal setback in a higher appellate court in February.

This spring, CIPA filed a brief with the California Supreme Court asking the state's highest court to review its ongoing litigation with the city of Los Angeles. The petition asked the Supreme Court to take the case on the grounds of due process: "This Court's review of this petition is necessary to 'settle [this] important question of law' and protect the right to challenge back-door government settlements that have the force of a regulation, but are otherwise insulated from any other type of legal challenge."

The prestigious legal publication, *The Daily Journal*, published a story about CIPA's petition for Supreme Court review. The story quoted CIPA's counsel, Theodore J. Boutrous Jr. of Gibson, Dunn & Crutcher LLP, "There is a pattern here where the settlement process is being used in a way to jeopardize the rights of parties not represented in litigation. We need to bring a stop to that."

While the Supreme Court ultimately refused to hear the case, CIPA's attorneys argued that the city's questionable actions should give the Supreme Court pause since their efforts in this case and the utility rate billing case have avoided public scrutiny and eroded the public's trust in government.

ENSURING FAIR MARKET CONDITIONS FOR MEMBERS

In order to ensure that CIPA members are protected during the process of acquiring a new pipeline, in May CIPA formally submitted a protest to the CPUC related to Crimson's acquisition of the San Pablo Bay Pipeline. To be clear, CIPA does not oppose the acquisition of the San Pablo Bay Pipeline Company (SPBPC) by Crimson Pipeline, LLC (Crimson). It is of significant interest, however, to CIPA and its members, that the transaction results in fair and reasonable rates and competitive conditions of operation for California's petroleum pipelines. The goal of the protest is for the CPUC to grant "party status" to CIPA so that independent producers can ensure their interests are heard during the transaction process.

On behalf of its members, CIPA is seeking certain regulatory conditions to establish critical rate and service obligations for Crimson and the newly consolidated pipeline. The hope is that the CPUC extends current rate and operational conditions relative to the SPBPC line. Such conditions for approval are necessary to assure producers that the current market conditions created by a competitive market are not lost in the consolidation of pipelines by Crimson's acquisition. Once those conditions are met, CIPA recognizes that the sale can help make more economic an important conduit for its crude getting to market.

INVESTING IN JOB CREATION

CIPA has been strategic in supporting business-minded candidates who understand the economic value of our industry. For the past two decades, CIPA's independent political action committee (CIPAC) has supported federal, state, and local candidates and ballot measures. CIPAC has raised and donated more than \$1 million in the past election cycle to candidates and independent expenditure committees. CIPA has also hosted dozens of events for individual members of the Legislature, raising more than \$500,000 from our members in support of job-creating candidates. These investments resulted in solid wins in the past election.

SANTA BARBARA REDISTRICTING MEASURE PASSES

Santa Barbara voters approved a measure to create a citizen redistricting commission in Santa Barbara County that will place the power of redistricting Supervisorial districts in the hands of citizens, not the elected officials. Eight years ago, districts in the county were highly gerrymandered by incumbent politicians in order to preserve a 3-2 majority of anti-industry supervisors. CIPA helped qualify an initiative to put the power of drawing the lines into the hands of the people. Once the needed signatures were collected and the initiative qualified for the ballot, the sitting majority of the county drafted their own similar initiative and put it on the ballot (without any voter signatures). The competing initiative, labeled Measure G (not to be confused with San Luis Obispo County's anti-oil Measure G) had few differences between CIPA's supported initiative. Both initiatives are genuine redistricting reform measures. Measure G's passage will now establish a citizens' commission for redistricting. While there is no guarantee it will result in completely fair lines, it is much more likely that the public process driven by private citizens will be more fair than the current system of politicians drawing their own lines.

ARVIN CITY COUNCIL

CIPAC supported a slate of three candidates for Arvin City Council. Eight candidates were vying for three at-large spots on the council. After evaluating all of the declared candidates, a local independent expenditure committee that CIPAC supports chose three candidates it felt would best balance protecting the environment while also fostering the creation of desperately needed high-paying jobs in Arvin. One of the CIPAC supported candidates won a seat on the city council.



SENATE DISTRICT 22

While there were dozens of state legislative races CIPAC was involved with, none was larger for industry than Senate District (SD) 22. The Committee to Restore the Middle Class (RMC) is an industry-financed PAC co-chaired by **CIPA CEO Rock Zierman** and WSPA President Cathy Reheis-Boyd that supports legislative candidates in key races with independent expenditure efforts. The committee had total receipts this year of over \$8 million. Of that, \$3.3 million was spent on SD 22 to support Susan Rubio over Mike Eng. Susan Rubio is sister to current State Assemblywoman Blanca Rubio, a key Democrat ally of industry in the State Legislature. Having moderate Democrats in the State Senate will be key given Democrats hold a supermajority in the Senate and can pass tax increases and initiatives without any Republican votes.

RANCHO VALENCIA

For the second straight year, CIPA hosted an event where member companies could meet in a small setting with key pro-jobs legislators. Lawmakers who attended the event at Rancho Valencia were:

SENATORS:

- Bob Archuleta
- Steven Bradford
- Steve Glazer
- Melissa Hurtado
- Susan Rubio
- Richard Roth
- Tom Umberg

ASSEMBLYMEMBERS:

- Jim Cooper
- Jim Frazier
- Mike Gipson
- Tim Grayson
- Patrick O'Donnell
- James Ramos
- Blanca Rubio
- Rudy Salas



SUPPORTING FUTURE CAREERS IN ENERGY



Recognizing that not every high school graduate plans on attending college, CIPA and its member companies have teamed up on an innovative internship called the CIPA Energy Academy Program.

This summer marks the fourth year of this highly successful program. Candidates were selected from Kern, Los Angeles, San Diego, and Santa Barbara Counties.

While there are many programs available for college bound students aimed at science and engineering, this program is unique in how it prioritizes recent high school graduates who may want to enter directly into the world of work.

This program seeks students who have not been exposed to our industry and gives them eight weeks of true work experience.

While living in the dorms at California State University, Bakersfield, and earning a salary, interns rotate through a number of tasks such as changing out mechanicals in pumpjacks and running tests on crude at the cut shack before it goes to market. Additionally, interns participate in a financial literacy workshop and learn how to create a Powerpoint presentation which they must present to their peers and industry executives.



2018 CIPA Energy Academy Interns



Interns visit the DOGGR Bakersfield field office to learn about the role of state regulators in operations.



Potential internship applicants from San Diego visit operations at THUMS Island.

GIVING AT-RISK YOUTH THE TOOLS TO RECOGNIZE THEIR FULL POTENTIAL



R.M. Pyles Boys Camp is a multi-year summer outdoor wilderness combined with year-round mentoring which was founded in 1949 by an oil industry executive and, since then, has received the bulk of its funding from the oil and natural gas industry.

The camp promotes long-term positive behavioral change for low-income, disadvantaged boys by providing a free multi-year wilderness camp experience in the Sequoia National Forest supplemented by year-round mentoring that builds life skills and instills the values of hard work, education, and positive choices.

In the summer of 2018, women from CIPA and its member companies, along with WSPA and volunteers from the Boys and Girls Club of America, were invited to visit Pyles Boys Camp for the inaugural Women's Getaway Weekend.

Meeting the campers as they returned from a 4-day campout was the most powerful part of the weekend. Campers shared heartfelt stories about how the camp has taught them to make better choices, conquer fears, build trust, and develop leadership skills.

Several CIPA members currently serve on the Board for Pyles and CIPA's **Vice President of Communications, Sabrina Lockhart**, was appointed to the board this year. In this role, she will help with media outreach for the camp and will also encourage former campers to apply for the CIPA Energy Academy internship program.

Campers may earn scholarships for college or vocational training. 500 young men attended the camp last summer. Program leaders have set a 2019 goal to serve more than 500 boys and provide \$30,000 in scholarships.



Former campers have gone on to achieve numerous successes including becoming the first college graduate in their families, serving in the U.S. Armed Forces, and returning to work at the camp as counselors.



Pyles Boys Camp was designated as a Presidential Point of Light by President George H.W. Bush in 1992. Women from the oil industry and who work for nonprofits hiked to a giant sequoia tree on the exact 26th anniversary of President Bush visiting the Camp.



NOVEMBER 9, 2019
10 AM - 3 PM
KERN COUNTY MUSEUM

CELEBRATING OUR ENERGY HERITAGE

The idea of the Kern Energy Festival was born from a desire to educate the community about local energy production in a celebration with fun activities, attractions, and exhibits for all ages.

The Kern Energy Foundation, whose President is CIPA Board Member Chad Hathaway, hosts the Kern Energy Festival which exposes the public to the many contributions of all forms of energy produced in Kern County.

Funding generated from event sponsors is reinvested in the community through the form of scholarships supporting energy and science education. Previous beneficiaries have included the Kern County Hispanic Chamber of Commerce Energy Academy, an internship run by the California Independent Petroleum Association aimed at exposing recent high school graduates from San Diego and Santa Barbara Counties to the oil industry, and Bakersfield's Independence High School Energy Academy where seniors received scholarships for college or vocational education and instructors purchased science kits which high school students use when they visit local elementary schools to educate younger students about the importance of energy.

CIPA provided the seed money for the inaugural 2015 Kern Energy Festival, which is held every other year. In 2017, more than 2500 people attended the event.



IMPROVING PRODUCERS' MARKET SHARE



The Independent Oil Producers' Agency (IOPA) unfortunately closed its doors in 2017 after more than a century of business. IOPA represented “mom and pop” oil producers by pooling together crude oil supplies to help market the oil for more competitive prices for their members. IOPA lost its final marketing contract at the end of 2017 and sadly disbanded after more than a century of service.

To help continue this important service for small producers, CIPA created the Independent Producers Exchange (IPEX), a wholly owned independent subsidiary of CIPA which will provide marketing services to smaller members.

The first IPEX contracts were executed in August 2018 and renewed in January 2019.

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.

Producers who are interested in exploring being a part of the IPEX contract should contact **CIPA CEO Rock Zierman**, who serves as President of IPEX.

The IPEX Board members are:

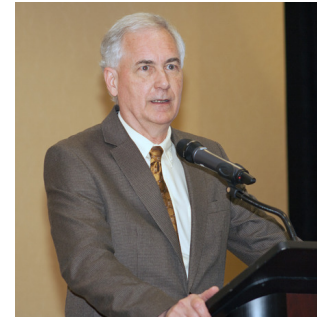
- John Miller, Macpherson Energy, Chairman of the Board
- Chris Hall, Drilling & Production Co., Board Secretary/Treasurer
- Stephen Layton, E&B Natural Resources Management
- Craig Barto, Signal Hill Petroleum
- Rock Zierman, CIPA, President of IPEX

HONORING INDUSTRY LEADERS

Each year, CIPA honors those 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. This year’s recipient is Congressman Tom McClintock, who represents the 4th Congressional District of California. The award will be presented at the AM19 General Session.



**2019 Albright Award Winner:
Congressman Tom McClintock**

EMMA SUMMERS AWARD

This year marks our second annual presentation of the Emma Summers Award, 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. The inaugural award was presented in 2018 to Debra Russell of Signal Hill Petroleum. The 2019 award will be presented at the AM19 Membership Luncheon to Gloria Williams of California Resources Corporation.



**Inaugural Emma Summers
Award Winner: Debra Russell**

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. The 2018 McFarland Award was presented to Ryan Nielsen. This year’s award will be presented at the AM 19 Gala Dinner.



**2018 McFarland Award Winner:
Ryan Nielsen**

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. The 2018 award was presented to Trent Rosenlieb. This year’s award will be presented at the AM 19 Gala Dinner.



**2018 Ferguson Award Winner:
Trent Rosenlieb**

CIPA ANNUAL MEETINGS: BEST NETWORKING THIS SIDE OF THE ROCKIES

CIPA's popular Annual Meeting provides some of the best industry networking opportunities on the West Coast and are held in some of the most relaxing and scenic locations California has to offer. At CIPA's 2019 Annual Meeting (AM19) in Lake Tahoe at Resort at Squaw Creek, speakers include:

- Harold Hamm, Founder, Chairman, and CEO of Continental Resources
- Congressman Tom McClintock, 4th Congressional District of California
- Shawn Bennett, Deputy Assistant Secretary for Oil and Natural Gas, U.S. Department of Energy
- Jerry Simmons, Executive Director, Domestic Energy Producers Alliance

Please join us again next year!



**AM20 WILL BE HELD JUNE 4-7, 2020, AT THE
NEWLY-RENOVATED HILTON SANTA BARBARA BEACHFRONT
RESORT, FORMERLY KNOWN AS THE FESS PARKER HOTEL.**

MARK YOUR CALENDAR

Visit CIPA's website, www.CIPA.org, and click on "Event Calendar" to see the current schedule detailing CIPA activities. The following outlines the general time that regularly scheduled CIPA events are held.

- Early June: 3rd Quarter Board of Directors Meeting/Annual Meeting
- Late August: 4th Quarter Board of Directors Meeting
- Mid November: 1st Quarter Board of Directors Meeting and CIPA Golf Tournament
- Early December: State Oil Symposium
- Late February: 2nd Quarter Board of Directors Meeting/State Call-Up
- Early May: Federal Call-Up



Friday night's popular family-friendly Game Night & Poker Tournament at AM18 in Coronado.

To help you plan ahead, please mark your calendars for the following dates for upcoming CIPA events:

DATE:	EVENT:	LOCATION:
Week of August 26, 2019 (Tentative)	CIPAC Fundraiser	Los Angeles Area
Week of August 26, 2019 (Tentative)	4th Quarter 2019 Board Meeting	Los Angeles Area
Thursday, November 14, 2019	27th Annual Fall Golf Classic Tournament	Bakersfield Country Club, Bakersfield, CA
Friday, November 15, 2019	1st Quarter 2020 Board Meeting	Four Points Sheraton, Bakersfield, CA
June 4-7, 2020	AM20 - Annual Meeting 2020	Hilton Santa Barbara Beachfront Resort, Santa Barbara, CA
June 3-6, 2021	AM21 - Annual Meeting 2021	Silverado Resort and Spa, Napa, CA



AM 18's Chairman's reception on the Coronado Bay.



Despite repeated calls to join shows on Broadway, the cast of Layton: The Musical decided CIPA's mission was too important to leave behind. The musical also raised a record amount for CIPAC.



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

AUDITED COMBINED STATEMENT OF FINANCIAL POSITION

Year ending July 31, 2018

Assets

Current Assets:

Cash and equivalents	\$	538,296
Accounts receivable, net	\$	43,128
Prepaid expenses	\$	32,228
Total current assets	\$	613,652

Fixed assets (office building), net \$ 1,614,140

Total assets \$ 2,227,792

Liabilities and Net Assets

Current Liabilities:

Accounts payable	\$	\$180,034
Accrued expenses	\$	63,844
Deferred revenue	\$	685,794
Current portion of long-term debt	\$	52,184
Total current liabilities	\$	981,856

Long term debt (note on office building) \$ 797,031
 Total liabilities \$ 1,778,887

Net asset - unrestricted \$ 448,905

Total liabilities and net assets \$ 2,227,792

AUDITED COMBINED STATEMENT OF ACTIVITIES

Year ending July 31, 2018

Revenue:

Membership dues	\$ 1,919,785
Annual meeting	\$ 464,144
Voluntary assessments	\$ 1,562,301
Other revenue	\$ 103,976
Total revenue	\$ <u>4,050,206</u>

Operating expenses:

Salaries and wages	\$ 898,392
Employee benefits	\$ 212,190
Payroll taxes	\$ 61,328
Accounting fees	\$ 17,896
Administrative services	\$ 36,901
Annual conference expense	\$ 192,515
Board of directors expense	\$ 34,831
Depreciation	\$ 46,412
Equipment lease and service	\$ 10,902
Insurance	\$ 6,342
Interest expense	\$ 14,694
Legal Fees	\$ 1,207,997
Lobbying expense	\$ 215,378
Meetings and meals	\$ 36,796
Membership communications	\$ 61,463
Office costs	\$ 19,358
Outreach and coalition building	\$ 300,000
Property tax	\$ 8,962
State and federal affairs, call-ups, & environmental	\$ 259,781
Telephone	\$ 12,594
Travel	\$ 93,369
Total operating expenses	\$ <u>3,748,101</u>
Income from operations	\$ 302,105

Other income and expense:

Rental income	\$ 65,945
Rental expense	\$ <u>(62,936)</u>
Change in net assets	\$ 305,114
Net assets, beginning of year	\$ 143,791
Net assets, end of year	\$ <u><u>\$448,905</u></u>

CIPA Auditor: Fritzsche Associates, Inc., Sacramento, CA

CIPA CONSULTANT TEAM

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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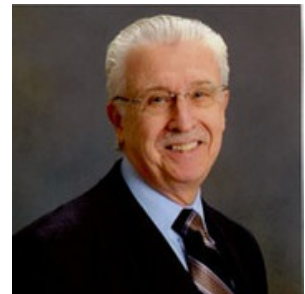
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CIPA has a dynamic and productive team that meets the daily needs of its 400 members. CIPA's staff has a wide range of public and private sector experience to help producers navigate legislative, regulatory, and communications challenges. Recognizing the growing challenges at the regulatory and federal levels, this year CIPA added two new staff members to the team and opened a field office in Los Angeles.

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Kelley Countryman
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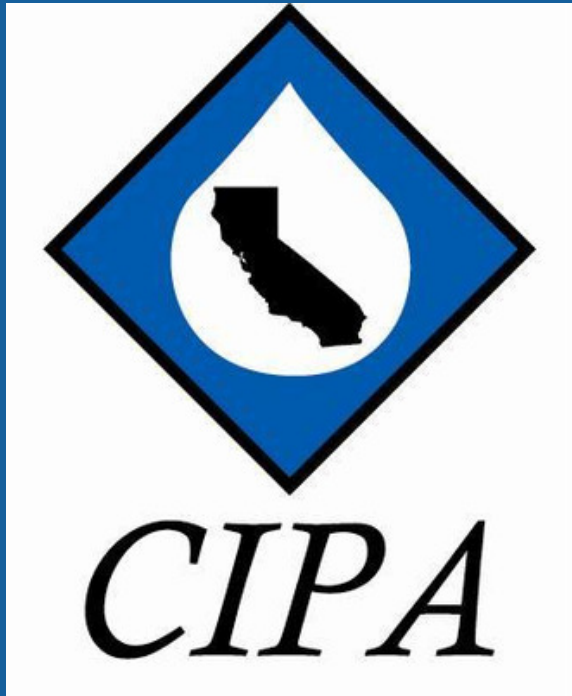
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