September 29, 2017

The Honorable Mary Fallin
Governor of Oklahoma
Oklahoma State Capitol, Room 212
2300 N. Lincoln Blvd.
Oklahoma City, OK 73105

Dear Governor Fallin:

The Oklahoma Oil & Gas Association (OKOGA) and the Oklahoma Independent Petroleum Association (OIPA) together represent the largest number of active, independent drillers and producers of oil and natural gas in the state of Oklahoma. We are proud to represent an industry that provides good jobs for 1 in 6 working Oklahomans, accounts for half the capital investments in the state, and contributes roughly a quarter of the state budget.

Over the past decade, the oil and natural gas industry shielded Oklahoma during a historic national recession that was deep and prolonged. The energy industry kept Oklahoma's unemployment rate well below the national average and sustained our state's essential public services.

In 2014 and 2015, the oil and natural gas industry faced its own hardship with a severe dive in commodity prices. Oklahoma felt this firsthand in many ways.

During this same period, the state began increasing the gross production tax (GPT) rate. For three consecutive years, our companies have shouldered additional tax increases that you have signed into law. The state has ended all 11 GPT incentives, a majority that have been in existence since the 1990s; increased the GPT rate on horizontal drillers by 100 percent; and increased the GPT rate on more than 6,000 producing wells by 300 percent.

The most recent tax increases were implemented just two months ago — HB 2377 and HB 2429 — and will provide Oklahoma with an additional $141 million in tax revenue.

It is a shame that after job creators put their capital to work in Oklahoma, they are then punished by the state.

Unfortunately, the most recent Fallin-Inman tax plan that was presented to legislators during the first week of special session called for another increase in GPT. This is no "grand bargain.". You are now targeting the initial rate of the permanent two-tiered GPT structure, which has kept Oklahoma competitive during persistently low commodity prices and attracted the current robust exploration and drilling activity.

We should be celebrating that companies have put their limited capital back to work in Oklahoma in 2017. This has led to the creation of 5,000 energy jobs so far this year, a doubling of drilling activity, and an increase in GPT tax collections for the past 11 consecutive months despite persistently low commodity prices. It is disheartening that this is not what we hear coming from the Capitol.

OKOGA and OIPA are writing you today to make clear that we adamantly oppose a fourth round of tax increases on the oil and natural gas industry. The constant threat and chatter of such action is putting at risk industry investment in Oklahoma going into 2018. It also puts at risk the livelihoods of countless toolpushers, roughnecks, pipeliners, and other oilfield workers, as well as indirect jobs in manufacturing, retail, IT, and more.

Economists have called our state's economic recovery "slow" and "driven by the energy sector." It's time to stop threatening the one industry driving our state's new job creation and overall economic recovery.

Sincerely,

Chad Warmington
Oklahoma Oil & Gas Association

Tim Wigley
Oklahoma Independent Petroleum Association