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OKOGA CALLS FOR MODERNIZATION OF STATE OIL AND GAS LAW TO HELP ADDRESS STATE REVENUE FAILURE

OKLAHOMA CITY – In response to the state Board of Equalization declaring a revenue failure for Fiscal Year 2017, the Oklahoma Oil and Gas Association (OKOGA) called for the passage of SB 284/HB 1613 to allow the oil and natural gas industry to use modern drilling practices to help generate millions of dollars in additional state and local revenue, all possible without raising taxes.

SB 284, authored by Senate President Pro Tempore Mike Schulz (R-Altus), would strike the word “shale” in the 2011 Shale Reservoir Development Act to allow for extended horizontal drilling in all rock formations, statewide, while maintaining protections small vertical producers have in place today at the Oklahoma Corporation Commission. HB 1613 is the companion bill, authored by Rep. Weldon Watson (R-Tulsa), chair of the House Energy & Natural Resources Committee.

“The state is facing a budget crisis that the oil and natural gas industry wants to help solve, but outdated red tape is holding us back,” said Chad Warmington, president of OKOGA. **“SB 284, and its companion HB 1613, is the simplest and most effective economic development bill legislators will consider all session. It costs the state zero dollars to implement and does not raise taxes. The legislation strikes the word ‘shale’ from state statute that regulates the use of modern technology when drilling, which in turn will spur hundreds of millions of dollars of capital expenditures and generate millions of dollars of new tax revenue to the state. This solution is a no brainer!”**

In 2011, the state enacted the Shale Reservoir Development Act that allowed for industry to drill extended horizontal wells in shale formations. With its passage, industry and legislators promised the policy would help to keep Oklahoma's oil and natural gas industry competitive with other states and generate millions of dollars for Oklahoma schools, roads, and many other things. The law succeeded. With a modernized regulatory system and permanent tax structure, Oklahoma’s production of crude oil has doubled since 2011.

By expanding this law again to allow modern drilling practices in all rock formations and not just in shale, like what is allowed in surrounding oil producing states such as Texas, the 56th Legislature has the

opportunity to encourage additional investment that will lead to new state revenue and keep Oklahoma competitive.

“The legislature has failed over the past few sessions to continue to modernize oil and natural gas regulations to reflect recent innovation with long lateral drilling,” Warmington added. **“In doing so, they have left additional state revenue and new energy jobs on the table at a time when our state needs them the most. A continuation of the status quo this session, for no sound reason, will shift future job growth and economic opportunity to other states. By moving forward a simple bill to update state law, OKOGA’s member companies are poised to make additional investments that will generate new state revenue, create more jobs, and lead Oklahoma to dominance in the domestic energy market.”**

SB 284/HB 1613 is a commonsense solution that would strike the word “shale” in the 2011 Shale Reservoir Act. This simple fix will:

- Keep Oklahoma’s oil and gas industry competitive with surrounding oil producing states, like Texas, where this modern drilling practice isn’t limited to shale formations.
- Generate new revenue for the state and new economic opportunity in Oklahoma’s rural communities.
- Maintain the Oklahoma Corporation Commission’s protections for small, vertical wells to continue producing without being impacted by today’s predominant horizontal drilling environment.

Background

The Oklahoma Oil & Gas Association, founded in 1919, is the oldest energy trade association in the United States. Nearly a century later, the association remains dedicated to the advancement and improvement of the oil and natural gas industry within the state of Oklahoma and throughout the nation. It is a non-profit association composed of oil and gas producers, operators, purchasers, pipelines, transporters, processors, refiners, marketers and service companies which represent a substantial sector of the oil and natural gas industry within Oklahoma. The activities of OKOGA include support for legislative and regulatory measures designed to promote both the well-being and best interests of the citizens of this state and a strong and vital petroleum industry within the State of Oklahoma and throughout the United States.

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