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Contact: Donelle Harder, VP of Communications
Oklahoma Oil & Gas Association
donelle@okoga.com | (o) 405-843-5741 | (c) 202-375-9607

OKOGA CALLS HOUSE MINORITY LEADER'S BLUFF IN OIL AND NATURAL GAS REVENUE NUMBERS

OKLAHOMA CITY (May 3, 2017) – The Oklahoma Oil and Gas Association today corrected the record on false claims made by House Minority Leader Scott Inman in a press conference on Wednesday regarding taxation of the oil and natural gas industry.

“House Minority Leader Scott Inman may be a smooth talker, but he has some funny math that is not adding up,” said Chad Warmington, Oklahoma Oil and Gas Association. **“It is no surprise that he would try to sell his party’s platform on false promises, and it is disappointing to see some Republicans following suit. It is a failed ideology that has been rejected time and again by Oklahoma voters.”**

Falsehood #1: Minority Leader Scott Inman said the state would be \$350 million dollars richer next year if the gross production tax moved to 5 percent. He then claimed that for each percentage increase, it is an additional \$120-135 million in revenue, potentially giving the state \$500 million if it increases the rate to 7 percent.

Truth #1, #2, #3 and #4: Let’s break this down using real numbers provided by actual economists:

#1: If the Legislature passes a flat 5 percent GPT rate, the Oklahoma Tax Commission estimates this would be an additional \$20 million in revenue next year.

#2: Increasing the GPT rate between 5 percent and 7 percent would result in a decline in drilling activity. A conservative estimate is that if GPT increases to a flat 7 percent rate, this would discourage – at a minimum – 10 new rigs being planned for next year. With each drilling rig in Oklahoma generating around \$4.2 million in direct taxes, that would mean **\$42 million LOST** in state and local revenue generated from drilling just next year. It would also mean **130 LESS wells** drilled next year.

#3: Oklahoma's current rig count of 127 is the second highest in the nation in part because of our attractive business environment. Of this rig count, 123 are horizontal rigs that are **generating \$469.5 million in direct state and local taxes** over the course of a year. Drilling is the only way to immediately fill the budget short fall while also creating jobs and building the economy today and 30 years into the future.

#4: To get anywhere close to Minority Leader Scott Inman's number it would mean retroactively changing tax rates on older wells that were spudded before the 2014 GPT reform took effect. This is bad business. This would not only discourage future oil and natural gas development, but it would also discourage any businesses looking to open or relocate to the state. For a state to sign a legal document and then a few years later rip it up and change the game, after capital investments have been made, is irresponsible. It clearly communicates that Oklahoma is closed for business.

Falsehood #2: In 2008, the state collected \$1.25 billion in gross production revenue, and the state is not collecting this amount any more, in part, because of the cut to the gross production tax rate.

Truth: In 2008, a barrel of oil hit a record height of **\$147.07**. Today, a barrel of oil is hovering around \$49. Also, with Oklahoma primarily a natural gas producing state, it is equally important to note that in 2008, the price of natural gas reached a record high of **\$12 mcf**. Today, the price of natural gas is around \$3.21 mcf.

Due to advancements in modern technology since 2008, the oil and natural gas industry has dramatically changed the way it is producing affordable energy. While a rig today is nearly twice as expensive as it was even in 2015, the oil and natural gas industry is still creating jobs, growing local economies, and keeping our domestic energy resources abundant and affordable for all. Industry's ability to continue producing affordable energy at a much higher cost allowed American households to save \$1,000 in 2015, according to AAA. These savings are continuing today. If drilling practices remained unchanged from 2008, Oklahomans and the state's budget would be much worse off at \$49 a barrel today.

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