FUELING a STRONGER OKLAHOMA

Chad Warmington
OIPA-OKOGA, President
Face of the Industry

- A unified voice to highlight the positive impact the industry has on Oklahoma is critical to our long-term success

- The merger of Oklahoma Oil & Gas Association (OKOGA) and the Oklahoma Independent Petroleum Association (OIPA)

- The largest statewide oil and gas advocacy organization in United States – representing over 1,300 companies
Industry’s Critical Role in Oklahoma

Unemployment at 3.5%, and oil field employment at 87,400 – up over 12% since last year

1 in 6
Jobs in Oklahoma are tied to energy

$2.11B
Contributed to state’s education over the last ten years, from GPT alone

25%
Of all taxes paid in Oklahoma come from the oil and natural gas industry – the largest contributor

$225M+
Industry taxes were dedicated to education funding in FY18

$94,000+
Average Oklahoma industry employee earns more than per year
Industry’s Critical Role in America

Growth in Oil & Gas Employment Outpaces the Rest of the Economy

Source: FRED, Federal Reserve Bank of St. Louis
Oil Imports Plunge

Oil Imports Plunge As U.S. Oil and Natural Gas Production Increases

Source: U.S. Energy Information Administration
The Falling Cost of Energy

Source: Energy Information Administration
Who Gets Taxpayer Subsidies?

Federal subsidies per megawatt-hour

Source: EIA (FY 2016)
Future of the Oil & Natural Gas Industry in Oklahoma

Commitment to the Success of Oklahoma

- Responsible and safe production by mitigating seismicity
- Supporting a strong education system empowered by talented teachers
- Secure a fair and stable operating environment
Reducing Seismicity

1. Oklahoma Corporation Commission has directed the reduction of wastewater disposal volumes by nearly **1 million** barrels a day.

2. For **2+ years**, regulators, researchers and oil and gas industry experts have collaborated to find solutions to reduce seismicity.

3. Industry has provided **millions of dollars** to reducing seismicity.

4. **Legislation passed** to strengthen state’s ability to take action.
In 2018, Oklahoma earthquakes declined while production and drilling increased.

Seismicity Facts

- 76% of Oklahoma felt earthquakes in 2018 from 2015 levels
- 18% of Oklahoma oil production in 2018 from 2015 levels
- 9% of Oklahoma average rig counts in 2018 from 2015 levels

Sources: U.S. Energy Information Administration, United States Geological Survey and Baker Hughes
Note: Based on latest available data as of July 1, 2018.
**Seismicity Facts**

**FACT**

Fracking is NOT causing most of the induced earthquakes.

**FACT**

Not all wastewater injection wells induce earthquakes.

**FACT**

Wastewater is produced at all oil wells, not just hydraulic fracturing sites.

**FACT**

The content of the wastewater injected in disposal wells is highly variable.

*Source: United States Geological Survey*
17 Earthquakes, Injection, Oil Production

- M3.0+ OK Earthquakes
- OK Oil Production X10
- AOI Injection

![Graph showing Earthquakes, Injection, and Oil Production]
As the leading industry in Oklahoma, the men and women who represent this industry believe in having the best schools and teachers:

- Proper funding ensures a bright future for our education system
- Funding from the industry is dispersed to nearly every school district in the state
- Industry supported a teacher pay raise
- Industry supported a plan to diversify revenue sources

Oil & Gas Industry Supports Teachers

A+
Industry Contributions to Education

Distribution of GPT

- School Districts
- Common Education Technical Fund
- Higher Education Capital Fund
- Oklahoma Student Aid Revolving Fund

Education Funding from Non-GPT Taxes

- Industry Contribution

$225,977,244
$467,744,416

$693,721,660

Oil & Gas Industry Contribution to Education, 2018
A Low-Tax State?

Oklahoma has the third-highest overall tax rate in the nation for oil and natural gas companies.

Oklahoma Tax Hikes on Oil & Gas: A Brief History

Increase after increase has yet to solve our state’s budget woes.

- **2015**: Lawmakers increased taxes on enhanced production and three-dimensional seismic surveys.
- **2016**: Oklahoma faced another budget shortfall, and the legislature raised taxes on oil & gas by an additional $120 million.
- **2017**: The Oklahoma legislature increased the tax rate on recently drilled horizontal wells by 300%; three months later, lawmakers nearly doubled it again.
- **2018**: The legislature increased the tax rate on new producing wells by 300%.
OIPA-OKOGA Legislative Agenda

Right of Way Legislation
• Counties and cities need a clear definition of what is and is not allowed regarding use of right-of-way to transport water to and from oil and natural gas production sites.

Municipal Takings Legislation
• Ensures mineral owners and oil and natural gas producers are not impacted economically if an Oklahoma municipality enacts stringent regulations that thwart the development of natural resources.

Well Protection Study
• Ensuring Oklahoma producers can effectively and efficiently utilize modern drilling practices while protecting the state’s historic oil and natural gas production is a priority.

Petroleum Excise Tax
• A growing and vibrant oil and natural gas authority requires a well-funded and well-staffed regulatory agency.
Fair & Stable Operating Environment is Good for Investment

Research shows Oklahoma tax revenues are highly sensitive to changes in the oil & gas sector.

Companies need certainty in the operating environment to make sound business decisions.

Constant fluctuations in tax policy for energy production deters investment in the state.

Continual tax increases jeopardize the performance of the state’s largest GDP influencer.
Oklahoma Independent Petroleum Association
Oklahoma Oil & Gas Association