

OKLAHOMA
CORPORATION COMMISSION

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April 16, 2009

President Barack Obama
The White House
1600 Pennsylvania Avenue NW
Washington, DC 20500

RE: The Proposed 2010 Budget

Dear President Obama:

Energy tax increases proposed in your budget and that are expected to come before the Senate Finance Committee would have disastrous effects on Oklahoma's efforts to educate its children, clean its environment, and create jobs. Any such new taxes will reduce investment in new oil and natural gas projects in a sector that provides energy to America and revenues to our state.

Oil and natural gas gross production taxes provide 10 percent of state-appropriated dollars for **education** in Oklahoma. The petroleum industry contributes a larger portion of education expenditures when direct income and property taxes are added, and provides an even larger percentage when similar taxes and sales tax revenues from spillover economic activity are considered. The oil and natural gas industry is the largest single contributor to our state's education budget.

Oklahoma is plagued by thousands of dangerous and unsightly abandoned oil and natural gas drilling sites from the freewheeling days of the 1910s and 1920s. A voluntary assessment on the petroleum industry pays to clean up these sites and return the land to pristine condition. This program remediates two to three sites every day. In these tight economic times, no funds are available for this critical **environmental** project other than monies obtained from the oil and natural gas industry.

Without considering spillover effects, the petroleum industry accounts directly for 16 percent of Oklahoma's gross state product (GSP). It is a fundamental part of our state's economic engine. When spillover effects are added, as much as half of the state's GSP is impacted by oil and natural gas. In human terms, the industry accounts directly for 76,000 jobs and indirectly for 245,000 more jobs, out of a total employment of some 1.6 million.

Starting in 1982, Oklahoma endured one of the most severe **economic** stresses of any state in the nation, as we lived through a depression the likes of which had not been seen since the Dust Bowl period. Oil and natural gas only recently helped to bring us out of these dire conditions. If the proposed tax increases are adopted, Oklahoma will suffer not just a recession, but will return to economic depression.

Attempts to repeal expensing of intangible drilling costs, the percentage depletion allowance, the marginal well tax credit, and the enhanced oil recovery credit, as well as increasing geological and geophysical amortization will cause a range of serious consequences—forcing the petroleum industry to stop producing from stripper wells (wells that produce less than 10 barrels of oil or 75 mcf of natural gas per day) that make up much of Oklahoma’s production to halting or strictly curtailing drilling activities in the state. Such consequences translate to an end to major economic activity within our borders and reduced energy supplies resulting in higher prices for consumers.

Adoption of such policies will ravage our state budget—destroying progress we have made in education, in cleaning up the environment, and in returning our citizens to meaningful work. As the state-wide elected officials who regulate the oil and natural gas industry in Oklahoma and know its full impact on our people, we ask that you reconsider proposals that will devastate our economy.

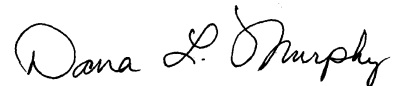
Respectfully,



Bob Anthony
Commissioner



Jeff Cloud
Commissioner



Dana L. Murphy
Commissioner

DLM/at

cc: The Honorable Jim Inhofe
United States Senate

The Honorable Tom Coburn
United States Senate