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Oklahoma’s Traditional Oil & Gas Producers Form New Organization to Support Restoration of 7% Gross Production Tax

A new association of small oil and natural gas producers will hold a rally at the State Capitol Wednesday (Apr 5) to advance their strong support for two issues facing lawmakers this session.

The Oklahoma Energy Producers Alliance (OEPA) is comprised entirely of small, privately-owned oil and natural gas producers from all corners of the state, according to co-chair Lee Levinson, Tulsa attorney and oilman.

“We are the traditional oil and natural gas producers. We are a new group, but not new to the industry or to Oklahoma,” Levinson said. “Our companies, owners, employees and vendors are spread out all across our state. We are Oklahomans first and many of us have been in business for several decades.”

Levinson said the new group has planned a rally at 10 am Wednesday in the grand staircase inside the South wing of the Capitol building. After a brief meeting, the oilmen and women will walk the halls to meet legislators.

OEPA leaders said the fledgling group’s agenda may come as a shock to most Oklahomans. Former Tulsa Mayor Dewey Bartlett Jr., a lifelong advocate for small oil producers, will join the list of speakers at the rally.

“Our new group supports restoring the gross production tax to 7% across-the-board,” Bartlett, owner of Keener Oil and Gas in Tulsa, said. “The fact that Oklahoma – a state with prolific oil and gas reserves and the nation’s best oil industry regulatory climate – already has the lowest tax rate in the nation at the historical 7% rate should be good (Continued)

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enough. But letting horizontal drillers tap into oil we have found and upon which we pay 7% tax, and in many cases destroying those wells, replacing them with wells paying only 2% tax, makes no sense. We must face the stark reality that state government is bankrupt. We are staring at a second straight billion-dollar deficit in state funding. Our schools are in a funding crisis. Other state services are being decimated. We believe the oil industry should stand up and agree that returning the oil and gas production tax to its historical level demonstrates our commitment to help solve this serious state budget crisis.”

Bartlett said restoring the gross production tax from 2% to 7% on all oil and natural gas would generate an additional $200-250 million/year. “Perhaps it’s ironic that this proposed tax restoration could cover the cost of the teacher pay raise. Or perhaps not.”

Bartlett said he and many traditional producers have been in the oil business for generations. “We don’t take it lightly that our industry, once the bulwark of the state economy and the state tax base, has been out here cutting special deals. Our group will support what is best for all Oklahomans. We can be profitable with restoring a 7% gross production tax, even with relatively depressed oil prices.”

Co-chair Levinson said the second piece of the small-producer agenda is equally important, although it creates a serious rift within the industry. “We small oil and gas producers want lawmakers to defeat all bills aimed at increasing the ability of these mostly out-of-state oil giants to drill lateral lines for two miles, ignoring existing oil leases and mineral ownership that, in some cases, have been in place for decades.”

Levinson said passing this type measure would be tantamount to state-sanctioned robbery of the mineral rights of hundreds of traditional oil producers, who operate vertical wells. “Senate Bill 284 and SB 669 are a direct assault on the property rights of every traditional oil and gas producer in Oklahoma. These long lateral line proposals also carry with them serious potential environmental risks. Yet now we know, the horizontal drillers are back at the Capitol asking for more favors. Levinson added, “No other state permits these ‘big boys’ to just waltz in and drill these long, horizontal wells – drilling into existing production zones. This legislation will destroy legal protections that have been the law for 100 years.”

“There is absolutely no doubt that this legislation, if enacted, will be challenged and re-challenged in court. It will create total chaos in re-sorting oil and gas rights. The right to continue to own and produce oil and gas in existing wells is sacrosanct. The legislature shouldn’t be providing cover for these giant, powerful oil companies to take what doesn’t belong to them,” Levinson said.

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