THE PETROLEUM ALLIANCE
OF OKLAHOMA

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| The Honorable Kyle Hilbert<br>Speaker of the House<br>Oklahoma House of Representatives<br>2300 N. Lincoln Blvd., Room 401<br>Oklahoma City, OK 73105 | The Honorable Lonnie Paxton<br>President Pro Tempore<br>Oklahoma Senate<br>2300 N. Lincoln Blvd., Room 422<br>Oklahoma City, OK 73105 |

February 17, 2026

Dear Mr. President and Mr. Speaker,

To borrow from Mark Twain: Reports of the oil and natural gas industry's Oklahoma demise are greatly exaggerated!

Despite clutch-your-pearls comments from elected locals and business development officials who really should know better, Oklahoma will remain a highly specialized oil and natural gas economy after Devon Energy and Expand Energy move their headquarters to Houston. In all likelihood, the industry will remain the primary driver of Oklahoma's economy for the rest of our lifetimes, but this cannot be taken for granted as it has been.

The economic driver for Oklahoma is capital investment that turns oil and natural gas assets into revenue with a drill bit. That activity is the driver for more than half of Oklahoma's real annual GDP growth and impacts all other non-federal revenue streams flowing to state coffers.

For perspective, Expand Energy (then Chesapeake Energy) sold the vast majority of its Oklahoma oil and natural gas assets a decade ago and has not drilled a well in Oklahoma since 2020. Meanwhile, Devon Energy's focus since the 2018 enactment of HB 1010XX has been outside Oklahoma. Its current drilling program consists of only one of the 46 rigs actively working in the state.

According to the U.S. Bureau of Labor Statistics, there were 971 oil and natural gas extraction companies in the OKC Metropolitan Statistical Area in 2025 and about 2,700 such E&P companies statewide. Add in the drilling, service, machine & equipment manufacturing, petroleum product manufacturing, refining, pipeline, geophysical, surveying & mapping, and other key industry sectors and Oklahoma's oil and natural gas cluster tops 3,538 businesses. Most don't have tall buildings or expansive campuses so you don't notice them.

On that front, the complete data for 2023 show Oklahoma's crude oil and natural gas industry is responsible for:

- $60.3 billion in total statewide economic impact,

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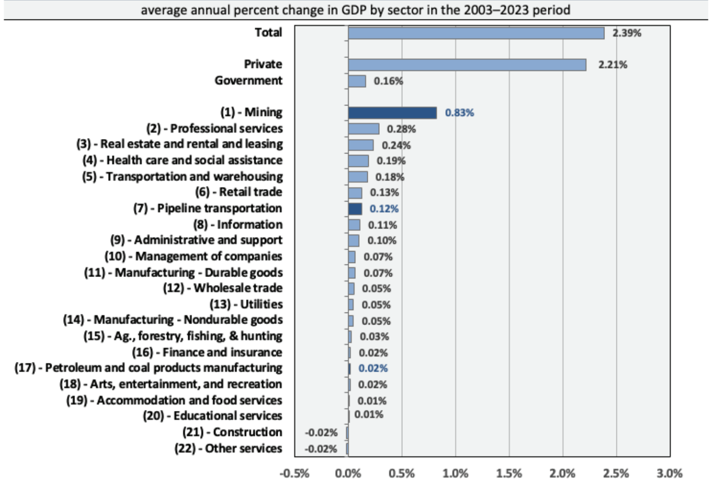
- 23% of total statewide economic activity,
- $54.3 billion in household earnings,
- $1 in $5 of total statewide household income,
- 1 of every 10 jobs, and
- $3.2 billion in total taxes (20.6% of all the federal, state & local taxes paid in Oklahoma)

Additionally, we estimate the industry is responsible for more than $45 billion in royalty payments to mineral owners over the past 20 years.

There simply is no other industry that comes close to driving this kind of economic activity.

**Figure 28. Industry Level Contributions to Real GDP Growth – Oklahoma**

average annual percent change in GDP by sector in the 2003–2023 period




Notes: The mining sector is used in this section to represent traditional oil and gas activity because the Bureau of Economic Analysis makes these calculations readily available only for major NAICS sectors. The oil and gas sector represents nearly all mining sector activity in Oklahoma.
Source: Bureau of Economic Analysis

**Figure 41. Federal, State, & Local Tax Payments Less Subsidies by Major Sector – Oklahoma (2023)**

| Industry Sector | (millions) Total Taxes Less Subsidies | Share of Total Taxes Less Subsidies |
|---|---|---|
| Agriculture, forestry, fishing and hunting | -$393.8 | -2.6% |
| Mining, quarrying, and oil and gas extraction | 3,016.8 | 20.1% |
| **Oil and gas drilling, production, and support** | **2,885.0** | **19.2%** |
| Utilities | 518.1 | 3.5% |
| Construction | 119.6 | 0.8% |
| Manufacturing | 506.1 | 3.4% |
| Durable goods manufacturing | 200.4 | 1.3% |
| Nondurable goods manufacturing | 305.6 | 2.0% |
| **Petroleum and coal products manufacturing** | **59.9** | **0.4%** |
| Wholesale trade | 2,787.9 | 18.6% |
| Retail trade | 2,677.7 | 17.8% |
| Transportation and warehousing | 485.2 | 3.2% |
| **Pipeline transportation** | **153.5** | **1.0%** |
| Information | 343.2 | 2.3% |
| Finance and insurance | 878.0 | 5.8% |
| Real estate and rental and leasing | 1,491.4 | 9.9% |
| Professional, scientific, and technical services | 404.1 | 2.7% |
| Management of companies and enterprises | 219.7 | 1.5% |
| Administrative and support and waste management | 330.3 | 2.2% |
| Educational services | 58.2 | 0.4% |
| Health care and social assistance | 393.9 | 2.6% |
| Arts, entertainment, and recreation | 411.1 | 2.7% |
| Accommodation and food services | 956.8 | 6.4% |
| Other services | 252.1 | 1.7% |
| **All industry total** | **$15,011.6** | **100.0%** |

Notes: Major component sectors of the state's oil and gas cluster are highlighted.
Source: Bureau of Economic Analysis and RegionTrack calculations

No state wants to admit it has lost a defining legacy business to a rival, but these departures serve as a wake-up call for lawmakers. The seeds for these headquarters decisions were planted by the Oklahoma Legislature a decade ago.

If you want less of something — fewer leading Oklahoma businesses, less oil and natural gas production, and ultimately less revenue for public policy priorities — raise taxes on that thing and treat it with disdain as lawmakers did from 2015 to 2018.

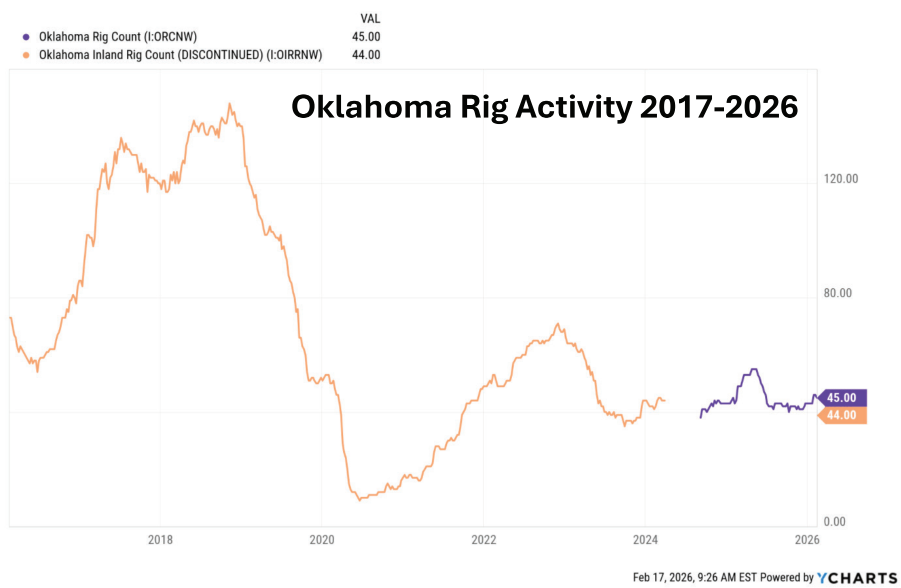
As one oil and natural gas CEO said, “The Houston skyline is a monument to poor public policy decisions in Louisiana and Oklahoma.”

Over the years, many lawmakers have paid lip service to the oil and gas industry, but their collective actions over the past decade signal that a majority care only that the industry simply hangs around to pay the bill while Oklahoma chases the latest, disappointing shiny object.

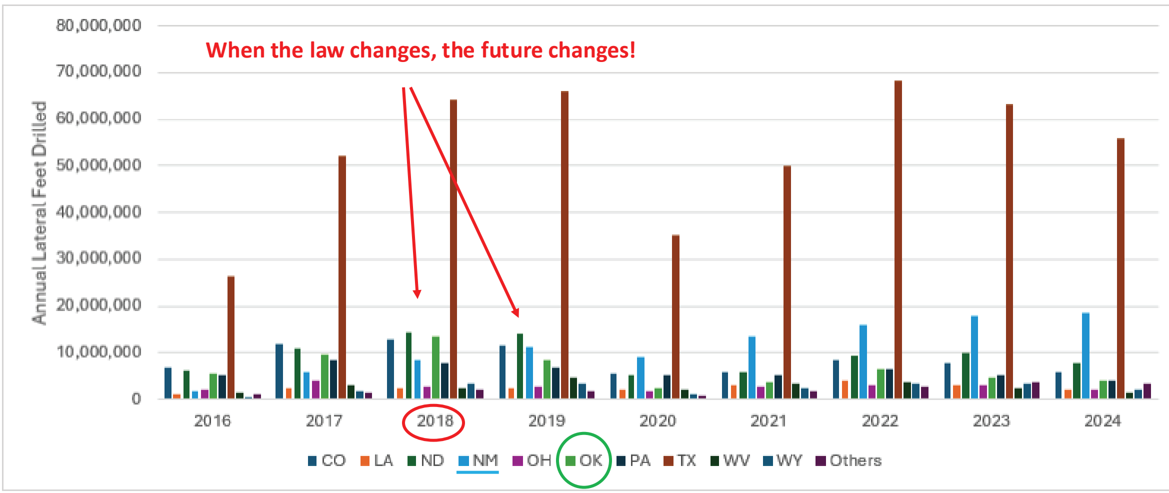
From 2019 to 2024 Oklahoma was the only U.S. state to have a net loss of “advanced industry” jobs — a description encompassing 50 industries including oil and natural gas extraction, aerospace, auto making, new manufacturing, and high-tech services such as computer software and system design.

It is not coincidental that this loss followed passage of HB1010XX and a shift of both drilling and human capital to other states as the economics of the Anadarko Basin and the needs of the U.S. shale industry changed to meet financial demands simultaneously.

The story is told not only in “advanced industry” shrinkage, but also in rig activity, horizontal feet drilled, and barrels produced from 2019 to 2024. It must be noted that Oklahoma rig activity fell farther and faster than in any peer state, shedding capital investment by as much as 86%, well in advance of corrections in other states.



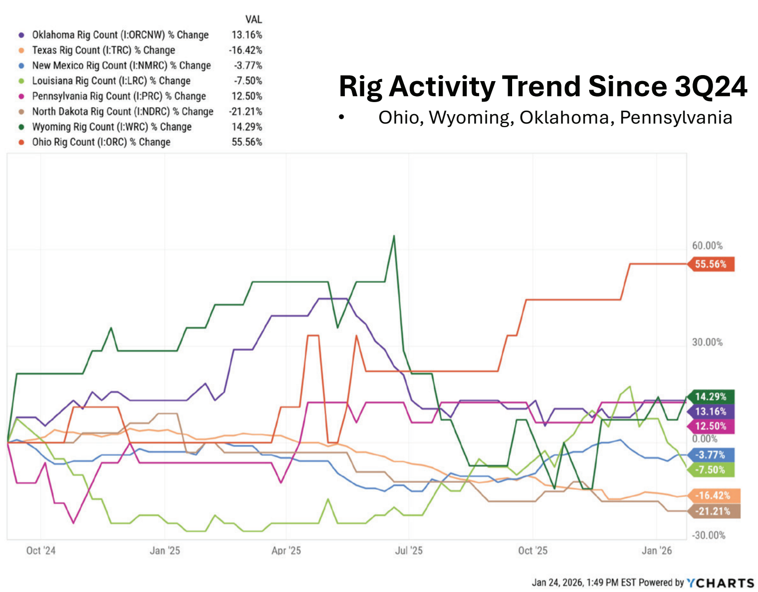
## Horizontal Feet Drilled Okla. v Peers




Now, here are two pieces of good news:

The next Devon Energy or Expand Energy is very likely being built today by a new generation of industry leaders who may someday be heralded as the next Larry Nichols, Aubrey McClendon, or Harold Hamm. In the coming months we'll begin introducing these next-generation leaders to you. Embrace them and their efforts to invest in Oklahoma.

The trend line shows increased interest in Oklahoma's gassy resources as the nation embraces natural gas for power generation to feed the onshoring of U.S. manufacturing and the growth of artificial intelligence. This means billions of dollars in potential new investment. We better not mess this up.



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For 2026, Oklahoma's road to recovery begins with better public policy decisions and the creation of an improved Oklahoma business climate:

**Tort Reform Including Improvements to the Production Revenue Standards Act (PRSA)** — Legislators must prevent trial lawyers and bad actors from exploiting loopholes that handicap companies wishing to invest billions in Oklahoma and provide more revenue to farm and ranch mineral owners.

**Emphasize Natural Gas as Oklahoma's Growth Engine Instead of Wind, Solar and Battery Storage** — In a highly specialized economy, the state must play to its strengths. The oil and natural gas industry pays a statewide production tax as well as ad valorem, income, and sales taxes. Intermittent production and storage do not pay a statewide fee to benefit schools, roads, bridges, and other lawmaker priorities.

**Stop the Gaming of the Ad Valorem Tax System** — Lawmakers must establish clear guardrails and oversight to prevent county assessors and local officials from being conned by third-party consultants into pursuing unreasonable valuations for oil and natural gas equipment subject to ad valorem taxation.

**Tax Relief** — Oklahoma's effective tax rate among 16-oil and gas states is higher than the average. Only Alaska, New Mexico, Wyoming (significant federal land states), and North Dakota have higher effective tax rates than Oklahoma's. Should 2018's largest tax increase in Oklahoma history be repealed? Is it really more valuable for Oklahoma to use targeted tax incentives to attract aeronautical engineers from Kansas than retain petroleum engineers in Oklahoma? What individual and corporate tax policies must be put in place for Oklahoma to compete for oil and natural gas companies to headquarter here and for existing Oklahoma-based companies to remain here?

**Education Reform** — Lawmakers promised improved educational outcomes in 2018 upon passage of the largest tax increase in Oklahoma history with its more than doubling of the gross production tax. This has not proven true. We got the opposite. What "advanced industry" company wants to be headquartered in a state that ranks 50th in education?

California said it didn't want to lose Chevron to Texas, but did everything it could to make Chevron unwelcome. Oklahoma doesn't want to lose Devon and Expand Energy to Texas, but it has — along with Conoco, CITGO, Noble, Phillips 66, and others through the years.

Tulsa and Oklahoma City have lost the race to become "The Energy Capital of the World," but we can be better at who we are and learn from our neighbor south of the Red River.

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Your actions this session can begin the process of reversing policy-inflicted decline and restoring Oklahoma's competitive edge as a national leader in oil and natural gas development. Lawmakers have the authority and responsibility to reverse policies that have made our state less attractive to capital, talent, and long-term investment, and to replace them with reforms that restore certainty, fairness, and competitiveness.

You can send a clear signal that Oklahoma once again welcomes the industry that built this state. Our bedrock industry is already investing, hiring, and growing here. With the right policies in place — policies that encourage investment and reward innovation — this growth can multiply across every corner of our economy. Let's get to work.

Sincerely,

Brook A. Simmons
President
The Petroleum Alliance of Oklahoma

cc: Members of the 60th Oklahoma Legislature