



STATE OF OKLAHOMA

April 20, 2011

The Honorable Hillary Clinton
Secretary of State
U.S. Department of State
2201 C Street, N.W.
Washington, DC 2050

Dear Madam Secretary:

The present situation in Libya, and its impact on global energy markets, underscores the increasing importance of satisfying U.S. energy demands with resources from politically stable regions of the world. The Keystone XL pipeline, which seeks to connect Canada's rich oil sands to U.S. refineries along the Gulf Coast, is critically important in this effort. We write to urge your support and expeditious approval of a cross-border permit for the Keystone XL pipeline, which critically enables the construction of the section of the line connecting Cushing, Oklahoma to the Gulf Coast.

Oklahoma is the nation's third-largest producer of natural gas, sixth-largest producer of crude oil, has the third greatest number of active drilling rigs, and ranks fifth in crude oil reserves. As a whole, the oil energy industry contributes \$23 billion to Oklahoma's gross domestic product. Oklahoma has one of the fastest growing economies in the nation, ranking among the top states in per capita income growth and gross domestic product growth. The \$7 billion, privately funded Keystone XL Pipeline is the kind of energy infrastructure project that keeps Oklahoma strong in these times of national economic uncertainty.

According to an independent study, the construction of the Keystone XL Pipeline is expected to build Oklahoma's economy by adding \$1.2 billion in new spending, increase personal income by \$874 million, provide additional state and local tax revenues of more than \$25 million, and add more than \$1 billion in increased Gross State Product. The study further concluded that once the pipeline is operational, Oklahoma could see more than \$667 million in property taxes to county and other local governments during the operating life of the pipeline.

What's good for the residents of Oklahoma can be good for all Americans. According to independent studies, the Keystone XL pipeline will add more than 250,000 permanent jobs for U.S. workers and add more than \$100 billion in annual total expenditures to the U.S. economy. During the construction phase of the expansion, Keystone will generate more than \$585 million in state and local taxes for the states along the pipeline route and stimulate more than \$20 billion in new spending for the U.S. economy.

With millions of barrels of crude oil flowing into Oklahoma's Cushing Hub each day, Oklahoma plays a vital role in the distribution of crude oil supplies throughout the U.S. The Cushing Hub serves as the price point for West Texas Intermediate (WTI) crude, which is used to set equivalent prices for crude oil produced in Oklahoma and other nearby states and which has historically been considered the global benchmark for crude oil. Due to a significant increase in inbound crude oil supplies from oil sand production in Canada and the northern U.S., crude oil supplies at the Cushing Hub have outpaced outgoing pipeline capacity, glutting local oil markets and distorting crude oil prices throughout the U.S. Keystone XL presents an opportunity to restore marketplace transparency in a way that could eliminate arbitrage opportunities and positively affect the price consumers ultimately pay for refined products.

The proposed Keystone XL pipeline can provide a beneficial solution. Presently, construction is planned for two phases: a northern segment extending from Alberta, Canada to Steele City, Nebraska and a southern segment extending from Cushing, Oklahoma to Houston and Port Arthur, Texas. The proposed pipeline will be capable of providing the U.S. with an additional 500,000 barrels of crude oil each day. These additional volumes of North American crude oil are vital to America as it looks to secure its future.

Yet, if these additional supplies are delivered without first ensuring adequate outgoing pipeline capacity from Cushing, it will only exacerbate present bottlenecks and price distortions. It is therefore critically important that construction of the pipeline commence with the Southern segment. Only by first ensuring adequate outgoing pipeline capacity from Cushing will America be able to realize the full potential of Keystone XL.

The Keystone XL pipeline presents a tremendous opportunity to America. If approved, the proposed pipeline would become an integral component in ensuring America's energy supply. We strongly encourage you to consider the economic impacts and national security interests that this proposal implicates.

Thank you for your consideration and attention to this important issue.

Sincerely,



Mary Fallin
Governor
State of Oklahoma

James M. Inhofe
U.S. Senator
State of Oklahoma

Tom A. Coburn, M.D.
U.S. Senator
State of Oklahoma