

ACTION ALERT! ACTION ALERT!

Senator **Bernard Sanders** of Vermont has offered an amendment to H.R. 4213, the Tax Extenders Act, that would repeal percentage depletion and expensing of IDCs. It is scheduled to be voted on tomorrow (Tuesday) on the Senate floor.

Senator Sanders incorrectly claimed on the floor of the Senate last week that these tax provisions impact "Big Oil."

Obviously, this will dismantle the independent. In a study by the Texas Alliance of Energy Producers, approximately **71,000 Texans will lose their oil and gas jobs** if the repeal of tax provisions becomes law. Currently, 194,800 Texans work in the exploration and production sector of the industry. The Alliance study revealed that **1,132 million barrels of oil equivalent will be prematurely plugged in the U.S., resulting in more than \$79 billion going to foreign countries to pay for additional petroleum imports** that could have been paid to U.S. producers and enhanced the U.S. economy and paid billions of dollars in taxes to local, state and federal governments. "Overall, the negative economic impact to the State of Texas alone would be about **\$50 billion over the next 10 years**," the study noted.

Percentage depletion is **available to only independent producers and royalty owners**. In 1975, Congress decided to repeal the availability of percentage depletion for major oil companies. Also, there are additional restrictions for independents. For example, percentage depletion is limited to 15% of gross oil and gas income as follows: (1) limited to first 1,000 barrels per day of production; (2) limited to the net income of a property for non-marginal wells; and (3) after the above limitations, the amount deducted for depletion cannot exceed 65% of the taxpayers income before the depletion deduction.

Currently, IDCs can be expensed in the year they are paid by independents. Sanders' amendment would require IDCs to be amortized over 60 months. Independents need the ability to expense IDCs in the year incurred in order to continue drilling and producing.

In Texas **in 2009, independents drilled 96% of the wells and produced 88% of the oil and natural gas**. The major integrated companies – referred to as BIG OIL by Sen. Sanders – only drilled 4% and produced 12% of the hydrocarbons.

In summary, Senator Sanders' amendment: (1) incorrectly portrays this as repealing "tax breaks for Big Oil"; (2) will kill the thousands of small, independent oil and gas producers and barely touch "Big Oil"; (3) is prejudicial because it singles out Americans in the oil and gas business; (4) is a blatant attempt to redistribute wealth from people in the oil and gas industry to consumers; and (5) will decrease exploration and production of America's oil and natural gas for Americans and therefore increase oil and gas imports, increase U.S. balance of payments, increase price of petroleum products, it will be inflationary, decrease jobs and on and on.

ACTION REQUESTED: The Alliance asks you to fax letters on your company letterhead to the Senators below asking them to oppose the Amendment to H.R. 4213, the Tax Extenders Act, offered by Senator Sanders. Fax it to Texas Senators John Cornyn (202-228-2856) and Kay Bailey Hutchison (202-224-0776) today (Monday, June 14). You can use some of this info or state it in your own words. The Alliance's letter is on www.texasalliance.org under "Senator Sanders' letter." **Time is critical so do it now!** Also send it to these Democrats:

Sen. Ben Nelson (D-Neb.) 202-228-0012
Sen. Byron Dorgan (D-ND) 202-224-1193
Sen. Kent Conrad (D-ND) 202-224-7776
Sen. Mark Pryor (D-Ark.) 202-228-0908
Sen. Mark Begich (D-Alaska) 202-228-3205
Sen. Mary Landrieu (D. La.) 202-224-9735
Sen. Jay Rockefeller (D-WV) 202-224-7665
Sen. Lamar Alexander (R-Tenn) 202-228-3398

Sen. Blanche Lincoln (D-Ark.) 202-228-1371
Sen. Michael Bennet (D-Co.) 202-228-5036
Sen. Mark Udall (D-Co.) 202-224-6471
Sen. Evan Bayh III (D-Ind.) 202-228-1377
Sen. Max Baucus (D-Mon.) 202-224-9412
Sen. Jeff Bingaman (D-NM) 202-224-2852
Sen. Tim Johnson (D-SD) 202-228-5765

THIS IS A REAL THREAT AND SHOULD BE TAKEN VERY SERIOUSLY!

If you do not want to receive any faxes from the Texas Alliance, please call (800) 299-2998, or fax (940) 723-4132, or send an e-mail to texasalliance@texasalliance.org. Please include your name, company, fax number and phone number for verification purposes.