

EXEC REPORT

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As we expected, President Obama and the leadership in the House and Senate will make another run at repealing our tax provisions (percentage depletion, expensing IDCs, and five others) and passing climate change legislation. It's a repeat of 2009, but with a little twist.

The Alliance remains focused on these provisions and considers the possibility of passage real and a threat to the future of the independent oil and gas industry! Defeating the President's tax and climate change proposals is Top Priority!

In his State of the Union address, Obama again called for repeal of "tax cuts for oil companies" and passage of "a comprehensive energy and climate bill." Obama said "it means passing a comprehensive energy and climate bill with incentives that will finally make clean energy the profitable kind of energy in America."

Obama also said: "[At] a time of record deficits, we will not continue tax cuts for oil companies, investment fund managers and those making over \$250,000 a year. We just can't afford it."

The President released his proposed 2011 budget last week that called for \$36 billion in new taxes from the independent oil and gas industry. His proposal would repeal percentage depletion, expensing of intangible drilling cost and five other programs. The Texas Alliance of Energy Producers estimated that in Texas alone the price tag would be about \$50 billion in lost economic activity from 2010-2019.

Public opinion polls recently released by Yale and George Mason universities show that more people are becoming doubtful about global warming. The survey reveals that just 57% of the people said global warming "is happening." That was down 14% from 71% in October 2008.

Another poll conducted by the National Federation of Independent Business (NFIB) found that 71% of small business owners believe a cap-and-trade system will increase energy costs and 66% oppose enactment of a cap-and-trade system.

"The results of these polls show that there is little domestic support for a U.S. cap-and-trade system in view of the economic impact and the additional costs that would be required by businesses, consumers and households," the NFIB said in a news release. "With a vast majority of small businesses and voters stating the economy is the number one issue, it appears we simply cannot afford, and should not seek to implement, such a risky, unpopular system that shows no potential for positive economic results."

The Alliance helped Senator **John Cornyn** (R-TX) prepare questions for Treasury Department officials before the Senate Finance Committee on February 4, and will be participating in a national call-up to Washington the week of March 1.

Other Factors To Be Considered

The unexpected election of **Scott Brown**, a Republican, in Massachusetts to the U.S. Senate shocked the politicians in Washington. His election gave Senate Republicans a filibuster proof 41 members.

Obama's popularity rating has plunged from 67% a year ago to 48% today. Adding to Obama's problems are rising unemployment (from 7% to 10%), the economic deficit that has more than tripled this past year, the push for unpopular big-government health care and energy programs.

The House and Senate may implement another rule, called "paygo", that could play to our disadvantage. "Paygo" is short for pay-as-you-go, meaning that if the Congress wants to implement a new program that costs, say \$36 billion, then it will have to come up with \$36 billion in new money to pay for it. And, oil and gas tax incentives could be a likely target.

Never the less, Obama and the leadership in the House and Senate say they are going to push on.

The Alliance's lobbying team – Chairman **Mark Metzler**, President **Alex Mills**, Executive Vice President **Bill Stevens**, Austin attorney **Gloria Leal** and Washington Political Advisor **Charlie Stenholm** – will present an inside view of what is going on in Washington and Austin on these issues in Wichita Falls on March 9, Dallas on March 10 and Fort Worth on March 11. Information that we cannot put in writing. And it will be a week after the Texas primaries. Mark your calendars. The luncheon cost will be only 80 cents in commemoration of the Alliance's 80th birthday.