

EXEC REPORT

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Senator Sanders' Amendment Defeated 61-35

Senator **Bernard Sanders'** (I-Vt.) attempt to strip two key tax provisions out of the tax code probably could have been the most damaging to the future production of oil and natural gas in Texas and America. Sanders tried to amend the Tax Extenders Act to repeal percentage depletion and expensing of intangible drilling costs. Sanders mischaracterized the tax provisions as being a reason "Big Oil" has large profits. However, the major oil companies were excluded from percentage depletion in 1975, and they can only expense a portion of their U.S. drilling costs. The remainder must be amortized over five years. The tax provisions are very important to small, independent producers who drilled 96% of the wells in Texas in 2008. Sanders' misrepresentation of the tax code quickly came to light during the floor debate with Senator **James Inhofe** (R-Ok.), and the amendment failed by a 61-35 vote.

Obama Tries To Bring Cap-And-Trade Bill Back, Again

President Obama's address to the nation tried to resurrect a cap-and-trade scheme in the Senate. However, many Senators agree that cap and trade would raise the cost of energy to consumers without a meaningful reduction in greenhouse gases. As the nation is trying to come out of a recession, raising the cost of energy is a bad idea.

Obama said "BP will pay." The next day Obama met with BP CEO **Tony Hayward**, who agreed to set up a \$20 billion escrow account. However, Obama's moratorium on drilling has been criticized heavily because of the economic damage to the people along the Gulf coast. The President said he wanted to ensure that nothing like this happens again. Obama forgets that thousands of wells have been drilled in the Gulf during the last 40 years and nothing like this has ever happened.

The President misspoke when he claimed that the industry had not invested in research and development. For example, the industry has invested billions of dollars in research to develop the ability to drill in deep waters; drill vertical for two miles and horizontal for another mile; conduct complex, multiple-stage fracs; and 3-D and 4-D seismic.

Markey Demands That CEOs Apologize

There were many hearings in the House and Senate last week regarding energy-related topics, but the five-ring circus conducted by **Ed Markey** (D-Mass.), chairman of the Energy and Environment Subcommittee of the Energy and Commerce Committee, took top billing. Most of the hearings were held in a dignified manner, but Markey had the unique opportunity to have the top CEOs of the largest American oil companies before him and took full advantage of berating them on a variety of topics. The biggest spectacle came when he tried over and over to get these very successful men to apologize to the American people. It was a low point for the leadership in the House.

Future Meetings (For information, call 940-723-4131)

July 12 East Texas Oil Patch Golf Tournament, Hollytree Country Club, Tyler
7:00 am registration / 8:00 am Shotgun Start

July 13 East Texas Legends Luncheon, Hollytree Country Club, Tyler, noon