

EXEC REPORT

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Today, Monday, July 26, the oil and gas industry will enter a crucial week in the U.S. Congress. We have learned that Senate Majority Leader Harry Reid will bypass cap-and-trade legislation for now, BUT he will push for passage of an oil spill liability bill on the floor of the Senate.

The Texas Alliance of Energy Producers believes that part of the liability bill will be more than \$30 billion in federal handouts for "green jobs" and tax incentives for large trucks to convert to natural gas power. **We understand that there will be a push on the floor of the Senate to pay for these items with the repeal of percentage depletion and expensing of intangible drilling costs.**

The Alliance believes this is a bad trade-off for the nation's independent oil and gas producers.

We urge you to contact Senator **Kay Bailey Hutchison** (phone 202-224-5922; fax 202-224-0776) and Senator **John Cornyn** (phone 202-224-2934; fax 202-228-2856) today, and tell them that this is bad for your business.

Below is a portion of our letter that has been sent to Senators Hutchison and Cornyn and 13 key Democratic Senators. It is important that you also fax a letter to these Senators.

Please contact: **Mark Begich**, Alaska, fax 202-228-3205; **Blanche Lincoln**, Arkansas, fax 202-228-1371; **Mark Pryor**, Arkansas, fax 202-228-0908; **Michael Bennet**, Colorado, fax 202-228-5036; **Mark Udall**, Colorado, fax 202-224-6471; **Evan Bayh**, Indiana, fax 202-228-1377; **Mary Landrieu**, Louisiana, fax 202-224-9735; **Ben Nelson**, Nebraska, fax 202-228-0012; **Jeff Bingaman**, New Mexico, fax 202-224-2852; **Kent Conrad**, North Dakota, fax 202-224-7776; **Byron Dorgan**, North Dakota, fax 202-224-1193; **Tim Johnson**, South Dakota, fax 202-228-5765; and **Jay Rockefeller**, West Virginia, fax 202-224-7665. A portion of our letter that went to both Texas Senators plus the 13 key Democrats is below:

"It is our understanding that Majority Leader Reid intends to bring legislation to the floor soon based on a response to the Gulf of Mexico oil spill. We also believe that it will contain a green jobs program and tax incentives for the conversion of trucks to natural gas. Both of these programs will have a cost.

"PAYING FOR THESE DISPARATE PROGRAMS (regardless of their potential value) WITH THE ELIMINATION OF OIL AND GAS TAX PREFERENCES IS NOT A GOOD TRADE FOR THE NATION, THE CONSUMER, OR THE DOMESTIC INDEPENDENT OIL AND GAS PRODUCERS THAT DRILLED 96% OF THE WELLS IN TEXAS IN 2009. WE ASK THAT YOU CONTACT SENATOR REID AND EXPRESS YOUR OPPOSITION TO THIS METHOD OF PAYMENT. WE ALSO WOULD ASK THAT YOU VOTE AGAINST CLOTURE ON THE LEGISLATION IF THE ELIMINATION OF THESE PREFERENCES IS INCLUDED IN THE LANGUAGE."

RRC Commissioner Voice Disapproval Of Blowout Bill

Texas Railroad Commissioner **Elizabeth Ames Jones** has weighed in on the devastating effects to states from the passage of HR 5626, the Blowout Prevention Act 2010, by Congressman **Henry Waxman** (D-Ca). Among the additional layers of new regulations, the new law would require that every state's oil and gas regulatory agency have its rules approved by the federal government. In a letter she sent on Friday to Rep. Waxman, Chairman of the House Energy and Commerce, Jones said, "For the first time in 100 years of regulating the energy industry in Texas, the Railroad Commission of Texas (RRC), the permitting agency for all of Texas's oil and natural gas wells, would be required to have our safety requirements approved before issuing permits for both our onshore wells and offshore wells out to 3 leagues. H.R. 5626, Blowout Prevention Act of 2010, was reported out of the House Energy and Commerce Committee on July 15 and is expected to be voted on in the coming days in the US House of Representatives. The text of the letter can be found on the Railroad Commission website: <http://www.rrc.state.tx.us/commissioners/jones/index.php>

Natural Gas Produced In June Gets 25% Severance Tax Reduction

The Comptroller of Public Accounts has determined that the average taxable price of natural gas is \$3.29 per mcf for the three-month period from March to May 2010. Therefore, gas produced during June, from a qualified low-producing well, is eligible for 25% credit in the natural gas production tax in Texas.

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.