



HELP PRESERVE EXISTING NATURAL GAS AND OIL TAX PROVISIONS

On February 26, 2009 President Obama unveiled his 2010 budget proposal outline. The budget plans includes major tax increases aimed at the oil and gas industry effective beginning 2011. The enactment of such proposals will strip essential capital from new American natural gas and oil investment. In particular, entities that rely on capital from individual investors to explore for natural gas and oil production will be severely hampered. America's natural gas and oil exploration and production will be reduced which runs counter to the Administration's clean energy and energy security objectives.

We are requesting your immediate action to help solicit or express strong opposition to what we believe to be the most harmful of the proposed tax changes. This effort is being coordinated by the Investment Program Association, a financial services industry association whose members include companies in the oil and gas business as well as those who raise capital for such businesses. Gas and oil producer organizations are also heavily engaged, but we still need a grass roots effort. We are staying in touch with those industry organizations and are also consulting with advisors in Washington DC. The proposed tax changes that they are focusing on are:

- Repeal of the Passive Loss Exception for Working Interests in Gas and Oil Properties
- Repeal of Expensing of Intangible Drilling Costs

The goal is to protect, preserve and promote the domestic production of natural gas and oil funded by capital provided by individual investors. According to recent reports, because of recent discoveries and technological developments, the United States has nearly 100 years of natural gas reserves at current consumption rates. Expanded development of this resource could help secure the country's energy future. Given the size of the resource, it is misguided policy for the country to take steps that could make it harder for oil and natural gas companies to raise capital for drilling.

What you can do:

- Communicate in writing or in person with your elected state officials, those being your congressmen and senators;
- Contact information for elected state officials (both the House and the Senate) can be found at www.senate.gov and www.house.gov; and
- ~~AAA~~ position paper and sample investor letter can be found on our website under 'Tax Law Changes'.

A call to action will help us provide needed personal examples of the implications of the budget proposals particularly as they apply to the repeal of the passive loss exception and the expensing of intangible drilling costs from those that rely on such provisions to raise capital. Elected officials need to be informed and educated. Their constituents need to make them aware of these harmful provisions and, if enacted, the consequences to the capital needs of independent natural gas and oil producers.

Thank you in advance for your help. Please don't hesitate to contact me if you have any questions or comments.

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