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lemo From: S. K. Barry 220 W. Skyview Dr. San Antonio, Texas 78228 (512)434-2901

December 27, 1984

President Ronald Reagan
The White House
Washington, D. C. 20500

Dear Mr. President:

The recent Treasury Department tax reform proposals for the petroleum industry would put some of us independent oil producers out of the business of drilling oil and gas wells.

Independent oil producers, such as myself, drill 90% of the oil and gas wells drilled in the United States, however without incentives to balance the loss risk many of our investors would not invest in a well with us. Because of this it is estimated that there would be a 30% decrease in the number of oil and gas wells drilled in the U. S. In addition any decrease in oil and gas produced in the United States not only makes the U. S. more dependent on imports but also would increase our import export defecits.

We urgently request that you reject the Treasury Departments proposed tax reform proposals for the oil and gas industry.

Thank you.

Sincerely,

Sylvan K. Barry

cc to: Vice President George Bush
Mr. Edwin Meese, III
Mr. James A. Baker, III
Mr. Robert C. McFarlane
The Honorable Don Hodel
The Honorable William P. Clarke
The Honorable Donald T. Regan
Mr. Randall E. Davis

BLOUNT PETROLEUM INC.
900 N.E. LOOP 410
SAN ANTONIO, TEXAS 78209

S.W. BLOUNT III
PRESIDENT

MARK W. BLOUNT
VICE PRESIDENT

January 3, 1985

President Ronald W. Reagan
The White House
Washington D. C. 20500

Dear Mr. President:

Since January 1, 1985, I have been handed a copy of the Treasury Department's Tax Reform Proposals, which if sent to Congress as the President's formal proposal, would absolutely emasculate the business of oil and gas exploration. I am absolutely amazed by the constancy of the tax attacks on the oil and gas business in the face of declining domestic reserves, declining exploration activity in the United States and increased reliance in the future on foreign crude.

Unlike other businesses, of which some few in Congress have an understanding, the exploration for oil, gas and other minerals is quite a unique enterprise. No other business requires, yes, even demands, more venture capital than oil and gas exploration. Mr. Donald Regan's statement that business decisions should be made based on economic outcome and certainly not on tax consequences sounds very impressive when made by the Secretary of the Treasury. It doesn't set too well when attempting to make a decision as to whether or not to drill an expensive wildcat well in the middle of a large block of unproven acreage in an attempt to discover additional reserves of either oil or gas for domestic use. Much of the funds required for such exploration come from "tax" decisions with only a faint hope of favorable "economic" outcome. It would appear to me that some of the sages who make momentous decisions regarding business and the future of our Country should at some point in time attempt to acquaint themselves with the businesses being affected.

Having been a Republican all my life and having supported virtually every Republican running for office since I returned from World War II, and now being a small independent producer, who, like others, feels completely and totally forgotten by our elected Republican officials, I strongly urge that attention be given the recommendations of the IPAA and that someone at least stand up for the oil and gas exploration business, even though it might cost that person some votes and popularity.

Yours very truly,

S. W. Blount III

PATRICK D. BOWMAN

December 20, 1984

Dear Mr. Baker,

After two tours in Viet Nam and an honorable discharge from the U.S. Navy I could not wait to return to the U.S.A. and get to work. The G.I. Bill helped me obtain a B.S. degree from Texas A&M University (Geology) and upon graduation I began work in the oil fields. Now, nine years later, Tresury Secretary Donald Regan proposes, and I quote "…. capital and labor released from the energy sector... would be employed more productively in other industries." Who does he think he is making that decision? I guess that means that the taxes I've been paying mean I have been non-productive. Mr. Baker, surely you see the flaws in Mr. Regans proposal. The independents are the lifeblood of the Oil & Gas industry. Don't make us an extinct species

Best Regards & Merry Christmas

Patrick D. Bowman

C. ROBERT DAUBERT
MILAM BUILDING
SAN ANTONIO, TEXAS 78205

December 19, 1984

The Honorable James A. Baker, III
Chief of Staff
The White House
Washington, D. C. 20500

Sir:

You seek to kill the goose with your proposed changes to the tax code by the Treasury Department. If you dare to eliminate percentage depletion and the intangible drilling costs, you will decimate the oil business as it is today. Then you will undo yourselves.

It is the independant who will suffer under this plan, yes, the goose that lays the golden egg of 89% of the wells drilled in the United States in 1983, the goose that prods the major oil companies on to the blade of competition, the goose that entices millions of dollars to join in the search for our energy necessities with the tools of depletion and intangible deductions.

Kill the goose and look for replacement taxes, new jobs for idled workers, and new balances for ever higher trade deficits.

Very truly yours,

C Robt Daubert

C. Robt. Daubert

CRD:jk

HARRY HALLOWS
3810 HUNTERS BOW
SAN ANTONIO TX 78230 18AM

Western Union Mailgram

1-0263018353 12/18/84 ICS IPMBNGZ CSP WHSC
5124931242 MGMB TDBN SAN ANTONIO TX 58 12-18 0201P EST

JAMES A BAKER III
CHIEF OF STAFF AND ASSISTANT TO THE PRESIDENT
WHITE HOUSE 1600 PENN AVE N.W.
WASHINGTON DC 20500

TREASURY PROPOSALS COUNTERPRODUCTIVE TO CAPITAL FORMATION AND DAMAGING TO AMERICAN ECONOMY; WOULD CRIPPLE COUNSTRUCTION AND DEVELOPMENT, RESULTING IN JOB LOSSES, HOUSING SHORTAGES AND HIGHER RENTS. PROPOSALS CONFLICT WITH PHILOSOPHY OF REAGAN RE-ELECTION; I URGE OPPOSITION.

HARRY HALLOWS

14:00 EST

MGMCOMP

Scott D. Horn
5430 Mountain Vista
San Antonio, Texas 78247

December 19, 1984

JAMES A. BAKER III
CHIEF OF STAFF
THE WHITE HOUSE
WASHINGTON, D.C. 20500

I received details of the Treasury Department's proposed changes in the tax code at a seminar last week. I work for an independent oil producer and if these proposals take place I may lose my only source of income. I oppose the elimination of percentage depletion and intangible drilling costs. I am also concerned about the Treasury's proposal that dry hole costs should not be a deduction until a property is abandoned. Why not continue to allow the deduction of dry hole costs at the time they occur instead of waiting years to do so?

Keeping the tax code as is for intangible drilling cost does not mean the government gets less taxes. It merely means the taxes are spread over the years as the well produces income from production which is subject to tax in the year it is produced and sold. Repealing percentage depletion and intangible drilling costs will drastically reduce the number of wells drilled and reserves discovered in the United States. This proposal will reduce the number of independents exploring for oil and gas, cost thousands of jobs, and put suppliers out of business. This is a tremendous price for our government to pay for wanting the tax up front and killing an active segment of the oil and gas industry.

Sir, I urge you not to favor this proposal. Lets continue to have a strong, free America not dependant on foreign oil and where a man can still achieve and hope for "The American Dream".

Respectfully yours,

Scott D. Horn

Scott D. Horn

INLAND OCEAN, INC.

P.O. Box 6949
San Antonio, Texas 78209-0949
Telephone (512) 824-7583

December 26, 1984

President Reagan
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

RE: Treasury Tax Plan

Dear President Reagan:

The tax plan proposed by the Treasury Department would be devastating to the small, independent oil and gas exploration business in the United States.

If you desire the elimination of thousands of jobs, thousands of small entrepenurial companies, fewer oil and gas wells drilled in the U.S., less domestic production - therefore greater imports of oil and gas, and greater concentration of the oil and gas industry into the major oil and pipeline companies, then support Regan's proposal as it stands.

The domestic energy industry and the country will not survive the changes that are proposed. The small independent producers are more severely afflicted than the major oil company by the loss of depletion and the expensing of intangible drilling expenses. The majors do not raise money like the independents, where individuals are our bread and butter. The changes could be withstood by the majors with no detrimental affect. The small independent could not survive. Our investment dollars would dry up. I have already spoken to our investors about this and they would not risk their money on a potential total loss if they were subjected to the changes in the tax laws as now contemplated.

Since independents represent a large and growing portion of the exploration and production in this country, then you could expect exploration and production declines that will only weaken our country. Economic growth would cease and energy independence or interdependence would be impossible. Dependence on foreign supplies would be worse than in the early 1970's and the impact of the potential whims of the OPEC nations would be even more devastating.

My father started this company when he became an independent in 1956. I am now actively involved because the future looked good for the business as long as government was getting out with decontrol, etc. However, the realities are otherwise and the tax proposals in their present form would destroy this company, my father's lifelong work and my future.

Please bring some reason to the debate.

Sincerely,

Hans R.F. Helland
James H. Helland

HRFH:ja

cc: Senator Phil Gramm
Russell Senate Office Bldg. #176
Washington, D.C. 20510

Senator Lloyd Bentsen
Hart Senate Office Bldg. #703
Washington, D.C. 20510

Representative Tom Loeffler
Longworth House Office Bldg. #1211
Washington, D.C. 20515

MAYO OIL COMPANY
C-102 PETROLEUM CENTER
SAN ANTONIO, TEXAS 78209
(512) 828-4610

January 3, 1985

The President of the United States
The White House
Washington, D. C. 20500

Dear Mr. President:

I respectfully urge your strong opposition to the Treasury Departments tax proposals regarding oil and natural gas. If these proposals become law, they will have a devastating effect on the Independent Producer.

Intangible drilling costs, depletion allowances and dry hole cost deductions are not tax "loopholes". They are tax provisions which enable Independent Producers to attract outside venture capital that is necessary for us to explore for new oil and gas reserves. Without this outside capital, the Independent Producer will all but cease in drilling new wells which will result in the loss of thousands of jobs, not only throughout the industry itself, but also in the service and supply businesses.

Unemployed workers pay no taxes and are a burden on our country and wells that are not drilled will generate no taxes and be of no help in reducing our dependence on foreign oil. These tax proposals are not only bad for the Independent Oil Producer, but they are bad for the Federal Government, because they mean lost jobs and lost revenues for both.

Mr. President, I have been a supporter of yours since you were the Governor of California and have long been a staunch backer of your conservative and pro-business policies. I am 32 years old and have a young business and I can tell you that if made into law, these tax proposals will be disasterous to me and many other Independent Producers like me.

Please don't let me down. I urge you to reject the Treasury Department's tax changes relating to oil and natural gas.

Sincerely,

Paul R. Mayo Jr.

PAUL R. MAYO, JR.

PRMjr:ah
CC: Edwin Meese, III
James A. Baker, III
Robert C. McFarlane
Vice Pres. George Bush
The Honorable Don Hodel
The Honorable Donald T. Regan

Northridge Oil Company
P. O. Box 6087 Texarkana, Texas 75501
Phone (214) 832-3696

December 18, 1984

The President
The White House
Washington, D.C. 20500

Dear Mr. President,

I respectfully urge your strong opposition to the Treasury Department's tax proposal regarding oil and natural gas. This legislation will force thousands of independent oil and natural gas producers to severely curtail or cease to drill new wells. There is evidence that the rate of decline in drilling will be between 30 & 40 %. Consequently, there will be a 30 to 40% reduction in new reserves found, thereby increasing this nation's dependence on foreign oil.

An increased dependence on foreign oil will increase our trade deficit, weaken our national defense, raise energy prices for everyone, and actually reduce tax revenue to the federal government. Intangible drilling costs, depletion allowances, and dry hole cost deductions are not tax "loopholes". They are tax provisions which enable independent producers to attract outside venture capital and maximize internally generated capital so that these independent producers can drill more wells and find more oil and natural gas reserves, which results in more tax revenue for the Federal Treasury. The proposed tax scheme would create a heavy front end tax load in the year a well is drilled and will force thousands of independent operators out of business. Bankrupt businesses and jobless people do not generate tax revenue. Wells that are not drilled generate absolutely no tax. Also, we cannot afford to send more jobs overseas and increase our balance of payment deficit.

You cannot ignore the contribution these independent producers have made to this nation and will continue to make if given a fighting chance. These independents have put up relatively large amounts of money in an extremely high risk segment of American business. We cannot allow them to be forced out of business just because some in our government want tax money up front.

Mr. President, you have done an incredible job of reasserting America's strength throughout the world through your foreign policy and military preparedness. Don't allow our military to have to depend on OPEC oil to fuel our ships and planes.

Sincerely yours,

Donald H. Combs

Donald H. Combs
Secretary , Treasurer
Northridge Oil Company

DHC/nlc

cc: Edwin Meese, III
James A. Baker, III
Robert C. McFarlane
Vice-President George Bush
The Honorable Don Hodel
The Honorable William P. Clarke
The Honorable Donald T. Regan
Randall E. Davis

Rosebud Exploration & Development, Inc.

115 West 5th Street
Tyler, Texas 75701
(214) 593-6466

Gordon Davis, President

December 11, 1984

James A. Baker, III
Chief of Staff
The White House
Washington, DC 20500

Dear Mr. Chief of Staff:

I have studied with an open mind all available material about the most recently revealed tax reforms submitted by your administration particularly as they relate to the oil and gas business.

Please be assured that the proposals if enacted into law will do away with a significant portion, if not a major portion, of the independent segment of the oil and gas exploration and production industry because they will effectively destroy our ability to raise capital to help finance our activities. The most damaging provisions are those relating to capitalization of intangible drilling costs and not being able to write off dry hole costs until abandonment of a property. This would, in effect, make us capitalize the cost of a completely worthless dry hole.

These sort of reforms, by adversely affecting our capacity to perform, makes us more dependent on foreign and more expensive forms of alternative energy sources. With the current surpluses and declining prices, we don't need more problems to fight - we just need to be left alone for a while at least.

Sincerely yours,

Gordon Davis

GD:ks

TEXLAN OIL COMPANY INC, CS
3821 OLD BULLARD RD
TYLER TX 75701 11AM

Western Union Mailgram

1-0299168346 12/11/84 ICS IPMBNGZ CSP WHSC
2145617271 MGMB TDBN TYLER TX 199 12-11 0315P EST

JAMES A. BAKER III
CHIEF STAFF
WHITE HOUSE
WASHINGTON DC 20500

EA

KC-15

DEAR SIR:

RETENTION OF PERCENTAGE DEPLETION AND EXPENSING OF INTANGIBLE DRILLING AND DRY HOLE COSTS WHEN AND AS DRILLED IS CRITICAL TO MAINTENANCE OF THE OIL AND GAS BUSINESS AS A VIABLE DOMESTIC INDUSTRY. CANCELATION OF THESE ITEMS UNDER THE TREASURY DEPARTMENT TAX REFORM PROPOSALS WOULD LEAD TO AN IMMEDIATE DISINTEGRATION OF EXPLORATION FUNDS FOR INDEPENDENT OPERATORS WITH SUBSEQUENT RAMIFICATIONS REGARDS UNEMPLOYMENT AND DOMESTIC ENERGY DEFENSE SUPPLYS.

EXCESSIVELY HIGH RISK RATIOS IN DOMESTIC WILDCATTING MANDATE FAVORABLE TAX TREATMENT FOR AN INDUSTRY THAT HAS SUCCESSFULLY COMPETED WITH GOVERNMENT CONTROLLED AND SUBSIDIZED ENERGY COMPANIES ON A WORLDWIDE BASIS. THE AMERICAN PEOPLE WILL ULTIMATELY PAY HIGHER PRICES FOR ENERGY IN EVERY FORM IF AFORESAID TAX ITEMS ARE LOST, BECAUSE THIS LOSS WILL UTIMATELY LEAD TO THE CREATION OF A GOVERNMENT CONTROLLED AND SUBSIDIZED NATIONAL OIL COMPANY. THE PRIVATELY OWNED, ENTREPRENEURAL U.S. ENERGY BUSINESS HAS REPEATEDLY SHOWN THAT IT IS MORE EFFICIENT THAN WORLDWIDE GOVERNMENT CONTROLLED COMPANIES. I URGE YOUR SUPPORT IN MAINTAINING PERCENTAGE DEPLETION AND EXPENSING OF IDC AND DRY HOLE COSTS TO PERMIT THE CONTINUED, SUCCESSFUL OPERATION OF THE DOMESTIC ENERGY BUSINESS.

SINCERELY,

JAMES D. KOLB,
PROFESSIONAL ENGINEER AND GEOLOGIST

15:15 EST

MGMCOMP

L. D. BURNS DRILLING COMPANY
ONE PARKER SQUARE • SUITE 500 • 817-723-0512
P.O. DRAWER 4867
WICHITA FALLS, TEXAS 76308

December 20, 1984

The Honorable James A. Baker III
Chief of Staff
The White House
Washington, D.C. 20500

Dear Mr. Baker:

I am writing to you today, to try to give you some input on the proposed changes concerning investment in the domestic oil and gas industry. Many aspects of the oil and gas business are misunderstood. Part of this problem may be the independents' lack of capital to make his story told, as compared to other lobbying groups across the nation. The story of the independent, however, has been well-documented, and in many respects, the Congress of the United States has recognized the important role they have played in the development of oil and gas resources for our nation.

I, personally, represent the second generation of a family involved in the oil and gas business. My company, however, is directed toward the service end of this industry. My job is to work for any person or group of individuals who desires to explore for oil and gas by drilling a well in North Central Texas and Southern Oklahoma. I visit the offices of some two hundred customers during the course of the year, and feel first hand the pulse of both the economic condition of the country and that of the oil and gas business itself. We've gone from a boom cycle, where the previous President of the United States, Mr. Jimmy Carter, challenged this nation in words to the effect that, "The energy crisis was the moral equivalent of war." Senator Scoop Jackson challenged this industry with comments, "He doubted the ability of industry to construct enough drilling equipment and get it in the field in time to alleviate our supply shortfall." Many companies, such as mine, took these challenges to heart. We grew from one drilling rig in 1977 to where we're currently operating nine rigs. We grew by going to our local bank, borrowing the money to construct this equipment, based on the perception that this country was going to need an all-out effort to increase its domestic energy supplies.

Through this period, we have seen a volatile world pricing situation going on, and with dismay, continued taxation not on your foreign sources of crude, but your domestic producer, such as the Windfall Profits Tax and other accounting procedures styled against your domestic producer. In addition, we've seen a large price reduction in the last couple of years, which has led us into what's called a "bust cycle" we're currently operating in. Many of my customers have gone out of business, being unable to adapt to these volatile changes. I feel the majority of our clients are entrenpreneurs, aggressive, hard-working individuals, and can adapt to prices as they fluctuate in the market place. What they will not be able to overcome, however, is a tax plan which eliminates the incentives these companies need to invest in the high-risk business of drilling for oil and gas. As a driller, I see daily the risk, danger and possible financial ruin operators face in drilling an oilwell. These potential losses cannot be shown going into the drilling of a well, or you wouldn't have anyone taking the exposure of this risk.

I know first hand the operators in our area have a restricted ability to raise the necessary capital to drill for oil and gas, even at historically low costs we are experiencing now. Bankers have closed the door to making energy loans. Drilling funds have dried up to almost zero, and government tax policy has continually, for the last five to six years, been pro-foreign and anti-domestic production, which is beyond my comprehension. Thousands of contractors like myself find ourselves in a most vulnerable position. We have made the investment, provided the equipment, and have the expertise and know-how to go out and find new reserves of oil and gas. Geologists can show us their prospects, their ideas, on where to drill for these much-needed new sources of oil and gas. What is needed, is a firm and supportive domestic energy policy to get the job done. We are certain, major changes in established tax policy will cause mass drilling company failures. We will not be able to rebuild the domestic drilling segment of our industry. No one will again loan money to a business that is continually burdened in its efforts by negative legislation from the country it so desperately desires to support.

What I hope to accomplish by writing this letter, is for those parties in the position of making tax policy to forget for a moment what you've seen on T.V., and ask to hear from those of us who do the drilling. Incentives in place now are the major stimulus for the domestic industry to drill enough wells to just sustain our current production level. Are we satisfied with the tremendous amount of capital being paid daily for foreign souces of crude, and how does that affect our balance of payments? Can we morally abrigate the commitment made by Presidents Nixon, Ford, Carter and Reagan, that the development of our domestic energy resources in the oil and gas area is a major priority for this nation? Will the Congressmen who would propose to invalidate this pledge of support from the congressional level, please step forward and explain to borrowers such as myself, what we should tell our bankers as we report a 30% to 40% decline in oilwells drilled in the United States, should the elimination of expensing drilling costs and percentage depletion be put in place? I also speak for the steel worker, rubber worker and other small support industries which will also be out of a job. There are no pipe mills in Texas, and tires are built in Ohio.

Yes, we are very excited that Christmas season is upon us; and, for a few moments we can take ourselves away from the problems and difficulties we face in my business. We all rejoice and give thanks we are living in the freest and greatest country in the world. We ask for your guidance and your leadership in determining what type and how strong a country we are going to be in the future. I would like to close by reprinting an invocation read by Msgr. Elmo L. Romagosa, Director of International Stella Maris Maritime Center, New Orleans.

"Almighty Lord of the eternal energies, we ask Your blessing upon the officers and members of the American Petroleum Institute and their guests here assembled.

"O Master of the universe, You have so made matter that it follows a wonderful pattern of laws. We thank You for storing gases and liquids and solids for us in the depths of the earth as energy sources for human living. You have compressed within the tiny space of the atom a dynamic and terrifying force as a mirrored reflection of your Almighty power. In a drop of oil and in a jet of gas, You have preserved for centuries unnumbered the heat and light of the sun.

"O Director of all operations, both downstream and upstream, grant to the executives here gathered the prophetic vision of Isaiah in establishing time-related "R&D" objectives in our American free market system and grant them as well the endurance of Joshua in coordinating their implementation undaunted by those holding divergent views. And finally make them all patient as Job as they face the inevitable prospect of blowouts and dry holes, to say nothing of continuing price controls on natural gas.

"O Divine Custodian of Strategic Petroleum Reserves, grant to all API members the understanding that for them, SPR should also signify Serious Personal Responsibility, so that when life's final well has been capped, the sweet crude of Your love may be a pledge of the Gold Medal of life eternal."

For your domestic drillers to survive, we need positive support from you now. With winter coming and less drilling ahead, many companies may not make summer in tact. Please make your comments known now. Please feel free to contact me or anyone on my staff; we would be glad to supply you with factual information, drilling trends over the last four to five years, and what we perceive is the proper tact in trying to increase the domestic exploration in the United States, and protect the future of all Americans.

Respectfully yours,

L D Burns

L. D. Burns
President

LDB:gms

STERLING PETROLEUM CORP.

P. O. Box SPC — Zip 76307
800 Oil & Gas Building
WICHITA FALLS, TEXAS 76301
817/322-4426

JPr

December 5, 1984

The Honorable James A. Baker, III
Chief of Staff
The White House
Washington, D.C. 20500

Dear Mr. Baker:

The Treasury's Modified Flat Tax Proposal would be a disaster for the nation and for the independent oil and gas producers of this nation. We independents drill some 90% of the exploratory wells each year in this country and must attract outside capital to drill these exploratory wells. Even just proposing the tax plan has had a chilling effect on outside investment capital.

Since 1913 Congress has provided tax incentives to the domestic petroleum industry in recognition of two facts:

1. Our national interest mandates that we develop our reserves of oil and gas, and,

2. Exploration for oil and gas reserves was and is an extremely high risk business.

The Treasury proposal attempts to view all tax incentives in a vacuum, without regard to the national policies which brought them about. This is a mistake which could result in irrevocable harm to the nation.

Oil and natural gas presently meet about 75 percent of our energy requirements and are projected to provide over one half of our energy well into the next century.

Oil imports account for 30 percent of our needs. The implementation of any new tax scheme which significantly lessens the attractiveness of investing in domestic exploration will thereby cause an increase in our reliance on foreign oil sources. This will:

weaken our national security
exacerbate our balance of payments problems
undermine our foreign policy positions

and will, in addition, displace thousands of workers and badly shake the confidence of lending institutions in the credit worthiness of the domestic petroleum industry.

All of these negative aspects come at a time of declining oil and natural gas prices and a temporary surplus of oil and gas which has caused one of the most precipitous and severe economic depressions ever in this industry.

We cannot at will turn off and on this vital industry in the mistaken belief that it is better for us to consume foreign oil while saving our own reserves. Such off and on policies result in skilled and trained workers leaving the industry maybe never to return, in irrevocable damage to producing reservoirs and in loss of investment capital. Thus, the Treasury's conclusion is erroneous that the proposal may cause economic hardship in the short run but work for the betterment of the industry in the long run. There may not be a "long run" for this industry.

We shall oppose the Treasury proposal with every resource at our command because it will harm the nation.

We respectfully ask that the Modified Flat Tax Proposal be set aside, and quickly, so that we can return to the essential work of providing for the long range energy requirements of the country.

Sincerely,

STERLING PETROLEUM CORP.

Robert E. Vinson

Robert E. Vinson, President

REV/kw

G. L. JERRY VINSON
OIL AND GAS PRODUCER
P. O. BOX SPC-ZIP 76307
800 OIL & GAS BUILDING
WICHITA FALLS, TEXAS 76301

December 28, 1984

The Honorable James A. Baker, III
Chief of Staff
The White House
Washington, D.C. 20500

Dear Mr. Baker:

No doubt you are aware of the importance of the oil industry to the welfare of the United States. These points detail some of the precarious positions we are in now in case of a war emergency since we are importing more than 1/3 of our requirements from abroad. During the last great war we had a comfortable surplus!

1. The constant errosion of the incentives for engaging in the search for new petroleum reserves.

2. The great length of time that would be required to restore our sufficiency in oil even with emergency pressure applied (about 10 years).

3. The failure to find adequate substitutes for petroleum.

4. The sad condition of our balance of payments due quite substantially to the necessity for these oil imports.

5. The absolute necessity of maintaining the front charge off of intangible drilling costs and maintenance of at least the present minimum depletion allowance which has been drastically reduced in recent years.

All of these considerations mean that if the independents in the oil industry, who do 90% of the wildcat drilling, experience any new adverse tax treatment, it is my conviction that as far as such independents are concerned, their vital part of the oil industry will be destroyed.

Sincerely,

Jerry Vinson

Jerry Vinson

GLV/kw

WALSH AND WATTS, INC.
OIL PRODUCERS
1111 SEVENTH STREET
WICHITA FALLS, TEXAS 76301
817-723-2104

December 27, 1984

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

Our company is a relatively small independent producer of oil and gas; however we, each year, drill several exploratory and development wells in an attempt to develop additional production and oil and gas reserves. Recently, we received information concerning the Treasury Department's proposed changes in the tax code and are very concerned about some of the provisions. We vigorously oppose the elimination of percentage depletion for independent producers and elimination of expensing of intangible drilling costs. These two items were originally provided as incentives to independent oil producers and investors in oil and gas ventures to encourage the risk taking associated with drilling holes for the production of oil and gas. These incentives have been very instrumental in encouraging the drilling of additional wells.

According to industry records, about 89% of wells drilled in the United States last year were drilled by independents. Certainly the establishment of reserves for future use depends to a great extent upon the number of exploratory wells drilled each year by these independents.

Although there appears to be an adequate amount of oil available worldwide at the present time, certainly the crisis following the oil embargos beginning in 1973 shows how vulnerable we are in depending upon foreign sources of oil. We feel very strongly that the repealing of percentage depletion for independents and repealing of the expensing of intangible drilling costs will have the following effects:

(1) will dramatically reduce the investment dollars available for oil and gas exploration;

(2) will thus reduce the number of wells drilled and total reserves established in the United States;

(3) will further hurt the United States' balance of payments as it becomes necessary to import more and more foreign oil since domestic reserves will not be developed;

(4) will increase further our vulnerability to foreign curtailment or inability to ship oil and thus could jeopardize our national defense.

(5) will reduce greatly the number of independents and investors exploring for oil and gas and eliminate many jobs; and

(6) will ultimately increase the price of crude and petroleum products available to the consumers because of the decreased availability of domestic supplies.

We certainly believe that the independent oil and gas producer has been a cornerstone of America's energy industry, and that much of the present oil and gas reserves have been established because of the risk-taking of drilling additional wells by the independent producers. These small independent producers can take greater risks and find additional reserves that major oil companies could or would not find possible. Without percentage depletion and expensing of intangible drilling costs, we feel that the independent segment of the oil industry will shrink drastically and that establishment of new reserves will be drastically cut.

We urge you to withdraw the current proposals of the Treasury Department in eliminating the expensing of intangible drilling costs and eliminating of percentage depletion for independents. This would be in keeping with one of your stated objectives, "to obtain energy independence for America and maintain a strong national defense, along with an expanding economy".

Respectfully yours,

WALSH AND WATTS, INC.

By: Alfred B. Guinn

Alfred B. Guinn

ABG:sn

cc: Mr. James A. Baker III
Chief of Staff
The White House
Washington, D.C. 20500

Woodbine Exploration
Southwest Bldg.
4245 Kemp, Suite 302
Wichita Falls, Texas 76308
817-691-1553

January 2, 1985

James A. Baker III
Chief of Staff
The White House
Washington, D.C. 20500

Dear Mr. Baker:

I received details of Treasury Department's proposed changes in the tax code this week. I am very concerned about these proposals, and oppose the elimination of percentage depletion and intangible drilling costs. I am also very concerned about Treasury's contention that dry hole costs should not be a deduction until a property is abandoned. It's only fair to allow the deduction of dry hole costs at the time they occur instead of waiting years to do so.

Percentage depletion and expensing of intangible drilling costs are more than just incentives to the thousands of independent oil producers and the tens of thousands of investors: It is our lifeblood. Without these business of economic incentives, the independent oil producer would become a vanishing breed. Last year independents drilled 89% of the wells drilled in the United States. And future reserves are a direct function of the number wells drilled.

Repealing percentage depletion and intangible drilling costs:
*will drastically reduce the amount of investment dollars available for oil and gas exploration;
*will dramatically reduce the number of independents exploring for oil and gas;
*will reduce the number of wells drilled and reserves discovered in the United States;
*will further hurt the United States' balance of payments as we import more foreign oil to make up for the oil not found and produced in the United States;
*will increase our vulnerability to cut-offs of oil from unstable sources;
*will increase the price of crude oil and petroleum products to consumers by decreasing the available supply in the future;
*will decrease competitive edge.

I take strong exception to Treasury's contention that capital diverted from oil and gas exploration would be "employed more productively in other industries". Treasury noticeably fails to mention exactly where these investment dollars could be spent "more productively." I cannot think of an industry that is any more important than the domestic energy producing industry which provides a stable and dependable source of energy.

We believe that the independent oilman is the cornerstone of America's energy industry. Most independent oil companies are small businesses, and do many things that major oil companies cannot and will not do. There is a place for the small independent, but without percentage depletion and intangible drilling costs his place will shrink until he has virtually no room to operate.

Therefore, I urge you to withdraw the current proposals of the Treasury Department and draft provisions which are in keeping with your stated objectives of energy independence, a strong national defense and an expanding economy.

Respectfully yours,

Ted Balch

Ted Balch

W W SUB, INC.
1111 Seventh Street
Wichita Falls, Texas 76301

December 27, 1984

The President
The White House
Washington, D.C. 20500

Dear Mr. President:

Our company is a small independent producer of oil and gas; however we, each year, drill several exploratory and development wells in an attempt to develop additional production and oil and gas reserves. Recently, we received information concerning the Treasury Department's proposed changes in the tax code and are very concerned about some of the provisions. We vigorously oppose the elimination of percentage depletion for independent producers and elimination of expensing of intangible drilling costs. These two items were originally provided as incentives to independent oil producers and investors in oil and gas ventures to encourage the risk taking associated with drilling holes for the production of oil and gas. These incentives have been very instrumental in encouraging the drilling of additional wells.

According to industry records, about 89% of wells drilled in the United States last year were drilled by independents. Certainly the establishment of reserves for future use depends to a great extent upon the number of exploratory wells drilled each year by these independents.

Although there appears to be an adequate amount of oil available worldwide at the present time, certainly the crisis following the oil embargos beginning in 1973 shows how vulnerable we are in depending upon foreign sources of oil. We feel very strongly that the repealing of percentage depletion for independents and repealing of the expensing of intangible drilling costs will have the following effects:

(1) will dramatically reduce the investment dollars available for oil and gas exploration;

(2) will thus reduce the number of wells drilled and total reserves established in the United States;

(3) will further hurt the United States' balance of payments as it becomes necessary to import more and more foreign oil since domestic reserves will not be developed;

(4) will increase further our vulnerability to foreign curtailment or inability to ship oil and thus could jeopardize our national defense;

(5) will reduce greatly the number of independents and investors exploring for oil and gas and eliminate many jobs; and

(6) will ultimately increase the price of crude and petroleum products available to the consumers because of the decreased availability of domestic supplies.

We certainly believe that the independent oil and gas producer has been a cornerstone of America's energy industry, and that much of the present oil and gas reserves have been established because of the risk-taking of drilling additional wells by the independent producers. These small independent producers can take greater risks and find additional reserves that major oil companies could or would not find possible. Without percentage depletion and expensing of intangible drilling costs, we feel that the independent segment of the oil industry will shrink drastically and that establishment of new reserves will be drastically cut.

We urge you to withdraw the current proposals of the Treasury Department in eliminating the expensing of intangible drilling costs and eliminating of percentage depletion for independents. This would be in keeping with one of your stated objectives, "to obtain energy independence for America and maintain a strong national defense, along with an expanding economy".

Respectfully yours,

W W SUB, INC.

By: Al Guinn

Al Guinn

AG:sn

cc: Mr. James A. Baker III
Chief of Staff
The White House
Washington, D.C. 20500

COPY

December 20, 1984

The President
The White House
Washington, D.C. 20500

Dear Mr. President,

I am an independent oil and gas producer and am worried about some of the tax proposals being discussed. If intangible drilling costs and depletion allowances are tampered with production of both oil and gas will decline and small independent producers which are the backbone of our energy business will be the first to suffer. Also, many workers will be out of work.

I believe that the independent oilman is the cornerstone of America's energy industry. Most independent oil companies are small businesses, and do many things that major oil companies cannot or will not do. There is a place for the small independent, like myself, but without percentage depletion and intangible drilling costs his place will shrink until he has no room to operate.

I am convinced that your careful review of the effect of the new tax proposals on independents, their employees, and our nation will lead you to oppose such proposals.

Respectfully Yours,

William E. Harper

William E. Harper
Box 311
Woodson, Texas 76091