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IPAA Fights Efforts to Pass Tax Measure

Staff Contacts: Lee Fuller, Ryan Ullman

Senator Bernard Sanders (D-VT) introduced an amendment yesterday that would implement the Obama administration's desire to raise taxes on oil and natural gas production. The \$40 billion tax package attacks long standing tax provisions such as intangible drilling costs, percentage depletion, the passive loss exception among a number of others.

In a press release issued Wednesday, IPAA president and CEO Barry Russell said, "America's independent oil and natural gas companies, not so-called 'Big Oil,' develop 90 percent of the nation's oil and natural gas wells, providing this country with an important safety net against increased reliance on foreign oil."

Russell went on to say, "This punitive tax proposal on American companies would result in needless layoffs, less American-made energy and, coincidentally, less tax and royalty revenues generated for state and federal treasuries. How is that a smart energy, economic or national security policy?"

The Sanders amendment is expected to come for a vote in the near future.

Please visit <http://ipaa.org/news/docs/TaxesFeb2010.pdf> for IPAA's fact sheet on the Obama tax proposal.

Visit http://ipaa.org/news/press_releases/2010/2010-06-09_118.php to view the press release.

Senate Rejects Murkowski Resolution to Reverse EPA Finding

Staff Contact: Ryan Ullman

The Senate yesterday voted on a measure introduced by Senator Lisa Murkowski (R-AK) that would override the Environmental Protection Agency's (EPA) endangerment finding related to greenhouse gases (GHG). The endangerment finding is the basis for EPA's subsequent efforts to regulate GHGs under the Clean Air Act (CAA). The effort failed on a vote of 47-53.

IPAA submitted comments during the period when EPA was considering the endangerment finding related to GHGs. Those comments can be viewed at <http://www.ipaa.org/news/docs/2009-06-IPAAGHGEndangermentComments.pdf>.

Sen. Murkowski had 40 cosponsors on the measure, including three Democrats: Sens. Mary Landrieu of Louisiana, Blanche Lincoln of Arkansas and Ben Nelson of Nebraska. Sen. Jay Rockefeller (D-WV)

The proposal was brought forth under the Congressional Review Act (CRA) which allows Congress to review, and potentially reverse, federal regulations. Measures considered under the CRA are not subject to amendment or filibuster.

IPAA, API, and NOIA Announce Joint Task Force on Spill Preparedness and Response

Staff Contact: Dan Naatz

The National Ocean Industries Association (NOIA), Independent Petroleum Association of America (IPAA) and the American Petroleum Institute (API) have formed two new task forces to address oil spill preparedness and response.

“A recurring theme raised by the ongoing spill in the Gulf of Mexico is that the technology exists to drill successfully in deeper and deeper water, but the technology to respond to release of oil in these environments appears not to have kept pace,” said NOIA President Randall Luthi. “These new task forces will address that question and others.” Luthi introduced the idea of the task forces during testimony before the House Natural Resources Committee last month.

“Independent oil and natural gas producers hold 90 percent of the offshore leases. Offshore energy production is a safety net against increased reliance on foreign oil, but with this production comes important responsibilities like protecting the safety of our workforce and employing every technology possible to care for the environment. These new task forces will help us achieve these goals while creating jobs, producing American energy and creating an important revenue stream for local, state and federal treasuries,” said IPAA President and CEO Barry Russell.

The task forces will review the ongoing spill response actions both on the surface and subsea and will make recommendations on how to improve future response and containment efforts.

The task forces will seek input from top academics and researchers, state and federal agencies and fellow trade associations, among others. Findings and recommendations of the task forces will be shared with Congress, the Presidential Investigative Commission, the industry and the public at large.

NOIA and IPAA look forward to working with the administration and members of Congress on this initiative.

Interior Department Issues Notice to Lessees and Safety Regulations

Staff Contact: Dan Naatz

The Department of Interior (DOI) issued a Moratorium Notice to Lessees (NTL) in addition to new safety recommendations in the wake of the Deepwater Horizon disaster in the Gulf of Mexico.

The Department's NTL sets forth the guidelines for both shallow and deepwater offshore drilling operations for the recently imposed moratorium. The moratorium applies to all deepwater wells, defined in the NTL as wells being drilled in more than 500 feet of water. Shallow water operations may continue as long as the terms set forth in the NTL can be met. The effective date of the Moratorium NTL is May 30, 2010.

IPAA continues to work closely with Congress and other federal agencies to address the ongoing spill in the Gulf of Mexico and urges all IPAA members with offshore operations impacted by the NTL to provide IPAA's government relations staff with feedback on this Moratorium and how it is effecting operations. Understanding these detrimental effects is critical as IPAA works with lawmakers on behalf of independent producers to ensure that American offshore production continues to be part of a robust domestic energy policy going forward.

The DOI's Moratorium NTL can be viewed at <http://www.doi.gov/news/pressreleases/loader.cfm?csModule=security/getfile&PageID=33716>.

The DOI, in conjunction with the U.S. Coast Guard (USCG) has also issued a series of safety recommendations and improvements. The complete list of [safety recommendations can be viewed here \(http://www.mms.gov/safetyalerts/joint_2.htm\)](http://www.mms.gov/safetyalerts/joint_2.htm). The recommendations include ensuring safety equipment is available and functioning properly, inspection and testing of control mechanisms, and ensuring proper personnel have adequate training to perform their assigned tasks are among them.

IPAA Wildcatter Fund Candidate Profile - Rep. William Cassidy (R-LA)

Staff Contact: Courtney Hazen

Rep. William Cassidy is the first-term Representative from Louisiana's Sixth District. Cassidy holds a B.S. and M.D. degree from Louisiana State University. Prior to his time in politics, Cassidy was an Associate Professor of Medicine at LSU Medical School at Earl K. Long Hospital, where he provided care for uninsured patients and taught doctors in training. He was also a physician/co-founder at the Greater Baton Rouge Community Clinic. He served in the LA Senate for one term before he was elected to the U.S. House of Representatives in 2008.

As a member of both the Natural Resources and Agriculture Committees, Cassidy has emerged as a vocal advocate for the oil and gas industry. He has served as an able spokesman for the need to produce our domestic resources and the benefits it brings. He also played an active role in the derivatives issue during financial reform debate. Please visit: http://grassroots.ipaa.org/incumbent_detail.asp?g=ipaa&leg_id_num=32059 to view Rep. Cassidy's IPAA voting record.

Passive Loss Exception for Working Interests – Information Needed

Staff Contact: Ryan Ullman

The Obama Administration has proposed to repeal the passive loss exception for working interests in oil and natural gas properties. IPAA is opposing this repeal. In presenting arguments to Congress, members ask about the importance of the issue to operators in their states. IPAA would like to develop a list of companies that value the provision and their states of operation.

In this tax provision, Congress permitted taxpayers to deduct losses from oil and natural gas investments if the investments are made in the form of a working interest. That is, it is an interest that carries with it the obligation to share in the costs to develop the resources on the property. To qualify, the taxpayer must hold the working interest through an entity that does not limit liability with respect to the interest. Thus, a taxpayer who holds a working interest in this prescribed fashion and puts up capital to fund the drilling of oil and natural gas wells is entitled to deduct their share of tax losses resulting from the drilling expenditures. If the passive loss exception is repealed, working interest owners who are not the actual operator of a property - e.g., all other investors - would have to treat the property as a passive investment.

Please contact Ryan Ullman, rullman@ipaa.org, to provide information.

Upcoming Events Schedule

Staff Contact: Nikki McDermott

Make Plans to Attend IPAA's Upcoming Meetings/Events

IPAA Midyear Meeting

June 16-18, 2010
The Broadmoor
Colorado Springs, CO

[View here to register today for IPAA's Midyear Meeting](#)

[View here to visit IPAA's Midyear Meeting website for registration, flight, and schedule information](#)

This year's midyear meeting will be held at The Broadmoor in Colorado Springs, CO. IPAA's Midyear Meeting will provide an exceptional roster of industry and nationally recognized speakers and timely discussions on issues currently impacting your bottom line. It will also provide an ideal networking environment for oil and gas executives to connect with other management teams and service and supply providers from around the country. Located in Colorado Springs, at the foot of the Colorado Rockies, The Broadmoor provides the perfect setting in which to conduct business.

Rig Count

Staff Contact: Fred Lawrence

	<u>6/4/10</u>	<u>5/28/10</u>	<u>Year Ago</u>
Land	1469	1475	831
Inland Waters	13	12	4
Offshore	24	48	52
U.S. Total	1506	1535	887
Gulf of Mexico	23	46	51
Oil	545	555	179
Gas	947	967	700
Miscellaneous	14	13	8

Source: Baker Hughes

Independent Petroleum Association of America

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