

December 13, 2013

The Honorable Max Baucus
511 Hart Senate Office Building
Washington, DC 20510

Dear Chairman Baucus:

The undersigned oil and natural gas associations endorse a pro-growth tax code that promotes domestic investment, job creation and energy production. While we respect and appreciate your efforts to make the tax code less complicated and more competitive, your recent discussion draft on cost recovery and tax accounting raises significant concern among our member companies.

Throughout the economic downturn, America's oil and natural gas industry has provided one of the few bright spots as the economy struggles toward recovery. The industry has invested hundreds of billions of dollars to develop our nation's oil and natural gas reserves, expand our refining capacity and develop innovative new technologies to meet the energy demands of a growing economy. This investment has created tens of thousands of high paying jobs and billions of dollars in new revenue for the government. These are exactly the types of investments tax policy should encourage and support.

Our concern is that the proposals in your discussion draft, such as extending the period during which businesses can recover their operating or labor costs – as in the case of drilling expenses – will take cash away from capital-intensive businesses like ours and significantly reduce future domestic investment. In addition, proposals to extend depreciable lives and eliminate valid, long standing accounting methods, like LIFO, will also significantly hurt energy businesses seeking to grow and invest in new capital projects.

While tax policy can indeed be complicated, it has always been a policy objective to support and encourage domestic investment and the jobs such investment creates. We believe, therefore, that shifting cash from robust private investment conflicts with that objective. Further, recent polling shows that voters broadly support domestic energy investment and disapprove of taxes that could increase their energy costs.

Our industry is poised to make even greater capital investments in domestic energy projects all across the United States, generating jobs and revenues for local communities throughout the country. We must have a tax code that not only encourages growth in such investments, but allows us to continue our track record of creating jobs, growing the economy and strengthening our energy security.

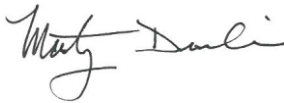
Sincerely,



Jack Gerard
President & CEO
American Petroleum Institute



V. Bruce Thompson
President
American Exploration & Production Council



Martin Durbin
President & CEO
America's Natural Gas Alliance



Barry Russell
President & CEO
Independent Petroleum Association of America



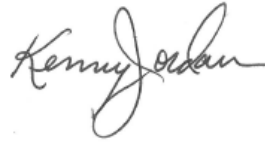
Randall Luthi
President
National Ocean Industries Association



Chris Cragg
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Kenneth A. Doyle
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SIGMA



Kenny Jordan
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Toby Mack
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R. Skip Horvath
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Natural Gas Supply Association



Dan Gilligan
President
Petroleum Marketers Association of America



Albert Modiano
President
US Oil & Gas Association

CC: All Members of the United States Congress