

November 7, 2005

The Honorable Charles Grassley
Chairman
Committee on Finance
United States Senate
135 Hart Senate Office Building
Washington, D.C. 20510

Dear Chairman Grassley:

I appreciated receiving your letter regarding the need for members of the oil and natural gas producing community to use the revenues they are receiving as a result of the current high prices of these commodities for the benefit of the nation.

Specifically, you emphasized that companies should use these "...profits to invest in more exploration, production and refining capacity to increase supply of petroleum products." While the Independent Petroleum Association of America does not represent refining, our members are the backbone of domestic oil and natural gas exploration and production efforts. IPAA represents the companies that drill 90 percent of the nation's oil and natural gas wells, accounting for 68 percent of domestic oil production and 82 percent of America's natural gas production.

Moreover, federal revenues collected from the oil and natural gas exploration and production industry are one of the nation's largest sources of non-tax receipts – paying billions to the General Fund of the U.S. Treasury, National Historic Preservation Fund, Land and Water Conservation Fund, Reclamation Fund and American Indian community. The industry's recent health has also resulted in increased revenue streams for state governments, including education funding. As recently as 1998-99 states were faced with laying off teachers and closing schools because oil prices were so low.

It is important to note that while some companies are recording substantial earnings, much – if not all – of this capital is reinvested into new oil and natural gas supplies. For independent producers, a recent independent study concluded that 150 percent of our domestic cash flow is being invested in new domestic exploration and production projects. Searching for and investing in new domestic oil and natural gas supplies must be encouraged by the federal government rather than discouraged through new taxes or price control policies. We urge Congress to do no harm to this industry and its ability to develop America's energy resources.

Your letter also requested that IPAA members make voluntary contributions to the Low Income Heating Energy Assistance Program (LIHEAP) and requested information on charitable giving.

IPAA's membership ranges from small businesses to large publicly traded companies, but the average independent employs 12 people. Our members are active leaders in their communities and this leadership extends to their commitment to helping their local communities and those who will need assistance this winter. In the aftermath of Hurricanes Katrina and Rita, our industry donated hundreds of millions of dollars to relief efforts and we've created a special "job network" for those displaced from employment. Of course, at the same time we will also be spending up to \$30 billion to re-build the infrastructure that was damaged and that resulted in an interruption of supply.

Similarly, IPAA has been a vocal advocate of the LIHEAP program and has called on Congress to increase funding of this important program. On October 17, 2005, in an open letter to Congress, IPAA reiterated its support. Additionally, IPAA testified last week before the House Subcommittee on Energy and Air Quality, stating: "We support increased congressional appropriations for LIHEAP to aid our most vulnerable consumers while we work to ensure wise gas use."

IPAA also suggests that Congress look at the new royalty in-kind provisions that were passed in the Energy Policy Act of 2005. Royalty in-kind allows the federal government to take royalty payments in actual natural gas product (in-kind), rather than monetary payments (in value). Under the legislation: "In disposing of royalty oil or gas taken in-kind under this section, the Secretary [of the Interior] may grant a preference to any person, including any Federal or State agency, for the purpose of providing additional resources to any Federal low-income energy assistance program." Rapid implementation of this new authority could provide benefits.

No one has the ability to accurately judge what the winter heating oil and natural gas market will be. But, as domestic oil and natural gas producers, IPAA's members will work hard to restart their Gulf Coast offshore and onshore facilities; maintain their active development programs; seek to speed this development; and remain good corporate citizens.

Above and beyond these efforts, I will forward your request for contributions to IPAA member companies.

Sincerely,



Michael Linn
Chairman, IPAA, Washington, D.C.
President and CEO, Linn Energy, LLC, Pittsburgh