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DOCUMENT NO. & TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. card	To Baker, 2p.	n.d.	B6
2. letter	R.Shields to Baker, 4p.	12/19/84	B6
3. letter	W. Bowen to Hodel, 3p.	12/18/84	B6

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E. G. RICE
PETROLEUM ENGINEER CONSULTANT
NATIONAL MEMBER A. I. M. E.
BOX 205
EASTLAND, TEXAS 76448

COPY

December 18, 1984

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

Dear Mr. President:

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.

REPEALING PERCENTAGE DEPLETION AND INTANGIBLE DRILLING COSTS WILL:

1. drastically reduce the amount of investment dollars available for oil and gas exploration;

2. dramatically reduce the number of independents exploring for oil and gas;

3. reduce the number of wells drilled and reserves discovered in the United States;

4. 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;

5. increase our vulnerability to cut-offs of oil from unstable sources;

6. increase the price of crude oil and petroleum products to consumers by decreasing the available supply in the future;

7. decrease competition in exploration by giving major oil companies another competitive edge.

Mr. President, 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 can-

E. G. RICE
PETROLEUM ENGINEER CONSULTANT
NATIONAL MEMBER A. I. M. E.
BOX 205
EASTLAND, TEXAS 76448

not 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.

Respectfully yours,

E. G. RICE

EGR/v

cc: Edwin Meese III
Counselor to the President
The White House
Washington, D. C.
20500

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

Robert C. McFarlane
Asst. to the President for
National Security
The White House
Washington, D. C.
20500

U. S. Senator Lloyd Bentsen
703 Hart
Washington, D. C.
20510

Senator-elect Phil Gramm
1230 Longworth
Washington, D. C.
20515

COPY

meador
land
company P. O. BOX 696, ELDORADO, TEXAS 76936 915-853-2688

December 19, 1984

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

Dear Mr. President:

We respectfully urge your strong opposition to the Treasury Departments tax proposals regarding oil and natural gas. This legislation, if passed, will force thousands of independent oil and natural gas producers to severely curtail or stop all together the drilling of new wells.

Had such a tax plan been in effect this year of 1984, the capital available to independents for drilling would have been reduced by 50%, with the disappearance of all outside venture capital and one-third of internally generated capital; 30,000 fewer oil and natural gas wells would have been drilled; and no fewer than 4,000 independent oil and natural gas producers would have gone out of business.

The petroleum industry, especially here in Texas, has been an ardent supporter of you and your administration, and by and large, the Republican Party. We would never have envisioned that your administration would have given birth to proposals that realistically threatens the jobs of so many Americans, ours included. We have not recovered from the disastrous "windfall profits" tax impelled on us by the Carter Administration, nor the fall-out on the industry as reflected by the events of 1981-83 that have already severely cut into our industry.

Unlike major corporations, the independent segment of the industry is not capable of passing production costs through to the consumer. But we find a major portion (39.5%) of all the additional reserves discovered each year and are in the forefront of the battle to make this nation as energy self-sufficient as possible. The present tax proposals would destroy that needed capability.

Page Two
President Reagan
December 19, 1984

To minimize our import dependence we must keep imports at their current level for the next decade. To accomplish this objective, domestic production must increase to an average rate of 11.2 million barrels per day by 1994 to fulfill our nation's needs. To move from today's level of 8.8 million barrels per day and make up losses due to natural production decline of existing wells we must add 7.9 million barrels per day of new production by 1994.

Such production gains require the drilling of 1,000,000 new wells in the lower 48 states at an investment of $620 billion over the next decade. If we only maintained our current production we must drill 685,000 wells with a $440 billion dollar investment over the next decade.

We can only accomplish such goals if our present tools are not taken from us.

You recently stated that your administration would assure that those in this society who were willing to take risks would be able to enjoy the rewards of such risk-taking, if any. We respectfully request your support in defeating these proposals that would inhibit so much of the risk-taking that lends to the greatness of our Nation.

Sincerely,

MEADOR LAND COMPANY

Ed Meador

Ed Meador, President

and for:
Martha Lee Meador
Lynn E. Meador
John D. Meador
Claudia Lee Meador
Jo Ward
Kim-et Nelson

EM:cm

BKB PROPERTIES
10622A MONTWOOD DRIVE - EL PASO, TEXAS 79935
(915) 592-4393

December 26, 1984

James A. Baker III, Chief of Staff and Asst. to the Pres.
The White House, 1600 Pennsylvania Ave. N.W.
Washington, D.C. 20500

Dear Mr. Baker:

After reviewing the tax reform package proposals, it is apparent that they would virtually destroy the real estate industry and have a very negative effect on not only the real estate industry, but upon the entire economy.

Jobs would be lost, a housing shortage would be created and rental rates would increase.

This is all in direct conflict with the philosophy of the Reagan Administration.

I sincerely and strongly urge your opposition to the Treasury proposal.

Very truly yours,

Robert E. Karch

Robert E. Karch

REK/cab

Ben Bird
308 FORT WORTH CLUB BUILDING-817-335-7208
FORT WORTH, TEXAS 76102

December 18, 1984

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

Dear Mr. President:

I understand that Secretary Regan has proposed in his tax reform recommendations certain disallowances concerning the oil industry. I have been participating in oil affairs for about 30 years and I am quite familiar with the pros and cons of deductions.

First. Percentage depletion: I think that the right to take percentage depletion could very well be disallowed provided cost depletion was still permitted. However, keep in mind that percentage depletion initially years ago was proposed by the IRS because of the great amount of time and litigation involved in determining reserves of oil or gas so that cost depletion could be proved.

Second. I think that the deduction for intangible drilling costs with respect to producing wells could be disallowed as such costs are in reality the price for an asset; in that case, such costs should be depreciated over the life of the particular asset. I think that the deduction for intangibles where dry holes occur should be allowed entirely even though the lease does not terminate at that time. When your business building burns down you are allowed a deduction even though you keep title to the land. Other instances come to mind where there is a deductible definite loss even though the underlying property is retained.

Other matters of concern to the oil industry I think are taken care of very fairly by the 15-25-35% rates.

Stand pat on your proposed military budgets - at least until after Secretary Shults talks to the Russian.

Yours very truly,

Ben Bird

Ben Bird

BB:jf

May the guiding light of peace and goodwill

bring you happiness during this joyous season

and throughout the coming year.

Sincerely,

A. J. Welborn

A. J. Welborn

P.S. I am a small independent operator and a Charter Member of the Republican Presidential Task Force, but will probably resign after first of New Year due to the fact that Treasury Department's(as well as Con. Jack Kemp's) Tax plans will simply break many small independents, including the banks that make oil loans, and many small marginal wells will be plugged and abandoned. AJW

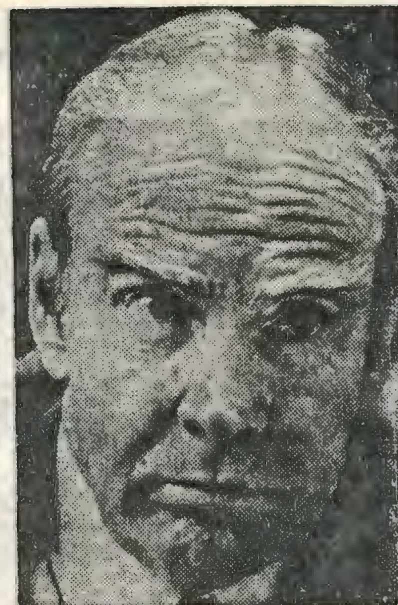
MEMO

I am a charter member of the Republican Presidential Task Force and am sending Pres. Reagan, Meese, and Baker a copy of U.S. Rep. Jim Wright's attached clipping and also am sending a copy of Senator Dole's attached article to Rep. Jack Kemp since Kemp's own simplification tax plan doesn't exempt oil depletion allowances or intangible drilling costs. I took in Ray Hunt's $100 plate dinner in Dallas about a month before the election where Jack Kemp was the guest speaker and after his speech was delivered, I went up front and shook hands with him and also Ray Hunt, who raised more money that night for the Republican Fund before a full house than any other person.

AJW

A. J. WELBORN
P O BOX [illegible]
FORT WORTH, TEX
76118

Wright alienated by oil levy changes



File photo

U.S. REP. JIM WRIGHT

By DAVE MONTGOMERY
Star-Telegram Washington Bureau

WASHINGTON — House Majority Leader Jim Wright said Wednesday that he probably could not support the Treasury Department's tax simplification plan if provisions removing major tax breaks for independent oil drillers were left intact.

The Fort Worth Democrat found fault with several key provisions of the plan, unveiled Tuesday by Treasury Secretary Donald Regan. But Wright predicted that the proposal — which thus far does not have President Reagan's approval — will be drastically retooled before it reaches Capitol Hill.

"It's a trial balloon," Wright said. "President Reagan has not signed off on it."

Wright sharply criticized proposals that remove major tax breaks for independent drillers, reduce exemptions for charitable contributions and eliminate the deduction on state and local taxes. The plan would virtually cripple the Texas oil industry, he said.

The Treasury plan would abolish two existing tax incentives that the Texas oil industry contends are vital in stimulating production: the percentage depletion allowance that enables producers to write off 15 percent of their production costs each year, and an annual write-off for so-called "intangible" drilling costs, defined as those expenses above the cost of equipment.

Elimination of either of those incentives, Wright said, would "tilt the scales" against producers by eating into their profits and increasing the financial risk of drilling for oil and gas.

"Ninety percent of exploratory wells are drilled by independents," Wright said. "If you do away with the depletion allowance and (deduction on) intangible drilling costs, you will make it enormously harder for an independent to raise money and go out and drill."

Asked if he would support the plan with the energy provisions intact, Wright said, "No, I don't think I could. This is one feature that I would insist must be altered."

Although the plan grants the oil industry a concession by accelerating the phase-out of the windfall profits tax, independent producers have already begun an aggressive attack against the proposal to preserve the depletion allowance and the exemption on intangible drilling costs.

As outlined by Regan, the Treasury Department proposal is designed to eliminate inequities in current tax law by replacing the current 14 income tax brackets with three: 15 percent on taxable income up to $19,000; 25 percent on income up to $38,000; and 35 percent on all remaining income.

The plan retains the current exemption on mortgage interest but eliminates many other popular deductions.

Wright said the removal of deductions on other forms of interest could force financially struggling small businesses into bankruptcy, while eliminating the write-off on state and local taxes would put a new burden on millions of people facing increase tax rates at the state and local level.

Wright said it also is "wrong" to change the exemption on charitable contributions, as the Treasury Department proposes, to eliminate deductions on gifts below 2 percent of income.

Dole says flat tax could endanger oil industry

By DAVE MONTGOMERY
Star-Telegram Washington Bureau

WASHINGTON — Incoming Senate Majority Leader Robert Dole charged Tuesday that the Treasury Department's tax simplification plan could endanger the oil industry, already "on its knees" because of sharp price drops.


BOB DOLE

The Kansas Republican, in an interview with the *Star-Telegram*, said the so-called flat tax concept could actually increase taxes for millions of Americans and faces an uphill battle in the Senate.

"It's a long way from fruition," Dole said. "If I had to count the votes for a flat tax on the Finance Committee right now, I could do it easily on half a hand."

Dole also criticized Rep. Jack Kemp, R-N.Y., a potential presidential rival in 1988 and co-sponsor of a major flat-tax bill pending in Congress. Dole said Kemp is pushing tax simplification at the expense of a more urgent priority, reducing the deficit.

"Kemp doesn't worry about deficits, (saying) they'll take care of themselves through growth," Dole said. "That's another great idea, but I don't know 10 people in this town who think it will happen."

Dole was elected majority leader in a five-way race among Senate Republicans Nov. 28. He will take office when the 99th Congress convenes Jan. 3, replacing outgoing Majority Leader Howard Baker.

Dole, a moderate, is high on the list of likely contenders for the 1988 Republican nomination. But he said he is nowhere close to making a decision and considers re-election to the Senate in 1986 as his first priority.

Dole was skeptical of tax simplification, saying it must take a back seat to reducing the federal deficits.

"If we could get together on deficit reduction, if that's all we did in 1985, then we'd get an A-plus," he said.

Dole said he has told Treasury Secretary Donald Regan that the department's tax simplification plan, unveiled Nov. 27, would be "less than helpful to the oil patch" by abolishing two major tax breaks for the oil industry: the oil depletion allowance and exemptions on intangible drilling costs.

"I can't find many oil people in my state who like it," Dole said. "They're almost on their knees now with oil prices dropping."

Dole said incoming members of Congress must be prepared to "make some tough choices" by cutting spending and possibly closing tax loopholes. He said a tax increase should be a "last resort," and then only corporate rates, not individual rates.

"If we're going to try to find painless gimmicks, there aren't any," Dole said. "It's going to be cutting programs, cutting farm subsidies, cutting Amtrak, cutting mass transit. Everybody has to chip in if we're going to get the deficit down."

Dole declined to comment on Defense Secretary Caspar Weinberger's offer to cut defense spending by $8.7 billion.

Dole said he hopes to use his influence to help place Sen.-elect Phil Gramm, a freshman Republican from Texas, on the Budget Committee. Gramm, as a congressman from College Station, served on the House Budget Committee as both a Democrat and Republican and played a major role in President Reagan's economic initiatives.

Dole said Gramm, a former economics professor, has "a lot of experience, a lot of good contacts in the House" and will figure prominently in the Senate's efforts to reduce the deficit. Although Dole cannot make committee assignments, his endorsement could give Gramm a powerful boost.

Dole, while supporting the idea of tax reform, said he has doubts about "radical changes" proposed by Kemp and others. Kemp is the leading co-sponsor of a Republican bill that would do away with most deductions in exchange for a flat tax rate of 25 percent.

"I'm now certain about this radical change," Dole said. "I'm for tax reform, I'm for fairness, but we've got a big selling job to do, and I'm not certain we can do it in 1985."

Dole said Kemp could be hurt politically after the public discovers that his flat-tax proposal could increase taxes throughout a large segment of the population.

"His hopes are that you can sell a flat tax without anybody thinking it's a tax increase," Dole said. He also criticized Kemp for pushing his idea as "the greatest thing since sliced bread" after opposing previous tax reform efforts over the last two years.

Kemp has emerged as a leading New Right contender for president in 1988 while Dole would likely compete with Vice President George Bush for support among moderate Republicans.

Dole acknowledged that Bush now is the front-runner and has "done a good job" as vice president.

Dole, who ran for president in 1980, said he is still uncertain if he will run again.

"After the 1980 race," Dole said, "I said to myself that I'm not going to run for anything else unless I have the five M's — money, management, momentum, media, manpower.

"In my view, I would want to make sure I have some money available, that I have good people in my campaign and also that there was some interest in my running. Just the fact that I might have an interest doesn't mean very much."

Recd 12-10-84

THE TIPRO TARGET

Published by The Texas Independent Producers & Royalty Owners Association Austin, Texas

December 1984 Vol. V, No. 9

TAX SIMPLIFICATION PROPOSALS DETRIMENTAL TO INDEPENDENT PRODUCERS

Proposals by the Treasury Department to simplify taxes through the elimination of such incentives as intangible drilling expensing, percentage depletion and investment tax credits **hit independent producers and their royalty owners hard.** An assessment by TIPRO of these proposals leads to the inescapable conclusion that such action would severely wound the economics of domestic petroleum production -- and this at a time when sharp decreases in the price for oil and gas are underway.

TIPRO President Bruce Anderson, in a statement to the news media, warned that these aspects of the proposed tax simplification plan would impact upon the small independent much more than upon a large operator or an integrated company. **"The smaller the company," Anderson said, "the greater the impact."** Studies have shown that the elimination of these tax incentives could assure overnight the loss of more than 30 percent of the capital available to independents for exploratory drilling for oil and gas.

Tax disincentives that discourage domestic oil and gas development could lead in the future to **a substantial and expensive increase in oil and gas imports** into the United States, thereby aggravating the nation's serious balance of payments problem. With independents drilling some 90 percent of the wells in the United States, the resultant impact on the nation's energy security must also be considered. At the same time, serious reduction in job opportunities for Americans would result since experience shows no less than 60 persons are involved in the drilling of each well.

→ → → ACTION ALERT ← ← ←

The Treasury Department is not unaware of the effects of its proposals on independent producers. The justification offered in the Department's **Report to the President** is that "the proposed reforms would be beneficial in the long run because the **capital and labor released from the energy and minerals sector...**would be employed more productively in other industries." (emphasis supplied). Curiously, the Department does not believe that its proposals would increase the nation's vulnerability to imported oil. The **Report to the President** asserts that "Prices more reflective of the actual replacement costs of energy would encourage greater conservation, and that, plus less rapid depletion of domestic resources, would, over the long run, reduce vulnerability to foreign supply disruptions."

It is vital that TIPRO members telephone, telegram or mailgram the White House objecting specifically to the Treasury tax reform proposals for the petroleum industry and request that the President publicly reject the provisions. Follow up with a letter. All of the following can be reached at The White House, Washington D. C., 20500:

President Ronald Reagan	(202) 456-1414
Edwin Meese, III, Counselor to the President	(202) 456-2235
James A. Baker, III, Chief of Staff	(202) 456-6797

▶

Woodmont Securities Corp.

11 December 1984

The Honorable James A. Baker III
Chief of Staff and Assistant to the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Re: Treasury Department Tax Reform Proposals

Dear Mr. Baker:

I urge you to immediately take a strong position against the tax reform proposals recently issued by the U.S. Department of Treasury. The uncertainty of future legislation is causing havoc in the investment community. This uncertainty is likely to result in an acceleration of the recessionary pressures already building in the present economic climate.

I believe that if enacted, certain provisions contained in the Treasury proposal would create a disincentive for capital formation, thus greatly damaging the economy of the United States. This in turn will cripple the construction and development industries resulting in the loss of millions of jobs, and ultimately creating a severe housing shortage and higher rents for millions of tenants across the United States. The proposal is economically damaging and ineffectual and conflicts with the underlying philosophy of the Reagan administration and re-election. I, therefore, urge you, in the strongest terms, to publicly oppose the recent Treasury proposal.

Very truly yours,

Ted B. Bevan

Ted B. Bevan

TBB/cwl

1408 Texas American Bank Building Fort Worth, Texas 76102 817/336-3677 Metro 429-2152

YAGER
MANAGEMENT CORPORATION

December 13, 1984

James A. Baker, III
Chief of Staff and Assistant to the President
The White House, 1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Re: Treasury Department Tax Reform Proposals

Dear Mr. Baker:

I urge you to immediately take a strong position against the tax reform proposals recently issued by the U. S. Department of Treasury. The uncertainty of future legislation is causing havoc in the investment community. This uncertainty is likely to result in an acceleration of the recessionary pressures already building in the present economic climate.

I believe that if enacted, certain provisions contained in the Treasury proposal would create a disincentive for capital formation, thus greatly damaging the economy of the United States. This in turn will cripple the construction and developing industries resulting in the loss of millions of jobs, and ultimately creating a severe housing shortage and higher rents for millions of tenants across the United States. The proposal is economically damaging and ineffectual and conflicts with the underlying philosophy of the Reagan administration and re-election. I, therefore, urge you, in the strongest terms, to publicly oppose the recent Treasury proposal.

Very truly yours,

K McKeever

Kent McKeever

KMcK:gc

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L. O. H.

LARRY O. HULSEY & CO.
Petroleum Engineer P.E.
P.O. BOX 1143
GRAHAM, TEXAS 76046

RESIDENCE 817/549-1195 OFFICE 817/549-5261

December 27, 1984

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

Mr. President,

As a concerned citizen and independent businessman, I am voicing my opposition to the current proposal presented by the Treasury Department.

We need to retain percentage depletion and the expensing of intangible drilling cost, not delete them. If the incentive is not there the wells will eventually be drilled, but at a higher cost per barrel or MCF to the consumer.

We know you are a sensible leader and businessman and frankly this proposal does not make sense.

Thank you.

Respectfully yours,

Larry O. Hulsey

LOH/bp

cc: James A. Baker III
Chief of Staff

Riggs Petroleum Company
P.O. DRAWER 38
GRAHAM, TEXAS 76046

December 19, 1984

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

Dear Mr. President:

I am writing to you as an independent oil producer in Texas, Oklahoma and Kentucky to express my strong opposition to the Treasury Department's proposed changes in the current tax code. Specifically, these changes are the elimination of the percentage depletion and intangible drilling costs as well as the contention that dry hole costs should not be held as a deduction until the property is abandoned.

We independent producers drill the majority of wells in this country each year. I feel that it is vital to the security of our country that the independents of the industry be provided with every incentive to promote exploration and build reserves.

Our country, as you well know Mr. President, was founded on the strength, determination and grit of individuals in all areas of business. I urge you to preserve the independent oil producers and their idea of energy independence by withdrawing the current proposals of the Treasury Department and thereby assuring all Americans of a better tomorrow.

Respectfully yours,

John D. Riggs

John D. Riggs

JDR/jm

Copy

Riggs Petroleum Company
P.O. DRAWER 38
GRAHAM, TEXAS 76046

December 20,1984

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

Dear Mr. President,

I am strongly against the elimination of percrntage depletion and intangible drilling costs. Also, I oppose the idea of dry holes not being a deduction until the property is abandoned. I do not know who came up with all this, But I am horrified! You of all people who are against the United States becoming further dependent on foreign oil should realize that these proposals would only make that fear become more real!

Without the incentives of percentage depletion and expensing of intangible drilling costs, the independent oil man and outside investors would become like the California Condor, near extinct! In 1984, the independents drilled almost 90% of the wells in the Continental United States. I know it would be very detrimental to America for these "real oil men" to have to slow down or even quit exploring for oil and gas.

To keep us energy independent from unstable foreign oil, I hope you will kill these proposals and keep America from being made more vulnerable to unfriendly countries. Also you said that you wanted energy independence in your campaign, a strong defense, and an expanding economy. I do not feel these proposals will help your objectives, or The United States!

Sincerely yours,

John D. Riggs, Jr.

John D. Riggs, Jr.
Independent Oil Man
Graham, Texas

RONALD D. STEPHENS
Office Phone: 549-2165
Attorney-at-Law
Box 1169
GRAHAM, TEXAS 76046
Home Phone: 549-0888

December 19, 1984

Honorable Ronald Reagan,
President of the United States
of America
The White House
Washington, D. C. 20500

Copy

Re: Tax Reform Treatment of
Oil and Gas Industry

Dear Mr. President:

It is my understanding that the Treasury Department has indicated that an adverse impact on the oil and gas industry would not have any effect on the economy. Your attention is directed to the fact that many small operations, such as our family business, are directly dependent on the oil and gas industry. My family is associated directly, or indirectly, with oilfield trucking, drilling, bulldozers and service related businesses. Our employee number varies and has been as low as two - fifty years ago, to as high as nearly 400. At the present time it is in excess of 300 which is not as large as General Motors, but every little bit helps in our small community. During the last tax year approximately $600,000+ was expended for equipment that had to be manufactured in Peoria, Illinois, or in other factories in the Great Lakes region. In addition to this, a substantial amount, to us, of money was expended for parts, supplies, and other necessities, a great number of which were manufactured in the Northeast.

Exploring for oil or gas is a risky business for some of us. The ratio of successful to unsuccessful wells may go as high as one "success" to nine failures. Assuming an average cost of $120,000 to $140,000 per failure and $160,000 to $180,000 for a "success", for ten wells you would have expended approximately $1,200,000 for the wells. Further assume that the "success" would produce ten barrels of oil per day, which is a good average for this area and that the current posted price is approximately $27.00 per barrel. Then assume that one-half of this amount is taken by burdens such as state taxes, Windfall Profits tax, expenses of operatation in producing the well, and the payment of royalty to the landowner for the depletion of his mineral estate. This does not leave much justification for this type of activity unless there is some incentive in the way of the deduction of expense, a depletion allowance which provides for some recovery of the risk factor, and the infusion of capital expenditures from others who will share the risk.

Of course, If you are lucky and have the other type of success ratio, then you might be a success. Whether or not a depletion allowance is morally right does not change the fact that it is highly essential for the operation of small exploratory operations that undertake high risk exploratory activities in search of oil and gas. Again I point out that the position of Mr. Regan may not be based on a full knowledge of the industry.

Yours very truly,

Ronald D. Stephens

RDS/jk
cc: Edwin Meese III
James A. Baker III
Robert C. McFarlane
U. S. Senator Lloyd Bentsen
Senator-elect Phil Gramm

December 21, 1984

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

Dear Mr. Baker:

Enclosed please find a copy of my letter to the President.

I sincerely urge you to refuse to accept a change in the Tax Code regarding Oil and Natural Gas.

Sincerely,

Ben C. Newman

Ben C. Newman

Encl.

December 21, 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 myself and thousands of other independent oil and natural gas producers to severely curtail or stop drilling new wells.

The future existance and independence of our national agriculture and military strength is highly dependent upon a developed and adequate domestic supply of petroleum that, also, pays taxes, supports jobs and makes us less dependent on foreign supplies. The hard work, risk taking, continuous exploration, drilling and developing by independent oil and gas producers is directly responsible for much of our nations past and present petroleum producing capacity.

I believe in the free enterprise system. I support you as President and the Republican party by funds, my vote and persuading others to vote for you and a Republican controlled Senate; and, if the Treasury Department's Tax proposal regarding oil and natural gas should become law, I have voted for my own ruin.

Please refuse to accept a change in the tax code regarding oil and natural gas that would destroy by taxation a vital segment of our free enterprise system.

Sincerely,

Ben C. Newman

Ben C. Newman

THOMAS W. BLAKE
HOUSTON, TEXAS 77019

3601 ALLEN PARKWAY, SUITE 74
713-520-6400

December 20, 1984

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

Dear Mr. President:

The "Tax Reform Proposals of 1985" recently issued by the Treasury Department would appear to be dedicated to the proposition of decimating the independent oil and gas industry which drills 66% of the wildcat wells in this country each year. It will obviously cut off permanently the flow of money to drill and develop domestic energy supplies. The Russians would have a hard time improving on the proposals of the treasury planners in their efforts to increase our dependence on foreign imports.

Cutting out the deduction for Intangible Development Costs (IDC) and eliminating the depletion allowance in return for some fuzzy hope of reducing the personal income tax brackets is a good example of the palsied hand of socialism hovering over free enterprise.

In truth, these proposals would not to any real extent increase the flow of tax dollars to the Treasury, but would in the long run eliminate a substantial part of the tremendous taxes currently paid by the independent oil industry due to the resulting decline in drilling operations and discovery of new reserves.

One reason the independents of America have supported you 100% over many years has been your ability to detect and expose the ways of bureaucratic socialism acting in the guise of "reform" and waving the flag of the little man to his detriment.

This situation has deeply shocked and alienated a large number of aggressive independent operators and drillers and should be quickly remedied by a pronouncement from the Administration disavowing these proposals for the security and peace of mind of the American people. I know because I have attended two large meetings in Houston in the last two days on this subject.

CHILES

CHILES DRILLING COMPANY

Clay Chiles
Chairman of the Board
and
Chief Executive Officer

December 18, 1984

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

Dear Jim,

I am writing to voice my serious concern over proposals made by the Treasury Department to alter the existing Tax Laws effecting oil and gas drilling and production. As you know, such proposals include the elimination of such incentives as intangible drilling expensing, percentage depletion, and investment tax credits. An assessment of these proposals leads to the inescapable conclusion that such actions would adversely alter the fundamental economics of domestic petroleum production at a time when sharp decreases in the price for oil and gas are already underway.

I am especially concerned as to the impact of such proposals on small independent producers who are much more vulnerable than large operators or integrated major companies. Studies have shown that elimination of these tax incentives could assure overnight the loss of more than 30% of the capital available to independents for exploratory oil and gas drilling. This in turn could lead to a substantial and expensive increase in oil and gas imports into the United States, thus worsening our nation's already serious balance-of-payments problem.

With independents drilling some 90 percent of the wells in the United States, the nation's energy security would also be severely undermined. Last, but not least, the Treasury's proposals would lead to a serious reduction in domestic employment since experience shows that at least 60 people are involved in the drilling of each well.

I urgently request that you review the facts in this matter with the President and support the rejection of these counter-productive proposals at the earliest practicable time.

Your consideration of my views in these matters is deeply appreciated.

Very respectfully,

C Clay C Chiles

M. Clay Chiles

1900 WEST LOOP SOUTH • SUITE 1400 • HOUSTON, TEXAS 77027 USA • (713) 621-4991 • TELEX 79-2134 (CHILESDRIG HOU)

COUCH REALTY, INC.
6401 SOUTHWEST FREEWAY • HOUSTON, TEXAS 77074 • TELEPHONE: (713) 771-4681

December 17, 1984

James A. Baker III, Chief of Staff and Assistant to the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D. C. 20500

Re: Treasury Department Tax Reform Proposals

Mr. Baker:

I urge you to immediately take a strong position against the tax reform proposals recently issued by the U. S. Department of Treasury.

I believe that if enacted, certain provisions contained in the Treasury proposal would create a disincentive for capital formation, thus greatly damaging the economy of the United States. This in turn will cripple the construction and development industries resulting in the loss of millions of jobs, and ultimately creating a severe housing shortage and higher rents for millions of tenants across the United States. The proposal is economically damaging and ineffectual and conflicts with the underlying philosophy of the Reagan administration and re-election. I, therefore urge you, in the strongest terms, to publicly oppose the recent Treasury proposal.

Very truly yours,

Gerald E. Gaige

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THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 1 LISTED ON THE WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

INDEPENDENT PETROLEUM ASSOCIATION OF AMERICA

1101 SIXTEENTH ST., N.W.
WASHINGTON, D. C. 20036
(202) 857-4722

OFFICE OF THE PRESIDENT
CAPITAL BANK PLAZA
333 CLAY STREET, SUITE 2380
HOUSTON, TEXAS 77002
(713) 659-4644

JON REX JONES
PRESIDENT (CEO)

November 29, 1984

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

Dear Mr. President:

The Independent Petroleum Association of America represents an industry that has strongly supported your economic agenda calling for business/industrial/employment expansion stimulated by tax reduction and simplification, reduced government spending, and elimination of needless regulation.

Now, in behalf of some 15,000 independent petroleum explorer/producers, I must express to you a sense of shock and disbelief that your Administration's Treasury leaders would propose a body of tax changes that would further decimate the domestic petroleum industry, and with it all hope of preventing over-dependence on foreign energy supplies.

Domestic petroleum exploration/development has been severely depressed since 1981. Despite this, the Treasury acknowledges that its proposals would precipitate a further flight of capital from our industry. Treasury argues that such diverted capital would be "employed more productively in other industries."

The Treasury did not and I daresay could not designate what sector of the economy is of more critical importance to the nation than discovery and development of additional energy supplies. Mr. President, if we are to contain oil import dependence even at present high levels, we will need to drill 1,000,000 additional wells at a cost of $620 billion in the next decade. We are now operating at about two-thirds of this needed performance. This is no time to discourage petroleum investment; our national interest requires that we do just the opposite.

The Treasury's proposed wholesale abandonment of <u>all</u> existing oil and natural gas tax incentives can only be described as a blueprint for putting our country at the mercy of foreign energy producers. These proposals represent a cynical conclusion that we no longer need a viable oil and gas

The President
November 29, 1984
Page Two

producing industry. They would impact most severely the thousands of independents who account for 90 percent of exploratory drilling in the United States.

I will not detail here the nature and inescapable negative effects of the Treasury's energy tax proposals. I can assure you that contrary to your announced goals, our analysis shows that they not only would result in significantly higher taxes on the most tax-burdened industry in America, but would impose on our industry - not tax simplification - but substantial burdens in accounting, record keeping and reporting requirements.

Mr. President, we have reason enough to object to the Treasury's tax proposals because of the direct implications for each of our independent oil and gas producer members. But, more fundamentally, we must object because of the threat to our nation's economy and national security if such overwhelmingly negative provisions should be enacted into law. We therefore most respectfully urge you to direct the Department of Treasury to withdraw the current proposals and draft tax provisions which are in keeping with your stated objectives of fairness, equity, simplicity and providing incentives for economic growth.

Respectfully yours,

Jon Rex Jones

INT RGROUP DEVELOPM T INC

December 19, 1984

Mr. James A. Baker III,
Chief of Staff and Assistant to the President
The White House
16600 Pennsylvania Avenue, N. W.
Washington, D. C. 20500

Re: Treasury Department Tax Reform Proposals

Dear Mr. Baker:

We urge you to immediately take a strong position against the tax reform proposal recently issued by the U. S. Department of Treasury. The uncertainty of future legislation is causing havoc in the investment community. This uncertainly is likely to result in an acceleration of the recessionary pressures already building in the present economic climate.

We believe that if enacted, certain provisions contained in the Treasury proposal would create a disincentive for capital formation, thus greatly damaging the economy of the United States. This in turn will cripple the construction and development industries resulting in the loss of millions of jobs, and ultimately creating a severe housing shortage economically damaging and ineffectual and conflicts with the underlying philosphy of the Reagan administration and re-election. I, therefore, urge you, in the strongest terms, to publicly oppose the recent Treasury proposal.

Very truly yours,

Steven W. Coon

Steven W. Coon

1400 Post Oak Blvd., Suite 650/Houston, Texa 7056 (7 3) 62 1

JMB • 1800 WEST LOOP SOUTH, SUITE 1400 • HOUSTON, TEXAS 77027-3299 • (713) 993-1800

December 17, 1984

James A. Baker III
Chief of Staff and Assistant to the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

RE: Treasury Department Tax Reform Proposals

Dear Mr. Baker:

I urge you to immediately take a strong position against the tax reform proposals recently issued by the U.S. Department of Treasury. The uncertainty of future legislation is causing havoc in the investment community. This uncertainty is likely to result in an acceleration of the recessionary pressures already building in the present economic climate.

I believe that if enacted, certain provisions contained in the Treasury proposals would create a distincentive for capital formation, thus greatly damaging the economy of the United States. This in turn will cripple the construction and development industries resulting in the loss of millions of tenants across the United States. The proposal is economically damaging and ineffectual and conflicts with the underlying philosophy of the Reagan administration and re-election. I, therefore, urge you, in the strongest terms, to publicly oppose the recent Treasury proposal.

Very truly yours,

Phil G. Neari

Philip G. Neari
Regional Manager
JMB PROPERTY MANAGEMENT CORP.

PGN/vg

RONALD W. REAGAN LIBRARY

THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 2 LISTED ON THE WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

EIF INTERSTATE EXPLORATION FUND, INC.

PRODUCTION OFFICE
809 E. Main St. • West Frankfort, Illinois 62896 • (618) 937-3446

GENERAL OFFICE
P.O. Box 5417 • Kingwood, Texas 77339 • (713) 358-9149

December 17, 1984

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

Dear Mr President:

As a life long self employed, independent oil and gas producer, and a Republican for the same period, it is inconceivable to me that my party of conservatism would propose the destruction of free enterprise as represented by the independent segment of a vital industry.

The tax revisions being proposed by your advisors would be a disaster to the independent oil and gas producers of the nation. As you are no doubt aware, the independent segment of the industry has historically discovered over 90% of the nation's oil and gas reserves.

If the proposed revisions affecting this industry become law, the capital that has made this possible will be non-existant. It has been available only because of the opportunity for investors to defer taxable income through its investment in exploration for oil and gas reserves. Are we to become totally dependent upon foreign suppliers?

Further, I note the proposed limitations on chairitable contributions. I am a member of the Board of Directors of the Christian Embassy (a Campus Crusade Ministry) in Washington. I am also a regular supporter of Christian groups who played an important role in your mandated re-election. Therefore, it is equally hard to understand the limitations proposed - a percentage below the tithe which we are all obligated to return to the Lord and His work.

I urge that you consider very carefully the total ramifications of these two parts of your tax proposal. Your actions will vitally affect the view and future of this Republican supporter.

Respectfully yours,

Wayne Davis

Wayne S. Davis
Chairman
Interstate Exploration Fund, Inc.

WSD/bsd

December 20, 1984

The Honorable James A. Baker, III
The White House

Dear Jim,

Attached is a copy of a letter to Secretary Hodel from our Chairman which you may find informative.

Merry Christmas,

J. H. LOLLAR

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WAGNER INCOME PROPERTIES
Investments

55 Waugh Drive
Suite 500
Houston, Texas 77007
713/863-0333

December 18, 1984

The Honorable James A. Baker III
Counsellor to the President
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Re: Treasury Department Tax Reform Proposals

Dear Honorable Baker:

I urge you to immediately take a strong position against the tax reform proposals recently issued by the U.S. Department of Treasury. The uncertainty of future legislation is causing havoc in the investment community. This uncertainty is likely to result in an acceleration of the recessionary pressures already building in the present economic climate.

I believe that if enacted, certain provisions contained in the Treasury proposal would create a disincentive for capital formation, thus greatly damaging the economy of the United States. This in turn will cripple the construction and development industries resulting in the loss of millions of jobs, and ultimately creating a severe housing shortage and higher rents for millions of tenants across the United States. The proposal is economically damaging and ineffectual and conflicts with the underlying philosophy of the Reagan administration and re-election. I, therefore, urge you, in the strongest terms, to publicly oppose the recent Treasury proposal.

Very truly yours,

Wilma W. Wagner
President - Elect
Real Estate Securities
and Syndication Institute
Guif Coast Chapter

WWW/lrg

F. T. WEBSTER
6018 DEERWOOD
HOUSTON TX 77057 18AM

Western Union Mailgram

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7136585754 MGMB TDBN HOUSTON TX 49 12-18 1148A EST

JAMES BAKER, CHIEF OF STAFF
WHITE HOUSE
WASHINGTON DC 20500

MY FAMILY AND I STRONGLY URGE YOU TO PUBLICLY REJECT THE TREASURY DEPARTMENT TAX REFORM PROPOSAL ESPECIALLY AS IT RELATES TO ELIMINATION OF INCENTIVES FOR INDEPENDENT OIL AND GAS PRODUCERS.

SINCERELY,
THE F. T. WEBSTER FAMILY
6018 DEERWOOD
HOUSTON TX 77057

11:48 EST

MGMCOMP

5241 (R 7/82)

TO REPLY BY MAILGRAM MESSAGE, SEE REVERSE SIDE FOR WESTERN UNION'S TOLL - FREE PHONE NUMBERS

December 19, 1984

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 or 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 of 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 competition in exploration by giving major oil companies another 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.

Mr. Baker, 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, on behalf of the 1,000 memebers of the West Central Texas Oil & Gas Association 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,

Gene Glass

Gene Glass,
2220 Medina Highway
Kerrville, Texas 78028

GG:rls

INTERSTATE EXPLORATION FUND, INC.
PRODUCTION OFFICE
809 E. Main St. • West Frankfort, Illinois 62896 • (618) 937-3446
GENERAL OFFICE
P.O. Box 5417 • Kingwood, Texas 77339 • (713) 358-9149

January 3, 1985

Senator Dick Luger
The Senate Journal
C/O National Republican Senatorial Committee
406 C Street, N.E.
Washington, D.C. 20002

Dear Dick:

Received your urgent letter concerning the need for funds for your organization. As you know I have responded with great regularity to your requests for funds in the past. However, Dick, we now have a problem. The President I suppported with my vote, my time, and my money, through his Treasury Secretary, is about to eliminate me and my kind from business. I am an independent oil and gas operator.

The Independent Petroleum Association of America (which openly and vigerously supported the President and the Party), says "Drilling and service companies would suffer the most immediate blow if this plan becomes law" and "the wave of bankruptcies and failure of oil country banks would far exceed the much publicized failures of the the recent past". Of course, my breed would become extinct.

Treasury Secretary Regan says the "effects may be burdensome in the short run ---- but would be beneficial in the long term because the labor and capital released from the energy sector could be employed in more productive industries". We have to assume he means those industries capable of running without energy supplies. We also have to assume he mistakenly believes that the gasoline lines of just a few years back would not return when we are again dependent upon OPEC.

For these reasons, Dick, I must decline your request for funds of any kind. The ball is now in your corner. Let's see why you Republicans made all those trips to Texas and the oil industry for funds. Likely they are now dried up unless someone with some sense talks to the President. My personal feeling is that the President must replace Regan and those with his eastern liberal leanings if we Republicans are to ever survive.

Yours very truly,

Interstate Exploration Fund, Inc.

Wayne S. Davis
Chairman

WSD/bsd
CC - Mr. James Baker
The White House

INTERSTATE EXPLORATION FUND, INC.

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GENERAL OFFICE
P.O. Box 5417 • Kingwood, Texas 77339 • (713) 358-9149

West Frankfort, IL 62896

December 17, 1984

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

Dear Mr President:

The tax revisions being proposed by your advisors would be a disaster to the independent oil and gas producers of the nation. As you are no doubt aware, the independent segment of the industry has historically discovered over 90% of the nation's oil and gas reserves.

If the proposed revisions affecting this industry become law, the capital that has made this possible will be non-existant. It has been available only because of the opportunity for investors to <u>defer</u> taxable income through its investment in exploration for oil and gas reserves. Are we to become totally dependent upon foreign suppliers?

As a life long self employed, independent oil and gas producer, it is inconceivable to me that the party of conservatism would propose the destruction of free enterprise as represented by the independent segment of a vital industry.

I urge that you consider very carefully the total ramifications of this part of your tax proposal. It vitally affects a great industry; your actions will likewise vitally affect the view of this voter and supporter.

Respectfully yours,

Interstate Exploration Fund, Inc.

Charles H. Poole
President

CHP/bsd