Collection: Baker, James A. III: Files
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CIPPELE RESOURCES COMPANY

P.O. Box 6237
LONGVIEW, TEXAS 75608
(214) 758-3767

December 19, 1984

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

Attention: James A. Baker, III

RE: Treasury Tax Reform Proposal

Dear Sir:

Simplifying taxes through elimination of incentives such as intangible drilling expenses, percentage depletion and investment tax credits would be especially harmful to independent oil and gas producers because:

1) It would greatly reduce the risk capital available for drilling.
2) It would ultimately reduce recovery from small fields. Major companies don't drill small one (1) or two (2) well fields.
3) Money that is currently being cycled back into drilling will go elsewhere.

This proposal is harmful to the nation because:

1) Small producers tend to produce the wells they drill longer since lower overhead allows them to remain within profitability curves longer. The difference in terms of production will be lost forever, if the small producer is removed from the scene.
2) Cost to the consumers will ultimately be greater in a less competitive environment.
3) Even with conservation, the relationship of domestic production to imports will grow unfavorably over the next few years making the United States more vulnerable to the pricing whims of foreign producers.

Please reconsider the Treasury tax reform proposal for the petroleum industry.

Respectfully,

Bob Cippele

Bob Cippele

BC/gl

CIPPELE & ASSOCIATES, INC.
PETROLEUM LANDMEN

LEASE ACQUISITION
RIGHT-OF-WAY

P.O. BOX 5419
LONGVIEW, TEXAS 75608
(214) 758-4382

CURATIVE
TITLE EXAMINATIONS

December 19, 1984

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

RE: Treasury Tax Reform Proposal

Dear Sir:

Simplifying taxes through elimination of incentives such as intangible drilling expenses, percentage depletion and investment tax credits would be especially harmful to independent oil and gas producers because:

1) It would greatly reduce the risk capital available for drilling.
2) It would ultimately reduce recovery from small fields. Major companies don't drill small one (1) or two (2) well fields.
3) Money that is currently being cycled back into drilling will go elsewhere.

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2) Cost to the consumers will ultimately be greater in a less competitive environment.
3) Even with conservation, the relationship of domestic production to imports will grow unfavorably over the next few years making the United States more vulnerable to the pricing whims of foreign producers.

Please reconsider the Treasury tax reform proposal for the petroleum industry.

Respectfully,

Bob J. Cippele

Bob J. Cippele, Jr.

BCJr/gl

M. C. Energy, Inc.

1127 Judson Road, Suite 110
Longview, Texas 75601
(214) 758-7424

December 21, 1984

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

RE: Treasury Tax Simplification Proposals

Dear President Reagan:

It is with a feeling of great urgency that this letter is being written, as the survival of the independent petroleum industry is at stake. It is imperative you reject the Treasury's tax proposals listed below as they would be a severe detrimant, not only to the oil industry, but to the economy and the public as well.

Over the years, the oil and gas industry has survived injurious legislation and excessive regulation and taxation. As you are aware, our present crisis is an oversupply of natural gas, primarily due to President Carter's N.G.P.A. of 1978. Ironically, this bad legislation should bring about an economic equilibrium with its partial deregulation of natural gas.

The most detrimental Treasury Tax Simplification Proposals are as follows:

1) Repeal of expensing of intangible drilling costs and investment tax credits

2) Elimination of ability to write off dry hole costs until property is abandoned

3) Repeal of percentage depletion

The present tax structure enables the high risk investment in oil and gas exploration possible. If the proposed changes are implemented, the investors will seek alternative investments, severely crippling the oil industry and virtually eliminating the independent producer. Would you, Mr. President, be willing to invest in the drilling of a development well, much less a wildcat without these economic tax incentives? A reduction in activity of this magnitude would increase the price of oil and gas such that the consumer would be unable to use a readily available energy source.

We have been able to "weather the storm" thus far and, with your support in rejecting these new proposals, plan to continue.

With best wishes for a happy holiday season, I remain

Respectfully yours,

M. C. ENERGY, INC.

Paul Cook

Paul Cook
President

PC/sg

cc: Vice President George Bush
The Honorable Edwin Meese, III
The Honorable James A. Baker, III
The Honorable Robert C. McFarlane
The Honorable Donald Hodel
The Honorable William P. Clarke
The Honorable Randall E. Davis
Senator Lloyd Bentson
Senator Phill Gramm
Congressman Ralph Hall
The Honorable Donald T. Regan

JOHN C. ROBBINS

OFFICE 214-757-4500
POST OFFICE BOX 2347

OIL OPERATOR - REAL ESTATE INVESTMENTS
LONGVIEW, TEXAS 75606

RESIDENCE
PHONE 214-757-4494

December 10, 1984

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

Dear Mr. President:

The price of oil has dropped 20 to 25% in the past 3 years, thanks in part to your early decontrol of the prices. Certain categories of gas have dropped 50%. This is fine and shows that decontrol allows the laws of supply and demand to work. This has helped hold down inflation.

The negative side of the foregoing scenario is that the oil and gas industry has been weakened during the past 3 years. The ripple effect causes energy loans to become bad or non-performing. It causes drilling rig companies to be weakened financially or even worse go bankrupt. It affects the general economy of Texas in general.

Now, if you take away our depletion and intangible charge off you could knock out another 1/3 of the domestic drilling done by the independents.

Since this is a revenue neutral bill why not concentrate on reducing the budget and increase income by passing a national sales tax on everything. You could exempt people making less than $10,000 per year from this tax.

Sincerely,

John Robbins

JOHN C. ROBBINS

BEN P. ROLLERT

P. O. BOX 311
LULING, TEXAS 78648

512 - 875-5565
875-5321

December 18, 1984

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

Dear Mr. President:

I have recently read a summary of the Treasury tax reform proposal. The provisions of this proposal related to the petroleum industry would be devastating to the petroleum industry, in particular the small to medium-sized independent producers. If these entities were disallowed percentage depletion and were required to capitalize intangible drilling costs, drilling by these entities would come to an abrupt halt. As I am sure you are aware, some 90 percent of the wells drilled in the United States are drilled by independents. Our dependence on foreign oil would reach all-time new highs. I am horrified that such a proposal was generated under a free enterprise, Republican administration.

Facts to be considered:

1. If the new tax scheme is approved and made law, the heavy front end tax load in the year the well is drilled will force thousands of independent operators out of business, decreasing the rate of drilling for new wells by 30-40%. As a result, the government loses <u>all</u> tax revenue on future production from wells not drilled.

2. The business of finding oil and natural gas involves putting at risk relatively large amounts of money. For example, in the past independent producers have reinvested 112% of their generated funds in drilling activities. This tax revision will severely curtail this level of drilling activity.

3. It appears that the Treasury, either consciously or inadvertently, is dismissing the majority of independents and turning over the oil and natural gas business almost completely to the majors.

4. Requiring that intangible drilling costs be recovered through cost depletion over the life of the property rather than charged off as expenses for tax purposes

in the year the drilling costs were incurred means that the independent producer must have much larger liquid capital (cash) to continue drilling.

5. Requiring independent producers to take cost depletion rather than percentage depletion would not make the tax law simpler. Under cost depletion, reserve estimates would have to be made and updated by competent reservoir engineers each year. Numerous calculations would be required to compute cost depletion by property, thus adding to, rather than simplifying, the taxpayer's workload.

6. Bankrupt businesses and jobless people do not generate tax revenue.

7. Wells that are not drilled will generate absolutely <u>no</u> tax at all.

8. Independents, as a group, have increased their share of lower 48 production from 30.5 percent of the total in 1979 to about 39.5 percent in 1984.

9. Had production continued to follow the 1972-79 downtrend, our dollar outflow for imported oil in 1983 would have been $75 billion instead of $60 billion.

10. Except for the drilling response by independents to improved economic incentives, domestic production today would be about 1.1 million barrels per day below 1979.

11. If it were not for the drilling of 105,000 new oil wells since 1979, our import dependence would have been reduced by only half that which occurred. Had this been the case, OPEC's influence over both markets and prices would have been further strengthened.

12. We must minimize our import dependence by maintaining our imports at no more than current levels the next decade. To do this, domestic production would have to increase to an average rate of 11.2 million barrels per day in 1994 to meet our needs. To move from our present rate of about 8.8 million barrels per day and also make up the loss due to the natural production decline of existing wells will require adding 7.9 million barrels per day of new production in 1994.

13. In order to make such production gains, 1,000,000 new wells must be drilled in the lower 48 states at an investment of $620 billion over the next decade. But,

even to maintain our current levels of domestic production, we will need 685,000 wells and $440 billion in investment over the next decade. In either case, the bulk of production needed in the early 1990's must come from reserves not yet found.

14. Sources I've read indicate, if the so-called simplified tax plan had been in effect in 1984...

    the capital available to independents for drilling would have been reduced by approximately 50% (all outside venture capital and approximately one third of internally generated capital would have disappeared);

    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 the business of drilling new wells.

I helped elect you to be my President and supported your Party. If this legislation is not totally rejected, it will mean that I voted for my own ruin. I request that you publicly reject the provisions of the Treasury proposal which would be so detrimental to the petroleum industry at a time when the industry is so vulnerable.

Sincerely,

Ben P. Rollert

Ben P. Rollert

cc: Edwin Meese, III, Counselor to the President
James A. Baker, III, Chief of Staff
Robert C. McFarlane, Assistant to the President for National Security Affairs
David Stockman
Senator Phil Gramm
Senator Robert Dole
Donald Regan, Secretary of the Treasury

AREA CODE 915 686-0129

AIKMAN BROTHERS
ONE FIRST CITY CENTER, SUITE 1190
MIDLAND, TEXAS 79701-4294

ROBERT E. AIKMAN
WILLIAM H. AIKMAN

December 17, 1984

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

Re: Regan Tax Proposal

Dear Mr. President,

We've now had time to evaluate this proposal and while much thinking has been put into it, I think a big point has been missed as it affects the oil and gas industry.

The decrease in the maximum tax rate to 35% will effectively make oil investment tax shelters less attractive and I'm not saying that is all bad, but the elimination of intangible drilling cost charge-offs is a death knell to the independents, and the smaller they are, the worse the effect. The majors won't drill any more than in the past and the independent segment will drill only low to medium risk - high return prospects, if they drill at all.

I also feel the word "subsidize" in the release was inappropriate, it's like saying "have you stopped beating your wife?" Yes, there are incentives, but who ever paid me in cash for a dry hole? Cost depletion on a 20 year well is a farce. Percentage depletion has encouraged exploration - it is not a subsidy when realized, i.e. - none realized on a dry hole, but is to provide inducement for re-plinishment of minerals produced. You are not giving up much by eliminating windfall profits, in three years no less. Designed for oil prices of $35 to $80 per barrel and bountiful income to the Federal Government, they don't produce enough to warrant the sop they are supposed to be.

Lastly, Secretary Regan's statement that energy money could be invested better elsewhere deserves a challenge! I'm waiting with baited breath for you to tell me where I can better invest, considering I have 35 years in this business. Every barrel produced here reduces one imported. If you stop exploration and development drilling, it will show up in our balance of payments in the not too distant future and this is gigantic compared to the peanuts of the increased taxes you would take from this industry.

Yours very truly,

William H. Aikman

William H. Aikman

WHA/bcl

CC/ Mr. James A. Baker

BAYTECH INC.

P.O. Box 10158
Midland, Texas 79702
(915) 686-9801

December 14, 1984

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

Re: Treasury Department
Tax Reform Proposals

Mr. Reagan:

Please note that if the Treasury tax reform proposals for the petroleum industry pass, our small exploration and production company in Midland, Texas will have very little chance of survival. There is no use adding insult to injury to an industry that is already plagued with numerous problems.

We do know that the United States Treasury Department has to be managed with a strong hand. The Windfall Profit Tax was strongly opposed by our industry, but it passed and did nothing for the debt because the revenues were not managed properly, in my opinion.

If you want more from the oil industry, please tax the imported oil from those countries that can afford the tax at this time. Also, I believe that it should be mandatory to collect some of the money that the United States loaned those countries who had not even paid their interest yet.

I also believe that a strong defense is worthless to a weak economy. Cut defense cost, delay the massive government projects that are of no use during troublesome economic times, make the agricultural products of this country as valuable to the countries we export to, as is the oil we import from other countries, i.e., a bushel of wheat equals a barrel of oil.

Also, people should have to work for their money if they are physically and mentally able to. Do you really think that people who are fired or laid off can not find any work at all? A majority are spoiled and neet to swallow their pride and find some way to make ends meet without a hand out from hard working individuals.

Just remember, tax credits stimulate the economy and mismanagement of funds is where the problem is. You neet to start where the problem is and go from there.

Sincerely,

BAYTECH, INC.

Ben A. Strickling, III, Debbie Levander, Joan Tubbs,
Bonnie Lindley, & Glenda Hocutt

Earl R. Bruno

P.O. BOX 5456
MIDLAND, TEXAS 79704
(915) 684-8488

December 12, 1984

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

RE: Treasury Department
Tax Reform Proposals

Dear President Reagan:

We independent oil operators object to the disastrous proposals by the Treasury Department concerning repeal of percentage depletion and expensing of IDC's. Our business is already suffering from the Windfall Profit Tax, lower prices for oil & gas, etc. The elimination of these two items will absolutely cripple the independent oil business, which in turn could endanger our national security. The major oil companies will not be effected since they use neither percentage depletion nor the expensing of intangible drilling costs since they amortize these costs. They can do this because of tax credits on imported oil.

We wholeheartedly support a reduction in government spending. Although I am 65 yrs., I will not apply for Social Security or Medicare as long as I am capable of paying for these services myself. I think this should be part of the law. Although I own farm & ranch land, I would not apply for any government help, etc. I'm willing to pay increased taxes but I object to a proposal that will take my livelihood away or my ability to earn a living.

We would appreciate to you objecting to the above mentioned Treasury tax reform proposals.

Respectfully,

Earl R. Bruno

Earl R. Bruno

ERB:acs

3809 Kansas
Midland, Texas 79703
December 13, 1984

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

Dear Sir:

I request you publicly discourage the Treasury Department's tax reform proposals for the petroleum industry because of the damaging effects to the industry and the welfare of the country.

The oil companies bear extensively high risks in drilling exploratory wells. You must understand with the price of oil declining and the gas market as it is, there is no way an independent oil company can survive without cutting its overhead by laying people off, decreasing its exploration ventures, etc. It is foreseen companies may be drained so badly many more will have to close its doors.

The last thing Americans really want is to depend on foreign oil when in our own country we have the best techniques and above all the best people to find the reserves.

Please help keep these tax reforms from coming into effect.

Very truly yours,

C. R. Harden

C. R. Harden

cc: Edwin Meese, III, Counselor to the President
James A. Baker, III, Chief of Staff
Robert C. McFarlane, Assistant to the President for National Security Affairs
The White House
Washington, D.C. 20500

4305 Arroyo Drive
Midland, TX 79707
December 26, 1984

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

RE: Treasury's proposed "Tax Reform for Fairness, Simplicity and Economic Growth" to begin January 1, 1986

Dear President Reagan:

The Domestic Oil and Gas Exploration Industry in this country will be seriously impacted in present and future operations if the above Treasury's proposals remain unchallenged.

The Treasury is recommending the following major tax allowances be eliminated for all Royalty owners, Working Interest investors, Independent Oil Producers, and Major Oil Companies:

1. Depletion Allowances on existing and future production
2. Intangible and Tangible cost deductions
3. Investment Tax Credit on Tangible costs
4. Dry hole costs - only expensed over several years if acreage not abandoned by producer.
5. No deduction of Secondary and Tertiary Recovery costs.

The elimination of these necessary tax considerations would deal a devastating blow to all people in the oil and gas exploration and production business creating a heavy increased tax burden.

Also--if these Tax proposals become law, it will definitely contribute to the deficit increasing due to the necessity of this country's need for increased tax payers.

President Reagan, we need to ask you to publicly reject the Treasury's proposals as outlined above to avoid the catastrophic effect on the Domestic Oil and Gas Exploration Industry. Further, State Senators and key Congressmen also need to be aware of the effects of this heavy increased tax burden for all tax payers.

We ask your support to retain these tax allowances rather than eliminate them.

Sincerely,

Max Smith

Max L. Smith

cc: Edwin Meese, III
James A. Baker, III
Robert C. McFarlane
Senator Alan Dixon
Senator Paul Simon
Congressman Ken Gray
Congressman Terry Bruce
Governor Jim Thompson

TODD, BARRON, BRIDGES & McKEEL, P.C.
A PROFESSIONAL CORPORATION

JIMMIE B. TODD
STEVEN B. BARRON
GARY L. BRIDGES
RICHARD P. McKEEL
JEFFREY F. THOMASON
NANCY E. WYMAN

ATTORNEYS AT LAW
SUITE 409, MBANK PLAZA
3800 EAST 42ND STREET
ODESSA, TEXAS 79762-5982
TELEPHONE (915) 367-5191

OUR FILE NUMBER

December 13, 1984

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

Dear Mr. President:

I am a practicing attorney in Odessa, Texas, and our economy is largely based upon the oil industry. My practice centers around family-owned oil well servicing businesses, and the recent proposals by the Treasury Department concerning the repeal of percentage depletion and the expensing of intangible drilling costs are of great concern to my clients. I do not understand how legislators can support the elimination of percentage depletion and intangible drilling costs, while continuing foreign tax credits on imported oil.

I am asking you to oppose the Treasury Department's tax reform proposals for the petroleum industry. If these proposals become law, particularly the provisions regarding percentage depletion and intangible drilling costs, the effects on domestic drilling programs will be disastrous.

Very truly yours,

Steven B. Barron

Steven B. Barron

SBB:cj

cc: Edwin Meese, III
James A. Baker, III
Robert C. McFarlane

BOB CRAIG DRILLING CO.
BOX 695
OLNEY, TEXAS 76374

December 28, 1984

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

Dear Mr. President:

As an independent oil operator since 1951, I respectfully urge your opposition to the Treasury Department's tax proposal regarding oil and gas. This proposal represents a reversal of the pro-investment and pro-growth tax policies enacted in the 1981 Economic Recovery Act, and would have an adverse impact on oil and gas exploration and investments. It would result in one of the largest tax increases in decades for the oil business.

Removing the depletion incentives and disallowing the justifiable drilling cost as current expense, would discourage exploration and force many independent producers out of business.

Mr. President, you have done an incredible job of reducing inflation and your deep interest in reducing the national debt is appreciated. However, I do not believe this tax proposal will give us the economic growth that is needed to reduce the federal deficit, and I do believe it would increase the nation's dependence on foreign oil.

Thank you for doing such an excellent job.

Respectfully,

Robert D. Craig

Robert D. Craig

cc:

Edwin Meese III
Counselor to the President
The White House
Washington, D.C. 20500
(202/456-2235)

James A. Baker III
Chief of Staff
The White House
Washington, D.C. 20500
(202/456-6797)

Robert C. McFarlane
Asst. to 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

LEWIS FARMER
RES. 564-2138

HAYDEN FARMER
R. A. WAITS
RES. 564-2425

FDC
FARMER DRILLING COMPANY
P. O. BOX 716 • OLNEY, TEXAS 76374
OFFICE: 817-564-5549

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 would force thousands of independent oil and gas producers to severely curtail or stop drilling new wells.

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 capital and maximize internally generated capital so that we can do more drilling and find more oil and natural gas reserves, which results in more tax revenue for the Federal Treasury. (Independents have historically spent in excess of 100% of their generated funds in drilling activity.)

Mr. President, you have done an incredible job of reasserting America's strength throughout the world; so please don't allow our military to have to once again depend on OPEC oil for fuel.

It is inconceivable to me that the Reagan administration would seriously consider a proposal that would threaten the jobs of so many Americans.

Sincerely,

Lewis Farmer

Lewis Farmer

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 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

THE SIDWELL COMPANIES
P. O. BOX 2475
PAMPA, TEXAS
79066-2475

December 20, 1984

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

Dear Sir:

Enclosed is a letter we recently sent to President Reagan. The correspondence expresses our feeling about portions of the tax reform proposal submitted to the President.

I hope you will examine the enclosed correspondence and realize how devastating some of the proposals would be to this great country we live in.

Thank you for your time and consideration.

Sincerely yours,
Sidwell Oil & Gas, Inc.

E C Sidwell

E. C. Sidwell
President

THE SIDWELL COMPANIES
P. O. BOX 2475
PAMPA, TEXAS
79066-2475

December 17, 1984

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

Dear President Reagan:

The Treasury Department's tax reform proposals have provided Sidwell Oil and Gas, Inc. with a motive for expressing corporate disapproval to those proposals effecting the oil and gas producing industry. This memorandum will provide you with a brief profile of Sidwell Oil and Gas, Inc. The Treasury's proposals which Sidwell Oil and Gas, Inc. objects to are delineated in this letter. A basis for objecting to each listed proposal is provided. Sidwell Oil and Gas, Inc. concludes this missive by imploring you to publicly reject the Treasury's proposals fervently opposed to by the oil and gas producing industry.

Sidwell Oil and Gas, Inc. is an independent oil and gas firm founded on December 23, 1957 in Pampa, Texas. The corporation's principal business activity is the exploration for and production of hydrocarbons. Through boom and bust years, Sidwell Oil and Gas, Inc. has managed to survive and currently employs fifteen persons from Pampa and the surrounding Gray County, Texas area. Current Treasury proposals could very well lead to the demise of the independent oil and gas producer, and deprive hard working patriotic Americans of a means to support their families. Sidwell Oil and Gas, Inc.'s primary motive is to help provide our fine country with energy on which to function and depend. The financial well being and family security of Sidwell Oil and Gas, Inc.'s employees is a paramount corporate concern and responsibility. The Treasury's proposals effecting the oil and gas producer undermine the nation's energy supply and the hard work ethic on which our country and Sidwell Oil and Gas, Inc. were established.

THE SIDWELL COMPANIES
P. O. BOX 2475
PAMPA, TEXAS
79066-2475

Sidwell Oil and Gas, Inc. objects to three Treasury proposals:

1. Repealing percentage depletion
2. Disallowing the expensing of intangible drilling costs in the period in which incurred
3. Disallowing the deduction of dry hole costs until the particular property on which the dry hole was drilled is abandoned.

Percentage depletion has long been recognized as a way of insuring that small hydrocarbon producers have enough funds to replace their reserves. Percentage depletion is currently available only to the independent producer on production of 1,000 barrels of oil or gas equivalent per day. Since only independent producers are allowed percentage depletion, the withdrawal of that reconciler of cash flow needs would lead to the extinction of the small independent oil and gas producer.

The expensing of intangible drilling costs is not a tax "break". It is an opportunity to charge outlays for unsalvageable drilling materials and services against current instead of future revenues. Producers that expense intangible drilling costs immediately do not have the deduction once associated production commences. The Treasury thus does not loose tax revenue.

When an independent producer drills a well that does not produce hydrocarbons in sufficient quantity to warrant the completion of that well, that producer should be allowed to deduct the expenses incurred in drilling the dry hole in the tax period incurred. Capitalizing the costs of a dry well would be recognizing a dry well as an asset. Clearly, an asset does not exist. The abandonment of a property on which a dry hole is drilled, as a prerequisite for deducting the dry hole costs, clearly is not founded on sound real property ownership rights. A small independent producer who owns land in fee absolute would be forced to abandon his surface estate because a dry well the producer drilled proved his mineral estate worthless. A dry hole is worthless and the deduction of costs incurred in drilling the dry hole should not be predicated on any other event, except the determination that the well is dry.

THE SIDWELL COMPANIES
P. O. BOX 2475
PAMPA, TEXAS
79066-2475

Mr. President, Sidwell Oil and Gas, Inc. urges you to reject the three Treasury proposals. An independent producer's right to survive among the mighty integrated oil and gas producers must be upheld. The employees of small independent hydrocarbon producers must have job security on which to adequately provide for their families.

Your time and kind consideration given to this matter is deeply appreciated.

Sincerely,
Sidwell Oil & Gas, Inc.

E.C. Sidwell
President

ALPAR RESOURCES, INC.

Allen Building
Box 1046 Phone 806/435-6566
PERRYTON, TEXAS 79070

BRENT ALLEN
Land Manager

December 31, 1984

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

Dear Mr. Baker:

I am writing you to express my concern about future employment for many thousands of Americans, and the vulnerability of the United states should the proposed tax plan become law.

I am 25 years old and employed by an independent producer of oil and natural gas. I feel very strongly that my job as well as those of many others in our company could well be in danger should the tax plan pass.

You see, Mr. Baker, the tax plan takes all incentive away to explore for and produce these valuable commodities. With no incentive to drill, the independents will very likely lay off thousands of employees.

More importantly, the U.S. will be in a position of increased vulnerability to the whims of OPEC because no new reserves of oil and gas will be found. I feel this could be an issue very important to our national security.

For those reasons - one selfish and one not so selfish - I urge you to consider leaving intact percentage depletion and current expensing of intangible drilling costs. These are the economic incentives which keep the independent producer in business.

Very truly yours,

Brent Allen

Brent Allen

JBA:pm

December 27, 1984

The Honorable Ronald Reagan
President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

This letter is in regard to the proposed Treasury Department tax reform proposals.

I have been employed for twelve years by a small independent oil and gas producer. A high percentage of the wells my company drills is wildcats. We have outside private investors who participate with us.

As I understand the tax reform proposals, the incentives for investing in such a high risk venture as exploring and drilling for oil and gas would be completely taken away. If these proposals are approved and made law, outside investment capital would be halted and internally generated capital would be greatly reduced by the onerous tax burden. We would be forced to significantly reduce - if not halt - exploration.

Mr. President, I must admit I am concerned primarily about the future of my career, my company, and our entire area, which is economically heavily dependent upon the industry. And of course I'm equally concerned about the future of the independent producer, who is so vital to our Country's security and prosperity.

I respectfully urge you to strongly oppose the Treasury Department's tax proposal regarding oil and natural gas.

Sincerely,

Patsy Mozingo

Patsy Mozingo
2313 Baylor Court
Perryton, TX 79070

ALPAR RESOURCES, INC.

Allen Building
Box 1046   Phone 806/435-6566
PERRYTON, TEXAS 79070

ROBERT CUNNINGHAM
President

December 31, 1984

The Honorable Ronald Reagan
President of the United States
The White House
Washington, DC 20500

Dear Mr. President:

I must make my views known in regard to the Treasury Department tax proposals regarding oil and natural gas. I am very concerned, and quite convinced, that if the proposals are made into law the future of the independent in this Country is severely endangered.

I have been employed for several years by an independent producer. We have made a study of the impact on our company of the tax proposals as they pertain to intangible drilling costs, depreciation and depletion. From this preliminary study, it appears that if we pursued the same drilling program as in 1984, we would pay over 100% more in taxes....money which would ordinarily be spent on wildcatting and development.

As you know, independents rely heavily on outside investment capital to help finance exploration. If intangibles are capitalized and extended as proposed and cost depletion adopted, incentive for investing in such a risky venture as drilling for oil and gas will become obsolete. And, of course, for every well not drilled there will be no tax revenues.

I am also very concerned about jobs. In addition to producers, I am afraid that most of the related service and supply businesses - particularly in this area and others which depend mainly on independents - will go out of business and eliminate thousands of jobs.

Thank you for your attention to my views and opinions. I feel confident that after you weigh all the facts you cannot support the tax proposals as they affect the industry segment which is so important to our Nation.

Respectfully submitted,

Robert Cunningham

RC:pm

ALPAR RESOURCES, INC.

JACK M. ALLEN
President

Allen Building
Box 1046 Phone 806/435-6566
PERRYTON, TEXAS 79070

December 18, 1984

The Honorable Ronald Reagan
President of the United States
The White House
Washington, DC 20500

Re: Treasury Department Tax Reform for Fairness,
Simplicity and Economic Growth

Dear Mr. President:

Our company is a small independent producer of oil and gas employing approximately 100 persons. We also participate in hard minerals projects from time to time.

We are basically wildcatters, drilling a high percentage of exploration as distinguished from development wells. We drill 10-25 wells per year, varying from year to year. Our wildcat drilling has been responsible for finding many new fields and many dry holes. It is a high risk venture and, of course, to attract capital we need to offer economic incentive.

The effect of the tax bill is to eliminate current expensing of intangible drilling expense, modify accelerated depreciation, eliminate depletion, and discourage capital formation. We have studied the impact of the proposed tax bill on our company and find that, had these proposals been in effect during the years 1982-83 and the first seven months of 1984, though we paid very substantial income taxes we would have paid 116% more in income taxes.

In polling our investors, we find that we simply will be unable to attract outside investment capital under such a law. One of the rewards in investing in risky wildcatting is the opportunity to expense on a current basis intangible drilling expense. If intangibles are capitalized and extended over a five year period as proposed, the primary incentive for investing will be unavailable and investment capital for independents will be seriously curtailed. Elimination of depletion will severely compound the matter.

Another source of drilling funds is our internally generated capital. Most of this capital will be going for additional taxes, and therefore we will have little internal funds with which to drill. The third source of funds is borrowing on existing reserves. This proposal will be a negative influence on that source of funds and the bankers will not be lending us more, but rather less money on existing reserves.

Therefore, it is our projection that we will be fortunate to drill one-fourth of the wells we currently drill. We believe this is not only poor tax policy, but it is exceedingly poor energy policy, as the independents do the bulk of the exploration even though they do not own the bulk of the reserves. Without the exploration, new reserves will not be found and developed. As you can see, a situation of this type would readily play into the hands of OPEC and it is our contention that we will be looking forward to $75 to $90 per barrel oil rather than $27 to $29 per barrel oil we now enjoy.

With respect to hard minerals, I believe the situation might be even worse. I look for exploration capital to almost dry up in the hard mining business if the foolish proposals are enacted into law. The lead time in the hard mineral business is even longer than in the oil and gas exploration business, and very few companies of any size can afford to capitalize exploration expenses. Certainly we would not participate in the mining projects in which we have participated in the past if the law is changed as proposed.

It is obvious that the Treasury proposals totally overlooked the element of risk involved in accumulating capital. If the return is equalized, capital for high risk ventures will not be forthcoming. Should the proposals be adopted as proposed, I think the entire economy will slow materially for lack of risk capital in fundamental and necessary industries.

Very truly yours,

Jack M. Allen

Jack M. Allen

JMA:pm

1008 W. 11th Street
Post, Texas 79356
December 17, 1984

James A Baker
Washington, D.C.

Dear Sir:

Treasury's proposed changes to the Tax Code will put most of the independent oil and natural gas producers in the United States out of business! Without the Intangible Drilling Cost deduction and the Percentage Depletion Allowance, we will be unable to raise the capital necessary to continue drilling. Elimination of these investment incentives will mean less oil and gas produced, an increased reliance on foreign oil and decreased revenues to the Treasury. When your tax bill is sent to Capitol Hill, you must not support the elimination of the IDC or depletion provisions.

Sincerely yours,

Mrs. Sue Cornell

Mrs. Sue Cornell

G. C. McCrary

E. A. Franklin Estate

McCrary & Franklin, Inc.
Box 790
Post, Texas 79356

December 27, 1984

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

Dear Mr. Baker:

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 stop drilling new wells.

There is evidence that the rate of decline in drilling will be between 30-40%. Similarly, there will be a 30-40% reduction in new reserves found, thereby increasing this nation's dependence on foreign and in addition, will result in the loss of jobs to thousands of Americans.

Sincerely,

G. C. McCrary

Giles C. McCrary
President

GCM:ws

C. B. HAZEL, INC.

400 W. MAIN STREET
P. O. BOX 279
RANGER, TEXAS 76470

(817) 647-3291

December 20, 1984

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

Dear Mr. President,

Having noted the details making up the Treasury Department proposal tax changes, I am deeply alarmed in regard to the removal of Percentage Depletion and expensing Intangible Drilling Costs from oil industry drilling operations.

I was amazed when you allowed the opportunity to pass that would have removed the Windfall Profit Tax, put in place by the Democrats. Hundreds of my independent colleagues quit the oil business then, as taking away up to one-half of our income was too great a burden to survive.

Now, take our already reduced percentage depletion and disallow deduction of drilling costs, and you put the rest of we survivors out of a vital industry in our country.

If the Federal budgeteers would think a moment, the oil industry, specifically the independant oil producer, is already a sick horse that can pull no greater load than already being pulled, would find no room for more taxation.

If the tax eaters were called upon to take less food stamps and have their welfare generally reduced, you can bet your old tired butt there would be no joy in the hinterlands.

Mr. President, we independant oil producers are tired, deeply concerned, and know for certain that another tax burden will be the straw that breaks the pump jacks back.

Kindest Personal Regards,

C.B. Hazel

CBH/bw

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

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

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

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

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

URBAN EQUITIES CORPORATION

First City Bank Center
Suite 714
100 North Central Expressway
Richardson, Texas 75080

214-644-5888

December 10, 1984

Mr. 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:

We 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.

This proposal may appear to somewhat lower the Federal tax for low to moderate income households. However, it completely ignors the intent embodied in the existing tax code to help provide decent and affordable housing for low to moderate income households. In today's marketplace, fully 35 to 40% of the total rental housing capital investment is equity which is compensated solely through tax deferral and conversion with no current yield. Current rent will only support a market competitive cash yield for 60 to 65% of the construction cost (typical mortgage financing). If the pass through tax benefits are eliminated under the Treasury proposal, new rental construction will stop and rents on existing rental housing will quickly adjust to a 50% increase, thereby costing the average American renter about $2,000 per year. In essence, the Treasury proposal is a government mandated rent increase.

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 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,

Kenneth A. Portnoy
Vice President

KAP:cs