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ABILENE CHAMBER OF COMMERCE / 341 Hickory / PO Box 2281 / Abilene, Texas 79604 / 915-677-7241

ABILENE

December 26, 1984

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

Dear President Reagan,

Please find enclosed a resolution passed unanimously by the Board of Directors of the Abilene Chamber of Commerce on Wednesday, December 19, 1984.

We express our opposition to the Treasury Report on Tax Simplification and Reform provisions of Part II Chapter 8 and sections 11.02 and 11.03 of Chapter 11. These sections repeal the accelerated cost recovery system, the investment tax credit, precentage depletion, and the expensing of intangible drilling costs.

The provisions are absolutely essential to the oil and gas industry and therefore to all others who depend on the successful future of this industry. The amount of investment capital required to finance exploration, the unequaled risk of investment, and the neccessity of the product set this industry apart from all others.

The Treasury Department's Report to the President detail "Reasons for Change" that fail to show a true understanding of the economics and associated risks of the oil and gas industry.

We 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.

Sincerely,

Alex Mills

Alex Mills
Chairman, Petroleum Industry Council
Abilene Chamber of Commerce

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

RESOLUTION REGARDING FEDERAL TAX REVISION PROPOSALS

WHEREAS, the city of Abilene, Texas and surrounding area are devoted to a strong National Defense and viable domestic oil and gas industry; and

WHEREAS, for many years the United States government has provided tax incentives that have encouraged the formation and investment of capital in the exploration for and production and conservation of the nation's oil and gas resources; and

WHEREAS, certain proposals for general revision of the United States Internal Revenue Code include the reduction or elimination of many of these incentives; and

WHEREAS, these incentives represent intelligent economic policy choices to encourage, support, and maintain the maximum beneficial utilization of resources vital to the general welfare and security of this nation and are not the conferral of unwarranted benefits on any class of citizens; and

WHEREAS, the impairment or elimination of these incentives will result in the waste of producible petroleum reserves by discouraging exploration and developement work, bringing about the premature abandonment of many wells prior to the point of maximum depletion of primary recoverable reserves, and the waste of vast secondary and tertiary reserves;

NOW THEREFORE, BE IT RESOLVED by the Abilene Chamber of Commerce that:

(1) The said proposals are noted and deplored insofar as they weaken the historic and needed future support of the full and complete utilization of the nation's oil and gas resources.

(2) Because of the resulting waste of oil and gas any proposal that would impair or eliminate incentives that encourage or promote the development and efficient recovery of the nation's oil and gas resources should be rejected.

(3) Failure to encourage utilization of these vast reserves is clearly opposed to the best interests of the nation and compromises our national security.

Dick Bowen

Dick Bowen, President
Abilene Chamber of Commerce

12-19-84

Date approved by Board
of Directors

ABILENE DRILLING, INC.
P. O. BOX 5395
ABILENE, TEXAS 79605

(915) 692-2154

December 31, 1984

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

Sir:

I received details of the Treasury Department's proposed changes in the tax code. I am concerned about these proposals and oppose the elimination of the percentage depletion and intangible drilling costs.

Independent oil producers drilled between 85 and 90 percent of the wells drilled in the United States last year. If the Treasury Department's proposals are approved, the independent oil producer will vanish because it would cut out all the tens of thousands of investors.

The drilling contractors have been hard hit the last three years, as indicated by the number of bank failures which were heavy in drilling rig loans. If these tax proposals are approved, very few drilling contractors and independent oil operators will survive.

Very respectfully yours,

ABILENE DRILLING, INC.

By: Andrew J. White - President

AJW:dh

David L. Alexander | 100 Chestnut, Suite 200
Abilene, Texas 79602
915 672-2841

December 17, 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.

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 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.

David L. Alexander | 100 Chestnut, Suite 200
Abilene, Texas 79602
915 672-2841

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. 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 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, 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,

David L. Alexander

DLA:ct

cc: Edwin Meese III
Counselor to the President

Lloyd Bentsen
U.S. Senator

James A. Baker III
Chief of Staff

Phil Gramm
Senator-elect

Robert C. McFarlane
Asst. to President for National Security

ANTHONY J. ALEGRE
3130 ANTILLEY ROAD
BOX C
ABILENE, TEXAS 79606

December 17, 1984

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

Dear Mr. President:

The recent proposals of the Treasury Department's tax plan for the oil business greatly concerns me.

The proposed expensing of intangible drilling costs and a repeal of percentage depletion will have a major impact on the independent oil community. Most of the money for exploration is derived from the private sector. These proposals will discourage the private community from investing their dollars in the search for oil and gas. The supply side economics in our case will be cut off and once again we will be forced to depend on foreign oil.

I am a recent college graduate and I have started a small independent oil company. If these proposals should go through, it will make it very difficult to survive in the business. I have supported you and your administration in the past and would like to continue to do so in the future. Could you please support me on this matter?

Sincerely,

Tony Alegre

Tony Alegre

TA/klh

Andress Alegre
OIL PROPERTIES

December 17, 1984

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

Dear Mr. President:

After reviewing the Treasury Department's proposed changes in the tax code, I was deeply alarmed. The independent oil sector cannot function if these proposals are accepted. The elimination of the deduction of the intangible drilling costs will greatly affect our industry. That deduction has always been an incentive to investors in exploring for oil and gas. Without economic incentives for private investors our industry will falter.

The elimination of percentage depletion will also hurt the independent oil industry. I strongly urge you to back our industry and eliminate these proposals. Our industry needs economic incentives to continue exploring for oil and gas. I hope you will study the proposals and realize the drastic effects it will have on the independent oil industries, as well as the the communities that the independent oil industry supports!

Sincerely,

Andy Andress

Andy Andress

AA/klh

3130 Antilley Road, Box C Abilene Texas 79606
(915) 698-7252

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ABILENE, TEXAS 79604

December 18, 1984

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

Dear Mr. President:

As a member of the West Central Texas Oil and Gas Association, I take exception to the Treasury Department's proposal to eliminate percentage depletion and intangible drilling cost of the independent oil producers of our Country.

You have already received many letters protesting these proposals, and pointing out how they will adversely effect the oil industry. However, I would like to point out some of the ways it will effect the revenue hoped to be gained by our government.

Having been employed in the oil industry for thirty years, I can readily see how these proposals, if past, could extremely depress the oil industry, and completely eliminate those who would invest in oil and gas exploration. Since this would literally shut down the drilling of new wells, our Treasury Department would realize very little revenue from these proposals; and at the same time, all of our present producing wells would decline in production; and over the next two or three years, our government would stand to lose more and more in "Windfall Profits". This, in my opinion, would more than offset any revenues realized from the now proposed, "Percentage Depletion" and "Intangible Drilling Cost" proposals.

Since the oil producing states, such as Texas, Louisiana, Oklahoma, New Mexico, Kansas, etc., rely heavily on revenues brought in by the taxes imposed on the oil industry to support Public Schools, highways, and many other state supported institutions, they would be forced to look to the federal government for financial support.

Our County and City governments also would be forced to look elsewhere for revenues to maintain County roads, City streets and other necessities: which are now financed largely by taxes levied on the Oil Producers.

Mr. President, in my conversations with people in all phases of the oil industry, I have found that the people of this industry support You and Your administration One Hundred Percent; and take great pride in the strength and integrity you have restored to this Great Nation. So, I am appealing to you: not just as a member of a "Special Interest Group", but as one American who wants to see this great Country stay strong and prosperous.

Therefore, I urge you to consider these tax reform proposals which are about to be presented to our Congress, very carefully; and I sincerely hope you see fit to remove them before-hand.

Respectfully yours,

Sammy Davis

Sammy Davis, President
A-Town Oilfield Equipment
and Packer Service, Inc.

sd/jp

cc: Edwin Meese III
Counselor to the President

U.S. Senator Lloyd Bentsen

James A. Baker III

Senator-elect Phil Gramm

Robert C. McFarlane

Russell Taylor, President
West Central Texas Oil
and Gas Association

BERG & JOLLEY, P. C.
ATTORNEYS-AT-LAW
1645 FIRST STATE BANK TOWER
P. O. BOX 3013
ABILENE, TEXAS 79604

LESTER O. BERG
GRADY S. JOLLEY

LEIGH ANN MOORE

TELEPHONE
915-672-2512

December 18, 1984

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

Re: Treasury Department Tax Reform Proposals

Dear President Reagan:

I am totally dismayed by the tax reform proposals submitted by the Secretary of the Treasury to you. If it is submitted to Congress as it is, it will result in total disaster to me as an individual, the members of my law firm and its employees.

The repeal of percentage depletion, the expensing of intangible drilling costs, disallowance of dry hole costs until property is abandoned and the disallowance of business interests as a deduction would probably result in the collapse of my business life.

I do not think I need to explain to you the effect of the proposals on me as a producer of oil and gas, and I will reply on IPAA and the other oil and gas associations that I support financially to do that.

However, disasterous as the provisions of the proposed bill would be to me as a producer, they would be far worse to my law form. The bulk of our clientele consists of independent producers of oil and gas. I don't think my law firm can continue to exist without this very large segment of our law practice. As you know, people like my clients and I are responsible for finding more than 80% of the oil and gas in the United States. I am old enough to remember World War II having served five years in the Air Force during that period of time, and I can recall the shortage of crude oil particularly during that war. Since national defense is one of your urgent priorities, I totally fail to understand how it would serve the defense of our country to annihilate the individual producer of oil and gas.

LESTER O. BERG
BRADY B. JOLLEY
LEIGH ANN MOORE

BERG & JOLLEY, P. C.
ATTORNEYS-AT-LAW
1645 FIRST STATE BANK TOWER
P. O. BOX 3013
ABILENE, TEXAS 79604

TELEPHONE
915-672-2512

I have supported you and the Republican Party in a modest way for a long time. Please do what is necessary so that I can be very happy about continuing that support.

Yours very truly,

Les O. Berg

LESTER O. BERG

LOB/ae

cc: Mr. 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

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

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

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

BIG-TEX
CRUDE OIL COMPANY

P.O. BOX 5722
ABILENE, TEXAS 79608
TELEPHONE: A/C 915 692-9230

December 19, 1984

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

Dear Mr. President,

Our company has received details of Treasury Secretary Donald Regan's tax reform proposals and we feel that an immediate reply is necessary before your final position is presented. This letter, along with many others that will undoubtedly be received by your office, strongly recommends that all items pertaining to the elimination of percentage depletion and intangible drilling costs be removed from proposals in your tax reform package that you will present to Congress.

As our country struggles to solve its many problems, removal of economic incentives that the total domestic oil industry depends upon would drastically reduce the amount of domestic oil production found each year. Our dependence upon foreign oil has been stated and restated many times, but the fact clearly remains that America does rely on foreign oil for 38% of its needs. Our nation, the strongest the world has known, cannot guarantee needed shipment from our friends North and South of our borders, let alone those from the Middle East.

Until the United States has implemented a comprehensive energy policy that focuses on all energy sources, reliance on foreign crude must be kept to acceptable levels. Continued dependence upon foreign energy at high levels could cause economic and political chaos.

One of the many foundations this country is built, is good inexpensive energy. Today, that energy still is one of the best values in the world and does contribute to keep our products competitive in world markets.

Mr. President, I appeal to you as a fellow American to strongly consider Secretary Regan's proposal that would hinder economic expansion, national safety, and energy independence if passed. Therefore, we ask your support in defeating this proposal.

Sincerely,

BIG TEX CRUDE OIL COMPANY

Guy L. McElroy

Guy L. McElroy
Vice-President

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

U. S. Congressman Charles Stenholm
1232 Longworth
Washington, D.C. 20515

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Bill Kilpatrick
(915) 692-4301

ABILENE
Benny Kilpatrick
(915) 698-7249

EASTLAND
(817) 629-8722

The President
The White House
Washington D.C.
202/456-1414

After Reading The Treasury Dept proposed changes in The Tax code I Honestly Believe This is An Attempt to stop our oil + Gas Business in our State + all of The Surrounding States. We make our Living + most of The United States That Depend on oil + Gas For Their Livelyhood

Our Co. is very small w/ 46 Employees + App 115 people Live + work w/ our Co.

I voted For you knowing you would Do what is Best For our Country

Mr Donald Regan is wrong if He Thinks Diverting money From The oil + Gas Industry will Help The Economy. People Like us is The Economy

I Hope you will Reconsider This Bill + look at it as A very Bad Deal For The oil + Gas Industry

Thanks
Bill Kilpatrick
Pres. Bilbo

GEORGE S. BISHOP
P.O. Box 5083
Abilene, Texas 79608
(915) 698-3010

December 19, 1984

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

RE: Treasury Department's
Tax Reform Proposals

Dear Mr. Baker:

This respectfully requests your attention to an issue pending which will alter the form of our government and economic system. This issue is the reason which you were overwhelmingly re-elected and the reason I have supported you and the Republican party since I have been old enough to vote. That is capitalism and free enterprise as opposed to socialism and government intervention in the market place.

The proposed changes to the tax code as set forth by the Treasury Department are counter-productive to investment in new, risky business ventures. This tax change can do none other than be a disincentive to investment in businesses and thereby lead to fewer jobs, less research, more energy dependence and more government dictation to, once again, cure the result of economic legislation. The final result, less taxable income and more government created jobs.

I am specifically addressing the following proposed changes:

A. Repeal of the provisions for expensing intangible drilling costs for independent producers in the year they occur;

B. Disallowance of tax deductions for dry hole costs until a property is abandoned;

C. Repeal of percentage depletion;

D. Capitalization of indirect costs such as interest.

Please, before you discount my points as merely being another letter from a "special interest group" whose ox is being gored, consider that these same proposals are, in other forms, applied against all businesses. America was and is still built by small business people seeking risk dollars to create new ideas, new jobs and more efficient ways to increase our gross national product (and therefore tax revenues). Overall, the proposed changes are going to depress this economic foundation by eliminating risk incentive. Yes it will, because without tax incentives to invest in risky or new ventures, the economy and society will stagnate. You will not drill a wildcat with me or invest in a new idea for an artificial heart, you will buy a certificate of deposit.

This is what will happen to me:

1. I will not be able to raise money to drill wildcat wells;

2. I will not be able to discover the oil and gas that this country needs;

3. I will not be able to contribute to the incredible tax burden I already bear;

4. I will not be able to employ the people with me or service companies.

This result will be extremely detrimental to this country. The independent oil men and women drilled 85% of the wells in the lower 48 last year. We are the ones that are replacing (9% in 1984) depleated reserves. It will take 685,000 wells and $440 billion merely to stay even with production use in the next ten years. Eighty-five percent of that represents an important part of our economy and future safety. With this in mind, it is deplorable that the language in the proposed changes to the oil tax treatment states that ..."capital diverted from oil and gas exploration would be employed more productively in other industries".

I can, with my fellow independent oil men, continue to reach energy independence as we have shown. I can achieve this quicker, cheaper and more efficiently than the government or major oil companies. However, if these proposals are adopted, I will not be able to continue this achievement. By entrepreneurship, I create more jobs, pay more salaries, pay more taxes to local and federal governments and provide meaningful opportunities to this country than the government.

These are the reasons you were elected. You understand that the businessmen and women of this country are what make us a great nation. Not the bureaucracy who will end up running the major oil companies after the independents are gone. I am telling you, Mr. Baker, the way this change is going to affect the country. Believe me, I know better than someone who has "studied" the subject from academia. I get things done inspite of the burdens already placed on me.

Yours very truly,

George S. Bishop

George S. Bishop

GSB/jp

CALHOUN-ELLISON OIL CO.

P.O. Box 446 Aspermont, Texas 79502 (817) 989-3582

(817) 989-2260—C. C. Calhoun
(817) 989-2914—Dewitt Ellison
(817) 989-2805—Junior Martin

December 19, 1984

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

Dear Mr. President:

I recently received details of the Treasury Department's proposed changes in the tax code. I am very concerned about these proposals. I strongly oppose the elimination of percentage depletion and intangible drilling costs. I am also very concerned about the Treasury's contention that dry hole costs should not be a deduction until a property is abandonded. It is extremely unfair to not allow the deduction of dry hole costs at the time they occur.

These incentives are more than just incentives to the thousands of independent oil producers and the tens of thousands of investors. It is the life-blood of the independent producer. Without these economic incentives the independent oil producer will become a thing of the past. In the last several years independents drilled 80% to 90% of the wells drilled in the United States and future reserves are a direct reflection of the number of wells drilled.

Repealing these incentives will dramatically reduce the number of independents exploring for oil and gas and will decrease competition giving major oil companies a competitive edge thereby increasing the United States vunerability to the OPEC nations.

Mr. President, the Treasury's contention that capital diverted from oil and gas exploration could be employed more productively in other industries to me rings with the sound of socialism. What other industry at these crucial times is more important than a domestic energy producing industry that provides a stable and dependable source of energy and is already strapped with a discriminating so-called Windfall Profits Tax.

Mr. President, the independent oil man is a small business and do many things that the major oil companies cannot and will not do. This great country we live in was built and is supported by the small businessman. Please allow us to remain in business.

Respectfully yours,

Dewitt Ellison

Dewitt Ellison Jr.

cc: Edwin Meese III
U. S. Senator Lloyd Bentsen
✓James A. Baker III
Senator-Elect Phil Gramm
Robert McFarlane

PS: Mr. President, I also feel that these proposals will have a very negative effect on the recent gains the Republican Party has made in the State of Texas as well as many other oil producing states because of its discriminating nature.

BANK OF COMMERCE

P.O. Box 5437 Abilene, Texas 79608 915-698-3300

Greg Jones
Executive Vice President

December 18, 1984

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

Dear Mr. President:

We have recently had the opportunity to review the Treasury Department's proposed changes in the tax code. We are very concerned about some of these proposals, particularly the elimination of the percentage depletion and the deduction of intangible drilling costs. We live and work in an area of Central Texas that is strongly dependent upon the oil economy. Most of the operators in our area would be classified as small independent oil producers and operators. The deletion of these investment incentives would drastically reduce the amount of investment dollars made available to these small independents.

We believe that the independent oil man represents the backbone of the energy industry in America. We fear that if these investment incentives are no longer available, the number of independent oil producers in America will begin to decrease drastically over the next few years. On behalf of the more than one thousand members of our local independent producers association, The West Central Texas Oil & Gas Association, we urge you to reconsider the elimination of percentage depletion and intangible drilling costs. We believe the continuance of these allowances will be beneficial both to the energy industry and our national economy.

Sincerely,

Greg C. Jones

Greg C. Jones
Executive Vice President

GCJ/gm

Dixon Drilling Company
A SUBSIDIARY OF HLH PETROLEUM CORPORATION
ONE ENERGY SQUARE, SUITE 14C
P. O. BOX 2773
ABILENE, TEXAS 79604
PHONE 915-676-8564

GEORGE H. SWINNEY, JR.
PRESIDENT

December 18, 1984

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

COPY

Dear Mr. President:

Please regard this letter as one more vote against the Treasury Department's proposed changes in the tax code regarding the elimination of percentage depletion and immediate write-off of intangible drilling costs.

After adverse changes in recent years such as windfall profits tax and reduced percentage depletion, these new changes will further reduce the availability of private investment capital to the independent oil man. The risks involved in our industry will no longer appeal to such investors when continued loss of tax incentives eliminate the viability of such investments. As a small drilling contractor, we are dependent on these oil operators for our client basis, and our current depressed industry will be further eroded.

Inasmuch as the independent oil man drills some 89% of the wells drilled in the United States, these penalties will continue to shrink the petroleum reserves of these United States and increase our dependence on foreign oil.

As a member of the International Association of Drilling Contractors, and the West Central Texas Oil & Gas Association, I urge you to withdraw these current proposals of the Treasury Department. If exploration on the part of independents is further curtailed and our domestic oil reserves are not adequate, what will be the position of national defense in time of crisis?

Respectfully,

George H. Swinney, Jr.

George H. Swinney, Jr.
President

Dixon Exploration, Inc.

Oil & Gas Production
208 First National Ely Building
P.O. Box 2320
ABILENE, TEXAS 79604

BARBARA DIXON ROBINSON
President

Office Phone (915) 677-8503

December 19, 1984

The President
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

I am very concerned about the Treasury Department's proposed changes in the tax code. I firmly oppose the elimination of percentage depletion and intangible drilling costs. I am against postponing dry hole cost deduction until the property is abandoned. The deduction of dry hole costs should be allowed at the time they occur.

Percentage depletion and expensing of intangible drilling costs is the lifeblood of thousands of us independent producers. We are like the spars in an airplane's wing - a very necessary part to make the airplane fly.

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. Without these business or economic incentives, the independent producer would no longer be!

Repealing percentage depletion and intangible drilling costs will drastically reduce the amount of investment dollars available for oil and gas exploration. It will dramatically reduce the number of independents exploring for oil and gas; thereby, reducing the number of wells drilled and reserves discovered in the United States.

We will have to import more oil to make up for the oil not found and produced in the United States which will further hurt the United States' balance of payments.

The repealing will also increase our vulnerability to cut-offs of oil from unstable sources, increase the price of crude oil and petroleum products to consumers by decreasing the available supply in the future, and 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." Where else would my father dedicate 25 years of his life to build and leave an estate for me to pay 11 (eleven) million dollars in inheritance taxes to the government for them to spend wherever they deem productively?

There is no industry more important than the domestic energy producing industry which provides a stable and dependable source of energy. The independent producer is the cornerstone of America's energy industry. The independent oil companies do many things that the major oil companies cannot nor will not do. Without percentage depletion and intangible drilling costs, the independent producer will cease to exist. I urge you, Mr. President, 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.

Very truly yours,

DIXON EXPLORATION, INC.

Barbara Dixon Robinson

Barbara Dixon Robinson

BDR/jpd

First State Bank

December 19, 1984

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

Dear Mr. President:

I am very concerned about the oil industry related provisions of the new tax reform proposals. The tax advantages offered by statutory depletion and expensing of intangible drilling costs have been justified, and I think continue to be justified, because of the unusually high risk associated with exploration for oil and gas reserves.

The idea of capitalizing dry holes in development areas swings 180 degrees into the opposite direction. If that theory were put into place, there would be a tax <u>dis</u>advantage in drilling for oil and gas reserves as compared to other business investments.

Please consider the harsh effect that these changes would have not only in the West Central and West Texas areas, but in all areas where oil and gas exploration is an important part of the economic foundation.

Sincerely,

Brad Stephens

Brad Stephens
President

BS:jmw

cc: Russell Taylor
Pres.-West Central Texas Oil & Gas Association
Edwin Meese, III
Counselor to the President
James A. Baker, III
Chief of Staff
Robert C. M Farlane
Asst. to President for National Security
U. S. Seantor Lloyd Bentsen
Senator-elect Phil Gramm
Congressman Charles Stenholm

G. Texas FitzGerald
P.O. Box 5046
Abilene, Texas 79608-5046

December 18, 1984

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

RE: Treasury Tax Reform Prosposals.

Dear Mr. Baker;

Elimination of traditional tax treatment of drilling expense and dry holes would cause severe economic dislocation and could be detrimental to national defense in the long run.

As an independent oil & gas exploration and producing organization which has been active for forty years, we anticipate that the Treasury's proposals would significantly reduce the funds available for exploration and development of domestic oil and gas.

Economic dislocation would extend from local drilling contractors back to steel fabrication, vehicle manufacturing, and thousands of associated industries across the country.

A functional oil & gas industry is essential for national defense. Foreign submarines in international waters could stop shipments of oil to the USA. Domestic production is scattered across the nation in tens of thousands of geographicly diverse locations which are secure from foreign threats.

The long term importance of the domestic oil & gas industry requires defeat of the Treasury's proposal to eliminate intangible drilling expense and its proposal to require a property be abandoned before dry holes can be written off.

Sincerely,

Texas FitzGerald

G. Texas FitzGerald

Norman D. FitzGerald
Producer of Crude Petroleum

EXPLORATION
EXPLOITATION

P.O. BOX 5046
ABILENE, TEXAS 79608-5046

December 17, 1984

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

Dear Mr. President:

When I received details of the Treasury Department's proposed changes in the tax code I was appalled! These highly damaging proposals would eliminate as current deductions 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 economic incentives, the highly important independent oil producer will soon be forced out of business. Last year independents drilled 89% of the wells drilled in the United States, and future reserves are a direct function of the number 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 advantage.

The Treasury's contention that personnel and capital diverted from oil and gas exploration would be "employed more productively in other industries" is definitely wrong. Exploration and development personnel in the petroleum industry are among the most highly trained mineral specialists. There is no way their knowledge and talents could be used efficiently in other industries. The equipment developed for oil and gas production also is highly specialized and of little value elsewhere. As far as the money is concerned the Treasury noticeably fails to mention exactly where these investment dollars could be spent "more productively." No other industry is as important to our survival as the domestic petroleum industry which provides stable and dependable sources of energy.

Mr. President, we believe that the independent oilman is the cornerstone of America's energy industry. Most independent oil companies are small businesses, and do very efficiently 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 income and financing will shrink until he is forced to sell his properties to major oil companies and go out of business.

Therefore, on behalf of the 1,000 members 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,

Norman D. Fitzgerald

NDF/bi

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

GIANT
DRILLING CO. INC.
P.O. Box 1400
Abilene, Texas 79604

1548 North First
(915) 673-7116

27 December 1984

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

Dear Mr. President:

I received details of the Treasury Department's proposed changes in the tax code. I am concerned about these proposals and oppose the elimination of the percentage depletion and intangible drilling costs.

Independent oil producers drilled between 85 and 90 percent of the wells drilled in the United States last year. If the Treasury Department's proposals are approved, the independent oil producer will vanish because it would cut out all the tens of thousands of investors.

The drilling contractors have been hard hit the last three years, as indicated by the number of bank failures which were heavy in drilling rig loans. If these tax proposals are approved, very few drilling contractors and independent oil operators will survive.

Very respectfully yours,

Eddie Palmer

Eddie Palmer

GEORGE D. HARRIS
GEOLOGIST
P. O. BOX 1266
ABILENE, TEXAS 79604

344 PETROLEUM BLDG.

PHONE AC 915
672-1671

December 18, 1984

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

Dear Mr. Baker:

The three proposals Donald Regan submitted to President Reagan last week concerning repeal of percentage depletion, expensing of intangible drilling costs and a provision disallowing deduction of dry hole costs would be a detriment to a continuing national energy supply. For all intents and purposes these proposals would eliminate Independent Operators and Investment of Capitol from pursuing exploration and development of our Oil and Gas Reserves.

Yours truly,

George D Harris

GEORGE D. HARRIS

GDH:ac

THE HERB EXPLORATION COMPANY
CORE DRILLING CONTRACTORS
P. O. BOX 1934
ABILENE, TEXAS 79604

JAMES J. HERB
PRESIDENT

TELEPHONE
AC 915 672-1291

December 21, 1984

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

Dear Mr. Baker;

Please find enclosed a copy of a letter to President Reagan in which I State my reasons for opposing some of the Treasury Department's changes in the tax code as they pertain to the domestic oil and gas industry.

Hoping that my position will find favor with you and your staff and that you will support and communicate same as you consult with the President, I remain

Respectfully,

James J. Herb

Encl.
JJH/ah

JAMES J. HERB
PRESIDENT

THE HERB EXPLORATION COMPANY
CORE DRILLING CONTRACTORS

P. O. BOX 1934
ABILENE, TEXAS 79604

TELEPHONE
AC 915 672-1291

December 18, 1984

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

Dear Mr. President;

Having come to understand the Treasury Department's proposed changes in the tax code, concerning the domestic oil and gas industry, I fear that many of the changes will do irreparable harm to the industry.

I have been an exploration geologist and exploration contractor for over thirty years and with only two or three exceptions all or my work has been done for independent oil men. Since independents drill 89% of the wells drilled in the United States, they drill too that percentage (if not a higher one) of the dry holes. The expensing of the cost of dry holes is not a tax loophole. It is rather an indispensable, reasonable cost of doing business which should neither be removed nor deferred.

The depletion allowance, a further incentive for continued exploration, should also be retained.

If dry hole costs are disallowed as a business expense, when they occur, and if the depletion allowance is removed, our future supplies, of yet to be discovered oil and gas may very well remain undiscovered.

Mr. President, I most respectfully submit that you can do our nation a great service by insisting that the independent oil man be allowed to do what he does best; namely search for and find those reserves of oil and gas, which because they are within our nation's boundaries represent a secure energy source.

Being able to do his best means that the independent must be encouraged by government and supported by outside capital investment. Mr. President, I urge you to support us at this time.

Respectfully,

James J. Herb

JJH/ah

HOE
HOUSTON OIL & ENERGY, INC.

December 20, 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.

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 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. President, 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 members 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 national defense and an expanding economy.

Respectfully Yours,

Clyde Houston
by
Brenda Shaw

Clyde Houston
President

CLYDE HOUSTON

Oil and Gas Producer

December 20, 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.

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 wells drilled.

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*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.

531 WINDSOR HOTEL • BOX 300 • ABILENE, TEXAS 79601 • 915/673-1003 • 915/672-3261

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. President, 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 members 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 national defense and an expanding economy.

Respectfully Yours,

Clyde Houston
by
Brenda Shaw

Clyde Houston
President

Independent Bankshares, Inc.

December 18, 1984

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

Dear Mr. Baker:

I am very hopeful you will oppose Secretary Regan's tax reform proposal to repeal percentage depletion and expensing of intangible drilling costs.

In my opinion, this proposal, if adopted, will drastically reduce the amount of investment dollars available for domestic oil and gas exploration and will increase our dependency upon foreign oil.

Sincerely,

John A. Wright

John A. Wright
Chairman of the Board

JAW:sj

400 Block Oak & Chestnut, P.O. Box 3218, Abilene, Texas, 79604 915/677-2661

LELAND G. KELLEY
CERTIFIED PUBLIC ACCOUNTANT

MEMBER OF
AMERICAN INSTITUTE OF ACCOUNTANTS

BOX 5703
ABILENE, TEXAS 79605

December 27, 1984

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

Dear Mr. President:

When I received details of the Treasury Department's proposed changes in the tax code I was appalled! These highly damaging proposals would eliminate as current deductions 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 economic incentives, the highly important independent oil producer will soon be forced out of business. Last year independents drilled 89% of the wells drilled in the United States, and future reserves are a direct function of the number 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 advantage.

The Treasury's contention that personnel and capital diverted from oil and gas exploration would be "employed more productively in other industries" is definitely wrong. Exploration and development personnel in the petroleum industry are among the most highly trained mineral specialists. There is no way their knowledge and talents could be used efficiently in other industries. The equipment developed for oil and gas production also is highly specialized and of little value elsewhere. As far as the money is concerned the Treasury noticeably fails to mention exactly where these investment dollars could be spent "more productively." No other industry is as important to our survival as the domestic petroleum industry which provides stable and dependable sources of energy.

Mr. President, we believe that the independent oilman is the cornerstone of America's energy industry. Most independent oil companies are small businesses, and do very efficiently 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 income and financing will shrink until he is forced to sell his properties to major oil companies and go out of business.

So many changes in the tax law have been made in recent years that the public is totally confused. There should be a moratorium on tax changes for awhile. Therefore, 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.

Yours very truly,

Leland G. Kelley

LGK /bi

xc: Edwin Meese III
U. S. Senator Lloyd Bentsen
✓ James A. Baker III
Senator-elect Phil Gramm
Robert C. McFarlane
Congressman Charles Stenholm

LaJet
Petroleum Company
P.O. BOX 5198
ABILENE, TEXAS 79608-5198
915-698-8800

December 17, 1984

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

Dear Mr. President:

After reviewing details of the Treasury Department's proposed changes in the tax code, I wish to express my opposition to the elimination of percentage depletion and intangible drilling costs. If this proposal is passed, it will mean the end of all independent oil exploration and the assured bankruptcy of a large percentage of independents.

It appears that you would search for ways to encourage domestic exploration rather than assuring the death of the industry.

Every other industry can deduct losses when they occur--why legislate differently against the oil industry? The 36% drop in the price of oil has placed the industry under tremendous pressure. It cannot sustain another blow.

I urge you to withdraw the current proposals of the Treasury Department and to submit a tax program that will match your objectives during your campaign which promised energy independence and a continued expanding economy. Please remember that no industry could survive without the ability to deduct its losses.

Respectfully yours.

Tony D. Andress, Sr.
President

TA/klh

Billy J. Morris
Independent Geologist & Geophysicist

December 28, 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 oil. Additionally, thousands of Americans will lose their jobs.

Mr. Baker, I strongly oppose this tax proposal and urge you to consider <u>all</u> of the pitfalls. America is on her way to good military preparedness and economic growth. Don't allow our military to have to depend on OPEC oil to fuel our ships.

Yours very truly,

Bill J. Morris

Billy J. Morris

BJM/jp

125 Commerce Plaza, Abilene, Texas 79605 915/698-7520

T. EDGAR PAUP INVESTMENTS

104 Pine Street
Suite 713
Abilene, Texas 79601
(915) 673-1042

December 17, 1984

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

Dear Mr. Baker:

As an oil and gas investor I have closely reviewed details of Treasury Department's proposed changes in the tax code. 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. Future reserves are a direct function of the number of wells drilled.

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 virturally no room to operate.

I urge you, on behalf of the 1,000 members of the West Central Texas Oil and Gas Association, 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,

T. Edgar Paup

T. Edgar Paup

TEP:jt

PETROCO
EXPLORATION PRODUCTION
ONE ENERGY SQUARE • SUITE 16LA • ABILENE, TEXAS 79601
915-677-2749

December 18, 1984

President Reagan
The White House
Washington, DC 20500

Dear Mr. President:

I respectfully urge you to oppose the Treasury Department's tax proposal concerning elimination of Intangible Drilling Costs and Depletion Allowance deductions.

If this tax greedy proposal is favored by those on Capitol Hill, every independent oil and gas producer in this country is a dead duck.

There is no way to explore for oil without investment money.

I'm in a state of shock,

J.R. Morgan

J.R. Morgan

JRM/cw

cc: