



March 20, 2009

FAX: (202) 228-1377

The Honorable Evan Bayh
131 Senate Russell Office Building
Washington, D. C. 20510-0104

Re: President Obama's Fiscal Year 2010 Budget Request

Dear Sir:

Two weeks ago, the Obama Administration revealed its Fiscal Year 2010 budget request. The Obama budget would repeal or revise virtually every provision in the tax code that encourages American oil and natural gas production. I believe that it is in all of our interest that these tax increases do not become law.

The proposals change the way Domestic oil production is taxed. As you know, as soon as oil is discovered, it starts to decline in production. In spite of the rhetoric of the Obama Administration, the tax treatment we receive in being allowed to deduct the cost of drilling, for instance, are not "tax breaks" or "loopholes", but have been part of the current tax code for many years because they make sense. Included in the proposed tax changes are the following which directly affect us in the State of Indiana:

- Repeal expensing of intangible drilling and development costs (IDC)
- Repeal percentage depletion
- Repeal the passive loss exception for working interests in natural gas and oil properties
- Repeal the countercyclical marginal well tax credit
- Increase the geological and geophysical amortization period for independent producers to seven years

We are not "Big Oil" - Our small company has 14 employees plus outside contractors, produced 192 barrels of oil per day last year, drilled 9 wells directly and participated in drilling an additional 38 wells with other operators. This was made possible by the fact that we utilized the money "saved by the tax code" to drill, complete and equip these wells. If the Obama proposals had been in place, we would have been able to afford to drill only 4 of these wells. This would have resulted in a loss in production, loss of jobs in drilling and completing these wells and would have resulted in more dependence on foreign oil imports if only by a small amount.

It would be appreciated if you would vote to maintain the present tax treatment for domestic oil and gas. This is vital in our oil producing area as well as the rest of the State of Indiana.

Thank you for your consideration and assistance in this crucial matter.

Sincerely,

Lester D. Moore, P. E.