

News Release



IPAMS
410 17th Street, Ste. 700
Denver, CO 80202

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Contact: Jon Haubert
(303) 623-0987
jhaubert@ipams.org

IPAMS Statement on Obama Budget *Punitive tax increases could devastate small independents who produce 82% of U.S. natural gas*

(DENVER)- Marc Smith, Executive Director of the Independent Petroleum Association of Mountain States (IPAMS) issued the following statement after the White House released its FY 2010 Budget, which included a number of measures that will harm the small, independent energy producers of the Intermountain West who employ 150,000 Westerners and produce 27% of America's natural gas.

"The tax increases included in this massive spending bill are most harmful to small American energy companies, known as independents, who produce the clean, affordable, and abundant American natural gas that we need to increase energy security, make renewable energy sources viable, and address climate change. These tax proposals are contrary to the President's stated energy goals and will deepen our recession by endangering American jobs.

"The White House assertion that our industry has unwarranted tax 'loopholes' is absurd. The President's budget repeals the expensing of intangible drilling costs (IDC), which are costs similar to those that all other manufacturing and production industries can expense. Without the IDC, the domestic natural gas industry would further contract, and capital which otherwise would be reinvested in American energy will be reduced by 30% to 50%. These tax increases will render many natural gas projects in the Rocky Mountain region uneconomic at today's prices, and will have the perverse effect of destroying thousands of green jobs that already exist in the natural gas industry.

"As American families struggle to make ends meet, these punitive tax policies will place a further burden on family budgets by increasing energy bills. Higher tax burdens on domestic energy producers will drive up energy costs for consumers and businesses. In the midst of a recession, we cannot understand why the President would make it more difficult and costly to produce the clean and affordable natural gas that America so desperately needs."

Quick Facts:

- The natural gas and oil industry is able to deduct the cost of its business, which is in line with every other manufacturing industry in America. These are not subsidies or loopholes as the administration suggests, and to categorize them as such is dishonest.

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- Policies that increase taxes on the domestic natural gas and oil industry are counter to the goals of the Obama Administration and Congress to reduce U.S. dependence on foreign sources of energy, tackle climate change, and enable renewables.
- In these uncertain economic times, policies that increase taxes on domestic natural gas and oil producers will divert investment capital overseas, compromise American jobs, decrease energy security, and lead to higher energy prices for consumers.
- The last time the federal government enacted punitive tax provisions, domestic oil production was reduced by 8% and dependence on foreign oil increased by 13%.
- These tax increases will be most harmful to the small, independent energy producers who drill 90% of U.S. wells and produce 82% of U.S. natural gas.

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About IPAMS

The Independent Petroleum Association of Mountain States (IPAMS), founded in 1974, is a non-profit trade association representing more than 400 independent natural gas and oil producers, service and supply companies, banking and financial institutions and industry consultants committed to environmentally responsible oil and natural gas development in the Intermountain West. More information on IPAMS and its members is available at www.ipams.org.