



April 14, 2013

Sent via email to tax.reform@mail.house.gov

The Honorable Kevin Brady
Member of Congress
301 Cannon House Office Building
Washington, DC 20515

The Honorable Mike Thompson
Member of Congress
231 Cannon House Office Building
Washington, DC 20515

RE: Comments for Energy Tax Working Group

Dear Congressmen Brady and Thompson

The American Exploration & Production Council (“AXPC”) is pleased, on behalf of its members, to submit comments in respect of current tax law in an effort to aid the Energy Tax Working Group in achieving its objective of reviewing and better understanding current tax law as it applies to AXPC members and other independent exploration and production companies.

AXPC is a national trade association representing 32 of America’s largest and most active independent oil and natural gas exploration and production companies. Our members are “independent” in that their operations are limited to the exploration for and production of natural gas and oil. Moreover, our members operate autonomously, unlike their fully integrated counterparts, which operate in additional segments of the energy business, such as downstream refining and marketing. AXPC members are leaders in developing and applying the innovative and advanced technology necessary to explore for and produce oil and natural gas, both offshore and onshore from unconventional sources. The aggregate capital budget for our members in 2012 was in excess of \$82 billion. Our members routinely invest in excess of 130% of their cash flow in domestic drilling projects, creating thousands of new jobs (our members employ over 72,000 individuals) and unlocking vast quantities of domestic energy, increasing domestic production of oil and natural gas for the first time in decades. For example, since 2008 US oil production has gone from 5 MMBd to 6.5 MMBd in 2012 with the result being we now import 57% of our oil needs down from 66% in 2008*. This trend is extremely positive for our nation’s economy and is accelerating. It should be encouraged and allowed to continue rather than be disrupted by ill-advised policies that would

*Per EIA data through December 2012

dramatically increase taxes on our industry, significantly reduce the number of wells drilled and substantially increase the price of energy in an economy that is struggling to rebound.

We welcome the efforts of the Ways and Means Committee (the "Committee") generally, and the Energy Tax Working Group specifically, to learn about and better understand the tax issues that are of concern to our members and to the oil and gas industry at large. AXPC stands ready to be a resource for both groups as you engage in this critical undertaking.

We have attached a narrative describing Intangible Drilling Costs ("IDCs") and the hugely negative impact their elimination would have on the discovery and development of domestic energy resources. As you will see from the discussion of this issue, the importance of continuing to currently deduct these ordinary and necessary business expenses cannot be overstated. This particular provision of current tax law is by far the most important tax provision for larger independent exploration and production companies.

The discussion that follows describes just what this provision means to the nation in terms of jobs, growth, reasonably priced, abundant, domestic energy, national security and the potential to greatly enhance our efforts to achieve energy independence.

We trust this information will be helpful to both the Committee and the Energy Tax Working Group. Should you have questions or require additional information, please feel free to contact me at bthompson@axpc.us.

Sincerely,

A handwritten signature in black ink, appearing to read "V. Bruce Thompson". The signature is fluid and cursive, with a long horizontal stroke at the end.

V. Bruce Thompson
President