



July 11, 2011

The Honorable John Boehner  
Speaker, U.S. House of Representative  
H-232 U.S. Capitol  
Washington, DC 20515

The Honorable Nancy Pelosi  
Minority Leader, U.S. House of Representatives  
H-204 U.S. Capitol  
Washington, DC 20515

The Honorable Harry Reid  
Majority Leader, U.S. Senate  
S-221 U.S. Capitol  
Washington, DC 20510

The Honorable Mitch McConnell  
Minority Leader, U.S. Senate  
S-230 U.S. Capitol  
Washington, DC 20510

Dear Members:

We are writing on behalf of the 31 members of the American Exploration & Production Council (AXPC) to express strong opposition to any proposals currently under consideration that would dramatically increase taxes on independent oil and natural gas producers.

The AXPC is composed of the nation's larger independent producers, drilling the majority of domestic oil and gas wells. Our aggregate capital budgets for 2011 are estimated at more than \$50 billion. We routinely reinvest more than 100% of our cash flow in domestic drilling projects. Our companies have been responsible for developing new technologies that have resulted in creating thousands of new jobs, unlocking vast quantities of domestic energy---both natural gas and oil, increasing domestic production of oil and gas for the first time in decades, and helping state and local economies where we operate remain healthy and growing - even during the current tough economic climate.

Although we understand that a number of oil and gas tax provisions are currently under consideration by budget negotiators, we want to emphasize that by far the most important provision to larger independent producers is the ability to expense Intangible Drilling Costs (IDC's). IDC tax treatment has been part of the tax code for almost a century and is designed to attract capital to the high risk business of natural gas and oil exploration and production. In its simplest terms, the expensing of IDC's is similar to any other business deduction - it allows producers to recover capital more quickly so that capital can be reinvested in new drilling projects to further enhance our domestic energy supply and security.

If IDC expensing is repealed, our members' drilling budgets will be decreased by 25-35%. A survey of our members indicates that this dramatic tax increase will result in at least 3,500 fewer domestic wells drilled in the coming months, which translates into a dramatic reduction in jobs, less domestic security and most certainly increased energy prices for consumers.

Just like you, AXPC leaders are concerned about the economic future of our country. We are absolutely supportive of policies that will create growth and increase private sector jobs. If IDC tax treatment is

repealed, let us assure you the impact will be just the opposite – fewer industry jobs, less production, higher energy prices and less economic activity in the dozens of states where we operate. Not to mention the decrease in tax revenues to federal and state coffers.

Again, we encourage you to resist the temptation to dramatically increase taxes on independent oil and gas producers. Should you have questions or like to visit, please do not hesitate to contact us.

Thank you for your consideration.



Chairman, American Exploration & Production Council  
Chairman, CEO, Newfield Exploration Co.



V. Bruce Thompson  
President, American Exploration & Production Council

Thank you also on behalf of the following AXPC member companies:

Anadarko Petroleum Corporation  
Apache Corporation  
Bill Barrett Corporation  
BHP Billiton Petroleum  
Cabot Oil & Gas Corporation  
Chesapeake Energy Corporation  
Concho Resources, Inc.  
Continental Resources, Inc.  
Devon Energy Corporation  
El Paso Exploration & Production  
EnCana Corporation  
Energen Resources Corporation  
EOG Resources, Inc.  
Forest Oil Corporation  
HighMount Exploration & Production LLC  
Linn Energy LLC

Newfield Exploration Company  
Noble Energy, Inc.  
Occidental Oil & Gas Corporation  
Pioneer Natural Resources Company  
Plains Exploration and Production Company  
QEP Resources, Inc.  
SandRidge Energy, Inc.  
Seneca Resources Corporation  
Southwestern Energy Company  
SM Energy Company  
Talisman Energy  
Ultra Petroleum Corp.  
Whiting Petroleum Corporation  
The Williams Companies  
XTO Energy, Inc.