



MONTHLY UPDATE

Legislative Update

President Obama recently unveiled an outline of his proposed FY2010 budget plan, which includes a number of tax provisions that will impact stripper well producers and all small businesses. Outlined below are the details of the significant tax provisions for energy and small business, based on the information we have. Note that some of the effective dates may change and there is little detail about specific proposals. More detailed information about the entire budget is available at: <http://www.whitehouse.gov/omb/budget/>

Business tax relief:

- * Permanent R&D tax credit effective 2010 (costs \$74.5 billion over 10 years);
- * Expanded Net Operating Loss (NOL) carry back effective 2009 (costs \$27.8B in 2010 and \$35.7 in 2010; raises \$9.3B over 10 years).

Tax Increases on Business:

- * Tax carried interest taxed as ordinary income, effective 2011 (raise \$23.9B over 10 years);
- * Implement international enforcement, reform deferral and other tax reform policies, effective 2011 (raises \$210 billion over 10 years).
- * Codification of Economic Substance Doctrine, effective in 2011 (raises \$4.9B over ten years)
- * Repeal LIFO, effective 2012 (raises \$61B over ten years);
- * Reinpose Superfund Taxes, effective 2011(raises \$17.2B over ten years);
NOTE: there are 3 components of the Superfund taxes: an oil excise tax, a chemical feedstock tax, and a broad industry corporate environmental tax that most companies pay;
- * Additional Tax Increases for oil and gas companies (raises total of \$31.5B over 10 years):
- * Repeal Sec. 199 manufacturing tax deduction, effective 2011(raises \$13.3B 10 years);
- * Repeal percentage depletion for oil and natural gas companies, effective 2011 (raises \$8.3 billion over 10 years).
- * Impose excise tax on Gulf of Mexico oil and gas, effective 2011 (raises \$5.3B over the next 10 years);
- * Repeal expensing of intangible drilling costs, effective 2011 (raises \$3.4B ten years).
- * Increase geological and geophysical amortization period to 7 years for independent producers (raises \$1.2B over 10 years);
- * Repeal deduction for tertiary injectants, effective 2011 (raises \$62 million over 10 years).
- * Repeal the marginal well tax credit and the enhanced oil recovery credit (no revenue impact).

Small Businesses

- * Make permanent the current the current exemption of \$3.5 million and the rate of 45%;
- * Reinstate to 36% and 39.6% individual tax rates for taxpayers earning over

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\$250,000 (married) and \$200,000 (single), effective 2011 (raises \$338.7B over 10 years);

* Capital gains and dividends tax rate increased to 20% for individuals for taxpayers earning over \$250,000 (married) and \$200,000 (single) effective 2010, (raises \$118B over 10 years).

* Personal exemptions phase-out reinstated and limitations on itemized deductions for taxpayers earning over \$250,000 (cost \$179.8 billion over 10 years);

The NSWA will be meeting with members of the press as well as Congressional members and staff the first week of March to discuss these detrimental provisions. We will keep you updated as we continue to fight back to keep our industry producing the domestic oil and gas that America and our economy need. These provisions are so damaging and wrong-headed that we will soon call on all our members to join the fight.

John Blount, Governmental Affairs

New Lobbyist

NSWA Hires former Congressman's firm as new representation in Washington, D.C.

As our current VP of Governmental Affairs, Former U.S. Congressman, Wes Watkins announces his retirement, we would like to take this opportunity to welcome and introduce our membership to former U.S. Congressman Bill Brewster and Mr. John Blount of the Capitol Hill Group who will now be representing the NSWA on Capitol Hill.

As the lead Governmental Affairs Representative for NSWA, Congressman Brewster represented the Third Congressional District of Oklahoma in the U.S. House of Representatives from 1991 to 1997. During his tenure in Congress, Congressman Brewster served on the powerful House Ways and Means Committee, where he made a profound impact on a wide range of tax, energy, health care and trade legislation. Brewster also served on the House Committee on Transportation and Infrastructure during Highway Reauthorization in 1991 and 1996.

Throughout Congressman Brewster's service in Congress, he used his innate skill of coalition building to bring the two political parties and the Administration and private sector together on a host of legislative and public policy initiatives.

The results of his strong coalition and partnering skills are still evident in Congress today. In 1994, he formed the Congressional Oil and Gas Forum, and served as its first Chairman. In addition, Congressman Brewster was Chairman of the Congressional Sportsman's Caucus and was co-founder of the Blue Dog Coalition (an influential group of pro business Democrat Members of Congress).

A true leader in building and maintaining strong bipartisan coalitions in Congress, Brewster was instrumental in organizing the first congressional oil and gas meeting with a sitting U.S. President. The Congressional Oil and Gas Forum included more than 80 U.S. Senators and Representatives all of whom met with President Clinton in 1994 to discuss the plight of the domestic oil and gas producers.

Always examining ways to moderate the debate in Congress, Brewster was effective in moderating the differences of both parties on important issues such as tax reform, budget reform, welfare reform, balanced budget amendments and deficit reduction, product liability reform, private property rights and health care matters. The Blue Dogs developed the concept of the deficit reduction "lock box" and were successful in passing the provision as a part of the several budget bills in Congress.

Upon his retirement from Congress in 1997, Congressman Brewster served as Chairman of R. Duffy Wall & Associates, a leading government relations firm in Washington, D.C.

Prior to his service in Congress, Congressman Brewster served 8 years in the

Oklahoma State Legislature where he chaired several legislative committees as well serving as Chairman of several outside business organizations, including Southwest Energy Council, Energy Committee at the National Conference of State Legislatures and the Energy Committee at the American Legislative Exchange Council.

We look forward to working with both Mr. Brewster and Mr. Blount on issues critical to the stripper well industry.

February New Members

Fred Bangs

Wortham Insurance Company
Dallas, TX

Jim Bourbeau

Jim Bourbeau Land Services, inc.
Meadville, PA

Jeff Holmes

The Holmes Organization
Tulsa, OK

Karen Killam

Killam Energy Resources
Oklahoma City, OK

February Birthdays

Daniel Alexander

Hobbs, NM

Robert Passmore

Ada, OK

Karen Killam

Oklahoma City, OK

Tom McCasland, III

Duncan, OK

Did You Know...

Every \$1 million directly generated by marginal production results in more than \$2 million of activity elsewhere in the economy. In addition, the tax dollars paid in 2007 by marginal producers to states amounted in nearly \$1.3 billion that can be reinvested in states to help communities thrive.