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February 17, 2010

President Barack Obama  
The White House  
1600 Pennsylvania Avenue NW  
Washington, DC 20500

Dear Mr. President,


I am concerned that your proposed FY 2011 budget calls for increasing taxes on domestic oil and natural gas production by an estimated \$39 billion. This proposal disproportionately penalizes vulnerable independent producers of domestic energy, discourages innovation, and would put millions of jobs in jeopardy in an already fragile economy.

The U.S. oil and natural gas industry supports more than 9 million American jobs and is primarily a small-business industry. Independent, non-integrated oil and natural gas companies drill 90 percent of the wells in the U.S., and produce 82 percent of domestic natural gas and 68 percent of domestic oil. Oil and natural gas drilling in Kansas is a \$6.5 billion per year industry that employs over 28,000 workers. Without these deductions, small businesses will be crushed by oppressive taxation. The result will be thousands of jobs lost across the country and an increase in energy prices for consumers and businesses at a time when they can least afford it.

These tax hikes will potentially reduce drilling activities by as much as 40 percent nationwide. Historically, independent producers reinvest over 100 percent of their cash flow from the production of oil and natural gas back into new exploration and production ventures. By removing these tax deductions, such as exemptions for intangible drilling costs and percentage depletion, independent operators will be stripped of the capital they need to explore and produce domestic oil. The repeal of these exemptions will represent an estimated \$4 billion loss in the state of Kansas alone within four years of enactment and provide a disincentive for new investment in an already high-risk sector.

Our nation's path to true energy independence cannot be based on alternative energy sources alone. We must pursue an "all of the above" strategy that includes additional domestic oil and natural gas production. This proposal is two steps back on our path to energy independence, crippling America's domestic production, increasing our reliance on foreign sources, and killing American jobs. I strongly urge you to reconsider your proposal to repeal these essential tax exemption provisions.

Sincerely,

  
Lynn Jenkins, CPA  
Member of Congress