

HOUSE CONCURRENT RESOLUTION

1 WHEREAS, The oil and natural gas exploration industry has
2 been a significant part of the state's economy since the early 20th
3 century; today, Texas is the leading producing state for oil and
4 natural gas in the country, accounting for 21.3 percent and 27.8
5 percent of total U.S. production, respectively; and

6 WHEREAS, Texas producers provide more than 200,000 jobs for
7 Texas citizens, with an average pay that is almost three times
8 higher than the average paid by all other industries; during fiscal
9 year 2008, Texas producers paid over \$5 billion in taxes and fees to
10 the state's general revenue fund; and

11 WHEREAS, Natural gas is a highly valued, clean fuel that has
12 become a mainstay of electricity production and other industrial
13 operations in Texas, while oil continues to constitute the backbone
14 of the state's industrial sector and fuels virtually all of the
15 state's transportation system; and

16 WHEREAS, Renewable energy sources offer great promise for
17 Texas' long-term energy needs, but the technology that would make
18 these sources abundant is in its infancy, and until that technology
19 is adequately developed, renewable energy sources will remain
20 dispersed and unable to deliver base load capacity; and

21 WHEREAS, Conservation can help satisfy the state's energy
22 needs, and action to reduce customer demand is the quickest way to
23 meet energy needs in the short term, but a growing economy and
24 population will require more energy than can be saved through more

1 efficient energy use; and

2 WHEREAS, To keep pace with increased demand, independent
3 producers completed more than 11,000 wells in Texas in 2008, and in
4 the two-year period 2007-2008, they increased the production of
5 natural gas in Texas by more than 12 percent; and

6 WHEREAS, In addition to generating high-quality jobs,
7 independent producers help to reduce America's dependence on Middle
8 East oil by exploring for domestic resources and providing stable
9 supplies of cost-effective energy to consumers; and

10 WHEREAS, Independent producers rely on longstanding tax
11 provisions to plan their activities and to explore for new wells to
12 offset declining production from older ones; without the
13 development of new wells, energy supplies would decline and the
14 costs to consumers would rise; and

15 WHEREAS, President Barack Obama's initial budget includes
16 provisions deleting the intangible drilling costs deduction,
17 percentage depletion allowance, geologic and geophysical costs
18 deduction, and domestic production activities deduction, and the
19 elimination of these provisions would cripple this state's energy
20 jobs, reduce small businesses' access to capital, and harm royalty
21 owners; and

22 WHEREAS, Intangible drilling costs (IDCs) typically include
23 expenditures for physical items with no salvage value, as well as
24 other costs associated with preparing and completing a well for the
25 production of oil, gas, or geothermal steam or water; producers
26 have long been able to deduct IDCs as current business expenses,
27 rather than depreciate or amortize them over the life of the well;

1 IDCs are actually similar to research and development costs, for
2 which most manufacturing businesses are able to take a tax credit,
3 rather than a deduction; and

4 WHEREAS, The percentage depletion allowance, also known as
5 the small producers exemption, was created in the 1920s to
6 encourage oil and natural gas exploration, which is an inherently
7 high-risk venture; the exemption is available only to the smallest
8 producers and allows them to deduct 15 percent of their gross income
9 from oil and gas properties; and

10 WHEREAS, Geologic and geophysical (G&G) costs relate to the
11 surveys that producers conduct or commission in order to locate and
12 develop oil and natural gas reserves and to minimize unnecessary
13 drilling; G&G costs may be amortized over the first 24 months of the
14 life of a well; and

15 WHEREAS, The domestic production activities provision allows
16 businesses a tax deduction for qualified production activities that
17 are based in the United States; the deduction helps to preserve
18 American jobs and American small businesses; and

19 WHEREAS, Major integrated companies are not eligible for the
20 IDC deduction, percentage depletion allowance, or domestic
21 production activities deduction, and they are subject to a
22 seven-year amortization schedule for G&G work; consequently, "big
23 oil" is not impacted by the proposed budget changes; and

24 WHEREAS, President Obama has stated his intention to support
25 the development of jobs, promote the use of clean-burning energy,
26 and reduce America's dependence on foreign oil, yet his budget
27 proposals would lessen the ability of independent producers to help

1 meet those three goals; now, therefore, be it

2 RESOLVED, That the 81st Legislature of the State of Texas
3 hereby respectfully urge the United States Congress to reject the
4 provisions of President Barack Obama's budget that would eliminate
5 the intangible drilling costs deduction, percentage depletion
6 allowance, geologic and geophysical costs deduction, and domestic
7 production activities deduction and to encourage instead the
8 development of Texas oil and natural gas; and, be it further

9 RESOLVED, That the Texas secretary of state forward official
10 copies of this resolution to the president of the United States, to
11 the speaker of the house of representatives and the president of the
12 senate of the United States Congress, and to all the members of the
13 Texas delegation to Congress with the request that this resolution
14 be officially entered in the Congressional Record as a memorial to
15 the Congress of the United States of America.

Farabee
Davis of Harris
Hardcastle
Gonzalez Toureilles
Rios Ybarra
Riddle

President of the Senate

Speaker of the House

I certify that H.C.R. No. 183 was adopted by the House on May 30, 2009, by the following vote: Yeas 134, Nays 5, 1 present, not voting.

Chief Clerk of the House

I certify that H.C.R. No. 183 was adopted by the Senate on June 1, 2009, by the following vote: Yeas 31, Nays 0.

Secretary of the Senate

APPROVED: _____

Date

Governor