

David A. Galt  
Executive Director

**OFFICERS**

Brian Cebull, President  
Nance Resources

Shawn Heringer, Vice President,  
Upstream, SM Energy

Kevin Sandstead, Vice President,  
Downstream, ConocoPhillips

Chip Youlden, Treasurer  
Helis Oil & Gas Company

**BOARD OF DIRECTORS**

Bill Ballard  
Ballard Petroleum Holdings LLC

Dave Ballard  
Ballard Petroleum Holdings LLC

Colby Branch  
Crowley Fleck

Cole Chandler  
NFR Energy LLC

Greg Dover  
Denbury Resources, Inc.

John Evans  
Oilfield Consultants, Inc.

Bob Fisher  
Augustus Energy Partners, LLC

Leo Heath  
Montana Tech

Dan Hickman  
Jefferson Energy Trading LLC

Terry Holzwarth  
Sequel Energy

Pat Kimmet  
CHS Inc.

Jack King  
Hancock Enterprises

Dana Leach  
Montana Refining Company

Perry Pearce  
ConocoPhillips

David Ramsden-Wood  
Enerplus Resources

Ron Santi  
St. Mary Land & Exploration Co.

Dave Schaenen  
DLD Enterprises

Sam Sitton  
Devon Energy Corp.

John Smith  
NorthWestern Energy

Steve Steach  
ConocoPhillips

Keith Tiggelaar  
WBI Holdings, Inc.

Dana Warr  
Fidelity Exploration & Production

Jon Wetmore  
ExxonMobil Billings Refinery

Bruce Williams  
Foresight Consulting, LLC

Lisa Wynn  
XTO Energy

May 2, 2011

Senator Max Baucus  
511 Hart Senate Office Bldg  
Washington, D.C. 20510

Dear Senator Baucus:

On behalf of the Montana Petroleum Association, I am writing to express concerns regarding your recent news release and pending tax legislation. Your plan will allow for double taxation on foreign earned income. MPA has serious concerns about your pending legislation promised in last week's press release.

While MPA feels that increasing taxes on domestic production in the Gulf of Mexico is ill thought out during times of high gasoline prices, we are most concerned about the direct impact on Montana jobs that will occur if Sec. 199 and dual capacity changes are enacted.

You are aware of the time I have been Executive Director of the Montana Petroleum Association, and it has been an interesting time for me as I learn more about energy and the petroleum industry. Clearly, America's refiners must compete with off shore refineries, which can be demonstrated by the continued increase in refinery closures in America.

The refining sector in Montana primarily resides in Yellowstone County, with three of our four refineries in or near Billings. Two of the five companies impacted by your pending legislation operate refineries in Billings. Refining provides over 1,000 jobs in Montana, with average wages over \$90,000. These are good jobs, many of which are blue collar, union jobs. According to Dr. Scott Rickard, at the Center for Applied Economics at MSU-Billings, refining contributes to over 50% of Montana's entire manufacturing capabilities.

Your proposed provision to repeal the Section 199 incentive would disadvantage 60% of Montana's refining operations, and the jobs associated with them, while tilting the competitive playing field in favor of refineries outside the state that continue to qualify for the Section 199 deduction. Or even worse, to offshore refineries at a loss to American jobs in Montana. It is hard to understand why you would consider a bill disqualifying two Billings refineries as "manufacturing facilities" eligible for the deduction, while all facilities of the largest refiner in the country (all of which are located outside Montana) would qualify.

A second provision that has a similar, arbitrary impact is the proposed change to longstanding foreign tax credit rules for U.S. based oil and gas companies. This nonsensical change causes similar harm, this time tilting the playing field in favor of foreign based competitors including foreign-based national oil

companies headquartered outside of our country. While we continue to need sources of energy outside of the U.S., it makes little sense to enact a tax provision that would disadvantage American companies that compete for energy-related resources in the global marketplace. Moreover, investments by U.S. companies in these resources support jobs here in the U.S., and in Montana.

The national political debate about gasoline prices caused by a weak U.S. dollar and international geopolitical factors seems to have caused you to introduce punitive policies against two MPA member refiners. This legislation would increase gas and diesel prices and could jeopardize good paying jobs in Billings. I would think that the focus instead should be on protecting our jobs through tax rules for fair competition in the United States domestic refining industry. MPA urges you not to proceed with introduction of the legislation that will do irreparable harm to Montana's refining industry.

Best Regards:

A handwritten signature in black ink, appearing to read "David A. Galt", with a long, sweeping horizontal stroke extending to the right.

David A. Galt  
Executive Director