



California Independent Petroleum Association
Rock Zierman, CEO
1001 K Street, Sixth Floor
Sacramento, CA 95814
Phone: (916) 447-1177
Fax: (916) 447-1144
E-Mail: rock@cipa.org

October 5, 2012

City of La Habra Heights
Attn: City Manager, Shauna Clark
1245 North Hacienda Road
La Habra Heights, CA 90631

City Manager Clark:

It has come to our attention that the City of La Habra Heights is contemplating placing on the ballot the imposition of additional severance taxes on the production of petroleum within your city limits. Prior to considering such an initiative, we ask that staff and council members discuss the proposal with our association which has a long history on this topic.

The California Independent Petroleum Association (CIPA) is a non-profit, non-partisan trade association representing approximately 530 independent crude oil and natural gas producers, royalty owners, and service and supply companies operating in California.

In the last decade, despite numerous attempts, only one barrel tax increase has ever been supported by California voters in any jurisdiction in the state of California. That was a negotiated agreement between industry and the City of Long Beach. All other attempts have been aggressively and successfully opposed by CIPA and industry.

In 2010 voters in both the cities of Los Angeles and Beverly Hills rejected an increase in their oil barrel taxes. Both city council's believed this would be an easy sell to voters, but quickly came to understand the significant opposition that exists to such a move. Voters are concerned about the effect such increases have on domestic production. There are also hundreds of thousands of royalty owners in California, including in the City of La Habra Heights. An increase in the barrel tax comes directly out of their royalty checks.

In 2006, voters statewide rejected an oil severance tax, despite the proponents spending over \$60 million supporting the measure. CIPA would be willing to sit down with city staff and try to work towards greater revenues for the City as we did in Long Beach. Our members want to be responsible citizens and partners in the communities where we operate. Simply putting an initiative on the ballot before having a conversation with those it would affect would be counterproductive.

Regards,

Rock Zierman

CEO