

U.S. Energy Outlook - Investment Opportunities - Tax Advantages

Do you qualify to participate in Oil and Gas Investments? The best place to start is to take our questionnaire! Interested in Oil and Gas Investments? Questions? Comments? Want more info? Consider the following.....

The United States is the world's largest consumer of oil, and currently imports almost 60% of its oil from foreign countries. Most of these imports come from OPEC countries, six of which are in the volatile Middle East. According to Energy Secretary Spencer Abraham, the energy sector in this country is strained to capacity and is facing its most serious shortages since the Arab oil embargoes and gasoline lines of the 1970's. As the world's largest economy, the United States is naturally the biggest consumer of oil. For forty years our energy demand has grown at a sustained rate of 2 percent annually to a current estimated usage of 18 billion barrels of oil per day. According to the U.S. Department of Energy, our energy demand will be 30 percent higher by 2020. Our dangerous reliance on foreign oil can be diminished by increasing our domestic production as much as possible.

"The good Lord didn't see fit to put oil and gas only where there are democratically elected regimes friendly to the United States." - Dick Cheney 1998.

When discussing crude oil and gasoline prices in the U.S., the general public needs to be reminded of these facts: Political upheavals (not just war), weather (such as hurricanes shutting down production in the Gulf of Mexico), supply and demand factors, and refinery and pipeline outages all can greatly influence what goes on at the trading floors on Wall Street and to other markets around the world. (Oil / Gas Journal, April 2003)

As any astute investor knows, it is extremely difficult during these times to find financial opportunities which provide both security and a solid return on your hard-earned money. Conventional investments in CD's, savings accounts, money markets, mutual funds, stocks and bonds, etc. are currently bringing very unsatisfactory returns and, according to the Wall Street Journal and other well-known financial publications, prospects for performance improvements in the near future are not good. With even the best performers projected to provide an annual return of 8 percent or less, the average investor will realize much smaller returns than this.

One key to better returns is to diversify your portfolio to take advantage of opportunities which have excellent risk-to-reward ratios while still maintaining your personal and/or family financial foundation. One should not be satisfied with the meager returns of CD's, passbook savings or money market accounts, and with the thousands of mutual funds available, it takes a financial genius to pick the right fund in the right sector. Prudent investment in sound, well researched oil and gas drilling programs, though still considered high risk, may offer a significant monthly cash flow from the sale of production from oil and gas wells, and very significant tax advantages as well.

Each investor is treated as a business partner for tax purposes, generating substantial tax benefits which flow directly to individual investors. Investors may receive tax deductions totaling approximately 75 to 85 percent of capital contributions in the first year, with the remaining balance written off during subsequent years. For most investors, percentage depletion and depreciation of tangible equipment costs are available to shelter ordinary income at rates of up

to 50 percent of cash distributions in the first seven years and 30 percent thereafter. The drilling program also shelters passive income.

In other words, tax deductions obtained from intangible drilling and development costs (as well as depreciation of tangible costs) may be used to offset the investor's taxable income from other sources. Also, a portion of the investor's taxable income generated by the drilling program may be reduced by deductions from depreciations and percentage depletion allowances.

THERE ARE SIGNIFICANT RISKS ASSOCIATED WITH INVESTING IN OIL AND GAS VENTURES. THE ABOVE INFORMATION IS FOR GENERAL PURPOSES ONLY AND IS NOT A SOLICITATION TO BUY OR AN OFFER TO SELL ANY SECURITIES. ANY SUCH SOLICITATION OR OFFER WILL ONLY BE MADE THROUGH A PRIVATE PLACEMENT MEMORANDUM ACCOMPLISHED IN ACCORDANCE WITH SEC REGULATION D, RULE 506. IN ADDITION, THE AFOREMENTIONED GENERAL INFORMATION IS NOT INTENDED TO BE INDIVIDUAL TAX ADVICE. CONSULT YOUR PERSONAL TAX ADVISOR CONCERNING THE CURRENT TAX LAWS AND THEIR APPLICABILITY AND EFFECT ON YOUR PERSONAL TAX SITUATION.