HB 535 SUPER STRIPPER OIL INFORMATION (Less than 3 BOPD per day wells)

Toole County BOPD Avg		0.69			Direct ~~Sate~~ State Share
Pondera County BOPD Avg		1.93			
Glacier County BOPD Avg		2.39			
Average BOPD		**1.67**			

*****Actually this number is high as the data was not structured to sort out the 3-10 bopd regular stripper**

Assume $48.00 in Wall Street and $38.00 in local field after quality discounts

Return per day per well	$	63.46			
Return per year (assume 340 days) (Gross)	**$**	**21,576.40**			
Operating Expenses					
Each well pays 12.5% royalty	$	2,697.05			
State severance on the nonproducing share x 14.8%				$	399.16 ~~337.13~~
Pumper Costs $300.00 per month x 12	$	3,600.00			
Chemical Costs ($200.00 x 12 month)	$	2,400.00			
Electrical Costs ($100 x 12 months)	$	1,200.00			
Misc Incidentals (pipe fitings, pipe)	$	1,200.00			
Stripper tax per additional well brought online (severance)	$	1,294.58	6%	$	1,294.58
Total Expense	**$**	**12,391.63**			
Capital Expenses					
Pulling	$	3,049.10			
Bottom hole repair	$	830.21			
Replace Electric Motor	$	1,133.50			
Unit Repair	$	1,247.00			
Total Capital Expense	$	6,259.81			
Total Expense	**$**	**18,651.44**	5.50%	$	1,025.83

I spoke with RT Snieder of Swanson Accounting, a firm that does oil, and he said to estimate that 5-6% state income tax on the people doing the expense work.

Potential Profit with tax reduction	$	2,924.96	5.50%	$	160.87
Total direct income to the state for each well brought online				**$**	**2,818.41**

EXHIBIT 10
DATE 3-15-05
HB 535

Remember, Pondera asked for grant money to cap 100 of their 225 wells
In Teton County 50 well capping grants were requested out of 90 reported wells.
I am not sure the exact cap requests from the other counties, but I think you get the point.
Thus for each well brought back online and not capped the state saves $2500.00 grant capping money

This does not consider the multiplier effect on the dollars that are spent in the communities.
If we were to assume that 30% of the gross expense left the community in taxes or dollars
bound elsewhere leaving 70% in community (70% of 21576) then we have approx $15,000 applied to the local multiplier
Of course, the state benfits as long as the money stays in the state, so it might very well be higher.

$15,000 x a multiplier of 5 gives a community impact of around $75,000 for each well brought online.
As a state, saving these wells and bring represents a tremendous potential economic gain.
For every 100 wells saved we have economic impact of 7.5 million dollars.

The House Tax Committee indicated that they felt they could safely take this tax to zero and we would not cost the state any real revenue since the state income tax and multiplier more than offset any loss of revenue. From this basic analysis it seems they are easily correct. I hope the appropriation committee members will see fit to jump start the stripper oil industry back online and revitalize the small producer economy berfore the next oil cycle.

If you don't think oil will cycle again, I would remind you of the Armand Hammer statement in 1981 that oil would reach $81.00 per barrel in 1981. In 1987 it hit $7.00 per barrel. The fundamentals of oil won't support continued high crude prices. The stripper industry fears $20.00 a barrel oil far more than they expect $80.00.