

This statement is respectfully submitted on behalf of Encore Acquisition Co. of Fort Worth, Texas in opposition to HB 43 in its present form.

Encore Acquisition Company is a producer of oil and natural gas from the Cedar Creek Anticline area in SE Montana and from operations in northern Montana in the Bear Paw area.

The Cedar Creek Anticline is a large oil field running from south of Glendive, MT some 80 miles through the Baker area and tipping out at its southernmost point in SW North Dakota. The field was discovered by Shell Oil Co. in 1951 and was purchased by Encore from Shell in 1999. Since the purchase Encore has re-engineered and re-structured the field and materially increased its production. Over 1/2 billion dollars is being invested in this structure by Encore. Encore operates some 750 wells in this field and is the largest producer of crude oil in Montana producing approximately 35% of the total crude produced in the state. We also produce natural gas from the same operations. We have commenced drilling operations for natural gas in Northern Montana and expect to be a significant producer there. We are also engaged in operations in the Belle Creek area in Rosebud County.

We are concerned about the consequential effects of HB 43 upon the oil and gas industry in Montana and upon Encore for the following reasons:

- 1 Even if the requested information is printed on the check stub, when comparing check stubs of different companies they may still not look the same and royalty owners will still have questions.
- 2 However, the other requirements to show how this amount was calculated and who it was paid to is expected to be a major and costly problem now and in the future because (1) revenue input screens and calculations would require modification which also could require modification of several revenue reports and production tax returns as well as the actual check-print programs, and (2) since other states do not have this requirement, our industry software provider most likely would not make these changes in their base system which would thereby negate our use of any future software upgrades or changes to their software without significant programming costs to implement into our modified software. This would be a major ongoing cost and problem.
- 3 If every state started doing this it would be a major problem since each state would want their check stubs to look different and have different information printed on the stub.

The major reason is number 2 above.

We are en-captured by the necessities of computer programming. Our software suppliers do not provide software that can meet the requirements of this legislation. We have not had complaints from our royalty or mineral owners and thus are wondering why the requirements of this bill should be applied to our situation.

Thank you for you consideration of the above comments.

Respectfully submitted,

Jerome Anderson  
Representing Encore Acquisition Co.

*Prepared and circulated by Jerome Anderson on behalf of Encore Acquisition Co.*