

**Success of Tax Incentives**

Somont Oil Company, Inc. Oilmont, MT

Family owned business that has been in operation since 1946 in North Toole County.

370 wells, 300 small stripper oilwells making a total of 200 BBIs/Day  
Average production 2/3<sup>rd</sup> BOPD

70 Gas wells, 68 of these are less than 50MCFD

Incentives are directly responsible for 5 new jobs  
4 jobs are for field personal  
1 job is an engineering position.

All of the field jobs have been filled by local workers.

The petroleum engineering job was filled by a graduate of Montana Tech in Butte right after his graduation.

Incentives have also been directly responsible for the creation of the following projects.

A waterflood that took 10 years for the pilot stage to yield results that is now in full production.

A natural gas sweetening plant is now in final stages of construction that will process poor quality natural gas into a utility quality natural gas. This plant will put several currently shut in wells into production.

Eight new wells will be drilled in 2005 with investors who became active in the last several years due in part to the first year incentives on new well production and the overall tax rate on post 99 natural gas production

Comments about SB 522 by Curt Dahlgard, Somont Oil Company, Inc.

As a producer of over 300 stripper oil wells that produce less than 3 bbls/day, why do I oppose this legislation that will significantly reduce my overall tax burden?

I can see that the legislature that can give can also take away.

I firmly believe that the suite of tax incentives formulated over the last decade has been effective. The eastern 2/3rds of the state has been greatly helped by additional energy employment where almost all other efforts to create jobs and wealth have not been very successful. These created jobs are allowing young Montanan's to stay in the state that they love and get good paying jobs. Our college graduates are also able to find a way to stay in our state and make a good living in professional fields. Even better, the evidence is clear that in spite of these incentives, tax revenues continue to come in at ever increasing rates.

The most recent "tweaking" of the incentives is the pending reduction of my stripper oil tax rate from 12.5% to 6% for oil prices over \$38/bbl. Even though this will still result in a current tax rate on my stripper oil twelve times higher than in the currently proposed bill it is a rate I can live with and I believe is fair. I also believe it will help keep me from being a legislative target the next time that there is a tax revenue shortage.

The energy industry in Montana is currently having some good times due to world politics and a healthy business climate in this state. About 15 years ago Montana's tax policies effectively stopped most oil and gas companies from investing in the state and caused them to look elsewhere for investment opportunities. The Montana legislature spent several sessions changing the tax code in an effort to convince companies to return to the state to search for and produce hydrocarbons. The invitation to do business in Montana is well crafted and effective both for the people of Montana and the energy industry. Long term projects have been planned and implemented over the past decade. The results of these projects are now showing up in increased tax revenues from the projects themselves as well as the

spin-off taxes from the added employment and economic activity in the areas of these projects.

The current oil and gas activity is being accomplished in an environmentally sound manner while still harvesting some of the state's abundant natural resources.

Good jobs are being generated on the Great Plains from Cut Bank to Baker: From Plentywood to Decker;

These jobs slow the depopulation of the Great Plains and provide taxes to provide essential services for these vast areas that most people west of the mountains do not even fathom.

Please resist the temptation to terminate this thoughtfully crafted and successful tax incentive program. This legislation only offers a quick revenue producing program that has been hastily formulated and presented in the last days of this legislative session. Past history has shown that this approach will slow the energy industry and cause tax revenues to ultimately fall. The adoption of this bill would show all in and out of state investors that the legislature is unwilling to maintain a stable tax program and it is not smart to invest in Montana.

Please oppose SB 522.