

Exhibit Number: 10

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SENATE TAXATION

EXHIBIT NO. 10

DATE 4-11-05

BILL NO. HB 535

HOUSE BILL NO. 535

SPONSORED BY: REPRESENTATIVE LLEW JONES

&

SENATOR GLENN ROUSH

Senate Taxation Committee

8:00 AM – April 11, 2005 – Room 405

**“An Act Revising the Taxation of Oil Production from Stripper Wells Producing 3 Barrels
a Day or Less”**

**Prepared for Representative Llew Jones & Senator Glenn A. Roush
By: Patrick M. Montalban, Lobbyist - NMOGA**

**HOUSE BILL NO. 535
STRIPPER OIL WELLS IN NORTHERN MONTANA**

FACT SHEET

- **2/3 of Montana's Oil Wells are Stripper Oil Wells---But Montana's "Mini-Strippers" (3 bbls/day or less) produced only 3.5% of Montana's oil production in 2003.**

- **Average Daily Oil Production for Northern Montana:**

2001 – 2.6 BOPD	2003 – 2.6 BOPD
2002 – 2.7 BOPD	2004 – 2.5 BOPD

- **Number of Producing Oil Wells – Northern Montana:**

2001 – 1854	2003 – 1774
2002 – 1765	2004 – 1754

- **Average Daily Production: Toole County (Kevin-Sunburst Field) - .69 BOPD
Pondera County (Pondera Field) – 1.93 BOPD
Glacier County (Cut Bank Field) – 2.39 BOPD**

- **On average a Stripper Oil Well will have 12 different oil field contractors working on the well during the course of one year (i.e. Pumper, Truck Driver, Water Hauler, Service Rig – 4 Rig Hands, Electrician, Oil Hauler, Bottom Hole Pump Repairman, Chemical Man, Engineer or Company Hand).**

- **House Bill 535 will help to continue providing jobs to these individuals in Northern Montana.**

- **Reducing the Tax Rate will enable small Independent Operators to reinvest more capital on returning shut-in stripper wells to production.**

- **Passing this Legislation will improve the economics and extend the life of these stripper oil wells.**

PLEASE VOTE "YES" ON HOUSE BILL 535

**Prepared for Representative Llew Jones & Senator Glenn A. Roush
By: Patrick M. Montalban, Lobbyist, NMOGA**

STATE OF MONTANA STRIPPER OIL 2003 PRODUCTION DATA

- **Oil Production – Northern Montana:**
2001 – 1,429,152 (8% of Total Oil Production – State of Montana)
2002 – 1,312,470 (7% of Total Oil Production – State of Montana)
2003 – 1,273,051 (6% of Total Oil Production – State of Montana)
- **Total Oil Production – State of Montana:**
2001 – 16,277,761 Barrels
2002 – 16,977,511 Barrels
2003 – 19,367,737 Barrels
- **Number of Producing Oil Wells – Northern Montana:**
2001 – 1,845
2002 – 1,756
2003 – 1,765
- **Average Daily Oil Production Per Well – Northern Montana:**
2001 – 2.7 Barrels Per Day
2002 – 2.7 Barrels Per Day
2003 – 2.6 Barrels Per Day
- **Average Daily Oil Production Per Well – Northeastern Montana:**
2001 – 31.0 Barrels Per Day
2002 – 31.9 Barrels Per Day
2003 – 36.7 Barrels Per Day
- **2002 Oil Production Summary By Field:**
Cut Bank – 402,779 Barrels (1,103 Barrels Per Day)
Kevin – Sunburst – 204,775 Barrels (561 Barrels Per Day)
Pondera – 158,517 Barrels (434 Barrels Per Day)
- **2003 Oil Production Summary By Field:**
Cut Bank – 382,846 Barrels (1,049 Barrels Per Day)
Kevin – Sunburst – 192,668 Barrels (528 Barrels Per Day)
Pondera – 157,701 Barrels (432 Barrels Per Day)

2003 Summary

Production

	Reported Volume	Change From Previous Year
Total Liquids Production	19,375,455 Barrel	14.07%
Oil	19,367,737 Barrel	14.08%
Condensate	7,718 Barrel	-5.31%
Total Gas Production	86,722,976 MCF	-.18%
Associated Gas	8,346,555 MCF	12.04%
Natural Gas	78,376,421 MCF	-1.32%
Oil And Condensate Production Allocated To Fields		19,375,455 Barrels
Gas Production Allocated To Fields		86,722,976 MCF

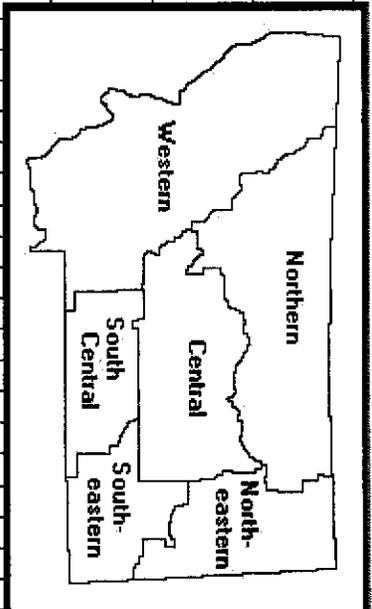
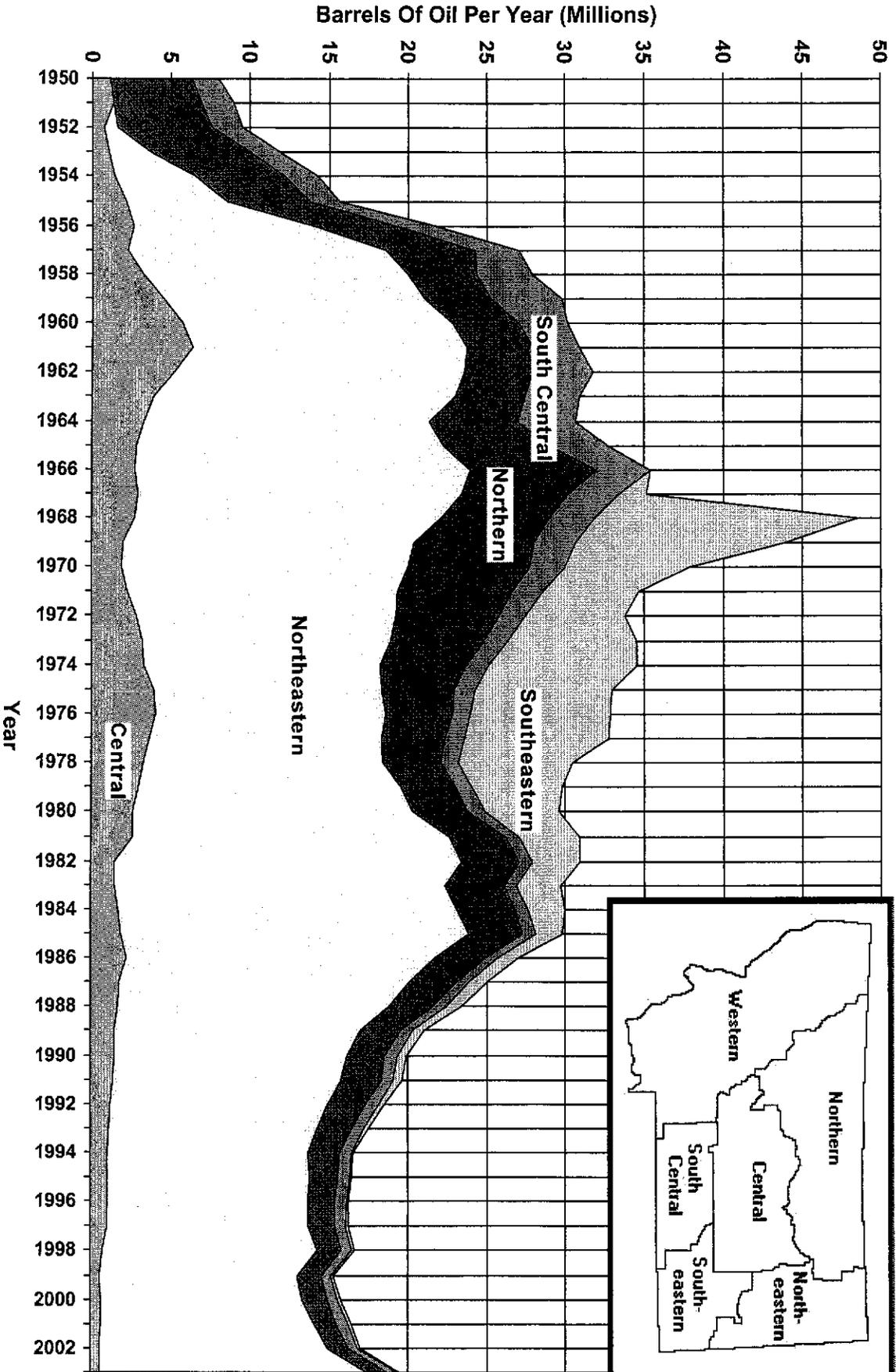
Permits

New Wells Permitted	834	Re-issued Permits	217
Vertical Wells	651		
Horizontal Wells	183		
Permits for Horizontal Re-entry Of Existing Vertical Well			52

Board Orders

Total Number Of Orders Issued	354	
Orders Included The Following Actions:		Number Of Actions
Units Or Enhanced Recovery Projects		1
Exception To Spacing Or Field Rules		139
Field Delineation, Enlargement, Or Reduction		14
Certification For Tax Incentive		11
Temporary Or Permanent Spacing Unit Designation		152
Class II Injection Permits		29
Other		34

Crude Oil Production



Five-Year Production Summary

	1999	2000	2001	2002	2003
OIL PRODUCTION IN BARRELS					
Northern Montana	1,511,361	1,555,734	1,429,152	1,312,470	1,273,051
Central	638,239	725,437	650,982	630,368	597,776
South Central	606,812	696,340	656,160	603,383	572,145
Northeastern	12,373,436	12,559,879	13,367,900	14,274,172	16,783,732
Southeastern	208,707	213,671	173,567	157,118	141,033
Total	15,338,555	15,751,061	16,277,761	16,977,511	19,367,737
NUMBER OF PRODUCING OIL WELLS					
Northern Montana	1,854	1,891	1,845	1,756	1,765
Central	225	229	220	215	222
South Central	118	125	131	130	128
Northeastern	1,265	1,305	1,344	1,393	1,430
Southeastern	72	77	62	57	52
Total	3,534	3,627	3,602	3,551	3,597
AVERAGE DAILY OIL PRODUCTION PER WELL					
Northern Montana	3.1	2.9	2.7	2.7	2.6
Central	11.5	11.2	10.4	10.7	9.5
South Central	17.7	18.9	16.3	14.5	14.3
Northeastern	31.6	30.4	31.0	31.9	36.7
Southeastern	11.7	11.2	10.0	9.1	8.4
State Average	15.5	14.8	15.1	16.0	18.1
NON-ASSOCIATED GAS PRODUCTION IN MCF					
Northern Montana	47,271,980	52,335,691	57,102,389	56,249,129	55,206,665
Central	119,271	91,836	92,185	244,407	201,358
South Central	1,158,942	4,804,418	9,300,792	11,103,921	8,492,510
Northeastern	6,608,395	7,209,798	8,287,408	11,514,824	14,188,647
Southeastern	448,519	391,012	384,830	314,136	287,241
Total	55,607,107	64,832,755	75,167,604	79,426,417	78,376,421
NUMBER OF PRODUCING GAS WELLS					
Northern Montana	3,386	3,537	3,687	3,822	3,929
Central	9	8	8	7	6
South Central	142	205	280	292	378
Northeastern	245	295	344	412	489
Southeastern	8	8	8	7	7
Total	3,790	4,053	4,327	4,540	4,809
AVERAGE DAILY GAS PRODUCTION PER WEL					
Northern Montana	43.0	44.7	46.8	43.9	41.7
Central	47.5	39.9	38.1	123.3	101.9
South Central	58.5	80.8	110.3	115.1	81.4
Northeastern	85.8	76.4	77.7	88.4	89.5
Southeastern	157.3	144.5	141.7	126.4	124.8
State Average	46.3	48.8	53.1	52.6	49.3