MINUTES OF THE MEETING TAXATION COMMITTEE MONTANA STATE SENATE

February 4, 1983

The nineteenth meeting of the Taxation Committee was called to order at 8:30 a.m. by Chairman Pat M. Goodover in Room 415 of the Capitol Building.

ROLL CALL: All members were present.

CONSIDERATION OF SENATE BILL 159: Senator Thomas Keating, Senate District 32, said SB 159 is a reduction in the severance tax on oil only. The purpose of the bill is to eliminate the 1% increase scheduled for April 1, 1983, and to reduce the present 5% severance tax to less than 5%. When he calculated what percentage would be fair, he felt that the state should roll the oil severance tax back to 3% because there was much reported about the state having a \$40 million surplus in its budget, but that has changed since he made his calculations. He presented an amendment, therefore, asking that the tax be set at 4.5% of the gross value of oil at the wellhead (see Exhibit \mathcal{A}).

Senator Keating referred to pages 28, 29 and 30 of the written testimony submitted by the Montana Petroleum Association (see Exhibit β). These are actual individual wells from various counties within the state showing the taxes and costs of operation of the wells on a per barrel basis. The Montana net proceeds tax structure is difficult to consider because it is not applied equally across the state. It varies according to mill levy and from well to well, so it is difficult to calculate an average. But the statewide average gross taxes on a barrel of oil amount to 12%. Lifting costs, windfall profits tax, and amortization of capital expenditures are used to calculate the net proceeds tax. The production taxes are levied against the balance after expenses. The severance tax is not a deduction when calculating the net proceeds tax, so one is double taxed on the net proceeds tax. The second columns are percentages of gross that each item bears to a barrel of oil. In Petroleum County, the net proceeds tax is 8.28% of the gross; the severance tax is 5.00%; the resource indemnity trust tax and production taxes total .52%, for a total of 13.80%. Compare state oil production taxes. Montana the average is 12% of the gross; in North Dakota, where there is a state tax, the total is 11.5%. Wyoming has a variable tax and it averages 12% as well; Kansas, 5%; Colorado, 5%; Utah, 2%; Oklahoma, 8.4%; and Texas, 4.8%. We have to compete geologically with those other states in order to get the investment dollar in Montana. Ninety percent of investment comes from outside Montana. Oil production in Montana was 31 million barrels in 1981; in Wyoming, it was 122 million barrels; and in North Dakota, it was 48 million barrels. It is less in

Montana because geology has not lent itself to large reserves in this state.

We do want the business in the state. If the taxes are too high, the investor who takes this into consideration will get a better return on the dollar in other states because their taxes are lower. Our total gross production taxes are high in this state and are acting as a deterent against the outside investment that we need. On page 13 of Montana Petroleum Association's testimony, there is a chart that puts the severance tax as a percentage of total state taxes. The other oil-producing states have severance taxes that equal about 16% of the total state taxes, and Montana is sitting at 21%. Our 14% or 15% tax on oil puts us in a higher percentage of taxes. The comparison on page 11 was done by Conoco's management to determine the investment climate in the oil exploration states. Kansas has the highest rate of return, and Montana ranks 12th out of 15. If Montana had a 3% severance tax they would rank 6th or 7th for a return on investment.

PROPONENTS

Don Allen, representing the Montana Petroleum Association, stated that Senator Keating would refer to certain charts later on. Mr. Allen submitted written testimony which is attached as Exhibit β to these minutes.

Bill Vaughey, Jr., an independent oil and gas producer from Havre and president-elect of the Montana Oil and Gas Producers Association, said he considers oil and gas to be Montana's best present hope for new long, high-paying jobs in the state. In 1968, no one in Havre was in the oil business. Now, 400 to 500 families there look to oil production for the primary source of income. He asked the committee to act favorably on SB 159. His written statement is attached as Exhibit \mathcal{C} .

G. Bruce Williams, vice president and general manager of Petro-Lewis's Rocky Mountain Region in Billings, submitted written testimony, attached as Exhibit D.

Charles Woods, representing C.W. Welding and N.E.E.D., Inc., in Libby, said they have seen the benefits of the mining industry since the ASARCO mine opened there recently. Taxation is necessary to assist the school system, jobs and growth, but they need something that will encourage return on investment rather than penalize those doing business in Montana. The wood products industry in Libby is down on its knees. He finally found work in Wyoming, 800 miles from his home and family. In the past several years, there has been a lot of optimism in the oil industry in the state; if that could grow into reality, it would be greater. Please support a positive approach to reduce the penalty for bringing industry into the state and pass SB 159. A written statement is also attached as Exhibit E.

Ben Havdahl, representing the Montana Motor Carriers Association, testified and his written statement is attached as Exhibit F.

Sherill Hendersen, representing the Northeast Montana Land and Mineral Owners Association and the Montana Farm Bureau, supported SB 159 and his written statement is attached as Exhibit G.

Joe O'Toole, an unemployed roughneck from eastern Montana, now living in Missoula, supports the bill also, and his written statement is attached as Exhibit H.

Thomas Sheehy, a rancher at Big Sandy, representing the Montana Land and Mineral Owners Association (which has 800 members representing 7 million acres of land), said the question is: Does the oil and gas industry believe that they can make a profit in Montana? The answer is that they do not (Exhibit \perp).

Clyde Logan, representing Samuel Gary, oil producer, and BWAB, Incorporated, submitted a written statement attached as Exhibit J.

John Braunbeck, representing the Montana International Oil Marketers Association and the Montana LP Gas Association, said both organizations support and urge passage of this bill (Exhibit \ltimes).

Mac Roberts, an independent landman and producer from Helena, also supported the bill. His written statement is attached as Exhibit L.

Written testimony in support of SB 159 was also received from Tex Pate, representing the Montana Intermountain Oil Marketers Association (Exhibit M); John Irelan, Billings Area Chamber of Commerce (Exhibit N); and Forrest H. Boles, Montana Chamber of Commerce ($\overline{Exhibit}$ O).

OPPONENTS

Dave Lewis, state of Montana budget director, stated that the proponents of the bill hadn't mentioned SB 200 from the 1981 session that provided a property tax break to the oil industry in the form of offsetting deductions amounting to \$265 million. Those deductions are not allowed in North Dakota or Wyoming. We have tried to be fair. The proposed amendment reducing the tax down to 4.5%, based on \$30 a barrel, would cost the state \$27 million. Maybe we don't have enough consumption tax. Jim Murry, Montana AFL-CIO, testified against SB 159, and his written testimony is attached as Exhibit P . His testimony is based on the bill as introduced because he was not aware of the amendment that was submitted to the committee this morning.

Jesse Long, representing the School Administrators of Montana, submitted a written statement attached as Exhibit Q.

Robert Rasmussen, an exploration geologist and consultant, submitted a written statement, attached as Exhibit $\mathcal K$.

Ouestions from the committee were called for.

The committee noted that the windfall profits tax is a federal tax and they discussed which taxes were deductible when calculating it. The base rate on a barrel of oil is \$18 and that is not taxable under the windfall profits tax. On the other hand, the remainder is taxed anywhere from 27% to 70%.

Mr. Williams, in response to a question from Senator Elliott, said he got out of the exploration business. They now buy oil and gas properties on limited partnerships. Your investment does not stop at the point when exploration is completed. The cost of producing oil, including the operating expenses, causes a premature stoppage in production of oil and gas.

Senator Gage asked Mr. Murry if his testimony would be the same if the rate was amended to 4.5%. Mr. Murry responded that he was not in a position to address specifics, but yes, they would oppose any reduction in the tax.

Senator Keating then referred to charts he brought with him. If a well is operating, about 50 people are employed per rig and another 100 employees are needed to support the first 50. If you look at 17 on the map, you will see several lines re "total - USA and Montana" from 1973 to 1979. The average rig count in the U.S. and in Montana for those years are pretty even. In 1980, when the price was higher and newer technology was available, we saw increase of activity in the Williston Basin, in Montana, and across the U.S. The Williston Basin was not as economic as was first thought. In 1983, we have dropped almost to the 1979 national level and 1980 Montana level.

The oil and gas industry has profited largely from the benefits they received in the 1981 session. We doubled the severance tax and adjusted the net proceeds tax to allow for the windfall profits tax. In 1982, \$32 million did not go to the counties that produced the oil, but \$25 million did go to the state. The producers got a \$7 million break. are still high actually. The rates are 12-17% of gross sales proceeds and if you did not have the SB 202 break (deduction of windfall profits tax in computing net proceeds for net proceeds tax on oil), you would be paying more. The only way to get this off the ground is to make a fair return on investment.

CONSIDERATION OF SENATE BILL 97: Senator Roger Elliott, Senate District 8, sponsored SB 97. He said it was a recommendation of the Coal Tax Oversight Committee and that it is not to infer criticism of either the alternative energy research development and demonstration program or the county land planning program. These programs should be funded by the department directly involved. There is no overriding reason why these should be handled by the earmarked process instead of the usual appropriation process. He said he has left open the years after 1985 to give an indication of when this bill will go into effect (allocations made to account until July 1, 1985, and thereafter by direct legislative appropriation). He saw no administrative

problems in setting these up. Senator Elliott submitted a table showing actual and anticipated program receipts for the two programs for the years 1977 through 1989, and it is attached as Exhibit . The allocation basis in this bill would make the program more feasible and workable.

PROPONENTS

There were no proponents other than the sponsor of the bill.

OPPONENTS

Senator Goodover turned the chair over to Senator McCallum for the remainder of the meeting.

Senator Goodover said SB 97 is similar to SB 260 which he sponsored two years ago. They had decided not to do anything with the coal tax until the issue was settled.

Jim Richard, representing the Montana Association of Planners, said he was opposed to the part that would eliminate county land planning in 1985. It makes it difficult to build a case to save funds for land planning. The county land planning fund is a small account but an important one. It provides the vital money that keeps the programs in existence. The information provided to the Coal Tax Oversight Committee is not true. Over 50% of the counties have comprehensive plans. These funds are being used to further economic development in the counties, find industrial sites, and put in "Build Montana" programs. We are concerned about how to provide more existing services (Exhibit T).

Grace Edwards, representing the Northern Plains Resource Council, said we are becoming dependent on coal tax money for everything. She asked that the legislature look at the 19% that is going into the general fund and other moneys to fund the state. Her written statement is attached as Exhibit U.

Jim McNairy, representing Alternative Energy Resources Organization (AERO), submitted written testimony which is attached as Exhibit V.

Ed Stern, representing the city of Livingston, submitted a written statement attached as Exhibit W .

Jo Brunner, representing Women Involved in Farm Economics, submitted written testimony which is attached as Exhibit X.

Karen Barclay, representing Multitech, Inc., from Butte,, submitted written testimony which is attached as Exhibit Y.

David Oien, from Conrad, said this will damage the solar energy grants and loan program. This should not be singled out. there are over 70 solar installations in Conrad. One couple started a renewable energy business totally from scratch.

Manson Bailey, Jr., representing Valley County, submitted a written statement, attached as Exhibit Z.

Steve Loken, a Missoula solar and alternative energy contractor, also testified in opposition to the bill.

David Hastings, a Conrad farmer, said that when it became apparent to him that he could no longer farm for a living, he looked at alternative energy. The Department of Natural Resources (DNRC) has been helpful to him and with their spinoff grant projects, he said he might have a chance in a new field. He said a 35-year veteran of Montana dust has to create his own job (Exhibit AA).

Randall Tinkerman, representing American Energy Projects, Inc., in Palo Alto, California, said they have windmills in California. They came to Montana because the wind resources here are as good as those in California. Their company created 40 full-time jobs in California, and they hope to do the same in Montana. SB 97 might impinge on the state's future economic development. (Exhibit AA).

John Beaudry, representing Stillwater County, said this bill represents a 10% loss in their planning program (Exhibit AA).

Janet Cornish from Butte-Silver Bow testified in opposition to the bill.

Andrew Epple, representing Sweet Grass County, said this will eliminate 25% of planning budget in his county's planning program fund. (Exhibit AA)

James Brown, president of the Montana Technical Council, submitted written testimony, attached as Exhibit $\beta\beta$.

Bill Bermingham, representing Mountain States Energy in Butte, Montana, submitted written testimony, attached as Exhibit $\ell\mathcal{C}$.

Mike Lopach, representing the Helena-Lewis and Clark County Consolidated Planning Board, submitted written testimony, attached as Exhibit ()().

Steven Meyer, representing the Montana Association of Conservation Districts, submitted written testimony, which is attached as Exhibit EE.

Senator McCallum, who was still chairing the meeting, said that opponents could continue to give their testimony on Monday at 8:30 a.m. in Room 415, the regular taxation committee room.

The meeting adjourned at 10 a.m.

ROLL CALL

SENATE TAXATION COMMITTEE

48th LEGISLATIVE SESSION -- 1983 Date 2/4 /83

NAME	PRESENT	ABSENT	EXCUSED
SENATOR GOODOVER, CHAIRMAN	V		
SENATOR McCALLUM, VICE CHAIRMAN			
SENATOR BROWN	V		
SENATOR CRIPPEN			
SENATOR ELLIOTT	/		
SENATOR GAGE	V		
SENATOR TURNAGE	V .		
SENATOR SEVERSON	V		-
SENATOR HAGER	V		
SENATOR ECK	ν		
SENATOR HALLIGAN	~		:
SENATOR LYNCH			
SENATOR NORMAN	~		
SENATOR TOWE	· V		
SENATOR MAZUREK	V		

VISITORS' REGISTER	*		
		Check	One
REPRESENTING	BILL #	Support	Oppose
my Self	159	1	
Mach Part Mand June Mura Deenor	159		
		/	
- Shell Oil Company	159		
no lety dan Asan	155	V	· · · · · · · · · · · · · · · · · · ·
Petro-Lewis	159	/	
independent landment produce	1 159		
Sam Dany, BWABING	159	~	
	159		. /
Montana Lova Mant. L.P. Gos Assoc	159		
CW WELDING	159	V	
M+. 1.UM.A.	159	-	
INDEDENDENT OILLERS W	159	<u> </u>	
Montan Land & Mineral Owner	159		
Charles Sheep	2.7		
Richland Courty	153		
Chester, met	ļ		
AERO			
SEF			1
Mout Motor Carriers Osca	159	X	ļ
American Gerry Purcos			
self	159		V
self	159		
/			
	REPRESENTING My Self Machlast Mant Jun Mund Brewner PETRO LEWIS CORP/MONT PET ASSN Shull Oil Chrypany Petro-Lewis independent landment from Sam Dany, BWAB Take Sect Montans Lower Mant Le Gore Assoc CW WELDING TUDE PEUDENT OILLERS A Montan Land & Miner J Chunen Chester, Mut AFRO SAF. Mont Motor Carriers Assoc SAF.	REPRESENTING BILL # My Sel (- 159 Rachlast Man Jun Stewards 159 Petro Lowis Core/Mour Pet Assa 159 MM Jun Jun Jun Atra 159 Petro - Lewis 159 Independent landment product 159 Sen Dany, BWAB INC 159 Sect 159 Montain I Donner 159 CW WEIDING 159 Thoppendent allegas A 159 Richland Couring 159 Richland Couring 159 Chester, Mut — ATERO SAF. Mout. Motor Corriers Assoc 159 American Great Product Self 159	REPRESENTING BILL # Support My Self 159 Petro Lawis loss/Mour Pet Assa 159 MM Det plan Afor 159 Petro - Lewis 159 Independent landminis produce 159 Sam Dany, BWASTAC 159 Secre 159 Montan I Comp 159 Motor Laber Mineral Chinese 159 Check Mout Motor Couriers Assac 159 Safe 159 Richland Couring 159 Check Motor Couriers Assac 159 Safe 159 American Great Space 159 Safe 159

SENATE Taxation COMMITTEE

SENATE	laxation committe	EΕ		
Senbills 974/59	VISITORS' REGISTER	1	DATE $\frac{2}{\sqrt{2}}$	4/83
NAME	REPRESENTING	BILL #	(check SUPPORT	one) OPPOS
Leo BERRY	DNRC	5897		
BILL BERMNGHAM	MTN STATES ENERGY	5897		
Ţ,	MT UNIV. SYSTEM	S897		
MIKE CRAG	MAPP			
JAMES B. BROWN	MONT, TECHNICAL COUNCIL	5897		
RAVIOH HASTINGS	Self	SE 97		
David Over	AERO	5.8.97		1
Marson Builey &	Valley County	58 97		~
Don Reeds	MEIC	SB 97		
Andrew C. Epple	Sweet Grass Co.	5897		
Jen Efrelier	MT assa Plany	5897		
John Benedy	Stillwater Co	58 81		V
LATER Matter	Chester my	SR97		
Jim Me Naring	AERO	5897		
ED STERN	CITY OF LIVINGSTON	5397	1	
Karen BARCLAY	Multitach	5697		1
Jo BRupnen	WIFE	5897		4
Milla Holl	LWVM	51397	<u> </u>	4
and the same of th	AMERICAN GLERBY PROJECTS	5377		6
Grace M. Edwards	Northern Plains Resource Per	5897	12.00	1
Janet Cornish	Butte-Silver Bow	SB 97		
David Freibul	MEIC	5897		/
	the transfer of the transfer of the constraint o			
	1	4	11	

SENATE TAXATION COMMITTEE EXHIBIT A
FEBRUARY 4, 1983
SB 159

PROPOSED AMENDMENT TO SB 159

1. Title, line 5. Following: "TO" Strike: "3" Insert: "4.5"

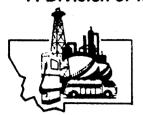
2. Page 1, line 24. Following: "5%"
Strike: "3%"
Insert: "4.5%"

٤

SEMATE TAXATION COMMITTEE EXHIBIT **B**, FEB. 4, 1983

Montana Petroleum Association

A Division of the ROCKY MOUNTAIN OIL AND GAS ASSOCIATION, INC.



DON L. ALLEN
EXECUTIVE DIRECTOR
HELENA OFFICE
Area Code 406—Phone 442-7582
2030 11th Avenue, Suite 17
Helena, Montana 59601

February 3, 1983

CARL RIECKMANN
ASSOCIATE DIRECTOR
BILLINGS OFFICE
Area Code 406—Phone 252-3871
The Grand Building, Suite 510
P.O. Box 1398
Billings, Montana 59103

Chairman Pat Goodover and Members of the Senate Taxation Committee Montana Senate Helena, MT 59624

Dear Mr. Chairman and Members of the Committee:

On behalf of the Montana Petroleum Association, I appreciate this opportunity to stress the importance of tax relief for a petroleum industry which has been a major force in Montana's economy and which could do a lot more to increase good-paying job opportunities and economic benefits to local communities if a greater incentive were present. We believe such an incentive is present in SB 159, the measure to reduce the oil severance tax.

For your consideration and for the record, I submit the attached statement with dovetailing documentation in support of our belief that a revitalized oil industry is the state's best hope toward helping to turn around a serious unemployment situation and economic lag.

Thank you for your consideration and also for the opportunity to make verbal observations before the committee today.

Singerely

Don L. Allen

Executive Director

DLA: CR: cem

Montana Petro Hossi Exhibit B

HOW NEW OIL ACTIVITY CAN BE A FRONT-RUNNER IN THE ECONOMIC TREK TO BUILD MONTANA

or

THE WAY TO AVOID PLEDGING MONTANA'S FORTUNES
TO THE WILES OF THE STATE'S FAIRY GODMOTHER

More jobs and increased economic opportunities for local businesses in communities across the state are goals most Montanans readily support. If given a helping hand, the oil industry today offers the best hope for Montanans to see these critically important goals advanced and fulfilled. It really boils down to whether Montana wants to take decisive action or leave long-term fortunes to the proverbial fairy godmother.

Really, Montana is a patch quilt which historically has drawn upon the major fronts of agriculture, timber, mining, oil/gas and tourism to meet its economic challenges. We need all of those elements. Yet, the economic crunch gripping the nation has shot gapping holes in each of those sectors. Each, in its own way, is hard-pressed to offer bold assistance toward turning the tide of Montana's ills because of national economic factors.

But oil truly extends the best hope because it is within the power of the state—that is, the Montana Legislature and the governor—to change factors which can make a dramatic shift in petroleum's ability to become a noteworthy part of the solution to the lack of jobs and cash flow to the small business sector in Montana. Because Montana's tax burden on the oil industry ranks at the top of the heap amidst the sisterhood of producing states, a reduction in that over—all load will send a positive signal to a tightly budgeted industry which must consider taxes and the basically poor business attitude of the state as cost factors in the bottom—line decision of whether to drill new prospects in Montana or elsewhere. Our state's new frontier—the Overthrust and Disturbed Belt areas in Western Montana—may never have a chance to get off the ground if Montanans do not do something to relax the restrictive tax burden.

Oil and gas production is a mainstay of the Montana economy. An attached chart notes the Federal Bureau of Labor Statistics estimated personal income from oil and gas production in Montana to be \$196 million in 1981. In addition to these earnings, royalties from oil and gas production on non-federal land in Montana are estimated to be \$147 million. This total income of over \$343 million exceeds that of our traditional cornerstone industries of timber and ranching. It even exceeds the mushrooming totals of income from federal civilian employment in the state and the medical and health industries. This oil and gas income also serves as a counterbalance to moderate the rather unpredictable swings of income in our lumbering and ranching industries.

For comparison purposes, the chart also shows the two largest segments of the Montana economy: retailing and state and local government, which is the largest single category of personal income in our state.

An attached graph illustrates the point that the oil industry is big in Montana, but Montana is not big in the oil industry. Our state ranks #13 among the top 15 oil producing states, but our annual production is very small compared with other producing states. The top line on this graph shows the average production per state for the other 14 top producing states, over the past 20 years. Last year those 14 states averaged 214 million barrels of oil per state. Montana, shown on the bottom line, produced only 31 million barrels. Montana is low even when compared with the average production of all 32 oil producing states.

The other point to be taken from this graph is that Montana production peaked in 1968 and has not rebounded significantly, even with the dramatic increase in oil prices during the 1970s. The averages for the other producing states have picked up since 1976.

Another attached graph makes the point that Montana is competing with other states for oil production investment, but our tax levels put us at a disadvantage. This table ranks the top 15 oil producing states according to their attractiveness for oil production investment. It was

developed by taking a typical, modest oil discovery and calculating how much money it would earn after deducting drilling costs, operating expenses, federal taxes and most importantly, state taxes. This is known in the industry as the "after-tax return," or the "rate of return" on the project. To compare differing states, this rate of return was calculated for each of the 15 top states, considering the impact of both severance taxes and income taxes for each state. In Montana's case, it does not even include the county net proceeds tax, which would make our ranking even worse.

You can see that Montana ranks very low in attractiveness with a 6% severance tax rate. This is very serious because this after-tax rate of return is the single most important factor influencing oil production investments today. Oil prices have fallen this year and appear to be going down even further. This means that oil companies have less money to invest—not nearly enough to develop all their properties. To decide where to invest, they rank all their projects based upon this after-tax return and fund only those which rank the highest. Obviously, huge discoveries like that one offshore in California will get a lot of money, but modest discoveries like the one assumed in this table are much more typical—especially for states like Montana. For these projects, taxes may well determine where the investment goes.

Because we do not have huge oil reserves and major discoveries, we are in direct competition with the other states for that limited amount of money that will be invested in oil production over the coming years. We are at a severe competitive disadvantage. This table shows that the same project that would yield a 17.6% return in Kansas would yield only 12.5% in Montana. If you had comparable projects in the two states, where would you put your money?

But just as a 6% severance tax can combine with our corporate income tax to decrease our competitiveness, so can a tax reduction increase our competitiveness. For purposes of an other-end-of-the-spectrum comparison, a reduction in our severance tax rate to 3% would vault Montana past Mississippi, Colorado, New Mexico and Oklahoma, leaving it in the range of Michigan and California in competing for this type of project.

It is the total state tax environment, coupled with the impact of other legal requirements and regulatory factors, which gives a state its business climate reputation to outsiders and determines oil investment. Another attached chart underscores that point. It is a major finding of the study done jointly by the Montana Economic Development Project and McKinsey & Company—that Montana relies more heavily on production taxes than consumption taxes than do neighboring states and that Montana is perceived as "anti-business". The tendency to weigh most heavily on the industry or business sector which historically is in the best position to do the most good for the state and its people seems to be an anomaly of the Big Sky Country.

We are at a crossroads where legislators must make a tough decision for Montana's long-term. We need to relax the tax burden now so a solid production future can be built to insure a healthy tax base in bienniums beyond the FY 1984-85 budget we currently face. The state's fairy godmother will have her hands full without some help.

Oil production presently is good and will cash in for 1982 at close to the 1981 level of 30.8 million barrels of crude, and 1983's pace probably will continue to be respectable—all flowing favorably from the boom exploration occuring in 1980—1981 when federal oil price decontrol spurred the search. But with new drilling activity in Montana in 1982 at a lower rate compared to 1981 than anywhere else in the nation and with no uplifting relief in sight, Montana's level of production will not be replenished after a couple of years, and the state will be faced with even greater oil revenue losses than if a slightly smaller rate of tax burden had been imposed. And at the same time, all of the other economic benefits in jobs, local contracts and purchases and spin—off spending will have been lost to Montanans in the process, with the state and counties missing out on other tax—collection fronts.

Excessive reliance upon severance taxes makes Montana vulnerable to wide fluctuations in tax revenue because of changing energy prices, something which bedevils today's legislative deliberations as oil prices edge downward.

Another graph shows that Montana has increased its dependence upon severance tax revenue more rapidly than other states and presently is more reliant upon those revenues than the average oil-producing state. In 1981, Montana severance taxes accounted for over 21% of our tax revenue versus only 16.6% for the other top producing states. The total 1981 oil and gas collections in Montana for state and county coffers, including rentals, royalties and bonuses from state and federal lease action, came to the equivalent of over one-third of the state's total tax revenue (see another attached chart).

Oil prices are not expected to increase for some time, and it may be years before they even keep pace with inflation. Increasing severance taxes at a time when petroleum revenues are declining clearly will have less revenue impact than a prudent broadening of the state's tax base in areas more likely to feel economic recovery. Indeed, perpetuating our reliance upon severance taxes simply may be inviting further fiscal distress by pinning our hopes on a declining revenue source and by discouraging investment which could add to our state's economic growth.

Nevertheless, with world oil prices falling and state budget analysts scrambling to determine how projected expenditures are going to mesh with anticipated revenues in the 1984-1985 budget, the temptation is going to be very acute to opt for the short-term solution of hanging onto every last dollar now and hoping the proverbial fairy godmother somehow is going to make things better after that in the oil industry, and for the state.

Montana's fairy godmother has her work cut out for her because:

- * Montana's 1982 average active rig count was 44.5% of its 1981 level compared to 58.5% for North Dakota, 74.6% for Wyoming and 78.2% for the nation.
- * The industry's jobs count in Montana is down as of the middle of 1982 by more than 19% of what it was three-fourths of the way through peak 1981, according to Montana Department of Labor and Industry statistics. In fact, the mid-1982 employment level is below third-quarter 1980 and continuing to plunge in reflecting

the exploration fall-off.

- * Only 17 seismigraphic data collection crews (6 in the Overthrust and 11 in the eastern end, employing about 510 persons) were operating in Montana as of January 24 this year, compared to 46 crews supporting 1,380 workers in January, 1982, coming out of the 1981 boom. Numerous communities across Montana have benefited from the presence of crews which can spend more than \$100,000 locally in a month.
- * The taxation pressures of high mill levies in most of the western Montana counties where new drilling might occur act as a disincentive when coupled with the state's 5% oil severance tax, set to go to 6% on April Fool's Day. Against a 1982 taxation average of about 123 mills in oil-producing counties, most western Montana counties are running in the 200-300 mill range, with Deer Lodge, Mineral and Silver Bow counties averaging over 300. The high mill levies are a reflection, of course, of counties which have limited tax bases, and some oil or gas production could help their situations greatly and offer relief to other property owners.
- * With at least 90 cents of every investment dollar for exploration and drilling coming from out-of-state, Montana's current efforts to attract more outside capital to foster activity and jobs will be thwarted by a negative oil industry climate in a state where historically nearly half of the holes drilled have been dry, third highest among major drilling states.

Natural resources revenues comprise the largest single source to state and local coffers, and, accordingly, have the biggest impact on the state's employment picture in terms of primary and secondary jobs. In 1981, at the peak of activity, 13,226 persons—or about one out of every 16 Montana workers—were directly working in the oil and gas industry. It makes sense that the state should be doing all it can to encourage an industry which can generate so many jobs—and good—paying jobs at that.

If Montana's drilling rig activity through 1982 had declined at the national rate instead of its own plunging fall-off, we would have had another 27 rigs working. That translates to another 1,300 primary jobs alone just to drill plus another estimated 200 back-up jobs in communities. Additionally, for well completions historically stemming from that amount of drilling, another 42 full-time employees would result.

The whole ball-of-wax was summed up quite succinctly in mid-1982 by the Meadowlark Group, a Helena consulting firm, in a special economic report ordered by the Montana State Board of Land Commissioners on the question of whether and how to restructure aspects of the oil and gas leasing program. The report summary observed:

"Montana's taxation of the oil and gas industry, including both severance taxes and the net proceeds tax (a property tax), is the highest of all states studied. It was not the purpose of this study to evaluate state taxation, but it is reasonable to expect the rational developer to consider the combined effects of lease terms and taxation in deciding whether or not to acquire and develop tracts in Montana. Leasing, exploration and development are all economic decisions and are determined by many factors. Key determinants are: oil and gas prices; likelihood of a successful well; level of state and local taxation and royalty rate and other lease terms."

The report also cautioned that a policy would have long-term effects and that a "basis of such a decision should be a longer-term perspective rather than simply a decision of the moment." The board wisely responded with a new policy, finalized recently, which should encourage future exploration for large and deeper pools such as are likely in the Overthrust and Disturbed Belt areas.

In the same light, we ask Montana's legislators to consider the "longer-term perspective rather than simply a decision of the moment."

Fairy godmothers may be good for some things, but it's a heck of a

New Oil Activity Page 8

way to run a state. The serious business of creating jobs and building a solid and blended tax base from a healthy trek of business activity through its communities takes planned commitment. Montana needs and can have more Sidneys, Shelbys and Bakers, to name a few towns which know how important a healthy oil industry has been to them.

(In addition to the charts and attachments mentioned, others are included to serve as informational references.)

The Montana Petroleum Association A Division of the Rocky Mountain Oil & Gas Association 2030 11th Avenue Helena, Montana 59601

MOST ATTRACTIVE TAX ENVIRONMENTS* (Hypothetical Modest Oil Project)

Rank	State	After-Tax Rate of Return	Relation To Top State
1	Kansas	17.6%	
2 .	Texas	15.8	-1.8%
3	Utah	15.6	-2.0
4	Wyoming	15.0	-2.6
5	Florida	15.0	-2.6
6	Michigan	14.5	-3.1
	(MONTANA, with 3% severance)	** 14.4	-3.2
7	California	14.3	-3.3
8	Oklahoma	14.0	-3.6
9	New Mexico	13.8	-4.1
1.0	Colorado	13.5	-4.1
11	Mississippi	13.4	-4,2
12	MONTANA, with 6% severance	12.5	-5.1
13	North Dakota	11.5	-6.1
14	Alaaka	10.5	-7.1
15	Louisiana	9.0	-8.6

Note: Comparison does not include county and certain other production taxes, which can be factors in some states. Montana's net proceeds tax alone, which varies significantly between county school districts, averages another 6.35% statewide.

"

^{*} After Neal and Reed, World Oil, Aug. 1, 1982.

^{**} Estimated, based upon assumptions of World Oil article.

STATE RELIANCE ON PRODUCTION-BASED TAXES

TOTAL

EXCLUDING SEVERANCE TAXES

Percent of tax revenues

With respect to public policy, there are three major conclusions:

MONTANA COULD DO MORE

- ¶ Montana's tax structure is heavily oriented towards production taxes
- ¶ Although environmental standards are not decisively more restrictive than in other states, Montana is perceived as "antibusiness"
- ¶ Other states do much more to encourage economic development and job creation

Montana 35.0

Wyoming 29.0

N. Dakota 23.0

Colorado 12.0

Montana relies much more heavily on <u>production</u> taxes than <u>consumption</u> taxes than do neighboring states, even excluding the severance tax

17.2 2.0 12.7 10.7 12.4 18.2

Source: State Tax Handbook, U.S. Department of Commerce; McKinsey analysis

S. Dakota

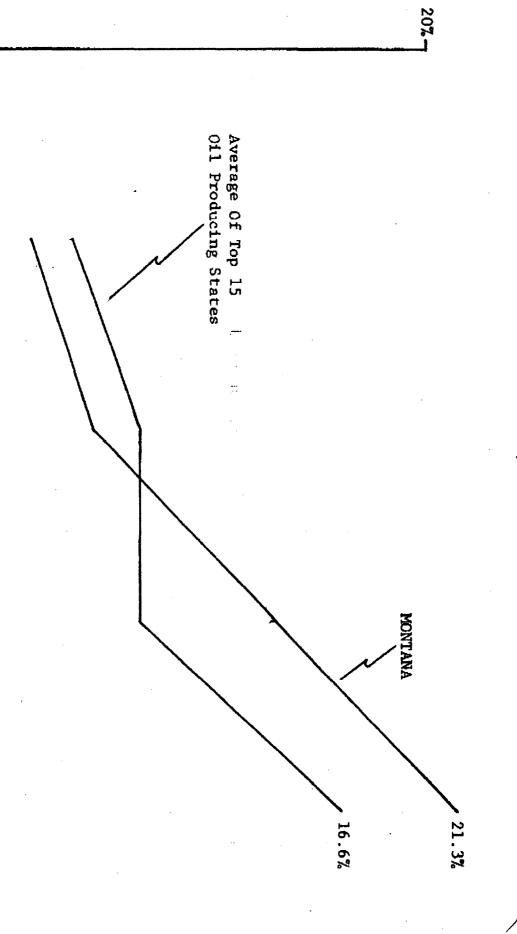
0.0

9.0

idaho

11.0

(1970, 1975, 1977, and 1981)



THE BIG MONTANA TALLY.

HOW RECORD 1981 OIL & GAS PRODUCTION MULTIPLIED TAX AND ROYALTY REVENUES FOR SCHOOLS, COUNTIES AND THE STATE.

\$ 60.0 MILLION - NET PROCEEDS TAX (EST.)

\$ 47.1 MILLION — SEVERANCE TAXES

\$ 6.6 MILLION - RESOURCE INDEMNITY TRUST

\$.6 MILLION — CONSERVATION TAX

\$ 10.8 MILLION - FEDERAL ROYALTIES

\$ 48.3 MILLION - STATE ROYALTIES

\$???? MILLION - CORPORATE TAXES

\$???? MILLION - PROPERTY TAXES

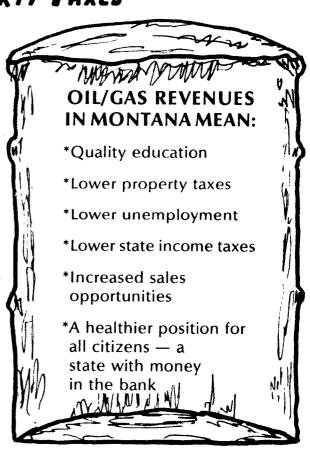
\$ 173.4 MILLION

* WHAT'S IT DO?

Even without considering property or corporate taxes, the \$173 million-plus tally of amounts and estimates available in calendar or Fiscal Year 1981 are in a state where total FY 1981 tax collections were \$465.7 million, showing the known oil/gas impact to represent over one-third of the state's total collections. Put in another way, that equals about \$217 for every man, woman and child living in the Big Sky Country or \$868 for every family of four.

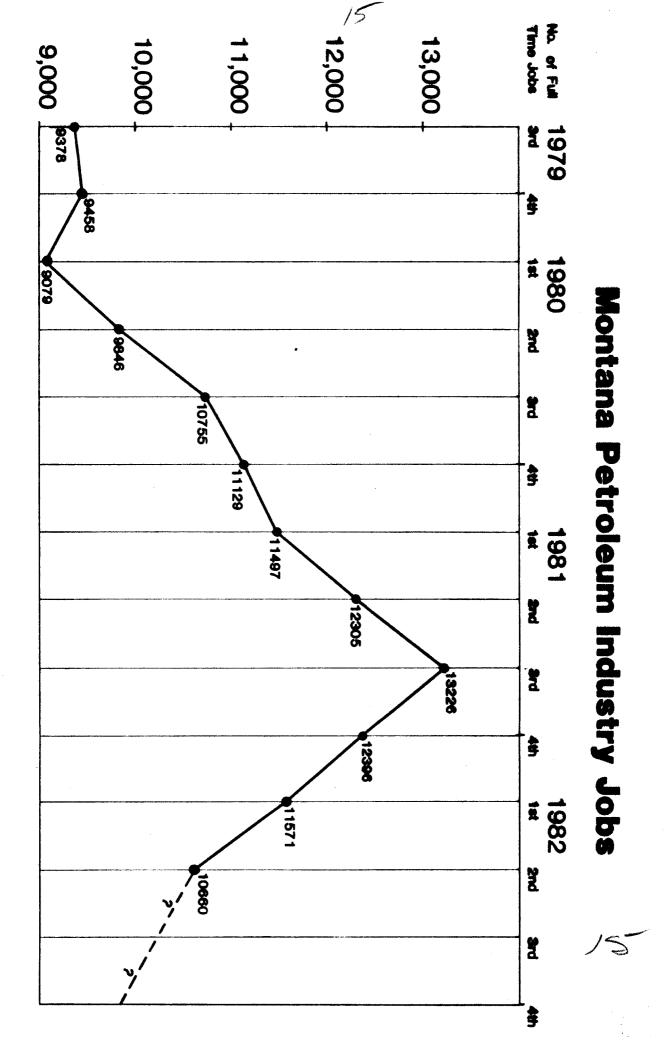
Out of that record sum of oil/gas dollars, education is the largest single benefactor, with over \$55 million going directly to schools via state and federal lease royalties and fees, a significant portion of the estimated \$60 million in net proceeds taxes collected by mineralproducing counties — most of it stemming from petroleum activity — also was heading for the classroom.

Needs of local governments and highways are other big winners when petroleum industry activity and production is spirited. Also, a potpourri of other functions supported by the state's general fund are bolstered. And an immeasurable amount of additional economic spin-off has twirled in all segments of Montana's economy in jobs and purchasing power from government revenues and dollars spent in the private sector.



Don L. Allen, Executive Director Montana Petroleum Association

2030 11th Avenue, Suite 17 Helena, MT 59601 510 Grand Building P.O. Box 1398 Billings, MT 59103



Source: Montana Department of Labor & Industry

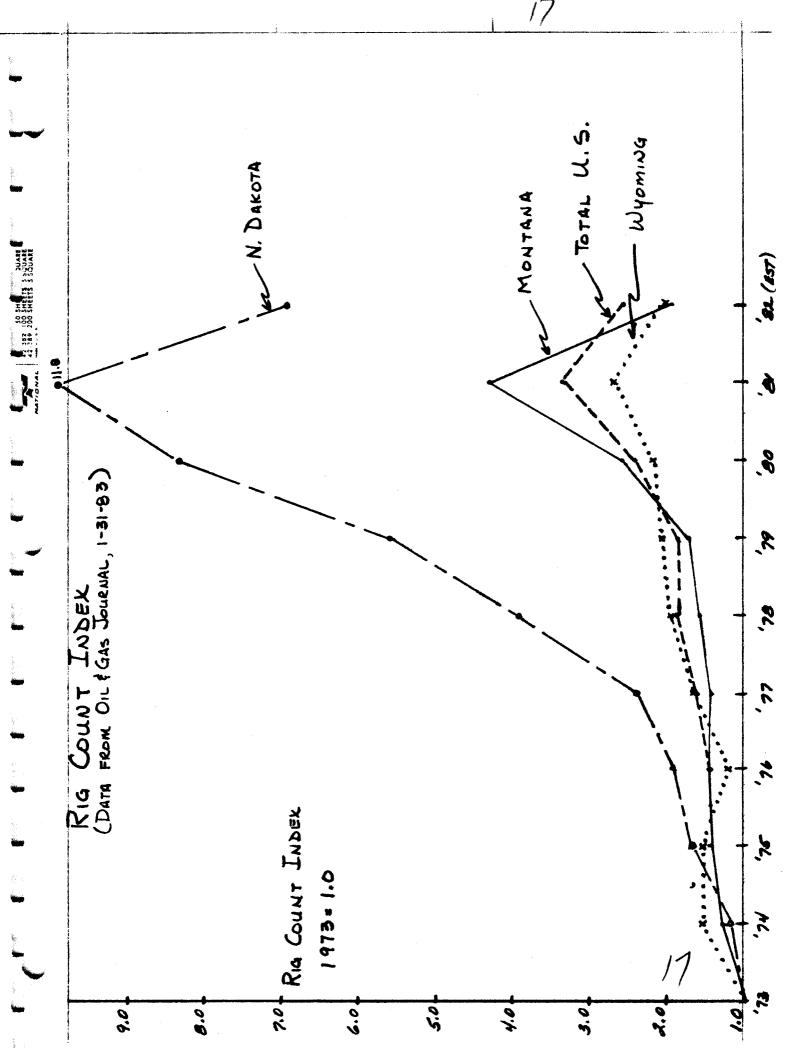
NON-PRODUCING MONTANA COUNTIES (OIL)

1982 Tax Year Mill Levy Averages and Ranges

	Countywide Average	Ranging F	rom & To
Beaverhead*	212.31	193.36	244.12
Broadwater*	209.38	194.32	238.75
Cascade	301.66	250.99	372.94
Custer	244.50	231.23	337.52
Daniels	223.36	216.17	233.75
Deer Lodge*	317.80	272.77	385.90
Fergus	228.66	194.28	288.64
Flathead*	233.06	204.64	274.95
Gallatin*	262.42	205.62	319.46
Golden Valley	180.16	172.83	187.49
Granite*	262.14	232.00	313.77
Jefferson*	257.63	208.52	299.78
Judith Basin	249.92	221.78	278.64
Lake*	224.96	169.26	306.18
Lewis & Clark*	304.39	235.97	353.52
Lincoln*	201.35	178.16	222.17
Madison*	199.36	180.60	230.26
Meagher*	198.20	171.05	220.45
Mineral*	319.89	283.60	353.67
Missoula*	261.76	223.71	321.76
Park*	227.67	175.61	276.20
Phillips**	133.48	115.17	165.52
Powell*	207.57	178.32	287.94
Ravalli*	260.32	215.53	305.17
Sanders*	216.42	184.89	256.21
Silver Bow*	366.83	336.00	413.41
Sweet Grass	242.51	226.81	262.71
Treasure	174.46	174.46	174.46
Wheatland	223.34	199.06	278.85

^{*} Counties in and around Overthrust and Disturbed Belt areas

^{**} Has natural gas production as part of tax base



SELECTED DRILLING FIGURES, MONTANA

1961	9 9	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	YEAR
650		537	578	506	539	588	449	311	263	119	153	320	403	280	284	293	216	197	255	235	DE VELOPMENTAL WELLS · DRILLED (DWD)
31.69	21 70	33.89	40.14	37.15	31.35	37.76	47.22	32.15	33.08	28.57	41.18	32.81	22.08	37.14	33.80	36.52	50.46	30.46	22.35	25.53	DRY HOLES AS A PERCENT OF DWD
302		266	215	172	248	257	293	408	461	348	295	486	537	203	198	214	175	165	164	182	EXPLORATORY WELLS DRILLED (EWD)
86.09		79.32	83.26	75.00	89.92	91.83	90.44	89.71	94.36	92.82	92.20	95.88	94.79	94.09	93.43	92.99	85.71	92.12	93.90	95.05	DRY HOLES AS A PERCENT OF EWD
466	- (393	411	317	392	458	477	466	522	357	335	571	598	295	281	306	259	212	211	233	TOTAL DRY HOLES
48.95		48.94	51.83	46.76	49.81	54.20	64.29	64.81	72.10	76.45	74.78	70.84	63.62	61.08	58.30	60.36	66,24	58.56	50.36	55.88	DRY HOLES AS A PERCENT OF ALL WELLS DRILLED

SOURCE: Data from Montana Board of Oil and Gas Conservation.

Percentage computations by The Meadowlark Group.

18

TOTAL WELLS DRILLED FOR OIL AND GAS IN ALL TIME, TO JANUARY 1, 1981 (Excludes Service Wells) AND AVERAGE DAILY PRODUCTION

٠									
STATE	OIL Number	L Percent	GAS Number	AS Percent	DRY Number	Y Percent	TOTAL Number	AVERAGE DAILY PRODUCTION (*)	
Montana	8955	37	3416	14.1	11818	48.8	24189	22.7	;
California	94350	77.2	2733	2.2	24749	20.4	120932	20.7	
Colorado	7696	26.8	4104	14.3	16879	58.8	28679	23.8	
New Mexico	25349	50.7	13682	27.3	10904	21.8	49935	13.1	
North Dakota	3601	49.4	39	•5	3645	50	7285	46.1	
Oklahoma	202671	60.8	34035	10.2	96132	28.8	332838	5.1	
South Dakota	122	15.1	19	2.3	662	82.4	803	20.3	
Texas	418113	59	55645	7.8	233994	(<u>.)</u>	707752	15.1	
Utah	2335	39	777	12.9	2869	47.9	5981	48.3	
Wyoming	21790	52.2	2766	6.6	17150	41.1	41706	34.2	
United States	1492384	57.7	280657	10.8	795144	30.7	2584324	15.9	
									I

^(*) Barrels of crude oil per well at the end of 1980.

SOURCE: "The Oil Producing Industry in Your State," The Independent Petroleum Association of America, 1981.

JOBS CREATED BY ONE ACTIVE DRILLING RIG (full-time equivalent positions)	
seismic & geophysical 5 land support 1 site construction 1 regulatory (County, State, Federal) 5 site restoration 1	employees employee employee employee employee employee employee
RIG ACTIVITY DECLINE	
Assuming Montana operated from 1981 through 1982 at only 1/2 the Nata	
support employment from communities	employees employees employees
ADDITIONAL JOBS CREATED BY 13.5 RIGS	
Historically 13 active drilling rigs would create a minimum of four producing wells per month	r
construction	employees employees employees
(full-time equivalent positions) 42	employees

IMPORTANCE OF OIL AND GAS BONUSES, RENTALS AND ROYALTIES

TO MONTANA EDUCATION FROM STATE LAND LEASES

Spirited and steady oil and gas production in Montana is important to insure a continued healthy flow of revenues to state educational programs, so an encouraging climate in coming years is a critical part of the equation.

In highly active 1981, Montana collected the most bonuses, rentals and royalties from state land leases than any of her Rocky Mountain sister states as shown by the table. Montana's total oil production was third in the region while gas ranked fifth, yet action on state lands was tops.

ROCKY MOUNTAIN STATES

1981

Production	011	and Gas	Lease-Royalty	Income to State
COLORADO	OIL GAS	30,303,000 197,298,000	STATE LANDS FEDERAL LANDS	\$ 13,712,594 33,090,330
MONTANA	OIL GAS	30,800,000 44,800,000	STATE LANDS FEDERAL LANDS	48,300,000 14,900,000
NEBRASKA	OIL GAS	6,671,313 2,712,781	STATE LANDS FEDERAL LANDS	1,904,000 (negligible)
NORTH DAKOTA	OIL GAS	45,672,975 53,000,000	STATE LANDS FEDERAL LANDS	44,203,605 16,000,000
SOUTH DAKOTA	OIL GAS	8,695,000 (negligible	STATE LANDS FEDERAL LANDS	2,858,000 (negligible)
UТАН	OIL GAS	26,997,955 87,765,000	STATE LANDS FEDERAL LANDS	26,060,390 25,400,000
WYOMING	OIL GAS	122,173,818 455,352,450	STATE LANDS FEDERAL LANDS	46,837,037 114,009,109

MONTANA OIL

1981 Production - Taxable 1982

(121.10	546,772,198	66,160,884	\$12,377,935	\$118,142,466	\$53,782,949	\$936,583,324	TOTAL ·
99.79 231.43	22,715,020 323,708	2,266,732 74,915	253,795 22,456	2,734,744 113,527	2,012,937 52,459	49,469,650 789,305	Wibaux Yellowstone
	?	8,663	1,629	9,597	7,034	47,988	Valley
153,63	18,082,811	2,777,982	621,677	4,739,745	2,156,305	28,564,385	Toole
181.79	1,904,570	346,235	106,590	629,498	239,645	3,597,621	Teton
179.84	186,286	33,501	6,716	41,106	26,785	547,958	Stillwater
83.08	77,225,510	6,415,952	1,012,046	16,320,843	5,403,906	111,256,959	Sheridan
96.62	22,797,109	2,202,666	380,800	4,975,341	1,821,866	42,908,938	Rosebud
135.36	38,394,584	5,196,889	986,985	8,072,272	4,209,904	59,496,666	Roosevelt
164	113,264,864	18,625,578	3,901,455	26,976,984	14,724,123	171,347,983	Richland
193.03	1,470,495	283,842	21,629	180,482	262,213	3,632,427	Prairie
80.03	61,367,299	4,910,893	998,400	12,562,075	3,912,493	117,725,041	Powder River
185.60	5,317,055	986,869	312,227	1,884,999	674,642	10,476,644	Pondera
144.46	1,051,679	151,926	17,243	174,558	134,683	2,251,274	Petroleum
11	21,575,870	2,501,939	518,386	5,605,832	1,983,553	29,850,587	Musselshell
204.50	2,053,507	419,924	104,364	802,075	315,560	4,249,756	McCone
•	8,207,060	-	N/A	1,209,950	N/A	12,031,315	Liberty
est. 191.26	896,699		N/A	N/A	N/A	62,791	Hill
20	24,622,565	5,027,810	1,204,862	6,573,804	3,822,948	44,884,520	Glacier
162.91	357,812	58,290	3,248	26,382	55,042	551,131	Garfield
97.90	103,906,313	10,172,428	1,325,713	20,632,156	8,846,715	195,629,039	Fallon
245.78	7,152,477	1,757,963	231,392	1,338,307	1,526,571	16,729,385	Dawson
190.95	39,744	7,589	867	4,438	6,722	51,068	Chouteau
185.09	544,046	100,698	16,462	88,938	84,236	1,200,707	Carter
136.36	10,450,106	1,424,945	226,366	1,683,292	1,198,579	22,669,424	Carbon
159.98	1,763,536	282,130	68,070	460,991	214,060	4,390,215	Blaine
11	1,101,473	124,525	\$ 34,557	\$ 300,530	\$ 89,968	\$ 2,170,547	Big Horn
			Tax Due	Gross Value	Tax Due	Gross Value	County
Average County Mill Levy	Taxable Valuation Total	Tax Due	, .	Royalty	ction	Production	
	1	1					

THE ROLE OF OIL AND NATURAL GAS PRODUCTION On Montana's 1982 Total Taxable Valuation By Counties $\frac{1}{2}$

	Total	Oil & Gas	Percentage of
	Valuations	Valuations	Oil & Gas Values
	1982	for Tax Year 1982	To County Totals
Beaverhead	15,344,893		
Big Horn	123,926,603	1,104,409	0.89%
Blaine	33,607,352	19,042,297	56.66%
Broadwater	7,131,171		
Carbon	27,321,290	11,844,851	43.35%
Carter	6,517,742	556,340	8.35%
Cascade	89,478,909		
Chouteau	28,682,598	1,344,229	4.69%
Custer	18,320,534	33,538	0.18%
Daniels	8,035,300		
Dawson	30,044,542	7,152,477	23.81%
Deer Lodge	13,208,378	Affiliar sallangi Adjaga	
Fallon	118,324,761	104,085,931	87.97%
Fergus	22,219,949	·	***
Flathead	80,100,515		
Gallatin	56,944,405		
Garfield	6,521,008	357,812	5.49%
Glacier	44,961,426	26,965,570	59.97%
Golden Valley	4,244,653	113,916	2.68%
Granite	5,307,536		
Hill	44,742,259	11,781,607	26.33%
Jefferson	10,877,316		
Judith Basin	9,768,278		
Lake	26,271,591		
Lewis & Clark	54,722,048		-
Liberty	21,520,242	11,319,958	52.60%
Lincoln	32,594,458		
Madison	14,207,766		
McCone	11,515,997	2,053,507	17.83%
Meagher	5,731,829	·	
Mineral	4,642,772		
Missoula	124,354,808		
Musselshell	29,303,866	21,575,870	73.63%
Park	17,827,180		
Petroleum	2,882,322	1,051,679	36.49%
Phillips	32,895,804	12,550,312	38.15%
Pondera	23,698,059	7,091,115	29.92%
Powder River	73,082,837	61,413,695	84.03%
Powe11	11,474,947	1 470 405	22 (1%
Prairie	6,227,709	1,470,495	23.61%
Ravalli	21,801,175	112 /0/ 770	70 20%
Richland	144,666,368	113,404,778	78.39%
Roosevelt	67,517,948	38,394,584	56.87%
Rosebud	163,639,478	22,797,109	13.93%
Sanders	19,356,835	77 225 510	
Sheridan	92,393,166	77,225,510	83.58%
Silver Bow	47,571,109	1 207 /22	0.03%
Stillwater	13,966,974	1,387,423	9.93%
Sweetgrass	7,307,647	2 414 422	12 51%
Teton	17,885,883	2,416,632	13.51%
Toole	45,257,723 4,401,696	27,204,351	60.11%
Treasure		310,939	1 06%
Valley Wheatland	29,389,187 5,691,701	310,939	1.06%
Wibaux	28,964,457	22,715,020	78.42%
Yellowstone	196,095,144	323,708	0.17%
Total State	\$2,204,492,144	\$609,089,665*	27.63%

 \star 0il and gas value is 36.7% of total taxable valuation in producing counties, which is \$1,488,117,932.

Note: Montana's total taxable value is only 13.8% of the state's 1982 market value of \$15,952,480,208, yet oil and gas are taxed at 100% of their net proceeds while other properties enjoy greatly reduced percentage classifications.

WELL COMPLETIONS: A CURRENT OIL INDUSTRY ENIGMA

Boom year 1981 didn't turn into bust year 1982 like the flick of a light switch. The goodness of '81 bulged slightly into '82 as the fevered activity pace backed up and hefty 1981 drilling budgets were being used up.

How many of the early 1982 well completions bend back to the 1981 flash is one question. But the dilemma of when a drilled well really becomes a completion tallied into the statistics of one period or another has been with the industry for some time, magnified into a major debate by the dramatic drilling turnabout only shortly after 1982 unfolded. The experts are scratching their heads over 1982.

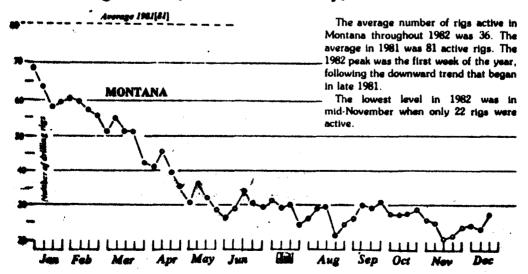
Respected Montana chronicler Roy Boles, publisher of the Montana Oil Journal, says 913 for Montana. Petroleum Information, which covers the Rocky Mountains region from Denver, says an estimated 1,188. And the Oil & Gas Journal, in its January 31 issue, uses a 1982 estimate of "1,241 wells drilled in Montana last year with only 860 planned this year."

But the whole numbers game gets to the point of begging the question, as the attached editorial remarks of OGJ Economics Editor Robert Beck note in the January 31 issue. As he points out, you can't have well completions without rigs, so the figures are suspicious.

The year total figures are not all that important anyway. What is significant are the jobs and business sector dollar flows lost as 1982 ebbed on. The heavy traffic from 1981 spilled over into 1982, and first-half figures are heavier. But the fall-off is plain in the way the 1982 active rig count plunges through the year (see chart below). The 1982 rig drop meshes with the corresponding loss of jobs as the months peel off (chart in packet). The 1982 trend tells the story of where we are at now, and it leaves no doubts.

Something else is worth mentioning about well figures. Over 68% of the 913 completions reported by Montana Oil Journal for 1982 were not in the deeper-well, higher-yield Williston Basin. A number of them are shallow, quick-sunk Hi-Line wells with smaller reservoirs. Every well helps in jobs and tax revenues, but one should not mistake these easier punches for the kind of sustained job and production activity which comes from deeper play in the Williston or which could develop from the mammoth formations of the western Montana Overthrust and Disturbed Belt areas.

Rig Count, Plotted Weekly, 1982



1421 S. Sheriden Rd, Tulsa, OK 74112. Mailing address: Box 1260, Tulsa, OK 74101 Phone: 918-835-3161, Telex 49-2345 Cable: PENNPUBCO

ROMORIAL STAFF

one T. Kinney, <u>Editor</u> obert J. Enright, <u>Executive Editor</u> ohn L. Kennedy, <u>Engineering Editor</u> Jim West, <u>News Editor</u> John C. McCaslin, <u>Exploration Editor</u> Earl Seston, <u>Pipeline Editor</u>
Bob Tippee, <u>Senior Editor</u>
G.L. Farrar, <u>Contributing Editor</u> Robert G. Lawson, Asst. Engineering Editor Max Batchelder, Presentation Editor Max batcheder, <u>Presentation Color</u>
Robert G. Lair, <u>Assl. Presentation Editor</u>
Robert J. Beck, <u>Economics Editor</u>
Glenda E. Smith, <u>Statistics Editor</u>
G. Alan Petzet, <u>Mick ontinent Editor</u>
Don Cowan, Rick Hagar, <u>District Editors</u>
lies stibanel. <u>Economics Editors</u> Jim Stilwell, Equipment Editor Barbara Volkoun, Art Director Kay Wayne, Jo Jeanne London, Carol Oxford, Staff Artists Ailleen Cantrell, Director of Editorial Surveys Kathryn C. Reese, Personals Editor Evelyn Gagnon, Debra Gwyn, Editorial Assistants New York: 230 Park Ave., Suite 907, 10169. 212-986-4310 Ted Wett, Petrochemical/Cas Processing Editor, Marcia A. Parker, New York Editor, Lori Miller, Editorial Assistant Houston: 1200 S. Post Oak Blvd., Suite 106, PO Box 1941 77251. 713-621-9720, Leo R. Aalund, <u>Retining Editor</u>
W.D. Moore III, <u>Drilling Editor</u>; James E. Leonard, <u>Production Editor</u>; Richard Wheatley, <u>Gulf Coast News Editor</u>;
Warren R. True. <u>Associate Technical Editor</u>; Lynne Abegg, **Editorial** Assistant Los Angulos: 330 Washington St., Suite 400, Marina del

Rey, Calif. 90291. 213-827-8343, Bob Williams, West Coast Editor gion: 1272 National Press Bidg., 20045, 202-347-

1710, John H. Jennrich, Washington Editor Patrick Crow, Congressional Editor

n: Alliance House, 12 Caxton St., Lundon SW1HOOS 222-0744, Roger Vielvoye, International Editor Isabel Gorst, Associate European Editor

APPARETISING SALES

Tulia: 1421 S. Sheridan Rd., 74112, 918-835-3161. Tom T. Terrell, <u>Sales Manager East</u> James W. Brownlee, <u>Midcontinent Manager</u>

on: 1200 S. Post Oak Blvd., Suite 106. PO Box 1941, 77251, 713-621-9720, John M. Spears, Vice President Sales Manager West Eric F. Johen, Vice President Inter-national Sales William C. Wageneck, Gulf Coast Manager; Sheve Lattifer. Banagang atom. ve Lassiter, Representative

w York: 230 Park Ave., Suite 907, 10169. 212-986-4310. Juhn W. Meany, Jr., Eastern Manager Connecticut: 5 Vitti St, New Canaen, 06840 203-966-1600. Jack Yoder, District Manager burgh: 429 Fourth Ave., 15219. Rm 2106 412-471-5847. John R. Schirra, District Manager

Chicago: 75 East Wacker Dr., 60601. 312-236-2537 Jerre Ryan, District Manager

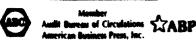
Dellas: 2 Energy Square, 4849 Greenville Ave., Suite 318, 75206. 214-739 3338. William J. Hux, *District Manager* ng Beach: 313 Freeway Center Bldg. 3605 Long Beach Blvd., 90807. 213-426-7008. Don Dove, Western Manager uvis , 90807. 213-426-7008. Don Dove, Western Manager Landan: Alliance House, 12 Caxton St., London SW1HCOS 222-0744. David Berham-Rogers and David M. Levitt, United Kingdom/Scandinavia Parls: Prominter, 247 rue Saint Jacques, 75005; (1) 354-55-35; Teles 250-03-90BLC PARIS (Pour Prominter no. 9192); Daniel R. Bernard, France, Belgium, Spain, Pottugal, 5-Switzerland Nettestal: 4074 Managest 1 1464-5

Portugar, 3. Swinzerianu
Nettetali: 4054 Nettetal 1/West Germany, Krugerpfad 1,
02153/6633; cable: FRRMA, Heinz J. Gorgens,
W. Germany, Netherlands, Austria,
N. Switzerland, Luxembuurg, Eastern Europe
Switzerland, Luxemb

Milan: 20090 Segrate, Milano San Felice Torre 5, Italy 02-753-1445. Telex 311250 PPMI I. Luigi Rancati Tekyo: International Media Representative, 2-29, Toranumon 1-chome, Minato-ku, Tokyo 105, Japan, 502.0656. Telex J22633. Sumio Oka Mexico: Apido Postal 61-106, Mexico 6, D.F. 905-594-8368, Raúl Lirueta Insignares.

L. John Ford, Publisher and Vice President

Philip C. Lauinger, Ir., <u>President and Chief Executive</u> P.C. Lauinger, Chairman of the Board Joseph A. Wolking, Senior Vice President Carl J. Lawrence, Group Vice President H. Mason Fackert, Group Vice President John Maney, Vice President/Finance J. Lawrence Cox, Group V.P./Printing Roy Ellison, Circulation Director aul McBride, Production Manager alob Saltzstein, Sales Promotion Manager Jane Jurk k. <u>Advertising Services Manager</u> LaVerne Guy, <u>Classified Advertising Manager</u>



JOURNALLY SPEAKING

The numbers game

We've all heard that figures never lie, but liars often figure.

The Forecast/Review which appears in this issue is basically an exercise in figures or numbers---numbers based upon a logical assessment of where we've been, where we are now, and where we can expect to be next year.

Numbers are pure. They are precise, the solid granite base for projections, the stone tablets from which revelations spring.

But there is less to some numbers than meets the eye. The wary forecaster will realize that the statistical base can sometimes be quicksand rather than granite. Figures may not lie, but they can certainly mislead. That's where we come in. Our job is to help distinguish the rocks from the sand.

John McCaslin's forecast of well completions is based upon a comprehensive survey of many oil companies and a reasonable assessment of how the plans stack up with recent activity.

In 1982, well completions went up 9.6% while rig activity fell 21.8%. Since you don't drill and complete wells without rigs, these numbers are suspicious. During the boom years of 1980-81, the delay in reporting completions lengthened and distorted the data for 1982, resulting in the paradox of record well completions in the year of the steepest drilling slump in U.S. history. So the granite base for forecasting 1983 completions is a bit spongy.

Similar problems arise with motor gasoline demand. It is "officially" measured by the Department of Energy and presented in monthly publications. Government policy decisions and legislation have been based upon movements in demand. And forecasts are based upon things such as the historical shift in demand relative to prices.

The problem is that some of the official DOE historical numbers are wrong. During 1978-80—and possibly prior years—the motor gasoline produced by some enterprising small refiners slipped through DOE's reporting net. The amount is estimated at 160,000-300,000 b/d. For those years, the U.S. produced more gasoline than the figures show.

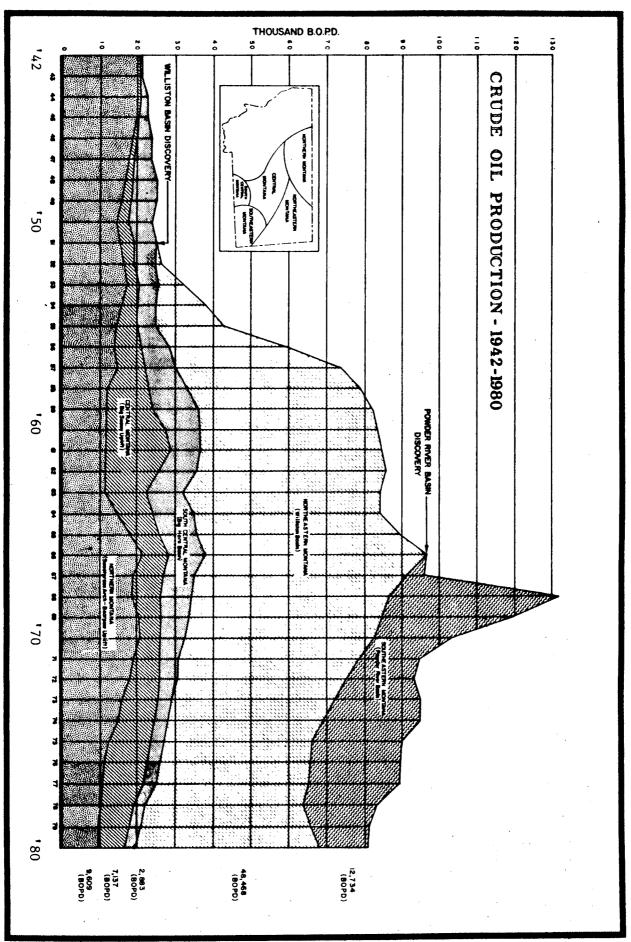
Decause demand is defined as products supplied—the sum of production and inventory changes—consumption was also understated by that amount. Fortunately, that reporting error has been corrected in current statistics—but the historical record has not.

The bottom line is that U.S. gasoline consumption has declined even more than official figures show. And economists, politicians, and others unaware of this are apt to base conclusions and actions on erroneous premises.

Part of our job is to help readers avoid such statistical traps. So the 1983 forecasts beginning on p. 71 take these pitfalls into account. This won't guarantee that we'll hit drilling or gasoline demand on the nose. But when you're trying to figure out where you're going, it helps to know where you've been.

Robert J. Beck, Economics Editor

26



of 11.87%, averaged on a statewide basis. The total direct tax burden the state and her counties impose against the value of a barrel of oil amounted to a gross equivalency

Montana or elsewhere, not the statewide average which has been pulled down by oil fields where historically large production volumes out. Those local tax levels are what operators realistically are having to consider when they decide whether to drill a prospect in of where some of Montana's best geological prospects presently exist because drilling is not going to occur where little hope is held at the effect of the tax burden on oil in those counties where the most drilling has occurred in recent years. That's the best indication have enabled lower mill levies. However, because mill levies vary so greatly between school districts in the various producing counties, it is necessary to look

oil prices which leave very small margins for the risks involved. in the bottom-line cost evaluation of where to drill as it is now during a period of severe decline, tight drilling budgets and deflated When oil prices were rising through the years decontrol was coming on line, the state/county tax bite was not nearly so important

Montana must be able to compete effectively with her neighbors for the limited drilling action available. Yet that becomes difficult when the gross equivalent effective tax rates on a barrel of oil are 11.5% in North Dakota and 12.8% in Wyoming. And was a superior of the limited drilling action available. Yet that becomes one considers that the geological draw to Wyoming always has been much better and that North Dakota's end of the Williston Basin has the economic benefits which come with the activity. better looking credentials, Montana clearly has to try harder to attract a share of the limited drilling budgets, if it really wants

counties in terms of wells drilled since 1979. Below are the 1981 breakdowns showing the effect of state and local taxes on oil produced in the five most active oil-producing

County	\$ Price Per BBL	Net Proceeds Tax Per BBL	State 5.0% Severance Tax Per BBL	Conservation Tax & Resource Indemnity Trust Tax Per BBL	Total State & County Tax Per BBL	Mill Levy	% of State & County Tax Per BBL
Toole	30.02	2.50	1.50	.16	4.16	153.63	13.86%
Richland	36.13	3.39	1.81	.19	5.39	164.44	14.96%
Pondera	33.98	2.71	1.70	.18	4.59	185.60	13.51%
Sheridan	35.70	1.79	1.79	.19	3.77	83.08	10.56%
Roosevelt	35.64	2.74	1.78	.19	4.71	135.36	13.22%

1982 ESTIMATED NET PROCEEDS TAX

(Actual specific sample wells)

Total Production Taxes	gross Production tax/bbl at .02%	gross value gross value Gross value	Net proceeds tax/barrel	Times mill levy (2)	Amount used to calculate net proceeds	Windfall profit tax per barrel (3) Amortization of capital expenditures (2)	Lifting costs per barrel (2)	Gross barrel price (1)	
\$ 4.42	.16	1.60	\$ 2.65	.14446	\$ <u>18.36</u>	1	6.56	\$ 32.00	\$ PER BBL
13.80%	.50	5.00	8.28%		57.37%	21.97	20.50	\$00T	PETROLEUM COUNTY % \$ OF GROSS PER BBL
\$ 4.67	.16	1.60	2.90	.14446	\$ 20.08	6.82	4.88	\$ 32.00	M COUNTY \$ PER BBL
14.58%	.50	5.00	9.06%		62.75%	21.31	15.25	100%	of Gross
\$ 3.95	.16	1.63	\$ 2.15	.10522	\$ 20.46	2.82 6.05	3.20	\$ 32.53	\$ PER BBL
12.13%	.50	5.00	6.61%		62.89%	8.67 18.60	9.84	100%	SHERIDA % OF GROSS
\$ 3.86	.16	1.64	\$ 2.05	.09937	\$ 20.65	2.88 4.12	5.04	\$ 32.69	SHERIDAN COUNTY % \$ GROSS PER BBL
11.79%	.50	5.00	6.27%		63.17%	8.81	15.42	100%	% OF GROSS
\$ 4.13	.16	1.64	\$ 2.32	.13001	\$_17.83	10.78 1.64	2.48	\$ 32.73	\$ PER BBL
12.61%	.50	5.00	7.09%		54.47%	32.94	7.58	\$001	RICHLAN % OF GROSS
\$ 4.38	.16	1.64	\$ 2.57	.14957	\$ 17.20	11.15 2.52	1.97	\$ 32.84	RICHLAND COUNTY \$ \$ GROSS PER BBL
13.35%	.50	5.00	7.83%		52:30%	33.95	6. 00	100%	OF GROSS

⁽¹⁾ March, 1982, sales(2) Based on Calendar year 1981(3) Tier II - Stripper-

^{60%} rate - Majors 30% rate - Independents

⁽³⁾ Tax Tier III - 27.5 rate

⁽³⁾ Tax Tier I -50% rate - Independents 70% rate - Majors

1982 ESTIMATED NET PROCEEDS TAX

Total Production Taxes	Severance tax/bbl @ 5% of gross value RIT tax/bbl @ .5% of gross Production tax/bbl @ .02%	Net proceeds tax/bbl	Times mill levy	Net Proceeds	Lifting costs/bbl Windfall profit tax/bbl Capital amortization	Gross bbl price	
	<u>, , , , , , , , , , , , , , , , , , , </u>		. 22		7.6	34	PER
5.52	1.74	3.60	.22821	15.76	6.71 ⁻ 12.14 .15	34.76	\$ PER BBL
15.87	5.00 .50 .02	10.35		45.34	19.30 34.93 .43	100.00	DAWSON
6.52	1.72 .17 .01	4.62	.27563	16.77	6.18 11.42 .06	34.43	DAWSON COUNTY
18.94	5.00 .50 .02	13.42		48.71	17.95 33.17 .17	100.00	र्ड OF GROSS
3.14	1.72 .17 .01	1.24	.096696	12.84	4.02 12.57 4.98	34.41	S PER BBL
9.12	5.00 .50 .02	3.60		37.31	11.68 36.54 14.47	100.00	FALLON COUNTY % % \$ 9 PER BE
3.61	1.71	1.72	.108806	15.85	6.28 11.42 .64		1 ≃
10.55	5.00 .50 .02	5.03		46.36	18.37 33.40 1.87	100.00	\$ OF GROSS
4.68	1.82 .18	2.67	.130010	20.52	8.96 3.79 3.05		\$ PER BBL
12.87	5.00 .50 .02	7.35		56.49	24.67 10.44 8.40	100.00	RICHLAND COUNTY
4.15	1.81	2.15	.130010	16.51	10.64 3.75 5.35		COUNTY \$ PER BBL
11.44	5.00 .50	5.93		45.54	29.35 10.34 14.76	100.00	\$ OF GROSS

(Actual specific samples of Shell Oil Co. wells)

29

1982 ESTIMATED NET PROCEEDS TAX

Total Production Taxes	Severance tax/bbl @ 5% of gross value RIT tax/bbl @ .5% of gross Production tax/bbl @ .02%	Net proceeds tax/bbl	Times mill levy	Net Proceeds	Lifting costs/bbl Windfall profit tax/bbl Capital amortization	Gross bbl price	
5.30	1.72 .17	3.40	.197089	17.20	4.13 12.58 .53	34.44	\$ PER BBL
15.39	4.99 .49 .02	9.87		49.94	11.99 36.52 1.53	100.00	PRAIRIE COUNTY \$ \$ OF GROSS PER B
5.25	1.73	3.34	. 198089	16.86	5.26 11.82 .60	34.54	COUNTY \$ PER BBL
15.20	5.00 .49 .02	9.66		48.81	15.22 34.22 1.73	100.00	% OF GROSS
4.51	1.70 .17 .01	2.63	.12707	20.70	5.33 7.90 -0-	33.93	\$ PER BBL
13.29	5.01 .50 .02	7.75		61.00	15.82 23.31 -0-	100.00	LIBERTY COUNTY \$ OF GROSS PER B
4.89	1.71 .17 .01	3.00	.12707	23.60	2.50 8.08 -0-	34.18	COUNTY \$ PER BBL
14.31	5.00 .49 .02	8.77		69.04	7.31 23.63 -0-	100.00	% OF GROSS
6.64	1.72 .17	4.74	.27563	17.20	4.13 12.58 .53	34.44	\$ PER BBL
19.28	4.99 .49 .02	13.76		49.94	11.99 36.52 1.53	100.00	DAWSON COUNTY & S OF GROSS PER
6.00	1.74 .17	4.08	.27563	14.81	7.79 11.55 .58	34.73	COUNTY \$ PER BBL
17.28	5.01 .48 .02	11.74		42.64	22.43 33.25 1.67	100.00	% OF GROSS

(Actual specific samples of Shell Oil Co. wells)



EXHIBIT C FEBRUARY 4, 1983

FEE	3R	U	ARY	4,	
SB	1	5	Q		

NAME: WM. (BILL) VANGHEY IR DATE: 1-EB.4, 1983
ADDRESS: P.O. BOX 46 HAURE, MONTANA S9501
PHONE: 265-5421
REPRESENTING WHOM? SELF (I'M AN INDEPENDENT OILLEAS PROD
APPEARING ON WHICH PROPOSAL: 5B159
DO YOU: SUPPORT? AMEND? OPPOSE?
The control of the menure to one more information in Martine one of Montanet very but noneur one forgo-term, high garing for re-

EXHIBIT U FEBRUARY 4, 1983 SB 159

NAME: GBRUCE WILLIAMS	DATE: 2/4/83
ADDRESS: 5534 WALTER HAGEN DR	
PHONE: 652-5029 Home 652-	5200 OFFICE
REPRESENTING WHOM? PETROLEWIS CORP -	MONTANA PETROLEUM ASSOC.
APPEARING ON WHICH PROPOSAL: 58 159	
DO YOU: SUPPORT? AMEND?	OPPOSE?
COMMENTS: SEE WRITTEN STATEMENT	

FEBRUARY 4, 1983 SB 159



550 South 24th Street West P.O. Box 21497 Billings, Montana 59104 (406) 652-5200

G. Bruce Williams Vice President and General Manager

February 4, 1983

Senate Taxation Committee Montana State Senate Helena, MT 59620

> Re: Prepared Testimony Regarding Senate Bill 159

Ladies and Gentlemen:

I am a native Montanan. I was born and raised in Butte and graduated from Montana Tech in 1971 with a degree in Petroleum Engineering. In the years following my graduation I worked for Shell Oil Company in Denver, Colorado, Baker, Montana and Houston, Texas. For the past seven years, I have worked in various operations and engineering management positions for Petro-Lewis Corporation in Denver, Colorado before moving to Billings in March, 1982 as Vice President and General Manager of Petro-Lewis' newly created Rocky Mountain Region. Petro-Lewis is a large independent oil and gas producer and a leading manager of petroleum investments for public and private partners. We operate approximately 238 wells in the state of Montana and have approximately 100 employees living and working in the state.

Montana, as you are well aware, is faced with the problem that plagues a number of our sister states as well as our national government — too little revenue; too much expense. While your committee is primarily concerned with the revenue side of the equation, let me remind you that the equation can also be balanced by a general reduction of expenses.

Five industries have historically provided the economic backbone of Montana - i.e., they have been primary revenue generators. If we look at these industries, agriculture, mining, oil and gas, timber and tourism, we find that none of the five fit the category of "thriving".

- Low product prices and surplus of product coupled with the general economic recession have severely crippled agriculture.
- Recent events in Butte and the general lack of interest in recent coal lease sales speak to the condition of the mining industry.
- The short term outlook for exploration and development in the petroleum industry is not good, primarily due to weak product prices and declining demand. There are a number of oil and gas firms riding the fine line between survival and failure.

- The level of unemployment in the northwestern portion of Montana and the state of our nation's housing industry are evidence of the condition of the timber industry.
- Finally, we cannot expect that tourism will be the bright spot considering the general state of our local and national economy.

Given the condition of our "backbone" industries, what approach should you take in tackling the problem of providing revenue for our state government? I suggest that there are two solution scenarios. The first is a short term solution that is likely to have serious, negative long term results. That "solution" is to continue to increase the tax burden on the current base of "backbone" industries. While that may well solve the revenue problem in the next biennium, it is a short sighted approach that will do further economic harm to the already weakened base of Montana industry and will result in flat or negative growth of the tax base.

In my opinion, the optimum long term approach to Montana's revenue problems is to create a climate that will encourage growth and expansion of our The way to achieve this is to be sure that no revenue base industries. additional economic or regulatory disincentives are added to the existing laws and regulations of the state. The second step is to review existing law to remove disincentives that already exist in an effort to encourage expansion and growth. Keep in mind that I believe this is a process that should apply to each and every one of this state's "backbone" industries. I think it is an approach that has long term benefits that should result in an expanded revenue base and a higher level of employment in all five major It is also an approach that has merit in the context of attracting new industry to our state. The approach is one of sending a positive statement to industry regarding Monana's desire for growth and expansion.

Senate Bill 159 is an example of legislation that would reduce an economic disincentive in one of the state's "backbone" industries. The oil and gas industry is a strong part of Montana's revenue base, having provided approximately one-third of the state's revenue in 1981. In the past year, we have seen a significant downturn in drilling activity within the state, and we have seen little or no growth in production in the state over the past five years. While I am not going to suggest that the downturn of drilling activity and the lack of production growth are entirely due to Montana's oil and gas tax structure, there are several facts that are irrefutable:

- Montana's full potential for production of oil and gas will not be realized until significant exploration takes place in the large unexplored areas of the state.
- Discovery of production through exploration or expansion of production through enhanced recovery requires significant capital investment and a relatively high risk.
- Oil and gas companies will invest their limited capital dollars where they can expect the highest rate of return.

- State and federal taxes are a bottom line reduction in profit and therefore rate of return to the investor.
- The oil and gas tax structure in Montana is one of the highest in the Rockies and the nation.
- Expansion of oil and gas exploration and production in Montana will result in a broader tax base and increased job opportunities.

The conclusion I draw from the above facts is that, while we cannot tie a specific level of oil and gas activity to a specific level of state tax, any reduction in tax burden will act positively toward increasing investor rate of return and encourage investment in exploration and production expansion activities in the state of Montana. The expansion of these activities should result in a broader base and increased job opportunities in the state.

In my opinion, Senate Bill 159 is an example of legislation in one of Montana's "backbone" industries that will have a positive, long term effect in improving the state's revenue position.

The last time I gave comments to a Montana legislative committee was in 1971 when, as student body president at Montana Tech, I was requesting financial support for that institution. In 1973 certain members of the Montana Legislature attempted a short term "solution" to that problem, suggesting that the school should be closed because so few of its graduates stayed in the state. That "solution" was avoided. However, the long term solution of encouraging industry growth and the related expansion of job opportunities in the state never materialized. I encourage your support of Senate Bill 159, a long term, far-sighted solution to a portion of the state's revenue problem and the expansion of job opportunities in our state.

Respectfully submitted,

Abue Williams

G. Bruce Williams

EXHIBIT E FEBRUARY 4, 1983 SR 159

NAME: HARLES F. WOODS DATE: [-EB. 4, 1983
ADDRESS: PT#2 BOX 759 LIBBY MT 59923
PHONE: 1-293-5439
REPRESENTING WHOM? CWWELDING \$ N.E.E.D. 140
APPEARING ON WHICH PROPOSAL: 5.8.159
DO YOU: SUPPORT?
Long range planning is uccessary to attract industry to Montana instead
of constantly penalizing though taxation. Employment increase though increased
industrial ground should offset any serverance
John created mould increase is well as
pocey store, etc herefituig en a long term hoses & finally into a stabolised economy instead of short-term hand-aid tayation.
,

EXHIBIT F FEBRUARY 4, 1983

ME: Ben Haudahl		DATE: 2/4/83
DRESS: He fend		·
ONE •		
ONE:		
PRESENTING WHOM? Montant Mon	br Corriers Fi	Issoc
PEARING ON WHICH PROPOSAL: 5/	3 159	
YOU: SUPPORT? X AME	ND?	OPPOSE?
MMENTS: ATTAC Hed		
•		
		•

MONICING CONTROL CORRIGERATION INC.

B. G. Havdahl EXECUTIVE VICE PRESIDENT

From the Desk of

PHONE 442-6600

HELENA, MONTANA 59601

1727 ELEVENTH AVENUE

58 159 - reduce 011 Sev

B. G. Havdahl EXECUTIVE VICE PRESIDENT

From the Desk of

HELENA, MONTANA 59601 1727. ELEVENTH AVENUE

MONICING CORRESPONDENCE CORRESPONDEN

PHONE 442-6600

entrol to Mont. tox police 3) Halize drop is not due

12 x to 30/6 - MMCA SUPANTS ON DEPLIF OF THE OIL FIELD & 468004 HAVING

disatorous impact re oil freld

10 explor and prod has had a

CHITTES Truckers Howling

dulling 1155 and related equip +

Supplies Morre suffered 2 down

and we for oil free;

Realise World bil prices we talling and impacting all

domestic prod including Montons. Human Wefeel it now to arease

unest copital in countries for

Must be encouse centil

346 LOSS of mount 2015 14 Bus : Led of the 346 Loss of mount 2015 145 resulting Loss of mount 2015 Loss of mount 2015

the begins of the possession of

2) one co's revenue picture

60% \$ 70%

in Mondand's Oll Open

ex/1/0 ; 58/59 Will 90 long the toward the contract of the con De Play las late OPECS houses and the continue to be under it

1980- &3 mil) 50 g or novetag Churnot l'às. 1981 45 smil) 50 g or novetag (9) MMAI Support 513 159 1983 2:5 mil) 50 por novetag (9) MMAI Support 513 159

EXHIBIT G FEBRUARY 4, 1983

	FEBRUARY 4, 1983 SB 159
NAME: Skerill Henderson	DATE: 216.4-83
ADDRESS: Rte 2 Box 2337	dry Most
PHONE: 482-2806	
REPRESENTING WHOM? Northeast Mont	Land & Mineral Ources
APPEARING ON WHICH PROPOSAL: S.B. /	59
DO YOU: SUPPORT? X AMEND?	
comments: The tax has h	1
Mortana Serverely-	Jost folo los in
line 7 mile from Marti	h Dak line and
- The sould be stored	leaving Most und
morning & Moth Wa	I belamed
more fevroible las l'é	necelles

EXHIBIT H FEBRUARY 4, 1983 SB 159

NAME: JUE O TOUCE DATE: 4708 X3
ADDRESS: 3016 Old Pond RJ. MS/AMH 59802
PHONE: 128-2091
REPRESENTING WHOM? My 5e/5 4 01/ workers
APPEARING ON WHICH PROPOSAL: 58 159
DO YOU: SUPPORT? AMEND? OPPOSE?
COMMENTS: WE NEED Those Substhat Oil Field Supply
in Our state. Presently there is no Room. Sor our young in our Rural Farming Community
The Oilsield supplies Jobs enabling our
The DilField Supplies Jobs enabling our young too Remain. If WE don't Pole the Severence tax back our
puth will continue to exito

FEBRUARY 4, 1983 SB 159

NAME: Thomas). Sheelig	DATE:/4/83
ADDRESS: Big Sandy Mt.	
PHONE: 378-3156	
REPRESENTING WHOM? Montane Lond & Money	al Comers Hess.
APPEARING ON WHICH PROPOSAL: 5 B 1 5 9	
DO YOU: SUPPORT? AMEND?	OPPOSE?
COMMENTS:	
•	
,	

EXHIBIT J FEBRUARY 4, 1983

NAME: C/yde Logan 159 DATE: 2/4/83
ADDRESS: 3040 OAK ST DeNUY 80210
PHONE: 303-237-0208
REPRESENTING WHOM? SAN GATY - BWAB, INC
APPEARING ON WHICH PROPOSAL: 5B 159
DO YOU: SUPPORT?
COMMENTS:
Deep Concern RE
1. Loss of Jobs IN petroleum INdustry
2. 50% Declive in Dulling Activity
3. Leonomics of continuing existing production

EXHIBIT K FEBRUARY 4, 1983 SB 159

NAME: John BRANNbeck	DATE: 2-4-83
ADDRESS: 1217 Wilden	
PHONE: 442-6647	
REPRESENTING WHOM? Montans Liber Oil Montans Liber As.	Marketers Assa
APPEARING ON WHICH PROPOSAL: 58-15-9	_
OO YOU: SUPPORT? AMEND?	OPPOSE?
COMMENTS:	
•	
PLEASE LEAVE ANY PREPARED STATEMENTS WITH TH	HE COMMITTEE SECRETARY.

TXH F	EBRUARY 4, 1983
NAME: /// Men Paleits	SB 159 DATE: July 19
ADDRESS: Box 51 Geleva Min	59624
PHONE: 443-1250 bus, 443	5235
REPRESENTING WHOM? Jeff - Midipluding	Mudumy producer
APPEARING ON WHICH PROPOSAL: 159	
DO YOU: SUPPORT? X AMEND?	OPPOSE?
COMMENTS: I request the country to grant	e the judaty a
signal Mot Moulainer wants a luce	munge de Fors
tax It is imperative to support	the bill with comendment
so there be a clear signal to their	idustry to more
that times are aft and pusp	ects out nugural
toxen there has a clear cut	sign of that
Montana wants to continue de	pdopnet
	. v

EXHIBIT M FEBRUARY 4, 1983 SB 159

NAME: Tex fate	DATE: 2-4-53
ADDRESS: 6435 Huy 12E E	E Helang Wit
PHONE: 227-6578	
REPRESENTING WHOM? Mont / UMA	
appearing on which proposal: 5.3.159	
DO YOU: SUPPORT? AMEND?	OPPOSE?
comments: This is a sidden which the consumer	1/4/
and the oil industry go	
	1/0 1/1
only collects it. It you	want this
amount of try dollars put	on a tay
That 18 seed.	
	·



SENATE TAXATION COMMITTEE EXHIBIT V FLBRUARY 4, 1983 SB 159



February 22, 1983

Senator Pat Goodover Chairman Senate Tax Committee Capitol Station Helena, MT 59620

Dear Senator Goodover,

The oil industry is very important to the economy of Billings and the entire state. For this reason, the Billings Area Chamber of Commerce is extremely concerned about the tax burden that is currently being levied on that industry, as well as the proposed increases on that industry.

The Chamber, in its review on Senate Bill 159, believes that the current 5% severance tax on oil is the maximum tax that the industry can feasibly pay given the current condition of the economy. Therefore, the Chamber believes that efforts should be made to insure that the current tax is not allowed to increase above the current 5% level.

Sincerely,

John Irelan

Executive Vice President

Billings Area Chamber of Commerce

JI/pw

EXHIBIT U FEBRUARY 4, 1983 SB 159

MONTANA CHAMBER OF COMMERCE

P. O. BOX 1730 • HELENA, MONTANA 59624

PHONE 442-2405

February 7, 1983

Senator Pat Goodover Chairman Senate Taxation Committee Capitol Station Helena, MT 59620

Dear Senator Goodover:

Because of the time constraints you were under during the hearing on Senator Keating's Senate Bill 159, the Montana Chamber of Commerce did not testify on the bill. I request that this letter be made a part of the record of the hearing.

The Montana Chamber's position is to hold the line on severance taxes, not only on petroleum but other minerals as well. Even though Senator Keating's bill calls for a reduction in severance taxes on petroleum I feel that the concerns of the Montana Chamber regarding severance taxes generally are pertinent.

The Bureau of Business and Economic Research at the University of Montana in Missoula has reported again and again that Montana's best opportunity for meaningful economic development is the continued development and processing of its natural resources. In working for a better business climate in Montana, the climate for resource development must be given top priority.

We are seeing an effort to take the funds generated by an exceedingly high coal severance tax and channel these funds through state agencies and boards in an effort to generate economic growth and jobs. As the committee members are well aware, that high coal severance tax has virtually throttled the development of additional coal mining operations in Montana. The potential long-term high paying jobs that could be generated from coal development are lost while government tries to use the money to develop other kinds of industry. It makes no sense, in my opinion, to take this approach. Government does not create jobs; business and industry do.

Mr. Belden Daniels, who has acted as a consultant for the state of Montana in the development of recommendations for the "Build Montana" program, stated that state government, with a vigorous and positive economic development program, can only affect about ten percent of the economic activity in the state. I submit to you that that same state government with a negative approach can affect a far greater percentage of the economic development potential in a negative way.

Senator Pat Goodover February 7, 1983 Page 2

In other words, a state can only in a limited way affect positive economic development but it can have a very significant affect on the negative side when it comes to economic development.

In conclusion let me state that Montana needs the high paying, long-terms jobs represented by the potential development of its natural resources. It is the responsibility of the Montana Legislature to insure that the climate for the development of those resources be positive. Diversification and vertical integration of our economic base in Montana is certainly desirable but that must not be done at the expense of discouraging natural resource development by excessively high severance taxes.

Sincerely yours,

Forrest H. Boles

President

FHB/ss

cc: Senate Taxation Committee members

SUNATE TAXATION COMMITTEEL EXHIBIT PEBRUARY 4, 1983
SB 159



- Box 1176, Helena, Montana -

ZIP CODE 59624 406/442-1708

JAMES W. MURRY EXECUTIVE SECRETARY

TESTIMONY OF JIM MURRY ON SENATE BILL 159 BEFORE THE SENATE COMMITTEE ON TAXATION, FEBRUARY 4, 1983

I am Jim Murry, executive secretary of the Montana State AFL-CIO. I am here to testify against Senate Bill 159, which would reduce the state's oil severance tax from 5% to 3% on or after April 1, 1983.

We are appalled at the devastating effect this reduction would have on the state's revenues. The estimated decrease to the state's general fund is substantial, with an estimated \$28,187,000 in fiscal year 1984 and \$31,089,500 in fiscal year 1985. The loss to producing counties would be approximately a million and a half dollars for those years, which is over a 50% reduction from what they would receive under the current law.

We believe the current oil severance tax is a fair one. We do not believe it works a hardship on the industry. Oil companies have enjoyed astronomical profits over the last several years. Profits for the 28 largest oil companies totalled \$28 billion in 1981, more than 33% of the total profits of the entire Fortune 500 list of top industrial corporations. While oil activity has declined somewhat in the last year, it is difficult to imagine that oil companies are hurting.

In Montana, the Montana Oil Journal reports that the number of new oil and gas wells drilled in Montana declined in 1982, but were still the fourth highest level in the state's history.

The huge profits which the oil companies have obtained were used in large part to buy up competitors, according to a study by the national Citizen-Energy Labor Coalition released in June of 1982. The study concludes that instead of plowing their record profits from oil decontrol into the search for more oil and

gas, the nation's 16 largest oil companies diverted \$16.2 billion into buying other companies. Most of the purchases were of energy-related companies. But the amount the major oil companies spent on acquisitions and investments in non-petroleum lines of businesses equaled the amount they used to explore and produce oil in the United States.

Now the oil companies' profits are down somewhat and so they would like to have the severance tax lowered. We are convinced that they can get along with lower profits, but we are not convinced that the state and the oil-producing counties can afford to give a tax break to these companies.

The budgets of state and local governments are reeling under the effects of the Reagan recession, along with federal cutbacks, with high unemployment and business bankruptcies causing an erosion of the tax bases. Budget constraints have caused slashes in social programs and essential services.

Montana has a long history of outside exportation and exploitation of our non-renewable resources. In recent years, legislation has been enacted in the form of severance taxes to ensure that once the non-renewable resources are gone, Montana will not be left with a devastated economy and a devastated environment. We have learned our lesson well. We will not let it happen again.

Please vote aginst Senate Bill 159.

Thank you.



School Administrators of Montana 501 North Sanders Helena, MT 59601 (406) 442-2510

SENATE TAXATION COMMITTEE EXHIBIT Q FEBRUARY 4, 1983 SB 159

February 9, 1983

TO:

Senator Pat Goodover, Chairman

Senate Taxation Committee

FROM:

Jesse W. Long, Executive Secretary School Administrators of Montana

RE:

Senate Bill 159 "An act to reduce the oil severance tax to 3

percent; ... and providing an immediate effective date and an

applicability date."

The School Administrators of Montana are opposed to S.B. 159.

Primarily the School Administrators are concerned about the loss of sixty million dollars to the General Fund, or even considering the loss of a lesser amount with the proposed amendment.

The proponents of this bill argue the economic depression of oil is due to the high tax. We contend that the slowing is due to the world market conditions and at the more regional level because of the high cost of transporation.

For those people talking gloom and doom for the oil industry that seems to be in contradiction to the world oil analysts that project a lowering of prices for a year and then followed by a sharp increase above current levels.

Again, School Administrators express their opposition to this bill and ask that you "Do Not Pass" S.B. 159.

EXHIBIT R FEBRUARY 4, 1983

NAME: KOBORT KASMUSSEN	DATE: 2-4-83
ADDRESS: 801 12M Avenue	
PHONE: 442-2351	
REPRESENTING WHOM? SELF EXPLORE	ATTION GEORGEST; CONSCIUTANT)
appearing on which proposal: SB	159
DO YOU: SUPPORT? AMEND?	OPPOSE?
COMMENTS: 4 SOURANCE TAX @ S	5-676 IS SMALL
ECONOMIC FACTOR OF OIL +6AS A	ACTIVITY, MASOR FACTORS
ARE WORLD MARKET CONDITIONS OF	PRICE DAND SUPPLY.
EXPLORATION TRONDS IN MT IN C	AST 4-5 YEARS HAVE
FLUCTUATED IN RESPONSE TO	THESE MASOR WORLD
MARKET FACTORS. THE SEVERAL	CE TAX HAS HAD NO
VISIBLE EFFECT ON LOCAL EXPLORE	ATON, DEVELOPMENT, OR
PRODUCTION.	

SENATE TAXATION COMMITTEE EXHIBIT S FEBRUARY 4, 1983 SB 97

PROGRAM RECEIPTS

	COUNTY LAND PLANNING	ALTERNATIVE ENERGY FUND
ACTUAL PROGRAM RECEIPTS		
1977 1978 1979 1980 1981 1982	\$ 359,061 281,039 320,168 521,007 352,075 430,934	\$ 897,651 702,614 800,697 1,520,127 1,760,409 2,055,469
ANTICIPATED PROGRAM RECEIPTS 1983 1984 1985	412,000 516,000 597,000	1,854,000 2,321,000 2,688,000
1986 1987 1988 1989	683,000 780,000 888,000 1,004,000	3,075,000 3,510,000 3,994,000 4,516,000

EXHIBIT T FEBRUARY 4, 1983 SB 97

ME: JIM KICHARD	DATE: 2/4/6
DDRESS: E. Hel.	
HONE: 227-6664	
EPRESENTING WHOM? MT. asta. F	laver
PPEARING ON WHICH PROPOSAL: 5/3 97	
OO YOU: SUPPORT? AMEND?	OPPOSE?
COMMENTS:	
	·
,	

NAME: Trace M. Edwards SB 97 DATE: 2/4/83
ADDRESS: 140 So. Crestwood Dr. Billings Mt
PHONE: 656-4100
REPRESENTING WHOM? Northern Plains Resource Coune.
APPEARING ON WHICH PROPOSAL: 5897
DO YOU: SUPPORT? AMEND? OPPOSE?
COMMENTS:
1. hogical tie between revenues from finite
1. hogical tie between revenues from finite energy resource to renewable energy sources
2. Legislature has not last control of appropria
2. Legislature has not last control of appropria
3. Too much dependence on coal tax revenues
3. Too much dependence on coal tax revenues for general gov't operations is dangerous.
4. through a regular Legislative appropriation process, alternative energy will fare
process, alternative energy will fare
very poorly
PLEASE LEAVE ANY PREPARED STATEMENTS WITH THE COMMITTEE SECRETARY.



SENATE TAXATION COMMITTEE EXHIBIT V FEBRUARY 4, 1983

Alternative Energy Resources Organization

424 Stapleton Building, Billings, Montana 59101 (406) 259-1958

324 Fuller Suite C-4, Helena 59601 443-7272

OPPOSING Testimony of Jim McNairy on Senate Bill 97 before the Senate Taxation Committee

- 1. Montana is still heavily dependent on imported fossil fuels. This represents a sizeable financial drain to the State.
 - a. In 1979, over ½ of the natural gas consumed in Montana was imported from Canada. At present prices, this represents a flow of approximately \$150 million out-of-State annually.
 - b. In 1979, Montana imported about 42 million barrels of crude oil. At today's prices, this represents a flow in the range of \$1 billion per year out-of-State.
 - c. Studies have shown that on average, out of every consumer dollar spent on conventional energy (natural gas, gasoline, electricity, etc.), 85c-90c leaves the community immediately. By reducing the amount of money consumers spend on conventional energy (through conservation and renewaenergy technologies), we free up more money to be spent on other goods and services in the local economy which in turn creates more jobs.
 - d. Thus, continued reliance on fossil fuels is a heavy financial liability to the State. As energy prices continue to rise in the future, this drain on the State's economy will become greater and greater.
- 2. Renewable energy development in Montana means jobs and economic development. The Grants and Loans program has been instrumental in fostering the growth of a renewable energy industry in Montana which will provide an increasing number of jobs for Montanans.
 - a. Prior to the institution of the Grants and Loans program, there was no renewable energy industry in Montana. In preparing its recently releases Montana Renewable Energy Directory, AERO identified nearly 200 businesses which have some connection with renewable energy of which 80 are listed in the Directory.
 - b. Renewables energy technologies transcend the most common barrier to Montana economic development, which is the distance from major population centers. The markets for renewable energy technologies are frequently determined not by population densities but by the magnitude and quality of the renewable resource base. Montana has an unusually rich renewable resource base; e.g. wind power (Montana has one of the best wind regimes in the United States), agricultural and timber wastes (for processing into alcohol and methane gas), and water power (for microhydro power. Each of these resources represents a large market potential which could sustain in-State businesses.

- c. Investments in renewable energy technologies create jobs much more efficiently than investments in conventional energy resources. Most research indicates that a dollar invested in renewable energy will create at minimum three times more jobs than a dollar invested in the petroleum industry or utility industry.
- d. The Grants program has provided funds for the refinement and development of a number of potentially marketable renewable energy technologies. The Loans program has and will be a strong vehicle for capitalizing renewable energy businesses and making them viable.
- 3. Earmarking is absolutely necessary to insure the long-term perspective and commitment necessary for the Grants and Loans program.
 - a. The transition away from depletable fossil fuel resources to a renewable energy based economy will take place over a number of years. The State's renewable energy programs require a long-term commitment to be successful.
 - b. By de-earmarking the Grants and Loans program, the Legislature will be abandoning its long-term commitment. Legislators who are elected to 2 or 4 year terms are under tremendous pressure to sacrifice long-term perspective and commitment for short-term problems. Given that budget problems will continue into the foreseeable future, the competition for General Fund dollars will always be intense and the outcomes will likely be dictated according to perceived "immediate" problems rather than a well thought-out strategy for the future.
 - c. The Grants and Loans program itself needs the assurance of a long-term commitment in order to do effective intermediate and long-range planning and programming. No one can do effective technology research and business development on two-year planning horizons.

EXHIBIT W FEBRUARY 4, 1983 SB 97

ADDRESS: 4/4/ E CALLENDER ST PHONE: 222-6/20 EXT 203 REPRESENTING WHOM? CITY OF LIVINGSTON APPEARING ON WHICH PROPOSAL: 97 DO YOU: SUPPORT? AMEND? OPPOSE? X COMMENTS: TO TESTIFY ON PRINEFITS OF RENEWABLE WARRY PROGRAM AND SEEK CONTINUENCE OF	NAME: ED STERN DATE: 2/4/83
REPRESENTING WHOM? CITY OF WVINSSTON APPEARING ON WHICH PROPOSAL: DO YOU: SUPPORT? AMEND? OPPOSE? COMMENTS: TO TESTIFY ON PROPERTY AND SEEK CONTINUED OF	ADDRESS: 414 E. CALLENDER ST
APPEARING ON WHICH PROPOSAL: DO YOU: SUPPORT? AMEND? OPPOSE? COMMENTS: TO TESTIFY ON PROPOSAL. AND SEEK CONTINUANCE OF	PHONE: 222-6120 EXT 203
DO YOU: SUPPORT? AMEND? OPPOSE? X COMMENTS: TO TESTIFY ON PROFESMY, AND SEEK CONTINUANCE OF CAME.	REPRESENTING WHOM? CITY OF LIVINGS TON
TO TESTIFY ON PENEFITS OF RENEWABLE ENERGY PROGRAM, AND GEEK CONTINUANCE OF	APPEARING ON WHICH PROPOSAL:
TO TESTIFY ON BENEFITS OF RENEWABLE UNIFRY FROGRAM, AND SEEK CONTINUANCE OF SAME,	DO YOU: SUPPORT? AMEND? OPPOSE?
AND GEEK CONTINUANCE OF	
	OF RENEWABLE UNERGY TROGRAM
	AND GEEK CONTINUANCE OF

EXHIBIT X FEBRUARY 4, 1983

WIFE Women Involved the Farm Economics

NAME 10	BRUNNER			BILL NO	SB 97
ADDRESS	563 Ire	ST. MEI	ENA	DATE F	eb. 4, 1983
REPRESENT	MOTER	INVOLVED	IN FARM	ECONOMI	cs
SUPPORT			OPPOSE	Х	Amend
					1

COMMENTS.

Mr. Chairman, members of the committee, my name is Jo Brunner and I represent the members of the Women Involved in Farm Economics organization.

Mr. Chairman, the women of our organization wish to oppose the portion of this bill that would take the moneys paid into the earmarked revenue fund out of that account and make any funding of alternative energy research and development by legislative decision.

W.I.F.E. has long been an advocate of renewable resource development, specifically of grain research and use, for fuel purposes and subsequently the by-product. I am sure that you people on the committee remember the cakes and cookies we put on your desks last session on Agriculture day that were made

from the by-products of grains after the fuel was removed. We believe that, even with all the research accomplished at this time, alcohol fuel is still a fledgling research program. We have no guarantee that the price of gasoline will go down andstay down, and we are of the opinion that we must continue research programs along this line, plus many others that will tend to make us more self-sufficient.

Of course, we also believe that using our crops for alcohol is very beneficial to agriculture and to our state and nation.

Women Involved in Farm Economics request that you do not pass the portion of the bill that would take out alternative energy research development: page 3-Section 2- lines 24 and 25.

Thank you.

We are also concerned That projects such as hydropun and Research into wind power that are very beneficial to agricultura will be eliminated completely in futura years it this Bill is passed as Requested.

'Hell has no fury like a woman scorned''

SELATE MALALION COSMITTESE EMMINIT Y FUBRUARY 4, 1983



MULTITECH, inc.

TECHNOLOGY SERVICES

TO: Chairman and Members of the Taxation Committee

FROM: Karen Barclay

RE: Testimony in Opposition to Senate Bill 97, 48th Legislative Session, 1983

MultiTech would like to testify against Senate Bill 97, de-earmarking coal tax funds for the Alternative Renewable Energy Sources Program. We believe this program to be a very appropriate expenditure of coal tax money because it is aimed at alleviating our dependence on fossil fuels through the use of renewable energy resources.

This program has allowed Montana to become an integral part of research and development in the renewable energy field. Innovative and unique projects have been funded which benefit all of society by advancing technological development.

In many cases this program has provided seed money to attract additional funding for development. One example of this is the Warm Springs State Hospital Geothermal Project granted \$9,000 from the Renewable Energy Sources Program to perform a feasibility study. This information was then utilized to attract a \$721,000.00 grant from the Department of Energy to identify and develop the geothermal resource for domestic and possibly space heating at the institution. This federal money provided jobs for numerous Montanans in construction, design, and engineering services.

The Warm Springs project was recently completed and is estimated to save the State of Montana over \$70,000 per year by providing a heat source for the entire facility's domestic water supply.

Another example of DNRC seed money attracting additional interest in the State-wide use of renewable energy has been the wind projects at Livingston. Due to DNRC's programs EPA has provided monetary support and private firms have assembled in the area looking for land and facilities. One firm has already re-located to Livingston and has initiated wind machine testing. This particular renewable energy technology could be an enhancement to the local economy as the emphasis on the railroad decreases.

Besides success in the renewable energy technology areas of geothermal and wind, DNRC has provided the start for a hydroelectric project at Lewistown. This project, under the guidance of FERC, would use an existing flood control structure to provide power for that immediate area. Besides the benefit of the hydro generated power, jobs would be created during and after construction of the facility.

In closing, we believe the loss of this program through SB 97 would be a loss for every person in Montana because the program, as implemented by DNRC, has provided positive benefits in demonstrating the practical application of renewable energy and in creating jobs related to those developments.

EXHIBIT Z FEBRUARY 4, 1983 SB 97

NAME:	MANSON BALL	IFY, JR.	DATE: 2/4/83	
ADDRESS:	By 832			
PHONE: 2	78-9389			٠
REPRESENTI	NG WHOM? VALLEY	CounTY		
APPEARING (ON WHICH PROPOSAL:	SB- 97		
DO YOU: S	SUPPORT?	AMEND?	OPPOSE?	
COMMENTS:	Have bean	Exe. dir. Vall	by County Development	
			dis Resignated	
V			utd various antitus	
throughou			goole & prientie.	
		y chitical Des	int the projects other sources induction a depender	- 11.
source of Cost Jak	averate Committee	with due respect to	the body to carryout their	rec.
5.B. 97	which becaused to	livinate there he	CUAY FY 85. Say to	1
They red	are not used and	but day it cormark	al funds, Also that some	_
- I would	I say that it app	were that all of the	Coal Tax Severence fu	rede
The funds	and week by a	Countries to date &	sucation I Just Dans	he
PLEASE LEA	VE ANY PREPARED ST	PATEMENTS WITH THE	COMMITTEE SECRETARY.	
funds.	thernative - &	the Committee're Lylegistative lu	commended planning of the sell be administred. Pres	
the func	o au unknown a de Come direct -	is well as how it is	suld be admirated. Pres	anty
- Dach	of you flood plain	euvers, gartage	our State and please of	ersó

Courseinty progress is voluntee true and leadership it is restal to funde for expertence in pushing the paper and ossit in routing of project phase. There funds one fital in the

SENATE TAXATION COMMITTEE EXHIBIT AAAF FEBRUARY 4, 1983
SB 97

	AVID H. HASTINGS DATE: 2-4-8
ADDRESS:_	Bod 19 Sh Rle Courad 39425
PHONE:	627-2467
REPRESENT	NG WHOM? Self
APPEARING	ON WHICH PROPOSAL: 5 B 97
DO YOU:	SUPPORT? OPPOSE?
	SENATE TAXATION COMMITTEE EXHIBIT AA FEBRUARY 4, 1983 SB 97
NAME :	ANDALL TINKGRMAN DATE: 2.4.83
	5 PALO ALTO SQUARE SUITE 410
	415 - 494 - 3555
	ING WHOM? ATTICIONED Energy Projects Place
	on which proposal: SB 97
DO YOU:	SUPPORT? AMEND? OPPOSE?
COMMENTS:	OPEN TESTIMONY
	SENATE TAXATION COMMITTEE EXHIBIT ## FEBRUARY 4, 1983 SB 97
	John Beaudry DATE: 2/4/83
	Dohn Beaudry DATE: 2/4/83 Box 881 Columbus MT
ADDRESS:	
ADDRESS:	Box 881 Columbias MT
ADDRESS:	Box 881 Columbius, MT
ADDRESS: PHONE: REPRESENT APPEARING	Box 881 Columbus MT 322 - 4439 FING WHOM? Stillwater County
ADDRESS: PHONE: REPRESENT APPEARING	Box 881 Columbus, MT 322 - 4439 FING WHOM? Stillwater County ON WHICH PROPOSAL: 5B 97
ADDRESS: PHONE: REPRESENT APPEARING DO YOU:	Box 881 Columbus MT 322-4439 FING WHOM? Stillwater County SON WHICH PROPOSAL: SB 97 SUPPORT? AMEND? OPPOSE? X SENATE TAXATION COMMITTEE EXHIBIT AFFEBRUARY 4, 1983 SB 97 Marew C. Epple Date: 2/1/83
ADDRESS: PHONE: REPRESENT APPEARING DO YOU:	Box 88/ Columbus MT 322-4439 FING WHOM? Stillwater County ON WHICH PROPOSAL: SB 9> SUPPORT? AMEND? OPPOSE? X SENATE TAXATION COMMITTEE EXHIBIT AT FEBRUARY 4, 1983 SB 97
ADDRESS: PHONE: REPRESENT APPEARING DO YOU: NAME: ADDRESS:	Box 881 Columbus MT 322-4439 FING WHOM? Stillwater County SON WHICH PROPOSAL: SB 97 SUPPORT? AMEND? OPPOSE? X SENATE TAXATION COMMITTEE EXHIBIT AFFEBRUARY 4, 1983 SB 97 Marew C. Epple Date: 2/1/83
ADDRESS: PHONE: REPRESENT APPEARING DO YOU: NAME: ADDRESS: PHONE:	Box 881 Columbias MT 322-4439 FING WHOM? Stillwater County ON WHICH PROPOSAL: SB 9> SUPPORT? AMEND? OPPOSE? X SENATE TAXATION COMMITTEE EXHIBIT AA FEBRUARY 4, 1983 SB 97 Marew C. Epple Date: 2/4/83 Box 1052 Big Tumber, MT
ADDRESS: PHONE: REPRESENT APPEARING DO YOU: NAME: ADDRESS: PHONE: REPRESENT	Box 881 Columbus MT 322-4439 FING WHOM? Stillwater County ON WHICH PROPOSAL: SB 9> SUPPORT? AMEND? OPPOSE? X SENATE TAXATION COMMITTEE EXHIBIT AA FEBRUARY 4, 1983 SB 97 Marew C. Epple Date: 2/4/83 Box 1052 Big Turber, MT

Testimony on SB-97

February 4, 1983

From:

James B. Brown, President, Montana Technical Council

TAXATION

To:

Senate Judiciary Committee

Position:

Opposition

Montana Technical Council is a trade organization representing various organizations of design professionals. Our membership is comprised of Architects, Engineers, Land Surveyors, Professional Planners, and Landscape Architects.

As design professionals, we are vitally interested in good, competent planning to promote orderly growth in our communities and our state. Good planning is not a hindrance to the citizens of Montana, but rather an asset. While there will always be conflicts in a free society, such as ours, concerning the individual stewardship of our land, competent planning can help to diminish the severity of these conflicts, or at least provide the vehicle to help resolve these conflicts.

Our state is experiencing the pains of growth, especially in rural areas. Each day new reports of rural developments being proposed at the expense of valuable agricultural lands are heard across our state. Most counties affected currently do not have the resources to provide for the planning necessary to insure the orderly development of these areas. Elimination of these revenues eliminates one of the resources available currently.

As design professionals, we find it generally easier and more efficient to work in counties that have professional planners. Whether we agree with their criteria and rules or not, at least we are assured that these criteria and rules will be enforced equitably and fairly, and that the decisions made will be based on what is best overall for our citizens and communities.

The revenues affected by SB-97 are essential for good, quality, efficient planning. We ask you not to eliminate these earmarked revenues, but rather to give us the necessary tools to help our citizens throughout the state as we grow to meet the 21st Century.

Testimony of:

James B. Brown
P. O. Box 1198
650 Power, Helena, MT
443-2340

Montana Technical Council

Opposes SR 97

EXHIBIT <u>CC</u> FEBRUARY 4, 1983 SB 97

TESTIMONY TO SENATE TAXATION COMMITTEEY WM. C. BERMINGHAM IND. REL. MGR. MTN STATES ENERGY. BUTTE. MONT.

"IF WE HAVE LEARNED ANYTHING FROM THE 1970'S, IT IS THAT OVER RELIANCE ON ANY ONE ENERGY SOURCE IS UNWISE... IF WE LOOK TO ITS LESSONS, HISTORY TEACHES US THAT THE DOMINATE FUEL OR TECHNOLOGY IS DISCOVERED, FLOURISHES, PREVAILS AND THEN WAINS AND ANOTHER IS DISCOVERED, FLOURISHES AND SO ON."

WHILE I WOULD LIKE TO TAKE CREDIT FOR THIS ENERGY INSIGHT, IT IS AN ORIGINAL QUOTE BY DON HODEL— THE NEW UNITED STATES ENERGY SECRETARY.

(MADE IN THE ENERGY DAILY, SEPTEMBER 2, 1982). THIS QUOTE DOES, HOWEVER, CLEARLY AND CONCISELY SUMMARIZE THE NEED FOR A BALANCED MIX OF ENERGY TECHNOLOGIES. IN THE STATE OF MONTANA SUCH A BALANCED MIX OF TECHNOLOGIES SHOULD INCLUDE ALTERNATE AND RENEWABLE ENERGY SOURCES IN ADDITION TO EFFICIENT USE OF FOSSIL RESOURCES.

WE, THEREFORE, RECOMMEND THE CONTINUED USE OF SEVERENCE TAX MONTES

TO SUPPORT ALTERNATIVE AND RENEWABLE ENERGY AND THE USE OF FUNDS TO SUPPORT

CONSERVATION MEASURES AND MORE EFFICIENT USE OF OUR FOSSIL RESOURCES:

ESPECIALLY COAL.

Testimony of:

Bill Bermingham
Butte, Montana
Mountain States Energy

Opposes SB 97

EXHIBIT DD FEBRUARY 4, 1983 SB 97

NAME: Mike Lopach	DATE: 2/4/83
ADDRESS: 2012 Broadway Helena,	
PHONE: 442-5520 Work 442-36	62 Home
REPRESENTING WHOM? Helping - Lewis + Clark (Dounty Consolidated Phinning B.
APPEARING ON WHICH PROPOSAL: 5B97	
DO YOU: SUPPORT? AMEND?	OPPOSE?
comments: Portion of bill deleting county land planning funds wou a hard ship for both planning	carmarked
county land planning funds wou	ild create
a hard ship for both planning	ng departments
a genelohors.	
It would put pressure	on counties
to reduce planning budge	ts thereby
Increasing workload for	remaining planners
It would tend to delay	planning
decisions due to decreass	in planning
staff and tend to put	pressure on
fees which have already	been raised
very substantially in the	last few years

EXHIBIT EE



Feb. 4, 1983

7 Edwards Helena, Montana 59601 Ph. 406-443-5711

Feb. 4, 1983

Mr. Chairman, members of the Taxation committee.

I am Steve Meyer, representing the Montana Association of Conservation Districts.

Our policy handbook states that we, as citizens of Montana, should explore and develope the potentials of our resources to meet our future needs. Current developements in the alternative energy program could very well make the difference in agriculture between a viable industry and a declining one. The developement of expanded alcoholproduction will provide a much needed market for our products, while projects such as low-head hydropower, microhydropower, and wind generation may well mean that irregation will continue where it has become too expensive to operate using power supplied by the utilities.

We realize that over the past several years the Alternative Energy Loan and Grant program has come under much scrutiny. But we know that there are problems with any new program and ask you to give the alternative energy program one more biennium to show that it can bennifit the developement of programs to sustain a viable agriculture industry.

We endorse a "Do Not Pass" on SB 97. Thank you.

Steven R. Meyer