MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON JOINT REVENUE ESTIMATING

Call to Order: By Chairman Bob Ream, on February 8th 1989, at 5:30 p.m.

ROLL CALL

Members Present: Rep. Ream, Rep. Ellison, Rep. Giacometto, Rep. Patterson

Members Excused:

Members Absent: Sen. Brown, Sen. Eck, Sen. Gage, Sen. Harp, Sen. Norman, Sen. Walker, Rep. Driscoll, Rep. Schye

Staff Present: Dave Bohyer, Legislative Council, Maureen Cleary, Committee Secretary

Announcements/Discussion: Rep. Ream addressed the Committee noting that the Senate was still in session and that those from the Senate would not be present. But because there were guest speakers, the Committee would allow them to present their testimony and not take any action at this time.

Ms. Madalyn Quinlan/LFA: Reviewed Exhibit #1 with the Committee present. The price is based on coal prices bottoming out in 1988-89. 1988 production was high due to drought this year. Projections are based on a decline in the production in 1989 and small increases in 1990 and 1991. The decline in 1989 is less because less severe effects from drought are expected.

Rep. Ream: Could you provide us with the differences in the mine prices? Ms. Quinlan: We could provide that to the Committee, but it isn't helpful. There tends to be shifts. You may see a difference, but other producers may see some increase.

Mr. Terry Johnson/REAC: Reviewed the Executive figures listed on Exhibit #1. REAC, we actually contacted the coal company's at that time. In October, they gave us actual figures. We adopted the recommendations from the coal companies. The underlying assumption is based on zero-growth in the contract sales price.

Mr. Jim Mockler/Montana Coal Council: Reviewed Exhibit #2 with the Committee. We assume these figures are correct. There may be a difference in that their figures do not include the Westmoreland side. I will say that with the passage of House Bill 4, it would appear that the 32.88 million tons, will be conservative. I think we will likely see a 3-4 million ton increase, but a fairly low price. I think the figures are conservative from LFA and price I cannot get into because of the anti-trust law.

Rep. Ream: Next week we will be making a preliminary report from the Revenue Estimating Committee for 1990-91. Could you provide something on that? Mr. Mockler: We are very hesitant. The volatility of that market could cause us to embarrass ourselves no matter which way we go.

Mr. Ken Williams: There is a lot of coal out there and little difference in the price growth we are competing within the market.

QUESTIONS FROM THE COMMITTEE:

Rep. Ellison: How much lower is the spot market than regular contracts? Mr. Mockler: Somewhat lower. Mr. Williams: If you are comparing it against this price, you look at spot market coal at the $7 to $7.50 range. Mr. Mockler: $5 to $6, plus tax. Rep. Ellison: Do we have any actual figures on the coal tax credit? Ms. Quinlan: We just received the information in December and the figures take a few weeks to process and calculate.

Rep. Ream: You do not have coal tax credit for 1991? Ms. Quinlan: They present this to you, that the credit is earned in one calendar year and taken into the next year. There is no need to figure that number. Rep. Ream: You show a fairly large discrepancy between Executive and the LFA figures for 1991. Ms. Quinlan: My projections are based on coal qualifying for credit. Rep. Ream: with the passage of House Bill 4 will that affect it? Mr. Mockler: Yes. As you increase tonnage you increase credits proportionately. Ms. Quinlan: When comparing the Executive figures and the LFA, the difference could be that I am using this as earning the credit.

Mr. Johnson: What you are saying by your figures is that we are actually going to have a decline in production? Mr. Mockler: Yes. We would anticipate some decline in production, including Westmoreland. It is difficult to speculate on the spot market.

Rep. Ream: questioned Ms. Quinlan about the differences in the figures from Western Energy in particular. Ms. Quinlan: I feel the estimates are appropriate. If you tend to increase your production, your price will lower. Mr. Johnson: We do have the calendar year 1988 data: 37.7 million tons. Westmoreland is not required to report the ceded strip figures now. We attempted to get that number, but not all the numbers are included.

Mr. Johnson and Ms. Waldron reviewed the oil figures listed on Exhibit #1. Mr. Johnson noted when you adopt assumptions on oil, other sources are affected likewise. Our recommendations were based on testimony from Janelle Fallan, and using Wharton Econometrics. No one really knows what will happen to OPEC and ultimately what they will do with their production levels.

Ms. Jannelle Fallan/Montana Petroleum Association: Reviewed Exhibits #3, and #4. We were more optimistic in our figures. In terms of price projections we do not base our information on any one company. Ours is based on published information. We have the same anti-trust concerns about price as does Mr. Mockler. I do not find anything that either Mr. Johnson or Ms. Waldron said that I would disagree with.

Rep. Patterson: Are we going to see an increase in production from the stripper wells? Ms. Fallan: It isn't a question of increasing stripper wells, it is a question of keeping the stripper wells going that we do have, rather than abandoning.

Rep. Ream: Your figures for the fiscal year production are not too different, any comment on 1991? Ms. Waldron: The Executive shows a decrease to continue. Mr. Johnson: The total oil production levels show a leveling off in 1991. No one really knows what will happen in 1991, but I think the issue that you have to look at is that production has been declining for a number of years now and for that to stop I find hard to believe. I think there is a normal transition in terms of production decline curves that actually take place on a well-by-well basis. What you would have to have is new production that is higher than the normal rate of decline. So I don't think that it is unrealistic to think that production will decline.

Figures from Exhibits numbered #1 and #5 were reviewed with the Committee members in regard to Natural Gas and Metal Mines. Mr. John Fitzpatrick/Pegasus Mines, was present. No questions from the Committee were asked.

ADJOURNMENT

Adjournment At: 7:00 p.m.

Bob Ream
REP. BOB REAM, Chairman

BR/mc

SUB.5

DAILY ROLL CALL

Joint Revenue Estimating Sub COMMITTEE

51st LEGISLATIVE SESSION -- 1989

Date 2/8/89

NAME	PRESENT	ABSENT	EXCUSED
Sen. Brown		✓	
Sen. Eck		✓	
Sen. Gage		✓	
Sen. Harp		✓	
Sen. Norman		✓	
Sen. Walker		✓	
Rep. Ream, Chairman	✓		
REp. Driscoll		✓	
REp. Ellison	✓		
Rep. Giacometto	✓		
REp. Patterson	✓		
Rep. Schye		✓	
Dave Bohyer, Legislative C.	✓		

STATE OF MONTANA
CRUDE PRICE IMPACT ON PRODUCTION TAXES
(M$)

$/BBL	1988 25	1988 20	1988 18	1988 15	1988 10	1989 25	1989 20	1989 18	1989 15	1989 10
'ERANCE TAX @ $0.05	$29,546.3	$23,637.0	$21,273.3	$17,727.8	$11,818.5	$27,477.5	$21,982.0	$19,783.8	$16,486.5	$10,991.0
I.T.T. @ $0.005	$2,954.6	$2,363.7	$2,127.3	$1,772.8	$1,181.9	$2,747.8	$2,198.2	$1,978.4	$1,648.7	$1,099.1
ISERVATION TAX @ $0.002 (MAXIMUM RATE)	$1,181.9	$945.5	$850.9	$709.1	$472.7	$1,099.1	$879.3	$791.4	$659.5	$439.6
0SS VALUE OF OIL	$590,925.0	$472,740.0	$425,466.0	$354,555.0	$236,370.0	$549,550.0	$439,640.0	$395,676.0	$329,730.0	$219,820.0
TAL EST. OIL REVENUE I STATE OF MONTANA	$33,682.7	$26,946.2	$24,251.6	$20,209.6	$13,473.1	$31,324.4	$25,059.5	$22,553.5	$18,794.6	$12,529.7

GAS DATA
(M$)

	1988	1989
EVERANCE TAX @ $0.0265	$1,361.0	$1,279.6
I.T.T. @ $0.005	$256.8	$241.4
ONSERVATION TAX @ $0.002 (MAXIMUM RATE)	$102.7	$96.6
ROSS VALUE OF GAS	$51,360.0	$48,285.0
TOTAL EST. GAS REVENUE TO STATE OF MONTANA	$1,720.6	$1,617.5
GRAND TOTAL-EST. REVENUES TO STATE OF MONTANA	~~$21,930.2~~	~~$20,112.2~~

ORIGINATOR

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O-2810 (REV. 8-84)

FACSIMILE REQUEST

TO: ADDRESSEE		FROM: ORIGINATOR	
COMPANY Montana Petroleum		COMPANY Shell Oil	
ATTENTION Janelle Fallan		SENT BY Chuck Maadon	
ADDRESSEE LOCATION Helena, MT		LOCATION (Building and Room No.) TSP 1014	
FACSIMILE PHONE NO. (406) 443-7291	CONFIRMATION PHONE NO.	PHONE NO. x4606	DEPARTMENT CHARGE CODE 233

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REMARKS

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Terry/Judy
2/08/89

EXHIBIT #1
DATE 2/08/89
HB HJR 13

PRODUCTION ASSUMPTIONS

	(1) 1982	(1) 1983	(1) 1984	1985	1986	1987	1988	1989
IDE PRODUCTION								
L (M BBLS)	30,937.5	29,320.4	30,668.0	(1) 29,770.0	(3) 27,045.0	(3) 25,059.0	(4) 23,637.0	(4) 21,982.0
S (MMCF)	48,337.8	46,422.8	48,396.3	(2) 44,330.0	(2) 39,443.0	(3) 36,430.0	(4) 34,240.0	(4) 32,190.0

(1) D. O. R. PUBLICATION (2) FROM DOR-GAS SOLD (3) MONTANA O&G COMM (4) SHELL ESTIMATE

exhibit #1
2/08/89

EXHIBIT #1
DATE 2/08/89
HB HJR13

OFFICE OF THE LEGISLATIVE FISCAL ANALYST
A Comparison of Economic Assumptions

	1988	1989	1990	1991
OIL SEVERANCE TAX STATISTICS				
FY GENERAL FUND REVENUE (Millions)				
Executive		$13.536	$14.439	$13.836
LFA		$12.943	$12.680	$13.467
CY MONTANA OIL PRICE				
Executive	$14.500	$15.000	$15.500	$16.000
LFA	$14.150	$14.170	$14.720	
FY MONTANA OIL PRICE				
Executive	$16.487	$14.476	$15.176	$15.587
LFA	$16.430	$14.030	$14.360	$14.900
CY TOTAL PRODUCTION (Millions)				
Executive	22.500	21.500	20.000	19.000
LFA	22.240	21.408	21.252	
FY TOTAL PRODUCTION (Millions)				
Executive	23.547	22.275	21.131	19.754
LFA	23.308	21.909	21.252	21.252
FY EXEMPT NEW PRODUCTION (Millions)				
Executive	0.613	1.105	1.048	0.980
LFA	0.609	1.712	1.878	1.463
FY EXEMPT STRIPPER PRODUCTION (Millions)				
Executive	1.742	1.648	0	0
LFA	1.709	1.636	1.602	1.602
NATURAL GAS SEVERANCE TAX STATISTICS				
FY GENERAL FUND REVENUE (Millions)				
Executive		$1.143	$0.999	$1.035
LFA		$1.055	$1.036	$1.135
METAL MINES TAX STATISTICS				
FY GENERAL FUND REVENUE (Millions)				
Executive		$3.691	$4.145	$3.595
LFA		$4.242	$4.336	$3.703

exhibit #1
2/08/89

EXHIBIT #1
DATE 2/08/89
HB HJR13

COAL SEVERANCE TAX STATISTICS

	1988	1989	1990	1991
FY GENERAL FUND REVENUE (Millions)				
Executive		$8.918	$7.235	$6.249
LFA		$9.137	$7.318	$6.594
CY COAL PRODUCTION (Millions)				
Executive	34.428	31.000	29.633	30.833
LFA	35.297	32.179	33.153	33.838
Actual	36.879 (37.7) 1988 Actual data.			
CY COAL PRICE				
Executive	$7.769	$7.687	$7.780	$7.780
LFA	$7.330	$7.320	$7.470	$7.450
Actual	$7.385			
CY COAL TAX CREDITS (Millions)				
Executive	$5.800	$4.357	$2.764	$1.842
LFA	$6.519	$4.460	$4.614	

EXHIBIT #2
DATE 2/08/89
HB HJR13

see exhibit #2 2/08/89.

MONTANA COAL COUNCIL

406-442-6223 2301 COLONIAL DRIVE · HELENA, MONTANA 59601

February 8, 1989

M E M O R A N D U M

To: Revenue Estimating Committee

From: Jim Mockler

Re: 1989 Coal Production Estimates

To the best of our ability, coal production for Calendar 1989 will be as follows:

Peabody Coal Co.	3.5 million ton
Westmoreland Resources	2.8 million ton
Western Energy Co.	12.3 million ton
Spring Creek Coal Co.	4.5 million ton
Decker Coal Co.	9.58 million ton
Knife River Coal	.2 million ton
	32.88 million ton

With the probability that HB 4 will pass in the near future, it is foreseeable that we will be able to market additional tonnage. Because of the volatility of the market, concrete predictions are impossible. However, an increase of 10%-15% is conceivable.

Prices probably will remain stable for the period. Antitrust considerations prevent me from collecting that information, but in the past the Legislative Fiscal Analyst has done a good job in that area.

exhibit #3
2/08/89
WALL St. Journal
2-6-89

EXHIBIT #3
DATE 2/08/89
HB HJR13

50 CENTS

Volatile Fuel

As Northeast's Need For Energy Grows, Gas Becomes a Natural

Coastal Raid on Texas Eastern Shows Rekindled Interest In Vital Pipeline System

The Effects of Deregulation

By CALEB SOLOMON
And DIANNA SOLIS
Staff Reporters of THE WALL STREET JOURNAL

It is bigger than airlines, fast-food and broadcasting combined, but you don't see it. And by most standards, it is flat on its back. It is the natural-gas industry.

Prices inch lower by the month. Year by year, demand forecasts have turned to folly, either overestimated or underestimated.

Regulators have changed the rules for the umpteenth time. Billion-dollar litigation understood by only a handful of lawyers has crippled balance sheets.

So why is Oscar Wyatt, one of the energy industry's cagiest and most hard-nosed executives, gambling $2.5 billion on taking over Texas Eastern Corp. in Houston, a company in the distinctly unglamorous business of transporting natural gas through a pipeline?

Northeast's Needs

Because that pipeline serves New York and the rest of the Northeast, a region desperate for energy. "We've got 18 to 20 million people depending on this complex system for home heating, for cooking," says Dennis R. Hendrix, Texas Eastern's president.

More will need it soon as the region's energy needs grow. Natural gas is ready to come back from the dead.

Mr. Wyatt's Coastal Corp., based in Houston, operates a huge pipeline system in the Midwest and plans to build one to another growth market, California. If the company's bid for Texas Eastern succeeds, Coastal would become the nation's second-largest pipeline operator (after Enron Corp.), with a coast-to-coast network. The time for such growth appears particularly ripe.

Even before the cold snap, local electricity suppliers were close to panicking. Last summer, Boston Edison Co. pleaded with downtown office buildings to shut off their air-conditioning systems because it was running out of power. A month ago, the entire New England electricity "grid" came up short of electricity, forcing it to buy power hurriedly from other power systems.

Just Friday, in yet another possible pipeline-related takeover, Pennzoil Co. quietly told the Securities and Exchange Commission that it had bought 8%, or $300 million worth, of Burlington Resources. (See story on page A3.) Burlington's El Paso Natural Gas Co. is a big supplier to another region craving natural gas: California.

In the Northeast and on the West Coast, the potential for growth in natural-gas demand appears increase by the day. Today, for instance, Texas Eastern's system is operating flat out. California, on top of many other uses, needs more natural gas to run the big pumps that lift the heavy, sludge-like crude from its fields.

The Nuclear Disaster

Those who promised an age of nuclear power look like false prophets. Indeed, the electricity gaps opened by the troubles at the Seabrook nuclear plant in New Hampshire and the Shoreham plant on New York's Long Island were a factor in Coastal's urge to raid Texas Eastern, Coastal officials say. Other fossil fuels pose vexing new problems. Acid rain has clouded coal's future in the Northeast. Fears of global warming raises questions about oil, which could become scarce in the next decade, anyway.

That leaves natural gas as the savior fuel. Practically overnight it is being touted as the "fuel of the future" by environmentalists, wildcatters, pipelines and politicians from the Rio Grande to Boston Harbor.

But what about the economics of natural gas? Can the nation afford to stake its energy future more heavily on this clear, odorless fuel? And how reliably will the industry perform?

The answers to these questions remain unclear. In short, nation's natural-gas consumers remain ignorant of the pipeline industry's readiness to dominate the energy scene in the Northeast, and its efforts to shape America's energy future in other significant ways. "I don't think the average citizen understands the whole pipeline business, let alone understands Oscar Wyatt," says Roger Gale, a former staffer at the Federal Energy Regulatory Commission.

Happily for consumers, the nation has centuries' worth of natural gas, compared with only a few decades' supply of oil. Moreover, there are no natural-gas cartels to conduct embargoes or otherwise withhold supplies. Hundreds of oil companies compete fiercely to sell natural gas, which is one reason it remains so cheap. (On the basis of the equivalent energy, oil still sells for substantially more than gas.)

But the delivery of gas is controlled by pipeline companies, ever fewer in number as a result of takeovers, with such little-known names as Panhandle Eastern, Sonat, Arkla, Tennessee Gas and, of course Texas Eastern. Through more than 1.1 million miles of mostly underground pipes, these and other companies last year hauled 18 trillion cubic feet of natural gas

Please Turn to Page A4, Column 5

Volatile Fuel: Needs of Northeast Rekindle Interest in Natural Gas

Continued From First Page

from fields to markets at a speed of 20 to 30 miles per hour.

Burdensome regulations have kept pipeline expansion to a minimum, even as demand has grown. Thus, even with today's glutted supplies of natural gas, there's sometimes too much gas trying to force its way through too few pipelines, just as is happening this morning at Texas Eastern and others. When such constraints hit—and they are beginning to with alarming frequency—the nation's handful of relatively unknown pipeline companies will hold even greater pricing power over the natural gas that 47 million families rely on to keep warm and cook food.

"The pipeline segment is clearly the battleground of the natural gas industry," says Thomas F. McLarty, chairman of Arkla Inc., a large pipeline operator and gas distributor in Shreveport, La. And acquisition-minded Coastal, for one, thinks that survival demands market power. "Big is better in this business," explains James R. Paul, president. "There will end up being four or five major pipelines."

Regulation Vanishes

As the industry consolidates, government regulation is all but vanishing for the first time since 1817, when the backers of a plan to provide gas street lighting in Baltimore were forced to first obtain a charter from the city. Texas Eastern itself grew out of a massive federal project. When enemy submarines menaced U.S. oil tankers during World War II, the U.S. built the so-called Big Inch and Little Big Inch pipelines from the Gulf Coast to the Northeast. Ultimately they were auctioned, with Texas Eastern posting the winning bid of \$143.1 million in 1947—worth \$750.3 million in today's dollars.

Gas transportation has always been a complex business. During the street-lamp era, demand soared and contracted from night to day. It goes through similar convulsions today in winter and summer. On top of this, gas regulation by almost all accounts has been muddled. In the mid-1970s, when nearly all prices were regulated, conflicting rules caused shortages and gluts to emerge simultaneously in different markets. Many schools and factories were closed temporarily, prompting 22 states to declare emergency situations. Federal regulations outlawed the installation of new natural-gas burners, from factories boilers to landscape lighting, though there was ultimately plenty of natural gas available in the ground.

The pipeline industry's record of coping with such contortions is mixed at best. In one of the most expensive gambles in commercial history, pipeline companies in the early 1980s agreed to buy huge, long-term supplies of gas from the oil companies, supplies they expected to re-sell at a profit to local utilities and other users, shorter term. Instead, prices crashed, forcing the pipeline companies to buy expensive gas under their long-term contracts.

Only today is the industry finally crawling out from under the liability by paying more than \$5 billion to settle legal disputes with the oil companies. And as part of the deregulation moves sweeping the industry today, consumers ultimately will get stuck with a huge portion of the bill.

Deregulation's Role

As with airlines and telephone service, natural-gas deregulation is intended to benefit consumers. "Competition has generally helped consumers," says William Scherman, a top-ranking lawyer with the Federal Energy Regulatory Commission. But that is mainly because with roughly 80% of all natural-gas prices decontrolled, prices have been free to drift lower amid the excess of supply. When natural gas tightens up—whether as a result of a shortage of pipeline capacity or a shortage of the fuel itself—prices will be free to surge in the other direction.

In their deregulated environment, pipeline companies are permitted to function purely as cartage companies, transporters of gas owned by others, just as railroads haul someone else's property. But with fewer pipeline companies available to haul more gas, some consumerists worry that the transportation costs alone could jump, particularly where a single pipeline reaches a gas field, or where a single pipeline reaches a local utility company.

Rural areas could be especially hard hit. "There will be a price squeeze," maintains Edwin Rothschild, assistant director of the Citizen-Labor Energy Coalition, an advocacy group in Washington, D.C.

If the industry's own reasoning is correct, gas prices could surge for another reason. The theory is this: For years, the nation's gas consumption has annually exceeded its discoveries of new gas. Ultimately, that will create a shortage of easily accessible supplies. And although the resulting higher prices will encourage more drilling, the lead time for getting discoveries to the market could be as long as 10 years.

Unlapped Resources

But a number of veteran oil and gas explorers say that any shortage would disappear much sooner and that prices would quickly retreat again. In the highly unlikely chance the U.S. supply should run short, Canada has vast resources that

to think that demand will exceed supply for a decade," says E. John Browne, a U.S. exploration official for British Petroleum Co.

If the industry's recent experience is any guide, there aren't any big consumer rip-offs right around the corner. With the gas glut depressing profits, pipelines in recent years have given Wall Street the same kind of refrain you hear from a losing baseball team: "Wait till next year." This year's excuse, for instance, was a warm January. Now the industry is watching thermometers, hoping the Artic cold will linger long enough to push prices higher.

Another cap on gas prices: low oil prices. With only a few hours' preparation, such huge utilities as Southern California Edison Co. can start using oil instead of gas. Indeed, more than 10% of the gas burned last year could just as easily have been oil. With a little more effort, utilities can satisfy fully a quarter of their needs with residual fuel oil, an inexpensive bottom-of-the-barrel liquid.

The time could come, of course, when gas isn't so inextricably linked to oil. Some California utilities, for instance, don't switch from gas to oil when it's economical to do because of local air-quality standards. Indeed, if anything promises to make the pipeline companies and gas producers rich—and consumers that much poorer—it is the mounting concern for the environment.

Environmental Concerns

"We are seeing a new wave of environmental concerns as large as we saw in the late '60s and '70s," says Daniel Yergin, president of the consulting firm Cambridge Energy Research Associates. Although a fossil fuel, gas when burned emits only about half the carbon dioxide of oil and coal. Carbon dioxide has been linked to the "greenhouse effect," or what is believed by some to be a global warming trend. In addition to making less smog, gas hasn't yet been blamed for acid rain. And although it can explode in homes and construction sites, it does so rarely.

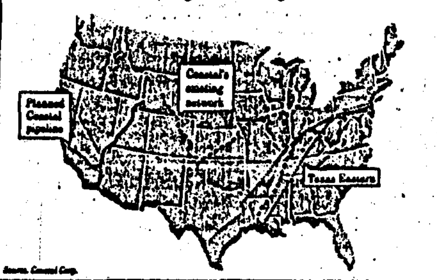
"Gas is cheap, gas is clean," says Ted Eck, the chief economist of Amoco Corp., Chicago, the largest producer of natural gas on the continent.

Now, Mr. Wyatt's Coastal seeks to to control one-third of the natural gas delivered to the Northeast, a move that will look brilliant if gas prices climb. But such talk frightens people who recall Coastal's abrogation in the 1970s of billions of dollars of gas-delivery commitments throughout South Texas.

Mr. Wyatt was out of the country and unavailable for comment. But Coastal views the contract cancellations as ancient history, and it may well have been too costly for Coastal to have made those deliveries. "Don't they ever let you forget?" a Coastal spokesman says. "We've had a spotless record since then."

But "people in Texas still remember his broken promises," says Thomas Smith, director of the Texas office of Ralph Nader's Public Citizen, an consumer advocacy group. "It ought to make people around the country very nervous."

A Coast-to-Coast Pipeline Empire?



Source: Coastal Corp.

exhibit #4
2/08/89

EXHIBIT #4
DATE 2/08/89
HB HJR 13

Shell Oil Company

Two Shell Plaza
P.O. Box 2099
Houston, TX 77252

October 21, 1988

Mr. William Mathers, Chairman
Revenue Estimating Advisory Council
Office of the Governor
Capitol Station
Helena, Montana 59620

Gentlemen:

This is further to the information presented to you on June 9, 1988. At that time, we projected the West Texas Intermediate (WTI) Crude would average about $18.00 for calendar years 1988 and 1989. Unfortunately, that appears to be an optimistic projection for 1988 and probably for 1989 as well. The basic cause is the inability of OPEC to adhere to, or even agree on, production quotas, and the reduced hostilities between Iran and Iraq. Saudi Arabia also continues to exercise its significant influence on the market.

As stated earlier, the information I submit is my opinion only and is based on publisher information. Several recent articles are attached for your information. The referenced crude is West Texas Intermediate. Also, attached is a graph showing the WTI mid-month postings for 1988 to date with estimates for the last two months.

In conclusion, it is recommended that, for revenue estimating purpose, the 1988 estimate be revised to $15.00 and 1989 to $16.00. I regret that I was unable to attend your meeting in person as I always enjoy the visits to Helena.

Please let me know if you have further questions, or if I can assist in any way possible.

Very truly yours,

J. G. McCracken
Manager
Western Tax Region

JGM/es

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