

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2397

2007 SENATE FINANCE AND TAXATION

SB 2397

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2397**

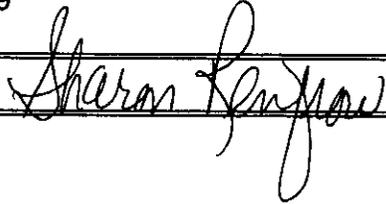
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 31, 2007

Recorder Job Number: # 2469

Committee Clerk Signature



Minutes:

**Sen. Urlacher** called the committee to order and opened the hearing on SB 2397.

**Sen. Wardner**: prime sponsor of the bill appeared in support stating concerned with revenues to the State and the economy in our area of the State. We want the oil industry to develop, continue to drill and produce the natural resources that we have out in the western part of the State. What this bill does is it brings the extraction tax down from the 6 ½ to 10 ½ then the following year bringing it down to 9 and I think that's fair.

**Sen. O'connell**: co-sponsor of the bill appeared in support with written testimony. (See attached)

**Ron Ness**: ND Petroleum Council appeared in support with written testimony. (See attached)

**Sen. Triplett**: do you have any examples from other states where they may have changed their tax structure by reducing the oil taxes, etc.

**Answer**: I think ND is a fine example of that, incentives do work in this business.

**Jeff Herman**: Regional Mgr for Petro appeared in support stating Ron brought some points especially that this is a very competitive business, dollars are being fought for for all the various states, we've got the big differential plus the highest rates in the country so it's a detriment to bringing oil investments to ND.

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**David Serrell**: Marathon Oil Company appeared in support and stated he will get the committee written testimony.

**Vicky Steiner**: Oil & Gas Producing Counties appeared in support

**Bob Harms**: Pres. Of Northern Alliance appeared in support stating 2 points. We've done some analysis on the Bakken Play and we've done some modeling where if we had to take the Bakken rigs from 20 rigs up to 30 over a 10 year period we'd see a 400 million dollar tax revenue increase over and above the fiscal impact on bills this morning. Secondly a lot of the industry members today are going to Houston, TX to look at putting deals together to take acreage that they've leased in ND and presented them to other companies.

**Dale Frink**: State Engineer appeared in opposition with written testimony. (See attached)

**Sen. Triplett**: the suggestion from the proponents is that if we reduce the tax they will increase, increase the production which then would increase the dollar amount of the tax over time even though the rate is lower, do you have an opinion on that or are you just generally concerned.

**Answer**: we only have a limited amount of oil out there, it makes sense to leave a little bit for our grandchildren anyway.

**Sen. Oehlke**: In comparison of last years, has that gone up or down or stayed the same?

Answer: it has gone up and the forecast is to go up the next biennium and that's because of the Bakken Plan or not just that, its production.

Closed the hearing.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2397**

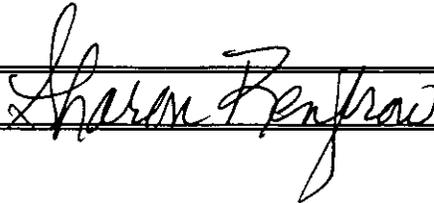
Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 6, 2007

Recorder Job Number: # 2939

Committee Clerk Signature



Minutes:

**Sen. Urlacher** called the committee back to order to look at amendments and further discussion.

**Sen. Wardner:** appeared to present amendments 0202 and 0204. This is on new wells and doesn't pertain to old wells and secondly when currently when the holidays are on, when the exemptions are on, the extraction is zero. When the holidays are off, the extraction tax goes automatically to 6 ½ but also when holidays are on its zeroed during the holiday but when it comes off holiday it goes to 4. This amendment does this, on new wells all new wells not just horizontal but vertically if they decide to drill that way, when the holiday is on it changes the zero extraction to 2%. So we have a new well comes in it's a horizontal well, its got a 24 month holiday, currently it gets no tax collected, under this amendment and under the bill it will be a 2% extraction tax during the 24 month holiday. What it does, it takes care of the fiscal note, and it basically flattens it out. When they come off the 24 months it will go to 9, that's the way it currently is, so that doesn't change when we're below the trigger. Now what changes then is if oil goes above the trigger like it is now, there are no holidays it won't go to 11 ½ it will remain at 9. A trade off here. 2% on the one end and your lowering it 2 ½. It's a better deal for the State.

**Sen. Oehlke:** this would apply anywhere to the Bakken or anywhere, correct?

**Answer:** yes

**Sen. Triplett:** why did you pick July 1<sup>st</sup> of 2008 as the start date as opposed to the beginning of the biennium?

**Answer:** to keep the FN down

**Sen. Oehlke:** you mentioned 24 month window it mentions 15 months on vertical wells, is that your intention?

**Answer:** that's the way it is now

**Sen. Triplett:** what you're really doing is instead of having a variation that goes between 5 and 11 ½ you're now going to a variation that goes between 7 and 9, is that it?

**Answer:** yes.

**Sen. Horne:** there's a base tax that stays on all the time at 5% what is the name of that?

**Answer:** production tax, we don't touch that.

**Sen. Horne:** what's the trigger price now?

**Answer:** I believe it sits at about \$45.86 and I could be off a little bit. That is not on the price of ND crude and that's really why this bill is here. It's on the NY Mercantile Stock Exchange and the price of ND crude lags that.

**Sen. Anderson:** asked for explanation on Tertiary.

Closed discussion.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **SB 2397**

Senate Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 7, 2007

Recorder Job Number: # 3062

Committee Clerk Signature



Minutes:

**Sen. Urlacher** called the committee back to order for action on SB 2397.

John Walstad from Legislative Council appeared to explain Sen. Wardner's amendments for clarification to the committee.

**Sen. Triplett:** Have you done a calculation to sort of analyze what the overall impact would be on tax collections assuming there was no increase in production?

**Answer:** no I haven't it, I don't do that. I think a new FN should be attached so everyone knows.

**Ron Ness:** ND Petroleum Council regarding the fiscal note and its affect. If the incentives go back on it currently would go back to 5 and for the first 15 or 24 months. All wells have a decline so you have a greater percentage of oil in the first 2 yrs for instance. What this bill does is it assumes that if prices would drop and the triggers go back on then the State would receive more and that's with the new FN. The 2% was picked by the Tax Dept. as basically a balancing act.

**Sen. Triplett:** what if the bill doesn't work?

**Ron:** you have to assume everything is stable, the way it's got to be looked at is that we're really stabilizing it and taking big steps to start fixing our structure to both the State and

Industry and in the end you have to take a step to get there somehow. This one pays for itself it's a shift within industry ultimately.

**Sen. Oehlke**: worse case scenario, if the price per barrel drops below the trigger, then we're down to 5% anyhow, correct? So all we get is production tax?

**Answer**: yes, basically providing a hedge here. On the upside, it's always very positive for the State.

**Sen. Triplett** made a Motion for **DO PASS on Amendments**, seconded by Sen. Oehlke.

Voice vote: 6-0-1      Amendments pass. Sen. Tollefson absent

**Sen. Horne**: would like to suggest that maybe we should make it a top tax rate of 10%, which would be a 13 1/2 % reduction and still give a tax break to the industry and keep income a little stronger than it would have been otherwise. Also suggest to see how it works over a period of time and concern a 4 yr sunset so we can be forced to look at it in 4 yrs.

**Sen. Cook**: made a Motion for **DO PASS as amended**, seconded by Sen. Triplett.

Roll call vote: 6-1-0      Sen. Triplett will carry the bill

**FISCAL NOTE**  
**Requested by Legislative Council**  
03/21/2007

Amendment to:           Engrossed  
                                  SB 2397

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>				(\$3,127,000)		
<b>Expenditures</b>						
<b>Appropriations</b>						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engr. SB 2397 with House Amendments reduces the oil extraction tax from 6.5% to 2% on horizontal wells drilled in the Bakken formation during FY 08.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Under the provisions of Engr. SB 2397 with House Amendments, new Bakken horizontal wells will receive a reduced oil extraction tax rate of 2% for the first 75,000 barrels of oil produced, or the first 18 months of production, whichever comes first. If existing law incentives trigger back on, these wells will be entitled to the appropriate incentives.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Engr. SB 2397 with House Amendments is expected to reduce total oil extraction tax revenues by an estimated \$3.127 million in the 2007-09 biennium. The revenue loss would be distributed as follows: 60% from the permanent oil tax trust fund, 20% from the resources trust fund, and 20% according to Article X of the Constitution.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	03/21/2007

**FISCAL NOTE**  
**Requested by Legislative Council**  
02/09/2007

Amendment to: SB 2397

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>				(\$3,240,000)		
<b>Expenditures</b>						
<b>Appropriations</b>						

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

**2A. Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Eng. SB 2397 reduces the oil extraction tax on wells drilled after July 1, 2008.

**B. Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Eng. SB 2397 reduces the oil extraction tax rate from 6.5% to 4% on all new wells drilled in FY 2009 and beyond. Under current law, if oil prices fall below the "trigger price" for 5 consecutive months, the statutory oil extraction tax exemptions and rate reductions will trigger back on. If incentives trigger back on, all wells drilled since 1987 will receive the statutory exemptions and rate reductions. The provisions of Eng. SB 2397 would subject those wells drilled after July 1, 2008 to a 2% oil extraction tax rate during any remaining portion of the 24-month (or 15-month) holiday period. This could potentially be "revenue-positive" to the state, but is not assumed to occur during the 2007-09 biennium. The forecast assumes oil prices remain above the "trigger price" for the biennium.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Eng. SB 2397 is expected to reduce total oil extraction tax revenues by an estimated \$3.24 million in fiscal year 2009. The revenue loss would be distributed as follows: 60% from the permanent oil tax trust fund, 20% from the resources trust fund, and 20% according to Article X of the Constitution.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
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Phone Number: 328-3402

Date Prepared: 02/12/2007

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/23/2007

Bill/Resolution No.: SB 2397

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				(\$3,100,000)		
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2397 reduces the oil extraction tax on wells drilled after January 1, 2008.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of SB 2397 reduces the oil extraction tax rate to 5.5% on wells drilled in 2008 and to 4.0% on wells drilled after 2008.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

SB 2397 is expected to reduce total oil extraction tax revenues by an estimated \$3.1 million in the 2007-09 biennium. The revenue loss would be distributed as follows: 60% from permanent oil tax trust fund, 20% from resources trust fund, and 20% according to Article X of the Constitution.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	01/30/2007

PROPOSED AMENDMENTS TO SENATE BILL NO. 2397

Page 1, line 1, replace "section" with "sections" and after "57-51.1-02" insert ", 57-51.1-03, and 57-51.1-03.1"

Page 1, line 2, after "rates" insert ", exemptions, and rate reductions"

Page 1, line 10, replace "January" with "July"

Page 1, line 14, replace "4" with "3"

Page 1, remove lines 15 through 19

Page 1, line 20, replace "3." with "2." and replace "December 31" with "June 30"

Page 1, line 22, replace "4" with "3"

Page 2, line 1, replace "4." with "3."

Page 2, line 2, after "exempt" insert "or subject to a reduced tax rate"

Page 2, line 11, after "exempt" insert "or subject to a reduced tax rate"

Page 2, line 14, after "exempt" insert "or subject to a reduced tax rate"

Page 2, line 15, replace "5." with "4."

Page 2, line 18, remove ", five and one-half percent for wells subject to subsection 2."

Page 2, line 19, replace "3" with "2"

Page 2, line 24, replace "4" with "3"

Page 2, after line 24, insert:

**"SECTION 2. AMENDMENT.** Section 57-51.1-03 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-03. Exemptions from ~~oil extraction tax~~ and rate reductions.** The following activities are specifically exempted from, or subject to a reduced rate under, the oil extraction tax:

1. The activity of extracting from the earth any oil that is exempt from the gross production tax imposed by chapter 57-51.
2. The activity of extracting from the earth any oil from a stripper well property.
3. For a well drilled and completed as a vertical well before July 1, 2008, the initial production of oil from the well is exempt from any taxes imposed under this chapter for a period of fifteen months, except that oil produced

from any well drilled and completed as a horizontal well is exempt from any taxes imposed under this chapter for a period of twenty-four months.

For a well drilled and completed as a vertical well after June 30, 2008, the initial production of oil from the well is subject to a tax of two percent of the gross value at the well of the oil extracted for a period of fifteen months, except that oil produced from any well drilled and completed as a horizontal well after June 30, 2008, is subject to a tax of two percent of the gross value at the well of the oil extracted for a period of twenty-four months.

Oil recovered during testing prior to well completion is exempt from the oil extraction tax. The exemption or rate reduction under this subsection becomes ineffective if the average price of a barrel of crude oil exceeds the trigger price for each month in any consecutive five-month period. However, the exemption or rate reduction is reinstated if, after the trigger provision becomes effective, the average price of a barrel of crude oil is less than the trigger price for each month in any consecutive five-month period.

4. The production of oil from a qualifying well that was worked over before July 1, 2008, is exempt from any taxes imposed under this chapter for a period of twelve months, beginning with the first day of the third calendar month after the completion of the work-over project.

The production of oil from a qualifying well that was worked over after June 30, 2008, is subject to a tax of two percent of the gross value at the well of the oil extracted for a period of twelve months, beginning with the first day of the third calendar month after the completion of the work-over project.

The exemption or rate reduction provided by this subsection is only effective if the well operator establishes to the satisfaction of the industrial commission upon completion of the project that the cost of the project exceeded sixty-five thousand dollars or production is increased at least fifty percent during the first two months after completion of the project. A qualifying well under this subsection is a well with an average daily production of no more than fifty barrels of oil during the latest six calendar months of continuous production. A work-over project under this subsection means the continuous employment of a work-over rig, including recompletions and reentries. The exemption or rate reduction provided by this subsection becomes ineffective if the average price of a barrel of crude oil exceeds the trigger price for each month in any consecutive five-month period. However, the exemption is reinstated if, after the trigger provision becomes effective, the average price of a barrel of crude oil is less than the trigger price for each month in any consecutive five-month period.

5. a. The incremental production from a secondary recovery project which has been certified as a qualified project by the industrial commission after July 1, 1991, and before July 1, 2008, is exempt from any taxes imposed under this chapter for a period of five years from the date the incremental production begins.

The incremental production from a secondary recovery project which has been certified as a qualified project by the industrial commission after June 30, 2008, is subject to a tax of two percent of the gross value at the well of the oil extracted for a period of five years from the date the incremental production begins.

- b. The incremental production from a tertiary recovery project which has been certified as a qualified project by the industrial commission

subsequent to June 30, 1991, and before July 1, 2008, is exempt from any taxes imposed under this chapter for a period of ten years from the date the incremental production begins.

The incremental production from a tertiary recovery project which has been certified as a qualified project by the industrial commission after June 30, 2008, is subject to a tax of two percent of the gross value at the well of oil extracted for a period of ten years from the date the incremental production begins.

- c. For purposes of this subsection, incremental production is defined in the following manner:
- (1) For purposes of determining the exemption or rate reduction provided for in subdivision a and with respect to a unit where there has not been a secondary recovery project, incremental production means the difference between the total amount of oil produced from the unit during the secondary recovery project and the amount of primary production from the unit. For purposes of this paragraph, primary production means the amount of oil which would have been produced from the unit if the secondary recovery project had not been commenced. The industrial commission shall determine the amount of primary production in a manner which conforms to the practice and procedure used by the commission at the time the project is certified.
  - (2) For purposes of determining the exemption or rate reduction provided for in subdivision a and with respect to a unit where a secondary recovery project was in existence prior to July 1, 1991, and where the industrial commission cannot establish an accurate production decline curve, incremental production means the difference between the total amount of oil produced from the unit during a new secondary recovery project and the amount of production which would be equivalent to the average monthly production from the unit during the most recent twelve months of normal production reduced by a production decline rate of ten percent for each year. The industrial commission shall determine the average monthly production from the unit during the most recent twelve months of normal production and must upon request or upon its own motion hold a hearing to make this determination. For purposes of this paragraph, when determining the most recent twelve months of normal production the industrial commission is not required to use twelve consecutive months. In addition, the production decline rate of ten percent must be applied from the last month in the twelve-month period of time.
  - (3) For purposes of determining the exemption or rate reduction provided for in subdivision a and with respect to a unit where a secondary recovery project was in existence before July 1, 1991, and where the industrial commission can establish an accurate production decline curve, incremental production means the difference between the total amount of oil produced from the unit during the new secondary recovery project and the total amount of oil that would have been produced from the unit if the new secondary recovery project had not been commenced. For purposes of this paragraph, the total amount of oil that would have been produced from the unit if the new secondary recovery project had not been commenced includes

both primary production and production that occurred as a result of the secondary recovery project that was in existence before July 1, 1991. The industrial commission shall determine the amount of oil that would have been produced from the unit if the new secondary recovery project had not been commenced in a manner that conforms to the practice and procedure used by the commission at the time the new secondary recovery project is certified.

- (4) For purposes of determining the exemption or rate reduction provided for in subdivision b and with respect to a unit where there has not been a secondary recovery project, incremental production means the difference between the total amount of oil produced from the unit during the tertiary recovery project and the amount of primary production from the unit. For purposes of this paragraph, primary production means the amount of oil which would have been produced from the unit if the tertiary recovery project had not been commenced. The industrial commission shall determine the amount of primary production in a manner which conforms to the practice and procedure used by the commission at the time the project is certified.
- (5) For purposes of determining the exemption or rate reduction provided for in subdivision b and with respect to a unit where there is or has been a secondary recovery project, incremental production means the difference between the total amount of oil produced during the tertiary recovery project and the amount of production which would be equivalent to the average monthly production from the unit during the most recent twelve months of normal production reduced by a production decline rate of ten percent for each year. The industrial commission shall determine the average monthly production from the unit during the most recent twelve months of normal production and must upon request or upon its own motion hold a hearing to make this determination. For purposes of this paragraph, when determining the most recent twelve months of normal production the industrial commission is not required to use twelve consecutive months. In addition, the production decline rate of ten percent must be applied from the last month in the twelve-month period of time.
- (6) For purposes of determining the exemption or rate reduction provided for in subdivision b and with respect to a unit where there is or has been a secondary recovery project and where the industrial commission can establish an accurate production decline curve, incremental production means the difference between the total amount of oil produced from the unit during the tertiary recovery project and the total amount of oil that would have been produced from the unit if the tertiary recovery project had not been commenced. For purposes of this paragraph, the total amount of oil that would have been produced from the unit if the tertiary recovery project had not been commenced includes both primary production and production that occurred as a result of any secondary recovery project. The industrial commission shall determine the amount of oil that would have been produced from the unit if the tertiary recovery project had not been commenced in a manner that conforms to the practice and procedure used by the commission at the time the tertiary recovery project is certified.

- d. The industrial commission shall adopt rules relating to this exemption that must include procedures for determining incremental production as defined in subdivision c.
6. The production of oil from a two-year inactive well, as determined by the industrial commission and certified to the state tax commissioner, before July 1, 2008, is exempt for a period of ten years after the date of receipt of the certification.

The production of oil from a two-year inactive well, as determined by the industrial commission and certified to the state tax commissioner after June 30, 2008, is subject to a tax of two percent of the gross value at the well of the oil extracted for a period of ten years after the date of receipt of the certification.

The exemption or rate reduction under this subsection becomes ineffective if the average price of a barrel of crude oil exceeds the trigger price for each month in any consecutive five-month period. However, the exemption or rate reduction is reinstated if, after the trigger provision becomes effective, the average price of a barrel of crude oil is less than the trigger price for each month in any consecutive five-month period.

7. The production of oil from a horizontal reentry well, as determined by the industrial commission and certified to the state tax commissioner, before July 1, 2008, is exempt for a period of nine months after the date the well is completed as a horizontal well.

The production of oil from a horizontal reentry well, as determined by the industrial commission and certified to the state tax commissioner after June 30, 2008, is subject to a tax of two percent of the gross value at the well of the oil extracted for a period of nine months after the date the well is completed as a horizontal well.

The exemption or rate reduction under this subsection becomes ineffective if the average price of a barrel of crude oil exceeds the trigger price for each month in any consecutive five-month period. However, the exemption or rate reduction is reinstated if, after the trigger provision becomes effective, the average price of a barrel of crude oil is less than the trigger price for each month in any consecutive five-month period.

8. The initial production of oil from a well is exempt from any taxes imposed under this chapter for a period of sixty months if:
- a. The well is located within the boundaries of an Indian reservation;
  - b. The well is drilled and completed on lands held in trust by the United States for an Indian tribe or individual Indian; or
  - c. The well is drilled and completed on lands held by an Indian tribe if the interest is in existence on August 1, 1997.

**SECTION 3. AMENDMENT.** Section 57-51.1-03.1 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-03.1. Stripper well, new well, work-over, and secondary or tertiary project certification for tax exemption or rate reduction - Filing requirement.** To receive the benefits of a tax exemption or tax rate reduction, a certification of qualifying well status prepared by the industrial commission must be submitted to the tax commissioner as follows:

1. To receive, from the first day of eligibility, a tax exemption on production from a stripper well property under subsection 2 of section 57-51.1-03, the industrial commission's certification must be submitted to the tax commissioner within eighteen months after the end of the stripper well property's qualification period.
2. To receive, from the first day of eligibility, a tax exemption or rate reduction under subsection 3 of section 57-51.1-03 and a rate reduction on production from a new well under section 57-51.1-02, the industrial commission's certification must be submitted to the tax commissioner within eighteen months after a new well is completed.
3. To receive, from the first day of eligibility, a tax exemption or rate reduction under subsection 4 of section 57-51.1-03 and a rate reduction for a work-over well under section 57-51.1-02, the industrial commission's certification must be submitted to the tax commissioner within eighteen months after the work-over project is completed.
4. To receive, from the first day of eligibility, a tax exemption or rate reduction under subsection 5 of section 57-51.1-03 and a tax rate reduction under section 57-51.1-02 on production from a secondary or tertiary project, the industrial commission's certification must be submitted to the tax commissioner within the following time periods:
  - a. For a tax exemption, within eighteen months after the month in which the first incremental oil was produced.
  - b. For a tax rate reduction, within eighteen months after the end of the period qualifying the project for the rate reduction.
5. To receive, from the first day of eligibility, a tax exemption or the reduction on production for which any other tax exemption or rate reduction may apply, the industrial commission's certification must be submitted to the tax commissioner within eighteen months of the completion, recompletion, or other qualifying date.
6. To receive, from the first day of eligibility, a tax exemption or rate reduction under subsection 6 of section 57-51.1-03 on production from a two-year inactive well, the industrial commission's certification must be submitted to the tax commissioner within eighteen months after the end of the two-year inactive well's qualification period.

If the industrial commission's certification is not submitted to the tax commissioner within the eighteen-month period provided in this section, then the exemption or rate reduction does not apply for the production periods in which the certification is not on file with the tax commissioner. When the industrial commission's certification is submitted to the tax commissioner after the eighteen-month period, the tax exemption or rate reduction applies to prospective production periods only and the exemption or rate reduction is effective the first day of the month in which the certification is received by the tax commissioner."

Renumber accordingly

PROPOSED AMENDMENTS TO SENATE BILL NO. 2397

Page 1, line 1, replace "section" with "sections" and after "57-51.1-02" insert ", 57-51.1-03, and 57-51.1-03.1"

Page 1, line 2, after "rates" insert ", exemptions, and rate reductions"

Page 1, line 10, replace "January" with "July"

Page 1, line 14, replace "4" with "3"

Page 1, remove lines 15 through 19

Page 1, line 20, replace "3." with "2." and replace "December 31" with "June 30"

Page 1, line 22, replace "4" with "3"

Page 2, line 1, replace "4." with "3."

Page 2, line 2, after "exempt" insert "or subject to a reduced tax rate"

Page 2, line 11, after "exempt" insert "or subject to a reduced tax rate"

Page 2, line 14, after "exempt" insert "or subject to a reduced tax rate"

Page 2, line 15, replace "5." with "4."

Page 2, line 18, remove ", five and one-half percent for wells subject to subsection 2."

Page 2, line 19, replace "3" with "2"

Page 2, line 24, replace "4" with "3"

Page 2, after line 24, insert:

**"SECTION 2. AMENDMENT.** Section 57-51.1-03 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-03. Exemptions from ~~oil extraction tax~~ and rate reductions.** The following activities are specifically exempted from, or subject to a reduced rate under, the oil extraction tax:

1. The activity of extracting from the earth any oil that is exempt from the gross production tax imposed by chapter 57-51.
2. The activity of extracting from the earth any oil from a stripper well property.
3. For a well drilled and completed as a vertical well before July 1, 2008, the initial production of oil from the well is exempt from any taxes imposed under this chapter for a period of fifteen months, except that oil produced

from any well drilled and completed as a horizontal well is exempt from any taxes imposed under this chapter for a period of twenty-four months.

For a well drilled and completed as a vertical well after June 30, 2008, the initial production of oil from the well is subject to a tax of two percent of the gross value at the well of the oil extracted for a period of fifteen months, except that oil produced from any well drilled and completed as a horizontal well after June 30, 2008, is subject to a tax of two percent of the gross value at the well of the oil extracted for a period of twenty-four months.

Oil recovered during testing prior to well completion is exempt from the oil extraction tax. The exemption or rate reduction under this subsection becomes ineffective if the average price of a barrel of crude oil exceeds the trigger price for each month in any consecutive five-month period. However, the exemption or rate reduction is reinstated if, after the trigger provision becomes effective, the average price of a barrel of crude oil is less than the trigger price for each month in any consecutive five-month period.

4. The production of oil from a qualifying well that was worked over is exempt from any taxes imposed under this chapter for a period of twelve months, beginning with the first day of the third calendar month after the completion of the work-over project.

The exemption provided by this subsection is only effective if the well operator establishes to the satisfaction of the industrial commission upon completion of the project that the cost of the project exceeded sixty-five thousand dollars or production is increased at least fifty percent during the first two months after completion of the project. A qualifying well under this subsection is a well with an average daily production of no more than fifty barrels of oil during the latest six calendar months of continuous production. A work-over project under this subsection means the continuous employment of a work-over rig, including recompletions and reentries. The exemption provided by this subsection becomes ineffective if the average price of a barrel of crude oil exceeds the trigger price for each month in any consecutive five-month period. However, the exemption is reinstated if, after the trigger provision becomes effective, the average price of a barrel of crude oil is less than the trigger price for each month in any consecutive five-month period.

5.
  - a. The incremental production from a secondary recovery project which has been certified as a qualified project by the industrial commission after July 1, 1991, is exempt from any taxes imposed under this chapter for a period of five years from the date the incremental production begins.
  - b. The incremental production from a tertiary recovery project which has been certified as a qualified project by the industrial commission subsequent to June 30, 1991, is exempt from any taxes imposed under this chapter for a period of ten years from the date the incremental production begins.
  - c. For purposes of this subsection, incremental production is defined in the following manner:
    - (1) For purposes of determining the exemption provided for in subdivision a and with respect to a unit where there has not been a secondary recovery project, incremental production means the difference between the total amount of oil produced from the unit during the secondary recovery project and the

amount of primary production from the unit. For purposes of this paragraph, primary production means the amount of oil which would have been produced from the unit if the secondary recovery project had not been commenced. The industrial commission shall determine the amount of primary production in a manner which conforms to the practice and procedure used by the commission at the time the project is certified.

- (2) For purposes of determining the exemption provided for in subdivision a and with respect to a unit where a secondary recovery project was in existence prior to July 1, 1991, and where the industrial commission cannot establish an accurate production decline curve, incremental production means the difference between the total amount of oil produced from the unit during a new secondary recovery project and the amount of production which would be equivalent to the average monthly production from the unit during the most recent twelve months of normal production reduced by a production decline rate of ten percent for each year. The industrial commission shall determine the average monthly production from the unit during the most recent twelve months of normal production and must upon request or upon its own motion hold a hearing to make this determination. For purposes of this paragraph, when determining the most recent twelve months of normal production the industrial commission is not required to use twelve consecutive months. In addition, the production decline rate of ten percent must be applied from the last month in the twelve-month period of time.
- (3) For purposes of determining the exemption provided for in subdivision a and with respect to a unit where a secondary recovery project was in existence before July 1, 1991, and where the industrial commission can establish an accurate production decline curve, incremental production means the difference between the total amount of oil produced from the unit during the new secondary recovery project and the total amount of oil that would have been produced from the unit if the new secondary recovery project had not been commenced. For purposes of this paragraph, the total amount of oil that would have been produced from the unit if the new secondary recovery project had not been commenced includes both primary production and production that occurred as a result of the secondary recovery project that was in existence before July 1, 1991. The industrial commission shall determine the amount of oil that would have been produced from the unit if the new secondary recovery project had not been commenced in a manner that conforms to the practice and procedure used by the commission at the time the new secondary recovery project is certified.
- (4) For purposes of determining the exemption provided for in subdivision b and with respect to a unit where there has not been a secondary recovery project, incremental production means the difference between the total amount of oil produced from the unit during the tertiary recovery project and the amount of primary production from the unit. For purposes of this paragraph, primary production means the amount of oil which would have been produced from the unit if the tertiary recovery project had not been commenced. The industrial commission shall determine the amount of primary production in a manner

which conforms to the practice and procedure used by the commission at the time the project is certified.

(5) For purposes of determining the exemption provided for in subdivision b and with respect to a unit where there is or has been a secondary recovery project, incremental production means the difference between the total amount of oil produced during the tertiary recovery project and the amount of production which would be equivalent to the average monthly production from the unit during the most recent twelve months of normal production reduced by a production decline rate of ten percent for each year. The industrial commission shall determine the average monthly production from the unit during the most recent twelve months of normal production and must upon request or upon its own motion hold a hearing to make this determination. For purposes of this paragraph, when determining the most recent twelve months of normal production the industrial commission is not required to use twelve consecutive months. In addition, the production decline rate of ten percent must be applied from the last month in the twelve-month period of time.

(6) For purposes of determining the exemption provided for in subdivision b and with respect to a unit where there is or has been a secondary recovery project and where the industrial commission can establish an accurate production decline curve, incremental production means the difference between the total amount of oil produced from the unit during the tertiary recovery project and the total amount of oil that would have been produced from the unit if the tertiary recovery project had not been commenced. For purposes of this paragraph, the total amount of oil that would have been produced from the unit if the tertiary recovery project had not been commenced includes both primary production and production that occurred as a result of any secondary recovery project. The industrial commission shall determine the amount of oil that would have been produced from the unit if the tertiary recovery project had not been commenced in a manner that conforms to the practice and procedure used by the commission at the time the tertiary recovery project is certified.

d. The industrial commission shall adopt rules relating to this exemption that must include procedures for determining incremental production as defined in subdivision c.

6. The production of oil from a two-year inactive well, as determined by the industrial commission and certified to the state tax commissioner, is exempt for a period of ten years after the date of receipt of the certification.

The exemption under this subsection becomes ineffective if the average price of a barrel of crude oil exceeds the trigger price for each month in any consecutive five-month period. However, the exemption is reinstated if, after the trigger provision becomes effective, the average price of a barrel of crude oil is less than the trigger price for each month in any consecutive five-month period.

7. The production of oil from a horizontal reentry well, as determined by the industrial commission and certified to the state tax commissioner, is exempt for a period of nine months after the date the well is completed as a horizontal well.

The exemption under this subsection becomes ineffective if the average price of a barrel of crude oil exceeds the trigger price for each month in any consecutive five-month period. However, the exemption is reinstated if, after the trigger provision becomes effective, the average price of a barrel of crude oil is less than the trigger price for each month in any consecutive five-month period.

8. The initial production of oil from a well is exempt from any taxes imposed under this chapter for a period of sixty months if:
  - a. The well is located within the boundaries of an Indian reservation;
  - b. The well is drilled and completed on lands held in trust by the United States for an Indian tribe or individual Indian; or
  - c. The well is drilled and completed on lands held by an Indian tribe if the interest is in existence on August 1, 1997.

**SECTION 3. AMENDMENT.** Section 57-51.1-03.1 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-03.1. Stripper well, new well, work-over, and secondary or tertiary project certification for tax exemption or rate reduction - Filing requirement.** To receive the benefits of a tax exemption or tax rate reduction, a certification of qualifying well status prepared by the industrial commission must be submitted to the tax commissioner as follows:

1. To receive, from the first day of eligibility, a tax exemption on production from a stripper well property under subsection 2 of section 57-51.1-03, the industrial commission's certification must be submitted to the tax commissioner within eighteen months after the end of the stripper well property's qualification period.
2. To receive, from the first day of eligibility, a tax exemption or rate reduction under subsection 3 of section 57-51.1-03 and a rate reduction on production from a new well under section 57-51.1-02, the industrial commission's certification must be submitted to the tax commissioner within eighteen months after a new well is completed.
3. To receive, from the first day of eligibility, a tax exemption under subsection 4 of section 57-51.1-03 and a rate reduction for a work-over well under section 57-51.1-02, the industrial commission's certification must be submitted to the tax commissioner within eighteen months after the work-over project is completed.
4. To receive, from the first day of eligibility, a tax exemption under subsection 5 of section 57-51.1-03 and a tax rate reduction under section 57-51.1-02 on production from a secondary or tertiary project, the industrial commission's certification must be submitted to the tax commissioner within the following time periods:
  - a. For a tax exemption, within eighteen months after the month in which the first incremental oil was produced.
  - b. For a tax rate reduction, within eighteen months after the end of the period qualifying the project for the rate reduction.
5. To receive, from the first day of eligibility, a tax exemption or the reduction on production for which any other tax exemption or rate reduction may apply, the industrial commission's certification must be submitted to the tax

commissioner within eighteen months of the completion, recompletion, or other qualifying date.

6. To receive, from the first day of eligibility, a tax exemption under subsection 6 of section 57-51.1-03 on production from a two-year inactive well, the industrial commission's certification must be submitted to the tax commissioner within eighteen months after the end of the two-year inactive well's qualification period.

If the industrial commission's certification is not submitted to the tax commissioner within the eighteen-month period provided in this section, then the exemption or rate reduction does not apply for the production periods in which the certification is not on file with the tax commissioner. When the industrial commission's certification is submitted to the tax commissioner after the eighteen-month period, the tax exemption or rate reduction applies to prospective production periods only and the exemption or rate reduction is effective the first day of the month in which the certification is received by the tax commissioner."

Renumber accordingly

Date: 2-7-07

Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2397

Senate Finance & Tax Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DP as Amended a Ref to Approps.

Motion Made By Sen. \_\_\_\_\_ Seconded By Sen. Oehlke

Senators	Yes	No	Senators	Yes	No
Sen. Urlacher	✓		Sen. Anderson	✓	
Sen. Tollefson	✓		Sen. Horne		✓
Sen. Cook	✓		Sen. Triplett	✓	
Sen. Oehlke	✓				

Total (Yes) 6 No 1

Absent 0

Floor Assignment Senator Triplett

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2397: Finance and Taxation Committee (Sen. Urlacher, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SB 2397 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "section" with "sections" and after "57-51.1-02" insert ", 57-51.1-03, and 57-51.1-03.1"

Page 1, line 2, after "rates" insert ", exemptions, and rate reductions"

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Page 2, after line 24, insert:

**"SECTION 2. AMENDMENT.** Section 57-51.1-03 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-03. Exemptions from oil extraction tax and rate reductions.** The following activities are specifically exempted from, or subject to a reduced rate under, the oil extraction tax:

1. The activity of extracting from the earth any oil that is exempt from the gross production tax imposed by chapter 57-51.
2. The activity of extracting from the earth any oil from a stripper well property.
3. For a well drilled and completed as a vertical well before July 1, 2008, the initial production of oil from the well is exempt from any taxes imposed under this chapter for a period of fifteen months, except that oil produced from any well drilled and completed as a horizontal well is exempt from any taxes imposed under this chapter for a period of twenty-four months.

For a well drilled and completed as a vertical well after June 30, 2008, the initial production of oil from the well is subject to a tax of two percent of the gross value at the well of the oil extracted for a period of fifteen months, except that oil produced from any well drilled and completed as a horizontal well after June 30, 2008, is subject to a tax of two percent of the gross value at the well of the oil extracted for a period of twenty-four months.

Oil recovered during testing prior to well completion is exempt from the oil extraction tax. The exemption or rate reduction under this subsection becomes ineffective if the average price of a barrel of crude oil exceeds the trigger price for each month in any consecutive five-month period. However, the exemption or rate reduction is reinstated if, after the trigger provision becomes effective, the average price of a barrel of crude oil is less than the trigger price for each month in any consecutive five-month period.

4. The production of oil from a qualifying well that was worked over is exempt from any taxes imposed under this chapter for a period of twelve months, beginning with the first day of the third calendar month after the completion of the work-over project.

The exemption provided by this subsection is only effective if the well operator establishes to the satisfaction of the industrial commission upon completion of the project that the cost of the project exceeded sixty-five thousand dollars or production is increased at least fifty percent during the first two months after completion of the project. A qualifying well under this subsection is a well with an average daily production of no more than fifty barrels of oil during the latest six calendar months of continuous production. A work-over project under this subsection means the continuous employment of a work-over rig, including recompletions and reentries. The exemption provided by this subsection becomes ineffective if the average price of a barrel of crude oil exceeds the trigger price for each month in any consecutive five-month period. However, the exemption is reinstated if, after the trigger provision becomes effective, the average price of a barrel of crude oil is less than the trigger price for each month in any consecutive five-month period.

5.
  - a. The incremental production from a secondary recovery project which has been certified as a qualified project by the industrial commission after July 1, 1991, is exempt from any taxes imposed under this chapter for a period of five years from the date the incremental production begins.
  - b. The incremental production from a tertiary recovery project which has been certified as a qualified project by the industrial commission subsequent to June 30, 1991, is exempt from any taxes imposed under this chapter for a period of ten years from the date the incremental production begins.
  - c. For purposes of this subsection, incremental production is defined in the following manner:
    - (1) For purposes of determining the exemption provided for in subdivision a and with respect to a unit where there has not been a secondary recovery project, incremental production

means the difference between the total amount of oil produced from the unit during the secondary recovery project and the amount of primary production from the unit. For purposes of this paragraph, primary production means the amount of oil which would have been produced from the unit if the secondary recovery project had not been commenced. The industrial commission shall determine the amount of primary production in a manner which conforms to the practice and procedure used by the commission at the time the project is certified.

- (2) For purposes of determining the exemption provided for in subdivision a and with respect to a unit where a secondary recovery project was in existence prior to July 1, 1991, and where the industrial commission cannot establish an accurate production decline curve, incremental production means the difference between the total amount of oil produced from the unit during a new secondary recovery project and the amount of production which would be equivalent to the average monthly production from the unit during the most recent twelve months of normal production reduced by a production decline rate of ten percent for each year. The industrial commission shall determine the average monthly production from the unit during the most recent twelve months of normal production and must upon request or upon its own motion hold a hearing to make this determination. For purposes of this paragraph, when determining the most recent twelve months of normal production the industrial commission is not required to use twelve consecutive months. In addition, the production decline rate of ten percent must be applied from the last month in the twelve-month period of time.
- (3) For purposes of determining the exemption provided for in subdivision a and with respect to a unit where a secondary recovery project was in existence before July 1, 1991, and where the industrial commission can establish an accurate production decline curve, incremental production means the difference between the total amount of oil produced from the unit during the new secondary recovery project and the total amount of oil that would have been produced from the unit if the new secondary recovery project had not been commenced. For purposes of this paragraph, the total amount of oil that would have been produced from the unit if the new secondary recovery project had not been commenced includes both primary production and production that occurred as a result of the secondary recovery project that was in existence before July 1, 1991. The industrial commission shall determine the amount of oil that would have been produced from the unit if the new secondary recovery project had not been commenced in a manner that conforms to the practice and procedure used by the commission at the time the new secondary recovery project is certified.
- (4) For purposes of determining the exemption provided for in subdivision b and with respect to a unit where there has not been a secondary recovery project, incremental production means the difference between the total amount of oil produced from the unit during the tertiary recovery project and the

amount of primary production from the unit. For purposes of this paragraph, primary production means the amount of oil which would have been produced from the unit if the tertiary recovery project had not been commenced. The industrial commission shall determine the amount of primary production in a manner which conforms to the practice and procedure used by the commission at the time the project is certified.

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- d. The industrial commission shall adopt rules relating to this exemption that must include procedures for determining incremental production as defined in subdivision c.
6. The production of oil from a two-year inactive well, as determined by the industrial commission and certified to the state tax commissioner, is exempt for a period of ten years after the date of receipt of the certification.

The exemption under this subsection becomes ineffective if the average price of a barrel of crude oil exceeds the trigger price for each month in any consecutive five-month period. However, the exemption is

reinstated if, after the trigger provision becomes effective, the average price of a barrel of crude oil is less than the trigger price for each month in any consecutive five-month period.

7. The production of oil from a horizontal reentry well, as determined by the industrial commission and certified to the state tax commissioner, is exempt for a period of nine months after the date the well is completed as a horizontal well.

The exemption under this subsection becomes ineffective if the average price of a barrel of crude oil exceeds the trigger price for each month in any consecutive five-month period. However, the exemption is reinstated if, after the trigger provision becomes effective, the average price of a barrel of crude oil is less than the trigger price for each month in any consecutive five-month period.

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  - a. The well is located within the boundaries of an Indian reservation;
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2. To receive, from the first day of eligibility, a tax exemption or rate reduction under subsection 3 of section 57-51.1-03 and a rate reduction on production from a new well under section 57-51.1-02, the industrial commission's certification must be submitted to the tax commissioner within eighteen months after a new well is completed.
3. To receive, from the first day of eligibility, a tax exemption under subsection 4 of section 57-51.1-03 and a rate reduction for a work-over well under section 57-51.1-02, the industrial commission's certification must be submitted to the tax commissioner within eighteen months after the work-over project is completed.
4. To receive, from the first day of eligibility, a tax exemption under subsection 5 of section 57-51.1-03 and a tax rate reduction under section 57-51.1-02 on production from a secondary or tertiary project, the

industrial commission's certification must be submitted to the tax commissioner within the following time periods:

- a. For a tax exemption, within eighteen months after the month in which the first incremental oil was produced.
  - b. For a tax rate reduction, within eighteen months after the end of the period qualifying the project for the rate reduction.
5. To receive, from the first day of eligibility, a tax exemption or the reduction on production for which any other tax exemption or rate reduction may apply, the industrial commission's certification must be submitted to the tax commissioner within eighteen months of the completion, recompletion, or other qualifying date.
  6. To receive, from the first day of eligibility, a tax exemption under subsection 6 of section 57-51.1-03 on production from a two-year inactive well, the industrial commission's certification must be submitted to the tax commissioner within eighteen months after the end of the two-year inactive well's qualification period.

If the industrial commission's certification is not submitted to the tax commissioner within the eighteen-month period provided in this section, then the exemption or rate reduction does not apply for the production periods in which the certification is not on file with the tax commissioner. When the industrial commission's certification is submitted to the tax commissioner after the eighteen-month period, the tax exemption or rate reduction applies to prospective production periods only and the exemption or rate reduction is effective the first day of the month in which the certification is received by the tax commissioner."

Renumber accordingly

2007 SENATE APPROPRIATIONS

SB 2397

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2397

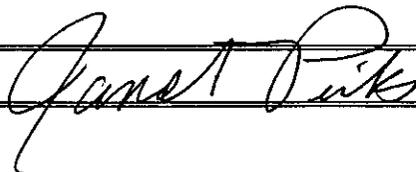
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-13-07

Recorder Job Number: 3458

Committee Clerk Signature



Minutes:

**Chairman Holmberg** opened the hearing on SB 2397.

**Senator Rich Wardner, District 37, Dickinson**, introduced SB 2397 indicating at the current time there are no tax exemptions on oil extraction tax until the price drops below a designated amount for five consecutive months. Currently production tax is 5 percent and the extraction tax is 0 when it is on holiday. The holiday for horizontal drilling is a 24 month exemption currently. During the 24 months when it is under the trigger price there is 0 due. Under this bill changes so that the extraction tax will be 2 percent. When you add the production and extraction together it equals 5 percent. With this bill that will then be 7 percent. When it is over the trigger it changes the extraction tax to 4 percent. This bill does not take effect until July 1, 2008 and it is only wells from that point forward that are affected.

**Senator Mathern** indicated he keeps hearing discount on oil which doesn't seem fair or just. If there is that deep a discount, why aren't we using our resources to address that problem. The response was we need to have more pipelines to get the oil to market.

**Senator Krauter** raised a concern about the fiscal note. The response was that refers to the second year of the biennium and in the long run ND will benefit from this bill.

**David P. O'Connell, District 6, Bottineau**, testified addressing that ND currently uses 6 percent of everything refined in our state. Now they are upgrading the pipeline.

**Ron Ness, President, ND Petroleum Council**, presented written testimony in support of SB 2397 and focused in on the questions that had been raised. He indicated that over the years they have been trying to undo or fix measure 6 which put 130 percent tax increase on top of the 5 percent gross production tax in lieu of property tax. He then indicated that this bill would bring ND more in par with the rest of the nation.

**Senator Bowman** indicated when a new well comes in, the pressure is high and production higher during that time, is that true. The response was yes and currently there is a 24 month holiday on a new well.

**Senator Mathern** asked if oil will go below really go below \$50. The response was if the price goes below \$50, the budget projections will be off significantly.

**Senator Krauter** asked to have the history of the trigger, when it was put in and the philosophy behind it. The response was a discussion of the trigger, and the tax rates.

**Senator Wardner** asked if when talking about the price of oil are you talking ND prices or NY mercantile. The response was that is the NY price.

**Senator Bowman** indicated he talked with a gentleman from Dickinson who invested about \$1 billion dollars in the Balken Clay and they want to learn how to fracture that rock which is so much different in ND then in Montana. If that can be done we'll have a tremendous stability for years. If they cannot and it costs \$6 million to build one well, the odds say they will leave and go elsewhere. The response was that is a separate incentive bill and this is a structure bill.

**Senator Mathern** indicated when an industry is in tough shape, we give it a tax break and now we are saying when this goes down in this case it goes up. The response was it goes up, but it is still bringing it to a fair level.

**Robert Harms, President, Northern Alliance of Independent Producers**, presented written testimony and testified in support of SB 2397. He noted that the Alliance represents forty

plus companies in the Williston Basin. He stressed one key point they support SB 2397 in concert with SB 2261 both of which set important tax policy changes which will encourage continued investment in ND. He indicated what ND received in 2005-07 and what is projected in 2007-09.

**Senator Lindaas** asked about the capital outlay of \$9 million and the return on investment and would that vary according to the price of oil. The response was nationally there are figures. The producing side of the industry has a return on investment of about 8 percent.

**Dale Frank, St. Water Commissioner**, indicated some concerns on behalf of the Water Commission the amounts reflected in these bills mean a big hit to the water projects.

**Chairman Holmberg** closed the hearing on SB 2397.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2397

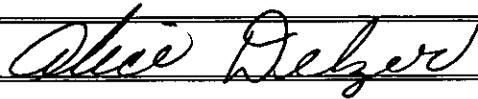
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-14-07

Recorder Job Number: 3488

Committee Clerk Signature



Minutes:

**Senator Holmberg** opened the hearing on SB 2397 on February 14, 2007 regarding tax rates for oil extraction taxes. He stated it was a bill we heard before.

**Senator Wardner** moved a **DO PASS**, **Senator Seymour** seconded.

Discussion followed.

**Senator Mathern** stated he is against this bill. He was concerned on the affect on the Water Trust Fund if this bill passes.

**Senator Wardner** stated as the committee heard this morning is a concern to keep the companies in there, keep the investment in there, keep them developing, especially the BAKKEN play, and they still have some work to do there. If we don't keep them there our ravenous are going to go down. If we can keep them there and they continue to find new ways to crack through the formation and get the oil out in new ways and new places and find the areas where the oil is, if they leave, the oil is going to stay in the ground. In the long run everyone will win, including the Water Trust Fund.

**A roll call was called on a DO PASS resulting in 11 yeas, 2 nays, 1 absent. The motion carried. Senator Triplett of Finance and Tax will carry the bill.**

The hearing on SB 2397 closed.

Date: 2/14/07  
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2397

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken do pass

Motion Made By Wardner Seconded By Seymour

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm	✓		Senator Aaron Krauter		
Senator Bill Bowman, V Chrm	✓		Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm	✓		Senator Tim Mathern		✓
Senator Randel Christmann	✓		Senator Larry J. Robinson		✓
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 11 No 2

Absent 1 absent, Krauter

Floor Assignment Sen. Tripplett. fin & tax

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)  
February 14, 2007 12:12 p.m.

Module No: SR-31-3221  
Carrier: Triplett  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SB 2397, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)**  
recommends **DO PASS** (11 YEAS, 2 NAYS, 1 ABSENT AND NOT VOTING).  
Engrossed SB 2397 was placed on the Eleventh order on the calendar.

2007 HOUSE FINANCE AND TAXATION

SB 2397

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2397

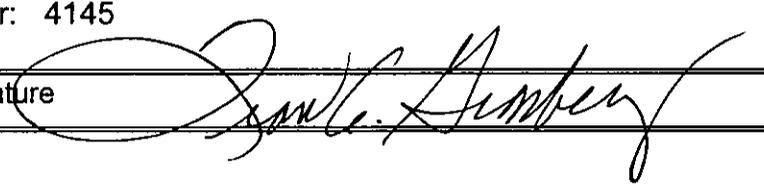
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 2-28-07

Recorder Job Number: 4145

Committee Clerk Signature



Minutes:

**Chairman Belter** called the hearing on SB 2397 to order.

**Ron Ness, President of the ND Petroleum Council:** (testimony attached #1) Also has some information and an amendment to discuss which is also attached.

**Rep Pinkerton:** Asked a question regarding a gross tax.

**Ness:** The 11 1/2 % is a gross production tax. It is not a net tax. You pay this regardless of whatever you price you get for the oil on the market - no matter what your costs you pay the tax on the gross value.

**Rep Pinkerton:** Doesn't it have something to do with the property tax?

**Ness:** 5% is what was considered in lieu of property tax. ( gross production tax, paid on gross revenue) That has gone up as oil prices have gone up.

**Rep Pinkerton:** So it's almost like my veterinary clinic, I have to pay taxes regardless of how much I'm taking in.

**Ness:** You pay property taxes on the value of your property, not on the value of your goods and services. You pay the same if you're selling widgets or gold nuggets.

**Rep Pinkerton:** Suppose that I have farm land that doesn't have any value?

**Ness:** I believe the property tax on farmland is a fixed agricultural tax rate. It doesn't matter whether you grow grass or sugar beets on it.

**Rep Pinkerton:** Can you sell an oil well?

**Ness:** Certainly, you can sell an oil well. They pay the tax on the oil they will produce out that well after it's sold, not on the acreage it sits on.

**Rep Pinkerton:** So that oil well has value. You sell it, you sell the mineral rights and all that changes hands with money.

**Ness:** Recognize that in Bowman county, industry is paying 5% of whatever that equated production. We have paid a tremendously bigger amount in that county. Industry is paying on the tune of \$45M a year in what would be property taxes, but it's coming to ND instead of the counties.

**Rep Pinkerton:** We have trouble in Bowman county even with the tax as it is now.

**Ness:** That's because Bowman county is capped on the amount of money that they get back from the state. Oil counties don't assess the property tax in the counties, the state determines what the counties will get back. That's why Bowman county has to come here to determine how much money they can get back.

**Rep Pinkerton:** So if we reduce the tax, there would be less money for Bowman county. But moving on, the oil industry in ND other than the Bakken Formation - isn't the reason that our production is not going because of lack of supplies, labor, etc. Is it the price that driving it, or do we merely have a bottleneck? Is changing the tax structure going to change that bottleneck?

**Ness:** To answer the first question, this does not affect the 5% gross production tax. This will not affect what industry pays with regard to the 5% gross production tax. Secondly, in order to

increase production, certainly we have a bottleneck. But, historically like any other commodity, infrastructure in this case follows production. If we want a new pipeline in this state, you have to insure that you will be able to fill that pipeline for 30 years with sufficient oil to get a return on your investment. You'll not see that type of investment until we firm up the reservoir in the Bakken reservoir and other reservoirs. The economics of this industry drive other investment by service companies. What this bill is trying to do - the state will get more tax revenues at lower prices because industry says ok we agree to pay a little higher prices on new wells. At the top level we feel that the 11 1/2% is too high. In the lean years for the state, I would see that the state would collect more revenues.

**Rep Pinkerton:** Wyoming's tax rate is currently at what?

**Ness:** There are two states higher than ND. I believe Wyoming is 12.7% and Louisiana is somewhere around that. It's in your red book. We have a 5% tax and an 11 1/2% tax. That's 130%. When attracting new wells, how can you run a business model on a tax that can swing 130% based upon an oil price that you can't control. That is the focus of this bill. We think 79% is more reasonable and we think you will see industry respond favorably with a tax climate that you know what is going to happen to your investment. The state is in the same situation - it's very hard to budget because you don't know whether your oil tax collections - they could vary by several hundred million dollars.

**Rep Kelsh:** You said that we're the third highest tax state as far as oil. Do those figures also take into account the property taxes in other oil producing states? The mineral owners?

**Ness:** Every state has a little bit different structure. The 11 1/2% for new wells is the 3rd highest. Every state taxes differently.

**Rep Kelsh:** How are stripper wells taxed?

**Ness:** Stripper wells are taxed at 5%. This bill does not affect any existing wells that are at 11 1/2%, does not affect units, does not affect stripper wells.

**Rep Kelsh:** ND stripper wells are only certified once, is that correct?

**Ness:** Some have annual certification. We did a bill a few weeks ago for annual certification.

**Rep Vig:** This bill references horizontal, stripper and vertical wells - are we drilling all three styles in ND?

**Ness:** This bill addresses a number of different wells, we are continuously dealing with different units. This bill only deals with new investment that we've made after July 1, 2008.

**Rep Vig:** With the 11 1/2% is all the oil that is produced is it all get taxed at 11 1/2%?

**Ness:** That is part of the 25 years of tweeking.

**Rep Drovdal:** That 11 1/2% tax is on all crude whether I'm a mineral owner underneath one of those wells, I pay that 11 1/2% too don't I?

**Ness:** You certainly do.

At this point Ron Ness handed out the amendment for consideration (attachment #2) with regard to the Bakken Formation. The fiscal impact of this bill would be \$2.6. We are looking at potentially decades of future economic growth for our state and potentially is one of the greatest economic developments that we've seen in this state in a long time.

**Rep Belter:** Is your window for drilling wide enough so that by the time we get this passed and signed by the governor you have enough time?

**Ness:** This will get us about 100 wells. We need to keep investing at Bakken. It's a very expensive place. The risk is great no matter what size you are as an oil company. I think a year is a very strong message to those in the investment community about the Bakken. Under the current technology, if they're talking about 250 billion barrels, the best technology, we can

recover 1% of that - that would be 2.5 billion barrels. That would be equal to what we've produced in the state in 55 years of oil.

**Senator David O'Connell:** I want to go on record as in support of this bill. I've worked in the oil field, and in my district, this is critical.

**Rep Kelsh:** How many different tax rates is the oil industry subject to now under current law?

**Ness:** In regards to production tax, certainly you are subject to sale tax, income tax and corporate income tax, and there still is a 5% gross production tax and 6 12% oil extraction tax. Nothing changes under this bill, only the amounts of what you would pay under the trigger mechanism. We are trying to get back to a tax structure where it will not be an accounting nightmare.

**Senator Rich Wardner, Dist 37:** In answer to Rep Kelsh's question there are about 3 pages of classifications and Rep Pinkerton, I have a chart that shows where all this oil money goes and it will help you to understand this oil thing. I will be happy to share with you. (attachment #3) Senator Wardner went through and explained the attachment figures. Explained how the trigger price works. It is important to remember that the production tax is never touched.

**Rep Drovdal:** You said that if the price stays up there, the state will lose money, but the reason we have this bill here is an incentive to encourage more drilling. And if the incentive works and we have more drilling, we'll have more production, and the state will win by having more production, will it not?

**Wardner:** That is correct. That's the other point I should have made. That's the positive part. We will have more companies here, and they will stay. Oil wells decline after they are drilled and if you don't have people continuing to drill them, and keep the production up, the state

revenues will go down because the number of barrels produced in the state are going to go down.

**Speaker Delzer:** When do you consider, for tax purposes, a well drilled?

**Senator Wardner:** When the first barrel is sold. That's when the tax starts.

**Speaker Delzer:** Is that for tax purposes?

**Senator Wardner:** That's when it has to be because it's on the price of a barrel of oil. That's when they start taxing.

**Rep Brandenburg:** Cant hear.

**Rep Schmidt:** Is a stripper well one that doesn't produce very much?

**Senator Wardner:** Stripper wells only pay production tax. Once they certify a stripper well, they pay 5% and that's it. There are three depths, and the number of barrels they pump at a certain depth is what sets up the stripper status.

**Rep Schmidt:** Who certifies them and how often are they certified?

**Senator Wardner:** I believe the state tax dept certifies them along with the ND oil and gas division and they do it once.

**Rep Pinkerton:** Our total oil production for the state is what? (36 million last year)

**Senator Wardner:** Starting on July 1, 2008, all new wells, if this legislation is passed, if over the trigger would be taxed at 9% instead of 11 1/2%. But as Rep Drovdal pointed out, that probably is enough to keep those oil companies out there developing and working in that patch. There is no question, the Bakken Formation is the big formation that they are going after out there.

(Couldn't hear Rep Pinkerton's remarks)

**Ryan Kopseng, President of Missouri River Royalty:** My company owns approximately 100 wells in the Williston Basin. We have an annual billing budget of \$5 to \$7M. We're involved with most areas out there including Bakken. We feel the business environment with regard to oil and gas is not very good right now. Bakken has high exploration and production costs and a poor market for our crude oil. Today \$700M have been spent drilling in the Bakken in the last three years and the oil that has been found doesn't justify the expenditures. But the potential is still there. (Remarks referred to map here.)

**Leo Miller, appearing for Headington Oil Company:** (#4 attachment)

**Vicki Steiner, ND Association of Oil and Gas:** We support this bill and we appreciate what the industry does. (#5 attachment)

**Bill Shalhoob, ND Chamber of Commerce:** We also support this bill. It agrees with our policies regarding flat tax.

**Robert Hamm, CEO of Continental Resources, Inc.:** (attachments #6,7,8, and 9)

**Rep Froseth:** You talked about the amendment which you referred to the Bakken Formation. It is not exclusive to the Bakken. There are other drillings in the state which would qualify for this reduction.

**Hamm:** My understanding is that is going to be limited to the Bakken and only new wells.

**Rep Froseth:** On number three it says for oil produced from new horizontal wells. It doesn't specify the Bakken.

**Hamm:** I can't explain any more than I already have.

**Chairman Belter:** It does say on page 2, line 11 - it does say the Bakken Formation.

No Opposition

Neutral

**Dale Frank, State Water Commission:** As you know 205 of the money is in a trust fund for water projects throughout the state of ND. So if we do have a \$5.8M reduction that means that much less for water for the next biennium. We are taking a neutral position on this because of the 7%. We can see the value of doing that. Our concern of course is the reduction of the oil extraction tax from 6 1/2 to 4%. That is a pretty big drop. The reason the fiscal note isn't higher than that is 1) it's only for one year and 2) it's for new wells. So it has a much longer long term effect than just the next biennium. The increase will be significant down the road. The other point I want to make is the impact on just the production itself. The difference between the top range is \$1.25. Will spur oil development? Maybe a little. But the thing that is most significant is the \$37.00 price differential that happens all the time. It all depends on whether you think future price of oil will be above or below the trigger - that will determine the impact.

**Rep Weiler:** If the revenue in ND goes up, then the revenue to the resources trust fund goes up. That's the purpose of this bill and the amendment is to try to encourage production in ND.

**Frank:** We're talking about \$1.00 difference.

**Rep Weiler:** These oil companies are paying extremely high taxes and if they go away because the taxes are too high, then the income that goes into the resources trust fund will be considerably less. In '07 - '09 its projected to be \$40M - I'm having a hard time understanding why you would oppose this.

**Frank:** We are taking a neutral position.

**Rep Weiler:** Your testimony doesn't sound neutral

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House Finance and Tax

Bill/Resolution No. SB 2397

Hearing Date: 2-28-07

**Rep Drovdal:** I have been here through oil booms and busts and I can't help but think that we may see a little bust. That trigger place is floating. If it does go back down, and it will some day, maybe not soon, then you are actually going to get additional money off the 7%.

**Frank:** That's exactly why we are taking a neutral stance. There is a plus for us.

**Chairman Belter closed the hearing.**

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2397

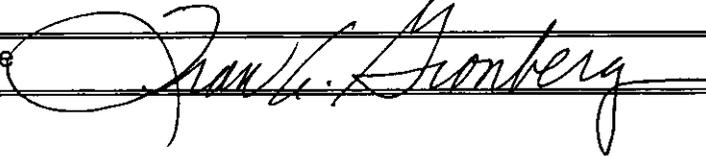
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 3-6-07

Recorder Job Number: 4415

Committee Clerk Signature



Minutes:

**Chairman Belter** reopened the hearing on SB 2397. We won't act on it this morning but I'd like some discussion.

**Rep Weiler:** I have some amendments.

**Rep Schmidt:** This is complicated. Why can't we just put tax against oil and forget about all this extraction? Why can't there just be a straight tax? If 11 1/2% is too high, why not just a straight tax? Why is it so complicated?

**Rep Froseth:** It is complicated. I think a big share of it has come about as being incentives to keep some oil wells open and producing and some wells being explored. Like the tax exemption on stripper wells in our area is basically what the whole Newberg (West?) field is. The life of that field was expected to be 20 to 25 years and they are still pumping, but they're only pumping about 2 to 3 barrels a day on most of them. If there weren't the tax exemption on the stripper wells like those they would be closed down. We'd get nothing. When they are all put together they generate a lot and they are low cost maintenance wells at this point.

**Rep Schmidt:** My son says that ND has the most complicated tax system of any of the 7 states that he is familiar with.

**Rep Grande:** I think that this is the first step in fixing that problem. In the grand scheme of things if we can keep moving towards a flattening out of that. A bigger portion of this is the trigger that is on there and how it is set up. We don't have the money to, in one fell swoop, make all the necessary adjustments. It took us all these years to get to the mess we're in, but now is the time we better start fixing the mess.

**Rep Drovdal:** We could easily make the tax structure easier by dropping all the taxes. The reason they are so complicated is when the legislature put the 6 1/2% on and raised it to 11 1/2%, they chased oil out of the state of ND. The Legislature over the years has taken a second look at it to try to make it more acceptable. We did it to encourage banks and business in ND and you're right we do need to move toward less complicated, but one flat tax and there goes stripper wells.

**Rep Brandenburg:** Every industry has its own devices to make things work. You can't do it with just one thing. It takes a number of things to make it work.

**Rep Schmidt:** The biggest problem in ND is rigs and workers.

**Rep Drovdal:** One of our major problems right now is technology. We need to figure out soon how to get that oil out of the Bakken Formation. I've seen it drop off twice before and I'm concerned we may see it again.

**Rep Headland:** The other thing that no one has mentioned - this bill, the way it is written, helps stabilize revenues. It brings up the bottom end when the price of oil is below the trigger. It puts us in a better position to handle the ups and downs.

**Rep Kelsh:** (can't hear)

**Rep Pinkerton:** (can't hear)

**Rep Headland:** In response to Rep Kelsh. As the trigger moves up, it doesn't necessarily mean that the price of oil is going to be low. They will still keep pumping it. But by lowering the higher rate, you encourage more production and as the trigger moves up, you can still have \$50 a barrel oil but it will just fall to that lower rate which will be increased by up to 7%. I think it's a win win.

**Rep Brandenburg:** (can't hear)

**Rep Owens:** The trigger had me concerned. If this trigger continues to rise regardless of whether prices go up or down, and if it rises high enough the price will be under it. The change in this bill makes sense because now instead of dropping all the way to 5%, we at least have 7%. I would invite the tax dept down here for one aspect in the sense that now that I've heard this \$100M figure for the fourth time in two days, but I have yet to figure out whether that \$100M figure is in reference to the current law or if it's in reference to if this is enacted. Nobody seems able to tell me.

**Rep Headland:** In relation to the \$100M here, the only way that I see the state losing revenues is if oil production drops way off.

**Rep Pinkerton:** I don't fully understand it either.

**Chairman Belter:** You're saying that the tax dept is telling you that the trigger is going to rise under a high oil price scenario. The tax dept is only guessing what the trigger will be. The Chairman will take the request under advisement.

**Rep Headland:** I've got the form that the tax dept gave me. It's up on my desk. I'll run and get it.

Short break

**Chairman called the committee back to order**

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House Finance and Tax

Bill/Resolution No. SB 2397

Hearing Date: 3-6-07

**Rep Headland:** The intern is making copies.

**Chairman Belter asked the committee to hold everything until the next meeting.**

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2397

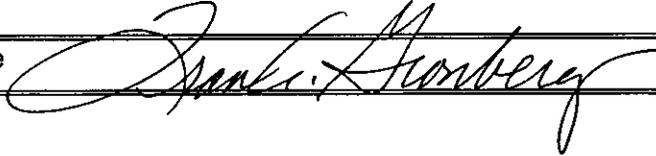
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 3-6-07

Recorder Job Number: 4417

Committee Clerk Signature



Minutes:

**Chairman Belter** reopened the committee meeting on SB 2397.

**Rep Headland:** (handed out attachment #1) It shows what happened with the trigger and how the trigger is determined. (Rep Headland went through the attachment)

**Rep Weiler:** The part I don't understand is Step 3. I understand the base rate of oil being 35.50. And I understand the base rate adjustment of the PPI. What is the annual rate of 16674 have to do with this. What am I missing?

**Rep Headland:** The average price of 16674 is the 12 months of the producer price index. The average of the 12 months - it changes every month. And then there is the base rate of the producer price index. This handout shows what has been done from 2001 until now. The fellow that gave it to me wanted to show that the trigger can go down. The trigger can change once a year because they take the average of the 12 months from July 1 through June 30. As the PPI goes up, that will cause the trigger to go up.

**Rep Pinkerton:** (can't hear the question)

**Ron Ness, ND Petroleum Council:** The trigger price is figured once a year.

**Rep Grande:** Don't they take the composite of all 12 in an average and then determine it?

**Ness:** Yes

**Rep Weiler:** Does the base rate index of 138, does that ever change? And also the base rate of 35.50, is that the base rate for the price of a barrel of oil? Does that ever change?

**Rep Headland:** No, it doesn't change. Those are the base rates.

**Rep Weiler:** Are those numbers in statute?

**Ness:** The 35.50 is in statute and the calculation provisions of the PPI and how to get that trigger price is in statute. (5751.1-01)

**Chairman Belter:** The trigger is based on the price of oil, not necessarily the cost.

**Ness:** No, the trigger is fixed by the legislature. The adjustment is based on the producer price index.

**Chairman Belter:** The Producer Price Index is a formula similar to what we have for agricultural land.

**Rep Headland:** I don't see the 138 in statute unless it is somewhere else.

**Rep Pinkerton:** (can't hear)

**Ness:** That is the world market for oil minus the \$2.50 differential for ND crude. The trigger price means \$35.50 as indexed for inflation by Dec 31 of each year. (see Century Code)

**Rep Headland:** This sheet, the handout, looks like 2001 is called the base year and that's where the 158 came from.

**Ness:** That was the year that the trigger mechanism was changed. The trigger has risen from 35.50 to 42.89 over 7 years with the last year being \$3.00.

**Rep Froseth:** The way I see this is that the PPI won't go down. Therefore the trigger will continue to rise and collect an extra 2% on oil production as long as the trigger price continues to go up.

Page 3

House Finance and Tax Committee

Bill/Resolution No. SB 2397

Hearing Date: 3-6-07

**Ness:** (attachment #2 handed out) This could be the stabilization of tax rates. Look at what's happening with the PPI on '07. We don't know what is going to happen in the next year.

**Chairman Belter** closed the hearing for today.

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2397

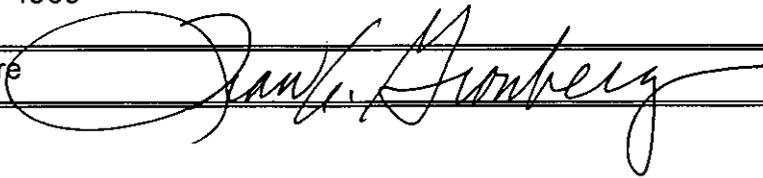
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 3-13-07

Recorder Job Number: 4969

Committee Clerk Signature



Minutes:

**Chairman Belter** reopened the hearing/discussion on SB 2397. Does any one have amendments?

**Rep Pinkerton:** (amendments are attachments #1 and #2) The first part of the amendments are taken directly of SB 2367. The fiscal note is essentially right off there. It is \$24M and that is how much would be required by the state in taxes if all the stripper wells paid what the law says they are supposed to. The bill would make them go back and recertify each year. (Rep Pinkerton went through his amendments to the bill.) The wind energy, coal, etc. all get tax breaks. But the oil industry doesn't get a lot of tax breaks. That doesn't mean that they shouldn't have to pay their fair share. This amendment would reduce the tax for all wells from the current 11 1/2% to 7% - 2% over the gross production. (The attached letter from Kathryn Strombeck contains the information he explained). There's no tax break on equipment - the landowners don't get a tax break.

**Rep Drovdal:** Am I understanding you right that you are classifying stripper wells with a 12 month exemption until they go over 30 barrels a day?

**Rep Pinkerton:** That's how Sen Potter's bill was written. I had a fiscal note on that. I would be open to some amendments there. (difficult to hear)

Stripper wells could be amended back into the bill.

**Rep Drovdal:** On your second page, all wells from the 6 1/2% tax until they recover their cost and then they go back to the 6 1/2%.

(There is discussion here that cannot be heard on the tape)

**Rep Drovdal:** When you talk about it , it is not just the rich oil companies. They're rich because they are here providing the jobs, etc.

**Rep Pinkerton:** I agree with you. Oil has not been well treated.

(More discussion that cannot be heard)

**Rep Drovdal:** You talk about Montana. It is a very low tax rate. What is the tax after 18 months? It's 9%, so if we want to pattern after Montana, we need to go to 9%.

**Rep Pinkerton:** Montana also has a 15 1/2% on their non working (can't hear).

**Rep Froseth:** This stripper well issue, I think we have to be a little bit careful. I can agree with the top end of that, that we're probably losing some revenues there, but maybe we should look at doing something at the midway point. In our small communities, small rural counties, those stripper wells are probably the life blood of our rural electric coops. In some of our counties, 70% of the business is done in the oil fields that are producing 1 and 2 and 3 and 4 and up to maybe up to 50 or 60 barrels a day. It creates a lot of employment in our small communities. These companies will shut them down in a heartbeat if they think that they'll be too expensive to operate.

**Rep Weiler:** The fiscal note, on the 4 plus, I understand that it's on the stripper wells, and the other parts of the bill would bring the tax down from 11 1/2% to 7%? So how does that affect the \$24M? Are you talking on strippers only?

**Rep Pinkerton:** No, all wells, vertical and horizontal.

(More discussion that cannot be heard)

**Rep Weiler:** So what is the total effect on the fiscal note if we were to pass these amendments out?

**Rep Pinkerton:** I do not favor this. I would like to amend this bill to protect the strippers.

**Rep Weiler:** So what you're asking is that these amendments that you passed out, you're asking to greatly amend them?

**Rep Pinkerton:** They would obviously have to be amended to meet the criteria of .....oil Industry.

**Rep Weiler:** There is a contradiction. On one hand you're telling us that the oil companies do not get treated fairly. We're giving incentives to other energy sectors in this state and we've passed all kinds of bills for incentives. At the same time you have an amendment that sock them for another \$25M. Also, this is basically a hog house of this bill and the timing of it, if we have to get this out today, and we don't get a hearing on this, I feel very uncomfortable with such a huge change without having several members of the oil industry at least get a chance to chime in on this. The other issue is that this did fail in the Senate and I don't feel comfortable sending it back to the Senate. And lastly, I lived in Dickinson, I grew up in Dickinson, and my father was in the radio advertising business, and when the oil bust hit, it affected so many of our friends, and it greatly affected my family. It's not just those that work in the oil fields that are producers, the whole economy just seems to drag down, and that's what happened in Dickinson and the western part of the state. I'm deathly afraid of that happening again. I see this as taking a giant step toward that very same thing. I can't support these amendments or any variation of them.

**Rep Grande:** I think this is important. I grew up in Williston. You all know what happened in Williston. Many people went bankrupt and had to start over. If we force them out and don't help them to stay, it affects all of the economy. It's not just the oil people.

**Rep Froseth:** I'm familiar with what happened to Williston. They were really booming. There was a devastating effect when the bust came and Williston was left holding the bag. That was 20 years ago and they are just starting to recover now. If the Bakken Formation doesn't pan out it can go down in a hurry.

**Chairman Belter:** Your \$24M fiscal note is based on what? Any taxes above 30 barrels?

**Rep Pinkerton:** (can't hear answer)

**Chairman Belter:** On your 36 month holiday, did that include stripper wells. So any improvement they make, they pay the full price on it.

**Rep Pinkerton:** Currently without the trigger on it, they pay the full price. I think this whole area needs to be fixed. (can't hear) The trigger will bring it down to 5%.

**Rep Froseth:** I'm talking to Ron Ness. Two years ago we passed an exemption for secondary recovery and I know that a lot of stripper wells are getting that exemption. How are those present exemptions affecting them?

**Ron Ness, ND Petroleum Council:** This body did not pass any oil tax legislation that was signed by the Governor last session. Currently, every well, we had 39M barrels of oil produced last year. The trigger mechanism is off. So you pay 11 1/2% on all wells except three things that were in the '87 legislation which put the trigger mechanism in place. Stripper wells, units (when you drill a well and we all pool together, they get a 5 year exemption and the new wells on Indian land, which there hasn't been one drilled.

**Rep Froseth:** In Rainbow county there are several of these unitized fields. How is that production considered? Is that considered as one unit of production?

**Ness:** That unit may have had 12 wells in it, collectively they produce less than 10 barrels a day because it was less than 6000 barrels, so the unit was classified as a stripper property. The strippers are a risk reward. Those units become a stripper unit and are exempt for 5 years, but they remain units.

**Rep Froseth:** Changing that stripper designation, that field produces 80 barrels a day rather than 20 wells producing 4 barrels a day, it could come under a new classification and new tax.

**Ness:** You increase the tax rate by 130%. Under the amendments you basically are taxing one segment of the industry for \$24M, and providing another segment of industry \$8M in relief and the state's pocketing \$14M. Those are different segments of industry.

**Rep Drovdal:** Just to clarify, when you talked about exemptions for oil, you talked about the excise tax, the production tax (couldn't hear)

**Ness:** The 5% gross reduction tax applies to every one of the 39.4M barrels.

**Rep Drovdal:** I'd like to ask Rep Pinkerton, there is \$24M on your fiscal note. I believe that was on taking stripper wells out. You put a 36 month holiday on all wells, that is a pretty good (couldn't hear).

(couldn't hear discussion here)

**Chairman Belter:** My concern is that isn't there a disincentive for the industry to work these stripper wells. There is no provision to recapture the cost.

**Rep Pinkerton:** As the bill is written, there is no provision.

**Rep Brandenburg:** I can't support these amendments. The extra money we have now is here because of oil. (Discussion here cannot be heard)

**Chairman Belter:** Rep Froelich, do you have your amendments? You may pass them out.

(amendment - attachment #2)

**Rep Froelich** walked everyone through the amendments. Commented that he could see some errors in it.

**Rep Froseth:** How did they describe normal recovery operations? A lot of these stripper wells are on time clocks.

**Rep Froelich:** They will base it on a 12 month period.

**Rep Froseth:** I like this better, but the problem I see with this is that oil companies are pretty cagey, they can manipulate the production.

**Rep Froelich:** They can check them out. This doesn't affect the old wells.

**Rep Drovdal:** On page 2, line 11, you have a holiday of 2%, but if I read this bill correctly, on page 3, you already have the exemption up to 24 months.

**Bob Harms** said he would respond to questions.

**Rep Drovdal:** On page 3 - would not the Bakken Formation fall into that category? The exemption would already be there.

**Harms:** The way 2397 is currently structured, all you are doing is simply taking 11 1/2% down to 9%. And the only way you get up to 7 is if you hit the triggers. So you really don't have an exemption in place for the Bakken. So the provisions on the amendment from Rep Froelich on page 1, insert basically a 12 month tax holiday for new Bakken wells and it gives them 24 months to exercise that option.

**Rep Grande:** Page 3 of the bill.

**Harms:** The way to look at the bill is take an 11 1/2% top rate and bring it down to 9%. The rest of the language applies if the triggers are on. You don't have any Bakken holidays in 2397. The only thing you are doing is raising the lower level when you hit the triggers.

**Rep Drovdal:** I don't see that section is underneath the trigger.

**Ness:** On page 2, lines 23 & 24. Previously all those wells were exempt in that period. So he inserted the word rate reduction because now instead of being exempt from the 6 1/2% oil extraction tax, they are subject to a rate reduction of 4%. So reads confusingly, but there used to be an exemption for everything during the holiday from the oil extraction tax under 5751.103. Now those wells that we are talking about go from 5 up to 7 as part of a rate reduction, not a total exemption.

**Rep Froelich:** I don't have a fiscal note. I asked John Walstad for a fiscal note.

**Rep Weiler:** Will the fiscal note be primarily on the Bakken stuff? I don't know how they can know what's going to come out of the Bakken Formation. This note will probably say it can't be determined.

Passed out copies of amendments.

Closed hearing for morning.

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2397

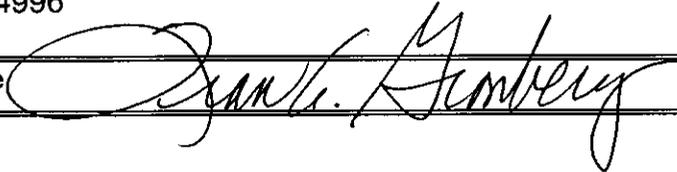
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 3-13-07

Recorder Job Number: 4996

Committee Clerk Signature



Minutes:

**Chairman Belter** called the committee back to order.

**Rep Froelich:** I was visiting with Lyn Helms and we need to change the verbiage in there. On the amendment, he said that normal recovery operations is not the right verbiage. On the amendments on page 8, line 14, after days of, cross off (can't hear) and replace it with maximum (can't hear).

**Ron Ness, ND Petroleum Council:** Ness explained the amendments and changes. Normal recovery operations is over struck. Maximum efficient rate is inserted. After the word status, on page 8, line 14, for any well or property initially certified after July 1, '07. And this just clarifies it that this is prospective the stripper provision. You have wells or property initially certified after July 1, 07. And at the very bottom of the 5th line where it says 100 barrels per, after per, insert well per. (per well per day)

**Rep Froelich:** If you look at 0306, they made a mistake and they put an over strike on it.  
(more discussion here that cannot be heard)

**Rep Weiler:** In the middle of the page, at the Bakken Formation, after June 30, 2007, will that be as is? Or will that be January 1, 2008?

Page 2

House Finance and Tax Committee

Bill/Resolution No. SB 2397

Hearing Date: 3-13-07

**Ness:** That's your decision. I think the discussion was that on the amendment that I had offered in testimony at the hearing, a one year Bakken holiday was \$2.6M. This is a two year Bakken holiday so you would double that to \$5.2M. 18 months would split the difference. If you want to start it on January 1, that is a policy question that you will have to answer.

**Rep Weiler:** You said that this is a two year holiday? I was under the impression that it was a one year holiday for a window of 2 years.

**Ness:** You are correct.

**Rep Grande made a motion to change June 30, 2007 to January 1, 2008.**

Discussion can't be heard.

**Rep Grande withdrew the motion.**

**Rep Weiler made a motion that the same line reads that the Bakken Formation after December 31, 2007**

**Rep Headland seconded the motion**

**Motion carried on a voice vote**

**Rep Froelich moved a Do Pass on the amendments 0306 as amended**

**Rep Weiler seconded the motion**

**Motion carried on a voice vote**

**Rep Pinkerton:** (can't hear on the tape) Discussing changes to page 1 of the amendments and can't be heard clearly on the tape.

**Rep Pinkerton made a Do Pass motion on the amendments 0305**

**Rep Kelsh seconded the motion**

Discussion

**Rep Owens:** I'm trying to understand that since we have accepted 306 amended, and then we turn around and look at this and it basically removes all of the first page which then would remove paragraph 11 in section 1 that was just amended that deals with the trigger. So my question is - does this bill have the 9 and the 7 vs: the 11 1/2 and 5?

**Rep Weiler:** I can't support this.

**Rep Froseth:** I need an explanation on what happens on the stripper. Which section do we go by on the stripper wells now? The ones on Rep Pinkerton's amendments or the ones on Rep Froelich's amendments?

Can't hear the discussion.

**Rep Drovdal:** I'm not going to support the amendments.

**Chairman Belter asked for a voice vote on the Pinkerton amendments**

**The majority were not in favor of the amendments**

**Rep Weiler moved a Do Pass as Amended and to be Rereferred to Appropriations**

**Rep Froelich seconded the motion**

(yes) 10 (no) 4 (absent) 0

**Carrier: Rep Froelich**

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2397

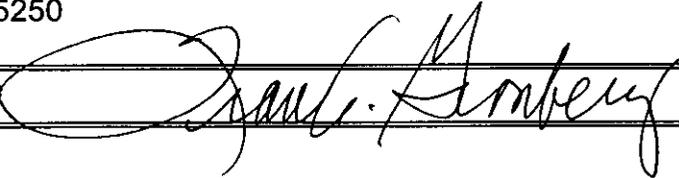
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 3-19-07

Recorder Job Number: 5250

Committee Clerk Signature



Minutes:

**Chairman Belter** called the committee to order. I do want to act on the bill today - that is SB 2397. Rep Froseth has some amendments to 2397.

**Rep Froseth:** This bill has had a lot of ups and downs and even as it passed this committee last week, the fate of this bill would have been defeated on the floor. I think there are some good parts to the bill and we all indicated some concern to get some incentives for the Bakken Formation. John Walstad found some problems with the amendment that we did approve - the Froelich amendment and he can describe the problems. To save some incentive for the Bakken Formation I propose the hog house amendment that we have before you (308) that will only deal with new drilling in the Bakken Formation - horizontal drilling in the Bakken Formation. If you look at the original bill, page 2, line 23, section 2 (starts on line 21), line 23 is exemptions 57-51.1- 03 and presently we have an exemption for new wells in the Bakken Formation when the oil price is below the trigger. It gives them a 24 month exemption from the extraction tax. Section 3 (read the portion). That deals with vertical wells - the gives a 15 month exemption from any taxes. We are adding that the first 75,000 barrels of oil produced during the first 24 months after completion from a horizontal well drilled and completed in the

Bakken Formation after June 30, and before Jan 1, 2009, (that's an 18month window) is exempt from any taxes imposed under this chapter. He continued to read from this chapter. A new horizontal well, drilled in that 18 month window, will get an extraction tax exemption of the 6.5% for either the first 75,000 barrels or 24 months, whichever comes first.

**Rep Weiler:** So this is a hog house - we're doing away with 11.5 to 9 and 5 up to 7.

Can you explain the fiscal note?

**Rep Froseth:** I can try. My theory is that we've dealt with a lot of bill is this committee that the fiscal note has been undeterminable. I feel the same way about this one. We don't know. If there aren't any wells drilled there isn't a fiscal note. If it's a new well drilled it's money we don't have now.

**Rep Weiler:** So this could be a positive effect just as well as it could be a negative effect.

**Rep Froseth:** It could be more of a positive effect than negative as I see it.

**Rep Headland:** This can't be a negative.

**Rep Pinkerton:** (can't hear) How long does it take to complete a well?

**Ron Ness, ND Petroleum Council:** About 45 days from the time they decide to drill until they produce. The tax dept forcasted about 8 wells a month, around 90 to 100 wells per year.

(The discussed the fiscal impact of different scenarios.)

**Ness:** I would think that most of the Bakken wells are being produced. It's a question of at what level. They're all finding oil - it's just whether it's 10 barrels a day or 100 barrels a day. What you're looking for is those wells that are producing over 250 barrels a day. The are going to pay off. The tax dept is figuring 100 wells a year is what they are hoping to see. Assuming that drilling continues. That's the great unknown question.

**Rep Pinkerton:** Best case scenario - you get 100 wells and they are all producing that would be \$22M - is that correct?

**John Walstad, Legislative Council:** I am neutral. I think Rep Froseth did a good job of explaining what is intended here. I want to mention the interplay between the existing exemption and the exemption that would be created here. Under current law there is a 24 month exemption for new horizontal wells. That is subject to a trigger price. Currently, the price of oil is above the trigger price so that exemption does not apply to horizontal wells. This exemption will apply when the price of oil is above the trigger price. If the price of oil drops below the trigger price, the 24 month exemption comes back into place for any well that was completed within 24 months before the time the trigger price drops off. There is a possibility, that the exemption here, is the Bakken horizontal wells only, would apply for part of the 24 months, and then because of price drop the other exemption would apply. And this exemption would not cut that 24 months short for any horizontal well including Bakken wells. The way this could work is a horizontal well in the Bakken Formation that's a good producer and would enjoy a 75,000 barrel exemption that might be used up in three months. If the price of oil then drops, that well would still be eligible for the 24 month exemption that applies for any horizontal well.

**Rep Froelich:** (couldn't hear question)

**Walstad:** It's a lot shorter than the bill. There's a lot of stuff that's gone. This is all that's left of the bill.

**Chairman Belter turned the meeting over to the Vice Chair**

**Vice Chairman Drovdal** asked Walstad to explain the amendments.

**Walstad:** There are some problems with the bill as amended last week. It leaves some holes in the oil extraction tax law. Inadvertently, this was not the intention. I didn't catch the mistakes when I worked on it. The first problem, the bill was intended to provide a 6.5% oil extraction tax for wells drilled and completed up to July 1 of this year. It does that. It does not

say what happens after that date. The intention was that the maximum rate fully taxable under the extraction tax would be 4%. It doesn't do that. The overall rate without any kind of exemption beginning July 1 of this year is not clear. There are also some cross reference problems in the bill as amended. Some bad subsection references that need to be renumbered. That general rate provision is the biggest problem. There were also some issues that arose after the amendments were adopted about how this can be interpreted and I'm not sure those questions are resolvable. If 2397 as it was recommended last week is the vehicle, then some thought should be given to clarifying some of the language that's in there.

**Vice Chair Drovdal adjourned the meeting for the morning.**

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2397

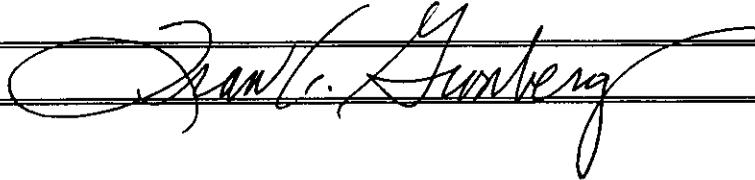
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 3-19-07

Recorder Job Number: 5294

Committee Clerk Signature



Minutes:

**Chairman Belter** opened the meeting and asked what the committee wanted to do.

**Rep Froseth:** I had Kathy Strombeck (Research Analyst from the Office of the ND Tax Commissioner) do some cost projections. (attached) Rep Froseth then went over the sheet from Strombeck.

**Chairman Belter:** I don't quite understand the add back numbers.

**Rep Froseth:** This is all new production. And all the fiscal note ever considers is what loss it is to the general fund. But we're still charging the production tax on that new production. We're still getting the 5% production tax. All we're giving away is the 6.5% extraction tax. So they're taking the full 6.5% extraction tax as a cost to the general fund but I don't see anywhere where they are considering the new revenue that's going to be coming in under the 5%. That's why I think these fiscal notes are deceiving.

**Rep Drovdal:** If we have the 11.5% on there, we'd have 5.6 on the 5% and 6.5 on the 6.5 % for the total coming in on the well would be about \$12M each time?

**Rep Froseth:** (discussion here couldn't be heard on tape)

**Bob Harms:** I think Rep Froseth, and philosophically I agree with him, that fiscal notes ignore the potential increase. (Rest of statement can't be heard)

**Rep Headland:** Your #2 and #4, in your tax holiday you're dropping from 6.5 to ?

**Rep Froseth:** We're dropping the 6.5% extraction tax, but we're adding 2% to the production tax. There will be a 7% production tax rather than 5%.

**Rep Headland:** Then when the holiday's over it goes to 5% production tax and 11.5%.

**Harms:** All I'm saying is that in the forecast they assumed those wells would be drilled and there is an extraction tax that would be generated along with the production tax.

**Rep Headland:** Is it your assumption that the 5% production tax is already figures in there somewhere?

**Harms:** As much as I would like to finesse the fiscal note that way, think the forecast seems that the 5% production tax is already included.

**Rep Froseth:** The average well drilled in the Bakken Formation costs \$6.1M to drill and put into production. And at \$41 a barrel it takes 190,000 barrels of oil for that company to break even. And while that well is being drilled, that company will employ 250 people at about an average of about \$45,000 to \$50,000 per job. If you take that impact into consideration too, there's a lot more plus income coming into the state than income tax, sales tax and everywhere else.

(Discussion here - couldn't hear all the questions and answers)

**Rep Owens:** You said \$6.1M to punch a hole, and you said how many barrels?

That is just the money they get, that figure didn't compute what it would cost them to pay it back. It was just what they'd get from the oil. OK

**Rep Pinkerton:** (cannot hear)

**Rep Froseth:** The third bullet point on chart is a 6 month delay to move it into the next biennium.

**Rep Pinkerton:** (can't hear)

**Rep Froseth:** The more wells we drill, the bigger the fiscal note and the more money we get into the treasury. We need to take the fiscal note with a grain of salt.

**Ron Ness, ND Petroleum Council:** The limiter, the 75,000 barrels, is in here because that takes the big well. Two years was put on here because otherwise you may never get the 75,000 barrels, it could be 40 years. So it's 75,000 barrels or two years. It's not a 15 year oil extraction exemption.

**Rep Schmidt:** One week ago I was prepared to vote for the Bakken, but after being home, I'm not sure. You mentioned the good Bakken wells. What is the good Bakken wells?

**Ness:** A Bakken well, we have some in Wells County. We need 250 to 300 barrels a day Bakken to make a good Bakken well.

**Rep Schmidt:** I just heard, that they just struck a Bakken well that is pumping 850 barrels?

**Ness:** There are some good Bakken wells out there. But we need more. One here or there is what we've seen. The Montrail County wells over by Parshall, that is the sweet spot.

**Harms:** I think the bill is trying to do something to incentimize the Bakken and to encourage more drilling. Maybe it should be set up that the incentives could be extended. (Couldn't hear all of his testimony)

**Rep Froseth:** In response to Rep Pinkertons comments on reducing the fiscal note - rather than an 18 month window we could go to a 12 month window and that would reduce the fiscal note by 1/3.

**Rep Pinkerton:** (comments couldn't be heard on the tape)

**Chairman Belter closed the meeting until 9:00 am Tuesday (3-20-07) to take action on the bill.**

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2397

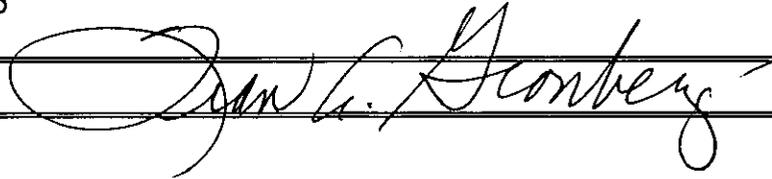
House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: 3-20-07

Recorder Job Number: 5305

Committee Clerk Signature



Minutes:

**Chairman Belter** opened the committee meeting.

**Rep Weiler** made a motion to reconsider the previous actions

**Rep Grande** seconded the motion

The motion carried on a voice vote

**Rep Froseth:** Passed out copies of the new amendment and fiscal note (attachment #1)

**Rep Froseth:** After adjournment I visited with some people that were interested in this bill.

To make it acceptable, we reduced the window from 18 months to 12 months. (refer to

attachment #2) They will be getting a 4.5% break on new Bakken drilling for a 12 month

window. And Kathy Strombeck provided a fiscal note that I was a little disappointed in, but on

the bottom of this new fiscal note dated March 20th, is what this amendment will do. The 24

month impact with a delayed starting date would move a portion of it into the next biennium.

Nope, it doesn't do that. The difference would be that the 24 month wouldn't be subject to the

2% increase in oil extraction tax.

**Rep Weiler:** The bottom bullet point, which is on the amendments. The second from the bottom bullet point, does that mean that the total fiscal impact is 3.1M also but it appears to me then that because of the window, some of that 3.127M would be into the next biennium? It seems to me like the fiscal impact for 2007-2009 biennium would be less than 3.1. Am I correct in that?

**Rep Froseth:** Now I'm confused. But I don't understand why the 18 month window and 24 month exemption should be the same just because of the 6 month delay.

**Chairman Belter:** Do all of you have two fiscal notes on these different combinations?

**Rep Froseth:** It should be the one dated Tuesday, March 30th at 8:30 am.

**Rep Drovdal:** I think that the two fiscal notes are the same because we got a delay of 6 months, and you're only going 18 months in that fiscal period. It would have a 6 month fiscal note in the next biennium.

**Rep Froseth moved the amendment**

**Rep Headland seconded the motion**

**Rep Pinkerton:** (asked a question that couldn't be heard)

**Rep Froseth:** We've had a lot of legislation go through this committee that deals with tax incentives or incentives to make our state and nation energy independent. Our congressman, Senator Dorgan, this has been one of his charges. So we've passed a bill with a \$3M note to exempt these pumping stations. The only fiscal advantage to it was basically \$500,000 to counties and cities. There wasn't that much fiscal impact. We passed a couple of wind energy incentives, tax exemptions and credits. We've passed a geothermal, switch grass and

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House Finance and Tax Committee

Bill/Resolution No. SB 2397

Hearing Date: 3-20-07

methane (\$2.5M impact). And those bills really don't have any guarantee. Most of them are experimental at this point. This is an industry that has been in business for 55 years in the state and I don't know if we have a running total impact, but this last biennium they put over \$400M in the treasury. I think we can continue that \$400M for several years into the future if we can give them some incentive to stay here and develop the Bakken Formation.

**A voice vote passed the motion on the amendments**

**Rep Weiler made motion to Do Pass As Amended and be Rereferred to Appropriations**

**Rep Grande seconded the Motion**

**(yes) 10 (no) 4 (absent) 0**

**Carrier: Rep Froseth**

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2397

Page 1, line 1, after "reenact" insert "subsection 11 of section 57-51.1-01 and"

Page 1, line 3, after "reductions" insert "; to provide for a legislative council study"

Page 1, after line 4, insert:

**"SECTION 1. AMENDMENT.** Subsection 11 of section 57-51.1-01 of the North Dakota Century Code is amended and reenacted as follows:

11. "Trigger price" means thirty-five dollars and fifty cents, as indexed for inflation. By December thirty-first of 2007, and of each year thereafter, the tax commissioner shall compute an indexed trigger price by applying to the current trigger price ~~fifty percent~~ of the rate of change of the producer price index for industrial commodities as calculated and published by the United States department of labor, bureau of labor statistics, for the twelve months ending June thirtieth of that year and the indexed trigger price so determined is the trigger price for the following calendar year."

Page 2, after line 11, insert:

- "4. For oil produced from new horizontal wells drilled and completed in the Bakken formation after June 30, 2007, and before July 1, 2009, and not otherwise subject to a reduced tax rate under section 57-51.1-03, the initial production is subject to a tax of two percent of the gross value at the well of the oil extracted for a period of twelve months."

Page 2, line 12, replace "4." with "5."

Page 8, line 11, after "1." insert "a."

Page 8, line 14, after the period insert "The certification or recertification of stripper well status is valid for four years from the first day of eligibility. To be recertified as a stripper well property, the industrial commission must find that the average daily production of oil, during days of normal recovery operations in the final twelve months of the certification or recertification period for stripper well status, did not exceed one hundred barrels per day."

Page 8, after line 14, insert:

- "b. To receive, from the first day of eligibility, a tax exemption on production from a recertified stripper well property, the industrial commission's recertification of the property must be submitted to the tax commissioner within eighteen months after the termination of the previous certification or recertification period."

Page 9, after line 17, insert:

**"SECTION 5. LEGISLATIVE COUNCIL STUDY.** The legislative council shall consider studying, during the 2007-08 interim, the feasibility and desirability of eliminating trigger prices for qualification for oil extraction tax exemptions and rate reductions. The legislative council shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-first legislative assembly."

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2397

Page 1, line 1, replace "sections 57-51.1-02," with "subsection 4 of section 38-08-04, subsection 10 of section 57-51.1-01, subsection 3 of section" and after the second "and" insert "subsection 1 of section"

Page 1, line 2, replace "oil extraction tax rates, exemptions, and rate" with "annual recertification of stripper well status under the oil extraction tax and an oil extraction tax exemption for new wells"

Page 1, line 3, remove "reductions"

Page 1, replace lines 5 through 23 with:

**"SECTION 1. AMENDMENT.** Subsection 4 of section 38-08-04 of the North Dakota Century Code is amended and reenacted as follows:

4. To classify wells as oil or gas wells for purposes material to the interpretation or enforcement of this chapter, to annually classify and determine the status and depth of wells that are stripper well property as defined in subsection 8 10 of section 57-51.1-01, to annually certify to the tax commissioner which wells are stripper wells and the depth of those wells, and to certify to the tax commissioner which wells involve secondary or tertiary recovery operations under section 57-51.1-01, and the date of qualification for the reduced rate of oil extraction tax for secondary and tertiary recovery operations.

**SECTION 2. AMENDMENT.** Subsection 10 of section 57-51.1-01 of the North Dakota Century Code is amended and reenacted as follows:

10. "Stripper well ~~property~~" means a "~~property~~ whose well for which the average daily production of oil, during days of normal recovery operations, excluding condensate recovered in nonassociated production, ~~per well~~ did not exceed ten barrels per day for wells of a depth of six thousand feet [1828.80 meters] or less, fifteen barrels per day for wells of a depth of more than six thousand feet [1828.80 meters] but not more than ten thousand feet [3048 meters], and thirty barrels per day for wells of a depth of more than ten thousand feet [3048 meters] during ~~any preceding consecutive~~ the twelve-month period ending June thirtieth. Wells which did not actually yield or produce oil during the qualifying twelve-month period, including disposal wells, dry wells, spent wells, and shut-in wells, are not production wells for the purpose of determining whether the stripper well property exemption applies."

Page 2, remove lines 1 through 20

Page 2, line 21, replace "Section" with "Subsection 3 of section"

Page 2, remove lines 23 through 28

Page 3, line 3, after "well" insert "or horizontal well"

Page 3, line 4, replace "subject to a tax of two percent of the gross" with "exempt from any taxes imposed under this chapter for a period of thirty-six months or until the well has reached payout from the total production, whichever comes first. For purposes of this subsection, "payout" means the point in time when the value of the total production equals the costs of investment and expenses to drill, complete, and operate the well."

Page 3, remove lines 5 through 8

Page 3, line 10, remove "or rate reduction" and after "subsection" insert "for a well drilled and completed before July 1, 2008,"

Page 3, line 12, remove "or rate"

Page 3, line 13, remove "reduction"

Page 3, remove lines 16 through 31

Page 4, remove lines 1 through 31

Page 5, remove lines 1 through 31

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 30

Page 8, remove lines 1 through 4

Page 8, line 5, replace "Section" with "Subsection 1 of section"

Page 8, replace lines 7 through 30 with:

- "1. To receive, ~~from the first day of eligibility,~~ a tax exemption on production from a stripper well ~~property~~ under subsection 2 of section 57-51.1-03, the industrial commission's certification of wells that qualify for stripper well status must be submitted to the tax commissioner ~~within eighteen months after the end of the stripper well property's qualification period~~ by August fifteenth immediately preceding the exemption period for stripper wells. The exemption period for stripper wells is the twelve months beginning September first of each year. The qualification period to determine stripper well status is the twelve months ending June thirtieth immediately preceding the exemption period for stripper wells. Applications are not required to obtain stripper well status. The industrial commission shall annually determine the wells that qualify for stripper well status based on production during the qualification period."

Page 9, remove lines 1 through 17

Renumber accordingly



PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2397

Page 1, line 1, after "reenact" insert "subsection 11 of section 57-51.1-01 and"

Page 1, line 3, after "reductions" insert "; to provide for a legislative council study"

Page 1, after line 4, insert:

**"SECTION 1. AMENDMENT.** Subsection 11 of section 57-51.1-01 of the North Dakota Century Code is amended and reenacted as follows:

11. "Trigger price" means thirty-five dollars and fifty cents, as indexed for inflation. By December thirty-first of 2007, and of each year thereafter, the tax commissioner shall compute an indexed trigger price by applying to the current trigger price fifty percent of the rate of change of the producer price index for industrial commodities as calculated and published by the United States department of labor, bureau of labor statistics, for the twelve months ending June thirtieth of that year and the indexed trigger price so determined is the trigger price for the following calendar year."

Page 2, after line 11, insert:

- "4. For oil produced from new horizontal wells drilled and completed in the Bakken formation after June 30, 2007, and before July 1, 2009, and not otherwise subject to a reduced tax rate under section 57-51.1-03, the initial production is subject to a tax of two percent of the gross value at the well of the oil extracted for a period of twelve months."

Page 2, line 12, replace "4." with "5."

Page 8, line 11, after "1." insert "a."

Page 8, line 14, after the period insert "The certification or recertification of stripper well status is valid for four years from the first day of eligibility. To be recertified as a stripper well property, the industrial commission must find that the average daily production of oil, during days of normal recovery operations in the final twelve months of the certification or recertification period for stripper well status, did not exceed one hundred barrels per well<sup>1</sup> per day."

Page 8, after line 14, insert:

- "b. To receive, from the first day of eligibility, a tax exemption on production from a recertified stripper well property, the industrial commission's recertification of the property must be submitted to the tax commissioner within eighteen months after the termination of the previous certification or recertification period."

Page 9, after line 17, insert:

**"SECTION 5. LEGISLATIVE COUNCIL STUDY.** The legislative council shall consider studying, during the 2007-08 interim, the feasibility and desirability of eliminating trigger prices for qualification for oil extraction tax exemptions and rate reductions. The legislative council shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-first legislative assembly."

Renumber accordingly

VR  
3/13/07  
log2

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2397

Page 1, line 1, after "reenact" insert "subsection 11 of section 57-51.1-01 and"

Page 1, line 3, after "reductions" insert "; to provide for a legislative council study"

Page 1, after line 4, insert:

**"SECTION 1. AMENDMENT.** Subsection 11 of section 57-51.1-01 of the North Dakota Century Code is amended and reenacted as follows:

11. "Trigger price" means thirty-five dollars and fifty cents, as indexed for inflation. By December thirty-first of 2007, and of each year thereafter, the tax commissioner shall compute an indexed trigger price by applying to the current trigger price fifty percent of the rate of change of the producer price index for industrial commodities as calculated and published by the United States department of labor, bureau of labor statistics, for the twelve months ending June thirtieth of that year and the indexed trigger price so determined is the trigger price for the following calendar year."

Page 1, line 11, replace "For" with "Except as otherwise provided in subsection 3."

Page 1, line 14, remove the overstrike over "~~in the following situations:~~" and remove "that meets one of the requirements of"

Page 1, remove lines 15 through 18

Page 1, line 19, remove "3.", overstrike "after" and insert immediately thereafter "from", and after "1987" insert ", through June 30, 2008"

Page 1, line 20, overstrike "commonly referred to as new wells," overstrike "exempt", and remove "or"

Page 2, line 10, remove "or subject to a reduced tax rate"

Page 2, after line 11, insert:

- "2. For oil produced from new horizontal wells drilled and completed in the Bakken formation after December 31, 2007, and before July 1, 2009, and not otherwise subject to a reduced tax rate under section 57-51.1-03, the initial production is subject to a tax of two percent of the gross value at the well of the oil extracted for a period of twelve months."

Page 2, line 12, replace "4." with "3."

Page 2, line 15, replace "and" with an underscored comma, replace "subject to" with "drilled after June 30, 2008, in accordance with", and after the underscored comma insert "and two percent in accordance with subsection 2 for wells subject thereto."

Page 2, line 20, replace "3" with "1"

Page 3, line 1, after "well" insert "before July 1, 2008."

Page 8, line 11, after "1." insert "a."

Page 8, line 14, after the period insert "The certification or recertification of stripper well status for any well or property initially certified as a stripper well or property after June 30, 2007, is valid for four years from the first day of eligibility. To be recertified as a stripper well property, the industrial commission must find that the average daily production of oil, during days of maximum efficient rate operations in the final twelve months of the certification or recertification period for stripper well status, did not exceed one hundred barrels per well per day."

b. To receive, from the first day of eligibility, a tax exemption on production from a recertified stripper well property, the industrial commission's recertification of the property must be submitted to the tax commissioner within eighteen months after the termination of the previous certification or recertification period."

Page 8, line 17, after "well" insert "or new horizontal well"

Page 9, after line 17, insert:

**"SECTION 5. LEGISLATIVE COUNCIL STUDY.** The legislative council shall consider studying, during the 2007-08 interim, the feasibility and desirability of eliminating trigger prices for qualification for oil extraction tax exemptions and rate reductions. The legislative council shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-first legislative assembly."

Renumber accordingly

Date: 3-13-07  
Roll Call Vote #: 2397 pm

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

House Finance & Tax Committee

Check here for Conference Committee

Legislative Council Amendment  
Number

Action Taken Do Pass AS Amended and Rerefered Appropriations

Motion Made By \_\_\_\_\_ Seconded By \_\_\_\_\_

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich	✓	
Vice Chairman Drovdal	✓		Rep. Kelsh		✓
Rep. Brandenburg	✓		Rep. Pinkerton		✓
Rep. Froseth		✓	Rep. Schmidt	✓	
Rep. Grande	✓		Rep. Vig		✓
Rep. Headland	✓				
Rep. Owens	✓				
Rep. Weiler	✓				
Rep. Wrangham	✓				

Total (Yes) 10 No 4

Absent 0

Floor Assignment Rep. Froelich

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2397, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING)**. Engrossed SB 2397 was placed on the Sixth order on the calendar.

Page 1, line 1, after "reenact" insert "subsection 11 of section 57-51.1-01 and"

Page 1, line 3, after "reductions" insert "; to provide for a legislative council study"

Page 1, after line 4, insert:

**"SECTION 1. AMENDMENT.** Subsection 11 of section 57-51.1-01 of the North Dakota Century Code is amended and reenacted as follows:

11. "Trigger price" means thirty-five dollars and fifty cents, as indexed for inflation. By December thirty-first of 2007, and of each year thereafter, the tax commissioner shall compute an indexed trigger price by applying to the current trigger price fifty percent of the rate of change of the producer price index for industrial commodities as calculated and published by the United States department of labor, bureau of labor statistics, for the twelve months ending June thirtieth of that year and the indexed trigger price so determined is the trigger price for the following calendar year."

Page 1, line 11, replace "For" with "Except as otherwise provided in subsection 3,"

Page 1, line 14, remove the overstrike over "~~in the following situations:~~" and remove "that meets one of the requirements of"

Page 1, remove lines 15 through 18

Page 1, line 19, remove "3," overstrike "after" and insert immediately thereafter "from", and after "1987" insert ", through June 30, 2008"

Page 1, line 20, overstrike "commonly referred to as new wells," overstrike "exempt", and remove "or"

Page 2, line 10, remove "or subject to a reduced tax rate"

Page 2, after line 11, insert:

- "2. For oil produced from new horizontal wells drilled and completed in the Bakken formation after December 31, 2007, and before July 1, 2009, and not otherwise subject to a reduced tax rate under section 57-51.1-03, the initial production is subject to a tax of two percent of the gross value at the well of the oil extracted for a period of twelve months."

Page 2, line 12, replace "4," with "3,"

Page 2, line 15, replace "and" with an underscored comma, replace "subject to" with "drilled after June 30, 2008, in accordance with", and after the underscored comma insert "and two percent in accordance with subsection 2 for wells subject thereto,"

Page 2, line 20, replace "3" with "1"

Page 3, line 1, after "well" insert "before July 1, 2008,"

Page 8, line 11, after "1." insert "a."

Page 8, line 14, after the period insert "The certification or recertification of stripper well status for any well or property initially certified as a stripper well or property after June 30, 2007, is valid for four years from the first day of eligibility. To be recertified as a stripper well property, the industrial commission must find that the average daily production of oil, during days of maximum efficient rate operations in the final twelve months of the certification or recertification period for stripper well status, did not exceed one hundred barrels per well per day.

- b. To receive, from the first day of eligibility, a tax exemption on production from a recertified stripper well property, the industrial commission's recertification of the property must be submitted to the tax commissioner within eighteen months after the termination of the previous certification or recertification period.

Page 8, line 17, after "well" insert "or new horizontal well"

Page 9, after line 17, insert:

**"SECTION 5. LEGISLATIVE COUNCIL STUDY.** The legislative council shall consider studying, during the 2007-08 interim, the feasibility and desirability of eliminating trigger prices for qualification for oil extraction tax exemptions and rate reductions. The legislative council shall report its findings and recommendations, together with any legislation necessary to implement the recommendations, to the sixty-first legislative assembly."

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2397

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new subsection to section 57-51.1-03 of the North Dakota Century Code, relating to an oil extraction tax exemption for oil produced from new horizontal wells drilled and completed in the Bakken formation; and to provide an effective date.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1.** A new subsection to section 57-51.1-03 of the North Dakota Century Code is created and enacted as follows:

The first seventy-five thousand barrels of oil produced during the first twenty-four months after completion, from a horizontal well drilled and completed in the Bakken formation after June 30, 2007, and before January 1, 2009, is exempt from any taxes imposed under this chapter. A well eligible for exemption under this subsection is also eligible for the exemption for horizontal wells under subsection 3, if the exemption under subsection 3 is effective during all or part of the first twenty-four months after completion.

**SECTION 2. EFFECTIVE DATE.** This Act is effective July 1, 2007."

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2397

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new subsection to section 57-51.1-03 of the North Dakota Century Code, relating to an oil extraction tax rate reduction for oil produced from new horizontal wells drilled and completed in the Bakken formation; and to provide an effective date.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1.** A new subsection to section 57-51.1-03 of the North Dakota Century Code is created and enacted as follows:

The first seventy-five thousand barrels of oil produced during the first eighteen months after completion, from a horizontal well drilled and completed in the Bakken formation after June 30, 2007, and before July 1, 2008, is subject to a reduced tax rate of two percent of the gross value at the well of the oil extracted under this chapter. A well eligible for a reduced tax rate under this subsection is eligible for the exemption for horizontal wells under subsection 3, if the exemption under subsection 3 is effective during all or part of the first twenty-four months after completion.

**SECTION 2. EFFECTIVE DATE.** This Act is effective July 1, 2007."

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2397

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new subsection to section 57-51.1-03 of the North Dakota Century Code, relating to an oil extraction tax rate reduction for oil produced from new horizontal wells drilled and completed in the Bakken formation; and to provide an effective date.

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**SECTION 1.** A new subsection to section 57-51.1-03 of the North Dakota Century Code is created and enacted as follows:

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**SECTION 2. EFFECTIVE DATE.** This Act becomes effective on July 1, 2007."

Renumber accordingly

Date: 3-20-07  
 Roll Call Vote #: 2397 #1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO.

House \_\_\_\_\_ Finance & Tax \_\_\_\_\_ Committee

Check here for Conference Committee

Legislative Council Amendment  
 Number \_\_\_\_\_

Action Taken Do Pass As Amended & Referred to App.

Motion Made By Rep. Weiler Seconded By Rep. Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich		✓
Vice Chairman Drovdal	✓		Rep. Kelsh		✓
Rep. Brandenburg	✓		Rep. Pinkerton	✓	
Rep. Froseth	✓		Rep. Schmidt		✓
Rep. Grande	✓		Rep. Vig		✓
Rep. Headland	✓				
Rep. Owens	✓				
Rep. Weiler	✓				
Rep. Wrangham	✓				

Total (Yes) 10 No 4

Absent 0

Floor Assignment Rep. Froseth

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2397, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2397 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact a new subsection to section 57-51.1-03 of the North Dakota Century Code, relating to an oil extraction tax rate reduction for oil produced from new horizontal wells drilled and completed in the Bakken formation; and to provide an effective date.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1.** A new subsection to section 57-51.1-03 of the North Dakota Century Code is created and enacted as follows:

The first seventy-five thousand barrels of oil produced during the first eighteen months after completion, from a horizontal well drilled and completed in the Bakken formation after June 30, 2007, and before July 1, 2008, is subject to a reduced tax rate of two percent of the gross value at the well of the oil extracted under this chapter. A well eligible for a reduced tax rate under this subsection is eligible for the exemption for horizontal wells under subsection 3, if the exemption under subsection 3 is effective during all or part of the first twenty-four months after completion.

**SECTION 2. EFFECTIVE DATE.** This Act becomes effective on July 1, 2007."

Renumber accordingly

2007 HOUSE APPROPRIATIONS

SB 2397

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2397

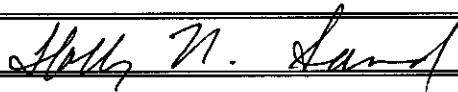
House Appropriations Committee

Check here for Conference Committee

Hearing Date: March 22, 2007

Recorder Job Number: 5488

Committee Clerk Signature



Minutes:

**Rep. Svedjan:** You should have the bill which is numbered .0400. Who is carrying this bill?

**Rep. Skarphol:** What the Finance and Tax committee finally settled on is what you have before you. What it in essence does is it creates a one year window of opportunity for an oil company to drill and complete a horizontal well between June 30, 2007, and July 1, 2008, and have a reduced tax rate of 2% versus 6.5% for either 75,000 barrels of production or 18 months of production. If the trigger mechanism that we currently have in law were to come back into play this particular holiday would no longer be in effect. The currently existing law if the trigger comes back into play is 24 months. They would have an exemption for 24 months. I guess the finance and tax committee liked the mechanism of the 75,000 barrels or 18 months because of the fact that if you drill a well it makes 1,000 barrels a day. Quite a bit of the risk is gone. They didn't think you should be eligible for 18 months for that kind of production. I agree with it. At the same time if you are unfortunate enough to drill a well that makes 75 barrels a day they thought an 18 month exemption was probably appropriate. Your committee, after some substantial discussion thought we would take a run at a do pass. Our committee was not unanimous. I would move a do pass on SB 2397.

**Rep. Carlisle:** I second that.

**Rep. Svedjan:** Is there any discussion?

**Rep. Skarphol:** I should point out that the fiscal note was \$3.1 million. The reason for the one year window was because they wanted to reduce the fiscal effect. Had there been a two year window obviously it would have been twice as high. That is the reason for the one year window. That is the fiscal effect of this if it is taken advantage of.

**Rep. Wald:** Why only the Bakken formation?

**Rep. Skarphol:** I guess the Finance and tax committee felt that was the formation that probably wanted to be most encouraged. There are other wells that are being drilled horizontally in different formations. I agree with you Rep. Wald that I thought it would be appropriate that all be included.

**Rep. Svedjan:** Any discussion?

**Rep. Gulleason:** I didn't get a chance to read the whole article but there was news this week that the production in that area was exceeding all expectations. Is that the Bakken area or is it another area that is currently in production?

**Rep. Skarphol:** The Bakken play has been initiated because it was success in MT. There is an assessment on the part of the industry that there could be conceivably as many as 8 similar pools in ND than what is in MT. In MT it took them four years and a substantial investment as much as \$50 million to find a way to produce an oil out of that pool. That could be a comparable need for each of these six or eight pools that may exist in ND. No one knows. There could be as much as \$300 million that needs to be invested in order to find what would be quantified as commercial production. There is a great deal of disappointment on the part of the industry. I have one company that I work for that drilled five Bakken wells. The best one is making 50 barrels a day the worst one is at 20 barrels a day. They cost on the average between \$7-10 million to drill and complete. They will never get their money back. There are

some wells that are doing better than that. You can go to [www.willistonbasin.com](http://www.willistonbasin.com) and see the top 10 producers in the state of ND.

**Rep. Gulleason:** I don't know a lot about the taxation and that part of the oil production. I was in on meetings this fall Their projections were very strong. They seem to have no hesitation about the fact that they were coming in there and expecting very high production levels. At the time there was no discussion about them needing additional tax cuts on behalf of the state in order to make this happen. My second question for you is ND is one of the only states that doesn't tax stripper wells or doesn't reclassify them annually. Do you know why that is the case and what is the cost of that to the state?

**Rep. Skarphol:** I cannot give you a cost. A stripper well is particularly a well that makes less than 10 barrels a day. When oil is \$60 a barrel those folks are very happy. When oil is \$8 a barrel they aren't. It is a feast or feather situation. Marathon's situation was they wanted to drill 300 wells and now they are just considering 100 wells. They have downsized their project based on what have been the preliminary results.

**Rep. Kempenich:** Marathon figured \$3 million a well when they made their projections last far. As inflation has gone up, they have scaled way back on what their projections are.

**Rep. Kerzmann:** They have taken some of these stripper wells and turned them into pretty good producers by putting injection wells inside of them and forcing down air and water to our area. How does this relate to those wells? If you have an existing well that isn't producing very well and you put it injection wells inside of that?

**Rep. Skarphol:** They aren't covered and there are provisions in the law for what is called secondary recovery. That is to do exactly what you are saying, use gas or water. I live in that area where they are doing this. They do go back in and go horizontal on some old vertical wells. They might bring it up from a 10 barrel to a 35 barrel well. It is still far from over. Once in

awhile they will hit a well where they can get 200 barrels a day out of it. Most of those stripper wells have had pressure that is dropped. A lot of them are owned by independent producers. The big companies usually don't monkey around with them.

**Rep. Wald:** I talked to those folks in Dickinson because I opened a regional office. They are very disappointed with this. Have they known what they know today they probably wouldn't have opened that regional office in Dickinson and moved quite a few people there. The expectations have not been met. They scaled that from 300 to 100. The other thing you need to remember is that this is an incentive for new productions. This has nothing to do with stripper wells.

**Rep. Gulleason:** I'm not sure why ND is the only state that doesn't address them in the tax code at all. This doesn't really apply. My only other thing is that I know the geological survey regarding that Bakken play has not been completed. In my understanding, that is part of the reason why Marathon has backed off. They are just waiting because of the death of the primary off of that. All of that got set aside.

**Rep. Nelson:** There are few companies that are having some success. The best well in the state right now is 22,000 barrels in 31 days. That is 715 barrels a day. The second best is 399 in 20 days. What you have in an event of a situation where you go back into an old depleted reservoir or stripper reservoir. You do a bunch of work and spend a bunch of money. You bring production up. Say the well made 10 barrels a day. You bring it up to 60 barrels a day. The decline rate is extremely high in those situations because you are working with a depleted reservoir. The 60 barrels is there right off the bat. Within a year it is down. I have a well I completed in February a year ago. It started out flowing 350 barrels a day. Today it is making 40. It is a horizontal well in a Radcliffe formation. You don't even get a years worth of flex production in some cases.

**Rep. Aarsvold:** This is probably not directly related to the tax issue here at hand. I have often wondered why we are in such a terrific hurry to encourage early production. It seems to me that we have a long future here in the petroleum business in ND. I cannot imagine the scenario where petroleum will come less valuable over the course of history.

**Rep. Skarphol:** I don't disagree with you but I think there is some pressure on the part of the citizens of this country to try to increase domestic production so we don't have to import so much oil.

**Rep. Svedjan:** Wouldn't there also be some logic to do it when the price of oil is up?

**Rep. Kempenich:** The problem with this is you look at horizontal wells. ND dropped off considerably 20 years ago. When horizontal technology came in, it took awhile to establish that educational process and how that works. About 10-12 years ago they started out with it and made it work real well. They have got it down to a science. This, like in the Bakken formation, is an educational process. Each well they dig they are gaining knowledge on what to do so they are getting some production out of it. There is a learning curve in this. The other reason to keep doing this is new technology. The only way they can do it is to experiment with that. They are trying to experiment as they are making money in the same process. There is a learning curve in this business. Each well is different. There is a learning curve in this.

**Rep. Nelson:** It seems to me that this is responsible. If we are going to be all encompassing in this legislative session. We have addressed some needs in other areas of energy. There is no question that this is a very expensive formation to work with. We don't know what the results are going to be. I have absolutely no problem voting for this bill. I think this makes a lot of sense for ND's future. It should help to utilize and develop that field.

**Rep. Gulleason:** Does anyone know what the price per barrel that was used for the fiscal note?

**Rep. Skarphol:** It was built around a \$40 price. However, it was also based on a 24 month exemption as opposed to an 18. We are guessing that it would be relatively break even so that the fiscal note should be relatively close.

**Rep. Svedjan:** Is there any more discussion? Hearing none we will take a roll call vote on a do pass motion for SB 2397. the motion passes 16-7-1. Rep. Froseth will carry the bill.

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2397

House Appropriations Committee  
Government Operations Division

Check here for Conference Committee

Hearing Date: 3/22/07

Recorder Job Number: 5497

Committee Clerk Signature

*Kanya A. Voegelé*

Minutes:

Chairman Carlson opened the hearing on Senate Bill 2397.

Representative Drovdal explained the bill.

Discussion occurred regarding the 2% gross value. (bad audio)

**Representative Skarphol:** I realize the Bakken Formation is the one that is most talked about.

Is there any reason why we wouldn't encourage companies to start horizontal drilling in other formations?

**Representative Drovdal:** I think that would be a great idea but I would have to answer to the committee.

**Representative Kroeber:** Could you determine how much a barrel?

**Representative Drovdal:** It is based on a barrel price of \$40.00 per barrel.

Representative Delzer spoke in support of the bill.

Representative Belter spoke in support of the bill.

**A motion was made by Representative Kempenich, seconded by Vice Chairman Carlisle for a DO PASS recommendation to the Full Committee. The committee vote was 5 Yeas, 3 Nays and 0 Absent and Not Voting.**



Date: 3/22/07  
 Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2397

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken No Pass

Motion Made By Skarphol Seconded By Carlisle

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Representative Wald	✓		Representative Aarsvold		✓
Representative Monson	✓		Representative Gullekson		✓
Representative Hawken	✓				
Representative Klein	✓				
Representative Martinson	✓				
Representative Carlson		✓	Representative Glassheim	✓	
Representative Carlisle	✓		Representative Kroeber		✓
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson		✓			
Representative Pollert	✓		Representative Ekstrom		✓
Representative Bellew		✓	Representative Kerzman	✓	
Representative Kreidt	✓		Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland	✓				

Total (Yes) 16 No 7

Absent 1

Floor Assignment Rep. Inoueth

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
March 26, 2007 6:13 p.m.

Module No: HR-54-6279  
Carrier: Froseth  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

SB 2397, as engrossed and amended: Appropriations Committee (Rep. Svedjan, Chairman) recommends **DO PASS** (16 YEAS, 7 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2397, as amended, was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

SB 2397



Ron Ness  
President  
Marsha Reimnitz  
Office Manager

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Phone: 701-223-6380 • Fax: 701-222-0006 • Email: ndpc@ndoil.org

**Senate Bill 2397**  
**Senate Finance & Taxation Committee**  
**January 31, 2007**

Chairman Urlacher and Members of the Committee, my name is Ron Ness. I am President of the North Dakota Petroleum Council. The North Dakota Petroleum Council represents 130 companies involved in all aspects of the oil and gas industry including oil and gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oil field service activities in North Dakota, South Dakota, and the Rocky Mountain Region. Petroleum Council members produced 80% of the nearly 36 million barrels of oil produced in North Dakota in 2006. I appear before you today in <sup>Support</sup> ~~opinion~~ to Senate Bill 2397.

**OIL INDUSTRY FACTS:**

- North Dakota ranks 9th among the nation's oil producing states
- North Dakota produces 113,000 barrels of oil per day
- There are currently 42 rigs drilling new wells
- Industry produced 36 million barrels of oil last year
- Currently, there are more than 3,600 producing oil wells in the state
- Average production per well is about 30 barrels per day
- 160 oil companies own and operate wells in North Dakota
- Industry has added an estimated 2,500 jobs in the past 30 months

**OIL AND GAS INDUSTRY TAX REVENUES:**

- \$152 million in 2005 in oil and gas production taxes
- A 63% increase in oil tax revenues from 2004
- 3rd largest source of revenue to the general fund behind sales and income taxes
- \$102 million to Permanent Oil Tax Trust Fund through December 31, 2006
- \$167 million in oil tax collection in fiscal year 2006

**What can be done to help sustain this incredible economic growth and help expand our state's oil production to 150,000 or 200,000 barrels of oil per day?**

High oil prices have made it possible for the oil industry to invest in new horizontal technology which makes developing a resource like the Bakken, and other previously uneconomic plays in the Red River, Madison, and Birdbear, possible. New technology and positive economics will continue to be important; however, other solutions, like having a trained workforce, are critical, along with a fair tax and regulatory climate in the state, and an expanded infrastructure to transport and refine our oil and gas resources. Oil industry investment is always driven by price and economics. North Dakota competes with the rest of the nation and the world to attract investment. In the last several years, the state's oil patch has become a hotbed in the United States for interest and investment and our economy is certainly seeing the benefits.

Despite the increased activity in this biennium, North Dakota's oil tax structure presents challenges for both the industry and the state. At low oil prices, with a broad range of incentives available to reduce the oil extraction tax, we have a fair tax structure which provides real incentives for investment in North Dakota, thanks to the incentives the legislature has implemented over the past 25 years to minimize the negative impacts of Measure #6 which raised the oil production taxes by 130%. At higher oil prices, the incentives trigger off and the tax rate becomes punitive. The state actually collects too much revenue which makes it difficult to stabilize revenues and plan expenditures. The present total oil tax rate of 11.5% on new wells is the third highest tax rate in the nation. Wyoming's rate of 12.7% is higher, but much of their production is on federal lands and subject to the federal tax rate. That leaves Louisiana as the only state with a higher tax rate on new wells. Despite all the positives bringing industry into the state over the last biennium, this onerous overall tax rate acts as a disincentive to investment.

Four years ago the legislature tackled the issue of North Dakota's high corporate tax rate and delivered legislation which lowered the actual rate to the effective rate in order to attract corporate investment into the state. That appears to have been effective. I believe our state's oil tax structure needs a similar fix. SB 2397 steps down that state's top tax rate on new wells over two years. This is a simple effort to, over time, create a more attractive investment climate.

Our membership discussed and evaluated a broad range of tax options including raising the trigger to reflect increased drilling costs and differential, and implementing a flat tax to simplify the tax structure. There are positives and negatives to each of these approaches. We are also aware that other members of our industry are proposing a two-year exemption from the oil extraction tax and a 4% tax rate thereafter for Bakken horizontal wells. We recognize that politics, economic reality, and timing are important aspects of addressing this issue.

The time to act on the oil tax structure never seems right. The state either needs money or, in this case, has too much and everyone has spending plans. We have been tinkering with this broken tax structure since the early 1980s. SB 2397 does not solve all of the problems. It does take a major step in lowering the top rate on new wells to a less onerous rate, more in line with other states, while still assuring that the impact to the state's tax revenues is minimized. We know the economic impact the oil industry has on our economy. It's time that we find a way to lower the top tax rate on new wells and provide a more attractive business climate to continue to attract oil and gas investment and reap the rewards of a robust industry.

We urge a Do Pass on SB 2397. I would be happy to answer any questions.

**TESTIMONY ON SENATE BILL 2397**

**Senate Finance and Taxation Committee**

**Dale L. Frink  
North Dakota State Engineer, and  
Chief Engineer-Secretary to the  
North Dakota State Water Commission**

**January 31, 2007**

Mr. Chairman and members of the Senate Finance and Taxation Committee, I am Dale Frink, North Dakota State Engineer, and Chief Engineer-Secretary to the North Dakota State Water Commission.

I am appearing before you today in opposition to Senate Bill 2397.

Senate Bill 2397 reduces the oil extraction tax on oil produced after January 1, 2008. I have not seen a fiscal note on the impact to the Resources Trust Fund, but 20 percent of certain oil extraction taxes are deposited in the Resources Trust Fund that are used to fund statewide water projects.

The executive budget allocated all of the funds in the Resources Trust Fund to water projects. A partial list of those projects include the Southwest Pipeline, Northwest Area Water Supply (NAWS), Red River Valley Water Supply, Devils Lake Water Supply, Fargo Flood Control, and funds for municipal, rural and industrial water supply projects. Many of these projects are looking for more funds either in the 2007-2009 biennium or in the 2009-2011 biennium. Diverting revenues away from the Resources Trust Fund would only expand the problem of funding needs for water projects.

SB 2397-A

2-28-07

#1



**Ron Ness**  
President  
**Marsha Reimnitz**  
Office Manager

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Phone: 701-223-6380 • Fax: 701-222-0006 • Email: ndpc@ndoil.org



**Senate Bill 2397**  
**House Finance and Taxation Committee**  
**February 28, 2007**

Chairman Belter and Members of the Committee, my name is Ron Ness. I am President of the North Dakota Petroleum Council. The North Dakota Petroleum Council represents 130 companies involved in all aspects of the oil and gas industry including oil and gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oil field service activities in North Dakota, South Dakota, and the Rocky Mountain Region. Petroleum Council members produced 80% of the nearly 36 million barrels of oil produced in North Dakota in 2006. I appear before you today in support of engrossed Senate Bill 2397.

**OIL INDUSTRY FACTS:**

- North Dakota ranks 9th among the nation's oil producing states
- North Dakota produces more than 114,000 barrels of oil per day
- There are currently 37 rigs drilling new wells
- Industry produced 36 million barrels of oil last year
- Currently, there are more than 3,600 producing oil wells in the state
- Average production per well is about 30 barrels per day
- 160 oil companies own and operate wells in North Dakota
- Industry has added an estimated 2,500 jobs in the past 30 months
- A recent study indicates the industry needs to hire more than 3,000 new employees each of the next four years

**OIL AND GAS INDUSTRY TAX REVENUES:**

- \$180.5 million in 2006 in oil and gas production taxes, a 19% increase in from 2005
- \$112 million to Permanent Oil Tax Trust Fund through January 31, 2007
- \$7.3 million from Mineral Leasing Fees to the General fund through January 31, 2007
- 4th largest source of revenue to the general fund behind sales, individual, and corporate income taxes

**What can be done to help sustain this incredible economic growth and expand our state's oil production to 150,000 or 200,000 barrels of oil per day and tax collections to more than \$400 million per biennium?**

The present oil tax structure seems broken for both the oil industry and the state. SB 2397 is not a big tax break for the oil industry. It's a long-term shift in tax policy. Implementing a flat oil tax rate might be the best approach to fix the oil tax structure; however, that is too big of a shift in policy in one step. The Senate Finance and Tax Committee amendments to SB 2397 attempt to address this long-term problem by flattening the oil tax structure, which will provide a more stable revenue stream over time for the state and a more predictable investment climate for industry. As amended, this bill raises the oil tax rate during low oil prices on new wells from 5% to 7% starting June 30, 2008 and lowers the top rate on new wells after June 30, 2008, from 11.5% to 9%. The fiscal note indicates that, as a result of this bill, the state may lose about \$3 million in the next biennium if oil prices stay high. However, if oil prices drop below the oil tax trigger price, the state would collect an additional \$3 million.

At high oil prices, the state collects generous amounts of oil tax revenues, but we have the third highest oil tax rate in the nation, which discourages new investment. At low oil prices, the state has a very fair tax structure for industry due to all the incentives the legislature has implemented over the past 25 years to minimize the negative impacts of Measure #6, which raised the oil production taxes by 130%. However, at lower oil prices, the state's oil tax revenues lag. This makes budgeting for the state very difficult with more than \$600 million in oil tax revenues in this and the next biennium and an oil price climate that cannot be predicted. The oil tax rate swing of 5% to 11.5% also makes it difficult for oil companies to plan and budget.

Four years ago the legislature tackled the issue of North Dakota's high corporate tax rate and delivered legislation which lowered the actual rate to the effective rate in order to attract corporate

investment into the state. That appears to have worked well. I believe our state's oil tax structure needs a similar fix.

The time to act on the oil tax structure never seems right. The state either needs money or, in this case, has a surplus and many spending plans. We have been tinkering with this broken tax structure since the early 1980s. This bill is a step in the right direction. The industry agrees to pay more at lower prices to lower the top rate at higher prices.

In the 1998/1999 biennium, the state did not collect enough oil tax revenue to meet the \$61 million general fund obligation. If in place then, engrossed SB 2397 would have had a higher tax rate on new wells at lower prices and would have raised more revenue for the state at a time when it really needed it. Under SB 2397, the state gives up a little tax revenue at the top end of the tax rate in times of high oil tax collections, like now, but gets it back at times like the late 1990s. This bill makes sense. Our membership has discussed many options on how to tackle this long-term tax problem. We know the economic impact the oil industry has on our economy and we feel this bill is a balanced approach and provides a more stable tax climate. It's time that we find a way to lower the top tax rate on new wells and provide a more attractive business climate to continue to attract oil and gas investment and reap the rewards of a robust industry. I am confident that this step will be valuable for both the state and industry and that a 7% to 9% total tax rate is fair and reasonable for both parties.

The proposed amendments provide a few clarifications to the mechanics of SB 2397 with the major change being a 12-month tax break for new Bakken wells beginning July 1, 2007. The Petroleum Council believes the Bakken Formation has tremendous potential and, if successful, could provide nearly a decade of significant economic growth and huge oil tax revenues. However, current challenges facing the Bakken warrant an incentive to keep attracting investment to figure out the completion techniques in order to make the Bakken Formation successful in North Dakota. As Senator Dorgan said in his comments to the House last week, "We don't know what the Bakken Formation is going to mean to our

state, but if it holds anywhere near the potential discussed, it will be a very, very big part of our energy future.”

Why adopt the amendments?

- The time to act on the Bakken is now. There are 20 rigs in Montana that will be available if the Bakken Play takes off.
- The ND Bakken holds great potential for our state. Success thus far has been sporadic. Bakken wells require expensive new technology to develop the well completion techniques to get the oil out of the rock. Bakken wells are costing from \$4 - \$6.5 million per well.
- The current 11.5% oil tax rate discourages investment. This tax is applied to gross revenues regardless of economics. In addition, the industry pays sales and corporate income taxes.
- The oil industry will spend hundreds of millions of dollars in the next few years to develop the techniques to produce Bakken oil. The amendments ask the state to take a ½ percent risk on its potential oil tax revenues to help encourage investment and expand our state’s oil production and maintain the large tax collections.
- Bakken oil production, if successful, could provide years of oil development and high paying jobs as well as huge oil tax revenues and continued budget surpluses for the state.
- North Dakota oil was discounted \$10.50 per barrel in 2006, costing the state more than \$19 million in lost oil tax revenues and costing the industry and royalty owners nearly \$250 million.
- The discount discourages new investment. However, if enough new oil production is developed and sustained, additional pipeline infrastructure will likely occur to support the long-term development and the discount should be reduced which will benefit the state and oil industry.

We urge a Do Pass on SB 2367. Thank you for your consideration. I would be happy to answer any questions.



Ron Ness  
President  
Marsha Reimnitz  
Office Manager

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**Senate Bill 2397**  
**Senate Appropriations Committee**  
**February 13, 2007**

Mr. Chairman and Members of the Committee, my name is Ron Ness. I am President of the North Dakota Petroleum Council. The North Dakota Petroleum Council represents 130 companies involved in all aspects of the oil and gas industry including oil and gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oil field service activities in North Dakota, South Dakota, and the Rocky Mountain Region. Petroleum Council members produced 80% of the nearly 36 million barrels of oil produced in North Dakota in 2006. I appear before you today in support of Senate Bill 2397.

**OIL INDUSTRY FACTS:**

- North Dakota ranks 9th among the nation's oil producing states
- North Dakota produces 113,000 barrels of oil per day
- There are currently 37 rigs drilling new wells
- Industry produced 36 million barrels of oil last year
- Currently, there are more than 3,600 producing oil wells in the state
- Average production per well is about 30 barrels per day
- 160 oil companies own and operate wells in North Dakota
- Industry has added an estimated 2,500 jobs in the past 30 months
- A recent study indicates the oil industry needs to hire 3,000 new employees each of the next four years.

**OIL AND GAS INDUSTRY TAX REVENUES:**

- \$152 million in 2005 in oil and gas production taxes
- A 63% increase in oil tax revenues from 2004
- 3rd largest source of revenue to the general fund behind sales and income taxes
- \$102 million to Permanent Oil Tax Trust Fund through December 31, 2006
- \$167 million in oil tax collection in fiscal year 2006

The present oil tax structure seems broken for both the oil industry and the state. SB 2397 is not a big tax break for the oil industry, it's a long-term shift in tax policy. Implementing a flat oil tax rate might be the best approach to fix the oil tax structure. However, that is too big of a shift in policy in one step. The Senate Finance and Tax Committee amendments to SB 2397 attempt to address this long-term problem by flattening the oil tax structure, which will provide a more stable revenue stream over time for the state and a more predictable investment climate for industry. As amended, this bill raises the oil tax rate during low oil prices on new wells from 5% to 7% starting June 30, 2008 and lowers the top rate on new wells after June 30, 2008, from 11.5% to 9%. The fiscal note indicates that, as a result of this bill, the state may lose about \$3 million in the next biennium if oil prices stay high. However, if oil prices drop below the oil tax trigger price, the state would collect an additional \$3 million.

At high oil prices, the state collects generous amounts of oil tax revenues, but we have the third highest oil tax rate in the nation, which discourages new investment. At low oil prices, the state has a very fair tax structure for industry due to all the incentives the legislature has implemented over the past 25 years to minimize the negative impacts of Measure #6, which raised the oil production taxes by 130%. However, at lower oil prices the state's oil tax revenues lag. This makes budgeting for the state very difficult with more than \$600 million in oil tax revenues in this and the next biennium and an oil price climate that cannot be predicted. The oil tax rate swing of 5% to 11.5% also makes it difficult for oil companies to plan and budget.

Four years ago the legislature tackled the issue of North Dakota's high corporate tax rate and delivered legislation which lowered the actual rate to the effective rate in order to attract corporate investment into the state. That appears to have worked well. I believe our state's oil tax structure needs a similar fix.

The time to act on the oil tax structure never seems right. The state either needs money or, in this case, has a surplus and many spending plans. We have been tinkering with this broken tax structure since the early 1980s. This bill is a step in the right direction. The industry agrees to pay more at lower prices to lower the top rate at higher prices.

In the 1998/1999 biennium, the state did not collect enough oil tax revenue to meet the \$61 million general fund obligation. At that time, SB 2397, as amended, would have raised the tax rate at lower prices and would have raised more revenue for the state at a time when it really needed it. SB 2397 gives up a little of the top end of the tax rate in times of high oil tax collections, like now, but gets it back at times like the late 1990s. This bill makes sense. Our membership has discussed many options on how to tackle this long-term tax problem. We know the economic impact the oil industry has on our economy and we feel this bill is a balanced approach and provides a more stable tax climate. It's time that we find a way to lower the top tax rate on new wells and provide a more attractive business climate to continue to attract oil and gas investment and reap the rewards of a robust industry. I am confident that this step will be valuable for both the state and industry and that a 7% to 9% total tax rate is fair and reasonable for both parties.

We urge a Do Pass on SB 2367. Thank you for your consideration. I would be happy to answer any questions.

2-28-07 pm  
# 2 SB 2397-A

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2397

Page 1, line 11, replace "For" with "Except as otherwise provided in subsection 3,"

Page 1, line 14, remove the overstrike over "~~in the following situations:~~" and delete "that meets one of the requirements of":

Page 1, remove all of lines 15 through 18

Page 1, line 19, remove "3."; overstrike "after" and then insert "between"; and after "1987" insert "and June 30, 2008"

Page 1, line 20, overstrike "commonly referred to as new wells," and "exempt" and remove "or"

Page 2, line 10, remove "or subject to a reduced tax rate"

Page 2, after line 11, insert

- "2. For oil produced from wells drilled and completed after June 30, 2008, and not otherwise subject to a reduced tax rate under section 57-51.1-03, the rate of tax is four percent of the gross value at the well of the oil extracted.
3. For oil produced from new horizontal wells drilled and completed in the Bakken formation after June 30, 2007 and before July 1, 2008, and not otherwise subject to a reduced tax rate under section 57-51.1-03, the initial production is subject to a tax of two percent of the gross value at the well of the oil extracted for a period of twelve months. Thereafter, except as otherwise provided in Section 57-51.1-03, oil produced from such wells is subject to a tax of four percent of the gross value at the well of the oil extracted."

Page 2, line 15, replace "and" with a comma; replace "subject to" with "drilled after June 30, 2008 in accordance with" after the word "wells"; and insert after the comma "and two percent or four percent in accordance with subsection 3 for wells subject thereto,"

Page 2, line 20, replace "3" with "1"

Page 3, line 1, after "well" insert "before July 1, 2008"

Page 8, line 17, after "well" insert "or new horizontal well"

Renumber accordingly.

#3 SB 2397-A  
2-28-07 pm

**SENATE BILL 2397  
OIL TAX CHANGE**

NYMEX		Above The Trigger Price		
Price	<u>Current Legislation</u>			
	Well Type	Production Tax	Extraction Tax	Total Tax
	New Horizontal Wells	5% Production	No Holiday-6.5% Extraction =	11.5%
	New Vertical Wells	5% Production	No Holiday-6.5% Extraction =	11.5%
80.00	Re-entry Horizontal	5% Production	No Holiday-6.5% Extraction =	11.5%
70.00	<u>Law SB 2397 Proposed</u>			
60.00	New Horizontal Wells	5% Production	No Holiday-4% Extraction =	9%
	New Vertical Wells	5% Production	No Holiday-4% Extraction =	9%
50.00	Re-entry Horizontal	5% Production	No Holiday-4% Extraction =	9%
45.36	<u>Trigger Price Current! (The trigger floats with the costs of drilling)</u>			

40.00		Below The Trigger Price		
<u>Current Legislation</u>				
	Well Type	Production Tax	Extraction Tax	Total Tax
30.00	New Horizontal Wells	5% Production	24 mo. Holiday-0% Extraction	5%
20.00	New Vertical Wells	5% Production	15 mo. Holiday-0% Extraction	5%
	Re-entry Horizontal	5% Production	9 mo. Holiday-0% Extraction	5%

Law SB 2397 Proposed

	New Horizontal Wells	5% Production	24 mo. Holiday-2% Extraction	7%
	New Vertical Wells	5% Production	15 mo. Holiday-2% Extraction	7%
	Re-entry Horizontal	5% Production	9 mo. Holiday-2% Extraction	7%

Off Holiday Current and Proposed Legislation

	New Horizontal Wells	5% Production	No Holiday - 4% Extraction	9%
	New Vertical Wells	5% Production	No Holiday - 4% Extraction	9%
	Re-entry Horizontal	5% Production	No Holiday - 4% Extraction	9%

**Points**

1. The proposed legislation would not go into effect until July 1, 2008 and would be on new well drilled after that date. Does not change the tax on wells drilled before July 1, 2008.
2. The average price of North Dakota crude lags in price the NYMEX from \$8 to \$10.

2-28-07 pm

#4

2397-A



Finance and Tax Committee  
North Dakota House of Representatives  
February 28, 2007

SB 2397

Chairman Belter and Members of the Finance and Tax Committee, my name is Leo Miller appearing on behalf of Headington Oil Company to express our strong support for SB 2397 and for amendments to encourage Bakken exploration.

Headington was the second oil company to begin development in the Bakken in Richland County Montana, and is the second largest producer in that county. Nine years ago we purchased property in Richland County that produced 1300 BPD. Today, after spending years refining our Bakken exploration technology and techniques we have grown our production, largely from the Bakken to over 13,000 BPD (a tenfold increase). Montana has a tax exemption of 18 months without any tax on horizontal wells—which was an important part of our success and the tax revenues that were produced as a result.

No one likes to pay taxes, but we know they are necessary to provide the necessary costs of government. But, today our tax system in North Dakota needs an adjustment and we need some incentives to keep oil companies like Headington to continue to stay in ND and develop the Bakken here. The incentives that were in SB 2361 that provided 24 months of tax reduction for new wells was a step in the right direction. Amendments to SB 2397 to provide 18 months exemption would be acceptable and would still help companies stay in North Dakota to develop the Bakken formation that holds so much promise, but so far has confounded most of the producers in North Dakota. We understand that SB 2397---the bill before you---will have amendments offered to provide Bakken incentives. We would like to see the amendments include at least an 18 month exemption, which could expire after four years to see how things have progressed in the "oil patch".

In 2006 we experienced price differentials as high as \$31 which caused us great concern for the "Bakken" play. Well costs remain high, and range from \$2-6 million per well. Our company is now acquiring rights of way to build a gas plant near Tioga to handle the gas that is being produced, which has been flared previously. The new plant should improve the economics of area wells. These are all challenges in the Bakken. A tax incentive is necessary to keep the companies, here and to keep the jobs and wages and new production that we can produce with a little help from the State of North Dakota.

We need to do this to help the North Dakota economy, which will recover many times the \$4-5 million that an 18 month exemption period would produce. This would be a good step for our state and our nation, and increases our energy security and becomes part of our national energy program.



SB 2397 A

228-07 pm



My name is Harold Hamm and I am the Chief Executive Officer of Continental Resources, Inc. Chairman Belter and the other Committee members, thank you for allowing independent producers, such as myself, to provide input regarding this important bill.

I am in support of Senate Bill 2397. Further, I respectfully encourage you to amend to the bill providing for incentives to encourage further exploration for the Bakken formation in North Dakota, which I believe are very necessary.

I drilled my first two North Dakota horizontal Bakken wells in 2004. Both wells were uneconomic, as has been the case for most North Dakota horizontal Bakken wells drilled to date. Today I have two operated rigs and ½ interest in two non-operated rigs drilling in North Dakota for the Bakken Field.

Like other independents, I hope to be able to duplicate in North Dakota the success achieved in the Richland County, Montana Bakken area where I have drilled about 80 horizontal wells. In Richland County, it took the industry three to four years to figure out the drilling and completion techniques that would result in consistent, economic wells. The North Dakota Bakken play is experiencing a similar learning curve right now and we are hopeful for positive economic results soon. I am sure that all of you know that by every technical definition the Bakken Shale is an unconventional play – basically Tombstone rock, that we are able to extract oil from. It takes tough technology, and a lot of it, to accomplish this.

In Montana, the complete exemption from production tax for horizontal wells for 18 months provided industry assistance during the period when production results were uneconomic. The payback for Montana was significant. Five years ago Montana produced one-half as much oil as North Dakota. Today, both states produce about 100,000 barrels per day with the Richland County Bakken Field alone producing 50,000 barrels per day.

Most wells in the Richland County Bakken Field have produced longer than 18 months and are paying the 9% production tax rate. As a result of the new discovery of the Richland County Bakken Field, Montana will realize a

doubling of its production tax revenues, collecting over \$80 million annually from the Richland County wells.

The potential for North Dakota is even greater. In geographical size, the prospective area for Bakken in North Dakota is fifteen times that of Richland County.

A further example of the positive impact of a targeted tax incentive is the horizontal well tax exemption passed in Oklahoma just last year. In Oklahoma, new horizontal wells have a production tax rate of 1% for 48 months, after which the rate increases to 7%. Since the July 2006 effective date of that legislation, the number of new horizontal wells being drilled in the state has increased and there are 27 rigs drilling horizontal wells in the Woodford Shale play in Oklahoma alone; an area one-fifth the size of the prospective North Dakota Bakken play. The Woodford Shale, like the Bakken, is also an unconventional play.

The industry is investing about \$1 billion annually in the North Dakota Bakken play. With the proposed bill, the activity level will increase and provide the opportunity for the industry to discover how to unlock the vast potential of this play.

Without the tax incentive, I fear that more companies will leave the area, as have several of late, and the potential will not be realized. Today, the challenges are even greater than two to three years ago in Richland County – drilling costs have doubled, oil prices are lower, and the NYMEX oil price differential is wider.

Passage of this bill with a tax incentive component would send a pro-business message to industry at this critical time in the Bakken Field development to encourage industry to invest the capital to unlock the significant potential here in North Dakota.

Thank you again for allowing me to provide input in support of this bill.

#7

# Northern Alliance of INDEPENDENT PRODUCERS

PO Box 2422 • Bismarck, North Dakota 58502-2422 • Phone 701-224-5037 • Fax 701-224-5038 • email NProducers@aol.com

Finance and Tax Committee  
North Dakota House of Representatives  
February 28, 2007

## SB 2397 (Oil Taxes/Bakken Incentives)

Mr. Chairman and members of the committee, my name is Robert Harms. I am president of the Northern Alliance of Independent Producers, which is an oil and gas trade association of independent oil producers operating in the Williston Basin. Today, the Alliance represents over 40 companies operating in the Williston Basin and who are responsible for 45% of the wells drilled in 2006. At an average cost of \$4 million per well that represents a capital outlay of \$900 million annually.

**We strongly support SB 2397, and urge that you incorporate a Bakken tax incentive component into the bill.** The following are some of the companies that support the bill:

Encore Acquisition Partners, Armstrong Corporation, Cordillera, EOG, Headington, Copperhead Corporation, Powers Energy, Diamond Resources, Marathon, Missouri River Royalty, Missouri Basin Well Service, Murex, Northern Energy, Pearce & Durick, Ward-Williston, and Wyoming Casing---many located here in North Dakota.

I would like to talk to you about 4 things this morning:

1. The significance of the oil industry to our state and our national scene.
2. One aspect of SB 2397 that should not be overlooked.

*The voice of independent oil and gas producers in northern states*

**NAIP** 

3. The Bakken formation and reasons a Bakken amendment is necessary.
4. And to address some concerns that might be considered regarding the bill.

As you know oil revenues and the industry are important to our economy. The production taxes alone are projected to be \$238 million in the coming biennium. This does not include corporate income tax, personal income taxes, sales taxes, or State royalty and lease bonus income, the new jobs and other sources of revenue generated by the oil and gas industry. In fact nearly half of our current ending fund balance is a result of oil revenues. I'd like to offer you some specific numbers to measure the real impact of the industry to help provide some context in which to evaluate SB 2397.

For 2005-2007 North Dakota receive the following (as per most recent projections)

- \$263 million (general fund tax collections)
- \$ 10 million (estimate personal income tax on royalties, not included above).
- \$ 15 million (federal royalty income)
- \$ 79 million State Land Department oil revenues (not general fund)

For 2007-2009 North Dakota is projected to receive the following oil revenues:

- \$271 million (general fund tax collections)
- \$ 12 million (estimate personal income tax on royalties, not included above).
- \$ 13 million (federal royalty income)
- \$ 50 million (State Land Department estimate; March 06 estimated \$28 million).

**Legislative Council estimates \$422 million oil extraction and production taxes for 2007-09 which is attached.**

The OIL INDUSTRY is the third largest revenue source for the general fund, only behind sale and income taxes. And we use or plan to use the oil revenue for a host of things:

-property tax relief, providing a Highway Stabilization fund, Common Schools Trust Fund, city and county government, (Foundation Aid Program), water projects through the Resources Trust Fund, renewable energy projects and college tuition programs to name a few.

Meanwhile, the industry has added thousands of jobs in the last few years, with average salaries of \$40-50,000 annually. Our point is simply that the oil industry is vital to our economic well being and we should strive to keep the industry vibrant and thriving. And NO industry other than oil pays 11.5% of its gross revenues to the state whether it makes a profit or not. So, we are here asking you to remove a key disincentive for future investment, through SB 2397 and amendments.

I want to set the stage for just a moment about North Dakota's role regarding our national energy situation:

- US imports 60% of our oil; 97% of which is used for transportation.
- 1/3 of our annual trade deficit of \$776 BILLION is imported oil.
- "Oil is the life blood of our economy" (General (Ret) Chuck Wald, *National Commission on Energy Security, January, 2007. Market Place, Fargo ND.*)
- "America's dependence on oil is a threat to national security and prosperity" (Wald)
- "reduce vulnerability by decreasing demand and increasing supply" (Wald)

*“North Dakota is blessed with energy leadership, abundant natural resources.....is at the center of the national energy debate, and is the sixth largest energy producing state in the US. North Dakota decision-makers, entrepreneurs, educators and citizens can make a significant contribution to the national energy security challenge”. (Wald)*

Increasing AMERICAN oil and gas holds a key place to securing our nation's energy future. Passing SB 2397 helps to produce more American energy and create more jobs for North Dakota citizens.

Talk briefly about SB 2397 and the benefit to North Dakota:

In addition to the economic advantage the bill provides (by lowering our TOP tax rate) one key issue, to keep in mind is the raising of the lowest tax rate. This should not be understated or overlooked. (Legislative Council estimates \$205 million in extraction taxes based upon the 6.5% extraction tax). If trigger prices are hit in this biennium, the lowest rate will be 7%----not 5% under existing triggers.

Now let's turn to the Bakken formation and the need for incentive amendments.

The Bakken formation—an unconventional resource (oil from rocks) lies under 9 northwestern North Dakota counties representing 7200 square miles and nearly 5 million acres. The U.S. Geological Survey was in North Dakota in November, 2006 and announced it is conducting a study that will assess what part of the resource is “technically recoverable” which will be completed in March, 2008. (Some in USGS

have estimated as much as 500 BILLION bbls are present). The "Bakken formation" represents a potentially huge resource for the State. It's one of those areas where the Governor stressed in the State of the State that can help North Dakota to meet and to exceed the national average income. But, today, the Bakken represents 6% of our current production, yet half the drilling rigs in the state are exploring in the Bakken.

The Bakken play needs some help, which is why we are urging amendments to provide tax holiday for new Bakken wells. The reasons for the amendments are: current economics; sustainability of the Bakken play and price differentials.

Economics: At present our records show that only 15% of the wells drilled in the Bakken are economic, meaning they will not reach pay out much less a profit for the company. (That may seem odd in view of \$50-60 oil prices, but these wells are 2-3 times more expensive than conventional wells, so even though oil may be found, it costs more to drill, develop and operate the well than the oil will pay for---even at today's prices.)

Sustainability: We want to improve the sustainability of the Bakken play by making it more competitive. At present a producer looking to invest risk capital here, faces:

- high costs (drilling costs have doubled or tripled; some wells exceed \$6.5MM).
- lack of infrastructure (The Governor spoke in the State of the State address of 6 mcf of gas being flared each day because of a lack of infrastructure).
- high taxes (North Dakota is 3<sup>rd</sup> highest in nation at 11.5% on gross revenues tax (even if you loose money).
- and price differentials as high as \$31 per barrel, that cost North Dakota \$19 million in tax revenue and royalty owners and producers \$230 million in 2006 alone.

Meanwhile, other states are competing with us. For example, Montana's tax structure for a horizontal well is 0% for 18 months, and then goes to 9%, which was vital to helping develop the Bakken, which doubled Montana's oil production. Similarly, Oklahoma passed legislation in 2006, putting its tax load at 1% for 48 months, then to 7% thereafter. If we change our tax structure, we will reduce disincentives and encourage companies to stay, to figure out the Bakken. (North Dakota makes itself more competitive on a host of fronts, through the Department of Commerce, Tourism Division, Bank of North Dakota programs, and the University system. We should do the same in the oil industry.)

Rebuttal: Finally, I want to turn to the rebuttal case for a few minutes. Some might argue that:

- *We can't afford \$5.8 million for SB 2397 (including amendment of 12 months).*  
That figure represents the cost of 1 well—.05 % of the capital the industry will spend on drilling this year. This industry helped to create \$500 million ending fund balance, and will return the investment many times over. We can and should make this investment, to help the industry that drives our economy.
- *"Big oil doesn't deserve tax breaks"....* first this is not a "tax break". But, if we want companies to continue to invest in North Dakota, then we have to address the 11.5% tax on gross revenues that creates a huge disincentive to invest here. (Keep in mind it was "big oil" (Chevron/Devon et al) that discovered reserves in the Gulf of Mexico last year that will double our nation's reserves and adds to our national security.) Tell the public of the gross revenue tax structure AND the tax rate that is being raised as well.

- *Can't afford it with all the spending pressure we have today.* (i.e., We are under enormous pressure to NOT add spending pressure to the budget that started with a 24% general fund increase). But, the Legislature is the policy branch of government, and policy should be set by thoughtful consideration of what is the best policy for our state---not by saying "we can't do it". That is policy by default and is not something you should embrace.
- *"The public won't stand for it."* We should have the courage to do what is right for North Dakota. Our citizens embrace the industry and recognize that our nation needs to adjust our energy policy. Increasing production of AMERICAN oil and gas is part of that answer. North Dakota citizens will embrace those changes if it means more jobs, or less dependence on foreign oil. (And you can also tell the public that you did what you could to help address our energy needs and security and the price of gasoline—rather than declaring an inability to do anything.
- *The oil companies will keep drilling whether the tax changes are made or not.* This is simply not true. All we need to do is look at the Bakken play, and some of the states with whom we compete. The Bakken is not assured. Companies have tried and have left; some have assets for sale; prospects in the Bakken at NAPE were presented and few buyers showed interest.

Mr. Chairman, members of the Committee, these are the reasons the Northern Alliance and its members feel so strongly that SB 2397 is good tax policy and good public policy for North Dakota and we encourage you to give it a DO PASS recommendation to the North Dakota House.

By GEN. CHARLES WALD

With over 35 years of military experience, I've faced my fair share of challenges. I've flown combat missions over Vietnam, Cambodia, Iraq and Bosnia. I've commanded U.S. troops around the world. Today, I believe America's greatest challenge is finding a secure source of energy.

That is why, after completing my career in the Air Force, I became a member of the Energy Security Leadership Council. On the council, I am working with some of America's most prominent business and retired military leaders to develop a comprehensive, long-term policy to reduce U.S. oil dependence and improve energy security.

It also is why I am coming home to North Dakota, where I believe we can find many of the answers to America's growing energy crisis. I have accepted an invitation from Sen. Kent Conrad to deliver a speech on Jan. 17, in Fargo, at Marketplace for Entrepreneurs. I encourage as many North Dakotans as possible to attend — because, not only is energy our nation's greatest challenge, it is North Dakota's greatest opportunity.

Currently, America consumes roughly 20 million barrels of oil a day. We import about two-thirds of this oil from the world. In a few short years, as oil consumption increases in nations such as China and India, meeting the global demand for energy will create international tensions and pose serious security threats. To say, we are in for a turbulent through uncharted territories. Energy Security Leadership Council is particularly concerned with the interests of an oil supply

shock. Because approximately 97 percent of transportation in America runs on oil, we are highly vulnerable to interruptions in the supply of this vital commodity. There is no shortage of scenarios for how the flow of oil might be cut. Foreign powers that would never dare to attack America directly could do so by striking at oil facilities overseas. Al-Qaida has also expressly declared war on the world's vulnerable oil production and delivery infrastructure. In sum, we face a real threat to our nation's economic security — and our national security.

By raising the fuel efficiency of our cars and trucks, increasing the availability of alternative fuels, and responsibly expanding domestic oil exploration and production, we can put ourselves in a far better position to weather an oil supply crisis.

I am firm in my belief that North Dakota, with its vast resources of traditional and renewable energy sources, can play a significant role in meeting America's energy demands. How we utilize North Dakota's diverse resources to help lessen our dependence on oil and improve energy security overall can be a blueprint for other regions of the country to follow. But to do that, we will need the right federal policies in place.

For instance, if we are going to convert North Dakota's 800-year-supply of lignite coal into liquid fuel, it will require federal tax incentives to deploy clean and efficient production facilities.

North Dakota's rich harvests of soybeans, canola and corn can also provide energy, since they can serve as economically-feasible sources of biodiesel and ethanol. In fact, we have the capacity to produce as much as 336 million gallons of ethanol in North Dakota. Once again, government has a role to play — not only in promoting ethanol output, but

also by helping family-owned gas stations install ethanol-compatible pumps and ensuring that consumers can purchase flexible-fuel vehicles.

Oil will remain an important energy source, and it is worth remembering North Dakota's resources of oil, currently producing around 10,000 barrels of oil a day. Of even greater significance is the fact that North Dakota ranks No. 1 in wind energy potential for generating electricity. But whatever the particular form of energy, if we are to make the most out of our state's diverse treasure of traditional and renewable energy resources, we must have the right federal policies.

I personally believe Sen. Conrad's energy plan, the BOLD Energy Act, is a critical component of any comprehensive plan that will be required for greater energy security. Conrad's policy promotes a three-step approach:

- ✓ Promoting greater production of renewables such as ethanol, biodiesel, and wind.
- ✓ Maintaining a domestic supply of traditional energy sources, including oil and gas.
- ✓ Investing in the future by encouraging the development of hydrogen and coal-to-liquid-fuel technologies.

At Marketplace, I expect to lay out the great energy challenge before our nation, as well as the vital steps we must take to navigate our way to energy security. I look forward to working with Conrad in this effort to strengthen our nation. It is the right thing to do for North Dakotans and for all Americans.

*(A native of Minot and graduate of North Dakota State University, Gen. Charles "Chuck" Wald [ret.] is a national leader on energy policy. Wald will be the keynote speaker at Marketplace for Entrepreneurs on Wednesday at the Fargo dome. — Editor)*

## DISTRIBUTION OF ESTIMATED OIL EXTRACTION AND OIL AND GAS PRODUCTION TAXES FOR THE 2007-09 BIENNIUM (AMOUNTS ARE SHOWN IN MILLIONS OF DOLLARS)<sup>1</sup>

Tax	General Fund <sup>2</sup>	Permanent Oil Tax Trust Fund <sup>2</sup>	Common Schools Trust Fund <sup>3</sup>	Foundation Aid Stabilization Fund <sup>3</sup>	Resources Trust Fund	Oil and Gas Impact Grant Fund	Counties	Oil and Gas Research Fund <sup>4</sup>	Total
Oil extraction tax <sup>5</sup>	\$31.16	\$91.16	\$20.50	\$20.50	\$41.01	\$6.00	\$94.82	\$0.70	\$205.03
Oil and gas production tax <sup>6</sup>	39.84	75.88						0.60	217.14
Total	\$71.00	\$167.04	\$20.50	\$20.50	\$41.01	\$6.00	\$94.82	\$1.30	\$422.17

**NOTE:** Based on preliminary review, it appears the executive forecast may be overstating the counties' share of oil and gas production tax collections and understating the state's share. We have asked the Office of Management and Budget and the Tax Department to review the projection.

<sup>1</sup>The amounts shown are as recommended in the 2007-09 executive budget.

<sup>2</sup>North Dakota Century Code (NDCC) Section 57-51.1-07.2 (1997 Senate Bill No. 2366) establishes a permanent oil tax trust fund and provides that all revenues deposited in the general fund during a biennium derived from taxes imposed on oil and gas under Chapters 57-51 (Oil and Gas Gross Production Tax) and 57-51.1 (Oil Extraction Tax) which exceed \$71 million are to be transferred by the State Treasurer to the permanent oil tax trust fund. The State Treasurer is to transfer the interest earnings on the fund to the general fund at the end of each fiscal year. The principal of the permanent oil tax trust fund may only be spent upon a two-thirds vote of the members elected to each house of the Legislative Assembly.

The revised revenue forecast for the 2005-07 biennium projects oil and gas production tax and oil extraction tax revenues deposited into the general fund to exceed \$71 million by \$158,543,405. Therefore, \$158,543,405 is projected to be transferred to the permanent oil tax trust fund during the 2005-07 biennium.

The revenue forecast for the 2007-09 biennium projects oil and gas production tax and oil extraction tax revenues deposited in the general fund to exceed \$71 million by \$167,036,607. Therefore, \$167,036,607 is projected to be transferred to the permanent oil tax trust fund during the 2007-09 biennium.

<sup>3</sup>The 1993 Legislative Assembly passed Senate Concurrent Resolution No. 4011, which contained a constitutional amendment relating to the distribution of oil extraction tax revenues. The constitutional amendment was approved by the voters in the November 1994 general election. The constitutional amendment provides that 20 percent of the oil extraction tax revenues are to be allocated as follows:

Fifty percent (of the 20 percent) to the common schools trust fund.

Fifty percent (of the 20 percent) to a foundation aid stabilization fund.

<sup>4</sup>North Dakota Century Code Section 57-51.1-07.3 (2003 Senate Bill No. 2311) establishes an oil and gas research fund and provides that 2 percent of the state's share of oil and gas gross production tax and oil extraction tax revenues, up to \$1.3 million per biennium, are to be deposited in the oil and gas research fund. All money deposited in the oil and gas research fund is appropriated as a continuing appropriation to the Oil and Gas Research Council.

<sup>5</sup>The oil extraction tax rate is 6.5 percent of the gross value at the well for wells drilled prior to April 27, 1987. For oil produced from wells drilled after April 27, 1987, there is no extraction tax levied for 15 months and thereafter the rate is 4 percent. The initial production of oil from a well is exempt from any oil extraction tax for a period of 60 months if it meets any of the following conditions: (1) is located within the boundaries of an Indian reservation; (2) is on lands held in trust for an Indian tribe or individual Indian; or (3) is on lands held by an Indian tribe as of August 1, 1997. For oil produced from any well drilled and completed as a horizontal well after April 27, 1987, there is no extraction tax levied for 24 months, and thereafter the rate is 4 percent. The oil extraction tax rate is 4 percent for qualifying secondary and tertiary recovery projects, and production from stripper wells and enhanced oil production methods is exempt. If the average price of a barrel of oil exceeds the trigger price for each month in any consecutive five-month period, the oil extraction tax will become 6.5 percent. The tax rate reverts to 4 percent if the average price of a barrel of oil is less than the trigger price for each month in any consecutive five-month period. The trigger price is defined in statute as \$35.50 as indexed for inflation, and the Tax Commissioner compiles the indexed trigger price by December 31 of each year to be applied for the

following calendar year.

The average price per barrel of oil exceeded the trigger price throughout the 2005-07 biennium, resulting in an oil extraction tax rate of 6.5 percent for the biennium. The adjusted trigger price for 2006 is \$39.36.

The oil extraction tax is allocated 20 percent to the resources trust fund for water development projects, 10 percent to the common schools trust fund, 10 percent to the foundation aid stabilization fund, and 60 percent to the state general fund.

<sup>6</sup>The gross production tax on oil is 5 percent of the gross value at the well on oil produced. The gross production tax on gas is four cents times the gas base rate adjustment for each fiscal year as calculated by the Tax Department.

The oil and gas production tax is distributed per formula to the oil and gas impact grant fund (up to \$6 million per biennium), to the state general fund, and to political subdivisions within producing counties. North Dakota Century Code Section 57-51-15.1 (effective after June 30, 2007) (2005 House Bill No. 1404) changes the cap for distribution to the oil and gas impact grant fund from \$5 million per biennium to \$6 million per biennium.

# #8 Northern Alliance of INDEPENDENT PRODUCERS

PO Box 2422 • Bismarck, North Dakota 58502-2422 • Phone 701-224-5037 • Fax 701-224-5038 • email NProducers@aol.com

## SB 2361 (Bakken Tax Incentive Bill)

- ❖ Bill exempts oil production from new horizontal Bakken wells from 4.5% of extraction tax for 24 months; thereafter the extraction tax is 4% (for a total of 9%)
  - Oil is subject to 5% production tax and 2% of extraction tax during exemption period and a combined tax rate of 9% after the exemption period
  - New horizontal Bakken re-entries are exempted for 9 months (5% gross and 2% extraction)
  - I.e., bill lowers tax from 11.5% to 7% during exemption period; then restores to 9%
- ❖ Bakken represents a huge potential asset for ND. The area is over five million acres (15 times the size of the Elm Coulee Bakken Field in Montana which produces 50,000 barrels per day)
- ❖ Average well drilled in Elm Coulee Field from 2000 to 2003 did not “payout”. After 3 years of experimenting with different drilling and completion methods, the industry finally determined the techniques that worked. Field production grew significantly thereafter
- ❖ Montana horizontal tax incentives (0% for 18 months and 9% thereafter) provided encouragement for industry to expend the capital to unlock the potential of the Elm Coulee Field
  - In 2006, Oklahoma passed horizontal tax incentive (1% for 48 months and 7% thereafter) which is now spurring drilling for the Woodford Shale formation, which has 27 rigs today.
- ❖ ND Bakken exploration is in its infancy and following the same track as Elm Coulee – most wells to date won’t “pay out”. 85% of ND wells, to date will not reach pay out in ND.
- ❖ There is potential for numerous Elm Coulee fields in North Dakota, however if only one field comparable to Elm Coulee is found in North Dakota the benefits will be:
  - \$2 billion in direct capital investment for drilling of 400 wells
  - Indirect economic impact in multiples following the \$2 billion of direct investment
  - \$400 million in future extraction and production taxes (73% of total reserves remains to be produced after two year period)
  - 50% increase in North Dakota oil production from current 100,000 barrels per day
- ❖ Challenges are greater today than at time of Elm Coulee development with higher costs, higher crude oil differentials and lower crude oil prices.
- ❖ SB2361 is part of package that will result in more jobs, less dependence on foreign oil, greater US energy security, and a return of capital to North Dakota.

SB 2397

#1

3-6-07-AM

GPT On Gas	
Rate	Period
5% of Value	thru 6/91
\$.04 Per MCF	7/1991 - 6/1992
\$.0407 Per MCF	7/1992 - 6/1993
\$.0401 Per MCF	7/1993 - 6/1994
\$.0415 Per MCF	7/1994 - 6/1995
\$.0385 Per MCF	7/1995 - 6/1996
\$.0345 Per MCF	7/1996 - 6/1997
\$.0467 Per MCF	7/1997 - 6/1998
\$.0507 Per MCF	7/1998 - 6/1999
\$.0405 Per MCF	7/1999 - 6/2000
\$.0452 Per MCF	7/2000 - 6/2001
\$.0772 Per MCF	7/2001 - 6/2002
\$.0824 Per MCF	7/2002 - 6/2003
\$.0615 Per MCF	7/2003 - 6/2004
\$.1037 Per MCF	7/2004 - 6/2005
\$.1215 Per MCF	7/2005 - 6/2006
\$.1640 Per MCF	7/2006 - 6/2007

Price Trigger	
Trigger	Period
\$35.50	1/2002 - 12/2002
\$33.88	1/2003 - 12/2003
\$35.11	1/2004 - 12/2004
\$36.48	1/2005 - 12/2005
\$39.36	1/2006 - 12/2006

**TRIGGER ADJUSTMENT CALCULATIONS**  
 Bureau of Labor Statistics Data  
 Producer Price Index-Commodities  
 Group: Industrial Commodities

http://146.142.4.24/cgi-bin/srdate Series ID: wpu03trr15

FISCAL YEAR:		2002				2003				2004				2005				2006																																																																																																																																																																																							
2001 (Base Year)																																																																																																																																																																																																									
July	2000	135.9	134.5	2001	132.6	2002	139.1	2003	139.1	2004	148.2	2005	159.1	2006	159.1	July	2005	159.1	August	2000	135.2	132.8	2002	132.8	2003	139.1	2004	149.3	2005	160.8	August	2005	160.8	September	2000	137.3	134.3	2002	133.7	2003	139.1	2004	149.1	2005	166	September	2005	166	October	2000	137.8	134.3	2002	134.8	2003	139.2	2004	151.8	2005	170.6	October	2005	170.6	November	2000	137.3	131.1	2002	134.7	2003	138.8	2004	153.5	2005	167.6	November	2005	167.6	December	2000	138.5	130.9	2002	134.4	2003	139.5	2004	152.7	2005	166.5	December	2005	166.5	January	2001	142.9	129.1	2002	136.7	2003	142.2	2004	152.7	2005	168.3	January	2006	168.3	February	2001	139.7	129.4	2002	139.3	2003	142.8	2004	153.6	2005	165.7	February	2006	165.7	March	2001	137.7	130.5	2002	138.3	2003	143.3	2004	155.6	2005	166.3	March	2006	166.3	April	2001	138.2	132.4	2002	137.8	2003	144.8	2004	157.2	2005	168.8	April	2006	168.8	May	2001	138.6	132.3	2002	138.2	2003	146.5	2004	156.3	2005	170.6	May	2006	170.6	June	2001	137.1	132.4	2002	139.2	2003	147.3	2004	156.6	2005	170.6	June	2006	170.6	<b>Average</b>		<b>138.0</b>	<b>131.7</b>	<b>Average</b>	<b>136.5</b>	<b>Average</b>	<b>141.8</b>	<b>Average</b>	<b>153.0</b>	<b>Average</b>	<b>166.74</b>	<b>July</b>	<b>2005</b>	<b>153.0</b>	<b>July</b>	<b>2006</b>	<b>166.74</b>
<b>Average</b>		<b>138.0</b>	<b>131.7</b>	<b>Average</b>	<b>136.5</b>	<b>Average</b>	<b>141.8</b>	<b>Average</b>	<b>153.0</b>	<b>Average</b>	<b>166.74</b>	<b>July</b>	<b>2005</b>	<b>153.0</b>	<b>July</b>	<b>2006</b>	<b>166.74</b>																																																																																																																																																																																								

Base Rate Adjustment      0.95435      1.10870      1.20826

Trigger      \$35.50      \$35.11      \$36.48      \$39.36      \$42.89

# ANNUAL OIL TRIGGER PRICE ADJUSTMENT

**TO:** North Dakota Oil Producers and Purchasers  
**FROM:** Office of State Tax Commissioner  
**SUBJECT:** Notification of Oil Trigger Price Adjustment for Calendar Year 2007  
**DATE:** December 31, 2006

In keeping with the provisions of North Dakota Century Code (N.D.C.C.) § 57-51.1-01, the Tax Commissioner has determined that the oil trigger price for the calendar year January 1, 2007, through December 31, 2007, is \$42.89.

For your information, the following steps determined the trigger price for calendar year 2007:

STEP 1 - The annual average of the industrial commodities producer price index, commodity code 03 thru 15, as published by the U.S. Department of Labor, Bureau of Labor Statistics, for fiscal year 2006 was computed from the data shown below.

July	2005	159.1
August	2005	160.8
September	2005	166.0
October	2005	170.6
November	2005	167.6
December	2005	166.5
January	2006	168.3
February	2006	165.7
March	2006	166.3
April	2006	168.8
May	2006	170.6
June	2006	<u>170.6</u>
Annual Average		166.74

STEP 2 - A base rate adjustment of 1.20826 was computed by dividing the 2006 fiscal year average price index of 166.74 by the base rate index of 138.0, which was determined using the 2001 fiscal year average (i.e.,  $166.74 / 138.0 = 1.20826$ ).

STEP 3 - The effective trigger price of \$42.89 for calendar year 2007 was computed by multiplying \$35.50 times the base rate adjustment of 1.20826 (i.e.,  $\$35.50 \times 1.20826 = \$42.89$ ).

In accordance with N.D.C.C. § 57-51.1, if the average price of a barrel of crude oil (i.e., monthly average daily closing price for a barrel of west Texas intermediate Cushing crude oil minus two dollars and fifty cents) exceeds the trigger price for each month in any consecutive five-month period, certain exemptions and rate reductions become ineffective. The exemptions and rate reductions are subsequently reinstated if the average price is less than the trigger price for each month in any consecutive five-month period.

The trigger price adjustment is published on the Office of State Tax Commissioner's website located at: [www.nd.gov/tax](http://www.nd.gov/tax). If you have any questions regarding this notification, please contact the Oil and Gas Tax Section at 701-328-3657 or by email at [oiltax@nd.gov](mailto:oiltax@nd.gov).

# ANNUAL OIL TRIGGER PRICE ADJUSTMENT

**TO:** North Dakota Oil Producers and Purchasers  
**FROM:** Office of State Tax Commissioner  
**SUBJECT:** Notification of Oil Trigger Price Adjustment for Calendar Year 2006  
**DATE:** December 31, 2005

In keeping with the provisions of North Dakota Century Code (N.D.C.C.) § 57-51.1-01, the Tax Commissioner has determined that the oil trigger price for the calendar year January 1, 2006, through December 31, 2006, is \$39.36.

For your information, the following steps determined the trigger price for calendar year 2006:

STEP 1 - The annual average of the industrial commodities producer price index, commodity code 03 thru 15, as published by the U.S. Department of Labor, Bureau of Labor Statistics, for fiscal year 2005 was computed from the data shown below.

July	2004	148.2
August	2004	149.3
September	2004	149.1
October	2004	151.8
November	2004	153.5
December	2004	152.0
January	2005	152.7
February	2005	153.6
March	2005	155.6
April	2005	157.2
May	2005	156.3
June	2005	<u>156.6</u>
Annual Average		153.0

STEP 2 - A base rate adjustment of 1.10870 was computed by dividing the 2005 fiscal year average price index of 153.0 by the base rate index of 138.0, which was determined using the 2001 fiscal year average (i.e.,  $153.0 / 138.0 = 1.10870$ ).

STEP 3 - The effective trigger price of \$39.36 for calendar year 2006 was computed by multiplying \$35.50 times the base rate adjustment of 1.10870 (i.e.,  $\$35.50 \times 1.10870 = \$39.36$ ).

In accordance with N.D.C.C. § 57-51.1, if the average price of a barrel of crude oil (i.e., monthly average daily closing price for a barrel of west Texas intermediate Cushing crude oil minus two dollars and fifty cents) exceeds the trigger price for each month in any consecutive five-month period, certain exemptions and rate reductions become ineffective. The exemptions and rate reductions are subsequently reinstated if the average price is less than the trigger price for each month in any consecutive five-month period.

The trigger price adjustment is published on the Office of State Tax Commissioner's website located at: [www.ndtaxdepartment.com](http://www.ndtaxdepartment.com). If you have any questions regarding this notification, please contact the Oil and Gas Tax Section at 701-328-3657 or by email at [oiltax@state.nd.us](mailto:oiltax@state.nd.us).

# ANNUAL OIL TRIGGER PRICE ADJUSTMENT

**TO:** North Dakota Oil Producers and Purchasers  
**FROM:** Office of State Tax Commissioner  
**SUBJECT:** Notification of Oil Trigger Price Adjustment for Calendar Year 2005  
**DATE:** December 31, 2004

In keeping with the provisions of North Dakota Century Code (N.D.C.C.) § 57-51.1-01, the Tax Commissioner has determined that the oil trigger price for the calendar year January 1, 2005, through December 31, 2005, is \$36.48.

For your information, the following steps determined the trigger price for calendar year 2005:

STEP 1 - The annual average of the industrial commodities producer price index, commodity code 03 thru 15, as published by the U.S. Department of Labor, Bureau of Labor Statistics, for fiscal year 2004 was computed from the data shown below.

July	2003	139.1
August	2003	139.1
September	2003	139.1
October	2003	139.2
November	2003	138.8
December	2003	139.5
January	2004	142.2
February	2004	142.8
March	2004	143.3
April	2004	144.8
May	2004	146.5
June	2004	<u>147.3</u>
Annual Average		141.8

STEP 2 - A base rate adjustment of 1.02754 was computed by dividing the 2004 fiscal year average price index of 141.8 by the base rate index of 138.0, which was determined using the 2001 fiscal year average (i.e.,  $141.8 / 138.0 = 1.02754$ ).

STEP 3 - The effective trigger price of \$36.48 for calendar year 2005 was computed by multiplying \$35.50 times the base rate adjustment of 1.02754 (i.e.,  $\$35.50 \times 1.02754 = \$36.48$ ).

In accordance with N.D.C.C. § 57-51.1, if the average price of a barrel of crude oil (i.e., monthly average daily closing price for a barrel of west Texas intermediate Cushing crude oil minus two dollars and fifty cents) exceeds the trigger price for each month in any consecutive five-month period, certain exemptions and rate reductions become ineffective. The exemptions and rate reductions are subsequently reinstated if the average price is less than the trigger price for each month in any consecutive five-month period.

The trigger price adjustment is published on the Office of State Tax Commissioner's website located at: [www.ndtaxdepartment.com](http://www.ndtaxdepartment.com). If you have any questions regarding this notification, please contact the Oil and Gas Tax Section at 701-328-3657 or by email at [oiltax@state.nd.us](mailto:oiltax@state.nd.us).

# ANNUAL OIL TRIGGER PRICE ADJUSTMENT

**TO:** North Dakota Oil Producers and Purchasers  
**FROM:** Office of State Tax Commissioner  
**SUBJECT:** Notification of Oil Trigger Price Adjustment for Calendar Year 2004  
**DATE:** December 31, 2003

In keeping with the provisions of North Dakota Century Code (N.D.C.C.) § 57-51.1-01, the Tax Commissioner has determined that the oil trigger price for the calendar year January 1, 2004, through December 31, 2004, is \$35.11.

For your information, the following steps determined the trigger price for calendar year 2004:

STEP 1 - The annual average of the industrial commodities producer price index, commodity code 03 thru 15, as published by the U.S. Department of Labor, Bureau of Labor Statistics, for fiscal year 2003 was computed from the data shown below.

July	2002	132.6
August	2002	132.8
September	2002	133.7
October	2002	134.8
November	2002	134.7
December	2002	134.4
January	2003	136.7
February	2003	139.3
March	2003	143.6
April	2003	138.2
May	2003	137.8
June	2003	<u>139.2</u>
Annual Average		136.5

STEP 2 - A base rate adjustment of .98913 was computed by dividing the 2003 fiscal year average price index of 136.5 by the base rate index of 138.0, which was determined using the 2001 fiscal year average (i.e.,  $136.5 / 138.0 = .98913$ ).

STEP 3 - The effective trigger price of \$35.11 for calendar year 2004 was computed by multiplying \$35.50 times the base rate adjustment of .98913 (i.e.,  $\$35.50 \times .98913 = \$35.11$ ).

In accordance with N.D.C.C. § 57-51.1, if the average price of a barrel of crude oil (i.e., monthly average daily closing price for a barrel of west Texas intermediate Cushing crude oil minus two dollars and fifty cents) exceeds the trigger price for each month in any consecutive five-month period, certain exemptions and rate reductions become ineffective. The exemptions and rate reductions are subsequently reinstated if the average price is less than the trigger price for each month in any consecutive five-month period.

The trigger price adjustment is published on the Office of State Tax Commissioner's website located at: [www.ndtaxdepartment.com](http://www.ndtaxdepartment.com). If you have any questions regarding this notification, please contact the Oil and Gas Tax Section at 701-328-3657 or by email at [oiltax@state.nd.us](mailto:oiltax@state.nd.us).

# ANNUAL OIL TRIGGER PRICE ADJUSTMENT

**TO:** North Dakota Oil Producers and Purchasers  
**FROM:** Office of State Tax Commissioner  
**SUBJECT:** Notification of Oil Trigger Price Adjustment for Calendar Year 2003  
**DATE:** December 31, 2002

In keeping with the provisions of North Dakota Century Code (N.D.C.C.) § 57-51.1-01, the Tax Commissioner has determined that the oil trigger price for the calendar year January 1, 2003, through December 31, 2003, is \$33.88.

For your information, the following steps determined the trigger price for calendar year 2003:

STEP 1 - The annual average of the industrial commodities producer price index, commodity code 03 thru 15, as published by the U.S. Department of Labor, Bureau of Labor Statistics, for fiscal year 2002 was computed from the data shown below.

July	2001	134.5
August	2001	134.3
September	2001	134.3
October	2001	131.1
November	2001	130.9
December	2001	129.1
January	2002	129.4
February	2002	129.1
March	2002	130.5
April	2002	132.4
May	2002	132.3
June	2002	<u>132.4</u>
Annual Average		131.7

STEP 2 - A base rate adjustment of .95435 was computed by dividing the 2002 fiscal year average price index of 131.7 by the base rate index of 138.0, which was determined using the 2001 fiscal year average (i.e.,  $131.7 / 138.0 = .95435$ ).

STEP 3 - The effective trigger price of \$33.88 for calendar year 2003 was computed by multiplying \$35.50 times the base rate adjustment of .95435 (i.e.,  $\$35.50 \times .95435 = \$33.88$ ).

In accordance with N.D.C.C. § 57-51.1, if the average price of a barrel of crude oil (i.e., monthly average daily closing price for a barrel of west Texas intermediate Cushing crude oil minus two dollars and fifty cents) exceeds the trigger price for each month in any consecutive five-month period, certain exemptions and rate reductions become ineffective. The exemptions and rate reductions are subsequently reinstated if the average price is less than the trigger price for each month in any consecutive five-month period.

The trigger price adjustment is published on the Office of State Tax Commissioner's website located at: [www.ndtaxdepartment.com](http://www.ndtaxdepartment.com). If you have any questions regarding this notification, please contact the Oil and Gas Tax Section at 701-328-3657 or by email at [oiltax@state.nd.us](mailto:oiltax@state.nd.us).

## ANNUAL OIL TRIGGER PRICE ADJUSTMENT

**TO:** North Dakota Oil Producers and Purchasers  
**FROM:** Office of State Tax Commissioner  
**SUBJECT:** Notification of Oil Trigger Price Adjustment for Calendar Year 2002  
**DATE:** December 31, 2001

In keeping with the provisions of North Dakota Century Code § 57-51.1-01, the Tax Commissioner has determined that the oil trigger price for the calendar year January 1, 2002 through December 31, 2002, is \$35.50.

For your information, the following steps determined the trigger price for calendar year 2002:

STEP 1 - The annual average of the industrial commodities producer price index, commodity code 03 thru 15, as published by the U.S. Department of Labor, Bureau of Labor Statistics, for fiscal year 2001 was computed from the data shown below.

July	2000	135.9
August	2000	135.2
September	2000	137.3
October	2000	137.8
November	2000	137.3
December	2000	138.5
January	2001	142.9
February	2001	139.7
March	2001	137.7
April	2001	138.2
May	2001	138.6
June	2001	<u>137.1</u>
Annual Average		138.0

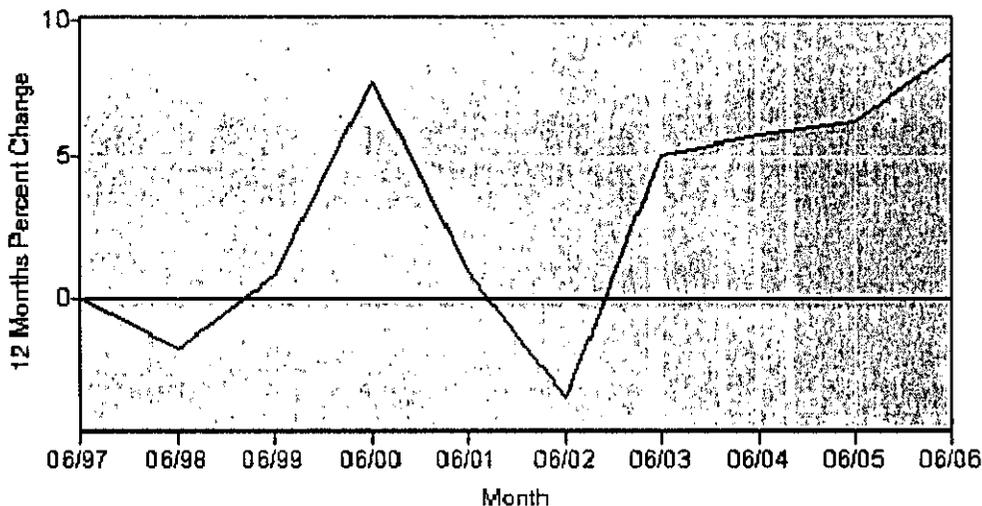
This is the calculated base rate for any future year trigger price adjustments as this is the first year of the effective legislation.

The trigger price adjustment is published on the Office of State Tax Commissioner's website located at: [www.ndtaxdepartment.com](http://www.ndtaxdepartment.com). If you have any questions regarding this notification, please contact the Oil and Gas Tax Section at 701-328-3657 or by email at [oiltax@state.nd.us](mailto:oiltax@state.nd.us).

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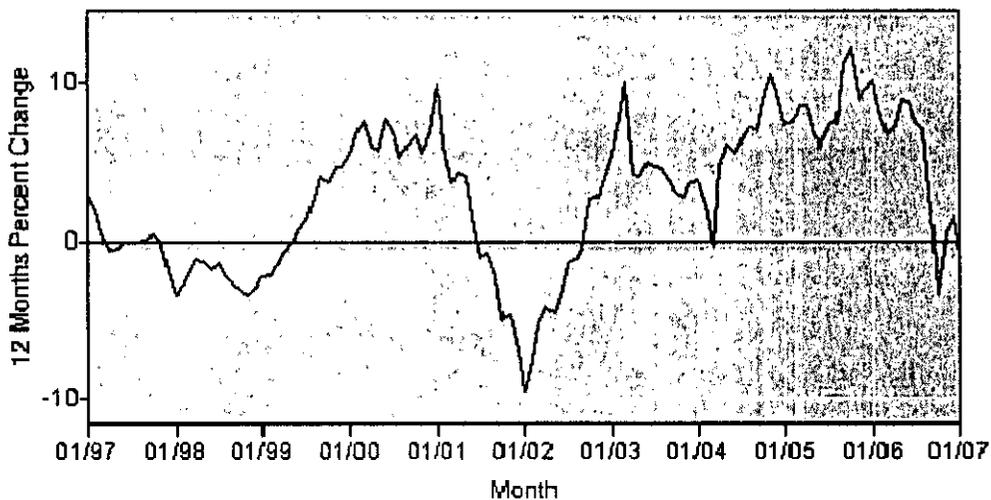
#2 3-6-07

**Series Id:** WPU03THRU15  
**Not Seasonally Adjusted**  
**Group:** Industrial Commodities  
**Item:** Industrial commodities  
**Base Date:** 8200



### 12 Months Percent Change

**Series Id:** WPU03THRU15  
**Not Seasonally Adjusted**  
**Group:** Industrial Commodities  
**Item:** Industrial commodities  
**Base Date:** 8200



The first one is the PPI for industrial commodities with 12 month averages ending in June (which is the index for the trigger price) and the second is a sort of running 12-month average. What these show is that there was a peak in 2000 and 2003 through 2006 were on an uptrend – that clearly accounts for the large increases in the trigger price in the last couple of years. Look at what's happening this year, however, and compare that with 98-99 and 02.

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	VICKERS & VICKERS	<=6000 ft	10	00900747	MADISON	5	0.0
FY2006	CONTINENTAL RESOURCES, INC.	<=6000 ft	10	00900908	MADISON	14	0.0
FY2006	MCRAE & HENRY, LTD.	<=6000 ft	10	00900936	SPEARFISH/MADISON	2	0.0
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900990	SPEARFISH	2	0.0
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07500602	MADISON	8	0.0
FY2006	CONDOR PETROLEUM, INC.	<=6000 ft	10	07500604	MADISON	14	0.0
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07500760	MADISON	15	0.0
FY2006	HESS CORPORATION	<=6000 ft	10	00900291	SPEARFISH/CHARLES	45	0.1
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900456	MADISON	22	0.1
FY2006	DAKOTA CRUDE, INC.	<=6000 ft	10	01300921	MADISON	24	0.1
FY2006	BALLANTYNE OIL	<=6000 ft	10	01300921	MADISON	24	0.1
FY2006	GEORESOURCES, INC.	<=6000 ft	10	01301004	MADISON	31	0.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	04900123	MADISON	29	0.1
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07500687	MADISON	28	0.1
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07500746	MADISON	48	0.1
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901624	MADISON	65	0.2
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	01300985	MADISON	61	0.2
FY2006	GEORESOURCES, INC.	<=6000 ft	10	07500398	MADISON	72	0.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00902051	SPEARFISH/MADISON	117	0.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300557	MADISON	126	0.3
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	01301143	MADISON	120	0.3
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07500244	MADISON	121	0.3
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07500254	MADISON	111	0.3
FY2006	GEORESOURCES, INC.	<=6000 ft	10	07500761	MADISON	93	0.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901952	SPEARFISH/MADISON	133	0.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300542	MADISON	133	0.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300551	MADISON	139	0.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01301005	MADISON	149	0.4
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500198	MADISON	150	0.4
FY2006	GEORESOURCES, INC.	<=6000 ft	10	07501243	MADISON	150	0.4
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	00901270	MADISON	131	0.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300394	MADISON	189	0.5
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300757	MADISON	166	0.5
FY2006	BALLANTYNE OIL	<=6000 ft	10	01301074	MADISON	189	0.5
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07501089	MADISON	173	0.5
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00900132	MADISON	195	0.5
FY2006	AEON ENERGY CORP.	<=6000 ft	10	00900758	MADISON	212	0.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901529	SPEARFISH/MADISON	211	0.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300146	MADISON	218	0.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300931	MADISON	226	0.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300944	MADISON	213	0.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300954	MADISON	222	0.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500233	MADISON	234	0.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500911	MADISON	225	0.6
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00901191	SPEARFISH/MADISON	206	0.6
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901317	MADISON	263	0.7
FY2006	GEORESOURCES, INC.	<=6000 ft	10			268	0.7



PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901563	MADISON	254	0.7
FY2006	GEORESOURCES, INC.	<=6000 ft	10	01300488	MADISON	271	0.7
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	04900154	MADISON	261	0.7
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07501009	MADISON	250	0.7
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300969	MADISON	292	0.8
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07500982	MADISON	305	0.8
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07500997	MADISON	294	0.8
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501004	MADISON	296	0.8
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901228	MADISON	317	0.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901366	MADISON	330	0.9
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901374	MADISON	321	0.9
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901628	SPEARFISH	330	0.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901721	MADISON	339	0.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	04900108	MADISON	327	0.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	04900155	MADISON	330	0.9
FY2006	CAMWEST II, P.	<=6000 ft	10	07500128	MADISON	344	0.9
FY2006	HESS CORPORATION	<=6000 ft	10	00900254	SPEARFISH/CHARLES	380	1.0
FY2006	VICKERS & VICKERS	<=6000 ft	10	00901232	MADISON	380	1.0
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00901254	SPEARFISH/CHARLES	355	1.0
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900847	MADISON	399	1.1
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901343	MADISON	418	1.1
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901365	MADISON	397	1.1
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00901580	MADISON	408	1.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300058	MADISON	419	1.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300571	MADISON	419	1.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300732	MADISON	389	1.1
FY2006	HESS CORPORATION	<=6000 ft	10	07500678	MADISON	390	1.1
FY2006	BERENERGY CORPORATION	<=6000 ft	10	00900305	SPEARFISH/CHARLES	436	1.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00900546	MADISON	449	1.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901486	SPEARFISH/CHARLES	422	1.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300403	MADISON	431	1.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300624	MADISON	420	1.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300752	MADISON	436	1.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300762	MADISON	422	1.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300930	MADISON	456	1.2
FY2006	LEOMAC, LLC	<=6000 ft	10	04900165	MADISON	427	1.2
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500219	MADISON	420	1.2
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500243	MADISON	420	1.2
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501156	MADISON	450	1.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901236	MADISON	461	1.3
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901636	SPEARFISH/MADISON	491	1.3
FY2006	BALLANTYNE OIL	<=6000 ft	10	00902002	MADISON	489	1.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300159	MADISON	468	1.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300267	MADISON	477	1.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01301075	MADISON	481	1.3

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (")
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	04900146	MADISON	473	1.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	04900156	MADISON	484	1.3
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	07500474	MADISON	461	1.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500825	MADISON	478	1.3
FY2006	GEORESOURCES, INC.	<=6000 ft	10	07501315	MADISON	474	1.3
FY2006	HESS CORPORATION	<=6000 ft	10	00900446	SPEARFISH/CHARLES	504	1.4
FY2006	WHITING OIL AND GAS CORPORATION	<=6000 ft	10	00901000	MADISON	505	1.4
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901957	SPEARFISH/MADISON	511	1.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300529	MADISON	522	1.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300786	MADISON	520	1.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300928	MADISON	507	1.4
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07500981	MADISON	520	1.4
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901264	SPEARFISH/MADISON	545	1.5
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00901340	MADISON	552	1.5
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00901344	MADISON	552	1.5
FY2006	HESS CORPORATION	<=6000 ft	10	00901391	SPEARFISH/CHARLES	537	1.5
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901738	MADISON	558	1.5
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00902057	MADISON	559	1.5
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300947	MADISON	543	1.5
FY2006	CAMWEST II L.P.	<=6000 ft	10	07500195	MADISON	559	1.5
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500263	MADISON	542	1.5
FY2006	PHILLIP D. ARMSTRONG	<=6000 ft	10	07500802	MADISON	537	1.5
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07500802	MADISON	530	1.5
FY2006	CARL H. NORDSTRAND	<=6000 ft	10	07500973	MADISON	532	1.5
FY2006	HESS CORPORATION	<=6000 ft	10	07501273	SPEARFISH/CHARLES	573	1.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900231	MADISON	602	1.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300449	MADISON	585	1.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300940	MADISON	570	1.6
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500226	MADISON	569	1.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500932	MADISON	630	1.7
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900503	SPEARFISH/MADISON	618	1.7
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900769	SPEARFISH/CHARLES	617	1.7
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900814	SPEARFISH/MADISON	634	1.7
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901598	MADISON	612	1.7
FY2006	DAKOTA CRUDE, INC.	<=6000 ft	10	01300614	MADISON	608	1.7
FY2006	CAMWEST II L.P.	<=6000 ft	10	01301057	MADISON	612	1.7
FY2006	CAMWEST II L.P.	<=6000 ft	10	07500116	MADISON	612	1.7
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500126	MADISON	633	1.7
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500245	MADISON	608	1.7
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500682	MADISON	633	1.7
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500688	MADISON	611	1.7
FY2006	BALLANTYNE OIL	<=6000 ft	10	07500812	MADISON	635	1.7
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07500965	MADISON	629	1.7
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500967	MADISON	613	1.7
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501178	MADISON	620	1.7
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501193	MADISON	631	1.7

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (C)
FY2006	HESS CORPORATION	<=6000 ft	10	00900072	SPEARFISH/CHARLES	673	1.8
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900447	MADISON	653	1.8
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00900647	MADISON	657	1.8
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900899	MADISON	655	1.8
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901510	MADISON	660	1.8
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901623	MADISON	662	1.8
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901779	SPEARFISH/MADISON	646	1.8
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901919	SPEARFISH/MADISON	639	1.8
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300925	MADISON	653	1.8
FY2006	CAMWEST II L.P.	<=6000 ft	10	04900157	MADISON	664	1.8
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500431	MADISON	666	1.8
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07500496	MADISON	660	1.8
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07500995	MADISON	654	1.8
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900194	SPEARFISH/CHARLES	680	1.9
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901114	MADISON	678	1.9
FY2006	BERENERGY CORPORATION	<=6000 ft	10	00901138	SPEARFISH/CHARLES	706	1.9
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901197	MADISON	682	1.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901210	MADISON	700	1.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901533	SPEARFISH/MADISON	676	1.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300309	MADISON	689	1.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300575	MADISON	677	1.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300895	MADISON	708	1.9
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	04900072	MADISON	686	1.9
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500429	MADISON	704	1.9
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500547	MADISON	689	1.9
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07500931	MADISON	689	1.9
FY2006	HESS CORPORATION	<=6000 ft	10	07500978	MADISON	701	1.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900273	SPEARFISH/CHARLES	731	2.0
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	00900861	MADISON	729	2.0
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00900957	MADISON	744	2.0
FY2006	AEON ENERGY CORP.	<=6000 ft	10	00901634	MADISON	729	2.0
FY2006	WHITING OIL AND GAS CORPORATION	<=6000 ft	10	00901760	MADISON	743	2.0
FY2006	CARL H. NORDSTRAND	<=6000 ft	10	07500049	MADISON	719	2.0
FY2006	WESCO OPERATING, INC.	<=6000 ft	10	07500273	MADISON	737	2.0
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501136	MADISON	746	2.0
FY2006	BALLANTYNE OIL	<=6000 ft	10	07501155	MADISON	720	2.0
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00900534	MADISON	772	2.1
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901252	SPEARFISH/MADISON	759	2.1
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901417	MADISON	757	2.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901546	MADISON	779	2.1
FY2006	BERENERGY CORPORATION	<=6000 ft	10	04900150	MADISON	781	2.1
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07500632	MADISON	773	2.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500905	MADISON	750	2.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07501100	MADISON	779	2.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900935	MADISON	817	2.2

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(')
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901262	MADISON	811	2.2
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901409	MADISON	812	2.2
FY2006	CITATION OIL & GAS CORP.	<=6000 ft	10	00901857	MADISON	794	2.2
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500777	MADISON	810	2.2
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501020	MADISON	800	2.2
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00900368	SPEARFISH/CHARLES	828	2.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00900590	SPEARFISH/CHARLES	848	2.3
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900812	MADISON	838	2.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900923	MADISON	844	2.3
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901576	MADISON	836	2.3
FY2006	JAMES E. SCHULTE	<=6000 ft	10	00901735	MADISON	847	2.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300948	MADISON	840	2.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	04900141	MADISON	851	2.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500824	MADISON	825	2.3
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500858	MADISON	844	2.3
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501174	MADISON	840	2.3
FY2006	HESS CORPORATION	<=6000 ft	10	00900227	SPEARFISH/CHARLES	870	2.4
FY2006	HES CORPORATION	<=6000 ft	10	00900437	SPEARFISH/CHARLES	892	2.4
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901547	MADISON	876	2.4
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	00901561	MADISON	869	2.4
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901657	MADISON	889	2.4
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901709	MADISON	886	2.4
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	00901793	MADISON	875	2.4
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901948	SPEARFISH/MADISON	859	2.4
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00902085	SPEARFISH/MADISON	865	2.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300492	MADISON	860	2.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300953	MADISON	870	2.4
FY2006	WESCO OPERATING, INC.	<=6000 ft	10	07501161	MADISON	894	2.4
FY2006	CAMWEST II L.P.	<=6000 ft	10	07501170	MADISON	874	2.4
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901091	MADISON	896	2.5
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901349	MADISON	897	2.5
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901515	MADISON	920	2.5
FY2006	BERENERGY CORPORATION	<=6000 ft	10	00901790	MADISON	930	2.5
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	01301041	MADISON	915	2.5
FY2006	CAMWEST II L.P.	<=6000 ft	10	07500193	MADISON	911	2.5
FY2006	CAMWEST II L.P.	<=6000 ft	10	07500320	MADISON	898	2.5
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07501006	MADISON	907	2.5
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501153	MADISON	906	2.5
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	00901520	MADISON	945	2.6
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901661	MADISON	964	2.6
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00902058	MADISON	957	2.6
FY2006	SILVER THREAD OIL & GAS, INC.	<=6000 ft	10	01300471	MADISON	961	2.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300968	MADISON	954	2.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	04900147	MADISON	958	2.6
FY2006	BALLANTYNE OIL	<=6000 ft	10	07500150	MADISON	945	2.6

STRIPPER WELLS DATA  
FISCAL YEAR 2006

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	ARSENAL ENERGY USA INC.	<=6000 ft	10	07500555	MADISON	944	2.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500823	MADISON	939	2.6
FY2006	MCRAE & HENRY, LTD.	<=6000 ft	10	07500866	MADISON	935	2.6
FY2006	WESCO OPERATING, INC.	<=6000 ft	10	07501164	MADISON	964	2.6
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00900048	SPEARFISH/MADISON	979	2.7
FY2006	HESS CORPORATION	<=6000 ft	10	00900248	SPEARFISH/CHARLES	1,002	2.7
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901398	MADISON	983	2.7
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500683	MADISON	982	2.7
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07501019	MADISON	1,001	2.7
FY2006	HESS CORPORATION	<=6000 ft	10	00900354	SPEARFISH/CHARLES	1,026	2.8
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00900668	SPEARFISH/CHARLES	1,006	2.8
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900974	MADISON	1,016	2.8
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901328	MADISON	1,039	2.8
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901370	MADISON	1,030	2.8
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	00901440	MADISON	1,027	2.8
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500267	MADISON	1,008	2.8
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500570	MADISON	1,028	2.8
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500620	MADISON	1,027	2.8
FY2006	HESS CORPORATION	<=6000 ft	10	00900579	SPEARFISH/CHARLES	1,041	2.9
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901190	MADISON	1,061	2.9
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901383	MADISON	1,052	2.9
FY2006	CONDOR PETROLEUM, INC.	<=6000 ft	10	01300855	MADISON	1,063	2.9
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500246	MADISON	1,075	2.9
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07501003	MADISON	1,070	2.9
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07501040	MADISON	1,055	2.9
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501184	MADISON	1,068	2.9
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07501212	MADISON	1,069	2.9
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901351	MADISON	1,081	3.0
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901531	MADISON	1,080	3.0
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901577	MADISON	1,093	3.0
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901605	MADISON	1,109	3.0
FY2006	SILVER THREAD OIL & GAS, INC.	<=6000 ft	10	00902012	MADISON	1,099	3.0
FY2006	DAVID P. FRASE	<=6000 ft	10	01300360	MADISON	1,113	3.0
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300759	MADISON	1,086	3.0
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01301247	MADISON	1,107	3.0
FY2006	BERENERGY CORPORATION	<=6000 ft	10	04900078	MADISON	1,097	3.0
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	07500579	MADISON	1,100	3.0
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500625	MADISON	1,101	3.0
FY2006	CAMWEST II L.P.	<=6000 ft	10	07500811	MADISON	1,080	3.0
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500869	MADISON	1,090	3.0
FY2006	CAMWEST II L.P.	<=6000 ft	10	07500882	MADISON	1,095	3.0
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07500914	MADISON	1,079	3.0
FY2006	BALLANTYNE OIL	<=6000 ft	10	07501029	MADISON	1,090	3.0
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901137	SPEARFISH/CHARLES	1,134	3.1
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901401	MADISON	1,144	3.1

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(')
FY2006	TURTLE MOUNTAIN GAS & OIL, INC.	<=6000 ft	10	00901448	SPEARFISH	1,138	3.1
FY2006	CITATION OIL & GAS CORP.	<=6000 ft	10	00901812	MADISON	1,117	3.1
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00902044	SPEARFISH/CHARLES	1,140	3.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300389	MADISON	1,132	3.1
FY2006	BALLANTYNE OIL	<=6000 ft	10	01300980	MADISON	1,119	3.1
FY2006	BALLANTYNE OIL	<=6000 ft	10	01301071	MADISON	1,127	3.1
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500092	MADISON	1,121	3.1
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500228	MADISON	1,122	3.1
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500804	MADISON	1,122	3.1
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501080	MADISON	1,121	3.1
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501177	MADISON	1,130	3.1
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501220	MADISON	1,146	3.1
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00900082	MADISON	1,168	3.2
FY2006	HESS CORPORATION	<=6000 ft	10	00900271	SPEARFISH/CHARLES	1,166	3.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900886	MADISON	1,154	3.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901179	MADISON	1,179	3.2
FY2006	RITCHIE EXPLORATION, INC.	<=6000 ft	10	00901715	MADISON	1,164	3.2
FY2006	CITATION OIL & GAS CORP.	<=6000 ft	10	00901802	MADISON	1,162	3.2
FY2006	JERRY E TUCKER	<=6000 ft	10	01300785	MADISON	1,162	3.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500533	MADISON	1,158	3.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07501286	MADISON	1,168	3.2
FY2006	RITCHIE EXPLORATION, INC.	<=6000 ft	10	00900085	MADISON	1,190	3.3
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901408	MADISON	1,195	3.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901433	MADISON	1,220	3.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300411	MADISON	1,198	3.3
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500577	MADISON	1,217	3.3
FY2006	GEORESOURCES, INC.	<=6000 ft	10	07500865	MADISON	1,196	3.3
FY2006	BALLANTYNE OIL	<=6000 ft	10	07501035	MADISON	1,205	3.3
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501141	MADISON	1,210	3.3
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501167	MADISON	1,210	3.3
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501183	MADISON	1,210	3.3
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501194	MADISON	1,210	3.3
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00900620	MADISON	1,210	3.3
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00900636	MADISON	1,227	3.4
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900783	SPEARFISH/MADISON	1,232	3.4
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00901065	SPEARFISH/CHARLES	1,235	3.4
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00901088	MADISON	1,225	3.4
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00901336	MADISON	1,245	3.4
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00901541	MADISON	1,256	3.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300177	MADISON	1,250	3.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300541	MADISON	1,244	3.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300754	MADISON	1,229	3.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300887	MADISON	1,250	3.4
FY2006	TOP OPERATING COMPANY	<=6000 ft	10	01300922	MADISON	1,249	3.4
FY2006	TOP OPERATING COMPANY	<=6000 ft	10	07500163	MADISON	1,232	3.4
FY2006	TOP OPERATING COMPANY	<=6000 ft	10	07500163	MADISON	1,235	3.4

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	BALLANTYNE OIL	<=6000 ft	10	07500903	MADISON	1,230	3.4
FY2006	BALLANTYNE OIL	<=6000 ft	10	07501034	MADISON	1,251	3.4
FY2006	WESCO OPERATING, INC.	<=6000 ft	10	07501146	MADISON	1,243	3.4
FY2006	BERENERGY CORPORATION	<=6000 ft	10	00900562	MADISON	1,281	3.5
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00901053	MADISON	1,272	3.5
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901238	MADISON	1,276	3.5
FY2006	JAMES E. SCHULTE	<=6000 ft	10	00901294	MADISON	1,275	3.5
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901429	MADISON	1,266	3.5
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901443	MADISON	1,274	3.5
FY2006	HESS CORPORATION	<=6000 ft	10	00901485	SPEARFISH/CHARLES	1,275	3.5
FY2006	DAKOTA CRUDE, INC.	<=6000 ft	10	01301117	MADISON	1,267	3.5
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500099	MADISON	1,287	3.5
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500478	MADISON	1,267	3.5
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500550	MADISON	1,282	3.5
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500601	MADISON	1,284	3.5
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500630	MADISON	1,275	3.5
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500839	MADISON	1,263	3.5
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500901	MADISON	1,294	3.5
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501182	MADISON	1,260	3.5
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501198	MADISON	1,290	3.5
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900165	MADISON	1,331	3.6
FY2006	HESS CORPORATION	<=6000 ft	10	00900386	SPEARFISH/CHARLES	1,299	3.6
FY2006	MCRAE & HENRY, LTD.	<=6000 ft	10	00900799	SPEARFISH/MADISON	1,311	3.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901442	MADISON	1,303	3.6
FY2006	SILVER THREAD OIL & GAS, INC.	<=6000 ft	10	01300368	MADISON	1,322	3.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300438	MADISON	1,303	3.6
FY2006	WHITING OIL AND GAS CORPORATION	<=6000 ft	10	07501086	MADISON	1,314	3.6
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00900639	MADISON	1,348	3.7
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00900642	MADISON	1,335	3.7
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900952	MADISON	1,338	3.7
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901331	MADISON	1,336	3.7
FY2006	HESS CORPORATION	<=6000 ft	10	00901390	SPEARFISH/CHARLES	1,356	3.7
FY2006	TURTLE MOUNTAIN GAS & OIL, INC.	<=6000 ft	10	00901765	SPEARFISH	1,364	3.7
FY2006	TURTLE MOUNTAIN GAS & OIL, INC.	<=6000 ft	10	00901781	SPEARFISH	1,366	3.7
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300734	MADISON	1,360	3.7
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500606	MADISON	1,335	3.7
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00901345	MADISON	1,384	3.8
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901603	MADISON	1,401	3.8
FY2006	BERENERGY CORPORATION	<=6000 ft	10	00901615	MADISON	1,380	3.8
FY2006	RANCH OIL COMPANY	<=6000 ft	10	01300550	MADISON	1,385	3.8
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07500435	MADISON	1,373	3.8
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501109	MADISON	1,402	3.8
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501216	MADISON	1,400	3.8
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501218	MADISON	1,375	3.8
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900919	MADISON	1,430	3.9

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (")
FY2006	BERENERGY CORPORATION	<=6000 ft	10	00901194	MADISON	1,417	3.9
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901381	MADISON	1,420	3.9
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901396	SPEARFISH/MADISON	1,421	3.9
FY2006	CITATION OIL & GAS CORP.	<=6000 ft	10	00901853	MADISON	1,426	3.9
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901898	SPEARFISH/MADISON	1,411	3.9
FY2006	BALLANTYNE OIL	<=6000 ft	10	00902006	MADISON	1,428	3.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01301233	MADISON	1,438	3.9
FY2006	GEORESOURCES, INC.	<=6000 ft	10	04900145	MADISON	1,432	3.9
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07500449	MADISON	1,440	3.9
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00900602	SPEARFISH/CHARLES	1,472	4.0
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900651	SPEARFISH/MADISON	1,501	4.1
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901282	SPEARFISH/MADISON	1,486	4.1
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00901347	MADISON	1,479	4.1
FY2006	CITATION OIL & GAS CORP.	<=6000 ft	10	00901420	MADISON	1,489	4.1
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901835	MADISON	1,496	4.1
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00901920	MADISON	1,484	4.1
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500141	MADISON	1,499	4.1
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07500566	MADISON	1,495	4.1
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07501115	MADISON	1,495	4.1
FY2006	BERENERGY CORPORATION	<=6000 ft	10	00900211	SPEARFISH/CHARLES	1,521	4.2
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900557	MADISON	1,524	4.2
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901082	MADISON	1,538	4.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901139	MADISON	1,547	4.2
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00901789	MADISON	1,519	4.2
FY2006	FOX OPERATING COMPANY	<=6000 ft	10	07500827	MADISON	1,515	4.2
FY2006	RITCHIE EXPLORATION, INC.	<=6000 ft	10	00900788	SPEARFISH/MADISON	1,582	4.2
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901038	MADISON	1,565	4.3
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901542	MADISON	1,565	4.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901870	SPEARFISH/MADISON	1,564	4.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	04900152	MADISON	1,569	4.3
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00900349	SPEARFISH/CHARLES	1,623	4.4
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900605	SPEARFISH/CHARLES	1,601	4.4
FY2006	NANCE PETROLEUM CORPORATION	<=6000 ft	10	00900796	MADISON	1,623	4.4
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901032	MADISON	1,612	4.4
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901575	MADISON	1,613	4.4
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00901658	MADISON	1,602	4.4
FY2006	PHILLIP D. ARMSTRONG	<=6000 ft	10	00902027	MADISON	1,590	4.4
FY2006	TOP OPERATING COMPANY	<=6000 ft	10	07500799	MADISON	1,610	4.4
FY2006	TOP OPERATING COMPANY	<=6000 ft	10	07501283	MADISON	1,606	4.4
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	07501298	MADISON	1,606	4.4
FY2006	TURTLE MOUNTAIN GAS & OIL, INC.	<=6000 ft	10	00901354	MADISON	1,606	4.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901614	SPEARFISH	1,660	4.5
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300854	MADISON	1,639	4.5
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300936	MADISON	1,633	4.5
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300956	MADISON	1,641	4.5
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10			1,660	4.5

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	CAMWEST II L.P.	<=6000 ft	10	07500121	MADISON	1,650	4.5
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500852	MADISON	1,652	4.5
FY2006	CITATION OIL & GAS CORP.	<=6000 ft	10	00901904	MADISON	1,679	4.6
FY2006	DONOVAN BERTSCH	<=6000 ft	10	00901906	MADISON	1,671	4.6
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	01300899	MADISON	1,669	4.6
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500070	MADISON	1,690	4.6
FY2006	B & B OIL FIELD SERVICES, INC.	<=6000 ft	10	07500994	MADISON	1,664	4.6
FY2006	HESS CORPORATION	<=6000 ft	10	00900266	SPEARFISH/CHARLES	1,731	4.7
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901399	MADISON	1,722	4.7
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901540	MADISON	1,704	4.7
FY2006	GEORESOURCES, INC.	<=6000 ft	10	07500520	MADISON	1,722	4.7
FY2006	CONDOR PETROLEUM, INC.	<=6000 ft	10	07500599	MADISON	1,721	4.7
FY2006	WHITING OIL AND GAS CORPORATION	<=6000 ft	10	07501264	MADISON	1,721	4.7
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00900298	SPEARFISH/CHARLES	1,762	4.8
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901703	MADISON	1,769	4.8
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	04900067	MADISON	1,757	4.8
FY2006	GEORESOURCES, INC.	<=6000 ft	10	04900144	MADISON	1,759	4.8
FY2006	CAMWEST II L.P.	<=6000 ft	10	07501037	MADISON	1,751	4.8
FY2006	HESS CORPORATION	<=6000 ft	10	00900295	SPEARFISH/CHARLES	1,788	4.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901268	MADISON	1,788	4.9
FY2006	TURTLE MOUNTAIN GAS & OIL, INC.	<=6000 ft	10	00901699	SPEARFISH	1,784	4.9
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00902019	MADISON	1,775	4.9
FY2006	WHITING OIL AND GAS CORPORATION	<=6000 ft	10	07500057	MADISON	1,792	4.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500395	MADISON	1,790	4.9
FY2006	PHILLIP D. ARMSTRONG	<=6000 ft	10	07500417	MADISON	1,802	4.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500493	MADISON	1,790	4.9
FY2006	CONDOR PETROLEUM, INC.	<=6000 ft	10	07500558	MADISON	1,773	4.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500820	MADISON	1,774	4.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900133	MADISON	1,773	4.9
FY2006	CONDOR PETROLEUM, INC.	<=6000 ft	10	00901223	MADISON	1,828	5.0
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901412	SPEARFISH/MADISON	1,827	5.0
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	04900075	MADISON	1,837	5.0
FY2006	OMIMEX INTERNATIONAL CORPORATION	<=6000 ft	10	07500352	MADISON	1,841	5.0
FY2006	OMIMEX INTERNATIONAL CORPORATION	<=6000 ft	10	07500724	MADISON	1,833	5.0
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00900613	SPEARFISH/CHARLES	1,832	5.0
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00900945	MADISON	1,865	5.1
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901002	MADISON	1,847	5.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00901308	MADISON	1,856	5.1
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901665	MADISON	1,875	5.1
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00901743	MADISON	1,853	5.1
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00902056	MADISON	1,873	5.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	04900070	MADISON	1,859	5.1
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	07500668	MADISON	1,866	5.1
FY2006	PHILLIP D. ARMSTRONG	<=6000 ft	10	07500800	MADISON	1,850	5.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500883	MADISON	1,875	5.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10			1,866	5.1

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(')
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500930	MADISON	1,848	5.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00900259	SPEARFISH/CHARLES	1,901	5.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00901323	MADISON	1,901	5.2
FY2006	SILVER THREAD OIL & GAS, INC.	<=6000 ft	10	01300387	MADISON	1,899	5.2
FY2006	CAMWEST II L.P.	<=6000 ft	10	07500059	MADISON	1,902	5.2
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500091	MADISON	1,896	5.2
FY2006	PHILLIP D. ARMSTRONG	<=6000 ft	10	07500428	MADISON	1,886	5.2
FY2006	HESS CORPORATION	<=6000 ft	10	00900371	SPEARFISH/CHARLES	1,936	5.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00900563	SPEARFISH/CHARLES	1,917	5.3
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901400	MADISON	1,931	5.3
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00901662	MADISON	1,932	5.3
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901840	MADISON	1,926	5.3
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07500149	MADISON	1,922	5.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500589	MADISON	1,927	5.3
FY2006	HESS CORPORATION	<=6000 ft	10	00900306	SPEARFISH/CHARLES	1,972	5.4
FY2006	BERENERGY CORPORATION	<=6000 ft	10	00901461	MADISON	1,957	5.4
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901986	MADISON	1,956	5.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01301239	MIDALE/NESSON	1,958	5.4
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500097	MADISON	1,979	5.4
FY2006	WESCO OPERATING, INC.	<=6000 ft	10	07501067	MADISON	1,959	5.4
FY2006	PHILLIP D. ARMSTRONG	<=6000 ft	10	07501233	MADISON	1,987	5.4
FY2006	HESS CORPORATION	<=6000 ft	10	00901086	SPEARFISH/CHARLES	2,001	5.5
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901231	SPEARFISH/MADISON	2,007	5.5
FY2006	HESS CORPORATION	<=6000 ft	10	00900281	SPEARFISH/CHARLES	2,058	5.6
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00900954	MADISON	2,037	5.6
FY2006	NANCE PETROLEUM CORPORATION	<=6000 ft	10	00901041	MADISON	2,050	5.6
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901893	MADISON	2,040	5.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	04900153	MADISON	2,047	5.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500068	MADISON	2,045	5.6
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500751	MADISON	2,060	5.6
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500951	MADISON	2,044	5.6
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900381	SPEARFISH/MADISON	2,091	5.7
FY2006	BERENERGY CORPORATION	<=6000 ft	10	00900552	MADISON	2,064	5.7
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900766	MADISON	2,071	5.7
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01301245	MADISON	2,094	5.7
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500956	MADISON	2,066	5.7
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901297	MADISON	2,120	5.8
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901704	MADISON	2,118	5.8
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901912	SPEARFISH/MADISON	2,125	5.8
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500857	MADISON	2,103	5.8
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07501347	MADISON	2,135	5.8
FY2006	HESS CORPORATION	<=6000 ft	10	00900544	SPEARFISH/CHARLES	2,138	5.9
FY2006	HESS CORPORATION	<=6000 ft	10	00900730	SPEARFISH/CHARLES	2,157	5.9
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00901710	MADISON	2,146	5.9
FY2006	WHITING OIL AND GAS CORPORATION	<=6000 ft	10	01301012	MADISON	2,142	5.9

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (')
FY2006	PHILLIP D. ARMSTRONG	<=6000 ft	10	07500424	MADISON	2,160	5.9
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500560	MADISON	2,171	5.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500878	MADISON	2,136	5.9
FY2006	WESCO OPERATING, INC.	<=6000 ft	10	07501133	MADISON	2,161	5.9
FY2006	BALLANTYNE OIL	<=6000 ft	10	07501335	MADISON	2,166	5.9
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00901427	MADISON	2,183	6.0
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901798	MADISON	2,202	6.0
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01301081	MADISON	2,207	6.0
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	04900160	MADISON	2,200	6.0
FY2006	WHITING OIL AND GAS CORPORATION	<=6000 ft	10	07500058	MADISON	2,174	6.0
FY2006	OMIMEX INTERNATIONAL CORPORATION	<=6000 ft	10	07500353	MADISON	2,200	6.0
FY2006	PHILLIP D. ARMSTRONG	<=6000 ft	10	07500855	MADISON	2,181	6.0
FY2006	WESCO OPERATING, INC.	<=6000 ft	10	07501110	MADISON	2,181	6.0
FY2006	HESS CORPORATION	<=6000 ft	10	00900242	SPEARFISH/CHARLES	2,212	6.1
FY2006	HESS CORPORATION	<=6000 ft	10	00900353	SPEARFISH/CHARLES	2,234	6.1
FY2006	HESS CORPORATION	<=6000 ft	10	00900363	SPEARFISH/CHARLES	2,213	6.1
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00900624	MADISON	2,212	6.1
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901778	SPEARFISH/MADISON	2,237	6.1
FY2006	BERENERGY CORPORATION	<=6000 ft	10	00900634	MADISON	2,272	6.2
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00901690	MADISON	2,269	6.2
FY2006	CARLSON OIL INC.	<=6000 ft	10	01300898	MADISON	2,276	6.2
FY2006	WHITING OIL AND GAS CORPORATION	<=6000 ft	10	01301025	MADISON	2,275	6.2
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500074	MADISON	2,247	6.2
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500081	MADISON	2,254	6.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500810	MADISON	2,280	6.2
FY2006	MCRAE & HENRY, LTD.	<=6000 ft	10	07500963	MADISON	2,253	6.2
FY2006	CONTINENTAL RESOURCES, INC.	<=6000 ft	10	00901162	MADISON	2,308	6.3
FY2006	RITCHIE EXPLORATION, INC.	<=6000 ft	10	00900071	MADISON	2,339	6.4
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00901123	MADISON	2,321	6.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901125	MADISON	2,324	6.4
FY2006	BALLANTYNE OIL	<=6000 ft	10	00902050	MADISON	2,349	6.4
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00900408	MADISON	2,370	6.5
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00900454	MADISON	2,363	6.5
FY2006	JENEX OPERATING COMPANY	<=6000 ft	10	01300994	MADISON	2,355	6.5
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500607	MADISON	2,363	6.5
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500616	MADISON	2,371	6.5
FY2006	BALLANTYNE OIL	<=6000 ft	10	07501030	MADISON	2,360	6.5
FY2006	WHITING OIL AND GAS CORPORATION	<=6000 ft	10	07501150	MADISON	2,373	6.5
FY2006	HESS CORPORATION	<=6000 ft	10	00900372	SPEARFISH/CHARLES	2,417	6.6
FY2006	CONTINENTAL RESOURCES, INC.	<=6000 ft	10	00900810	MADISON	2,426	6.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500067	MADISON	2,397	6.6
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00901059	MADISON	2,444	6.7
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901122	MADISON	2,449	6.7
FY2006	WHITING OIL AND GAS CORPORATION	<=6000 ft	10	07500048	MADISON	2,445	6.7
FY2006	CAMWEST II L.P.	<=6000 ft	10	07500703	MADISON	2,435	6.7

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(")
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500860	MADISON	2,429	6.7
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07501307	MADISON	2,452	6.7
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901371	MADISON	2,493	6.8
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500069	MADISON	2,470	6.8
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07500138	MADISON	2,490	6.8
FY2006	ST OIL COMPANY	<=6000 ft	10	07500518	MADISON	2,500	6.8
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500551	MADISON	2,464	6.8
FY2006	HESS CORPORATION	<=6000 ft	10	00900331	SPEARFISH/CHARLES	2,504	6.8
FY2006	BERENERGY CORPORATION	<=6000 ft	10	00900629	MADISON	2,504	6.9
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00902024	MADISON	2,520	6.9
FY2006	BALLANTYNE OIL	<=6000 ft	10	00902037	MADISON	2,519	6.9
FY2006	MCRAE & HENRY, LTD.	<=6000 ft	10	01300995	MADISON	2,511	6.9
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500206	MADISON	2,515	6.9
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07500933	MADISON	2,528	6.9
FY2006	WHITING OIL AND GAS CORPORATION	<=6000 ft	10	00901923	MADISON	2,556	7.0
FY2006	BALLANTYNE OIL	<=6000 ft	10	00902011	MADISON	2,573	7.0
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901159	MADISON	2,576	7.1
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901181	MADISON	2,586	7.1
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901189	MADISON	2,598	7.1
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00901488	MADISON	2,592	7.1
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901841	MADISON	2,587	7.1
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07500124	MADISON	2,576	7.1
FY2006	BALLANTYNE OIL	<=6000 ft	10	07500792	MADISON	2,574	7.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500837	MADISON	2,606	7.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00900539	MADISON	2,611	7.2
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00900962	MADISON	2,616	7.2
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00901064	MADISON	2,631	7.2
FY2006	SILVER THREAD OIL & GAS, INC.	<=6000 ft	10	01301319	MADISON	2,631	7.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00900570	MADISON	2,649	7.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900970	MADISON	2,667	7.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300901	MADISON	2,660	7.3
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300977	MADISON	2,666	7.3
FY2006	HESS CORPORATION	<=6000 ft	10	00900862	MADISON	2,693	7.4
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00901058	SPEARFISH/CHARLES	2,704	7.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901186	MADISON	2,713	7.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07501254	MADISON	2,699	7.4
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00901129	MADISON	2,741	7.4
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00901470	SPEARFISH/CHARLES	2,727	7.5
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901478	MADISON	2,721	7.5
FY2006	CAMWEST II L.P.	<=6000 ft	10	00901975	MADISON	2,738	7.5
FY2006	HESS CORPORATION	<=6000 ft	10	07500788	MADISON	2,782	7.6
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00900308	SPEARFISH/CHARLES	2,800	7.7
FY2006	FOX OPERATING COMPANY	<=6000 ft	10	00900722	MADISON	2,795	7.7
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00900767	SPEARFISH/MADISON	2,799	7.7
FY2006		<=6000 ft	10	00901539	MADISON	2,805	7.7



PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00901832	MADISON	2,807	7.7
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	00901656	SPEARFISH/MADISON	2,837	7.8
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901806	SPEARFISH/MADISON	2,849	7.8
FY2006	CITATION OIL & GAS CORP.	<=6000 ft	10	00901813	MADISON	2,835	7.8
FY2006	BALLANTYNE OIL	<=6000 ft	10	00902093	MADISON	2,847	7.8
FY2006	BERENERGY CORPORATION	<=6000 ft	10	07500816	MADISON	2,840	7.8
FY2006	HESS CORPORATION	<=6000 ft	10	00900327	SPEARFISH/CHARLES	2,900	7.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900885	MADISON	2,877	7.9
FY2006	HESS CORPORATION	<=6000 ft	10	00901083	SPEARFISH/CHARLES	2,895	7.9
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	07500608	MADISON	2,885	7.9
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07501056	MADISON	2,875	7.9
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00900575	MADISON	2,911	8.0
FY2006	BERENERGY CORPORATION	<=6000 ft	10	00901458	MADISON	2,916	8.0
FY2006	CAMWEST II L.P.	<=6000 ft	10	07500915	MADISON	2,915	8.0
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07501270	MADISON	2,915	8.0
FY2006	HESS CORPORATION	<=6000 ft	10	00900221	SPEARFISH/CHARLES	2,960	8.1
FY2006	HESS CORPORATION	<=6000 ft	10	00901389	SPEARFISH/CHARLES	2,951	8.1
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901589	MADISON	2,945	8.1
FY2006	BALLANTYNE OIL	<=6000 ft	10	07500186	MADISON	2,940	8.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500959	MADISON	2,940	8.1
FY2006	BERENERGY CORPORATION	<=6000 ft	10	00901407	MADISON	2,990	8.2
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901415	MADISON	2,975	8.2
FY2006	GREAT AMERICAN ROYAL TIES, INC.	<=6000 ft	10	00901714	MADISON	2,984	8.2
FY2006	WESCO OPERATING, INC.	<=6000 ft	10	10100425	MADISON	2,994	8.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900876	MADISON	3,025	8.3
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901136	SPEARFISH/CHARLES	3,012	8.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00901330	MADISON	3,046	8.3
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	04900132	MADISON	3,041	8.3
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00900593	MADISON	3,052	8.4
FY2006	HESS CORPORATION	<=6000 ft	10	00900309	SPEARFISH/CHARLES	3,096	8.5
FY2006	HESS CORPORATION	<=6000 ft	10	00901455	MADISON	3,100	8.5
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00900337	SPEARFISH/CHARLES	3,143	8.6
FY2006	WHITING OIL AND GAS CORPORATION	<=6000 ft	10	00900493	MADISON	3,152	8.6
FY2006	SILVER THREAD OIL & GAS, INC.	<=6000 ft	10	00901860	MADISON	3,157	8.6
FY2006	HESS CORPORATION	<=6000 ft	10	01300467	MADISON	3,156	8.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900282	SPEARFISH/CHARLES	3,210	8.8
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900877	MADISON	3,194	8.8
FY2006	HESS CORPORATION	<=6000 ft	10	00901702	MADISON	3,284	9.0
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00900277	SPEARFISH/CHARLES	3,321	9.1
FY2006	HESS CORPORATION	<=6000 ft	10	00901926	MADISON	3,339	9.1
FY2006	CITATION OIL & GAS CORP.	<=6000 ft	10	07500217	MADISON	3,329	9.1
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00900222	SPEARFISH/CHARLES	3,361	9.2
FY2006	HESS CORPORATION	<=6000 ft	10	07500479	MADISON	3,344	9.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900325	SPEARFISH/CHARLES	3,407	9.3
FY2006	HESS CORPORATION	<=6000 ft	10	00901193	MADISON	3,380	9.3

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (")
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901543	MADISON	3,395	9.3
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00900846	MADISON	3,441	9.4
FY2006	BALLANTYNE OIL	<=6000 ft	10	00902102	MADISON	3,416	9.4
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500826	MADISON	3,442	9.4
FY2006	CONTINENTAL RESOURCES, INC.	<=6000 ft	10	00901958	MADISON	3,460	9.5
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901395	MADISON	3,507	9.6
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901960	MADISON	3,490	9.6
FY2006	ARSENAL ENERGY USA INC.	<=6000 ft	10	07500652	MADISON	3,486	9.6
FY2006	HESS CORPORATION	<=6000 ft	10	00900367	SPEARFISH/CHARLES	3,543	9.7
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00901481	MADISON	3,532	9.7
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901456	MADISON	3,583	9.8
FY2006	PHILLIP D. ARMSTRONG	<=6000 ft	10	07500426	MADISON	3,594	9.8
FY2006	GREAT AMERICAN ROYALTIES, INC.	<=6000 ft	10	00901487	MADISON	3,610	9.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01300340	MADISON	3,619	9.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901180	SPEARFISH/MADISON	3,642	10.0
FY2006	BALLANTYNE OIL	<=6000 ft	10	00902087	MADISON	3,646	10.0
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07501226	MADISON	3,668	10.0
<b>Stripper production qualifying as &lt;=6000 ft and &lt;=10 barrels /day - within qualification limits</b>							
<b>647 Wells</b>							
FY2006	HESS CORPORATION	<=6000 ft	10	00900690	SPEARFISH/CHARLES	3,684	10.1
FY2006	BERENERGY CORPORATION	<=6000 ft	10	00900522	MADISON	3,734	10.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00901318	MADISON	3,724	10.2
FY2006	BALLANTYNE OIL	<=6000 ft	10	00900138	MADISON	3,796	10.4
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00900873	MADISON	3,781	10.4
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00901245	MADISON	3,886	10.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500364	MADISON	3,877	10.6
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500471	MADISON	3,877	10.6
FY2006	HESS CORPORATION	<=6000 ft	10	00900395	SPEARFISH/CHARLES	3,890	10.7
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00900471	MADISON	3,943	10.8
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00901484	MADISON	3,946	10.8
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901976	MADISON	3,957	10.8
FY2006	BALLANTYNE OIL	<=6000 ft	10	00902049	MADISON	3,926	10.8
FY2006	HESS CORPORATION	<=6000 ft	10	00900411	SPEARFISH/CHARLES	3,986	10.9
FY2006	T-BOC INC.	<=6000 ft	10	01300357	MADISON	3,986	10.9
FY2006	OMIMEX INTERNATIONAL CORPORATION	<=6000 ft	10	07500508	MADISON	3,992	10.9
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	01301002	MADISON	4,033	11.0
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07500414	MADISON	4,036	11.1
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	07500414	MADISON	4,065	11.1
FY2006	HESS CORPORATION	<=6000 ft	10	07500917	MADISON	4,045	11.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900302	SPEARFISH/CHARLES	4,165	11.4
FY2006	HESS CORPORATION	<=6000 ft	10	07500887	MADISON	4,281	11.7
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00900418	SPEARFISH/CHARLES	4,300	11.8
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901388	MADISON	4,335	11.9
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901978	MADISON	4,378	12.0
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00901472	MADISON	4,433	12.1
FY2006	HESS CORPORATION	<=6000 ft	10	00900256	SPEARFISH/CHARLES	4,524	12.4

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (")
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00900934	MADISON	4,514	12.4
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07500443	MADISON	4,528	12.4
FY2006	GEORESOURCES, INC.	<=6000 ft	10	00901492	MADISON	4,689	12.8
FY2006	BALLANTYNE OIL	<=6000 ft	10	00902066	MADISON	4,724	12.9
FY2006	HESS CORPORATION	<=6000 ft	10	00900592	SPEARFISH/CHARLES	4,771	13.1
FY2006	HESS CORPORATION	<=6000 ft	10	00900388	SPEARFISH/CHARLES	4,813	13.2
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00901113	MADISON	4,845	13.3
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901352	MADISON	4,887	13.4
FY2006	HESS CORPORATION	<=6000 ft	10	00901009	SPEARFISH/CHARLES	4,914	13.4
FY2006	HESS CORPORATION	<=6000 ft	10	00900272	SPEARFISH/CHARLES	4,976	13.5
FY2006	HESS CORPORATION	<=6000 ft	10	00900574	SPEARFISH/CHARLES	4,986	13.6
FY2006	CAMWEST II LP.	<=6000 ft	10	07500868	MADISON	5,204	13.7
FY2006	HESS CORPORATION	<=6000 ft	10	00900270	SPEARFISH/CHARLES	5,242	14.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00900716	MADISON	5,320	14.6
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00900716	MADISON	5,424	14.9
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	07500680	MADISON	5,562	15.2
FY2006	HESS CORPORATION	<=6000 ft	10	00901438	MADISON	5,643	15.5
FY2006	HESS CORPORATION	<=6000 ft	10	00900921	SPEARFISH/CHARLES	5,859	16.1
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	07500523	MADISON	6,039	16.5
FY2006	EAGLE OPERATING, INC.	<=6000 ft	10	00900835	MADISON	6,288	17.2
FY2006	HESS CORPORATION	<=6000 ft	10	00900241	SPEARFISH/CHARLES	6,386	17.5
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901239	MADISON	6,402	17.5
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901974	MADISON	6,510	17.8
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00900311	SPEARFISH/CHARLES	6,575	18.0
FY2006	HESS CORPORATION	<=6000 ft	10	00900366	SPEARFISH/CHARLES	6,701	18.4
FY2006	HESS CORPORATION	<=6000 ft	10	00900326	SPEARFISH/CHARLES	6,882	18.9
FY2006	HESS CORPORATION	<=6000 ft	10	00900848	MADISON	6,890	18.9
FY2006	WHITING OIL AND GAS CORPORATION	<=6000 ft	10	07500714	MADISON	6,935	19.0
FY2006	RITCHEE EXPLORATION, INC.	<=6000 ft	10	00900577	SPEARFISH/CHARLES	7,009	19.2
FY2006	HESS CORPORATION	<=6000 ft	10	00901748	MADISON	7,169	19.6
FY2006	HESS CORPORATION	<=6000 ft	10	00901043	MADISON	7,647	21.0
FY2006	HESS CORPORATION	<=6000 ft	10	00900879	SPEARFISH/CHARLES	7,723	21.2
FY2006	WARD-WILLISTON COMPANY	<=6000 ft	10	00900913	MADISON	7,737	21.2
FY2006	HESS CORPORATION	<=6000 ft	10	00900205	SPEARFISH/CHARLES	7,895	21.6
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901966	MADISON	8,183	22.4
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	00901973	MADISON	8,184	22.4
FY2006	HESS CORPORATION	<=6000 ft	10	00900219	SPEARFISH/CHARLES	8,217	22.5
FY2006	CONTINENTAL RESOURCES, INC.	<=6000 ft	10	00900888	MADISON	8,253	22.6
FY2006	RITCHEE EXPLORATION, INC.	<=6000 ft	10	00901612	SPEARFISH	8,246	22.6
FY2006	WHITING OIL AND GAS CORPORATION	<=6000 ft	10	00901008	MADISON	8,535	23.4
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00900504	MADISON	8,584	23.5
FY2006	HESS CORPORATION	<=6000 ft	10	00900467	SPEARFISH/CHARLES	8,689	23.8
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07501341	MADISON	8,900	24.4
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07501339	MADISON	9,019	24.7
FY2006	BALLANTYNE OIL	<=6000 ft	10	00901981	MADISON	9,147	25.1
FY2006	HESS CORPORATION	<=6000 ft	10	00900390	SPEARFISH/CHARLES	9,345	25.6

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	WHITING OIL AND GAS CORPORATION	<=6000 ft	10	00900992	MADISON	9,593	26.3
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07500423	MADISON	10,429	28.6
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	<=6000 ft	10	00901322	MADISON	12,972	35.5
FY2006	HESS CORPORATION	<=6000 ft	10	00902039	SPEARFISH/CHARLES	15,258	41.8
FY2006	ZARGON OIL (ND) INC.	<=6000 ft	10	07500831	MADISON	15,429	42.3
FY2006	MUREX PETROLEUM CORPORATION	<=6000 ft	10	07501348	MADISON	16,543	45.3
FY2006	HESS CORPORATION	<=6000 ft	10	00902035	SPEARFISH/CHARLES	17,162	47.0
<b>Stripper production qualifying as &lt;=6000 ft and &lt;=10 barrels /day - exceeding qualification limits</b>							
<b>78 Wells</b>							
FY2006	MUREX PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	01300197	MADISON	14	0.0
FY2006	CARLSON OIL INC.	>6000 and <=10,000 ft	15	01300753	MADISON	2	0.0
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01300790	MADISON	13	0.0
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00700007	HEATH	32	0.1
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00700085	HEATH	20	0.1
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00700096	HEATH	36	0.1
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	00700350	BAKKEN	45	0.1
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	01100172	RED RIVER B	32	0.1
FY2006	DAKOTA CRUDE, INC.	>6000 and <=10,000 ft	15	01300486	MADISON	28	0.1
FY2006	CARLSON OIL INC.	>6000 and <=10,000 ft	15	01300982	MADISON	50	0.1
FY2006	DENALI OIL & GAS MANAGEMENT, LLC	>6000 and <=10,000 ft	15	01301139	MADISON	25	0.1
FY2006	TRUE OIL LLC	>6000 and <=10,000 ft	15	05300622	MADISON	29	0.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	05301403	RED RIVER	20	0.1
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	08900072	HEATH	29	0.1
FY2006	CARLSON OIL INC.	>6000 and <=10,000 ft	15	01300682	MADISON	68	0.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01300813	MADISON	79	0.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01300920	MADISON	72	0.2
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01301086	MADISON	88	0.2
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01301161	MADISON	61	0.2
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	05301881	MADISON	73	0.2
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	10500319	DEVONIAN	66	0.2
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	10501057	MADISON	70	0.2
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	00700014	MADISON	116	0.3
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	01300650	MADISON	118	0.3
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01301109	MADISON	96	0.3
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	05301950	MADISON	125	0.3
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	00701114	MADISON	135	0.4
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	01300121	MADISON	152	0.4
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01300599	MADISON	151	0.4
FY2006	DAKOTA CRUDE, INC.	>6000 and <=10,000 ft	15	01300667	MADISON	131	0.4
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01300687	MADISON	147	0.4
FY2006	CARLSON OIL INC.	>6000 and <=10,000 ft	15	01300892	MADISON	151	0.4
FY2006	IMPERIAL OIL OF NORTH DAKOTA, INC.	>6000 and <=10,000 ft	15	01300892	MADISON	133	0.4
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301890	MADISON	149	0.4
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10500476	MADISON	184	0.5
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01300408	MADISON	165	0.5
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01300444	MADISON	165	0.5

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	DAKOTA CRUDE, INC.	>6000 and <=10,000 ft	15	01300586	MADISON	181	0.5
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01300684	MADISON	183	0.5
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301759	MADISON	198	0.5
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	10100103	MADISON	190	0.5
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01300059	MADISON	203	0.6
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01300129	MADISON	223	0.6
FY2006	WARD-WILLISTON COMPANY	>6000 and <=10,000 ft	15	01300332	MADISON	206	0.6
FY2006	DAKOTA CRUDE, INC.	>6000 and <=10,000 ft	15	01300498	MADISON	224	0.6
FY2006	WARD-WILLISTON COMPANY	>6000 and <=10,000 ft	15	01300847	MADISON	207	0.6
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05302022	MADISON	220	0.6
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00700157	MADISON	272	0.7
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01300075	MADISON	238	0.7
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01300439	MADISON	239	0.7
FY2006	CARLSON OIL INC.	>6000 and <=10,000 ft	15	01300639	MADISON	270	0.7
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01300671	MADISON	253	0.7
FY2006	RANCH OIL COMPANY	>6000 and <=10,000 ft	15	05301279	MADISON	253	0.7
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	01300290	MADISON	289	0.8
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01300844	MADISON	287	0.8
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01301080	MADISON	276	0.8
FY2006	ENCORE OPERATING, L.P.	>6000 and <=10,000 ft	15	01100070	ORDOVICIAN	320	0.9
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01300419	MADISON	334	0.9
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01300766	MADISON	317	0.9
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	10100093	MADISON	318	0.9
FY2006	MUREX PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10100301	MADISON	324	0.9
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10100366	MADISON	317	0.9
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10500400	MADISON	326	0.9
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100387	WEST RED RIVER	382	1.0
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	01300245	MADISON	349	1.0
FY2006	DAKOTA CRUDE, INC.	>6000 and <=10,000 ft	15	01300482	MADISON	362	1.0
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01300668	MADISON	355	1.0
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01300673	MADISON	372	1.0
FY2006	CARLSON OIL INC.	>6000 and <=10,000 ft	15	01300719	MADISON	370	1.0
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01300082	MADISON	391	1.1
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301192	MADISON	415	1.1
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301701	MADISON	416	1.1
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	01300275	MADISON	424	1.2
FY2006	IMPERIAL OIL OF NORTH DAKOTA, INC.	>6000 and <=10,000 ft	15	01301054	MADISON	456	1.2
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	02500445	MADISON	450	1.2
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	02500445	MADISON	436	1.2
FY2006	TRUE OIL LLC	>6000 and <=10,000 ft	15	05300547	MADISON	450	1.2
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301863	MADISON	435	1.2
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	05500054	MADISON	439	1.2
FY2006	PRAIRIE PRODUCTION, INC.	>6000 and <=10,000 ft	15	10501254	MADISON	485	1.3
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	05300114	MADISON	498	1.4
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301816	MADISON	507	1.4

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (')
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	06100363	MADISON	518	1.4
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01300048	MADISON	547	1.5
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01300918	MADISON	551	1.5
FY2006	RITTER, LABER & ASSOCIATES, INC.	>6000 and <=10,000 ft	15	01300961	MADISON	548	1.5
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	05500093	MADISON	550	1.5
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	08900057	HEATH	532	1.5
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301185	MADISON	583	1.6
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01301317	MADISON	581	1.6
FY2006	TRUE OIL LLC	>6000 and <=10,000 ft	15	05300613	MADISON	583	1.6
FY2006	GALAXY OIL CO.	>6000 and <=10,000 ft	15	10500895	MADISON	585	1.6
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01300061	MADISON	593	1.6
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	01301124	MADISON	637	1.7
FY2006	BURNETT ENERGY INC.	>6000 and <=10,000 ft	15	05301189	RED RIVER	628	1.7
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	05301557	MADISON	605	1.7
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100441	RED RIVER	630	1.7
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01300433	MADISON	647	1.8
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01300455	MADISON	646	1.8
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01300465	MADISON	655	1.8
FY2006	WARD-WILLISTON COMPANY	>6000 and <=10,000 ft	15	01300856	MADISON	667	1.8
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301043	MADISON	668	1.8
FY2006	TRUE OIL LLC	>6000 and <=10,000 ft	15	05300999	MADISON	662	1.8
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	05301577	MADISON	645	1.8
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301954	MADISON	656	1.8
FY2006	TRUE OIL LLC	>6000 and <=10,000 ft	15	05302544	MADISON	657	1.8
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	06100309	MADISON	700	1.9
FY2006	NEW MILLENNIUM RESOURCES, INC.	>6000 and <=10,000 ft	15	08900297	TYLER A	709	1.9
FY2006	ZENERGY, INC	>6000 and <=10,000 ft	15	10501276	MADISON	698	1.9
FY2006	CARLSON OIL INC.	>6000 and <=10,000 ft	15	01300871	MADISON	726	2.0
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01300992	MADISON	732	2.0
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01301217	MADISON	729	2.0
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10500499	MADISON	745	2.0
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01300222	MADISON	759	2.1
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	02300091	MADISON	779	2.1
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301722	MADISON	777	2.1
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	05500052	MADISON	781	2.1
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10500372	MADISON	755	2.1
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	10500441	MADISON	752	2.1
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	10500441	MADISON	797	2.2
FY2006	CARLSON OIL INC.	>6000 and <=10,000 ft	15	01300505	MADISON	796	2.2
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	01300690	MADISON	796	2.2
FY2006	B & B OIL FIELD SERVICES, INC.	>6000 and <=10,000 ft	15	01300789	MADISON	818	2.2
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	01301028	MADISON	821	2.2
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	05301588	MADISON	792	2.2
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	08900377	HEATH	793	2.2
FY2006	CARLSON OIL INC.	>6000 and <=10,000 ft	15	01300216	MADISON	856	2.3
FY2006	CARLSON OIL INC.	>6000 and <=10,000 ft	15	01300250	MADISON	837	2.3

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (')
FY2006	DAKOTA CRUDE, INC.	>6000 and <=10,000 ft	15	01300654	MADISON	836	2.3
FY2006	CARLSON OIL INC.	>6000 and <=10,000 ft	15	01300707	MADISON	844	2.3
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301078	MADISON	856	2.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	05301797	MADISON	843	2.3
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	05500065	MADISON	848	2.3
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01300257	MADISON	894	2.4
FY2006	PINTAIL PETROLEUM, LTD.	>6000 and <=10,000 ft	15	01300857	MADISON	863	2.4
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301114	MADISON	871	2.4
FY2006	ENERGY EQUITY COMPANY	>6000 and <=10,000 ft	15	05301434	MADISON	869	2.4
FY2006	MUREX PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10501491	MADISON	890	2.4
FY2006	CHESAPEAKE OPERATING, INC.	>6000 and <=10,000 ft	15	00701296	TYLER	911	2.5
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	05301607	MADISON	905	2.5
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05302050	MADISON	917	2.5
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01100394	RED RIVER	944	2.6
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01300047	MADISON	957	2.6
FY2006	SILVER THREAD OIL & GAS, INC.	>6000 and <=10,000 ft	15	01300462	MADISON	946	2.6
FY2006	ROCANVILLE CORPORATION	>6000 and <=10,000 ft	15	01300528	MADISON	951	2.6
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	06100359	MADISON	954	2.6
FY2006	RITTER, LABER & ASSOCIATES, INC.	>6000 and <=10,000 ft	15	06100456	MADISON	943	2.6
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	08900212	HEATH	966	2.6
FY2006	STONE ENERGY CORPORATION	>6000 and <=10,000 ft	15	10501012	MADISON	944	2.6
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700357	MADISON	975	2.7
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01300292	MADISON	979	2.7
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01300758	MADISON	970	2.7
FY2006	WARD-WILLISTON COMPANY	>6000 and <=10,000 ft	15	01301022	MADISON	983	2.7
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301040	MADISON	982	2.7
FY2006	TRUE OIL LLC	>6000 and <=10,000 ft	15	01301044	MADISON	988	2.7
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301069	MADISON	984	2.7
FY2006	J.P. OIL COMPANY, INC.	>6000 and <=10,000 ft	15	05300822	RED RIVER	984	2.7
FY2006	RANCH OIL COMPANY	>6000 and <=10,000 ft	15	05301398	BAKKEN	969	2.7
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01300910	MADISON	1,020	2.8
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	06100390	MADISON	1,007	2.8
FY2006	TEXAKOTA, INC.	>6000 and <=10,000 ft	15	10500732	BAKKEN	1,004	2.8
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	10501180	MADISON	1,011	2.8
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501255	MADISON	1,022	2.8
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301027	MADISON	1,076	2.8
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301098	MADISON	1,052	2.9
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01301214	MADISON	1,059	2.9
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05302006	MADISON	1,055	2.9
FY2006	APEX ENERGY, L.L.C.	>6000 and <=10,000 ft	15	06100150	MADISON	1,060	2.9
FY2006	PINTAIL PETROLEUM, LTD.	>6000 and <=10,000 ft	15	06100263	MADISON	1,072	2.9
FY2006	BURNETT ENERGY INC.	>6000 and <=10,000 ft	15	10501253	MADISON	1,054	2.9
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	00701396	MADISON	1,108	3.0
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	00701446	BAKKEN	1,092	3.0
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01301265	MADISON	1,078	3.0

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (')
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	06100400	MADISON	1,112	3.0
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700240	MADISON	1,127	3.1
FY2006	ENCORE OPERATING, L.P.	>6000 and <=10,000 ft	15	01101190	ORDOVICIAN	1,127	3.1
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01300943	MADISON	1,124	3.1
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05302127	DUPEROW	1,114	3.1
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	05500079	MADISON	1,136	3.1
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	06100342	MADISON	1,114	3.1
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10500809	MADISON	1,148	3.1
FY2006	WARD-WILLISTON COMPANY	>6000 and <=10,000 ft	15	01300502	MADISON	1,171	3.1
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	01300739	MADISON	1,153	3.2
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301123	MADISON	1,167	3.2
FY2006	HUNT PETROLEUM (AEC), INC.	>6000 and <=10,000 ft	15	05301751	DUPEROW	1,179	3.2
FY2006	BURNETT ENERGY INC.	>6000 and <=10,000 ft	15	05302156	MADISON	1,176	3.2
FY2006	PINTAIL PETROLEUM, LTD.	>6000 and <=10,000 ft	15	10500872	MADISON	1,178	3.2
FY2006	CHESAPEAKE OPERATING, INC.	>6000 and <=10,000 ft	15	00701292	TYLER	1,216	3.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01300686	MADISON	1,196	3.3
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01301261	MADISON	1,192	3.3
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	02500166	MADISON	1,189	3.3
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301668	MADISON	1,196	3.3
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301864	MADISON	1,220	3.3
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301945	MADISON	1,195	3.3
FY2006	TRUE OIL LLC	>6000 and <=10,000 ft	15	05302575	MADISON	1,212	3.3
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	06100244	MADISON	1,210	3.3
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	06100358	MADISON	1,195	3.3
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700800	MADISON	1,253	3.4
FY2006	WARD-WILLISTON COMPANY	>6000 and <=10,000 ft	15	01300793	MADISON	1,235	3.4
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01300929	MADISON	1,257	3.4
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01301052	MADISON	1,230	3.4
FY2006	TEXAS CRUDE ENERGY, INC.	>6000 and <=10,000 ft	15	01301250	MADISON	1,240	3.4
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01301318	MADISON	1,224	3.4
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700632	MADISON	1,282	3.5
FY2006	PINTAIL PETROLEUM, LTD.	>6000 and <=10,000 ft	15	01300051	MADISON	1,261	3.5
FY2006	CARLSON OIL INC.	>6000 and <=10,000 ft	15	01300761	MADISON	1,261	3.5
FY2006	WARD-WILLISTON COMPANY	>6000 and <=10,000 ft	15	01300870	MADISON	1,289	3.5
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01300989	MADISON	1,282	3.5
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301055	MADISON	1,277	3.5
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301948	MADISON	1,286	3.5
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	06100384	MADISON	1,269	3.5
FY2006	TEXAKOTA, INC.	>6000 and <=10,000 ft	15	10500926	MADISON	1,276	3.5
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01300018	MADISON	1,318	3.6
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01300079	MADISON	1,302	3.6
FY2006	MUREX PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	01300347	MADISON	1,329	3.6
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01300666	MADISON	1,331	3.6
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01301255	MADISON	1,316	3.6
FY2006	BURNETT ENERGY INC.	>6000 and <=10,000 ft	15	05301189	MADISON	1,312	3.6

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(%)
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	08900055	HEATH	1,327	3.6
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501295	MADISON	1,315	3.6
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01300900	MADISON	1,350	3.7
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01300939	MADISON	1,365	3.7
FY2006	BURNETT ENERGY INC.	>6000 and <=10,000 ft	15	01301216	MADISON	1,360	3.7
FY2006	MARSHA AZAR	>6000 and <=10,000 ft	15	10500829	MADISON	1,364	3.7
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	02300065	MADISON	1,389	3.8
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	03300230	MADISON	1,388	3.8
FY2006	WILLISTON INDUSTRIAL SUPPLY CORPORATION	>6000 and <=10,000 ft	15	10500885	MADISON	1,383	3.8
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01300088	MADISON	1,437	3.9
FY2006	BOWERS OIL & GAS, INC.	>6000 and <=10,000 ft	15	10500831	MADISON	1,417	3.9
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	10501278	MADISON	1,408	3.9
FY2006	PRIDE ENERGY, AN OKLAHOMA GENERAL PARTNERSHIP	>6000 and <=10,000 ft	15	00700691	MADISON	1,474	4.0
FY2006	MUREX PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	00701199	MADISON	1,453	4.0
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	00902026	SPEARFISH/CHARLES	1,459	4.0
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301014	MADISON	1,474	4.0
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	01301133	MADISON	1,472	4.0
FY2006	BILL BARRETT CORPORATION	>6000 and <=10,000 ft	15	05301942	MADISON	1,459	4.0
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	05302485	MADISON	1,461	4.0
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	10501157	MADISON	1,478	4.0
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00700544	MADISON	1,493	4.1
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	01300691	MADISON	1,499	4.1
FY2006	WARD-WILLISTON COMPANY	>6000 and <=10,000 ft	15	01300722	BAKKEN	1,508	4.1
FY2006	WILLISTON INDUSTRIAL SUPPLY CORPORATION	>6000 and <=10,000 ft	15	01300832	MADISON	1,493	4.1
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	01301170	BAKKEN	1,500	4.1
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301786	MADISON	1,484	4.1
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	05302004	MADISON	1,491	4.1
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	00700061	HEATH	1,538	4.2
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01300628	MADISON	1,551	4.2
FY2006	DAKOTA CRUDE, INC.	>6000 and <=10,000 ft	15	01300889	MADISON	1,550	4.2
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	01301232	MADISON	1,537	4.2
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	02500122	MADISON	1,517	4.2
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	06100224	MADISON	1,518	4.2
FY2006	STONE ENERGY CORPORATION	>6000 and <=10,000 ft	15	10100127	MADISON	1,515	4.2
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	10501073	MADISON	1,546	4.2
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	05500109	MADISON	1,564	4.3
FY2006	ITTER, LABER & ASSOCIATES, INC.	>6000 and <=10,000 ft	15	10500671	MADISON	1,553	4.3
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10501040	MADISON	1,562	4.3
FY2006	KRB ENTERPRISE, INC.	>6000 and <=10,000 ft	15	05301069	MADISON	1,588	4.4
FY2006	PRAIRIE PRODUCTION, INC.	>6000 and <=10,000 ft	15	08900305	HEATH	1,615	4.4
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	10500376	MADISON	1,624	4.4
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	00700931	MADISON	1,637	4.4
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	01100181	RED RIVER	1,657	4.5
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	01100324	RED RIVER	1,650	4.5
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	06100331	MADISON	1,651	4.5

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(')
FY2006	BASIC EARTH SCIENCE SYSTEMS, INC.	>6000 and <=10,000 ft	15	00700189	MADISON	1,671	4.6
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700239	MADISON	1,678	4.6
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700241	MADISON	1,685	4.6
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700329	MADISON	1,682	4.6
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00701359	MADISON	1,675	4.6
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301103	MADISON	1,665	4.6
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	02300339	DUPEROW	1,670	4.6
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	02500074	MADISON	1,697	4.6
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	02500288	MADISON	1,689	4.6
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301069	DUPEROW	1,677	4.6
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05302032	MADISON	1,692	4.6
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	10100122	MADISON	1,673	4.6
FY2006	BITTER, LABER & ASSOCIATES, INC.	>6000 and <=10,000 ft	15	10100421	MADISON	1,672	4.6
FY2006	PINTAIL PETROLEUM INC.	>6000 and <=10,000 ft	15	10500826	MADISON	1,664	4.6
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01300107	MADISON	1,731	4.7
FY2006	BURNETT ENERGY INC.	>6000 and <=10,000 ft	15	05301516	MADISON	1,729	4.7
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05302067	MADISON	1,699	4.7
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	10500970	MADISON	1,732	4.7
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	10501007	MADISON	1,705	4.7
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501333	MADISON	1,713	4.7
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	05300584	MADISON	1,766	4.8
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	08900060	HEATH	1,760	4.8
FY2006	SHAKESPEARE OIL COMPANY, INC.	>6000 and <=10,000 ft	15	10500658	MADISON	1,762	4.8
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	10501083	MADISON	1,754	4.8
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01301311	MADISON	1,787	4.9
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	02300046	MADISON	1,777	4.9
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301658	MADISON	1,794	4.9
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	10500883	MADISON	1,773	4.9
FY2006	HUNT PETROLEUM (AEC), INC.	>6000 and <=10,000 ft	15	10501374	MADISON	1,784	4.9
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	05301910	MADISON	1,807	5.0
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	10500660	MADISON	1,839	5.0
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501331	MADISON	1,831	5.0
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	00700146	MADISON	1,844	5.1
FY2006	MUREX PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	00701111	MADISON	1,851	5.1
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	00701140	MADISON	1,860	5.1
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	02300418	MADISON	1,871	5.1
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	02500080	MADISON	1,857	5.1
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	10501063	MADISON	1,849	5.1
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700299	MADISON	1,913	5.2
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01301268	MADISON	1,885	5.2
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	02500300	MADISON	1,892	5.2
FY2006	RONALD M. SANNES	>6000 and <=10,000 ft	15	05301407	MADISON	1,893	5.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	05301857	MADISON	1,907	5.2
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05302168	MADISON	1,888	5.2
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01300052	MADISON	1,949	5.3

STRIPPER WELLS DATA  
FISCAL YEAR 2006

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (')
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01300374	MADISON	1,920	5.3
FY2006	DAKOTA CRUDE, INC.	>6000 and <=10,000 ft	15	01300662	MADISON	1,932	5.3
FY2006	CARLSON OIL INC.	>6000 and <=10,000 ft	15	01300751	MADISON	1,923	5.3
FY2006	PINTAIL PETROLEUM INC.	>6000 and <=10,000 ft	15	10500738	MADISON	1,927	5.3
FY2006	TEXAKOTA, INC.	>6000 and <=10,000 ft	15	10500772	MADISON	1,926	5.3
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01300226	MADISON	1,980	5.4
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01301239	MIDALE/NESSON	1,958	5.4
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	02500298	MADISON	1,959	5.4
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501023	MADISON	1,988	5.4
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700721	MADISON	2,023	5.5
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01300168	MADISON	2,005	5.5
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	06100362	MADISON	1,993	5.5
FY2006	GALAXY OIL CO.	>6000 and <=10,000 ft	15	10500972	BAKKEN	2,024	5.5
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	10501069	MADISON	2,007	5.5
FY2006	ZENERGY, INC	>6000 and <=10,000 ft	15	10501336	MADISON	1,992	5.5
FY2006	WILLISTON INDUSTRIAL SUPPLY CORPORATION	>6000 and <=10,000 ft	15	02300019	MADISON	2,060	5.6
FY2006	WESCO OPERATING, INC.	>6000 and <=10,000 ft	15	05301576	MADISON	2,042	5.6
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	10500230	MADISON	2,029	5.6
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	10501188	MADISON	2,037	5.6
FY2006	BURNETT ENERGY INC.	>6000 and <=10,000 ft	15	10501190	MADISON	2,027	5.6
FY2006	BOWERS OIL & GAS, INC.	>6000 and <=10,000 ft	15	10501283	MADISON	2,028	5.6
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501315	MADISON	2,038	5.6
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	01300645	MADISON	2,074	5.7
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01301072	MADISON	2,072	5.7
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301112	MADISON	2,066	5.7
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	05500087	MADISON	2,066	5.7
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	06100422	MADISON	2,097	5.7
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	10100357	MADISON	2,073	5.7
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10100387	MADISON	2,073	5.7
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	10500265	MADISON	2,064	5.7
FY2006	TEXAKOTA, INC.	>6000 and <=10,000 ft	15	10500956	MADISON	2,094	5.7
FY2006	PRIDE ENERGY, AN OKLAHOMA GENERAL PARTNERSHIP	>6000 and <=10,000 ft	15	05300981	MADISON	2,120	5.8
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301571	MADISON	2,134	5.8
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	08900372	HEATH	2,132	5.8
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	08900385	HEATH	2,100	5.8
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	10500951	MADISON	2,112	5.8
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00700012	MADISON	2,138	5.9
FY2006	HUNT PETROLEUM (AEC), INC.	>6000 and <=10,000 ft	15	05301874	MADISON	2,167	5.9
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501017	MADISON	2,142	5.9
FY2006	STONE ENERGY CORPORATION	>6000 and <=10,000 ft	15	10501049	MADISON	2,160	5.9
FY2006	ST OIL COMPANY	>6000 and <=10,000 ft	15	10501223	MADISON	2,167	5.9
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	10501487	MADISON	2,167	5.9
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700367	MADISON	2,185	6.0
FY2006	PRIDE ENERGY, AN OKLAHOMA GENERAL PARTNERSHIP	>6000 and <=10,000 ft	15	00701199	BAKKEN	2,181	6.0
FY2006	WILLISTON INDUSTRIAL SUPPLY CORPORATION	>6000 and <=10,000 ft	15	01300050	MADISON	2,176	6.0

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01300220	MADISON	2,198	6.0
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01300298	MADISON	2,203	6.0
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	05300359	MADISON	2,196	6.0
FY2006	TRUE OIL LLC	>6000 and <=10,000 ft	15	05300638	MADISON	2,195	6.0
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301688	MADISON	2,199	6.0
FY2006	RONALD M. SANNES	>6000 and <=10,000 ft	15	05301733	MADISON	2,185	6.0
FY2006	HUNT PETROLEUM (AEC), INC.	>6000 and <=10,000 ft	15	05302042	MADISON	2,201	6.0
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05302054	MADISON	2,184	6.0
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05302256	BIRDBEAR	2,204	6.0
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	10500636	MADISON	2,174	6.0
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	10500776	MADISON	2,199	6.0
FY2006	BOWERS OIL & GAS, INC.	>6000 and <=10,000 ft	15	10501270	MADISON	2,194	6.0
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301020	MADISON	2,242	6.1
FY2006	MISSOURI RIVER ROYALTY CORPORATION	>6000 and <=10,000 ft	15	02500415	MADISON	2,212	6.1
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	06100402	MADISON	2,231	6.1
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	08900082	HEATH	2,213	6.1
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	00902025	MADISON	2,248	6.2
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01300926	MADISON	2,255	6.2
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	01301269	MADISON	2,268	6.2
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05302005	MADISON	2,264	6.2
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	10500842	MADISON	2,252	6.2
FY2006	MUREX PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10501168	MADISON	2,281	6.2
FY2006	WARD-WILLISTON COMPANY	>6000 and <=10,000 ft	15	01301039	MADISON	2,293	6.3
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	06100381	MADISON	2,290	6.3
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	10500225	MADISON	2,296	6.3
FY2006	PINTAIL PETROLEUM INC.	>6000 and <=10,000 ft	15	10500844	MADISON	2,283	6.3
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501079	MADISON	2,295	6.3
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00700088	HEATH	2,344	6.4
FY2006	BASIC EARTH SCIENCE SYSTEMS, INC.	>6000 and <=10,000 ft	15	02300170	RED RIVER	2,346	6.4
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301990	MADISON	2,349	6.4
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00701318	MADISON	2,356	6.5
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	01300935	MADISON	2,356	6.5
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01301210	MADISON	2,373	6.5
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	02500131	MADISON	2,386	6.5
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05302105	MADISON	2,366	6.5
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	00700924	MADISON	2,412	6.6
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00902080	SPEARFISH/CHARLES	2,393	6.6
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01300053	MADISON	2,412	6.6
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01300214	MADISON	2,402	6.6
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	01301306	MIDALE/NESSON	2,402	6.6
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	08900282	HEATH	2,400	6.6
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	10500313	MADISON	2,404	6.6
FY2006	PINTAIL PETROLEUM INC.	>6000 and <=10,000 ft	15	10500857	MADISON	2,395	6.6
FY2006	WILLISTON INDUSTRIAL SUPPLY CORPORATION	>6000 and <=10,000 ft	15	01300358	MADISON	2,448	6.7
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01301267	MADISON	2,436	6.7

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (")
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	05302055	MADISON	2,462	6.7
FY2006	TEXAKOTA, INC.	>6000 and <=10,000 ft	15	10500784	MADISON	2,449	6.7
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	10500869	MADISON	2,451	6.7
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	01100474	RED RIVER	2,492	6.8
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	02300066	MADISON	2,489	6.8
FY2006	CHAPARRAL ENERGY, L.L.C.	>6000 and <=10,000 ft	15	08700060	HEATH	2,478	6.8
FY2006	TEXAKOTA, INC.	>6000 and <=10,000 ft	15	10500733	BAKKEN	2,487	6.8
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700789	MADISON	2,515	6.9
FY2006	PRIDE ENERGY, AN OKLAHOMA GENERAL PARTNERSHIP	>6000 and <=10,000 ft	15	05300837	MADISON	2,523	6.9
FY2006	HUNT PETROLEUM (AEC), INC.	>6000 and <=10,000 ft	15	05301885	MADISON	2,525	6.9
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10500812	MADISON	2,536	6.9
FY2006	MCRAE & HENRY, LTD.	>6000 and <=10,000 ft	15	10500922	MADISON	2,503	6.9
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501239	MADISON	2,520	6.9
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100904	RED RIVER	2,540	7.0
FY2006	CAMWEST II LP	>6000 and <=10,000 ft	15	01300649	MADISON	2,567	7.0
FY2006	STONE ENERGY CORPORATION	>6000 and <=10,000 ft	15	05301545	MADISON	2,544	7.0
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301843	MADISON	2,553	7.0
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	10501191	MADISON	2,537	7.0
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00700022	MADISON	2,606	7.1
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301107	MADISON	2,604	7.1
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501306	MADISON	2,609	7.1
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00700022	HEATH	2,630	7.2
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	05500055	MADISON	2,637	7.2
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10501139	MADISON	2,645	7.2
FY2006	CHESAPEAKE OPERATING, INC.	>6000 and <=10,000 ft	15	00701306	TYLER	2,647	7.3
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	02300252	DUPEROW	2,663	7.3
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	02500316	MADISON	2,669	7.3
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	02500350	MADISON	2,674	7.3
FY2006	ENCORE OPERATING, L.P.	>6000 and <=10,000 ft	15	05301804	MADISON	2,672	7.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	05301851	MADISON	2,671	7.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	05301998	MADISON	2,679	7.3
FY2006	PHILLIP D. ARMSTRONG	>6000 and <=10,000 ft	15	10100112	MADISON	2,674	7.3
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10500777	MADISON	2,667	7.3
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	10500820	MADISON	2,654	7.3
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700878	MADISON	2,691	7.4
FY2006	WARD-WILLISTON COMPANY	>6000 and <=10,000 ft	15	01301046	MADISON	2,683	7.4
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	05300383	MADISON	2,700	7.4
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301499	MADISON	2,687	7.4
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301782	MADISON	2,695	7.4
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	05301805	MADISON	2,696	7.4
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301991	MADISON	2,717	7.4
FY2006	BASIC EARTH SCIENCE SYSTEMS, INC.	>6000 and <=10,000 ft	15	05301124	MADISON	2,739	7.5
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301689	MADISON	2,743	7.5
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	10500914	MADISON	2,725	7.5
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	02500158	MADISON	2,772	7.6

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(')
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301478	MADISON	2,785	7.6
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	05302002	MADISON	2,768	7.6
FY2006	PINTAIL PETROLEUM INC.	>6000 and <=10,000 ft	15	10500788	MADISON	2,787	7.6
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700935	MADISON	2,817	7.7
FY2006	ENCORE OPERATING, L.P.	>6000 and <=10,000 ft	15	01100073	ORDOVICIAN	2,799	7.7
FY2006	ROCANVILLE CORPORATION	>6000 and <=10,000 ft	15	02300013	MADISON	2,828	7.7
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	05301941	MADISON	2,826	7.7
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	05302021	MADISON	2,797	7.7
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05302313	MADISON	2,803	7.7
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	01100236	RED RIVER	2,830	7.8
FY2006	CAMWEST II LP	>6000 and <=10,000 ft	15	01300265	MADISON	2,835	7.8
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	02300142	MADISON	2,838	7.8
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	02300416	MADISON	2,861	7.8
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	05301799	MADISON	2,841	7.8
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	10500983	MADISON	2,842	7.8
FY2006	RITTER, LABER & ASSOCIATES, INC.	>6000 and <=10,000 ft	15	01301152	MADISON	2,866	7.9
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	02500198	MADISON	2,885	7.9
FY2006	SUMMIT RESOURCES, INC.	>6000 and <=10,000 ft	15	05301605	MADISON	2,886	7.9
FY2006	STONE ENERGY CORPORATION	>6000 and <=10,000 ft	15	05301790	MADISON	2,880	7.9
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	08900182	HEATH	2,872	7.9
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	10100354	MADISON	2,869	7.9
FY2006	WILLSTON INDUSTRIAL SUPPLY CORPORATION	>6000 and <=10,000 ft	15	10501376	MADISON	2,882	7.9
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700339	MADISON	2,938	8.0
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	00700475	MADISON	2,926	8.0
FY2006	TEXAS CRUDE ENERGY, INC.	>6000 and <=10,000 ft	15	01301263	MADISON	2,920	8.0
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10501158	MADISON	2,911	8.0
FY2006	ZENERGY, INC	>6000 and <=10,000 ft	15	10501268	MADISON	2,934	8.0
FY2006	RIGEL, INC.	>6000 and <=10,000 ft	15	05300771	MADISON	2,962	8.1
FY2006	MCRAE & HENRY, LTD.	>6000 and <=10,000 ft	15	10500373	MADISON	2,946	8.1
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01301259	MADISON	2,975	8.2
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05300580	MADISON	3,009	8.2
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05300678	MADISON	3,010	8.2
FY2006	MUREX PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	08900349	TYLER	2,997	8.2
FY2006	WESCO OPERATING, INC.	>6000 and <=10,000 ft	15	08900361	HEATH	3,008	8.2
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	10100437	MADISON	3,000	8.2
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10500585	MADISON	2,980	8.2
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	10500960	MADISON	3,007	8.2
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100905	RED RIVER	3,045	8.3
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05300824	BIRDBEAR	3,026	8.3
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	05301737	MADISON	3,039	8.3
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301943	MADISON	3,029	8.3
FY2006	STONE ENERGY CORPORATION	>6000 and <=10,000 ft	15	10501050	MADISON	3,020	8.3
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	10501233	MADISON	3,013	8.3
FY2006	MUREX PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	02500438	MADISON	3,082	8.4
FY2006	MCRAE & HENRY, LTD.	>6000 and <=10,000 ft	15	05301117	MADISON	3,054	8.4

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (")
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301731	MADISON	3,084	8.4
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501054	MADISON	3,061	8.4
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00700163	MADISON	3,085	8.5
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	00701396	TYLER	3,118	8.5
FY2006	SLAWSON EXPLORATION COMPANY, INC.	>6000 and <=10,000 ft	15	05301561	DUPEROW	3,112	8.5
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	05301829	MADISON	3,097	8.5
FY2006	SLAWSON EXPLORATION COMPANY, INC.	>6000 and <=10,000 ft	15	05302085	MADISON	3,119	8.5
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10500811	MADISON	3,088	8.5
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	00701446	MADISON	3,140	8.6
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	05301983	MADISON	3,157	8.6
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05302165	MADISON	3,133	8.6
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	06100252	MADISON	3,126	8.6
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	08900017	HEATH	3,128	8.6
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10500587	MADISON	3,155	8.6
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501026	MADISON	3,134	8.6
FY2006	RYAN EXPLORATION, INC.	>6000 and <=10,000 ft	15	10501183	MADISON	3,148	8.6
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	01300282	MADISON	3,193	8.7
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	02300332	DUPEROW	3,170	8.7
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	05300045	MADISON	3,190	8.7
FY2006	PANTHER CREEK RESOURCES, LLC	>6000 and <=10,000 ft	15	05301243	MADISON	3,190	8.7
FY2006	BURNETT ENERGY INC.	>6000 and <=10,000 ft	15	05301640	MADISON	3,188	8.7
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	007000851	MADISON	3,197	8.8
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301026	MADISON	3,215	8.8
FY2006	WESCO OPERATING, INC.	>6000 and <=10,000 ft	15	05301738	MADISON	3,220	8.8
FY2006	HUNT PETROLEUM (AEC), INC.	>6000 and <=10,000 ft	15	05301916	MADISON	3,226	8.8
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05302009	MADISON	3,201	8.8
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	05302075	MADISON	3,201	8.8
FY2006	JENEX OPERATING COMPANY	>6000 and <=10,000 ft	15	10500963	BAKKEN	3,198	8.8
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501257	MADISON	3,200	8.8
FY2006	MUREX PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05300652	MADISON	3,242	8.9
FY2006	J.P. OIL COMPANY, INC.	>6000 and <=10,000 ft	15	05301423	MADISON	3,266	8.9
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	05301767	MADISON	3,250	8.9
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00700038	MADISON	3,293	9.0
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05300593	MADISON	3,296	9.0
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05302203	DUPEROW	3,298	9.0
FY2006	NEW MILLENNIUM RESOURCES, INC.	>6000 and <=10,000 ft	15	08900325	TYLER A	3,288	9.0
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	10500502	MADISON	3,284	9.0
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	10500913	MADISON	3,276	9.0
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	01300094	MADISON	3,314	9.1
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	01300167	MADISON	3,338	9.1
FY2006	B. D. EVANS OIL CO.	>6000 and <=10,000 ft	15	01300261	MADISON	3,304	9.1
FY2006	WESCO OPERATING, INC.	>6000 and <=10,000 ft	15	05300807	BAKKEN	3,308	9.1
FY2006	RANCH OIL COMPANY	>6000 and <=10,000 ft	15	06100126	MADISON	3,322	9.1
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	00701139	MADISON	3,354	9.2
FY2006	ENCORE OPERATING, L.P.	>6000 and <=10,000 ft	15	01100074	ORDOVICIAN	3,347	9.2

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	PRIDE ENERGY, AN OKLAHOMA GENERAL PARTNERSHIP	>6000 and <=10,000 ft	15	05302504	MADISON	3,353	9.2
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	03300018	MADISON	3,378	9.3
FY2006	STONE ENERGY CORPORATION	>6000 and <=10,000 ft	15	05301956	MADISON	3,383	9.3
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00701408	MADISON	3,449	9.4
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	02300326	DUPEROW	3,441	9.4
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301464	MADISON	3,432	9.4
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100147	RED RIVER B	3,472	9.5
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	05301764	MADISON	3,472	9.5
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05302098	MADISON	3,480	9.5
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05302127	BIRDBEAR	3,467	9.5
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	01300729	MADISON	3,521	9.6
FY2006	RITTER, LABER & ASSOCIATES, INC.	>6000 and <=10,000 ft	15	02300226	MADISON	3,489	9.6
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301997	MADISON	3,507	9.6
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	00700311	MADISON	3,549	9.7
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100309	WEST RED RIVER	3,534	9.7
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	05301961	MADISON	3,538	9.7
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05302176	MADISON	3,552	9.7
FY2006	STONE ENERGY CORPORATION	>6000 and <=10,000 ft	15	10501032	MADISON	3,556	9.7
FY2006	BROCHAT ENGINEERING & MANAGEMENT SERVICES, INC.	>6000 and <=10,000 ft	15	10501034	MADISON	3,532	9.7
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	01100242	RED RIVER	3,580	9.8
FY2006	PRIDE ENERGY, AN OKLAHOMA GENERAL PARTNERSHIP	>6000 and <=10,000 ft	15	05300855	MADISON	3,571	9.8
FY2006	ZENERGY, INC	>6000 and <=10,000 ft	15	05301559	MADISON	3,574	9.8
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10500561	MADISON	3,559	9.8
FY2006	TEXAKOTA, INC.	>6000 and <=10,000 ft	15	10500946	MADISON	3,577	9.8
FY2006	TEXAKOTA, INC.	>6000 and <=10,000 ft	15	10501273	MADISON	3,570	9.8
FY2006	ZARGON OIL (ND) INC.	>6000 and <=10,000 ft	15	00901955	MADISON	3,616	9.9
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	00901980	MADISON	3,627	9.9
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	06100308	MADISON	3,626	9.9
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	01301225	MADISON	3,654	10.0
FY2006	DAKOTA CRUDE, INC.	>6000 and <=10,000 ft	15	01300572	MADISON	3,689	10.1
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	02500359	MADISON	3,678	10.1
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	05300158	MADISON	3,703	10.1
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05300957	MADISON	3,699	10.1
FY2006	RANCH OIL COMPANY	>6000 and <=10,000 ft	15	05301145	MADISON	3,695	10.1
FY2006	CHAPARRAL ENERGY, L.L.C.	>6000 and <=10,000 ft	15	08900291	HEATH	3,676	10.1
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	10500740	MADISON	3,674	10.1
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00700011	HEATH	3,714	10.2
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700445	MADISON	3,720	10.2
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	10501218	MADISON	3,738	10.2
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700300	MADISON	3,767	10.3
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00701143	MADISON	3,753	10.3
FY2006	CARL H. NORDSTRAND	>6000 and <=10,000 ft	15	02300259	DUPEROW	3,755	10.3
FY2006	CONTINENTAL OPERATING CO.	>6000 and <=10,000 ft	15	05301314	MADISON	3,754	10.3
FY2006	RANCH OIL COMPANY	>6000 and <=10,000 ft	15	00701120	HEATH	3,800	10.4
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	01100312	RED RIVER B	3,782	10.4
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15				

STRIPPER WELLS DATA  
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PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (')
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	02300135	MADISON	3,798	10.4
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	08900318	HEATH	3,781	10.4
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501065	MADISON	3,780	10.4
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00701031	MADISON	3,834	10.5
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01301083	MADISON	3,819	10.5
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	10500863	MADISON	3,823	10.5
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05300775	MADISON	3,853	10.6
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	10100377	MADISON	3,886	10.6
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10500560	MADISON	3,882	10.6
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100468	RED RIVER	3,900	10.7
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	05301211	MADISON	3,925	10.8
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	00700874	MADISON	3,976	10.9
FY2006	MUREX PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301947	MADISON	3,976	10.9
FY2006	STONE ENERGY CORPORATION	>6000 and <=10,000 ft	15	10501029	MADISON	3,988	10.9
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700446	MADISON	4,002	11.0
FY2006	PINTAIL PETROLEUM, LTD.	>6000 and <=10,000 ft	15	06100271	MADISON	4,002	11.0
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	05301137	MADISON	4,037	11.1
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301887	MADISON	4,041	11.1
FY2006	CHAPARRAL ENERGY, L.L.C.	>6000 and <=10,000 ft	15	02500203	MADISON	4,101	11.2
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	08900410	HEATH	4,102	11.2
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10501156	MADISON	4,103	11.2
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	00700465	MADISON	4,138	11.3
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100918	RED RIVER	4,140	11.3
FY2006	WARD-WILLISTON COMPANY	>6000 and <=10,000 ft	15	01300816	MADISON	4,154	11.4
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301626	MADISON	4,157	11.4
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301926	MADISON	4,168	11.4
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301979	MADISON	4,155	11.4
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	05301980	MADISON	4,165	11.4
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	10501120	MADISON	4,174	11.4
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501280	MADISON	4,173	11.4
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700215	MADISON	4,198	11.5
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	05300315	MADISON	4,215	11.5
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01300643	MADISON	4,232	11.6
FY2006	BITTER, LABER & ASSOCIATES, INC.	>6000 and <=10,000 ft	15	01300983	MADISON	4,220	11.6
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	03300074	MADISON	4,249	11.6
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301657	MADISON	4,226	11.6
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05302333	MADISON	4,229	11.6
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	00901977	MADISON	4,260	11.7
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01100335	RED RIVER	4,279	11.7
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05302206	MADISON	4,259	11.7
FY2006	MUREX PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	08900359	TYLER	4,259	11.7
FY2006	SHAKESPEARE OIL COMPANY, INC.	>6000 and <=10,000 ft	15	02300092	MADISON	4,311	11.8
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	02500464	MADISON	4,310	11.8
FY2006	CHAPARRAL ENERGY, L.L.C.	>6000 and <=10,000 ft	15	08700078	HEATH	4,347	11.9
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	10501195	MADISON	4,355	11.9

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(')
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	00700604	MADISON	4,363	12.0
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01300893	MADISON	4,373	12.0
FY2006	STEPHENS & JOHNSON OPERATING CO.	>6000 and <=10,000 ft	15	05301812	MADISON	4,390	12.0
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	05301541	MADISON	4,462	12.2
FY2006	PINTAIL PETROLEUM, LTD.	>6000 and <=10,000 ft	15	01300894	MADISON	4,487	12.3
FY2006	CONDOR PETROLEUM, INC.	>6000 and <=10,000 ft	15	02300124	BAKKEN	4,480	12.3
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05300602	MADISON	4,500	12.3
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	06100234	MADISON	4,489	12.3
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00700088	MADISON	4,512	12.4
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	10500123	MADISON	4,532	12.4
FY2006	ENCORE OPERATING, L.P.	>6000 and <=10,000 ft	15	00700251	MADISON	4,570	12.5
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	01100055	ORDOVICIAN	4,557	12.5
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	00901997	MADISON	4,590	12.6
FY2006	MCRAE & HENRY, LTD.	>6000 and <=10,000 ft	15	02500449	MADISON	4,599	12.6
FY2006	EAGLE OPERATING, INC.	>6000 and <=10,000 ft	15	05301680	MADISON	4,608	12.6
FY2006	TEXAKOTA, INC.	>6000 and <=10,000 ft	15	10500594	MADISON	4,591	12.6
FY2006	HUNT PETROLEUM (AEC), INC.	>6000 and <=10,000 ft	15	10501273	BAKKEN	4,618	12.7
FY2006	SUMMIT RESOURCES, INC.	>6000 and <=10,000 ft	15	10501292	MADISON	4,708	12.9
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	05301704	MADISON	4,734	13.0
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	10500781	MADISON	4,736	13.0
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10501058	MADISON	4,739	13.0
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	01100168	RED RIVER	4,767	13.1
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	05300057	DEVONIAN	4,787	13.1
FY2006	ENCORE OPERATING, L.P.	>6000 and <=10,000 ft	15	08900063	HEATH	4,831	13.2
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301674	MADISON	4,803	13.2
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10500752	MADISON	4,818	13.2
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	00701033	MADISON	4,814	13.2
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	01300149	MADISON	4,801	13.2
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	02500476	MADISON	4,861	13.3
FY2006	PINTAIL PETROLEUM, LTD.	>6000 and <=10,000 ft	15	05300605	MADISON	4,902	13.4
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	05301758	MADISON	4,933	13.5
FY2006	ENCORE OPERATING, L.P.	>6000 and <=10,000 ft	15	01300200	MADISON	4,944	13.5
FY2006	CHESAPEAKE OPERATING, INC.	>6000 and <=10,000 ft	15	00700011	MADISON	4,945	13.5
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	01100330	ORDOVICIAN	4,971	13.6
FY2006	CITATION OIL & GAS CORP.	>6000 and <=10,000 ft	15	02300364	BAKKEN	4,953	13.6
FY2006	PRIDE ENERGY, AN OKLAHOMA GENERAL PARTNERSHIP	>6000 and <=10,000 ft	15	10500576	MADISON	4,965	13.6
FY2006	PRIDE ENERGY, AN OKLAHOMA GENERAL PARTNERSHIP	>6000 and <=10,000 ft	15	00700899	MADISON	5,011	13.7
FY2006	BILL BARRETT CORPORATION	>6000 and <=10,000 ft	15	05300924	MADISON	5,006	13.7
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	05300933	MADISON	5,010	13.7
FY2006	ARSENAL ENERGY USA INC.	>6000 and <=10,000 ft	15	05302439	MADISON	5,026	13.8
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	08900085	HEATH	5,019	13.8
FY2006	MUREX PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10500979	MADISON	5,071	13.9
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	00700085	MADISON		
FY2006		>6000 and <=10,000 ft	15	05302014	MADISON		
FY2006		>6000 and <=10,000 ft	15	02500328	MADISON		

STRIPPER PRODUCTION DATA  
FISCAL YEAR 2006

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (C)
FY2006	BALLANTYNE OIL	>6000 and <=10,000 ft	15	00902041	MADISON	5,139	14.1
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05302104	MADISON	5,164	14.1
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	06100352	MADISON	5,148	14.1
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01301328	MADISON	5,183	14.2
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10501138	MADISON	5,172	14.2
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	08900023	HEATH	5,286	14.5
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10501106	MADISON	5,306	14.5
FY2006	BILL BARRETT CORPORATION	>6000 and <=10,000 ft	15	02300099	MADISON	5,340	14.6
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05300768	DUPEROW	5,367	14.7
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100332	WEST RED RIVER	5,393	14.8
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05300887	DUPEROW	5,438	14.9
FY2006	GEORESOURCES, INC.	>6000 and <=10,000 ft	15	00901970	MADISON	5,492	15.0
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	02500196	MADISON	5,490	15.0
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301802	MADISON	5,484	15.0
<b>Stripper production qualifying as &gt;6000 and &lt;=10,000 ft and &lt;=15 barrels /day - within qualification limits</b>							<b>1,514,990</b>
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01301326	MADISON	5,502	15.1
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	00700990	MADISON	5,533	15.2
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301401	MADISON	5,536	15.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01100409	RED RIVER	5,597	15.3
FY2006	J.P. OIL COMPANY, INC.	>6000 and <=10,000 ft	15	05301134	MADISON	5,607	15.4
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	06100042	MADISON	5,766	15.8
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00700107	HEATH	5,834	16.0
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01301294	MADISON	5,894	16.1
FY2006	BLACK HAWK RESOURCES, LLC	>6000 and <=10,000 ft	15	05300789	MADISON	5,964	16.3
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05300716	MADISON	5,971	16.4
FY2006	PETRO-HUNT, L.L.C.	>6000 and <=10,000 ft	15	02500223	MADISON	6,145	16.8
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100177	RED RIVER	6,221	17.0
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100138	RED RIVER	6,253	17.1
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100445	RED RIVER	6,278	17.2
FY2006	CLINE PRODUCTION COMPANY	>6000 and <=10,000 ft	15	08900090	HEATH	6,320	17.3
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01301327	MADISON	6,341	17.4
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01300658	MADISON	6,460	17.7
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	02500453	MADISON	6,465	17.7
FY2006	ENCORE OPERATING, L.P.	>6000 and <=10,000 ft	15	01100057	ORDOVICIAN	6,481	17.8
FY2006	ENCORE OPERATING, L.P.	>6000 and <=10,000 ft	15	01100053	ORDOVICIAN	6,583	18.0
FY2006	JETTISON, INC.	>6000 and <=10,000 ft	15	01300749	BAKKEN	6,588	18.0
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100211	RED RIVER	6,596	18.1
FY2006	ENCORE OPERATING, L.P.	>6000 and <=10,000 ft	15	01100340	ORDOVICIAN	6,643	18.2
FY2006	BROCHAT ENGINEERING & MANAGEMENT SERVICES, INC.	>6000 and <=10,000 ft	15	00700341	MADISON	6,712	18.4
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	06100357	MADISON	6,790	18.6
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	05500077	MADISON	6,822	18.7
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	05301872	MADISON	6,375	18.8
FY2006	PAUL RANKIN INC.	>6000 and <=10,000 ft	15	10501210	MADISON	6,863	18.8
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	01301193	MADISON	6,940	19.0

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION('C)
FY2006	WHITING OIL AND GAS CORPORATION	>6000 and <=10,000 ft	15	05500094	MADISON	6,971	19.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902046	MADISON	7,179	19.7
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	03300147	MADISON	7,417	20.3
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100446	RED RIVER	7,438	20.4
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00700007	MADISON	7,504	20.6
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05302189	MADISON	7,640	20.9
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	05300723	RED RIVER B	7,680	21.0
FY2006	WESCO OPERATING, INC.	>6000 and <=10,000 ft	15	03300091	RED RIVER	7,647	21.0
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	00700115	MADISON	7,712	21.1
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100218	RED RIVER	7,771	21.3
FY2006	ENCORE OPERATING, L.P.	>6000 and <=10,000 ft	15	01100068	ORDOVICIAN	7,805	21.4
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01301295	MADISON	7,993	21.9
FY2006	GEORESOURCES, INC.	>6000 and <=10,000 ft	15	00901996	MADISON	8,030	22.0
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100438	NORTH RED RIVER B	8,154	22.3
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05300861	MADISON	8,176	22.4
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05300619	MADISON	8,243	22.6
FY2006	LUFF EXPLORATION COMPANY	>6000 and <=10,000 ft	15	01100256	RED RIVER B	8,380	23.0
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01100463	RED RIVER	8,420	23.1
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	00901321	MADISON	8,533	23.4
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100462	RED RIVER	8,620	23.6
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902045	MADISON	8,686	23.8
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100159	RED RIVER	8,752	24.0
FY2006	BROCHAT ENGINEERING & MANAGEMENT SERVICES, INC.	>6000 and <=10,000 ft	15	00700563	MADISON	8,968	24.6
FY2006	ZARGON OIL (ND) INC.	>6000 and <=10,000 ft	15	00901961	MADISON	9,023	24.7
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301024	MADISON	9,060	24.8
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301955	MADISON	9,536	26.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00901327	MADISON	9,512	26.1
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301997	DUPEROW	9,593	26.3
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00902043	SPEARFISH/CHARLES	9,837	27.0
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902072	MADISON	10,010	27.4
FY2006	JETTISON, INC.	>6000 and <=10,000 ft	15	01300749	WINNIPEGOSIS	10,010	27.4
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05302100	MADISON	10,030	27.5
FY2006	ZARGON OIL (ND) INC.	>6000 and <=10,000 ft	15	00901956	MADISON	10,085	27.6
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01100396	RED RIVER	10,102	27.7
FY2006	GEORESOURCES, INC.	>6000 and <=10,000 ft	15	00901982	MADISON	10,140	27.8
FY2006	GEORESOURCES, INC.	>6000 and <=10,000 ft	15	00902005	MADISON	10,233	27.8
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00701120	MADISON	10,419	28.0
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	05301940	MADISON	10,958	28.5
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100193	WEST RED RIVER	10,994	30.0
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100162	RED RIVER	11,292	30.1
FY2006	ENCORE OPERATING, L.P.	>6000 and <=10,000 ft	15	01100916	ORDOVICIAN	11,579	30.9
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902063	MADISON	11,574	31.7
FY2006	BTA OIL PRODUCERS	>6000 and <=10,000 ft	15	02500448	MADISON	11,695	32.0
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01100393	RED RIVER	11,727	32.1
FY2006						11,744	32.2

STRIPPER WELLS DATA  
FISCA' 06

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	GEORESOURCES, INC.	>6000 and <=10,000 ft	15	07500750	CAMBRO/ORDOVICIAN	11,793	32.3
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00700116	HEATH	12,258	33.6
FY2006	ENCORE OPERATING, L.P.	>6000 and <=10,000 ft	15	01100052	ORDOVICIAN	12,445	34.1
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00902042	SPEARFISH/CHARLES	13,439	36.8
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00901312	MADISON	13,616	37.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902075	MADISON	13,804	37.8
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100187	WEST RED RIVER	13,877	38.0
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902071	MADISON	14,200	38.9
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902060	MADISON	14,292	39.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00901361	MADISON	14,454	39.6
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	10500353	MADISON	14,475	39.7
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00901261	MADISON	14,948	41.0
FY2006	CONTINENTAL RESOURCES, INC.	>6000 and <=10,000 ft	15	01100470	RED RIVER	15,059	41.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00900569	MADISON	15,294	41.9
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01301323	MADISON	15,589	42.7
FY2006	CAMWEST II L.P.	>6000 and <=10,000 ft	15	01301262	MADISON	15,954	43.7
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902059	MADISON	16,023	43.9
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902061	MADISON	16,425	45.0
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00901309	MADISON	16,450	45.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902055	MADISON	16,628	45.6
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00902081	SPEARFISH/CHARLES	16,975	46.5
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00900532	MADISON	17,235	47.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00901301	MADISON	18,095	49.6
FY2006	TRUE OIL LLC	>6000 and <=10,000 ft	15	05302446	MADISON	18,241	50.0
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00901303	MADISON	18,441	50.5
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902047	MADISON	18,963	52.0
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	00700413	MADISON	19,183	52.6
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00901287	MADISON	20,097	55.1
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00902038	SPEARFISH/CHARLES	22,704	62.2
FY2006	ENCORE OPERATING, L.P.	>6000 and <=10,000 ft	15	01100049	ORDOVICIAN	23,459	64.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00901314	MADISON	24,083	66.0
FY2006	HESS CORPORATION	>6000 and <=10,000 ft	15	00902048	SPEARFISH/CHARLES	24,128	66.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00901305	MADISON	24,719	67.7
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902070	MADISON	25,218	69.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902062	MADISON	25,339	69.4
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902069	MADISON	25,787	70.6
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01100352	RED RIVER	26,348	72.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00901166	MADISON	27,226	74.6
FY2006	NANCE PETROLEUM CORPORATION	>6000 and <=10,000 ft	15	10500830	MADISON	27,718	75.9
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	01100392	RED RIVER	28,304	77.5
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902054	MADISON	33,553	91.9
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902074	MADISON	33,739	92.4
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>6000 and <=10,000 ft	15	00902064	MADISON	39,182	107.3

Stripper production qualifying as >6000 and <=10,000 ft and <=15 barrels /day - exceeding qualification limits 1,444,212 117 Wells

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (%)
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05302362	BAKKEN	5	0.0
FY2006	TRUE OIL LLC	>10,000 ft	30	08900459	STONEWALL	7	0.0
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00700350	BAKKEN	45	0.1
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00700393	BAKKEN	48	0.1
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01100172	RED RIVER B	32	0.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	05301403	RED RIVER	20	0.1
FY2006	RANCH OIL COMPANY	>10,000 ft	30	05302211	BAKKEN	43	0.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	02500345	DUPEROW	87	0.2
FY2006	RITTER, LABER & ASSOCIATES, INC.	>10,000 ft	30	02500348	RED RIVER	57	0.2
FY2006	HESS CORPORATION	>10,000 ft	30	10500319	DEVONIAN	66	0.2
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	10501057	MADISON	70	0.2
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00700552	BAKKEN	122	0.3
FY2006	MUREX PETROLEUM CORPORATION	>10,000 ft	30	05300525	DEVONIAN	100	0.3
FY2006	CONDOR PETROLEUM, INC.	>10,000 ft	30	06100416	BAKKEN	117	0.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05300647	ORDOVICIAN	130	0.4
FY2006	WESCO OPERATING, INC.	>10,000 ft	30	05301042	BAKKEN	160	0.4
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05302449	BAKKEN	161	0.4
FY2006	JETTISON, INC.	>10,000 ft	30	00701216	BAKKEN	184	0.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05300548	DEVONIAN	186	0.5
FY2006	BASIC EARTH SCIENCE SYSTEMS, INC.	>10,000 ft	30	05301762	BAKKEN	192	0.5
FY2006	MISSOURI RIVER ROYALTY CORPORATION	>10,000 ft	30	05301437	RED RIVER	218	0.6
FY2006	MERIT ENERGY COMPANY	>10,000 ft	30	05302366	RED RIVER	213	0.6
FY2006	SUMMIT RESOURCES, INC.	>10,000 ft	30	00700938	RED RIVER	248	0.7
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00701276	BAKKEN	255	0.7
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100507	NORTH RED RIVER B	238	0.7
FY2006	HESS CORPORATION	>10,000 ft	30	05301451	SILURIAN	253	0.7
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302353	BAKKEN	266	0.7
FY2006	ORION OIL & GAS	>10,000 ft	30	02500447	BAKKEN	281	0.8
FY2006	BURNETT ENERGY INC.	>10,000 ft	30	10501392	BAKKEN	308	0.8
FY2006	JETTISON, INC.	>10,000 ft	30	00701045	BAKKEN	341	0.9
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00701235	BAKKEN	343	0.9
FY2006	HUNT PETROLEUM (AEC), INC.	>10,000 ft	30	00701214	BAKKEN	382	1.0
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05302343	BAKKEN	371	1.0
FY2006	MISSOURI RIVER ROYALTY CORPORATION	>10,000 ft	30	05302502	RED RIVER	381	1.0
FY2006	WESCO OPERATING, INC.	>10,000 ft	30	10500856	DUPEROW	372	1.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302383	BAKKEN	408	1.1
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302422	BAKKEN	413	1.1
FY2006	J.P. OIL COMPANY, INC.	>10,000 ft	30	00701226	BAKKEN	433	1.2
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	02300403	STONEWALL	422	1.2
FY2006	RANCH OIL COMPANY	>10,000 ft	30	02500208	BAKKEN	431	1.2
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302347	BAKKEN	432	1.2
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00700796	BAKKEN	487	1.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01301298	MIDALE/NESSON	467	1.3
FY2006	ORION OIL & GAS	>10,000 ft	30	02500126	BAKKEN	466	1.3
FY2006	RANCH OIL COMPANY	>10,000 ft	30	05302027	BAKKEN	528	1.4

STRIPPER WELL DATA  
FISCAL 2006

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (%)
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05302154	BAKKEN	505	1.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302392	BAKKEN	547	1.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302438	RED RIVER	538	1.5
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05301459	BAKKEN	587	1.6
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	05301522	DUPEROW	588	1.6
FY2006	MISSOURI RIVER ROYALTY CORPORATION	>10,000 ft	30	05301071	RED RIVER	606	1.7
FY2006	BURNETT ENERGY INC.	>10,000 ft	30	05301189	RED RIVER	605	1.7
FY2006	CONDOR PETROLEUM, INC.	>10,000 ft	30	10500947	MADISON	637	1.7
FY2006	BASIC EARTH SCIENCE SYSTEMS, INC.	>10,000 ft	30	00700690	BAKKEN	662	1.8
FY2006	GRIFFON & ASSOCIATES, L.L.C.	>10,000 ft	30	00701218	BAKKEN	647	1.8
FY2006	MARATHON OIL COMPANY	>10,000 ft	30	02500459	BAKKEN	675	1.8
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05302337	BAKKEN	639	1.8
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302398	BAKKEN	673	1.8
FY2006	SUMMIT RESOURCES, INC.	>10,000 ft	30	00701162	BAKKEN	730	2.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302344	BAKKEN	750	2.1
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302456	BIRDBEAR	750	2.1
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00701190	BAKKEN	807	2.2
FY2006	PRIMA EXPLORATION, INC.	>10,000 ft	30	05300181	SANISH	799	2.2
FY2006	RANCH OIL COMPANY	>10,000 ft	30	05301395	BAKKEN	814	2.2
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	00701438	MADISON	828	2.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302251	BAKKEN	851	2.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302363	BAKKEN	831	2.3
FY2006	RANCH OIL COMPANY	>10,000 ft	30	05302419	BAKKEN	830	2.3
FY2006	MUREX PETROLEUM CORPORATION	>10,000 ft	30	10501474	RATCLIFFE	853	2.3
FY2006	ENERGY EQUITY COMPANY	>10,000 ft	30	05301434	MADISON	869	2.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302249	BAKKEN	880	2.4
FY2006	CHAPARRAL ENERGY, L.L.C.	>10,000 ft	30	05302371	BAKKEN	866	2.4
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00701191	BAKKEN	910	2.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302351	BAKKEN	896	2.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302400	BAKKEN	904	2.5
FY2006	GRIFFON & ASSOCIATES, L.L.C.	>10,000 ft	30	05302429	BAKKEN	918	2.5
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00701163	BAKKEN	939	2.6
FY2006	HUNT PETROLEUM (AEC), INC.	>10,000 ft	30	00701225	BAKKEN	950	2.6
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301338	BAKKEN	941	2.6
FY2006	HUNT PETROLEUM (AEC), INC.	>10,000 ft	30	00701200	BAKKEN	1,001	2.7
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01101163	ORDOVICIAN	990	2.7
FY2006	J.P. OIL COMPANY, INC.	>10,000 ft	30	05300822	RED RIVER	984	2.7
FY2006	HUNT PETROLEUM (AEC), INC.	>10,000 ft	30	05301875	DUPEROW	978	2.7
FY2006	GEORESOURCES, INC.	>10,000 ft	30	05302332	BAKKEN	981	2.7
FY2006	RANCH OIL COMPANY	>10,000 ft	30	05302381	BAKKEN	994	2.7
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302329	BAKKEN	1,010	2.8
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302456	DUPEROW	1,018	2.8
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00701172	BAKKEN	1,076	2.9
FY2006	SAMSON RESOURCES COMPANY	>10,000 ft	30	00701266	BAKKEN	1,066	2.9
FY2006	RIGEL, INC.	>10,000 ft	30	05300769	BAKKEN	1,072	2.9

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (")
FY2006	PHILLIP D. ARMSTRONG	>10,000 ft	30	05301393	SANISH	1,068	2.9
FY2006	RANCH OIL COMPANY	>10,000 ft	30	05302372	BAKKEN	1,064	2.9
FY2006	GRIFFON & ASSOCIATES, L.L.C.	>10,000 ft	30	00701232	BAKKEN	1,078	3.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	00701325	DUPEROW	1,091	3.0
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00701396	MADISON	1,108	3.0
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	00701446	BAKKEN	1,092	3.0
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100891	NORTH RED RIVER B	1,082	3.0
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	10501059	WINNIPEGOSIS	1,089	3.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302205	BIRDBEAR	1,132	3.1
FY2006	BURNETT ENERGY INC.	>10,000 ft	30	05302156	MADISON	1,176	3.2
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01301283	MIDALE/NESSON	1,213	3.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301668	MADISON	1,196	3.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302434	BAKKEN	1,200	3.3
FY2006	GALAXY OIL CO.	>10,000 ft	30	10500895	MADISON	1,190	3.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	10501092	STONEWALL	1,200	3.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01301304	MIDALE/NESSON	1,255	3.4
FY2006	PHILLIP D. ARMSTRONG	>10,000 ft	30	05302150	BAKKEN	1,249	3.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302373	BAKKEN	1,235	3.4
FY2006	HUNT PETROLEUM (AEC) INC.	>10,000 ft	30	00701224	BAKKEN	1,279	3.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302517	MADISON	1,284	3.5
FY2006	BURNETT ENERGY INC.	>10,000 ft	30	05301189	MADISON	1,312	3.6
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05302421	BAKKEN	1,324	3.6
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01301291	MIDALE/NESSON	1,355	3.7
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302461	BAKKEN	1,368	3.7
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	10500829	MADISON	1,364	3.7
FY2006	CONDOR PETROLEUM, INC.	>10,000 ft	30	10501140	DUPEROW	1,340	3.7
FY2006	PRIDE ENERGY, AN OKLAHOMA GENERAL PARTNERSHIP	>10,000 ft	30	01100893	NORTH RED RIVER B	1,401	3.8
FY2006	BASIC EARTH SCIENCE SYSTEMS, INC.	>10,000 ft	30	02300261	RED RIVER	1,387	3.8
FY2006	RANCH OIL COMPANY	>10,000 ft	30	05302358	BAKKEN	1,400	3.8
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	05301496	RED RIVER	1,418	3.9
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301633	RED RIVER	1,419	3.9
FY2006	CONDOR PETROLEUM, INC.	>10,000 ft	30	10500831	MADISON	1,417	3.9
FY2006	PRIDE ENERGY, AN OKLAHOMA GENERAL PARTNERSHIP	>10,000 ft	30	00701199	MADISON	1,453	4.0
FY2006	BASIC EARTH SCIENCE SYSTEMS, INC.	>10,000 ft	30	05301637	BAKKEN	1,461	4.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302036	DUPEROW	1,454	4.0
FY2006	HUNT PETROLEUM (AEC), INC.	>10,000 ft	30	05302045	RED RIVER	1,509	4.1
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	10100361	MADISON	1,502	4.1
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100613	SOUTH RED RIVER B	1,541	4.2
FY2006	PHILLIP D. ARMSTRONG	>10,000 ft	30	05301772	BAKKEN	1,550	4.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	05302405	BAKKEN	1,522	4.2
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100892	NORTH RED RIVER B	1,586	4.3
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05301267	DUPEROW	1,583	4.3
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	05301835	BAKKEN	1,582	4.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01301293	MIDALE/NESSON	1,595	4.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301069	MADISON	1,588	4.4

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	WESCO OPERATING, INC.	>10,000 ft	30	08900285	RED RIVER	1,600	4.4
FY2006	DAKOTA-3, LLC	>10,000 ft	30	05300555	SANISH	1,653	4.5
FY2006	STONE ENERGY CORPORATION	>10,000 ft	30	10501433	MADISON	1,658	4.5
FY2006	HUNT PETROLEUM (AEC), INC.	>10,000 ft	30	00701236	BAKKEN	1,690	4.6
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	00701359	MADISON	1,675	4.6
FY2006	SLAWSON EXPLORATION COMPANY, INC.	>10,000 ft	30	05301058	BAKKEN	1,697	4.6
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301069	DUPEROW	1,677	4.6
FY2006	NANCE PETROLEUM INC.	>10,000 ft	30	05302467	MADISON	1,667	4.6
FY2006	DEEP CREEK ADVENTURES, CO.	>10,000 ft	30	10500826	MADISON	1,664	4.6
FY2006	WESCO OPERATING, INC.	>10,000 ft	30	02500165	DUPEROW	1,714	4.7
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	03300152	BIRDBEAR	1,707	4.7
FY2006	J.P. OIL COMPANY, INC.	>10,000 ft	30	05302348	BAKKEN	1,709	4.7
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00701180	BAKKEN	1,763	4.8
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	00701197	BAKKEN	1,757	4.8
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01100798	SOUTH RED RIVER B	1,802	4.9
FY2006	TEXAKOTA, INC.	>10,000 ft	30	05302174	RED RIVER	1,806	4.9
FY2006	STONE ENERGY CORPORATION	>10,000 ft	30	10501273	MADISON	1,785	4.9
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	10501431	MADISON	1,833	5.0
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	00701140	MADISON	1,860	5.1
FY2006	STONE ENERGY CORPORATION	>10,000 ft	30	05301557	MADISON	1,890	5.2
FY2006	RANCH OIL COMPANY	>10,000 ft	30	10501434	MADISON	1,900	5.2
FY2006	HUNT PETROLEUM (AEC), INC.	>10,000 ft	30	05301398	BAKKEN	1,938	5.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301692	RED RIVER	1,928	5.3
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	05302334	BAKKEN	1,940	5.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01101169	ORDOVICIAN	1,974	5.4
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	05302254	BAKKEN	1,971	5.4
FY2006	TEXAKOTA, INC.	>10,000 ft	30	05302157	SILURIAN	2,000	5.5
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	10500732	BAKKEN	2,008	5.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	10501364	MADISON	2,101	5.8
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	01100203	RED RIVER	2,138	5.9
FY2006	PRIDE ENERGY, AN OKLAHOMA GENERAL PARTNERSHIP	>10,000 ft	30	10501487	MADISON	2,167	5.9
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	00701199	BAKKEN	2,181	6.0
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100496	NORTH RED RIVER B	2,190	6.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302256	BIRDBEAR	2,204	6.0
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	10500776	MADISON	2,199	6.0
FY2006	ELAND ENERGY, INC.	>10,000 ft	30	10501199	BIRDBEAR	2,184	6.0
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	10501463	RED RIVER	2,204	6.0
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100165	RED RIVER	2,234	6.1
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301469	BAKKEN	2,243	6.1
FY2006	ENERGY EQUITY COMPANY	>10,000 ft	30	05301741	RED RIVER	2,244	6.1
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302127	DUPEROW	2,228	6.1
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302345	BAKKEN	2,242	6.1
FY2006	ZENERGY, INC	>10,000 ft	30	10501132	MADISON	2,224	6.1
FY2006	ZENERGY, INC	>10,000 ft	30	10501344	MADISON	2,235	6.1
FY2006	HESS CORPORATION	>10,000 ft	30	10500501	MADISON	2,247	6.2

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(')
FY2006	RANCH OIL COMPANY	>10,000 ft	30	00701213	BAKKEN	2,294	6.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01301278	MIDALE/NESSON	2,310	6.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	10501140	BIRDBEAR	2,314	6.3
FY2006	TEXAKOTA, INC.	>10,000 ft	30	10501273	BAKKEN	2,300	6.3
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00701109	BAKKEN	2,346	6.4
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100671	SOUTH RED RIVER B	2,318	6.4
FY2006	BASIC EARTH SCIENCE SYSTEMS, INC.	>10,000 ft	30	02300170	RED RIVER	2,346	6.4
FY2006	WILLISTON INDUSTRIAL SUPPLY CORPORATION	>10,000 ft	30	00701079	BAKKEN	2,359	6.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302060	RED RIVER	2,390	6.5
FY2006	MARATHON OIL COMPANY	>10,000 ft	30	05302465	BAKKEN	2,362	6.5
FY2006	CITATION OIL & GAS CORP.	>10,000 ft	30	02500323	BAKKEN	2,420	6.6
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	00700741	BAKKEN	2,462	6.7
FY2006	PRIMA EXPLORATION, INC.	>10,000 ft	30	01100736	NORTH RED RIVER B	2,431	6.7
FY2006	CITATION OIL & GAS CORP.	>10,000 ft	30	05300257	SANISH	2,430	6.7
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302055	MADISON	2,462	6.7
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05302379	BAKKEN	2,462	6.7
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302409	BAKKEN	2,461	6.7
FY2006	CHESAPEAKE OPERATING, INC.	>10,000 ft	30	01301303	MIDALE/NESSON	2,477	6.8
FY2006	TEXAKOTA, INC.	>10,000 ft	30	02300364	BAKKEN	2,472	6.8
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	10500733	BAKKEN	2,487	6.8
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	00701335	BAKKEN	2,523	6.9
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01100735	NORTH RED RIVER B	2,528	6.9
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05302478	MADISON	2,514	6.9
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	00701173	BAKKEN	2,561	7.0
FY2006	STONE ENERGY CORPORATION	>10,000 ft	30	01100635	SOUTH RED RIVER B	2,558	7.0
FY2006	STONE ENERGY CORPORATION	>10,000 ft	30	01100696	RED RIVER B	2,565	7.0
FY2006	HUNT PETROLEUM (AEC), INC.	>10,000 ft	30	05301545	MADISON	2,544	7.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301875	BIRDBEAR	2,541	7.0
FY2006	RANCH OIL COMPANY	>10,000 ft	30	01301292	MIDALE/NESSON	2,604	7.1
FY2006	JORDAN EXPLORATION COMPANY, L.L.C.	>10,000 ft	30	05300571	SANISH	2,588	7.1
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	06100482	MADISON	2,601	7.1
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00700467	DUPEROW	2,625	7.2
FY2006	WYOMING RESOURCES CORPORATION	>10,000 ft	30	00700742	BAKKEN	2,610	7.2
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01100506	RED RIVER	2,644	7.2
FY2006	PHILLIP D. ARMSTRONG	>10,000 ft	30	01301289	MIDALE/NESSON	2,635	7.2
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05300655	BAKKEN	2,610	7.2
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	00701260	BAKKEN	2,666	7.3
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	05301804	MADISON	2,672	7.3
FY2006	HESS CORPORATION	>10,000 ft	30	05302425	BAKKEN	2,653	7.3
FY2006	MUREX PETROLEUM CORPORATION	>10,000 ft	30	10500954	SILURIAN	2,671	7.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	10501473	RATCLIFFE	2,697	7.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	00701431	RED RIVER	2,737	7.5
FY2006	BASIC EARTH SCIENCE SYSTEMS, INC.	>10,000 ft	30	01301275	MIDALE/NESSON	2,749	7.5
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	05301124	MADISON	2,739	7.5
FY2006		>10,000 ft	30	03300230	MADISON	2,776	7.6

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	HESS CORPORATION	>10,000 ft	30	06100015	MADISON	2,763	7.6
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302313	MADISON	2,803	7.7
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302505	MADISON	2,801	7.7
FY2006	STONE ENERGY CORPORATION	>10,000 ft	30	10501447	MADISON	2,826	7.7
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00701165	BAKKEN	2,838	7.8
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00701316	BAKKEN	2,912	8.0
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100493	SOUTH RED RIVER B	2,910	8.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	10501158	MADISON	2,911	8.0
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	00701269	BAKKEN	2,957	8.1
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302349	BAKKEN	2,979	8.2
FY2006	CITATION OIL & GAS CORP.	>10,000 ft	30	10500930	MADISON	3,002	8.2
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	01300722	BAKKEN	3,016	8.3
FY2006	CONDOR PETROLEUM, INC.	>10,000 ft	30	02500160	RED RIVER	3,041	8.3
FY2006	CITATION OIL & GAS CORP.	>10,000 ft	30	05301737	MADISON	3,039	8.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	00701257	BAKKEN	3,057	8.4
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00701275	BAKKEN	3,056	8.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	00701731	MADISON	3,084	8.4
FY2006	MISSOURI BREAKS, LLC	>10,000 ft	30	05302135	RED RIVER	3,072	8.4
FY2006	MISSOURI BREAKS, LLC	>10,000 ft	30	05302135	STONEWALL	3,070	8.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302205	DUPEROW	3,050	8.4
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00701396	TYLER	3,118	8.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302185	RED RIVER	3,088	8.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302323	BAKKEN	3,110	8.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302458	BAKKEN	3,095	8.5
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	00701446	MADISON	3,140	8.6
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05302477	BAKKEN	3,121	8.6
FY2006	RYAN EXPLORATION, INC.	>10,000 ft	30	10501183	MADISON	3,148	8.6
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302375	BAKKEN	3,169	8.7
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301026	MADISON	3,215	8.8
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01301287	MIDALE/NESSON	3,243	8.9
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	00700829	BAKKEN	3,273	9.0
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	01100497	NORTH RED RIVER B	3,269	9.0
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	05302203	DUPEROW	3,298	9.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302524	SILURIAN	3,311	9.1
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	05302296	BAKKEN	3,352	9.2
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302504	MADISON	3,353	9.2
FY2006	PRIDE ENERGY, AN OKLAHOMA GENERAL PARTNERSHIP	>10,000 ft	30	08700149	NORTH RED RIVER B	3,349	9.2
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	10501089	WINNIPEGOSIS	3,351	9.2
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	01100197	RED RIVER B	3,398	9.3
FY2006	LUFF EXPLORATION COMPANY	>10,000 ft	30	01100554	SOUTH RED RIVER B	3,450	9.5
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	05301997	MADISON	3,507	9.6
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	03300229	BAKKEN	3,555	9.7
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	05301751	DUPEROW	3,537	9.7
FY2006	HUNT PETROLEUM (AEC), INC.	>10,000 ft	30	05301559	MADISON	3,574	9.8
FY2006	ZENERGY, INC	>10,000 ft	30	01100553	RED RIVER B	3,613	9.9
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30				

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(")
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302436	BAKKEN	3,693	10.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	00701245	BAKKEN	3,746	10.3
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100664	WEST RED RIVER	3,767	10.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302457	BAKKEN	3,774	10.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302336	BIRDBEAR	3,779	10.4
FY2006	MISSOURI BASIN WELL SERVICE, INC.	>10,000 ft	30	05302374	BAKKEN	3,832	10.5
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	02300455	STONEWALL	3,862	10.6
FY2006	HUNT PETROLEUM (AEC), INC.	>10,000 ft	30	00701233	BAKKEN	3,959	10.8
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100525	RED RIVER B	3,945	10.8
FY2006	CAMWEST II L.P.	>10,000 ft	30	05301211	MADISON	3,925	10.8
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	00701262	BAKKEN	3,995	10.9
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05302245	BAKKEN	3,993	10.9
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05302214	DUPEROW	4,007	11.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301137	MADISON	4,037	11.1
FY2006	PRIMA EXPLORATION, INC.	>10,000 ft	30	05302208	RED RIVER	4,048	11.1
FY2006	WESCO OPERATING, INC.	>10,000 ft	30	05302213	SANISH	4,063	11.1
FY2006	WESCO OPERATING, INC.	>10,000 ft	30	05301576	MADISON	4,084	11.2
FY2006	STEPHENS & JOHNSON OPERATING CO.	>10,000 ft	30	05301660	DUPEROW	4,096	11.2
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100061	ORDOVICIAN	4,151	11.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301626	MADISON	4,157	11.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301979	MADISON	4,155	11.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302413	BAKKEN	4,178	11.4
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	05300315	MADISON	4,215	11.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	02300443	DUPEROW	4,252	11.6
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	00701291	BAKKEN	4,261	11.7
FY2006	CITATION OIL & GAS CORP.	>10,000 ft	30	01100813	RED RIVER B	4,262	11.7
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	05301906	SILURIAN	4,286	11.7
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302206	MADISON	4,259	11.7
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100403	ORDOVICIAN	4,319	11.8
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302257	BIRDBEAR	4,295	11.8
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01101077	ORDOVICIAN	4,358	11.9
FY2006	CHESAPEAKE OPERATING, INC.	>10,000 ft	30	05302338	SANISH	4,329	11.9
FY2006	WESCO OPERATING, INC.	>10,000 ft	30	08900264	SILURIAN	4,357	11.9
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301688	MADISON	4,398	12.0
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100555	SOUTH RED RIVER B	4,443	12.2
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100499	RED RIVER B	4,475	12.3
FY2006	CONDOR PETROLEUM, INC.	>10,000 ft	30	02300124	BAKKEN	4,480	12.3
FY2006	RANCH OIL COMPANY	>10,000 ft	30	05300710	BAKKEN	4,510	12.4
FY2006	RANCH OIL COMPANY	>10,000 ft	30	05301414	SILURIAN	4,508	12.4
FY2006	MUREX PETROLEUM CORPORATION	>10,000 ft	30	10501168	MADISON	4,562	12.5
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100803	SOUTH RED RIVER B	4,631	12.7
FY2006	CAMWEST II L.P.	>10,000 ft	30	10500781	MADISON	4,618	12.7
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302146	BAKKEN	4,678	12.8
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100873	RED RIVER B	4,706	12.9
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01301307	MIDALE/NESSON	4,758	13.0

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05300057	DEVONIAN	4,736	13.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302105	MADISON	4,732	13.0
FY2006	CHESAPEAKE OPERATING, INC.	>10,000 ft	30	05302163	SANISH	4,736	13.0
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100641	SOUTH RED RIVER B	4,771	13.1
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01301286	MIDALE/NESSON	4,795	13.1
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301386	RED RIVER	4,786	13.1
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302160	RED RIVER	4,794	13.1
FY2006	TEXAKOTA, INC.	>10,000 ft	30	0500771	RED RIVER	4,772	13.1
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	03300068	BAKKEN	4,804	13.2
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302441	BAKKEN	4,865	13.3
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100599	SOUTH RED RIVER B	4,896	13.4
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100799	NORTH RED RIVER B	4,880	13.4
FY2006	MISSOURI RIVER ROYALTY CORPORATION	>10,000 ft	30	05301143	RED RIVER	4,875	13.4
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100612	SOUTH RED RIVER B	4,935	13.5
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	05301166	SILURIAN	4,966	13.6
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05302327	BAKKEN	4,956	13.6
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302393	BAKKEN	4,952	13.6
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	03300190	BAKKEN	5,014	13.7
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05302310	BAKKEN	5,037	13.8
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100590	SOUTH RED RIVER B	5,082	13.9
FY2006	CHESAPEAKE OPERATING, INC.	>10,000 ft	30	02300373	DAWSON BAY	5,094	14.0
FY2006	OMIMEX INTERNATIONAL CORPORATION	>10,000 ft	30	02300274	RED RIVER	5,225	14.3
FY2006	RANCH OIL COMPANY	>10,000 ft	30	05302087	SANISH	5,217	14.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	03300206	BAKKEN	5,267	14.4
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	05302012	SILURIAN	5,251	14.4
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY	>10,000 ft	30	01100567	SOUTH RED RIVER B	5,290	14.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	10501139	MADISON	5,290	14.5
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01101123	ORDOVICIAN	5,329	14.6
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	02300282	RED RIVER	5,377	14.7
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05300768	DUPEROW	5,367	14.7
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01301285	MIDALE/NESSON	5,384	14.8
FY2006	MISSOURI RIVER ROYALTY CORPORATION	>10,000 ft	30	05301416	DUPEROW	5,442	14.9
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100631	NORTH RED RIVER B	5,468	15.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	00700990	MADISON	5,533	15.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	10501309	STONEWALL	5,540	15.2
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100746	SOUTH RED RIVER B	5,576	15.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302360	BAKKEN	5,588	15.3
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100861	ORDOVICIAN	5,625	15.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01301290	MIDALE/NESSON	5,611	15.4
FY2006	SUMMIT RESOURCES, INC.	>10,000 ft	30	00701287	RED RIVER	5,658	15.5
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	05301895	SILURIAN	5,702	15.6
FY2006	HESS CORPORATION	>10,000 ft	30	05300279	MADISON	5,751	15.8
FY2006	STONE ENERGY CORPORATION	>10,000 ft	30	10501470	RATCLIFFE	5,849	16.0
FY2006	PRIDE ENERGY, AN OKLAHOMA GENERAL PARTNERSHIP	>10,000 ft	30	00701217	BAKKEN	5,861	16.1
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100515	WEST RED RIVER	5,890	16.1

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(')
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302450	BAKKEN	5,912	16.2
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	10500745	DEVONIAN	5,900	16.2
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	05301760	SILURIAN	5,954	16.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	05302129	SILURIAN	5,938	16.3
FY2006	CHESAPEAKE OPERATING, INC.	>10,000 ft	30	05302276	SANISH	5,963	16.3
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100583	SOUTH RED RIVER B	5,974	16.4
FY2006	SUMMIT RESOURCES, INC.	>10,000 ft	30	00701153	BAKKEN	6,013	16.5
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100815	NORTH RED RIVER B	6,027	16.5
FY2006	LUFF EXPLORATION COMPANY	>10,000 ft	30	01100862	RED RIVER	6,030	16.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302384	BAKKEN	6,017	16.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05300824	BIRDBEAR	6,052	16.6
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05500053	MADISON	6,056	16.6
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	00701278	BAKKEN	6,090	16.7
FY2006	CONDOR PETROLEUM, INC.	>10,000 ft	30	02300420	WINNIPEGOSIS	6,108	16.7
FY2006	LUFF EXPLORATION COMPANY	>10,000 ft	30	01100297	RED RIVER	6,140	16.8
FY2006	MISSOURI BASIN WELL SERVICE, INC.	>10,000 ft	30	10500988	DUPEROW	6,135	16.8
FY2006	HESS CORPORATION	>10,000 ft	30	05301428	STONEWALL	6,198	17.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302493	MADISON	6,212	17.0
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01101073	ORDOVICIAN	6,235	17.1
FY2006	BLA WSON EXPLORATION COMPANY, INC.	>10,000 ft	30	05301561	DUPEROW	6,224	17.1
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	10501453	DUPEROW	6,224	17.1
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100589	SOUTH RED RIVER B	6,316	17.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301625	DUPEROW	6,321	17.3
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100637	NORTH RED RIVER B	6,402	17.5
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	05300648	DEVONIAN	6,445	17.7
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100795	NORTH RED RIVER B	6,515	17.8
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302232	DUPEROW	6,481	17.8
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100617	NORTH RED RIVER B	6,522	17.9
FY2006	RYAN EXPLORATION, INC.	>10,000 ft	30	10501153	DUPEROW	6,544	17.9
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	05300889	BAKKEN	6,584	18.0
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100610	SOUTH RED RIVER B	6,591	18.1
FY2006	WESCO OPERATING, INC.	>10,000 ft	30	05300807	BAKKEN	6,616	18.1
FY2006	BROSCHAT ENGINEERING & MANAGEMENT SERVICES, INC.	>10,000 ft	30	00700341	MADISON	6,712	18.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302270	BIRDBEAR	6,778	18.6
FY2006	LUFF EXPLORATION COMPANY	>10,000 ft	30	01100865	RED RIVER	6,834	18.7
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100890	NORTH RED RIVER B	6,863	18.8
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302471	MADISON	6,879	18.8
FY2006	HESS CORPORATION	>10,000 ft	30	10500704	DEVONIAN	6,870	18.8
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302127	BIRDBEAR	6,934	19.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301625	BIRDBEAR	6,957	19.1
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	00700822	MADISON	6,997	19.2
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05300809	BAKKEN	7,002	19.2
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	01301300	MIDALE/NESSON	7,048	19.3
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100688	SOUTH RED RIVER B	7,066	19.4
FY2006	ELAND ENERGY, INC.	>10,000 ft	30	10501199	DUPEROW	7,114	19.5

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FY2006	CHESAPEAKE OPERATING, INC.	>10,000 ft	30	05302197	SANISH	7,153	19.6
FY2006	SUMMIT RESOURCES, INC.	>10,000 ft	30	00701201	BAKKEN	7,185	19.7
FY2006	PRIMA EXPLORATION, INC.	>10,000 ft	30	05300363	SANISH	7,243	19.8
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302294	BAKKEN	7,219	19.8
FY2006	RYAN EXPLORATION, INC.	>10,000 ft	30	10501153	BIRDBEAR	7,214	19.8
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302122	DUPEROW	7,272	19.9
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302428	BAKKEN	7,246	19.9
FY2006	HESS CORPORATION	>10,000 ft	30	05302259	DUPEROW	7,330	20.1
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301501	SILURIAN	7,405	20.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302128	RED RIVER	7,441	20.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302506	RED RIVER	7,523	20.6
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	02500510	MADISON	7,563	20.7
FY2006	LUFF EXPLORATION COMPANY	>10,000 ft	30	01100223	RED RIVER	7,590	20.8
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301123	RED RIVER	7,608	20.8
FY2006	HESS CORPORATION	>10,000 ft	30	10500894	SILURIAN	7,605	20.8
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	10500862	STONEWALL	7,620	20.9
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	10500863	MADISON	7,646	20.9
FY2006	WESCO OPERATING, INC.	>10,000 ft	30	05300723	RED RIVER	7,647	21.0
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	05300911	SILURIAN	7,693	21.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	01100897	RED RIVER	7,752	21.2
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100486	SOUTH RED RIVER B	7,763	21.3
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100668	SOUTH RED RIVER B	7,771	21.3
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01101076	ORDOVICIAN	7,769	21.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302340	BIRDBEAR	7,764	21.3
FY2006	MISSOURI RIVER ROYALTY CORPORATION	>10,000 ft	30	05302119	RED RIVER	7,874	21.6
FY2006	BROSCHAT ENGINEERING & MANAGEMENT SERVICES, INC.	>10,000 ft	30	05302149	DUPEROW	7,876	21.6
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100698	SOUTH RED RIVER B	7,907	21.7
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	03300233	RED RIVER	8,003	21.9
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302076	BAKKEN	8,003	21.9
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100689	SOUTH RED RIVER B	8,039	22.0
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100437	ORDOVICIAN	8,053	22.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	02500518	DUPEROW	8,251	22.6
FY2006	CITATION OIL & GAS CORP.	>10,000 ft	30	10501238	STONEWALL	8,301	22.7
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	00700590	DUPEROW	8,310	22.8
FY2006	LUFF EXPLORATION COMPANY	>10,000 ft	30	01100178	RED RIVER	8,409	23.0
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	02300194	RED RIVER	8,380	23.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	00701238	BAKKEN	8,418	23.1
FY2006	LUFF EXPLORATION COMPANY	>10,000 ft	30	01100256	RED RIVER B	8,420	23.1
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302036	BIRDBEAR	8,426	23.1
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100082	ORDOVICIAN	8,472	23.2
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100536	SOUTH RED RIVER B	8,479	23.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	05300649	DEVONIAN	8,458	23.2
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100450	ORDOVICIAN	8,524	23.4
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100600	NORTH RED RIVER B	8,778	24.0
FY2006	STONE ENERGY CORPORATION	>10,000 ft	30	02300439	RED RIVER	8,742	24.0

NORTH DAKOTA OFFICE OF STATE TAX COMMISSIONER  
 STRIPF L DATA  
 FISC. YEAR 2006

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PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302547	BIRDBEAR	8,748	24.0
FY2006	CITATION OIL & GAS CORP.	>10,000 ft	30	01100473	RED RIVER	8,812	24.1
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	00701080	RED RIVER	8,850	24.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	02500406	DUPEROW	8,844	24.2
FY2006	RIGEL, INC.	>10,000 ft	30	05300771	MADISON	8,886	24.3
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	05300901	SILURIAN	8,886	24.3
FY2006	ZENERGY, INC	>10,000 ft	30	05301286	MADISON	8,870	24.3
FY2006	HESS CORPORATION	>10,000 ft	30	10500435	MADISON	8,887	24.3
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01101152	ORDOVICIAN	8,890	24.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302204	DUPEROW	8,930	24.7
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100817	NORTH RED RIVER B	9,060	24.8
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	00700665	RED RIVER	9,163	25.1
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100512	WEST RED RIVER	9,147	25.1
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100704	SOUTH RED RIVER B	9,174	25.1
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302192	DUPEROW	9,158	25.1
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	10500549	DEVONIAN	9,191	25.2
FY2006	HUNT PETROLEUM (AEC), INC.	>10,000 ft	30	05301845	RED RIVER	9,220	25.3
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100087	ORDOVICIAN	9,310	25.5
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100643	SOUTH RED RIVER B	9,312	25.5
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100647	WEST RED RIVER	9,310	25.5
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01101032	ORDOVICIAN	9,317	25.5
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01101191	ORDOVICIAN	9,434	25.8
FY2006	HESS CORPORATION	>10,000 ft	30	10501104	SILURIAN	9,431	25.8
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100680	NORTH RED RIVER B	9,468	25.9
FY2006	HESS CORPORATION	>10,000 ft	30	05301931	DUPEROW	9,488	26.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301024	MADISON	9,488	26.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302340	DUPEROW	9,536	26.1
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100578	SOUTH RED RIVER B	9,519	26.1
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	10501342	RED RIVER	9,559	26.2
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05300932	RED RIVER	9,555	26.2
FY2006	WESCO OPERATING, INC.	>10,000 ft	30	05301936	BIRDBEAR	9,598	26.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301997	DUPEROW	9,600	26.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302547	DUPEROW	9,837	27.0
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	03300234	RED RIVER	9,868	27.0
FY2006	LUFF EXPLORATION COMPANY	>10,000 ft	30	05301706	DEVONIAN	9,944	27.2
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100225	RED RIVER	10,032	27.5
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01101074	ORDOVICIAN	10,057	27.6
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01101074	ORDOVICIAN	10,112	27.7
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100485	ORDOVICIAN	10,189	27.9
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100636	NORTH RED RIVER B	10,321	28.3
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	01100103	ORDOVICIAN	10,528	28.8
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	02500380	DUPEROW	10,599	29.0
FY2006	EAGLE OPERATING, INC.	>10,000 ft	30	01301174	WINNIPEGOSIS	10,606	29.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	10501103	MADISON	10,616	29.1
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	02500517	DUPEROW	10,664	29.2
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	05302143	SILURIAN	10,711	29.3

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION (C)
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	10501092	RED RIVER	10,702	29.3
FY2006	PRIDE ENERGY, AN OKLAHOMA GENERAL PARTNERSHIP	>10,000 ft	30	05300855	MADISON	10,713	29.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05300887	DUPEROW	10,876	29.8
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	10500611	WINNIPEGOSIS	10,951	30.0
<b>Stripper production qualifying as &gt;10,000 and &lt;=30 barrels /day - within qualification limits</b>							
<b>499 Wells</b>							
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100598	SOUTH RED RIVER B	10,981	30.1
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301940	MADISON	10,994	30.1
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100550	WEST RED RIVER	11,035	30.2
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100106	ORDOVICIAN	11,084	30.4
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100520	SOUTH RED RIVER B	11,146	30.5
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	02500069	DUPEROW	11,154	30.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05300664	DUPEROW	11,256	30.6
FY2006	JETTISON, INC.	>10,000 ft	30	02300179	WINNIPEGOSIS	11,294	30.8
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301969	DUPEROW	11,296	30.9
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100605	SOUTH RED RIVER B	11,310	31.0
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	05301642	DUPEROW	11,364	31.1
FY2006	HESS CORPORATION	>10,000 ft	30	10500489	MADISON	11,345	31.1
FY2006	MISSOURI RIVER ROYALTY CORPORATION	>10,000 ft	30	02500167	DUPEROW	11,384	31.2
FY2006	CITATION OIL & GAS CORP.	>10,000 ft	30	05301736	DUPEROW	11,392	31.2
FY2006	HESS CORPORATION	>10,000 ft	30	10500328	MADISON	11,514	31.5
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	08700138	NORTH RED RIVER B	11,526	31.6
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302183	DUPEROW	11,569	31.7
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	02500401	DUPEROW	11,655	31.9
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	03300228	BIRDBEAR	11,635	31.9
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100814	NORTH RED RIVER B	11,667	32.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301726	RED RIVER	11,746	32.2
FY2006	HESS CORPORATION	>10,000 ft	30	05300211	MADISON	11,807	32.3
FY2006	WESCO OPERATING, INC.	>10,000 ft	30	05300921	DUPEROW	11,871	32.5
FY2006	CARL H. NORDSTRAND	>10,000 ft	30	00700323	DUPEROW	11,944	32.7
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100404	ORDOVICIAN	12,141	33.3
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100447	ORDOVICIAN	12,153	33.3
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301969	RED RIVER	12,150	33.3
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100812	NORTH RED RIVER B	12,187	33.4
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	03300209	BAKKEN	12,206	33.4
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302172	DUPEROW	12,261	33.6
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100858	WEST RED RIVER	12,354	33.8
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100858	RED RIVER	12,354	33.8
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100204	RED RIVER	12,386	33.9
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302416	BAKKEN	12,513	34.3
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01101107	ORDOVICIAN	12,682	34.7
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100069	ORDOVICIAN	12,736	34.9
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302391	BAKKEN	13,094	35.9
FY2006	JETTISON, INC.	>10,000 ft	30	01300749	BAKKEN	13,176	36.1
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100760	SOUTH RED RIVER B	13,320	36.5

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(')
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	10501412	STONEWALL	13,572	37.2
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100384	ORDOVICIAN	13,733	37.6
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302352	BAKKEN	13,882	38.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	00701187	MADISON	14,466	39.6
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	05301618	BIRDBEAR	14,680	40.2
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301266	STONEWALL	14,766	40.5
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100541	RED RIVER B	15,066	41.3
FY2006	LUFF EXPLORATION COMPANY	>10,000 ft	30	01100319	RED RIVER	15,139	41.5
FY2006	WESCO OPERATING, INC.	>10,000 ft	30	08900277	SILURIAN	15,270	41.8
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100448	ORDOVICIAN	15,281	41.9
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100619	NORTH RED RIVER B	15,548	42.6
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100911	RED RIVER	15,608	42.8
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100078	ORDOVICIAN	15,652	42.9
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100051	ORDOVICIAN	15,776	43.2
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100866	RED RIVER B	15,782	43.2
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301609	BIRDBEAR	15,921	43.6
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100104	ORDOVICIAN	16,136	44.2
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100800	WEST RED RIVER	16,140	44.2
FY2006	HESS CORPORATION	>10,000 ft	30	05300404	MADISON	16,277	44.6
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100518	NORTH RED RIVER B	16,319	44.7
FY2006	WHITING OIL AND GAS CORPORATION	>10,000 ft	30	05301245	DUPEROW	16,386	44.9
FY2006	PETRO-HUNT, L.L.C.	>10,000 ft	30	05301167	DEVONIAN	16,420	45.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302172	BIRDBEAR	16,614	45.5
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302259	BIRDBEAR	16,694	45.7
FY2006	ZENERGY, INC	>10,000 ft	30	05302190	MADISON	17,151	47.0
FY2006	ZENERGY, INC	>10,000 ft	30	10500819	MADISON	17,228	47.2
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100549	WEST RED RIVER	17,352	47.5
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100712	NORTH RED RIVER B	17,468	47.9
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	00700651	MADISON	17,577	48.2
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100157	RED RIVER	17,808	48.8
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	05302074	MADISON	17,878	49.0
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	01101062	NORTH RED RIVER B	18,113	49.6
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	05302114	BIRDBEAR	18,100	49.6
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	06100066	MADISON	18,322	49.6
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	08700135	NORTH RED RIVER B	18,631	50.2
FY2006	HESS CORPORATION	>10,000 ft	30	01100227	RED RIVER	18,648	51.0
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100666	WEST RED RIVER	18,648	51.1
FY2006	LUFF EXPLORATION COMPANY	>10,000 ft	30	01100679	NORTH RED RIVER B	18,692	51.2
FY2006	LUFF EXPLORATION COMPANY	>10,000 ft	30	01100100	ORDOVICIAN	19,183	52.6
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100343	RED RIVER	19,244	52.7
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100573	NORTH RED RIVER B	19,250	52.7
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100864	RED RIVER	19,244	52.7
FY2006	LUFF EXPLORATION COMPANY	>10,000 ft	30	01300749	WINNIPEGOSIS	19,566	53.6
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100734	NORTH RED RIVER B	20,060	55.0
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100489	SOUTH RED RIVER B	20,733	56.8
FY2006		>10,000 ft	30			20,885	57.2

STRIPPER WELL DATA  
FISCAL YEAR 2006

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100591	SOUTH RED RIVER B	20,941	57.4
FY2006	BURLINGTON RESOURCES OIL & GAS COMPANY LP	>10,000 ft	30	01100818	SOUTH RED RIVER B	22,753	62.3
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100049	ORDOVICIAN	23,459	64.3
FY2006	HESS CORPORATION	>10,000 ft	30	10500239	MADISON	24,022	65.8
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100620	NORTH RED RIVER B	24,214	66.3
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100572	NORTH RED RIVER B	24,704	67.7
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301266	RED RIVER	24,962	68.4
FY2006	WESCO OPERATING, INC.	>10,000 ft	30	03300057	BIRDBEAR	25,028	68.6
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302122	BIRDBEAR	25,144	68.9
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100099	ORDOVICIAN	26,726	73.2
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100707	NORTH RED RIVER B	26,803	73.4
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100633	NORTH RED RIVER B	26,991	73.9
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	10500305	MADISON	27,364	75.0
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	10500503	MADISON	27,429	75.1
FY2006	NANCE PETROLEUM (AEC), INC.	>10,000 ft	30	10500830	MADISON	27,718	75.9
FY2006	HUNT PETROLEUM (AEC), INC.	>10,000 ft	30	05301712	STONEWALL	27,742	76.0
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100796	NORTH RED RIVER B	27,837	76.3
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100557	NORTH RED RIVER B	28,035	76.8
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100744	NORTH RED RIVER B	28,190	77.2
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100392	RED RIVER	28,304	77.5
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	01100407	RED RIVER	28,340	77.6
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	01100564	NORTH RED RIVER B	28,621	78.4
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100487	NORTH RED RIVER B	28,660	78.5
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100811	NORTH RED RIVER B	28,636	78.5
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100623	NORTH RED RIVER B	30,084	82.4
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	10501094	WINNIPEGOSIS	30,453	83.4
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	01100793	WEST RED RIVER	31,456	86.2
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100566	NORTH RED RIVER B	31,631	86.7
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100569	NORTH RED RIVER B	31,798	87.1
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100535	NORTH RED RIVER B	32,032	87.8
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05301345	DUPEROW	32,538	89.1
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100730	NORTH RED RIVER B	32,876	90.1
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	08700150	NORTH RED RIVER B	32,968	90.3
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01101031	ORDOVICIAN	32,980	90.4
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100484	NORTH RED RIVER B	33,740	92.4
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	08700132	NORTH RED RIVER B	33,726	92.4
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100711	NORTH RED RIVER B	35,605	97.5
FY2006	KERR-MCGEE OIL & GAS ONSHORE LP	>10,000 ft	30	01100391	RED RIVER	37,910	103.9
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	10501179	WINNIPEGOSIS	37,993	104.1
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100819	WEST RED RIVER	38,567	105.7
FY2006	NANCE PETROLEUM CORPORATION	>10,000 ft	30	05302438	STONEWALL	38,760	106.2
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100678	NORTH RED RIVER B	40,745	111.6
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	08700136	NORTH RED RIVER B	41,285	113.1
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100681	NORTH RED RIVER B	43,310	118.7
FY2006	BTA OIL PRODUCERS	>10,000 ft	30	10501076	WINNIPEGOSIS	44,190	121.1

PERIOD	OPERATOR	QUALIFYING DEPTH	QUALIFYING BARRELS PER DAY	API NUMBER	QUALIFYING POOL NAME	PRODUCTION BARRELS	AVERAGE DAILY PRODUCTION(*)	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100701	NORTH RED RIVER B	47,879	131.2	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	08700332	NORTH RED RIVER B	48,643	133.3	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100582	NORTH RED RIVER B	51,623	141.4	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100542	NORTH RED RIVER B	52,135	142.8	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100579	NORTH RED RIVER B	52,157	142.9	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100732	NORTH RED RIVER B	56,669	155.3	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100710	NORTH RED RIVER B	57,410	157.3	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100580	NORTH RED RIVER B	59,676	163.5	
FY2006	ENCORE OPERATING, L.P.	>10,000 ft	30	01100080	ORDOVICIAN	59,859	164.0	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100855	NORTH RED RIVER B	69,072	189.2	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100714	NORTH RED RIVER B	71,645	196.3	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	08700139	NORTH RED RIVER B	72,968	199.9	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100648	NORTH RED RIVER B	78,523	215.1	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100524	NORTH RED RIVER B	78,548	215.2	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100729	NORTH RED RIVER B	81,409	223.0	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	08700134	NORTH RED RIVER B	85,835	235.2	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100676	NORTH RED RIVER B	86,261	236.3	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100650	NORTH RED RIVER B	94,264	258.3	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100677	NORTH RED RIVER B	96,865	265.4	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100571	NORTH RED RIVER B	97,142	266.1	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	08700137	NORTH RED RIVER B	122,943	336.8	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100552	NORTH RED RIVER B	124,774	341.8	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100594	NORTH RED RIVER B	127,856	350.3	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	08700133	NORTH RED RIVER B	140,662	385.4	
FY2006	CONTINENTAL RESOURCES, INC.	>10,000 ft	30	01100546	NORTH RED RIVER B	151,212	414.3	
<b>Stripper production qualifying as &gt;10,000 ft and &lt;=30 barrels /day - exceeding qualification limits</b>							<b>4,667,243</b>	
<b>Total Production - within qualification limits</b>							<b>4,441,052</b>	
<b>Total Production - exceeding qualification limits</b>							<b>6,613,184</b>	

154 Wells  
 1826 Wells  
 349 Wells

(\*) Average Daily Production - Calculated based on 365 day year which is the assumption used by the NDIC

# SB 2397 Summary

Senator David P. O'Connell

A bill relating to oil extraction tax rates.

Oil produced from wells drilled and completed before Jan. 1, 2008, the rate of tax is 6.5% of the gross value at the well of the oil extracted, except that the rate of tax is 4% of the gross value at the well of the oil extracted that meets one of the requirements of subsection 4.

Oil produced from wells drilled and completed from Jan. 1, 2008 – Dec. 31, 2008, the rate of tax is 5.5% of the gross value at the well of the oil extracted, except that the rate of tax is 4% of the gross value at the well of the oil extracted that meets one of the requirements of subsection 4.

The rate of tax on oil extracted from all taxable wells is:

- 6.5% for wells subject to subsection 1
- 5.5% for wells subject to subsection 2
- 4% for wells subject to subsection 3

These rates are the gross values at the well of the oil extracted until the average price of a barrel of crude oil is less than the trigger price for each month in any consecutive five month period, in which case the rate of tax reverts to 4% of the gross value at the well of the oil extracted.

# Pinkerton, Louis

From: Strombeck, Kathy L.  
Sent: Wednesday, March 07, 2007 7:31 PM  
To: Pinkerton, Louis  
Subject: Proposed Amendments to SB 2397

Rep. Pinkerton;

I would like to summarize the possible amendment we discussed this afternoon. I may have missed something, so please let me know if that is the case.

- The 11.5% rate stays in place, avoiding a tax rate cut for "big" oil
- A holiday from the 6.5% oil extraction tax (OET) is created, for new wells, for either a certain 24 month period, or until the well reaches "payout"
- Assume "payout" is concretely and uniformly defined according to common industry standards
- After the holiday, wells return to a tax rate of 11.5%, unless incentives "retrigger"
- Revert the trigger price back to a fixed \$33.50 (meaning current law incentives trigger back on when/if ND price falls below \$33.50 for five consecutive months)

Two observations relative to the proposed trigger

- In the unlikely event of a retriggering of incentives, your new holiday may be more lucrative than existing law triggered holidays. So, a retriggering may actually "harm" some new wells
- This trigger is low enough - and therefore unlikely enough - to consider leaving out the 2% OET offset. Although that offset has a certain appeal.....

The fiscal note on this proposal would be -\$8,424,000 assuming the same parameters as in the current fiscal note, and remaining consistent with the February forecast. This also assumes a July 1, 2008 effective date. It further assumes the holiday lasts AT LEAST 12 months (so no new well - even the "first" ones drilled - becomes taxable again until at least the following biennium).

Here are the fiscal note assumptions:

- Production from new wells will total 3.24 million barrels, staggered in over the second year of the biennium. (96 wells averaging 150 barrels of oil per day, with a annual decline of 50%)
- Price on which tax will be paid is assumed to average \$40 per barrel
- If the proposal successfully "incent" additional production over the forecasted level, there will be additional Gross Production Tax collected over the existing forecast. While this is revenue-positive, it cannot be estimated and quantified on the fiscal note.

Please let me know if I can be of further assistance as you contemplate this bill.

Kathy

Kathryn L. Strombeck  
Research Analyst  
Office of Tax Commissioner  
701.328.3402

#4

70460.0200

Sixtieth  
Legislative Assembly  
of North Dakota

**SENATE BILL NO. 2367**

Introduced by

Senator Potter

1 A BILL for an Act to amend and reenact subsection 4 of section 38-08-04, subsection 10 of  
2 section 57-51.1-01, and subsection 1 of section 57-51.1-03.1 of the North Dakota Century  
3 Code, relating to annual recertification of stripper well status under the oil extraction tax; and to  
4 provide an effective date.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. AMENDMENT.** Subsection 4 of section 38-08-04 of the North Dakota  
7 Century Code is amended and reenacted as follows:

8 4. To classify wells as oil or gas wells for purposes material to the interpretation or  
9 enforcement of this chapter, to annually classify and determine the status and  
10 depth of wells that are stripper well property as defined in subsection ~~8~~ 10 of  
11 section 57-51.1-01, to annually certify to the tax commissioner which wells are  
12 stripper wells and the depth of those wells, and to certify to the tax commissioner  
13 which wells involve secondary or tertiary recovery operations under section  
14 57-51.1-01, and the date of qualification for the reduced rate of oil extraction tax for  
15 secondary and tertiary recovery operations.

16 **SECTION 2. AMENDMENT.** Subsection 10 of section 57-51.1-01 of the North Dakota  
17 Century Code is amended and reenacted as follows:

18 10. "Stripper well ~~property~~" means a "~~property~~ whose well for which the average daily  
19 production of oil, during days of normal recovery operations, excluding condensate  
20 recovered in nonassociated production, ~~per well~~ did not exceed ten barrels per day  
21 for wells of a depth of six thousand feet [1828.80 meters] or less, fifteen barrels per  
22 day for wells of a depth of more than six thousand feet [1828.80 meters] but not  
23 more than ten thousand feet [3048 meters], and thirty barrels per day for wells of a  
24 depth of more than ten thousand feet [3048 meters] during ~~any preceding~~

1           ~~consecutive~~ the twelve-month period ending June thirtieth. Wells which did not  
2 actually yield or produce oil during the qualifying twelve-month period, including  
3 disposal wells, dry wells, spent wells, and shut-in wells, are not production wells for  
4 the purpose of determining whether the stripper well property exemption applies.

5           **SECTION 3. AMENDMENT.** Subsection 1 of section 57-51.1-03.1 of the North Dakota  
6 Century Code is amended and reenacted as follows:

- 7           1. To receive, ~~from the first day of eligibility~~, a tax exemption on production from a  
8 stripper well ~~property~~ under subsection 2 of section 57-51.1-03, the industrial  
9 commission's certification of wells that qualify for stripper well status must be  
10 submitted to the tax commissioner ~~within eighteen months after the end of the~~  
11 ~~stripper well property's qualification period~~ by August fifteenth immediately  
12 preceding the exemption period for stripper wells. The exemption period for  
13 stripper wells is the twelve months beginning September first of each year. The  
14 qualification period to determine stripper well status is the twelve months ending  
15 June thirtieth immediately preceding the exemption period for stripper wells.  
16 Applications are not required to obtain stripper well status. The industrial  
17 commission shall annually determine the wells that qualify for stripper well status  
18 based on production during the qualification period.

19           **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable events occurring after  
20 June 30, 2007.

# Northern Alliance <sup>✓</sup> of INDEPENDENT PRODUCERS

PO Box 2422 • Bismarck, North Dakota 58502-2422 • Phone 701-224-5037 • Fax 701-224-5038 • email NProducers@aol.com

Senate Appropriations Committee  
North Dakota Senate  
February 13, 2007

Legislative Hearing                      **SB 2397 (Oil extraction tax bill)**

Mr. Chairman and members of the committee, my name is Robert Harms. I am president of the Northern Alliance of Independent Producers, which is an oil and gas trade association of independent oil producers operating in the Williston Basin. Today, the Alliance represents over 40 companies operating in the Williston Basin and who are responsible for 45% of the wells drilled in 2006. At an average cost of \$4 million per well that represents a capital outlay of \$900 million annually.

**We support SB 2397, the oil extraction tax bill.** The following are some of the companies that support the bill: Encore Acquisition Partners, Armstrong Corporation, Cordillera, EOG, Headington, Copperhead Corporation, Powers Energy, Diamond Resources, Marathon, Missouri River Royalty, Missouri Basin Well Service, Murex, Northern Energy, Pearce & Durick, Ward-Williston, and Wyoming Casing---many located here in North Dakota,-- many are represented in the room this morning.

ONE key point I would like to make is that our support for SB 2397 is in concert with a bill you will hear tomorrow morning (SB 2361—the Bakken tax incentive bill), both of which set important tax policy changes for North Dakota. Together these bills will

*The voice of independent oil and gas producers in northern states*



- encourage continued investment in North Dakota
- develop more North Dakota oil that will reduce our dependence on foreign oil
- continue to produce jobs for North Dakota citizens of \$50,000-\$60,000 annually.

The importance of the oil industry:

For 2005-2007 North Dakota receive the following (as per most recent projections)

- \$263 million (general fund tax collections)
- \$ 10 million (estimate personal income tax on royalties, not included above).
- \$ 15 million (federal royalty income)
- \$ 79 million State Land Department oil revenues (not general fund)

For 2007-2009 North Dakota is projected to receive the following oil revenues:

- \$271 million (general fund tax collections) \$238 million production taxes alone.
- \$ 12 million (estimate personal income tax on royalties, not included above).
- \$ 13 million (federal royalty income)
- \$ 50 million (State Land Department estimate; March 06 estimated \$28 million)

Our point is simply that the oil industry is vital to our economic well being and we should strive to keep the industry vibrant and thriving. There are few industries that put that kind of money into our economy. And no other industry pays 11.5% of its gross revenues to the state whether it makes a profit or not. So, the changes provided for in SB 2397 (and SB 2361) are timely and frankly will set the stage from which the oil industry can continue to thrive and contribute to our economy and our State's tax revenues.

Let me offer just a few final comments, in anticipation of why some might suggest we shouldn't pursue these tax policy changes:

- We can't afford \$9 million for SB 2397 (and SB 2361). That figure represents approximately the cost of 2 wells-- 1% of the wells the industry will drill this year. This industry helped to create \$500 million ending fund balance, and will return the investment many times over. We can and should make this investment.
- "Big oil doesn't deserve tax breaks"....first this is not a "tax break". But, if we want companies to continue to invest in North Dakota, then we have to address the 11.5% tax on gross revenues that creates a huge disincentive to invest here. (Keep in mind it was "big oil" (Chevron/Devon et al) that discovered reserves in the Gulf of Mexico last year that will double our nation's reserves and adds to our national security.) And few "big oil" companies like Exxon Mobil are in ND.
- "The public won't stand for it." We should have the courage to do what is right for North Dakota. Our citizens embrace the industry and recognize that our nation needs to adjust our energy policy. Increasing production of AMERICAN oil and gas is part of that answer. North Dakota citizens will embrace those changes if it means more jobs, or less dependence on foreign oil.

Mr. Chairman, members of the Committee, these are some of the reasons the Northern Alliance and its members feel so strongly that SB 2397 (and SB 2361) is good tax policy and good public policy for North Dakota and we encourage you to give it a DO PASS recommendation to the North Dakota Senate.

## Froseth, Glen A.

---

**From:** Strombeck, Kathy L.  
**Sent:** Monday, March 19, 2007 1:34 PM  
**To:** Belter, Wesley R; Froseth, Glen A.  
**Cc:** 'ronness@ndoil.org'  
**Subject:** Fiscal impact of possible scenarios for Engr. SB 2397

Good Afternoon Chairman Belter and Rep. Froseth;

I have estimated the fiscal impact of various scenarios regarding a possible "Bakken amendment" to SB 2397. For each scenario, I have assumed the following:

- Bakken formation only and horizontal wells only
- An oil extraction tax (OET) holiday or a reduced rate for 75,000 barrels or 2 years, whichever comes first (the 2 years always comes first, on the average)
- An estimated 9 successful wells per quarter, producing on average 110 barrels per day, with an annual decline of 50% per year
- A biennial average price on which tax will be paid of \$40

Based on these assumptions, here are the estimated fiscal impact of several scenarios:

- A 24-month OET holiday, wells drilled within an 18-month window (July 2007 through December 2008), production impacted is 2,494,800 barrels, fiscal impact is -\$6,486,000
- A 24-month OET rate of 2%, wells drilled within an 18-month window (7/07 through 12/08), production impacted is 2,494,800 barrels, fiscal impact is -\$4,491,000
- A 24-month OET holiday, wells drilled within an 18-month window DELAYED 6 mos (1/08 through 6/09), production impacted is 1,737,450 barrels, fiscal impact is -\$4,517,000
- A 24-month OET rate of 2%, wells drilled within an 18-month window DELAYED 6 mos (1/08 through 6/09), production impacted is 1,737,450 barrels, fiscal impact is -\$3,127,000

If you need any additional analyses, or if you have questions or comments, please contact me.

Kathy

*Kathryn Strombeck  
Research Analyst  
Office of Tax Commissioner  
701.328.3402  
kstrombeck@nd.gov*

~~\$3~~

~~Steels~~

57-51-1  
Trigger price  
3

**Estimated Fiscal Impact of Engrossed SB 2397  
Assuming Current Forecasted Price and Production  
and No "Re-triggering" of Incentives**

Year 1 (Fiscal Year 2009)	\$ (3,240,000)
Year 2 (Fiscal Year 2010)	(6,804,000)
Year 3 (Fiscal Year 2011)	(8,586,000)
Year 4 (Fiscal Year 2012)	(9,477,000)
Year 5 (Fiscal Year 2013)	(9,922,000)
Year 6 (Fiscal Year 2014)	(10,155,000)
Year 7 (Fiscal Year 2015)	(10,256,000)
Year 8 (Fiscal Year 2016)	(10,314,000)
Year 9 (Fiscal Year 2017)	(10,409,000)
	(79,163,000)

Next year  
26% - Stripper  
7+7% 11.5

Eng. SB 2397 reduces the oil extraction tax (OET) rate to 4% (from current law 6.5%) for all new wells beginning July 1, 2008 (FY 2009). If incentives trigger back on, these wells will be subject to a 2% oil extraction tax rate during the 24-month holiday period, followed by a 4% OET rate.

Fiscal note - 36.00 -  
37.00 -  
38.00 -  
39.00 -  
40.00 -

42.89 = 45.39

200,000,000 / year

**Bakken amendment to SB 2397:**

- Tax holiday for 12 months at 7% rate (5% gross production + 2% extraction)
- Applies to new production from Bakken formation (new wells)
- Rate of 9% thereafter.
- Four year sunset, if necessary

**Contrast:**

**Montana:** 0% for 18 months all horizontal wells; then 9%

**Oklahoma:** 1% for 48 months all horizontal wells; then to 7% (passed in 2006)

# Oil & Gas TIDBITS



**We Keep North Dakota Going Strong**

## GREETINGS

Greetings from North Dakota's oil and gas industry! This is our second issue of "Oil & Gas Tidbits." This publication will be distributed quarterly to North Dakota policy makers and interested parties in the oil and gas industry to keep you updated on issues that may be of interest in guiding our state's economy.

In future editions, we will focus on Energy Education, New Technology in the Oil and Gas Industry, Oil and Gas Research Council, Refining, the Economic Impact of North Dakota's Oil and Gas Industry and Workforce Needs Study Results. 



Drilling rig in North Dakota Badlands

## North Dakota Bakken – Geology at its Best and Worst!

Right now, the North Dakota Bakken Formation is the focus of much attention within the oil and gas industry as well as in the general media. Why all the excitement and why now? There are many answers, but the most important is it has great potential!

Oil industry leaders, as well as new operators, are beginning to find success in the North Dakota portion of the Bakken Formation over a widespread area. The Bakken is once again creating excitement in the state's oil and gas industry.

365 million years ago North Dakota was covered by an ocean or sea which deposited various amounts of sand, silt, and shale. For this reason the Bakken Formation has been split into upper, middle, and lower members. The upper Bakken in North Dakota is comprised of black, oil-bearing shale. This rock is the source of Bakken oil.

The Bakken Formation is geology at its best because of the tremendous oil reserves (see Facts below), however, the Bakken Formation is also

geology at its worst because sustainable oil production has proven to be elusive because of the character of the reservoir rock. ►



Extent of the Middle Bakken Formation in North Dakota

- The **Wilson M. Laird Core and Sample Library** in Grand Forks, North Dakota contains **6,119 feet of Bakken cores** from oil and gas wells.
- Reserve studies estimate **250 billion barrels of oil in the North Dakota Bakken**. However, current technology allows that we could only produce about **1%** of those reserves.
- In 2006, there were **46 new horizontal Bakken wells drilled**.
- It cost nearly **\$6 million to complete a Bakken well in 2006 compared to \$1.3 million in 2004**.
- **All Bakken wells** in North Dakota since October of 2005 **have been horizontal wells**. Statewide horizontal drilling accounted for **72% of all new wells drilled** and **55% of the state's total oil production** in 2005.
- The typical North Dakota **Bakken well is 10,000 feet deep** and has one to three horizontal legs extending out as far as **9,000 feet** across two sections of minerals.

FACTS

# ND Bakken - Future Depends on Technology

Historically, the problem with drilling horizontally in this shale member, as was discovered during the previous Bakken plays of the 1980s and 1990s, is that the shale is impermeable, meaning it does not allow the oil to move

freely. Unless a fracture system is encountered, the oil stays in place and the production declines rapidly. The formation needs natural conduits to enable oil to be produced. Recent technological advancements in horizontal drilling

*Article submitted by Kathy Neset, owner of Nes Consulting in Tioga, ND. Kathy is a geologist and her business employs 22 people who provide well-site geological services for oil and gas companies in the Williston Basin. Kathy is a former school teacher. Neset Consulting is a member of the ND Petroleum Council.*

A core sample from the Middle Bakken Formation



and well completion techniques including fracture stimulation has enabled the Bakken to be explored in a new way. This has resulted in the Williston Basin Bakken becoming one of the largest on-shore oil plays in the lower 48 states.

Geologic study, continued drilling, and refinement of completion practices, will hopefully improve the success of this North Dakota Bakken play. Geology of the Bakken is very complex and this new technology is very expensive (see Facts section). As the Play develops scientists will continue to work together to unlock the mysteries of these ancient rocks. *TR*

## North Dakota Petroleum Council

We Keep North Dakota Going Strong

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Ron Ness, President

Please note: If you do not wish to receive further mailings from us, please email [ndpc@ndoil.org](mailto:ndpc@ndoil.org) and you will be automatically removed from our mailing list.

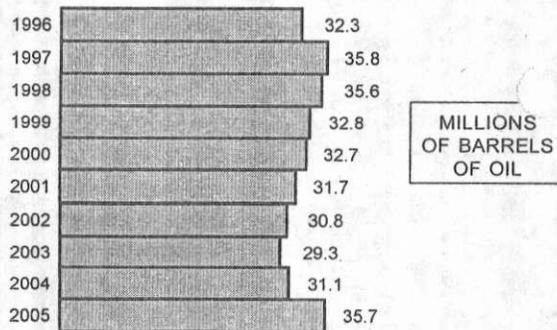
North Dakota Petroleum Council  
PO Box 1395  
Bismarck, ND 58502-1395



## NORTH DAKOTA'S OIL PATCH STATS FOR 2005

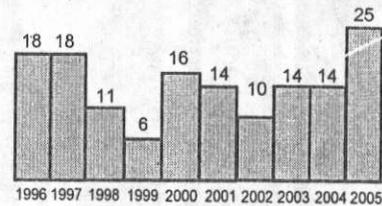
- ◆ North Dakota is the ninth largest oil producing state. The state produced nearly 98,000 barrels of oil per day in 2005, totaling 35.6 million barrels for the year.
- ◆ All-time production of crude oil in North Dakota amounts to more than 1.5 billion barrels.
- ◆ At the end of 2005, there were 3,908 wells capable of producing oil and gas in North Dakota. The average North Dakota well produced approximately 25 barrels per day.
- ◆ During 2005, 58.1 billion cubic feet of natural gas was produced and 50.7 billion cubic feet of natural gas was processed in North Dakota.
- ◆ The state's oil production increased in 2005. Total oil production for the year was 35,673,181 barrels, up 4,519,688 barrels from the previous year.

### ANNUAL CRUDE OIL PRODUCTION (BARRELS) IN NORTH DAKOTA



- ◆ The drilling rig count, which is a prime barometer for measuring new oil and gas activity, averaged 25 rigs a day in 2005. The peak year for drilling rigs was 1981, with an average monthly rig count of 119. The all-time high was in October of 1981 with 146 rigs operating.

## AVERAGE NUMBER OF DRILLING RIGS

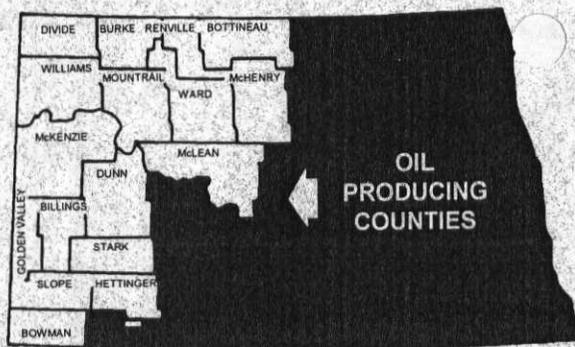


- ◆ There were 348 drilling permits issued during 2005, compared to 216 the previous year. Approximately 173 wells were completed during the year.
- ◆ Horizontal, or directional, drilling accounted for 72% of the new wells drilled in 2005 and accounted for 55% of the state's total oil production.
- ◆ The success ratio for wells in existing fields in 2005 was 95% and for wildcat wells it was 63%. Horizontal wells were successful 96% of the time. The overall industry success rate in North Dakota for 2005 was 90%. A wildcat well is a new well drilled at least one mile from existing production.
- ◆ The deepest vertical well drilled last year in North Dakota was 14,775 feet. The average depth for a North Dakota well in 2005 was 12,449 feet compared to 6,219 feet nationwide. The deepest horizontal well drilled last year in North Dakota was 19,500 feet.
- ◆ The average cost of completing an oil well in North Dakota was approximately \$3.1 million during 2005. The average cost of completing a well in the U.S. in 2004 was nearly \$2 million.

## WHERE THE OIL COMES FROM

- ◆ There are 17 counties in the state with commercial oil production. Oil and gas exploration has occurred at some point in every county in the state except Traill County.
- ◆ Bowman County was the top-producing county in 2005 accounting for 36.4% of the

state's oil production. The other top-producing counties were McKenzie, Billings, Williams and Stark.



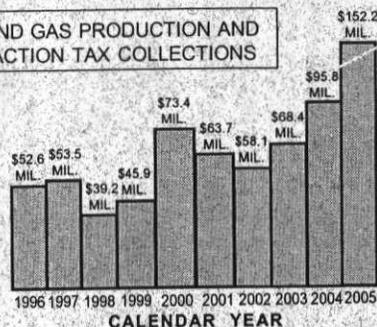
### OIL PATCH EMPLOYMENT

- The state averaged 4,200 North Dakotans at work in the oil patch in 2005. Peak oil field employment occurred in late 1981, when more than 10,000 people were working in the oil patch.
- Each drilling rig results in approximately 120 direct and indirect jobs.
- Other sectors of the petroleum industry include refineries, gas plants, pipelines, retail gasoline stations, wholesalers, and transporters. The industry altogether employed approximately 12,900 people in North Dakota in 2005.
- Job Service North Dakota reports that in 2004 the average yearly wage in the oil and gas extraction industry was \$55,679. That wage is 92% above the statewide average wage of \$28,971!

### OIL TAX REVENUES HIGH IN 2005

- Higher crude oil prices in 2005 led to huge tax collections for the State of North Dakota. Counties, schools, and cities benefited from increased oil and gas tax collections as well. Tax revenues for 2005 were \$152.8 million representing 63% increase from 2004.

### \*OIL AND GAS PRODUCTION AND EXTRACTION TAX COLLECTIONS



\* Total collections reflect all revenue paid by the industry, including the counties' share of the 5% production tax and the trust fund portion of the 6.5% extraction tax.

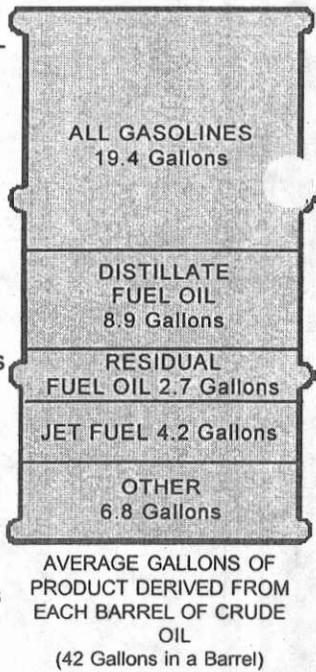
- All-time oil tax revenues to the state have exceeded \$2 billion.
- The average production and extraction tax paid on crude oil in 2005 was 8.35%. The tax rate on crude oil varies between 5% and 11.5% depending upon the type of well.
- The oil and gas industry generated \$6.5 million in taxable sales and purchases in 2005, up 8% from 2004.
- The tax on natural gas in 2005 was eight cents per thousand cubic feet (mcf). In 2005, the state collected more than \$5.3 million in natural gas taxes.
- Over the past 54 years, the State of North Dakota has received more than \$496 million from oil and gas leases, bonuses, royalties and rentals on state land. During 2005, more than \$6 million went to the Lands and Minerals Trust and over \$29.3 million to the Board of University and School Lands Trust.
- U.S. Forest Service administered lands in the Little Missouri National Grasslands provided oil and gas revenues of \$40.7 million during fiscal year 2005. Of that amount, one-fourth, or \$10.2 million was returned to McKenzie, Billings, Golden Valley and Slope Counties for schools and roads. In addition, Bureau of Land Management administered land produced more than \$26.5 million during fiscal year 2005. Half of that amount, \$13.3 million, was returned to the state's general fund and is the first money expended for education statewide.

## RESPONSIBLE DEVELOPMENT ON PUBLIC LANDS

- ◆ The oil and gas industry in North Dakota has explored and drilled the grasslands for over 50 years and has a proven track record of being able to produce oil without disrupting the environment or wildlife.
- ◆ The industry, in cooperation with the Forest Service, has reclaimed over 700 wells and 280 miles of roads in the national grasslands. This represents 5,300 acres returned to vegetation after the oil and gas reserves were depleted.
- ◆ Almost 21% of the state's oil production and over 21% of the state's producing wells are on the grasslands.

## REFINING AND TRANSPORTATION

- ◆ The state's only operating crude oil refinery is at Mandan. It has a daily capacity of about 60,000 barrels.
- ◆ There are nine natural gas processing plants operating in western North Dakota. They are located near Tioga, Ambrose, Killdeer, Lignite, Rhame, Gorham, Arnegard, Trotters, and Marmarth.
- ◆ The nine natural gas processing plants processed enough natural gas in 2005 to heat 447,000 households for one year. 43% of the homes in North Dakota use natural gas as their primary heating fuel.



## GASOLINE – CONSUMPTION & TAXES

- ◆ North Dakotans pay 23 cents state tax and .84 cents federal tax on each gallon of gasoline and diesel fuel they buy.
- ◆ North Dakotans used over 360 million gallons of gasoline in 2005, and just over 481 million gallons of diesel fuel.
- ◆ Gasoline and special fuels taxes raised nearly \$125 million in tax revenue during 2005 – up from \$120 million the previous year. These funds are used primarily for road construction.

## HISTORY

- ◆ Oil was discovered on April 4, 1951 near Tioga in Williams County. That well, the Clarence Iverson #1, produced more than 585,000 barrels of oil over 28 years.
- ◆ Prior to the discovery of oil in 1951, 64 wells had been drilled in the state dating back to 1910. Since 1951, another 14,224 wells have been drilled in North Dakota.
- ◆ The average crude oil posted price for North Dakota in 2005 was \$51.11 per barrel. That represents nearly \$16 a barrel increase from the 2004 average.

