Approved May 7, 1992

Minutes of the House Committee on Taxation. The meeting was called to order by Joan Wagnon, Chairperson, at 9:10 a.m. on Tuesday, March 17, 1992 in room 519-S of the Capitol.

All members were present except:

Rep. Gene Shore, excused; Rep. Bill Roy, excused.

Committee staff present:

Tom Severn & Chris Courtwright, Legislative Research Analysts; Don Hayward, Revisor; Linda Frey, Committee Secretary; Douglas E. Johnston, Committee Assistant.

Conferees appearing before the committee:

Ben Barrett, Legislative Research Analyst, answered questions previously raised by Rep. Gene Shore regarding how severance tax receipts are distributed in school finance and how they will be distributed under HB 2892. He said schools will get 3.5% of severance tax receipts and that they are credited against the state aid entitlement.

In response to a question from Rep. Marvin Smith, Barrett said the mineral production tax is currently the only local resource that school districts receive that is not equalized among school districts. He said all bills currently under consideration by the Legislature treat the mineral tax receipts as a deduction. Statewide receipts equal $3.1 million. All receipts received must go to the school district general fund. Then they are treated as a deduction for the purposes of computing state aid, he said.

Rep. Jesse Harder noted that the receipts are concentrated in a relatively small area of the state. Barrett said the amount of money involved is still small in its impact on school districts.

In theory, Barrett said, deducting mineral tax receipts will offset school districts state aid requirement by $3.1 million so if the severance tax is decreased, the revenues would need to be replaced in order to maintain the current level of total funding. Then it would not impact individual districts, he said.

Jack Glaves testified on behalf of the Kansas Commission on Natural Gas Policy (Attachment 1).

In response to a question from Rep. Glasscock regarding

CONTINUATION SHEET



the effect of a minimum property tax levy of 29 mills, Glaves said the gas industry as a whole would be neutrally effected, but that Stephens County would be the most adversely affected because it is the largest producer.

Rep. Joan Adam requested specific examples where decreases in severance taxes has resulted in an increase of production and economic development by producers. Glaves said he had none, but that tax burdens often tip the balance as far as whether or not there is further investment/drilling.

Rep. Bob Krehbiel noted testimony from MESA, Inc. that implied economic development would follow decreases in the severance tax on natural gas. He noted the difference in severance tax rates between Kansas and Oklahoma.

Rep. Krehbiel made a motion to introduce a bill to reduce the severance tax on gas to parity with oil. Rep. Jo Ann Pottorff seconded the motion which carried.

The Chair announced an abbreviated hearing will be held on the bill and that the committee may work the bill the same day.

The Chair brought up SB 339 for discussion and action.

Rep. Adam made a motion to report SB 339 favorable for action. Rep. Smith seconded the motion which carried.

The Chair brought up HB 2125 for discussion and action.

Written testimony from Ned Webb, Director of Northwest Kansas Planning and Development Commission, and from Rooks County Commissioners was distributed to the committee (Attachments 2 and 3).

Rep. Krehbiel made a motion to adopt an amendment requested by Don Schnacke of the Kansas Independent Oil & Gas Association. Rep. Pottorff seconded the motion which carried.

Rep. Krehbiel made a motion to amend HB 2125, as amended, by including gas production in the exemption. Rep. Harder seconded the motion.

In response to a question from Rep. Bob Vancrum, Rep. Krehbiel said his motion would have virtually no impact on the counties in the Hugoton gas field.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Taxation, room 519-S, Statehouse, at 9:10 a.m. on Tuesday, March 17, 1992.

Rep. Adam said the committee needs to see more information on the impact of the motion on county property tax bases. She said she is not convinced economic development will result from decreasing in severance tax, but that their main concern is with the loss of county revenues.

Rep. Krehbiel said the shrinking property tax base has unnecessarily increased the burden on natural gas companies.

Rep. Vince Snowbarger said it was a mistake to take a lot of property off the tax rolls and that some should be put back on.

Rep. Rex Crowell said cutting the severance tax could open up low producing wells that would be subject to the property tax.

<u>The motion failed with 6 for and 10 against.</u>

Schnacke suggested Dr. David Collins of the Kansas Geological Survey would be able to assist the committee in its pursuit of further information.

The meeting adjourned at 10:10 a.m.

GUEST LIST

COMMITTEE: House Taxation

DATE: 3/17/92

| NAME (PLEASE PRINT) | ADDRESS | COMPANY/ORGANIZATION |
|---|---|---|
| Alan Steppat | Topeka | Pete McGill & Associates |
| Dave Cunningham | Topeka | PVD |
| Bev Bradley | Topeka | KS Assoc of Counties |
| Mark Tallman | Topeka | KASB |
| Laura McClure | Glen Elder. | self |
| Karen France | Topeka | KAR |
| Jim Ludwig | " | KPL |
| Martha Jenkins | Topeka | AIA |
| Bob Corkins | " | KCCI |
| Brian Carroll | Emporia | Intern - Larkin |
| [illegible] | Topeka | KLA |
| Jacque Oakes | Topeka | SQE |
| [illegible] Smith | Wichita | OS Companies |
| Bill Fowler | Dallas, TX | Mobil |
| Tom Adams | Liberal, KS | Mobil |
| Ken Peterson | Topeka | KPC |
| Rebecca Rice | Topeka | Amoco Prod |
| Walter Dunn | ✓ | EKOGA |
| Don Schnacke | Topeka | KIOGA |
| Ron Hein | " | Mesa |
| Julie Hein | " | Mesa |
| Bob Barnett | Chanute | Russell Petroleum |
| L.O. Tenk | Ottawa, Ks | L.O. Tenk, Inc. |
| C. Wane | Topeka | Kansas Inc. |

# GUEST LIST

COMMITTEE: House Taxation DATE: 3/17/92

| NAME (PLEASE PRINT) | ADDRESS | COMPANY/ORGANIZATION |
|---|---|---|
| Dan Haas | Overland Park | KCPL |
| Curt Carpenter | Great Bend | West Plains |
| Jack Glaves | Wichita | Ks Comm on Nat Gas Policy |
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REMARKS TO HOUSE ASSESSMENT AND TAXATION COMMITTEE

March 16, 1992

Jack Glaves on behalf of

The Kansas Commission on Natural Gas Policy

I am appearing as a member of the Commission on Natural Gas Policy that was appointed pursuant to SCR 1626, adopted last year, which is charged, among other things, to make recommendations to the legislature regarding the development of policies affecting natural gas. Although the Commission has not formulated an overall policy at this point, it is readily apparent that the severance tax on gas is a deterrent to exploration in Kansas and that the differential in severance tax between oil and gas is wholly unwarranted. The Committee thus recommends reducing the effective rate on gas to the oil level by equalizing the credits provided in K.S.A. 79-4219 for oil and gas.

The rationale in 1983 when the severance tax was adopted for differentiating between oil and gas was the then valid assumption that the severance tax could be passed on by producer and royalty interest owners to the gas consumers, many of whom were out-of-state. This assumption is no longer valid because of current FERC regulations, and the competitive marketing conditions that have developed as a result of the predominance of transportation arrangements whereby producers sell direct to brokers or end-users rather than to the pipelines, whose merchant function has diminished. A survey of pipeline systems indicates a current

House Taxation
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03-17-92

permitted pass-through of 0 for Peoples Natural gas, 4.6% on Williams Natural Gas on a system wide basis, 4.8% on Trident (previously Kansas Gas Supply Corp.), approximately 1% on Panhandle Eastern Pipe Line and up to 10% on Kansas Power & Light Company. All firms stress that no new or recent contracts provide for tax reimbursement and that it will be nonexistent January 1, 1993 when all gas becomes deregulated.

The fiscal impact of reducing gas to the effective oil rate is problematic, depending particularly on the price of gas. The consensus estimate of the Revenue Department in November presumed a 1992 price of $1.45 per mcf, projecting revenue at the 7% rate of approximately $55 million, which would result in revenue of about $34 million at the 4.33% rate for a "loss" of nearly $21 million. I am advised that a revised estimate should be shortly concluded utilizing current pricing information, which I would assume will substantially reduce the projected revenue and the fiscal impact of reducing the rate.

It is submitted that equalization of the severance tax rates on oil and gas should be considered apart from the issue of the uniform mill levy. Even the 29 mill levy, however, will adversely impact the heaviest gas producing areas.

The five (5) school districts that are in Southwest Kansas that would realize increased levies in the event of the adoption of the 29 mill proposal are, of course, all in heavy gas producing areas. Approximately 70% of the total Kansas gas production is produced in six (6) counties, to-wit: Grant, Stevens, Kearny, Morton, Seward and Stanton. Those six counties only produced 9% of the oil production in Kansas.

It is thus apparent that the overall reduced ad valorem tax burden on oil and gas, on a combined basis resulting from the 29 mill levy proposal, is not applicable to gas production in the Hugoton area. Adoption of the 29 mill levy does not mitigate against the need to equalize the severance tax rate on oil and gas.

The A. D. Little study from 1988 reflected a 1988 ad valorem tax burden, on a percent of production value basis, ranging from 4.5% in Stevens County to 11.4% in Stanton County. Obviously, the school levies have increased markedly since 1988. (See attached graph for increases from 1990 to 1991.)

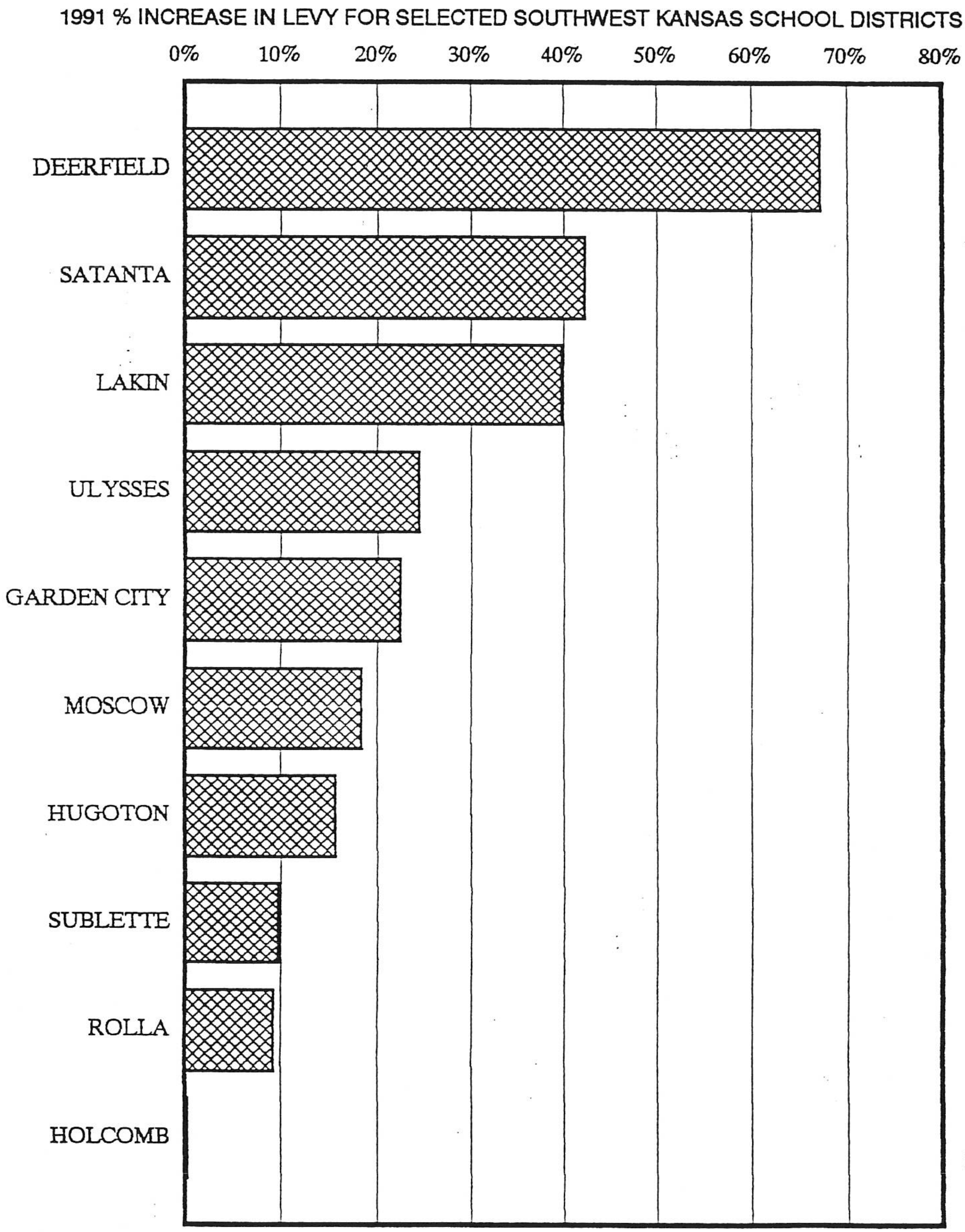
The combined ad valorem and severance tax burden on gas in the Hugoton area, without the increased levy that will result in the heavy producing areas from the adoption of the 29 mill proposal, is in the 13 to 15% range, as will be testified to by producer witnesses here today. Adoption of the 29 mill levy will result in additional increases in the ad valorem burden in the heaviest gas producing counties.

Aside from the resulting increases in those counties, gas generally remains a heavily taxed commodity on a comparative bases to oil or to gas produced in neighboring Oklahoma, for example. It is obvious that Southwest Kansas gas is being taxed at approximately double the Oklahoma severance tax rate of 7%, which is, of course, in lieu of ad valorem taxes as to producing wells.

If, as proposed, the gas severance tax were reduced to 4.33%, which is the effective tax on oil, without consideration of the various exemptions that exist for oil, the resulting gross receipts tax on gas in Southwest Kansas would range from an estimated 8.83% to 15.4% utilizing the A. D. Little data, which, of course, is based on 1988 ad valorem tax levels and without reflecting any impact for the increased taxes that would result in some of the counties from the 29 mill school levy.

In conclusion, there is no justification for continuing the differential between the local credit on gas and oil. If the natural gas industry in Kansas is to be rendered competitive in the attraction of investment funds, it is essential that the severance tax be reduced at least to a parity with oil, which will still render the rate significantly higher that the Oklahoma tax burden. The adoption of the 29 mill levy, although beneficial to many of the producing areas of the state, is, in fact, detrimental to the heaviest gas producing areas of Southwest Kansas.

It is submitted that severance tax relief for natural gas is required, irrespective of the adoption of a uniform mill levy concept. We believe that reducing the rate to a parity with oil is essential if we are to reverse the trend towards near zero exploration for gas that the combined tax burden and extremely low gas prices has wrought.


1991 % INCREASE IN LEVY FOR SELECTED SOUTHWEST KANSAS SCHOOL DISTRICTS
0%
10%
20%
30%
40%
50%
60%
70%
80%
DEERFIELD
SATANTA
LAKIN
ULYSSES
GARDEN CITY
MOSCOW
HUGOTON
SUBLETTE
ROLLA
HOLCOMB

SPECIAL COMMITTEE ON ASSESSMENT AND TAXATION
HEARING ON PROPOSAL FIVE
OIL AND GAS

FROM

NED WEBB
DIRECTOR
NORTHWEST KANSAS PLANNING AND DEVELOPMENT COMMISSION

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, AND INTERESTED PARTIES; MY NAME IS NED WEBB. I AM THE DIRECTOR OF THE NORTHWEST KANSAS PLANNING AND DEVELOPMENT COMMISSION LOCATED IN HILL CITY, KANSAS. OUR COMMISSION REPRESENTS THE 18-COUNTY NORTHWEST REGION OF OUR STATE. OUR COMMISSION BOARD IS COMPRISED OF AT LEAST ONE COMMISSIONER FROM EACH OF THE 18 COUNTIES IN OUR AREA AND SIX AT-LARGE REPRESENTATIVES FROM THE CERTIFIED DEVELOPMENT COMPANY. LAST WEDNESDAY NIGHT, AT OUR REGULAR BOARD MEETING, WE DISCUSSED, AT SOME LENGTH, THE SUBJECT OF YOUR HEARINGS TODAY AND I HAVE BEEN DIRECTED BY THE BOARD TO PRESENT THIS TESTIMONY TO YOU THIS AFTERNOON.

I AM HERE TO SPEAK AGAINST ANY PROPOSAL THAT WOULD CREATE AN EXEMPTION TO THE AD VALOREM TAX BASE. WE ARE, AS YOU KNOW, A VERY RURAL AREA THAT HAS SUFFERED MASSIVE EROSION OF OUR TAX BASE. ALL 18 COUNTIES IN NORTHWEST KANSAS HAVE LOST VALUATION DUE TO DEPRESSED AGRICULTURAL PRICES, CROP FAILURES, FARM FAILURES, REDUCED OIL PRICES, OUT-MIGRATION, AND A VARIETY OF ECONOMIC REASONS. IN 1985, THE TOTAL ASSESSED VALUATION FOR OUR 18-COUNTY REGION WAS SLIGHTLY OVER $921,000,000 WHICH, COMPARED TO TODAY'S ASSESSED VALUATION OF SLIGHTLY OVER $700,000,000,

House Taxation
Attachment 2
03-17-92

REPRESENTS A 24% LOSS OVER THIS RECENT FIVE YEAR PERIOD. NORTHWEST KANSAS HAS SOME OF THE LARGEST OIL PRODUCING COUNTIES IN THE STATE. AMONG THESE ARE ELLIS, RUSSELL, TREGO, GRAHAM, GOVE, AND ROOKS COUNTIES. ALL BUT ONE OF OUR 18 COUNTIES REPORT SOME FORM OF OIL PRODUCTION. OUR 18-COUNTY REGION REPRESENTS SLIGHTLY OVER 32% OF THE STATE'S TOTAL OIL PRODUCTION. IN 1988, WE PRODUCED 18,575,000 BARRELS OF OIL.

COUNTY GOVERNMENT IN NORTHWEST KANSAS HAS BEEN HARD PRESSED TO PROVIDE NEEDED SERVICES AFTER SUFFERING A FIVE-YEAR LOSS OF ASSESSED VALUATION OF ALMOST 1/4 OF ITS VALUATION. WE, LIKE EVERYONE ELSE, HAVE ALSO RECENTLY GONE THROUGH REAPPRAISAL AND HAVE SEEN THE SHIFTS IN THE TAX BASE. FURTHER LOCAL UNITS OF GOVERNMENT ARE OPERATED UNDER A STATE IMPOSED TAX LID. ANY PROPOSAL TO EXEMPT STRIPPER WELLS FROM THE AD VALOREM TAX BASE, NO MATTER WHAT THE DEFINITION OF THE STRIPPER WELL IS, WOULD HAVE A DEVASTATING EFFECT ON THE TAX BASE OF OUR AREA. OIL VALUATIONS FOR OUR LARGER PRODUCING COUNTIES REPRESENT AS HIGH AS 49% OF THE TOTAL COUNTY TAX BASE AND WE FIND A COMMON RANGE AMONGST THOSE COUNTIES OF BETWEEN 20% AND 40% OF THEIR TAX BASES ARE A RESULT OF OIL. OVER THE YEARS, CITIES AND COUNTIES HAVE INVESTED IN INFRASTRUCTURE IMPROVEMENTS TO SERVE THE OIL PRODUCTION INDUSTRY, AND THESE GOVERNMENTS RELY ON THE RESULTING TAXES TO MAINTAIN AND SUPPORT THESE IMPROVEMENTS. IT IS COMMON, IN THE LARGER OIL PRODUCING COUNTIES, TO FIND A HIGHER LEVEL OF COUNTY ROADS THAN IN THE LESSER OIL PRODUCING COUNTIES. THIS INVESTMENT IN COUNTY INFRASTRUCTURE HAS BEEN MADE TO SUPPORT THE SERVICING OF OIL

PRODUCTION UNITS.

CHART NUMBER ONE SHOWS OIL PRODUCTION FOR ALL OF THE 18 COUNTIES AND THE NUMBER OF WELLS IN EACH COUNTY. THIS CHART IS TAKEN FROM THE 1990 KANSAS STATISTICAL ABSTRACT WHICH IS THE LATEST INFORMATION AVAILABLE. MOST OF THE COUNTIES HAVE A VERY LOW AVERAGE PRODUCTION FROM THEIR WELLS. HALF OF THE 18 COUNTIES HAVE AVERAGED DAILY FLOWS OF LESS THAN FOUR BARRELS PER DAY. ONE EXCEPTION BEING WALLACE COUNTY, POPULATION 2,000, WHO HAS BEEN FORTUNATE ENOUGH TO OBVIOUSLY FIND SOME GUSHER WELLS IN THE PAST SEVERAL YEARS.

I WOULD LIKE TO CONCENTRATE ON ONE OF OUR LARGER OIL PRODUCING COUNTIES, ELLIS COUNTY. PLEASE NOTICE ON CHART NUMBER ONE THAT ELLIS COUNTY AVERAGES 3.91 BARRELS PER DAY ACCORDING TO THE 1988 STATISTICS. A DETAILED ANALYSIS OF ELLIS COUNTY SHOWS A MUCH DIFFERENT PICTURE. INFORMATION RECEIVED FROM THE APPRAISERS OFFICE INDICATE THAT ELLIS COUNTY WOULD LOSE 12% OF ITS OIL VALUATION IF WELLS OF THREE BARRELS A DAY OR LESS WERE EXEMPT. IT WOULD LOSE 33% OF ITS EVALUATION IF WELLS OF FIVE BARRELS A DAY OR LESS WERE EXEMPT AND WOULD LOSE 65% OF ITS OIL EVALUATION IF WELLS OF 10 BARRELS A DAY OR LESS WERE EXEMPT.

ROOKS COUNTY IS ANOTHER LARGE OIL PRODUCING COUNTY IN NORTHWEST KANSAS. ROOKS COUNTY WOULD LOSE 11% OF ITS OIL VALUATION IF THREE BARRELS A DAY OR LESS WERE EXEMPT. IT WOULD LOSE 37% IF FIVE BARRELS PER DAY WERE EXEMPT AND 71% IF TEN BARRELS PER DAY

WERE EXEMPT.

CHART 2 REPRESENTS A BRIEF SURVEY OF OUR LARGER OIL PRODUCING COUNTIES AND SHOWS THAT BETWEEN 50% AND 70% OF ALL LEASES INVOLVE WELLS THAT ARE PRODUCING FIVE BARRELS PER DAY OR LESS.

ANOTHER MAJOR CONCERN EXPRESSED BY OUR COUNTY COMMISSIONERS IS THAT IF THE LEGISLATURE WERE TO SET A PRODUCTION STANDARD FOR EXEMPTION, IT WOULD BE VERY EASY FOR OIL PRODUCERS TO SLOW A WELL DOWN TO A POINT THAT IT PRODUCED AT A RATE BELOW A TARGETED NUMBER SET BY THE LEGISLATURE. IN OTHER WORDS, THE TAX IMPACT WOULD BE EVEN GREATER THAN WE HAVE INDICATED GIVEN THE FACT THAT MANY PRODUCERS COULD AND WOULD QUALIFY A MARGINAL WELL FOR A TAX EXEMPTION WHERE IN FACT THAT WELL MIGHT HAVE BEEN PRODUCING SLIGHTLY ABOVE THE BORDER LINE PRIOR TO THE ENACTMENT OF AN EXEMPTION.

THIS IMPACT OF AN EXEMPTION PROPOSAL HAS AN EFFECT ON MUCH MORE THAN COUNTY GOVERNMENT ALONE. CITY GOVERNMENT AND SCHOOL DISTRICTS WOULD ALSO SUFFER GREATLY FROM THE LOSS OF ASSESSED VALUATION. ELECTED OFFICIALS OF NORTHWEST KANSAS HAVE ASKED ME TO EXPRESS TO YOU THAT THEY ARE NOT WILLING TO STAND THE BURDEN OF INCREASED MIL LEVIES TO MAKE UP FOR SUBSTANTIAL LOSSES IN ASSESSED VALUATION THAT WOULD RESULT FROM THIS PROPOSAL.

Chart 2
Northwest Kansas
Selected Counties
Oil Valuations

| COUNTY | TOTAL COUNTY ASSESSED VALUE | OIL ASSESSED VALUE | % VALUE OIL | VALUE 5B OR < |
|---|---|---|---|---|
| Graham | 32,000,000 | 13,000,000 | 41 | 2,871,710 |
| Gove | 34,331,964 | 8,757,448 | 26 | 713,043 |
| Ellis | 140,000,000 | 35,000,000 | 25 | 11,871,141 |
| Trego | 28,668,000 | 6,952,507 | 24 | 3,040,625 |
| Rooks | 48,336,000 | 22,560,238 | 47 | 3,321,644 |
| Russell | 58,866,000 | 24,028,913 | 41 | 12,200,548 |
| TOTAL | 342,201,964 | 110,299,106 | 32 | 34,018,711 |

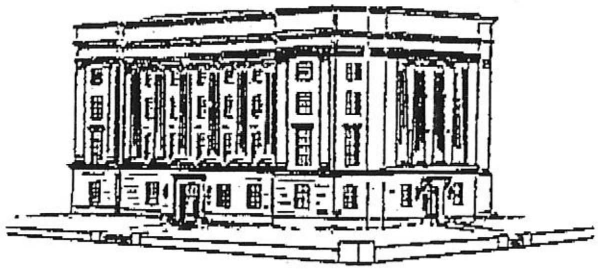
Chart I
Northwest Kansas
Average Oil Production - 1988

| COUNTY | OIL PRODUCTION | NUMBER OF WELLS | AVERAGE PRODUCTION/DAY |
|---|---|---|---|
| Cheyenne | 98,000 | 30 | 8.95 |
| Decatur | 318,000 | 258 | 3.38 |
| Ellis | 4,007,000 | 2,806 | 3.91 |
| Gove | 1,122,000 | 283 | 10.86 |
| Graham | 1,860,000 | 1,272 | 4.01 |
| Logan | 328,000 | 92 | 9.77 |
| Norton | 190,000 | 180 | 2.89 |
| Osborne | 159,000 | 60 | 7.26 |
| Phillips | 748,000 | 611 | 3.35 |
| Rawlins | 422,000 | 248 | 4.66 |
| Rooks | 3,217,000 | 2,076 | 4.25 |
| Russell | 3,390,000 | 2,899 | 3.20 |
| Sheridan | 359,000 | 152 | 6.47 |
| Sherman | 9,000 | 10 | 2.47 |
| Thomas | 284,000 | 98 | 7.94 |
| Trego | 1,105,000 | 686 | 4.41 |
| Wallace | 959,000 | 30 | 87.58 |
| NW DISTRICT | 18,575,000 | 11,791 | 4.32 |

NORMAND HRABE, Stockton
C[illegible]IONER 1ST DISTRICT
GE[illegible] JACO, Plainville
CO[illegible]SSIONER 2ND DISTRICT
CHARLES J. ALLPHIN, Palco
COMMISSIONER 3RD DISTRICT

CLARA STRUTT
CLERK
DOROTHY MARSTON
TREASURER
ROSALEE SPRICK
REGISTER OF DEEDS

# COUNTY OF ROOKS



STEVEN P. FLOO[illegible] Hays
ADM. DIST. JUDGE
TOM SCOTT, Hays
DIST. JUDGE
NANCY M. CONYAC, Stockton
MAGISTRATE JUDGE
23RD JUDICIAL DIST.

VIRGINIA DOUGHTY
CLERK OF THE COURT
LEONARD J. DIX
ATTORNEY
DAVID S. DENTON
SHERIFF

STOCKTON, KANSAS
67669

March 16, 1991

TO: Representative Joan Wagon, Chairperson
Members of House Taxation Committee

From: Rooks County Commissioners

RE: HB 2125 Property tax exemption for "Stripper" Wells

It is our understanding that a bill is being drafted to exempt ad valorem taxes on "stripper" wells.

Rooks is primarily an agricultural and oil producing county. The mineral severance tax affected our oil valuation,, oil prices fell, wells were shut-in and/or temporarily abandoned, causing a loss of oil valuation from $72,480,445 assessed value in 1984 to $23,106,243 in 1991.

Our county total valuation dropped from $100,994,252 in 1984 to $53,379,963 in 1991 because of oil, exemptions of livestock, farm machinery, and inventories. Since the inception of the mineral serverance tax, the State of Kansas has collected a total of $20,163,046.27 from Rooks County alone, reimbursed Rooks County $1,411,414.24, with the State retaining $18,751,632.03 thru 1990.

We are appalled at the prospect of any bill being considered which would further affect taxpayers in Rooks County another $2,500,000 invaluation. We protest the introduction or passage of any bill containing any further ad valorem tax exemptions.

House Taxation
Attachment 3
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NOR[illegible] HRABE, Stockton
CO[illegible]NER 1ST DISTRICT
GEN[illegible] JACO, Plainville
COMMISSIONER 2ND DISTRICT
CHARLES J. ALLPHIN, Palco
COMMISSIONER 3RD DISTRICT

CLARA STRUTT
CLERK
DOROTHY MARSTON
TREASURER
ROSALEE SPRICK
REGISTER OF DEEDS

# COUNTY OF ROOKS

STEVEN P. FLOO[illegible]
ADM. DIST. JUDGE
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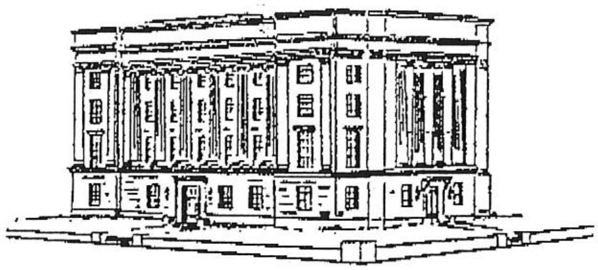

STOCKTON, KANSAS
67669

March 16, 1991

To Whom It May Concern:

This is to advise you that as of January 1, 1991, Rooks County had 1,660 producing oil wells on 757 producing leases with a total taxable valuation on those producing leases of $23,194,050.

There were 22 leases producing less than 1 barrel of oil per day per well, with a total taxable valuation of $79,941.

There were 270 leases producing from 1 barrel to less than 3 barrels of oil per day per well, with a total taxable valuation of $2,765,143.

There were 232 leases producing from 3 barrels of oil per day per well to less than 5 barrels per well per day, with a taxable valuation of $6,124,616.

There were 117 leases producing from 5 barrels of oil per day to less than 7 barrels of oil per day per well, with a valuation of $4,120,463.

There were 23 leases producing 7 to less than 8 barrels of oil per day per well, with a taxable valuation of $1,450,848.

There were 24 leases producing from 8 to less than 9 barrels of oil per day per well with a taxable valuation of $1,300,984.

There were 15 leases producing from 9 to less than 10 barrels of oil per day per well with a taxable valuation of $1,111,570.

There were 54 leases producing 10 or more barrels per day per well with a taxable valuation of $6,240,485.

Stripper wells are those defined as producing less than 10 barrels of oil per day per well.

If those "stripper" wells are exempted from taxation, Rooks County's tax base will drop by $16,953,565.

Sincerely,

Charles J. Alpin
Chairman, Rooks County Commissioner

Gene Jaco
Rooks County Commissioner

Norman Hrabe
Rooks County Commissioner

3-2