

Approved: 3-26-96  
Date

MINUTES OF THE HOUSE COMMITTEE ON TAXATION..

The meeting was called to order by Chairperson Phill Kline at 9:05 a.m. on March 12, 1996 in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department  
Tom Severn, Legislative Research Department  
Don Hayward, Revisor of Statutes  
Shirley Sicilian, Department of Revenue  
Ann McMorris, Committee Secretary

Conferees appearing before the committee:

Bill Sneed, American Investors  
James A. Maag, Kansas Bankers Association  
Linda DeCoursey, Kansas Insurance Department  
Rep. Carol Beggs  
Bob Corkins, Kansas Chamber of Commerce & Industry  
Don Schnacke, KIOGA  
Wayne Woolsey, Woolsey Petroleum, Wichita  
Randy Sangster, Wichita County Appraiser

Others attending: See attached list

Chair explained that he inadvertently introduced a bill to the House on March 7 before the House Taxation Committee had moved on it. The draft of this bill had been included with other bills and delivered to his desk on the floor. He asked the committee's indulgence on this matter. The bill in question is **HB 3068 - Compensation for officers and employees of KTEC.**

Moved by Rep. Kline, seconded by Rep. Hayzlett, the committee ratified the introduction of HB 3068 regarding K-Tec employees receiving compensation only from K-Tec. Motion carried.

Chair opened hearing on:

**SB 416 - Credit against insurance company privileg tax for establishment of business facility.**

Proponents:

Bill Sneed, American Investors (Attachment 1)  
James A. Maag, Kansas Bankers Association (Attachment 2)  
Linda DeCoursey, Kansas Insurance Department (Attachment 3)

Chair closed hearing on **SB 416.**

Chair opened hearing on

**HR 6004 - Memorializing Congress to enact the Consumer and Main Street Protection Act of 1995**

Proponents:

Rep. Carol Beggs  
Bob Corkins, Kansas Chamber of Commerce & Industry (Attachment 4)

Chair closed hearing on **HR 6004.**

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON TAXATION, ROOM 519-S Statehouse, at 9:00 a.m. on March 12, 1996.

Chair opened hearing on

**HCR 5031 - Constitutional amendment allowing exemption of certain oil and gas properties**

Proponents:

Don Schnacke, KIOGA (Attachment 5)

Wayne Woolsey, Woolsey Petroleum, Wichita (Attachment 6)

Randy Sangster, Wichita County Appraiser (Attachment 7)

Chair closed hearing on **HCR 5031.**

The next meeting is scheduled for March 13, 1996.

Adjournment at 9:57 a.m.

Attachments - 7

# TAXATION COMMITTEE GUEST LIST

DATE:           MARCH 12, 1996          

NAME	REPRESENTING
<i>Linda DeLauney</i>	<i>KI Insurance Dept</i>
<i>Kathy Taylor</i>	<i>KS Bankers Assn</i>
<i>Bill Sneed</i>	<i>AmInvestors Fin. Corp</i>
<i>John C. Bottenberg</i>	<i>AmInvestors</i>
<i>Smalley</i>	<i>KBA</i>
<i>Carol Bepp</i>	<i>Rep - 7th District</i>
<i>Jim Allen</i>	<i>KIOGA</i>
<i>Wes Hultman</i>	<i>Western Resources</i>
<i>L Johnson</i>	<i>PVD - KDOK</i>
<i>Randall Sangster</i>	<i>Wichita County</i>
<i>Mark Baro Lina</i>	<i>KDOGH</i>
<i>Julie Hein</i>	<i>Hein, Ehart &amp; Weir</i>
<i>I. Wayne Woolsey</i>	<i>WOOLSEY Petroleum Corporation</i>
<i>Tom Kirk</i>	<i>Woolsey Petroleum Corp</i>
<i>Don Schnack</i>	<i>KIOGA</i>

## MEMORANDUM

TO: The Honorable Phill Kline, Chairman  
House Taxation Committee

FROM: William W. Sneed, Legislative Counsel  
AmVestors Financial Corporation  
American Investors Life Insurance Company

DATE: March 12, 1996

RE: S.B. 416

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Mr. Chairman, Members of the Committee: My name is Bill Sneed and I represent AmVestors Financial Corporation and its wholly-owned subsidiary, American Investors Life Insurance Company. S.B. 416 is an amendment to K.S.A. 1995 Supp. 79-32,160a, which in its present form sets out an income tax credit for establishment of a qualified business facility. This bill would allow the same credit to be taken against the privilege tax on the net income of insurance companies in a completely revenue-neutral manner. The Senate Financial Institutions and Insurance Committee amended the bill to allow the same tax credit for financial institutions which also pay privilege tax, rather than income tax. S.B. 416 passed the Senate 36 to 4.

K.S.A. 1995 Supp. 79-32,160a created an income tax credit for any taxpayer who invested in the establishment of a qualified business facility. Qualified business facility is defined in K.S.A. 1995 Supp. 74-50,114(a) and 1995 Supp. 79-32,154(b) in general terms as a facility employed by the taxpayer in the operation of a revenue-producing enterprise. The statute is designed to promote economic development through the creation of jobs and the stimulation of local economies.

The statute allows the taxpayer to deduct from the taxpayer's income tax owed an amount based on how much the taxpayer invested in a business facility. The credit is a one-time credit, and is applied during the taxable year in which commercial operations commenced in the facility.

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The statute sets out the formula for figuring the tax deduction. There are two formulas; one for facilities built in nonmetropolitan regions and one for metropolitan facilities. To give you an idea of the size of the tax credit, the statute allows \$1,500.00 for each qualified business facility employee (\$2,500.00 for nonmetro facilities) and \$1,000.00 per \$100,000.00 of taxpayer investment in the facility. At no time may the tax credit exceed 50% of the tax owed in the taxable year. If it does, the average may be carried over for credit in the following year until used up, under certain circumstances.

Most taxpayers, corporations included, pay what is called income tax. Insurance companies pay the same tax, except it is called a privilege tax. This tax is imposed on the net income of insurance companies for the privilege of doing business in Kansas. It is, for all intents and purposes, an income tax.

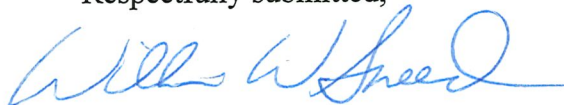
Under the present scheme, a parent holding company can list the new business facility as an asset, take advantage of the tax credit, then rent the facility to its subsidiary insurance company. Our amendment would allow insurance companies the flexibility to carry the business facility as an asset. This is desirable for three reasons: 1) the Insurance Department exercises greater regulatory authority over the assets of the insurance company as opposed to the assets of the parent holding company; 2) allowing the insurance company to hold the asset while receiving the tax credit enhances the insurance company's bottom line; and 3) the amendment would eliminate the grey area created by financial transactions between the parent holding company and the subsidiary insurance company. For instance, our amendment would delete issues involving how much rent the parent charges the subsidiary for use of the facility, and the attendant transactions incident to ownership and rental of a business facility.

This legislation does nothing more than allow insurance companies that invest in a qualified business facility to take advantage of a tax credit available to all other taxpayers. It gives Kansas

insurance companies incentive to establish business facilities in Kansas, and the opportunity to receive the same tax credit treatment as other investing taxpayers. We must emphasize that this amendment is completely revenue-neutral. The credit against the income or privilege tax may be taken one way or another--the question is simply whether it is taken by a parent corporation or its insurance company subsidiary.

In closing, we respectfully request your favorable action on S.B. 416. We appreciate this opportunity to present our testimony. Please feel free to contact me if you have any questions.

Respectfully submitted,



William W. Sneed



The KANSAS BANKERS ASSOCIATION  
A Full Service Banking Association

March 12, 1996

TO: House Taxation Committee  
RE: SB 416 - Tax Credits for Qualified Business Facilities

Mr. Chairman and Members of the Committee:

SB 416, which amends the qualified business facility tax credit act to include insurance companies paying the state insurance company privilege tax, was further amended by the Senate to include reference to the state privilege tax paid by financial institutions. Currently only companies paying the Kansas corporate income tax qualify for the tax credit under the provisions of the act.

We respectfully request your support of SB 416 which, as amended, would allow banks and s&ls which pay the state privilege tax on financial institutions to be eligible for the tax credits allowed for qualified business facilities. We believe it is simply a matter of tax fairness since financial institutions are required to pay a privilege tax in lieu of a corporate income tax, but are not allowed to access the tax credit since the act refers only to the corporate income tax.

Such an amendment should have little fiscal impact since most banks are subsidiaries of bank holding companies and those companies pay the Kansas corporate income tax and would, therefore, be eligible for the tax credit. However, there may be instances where there would be a preference to have the qualified facility in the name of the bank rather than the holding company and the proposed amendment would provide that flexibility.

Your positive consideration of SB 416 would be appreciated.

A handwritten signature in black ink, appearing to read "James S. Maag".

James S. Maag  
Senior Vice President

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Attachment 2



**Kathleen Sebelius**  
Commissioner of Insurance  
**Kansas Insurance Department**  
MEMORANDUM

TO: House Committee on Taxation

FROM: Linda De Coursey  
Coordinator, Government and Public Affairs

RE: SB 416 (Privilege Tax Credit)

DATE: March 12, 1996

Mr. Chairman and members of the Committee:

Thank you for the opportunity to appear before you on SB 416 (Privilege Tax Credit). The Kansas Insurance Department does not have a position on SB 416. We would like to explain the fiscal impact that the bill might produce.

SB 416 gives Kansas insurance companies a tax credit on their net income for a qualified business facility. The privilege tax is imposed on Kansas companies, under the provisions of K.S.A. 40-2801 et seq., and calculated at 5% of the net income as shown on the federal income tax return of the companies. Currently, the domestic insurance companies are subject to the tax and are allowed a credit for dividends received from Kansas venture capital investments and for certain community service contributions. The Kansas Insurance Department collects the privilege tax payments and the amount varies from year to year. We have provided a chart which shows those privilege tax payments from FY 1991 through FY 1995 and estimated tax payments for FY 1996 and FY 1997.

The proposed legislation would allow insurance companies a credit up to 50% of the privilege tax paid by the company if they maintain a business facility in the state. The amount of the tax credit is based on the total investment of the company in the facility and the number of employees. If the total amount of the applicable credit exceeds 50% of the amount of privilege tax paid by the company, the remaining amount of the credit is carried over to succeeding tax years.





House Committee on Taxation  
SB 416 (Privilege Tax Credit)  
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Page Two

The cost impact is difficult to calculate in that it is unknown how many companies will avail themselves of this option and at what dollar amount. Based on past privilege tax receipts in the Kansas Insurance Department, the potential fiscal impact of the tax credit on the State General Fund over the next three years could be up to \$2,250,000. However, there is a possibility of a cost offset existing. Holding companies may currently be using the privilege tax credit. Kansas Insurance Department does not collect the privilege tax on holding companies and does not know that figure.

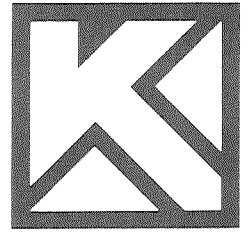
Thank you for the time to explain our portion of the fiscal impact to the state general fund. I will be happy to stand for questions.

**Kansas Insurance Department**  
**Privilege Tax Collection**  
(Through December 31, 1995)

<u>FY 1991</u>	\$586,242
<u>FY 1992</u>	\$608,403
<u>FY 1993</u>	\$557,291
<u>FY 1994</u>	\$947,836
<u>FY 1995</u>	\$1,548,609
<u>FY 1996</u>	\$662,609 (estimated)
<u>FY 1997</u>	\$775,252 (estimated)

# LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry



835 SW Topeka Blvd. Topeka, Kansas 66612-1671 (913) 357-6321 FAX (913) 357-4732  
HR 6004

March 12, 1996

## KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the  
House Committee on Taxation

by  
Bob Corkins  
Director of Taxation

Honorable Chair and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry. Today I also speak on behalf of the Kansas Retail Council, expressing the support of both organizations for HR 6004 and the need for Congress to prevent unfair retail sales competition.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 46% of KCCI's members having less than 25 employees, and 77% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

The problem can be stated very simply: Kansas retailers must collect our state and local government sales tax and must compete against many mail order companies which do not. Before a foreign-based retailer is required to collect Kansas tax, that vendor must have certain "minimum contacts" with our state which then oblige the vendor to comply with Kansas law. A couple of

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mark decisions by the US Supreme Court have concluded that the practice of shipping retail goods into the buyer's state does not, by itself, create the "nexus" or "minimum contacts" that requires the collection of tax.

The latest decision, *Quill Corp. v. North Dakota*, effectively said that Congress must take action before mail order sellers can be saddled with this duty. In each of the last three years, Congress has tried to do so -- most recently through Senate Resolution 545. Opposition from large nationwide direct sellers has stifled each Congressional effort.

In 1990, KCCI advocated the same type of approach through Kansas statutes which Congress has since considered with the Consumer and Main Street Protection Act. The 1990 Legislature was persuaded by our plea and enacted a provision which is now in KSA 79-3702(h). It redefined what constitutes a "retailer doing business in this state" for the purpose of requiring compensating use tax collection. Unfortunately, although that statute is still on the books, it cannot be enforced due to the Constitutional interpretations handed down in the last six years.

Because Congressional action is essential, and because the Kansas Legislature has already done everything else it constitutionally can to resolve our retailers' problem, HR 6004 is the only action left here. We are still lobbying Congress ourselves and through other associations, but additional lobbying by the Kansas House of Representatives will be greatly appreciated. We therefore urge your favorable action on HR 6004. Thank you for your time and consideration.



## KANSAS INDEPENDENT OIL & GAS ASSOCIATION

105 S. BROADWAY • SUITE 500 • WICHITA, KANSAS 67202-4262  
(316) 263-7297 • FAX (316) 263-3021  
800 S.W. JACKSON • SUITE 1400 • TOPEKA, KANSAS 66612-1216  
(913) 232-7772 • FAX (913) 232-0917

*Statement of Donald P. Schnacke, Executive Vice President  
Kansas Independent Oil & Gas Association  
before the  
House Taxation Committee  
March 12, 1996*

***RE: HCR 5031 - Constitutional Amendment to Exempting Oil & Gas Properties from Property Tax  
for Exploration & Production***

My name is Don Schnacke. I am Executive Vice President of the Kansas Independent Oil & Gas Association, a 59-year oil association representing independent oil and gas operators in Kansas and the supporting industry. We are appearing here in support of the passage of HCR 5031.

KIOGA is doing all it can to stimulate increased activity and investment in Kansas oil and gas field activity. Since 1986 when oil prices collapsed and nearly 20,000 Kansans were put out of work, we have slowly made some progress.

One important area we have explored and tested is the use of the ad valorem tax exemption authority arising from Section 13, Article 11 of the Kansas Constitution. Two Kansas counties, Trego and Wichita, have offered oil producers modest tax relief if they will expend money, drill for oil and gas, and find new production. After Wichita County and one of our Board members, Wayne Woolsey, entered into their agreement, the State Board of Tax Appeals rejected the application. Our statement supporting the Woolsey application is attached.

BOTA rejected the application because the terms and facts presented did not fit the language presented in the Constitution. I would agree that the constitutional provisions better fit the traditional machine shop, warehouse, manufacturing mode than that applicable to an oil and gas operation. The legislative challenge is to seek legislation that would clearly allow oil and gas producers to qualify under the constitutional authority. I'm attaching a copy of the BOTA order. I talked to BOTA Chairman Jack Shriver after their order was issued and he believes a legislative solution for clarification is the answer. He regretted turning down the Woolsey-Wichita County application.

We believe the producing counties which have very little opportunity for economic development except farming and ranching should be given the opportunity that other Kansas counties now enjoy - the opportunity to attract capital expenditure into their counties, the creation of jobs, and expansion of their ad valorem tax base by working directly with the oil and gas industry.

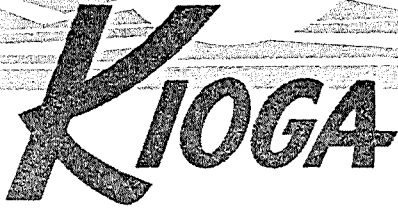
We ask that you approve HCR 5031 which is a proposed Kansas constitutional amendment expansion to include oil and gas development, exploration and production activity within the definition of the existing exemptions.

Donald P. Schnacke

DPS:pp

Attch: Statement before BOTA  
BOTA Order of July 12, 1995

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Attachment 5-1



## KANSAS INDEPENDENT OIL & GAS ASSOCIATION

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Woolsey Petroleum Corporation - Wichita County

Request for Tax Exemption

Kansas State Board of Tax Appeals

Hearing June 16, 1995

Docket #94-6717-EDX

Mr. Chairman and members of the Board, my name is Don Schnacke. I am an attorney and represent the Kansas Independent Oil and Gas Association, a 58-year old association of oil and gas producers and related industry throughout Kansas.

As you have been told, there is no dispute between Wichita County and the taxpayer. Both of these parties, as well as our Association, appear here today requesting approval of an economic development tax incentive plan for oil and gas exploration in Wichita County, Kansas.

Wichita County and Woolsey Petroleum Corporation have negotiated the terms of the tax abatement to include a 50% reduction of ad valorem taxes for a three-year period. The agreement is specifically limited to new production that arises initially from wildcat drilling on approximately 24,000 acres presently under lease in Wichita County.

The authority for Wichita County to enter into this property tax exemption and tax incentive plan for Woolsey Petroleum Corporation arises from Section 13 of Article 11 of the Kansas Constitution.

The agreement extended by the County falls squarely within that which authorizes tax exemptions when *"conducting research and development"* and the *"storing goods or commodities which are sold or traded in interstate commerce, which is necessary to facilitate the expansion of any such existing business if, as a result of such expansion, new employment is created."*

The facts are that Woolsey Petroleum Corporation has an existing business in Wichita County. They have already expended a considerable amount of money in leasing, research and drilling in Wichita County. As a result of new drilling in Wichita County, their business will be expanded and new employment created. Crude oil is a commodity, traded on the future commodities exchange and does enter interstate commerce. We feel this agreement entered into between Wichita County and Woolsey Petroleum Corporation meets the legislative intent and the definitions as defined within the Constitution. The fact the parties have negotiated limitations within

Kansas State Board of Tax Appeal  
Docket #94-6717-EDX  
June 16, 1995

that allowed by the Constitution, i.e., a 3-year limitation and production arising from wildcat drilling, is a normal procedure and often agreed to between counties and taxpayers. Clearly, the benefits of this agreement far outweigh any negatives resulting from the proposed tax abatement.

Mr. Chairman, and members of the Board, our Association fully supports this effort by Wichita County and the taxpayer, Woolsey Petroleum Corporation. For nearly 10 years the Kansas oil industry has suffered from low prices, the lack of a national energy policy, and the reliance on foreign imported oil. This depressed condition has resulted in a reduction of drilling rigs in Kansas from 224 in the early 1980's to about 30 today. Employment and jobs have been lost by the thousands throughout the state.

It is refreshing to have a producing county take the initiative to encourage oil industry economic development in their county. In prior years the counties and the operators have been adversaries when it came to taxes. We consider this effort by Wichita County to be a distinct stimulant to the Kansas drilling and producing industry. There would be nothing better for Wichita County than to have Woolsey Petroleum Corporation undertake a number of wildcat drilling ventures and discover new oil fields and expand their production. Everyone wins. The producer has received his incentive in the form of a limited tax abatement; the County has expanded its ad valorem tax base; local citizens, farmers and service and supply personnel are employed, resulting in payroll dollars to be spent in Wichita County. Increased sales and severance taxes flow to the State of Kansas.

We have not seen this close collaboration between producing counties and oil operators in the past. We applaud the enthusiasm and imagination of Wichita County and Woolsey Petroleum Corporation in developing what we believe is a true tax incentive plan for our industry--wildcat drilling and a limited tax abatement to encourage the taxpayer and take the risk and initiative to increase production in Kansas.

Therefore, Mr. Chairman and members of the Board, we fully endorse the application of Wichita County and ask the Board of Tax Appeals to approve their application.

Donald P. Schnacke

BEFORE THE BOARD OF TAX APPEALS OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION  
OF WOOLSEY PETROLEUM CORPORATION  
FOR EXEMPTION FROM AD VALOREM  
TAXATION IN WICHITA COUNTY, KANSAS

Docket No. 94-6717-EDX

O R D E R

Now, on this 12th day of July, 1995, the above captioned matter comes before the Board of Tax Appeals of the State of Kansas for consideration and decision.

The Board conducted a hearing in this matter on June 16, 1995. The applicant appeared by I. Wayne Woolsey, President of Woolsey Petroleum Corporation, and J. Tom Kirk, Vice President. The county appeared by Janna Delissa, Wichita County Attorney, and by Randall Sangster, Wichita County Appraiser. The Intervenor, Kansas Independent Oil and Gas Association appeared by their Executive Vice President and Attorney, Donald Schnacke.

The Board, being fully advised in the premises, finds and concludes as follows:

1. The Board has jurisdiction of the subject matter and the parties hereto, an application for exemption having been filed pursuant to K.S.A. 79-213.
2. The subject matter of this tax exemption was described as any items of property to be listed on any oil and gas rendition to be filed for any of the leases, when producing, named on the attached Schedule A including but not limited to the working interest valuation, royalty interest valuation and equipment valuation. The property for which the exemption is sought will be used for oil and gas production.
3. At the conclusion of the hearing held in this matter, the Board requested that the parties brief the legal and factual issues raised by the application filed herein. All parties have submitted their respective briefs. The Board notes that Mr. Jack Glaves of the law firm Glaves, Irby and Rhodes, has now entered his appearance as attorney for the applicant and has submitted a legal brief addressing the legal and factual issues of the application filed herein.
4. The applicant engages in all aspects of oil and gas exploration and production. The applicant is an existing business in Wichita, County. The applicant has expended substantial monies to further explore Wichita County in an attempt to discover new oil and gas fields. Currently, the applicant has seven (7) full time employees located in Wichita, Sedgewick County, Kansas.

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5-13



5. The applicant conducted geological and seismic surveys in Wichita County and then obtained over 100 oil and gas leases for certain promising areas of Wichita County. Pursuant to these lease agreements, the landowner receives a royalty interest in the production of oil and gas. At present, the applicant has drilled five (5) wells. None of these wells so far have turned out to be producing wells. The applicant estimated that additional employees would be hired to work the wells located on the leases listed on schedule A upon discovery of oil or gas and production of a new field.
6. The applicant seeks an economic development exemption pursuant to article 11, section 13 of the Kansas Constitution for the expansion of an existing business. In reviewing an economic development exemption, the Board of Tax Appeals does not review the underlying merits of granting the exemption or review the advisability of a proposed exemption. Rather, the Board of Tax Appeals is authorized to examine the legal and factual basis of economic development exemptions granted pursuant to article 11, section 13 of the Kansas Constitution. See Kan. Atty. Gen. Op. 87-5 (January 13, 1987).
7. The basic principles controlling the Board's review of economic development exemptions have been outlined by the Kansas Supreme Court in *Board of Wyandotte County Comm'rs v. Kansas Avenue Properties*, 246 Kan. 161, 166 (1990) wherein the court stated:
  - (1) Taxation is the rule; exemption is the exception. All doubts to be resolved against exemption and in favor of taxation. (Citations Omitted).
  - (2) Constitutional and statutory provisions exempting property from taxation are to be strictly construed. (Citations Omitted).
  - (3) The burden of establishing exemption from taxation is on the one claiming it. (Citations Omitted).
  - (4) The question is not whether or not the property is used partly or even largely for the purpose stated in the exemption provisions, but whether it is used exclusively for those purposes. (Citations Omitted.)
  - (5) The phrase "used exclusively" in the constitution and statutes means that the use made of the property sought to be exempted from taxation must be only, solely, purely for the purposes stated, and without participation in any other use. (Citations Omitted).
8. Article 11, section 13 of the Kansas Constitution authorizes economic development exemptions. Kan. Const. art. 11, §

13 (1988). For the expansion of an existing business, subsection (a)(2) specifically exempts:

(2) all buildings, or added improvements to buildings after the date on which this amendment is approved by the electors of this state, together with land upon which such buildings or added improvements are located, and all tangible personal property purchased after such date and associated therewith, used exclusively for the purpose of: (A) Manufacturing articles of commerce; (B) conducting research and development; or (C) storing goods or commodities which are sold or traded in interstate commerce, which is necessary to facilitate the expansion of any such existing business if, as a result of such expansion, new employment is created.

Kan. Const. art. 11, § 13(a)(2) (1988)(emphasis added).

9. To qualify property associated with an expansion, the property must be used exclusively for the economic development purposes listed in the Kansas Constitution. The Kansas Supreme Court has ruled that: "Art. 11 § 13 does not grant tax exemption to property rented or leased for profit even though the property is being used by the renter or lessee solely for one or more of the economic development purposes contained in the amendment." *Board of Wyandotte County Comm'rs v. Kansas Ave. Properties*, 246 Kan. 161, 174-175 (1990). The applicant and intervenor argued that an oil and gas lease is different than a standard building lease. The operator has the exclusive right to enter, explore and drill for oil and gas. The Supreme Court, however, has ruled that leasing of land for oil and gas purposes and receiving a royalty payment is a use that must be considered in conjunction with the use made by the operator. *City of Arkansas City v. Board of County Commissioners*, 197 Kan. 728, 730 (1966). Here, we have the simultaneous use of the land by the landowner and by the operator. Under such facts and circumstances, the Board cannot conclude that the subject property is being used exclusively by the applicant for the exempt purposes stated in the Kansas Constitution.
10. Further, to qualify for the exemption, the property must be used exclusively for the economic development purposes listed in the constitution. Art. 11, section 13(b)(2) lists three economic development purposes: (1) manufacturing articles of commerce; (2) research and development; and (3) storing goods in interstate commerce. Here, the applicant believes that oil and gas production satisfies each of the stated purposes. Assuming arguendo that exploration constitutes "research and development", the exploration (research and development) has ended at the time the lease produces
- 6  
5-X

producing wells. The property to be exempt is directly tied to production not exploration. Furthermore, the property to be exempt is used for production not storage. The oil and gas has not been captured and therefore cannot be considered to be in storage by the applicant. And finally, in a very broad sense, oil and gas production could be considered manufacturing; however, the legislature apparently did not intend for exempt purposes to be construed overly broad. See Minutes, House Comm. Tax., (March 31, 1986). For example, the activities of grain elevators were not intended to be included within the economic development purposes listed in the constitutional amendment. *Id.* The legislative history reflects that the legislature intended that the economic development purpose follow more traditional definitions. See Minutes, House Comm. Tax. Attachment 5 (Redwood-Krider Report) (March 27, 1986). Even the Standard Industrial Classification Manual, 1987, as prepared by the statistical policy division of the office of management of the office of the president of the United States, distinguishes oil production from manufacturing. Given the principle controlling the Board's review, the Board cannot conclude that oil production falls within the economic development purposes set forth in art. 11, § 13(b)(2) of the Kansas Constitution.

11. Furthermore, Kan. Const. art. 11, § 13(b)(2) (1988) specifically provides:

(b) Any ad valorem tax exemption granted pursuant to subsection (a) shall be in effect for not more than 10 calendar years after the calendar year in which the business commences its operations or the calendar year in which expansion of an existing business is completed, as the case requires.

Kan. Const. art 11, § 13(b)(2) (1988) (emphasis added). Here, the applicant has not commenced operations or completed the expansion. None of the test wells are producing wells. Furthermore, the entire property to be exempted is unknown. The constitutional amendment contemplates the actual use of the property. The mere intention to use is not equivalent to use. *Washburn College v. Comm'rs of Shawnee Co.*, 8 Kan. 344, 349 (1871). Without the commencement of operations (or the completion of the expansion) and without the proper identification of the property to be exempt, the Board is without legal basis to grant or approve of the exemption request.

12. In summary, the applicant has failed to meet its burden showing that it clearly fits within the exemption provided by the law. Specifically, the applicant has failed to show that the subject property is used (or will be used) exclusively for economic development purposes. Further, the Board is

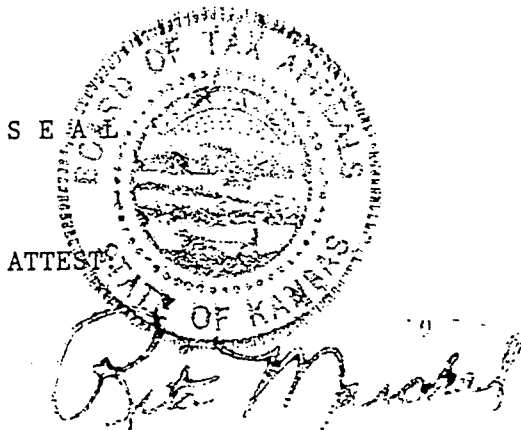
without legal basis upon which to approve an exemption application that is prospective in nature. The Board, therefore, concludes that the application filed herein should be denied.

IT IS THEREFORE, BY THE BOARD OF TAX APPEALS OF THE STATE OF KANSAS, CONSIDERED AND ORDERED that for the reasons more fully set forth above, the application for exemption shall be, and is hereby, denied.

If any party to this appeal feels aggrieved by this decision, they may file a written petition for reconsideration with this Board. The written petition for reconsideration shall set forth specifically and in adequate detail the particular and specific respects in which it is alleged that the Board's order is unlawful, unreasonable, capricious, improper or unfair. A copy of the petition, together with all documents submitted therewith, shall be mailed to the opposing party at the same time the petition is mailed to the Board. Failure to notify the opposing party shall render any subsequent order voidable. The written petition must be received by the Board within fifteen (15) days of the certification date of this order (allowing an additional three days for mailing pursuant to statute if the Board serves the order by mail). If at 5:00 pm on the last day of the specified period the Board has not received a written petition for reconsideration, this order will become a final order from which no further appeal is available.


IT IS SO ORDERED

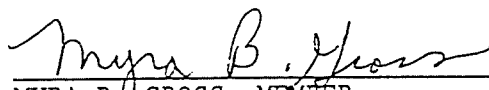
THE BOARD OF TAX APPEALS




RITA MAICHEL, SECRETARY


JOHN MCNISH, ATTORNEY

  
JACK SHRIVER, CHAIRMAN

  
MYRA B. GROSS, MEMBER

  
FRED J. HIRSCH, MEMBER

  
LAWRENCE L. TENOPIR, MEMBER

  
PERL M. BASS, MEMBER

8  
5-X



# WOOLSEY PETROLEUM CORPORATION

107 NORTH MARKET SUITE 600 WICHITA, KANSAS 67202 (316) 267-4379  
FAX (316) 267-4383

*Statement of I. Wayne Woolsey, President  
Woolsey Petroleum Corporation*

HOUSE TAXATION COMMITTEE

MARCH 12, 1996

RE: HCR 5031 - CONSTITUTIONAL AMENDMENT TO EXEMPTING OIL & GAS PROPERTIES FROM  
PROPERTY TAX FOR EXPLORATION & PRODUCTION

My name is Wayne Woolsey and I am the president and owner of Woolsey Petroleum Corporation, an independent oil and gas exploration company located in Wichita. I am appearing here in support of the passage of HCR 5031.

For nearly 25 years, Woolsey Petroleum Corporation has been effectively engaged in the drilling and production of oil and gas. Operating primarily in Kansas, and with some production in Oklahoma and Texas, Woolsey Petroleum Corporation has compiled a track record consisting of over 480 wells drilled.

Two years ago we made application in Wichita County for a partial abatement in county taxes under the Amendment to the State Constitution, Article 11, Section 13. It was our understanding that this Amendment allowed for some local tax relief for companies that are willing to make a meaningful investment towards economic development. Our application, as you know, was rejected at the State Board of Tax Appeals level because it was the opinion of the Board that this Amendment was not particularly applicable to the oil and gas business.

We strongly believe that our investment can, and has, lead to as much or more tax revenue and job creation as any other industry that is currently entitled to this type of economic development incentive. The oil and gas industry is a very important part of the economy of Kansas.

Although oil and gas companies carry out many types of activity in the production of oil and gas (like infill drilling, the reworking of old wells and close-in development drilling), nothing stimulates a rural economy more quickly than the discovery of a new oil and gas field which results from exploration drilling. The discovery of new oil and gas fields immediately enhance the property tax base and create meaningful, lasting employment for many years into the future. Also, any one discovery will attract the additional investment and business activity of other oil and gas companies.

Our proposal in Wichita County, a county that has almost no existing oil and gas production, was to initially spend over \$3,000,000 in the development and drilling of eight separate wildcat drilling blocks consisting of over 23,000 acres of oil and gas leases. This play was indicated to have the potential of three 20,000,000 barrel oil fields. Accompanying this statement is a map, generated by our employees, that reveals the geological and geophysical background that lead up to the initial investment for drilling.

With one 20,000,000 barrel field discovery, estimating the price of oil at \$20 per barrel, a county tax of 10% **would yield nearly \$40,000,000 in county tax revenue.** This would establish over the next fifteen years, approximately 60 full-time employees.

Based to some degree on our 1994 application for county tax relief, Woolsey Petroleum Corporation was able to raise the necessary capital to undertake this program. As part of this venture, we have just completed a promising new wildcat well in Wichita County; in fact a new field discovery that will most likely lead to some additional drilling.

We ask that you approve HCR 5031 so that we can qualify for the type of incentives that we feel are necessary to follow through with activity in Wichita County and other high-risk areas of oil and gas exploration.

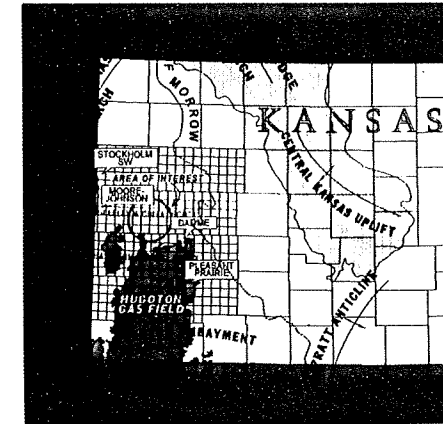
Sincerely,

  
I. Wayne Woolsey, President

House Taxation  
3-12-96  
Attachment 6-1

6-2

### LOCATOR MAP

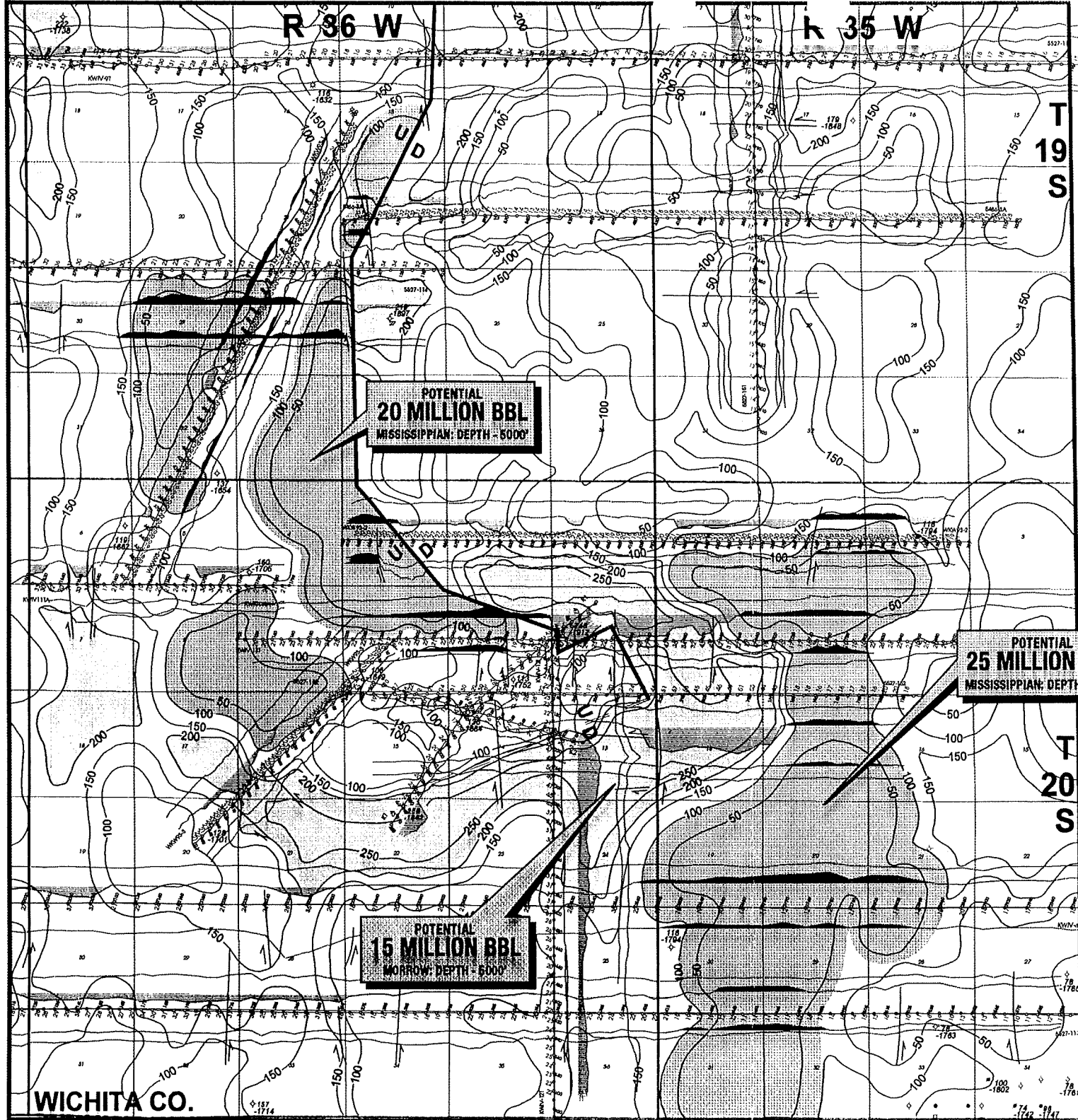


### CDP SEISMIC



### WELL SYMBOLS

- OIL WELL
- ☼ GAS WELL
- \* OIL & GAS WELL
- ◇ DRY & ABANDONED
- LOCATION
- ⊗ SALT WTR DISPOSAL
- ◇<sub>78</sub> MORROW ISOPACHOUS (feet)
- ◇<sub>-1790</sub> MISSISSIPPIAN STRUCTURE



**Woolsey Petroleum Corporation**  
 107 N MARKET SUITE 600 WICHITA KS 67202-1807 (316) 267-4379

**W**

**MORROW ISOPACHOUS MAP**  
 Contour Interval: 50 Feet

**Western Kansas**  
**WICHITA PROJECT**  
 Twp 19, 20S Rge 35, 36, 37W  
 Wichita County, Kansas

Date: 01/1994 Sun & Len

6-2

**House Concurrent Resolution No. 5031  
Before Chairman Phill Kline and the House Tax Committee  
Testimony of Randall Sangster, Wichita County Appraiser  
Tuesday, March 12, 1996**

Ladies and Gentlemen of the Tax Committee, thank you for the opportunity to present Wichita County's perspective on the positive effects of HR 5031.

**Background.** On June 16, 1995, the Wichita County Attorney, the President and Vice-president of Woolsey Petroleum Corporation, and I appeared before the Board of Tax Appeals for a hearing on Woolsey Petroleum's application for a property tax exemption in Wichita County. The application had been pending since May of 1994.

On July 12, 1995, the Board of Tax Appeals denied Woolsey Petroleum's application. The major question under consideration was, Does an oil and gas company fit the criteria for economic development tax exemptions spelled out in the Kansas Constitution? Although the Board voted against the application, the economic development impact of oil and gas exploration, would have a significant positive economic impact on Wichita County, and other counties as well.

**Economic Impact.** In Wichita County, the annual county budget is currently over three million dollars. The annual economic impact of Woolsey Petroleum's application on Wichita County, after the fifth year, and assuming discovery of a 50 well field, would be tax revenue of approximately 1.09 million dollars, or almost one-third of the current county budget. In addition to generating taxes, Woolsey Petroleum's investment - currently exceeding 2 million dollars - would create 15 new local jobs.

In contrast, taxes collected from producing oil and gas wells in Wichita County is only 12 thousand dollars in 1996. Thus, the economic impact of the proposed legislation for Wichita County could be an increase from 12 thousand to just over one million dollars - a hundred-fold increase.

use Concurrent Resolution No. 5031  
House Tax Committee  
Testimony of Randall Sangster, Wichita County Appraiser  
March 12, 1996

**Importance of Resolution 5031.** Going beyond these figures, this legislation is important for several reasons. First, it broadens the definition of economic development and allows the local governing bodies to set policies more closely related to local situations.

Second, the legislation gives smaller, agriculture based communities, such as Wichita County, the opportunity to offer competitive economic incentives normally proffered by more populated counties, or those counties with a larger pool of financial resources. Finally, added valuation through oil and gas wells will generate more local tax dollars while decreasing the burden on local residents. More tax dollars mean an improvement in the quality of life for local residents in the form of better schools, health care, and community services. A better quality of life means a more stable community, and in an era of rural community decline, stability is a necessary ingredient to the survival of Wichita County.

This endeavor is supported by the local taxpayers of Wichita County. Expansion of the present mineral resources in Wichita County will enhance the long term viability of the local economy and community, making Wichita County a better place for all of its residents. We feel that the passage of this bill is a major step toward a larger tax base, more employment opportunities, an improved quality of life, and enhanced local control of county finances. In short, this bill contributes to a better Wichita County community.



BEFORE THE BOARD OF TAX APPEALS OF THE STATE OF KANSAS

IN THE MATTER OF THE APPLICATION  
OF WOOLSEY PETROLEUM CORPORATION  
FOR EXEMPTION FROM AD VALOREM  
TAXATION IN WICHITA COUNTY, KANSAS

Docket No. 94-6717-EDX

O R D E R

Now, on this 12th day of July, 1995, the above captioned matter comes before the Board of Tax Appeals of the State of Kansas for consideration and decision.

The Board conducted a hearing in this matter on June 16, 1995. The applicant appeared by I. Wayne Woolsey, President of Woolsey Petroleum Corporation, and J. Tom Kirk, Vice President. The county appeared by Janna Delissa, Wichita County Attorney, and by Randall Sangster, Wichita County Appraiser. The Intervenor, Kansas Independent Oil and Gas Association appeared by their Executive Vice President and Attorney, Donald Schnacke.

The Board, being fully advised in the premises, finds and concludes as follows:

1. The Board has jurisdiction of the subject matter and the parties hereto, an application for exemption having been filed pursuant to K.S.A. 79-213.
2. The subject matter of this tax exemption was described as any items of property to be listed on any oil and gas rendition to be filed for any of the leases, when producing, named on the attached Schedule A including but not limited to the working interest valuation, royalty interest valuation and equipment valuation. The property for which the exemption is sought will be used for oil and gas production.
3. At the conclusion of the hearing held in this matter, the Board requested that the parties brief the legal and factual issues raised by the application filed herein. All parties have submitted their respective briefs. The Board notes that Mr. Jack Glaves of the law firm Glaves, Irby and Rhodes, has now entered his appearance as attorney for the applicant and has submitted a legal brief addressing the legal and factual issues of the application filed herein.
4. The applicant engages in all aspects of oil and gas exploration and production. The applicant is an existing business in Wichita, County. The applicant has expended substantial monies to further explore Wichita County in an attempt to discover new oil and gas fields. Currently, the applicant has seven (7) full time employees located in Wichita, Sedgwick County, Kansas.

5. The applicant conducted geological and seismic surveys in Wichita County and then obtained over 100 oil and gas leases for certain promising areas of Wichita County. Pursuant to these lease agreements, the landowner receives a royalty interest in the production of oil and gas. At present, the applicant has drilled five (5) wells. None of these wells so far have turned out to be producing wells. The applicant estimated that additional employees would be hired to work the wells located on the leases listed on schedule A upon discovery of oil or gas and production of a new field.
6. The applicant seeks an economic development exemption pursuant to article 11, section 13 of the Kansas Constitution for the expansion of an existing business. In reviewing an economic development exemption, the Board of Tax Appeals does not review the underlying merits of granting the exemption or review the advisability of a proposed exemption. Rather, the Board of Tax Appeals is authorized to examine the legal and factual basis of economic development exemptions granted pursuant to article 11, section 13 of the Kansas Constitution. See Kan. Atty. Gen. Op. 87-5 (January 13, 1987).
7. The basic principles controlling the Board's review of economic development exemptions have been outlined by the Kansas Supreme Court in *Board of Wyandotte County Comm'rs v. Kansas Avenue Properties*, 246 Kan. 161, 166 (1990) wherein the court stated:
  - (1) Taxation is the rule; exemption is the exception. All doubts to be resolved against exemption and in favor of taxation. (Citations Omitted).
  - (2) Constitutional and statutory provisions exempting property from taxation are to be strictly construed. (Citations Omitted).
  - (3) The burden of establishing exemption from taxation is on the one claiming it. (Citations Omitted).
  - (4) The question is not whether or not the property is used partly or even largely for the purpose stated in the exemption provisions, but whether it is used exclusively for those purposes. (Citations Omitted.)
  - (5) The phrase "used exclusively" in the constitution and statutes means that the use made of the property sought to be exempted from taxation must be only, solely, purely for the purposes stated, and without participation in any other use. (Citations Omitted).
8. Article 11, section 13 of the Kansas Constitution authorizes economic development exemptions. Kan. Const. art. 11, §

13 (1988). For the expansion of an existing business, subsection (a)(2) specifically exempts:

(2) all buildings, or added improvements to buildings after the date on which this amendment is approved by the electors of this state, together with land upon which such buildings or added improvements are located, and all tangible personal property purchased after such date and associated therewith, used exclusively for the purpose of: (A) Manufacturing articles of commerce; (B) conducting research and development; or (C) storing goods or commodities which are sold or traded in interstate commerce, which is necessary to facilitate the expansion of any such existing business if, as a result of such expansion, new employment is created.

Kan. Const. art. 11, § 13(a)(2) (1988)(emphasis added).

9. To qualify property associated with an expansion, the property must be used exclusively for the economic development purposes listed in the Kansas Constitution. The Kansas Supreme Court has ruled that: "Art. 11 § 13 does not grant tax exemption to property rented or leased for profit even though the property is being used by the renter or lessee solely for one or more of the economic development purposes contained in the amendment." *Board of Wyandotte County Comm'rs v. Kansas Ave. Properties*, 246 Kan. 161, 174-175 (1990). The applicant and intervenor argued that an oil and gas lease is different than a standard building lease. The operator has the exclusive right to enter, explore and drill for oil and gas. The Supreme Court, however, has ruled that leasing of land for oil and gas purposes and receiving a royalty payment is a use that must be considered in conjunction with the use made by the operator. *City of Arkansas City v. Board of County Commissioners*, 197 Kan. 728, 730 (1966). Here, we have the simultaneous use of the land by the landowner and by the operator. Under such facts and circumstances, the Board cannot conclude that the subject property is being used exclusively by the applicant for the exempt purposes stated in the Kansas Constitution.
10. Further, to qualify for the exemption, the property must be used exclusively for the economic development purposes listed in the constitution. Art. 11, section 13(b)(2) lists three economic development purposes: (1) manufacturing articles of commerce; (2) research and development; and (3) storing goods in interstate commerce. Here, the applicant believes that oil and gas production satisfies each of the stated purposes. Assuming arguendo that exploration constitutes "research and development", the exploration (research and development) has ended at the time the lease produces
- 7-5

producing wells. The property to be exempt is directly tied to production not exploration. Furthermore, the property to be exempt is used for production not storage. The oil and gas has not been captured and therefore cannot be considered to be in storage by the applicant. And finally, in a very broad sense, oil and gas production could be considered manufacturing; however, the legislature apparently did not intend for exempt purposes to be construed overly broad. See Minutes, House Comm. Tax., (March 31, 1986). For example, the activities of grain elevators were not intended to be included within the economic development purposes listed in the constitutional amendment. *Id.* The legislative history reflects that the legislature intended that the economic development purpose follow more traditional definitions. See Minutes, House Comm. Tax. Attachment 5 (Redwood-Krider Report) (March 27, 1986). Even the Standard Industrial Classification Manual, 1987, as prepared by the statistical policy division of the office of management of the office of the president of the United States, distinguishes oil production from manufacturing. Given the principle controlling the Board's review, the Board cannot conclude that oil production falls within the economic development purposes set forth in art. 11, § 13(b)(2) of the Kansas Constitution.

11. Furthermore, Kan. Const. art. 11, § 13(b)(2) (1988) specifically provides:

(b) Any ad valorem tax exemption granted pursuant to subsection (a) shall be in effect for not more than 10 calendar years after the calendar year in which the business commences its operations or the calendar year in which expansion of an existing business is completed, as the case requires.

Kan. Const. art 11, § 13(b)(2) (1988) (emphasis added). Here, the applicant has not commenced operations or completed the expansion. None of the test wells are producing wells. Furthermore, the entire property to be exempted is unknown. The constitutional amendment contemplates the actual use of the property. The mere intention to use is not equivalent to use. *Washburn College v. Comm'rs of Shawnee Co.*, 8 Kan. 344, 349 (1871). Without the commencement of operations (or the completion of the expansion) and without the proper identification of the property to be exempt, the Board is without legal basis to grant or approve of the exemption request.

12. In summary, the applicant has failed to meet its burden showing that it clearly fits within the exemption provided by the law. Specifically, the applicant has failed to show that the subject property is used (or will be used) exclusively for economic development purposes. Further, the Board is

7-6

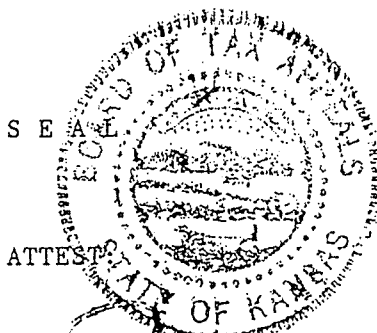
without legal basis upon which to approve an exemption application that is prospective in nature. The Board, therefore, concludes that the application filed herein should be denied.

IT IS THEREFORE, BY THE BOARD OF TAX APPEALS OF THE STATE OF KANSAS, CONSIDERED AND ORDERED that for the reasons more fully set forth above, the application for exemption shall be, and is hereby, denied.

If any party to this appeal feels aggrieved by this decision, they may file a written petition for reconsideration with this Board. The written petition for reconsideration shall set forth specifically and in adequate detail the particular and specific respects in which it is alleged that the Board's order is unlawful, unreasonable, capricious, improper or unfair. A copy of the petition, together with all documents submitted therewith, shall be mailed to the opposing party at the same time the petition is mailed to the Board. Failure to notify the opposing party shall render any subsequent order voidable. The written petition must be received by the Board within fifteen (15) days of the certification date of this order (allowing an additional three days for mailing pursuant to statute if the Board serves the order by mail). If at 5:00 pm on the last day of the specified period the Board has not received a written petition for reconsideration, this order will become a final order from which no further appeal is available.


IT IS SO ORDERED

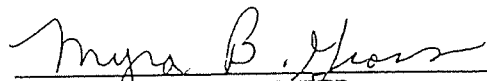
THE BOARD OF TAX APPEALS




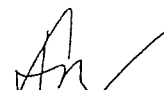
RITA MAICHEL, SECRETARY


JOHN MCNISH, ATTORNEY

  
JACK SHRIVER, CHAIRMAN

  
MYRA B. GROSS, MEMBER

  
FRED J. HIRSCH, MEMBER

  
LAWRENCE L. TENOPIR, MEMBER

  
PERL M. BASS, MEMBER

CERTIFICATION

I, Rita Maichel, Secretary of the Board of Tax Appeals of the State of Kansas, do hereby certify that a true and correct copy of the order in Docket No. 94-6717-EDX, and any attachments thereto, was placed in the United States Mail, on this 14th day of July, 19 95 addressed to:

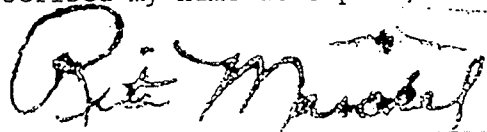
I Wayne Woolsey, President  
Woolsey Petroleum Corporation  
107 North Market Suite 600  
Wichita, KS 67202

Jack Glaves, Attorney  
Glaves, Irby and Rhodes  
600 Board of Trade Center  
120 South Market  
Wichita, KS 67202

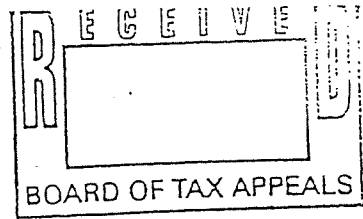
Donald Schnacke, Attorney  
Kansas Independent Oil and Gas Association  
800 SW Jackson, Suite 1400  
Topeka, KS 66612-1216

Janna Delissa  
Wichita County Attorney ✓  
108 E Broadway  
Leoti, KS 67861

IN TESTIMONY WHEREOF, I have hereunto subscribed my name at Topeka, Kansas.



Rita Maichel, Secretary



Wichita County Leases, WPC. - Sched. A\*

Approximately 30,000 net leasehold acres to Woolsey Petroleum Corporation, recorded in the records of the Register of Deeds, Wichita County, covering lands within the boundaries set forth below. Capital investment, including direct leasehold acquisition costs, seismic, labor and overhead: \$2,308,840

LEASE NAME	LEASE DATE	EFFEC. DATE	DESCRIPTION	NET ACRES	RECORDING BOOK-PAGE
SMITH, GLEE S, ETUX	10/1/93		E2SE 19-20S-35W	80	39-443
EDER, JOHN L R/T	10/1/93	2/6/94	S2 17-20S-35W	320	39-517
EDER, JOHN L R/T	10/1/93	2/6/94	NE 17-20S-35W	160	39-519
EDER, JESS L, ETAL	10/1/93	2/6/94	NW 17-20S-35W	160	39-525
KYSAR, KENNETH D., ETUX	11/12/93		W2 31-20S-35W	320	40-196
KYSAR, KENNETH D., ETUX	11/11/93		SE 31-20S-35W	160	40-193
BRACK, LARRY D., ETUX	11/10/93		NW 21-20S-35W	160	40-190
BRACK, STELLA	11/10/93		N2NW 30-20S-35W	40	40-178
HORTON, VELMA, single	11/12/93		SE 32-20S-35W	160	40-187
HORTON, VELMA TRUST	11/12/93		SW 32-20S-35W	160	40-184
HORTON, DICK, ETUX	11/12/93		NW 32-20S-35W	160	40-211
HORTON, DICK, ETUX	11/12/93		NE 32-20S-35W	160	40-214
BROCK FAMILY TRUST	11/11/93		SW 29-20S-35W	160	40-332
MOBIL OIL CORPORATION	12/6/93		NE 20-20S-35W	80	40-548
COAKES, SHERRILYN I.	11/17/93	4/12/94	NW 29-20S-35W	160	40-546
KUFELD, ELVERTA	2/11/94		SE 29, S2NW 30-20S-35W	240	40-661
HORTON FARMS, INC.	2/17/94	5/2/94	NE 20-20S-35W	80	40-663
HORTON, DICK, ETUX	2/17/94	5/2/94	SE 20-20S-35W	160	40-667
BISHOP, KENNETH R R/T	4/2/93		SW 7-20S-36W (ada Lis 3,4,E2SW)	160	38-218
BISHOP, KENNETH R R/T	4/2/93		NW 17-20S-36W	160	38-209
BISHOP, KENNETH R/T, ETAL	4/2/93		SE 17-20S-36W	160	38-206
BISHOP, KENNETH R/T, ETAL	4/2/93		SW 17-20S-36W	160	38-230
GRAFF, VICTOR F., ETUX	7/1/93	10/1/93	SW 10-20S-36W	160	38-645
BRACK, STELLA P., ETAL	6/25/93		N2 15-20S-36W	213.34	38-643
WILLIS, JUDITH M. R/T	7/5/93		NE 15-20S-36W	53.34	39-169
HUNT, BERTYS E, ETUX	6/25/93		S2 9-20S-36W	320	38-561
FUNK, RODGER E, ETUX	5/8/92		NE 16-20S-36W	160	38-581
FUNK, RODGER E, ETUX	5/8/92		NW 16-20S-36W	160	38-577
FUNK, RODGER E, ETUX	5/8/92		SE 16-20S-36W	160	38-573
FUNK, RODGER E, ETUX	5/8/92		SW 16-20S-36W	160	38-569
SMITH, BERNICE M.	10/20/93		NE 9-20S-36W	160	39-514
HUNT, BERTYS E., ETUX	10/27/93		NW 9-20S-36W	160	39-529
HUNT, BERTYS E., ETUX	10/27/93		NW 10-20S-36W	160	39-531
HUNT, BERTYS E., ETAL	10/27/93		NW 11-20S-36W	160	39-527
SONDEREGGER, RAY O., ETUX	10/8/93		NW 21-20S-36W	160	39-463
APPL, DARLENE, ET VIR	2/14/94		NE 10-20S-36W	80	41-5
ARNOLD, CYNTHIA	2/14/94		NE 10-20S-36W	80	41-3
HETZLER, WILLIAM, ETUX	2/14/94		SE 10-20S-36W	160	41-7
SCHMITZ, FRANCIS J, ETUX	4/16/92		NW & SE 4-19S-38W	320	37-461
BYERLY TRUST, ET A.	4/7/92		NE 4 & SW 9-19S-38W	320	37-458
CALHOUN, GLENN E, ETUX	5/7/92		NE 33-18S-38W	160	37-505
MAXEDON, EDWARD A. TRUS	4/27/92		SE 34-18S-38W	160	37-528
MAXEDON, EDWARD A. TRUS	4/27/92		NW 34-18S-38W	160	37-532
EILERTS, MARQUETTA, ET VI	4/10/92	9/28/92	SE & N2SW 3-19S-38W	240	38-46
HOLLAND, BEN W, ETUX	9/11/92		SW 34-18-38W, N2 3-19-38W	480	37-662
MILFORD, ADRIAN F, ET UX	4/17/92	9/15/92	W2 24-20S-36W	80	38-53
THOMPSON, VELMA J (Est.)	4/17/92	9/15/92	W2 24-20S-36W	40	38-56
PULLIAM, ROBERT L	4/17/92	9/15/92	W2 24-20S-36W	40	38-43
STRECKER, CLAUDE R.	9/16/92		NW 24-20S-36W	80	38-10
STRECKER, CLAUDE R.	9/16/92		SW 24-20S-36W	80	38-13
VRATIL, LEO, ET UX	4/10/92	9/15/92	NW 25-20S-36W	160	38-40
W. SMITH FARMS, INC.	5/1/92		NE 25-20S-36W	160	37-472
GRUSING, CHRISTINA B, ET VIR	5/1/92	9/21/92	SE 25-20S-36W	160	38-49
GRAFF, STEVEN J., ET UX	6/12/92		NE 23-20S-36W	160	37-567
GRAFF, STEVEN J., ET UX	6/12/92		SE 14-20S-36W	160	37-563
GRAFF, STEVEN J., ET UX	6/12/92		SW 14-20S-36W	160	37-565
STRECKER, CLAUDE R	9/16/92		SW 13-20S-36W	160	38-7
WILKEN, JON K, ETAL	3/19/93	5/8/93	SW 23-20S-36W	160	38-202
WILKEN, JON K, ETAL	3/19/93	5/8/93	NW 23-20S-36W	160	38-196
WILKEN, JON K, ETAL	3/19/93	5/8/93	SE 23-20S-36W	160	38-193
SMITH, MILDRED D	3/22/93		SW 15 & N2 22-20S-36W	480	38-233
EVANS FAMILY PRTRNSHP	4/27/93		SE 15-20S-36W	160	38-308
SMITH, MILDRED D	12/9/93		S2 22-20S-36W	320	40-335
McRAE, LEROY, ETUX	2/9/93		ALL 21; SW, S2NW 27; NW 28-19S-36W	1040	38-268
McRAE, JIM, ETUX	2/9/93		SE 20; S2NW, W2SW 22; SE 28-19S-36W	480	38-271
FORD, GLENN, ETUX	2/23/93		NWSW 14, SW 15-19S-36W	50	38-150
FREELAND, MICHAEL, ETUX	2/23/93		NWSW 14, SW 15, N2NW 22-19S-36W	115	38-146
FREELAND, JEFFREY, ETUX	2/23/93		NWSW 14, SW 15, N2NW 22-19S-36W	115	38-170
WILLIS, HARRIET TRUST	2/16/93		NE 29-19S-36W	80	38-164
WILLIS, HARRIET TRUST	2/16/93		SE 29-19S-36W	80	38-162
RIDDER, JEROME, ETUX	2/22/93		NE 20-19S-36W	160	38-152

BOARD OF TAX APPEALS

Schedule #1

Description of, "Employment Equivalent" as used in Part III (C) of Application For Property Tax Exemption For Economic Development Purposes.

This is the number of jobs that are indirectly (excludes direct labor) generated as a result of one producing well. It is determined by the amount spent on the average well for utilities and other goods and services that are not associated with direct labor costs.

Annual Kansas consumption per average well (excluding direct labor) \$7,632<sup>1</sup>

Annual disposable income per average Kansas job \$16,700<sup>2</sup>

$7,632/16,700 = .45$  well job equivalent ratio

Apx. 11 full time direct jobs X .40 = apx. 4.25 Employment Equivalent.

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<sup>1</sup> SOURCE. Vess Oil Company, Wichita, Kansas, 1992. A sample of 210 wells in 14 counties indicated average well expenditures of \$1060 per well per month. This converts to \$12,720 annual consumption per well. Excluding the direct labor (40%), this comes to \$7,632. The typical dollar expended by a well goes to the following:

Labor	40%
Utilities	35%
Goods/Service	25%

<sup>2</sup> SOURCE. Kansas Dept. of Human Resources Statewide Annual Wage Average (1991)

Total private wages	\$20,993
Fed/State WH	<u>4,385</u>
Disposable Income	\$16,608



Application for Property Tax Exemption  
For Economic Development Purposes

PART VI  
The "But-For" Principle

The basis of this application is predicated upon the potential of new jobs and future tax revenue that will be encouraged with the temporary granting of a reduction of a portion of county taxes on oil and gas produced from certain, qualifying exploration-type (wildcat) wells. The applicant is not seeking an abatement on any currently existing oil or gas production.

The applicant has already invested over \$2,000,000 in leasehold acquisition, geophysical, geological and carrying costs on a project area that may have the potential to produce significant quantities of oil and gas.

There is expected to be a stimulation of additional private investment in that other companies, along with Woolsey Petroleum, will decide to explore for oil and gas given an incentive along the lines requested in this application. It is believed that the potential additional revenue anticipated by oil and gas exploration companies will result in a significant increase in investment over what would otherwise have been expended. It is anticipated that there will be created over \$500,000 in annual, direct local tax revenue (see part V) along with 15 full time jobs (see part III-C.) with the operation of each oil field containing at least 50 wells.

Application for Property Tax Exemption  
For Economic Development Purposes

PART V  
Description of Public Benefits

This description addresses the relevant factors outlined in Section 12 of the County's Statement of Policy and Procedures. Most of these components are dealt with in Part II and Part III of this application. Other elements are discussed as follows:

The value of a 50 well oil field<sup>1</sup> producing 912,500 barrels of oil per year, with a remaining reserve of 5 million barrels of recoverable oil would generate an annual county tax revenue of approximately \$1,095,000<sup>2</sup>.

There is very little county tax revenue at this time because Wichita County has very little oil and gas production. There is no current drilling in the County by companies exploring for oil and gas reserves of this size. Therefore the gain in tax revenue would be nearly 100% in the area of taxable oil and gas properties.

Once Wichita County has been recognized by other energy companies as a potential area for development of significant discoveries of oil and gas fields, they too will join in the effort to likewise develop these resources. Applicant is asking for an effective reduction of 50% of the future, potential taxes (economic incentive) for a limited period of time, in order to initially assist the applicant in exploring for new oil and gas reserves.

The application for tax relief is as follows:

Applicant will receive a 100% abatement of county ad valorem taxes, subject to reimbursement to the County by applicant of 50% of such tax amount, paid in a like manner to the County, as an "in-lieu-of tax" payment as follows:

1. For a three-year period on qualifying wells drilled on lands and leases described on Schedule "A".
2. Qualifying wells are described as new wells drilled more than one mile from an existing producing well ("Exploration Well") AND all development wells drilled as offsets, within one mile, to an Exploration Well.
3. All tax relief under this application to expire no later than 10 years from date of application, April 15, 2004.

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<sup>1</sup> Assumes that applicant drills 8 exploration wildcat wells and discovers one 50 well oil field. This is in line with applicant's success rate, track record, previously provided to the County.

<sup>2</sup> This would depend on the township mill levy and numerous other engineering factors. Most oil companies in Kansas employ a "rule of thumb" average in computing county ad valorem taxes using 8% to 12% (applicant is using 8%) of the cash flow from oil and gas sales.

Part VII - Financial Responsibility

Please attach a description of the business' financial statement. This may include a financial statement, audit and other relevant information to assess the stability of the business. Indicate whether there is any pending to threatening litigation effecting the viability of the business.

Part VIII - Certification of Applicant

I, J. Tom Kirk, Vice President, Woolsey Petroleum Corporation, hereby certify that the foregoing and attached information is true and correct to the best of my knowledge. Further, it is understood that additional information may be required by the County to assist the Governing Body in its consideration of this matter.

Signed: \_\_\_\_\_

J. Tom Kirk

Vice President, Woolsey Petroleum Corporation

Date: April 15, 1994

Part IX - Acknowledgement of Receipt

Receipt is hereby acknowledged:

Signed: \_\_\_\_\_

Wichita County Clerk

Date: \_\_\_\_\_

COUNTY OF WICHITA, KANSAS  
APPLICATION FOR PROPERTY TAX EXEMPTION  
FOR ECONOMIC DEVELOPMENT PURPOSES

To: Wichita County Clerk, County of Wichita, Kansas

Exemption from ad valorem property taxation pursuant to Article 11, Section 13 of the Kansas constitution is requested for all or any portion of the appraised valuation of property used exclusively for the purpose of manufacturing articles of commerce, conducting research and development, or storing goods or commodities which are sold or traded in interstate commerce, as described herein. This application is submitted in conformance with the applicable Statement of Policy and Procedures of the County and it is understood that the County may require in lieu payments for property which becomes tax exempt. The attached sheets, if any, are submitted as a part of this application.

Part I - Applicant Identification

Name of Applicant Firm: WOOLSEY PETROLEUM CORPORATION  
Contact Person (Name and Title): J. Tom Kirk, Vice President  
Address: 107 N. Market, Suite 600  
Street or P.O. Box  
Wichita, Kansas 67202-1807  
City State zip  
Telephone: (316) 267-4379

List the names and percent of ownership of all principal owners and officers of the Applicant Firm: I. Wayne Woolsey, President, CEO, 100% ownership

If applicant is a <sup>lessee</sup>tenant, identify property owner(s):  
Name(s): See Wichita County Leases, WPC - Schedule "A", attached  
Address: \_\_\_\_\_  
Street or P.O. Box  
\_\_\_\_\_  
City State zip  
Telephone: \_\_\_\_\_

Part II - Property Identification Note: See Wichita County Leases, WPC - Schedule "A"

Type of business organization: Corporation  
(i.e., corporation, subsidiary, partnership, sole proprietorship, etc.)

Date and place business organized or incorporated: 06/12/78, Wichita, KS

Line or lines of products manufactured or research and development conducted, or goods or commodities stored in buildings, for which tax exemption is requested:  
Oil and gas production, transportation, storage and marketing.  
Scientific research; engineering, geologic and geophysical.  
Legal research; abstract of ownership and preparation of title opinions.

Percentage of building occupied by applicant business qualifying for tax exemption: Facilities will be utilized 100% by applicant

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C. Type and Number of Employees:

<u>Job Classification</u>	Before	After operations commenced or				
	Expansion (M/D/Y)	expansion completed				
	<u>05/01/94</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
<u>Pumpers</u>	<u>0.0</u>	<u>1.0</u>	<u>2.0</u>	<u>3.0</u>	<u>4.0</u>	<u>5.0</u>
<u>Production Foremen</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
<u>Trucking</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1.0</u>	<u>2.0</u>	<u>2.0</u>
<u>Welders</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>
<u>Mechanics</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>1.0</u>	<u>1.0</u>
<u>Abstractors</u>	<u>0.0</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.3</u>	<u>0.4</u>
<u>Attorneys</u>	<u>0.0</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.3</u>
<u>Employment Equivalent*</u>	<u>0.0</u>	<u>0.5</u>	<u>1.0</u>	<u>2.0</u>	<u>3.0</u>	<u>4.3</u>

\*See schedule #1 attached

Total Number of Employees Cumulative	<u>0.0</u>	<u>1.7</u>	<u>3.3</u>	<u>8.4</u>	<u>12.5</u>	<u>15.0</u>
Number of Employees Added each year	<u>0.0</u>	<u>1.7</u>	<u>1.6</u>	<u>5.1</u>	<u>4.1</u>	<u>2.5</u>

Above is estimate only. Possible projected employment given expected investment in new operations and assumes discovery of only one new field over next five years with 50 producing wells.

Part IV - Appraised Value of Property Identified in Part II Above  
(To be completed by County Appraiser)

Date of Valuation: \_\_\_\_\_  
 Buildings: \_\_\_\_\_  
 Added Improvements to Buildings: \_\_\_\_\_  
 Land: \_\_\_\_\_  
 Tangible Personal Property: \_\_\_\_\_

Signed: \_\_\_\_\_ Date: \_\_\_\_\_  
 Wichita County Treasurer

Part V - Description of Public Benefits

Please attach a narrative description, not to exceed two pages, of the public benefits which you believe will occur if the requested exemption is granted. Address all relevant factors, including those found in Section 12 of the County's Statement of Policy and Procedures.

Part VI - "But-For" Principle

Please attach a narrative description, not to exceed one page, as to why you believe the applicant business meets the requirement of Section 11 of the Statement of Policy and Procedures.

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List principal competition of the business within the County:

Name and location of the firm: None

Describe nature of competition: None

Business is      new or   X   existing. (Please check one.)

If new business:

Date operations will commence: \_\_\_\_\_

If business is relocated to this County, give previous location(s): \_\_\_\_\_

If construction of a new building for a new business is involved, give anticipated date of completed construction: n/a

If existing business:

Date expansion will be commenced: Expected date: May 1994

Date expansion will be completed: Will be ongoing

Purpose of expansion: See below

Does expansion involve:

     Acquisition of existing building?

     Enlargement of existing building?

  X   Construction of new building? Facilities, yes. See below.

Describe how property identified above facilitates the expansion of such existing business: Does not involve construction of urban buildings. Nature of business involves construction of facilities for the carrying on of geological, geophysical and other oil and gas exploratory work, including core drilling and the drilling and operating for, producing, saving and marketing all of the oil, gas, casinghead gas, casinghead gasoline and their respective constituent vapors, and all other gases, and for construction of roads, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures necessary or convenient for the operation of oil and gas properties.

### Part III - Employment Data

A. New Business: Number of employees on date operations commence(d): \_\_\_\_\_

B. Existing Business: Describe how expansion has or will create new employment: New business for Wichita County with no current employees in the county. Company has 7 full time employees in Wichita, Kansas. It is a certainty that new jobs will be created in Wichita County with the operation of new oil and gas wells. Development of new jobs in Wichita County will follow in line with discovery of new oil and gas fields. An increase in employment will occur in sector of economy (oil and gas production) that is complimentary with existing agricultural industry, i.e., rural electric utility development, machine shops, pipe handling equipment, small and large engine maintenance and repair, trucking, dirt contractors, welding shops, pumpers, equipment service and supply. The oil and gas industry employs the professional services of local land surveyors, attorneys and abstractors in the course of obtaining and declaring the status of title and ownership information covering thousands of acres of potential development property.

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Wichita County Leases, WPC. - Schedule "A"

LEASE NAME	LEASE DATE	EFPEC DATE	DESCRIPTION	NET ACRES	RECORDING BOOK-PAGE
RIDDER, JEROME, ETUX	2/22/93		SW 16-19S-36W	160	38-154
RIDDER, JEROME, ETUX	2/18/93		SE 16-19S-36W	160	38-144
SHIMANEK, RICHARD L, ETUX	3/17/93		NE 28-19S-36W	80	38-183
SMITH, ARLYN G, ETUX	3/17/93		NE 28-19S-36W	80	38-172
ROSENER, HAROLD D, ETUX	4/16/93		SW 28-19S-36W	160	38-278
O'GRADY, RICHARD J, ETUX	5/25/93		NW 15-19S-36W	80	38-364
MOBIL OIL CORPORATION	12/6/93		All 29-19S-36W	320	50-548
McRAE, LEROY, ETUX	2/16/94		NE & N2NW 27-19S-36W	240	40-659
ROBERTS, GLENNA	3/13/91		W2 34-19S-36W	320	36-667
SMITH, BERNICE M	4/19/91		NW 3-20S-36W	160	37-15
FORD, GLENN H, ET UX	2/11/93		N2 33-19S-36W	320	38-276
KISTLER, E.L.JR, ET AL	2/22/93		NE 32-19S-36W	160	38-166
HART, FLECIA	2/18/93		SE 32-19S-36W	160	38-148
SMITH, GLEES, ETUX	2/17/93		NW 32-19S-36W	160	38-175
SMITH, GLEES, ETAL	2/17/93		SW 32-19S-36W	160	38-178
BISHOP, KELLY B., ETUX	4/2/93		SW 5-20S-36W	160	38-224
BISHOP, KELLY B., ETUX	4/2/93		SE 5-20S-36W	160	38-221
BISHOP, KELLY B., ETUX	4/2/93		S2SW 6-20S-36W	80	38-227
BISHOP, KENNETH R/T, ETAL	4/2/93		N2SW 6-20S-36W	80	38-215
BISHOP, KENNETH R/T, ETAL	4/2/93		SE 6-20S-36W	160	38-212
SMITH, BERNICE M	5/11/93		SW 3-20S-36W	160	38-360
SMITH, GLEES, ETUX	10/1/93		NE 4-20S-36W	160	39-437
SMITH, BERNICE M	10/1/93		SW 33-19S-36W	160	39-434
SMITH, BERNICE M	10/1/93		SE 33-19S-36W	160	39-431
SMITH, ARLYN G, ETUX	10/20/93		NW & N2N2S2 4-20S-36W	240	39-508
SMITH, BERNICE M	10/20/93		S2SE & S2N2SE 4-20S-36W	120	39-511
HOLSTEIN, JOANNA I, ETAL	3/13/91		E2 12-20S-36W	320	36-647
BRACK ESTATE, HARRY	3/13/91		SE 1-20S-36W	160	36-641
HOLSTEIN, ALFRED H, ETUX	3/13/91		SW 12-20S-36W	160	36-645
WELLS, W. RUSSELL, ETUX	4/18/91		SW 7-20S-35W	160	37-12;40-206
WELLS, W. RUSSELL, ETUX	4/18/91		NW 18-20S-35W	160	37-9;40-205
LEY, JOHN R., ET AL	4/9/92		NW 7-20S-35W	160	37-500
STRECKER, CLAUDE R	9/16/92		NE 13-20S-36W	160	38-1
STRECKER, CLAUDE R	9/16/92		NW 13-20S-36W	160	38-4
WILKEN, JON K, ETAL	3/19/93	5/8/93	SE 13-20S-36W	80	38-190
WILKEN, JON K, ETAL	3/19/93	5/8/93	SE 24-20S-36W	80	38-187
WILKEN, JON K, ETAL	3/19/93	5/8/93	NE 24-20S-36W	160	38-199
BRACK, LARRY D., ETUX	3/18/93	5/18/93	S2 18-20S-35W	320	38-312
SMITH, ARLYN G, ETUX	10/4/93		E2W2 & W2SE 19-20S-35W	240	39-505
SMITH, GLEES, ETUX	10/1/93		W2W2 19-20S-35W	160	39-440
EDER, JOHN L R/T	10/1/93	2/6/94	SE 7 & NE 18-20S-35W	320	39-523
MOBIL OIL CORPORATION	12/6/93		SE 13 & SE 24-20S-36W	160	40-548
BIERMANN, JOHN W, ETUX	3/13/91		NW 35-19S-36W	160	36-665
WILLIAMS, OPAL F HUNT	3/13/91		SW 2-20S-36W	160	36-669
ALBRECHT MIERLE D R/T	3/13/91		SE 2-20S-36W	160	36-671
BRACK ESTATE, HARRY	3/13/91		SW 1-20S-36W	160	36-641
SEEMAN, HELEN	3/13/91		NW 12-20S-36W	160	36-661
BERNING, EUGENE, ETUX	4/22/91		SE & S2 NE 3-20S-36W	240	36-659
HOLSTEIN, GARY, ETUX	4/22/91		SW 35-19S-36W	160	36-653;40-207
McRAE, JIM, ETUX	4/23/91		E2 34-19S-36W	320	36-657;40-208
EDER, JOHN L R/T	4/23/91		NW 2 & N2 NE 3-20S-36W	240	36-655;40-204
SHIMANEK, RICHARD L, ETUX	6/11/91		NE 2-20S-36W	80	37-27;40-541
SMITH, ARLYN G, ETUX	6/10/91		NE 2 (nda Lots 1,2, S2NE)-20S-36W	80	37-21;40-338
SHIMANEK, RICHARD L, ETUX	6/11/91		NE 11-20S-36W	160	37-30;40-540
HESTER, OLIVER TRUST	3/22/91		SE 11-20-35,NW 1-20-36,E2 35-19-36	640	36-643
HOLSTEIN, NELLORA	3/4/91		E2 NW 4, SE 5, NW 8-20S-35W	400	36-635;40-202
RYBERG, EILJEENT, ET VIR	3/7/91		NE 5-20S-35W	160	36-622
TOWNER, LAILE R, ETUX	3/7/91		NW 5-20S-35W	160	36-624
SMITH, GLEES, ETUX	3/14/91		E2 SW 6-20S-35W	80	36-632;40-199
SMITH, GLEES, ETUX	3/14/91		NE 6-20S-35W	160	36-629;40-200
SMITH, GLEES, ETUX	3/14/91		SE 6-20S-35W	160	36-626;40-201
SMITH, ARLYN G, ETUX	6/10/91		NW 6 (nda Lots 3,4,5, SE1NW)-20S-35W	160	37-24;40-339
CAMPBELL, CIAT'S	7/24/91		W2SW 6-20S-35W	40	37-210
CAMPBELL, GORDON	12/26/91		W2SW 6-20S-35W	40	37-546
STEWART, MARGARET, ETAL	4/8/92		SW 31-19S-35W	160	38-61
TRUUS, MARY AL, ETAL	4/13/92	11/2/92	NE 8-20S-35W	160	38-97
BRACK, MILDRED E.	3/25/93		NE 1-20S-36W	160	38-238
EDER, JOHN L R/T	10/1/93	2/6/94	S2 8-20S-35W	320	39-521
HOLSTEIN, GARY, ETAL	11/13/93	3/7/94	W2NW 4; SW 5; NE 7-20S-35W	400	
ALEXANDER, MOYLE, ET AL	12/29/93	3/7/94	S2 4-20S-35W	240	40-542
MOBIL OIL CORPORATION	n/a		T19S-R36W; S2 6; ALL 7; W2 8; W2 17;	3460	n/a
MOBIL OIL CORPORATION			N2 & SE 18; ALL 19; NW 20; ALL 30		
MOBIL OIL CORPORATION			T19S-R37W; W2 1; S2 2; SE & NW 3;		
MOBIL OIL CORPORATION			NE 10; ALL 11; W2; SE; S2NE & NWNE 12;		
MOBIL OIL CORPORATION			N2SE 13; SW 23; ALL 24		
MOBIL OIL CORPORATION			T20S-R36W; SW 11		

Wichita County Leases, WPC. - Schedule "A"

Approximately 30,000 net leasehold acres to Woolsey Petroleum Corporation, recorded in the records of the Register of Deeds, Wichita County, covering lands within the boundaries set forth below.

Capital investment, including direct leasehold acquisition costs, seismic, labor and overhead: \$2,308,840

LEASE NAME	LEASE DATE	EFFEC. DATE	DESCRIPTION	NET ACRES	RECORDING BOOK-PAGE
SMITH, GLEES, ETUX	10/1/93		E2SE 19-20S-35W	80	39-443
EDER, JOHN L R/T	10/1/93	2/6/94	S2 17-20S-35W	320	39-517
EDER, JOHN L R/T	10/1/93	2/6/94	NE 17-20S-35W	160	39-519
EDER, JESS I., ETAL	10/1/93	2/6/94	NW 17-20S-35W	160	39-525
KYSAR, KENNETH D., ETUX	11/12/93		W2 31-20S-35W	320	40-196
KYSAR, KENNETH D., ETUX	11/11/93		SE 31-20S-35W	160	40-193
BRACK, LARRY D., ETUX	11/10/93		NW 21-20S-35W	160	40-190
BRACK, STELLA	11/10/93		N2NW 30-20S-35W	40	40-178
HORTON, VELMA, single	11/12/93		SE 32-20S-35W	160	40-187
HORTON, VELMA TRUST	11/12/93		SW 32-20S-35W	160	40-184
HORTON, DICK, ETUX	11/12/93		NW 32-20S-35W	160	40-211
HORTON, DICK, ETUX	11/12/93		NE 32-20S-35W	160	40-214
BROCK FAMILY TRUST	11/11/93		SW 29-20S-35W	160	40-332
MOBIL OIL CORPORATION	12/6/93		NE 20-20S-35W	80	40-548
COAKES, SHERRILYN I.	11/17/93	4/12/94	NW 29-20S-35W	160	40-546
KUFELD, ELVERTA	2/11/94		S1/2 29, S2NW 30-20S-35W	240	40-661
HORTON FARMS, INC.	2/17/94	5/2/94	NE 20-20S-35W	80	40-663
HORTON, DICK, ETUX	2/17/94	5/2/94	S1/2 20-20S-35W	160	40-667
BISHOP, KENNETH R R/T	4/2/93		SW 7-20S-36W (nda Lts 3,4, E2SW)	160	38-218
BISHOP, KENNETH R R/T	4/2/93		NW 17-20S-36W	160	38-209
BISHOP, KENNETH R/T, ETAL	4/2/93		SE 17-20S-36W	160	38-206
BISHOP, KENNETH R/T, ETAL	4/2/93		SW 17-20S-36W	160	38-230
GRAFF, VICTOR F., ETUX	7/1/93	10/1/93	SW 10-20S-36W	160	38-645
BRACK, STELLA P., ETAL	6/25/93		N2 15-20S-36W	213.34	38-643
WILLIS, JUDITH M. R/T	7/5/93		NE 15-20S-36W	53.34	39-169
HUNT, BERTYS E, ETUX	6/25/93		S2 9-20S-36W	320	38-561
FUNK, RODGER E, ETUX	5/8/92		NE 16-20S-36W	160	38-581
FUNK, RODGER E, ETUX	5/8/92		NW 16-20S-36W	160	38-577
FUNK, RODGER E, ETUX	5/8/92		SE 16-20S-36W	160	38-573
FUNK, RODGER E, ETUX	5/8/92		SW 16-20S-36W	160	38-569
SMITH, BERNICE M.	10/20/93		NE 9-20S-36W	160	39-514
HUNT, BERTYS E., ETUX	10/27/93		NW 9-20S-36W	160	39-529
HUNT, BERTYS E., ETUX	10/27/93		NW 10-20S-36W	160	39-531
HUNT, BERTYS E., ETAL	10/27/93		NW 11-20S-36W	160	39-527
SONDEREGGER, RAY O., ETUX	10/8/93		NW 21-20S-36W	160	39-463
APPL, DARLENE, ET VIR	2/14/94		NE 10-20S-36W	80	41-5
ARNOLD, CYNTHIA	2/14/94		NE 10-20S-36W	80	41-3
HEITZLER, WILLIAM, ETUX	2/14/94		SE 10-20S-36W	160	41-7
SCHMITZ, FRANCIS J, ETUX	4/16/92		NW & SE 4-19S-38W	320	37-461
BYERLY TRUST, ET AL A.	4/7/92		NE 4 & SW 9-19S-38W	320	37-458
CALHOUN, GLENN E., ETUX	5/7/92		NE 33-18S-38W	160	37-505
MAXEDON, EDWARD A. TRUS	4/27/92		SE 34-18S-38W	160	37-528
MAXEDON, EDWARD A. TRUS	4/27/92		NW 34-18S-38W	160	37-532
EILERTS, MARQUETTA, ET VI	4/10/92	9/28/92	SE & N2SW 3-19S-38W	240	38-46
HOLLAND, BEN W, ETUX	9/11/92		SW 34-18-38W, N2 3-19-38W	480	37-662
MILFORD, ADRIAN F, ET UX	4/17/92	9/15/92	W2 24-20S-36W	80	38-53
THOMPSON, VELMA J (Est.)	4/17/92	9/15/92	W2 24-20S-36W	40	38-56
PULLIAM, ROBERT L.	4/17/92	9/15/92	W2 24-20S-36W	40	38-43
STRECKER, CLAUDE R.	9/16/92		NW 24-20S-36W	80	38-10
STRECKER, CLAUDE R.	9/16/92		SW 24-20S-36W	80	38-13
VRATIL, LEO, ET UX	4/10/92	9/15/92	NW 25-20S-36W	160	38-40
W. SMITH FARMS, INC.	5/1/92		NE 25-20S-36W	160	37-472
GRUSING, CHRISTINA B, ET VIR	5/1/92	9/21/92	SE 25-20S-36W	160	38-49
GRAFF, STEVEN J., ET UX	6/12/92		NE 23-20S-36W	160	37-567
GRAFF, STEVEN J., ET UX	6/12/92		SE 14-20S-36W	160	37-563
GRAFF, STEVEN J., ET UX	6/12/92		SW 14-20S-36W	160	37-565
STRECKER, CLAUDE R	9/16/92		SW 13-20S-36W	160	38-7
WILKEN, JON K, ETAL	3/19/93	5/8/93	SW 23-20S-36W	160	38-202
WILKEN, JON K, ETAL	3/19/93	5/8/93	NW 23-20S-36W	160	38-196
WILKEN, JON K, ETAL	3/19/93	5/8/93	SE 23-20S-36W	160	38-193
SMITH, MILDRED D	3/22/93		SW 15 & N2 22-20S-36W	480	38-233
EVANS FAMILY PARTNERSHIP	4/27/93		SE 15-20S-36W	160	38-308
SMITH, MILDRED D	12/9/93		S2 22-20S-36W	320	40-335
McRAE, LEROY, ETUX	2/9/93		ALL 21, SW, S2NW 27; NW 28-19S-36W	1040	38-268
McRAE, JIM, ETUX	2/9/93		SE 20; S2NW, W2SW 22; SE 28-19S-36W	480	38-271
FORD, GLENN, ETUX	2/23/93		NWSW 14, SW 15-19S-36W	50	38-150
FREELAND, MICHAEL, ETUX	2/23/93		NWSW 14, SW 15, N2NW 22-19S-36W	115	38-146
FREELAND, JEFFREY, ETUX	2/23/93		NWSW 14, SW 15, N2NW 22-19S-36W	115	38-170
WILLIS, HARRIET TRUST	2/16/93		NE 29-19S-36W	80	38-164
WILLIS, HARRIET TRUST	2/16/93		SE 29-19S-36W	80	38-162
RIDDER, JEROME, ETUX	2/22/93		NE 20-19S-36W	160	38-152

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