Approved: 2-1-99
Date

MINUTES OF THE SENATE ASSESSMENT AND TAXAITON COMMITTEE.

The meeting was called to order by Chairperson Senator Audrey Langworthy at 11:10 a.m. on January 27, 1999, in Room 519-S of the Capitol.

All members were present except:

Committee staff present: Chris Courtwright, Legislative Research Department
April Holman, Legislative ResearchDepartment
Don Hayward, Revisor of Statutes Office
Shirley Higgins, Committee Secretary

Conferees appearing before the committee: Bob Krehbiel, Kansas Independent Oil & Gas Association
John Farmer, Kansas Independent Oil & Gas Association
Charles B. Wilson, BEREXCO INC.
Natalie Bright, Kansas Chamber of Commerce & Industry

Others attending: See attached list.

The minutes of the January 25, 1999, meeting were approved.

SB 46–Severance taxation; exempting coal and oil production.

Bob Krehbiel, Kansas Independent Oil & Gas Association (KIOGA) testified in support of **SB 46**. (Attachment 1) At the outset, he explained that his testimony also relates to a previously heard bill which he also supports, **SB 18,** which would allow a credit for property tax paid on the working interest of marginal oil wells. He reminded the Committee that Dr. Tim Carr with the Kansas Geological Survey and Dave Williams with the Kansas Corporation Commission provided substantial data relative to oil and gas tax policy as part of their testimony on **SB 18.** He noted that the data is relevant to **SB 46** as well.

Mr. Krehbiel went on to say that both **SB 18** and **SB 46** are of vital importance to Kansas crude oil producers as well as to the state of Kansas. The sustained decline in the price of crude oil at the wellhead has placed the future of marginal oil production in all producing states in serious jeopardy. He listed a number of newspaper articles written about the 1998-99 oil crisis. In addition, he noted that the governors of various producing states have established task forces in conjunction with the U.S. Department of Energy to determine how to deal with the crude oil price crisis. Over 300 members of KIOGA have attended meetings with the Department of Energy. Attached to his written testimony are sample letters to the Secretary of Energy from participating members. The letters describe the situation that many of the oil producers in Kansas face.

Also attached to his testimony are news releases from the State of Oklahoma addressing the price crisis. Oklahoma Governor Keating has called a special session of the Oklahoma Legislature to deal with the crisis. Mr. Krehbiel was advised on January 26 that the House has voted to reduce the Oklahoma severance tax from 7 percent to 1 percent when the price of crude oil goes below $14 per barrel, and the Senate is currently considering the proposal. Mr. Kriebiel noted that Oklahoma has only a severance tax and no property tax; however, Kansas has both a severance and property tax. When the two taxes are combined, the tax rate is approximately 9 to 10 percent as compared to Oklahoma's 7 percent.

Mr. Krehbiel noted that 1998 was the most difficult year in history for independent oil producers as oil prices have reached historic lows. In this regard, he called attention to a copy of a posting of the price in Kansas attached to his written testimony. He noted that the price of crude oil in Kansas as of January 12,1999, is one-half of what it was one year ago. KIOGA conducted a survey to determine the impact of oil price effects, and responses were received from the operators of over 13,000 wells. The results of the survey are attached to his written testimony. Also attached is a copy of a sample survey which indicates that the producer will not survive 1999 if oil prices remain at the current level. In regard to the impact on the U.S. and Kansas economies, Mr. Krehbiel referred to a publication of the Interstate Oil and Gas Compact Commission (IOGCC) entitled "Marginal Oil and Gas Report." The report indicates that this enormous natural resource is threatened by premature plugging due to low wellhead prices. He also referred to a publication entitled "The Economic Impact of Stripper Wells in the United States" prepared by Dan Olds, Energy Management Consulting Services, Pricewaterhouse Coopers. In this report, Mr. Olds evaluates the economic impact of stripper wells in the United States. The report indicates that the lost revenue resulting from plugging the stripper wells in Kansas in 1997 was $24,902,817. A further effect of well plugging in Kansas was the loss of 354 jobs in the industry. With regard to the importance of the oil industry in Kansas, Mr. Krehbiel referred to an attachment to his testimony which provides an overview of the industry in Kansas, giving background information and the value of oil and gas. Also attached is an analysis of the severance and property taxes paid on oil and gas. He noted that analysts agree that the oil industry is faced with a long siege of low wellhead prices.

The last attachment to Mr. Krehbiel's testimony is an analysis of what he believes the oil industry needs. He concludes that the state will lose money if **SB 18** and **SB 46** are not passed.

John Farmer, President of KIOGA and an independent producer of oil and gas, followed with further testimony in support of **SB 46**. He reiterated that the fundamental problem that domestic producers face in a world market is the high cost of production. Unlike agricultural producers, whose products are often sold at prices below the cost of production, crude oil producers are not subsidized by the federal government. Further, crude oil is not protected from competition from imports. Nevertheless, America is a world leader in the production of crude oil, and Kansas still has over 138 million barrels of primary and secondary reserves. The potential of this enormous resource will not be realized if the industry is dismantled due to low crude oil prices. He commented that domestic producers have cut their operating costs to the bone; therefore, the only remaining way they can lower their costs to compete in the world market is to eliminate the extraordinary taxation of the industry. In conclusion, he emphasized that the repeal of the severance tax will reduce the cost of production for domestic producers and, thus, benefit domestic consumers. (Attachment 2)

Charles Wilson, BEREXCO INC., encouraged the Committee to support **SB 46**. He reminded the Committee that he also testified in support of **SB 18**, and reinforced his testimony on that bill that the oil and gas industry is currently in dire straits. Drastic conditions are taking place in the field as more and more wells are being shut-in because the expenses exceed the revenues or cash flow does not exist to make needed mechanical repairs. Furthermore, the support industry which services wells is vanishing.

Mr. Wilson stressed the importance of doing everything possible to avoid premature abandonment of wells. He said **SB 46** will provide relief to the oil producer's cash flow in the form of increased net revenues, and it would eliminate the considerable and costly administrative burden required to keep track of data to apply for and maintain exemptions. He noted that, although current law provides for certain exemptions, the profit for leases which are not currently exempt is significantly reduced by the severance tax. In this regard, he discussed examples of leases attached to his written testimony. In conclusion, Mr. Wilson stated his belief that providing relief to the oil producer's cash flow without causing an increase in consumer prices is possible with the enactment of **SB 46** in combination with **SB 18**. In his opinion, the fiscal note associated with the bills is overstated because it does not consider the tax revenue that will be lost if wells are plugged prematurely. (Attachment 3)

Natalie Bright, Kansas Chamber of Commerce and Industry (KCCI), conveyed KCCI's support of **SB 46**. She expressed concern about the loss of a major industry, such as oil and gas, in the state of Kansas and the ripple effect its loss will have on the business community, especially in rural areas. She concluded that elimination of the severance tax may not save the in oil and gas industry, but it is at least one step to help an ailing industry. (Attachment 4) She informed the Committee that KCCI does not have a specific policy statement on **SB 18**, but she felt confident that members of KCCI would not oppose it.

Senator Langworthy called attention to written testimony in support of **SB 46** submitted by Ronald Hein, representing Pioneer Natural Resources U.S.A., Inc., (Attachment 5) and by Erick E. Nordling, Southwest Kansas Royalty Owners Association (Attachment 6).

The meeting was adjourned at 12:00 p.m.

The next meeting is scheduled for January 28, 1999.

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: January 27, 1999

NAME	REPRESENTING
Robert E. Williams	KIOGA
[illegible] Miller	Kansas Inc.
Bud Grant	KCCI
Lee Gerhard	Kansas Geological Survey
Jack Glaves	Oxy, Duke & KN Energy
George Petersen	Ks Taxpayers Network
Pat Hubbell	Anadarko
Marc Harrman	Div. of the Budget
Doug Smith	SWKROA
Tom Bruno	Allen & Assoc.
Angie Bock	Cheyenne Co. Leadership
Karla Zweygardt	"
Deanna Forsythe	" "
Tina Elliott	" "
Dale Weeks	— —
Keon Zweygardt	" "
Sara Schield	" "
Carla Orten	" "
[illegible]	" "

SENATE ASSESSMENT AND TAXATION COMMITTEE
GUEST LIST

DATE: January 27, 1999

NAME	REPRESENTING
Janet Jensen	Cn Co. Leadership
Don Schnacke	KIOGA
John D. Farmer III	KIOGA
Charles Wilson	Berexco Inc.
Ken Peterson	KPC
Scott Schneider	McGill, Gaches & Assoc.
Larry Kleeman	League of KS Municipalities
Natalie Bright	KCCI

KIOGA
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Testimony of
Robert E. Krehbiel, Executive Vice-President
Kansas Independent Oil and Gas Association
on Senate Bill 18 and Senate Bill 46
before the Senate Committee onAssessment and Taxation
January 27, 1999

Madame Chair and Members of the Committee:

My name is Robert E. Krehbiel and I am appearing on behalf of the Kansas Independent Oil and Gas Association in support of Senate Bills 18 and 46. This Association was organized 62 years ago to speak for the many independent oil and gas producers and their supporting service providers throughout the State of Kansas. These Bills are of vital importance to all Kansas crude oil producers as well as the Kansas economy.

The dramatic and sustained decline in the price of crude oil at the wellhead has placed the future of marginal oil production in all producing states in America in serious jeopardy. The seriousness of this issue has drawn the attention of the media and has been well publicized. The Governor's of the producing states have established Task Forces in conjunction with the U.S. Department of Energy to determine how to deal with the price crisis. This issue is complex.

Governor Keating of Oklahoma has called a special session of the Oklahoma Legislature to convene January 20, 1999, for the proposed repeal of 6/7ths of their severance tax, retaining only 1/7 dedicated to public education. Oklahoma has no property tax on oil and gas. Other Task Force proposals include repeal of the sales tax on oil and gas machinery and equipment and services relating thereto.

Governor Graves is also well aware of the crisis facing this industry and stated in his address to the legislature that "the Kansas oil industry has been devastated" and challenged the legislature to "do what we can and be sensitive to those needs as we make public policy". These bills are two very important steps that can be taken by the 1999 legislature to help reduce the costs associated with maintaining marginal oil production in Kansas and incent the continued exploration and development of oil and gas in Kansas.

1998 was, without doubt, the most difficult year in recent history for the nation's 24,000 independent oil producers. Oil prices in Kansas and all other producing states have reached historic lows which last week were ranging from \$5.90 per barrel for North Dakota sour crude oil to \$10.25 per barrel for West Texas intermediate crude oil. The posted price for Kansas crude oil last week ranged from \$8.75 per barrel in Eastern Kansas to \$9.75 per barrel for

Senate Assessment + Taxation
1-27-99
Attachment 1

Central Kansas crude. Production costs exceed oil prices for much of the crude oil that is produced throughout the state. As a result, many of the state's 40,000 marginally economic stripper wells have been shut-in, hundreds of employees have been laid off, rigs have been stacked and drilling has ceased.

A recently completed crude oil price crisis survey conducted by our Association in conjunction with the Independent Producers Association of America was an attempt to quantify the impact of low crude oil prices on our industry. The response was overwhelming and the results were startling. With operators of over 13,000 wells responding in Kansas the survey indicates that 40% of oil wells are shut down as unprofitable and an additional 40% will be shut down within the next few months. This is a crisis of enormous proportions.

To help define the problem and the impact on the U.S. and Kansas economies I have attached various studies from the educational and governmental communities. The first is a publication of the Interstate Oil and Gas Compact Commission entitled "Marginal Oil and Gas Report". The IOGCC is a 63 year old state government organization representing the governors of 29 oil and gas producing states. The mission of the IOGCC is to promote conservation of domestic oil and gas by minimizing waste and maximizing production while protecting health, safety and the environment. Governor Bill Graves was recently appointed to serve as Chairman, replacing Governor Jim Geringer of Wyoming.

This Marginal Oil and Gas Report indicates that in 1997 there were 436,084 stripper wells in the United States which produced 352,938,000 barrels of crude oil in 1997 at an average daily rate of 2.22 barrels per well. 15,173 of these wells were plugged as uneconomical in 1997. The remaining stripper wells have the potential to recover an additional 2.577 billion barrels of oil through continued primary and secondary recovery production. Today this enormous natural resource is threatened by premature plugging due to low wellhead prices (see page 5 of the report).

This Report also demonstrates that the State of Kansas had 40,504 stripper wells producing in 1997, accounting for 30,675,301 barrels produced in 1997, ranking fifth in the nation (see page 2 of the report). 1,765 stripper wells were plugged in Kansas in 1997. The remaining Kansas stripper wells have the potential to recover an additional 138,806,000 barrels if they are not prematurely plugged due to low wellhead prices. A recent study involving technologically advanced secondary recovery methods indicates that an additional 100 million barrels of oil could be recovered from the Morrow Formation, 300 to 400 million barrels from the Lansing-Kansas City Formation and up to 300 million barrels from the Arbuckle Formation.

A second publication attached is entitled "The Economic Impact of Stripper Wells in the United States", prepared by Dan Olds, Energy Management Consulting Services, PricewaterhouseCoopers, for the Interstate Oil and Gas Compact Commission. His economic analysis would indicate (page 5 of the Report) that the 15,173 stripper wells that were plugged in 1997 will result in lost production of 14,049,479 barrels of crude valued at $253,239,922 using the 1997 average price of $18.02 per barrel. The multiplier effect of this loss of production and value is reflected in the loss of 977 jobs in the industry with the loss of

$24,968,000 in earnings and 2,220 jobs in the overall economy with the loss of $51,427,000 in earnings.

The Report indicates (page 5 of the Report) that the lost revenue resulting from plugging the 1,765 stripper wells in Kansas in 1997 was $24,902,817, which multiplies (page 8 of the Report) to $37,309,000 of lost output, $4.794 million in lost earnings and 354 lost jobs. Finally, Page 10 of the Report, hypothesizes that if all stripper wells in Kansas were plugged and abandoned lost output would total $856 million, lost earnings would total $110 million and 8,115 jobs would be lost.

Though Kansas data for 1998 is not yet complete, Dr. Tim Carr, at the University of Kansas Geological Survey, has estimated the decline in wellhead value in Kansas will result in the loss of 5,680 jobs in Kansas. A copy of his report is available.

In 1997 the Kansas Oil and Gas Industry produced nearly 40 million barrels of crude oil and 678,654,000 MCF of natural gas to create over $2.2 billion in value at the wellhead. To put that number into perspective it is roughly the equivalent value of all of the wheat and soybeans produced in Kansas in 1997. The average wellhead price for crude oil in 1997 was approximately $18.23 per barrel. The average wellhead price for natural gas in 1997 was approximately $2.18 per barrel.

The industry paid $203,825,743 in severance and property taxes to state and local governments in 1997, slightly over 9.1% of gross wellhead value. In 1997, the Kansas oil and gas industry employed 6,829 people at the production level and an additional 16,600 people downstream. The development of secondary recovery methods has the potential to add an additional 6,000 employees in Kansas.

Although Kansas is considered to be a mature producing province it clearly retains enormous potential when the price of crude oil and natural gas reflects the cost of production and tax policy reflects the ability of the industry to pay.

But the problems facing this industry are serious and immediate. The figures for 1998 have not been finally tabulated, but it is estimated with reasonable certainty that the price of crude oil sold at the wellhead will have averaged $11.21 per barrel. The most recent price posted by crude oil purchasers for Central Kansas crude oil was $9.75 per barrel, up from a recent low of $7.50 per barrel, and $8.75 per barrel for Eastern Kansas crude oil, up from a recent low of $6.50 per barrel. The most reliable energy analysts, the Energy Information Administration, U. S. Department of Energy, predicts these prices will be with us for some time to come. Likewise, industry analysts, agree we are faced with a long siege of low wellhead prices.

One industry analyst calculated that in the United States, a one cent per gallon decline in gasoline prices translates into $1.2 billion in annual cost saving. "If gasoline prices remain at $1.12/gallon the U.S. motorists stand to save $70.5 billion on motor fuel purchases...and when trucks, buses and other vehicles are included $100 billion in fuel savings in 1998 will be realized by consumers."

While that is good news for consumers and the rest of the American economy, it is devastating the domestic crude oil producer. When the price of crude oil falls below $15 per barrel much of the remaining Kansas reserves will be plugged and abandoned before fulfilling their potential production. Recoverable reserves are a direct function of price. When the price of crude oil falls to present levels we have estimated that 80% of Kansas production will be shut in or plugged and abandoned. The economy, the value, the jobs which flow from that will be lost, and will likely be lost forever. The independent producing industry considers this a crisis the likes of which this industry has not faced since the great depression.

The problem of low wellhead prices is further exacerbated by tax policy that was based on the economics of a bygone era. Consumer hostility generated by the Arab oil embargo and long lines at the gas station resulted in punitive tax policies which included federal price controls, a windfall profits tax, a state severance tax, a property tax providing the highest assessment rate on oil and gas properties in the constitution, and exclusion from any significant economic development incentives, property tax abatements or sales tax exemptions. These punitive tax policies extracted hundreds of billions of dollars from this industry in better days and many still remain in place

Much of Kansas, tax policy relevant to the oil and gas industry was put in place in a short time when crude oil prices were at an historic but artificial high. In 1981, with crude oil prices near $40 per barrel, the Kansas Secretary of Revenue testified before the Senate Tax Committee that the price for domestic crude oil would increase to $43 per barrel by the 4th quarter of 1981, average $47 per barrel in 1982, and $55 per barrel in 1983. Governor Carlin suggested that the price of crude oil would reach $100 per barrel.

The resulting tax policies were punitive by comparison with other industries and reflected the erroneous projections of a brief economic anomaly. This left the oil and gas industry with an effective tax rate three times greater than for any other industry in Kansas and without the sales tax exemptions available to other industries to assist the generation of economic activity. Today, with crude oil at $9.75 per barrel, these tax policies are devastating.

S.B. 18 sponsored by Senator Lee and Senator Corbin addresses one area of much needed change in tax policy applied to the oil producing industry. S.B. 18 is designed to protect low producing wells which are most vulnerable to low crude prices, those making 15 barrels per well per day or less. The bill also targets the most significant tax facing the crude oil producer, the property tax. The bill also reflects the urgency of the crisis by allowing immediate recovery of 1998 property taxes paid when State income tax returns are filed by April 15, 1999. The bill will not impact taxes paid to local units of government. This bill has been fine tuned and targeted to only those who pay the bills, bear the costs and take the risks, the working interest owners.

S.B. 46, the Governor's bill to repeal the severance tax on crude oil, recognizes that economies are dynamic and constantly changing and tax policy must change accordingly. The extraordinary taxation of this industry can no longer be justified by any stretch of the imagination and the damage that current tax policy is doing to the State of Kansas must be alleviated.

This industry urgently needs both of these bills to pass. Your consideration is very much appreciated.

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1998 - 1999 Oil Price Crisis Headlines

The newspaper articles listed below are a sampling of the scores of news stories written about the 1998-99 oil price crisis.

Abilene Reporter-News, March 14, 1998
"Low oil prices causing U.S. producers to cut back"

Great Bend Tribune, March 15, 1998
"Pickrell shuts down 40 of 300 wells"

Commercial Dispatch, March 16, 1998
"Cheap gas, sure, but oil producers worried by downturn in the prices"

The Dallas Morning News, March 17, 1998
"Oil prices dive to 9-year low"

Houston Chronicle, March 17, 1998
"Oil prices take nose dive; companies revise budget"

The Bakersfield Californian, March 17, 1998
"Kern crude sinks to 18-year low"

USA Today, March 20, 1998
"Small Oil Companies Sinking with Crude Prices"

The Kansas City Star - March 24, 1998
"Cheap Oil Hurts"

The Columbus Dispatch, March 26, 1998
"Down the hole"

St. Louis Post-Dispatch, March 30, 1998
"Prices Pinch Small Oil Producers"

Houston Chronicle, April 26, 1998
"Oil's plunge has marginal-well producers reeling"

The Wichita Eagle, August 25, 1998
"KIOGA hears from Graves on oil prices, taxes"

Topeka Capital-Journal, August 28, 1998
"Oil and gas industry: Repeal severance tax"

The Wall Street Journal, November 23, 1998
"As OPEC Gathers, Oil Prices Could Get Weaker"

The Wichita Eagle, December 6, 1998
"Kansas Oil Scrapes Bottom"

The Hays Daily News, December 22, 1998
"Kansas oil becomes extinct"

The Hays Daily News, December 23, 1998
""Declining oil industry affects school districts"

The Hays Daily News, December 24, 1998
"Oil crunch causes some retailers to experience lower profits"

The Wall Street Journal, December 28, 1998
"Oil Strippers in West Texas Close Up Shop for Good"

The Wichita Eagle, January 4, 1999
"Domestic oil, gas industry needs aid"

The Kansas City Star, January 5, 1999
"The dark side of cheap oil"

Office of Governor Frank Keating, State of Oklahoma, News Release, January 5, 1999
"Keating calls for special session on oil crisis during joint session speech"

The Daily Oklahoman, January 6, 1999
"Special session called to vote on oil tax cut

The Daily Oklahoman, January 6, 1999
"Task force urges oil production tax cut"

Attachment 1

GRIGGS OIL, INC.
SUTTON PLACE
SUITE 220
209 E. WILLIAM
WICHITA, KS 67202
316-267-7779
fax 316 267 4866

December 16, 1998

Bill Richardson
Secretary of Energy
Department of Energy
Washington, D.C.

Dear Mr. Richardson:

Griggs Oil, Inc. is a small, family-owned Kansas independent producer. The 90 or so oil and gas wells we operate produce over 200 barrels per day if all our wells are up and running. When the price of oil dropped below $12.00, however, we had to shut down many of our wells because they were not economical. We determined that the price of oil would need to be in the $16.00-17.00 range for these wells to break even, so we had no choice but to cease their operation. By doing so, we have taken about 30-35 barrels per day off the market, and we have serious doubts that we will be able to get the wells back to that level of production if we try to re-start them. In addition, if the price remains below $8.00 per barrel, we are facing the prospect of shutting down most of our remaining oil wells.

Many if not most, of the wells that are shut down due to low prices will never recover and will have to be plugged. Once plugged, the remaining oil reserves in the ground will be forever lost. Bear in mind that new oil wells cost over $150,000.00 to drill, complete and equip in most areas of Kansas, and that the cost to re-enter an old one is well over half of that. It is inconceivable that anyone would ever drill a new well, or even re-enter an old one, to get 3-4 barrels of oil per day, even though the well may produce at that level for many years.

Since we are not operating as many wells, and since oil revenues from our best wells barely cover their operating costs at current prices, our company's income has been severely reduced. In response, we have had to cut our costs by laying off two of the company's six employees, both of whom had been with us for many years. We have also moved to smaller offices, delayed repairs and workovers to producing wells, and reduced our exploration budget to the absolute minimum. In other words, we are just trying to survive until the oil price improves.

But the impact of low oil prices goes beyond our company and its employees. The wells we operate are owned in part by investors, including ourselves, who helped drill these wells with their hard-earned, after-tax dollars. These people are now seeing the value of their investment and the income from it reduced in some cases to zero. A lot of the people depend on oil income from the wells we operate. The current situation has put them into an immediate financial bind, and has undermined the value of the estate they had hoped to leave to their heirs.

The effect of shutting down oil wells must also be looked at from the point of view of our contract pumpers who are paid $125.00-150.00 per producing well per month. The families of these skilled, experienced workers are now really struggling financially with so many wells no longer producing. The same can be said for suppliers and service companies, many of whom have sold out or just shut their doors. We worry that many of these people will permanently leave the industry if the present situation continues, and that it will be extremely difficult to operate in the future without them.

We also feel that there will be significant negative consequences to state and local governments due to reduction in severance and property tax collections. Since these taxes are based on the value of what is produced, they will have to be made up from increases in other taxes, such as real estate or income taxes. This will have an overall negative impact on oil producing states by burdening other taxpayers, and by discouraging economic development and location of new businesses in these states due to prohibitive tax levels.

Finally, we are grimly concerned over the long-range effects to our nation of this most recent blow to the oil industry caused by prolonged low prices. The United States is one of the top oil producing countries in the world, a fact that helped us win World War II and one that remains pivotal to our national defense and independence. Our position as a major energy producer has played a large role in making the United States the world power it is, but that position is now in more jeopardy than ever since we already import about 56% of the oil we use. A great number of the wells in this country are uneconomical at present prices, so we as a nation are in imminent danger of forever losing a significant percentage of a valuable national asset as well as a major strategic defense advantage. If a large percentage of the stripper wells in this country were plugged, we would have to replace hundreds of thousands, and perhaps as many as a million of barrels of oil per day with imported oil. This would increase our trade deficit by billions of dollars per year; but more importantly, it would put this country in real peril from a defense standpoint.

Everyone seems to take for granted that the present free flow of oil will always continue, and that the domestic oil and gas industry will always survive. The leaders of this country need to question those presumptions and plan for a day when enough imported oil is not readily available. If that day ever comes, the nation will look for help, as it always has in the past, to its domestic oil producers. If nothing is done to help producers survive, the nation will find that its domestic oil industry has been neglected to death by short-sighted leadership that prizes the positive economic effects of low fuel prices over the survival of the vital industry that produces that fuel here at home.

We need, at a minimum, some form of tax relief for marginal wells, but a better alternative would be to establish a floor price for domestic crude. This would ensure the health of our industry and the continued prominence of this country as an energy producer. To do less than the minimum, or to do nothing at all, will have consequences far beyond the borders of oil producing states. The future of this country, the quality of life of its citizens, their children and grandchildren depends on what is done now to preserve the domestic oil industry. We ask that you make this issue one of highest priority, and that you give it the immediate attention it deserves.

Sincerely,
GRIGGS OIL, INC.

RBG

Ross B. Griggs
Vice President

DAVID AND JEAN MAI
P.O. BOX 842
RUSSELL, KS 67665
785 483 4848

HONORABLE BILL RICHARDSON
SECRETARY OF ENERGY USA
WASHINGTON, D.C.

DEAR MR. RICHARDS,

WE ARE PRINCIPAL STOCKHOLDERS IN MAI EXCAVATING INC. A CLOSE HELD, FAMILY CORPORATION, INVOLVED IN THE OIL INDUSTRY AS A SERVICE COMPANY. OUR MAIN INCOME SINCE 1964 HAS BEEN DERIVED FROM THE OIL INDUSTRY, THEREFOR WE ARE VERY CONCERNED ABOUT THE SHAPE THE INDUSTRY IS IN THROUGH NO FAULT OF IT'S OWN. WE, HAVE HAD HARD TIMES BEFORE BUT NEVER HAS THE OIL INDUSTRY SUFFERED AS MUCH AS IT IS SUFFERING NOW.

WE HAVE HAD TO GO FROM 30 EMPLOYEES TO 6 IN THE PAST 13 YEARS WE HAVE BEEN FORCED TO SELL EQUIPMENT BECAUSE THERE WAS NO WORK FOR IT, WE HAVE SEEN ALL OUR YOUNG PEOPLE LEAVE THE AREA AND LOOK FOR OTHER KINDS OF EMPLOYMENT, LEAVING PRECIOUS FEW IN THE OIL INDUSTRY THAT KNOW WHAT OIL PRODUCTION IS.

THIS HAS AFFECTED OUR COUNTY TAX BASE, PUTTING THE BURDEN ON SMALL BUSINESS SUCH AS OURS, WE ARE IN DANGER OF LOSING OUR HOSPITAL AND THE SCHOOL SYSTEM IS IN JEOPARDY. THE AREA FROM NORTH DAKOTA TO TEXAS GULF IS HURTING AND NO ONE IS LISTENING TO US.

IT LOOKS LIKE FOREIGN OIL IS MORE IMPORTANT TO OUR LEADERS THAN THE UNITED STATES OIL INDUSTRY. WHAT HAPPENS WHEN FOREIGN OIL COMPANIES DECIDE NOT TO SEND OIL TO OUR COUNTRY IT WILL TAKE YEARS TO REDO THE OIL INDUSTRY EVEN IF WE WERE TO START TOMORROW. PEOPLE ARE NOT GOING TO BE ABLE TO DO A NEW START UP BECAUSE THEY HAVE HAD TO SPEND THE RESOURCES THEY HAVE TO JUST SURVIVE.

WE ASK THAT YOU PLEASE TAKE OUR CASE TO GOVERNMENT LEADERS, WE DON'T WANT A GOVERNMENT HAND OUT WE JUST WANT THE RIGHT TO A DECENT INCOME, OUR OIL INDUSTRY SHOULD BE MORE IMPORTANT THAN JOBS FOR PALESTINIAMS.

SINCERELY,

David Mai Jean Mai

DAVID AND JEAN MAI

1-10

TELEPHON 93-9556 FAX 316-7

CHASE WELL SERVICE, Inc.

P.O. Box 355 - 5619 8th Street

GREAT BEND, KANSAS 67530

Dec. 17. 1998

The Honorable Bill Richardson
Secretary of Energy, U.S. Department of Energy
1000 Independence Ave., SW
Washington, DC 20585

Dear Secretary Richardson:

I am writing you this letter on why it is important that our government set a realistic price on domestic crude for the survival of our industry, National security, and livelihood of thousands of workers that are left in our industry. The oil industry has made western Kansas and other states prosper when other industries were down. Our industry has helped build schools, roads, made towns grow and pumped thousands of dollars if not millions in local communities which were passed on to others. With Kansas crude at $7.25 a barrel it is hard to put people to work. **Oil producers can not afford to pump their wells, wells are being shut down, people are being laid off, and are forced to leave our area.** With the people that are left, they are forced to pay higher taxes to live in the same home they have had for years. There is no money that we can call extra to take our families on vacations, out to eat, or any of the nice thing we would like to do. We just try to make ends meet.

We are not people that that work for Mobil, or Exxon, but people who work for small independent oil companies. Companies that have been hit hard by over burden taxes, raising cost of health insurance and repair cost of equipment. We make a small wage compared to the big boys. We are honest hard working people, that just want to work. If things continue, on as it has on the past year, we will be forced to leave are homes and towns and move to the large cities.

I have seen this company that I have worked for the last 27 years, go from 48 employees in the late 70's & early 80's , decline down the 11 employees at the present time. Surviving day by day, wondering if it is worth staying in business, trying to fight the Federal , State, and local bureaucracy.

You take the Mid Continent area of this country, we tend to make this country run. The oil industry supplies jet fuel, diesel fuel and gasoline for planes, trains, and automobiles. Heating oil for factories and even fuel for generators for electricity. Compounds that are vital in making plastics, which are a by product of oil, is used in everyday living from coast to coast.

Our country can not depend on foreign oil as a sole provider. If our country depends on foreign oil, it will only be a matter of time before our country is being

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TELE. , 316-793-9556 FAX 3-7971

CHASE WELL SERVICE, Inc.

P.O. Box 355 - 5619 8th Street

GREAT BEND, KANSAS 67530

controlled and manipulated by non-American outside forces. Just think our Army, Navy, and Air Force, being controlled by some foreigner, **(scary thought)**. Our President wants to send our naval fleet somewhere to protect a little county, but we can not go because we have no fuel. **Foreign countries have cut off U.S. oil imports.** If you don't think this can happen, just remember oil embargo of 1973!! Fuel storage coast to coast and America was at the mercy of foreign oil ministers.

I hope you can see the urgency in helping the OIL INDUSTRY survive and protect one of our Nations most important asset for global survival.

Sincerely,

Mark A. Link

Mark A. Link
President of Chase Well Service, Inc.

•Rod & Tubing Service •Single & Double Drum Units •Reverse Circulator •KCC & ICC Reg. Trucks

Heavy Pole Masts
Telescoping Single & Double Derricks
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PRATT WELL SERVICE INC.
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COMPLETE OIL WELL UNIT SERVICE

In Business Since 1946

Kenneth C. Gates, President
Kevin C. Gates, Vice President
Sandra L. Gates, Sec.-Treas.
P.O. Box 847
Pratt, Kansas 67124

December 16, 1998

The Secretary of Energy Bill Richardson
Washington D.C.

Dear Mr. Secretary,

I am writing this letter to let you know the effect of the low oil prices on an almost 53 year old oil and gas well service company. I am the second generation of a family owned business and my son is in his final year at Wichita State University hoping to be the third generation of the company. But the low oil/gas prices may set the scenario differently for that. In this family owned business we have been totally dependent on the oil industry to provide for our 52 employees and their families. In 1986 we had 88 employees until the "boom" busted. The average years of employment for each of our employees is 15 years which is very unusual for the well service industry.

Pratt Well Service is located in an area with a population of approx. 6500 people that is supported by agriculture, railroads, and oil industry. Pratt, in the middle 80's had around ½ of the population working in the oil industry. Today we have less than 125 people employed in the industry. The tax base has been supported by the oil industry but now with the price of oil so low, I am not sure where the tax money will come from. Programs have already been dropped or scaled back to offset the lowering tax income.

The oil industry has been a 600,000 or larger industry and due to low oil prices we have lost at least 2/3 of that number, or more, due to the mergers taking place. I do not understand as important oil is to the world, why is the price of oil so low? Because, this product is used up it is gone for ever.

Please, Mr. Secretary do something for this industry to help the pricing, otherwise this industry could be in the hands of the auctioneers. The old saying is "We will pay now or pay later".

Sincerely,

Kenneth C. Gates
President

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CLA-MAR OIL COMPANY

P.O. Box 1197, Hays, Kansas 67601, (785) 625-3863 Cellular (785) 623-1700

December 15, 1998

Mr. Bill Robinson
Secretary of Energy
Washington, DC

Dear Secretary Robinson:

I am a small independent oil producer in Ellis County, Kansas. In the nearly 20 years that I have been in business I have put everything into my business, always keeping a close eye on expenses. Over the average of this time I have been able to make a reasonable living. There have been some good times and there have been some tough times. In the tough times we have always been able to cut a little here and a little there to get by.

This time things are different. There is no way we can cut any more to get by when it costs more to produce oil than what the product is worth. If I were totally debt free, it would still be impossible to make a living with these oil prices. All I want to be able to do is make a living and be able to help my boys through college.

Right now, I would shut down my wells and look for other work, but there are others who depend on me to make a living. Pumpers (those who look after the wells on a day to day basis) depend on me and other operators for work. They need producing wells to stay in business. Service companies and suppliers are finding it tough and some have closed their doors and laid off employees. The repercussions are also being felt by electrical service providers. Western Cooperative Electric draws more than 70% of their business from oil producers. A very high percentage of the wells they supply are shut down and more are being shut down each day. Again, this will mean more loss of jobs. So for now, I will operate at a loss while looking for the light at the end of the tunnel.

Ellis County depends very heavily on oil production for tax revenues. This year the valuations were down more than 30 million dollars and next year will be down even more. Where will the money be made up? It's put on other property owners, of whom I'm one, who can ill afford it.

It seems that Washington and the energy secretary are far removed from our plight. We are not asking for a hand out. All we are asking for is a sensible energy policy that will allow us to get a fair price for our product.

Many others are also writing letters and I'm sure you will get more of the same and in some cases even greater detail. I won't go on anymore because I'm sure that you understand what we are faced with. The purpose of this letter is to let you know that oil producers, pumpers, suppliers, service companies, electrical companies and tax payers need your help.

The Secretary of Agriculture has helped the farmer. Can the Secretary of Energy help the domestic oil producer?

A time of Christmas joy and celebration is certainly not that for anyone in the oil business.

Sincerely,

Jim D. Clark

Jim D. Clark

1-14

RONALD S. SCHRAEDER
212 N. Market, Suite 405
Wichita, KS 67202

December 14, 1998

Bill Richardson, Secretary of Energy
U.S. Department of Energy
1000 Independence Ave., S.W.
Washington, D.C. 20585

Dear Mr. Richardson:

I am a consulting petroleum engineer. I work for small companies that do not have an engineer on staff full time. I have been doing well completions, workovers to older wells, and prospecting for new wells since 1966. These are the worst economic conditions I have seen in the domestic oil business since I have been out of college.

Most of the small oil companies in Kansas have fewer than five employees, which is why I can stay busy most of the time. These companies have a handful of investors who love the oil business and are willing to "take a chance" to see if there is oil and gas under a lease. If the well "hits" they usually get their money back and make a little extra to try again. I am hired to set the production casing, perforate and stimulate the "pay" zone, and set the equipment so the well will recover the newly found reserves. All of this has come to a screeching halt!

Over the last six months Kansas independent oil companies have struggled to keep their doors open. I have lost half of my client companies because no company can profit at today's oil prices. Kansas is mostly an oil province with only the lower third of the state having gas reservoirs. In addition, Kansas is a mature producing area where literally tens of thousands of wells have been drilled since 1907. The major oil and gas fields have been found and mostly depleted. The larger companies have long since moved out of state. The independent oil producer is the last bastion between Kansas producing its own oil or having oil brought in from some other state or country.

We are now selling oil equivalent to prices that existed in the late 1970's. If we could roll back prices for the vehicles, equipment, transportation, services, parts,

1-15

chemicals, employee pay, and all of the myriad of other items that are 20 years higher in price, the oil business could withstand these prices better. But no industry can have the price on their product cut in half (or more) for any lengthy period of time and remain solvent. The oil business is no different.

You can not continue to allow cheap oil to flood into this county without the consequences of losing all of what remains of the independent Kansas oil companies. In addition, numerous communities also lose those associated service companies (mechanics, welders, dozer services, trucking services, water haulers, etc.) and their income. When oil companies are making money they spend money freely in the communities in which they live (homes, schools, restaurants, movies, etc.). All I see by having cheap oil is the fact that you can fill up the car with gasoline for less money. But that's at the expense of oil men leaving the country to invest in drilling deals elsewhere in the world. We lay off dozen here at home so we can spend money in some other country and hire a dozen of their people and put them to work. The revenues from oil and gas production are usually in the form of royalties and taxes when it comes to government income. Just think about what you are doing! By forcing the oil business out of this country to invest overseas, you are sending the government's royalty and tax incomes overseas as well. Fewer wells here-fewer government dollars. More wells there-more dollars for that government.

There's this expression going around: "Buy American". That means keep our people employed rather than some foreigner. It's now time to apply that to our oil business. Let's keep our investment dollars at home and see to it that our people come first. So it costs an extra dollar or two to fill up the car. At least we won't have to wait in line to do it some day.

Sincerely,

Ronald S Schraeder

Ronald S. Schraeder

OFFICE OF GOVERNOR FRANK KEATING
STATE OF OKLAHOMA
State Capitol Building • Oklahoma City, OK 73105

www.state.ok.us/~governor/

NEWS RELEASE

For immediate release
March 11, 1998

contact: Dan Mahoney
405-523-4219

GOVERNOR NAMES EMERGENCY TEAM TO FOCUS ON FALLING OIL PRICES' IMPACT ON OKLAHOMA

Oklahoma City- Governor Frank Keating today announced that Corporation Commissioner Denise Bode and Energy Secretary Mike Smith will head up an emergency team to look at what Oklahoma can do to protect the state and its thousands of oil producers from the devastating impact of volatile oil prices. The group will include producers, royalty owners and others involved in the oil and gas industry. Representatives of the state's oil and gas utilities also will be asked to get involved, as will the Interstate Oil and Gas Compact Commission, which the Governor chaired last year. The Governor has requested an action plan from the group within 30 days.

"We know there is nothing we can do about the price of oil. What we can do is provide whatever relief possible to lessen the impact on Oklahoma's producers. The trend of Oklahoma Crude hovering at $12 a barrel is potentially crippling to the 70,000 stripper wells in our state. There are immediate steps that can and will be taken and I want this team to look at other options to give these producers a safety net as the oil prices plummet," the Governor said.

"It's not just an energy issue but an issue crucial to Oklahoma's economy. With nearly 50 thousand Oklahomans employed in the oil and gas industry and gross production taxes comprising nearly five percent of state revenues, we must get a handle on the effect of dropping prices. It appears the low prices are a trend and we need to get an early jump on the problem," Keating added.

The Governor took an immediate step as he signed Corporation Commission rules that put into effect marginal well enhanced recovery tax credits and cost saving incentives passed last year by the Legislature. Commissioner Bode promised the Commission plans to implement emergency provisions that allow producers some flexibility and a safety net to keep from plugging their wells prematurely.

"The issue for these producers is cost, not price. We aren't going to stop the glut of oil coming out of the Middle East. What we *are* going to do is help Oklahoma producers stay on their feet in the midst of the crisis," the Governor said.

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RADIO: tape is available on the Governor's Audio Line 405-523-4202. An audio clip is also available on the Internet at http://www.state.ok.us/~governor/audio.htm

~~Attachment 2~~

OFFICE OF GOVERNOR FRANK KEATING
STATE OF OKLAHOMA
State Capitol Building - Oklahoma City, OK 73105
www.state.ok.us/~governor/

NEWS RELEASE

FOR IMMEDIATE RELEASE
January 5, 1999

CONTACT: Rick Buchanan
405-523-4278

KEATING CALLS FOR SPECIAL SESSION ON OIL CRISIS DURING JOINT SESSION SPEECH

Oklahoma City -- Governor Frank Keating today called for a special session of the Oklahoma Legislature to meet on January 20, 1999, as a result of the collapse in energy prices in Oklahoma. Here are comments from Governor Keating's speech:

"We look at this budget season, for the first time in several years at a negative number. We also look at the energy industry and see how truthfully imperiled they are. People say that twelve dollars a barrel is what you need to break even. But at nine dollars per barrel our energy sector is in very real jeopardy."

"The price of wheat, the price of cattle, the price of hogs, as low as they are, certainly imperil our ability to do the things in Oklahoma as what we have done in the past. I would hope during the 1999 legislative session that all of us could work together, in a new Oklahoma spirit, the spirit of bipartisanship and commitment, for our citizens, to address these issues."

"I am asking the Legislature to return in special session on January 20th for the purpose of addressing a series of recommendations from our energy task force, to reduce our gross production tax and take other appropriate measures to provide some kind of solace, some kind of support, some kind of hope, some kind of opportunity, for the energy industry - we must do that."

"I would hope we can come together on January 20th and look at this bipartisan series of recommendations which passed unanimously this morning and address those issues in the best interest not only of the energy industry in our state, but the state at large."

Radio stations can access audio of the Governor's comments by calling the Governor's Audioline: **405-523-4202**

Also, RealAudio and RealVideo is available of the Governor's comments at:
www.state.ok.us/~governor/

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Attachment 4

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KOCH OIL POSTING

Provided by Koch Petroleum Group, L.P.
P.O. BOX 2256, WICHITA, KS 67201
1999

Effective 7:00 A.M., on dates shown below, and subject to its divisio and supplemented,contracts and other agreements, KOCH PETROLEUM GROUP prices per barrel of 42 U.S. gallons for merchantable crude oil purch into pipelines or facilities authorized by KOCH PETROLEUM GROUP in th designated below. The following prices are for informational purposes constitute an offer, and are subject to change or revisions without n

Bulletin	99-001	99-002	99-003	99-004	99-005	99-006
Effective	1/4	1/5	1/6	1/7	1/11	1/12
ALABAMA/FLORIDA PANHANDLE	7.25 *	6.75 *	7.75 *	8.00 *	8.25 *	7.75 *
Citronelle Field	8.00 *	7.50 *	8.50 *	8.75 *	9.00 *	8.50 *
COLORADO:						
Eastern Colorado	8.60 *	8.10 *	9.10 *	9.35 *	9.60 *	9.10 *
Colorado D-J Basin	8.75 *	8.25 *	9.25 *	9.50 *	9.75 *	9.25 *
KANSAS:						
Central Kansas	9.25 *	8.75 *	9.75 *	10.00 *	10.25 *	9.75 *
Eastern Kansas	8.25 *	7.75 *	8.75 *	9.00 *	9.25 *	8.75 *
Northwestern Kansas	9.00 *	8.50 *	9.50 *	9.75 *	10.00 *	9.50 *
Southwestern Kansas	9.00 *	8.50 *	9.50 *	9.75 *	10.00 *	9.50 *
LOUISIANA:						
South Louisiana Sweet	9.25 *	8.75 *	9.75 *	10.00 *	10.25 *	9.75 *
South Louisiana Sour (Onshore)	7.25 *	6.75 *	7.75 *	8.00 *	8.25 *	7.75 *
North Louisiana	9.50 *	9.00 *	10.00 *	10.25 *	10.50 *	10.00 *
MISSISSIPPI:						
Northwest Sweet	9.00 *	8.50 *	9.50 *	9.75 *	10.00 *	9.50 *
Northwest Sour	6.75 *	6.25 *	7.25 *	7.50 *	7.75 *	7.25 *
NEBRASKA:						
Nebraska Sleepy Hollow	8.10 *	7.60 *	8.60 *	8.85 *	9.10 *	8.60 *
Nebraska D-J Basin	8.50 *	8.00 *	9.00 *	9.25 *	9.50 *	9.00 *
Nebraska Intermediate	8.10 *	7.60 *	8.60 *	8.85 *	9.10 *	8.60 *
NORTH DAKOTA:						
North Dakota Sour	5.40 *	4.90 *	5.90 *	6.15 *	6.40 *	5.90 *
West Central North Dakota Sweet	8.65 *	8.15 *	9.15 *	9.40 *	9.65 *	9.15 *
Fryburg- Dodge Area	8.40 *	7.90 *	8.90 *	9.15 *	9.40 *	8.90 *
North Dak South Dak East MT Sweet	8.55 *	8.05 *	9.05 *	9.30 *	9.55 *	9.05 *
North Dakota Northern Area	8.55 *	8.05 *	9.05 *	9.30 *	9.55 *	9.05 *
North Dakota Southern Area	8.30 *	7.80 *	8.80 *	9.05 *	9.30 *	8.80 *
OKLAHOMA:						
Oklahoma Sweet	9.75 *	9.25 *	10.25 *	10.50 *	10.75 *	10.25 *
Oklahoma Intermediate	9.25 *	8.75 *	9.75 *	10.00 *	10.25 *	9.75 *

~~Attachment 5~~

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.west Oklahoma Sweet	9.25 *	8.75 *	9.75 *	10.00 *	10.25 *	9.75 *
Oklahoma Sour	6.75 *	6.25 *	7.25 *	7.50 *	7.75 *	7.25 *
Oklahoma Panhandle Sweet	9.25 *	8.75 *	9.75 *	10.00 *	10.25 *	9.75 *
TEXAS:						
East Texas Asphaltic	7.00 *	6.50 *	7.50 *	7.75 *	8.00 *	7.50 *
East Texas Sweet	9.50 *	9.00 *	10.00 *	10.25 *	10.50 *	10.00 *
Giddings Sweet Texas	8.75 *	8.25 *	9.25 *	9.50 *	9.75 *	9.25 *
Gulf Coast Mix	8.75 *	8.25 *	9.25 *	9.50 *	9.75 *	9.25 *
North Texas Sweet	9.25 *	8.75 *	9.75 *	10.00 *	10.25 *	9.75 *
North Texas Sour	8.00 *	7.50 *	8.50 *	8.75 *	9.00 *	8.50 *
Pearsall Sweet	7.75 *	7.25 *	8.25 *	8.75 *	9.00 *	8.50 *
South Texas Heavy	8.75 *	8.25 *	9.25 *	9.50 *	9.75 *	9.25 *
South Texas Light Sweet	8.25 *	7.75 *	8.75 *	9.25 *	9.50 *	9.00 *
South Texas Valley Sweet	7.75 *	7.25 *	8.25 *	8.75 *	9.00 *	8.50 *
South Texas Sour	5.75 *	5.25 *	6.25 *	6.50 *	6.75 *	6.25 *
Upper Texas Gulf Coast	8.75 *	8.25 *	9.25 *	9.50 *	9.75 *	9.25 *
West Central Texas	9.50 *	9.00 *	10.00 *	10.25 *	10.50 *	10.00 *
West Central Texas Intermediate	9.00 *	8.50 *	9.50 *	9.75 *	10.00 *	9.50 *
West Texas/New Mexico Intermediate	9.75 *	9.25 *	10.25 *	10.50 *	10.75 *	10.25 *
West Texas/New Mexico Sour	6.75 *	6.25 *	7.25 *	7.50 *	7.75 *	7.25 *
WYOMING:						
Wyoming Sweet	9.25 *	8.75 *	9.75 *	10.00 *	10.25 *	9.75 *
Asphaltic Sour	6.75 *	6.25 *	7.25 *	7.50 *	7.75 *	7.25 *
Wyoming/Montana General Sour	6.25 *	5.75 *	6.75 *	7.00 *	7.25 *	6.75 *

Last Update: 01/12/99

The above prices are based on the use of 100% tank tables or automati equipment acceptable to us or the pipeline company receiving the oil with customary adjustment of volume for temperature and full deductio sediment and water. The foregoing schedule of prices is subject to de notice for trucking, pipeline gathering, market adjustments, and othe on crude oil purchased from leases.

*DENOTES CHANGE

Please send comments to: Koch Oil Company

General Conditions and Legal Notices

1-21

KIOGA EMERGENCY SURVEY - OIL PRICE EFFECTS

CITY OF COMPANY SURVEYED	# WELLS OPERATED		# WELLS SHUT IN		# WELLS DRILLED			EMPLOYEES LAID OFF	# WELLS AT RISK		EMPLOYEES AT RISK
	CRUDE	NATURAL GAS	CRUDE	NATURAL GAS	1997	1998	1999		CRUDE	NATURAL GAS	
Wichita, KS	210	60	47	0	18	20	5	6	53	2	25
Augusta, KS	24		20		1	0	0		8		
Oklahoma City, Ol	12	3	2	0	7	6	5	0	5	0	0
Marion, KS	154	52	121	0	2	0	0	0	154	0	3
Emporia, KS	131	1	36	1	2	0	0	7	131	1	10
Tulsa, OK	297	2	153	0	0	0	0	5	78	2	8
Russell, KS	100	7	25	0	0	0	0				
McPherson, KS					35	25	0	12			1
McPherson, KS	138	3	32	0	3	3	0	0	28	0	2
Wichita, KS	23	5	4	0	0	0	0	0	23	0	8
Marion, KS	55	0	40	0	0	2	5	3	45	0	2
Stafford, KS	145	33	45	0	2	0	0	4	15	0	3
Great Bend, KS	13	0	3	0	0	0	0	0	3	0	1
Great Bend, KS	0	0			0	0	0	2	0	0	0
Wichita, KS	48	3	24	0	0	0	0	30	12	0	3
Sycamore, KS	6	0	6	0							
Wichita, KS	135	4	106	0	12	3	0	2	35	0	3
Seminole, OK	103	1	15	0	0	0	0	1	50	0	5
Great Bend, KS	7	0	5	0	0	3	0	4	2	0	2
Moundridge, KS	6	3	6	2				3		1	1
Moundridge, KS								1			
Lyons, KS	20	5	10	0	0	0	0	1	20	5	All
Wellington, KS	3		2		0	0	0		1		1
Ness City, KS	45	0			0	0	0	8	43	0	All
Goodland, KS		48		0	0	0	0	1	0	5	1
Sedan, KS	3	0	1	0	0	0	0	0	2	0	0
Sedan, KS	90	0	46	0	0	0	0	0	90	0	2
Hays, KS	95	0	22	0	0	0	0	3			0
Wichita, KS	4	10	5	2	2	2	0	0	5	1	1
Burden, KS	13	4	13	4	0	0	0	2	13	4	2

Attachment 5(a)

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KIOGA EMERGENCY SURVEY - OIL PRICE EFFECTS

CITY OF COMPANY SURVEYED	# WELLS OPERATED		# WELLS SHUT IN		# WELLS DRILLED			EMPLOYEES LAID OFF	# WELLS AT RISK		EMPLOYEES AT RISK
	CRUDE	NATURAL GAS	CRUDE	NATURAL GAS	1997	1998	1999		CRUDE	NATURAL GAS	
Liberal, KS	16	43	8	1	2	0	1	0	4	5	1
Wichita, KS	60	5	5	0	11	4	0	1	15	0	0
Hays, KS	11	0	10	0	0	0	0	7	1	0	2
Claflin, KS	62	0	41	0	1	2	4	0	62	0	4
Hays, KS	54	0	36	0	5	3	0	1	18	0	30
El Dorado, KS	151	1	15	0	0	0	0	0	32	0	3
Wichita, KS	128	18	34	7	0	0	0	0	18	4	3
Hays, KS	156	2	20	2	2	2	2	2	36	2	??
Ulysses, KS								9			All
Liberal, KS	20	475	4	2	42	40	25	5	6	10	2
Russell, KS	13	0	1	0	1	2	0	0	3	0	0
Iola, KS	14	0	14	0	0	0	0	All			
Garden City, KS	400	50	60	1	10	5	0	4	40	3	5
Pratt, KS	29	4	16	2	11	6	3	0	29	4	All
Wichita, KS	60	0	15	0	0	1	0	2	35	0	2
Chanute, KS	92	0	68	0	0	0	0	3	24	0	3
Wichita, KS	45	4	8	0	1	0	0	0	40	0	2
Benton, KS	9	0	8	0	0	0	0	1	9	0	1
Great Bend, KS	1	0	1	0	0	0	0	0	1	0	1
Blackwell, OK	35	5	7	3	0	2	0	3	10	0	8
Wichita, KS								5			All
Wichita, KS	91	0	44	0	2	0	0	2	15	0	1
Wichita, KS	43	1	5	0	0	0	0	0	10	0	0
Elkhart, KS	0	10	0	0	0	0	0	0	0	3	1
Wichita, KS	17	9	2	0	10	6	4	0	4	4	0
Roxbury, KS	37	0	16	0	0	0	0	0	21	0	6
Wichita, KS	4	0	2	0	0	0	0	0	2	0	0
Salina, KS	6	0	2	0	0	0	0	0	4	0	0
Wakeeney, KS	3	0	3	0	0	0	0				
Moline, KS	11	4	4	0	0	0	0	1	2	0	1

1-23

KIOGA EMERGENCY SURVEY - OIL PRICE EFFECTS

CITY OF COMPANY SURVEYED	# WELLS OPERATED		# WELLS SHUT IN		# WELLS DRILLED			EMPLOYEES LAID OFF	# WELLS AT RISK		EMPLOYEES AT RISK
	CRUDE	NATURAL GAS	CRUDE	NATURAL GAS	1997	1998	1999		CRUDE	NATURAL GAS	
Moline, KS	10	0	10	0	0	0	0	0			
Andover, KS	10	0	6	0	0	0	0	2	3	0	1
Wichita, KS	107	12	6	4	0	2	25	2	2		
Chase, KS	1	0	0	0	0	0	0	0	1		
Wichita, KS	5	0	0	0	0	0	1	0	3	0	0
Wichita, KS	35	2	2	0	0	0	2	0	0	0	0
Haysville, KS	170	30	60	0	0	1	0	0	100	0	0
Haysville, KS								2			4
Great Bend, KS	7	0	0	0	0	0	0	2	7	0	2
Satanta, KS	3	2	0	0	0	0	0	0	2	1	0
Wichita, KS	4	2	1	0	7	6	2	0	3	0	0
Hays, KS	2	0	2	0	0	0	0	4	2	0	2
Hays, KS	37	0	10	0					15		
Wichita, KS											36
Marion, KS	400	3	130	0	21	9	0	1	400	0	4
Wichita, KS	2	0	0	0	0	0	0	0	2	0	1
Hays, KS			2		1	0	0	0	13	0	2
Clearwater, KS	58	5	1	0	0	0	0	0	5	0	0
Chanute, KS	35	0	30	0	0	0	0	1	35	0	All
Mulvane, KS	1	0	1	0	1	0	0	0	1	0	All
Medicine Lodge, K	6	5	0	0	0	0	0	0	0	0	0
Hillsboro, KS	16	2	14	2	0	0	0	2	14	2	2
Wichita, KS	70	0	2	0	0	0	0	2	7	0	All
Eureka, KS	60	0	20	0	0	0	0	2	40	0	4
Russell, KS	119	0	28	0	9	5	0	4	18	0	??
Arlington, KS	2	0	0	0					2	0	2
Hays, KS		205		0							
Longton, KS	6	4	0	0	0	0	0	0	6	4	
Hoisington, KS	12	0	6	0	0	0	0	0	3	0	0
Bridgeport, KS	5	0	2	0	0	0	0	0	5	0	0

KIOGA EMERGENCY SURVEY - OIL PRICE EFFECTS

CITY OF COMPANY SURVEYED	# WELLS OPERATED		# WELLS SHUT IN		# WELLS DRILLED			EMPLOYEES LAID OFF	# WELLS AT RISK		EMPLOYEES AT RISK
	CRUDE	NATURAL GAS	CRUDE	NATURAL GAS	1997	1998	1999		CRUDE	NATURAL GAS	
Claflin, KS	3	0	1	0	0	0	0	0	2	0	7
Wakeeney, KS	3	0	3	0				1			
Moline, KS	40	0	7	0				1	40		
Hoisington, KS	2	0	2	0	0	0	0	1	2		
Inman, KS	6	0	6	0	1	0	0	1	6	0	All
Wichita, KS	130	15	22	0	5	21	0	20	30	10	3
Iuka, KS	28	4	4	0	1	0	1	0	25	3	1
Russell, KS	43	0	22	0	0	0	0	7	21	0	4
McPherson, KS	22	0	8	0	0	0	0	2	16	0	1
Longton, KS	7	0	7	0	0	0	0	1	7	0	
Wichita, KS	3	0	0	0	0	0	0	0	0	0	0
Spivey, KS	32	27	17	0	1	0	2	5	12	0	2
Oxford, KS	35	0	45	0	0	0	0	5	30	0	3
Great Bend, KS	34	0	18	0	2	0	0	3	10	0	0
Yukon, OK	11	6	0	0	2	1	0	0	0	6	2
Holton, KS	7	0	7	0	0	0	0	1	0	0	0
Chanute, KS								3			
Piqua, KS	150	0	70	0		12	12	1	150	0	1
Coffeyville, KS	13	0	13	0			1	0			
Jackson, MS	36	8	11	8	0	0	0	0	0	0	0
El Dorado, KS	9	0	9	0	0	0	0	1	0	0	1
Ponca City, OK	140	6	72	3	0	4	0	4	25	0	1
Wellsville, KS	60	0	10	0	0	0	0	0	60	0	0
Garnett, KS	40	0	0	0	0	0	0	0	40	0	All
Haven, KS	6	0	0	0	0	0	0	1	6	0	0
Pratt, KS								2			
Overland Park, KS	73	0	59	0	19	0	0	4	20	0	2
Edmond, OK	7	21	2	0	0	0	5	0	4	3	0
Drumright, OK	150	0	100	0	0	0	0	1	25	0	5
Wichita, KS	159	14	34	1	5	6	3	27	33	3	16

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KIOGA EMERGENCY SURVEY - OIL PRICE EFFECTS

CITY OF COMPANY SURVEYED	# WELLS OPERATED		# WELLS SHUT IN		# WELLS DRILLED			EMPLOYEES LAID OFF	# WELLS AT RISK		EMPLOYEES AT RISK
	CRUDE	NATURAL GAS	CRUDE	NATURAL GAS	1997	1998	1999		CRUDE	NATURAL GAS	
Greensburg, KS	5	3	3	2	1	1	1	2	2	1	1
Mound City, KS	140	0	0	0	4	1	?	4	All		All
Kingman, KS	8	40	3	5	3	3	4	0	8	7	0
Louisville, KS	106	1	60	1	0	0	0	0	60	0	3
Sedan, KS	7	0	0	0	0	0	0	0	0	0	0
Wilson, KS	24	0	3	0	0	0	0	0	8	0	0
Ellinwood, KS								3			2
Hamilton, KS	69	0	69	0	0	0	0	3			
Marion, KS	30	24	30	24	0	0	0	2	All	All	All
Wichita, KS	34	20	0	10	3	0	0	0	15	10	2
Herington, KS	13	0	2	0	0	0	0	2	??	0	0
Moline, KS	22	1	9	0	0	0	0	0	All	All	All
Longton, KS	4	0	4	0							All
Littleton, CO	70	10	70	0	0	0	0	0	50	0	1
Hays, KS	30	0	16	0	1	0	0	0	7		
Ft. Scott, KS	60	0	30	0				1	All		All
Plainville, KS	25	2	34	0	0	0	0	3	11	0	1
Yates Center, KS	102	0	90	0	0	2	2	2	102	0	4
Sylvan Grove	3	0	2	0	0	0	0	1	1		
McCune, KS	150	0	150	0	0	0	5	0	150	0	0
Marion, KS	140	30	138	2	0	0	0	5	140	6	2
Hays, KS	10	0	0	0	1	0	0	0	6	0	2
Amarillo, TX	10	90	6	0	0	0	1	0	7	0	0
Denver, CO	23	0-	4	0				1	17		
Kimball, NE	100	0	50	0	1	0	0	14	50	0	12
Wichita, KS	100	100	6	5	30	30	15	0	10	3	5
Winfield, KS	5	4	2	4	0	0	0	4	1	0	4
Tulsa, OK	3	0	0	0	0	0	0	0	3	0	1
Tulsa, OK	32	23	5	3	2	1	0	0	247	20	8
Claflin, KS	12	0	6	0	0	0	0	1	2	0	1

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KIOGA EMERGENCY SURVEY - OIL PRICE EFFECTS

CITY OF COMPANY SURVEYED	# WELLS OPERATED		# WELLS SHUT IN		# WELLS DRILLED			EMPLOYEES LAID OFF	# WELLS AT RISK		EMPLOYEES AT RISK
	CRUDE	NATURAL GAS	CRUDE	NATURAL GAS	1997	1998	1999		CRUDE	NATURAL GAS	
Wichita, KS	7	20	6	1	24	4	0	All	All	All	All
Medicine Lodge, K	41	40	30	0	0	1	0	6	12	0	4
Great Bend, KS								17			
Wellsville, KS	44	0	38	0	0	0	0	1	All		All
Great Bend, KS	30	0	24	0	1	1	0	1	6	0	All
Great Bend, KS	155	4	16	1	7	3	0	4	22	0	4
Zurich, KS	6	0	3	0	0	0	0	0	2	0	1
Hays, KS	30	0	13	0	0	0	0	4	All		All
Ottawa, KS	50		25		2	2	2	0.5	25		
Ottawa, KS	67	1	27	0	2	2	2	1	20	0	0.5
Ottawa, KS	125	0	50	0	1	1	1	0.5	50	0	0.5
Ottawa, KS	95		45		2	2	2	0.5	50		
Ottawa, KS	50		25		2	2	2	0.5	25		
Humboldt, KS	2	3	2	3	0	0	0	0	2	3	
Hays	15	0	5	0	2	0	1	1	5	0	1
Wellsville, KS	138		63		0	0	0	1	46		1
Wellsville, KS	101		31		3	0	1	2	30		2
Penokee, KS	3		1		0	2	4	0	3		1
Goddard, KS	5		1		1	2	2		5		
Madison, KS	9	0	2	0	0	0	0	1	2	0	0
Evergreen, CO	12	1	6	1	0	0	0	36	All	All	18
Bunker Hill, KS	10	0	3	0	0	0	0	1	7	0	1
Lincolnville, KS	18	0	10	2		2	2	1	All		All
Hays, KS	150	-	30					3	All		All
Denver, CO	10	51	22	3	0	0	0	2	8	10	4
Russell, KS	12		5		0	0	0	1	5	0	1
Longton, KS	26	0	12	0	2	0	0	3	All		All
Dexter, KS	2	0	0	0	0	0	0	0	0	0	0
Kansas City, MO	16	0	3	0	0	0	0	0	All		All
Chanute, KS	6	1	65	1	0	0	0				

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KIOGA EMERGENCY SURVEY - OIL PRICE EFFECTS

CITY OF COMPANY SURVEYED	# WELLS OPERATED		# WELLS SHUT IN		# WELLS DRILLED			EMPLOYEES LAID OFF	# WELLS AT RISK		EMPLOYEES AT RISK
	CRUDE	NATURAL GAS	CRUDE	NATURAL GAS	1997	1998	1999		CRUDE	NATURAL GAS	
Iola, KS	120	0	50	0	0	0	0	1	All		All
Ellinwood, KS	6	0	3	0	0	0	0	0	3	0	1
Bazine, KS	3	0	3	0	0	0	0	2	3	0	2
Great Bend, KS	2	0	1	0				1	1		1
Cedarville, KS	10		2						All		All
Plainville, KS	3	0	1	0	0	0	1	0	2	0	2
Russell, KS	33	0	0	0	7	4	0	6	33	0	4
Fall River, KS	60	1	40	1	2	2	0	2	60	1	All
Piqua, KS	360	2	153	0	0	0	0	0	207	2	7
Neosho Falls, KS	40	0	18	0	0	0	0	0	All		All
Natoma, KS	5		0		0	0	0	0	5		3
Russell, KS	9		1		0	0	0	0	All		All
Plainville, KS	20	0	14	0	0	0	0	2	All		All
Eureka, KS	80	0	80	0	0	0	0	All			
Great Bend, KS	62	0	39	0	0	0	0	All	All		
Littleton, CO	5	13	1	0	1	1	0	0	4	0	2
Denver, CO	1	13	1	4	15	6	0	4	1	2	2
Wichita, KS	46	26	7	0	1	2	3	0	23	10	4
Wichita, KS	10	120	3	3	0	17	?	0	6	15	4
Lyons, KS	19	0	6	0	0	0	0		4		
Lyons, KS	0		All				1				
Lyons, KS	3		1	0	0	0					
Lyons, KS	5		3		0	0	0	0	0		
Wichita, KS	35	400	0	0	5	4	1	0	15	280	1
Opp, AL	0	4	0	0	0	0	0	2	0	4	1
Tulsa, OK	125	0	12	0			5	0	10		1
Wichita, KS	26	42	3	0	0	0	0	0	10	0	3
Madison, KS	110	0	45	0	6	0	0	0	65	0	7
Tulsa, OK	40	10	10	0	3	1	0	1	15	1	1
Stafford, KS	50	0	25	0	0	0	0	3	25	0	3

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KIOGA EMERGENCY SURVEY - OIL PRICE EFFECTS

CITY OF COMPANY SURVEYED	# WELLS OPERATED		# WELLS SHUT IN		# WELLS DRILLED			EMPLOYEES LAID OFF	# WELLS AT RISK		EMPLOYEES AT RISK
	CRUDE	NATURAL GAS	CRUDE	NATURAL GAS	1997	1998	1999		CRUDE	NATURAL GAS	
Cherokee, OK	3	0	4	0	0	0	0	0	3	2	2
Wichita, KS	7	13	2	0	1	0	1	0	5	0	0
San Clemente, CA	4	0	1	0	5	5	5	0	0	0	0
Tulsa, OK		2	0	0	0	0	1	0	0	0	0
Claflin, KS	38		16		1	0	0	0	10	0	0
Tulsa, OK	26	7	0	0	1	0	0	1	0	0	0
Humboldt, KS	12	0	12	0	0	0	2	2	12	0	2
Galva, KS	30	3	10	1	0	0	0	1	15		
Canton, KS	19	0	3	0	0	0	0	0	8	0	1
Hays, KS	5		2		2	2	??	0	2		
Canton, KS	15		4		0	0	1	0	11		2
Canton, KS	32		7		0	0	0	2	32		4
Canton, KS	21	0	8	0	0	0	0	1	13	0	2
Oxford, KS	1	0	0	0	0	0	0	0	1	0	1
Ness City, KS											8
Ness City, KS	8	0	1	0	0	0	0	1	5	0	4
Claflin, KS	5		4		0	0	0	0			
Madison, KS	110	0	45	0	6	0	0	0	65	0	7
Geneseo, KS	14	27	8	3	0	0	0	1	2	0	0
Russell, KS	3		1		0	0	0	0	4		All
Marion, KS	2	2	0	0							
Victoria, KS	8	0	1	0	0	0	0	0	0	0	0
Claflin, KS	25	0	6	0	0	0	0	0	19	0	2
Russell, KS	8	0	3	0	1	0	0	0	5	0	1
Wichita, KS	42	6	24	1	0	0	0	0	8	0	0
Wichita, KS	14	3	8	1	2	2	0	0	2	0	0
Wichita, KS	19	14	3	2	5	4	3	0			1
Wichita, KS	2	18	2	0		1	2	0		4	1
Ellinwood, KS	10	0	All	0	0	0	0	All			
Wichita, KS	3	1	1	1			1	0	2		3

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KIOGA EMERGENCY SURVEY - OIL PRICE EFFECTS

CITY OF COMPANY SURVEYED	# WELLS OPERATED		# WELLS SHUT IN		# WELLS DRILLED			EMPLOYEES LAID OFF	# WELLS AT RISK		EMPLOYEES AT RISK
	CRUDE	NATURAL GAS	CRUDE	NATURAL GAS	1997	1998	1999		CRUDE	NATURAL GAS	
Arvada, CO		3		1				0		2	1
Wichita, KS	92	0	16	0	0	0	0	1	40	0	3
Wichita, KS	23	10	6	0	0	2	??	0	4	0	0
Pratt, KS	6	20	2	1	0	1	0	1	6	20	4
Wichita, KS	236	30	4	0	0	0	0	0	47	0	2
Ness City, KS								13			
Wichita, KS								13			13
Ness City, KS	20	0	12	0	0	0	0	5	All		All
Wichita Falls, TX	225	10	12	0	4	0	2	2	10	0	2
Tulsa, OK	300	3	150	1	0	0	0	3	50	0	3
Hays, KS	25	0	6	0	0	0	0	1	All	0	All
Wichita, KS	6	0	All	0	0	0	0	2			
Hollywood, FL	16	4	4	3	6	0	0	0	12	1	1
Tulsa, OK	70	3	50	0	0	0	0	2	0	0	0
Marble Falls, TX	42		38		12	12	16	5	All		All
Havana, KS	71		38		2	0	0	1	33		1
Bull Shoals, AR	4		35				0	All			
Tulsa, OK	10	0	10	0	1	0	0	0	0	0	1
Elk City, KS	3	4	3	4	0	0	2				
Russell, KS	10		0		0	0	0				
Winfield, KS	13		6		0	0	0	0	7		1
Enid, OK	15	0	0	0	0	0	0	0	0	0	0
Bella Vista, AR	10		5						10		
Roswell, NM	3	-	3					1			
Warrensburg, MO	24		11		0	0	0	1	24		1
Independence, KS	2		2		0	0	0	0	2		0
Hays, KS	16	0	14	0	0	0	0	0	2		2
Wichita, KS	6	7	2	0	0	0	0	0	5		0
Wichita, KS	47	9	6	2	0	0	0	2	12	0	??
Wichita, KS	271	83	20	8	5	5	3	2	50	0	2

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KIOGA EMERGENCY SURVEY - OIL PRICE EFFECTS

CITY OF COMPANY SURVEYED	# WELLS OPERATED		# WELLS SHUT IN		# WELLS DRILLED			EMPLOYEES LAID OFF	# WELLS AT RISK		EMPLOYEES AT RISK
	CRUDE	NATURAL GAS	CRUDE	NATURAL GAS	1997	1998	1999		CRUDE	NATURAL GAS	
Great Bend, KS	6	0	3	0	0	0	0	0	2	0	0
Great Bend, KS	13	0	8	0	0	0	0	0	8	0	0
Great Bend, KS								1	20	0	1
Denver, CO	12	34	0	0	1	0	0	0	0	0	0
Conway Springs, K	3	0	3		0	0	0	0			
Chanute, KS	7	0	2	0	0	0	0	0	7		
White Plains, NY	110	86	30	61	4	5	0	3	50	25	3
Benton, KS	2	0	0	0	0	0	0	1	0	0	1
Russell, KS	35	0	6	0	0	0	0				
Gorham, KS	20		8		0	0	0		4		
Emporia, KS	6	0	1	0	0	0	0	0	2	0	1
Gridley, KS	5	0	0	0	0	0	0	0	??		
Lawrence, KS	12	2	2	0	6	2	4	2	6		
McPherson, KS	106	1	55	0	0	0	0	6	20		
Independence, KS	120	7	50	0	7	0	0	6			1
Hays, KS	92		18		2	0	??	3	12		0
Overland Park, KS	21		1		0	0	0	4	8		2
Hays, KS	1		3		1	1	1	0			0
Hays, KS	20		2		0	0	0	0	1		
Wichita, KS	9	4	7	1	0	0	0	1	9	4	3
Ottawa, KS	69		69				2	2	All		All
Mesa, AZ	9		9					2	9		
Plainville, KS	40		6		0	1	2	2	10		All
Moline, KS	15	0	9	0	0	0	0	0	6	0	2
Topeka, KS	9	0	1	0	0	0	0	1	All		1
Topeka, KS	3	0	3	0	0	0	0	1	3	0	0
Rockford, IA	7		7		1	0	0	2			
Sherman, TX	42	2	18	0	9	2	0	2	40	0	5
Ottawa, KS	36		10		2	1	0	1	12	0	1
Arkansas City, KS	6		2		1	0	0		8		

KIOGA EMERGENCY SURVEY - OIL PRICE EFFECTS

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CITY OF COMPANY SURVEYED	# WELLS OPERATED		# WELLS SHUT IN		# WELLS DRILLED			EMPLOYEES LAID OFF	# WELLS AT RISK		EMPLOYEES AT RISK
	CRUDE	NATURAL GAS	CRUDE	NATURAL GAS	1997	1998	1999		CRUDE	NATURAL GAS	
Winfield, KS											1
Hays, KS	25	0	6	0	0	0	0	1	All		All
Wichita, KS	4		0		0	0	0	0	0		0
Wichita, KS	0	2			0	0		0		0	
Ottawa, KS	2		0						2		
Newton, KS	23	0	4		0	0	0	1	7		
Englewood, CO	3	1	3	1	4	1	0	0			
Zurich, KS	0	0	All	All	0	0	0	All			
Ossipee, NH	110	0	22	0	0	0	0	1	50	0	3
Wichita, KS	104	23	25		10	5	0	3	52	4	1
Hutchinson, KS	21	5	21	0	0	0	0	0	0	0	2
Hutchinson, KS	3		3		0	0	0	0	0	0	0
Great Bend, KS	91		54		41	17	1	12	30		
Great Bend, KS	83		21		0	0	0	0	27		
Stafford, KS								7			
TOTAL	**13095**	**2797**	**5120**	**213**	**535**	**372**	**215**	**546**	**5167**	**525**	**512**

XC: [illegible]

Emergency Survey

Independent Petroleum Association of America
Oil Price Effects Questionnaire

Company Name NOVY OIL & GAS, INC. Wichita		
Contact Person FRANK E. NOVY		
Phone Number (316) 265-4651	Fax Number (316) 265-2008	E-mail Novy Oil@aol.com
Type of Company: ☒ E & P	☐ Service/Supply	☐ Support Industry

The information is **urgently** needed in our current advocacy efforts. All information will remain **confidential**. Please complete one survey for each state in which you operate wells. "Gross" refers to the total number of wells you have ownership and/or operate. Please respond by January 15, 1998. Fax your response to 202 857 0444 / 4799 or e-mail your response to treardon@ipaa.org.

① How many wells do you operate?

Gross: Crude oil 42 Natural Gas 6
Crude oil & natural gas 9 SWD & inj. 7

In which state are these wells located: KS, NM, LA, MS

② How many wells have you shut-in since the price decline began in November 1997?

Crude oil 24 Natural gas 1 Oil & natural gas 5

③ How many total barrels have you shut-in since the price decline began in November 1997?
(# of barrels per day (or mcf/d) multiplied by # of days lost production)

Crude oil 6,030 BO Natural gas 5,850 MCF

④ What is your current crude oil price differential (December 98-WTI-NYMEX-$11.28) and average gravity? What was it one year ago (WTI - $18.37)? Two years ago (WTI- $25.45)?

December 1998 2.23 One year ago (12/97) 2.20 Two years ago (12/96) 3.21

Average Gravity 40

⑤ How many wells did you or do you plan to drill in the following years?

1997 0 1998 0 1999 0

⑥ How many employees have you laid-off since November 1997? none

⑦ How many wells are at risk of being shut-in and employees laid-off, if prices remain at current levels for 6 more months?

Crude oil 8 Natural gas 0 Employees 0

⑧ Have you had wage reductions in lieu of lay-offs? Please give specific examples of the crude price decline on your company.

President - 100% reduction - effective 1-1-99 - $0 salary

Vice President - 20% reduction - effective 1-1-99

Office Manager - 10% reduction - effective 1-1-99

All field personnel are contract employed.

Attachment 5 (b)

(continued)

NOVY OIL & GAS, INC.
125 N. MARKET STREET, SUITE 1230 WICHITA, KANSAS 67202-1712
(316) 265-4651 FAX (316) 265-2008

The slow, steady demise of the energy producing business that began early in 1986 has taken its toll over the past 12 years. Petroleum Production Management, Inc. was born in 1983 with the purchase of assets of the Maurice L. Brown Co. by former employees. Our demise started in 1986. Petroleum Production Management, Inc. employed 115 employees with a home office in Kansas City, MO, production office in Wichita, KS, regional district offices in Shreveport, LA and Hobbs, NM and seven field offices with yards. When crude oil dropped from $28 per barrel to $10 per barrel in 1985, employees were reduced to 87. A second layoff decreased employees to 56. Both district offices were eventually closed. Continuing cycles of pricing necessitated additional employee reductions to a final number of 28. In 1995, the mortgage holder requested that the production office in Wichita, KS be closed. Frank E. Novy resigned from Petroleum Production Management, Inc. after 43 years of service and started Novy Oil & Gas, Inc. Crude oil pricing forced Petroleum Production Management, Inc. into bankruptcy in 1997 and all assets were sold in 1998. After 60 years of business starting with the Shallow Water Refining Company in 1937, Petroleum Production Management, Inc. was no more.

Novy Oil & Gas, Inc. operated with no bank debt until July 1998 when present pricing caused us to borrow money in order to keep operating. By December 1998 three trips to the bank had been necessary. If a fourth trip is necessary, we will have to start selling properties, move out of our offices, layoff two of the present three employees and try to operate the few remaining properties from Frank E. Novy's house. I fear these "pricing cycles", without some sort of import fee to stabilize prices, will continue until they have totally destroyed the "independent" sector of E&P sector of the industry. I fear all wells producing 5 BOPD or less will be shut in or plugged and abandoned. Our present pricing scenario never allows us to build enough reserve to withstand the next cycle as we are always attempting to pay off debt. OPEC will have eliminated its competition and gained additional market share, exactly what it wants to do. **Heaven help this country when it is 70% to 80% dependent on OPEC oil and products to meet its needs! OPEC will then smile all the way to the bank!**

EMERGENCY SURVEY

OIL PRICE EFFECTS QUESTIONNAIRE

Company Name:________________
Contact Person:________________
Phone Number:________ Fax Number________ E-mail________
Type of Company: E&P________ Service/Supply________ Support Industry________

This information is urgently needed in our current advocacy efforts. All information will remain confidential. Please complete one survey for each state in which you operate. "Gross" refers to the total number of wells you own and/or operate. Service/Supply and Support Companies who do not operate wells can respond to questions 6, 7 and 8 only. Please **respond by January 15, 1998.** Mail to KIOGA, 105 So. Broadway, Suite 500, Wichita, Kansas; Fax to KIOGA @ 316-263-302, or E-mail to kioga@feist.com.

1. **How many wells do you operate?**

Gross: Crude Oil 73 Natural Gas________

In which state are these wells located: KANSAS

2. **How many wells have you shut-in since the price decline began in November, 1997?**

Crude Oil 59 Natural Gas________

3. **How many total barrels/mcf have you shut-in since the price decline began in November, 1997?**
(Number of Bbls /Mcf per day times the number of days of lost production)
Crude Oil 53 Natural Gas________

4. **What is your current crude oil price differential (December 98-WTI-NYMEX-$11.28) and average gravity? What was it one year ago (WTI-$18.37)? Two years ago (WTI-$25.45)?**

December, 1998 $2.75 One Year Ago(12/97) $2.75 Two years ago(12/96) $2.75

Average Gravity 30

5. **How many wells did you or do you plan to drill in the following years?**

1997 19 1998 0 1999 0

6. **How many employees have you laid-off since November 1997?** 4

7. **How many wells are at risk of being shut-in and employees laid-off, if prices remain at current levels for 6 more months?**

Crude Oil 20 Natural Gas________ Employees 2

8. **Have you had wage reductions in lieu of lay-offs? Please give specific examples of the impact of the crude price decline on your company.**

IN ADDITION TO ABOVE SHUT-INS, PLANS FOR MAJOR INVESTMENTS AND EXPANSION HAVE BEEN SCUBBED OR INDEFINITELY POSTPONED.

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EMERGENCY SURVEY

OIL PRICE EFFECTS QUESTIONNAIRE

Company Name: ____________________

Contact Person: ____________________

Phone Number: ____________ Fax Number ____________ E-mail ____________

Type of Company: E&P ________ Service/Supply ________ Support Industry ________

This information is urgently needed in our current advocacy efforts. All information will remain confidential. Pl complete one survey for each state in which you operate. "Gross" refers to the total number of wells you own a operate. Service/Supply and Support Companies who do not operate wells can respond to questions 6, 7 and 8 Please **respond by January 15, 1998.** Mail to KIOGA, 105 So. Broadway, Suite 500, Wichita, Kansas; Fax to KIOGA @ 316-263-302, or E-mail to kioga@feist.com.

① How many wells do you operate?

Gross: Crude oil 151 Natural Gas 1

In which state are these wells located: Kansas

② How many wells have you shut-in since the price decline began in November 1997?

Crude oil 15 Natural gas 0

③ How many total barrels have you shut-in since the price decline began in November 1997?
(# of barrels per day (or mcf/d) multiplied by # of days lost production)

Crude oil ≈ 8100 Natural gas —

We should file a class action now...
This is criminal!!

* **④ What is your current crude oil price differential (December 98-WTI-NYMEX-$11.28) and average gravity? What was it one year ago (WTI - $18.37)? Two years ago (WTI- $25.45)?**

December 1998 $2.23 One year ago (12/97) $1.71 Two years ago (12/96) $ .82

Average Gravity 36

⑤ How many wells did you or do you plan to drill in the following years?

1997 0 1998 0 1999 0

⑥ How many employees have you laid-off since November 1997? 0

⑦ How many wells are at risk of being shut-in and employees laid-off, if prices remain at current levels for 6 more months?

Crude oil 32 Natural gas 0 Employees 3

⑧ Have you had wage reductions in lieu of lay-offs? Please give specific examples of the crude price decline on your company.

We will get approx $9.00/Bbl for our Dec. crude oil. At this price we have 13 wells that will make money unless they break down and need repair which will cause us to shut them in. We will not survive 1999 if crude prices remain at their current level. We operate 152 producing wells and have 3 oilfield supply stores in Kansas. We employ 18 full time, 2 part time, + 3 contract employees who will be out of work. This is a critical situation for our company

EMERGENCY SURVEY

OIL PRICE EFFECTS QUESTIONNAIRE

Company Name:____________________________________
Contact Person:____________________________________
Phone Number:____________ Fax Number____________ E-mail____________
Type of Company: E&P________ Service/Supply________ Support Industry________

This information is urgently needed in our current advocacy efforts. All information will remain confidential. Please complete one survey for each state in which you operate. "Gross" refers to the total number of wells you own and/or operate. Service/Supply and Support Companies who do not operate wells can respond to questions 6, 7 and 8 only. Please **respond by January 15, 1998.** Mail to KIOGA, 105 So. Broadway, Suite 500, Wichita, Kansas; Fax to KIOGA @ 316-263-302, or E-mail to kioga@feist.com.

1. How many wells do you operate?

Gross: Crude Oil 11 Natural Gas________

In which state are these wells located: Kansas

2. How many wells have you shut-in since the price decline began in November, 1997?

Crude Oil 10 Natural Gas________

3. How many total barrels/mcf have you shut-in since the price decline began in November, 1997?
(Number of Bbls /Mcf per day times the number of days of lost production)
Crude Oil 5,590 Natural Gas________

4. ~~What is your current~~ crude oil price differential (December ~~98-WTI-NYMEX-~~$11.28) and average gravity? What was it one year ago ~~(WTI-$18.37)? Two years~~ ago (WTI-$25.45)?

December, 1998________ One Year Ago(12/97)________ Two years ago(12/96)________

Average Gravity________

5. How many wells did you or do you plan to drill in the following years?

1997 -0- 1998 -0- 1999 -0-

6. How many employees have you laid-off since November 1997? 7

7. How many wells are at risk of being shut-in and employees laid-off, if prices remain at current levels for 6 more months?

Crude Oil 1 Natural Gas________ Employees 2

8. Have you had wage reductions in lieu of lay-offs? Please give specific examples of the impact of the crude price decline on your company.

In addition to wage reductions & lay-offs we are currently on work-sharing (unemployment) to keep our remaining employees.

1-36

EMERGENCY SURVEY

OIL PRICE EFFECTS QUESTIONNAIRE

Company Name:____________________
Contact Person:____________________
Phone Number:__________ Fax Number__________ E-mail__________
Type of Company: E&P________ Service/Supply________ Support Industry________

This information is urgently needed in our current advocacy efforts. All information will remain confidential. Please complete one survey for each state in which you operate. "Gross" refers to the total number of wells you own and/or operate. Service/Supply and Support Companies who do not operate wells can respond to questions 6, 7 and 8 only. Please **respond by January 15, 1998.** Mail to KIOGA, 105 So. Broadway, Suite 500, Wichita, Kansas; Fax to KIOGA @ 316-263-302, or E-mail to kioga@feist.com.

1. **How many wells do you operate?**

Gross: Crude Oil 6 Natural Gas 3

In which state are these wells located: Kansas

2. ***How many wells have you shut-in since the price decline began in November, 1997?***

Crude Oil 6 Natural Gas 2

3. **How many total barrels/mcf have you shut-in since the price decline began in November, 1997?**
(Number of Bbls /Mcf per day times the number of days of lost production)
Crude Oil__________ Natural Gas__________

4. **What is your current crude oil price differential (December 98-WTI-NYMEX-$11.28) and average gravity? What was it one year ago (WTI-$18.37)? Two years ago (WTI-$25.45)?**

December, 1998__________ One Year Ago(12/97)__________ Two years ago(12/96)__________

Average Gravity__________

5. ***How many wells did you or do you plan to drill in the following years?***

1997__________ 1998 none 1999 none

6. **How many employees have you laid-off since November 1997?** 3

7. **How many wells are at risk of being shut-in and employees laid-off, if prices remain at current levels for 6 more months?**

Crude Oil__________ Natural Gas 1 Employees 1

8. **Have you had wage reductions in lieu of lay-offs? Please give specific examples of the impact of the crude price decline on your company.**

We beleive our cost of production is $15.00 per bbl. We were producing about 300 bbls per month. We have no oil wells producing now. We have only 1 gas well still in opperation. We have only two oil producers that we can put back into production (about 8 bbls per day) at about $16 to $17 per bbl price. until then we must stay our of productio

1 - 37

EMERGENCY SURVEY

OIL PRICE EFFECTS QUESTIONNAIRE

Company Name:________________________
Contact Person:________________________
Phone Number:____________ Fax Number____________ E-mail____________
Type of Company: E&P________ Service/Supply________ Support Industry________

This information is urgently needed in our current advocacy efforts. All information will remain confidential. Please complete one survey for each state in which you operate. "Gross" refers to the total number of wells you own and/or operate. Service/Supply and Support Companies who do not operate wells can respond to questions 6, 7 and 8 only. Please **respond by January 15, 1998.** Mail to KIOGA, 105 So. Broadway, Suite 500, Wichita, Kansas; Fax to KIOGA @ 316-263-302, or E-mail to kioga@feist.com.

1. **How many wells do you operate?**

   Gross: Crude Oil 62 **Natural Gas** 0

   In which state are these wells located: KANSAS

2. **How many wells have you shut-in since the price decline began in November, 1997?**

   Crude Oil 41 **Natural Gas**________

3. ***How many total barrels/mcf have you shut-in since the price decline began in November, 1997?***
   (Number of Bbls /Mcf per day times the number of days of lost production)
   Crude Oil 2475 MONTH Natural Gas 0

4. ***What is your current crude oil price differential (December 98-WTI-NYMEX-$11.28) and average gravity? What was it one year ago (WTI-$18.37)? Two years ago (WTI-$25.45)?***

   December, 1998 + 2.14 One Year Ago(12/97) + 1.66 Two years ago(12/96) + 1.33

   Average Gravity 40

5. **How many wells did you or do you plan to drill in the following years?**

   1997 1 1998 2 1999 4 DRILLED 1 IN 1997

6. **How many employees have you laid-off since November 1997?** 0

7. ***How many wells are at risk of being shut-in and employees laid-off, if prices remain at current levels for 6 more months?***

   Crude Oil 100 % Natural Gas 0 Employees 4

8. **Have you had wage reductions in lieu of lay-offs? Please give specific examples of the impact of the crude price decline on your company.**

   CUT ALL WAGES IN 1/2 TRING TO AVOID LAYOFFS –

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EMERGENCY SURVEY

OIL PRICE EFFECTS QUESTIONNAIRE

Company Name:____________________________________
Contact Person:____________________________________
Phone Number:____________ Fax Number____________ E-mail____________
Type of Company: E&P________ Service/Supply________ Support Industry________

This information is urgently needed in our current advocacy efforts. All information will remain confidential. Please complete one survey for each state in which you operate. "Gross" refers to the total number of wells you own and/or operate. Service/Supply and Support Companies who do not operate wells can respond to questions 6, 7 and 8 only. Please **respond by January 15, 1998.** Mail to KIOGA, 105 So. Broadway, Suite 500, Wichita, Kansas; Fax to KIOGA @ 316-263-302, or E-mail to kioga@feist.com.

1. **How many wells do you operate?**

   Gross: Crude Oil 55 Natural Gas ~~none~~

   In which state are these wells located: Kansas

2. **How many wells have you shut-in since the price decline began in November, 1997?**

   Crude Oil 40 Natural Gas________

3. **How many total barrels/mcf have you shut-in since the price decline began in November, 1997?**
   (Number of Bbls /Mcf per day times the number of days of lost production)
   Crude Oil ~~20-25 dp~~ Natural Gas________

4. **What is your current crude oil price differential (December 98-WTI-NYMEX-$11.28) and average gravity? What was it one year ago (WTI-$18.37)? Two years ago (WTI-$25.45)?**

   December, 1998________ One Year Ago(12/97)________ Two years ago(12/96)________

   Average Gravity ~~29~~

5. **How many wells did you or do you plan to drill in the following years?**

   1997 0 1998 2 1999 5

6. **How many employees have you laid-off since November 1997?** 3

7. **How many wells are at risk of being shut-in and employees laid-off, if prices remain at current levels for 6 more months?**

   Crude Oil 40-45 Natural Gas________ Employees 2

8. **Have you had wage reductions in lieu of lay-offs? Please give specific examples of the impact of the crude price decline on your company.**

   ~~At the present time I have only 3 employees working for me, I have had to reduce wages by 50 - 60% in the past few months. I have two of my employees I did not know how long I can keep~~ paying them with oil prices at what it is.

1-39

EMERGENCY SURVEY

OIL PRICE EFFECTS QUESTIONNAIRE

Company Name:____

Contact Person:____

Phone Number:____________________ Fax Number____________________ E-mail______________

Type of Company: E&P__________ Service/Supply__________ Support Industry____________

This information is urgently needed in our current advocacy efforts. All information will remain confidential. Please complete one survey for each state in which you operate. "Gross" refers to the total number of wells you own and/or operate. Service/Supply and Support Companies who do not operate wells can respond to questions 6, 7 and 8 only. Please respond by **January 15, 1998.** Mail to KIOGA, 105 So. Broadway, Suite 500, Wichita, Kansas; Fax to KIOGA @ 316-263-302, or E-mail to kioga@feist.com.

1. How many wells do you operate?

Gross: Crude Oil 154 **Natural Gas** 52

In which state are these wells located: Kansas

2. How many wells have you shut-in since the price decline began in November, 1997?

Crude Oil 121 **Natural Gas** 0

3. How many total barrels/mcf have you shut-in since the price decline began in November, 1997?
(Number of Bbls /Mcf per day times the number of days of lost production)
Crude Oil 60 x 61 days(3660 Bbls) Natural Gas 200 MCF/d x61 (12,200 MCFs)

Began shutting wells down the first of November, 1998

4. What is your current crude oil price differential (December 98-WTI-NYMEX-$11.28) and average gravity? What was it one year ago (WTI-$18.37)? Two years ago (WTI-$25.45)?

December, 1998 2.43 One Year Ago(12/97) 2.77 Two years ago(12/96) 2.57

Average Gravity 35

5. How many wells did you or do you plan to drill in the following years?

1997 planned 2 1998 0 1999 0

6. How many employees have you laid-off since November 1997? 0

7. How many wells are at risk of being shut-in and employees laid-off, if prices remain at current levels for 6 more months?

Crude Oil All Natural Gas 0 Employees 3

8. Have you had wage reductions in lieu of lay-offs? Please give specific examples of the impact of the crude price decline on your company.

No. There is no incentive to maintain existing one or two bbl. per day wells. As at least 90% of our oil wells fall into this category, we will in all likelyhood cease all of our oil production operations before the end of this year.

1-40

EMERGENCY SURVEY

OIL PRICE EFFECTS QUESTIONNAIRE

Company Name:______________________________
Contact Person:______________________________
Phone Number:____________________ Fax Number____________________ E-mail____________
Type of Company: E&P__________ Service/Supply__________ Support Industry____________

This information is urgently needed in our current advocacy efforts. All information will remain confidential. Please complete one survey for each state in which you operate. "Gross" refers to the total number of wells you own and/or operate. Service/Supply and Support Companies who do not operate wells can respond to questions 6, 7 and 8 only. Please **respond by January 15, 1998.** Mail to KIOGA, 105 So. Broadway, Suite 500, Wichita, Kansas; Fax to KIOGA @ 316-263-302, or E-mail to kioga@feist.com.

1. **How many wells do you operate?**

Gross: Crude Oil 210 Natural Gas 60

In which state are these wells located: Kansas

2. **How many wells have you shut-in since the price decline began in November, 1997?**

Crude Oil 47 Natural Gas -0-

3. **How many total barrels/mcf have you shut-in since the price decline began in November, 1997?**
(Number of Bbls /Mcf per day times the number of days of lost production)
Crude Oil 136 Bbls. Per Day Natural Gas -0-

4. **What is your current crude oil price differential (December 98-WTI-NYMEX-$11.28) and average gravity? What was it one year ago (WTI-$18.37)? Two years ago (WTI-$25.45)?**

December, 1998 $0.73 One Year Ago(12/97) $0.75 Two years ago(12/96) $0.50

Average Gravity 34

5. **How many wells did you or do you plan to drill in the following years?**

1997 18 1998 20 1999 5

6. **How many employees have you laid-off since November 1997?** 6 (Laid off and attrition)

7. **How many wells are at risk of being shut-in and employees laid-off, if prices remain at current levels for 6 more months?**

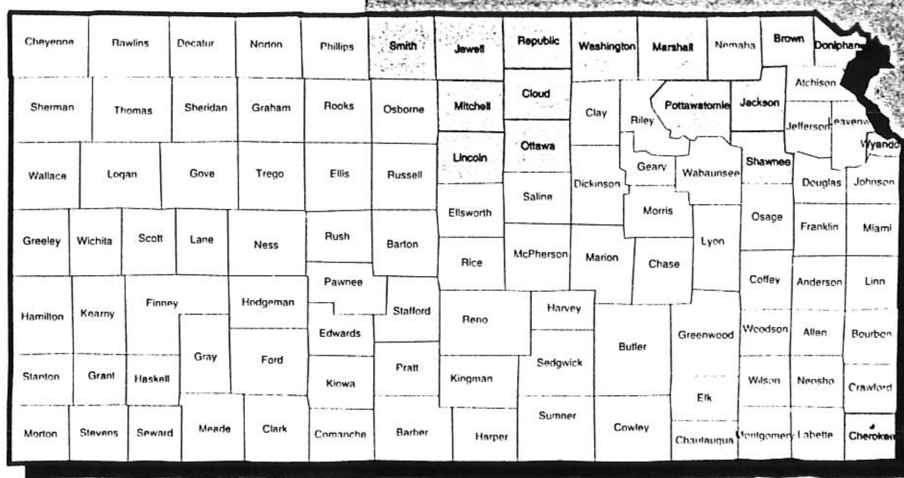
Crude Oil 53 Natural Gas 2 Employees 25

8. **Have you had wage reductions in lieu of lay-offs? Please give specific examples of the impact of the crude price decline on your company.**

Have foregone any deserved wage increases and reduced employment by 6 persons. Approximately 25 more employees will be terminated if price depression holds past mid-year 1999. Will lay down one rotary rig, shut down one well service unit, one dozer, and some trucks.

1-41

Kansas



☐ Counties with oil and/or gas production

Background Information

Counties

Number of counties	105
With oil and/or gas production	89

First year of production

Crude oil	1889
Natural gas	1882

Year and amount of peak production

Crude oil — 124,204 thous. bbls.	1956
Natural gas — 899,955 MMcf	1970

Deepest producing well (ft.)

Crude oil	7,400
Natural gas	6,774

Year and depth of deepest well drilled (ft.)

1984	11,300

Cumulative number of total wells drilled
as of 12/31/97 (excluding service wells)

Oil wells	127,855	50%
Gas wells	27,604	11%
Dry holes	100,942	39%
Total	**256,401**	**100%**

Cumulative crude oil wellhead value $39,050,309
as of 12/31/97 (thous. $)

Cumulative production & new reserves
production as of 12/31/97, reserves as of 12/31/96

	Crude Oil	NGL (mill. bbls)	Total	Natural Gas (Bcf)
Reserves	6,098	1,335	7,433	43,580
Production	5,824	1,012	6,836	25,570

Value of Oil and Gas

Average wellhead price
(1997)

Crude oil ($/bbl.)	$18 63
Natural gas ($Mcf)	$2.18

Wellhead value of production
(1997, in thous. $)

Crude oil	$742,144
Natural gas	$1,479,466
Total	$2,221,610

Average natural gas price
(1997, $/Mcf)

Residential consumers	$6.47
Commercial consumers	$5.13
Industrial consumers	$3.27
Electric utilities	$2.48
City Gate	$3.07

Severance taxes paid $78,531
(1997, in thous. $)

~~Attachment 9~~

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1997 Industry Statistics

Number of wells drilled

	Exploratory	Development	Total
Oil	47	476	523
Gas	19	457	476
Dry	210	321	531
Service	--	49	49
Total	**276**	**1,303**	**1,579**

Total footage drilled
(thous. ft.)

	Exploratory	Development	Total
Oil	209.3	1,461.4	1,670.7
Gas	101.1	1,493.4	1,594.5
Dry	915.8	1,173.2	2,089.0
Service	--	58.0	58.0
Total	**1,226.2**	**4,186.0**	**5,412.2**

(Note: Totals may not add due to rounding.)

New-field wildcats drilled

New-field wildcats drilled	175
Footage (thous. Ft.)	763.9

Average rotary rigs active
19

State-wide rank

	Crude Oil	Natural Gas
Wells drilled	5th	9th
Production	9th	7th
Reserves (1996)	9th	9th

Number of producing wells
(12/31/97)

Crude oil	44,832
Flowing	0
Artificial lift	44,832
Natural gas	14,966
Total	**59,798**

Average production

	thous. bbls.	thous. b/d
Crude oil	39,836	109
NGL (est.)	37,944	104
Total	77,780	213

Natural gas marketed production
(MMcf)

678,654

Average output per producing well

Crude oil (bbls.)	889
Natural gas (Mcf)	45,346

Average number of employees

Oil and natural gas extraction	6,829
Refining	1,581
Transportation	2,872
Wholesale	4,104
Retail	8,103
Total petroleum industry	23,489

1996 Latest Available Data

Petroleum reserves
as of 12/31/96 (mill. bbls.)

	Crude Oil	NGL	Total
New reserves	34	0	34
Production	43	3	46
Net annual change	-9	-3	-12
Proved reserves	266	338	604

Natural gas reserves
as of 12/31/96 (Bcf)

	Associated Dissolved	Non-Associated	Dry Gas
New reserves	29	-233	-175
Production	14	730	702
Net annual change	15	-963	-877
Proved reserves	82	8,063	7,694

Cost of drilling and equipping wells

	Cost/ft. ($)	Cost/ well ($)	Total Cost (thous. $)
Oil	37.07	116,214	49,507
Gas	47.17	156,393	68,500
Dry	21.16	84,845	45,477
Total	**33.12**	**116,774**	**163,483**

Stripper wells

Producing stripper wells	42,657
Stripper well abandonments	1,716
Crude oil production in bbls.	31,281,200
Crude oil production b/d	85,702
Percentage of oil production	79%

Stripper oil reserves
as of 12/31/96 (thous. bbls.)

Primary	74,803
Secondary	67,678
Total	**142,481**

Federal Onshore Mineral Lease Royalties

Oil	$764,094
Gas	$3,790,890
Total Royalties	$4,735,229

Federal Onshore and Indian Oil and Gas Leases

Number of leases	450
Acres leased	123,734

For more information please contact: Information Services Department, Independent Petroleum Association of America, 1101 16th Street, N.W., Washington, D.C. 20036, 202-857-4722, FAX: 202-857-4799

SEVERANCE AND PROPERTY TAXES ON OIL AND GAS

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
YEAR	WELLHEAD PRICE OF CRUDE OIL	(Add 000) CRUDE OIL PRODUCTION	(Add 000) CRUDE OIL TOTAL VALUE	WELLHEAD PRICE OF GAS	(Add 000) MCF GAS PROD.	(Add 000) WELLHEAD VALUE GAS	(Add 000) WELLHEAD VALUE O & G	OIL & GAS VALUATION	OIL & GAS AD VALOREM TAX	LINE #10 DIVIDED BY LINE #9	SEVERANCE TAX - OIL	SEVERANCE TAX - GAS	SEVERANCE TAX OIL & GAS	LINE #14 DIVIDED BY LINE #8	TOTAL SEVERANCE & PROPERTY TAX	TAX % OF TOTAL PROD.
1983	28.44	71,594	2,036,133	1.59	437,803	696,108	2,732,241	1,909,592,286	125,092,608	6.55%	None	None	None	None	125,092,608	4.57%
1984	27.99	75,729	2,119,655	1.30	466,228	606,096	2,725,751	1,789,397,127	123,591,041	6.90%	70,768	42,926	113,694	4.17%	237,285,041	8.71%
1985	25.33	75,407	1,910,059	1.20	513,030	615,636	2,525,695	1,760,400,865	131,453,506	7.46%	66,490	41,912	108,402	6.74%	239,855,506	9.50%
1986	14.02	67,034	939,817	1.15	448,334	515,584	1,455,401	1,330,454,733	100,817,602	7.57%	56,457	41,713	98,170	6.74%	198,987,602	13.67%
1987	17.37	59,884	1,040,185	1.15	394,906	454,142	1,494,327	1,187,992,419	90,516,911	7.60%	28,273	32,018	60,291	4.03%	150,807,911	10.09%
1988	14.56	58,824	856,477	1.34	470,577	630,546	1,487,023	1,132,541,580	90,452,269	7.95%	34,336	43,319	77,655	5.22%	168,107,269	11.30%
1989	18.18	55,484	1,008,699	1.43	587,099	839,552	1,848,251	1,192,529,546	84,593,778	7.09%	24,031	51,971	76,002	4.10%	160,595,778	8.69%
1990	23.21	55,427	1,286,461	1.54	558,257	859,716	2,146,177	1,366,817,196	113,376,534	5.28%	25,454	57,737	83,190	3.87%	196,566,534	9.16%
1991	19.84	56,929	1,129,479	1.37	604,826	828,612	1,958,083	1,404,560,619	113,332,411	5.78%	36,819	59,242	96,061	4.90%	209,393,411	10.69%
1992	18.50	53,613	991,841	1.63	644,117	1,049,911	2,041,752	1,265,213,198	101,129,364	7.99%	29,491	55,477	84,969	8.16%	186,098,364	9.11%
1993	16.01	49,625	794,496	1.78	667,507	1,187,472	1,981,968	1,390,427,980	116,798,179	8.40%	24,538	74,142	98,680	4.97%	215,478,179	10.87%
1994	14.69	46,733	686,508	1.59	712,522	1,133,156	1,819,664	1,431,603,339	116,955,681	8.16%	19,621	81,634	101,255	5.56%	218,210,681	11.99%
1995	16.19	43,767	708,588	1.37	721,733	992,115	1,700,703	1,361,698,369	113,346,680	8.30%	17,102	60,034	77,136	4.50%	190,482,680	11.20%
1996	20.47	41,789	855,421	1.37	516,389	707,454	1,562,875	1,232,886,177	106,425,782	8.60%	16,704	51,662	68,366	4.30%	174,791,782	11.18%
1997	18.63	39,836	742,144	2.18	678,654	1,479,466	2,221,610	1,622,768,515	122,413,743	7.50%	19,670	61,742	81,412	3.60%	203,825,743	9.17%
1998*	11.21	29,082	342,000	2.03	630,000	1,271,000	1,613,000	N/A	N/A	N/A	15,556	51,690	67,246	4.17%	N/A	N/A

*All 1998 figures are estimated based on first 11 months

~~Attachment 10~~

75th year

To - BK, DS

From - JoF

THE KIPLINGER WASHINGTON LETTER

Circulated weekly to business clients since 1923—Vol. 75, No. 51

THE KIPLINGER WASHINGTON EDITORS

1729 H St., NW, Washington, DC 20006-3938

Dear Client:

Washington, Dec. 18, 1998

These low oil prices are going to be around for quite a while. Attack on Iraq this week made oil markets jittery, but any price spike won't last very long. Too many fundamentals are pointing the other way.

Figure on oil hovering around $11 a barrel for several years. That's 35% less than a year ago, and 380% lower than at the peak in '81.

Will force the industry to keep consolidating to control costs and boost efficiency. Gov't won't block Exxon/Mobil or BP/Amoco deals.

What will keep prices low? Depressed demand and a glut of oil.

The slump in Asia and other emerging markets is a big factor. Also warmer-than-expected weather and more competition from natural gas.

OPEC can't force its members to honor production limits it sets, and more reserves are being discovered and exploited in new regions.

Technology has made extraction more efficient. New techniques get oil out of the ground for just $5 a barrel, compared to $16 in '79.

Great news for users. The big drop in oil and gasoline prices has put $30 billion in consumers' pocketbooks...like a big tax refund.

But only a slight boost to GDP...a third of a percentage point, because U.S. factories, homes and cars are ALREADY so energy efficient.

Any economic gain will be offset a bit in the Oil Patch states. Less work for producers and firms that supply them, such as drillmakers. Most state economies won't be hit too hard. Texas, Oklahoma, Louisiana all are quite diversified. But Alaska relies more heavily on petroleum.

Biggest downside will be for foreign economies already slumping. Countries such as Russia and Venezuela. Also Indonesia and South Africa.

Federal gov't will help U.S. producers by making more purchases for the petroleum reserve, adding 100 million barrels to our stockpile.

Oil will remain our top energy source for the foreseeable future. It accounts for about 40% of all the energy consumed in this country. Natural gas ranks second at 24%. Coal, 23%. And nuclear power, 7%.

Imports will be a continually rising share of U.S. consumption. We'll buy cheap oil from abroad and save ours for higher prices later.

Here's how we see the outlook for other major energy sources:

Natural gas. Will come on strong, propelled by residential use. Consumption will double by 2020, ultimately challenging oil's dominance.

Nuclear. Will gain a bit from concern about global warming.

Coal. Low oil prices and "green" concerns will dampen demand.

Low oil prices will slow the movement toward alternative fuels, including solar power, wind, hydrogen fuel cells, propane and methanol.

But not forever. Oil supplies will someday tighten, prices rise. And fed'l government air quality mandates will give other energy a boost.

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Subscription inquiries: 800-544-0155

~~Attachment 11~~

1-45

ANALYSIS

Dr. Tim Carr, with the Kansas Geological Survey at the University of Kansas, testified last week that Kansas' crude oil production decreased an estimated 10 million barrels, from approximately 40 million barrels in 1997 to 30 million barrels in 1998. During that period the price per barrel of crude oil declined from an average of $18.63 per barrel in 1997 to an average of $11.21 per barrel in 1998. A normal production decline would have been approximately 5% or 2 million barrels for that period so it can be reasonably assumed that 8 million barrels of the 10 million barrel decline was due to price alone.

With the price of crude oil at $9 today our survey of producers would indicate that 1999 will continue the decline at approximately the same rate. Likewise, Dr. Carr's analysis projects that if crude oil remains at $9 through 1999 production will decline to 24 million barrels, another 6 million barrel decline.

Thus, from 1997 to 1999, 14 million barrels of crude production per year will have been either plugged and abandoned or shut in due to unprofitability resulting from low crude oil prices. If the price of crude oil averages $9 to $10 per barrel in the coming year with the cost of production ranging from $12 to $15 per barrel it is reasonable to conclude that crude oil producers need another $3 to $5 per barrel for 14 million barrels of crude oil in 1999 just to break even. This calculates to $56 million to prevent the abandonment of 14 million barrels of crude oil.

Since neither the crude oil producer nor the State of Kansas has control over the price of crude oil we can only look to the expense side for $56 million. Where is it?

In 1997 crude oil paid a total of $19.6 million in severance taxes and a total of $32.2 million in property taxes for a combined total of $51.8 million. Total repeal of the severance tax on crude oil per S.B. 46 would leave $19.6 million of severance tax in the industry, passage of S.B. 18 would leave $8.0 million in property tax in the industry, and passage of H.B. 2009, repeal of the sales tax on machinery and equipment and related services would leave $6.6 million in sales taxes in the industry. The combined reduction in severance, property and sales taxes would total $34.2 million and spread the fiscal note across all three taxes

The costs to the economy of the State of Kansas if this is not done will far exceed the fiscal note of all three bills combined. The wellhead value of 14 million barrels of crude at $9 is $126million. Using the Pricewaterhouse multipliers utilized by Dr. Carr reveals that this value would generate $188.8 million of total economic activity and 2,680 jobs. The taxes generated by this level of economic activity and jobs would far exceed the fiscal note attached to these bills. The State of Kansas will, in fact lose money if these bills are not passed.

~~Attachment 12~~

Testimony of
John O. Farmer, III
Before the Senate Committee on Assessment and Taxation
on S.B. 46
January 27, 1999

Madame Chair and Members of the Committee:

My name is John O. Farmer, III, and I am an independent producer of oil and gas with headquarters in Russell, Kansas. I am the current President of the Kansas Independent Oil and Gas Association. Our family operates 178 oil wells and 7 gas wells in Kansas. As you know from previous testimony the per barrel cost of operating many of these wells exceeds the per barrel price we receive for crude oil. We are now losing money daily and will soon be shutting in or plugging many of these wells.

Unlike agricultural producers, whose products are often sold at prices below the cost of production, crude oil producers are not subsidized by the federal government. And unlike steel and strawberries, domestic crude oil is not protected from competition from imports. For the domestic producer the free market prevails and we must compete with heavily subsidized imports of foreign crude.

The fundamental problem that domestic producers face in a world market is the high cost of production. Unfortunately the cost of producing crude oil in America is the highest of anywhere in the world. The average well in Saudi Arabia produces 5,500 barrels of oil per day, the average well in the U. S. A. produces 11 barrels of oil per day, and the average well in Kansas produces 2 barrels of oil per day. The high cost per barrel is primarily because of low producing rates and high lifting costs when compared to the rest of the world.

Senate Assmeasment + Taxation
1-27-99
Attachment 2

The oil industry was born and raised in America and the technology we developed to produce and utilize it is the primary reason we won several wars and enjoy living standards unparalleled in the world. But the American consumers thirst for energy is also the primary reason our domestic reserves have depleted and why imports provide over 50% of U.S. consumer demand today.

Nevertheless, America is still a world leader in the production of crude oil. We still produce as much oil as we import from Saudi Arabia and much of that production is being threatened today by an economic war on high cost domestic production. Kansas, today, still has over 138 million barrels of proven primary and secondary reserves, and new technology has the potential to add an additional 800 to 900 million barrels to Kansas production. This, however, is an enormous resource whose potential will not be realized if our industry is dismantled due to low crude oil prices in a world economic battle for market share. A letter that I recently received from Shell CO2 concerning recoverable oil resulting from secondary CO2 Flooding and the current low prices is attached.

Domestic producers have cut their operating costs to the bone. The only remaining way domestic producers can lower their costs to compete in the world market is to eliminate the extraordinary taxation of this industry. That depends on you. The $200 million this industry paid in severance and property taxes reflects an effective tax rate near 10%. That is unconscionable when we are forced to compete in a world market without subsidy and without import protection.

Repeal of the severance tax and repeal of the property tax on marginal wells will reduce the cost of production for domestic producers. It will allow them to compete in a world market and it will help keep American imports down at a cost far less than the true military cost of imported crude.

But, perhaps the best part of lowering the costs of production to producers is that it will help keep the cost of gasoline down for U. S. consumers. There is nothing in any of the bills before this Committee which would cause the price of gasoline to go up at the pump. These bills can only help the consumer.

Thank you very much for you attention to the crisis facing our industry.

Shell CO_2 Company, Ltd.
Resources and Technology

P.O. Box 576
Houston, TX 77001-576

7 January, 1999

John O. Farmer III
John O. Farmer, Inc.
P.O Box 352
370 West Wichita Ave.
Russell, Ks. 66765

Dear John,

As we discussed this week, Shell CO_2 Company, Ltd. believes that commercially viable CO_2 flooding is possible in certain Kansas oil reservoirs under the right circumstances. Following nine months of cooperative analysis between industry consultants, the Tertiary Oil Recovery Project (TORP), and the Kansas Geological Survey (KGS), we believe potential recovery could be as great as 100-200 million barrels, with daily production increased by 10-20,000 BOPD.

Using the DOE Prophet model and some early estimates of capital and operating expenses, our preliminary reservoir evaluation suggests CO_2 flooding is profitable with oil prices as low as $15-$16 per barrel and with delivered CO_2 costs of $1.00 per mcf. Since these are preliminary estimates, and given the uncertainty of future oil prices, additional technical work needs to be done to establish the feasibility of proceeding with each target reservoir. This will allow for wise investment decisions, properly designed projects for specific fields, and development of the full scope of a CO_2 supply infrastructure.

A demonstration project is necessary to confirm wellbore/reservoir conformance, displacement efficiency, processing rates, and other parameters that will be used for full-scale operations. Due to low oil price, no single entity can presently afford to install and conduct a pilot program. A pilot should include participation by producers, CO_2 suppliers, oil purchasers, and state and federal government through either financial or technical support. If such a collaborative effort can be structured, we can justify proceeding now, rather than waiting for higher oil prices

Shell CO_2 Company believes the technology of CO_2 flooding can be applied in Kansas, the Permian Basin, and elsewhere. Nevertheless, it is important to note that, with oil prices below $10 per barrel, our shareholders require we manage our staff and financial resources very carefully, resulting in staff reductions and reallocations.

We remain interested in advancing CO_2 flooding in Kansas; however, we all need to proceed carefully due to today's economic environment. We look forward to continuing these discussions so that we may all move forward and develop this resource before wells and other facilities in these target fields are abandoned.

If you have any questions, do not hesitate to call me at (281) 544-2292.

Sincerely,

R.T. Bradley
President of Shell CO_2 Company, Ltd.

2-4

CHARLES B. WILSON
TESTIMONY BEFORE THE SENATE
ASSESSMENT AND TAXATION COMMITTEE
JANUARY 27, 1999

My name is Charles B. Wilson and I am a vice president with BEREXCO INC., an oil and gas exploration and production company located in Wichita.

I came before you last Wednesday to provide testimony and encourage your support of SB 18 - the Ad Valorem Tax Credit. I do not necessarily want to repeat what I said last week, other than to reinforce with you the dire straits the oil and gas industry is in today. Drastic conditions are taking place in the field as more and more wells are being shut-in because the expenses exceed the revenues or they are in need of mechanical repairs and the cash flow does not exist to make the repairs. Our support industry - those men and women that service our wells - is vanishing.

We all say it is due to the Asian economic crisis - causing a significant reduction in oil demand, or that it is OPEC's over production problem, or that the US government has allowed Iraq to begin producing 2 million barrels a day into a world market that does not need the supply. Well, it is all of the above. And simple economics says when supply exceeds demand, prices must drop. Prices are now one-half of what they were in 1997. But what is frightening is, members of OPEC, instead of blaming each other as they have in the past, have pointed directly at the Kansas and Oklahoma producers and said there is the high expense barrel in the market place. That is the production that should be shut in.

Senate Assessment & Taxation
1-27-99
Attachment 3

It is no secret that Kansas' production is mature and with many marginal wells, the lifting cost per barrel is high. However, there are many millions of barrels left to be produced and many other barrels have still not been discovered within our state. Kansas oil is part of our heritage and it would be grossly irresponsible as a matter of public policy for our oil to be prematurely abandoned. It is our duty to do everything and anything possible, within what powers we have, to preserve our reserves.

The refinery system in Kansas - NCRA at McPherson, Texaco at El Dorado, and Farmland at Coffeyville - depends for the most part on a steady supply of Kansas crude to make their gasoline for consumers and diesel fuel for farmers and truckers. Yes, they all bring in incremental supplies of non-Kansas crude to meet their needs. However, for every barrel of Kansas crude lost, they will be forced to bring in an additional outside barrel. The current pipeline systems only allow a fixed volume of outside crude. If Kansas crude production continues to decline, at a point, the transportation cost of the extra foreign barrel will increase. Gasoline and diesel price increases to the consumer, on a relative basis, will be the result.

SB 46 will provide relief to the oil producer's cash flow, in two ways. First, directly in the form of increased net revenues. And secondly, although we appreciate the exemptions now available under current law, its passage would eliminate the considerable and costly adminstrative burden required to keep track of data to apply for and maintain exemptions. Additionally, SB 46 would eliminate a certain

amount of state administrative costs associated with the record keeping, filing, auditing, and the granting and monitoring process of exemptions.

Current law provides for certain exemptions based on a sliding scale of prior year oil prices, in addition to other types of criteria eligible for exemption. As I stated, we appreciate what we now have, but allow me to present some examples of leases that are not currently exempt and the impact that severance taxes have on the cash flow.

(SEE ATTACHED EXAMPLES)

In conclusion, as Governor Graves stated in his message to the Legislature "The Kansas oil industry has been devastated...we must do what we can". We must keep as many wells as possible from premature abandonment. Providing relief to the oil producer's cash flow, without causing an increase in consumer prices, is possible with the enactment of SB 46 in combination with SB 18. I believe the fiscal note associated with these bill is overstated, because it does not consider the tax revenue that will be lost if wells are plugged prematurely. Also, it does not consider the multiplier effect of the goods and services that can be purchased back in the oil field communities if the additional cash flow is made available from the passage of these two bills. I strongly encourage you to support passage of SB 46 and SB 18.

17-3

LEASE NAME - WILLIAMS												
												11 mo's
	Jan-98	Feb-98	Mar-98	Apr-98	May-98	Jun-98	Jul-98	Aug-98	Sep-98	Oct-98	Nov-98	YTD
BARRELS	498.51	500.85	496.75	329.64	654.74	488.92	488.38	329.1	487.84	493.31	493.39	5261.43
GROSS VALUE	$8,008.41	$7,514.08	$6,872.12	$4,687.55	$8,893.84	$5,896.64	$6,119.41	$3,907.33	$6,560.54	$6,366.48	$5,579.93	$70,406.33
GROSS SEVERANCE TAX	$ (500.85)	$ (311.86)	$ (285.21)	$ (194.55)	$ (369.12)	$ (244.73)	$ (253.97)	$ (162.17)	$ (272.28)	$ (264.23)	$ (231.58)	$ (3,090.55)
VALUE AFTER SEVERANCE TAX	$7,507.56	$7,202.22	$6,586.91	$4,493.00	$8,524.72	$5,651.91	$5,865.44	$3,745.16	$6,288.26	$6,102.25	$5,348.35	$67,315.78
NET REVENUE % TO WORKING INTEREST	0.87500	0.87500	0.87500	0.87500	0.87500	0.87500	0.87500	0.87500	0.87500	0.87500	0.87500	0.87500
NET REVENUE TO WORKING INTEREST	$7,007.36	$6,574.82	$6,013.11	$4,101.61	$7,782.11	$5,159.56	$5,354.48	$3,418.91	$5,740.47	$5,570.67	$4,882.44	$61,605.54
CASH OPERATING EXPENSES	($5,976.97)	($4,506.70)	($4,788.83)	($5,216.14)	($5,193.24)	($4,889.27)	($5,871.84)	($5,276.88)	($4,262.50)	($4,605.61)	($6,300.35)	($56,888.33)
NET CASH PROFIT BEFORE TAXES	$1,030.39	$2,068.12	$1,224.28	($1,114.53)	$2,588.87	$270.29	($517.36)	($1,857.97)	$1,477.97	$965.06	($1,417.91)	$4,717.21
LESS: SEVERANCE TAX	$ (438.24)	$ (272.88)	$ (249.56)	$ (170.23)	$ (322.98)	$ (214.14)	$ (222.22)	$ (141.90)	$ (238.25)	$ (231.20)	$ (202.63)	**$ (2,704.23)**
LESS: AD VALOREM TAX												**$ (872.76)**
NET CASH PROFIT AFTER TAXES	$ 592.15	$1,795.24	$974.72	($1,284.77)	$2,265.89	$56.15	($739.58)	($1,999.87)	$1,239.73	$733.86	($1,620.54)	$1,140.22

THIS WELL AVERAGED **16** BARRELS PER DAY

SEVERANCE TAXES REDUCED CASH PROFIT BY **57%**

AD VALOREM TAXES REDUCED CASH PROFIT BY **18%**

3-5

LEASE NAME - SMITH												
												11 MO'S
	Jan-98	Feb-98	Mar-98	Apr-98	May-98	Jun-98	Jul-98	Aug-98	Sep-98	Oct-98	Nov-98	YTD
BARRELS	468.87	331.93	495.66	440.12	160.02	164.98	798.51	497.96	483.4	333.75	504.01	4679.21
GROSS VALUE	$7,366.94	$4,979.84	$6,857.04	$6,258.58	$2,173.67	$1,989.75	$10,005.36	$5,912.16	$6,500.83	$4,307.24	$5,700.04	$62,051.45
GROSS SEVERANCE TAX	$ (305.75)	$ (206.68)	$ (284.59)	$ (259.75)	$ (90.21)	$ (82.58)	$ (415.25)	$ (245.37)	$ (269.80)	$ (178.76)	$ (236.57)	$ (2,575.31)
VALUE AFTER SEVERANCE TAX	$7,061.19	$4,773.16	$6,572.45	$5,998.83	$2,083.46	$1,907.17	$9,590.11	$5,666.79	$6,231.03	$4,128.48	$5,463.47	$59,476.14
NET REVENUE % TO WORKING INTEREST	0.87500	0.87500	0.87500	0.87500	0.87500	0.87500	0.87500	0.87500	0.87500	0.87500	0.87500	0.87500
NET REVENUE TO WORKING INTEREST	$6,446.07	$4,357.36	$5,999.91	$5,476.26	$1,901.96	$1,741.03	$8,754.69	$5,173.14	$5,688.23	$3,768.84	$4,987.54	$54,295.02
CASH OPERATING EXPENSES	($2,533.67)	($8,006.53)	($3,649.18)	($3,500.17)	($6,167.06)	($5,614.80)	($3,068.58)	($4,658.11)	($9,739.59)	($3,382.92)	($2,803.14)	($53,123.75)
NET CASH PROFIT BEFORE TAXES	$3,912.40	($3,649.17)	$2,350.73	$1,976.09	($4,265.10)	($3,873.77)	$5,686.11	$515.03	($4,051.36)	$385.92	$2,184.40	$1,171.27
LESS: SEVERANCE TAX	$ (267.53)	$ (180.85)	$ (249.02)	$ (227.28)	$ (78.93)	$ (72.26)	$ (363.34)	$ (214.70)	$ (236.08)	$ (156.42)	$ (207.00)	**$ (2,253.40)**
LESS: AD VALOREM TAX												**$ (1,916.95)**
NET CASH LOSS AFTER TAXES	$3,644.87	($3,830.02)	$2,101.71	$1,748.81	($4,344.03)	($3,946.03)	$5,322.77	$300.33	($4,287.44)	$229.50	$1,977.40	($2,999.08)

THIS WELL AVERAGED **14.18** BARRELS PER DAY.

SEVERANCE TAXES REDUCED CASH PROFIT BY **192%**

AD VALOREM TAXES REDUCED CASH PROFIT BY **163%**

LEASE NAME - LENDON												
												11 MO'S
	Jan-98	Feb-98	Mar-98	Apr-98	May-98	Jun-98	Jul-98	Aug-98	Sep-98	Oct-98	Nov-98	YTD
BARRELS	165.69	164.53	328.71	324.65	287.61	319.23	176.76	160.21	320.61	162.39	324.2	2734.59
GROSS VALUE	$2,603.34	$2,468.39	$4,547.43	$4,616.58	$3,906.82	$3,850.09	$2,078.71	$1,902.13	$4,311.60	$2,095.74	$3,666.50	$36,047.33
GROSS SEVERANCE TAX	$ (108.05)	$ (102.45)	$ (188.73)	$ (191.60)	$ (162.14)	$ (159.79)	$ (86.27)	$ (78.94)	$ (178.94)	$ (86.98)	$ (152.17)	$ (1,496.06)
VALUE AFTER SERVERANCE TAX	$2,495.29	$2,365.94	$4,358.70	$4,424.98	$3,744.68	$3,690.30	$1,992.44	$1,823.19	$4,132.66	$2,008.76	$3,514.33	$34,551.27
NET REVENUE % TO WORKING INTEREST	0.82031	0.82031	0.82031	0.82031	0.82031	0.82031	0.82031	0.82031	0.82031	0.82031	0.82031	0.82031
NET REVENUE TO WORKING INTEREST	$2,135.55	$2,024.85	$3,730.31	$3,787.04	$3,204.81	$3,158.28	$1,705.19	$1,560.34	$3,536.86	$1,719.16	$3,007.68	$29,570.08
CASH OPERATING EXPENSES	($2,491.19)	($3,352.68)	($3,742.76)	($3,853.74)	($1,430.92)	($4,856.01)	($1,192.50)	($2,457.76)	($2,168.79)	($1,192.50)	($2,659.02)	($29,397.87)
NET CASH PROFIT BEFORE TAXES	($355.64)	($1,327.83)	($12.45)	($66.70)	$1,773.89	($1,697.73)	$512.69	($897.42)	$1,368.07	$526.66	$348.66	$172.21
LESS: SEVERANCE TAX	$ (88.63)	$ (84.04)	$ (154.82)	$ (157.17)	$ (133.01)	$ (131.08)	$ (70.77)	$ (64.76)	$ (146.79)	$ (71.35)	$ (124.83)	**$ (1,227.24)**
LESS: AD VALOREM TAX												**$ (545.12)**
NET CASH LOSS AFTER TAXES	$ (444.27)	$ (1,411.87)	$ (167.26)	$ (223.87)	$ 1,640.89	$ (1,828.81)	$ 441.92	$ (962.17)	$ 1,221.28	$ 455.31	$ 223.83	$ (1,600.15)

THIS WELL AVERAGED **8.28** BARRELS PER DAY.

SEVERANCE TAXES REDUCED CASH PROFIT BY **713%**

AD VALOREM TAXES REDUCED CASH PROFIT BY **316%**

3-7

LEASE NAME - RILEY	Jan-98	Feb-98	Mar-98	Apr-98	May-98	Jun-98	Jul-98	Aug-98	Sep-98	Oct-98	Nov-98	11 MO'S YTD
BARRELS	169.85	347.12	171.61	334.67	352.01	171.31	331.28	354.7	169.17	337.02	183.81	2922.55
GROSS VALUE	$2,668.70	$5,207.73	$2,374.08	$4,759.07	$4,585.71	$2,066.09	$4,150.96	$4,211.27	$2,275.02	$4,349.44	$2,078.78	$38,726.85
GROSS SEVERANCE TAX	$ (110.76)	$ (216.14)	$ (98.53)	$ (197.52)	$ (190.32)	$ (85.75)	$ (172.28)	$ (174.78)	$ (94.42)	$ (180.51)	$ (86.28)	$ (1,607.29)
VALUE AFTER SEVERANCE TAX	$2,557.94	$4,991.59	$2,275.55	$4,561.55	$4,395.39	$1,980.34	$3,978.68	$4,036.49	$2,180.60	$4,168.93	$1,992.50	$37,119.56
NET REVENUE % TO WORKING INTEREST	0.84766	0.84766	0.84766	0.84766	0.84766	0.84766	0.84766	0.84766	0.84766	0.84766	0.84766	0.84766
NET REVENUE TO WORKING INTEREST	$2,262.14	$4,414.37	$2,012.40	$4,034.06	$3,887.11	$1,751.33	$3,518.59	$3,569.71	$1,928.44	$3,686.83	$1,762.09	$32,827.06
CASH OPERATING EXPENSES	($6,035.55)	($5,297.26)	($3,405.77)	($2,576.65)	($3,980.65)	($1,853.43)	($1,497.30)	($1,926.46)	($1,826.33)	($2,553.21)	($2,170.00)	($33,122.61)
NET CASH LOSS BEFORE TAXES	($3,773.41)	($882.89)	($1,393.37)	$1,457.41	($93.54)	($102.10)	$2,021.29	$1,643.25	$102.11	$1,133.62	($407.91)	($295.55)
LESS: SEVERANCE TAXES	$ (93.89)	$ (183.21)	$ (83.52)	$ (167.43)	$ (161.33)	$ (72.69)	$ (146.03)	$ (148.15)	$ (80.04)	$ (153.01)	$ (73.14)	**$ (1,362.43)**
LESS: AD VALOREM TAXES												**$ (655.92)**
NET CASH LOSS AFTER TAXES	($3,867.30)	($1,066.11)	($1,476.89)	$1,289.98	($254.87)	($174.78)	$1,875.25	$1,495.10	$22.07	$980.61	($481.04)	($2,313.90)

THIS WELL AVERAGED **8.85** BARRELS PER DAY.

SEVERANCE TAXES INCREASED THE CASH LOSS BY **461%**

AD VALOREM TAXES INCREASED THE CASH LOSS BY **222%**

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

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SB 46

January 27, 1999

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the

Senate Assessment and Taxation Committee

by

Natalie Bright
Director of Taxation

Honorable Chair and members of the committee:

I am Natalie Bright, director of taxation and small business, for the Kansas Chamber of Commerce and Industry. Thank you for the opportunity to appear before your committee today to express our member's support for SB 46.

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 47% 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.

History has proven that the decline of any industry is followed by a ripple effect of losses in peripheral areas. Kansas is very close to losing an industry that has been a tradition in our state for

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mar... ars. As the Kansas oil industry continues to dwindle, a negative impact is being felt in n... Kansas communities, especially in the rural areas.

As we focus our efforts on creating tax incentives to attract new industries to Kansas, we must also work to keep those already here viable. Governor Graves has committed himself to helping the industry by proposing the elimination of severance tax and KCCI both applauds and supports his efforts. Though severance tax elimination may not save the industry, it is at least one step taken to help the ailing industry.

Except for a few strategic areas, some of which we hope will be addressed during the 1999 Session, the Kansas business tax structure is overall favorable for Kansas businesses. Severance tax is one area of the tax structure where KCCI members have identified needs reform. KCCI's long-standing policy in support of repealing severance tax assessments against the mineral industries is as follows:

> KCCI opposes any further tax burden on the Kansas mineral producing industry and urges the Legislature to repeal the severance tax imposed in 1983 when the state general fund balances are sufficient to meet the reasonable needs of financing state government.

In light of Kansas' overall growing economy and the continued growth in general revenue funds, the opportunity to provide relief to the Kansas mineral producers is timely and appropriate.

Currently, states such as Oklahoma, Texas, New Mexico and Wyoming are exploring ways to provide relief. Recently, Oklahoma's Governor called a special session to study the issue and has proposed to lower their severance tax from 7% to 1% when the price of oil drops below $14 per barrel. In 1997, Kansas ranked 9th nationally in oil production, while Oklahoma ranked 6th. If the Kansas Legislature does not take action that is comparable to other states in our region, the three-legged stool which holds up the Kansas economy, such as oil and gas, agriculture and aircraft manufacturing, is on the verge of losing one of its legs – oil and gas.

As this committee continues to assess the various options available to help the industry, the member's of KCCI strongly encourage you to consider legislation that provides severance tax relief for mineral producers in the State of Kansas. Thank you for the opportunity to appear before you.

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Ronald R. Hein
Stephen P. Weir

Senate Assessment & Taxation Committee
TESTIMONY RE: Senate Bill 46
Presented by Ronald R. Hein
on behalf of
Pioneer Natural Resources U.S.A., Inc.
January 27, 1999

Madam Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for Pioneer Natural Resources USA, Inc. Pioneer was formed from the merger of MESA and Parker and Parsley in 1997. Pioneer is one of the largest independent oil and gas exploration and production companies in the United States and is also one of the largest producers of natural gas in Kansas.

Pioneer Natural Resources USA, Inc. supports the passage of SB46, which would eliminate the severance tax on oil produced after January 1, 1999.

In the State of Kansas, Pioneer produces predominately natural gas. So this bill will have little, if any, effect on us. However, although we will not benefit financially from this legislation, Pioneer believes that this is the right action for the State of Kansas to take.

The severance tax on oil and gas approved by the Kansas Legislature in 1983 should never have been implemented. If it was going to be enacted, it should have been done in a manner which would make Kansas competitive with other states, such as Oklahoma, by implementing a state-wide severance tax in lieu of the production-based property tax which is collected at both the state and local level.

With the combined ad valorem tax and severance tax on the production of gas in Kansas, Pioneer pays approximately 11% of the gross production value of natural gas. Oklahoma has a 7% severance tax, with no ad valorem tax, and is currently having a special session to look at reducing their rate.

The Governor's Tax Commission made several findings this summer. Among the guiding tax principles was fostering economic development, having a clearly articulated rationale for any tax bias against any group, focusing on the long run, and making taxes competitive with other states.

The high tax on gas production in Kansas inhibits rather than fosters economic development, especially in an area such as southwest Kansas which needs the economic development. The state has not articulated the rationale for taxing gas production at such a high rate. The state has not addressed the long-term impact that the tax on gas will have for the future of southwest Kansas, where gas production is a declining industry. Lastly, Kansas's total tax on gas is not competitive at all with other states.

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When looking at the equity of the combined severance and ad valorem tax on natural gas production, Kansas is one of the highest, if not the highest taxing state in the nation.

When looking at the equity of the tax on the natural gas industry, no other industry pays a gross receipts tax even near the rate assessed against the oil and gas industry. To the best of my knowledge, no other industry in the state is assessed a gross receipts tax in addition to an ad valorem tax.

When looking at the equity, the severance tax was imposed at a time when the legislature thought that oil prices would rise to $40-50 per barrel, when it was presumed that the severance tax on gas would be passed to out-of-state consumers, and when the voters thought that the severance tax on oil and gas would pay for schools, property tax relief, teacher's salaries, construction of highways, and state employee salary increases. In short, all the premises on which the severance tax was based either never existed, or no longer exist.

The severance tax on oil and gas should never have been enacted. The severance tax on oil and gas should have been repealed years ago. The tax has done a great deal of damage to the oil and gas industry in this state. It has caused wells to be shut-in and plugged, and has meant lost production throughout the state. Unfortunately, the Legislature is looking seriously at eliminating the severance tax on oil when the oil industry is in a crisis situation.

With regards to natural gas, the Kansas Legislature should take a lesson from what it has learned about the oil industry. The reality is that both the oil and the gas industries in Kansas are declining industries. The natural gas fields in southwest Kansas are mature fields and production will decline over the next 10-20 years. The Kansas Legislature has to take whatever actions it can take to ensure that the natural gas industry in Kansas stays as strong as possible for as long as possible. Nature will eventually eliminate the severance tax on gas. The Kansas Legislature, however, can ensure that the field will last as long as possible, that wells are not prematurely plugged, and that Kansas does not witness the same fate for the natural gas industry that it has witnessed for the oil industry.

Thank you very much for permitting me to testify, and I will be happy to yield to questions.

SWKROA
SOUTHWEST KANSAS ROYALTY OWNERS ASSOCIATION

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PHIL DICK, PRESIDENT
ERICK NORDLING, EXECUTIVE SECRETARY
B.E. NORDLING, ASS'T. SECRETARY

Statement of
Erick E. Nordling, Executive Secretary
Southwest Kansas Royalty Owners Association
Hugoton, Kansas 67951

January 27, 1999

To the Honorable Members of the Assessment and Taxation Committee:

Re: Senate Bill 46 relating to severance taxation

Chairperson Langworthy and Members of the Committee:

My name is Erick E. Nordling of Hugoton. I am Executive Secretary of the Southwest Kansas Royalty Owners Association (SWKROA). I am writing on behalf of members of our Association and on behalf of Kansas royalty owners in support of Senate Bill 46 for the elimination of severance tax on oil and coal produced in the State of Kansas.

BACKGROUND ON SWKROA

SWKROA is a non-profit Kansas Corporation, organized in 1948, for the primary purpose of protecting the rights of landowners in the Hugoton Gas Field. We have a membership of over 2,500 members. Our membership primarily consists of landowners owning mineral interests in the Kansas portion of the Hugoton Field who are lessors under oil and gas leases, as distinguished from oil and gas lessees, producers, operators, or working interest owners.

One of the early objectives of our Association, formed in 1948, was to fight a severance tax. We have maintained that position throughout the years, even though a severance tax was eventually enacted.

SEVERANCE TAX ELIMINATION

The Association supports the elimination of the severance tax on coal and oil production.

Kansas already has an ad valorem tax which is similar to the severance tax. The ad valorem tax is assessed on a local level on oil and gas production. Some of this tax money goes to the state for higher education and state

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institutions. The balance of the taxes raised by the local severance tax is used to support local school districts and other local governmental units.

The oil industry in Kansas has a high taxation burden. Severance taxation places a damper on exploration and development of additional reserves. A high tax structure can contribute to the premature abandonment of otherwise productive oil wells.

There would be an economic benefit to State and local governments with prolonged production, as well as new jobs created or sustained through exploration and development activities, by the reduction or elimination of the severance tax.

Royalty owners would also benefit from continued production on marginal wells, from development of new reserves, and from "additional" royalties by reducing the taxes.

GAS PRODUCTION SHOULD ALSO BE EXEMPTED

SWKROA also supports the elimination or reduction of severance tax on gas production in Kansas. The reasons outlined above also apply to gas production. Senate Bill 46 does not go far enough in helping an ailing industry. Fundamental fairness dictates that one side of the industry should not receive a benefit while the other side continues to suffer from the severance tax.

SUMMARY

In summary, we urge your favorable consideration for the reduction or elimination of severance taxes on both oil and gas production in the State of Kansas.

Thank you for this opportunity to present these concerns to your honorable committee.

Respectfully submitted,

Erick E. Nordling
Executive Secretary, SWKROA