

MINUTES OF THE SENATE UTILITIES COMMITTEE.

The meeting was called to order by Chairperson Senator Stan Clark at 9:30 a.m. on February 6, 2001 in Room 231-N of the Capitol.

All members were present except:

Committee staff present: Raney Gilliland, Legislative Research
 Tom Severn, Legislative Research
 Bruce Kinzie, Revisor of Statutes
 Lisa Montgomery, Revisor of Statutes
 Ann McMorris, Secretary
 Chris Crowder, Intern to Senator Clark

Conferees appearing before the committee:

Dick Brewster, Bp Amoco
Jack Glaves, Oxy
Robert Krehbiel, KIOGA
Charles Wilson, Berexco

Written testimony-

Ron Hein, Pioneer Natural Resources
Erick Nordling, Southwest Kansas Royalty Owners Assn.

Others attending: See attached sheet

Chair opened the meeting. Copies of a memo from Jack Glaves was distributed. (Attachment 1)

Chair opened hearing on:

SB 51 - exempting incremental severance and production of oil and gas from severance tax.

The following proponents testified:

Dick Brewster, Director, Government Affairs, Bp (Attachment 2)

Following his testimony, Mr. Brewster explained their proposed changes and amendments to **S.B. 51**. (Attachment 3)

Jack Glaves, Occidental Oil and Gas Company (Attachment 4)

Robert Krehbiel, Kansas Independent Oil & Gas Association (Attachment 5)

Charles Wilson, vice president, BEREXCO, INC. (Attachment 6)

Written testimony was provided by:

Ronald Hein, Pioneer Natural Resources U.S.A., Inc. (Attachment 7)

Erick Nordling, Southwest Kansas Royalty Owners Association (Attachment 8)

Chair opened for questions. The committee reviewed the fiscal note. Severance tax rates for other states were requested. In some instances, the severance tax while higher in other states, is the only tax paid. Bill Brian, attorney for Oxy, reviewed the advantages to Kansas if more companies were to invest in enhancing wells due to the exemption from severance tax.

Property ad valorem tax increase will be 50% more than the severance tax and producers pay sales tax on materials and 6 1/2% income tax on the increment.

Chair asked KCC for their definition of horizontal drilling and whether they agreed with the language on page 5 line 43 thru page 6 line 4 on horizontal drilling. Dave Williams, KCC supervisor of production, noted they have two definitions - one on deviated drilling and one on horizontal drilling. Purpose of this exemption is for horizontal only and does not cover deviated drilling.

Chair closed hearing.

Moved by Senator Barone, seconded by Senator Brownlee to amend S.B. 51 by striking the language from line 43 on page 5 to line 4 on Page 6 “production from a horizontally drilled well drilled and completed in a manner which encounters and produces oil or gas from a geological formation at an angle in excess of 70 degrees from vertical and which laterally penetrates a minimum of 150 feet into the pay zone of the formation;”. Motion carried.

Moved by Senator Wagle, seconded by Senator Brownlee, to amend S.B.51 with language prepared by Dick Brewster, Bp. (Attachment 3) Motion carried.

Moved by Senator Wagle, seconded by Senator Lee, to pass out S.B. 51 as amended. Motion carried.

Next meeting of Senate Utilities Committee will be held jointly with the House Utilities Committee on February 7 in Room 526-S at 9:30 a.m.

Adjournment.

Respectfully submitted,

Ann McMorris, Secretary

Attachments - 8

SENATE UTILITIES COMMITTEE GUEST LIST

DATE: February 6, 2001

Name	Representing
Jack Graves	Oxy
Bill F. Bryant	Oxy
Joins Edmiston	KCC
DAVE WILLIAMS	KCC
Richard Franz	Innotech Marketing Inc
Darcy Kells	Light for the World
Charles Wilson	Berexco
J.P. SMALL	EXX MOBIL
Ken Peterson	KS Petroleum Council
Jim Allen	EKOGA
Robert E Krehbiel	KIOGA
John Curless	Sen. Stan Clark
Nick Brewster	BP -

February 6, 2001

Message from Jack Glaves

Kinder Morgan has received \$8.5 million of a potential total of \$31 Million. 28% is refundable to Kansas customer sand of that 80% goes to Midwest Energy. Kansas has received \$2.4 Million of which \$1.7 Million is receivable by Midwest Energy. We are in the process of arranging aqdditional meetings. The first meeting held in November with key producers and consumers.

Senate Utilities Committee
February 61, 2001
Attachment 1-1

Comments to:

The Kansas Senate Committee on Utilities

on

Senate Bill No. 51

**February 6, 2001
Topeka, Kansas**

Submitted by:

**Dick Brewster
Director, Government Affairs
bp**

Mr. Chairman, Members of the Committee, for the record, my name is Dick Brewster, and I am Director of Government Affairs for bp.

First, let me express my appreciation to the Committee for its introduction of the S.B. 51, and the opportunity to review the bill with you today.

Senate Bill No. 51 modifies Section 1 (b) (6) of K.S.A.79-4217. Section 1 (b) of K.S.A. 79-4217 is a list of exceptions to the state severance tax. Subsection (6) provides that oil or gas resulting from certain "production enhancement projects" is exempt for a fixed time period of 7 years.

Production enhancement projects include defined investment that results in "incremental" production, or production volumes that would not be obtained except for the project -- the investment. An enhancement project also includes the initial drilling of certain wells that bear an extra-ordinary front loaded cost, wells defined in the law as being based on "new technology. The law exempts from the severance tax this incremental, or additional production and production from the qualifying new wells based on new technology. No existing production was exempted as the result of adoption of this law three years ago.

The idea behind enactment of the measure three years ago was to encourage investment in Kansas gas and oil production. It has done that. Jack Graves, representing OXY, and others who will speak with you in a few minutes will provide specific examples of production and revenue, which have resulted from the incentives provided by this legislation.

"Incremental production" resulting from production enhancement projects increase the life of mature oil and gas fields, resulting in the production of more oil and gas from those fields in the long term, and provide an immediate increase in production volumes from these areas. Wells based on new technology, wells that have an unusually high front-end cost, increase overall production in Kansas. Both mean more jobs in Kansas, more payroll and sales tax revenue, and more property tax revenue for the state and local governments. These revenues exceed the cost to the state from foregoing the severance tax revenue for a period of time. And, ultimately, the state will pick up the severance tax revenues as well.

The current law, however, has a significant problem: The severance tax exemption goes away during any fiscal year which follows a calendar in which the average price of Kansas gas is over \$2.50 per Mcf, and Kansas crude oil sells for over \$20.00 per barrel. I surely don't have to say that prices are now above these thresholds.

Senate Bill No. 51 eliminates these price thresholds. We recommend this action because it is important for Kansas to be competitive with other states in attracting investment. As I reported to you a few weeks ago, gas producers will be spending some \$40 billion a year in developing and delivering gas to meet U. S. projected demand. All producing

areas, and potential areas will be competing for this investment. With the price caps, Kansas remains less than fully competitive for the investment that will happen. Texas and Louisiana have removed price caps from their investment incentives. Oklahoma is looking at removing its incentive thresholds. The amendment that appears on page 6 of the bill, lines 25 through 31, remove these thresholds from current law.

The amendment which begins on line 43 of page 5 and goes through line 5 on page 6 is intended to include types of wells which, like 3 Dimensional seismic based wells, have an extra-ordinary high front end cost. Specifically, this amendment includes horizontally drilled wells and coal bed gas production. In discussions with the KCC, we've learned that horizontally drilled wells are already included as qualifying projects under the "new technology" provisions of the law. Coal bed production may also qualify under this provision as well. You may hear that this amendment may not be needed. If these wells qualify, this amendment might be removed from the bill, though there is certainly no damage done by leaving it in the bill.

I need to speak to the amendment in the definition of base production, beginning at line 38 on page 4 and going to line 2 on page 5. I've prepared a handout showing how this amendment needs to read. The language beginning with the first sentence starting on line 41 of page 4, and ending with the word "date" on line 1, page 5, is in the wrong place. It refers to the base production of oil, not gas. So, my handout recommends it be moved and subsequent language be changed accordingly.

The change in the definition of base production for a gas well is needed to accommodate the increasing number of wells in the Hugoton area that will have to have vacuum applied – which have no wellhead pressure.

Mr. Chairman, Members of the Committee, again, I appreciate the chance to review this bill with you. I will be happy to respond to any questions. I urge approval of Senate Bill 51 by the Committee at an early date, since it is also referred to the Senate Tax Committee, and must be heard and acted upon there.

Respectfully Submitted,

Dick Brewster

1 from any well pursuant to this paragraph shall be valid for a period of 24
2 months following the month in which oil or gas was first produced from
3 such pool. The term "pool" means an underground accumulation of oil
4 or gas in a single and separate natural reservoir characterized by a single
5 pressure system so that production from one part of the pool affects the
6 reservoir pressure throughout its extent;

7 (5) the severance and production of oil or gas from a three-year in-
8 active well, as determined by the state corporation commission and cer-
9 tified to the director of taxation, for a period of 10 years after the date of
10 receipt of such certification. As used in this paragraph, "three-year in-
11 active well" means any well that has not produced oil or gas in more than
12 one month in the three years prior to the date of application to the state
13 corporation commission for certification as a three-year inactive well. An
14 application for certification as a three-year inactive well shall be in such
15 form and contain such information as required by the state corporation
16 commission, and shall be made prior to July 1, 1996. The commission
17 may revoke a certification if information indicates that a certified well was
18 not a three-year inactive well or if other lease production is credited to
19 the certified well. Upon notice to the operator that the certification for a
20 well has been revoked, the exemption shall not be applied to the pro-
21 duction from that well from the date of revocation;

22 (6) (A) The incremental severance and production of oil or gas which
23 results from a production enhancement project begun on or after July 1,
24 1998, shall be exempt for a period of seven years from the startup date
25 of such project. As used in this paragraph (6):

26 (1) "Incremental severance and production" means the amount of oil
27 or natural gas which is produced as the result of a production enhance-
28 ment project which is in excess of the base production of oil or natural
29 gas, and is determined by subtracting the base production from the total
30 monthly production after the production enhancement projects project
31 is completed.

32 (2) "Base production" means:

33 (i) For an oil well, the average monthly amount of production for the
34 twelve-month period immediately prior to the production enhancement
35 project beginning date, minus the monthly rate of production decline for
36 the well or project for each month beginning 180 days prior to the project
37 beginning date; or

38 (ii) for a gas well, the average extrapolated monthly production de-
39 termined from the standard backflow equation utilizing the decline rate,
40 the last state supervised well test and gas in place from historical shut-in
41 pressure versus cumulative production plot.

The monthly rate of produc-
tion decline shall be equal to the average extrapolated monthly decline
rate for the well or project for the twelve-month period immediately prior

The monthly rate of [production decline shall be equal to
the average extrapolated monthly decline rate for the well or
project for the twelve-month period immediately prior to the
production enhancement project beginning date.

The monthly rate of [production decline shall be equal to
the average extrapolated monthly decline rate for the well or
project for the twelve-month period immediately prior to the
production enhancement project beginning date.

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
?

to the production enhancement project beginning date, except that *in the case of either oil or gas production*, the monthly rate of production decline shall be equal to zero in the case where the well or project has experienced no monthly decline during the twelve-month period immediately prior to the production enhancement project beginning date. Such monthly rate of production decline shall be continued as the decline that would have occurred except for the enhancement project. Any well or project which may have produced during the twelve-month period immediately prior to the production enhancement project beginning date but is not capable of production on the project beginning date shall have a base production equal to zero. The calculation of the base production amount shall be evidenced by an affidavit and supporting documentation filed by the applying taxpayer with the state corporation commission.

~~except that in (iii)~~ *In the case of either oil or gas production*, the monthly rate of production decline shall be equal to zero in the case where the well or project has experienced no monthly decline during the twelve-month period immediately prior to the production enhancement project beginning date. Such monthly rate of production decline shall be continued as the decline that would have occurred except for the enhancement project. Any well or project which may have produced during the twelve-month period immediately prior to the production enhancement project beginning date but is not capable of production on the project beginning date shall have a base production equal to zero. The calculation of the base production amount shall be evidenced by an affidavit and supporting documentation filed by the applying taxpayer with the state corporation commission.

(3) "Workover" means any downhole operation in an existing oil or gas well that is designed to sustain, restore or increase the production rate or ultimate recovery of oil or gas, including but not limited to acidizing, reperforation, fracture treatment, sand/paraffin/scale removal or other wellbore cleanouts, casing repair, squeeze cementing, initial installation, or enhancement of artificial lifts including plunger lifts, rods, pumps, submersible pumps and coiled tubing velocity strings, downsizing existing tubing to reduce well loading, downhole commingling, bacteria treatments, polymer treatments, upgrading the size of pumping unit equipment, setting bridge plugs to isolate water production zones, or any combination of the aforementioned operations; "workover" shall not mean the routine maintenance, routine repair, or like for-like replacement of downhole equipment such as rods, pumps, tubing packers or other mechanical device.

(4) "Production enhancement project" means performing or causing to be performed the following:

- (i) Workover;
- (ii) recompletion to a different producing zone in the same well bore, except recompletions in formations and zones subject to a state corporation commission proration order;
- (iii) secondary recovery projects;
- (iv) addition of mechanical devices to dewater a gas or oil well;
- (v) replacement or enhancement of surface equipment;
- (vi) installation or enhancement of compression equipment, line looping or other techniques or equipment which increases production from a well or a group of wells in a project;
- (vii) new discoveries of oil or gas which are discovered as a result of the use of new technology, including, but not limited to, three dimensional seismic studies;
- (viii) production from a horizontally drilled well drilled and com-

1 pleted in a manner which encounters and produces oil or gas from a
2 geological formation at an angle in excess of 70 degrees from vertical and
3 which laterally penetrates a minimum of 150 feet into the pay zone of the
4 formation; or

5 (ix) production of natural gas or oil from a coal bed.

6 (B) The state corporation commission shall adopt rules and regula-
7 tions necessary to efficiently and properly administer the provisions of
8 this paragraph (6) including rules and regulations for the qualification of
9 production enhancement projects, the procedures for determining the
10 monthly rate of production decline, criteria for determining the share of
11 incremental production attributable to each well when a production en-
12 hancement project includes a group of wells, criteria for determining the
13 start up date for any project for which an exemption is claimed, and
14 determining new qualifying technologies for the purposes of paragraph
15 (6)(A)(4)(vii).

16 (C) Any taxpayer applying for an exemption pursuant to this para-
17 graph (6) shall make application to the director of taxation. Such appli-
18 cation shall be accompanied by a state corporation commission certifi-
19 cation that the production for which an exemption is sought results from
20 a qualified production enhancement project and certification of the base
21 production for the enhanced wells or group of wells, and the rate of
22 decline to be applied to that base production. The secretary of revenue
23 shall provide credit for any taxes paid between the project startup date
24 and the certification of qualifications by the commission.

25 ~~(D) The exemptions provided for in this paragraph (6) shall not apply~~
26 ~~for 12 months beginning July 1 of the year subsequent to any calendar~~
27 ~~year during which: (1) In the case of oil, the secretary of revenue deter-~~
28 ~~mines that the weighted average price of Kansas oil at the wellhead has~~
29 ~~exceeded \$20.00 per barrel; or (2) in the case of natural gas the secretary~~
30 ~~of revenue determines that the weighted average price of Kansas gas at~~
31 ~~the wellhead has exceeded \$2.50 per Mcf.~~

32 (E) (D) The provisions of this paragraph (6) shall not affect any other
33 exemption allowable pursuant to this section; and

34 (7) for the calendar year 1988, and any year thereafter, the severance
35 or production of the first 350,000 tons of coal from any mine as certified
36 by the state geological survey.

37 (c) No exemption shall be granted pursuant to subsection (b)(3) or

38 (4) to any person who does not have a valid operator's license issued by
39 the state corporation commission, and no refund of tax shall be made to
40 any taxpayer attributable to any production in a period when such tax-
41 payer did not hold a valid operator's license issued by the state corporation
42 commission.

43 (d) On April 15, 1988, and on April 15 of each year thereafter, the

3

**STATEMENT BY JACK GLAVES FOR
OCCIDENTAL OIL AND GAS COMPANY ON SB 51
BEFORE SENATE UTILITIES COMMITTEE**

FEBRUARY 6, 2001

Occidental Oil and Gas Company has a long history in Kansas through its predecessor company Cities Service, that was a developer of the El Dorado field since the First World War. Oxy is currently one of the most active producers in the Southwest Kansas area and is particularly involved in deeper exploration ventures. These are relatively expensive and high risk. The existing tax incentives have encouraged the drilling by Oxy of 32 wells (14 gas and 18 oil) involving an expenditure of approximately 13 million dollars. The drilling program resulted in 15 dry holes costing an additional 2.25 million dollars.

The ~~for~~gone severance tax is more than offset by added ad valorem taxes received by the counties involved, by a margin of approximately 2 to 1. (roughly \$2.00 of ad valorem tax for \$1.00 of severance tax)

Oxy has particularly utilized the exemption in extensive 3 D seismic that is vital to exploration in the complex geology of the deeper formations underlying the Hugoton.

The attached pie chart reflects the breakdown for industry utilization of the exemption. As you can see 3 D and compression are the major vehicles both of which are prime sources of new and expanded production.

The exemption has encouraged not only Oxy and Anadarko to devote capital to Kansas but it has also resulted in extensive activity by the independents. The KCC list of certifications reflects use of the incentive by Vess Oil Corporation, Pickrell Drilling, Mull Drilling and others from Wichita, American Warrior of Garden City, John Farmer of Russell and many others involving projects ranging from Elk and Butler Counties to the East across the state to North Central and Northwest Kansas; Graham, Ellis, Russell, Lane and Gove counties, as well as the traditional Southwest Kansas gas area.

Bottom line, the exemption has resulted in over 300 applications and as its availability becomes more generally known we believe it can be a continued source for new investment capital for Kansas exploration.

Its cost is not a budget buster.

The attached Department of Revenue transmittal reflects exempt production of

228,000 bbls of oil and 2,300 mcf of gas for the first eight months of 2000, involving a tax exemption of \$274,000 attributable to oil and \$307,000 for gas.

The history of exemptions in the producing states has shown they are net revenue producers for the state and local government as well as oil and gas production enhancers for the economy.

Oxy's staff is seeking authorization for 20 million dollars for additional Kansas exploration for this year.

We believe the discontinuance of the incentive, by not passing the Bill, would send the wrong message to the decision makers as to where to spend investment dollars.

We urge your favorable consideration of SB 51.

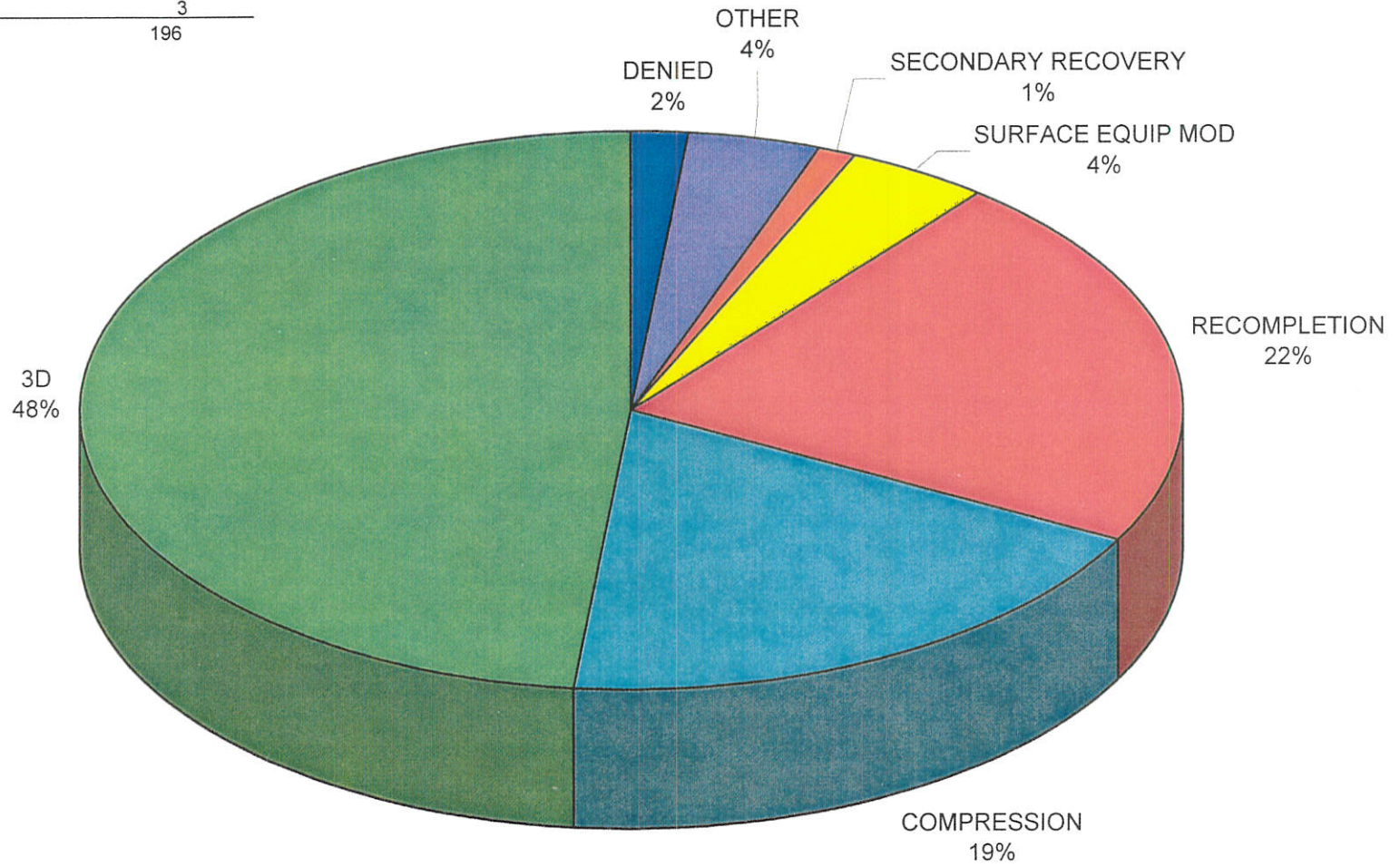
Respectfully submitted,

Jack Glaves

CER-1 APPLICATIONS BY TYPE

ENHANCEMENT TYPE	TOTALS
3D	95
COMPRESSION	37
RECOMPLETIONS	43
SURFACE EQUIP. MOD.	8
OTHER	8
SECONDARY REC.	2
DENIED	3
TOTAL	196

1999 TO PRESENT



CERTIFICATION NO	WELL NAME	OPERATOR	COUNTY	SEC-TWP-RGN	DATE RECEIVED	DATE DENIED/APPROVED	STARTUP DATE OF PROJECT	ENHANCEMENT TYPE
CER 3881	RICE A 32	VESS OIL CORPORATION	BUTLER	5-26-4E	MARCH 25, 1999	APRIL 19, 1999 APPROVED	FEBRUARY 22, 1999	SURFACE EQUIP MOD
CER 4991	FORSYTHE B 1	PICKRELL DRILLING CO.	BARBER	17-32-12W	APRIL 7, 1999	MAY 4, 1999 APPROVED	FEBRUARY 6, 1999	SURFACE EQUIP MOD
CER 4992	ADAMSON A 5	ANADARKO	SEWARD	11-34-34W	APRIL 20, 1999	DECEMBER 17, 1999 APPROVED	JANUARY 6, 1999	3D
CER 4993	COOK A 2	ANADARKO	SEWARD	35-333-34W	APRIL 20, 1999	DECEMBER 17, 1999 APPROVED	JANUARY 26, 1999	3D
CER 4994	HEADRICK A 3	ANADARKO	SEWARD	11-35-34W	APRIL 20, 1999	DECEMBER 17, 1999 APPROVED	FEBRUARY 25, 1999	3D
CER 4995	K U ENDOWMENT G 1	ANADARKO	MORTON	21-33-39W	APRIL 20, 1999	JUNE 9, 1999 APPROVED	SEPTEMBER 30, 1998	3D
CER 4996	LYNCH B 2	ANADARKO	MORTON	28-33-40W	APRIL 20, 1999	JUNE 30, 1999 APPROVED	OCTOBER 29, 1998	3D
CER 4997	KEATING STEPHENS A 5	ANADARKO	SEWARD	2-34-34W	APRIL 20, 1999	DECEMBER 17, 1999 APPROVED	DECEMBER 17, 1998	3D
CER 4998	USA BAKER G 3	ANADARKO	MORTON	33-33-41W	APRIL 20, 1999	OCTOBER 6, 1999 APPROVED	AUGUST 20, 1999	3D
CER 4999	LEMERT C 1	ANADARKO	SEWARD	7-35-33W	APRIL 20, 1999	DECEMBER 17, 1999 APPROVED	DECEMBER 10, 1998	3D
CER 49910	BOLES B 5	ANADARKO	SEWARD	4-35-34W	APRIL 21, 1999	DECEMBER 17, 1999 APPROVED	FEBRUARY 11, 1999	3D
CER 49911	BLOOM C 1	ANADARKO	SEWARD	7-35-33W	APRIL 21, 1999	DECEMBER 17, 1999 APPROVED	DECEMBER 29, 1998	3D
CER 49912	HIV CANYON A 1	ANADARKO	STEVENS	24-33-36W	APRIL 22, 1999	OCTOBER 21, 1999 DENIED		DENIED
CFR 49913	HEADRICK A 2	ANADARKO	SEWARD	11-35-34W	APRIL 22, 1999	DECEMBER 17, 1999 APPROVED	AUGUST 12, 1998	3D
CER 49914	MCHARGUE B 1	ANADARKO	SEWARD	14-35-34W	APRIL 22, 1999	DECEMBER 17, 1999 APPROVED	JULY 6, 1998	3D
CER 49915	USA DUNKLE A 3	ANADARKO	MORTON	1-33-41W	APRIL 22, 1999	OCTOBER 12, 1999 APPROVED	JULY 30, 1998	3D
CER 49916	YOUNGMEYER 12-1H	DOLOMITE RESOURCES	ELK	12-29-8E	APRIL 26, 1999	MAY 12, 1999 APPROVED	JANUARY 1, 1999	3D
CER 5991	DALE 2	MIDCO EXPLORATION	COMANCHE	34-32-18W	MAY 3, 1999	JUNE 2, 1999 APPROVED	JANUARY 14, 1999	3D
CER 5992	FISHER 1	KENWORTHY OPER.	EDWARDS	27-24-18W	MAY 12, 1999	MAY 17, 1999 APPROVED	JULY 24, 1998	SURFACE EQUIP MOD
CER 5993	KELLER D 1	ANADARKO	SEWARD	25-32-32W	MAY 12, 1999	AUGUST 12, 1999 APPROVED	JULY 7, 1998	COMPRESSION
CER 5994	BLACK D 1H	ANADARKO	HASKELL	20-30-34W	MAY 15, 1999	AUGUST 12, 1999 APPROVED	JULY 13, 1998	COMPRESSION
CER 5995	MILLER 1	KENWORTHY OPER.	EDWARDS	35-24-16W	MAY 27, 1999	AUGUST 12, 1999 APPROVED	MAY 1, 1999	SURFACE EQUIP MOD
CER 5996	KANSAS CITY LIFE 3	KANSAS CITY LIFE CO. INC.	SEWARD	3-35-31W	MAY 26, 1999	JUNE 17, 1999 APPROVED	SEPTEMBER 1, 1998	SURFACE EQUIP MOD
CER 5997	EMERICK A 1	ANADARKO	COMANCHE	24-31-18W	MAY 19, 1999	JANUARY 27, 2000 APPROVED	JULY 15, 1998	COMPRESSION
CER 5998	MORISSE 1	EDMISTON OIL CO.	KINGMAN	24-30-10W	JUNE 1, 1999	NOVEMBER 5, 1999 APPROVED	AUGUST 25, 1998	OTHER
CER 5999	PRICE A 1	EDMISTON OIL CO.	KINGMAN	24-30-10W	JUNE 1, 1999	NOVEMBER 5, 1999 APPROVED	DECEMBER 1, 1998	OTHER
CER 6993	PRICE D 1	EDMISTON OIL CO.	KINGMAN	24-30-10W	JUNE 1, 1999	NOVEMBER 5, 1999 APPROVED	DECEMBER 3, 1998	OTHER
CER 6994	JONES D 1	WILTON PETROLEUM INC	LANE	34-16-27W	JUNE 17, 1999	SEPTEMBER 15, 1999 DENIED	JULY 10, 1998	DENIED
CER 6995	MERRITT MLP 1-35	HARRIS OIL & GAS CO	GRANT	35-29-35W	JUNE 21, 1999	OCTOBER 15, 1999 APPROVED	APRIL 10, 1999	3D
CER 6996	BFC WARRANG TRUST 15-11	HARRIS OIL & GAS CO	MORTON	15-32-40W	JUNE 21, 1999	OCTOBER 5, 1999 APPROVED	MAY 29, 1999	3D
CER 6997	SIMPSON 2-35	HARRIS OIL & GAS CO	HASKELL	35-30-33W	JUNE 23, 1999	SEPTEMBER 20, 1999 APPROVED	APRIL 27, 1999	RECOMPLETION
CER 6998	SIMPSON 3-35	HARRIS OIL & GAS CO	HASKELL	35-30-33W	JUNE 23, 1999	SEPTEMBER 20, 1999 APPROVED	APRIL 15, 1999	OTHER
CER 6999	SIMPSON 5-35	HARRIS OIL & GAS CO	HASKELL	35-30-33W	JUNE 23, 1999	SEPTEMBER 20, 1999 APPROVED	MAY 5, 1999	RECOMPLETION
CER 69910	KIRBY 1-17	CHESAPEAKE OPER. INC	HASKELL	17-29-39W	JUNE 25, 1999	DECEMBER 8, 1999 APPROVED	FEBRUARY 24, 1999	RECOMPLETION
CER 69911	RATH 1	PELICAN HILL O&G INC	CHEYENNE	23-2-42W	JUNE 25, 1999	OCTOBER 20, 1999 APPROVED	MARCH 25, 1999	3D
CER 69912	RATH 2	PELICAN HILL O&G INC	CHEYENNE	23-2-42W	JUNE 25, 1999	OCTOBER 20, 1999 APPROVED	MARCH 25, 1999	3D
CER 69913	BRYANT 1-20	ANADARKO	HASKELL	20-30-34W	JUNE 29, 1999	OCTOBER 20, 1999 APPROVED	JULY 18, 1998	COMPRESSION
CER 69914	REAL ESTATE A 2	ANADARKO	GRANT	16-30-35W	JUNE 29, 1999	OCTOBER 20, 1999 APPROVED	JULY 2, 1998	COMPRESSION
CER 69915	REAL ESTATE A 3H	ANADARKO	GRANT	16-30-35W	JUNE 29, 1999	OCTOBER 20, 1999 APPROVED	JULY 2, 1998	COMPRESSION
CER 7991	LIVINGSTON A 2H	ANADARKO	GRANT	17-29-36W	JULY 13, 1999	DECEMBER 29, 1999 APPROVED	JULY 13, 1998	COMPRESSION
CER 7992	ILLINOIS BANKER LIFE 1-17	ANADARKO	GRANT	17-29-36W	JULY 13, 1999	DECEMBER 29, 1999 APPROVED	JULY 13, 1998	COMPRESSION
CER 7993	REAL ESTATE A 1	ANADARKO	GRANT	16-30-35W	JULY 15, 1999	DECEMBER 20, 1999 APPROVED	FEBRUARY 24, 1999	COMPRESSION
CER 7994	SPALDING 1-25	ANADARKO	STEVENS	25-32-36W	JULY 21, 1999	JANUARY 28, 2000 APPROVED	SEPTEMBER 9, 1998	COMPRESSION
CER 7995	DEVLIN 1-19	ANADARKO	FINNEY	19-26-34W	JULY 26, 1999	MARCH 29, 2000 APPROVED	MARCH 30, 1999	COMPRESSION
CER 8991	KERSTETTER 1-29	AMERICAN WARRIOR INC	COMANCHE	29-32-19W	AUGUST 5, 1999	NOVEMBER 5, 1999 APPROVED	FEBRUARY 21, 1999	3D
CER 8992	RICH 1-29	AMERICAN WARRIOR INC	COMANCHE	29-32-19W	AUGUST 5, 1999	NOVEMBER 5, 1999 APPROVED	FEBRUARY 21, 1999	3D
CER 8993	BJRD 1-28	AMERICAN WARRIOR INC	COMANCHE	28-32-15W	AUGUST 5, 1999	NOVEMBER 5, 1999 APPROVED	FEBRUARY 21, 1999	3D
CER 8994	KERSTETTER 1-33	AMERICAN WARRIOR INC	COMANCHE	33-32-19W	AUGUST 5, 1999	NOVEMBER 5, 1999 APPROVED	FEBRUARY 21, 1999	3D
CER 8995	DEVLIN A 1H	ANADARKO	FINNEY	19-26-34W	AUGUST 5, 1999	MARCH 29, 2000 APPROVED	APRIL 20, 1999	COMPRESSION
CER 8996	KIOWA CATTLE B 1H	ANADARKO	HASKELL	28-30-34W	AUGUST 5, 1999	MARCH 30, 2000 APPROVED	MARCH 11, 1999	COMPRESSION
CER 8997	MURPHY UNIT 1-27	ANADARKO	HASKELL	27-30-34W	AUGUST 5, 1999	MARCH 30, 2000 APPROVED	MARCH 23, 1999	COMPRESSION
CER 8998	RAMSEY 1	OIL PROD. INC OF KS	FORD	38-28-21W	AUGUST 6, 1999	DECEMBER 8, 1999 APPROVED	MARCH 8, 1999	COMPRESSION
CFR 8998	DURKEE 1	OIL PROD. INC OF KS	KIOWA	31-28-20W	AUGUST 6, 1999	DECEMBER 8, 1999 APPROVED	MARCH 8, 1999	COMPRESSION
CER 89910	CHALFANT 1	OIL PROD. INC OF KS	FORD	38-28-21W	AUGUST 6, 1999	DECEMBER 8, 1999 APPROVED	MARCH 8, 1999	COMPRESSION
CER 89911	TUCKER H1	ANADARKO	GRANT	24-29-36W	AUGUST 9, 1999	APRIL 11, 2000 APPROVED	MAY 7, 1999	COMPRESSION
CER 89912	TATE A 1	ANADARKO	GRANT	17-29-36W	AUGUST 9, 1999	APRIL 11, 2000 APPROVED	APRIL 1, 1999	COMPRESSION
CER 89913	UNGLES C 1H	ANADARKO	HASKELL	35-30-34W	AUGUST 9, 1999	APRIL 11, 2000 APPROVED	APRIL 15, 1999	COMPRESSION
CER 89914	NEU 1-8	ANADARKO	STEVENS	9-33-37W	AUGUST 11, 1999	APRIL 11, 2000 APPROVED	FEBRUARY 17, 1999	COMPRESSION
CER 89915	COOK A 1	BEREN CORPORATION	BARBER	8-34-12W	AUGUST 23, 1999			
CER 89916	SEIBERT 1	BEREXCO INC	STAFFORD	31-24-15W	AUGUST 23, 1999	FEBRUARY 1, 2000 DENIED	NOVEMBER 13, 1998	DENIED
CER 89917	SCHIFF 1	BEREXCO INC	BARBER	36-32-11W	AUGUST 23, 1999			
CER 89918	LFE 3-17	BEREDCO INC	BARBER	17-30-15W	AUGUST 23, 1999			
CER 89919	LDM 1	BEREXCO INC	HASKELL	38-29-33W	AUGUST 23, 1999			
CER 89920	POWELL 8-22	BEREXCO INC	HASKELL	22-29-37W	AUGUST 23, 1999			
CER 89921	THURLOW 1	BEREXCO INC	STEVENS	13-31-36W	AUGUST 23, 1999			
CER 89922	LIVINGSTON A 1	ANADARKO	GRANT	17-29-35W	AUGUST 25, 1999	APRIL 13, 2000 APPROVED	MARCH 25, 1999	COMPRESSION
CER 89923	MYERS B 2	ANADARKO	MORTON	33-32-40W	AUGUST 26, 1999	APRIL 13, 2000 APPROVED	JUNE 9, 1999	COMPRESSION
CER 89924	MORRISON A 1	ANADARKO	MORTON	33-32-40W	AUGUST 26, 1999			
CER 89925	GODDARD B 1-5	ANADARKO	MORTON	6-34-41W	AUGUST 26, 1999	MAY 1, 2000 APPROVED	NOVEMBER 17, 1998	RECOMPLETION
CER 89926	GREGG F 6	ANADARKO	HASKELL	4-29-34W	AUGUST 26, 1999	MAY 1, 2000 APPROVED	AUGUST 28, 1998	RECOMPLETION
CER 89927	SIMMONS A 1	OKY USA INC	MORTON	15-32-39W	AUGUST 30, 1999	DECEMBER 27, 1999 APPROVED	MAY 25, 1999	3D
CER 89928	FERGUSON 17-1	DOLOMITE RESOURCES	COWLEY	17-30-8E	AUGUST 27, 1999	JANUARY 7, 2000 APPROVED	AUGUST 9, 1999	3D
CER 89929	JACK DUNNE 1-35	YOUNGER ENERGY CO	LANE	35-18-28W	AUGUST 31, 1999	OCTOBER 12, 1999 APPROVED	JULY 31, 1999	3D
CER 89930	PRICE 1-25	OIL PROD. INC OF KS	FORD	25-28-21W	AUGUST 31, 1999	DECEMBER 27, 1999 APPROVED	MARCH 8, 1999	COMPRESSION
CER 89931	PRICE 1-25	AMERICAN WARRIOR INC	FORD	25-28-21W	AUGUST 31, 1999	DECEMBER 27, 1999 APPROVED	MARCH 8, 1999	COMPRESSION

P.03/05

14:59

Jan 30 '01

Fax: 316-337-6211

K.C.C. Wichita

CER 99932	PRICE 2-25	OIL PROD. INC OF KS	FORD	4-28-21W	AUGUST 31, 1999	DECEMBER 27, 1999 APPROVED	MARCH 8, 1999	COMPRESSION
CER 99931	RUSCO DAVIS 3-25	MURFIN DRUG CO	ELLIS	25-11-20W	SEPTEMBER 3, 1998	JANUARY 28, 2000 APPROVED	NOVEMBER 30, 1998	3D
CER 99930	T.W. HALL 1-17	MURFIN DRUG CO	ELLIS	17-11-19W	SEPTEMBER 3, 1999	JANUARY 5, 2000 APPROVED	JUNE 30, 1998	3D
CER 99929	UNRUH D 2	ONEOK RESOURCES CO	KIOWA	27-30-18W	SEPTEMBER 7, 1998	JANUARY 5, 2000 APPROVED	AUGUST 20, 1998	RECOMPLETION
CER 99928	ADAMS L 2	ANADARKO	HASKELL	33-29-34W	SEPTEMBER 8, 1999	MAY 9, 2000 APPROVED	JULY 13, 1999	COMPRESSION
CER 99927	MURPHY D 2	ANADARKO	HASKELL	34-29-34W	SEPTEMBER 8, 1999	MAY 9, 2000 APPROVED	JULY 13, 1999	COMPRESSION
CER 99926	MURPHY D 3	ANADARKO	HASKELL	34-29-34W	SEPTEMBER 8, 1999	MAY 9, 2000 APPROVED	JULY 13, 1999	COMPRESSION
CER 99925	MURPHY D 4	ANADARKO	HASKELL	34-29-34W	SEPTEMBER 8, 1999	MAY 9, 2000 APPROVED	JULY 13, 1999	COMPRESSION
CER 10991	HOLLAND UNIT 19-1	IMPERIAL AMERICAN OIL	ELLIS	19-11-19W	OCTOBER 8, 1999	JANUARY 26, 2000 APPROVED	SEPTEMBER 13, 1999	3D
CER 10992	BROLLIER D 2H	ANADARKO	STEVENS	26-31-05W	OCTOBER 12, 1999	MAY 10, 2000 APPROVED	JUNE 21, 1999	COMPRESSION
CER 10993	WOLF I 1	YOUNGER ENERGY CO	GOVE	24-11-26W	OCTOBER 12, 1999	JANUARY 17, 2000 APPROVED	SEPTEMBER 30, 1999	SECONDARY RECOVERY
CER 10994	JAMISON A 1	YOUNGER ENERGY CO	GOVE	25-11-28W	OCTOBER 12, 1999	JANUARY 17, 2000 APPROVED	SEPTEMBER 27, 1999	SECONDARY RECOVERY
CER 10995	PYLE B 1	ANADARKO	COMANCHE	14-31-18W	OCTOBER 14, 1999	MAY 10, 2000 APPROVED	NOVEMBER 12, 1998	COMPRESSION
CER 10996	INTERSTATE 1-21	ANADARKO	MORTON	21-34-43W	OCTOBER 15, 1999	MAY 10, 2000 APPROVED	JULY 29, 1998	RECOMPLETION
CER 10997	MAYBERRY 1-4	ANADARKO	MORTON	4-34-43W	OCTOBER 15, 1999	MAY 10, 2000 APPROVED	OCTOBER 21, 1998	RECOMPLETION
CER 10998	KANSAS 1-22	ANADARKO	MORTON	22-34-43W	OCTOBER 15, 1999	MAY 10, 2000 APPROVED	AUGUST 20, 1998	RECOMPLETION
CER 10999	SCHINSTOCK 2	BEREXCO INC	HODGEMAN	16-24-22W	OCTOBER 15, 1999			
CER 109910	SEBES, FRANK 1	BEREXCO INC	HODGEMAN	16-22-22W	OCTOBER 15, 1999			
CER 109911	MERRITT MLP 2-35	HARRIS OIL & GAS CO.	GRANT	35-29-35W	OCTOBER 18, 1999	MAY 10, 2000 APPROVED	SEPTEMBER 7, 1999	3D
CER 109912	KANSAS 1-21	ANADARKO	MORTON	21-34-42W	OCTOBER 18, 1999	JUNE 22, 2000 APPROVED	SEPTEMBER 12, 1998	RECOMPLETION
CER 109913	STEVENS ON 3-24	ANADARKO	GRANT	24-29-38W	OCTOBER 20, 1999	JULY 3, 2000 APPROVED	JANUARY 14, 2000	COMPRESSION
CER 109914	WHITE 3-10	ANADARKO	HASKELL	10-29-34W	OCTOBER 20, 1999	DECEMBER 19, 2000 APPROVED	MAY 12, 1999	RECOMPLETION
CER 109915	WHITE 5-10	ANADARKO	HASKELL	10-29-34W	OCTOBER 20, 1999	JULY 3, 2000 APPROVED	JULY 8, 1999	RECOMPLETION
CER 109916	WARREN A 2H	ANADARKO	FINNEY	1-22-34W	OCTOBER 28, 1999	JULY 3, 2000 APPROVED	JUNE 28, 1999	COMPRESSION
CER 109917	SMITH 1	HINKLE OIL COMPANY	BARBER	6-30-13W	OCTOBER 28, 1999	FEBRUARY 4, 2000 APPROVED	SEPTEMBER 15, 1999	RECOMPLETION
CER 109918	TUCKER H 2H	ANADARKO	GRANT	24-29-36W	OCTOBER 28, 1999	JULY 24, 2000 APPROVED	JANUARY 14, 1999	COMPRESSION
CER 109919	WARREN 1-1	ANADARKO	FINNEY	1-22-34W	OCTOBER 28, 1999	JULY 24, 2000 APPROVED	JUNE 28, 1999 APPROVED	COMPRESSION
CER 11991	DALE 1	MIDCO EXPLORATION	COMANCHE	34-32-18W	NOVEMBER 4, 1999	JANUARY 24, 2000 APPROVED	AUGUST 31, 1999	RECOMPLETION
CER 11992	DEWITT 1	OIL PROD. INC OF KS	BARBER	10-34-13W	NOVEMBER 12, 1999	OCTOBER 31, 2000 APPROVED	OCTOBER 1, 1999	RECOMPLETION
CER 11993	DALE 2	OIL PROD. INC OF KS	COMANCHE	26-32-18W	NOVEMBER 12, 1999	OCTOBER 31, 2000 APPROVED	SEPTEMBER 12, 1999	RECOMPLETION
CER 11994	KOEHN 1-24	VINCENT OIL CORP	KIOWA	24-29-19W	NOVEMBER 15, 1999	JANUARY 7, 2000 APPROVED	SEPTEMBER 10, 1999	3D
CER 11995	YOST 1-29	VINCENT OIL CORP	KIOWA	29-29-18W	NOVEMBER 15, 1999	JANUARY 7, 2000 APPROVED	AUGUST 20, 1999	3D
CER 11996	USA "Y" 1	ANADARKO	MORTON	1-34-42W	NOVEMBER 17, 1999	JULY 24, 2000 APPROVED	AUGUST 8, 1998	RECOMPLETION
CER 11997	BERGER A 1	OXY USA INC	HASKELL	22-27-34W	NOVEMBER 19, 1999	MARCH 29, 2000 APPROVED	MARCH 27, 1999	3D
CER 11998	BERGER A 2	OXY USA INC	HASKELL	22-27-34W	NOVEMBER 19, 1999	MARCH 29, 2000 APPROVED	MAY 28, 1999	3D
CER 11999	MOODY D 1	OXY USA INC	HASKELL	15-27-34W	NOVEMBER 19, 1999	MARCH 17, 2000 APPROVED	NOVEMBER 9, 1999	3D
CER 119910	MLP CAVNER B 1	OXY USA INC	STEVENS	32-31-38W	NOVEMBER 19, 1999	MARCH 17, 2000 APPROVED	SEPTEMBER 3, 1999	3D
CER 119911	MLP CAVNER D 1	OXY USA INC	STEVENS	31-31-38W	NOVEMBER 19, 1999	MARCH 17, 2000 APPROVED	MAY 6, 1999	3D
CER 119912	MLP CAVNER E 1	OXY USA INC	STEVENS	31-31-38W	NOVEMBER 19, 1999	MARCH 17, 2000 APPROVED	JULY 21, 1999	3D
CER 119913	MLP CORNELL UNIV. A 1	OXY USA INC	STEVENS	15-32-39W	NOVEMBER 19, 1999	MARCH 17, 2000 APPROVED	NOVEMBER 6, 1999	3D
CER 119914	MLP YOUNGREN B 1	OXY USA INC	STEVENS	11-32-39W	NOVEMBER 19, 1999	MARCH 20, 2000 APPROVED	OCTOBER 1, 1999	3D
CER 119915	BRINKMAN C 1	OXY USA INC	HASKELL	23-27-34W	NOVEMBER 19, 1999	MARCH 20, 2000 APPROVED	OCTOBER 12, 1999	3D
CER 119916	FREY E 1	OXY USA INC	HASKELL	13-27-34W	NOVEMBER 19, 1999	MARCH 20, 2000 APPROVED	AUGUST 25, 1998	3D
CER 119917	PARCEL #1-35	MIDCO EXPLORATION	COMANCHE	35-32-18W	NOVEMBER 23, 1999	JANUARY 24, 2000 APPROVED	NOVEMBER 13, 1999	RECOMPLETION
CER 119918	CHARLS BREEDING #3-12-10	HARRIS OIL & GAS CO.	MORTON	10-32-40W	NOVEMBER 29, 1999	FEBRUARY 25, 2000 APPROVED	NOVEMBER 19, 1999	3D
CER 12991	MCPHERSON COLLG A2-27	HARRIS OIL & GAS CO.	STANTON	27-29-39W	DECEMBER 1, 1999	MARCH 15, 2000 APPROVED	OCTOBER 1, 1999	OTHER
CER 12992	MCPHERSON COLLG A2-28	HARRIS OIL & GAS CO.	STANTON	28-29-39W	DECEMBER 1, 1999	MARCH 15, 2000 APPROVED	NOVEMBER 1, 1999	OTHER
CER 12993	CAMPION A 1	ANADARKO	SEWARD	25-35-34W	DECEMBER 7, 1999	DECEMBER 17, 1999 APPROVED	JUNE 4, 1999	3D
CER 12994	TUCKER M 1	ANADARKO	SEWARD	6-35-33W	DECEMBER 7, 1999	DECEMBER 17, 1999 APPROVED	AUGUST 30, 1999	3D
CER 12995	TODD 2-3	MIDCO EXPLORATION	COMANCHE	3-33-18W	DECEMBER 13, 1999	JANUARY 24, 2000 APPROVED	DECEMBER 7, 1999	3D
CER 12996	MLP MUNCY A 1	HARRIS OIL & GAS CO.	STEVENS	14-31-38W	DECEMBER 13, 1999	MAY 30, 2000 APPROVED	JANUARY 30, 1999	3D
CER 12997	ASHER J	VESS OIL CORPORATION	BARTON	34-20-14W	DECEMBER 22, 1999	APRIL 11, 2000 APPROVED	DECEMBER 20, 1999	RECOMPLETION
CER 12998	ASHER I	VESS OIL CORPORATION	BARTON	34-20-14W	DECEMBER 22, 1999	APRIL 11, 2000 APPROVED	DECEMBER 22, 1999	RECOMPLETION
CER 12999	REINHARDT C #2	JOHN O. FARMER, INC.	RUSSELL	25-14-15W	DECEMBER 22, 1999	MARCH 28, 2000 APPROVED	JULY 24, 1999	OTHER
CER 129910	ADAMS 2-31	R C TAYLOR COMPANIES	NEADE	31-34-30W	DECEMBER 22, 1999	MAY 17, 2000 APPROVED	OCTOBER 29, 1999	RECOMPLETION
CER 129911	BARNES 1-30	AMERICAN WARRIOR, INC.	COMANCHE	30-32-19W	DECEMBER 21, 1999	MAY 30, 2000 APPROVED	NOVEMBER 6, 1999	3D
CER 1001	STEVENS A TH	ANADARKO	HASKELL	17-30-34W	JANUARY 10, 2000	JULY 24, 2000 APPROVED	OCTOBER 22, 1999	COMPRESSION
CER 1002	ANDERSON A #4	VESS OIL CORPORATION	GRAHAM	10-10-24W	JANUARY 10, 2000	APRIL 11, 2000 APPROVED	DECEMBER 18, 1999	RECOMPLETION
CER 1003	PEPPERD 1-35	MIDCO EXPLORATION	COMANCHE	35-32-18W	JANUARY 18, 2000	FEBRUARY 29, 2000 APPROVED	JANUARY 3, 2000	3D
CER 1004	INEZ BEAN 1-4	R.J. PATRICK OPER. CO.	COMANCHE	4-32-19W	JANUARY 24, 2000	MAY 30, 2000 APPROVED	JANUARY 4, 2000	3D
CER 1005	PEPPERD 1-2 ONWAO	MIDCO EXPLORATION	COMANCHE	2-33-18W	JANUARY 31, 2000		JANUARY 21, 2000	RECOMPLETION
CER 2001	MINOR 1-31	ANADARKO	MORTON	31-33-41W	FEBRUARY 14, 2000	JULY 24, 2000 APPROVED	JANUARY 5, 1999	RECOMPLETION
CER 2002	INTERSTATE 1-10	ANADARKO	MORTON	10-34-43W	FEBRUARY 14, 2000	JULY 24, 2000 APPROVED	JANUARY 13, 1999	RECOMPLETION
CER 2003	MARJORIE H 19-1	IMPERIAL AMERICAN OIL	ELLIS	19-11-19W	FEBRUARY 15, 2000	MAY 18, 2000 APPROVED	DECEMBER 6, 1999	3D
CER 2004	SCHOENTHALER 32-1	IMPERIAL AMERICAN OIL	ELLIS	32-11-20W	FEBRUARY 16, 2000	APRIL 25, 2000 APPROVED	FEBRUARY 2, 2000	3D
CER 2005	SMITH 1-8	ANADARKO	MORTON	8-34-43W	FEBRUARY 16, 2000	JULY 24, 2000 APPROVED	FEBRUARY 3, 2000	RECOMPLETION
CER 2006	DAVIES 2-6	ANADARKO	SEWARD	6-34-31W	FEBRUARY 16, 2000	JULY 24, 2000 APPROVED	FEBRUARY 12, 1999	RECOMPLETION
CER 2007	SHARP B 1	ANADARKO	MORTON	12-35-43W	FEBRUARY 17, 2000	AUGUST 21, 2000 APPROVED	DECEMBER 2, 1999	COMPRESSION
CER 3001	BRECHEISEN A-1	ANADARKO	STEVENS	16-35-38W	MARCH 1, 2000	SEPTEMBER 6, 2000 APPROVED	JANUARY 13, 2000	RECOMPLETION
CER 3002	EASTIN A 1	BELPORT OIL, INC	LANE	18-19-27W	MARCH 6, 2000	MAY 25, 2000 APPROVED	MAY 6, 1999	3D
3003	MILLS A 33	VESS OIL CORPORATION	BUTLER	22-25-05E	MARCH 14, 2000			
04	MILLS A 38	VESS OIL CORPORATION	BUTLER	22-25-05E	MARCH 14, 2000			
05	MLP MURPHY 1-3	CHESAPEAKE OPER. INC.	HASKELL	3-30-34W	MARCH 16, 2000	JUNE 7, 2000 APPROVED	DECEMBER 19, 1999	3D
3006	MLP STUBBS 1-11	CHESAPEAKE OPER. INC.	GRANT	11-30-35W	MARCH 16, 2000	JUNE 7, 2000 APPROVED	FEBRUARY 6, 1999	3D
CER 3007	MLP LESJUE 1-26	CHESAPEAKE OPER. INC.	HASKELL	26-29-34W	MARCH 16, 2000	JUNE 20, 2000 APPROVED	JANUARY 25, 1999	3D
CER 3008	MLP BLACK 1-2	CHESAPEAKE OPER. INC.	HASKELL	2-30-34W	MARCH 16, 2000	JUNE 20, 2000 APPROVED	MAY 7, 1999	3D
CER 3009	MLP CLAWSON TRST 2-35	CHESAPEAKE OPER. INC.	HASKELL	2-30-34W	MARCH 16, 2000			

4-5

CER 30010	MCFALL 1	JOHN O FARMER, INC.	PRATT	28-29-13W	MARCH 20, 2000	JUNE 7, 2000 APPROVED	JANUARY 27, 2000	RECOMPLETION
CER 30011	GRAEFF 2	MULL DRILLING CO. INC.	LANE	9-17-28W	MARCH 21, 2000	JUNE 23, 2000 APPROVED	MARCH 13, 2000	3D
CER 30012	VORAN 1	AZTEC OIL COMPANY	KINGMAN	15-29-07W	MARCH 21, 2000	JUNE 20, 2000 APPROVED	JANUARY 31, 2000	RECOMPLETION
CER 30013	VORAN 2	AZTEC OIL COMPANY	KINGMAN	15-29-07W	MARCH 21, 2000	JUNE 20, 2000 APPROVED	JANUARY 13, 2000	RECOMPLETION
CER 30014	HJV MILLER A 1	ANADARKO	STEVENS	28-32-35W	MARCH 27, 2000	JULY 3, 2000 APPROVED	MARCH 8, 2000	3D
CER 4001	KOHL 1-19	MURFIN DRILLING CO. INC.	ELLIS	19-11-19W	APRIL 5, 2000	JUNE 29, 2000 APPROVED	JANUARY 12, 2000	3D
CER 4002	WILLIAM UNIT 2-32	MURFIN DRILLING CO. INC.	CHEYENNE	32-02-41W	APRIL 5, 2000	JUNE 30, 2000 APPROVED	NOVEMBER 17, 1999	3D
CER 4003	HJV BAUGHMAN C 1	ANADARKO	SEWARD	18-31-34W	APRIL 6, 2000	AUGUST 21, 2000 APPROVED	MARCH 14, 2000	3D
CER 4004	ADAMS 1	R. C. TAYLOR COMPANIES	SEWARD	25-34-31W	APRIL 14, 2000	OCTOBER 2, 2000 APPROVED	FEBRUARY 17, 2000	RECOMPLETION
CER 4005	NUSSER 1	BECKER OIL CORPORATION	HASKELL	3-27-03W	APRIL 19, 2000			
CER 4009	KINZIE 5	JOHN O FARMER, INC.	PRATT	23-29-13W	APRIL 28, 2000	JULY 19, 2000 APPROVED	NOVEMBER 10, 1999	RECOMPLETION
CER 5001	EMERICK A 2	H & B PETROLEUM CORP.	COMANCHE	24-31-15W	MAY 9, 2000	OCTOBER 9, 2000 APPROVED	FEBRUARY 2, 2000	SURFACE EQUIP MOD
CER 5002	KANE A 1	H & B PETROLEUM CORP.	KIOWA	17-30-16W	MAY 9, 2000	OCTOBER 9, 2000 APPROVED	FEBRUARY 11, 2000	SURFACE EQUIP MOD
CER 5003	HORACE 1-17	EAGLE CREEK CORP.	MEADE	17-34-29W	MAY 10, 2000			
CER 5004	TODD 1-3	MIDCO EXPLORATION	COMANCHE	3-33-18W	MAY 22, 2000	AUGUST 29, 2000 APPROVED	MAY 10, 2000	RECOMPLETION
CER 5005	STERLING FISCHER 1-5	MURFIN DRILLING CO. INC.	ELLIS	5-11-20W	MAY 24, 2000	AUGUST 29, 2000 APPROVED	MAY 10, 2000	3D
CER 5006	NEWMARK FISCHER 1-5	MURFIN DRILLING CO. INC.	ELLIS	5-11-20W	MAY 24, 2000	AUGUST 29, 2000 APPROVED	MARCH 7, 2000	3D
CER 5007	PARSLOW 1-11	ANADARKO	MORTON	11-34-42W	MAY 26, 2000	AUGUST 29, 2000 APPROVED	JULY 17, 1998	RECOMPLETION
CER 5008	MLP CLOSE A 1	OXY USA, INC	STEVENS	34-31-39W	MAY 30, 2000	OCTOBER 2, 2000 APPROVED	APRIL 12, 2000	3D
CER 5009	MLP FORD A 1	OXY USA, INC	STEVENS	16-37-39W	MAY 30, 2000	SEPTEMBER 15, 2000 APPROVED	MARCH 17, 2000	3D
CER 50010	MLP CORNELL UNIV B 1	OXY USA, INC	STEVENS	15-32-39W	MAY 30, 2000	SEPTEMBER 15, 2000 APPROVED	FEBRUARY 16, 2000	3D
CER 50011	WARD D 1	OXY USA, INC	HASKELL	24-27-34W	MAY 30, 2000	OCTOBER 2, 2000 APPROVED	APRIL 23, 2000	3D
CER 50012	WARD D 2	OXY USA, INC	HASKELL	24-27-34W	MAY 30, 2000	OCTOBER 2, 2000 APPROVED	MAY 10, 2000	3D
CER 50013	FREY F 2	OXY USA, INC	HASKELL	13-27-34W	MAY 30, 2000	OCTOBER 5, 2000 APPROVED	DECEMBER 3, 2000	3D
CER 50014	FREY F 3	OXY USA, INC	HASKELL	13-27-34W	MAY 30, 2000	OCTOBER 5, 2000 APPROVED	JANUARY 12, 2000	3D
CER 50015	FREY F 5	OXY USA, INC	HASKELL	13-27-34W	MAY 30, 2000	OCTOBER 5, 2000 APPROVED	MARCH 13, 2000	3D
CER 50016	FREY F 6	OXY USA, INC	HASKELL	13-27-34W	MAY 30, 2000	OCTOBER 5, 2000 APPROVED	MARCH 28, 2000	3D
CER 50017	FREY F 7	OXY USA, INC	HASKELL	13-27-34W	MAY 30, 2000	OCTOBER 5, 2000 APPROVED	MAY 10, 2000	3D
CER 50018	MOODY D 2	OXY USA, INC	HASKELL	15-27-34W	MAY 30, 2000	OCTOBER 25, 2000 APPROVED	MARCH 27, 1999	3D
CER 50019	BRINKMAN C 2	OXY USA, INC	HASKELL	23-27-34W	MAY 30, 2000	OCTOBER 25, 2000 APPROVED	JANUARY 15, 2000	3D
CER 50020	MORISSEE 1-3	ANADARKO	MORTON	3-34-43W	MAY 30, 2000	OCTOBER 25, 2000 APPROVED	OCTOBER 14, 1999	RECOMPLETION
CER 50021	KANSAS REGENTS 2-15	ANADARKO	MORTON	15-34-42W	MAY 30, 2000	OCTOBER 25, 2000 APPROVED	JULY 15, 1998	RECOMPLETION
CER 50022	DALE J	MIDCO EXPLORATION	COMANCHE	34-32-18W	MAY 30, 2000	OCTOBER 25, 2000 APPROVED	MAY 10, 2000	3D
CER 6001	MURPHY 1-33	ANADARKO	MORTON	33-32-42W	JUNE 1, 2000	OCTOBER 25, 2000 APPROVED	MAY 2, 1999	RECOMPLETION
CER 6002	KRISS 2-26	RED OAK ENERGY, INC.	GREELEY	76-18-42W	JUNE 5, 2000	OCTOBER 25, 2000 APPROVED	JULY 9, 1999	3D
CER 6003	RAITZLAFF B-2	ANADARKO	STEVENS	32-33-38W	JUNE 8, 2000	OCTOBER 25, 2000 APPROVED	OCTOBER 26, 1998	RECOMPLETION
CER 6004	GANTHER-HAGEN 1-17	MURFIN DRILLING CO. INC.	ELLIS	17-11-19W	JUNE 9, 2000	OCTOBER 25, 2000 APPROVED	MAY 30, 2000	2D
CER 6005	VANTAGE 31-1	IMPERIAL AMERICAN OIL	ELLIS	31-11-20W	JUNE 9, 2000	OCTOBER 25, 2000 APPROVED	APRIL 15, 2000	3D
CER 6006	KIRKPATRICK 2-14	VESS OIL CORPORATION	BUTLER	16-26-05W	JUNE 12, 2000	DECEMBER 6, 2000 APPROVED	APRIL 8, 1998	RECOMPLETION
CER 6007	HALL B 6	VESS OIL CORPORATION	ELLIS	26-11-17W	JUNE 12, 2000	DECEMBER 6, 2000 APPROVED	MARCH 16, 2000	OTHER
CER 6008	BROWN-SCIALY A 1	VESS OIL CORPORATION	BUTLER	16-26-04W	JUNE 12, 2000	DECEMBER 6, 2000 APPROVED	AUGUST 6, 1999	SURFACE EQUIP MOD
CER 6009	WHEELER 1	TGT PETROLEUM CORP.	KIOWA	3-28-19W	JUNE 22, 2000	OCTOBER 5, 2000 APPROVED	JANUARY 31, 2000	RECOMPLETION
CER 60010	BEATHA UNIT 3-32	MURFIN DRILLING CO. INC.	CHEYENNE	32-02-41W	JUNE 18, 2000	DECEMBER 6, 2000 APPROVED	MAY 30, 2000	3D
CER 60011	GREGG F-7	ANADARKO	HASKELL	4-29-34W	JUNE 22, 2000	DECEMBER 6, 2000 APPROVED	APRIL 7, 1999	RECOMPLETION
CER 60012	KASSELMAN 1	VINCENT OIL CORP.	KIOWA	10-23-17W	JUNE 23, 2000	DECEMBER 15, 2000 APPROVED	MARCH 17, 2000	SURFACE EQUIP MOD
CER 60013	VARNER A 40	VESS OIL CORPORATION	BUTLER	17-28-04E	JUNE 28, 2000	DECEMBER 15, 2000 APPROVED	JULY 16, 1999	RECOMPLETION
CER 60014	UMMEL 4-H	MULL DRILLING CO. INC.	NESS	23-19-24W	JUNE 28, 2000	DECEMBER 15, 2000 APPROVED	MAY 1, 2000	HORIZONTAL
CER 60015	ZERENER 1-A	D.S. LANGSTON	SUMNER	8-31-3W	JUNE 28, 2000	NOVEMBER 20, 2000 APPROVED	JANUARY 26, 2000	RECOMPLETION
CER 60016	YUNCKER 6-14	ANADARKO	HASKELL	14-29-34W	JUNE 30, 2000	DECEMBER 15, 2000 APPROVED	OCTOBER 23, 1999	RECOMPLETION
CER 7001	COLTER 1	GRAVES DRILLING CO. INC.	COMANCHE	11-33-19W	JULY 7, 2000	DECEMBER 13, 2000 APPROVED	JUNE 28, 2000	3D
CER 7002	HJV MOORE A 1	ANADARKO	HASKELL	22-20-34W	JULY 10, 2000	DECEMBER 13, 2000 APPROVED	JUNE 12, 2000	3D
CER 7003	EITEL A 1	MULL DRILLING CO. INC.	LANE	21-17-27W	JULY 24, 2000	DECEMBER 13, 2000 APPROVED	JULY 7, 2000	RECOMPLETION
CER 7004	SPRIGGS A 2	WOOLSEY PETROLEUM	BARBER	32-33-13W	JULY 24, 2000	DECEMBER 14, 2000 APPROVED	JULY 2, 1999	RECOMPLETION
CER 7005	DONALD HERD 2-10	R.J. PATRICK OPER. CO.	COMANCHE	10-33-19W	JULY 24, 2000	DECEMBER 15, 2000 APPROVED	JULY 12, 2000	3D
CER 7006	GARRISON C 1	OXY USA INC	HASKELL	22-27-34W	JULY 31, 2000	DECEMBER 15, 2000 APPROVED	JULY 20, 2000	3D
CER 7007	MLP SHANK A 1	OXY USA INC	STEVENS	31-31-38W	JULY 31, 2000	DECEMBER 15, 2000 APPROVED	JULY 8, 2000	3D
CER 7008	GARRISON B 1	OXY USA INC	HASKELL	22-27-34W	JULY 31, 2000	DECEMBER 15, 2000 APPROVED	MAY 11, 2000	3D
CER 7009	GARRISON B 2	OXY USA INC	HASKELL	22-27-34W	JULY 31, 2000	DECEMBER 15, 2000 APPROVED	JUNE 2, 2000	3D
CER 70010	SCHUH A 1	OXY USA INC	HASKELL	27-27-34W	AUGUST 7, 2000	DECEMBER 15, 2000 APPROVED	JUNE 22, 2000	3D
CER 70011	SLEEPER DEWERFF 1A'	BELPORT OIL, INC.	LANE	18-19-27W	JULY 31, 2000	NOVEMBER 29, 2000 APPROVED	MAY 1, 2000	3D
CER 70012	NOVOTNY 1	JOHN O. FARMER INC.	PRATT	21-29-13W	JULY 28, 2000	DECEMBER 6, 2000 APPROVED	APRIL 24, 2000	RECOMPLETION
CER 8001	BOLES F 5	ANADARKO	SEWARD	2-35-34W	AUGUST 2, 2000	DECEMBER 18, 2000 APPROVED	JUNE 20, 2000	3D
CER 8002	SPRIGGS D 1	WOOLSEY PETROLEUM	BARBER	33-33-13W	AUGUST 4, 2000	DECEMBER 15, 2000 APPROVED	MAY 29, 1999	RECOMPLETION
CER 8003	COUNTRY CLUB 1	WOOLSEY PETROLEUM	PRATT	10-28-13W	AUGUST 4, 2000	DECEMBER 15, 2000 APPROVED	SEPTEMBER 16, 1998	SURFACE EQUIP MOD
CER 8004	SLEEPER 1	DIXON-DEARMORE OIL CO	STAFFORD	9-22-11W	AUGUST 8, 2000	DECEMBER 18, 2000 APPROVED	DECEMBER 21, 1999	RECOMPLETION
CER 8005	WHITE 3-10	ANADARKO	HASKELL	10-29-34W	AUGUST 11, 2000	DECEMBER 19, 2000 CANCELED		CANCELED
CER 8006	SHAFFER D 2	ANADARKO	STEVENS	39-32-38W	AUGUST 16, 2000	DECEMBER 18, 2000 APPROVED	JULY 13, 2000	3D
CER 8007	SEE 1	YOUNGER ENERGY CO	PRATT	7-26-13W	AUGUST 17, 2000	DECEMBER 19, 2000 APPROVED	OCTOBER 12, 1999	SECONDARY RECOVERY
CER 8008	SEE 4	YOUNGER ENERGY CO	PRATT	7-26-13W	AUGUST 17, 2000	DECEMBER 19, 2000 APPROVED	OCTOBER 12, 1999	SECONDARY RECOVERY
CER 8009	SEE 5	YOUNGER ENERGY CO	PRATT	7-26-13W	AUGUST 17, 2000	DECEMBER 19, 2000 APPROVED	OCTOBER 12, 1999	SECONDARY RECOVERY
CER 80010	PRESOCO A 3	OXY USA INC	HASKELL	25-27-34W	AUGUST 18, 2000	DECEMBER 19, 2000 APPROVED	JULY 28, 2000	3D
CER 80011	MLP CLOSE B 1	OXY USA INC	STEVENS	10-37-39W	AUGUST 18, 2000	DECEMBER 20, 2000 APPROVED	AUGUST 11, 2000	3D
CER 80012	KELLS D 1	OXY USA INC	HASKELL	27-27-34W	AUGUST 18, 2000	DECEMBER 20, 2000 APPROVED	JULY 26, 2000	3D
CER 80013	ZEIGLER A 1	MULL DRILLING CO. INC.	KIOWA	28-27-20W	AUGUST 18, 2000			
CER 80014	SANDERS 3	MULL DRILLING CO. INC.	HARPER	8-31-08W	AUGUST 18, 2000			
CER 80015	SELFRIDGE A 1	MULL DRILLING CO. INC.	LANE	16-17-27W	AUGUST 18, 2000	DECEMBER 20, 2000 APPROVED	MAY 3, 2000	RECOMPLETION
CER 80016	BANTA A 2	MULL DRILLING CO. INC.	KINGMAN	21-29-13W	AUGUST 18, 2000	DECEMBER 20, 2000 APPROVED	JANUARY 27, 2000	RECOMPLETION

4-6

4-8

Kansas Oil Production in 12 SW Kansas Counties

County	1st 5 mo. Of					
	1995	1996	1997	1998	1999	2000
Hamilton	867	6,576	4,251	1,827	2,043	2,334
Wichita	42,508	42,774	45,803	52,121	39,370	48,653
Greeley	261,977	276,120	171,361	148,319	144,863	129,652
Gray	135,623	123,747	113,930	108,835	106,337	77,551
Grant	599,335	488,585	428,383	322,937	296,599	198,616
Haskell	1,870,143	2,204,939	2,413,976	1,905,297	1,703,268	1,576,188
Finney	2,581,087	2,564,709	2,548,026	2,731,365	2,888,197	1,751,018
Kearney	650,812	528,003	432,364	399,215	347,296	235,818
Morton	1,136,056	861,237	721,351	676,139	650,282	387,143
Stevens	681,613	560,899	439,137	403,752	453,328	368,227
Stanton	573,697	691,487	504,472	363,013	277,176	239,371
Seward	1,751,540	1,453,104	1,141,448	1,179,670	856,636	537,382
Totals	10,285,258	9,802,180	8,964,502	8,292,490	7,765,395	5,551,953

Source: Kansas Geological Survey

STATE OF KANSAS
Bill Graves, Governor

DEPARTMENT OF REVENUE
Stephen S. Richards, Secretary

Customer Relations
Mineral Tax Section
Kansas Department of Revenue
915 SW Harrison St.
Topeka, KS 66625



(785) 296-7713
FAX (785) 296-2073
Hearing Impaired TTY (785) 296-6461

Division of Taxation

FACSIMILE TRANSMITTAL SHEET

DATE: 1/10/2001

NUMBER OF PAGES INCLUDING TRANSMITTAL SHEET: 1

TO:

NAME: **KSPC**
ORGANIZATION: **KSPC**

PHONE:
FAX: 235-6179

FROM:

LARRY NEWMAN
KANSAS DEPARTMENT OF REVENUE, CUSTOMER RELATIONS
PHONE: 785 296 5447
FAX: 785 296 4993

This is in response to your Incremental Exemption inquiry.

These figures are for 1/1/2000 through 8/30/2000.

	Exempt Production	Exempt Value	Exempt Tax
Oil	228,325 bbls	\$6,320,726	\$273,687
Gas	2,309,145 mcf's	\$7,085,978	\$306,823

49

SENATE COMMITTEE ON UTILITIES

Tuesday, February 6, 2001

SENATE BILL No. 51

TESTIMONY OF
Robert E. Krehbiel, Exec V.P.
Kansas Independent Oil & Gas Association

Senate Utilities Committee
February 6, 2001
Attachment 5-1

Mr. Chairman and Members of the Committee:

My name is Robert E. Krehbiel and I am appearing on behalf of the Kansas Independent Oil & Gas Association. Kioga was organized 65 years ago to represent the interests of the many independents who explore for and produce oil and gas in Kansas. We are appearing in support of SB 51 to amend K.S.A. 79-4217.

K.S.A. 79-4217 includes a severance tax exemption for a period of seven years given to the incremental production resulting from a production enhancement project begun on or after July 1, 1998. Qualifying enhancement projects are defined by statute and rules and regulations have been developed by the Kansas Corporation Commission. Qualifying projects include work-overs, re-completions, secondary recovery projects, the addition of mechanical devices to de-water a gas or oil well, replacement or enhancement of surface equipment, installation or enhancement of compression equipment, and new discoveries resulting from the use of new technology such as three dimensional seismic. Incremental severance and production is defined as production in excess of base production. Base production is the average monthly amount of production for the 12-month period immediately prior to the project beginning date, minus the monthly rate of production decline. The monthly rate of production decline would be determined with reference to the same 12-month period used to determine the base production. The monthly rate of production decline is the decline that would have occurred except for the enhancement project. The credit does not apply in any fiscal year if in the preceding calendar year the price exceeded, in the case of oil, \$20 per barrel; or, in the case of natural gas, \$2.50 per Mcf.

The purpose of this severance tax exemption was to incent investment in the kinds of enhanced production cited in the statute, to increase production, prevent waste and create jobs and the associated economic activity which results. This exemption has been very effective and has been utilized by various independent oil and gas producers. Recent price increases above the price limitations have eliminated the use of this incentive to exploration.

The severance tax in addition to the property tax is a major disincentive to exploration and production in Kansas. We believe that the severance tax should be eliminated in its entirety.

The exploration and production component of the Kansas industry and the Kansas resource base can no longer support the severance tax. It is a tax from a bygone era which, when coupled with the ad valorem tax, creates an effective tax rate which is three times higher than for that of any other industry in Kansas. This combination of taxes is punitive in nature, imposed at a time when investments in oil and gas exploration would yield a competitive rate of return. Since inception of the tax the industry has lost over 10,000 employees, over 165 fewer rigs are operating and production continues to decline. The exploration and production component of the oil and gas industry has been decimated by a decade and a half of low wellhead prices.

Maintaining the viability of the incremental production exemption to the severance tax is critical to continue to incent enhancement activity in the State of Kansas. A recent study commissioned by the Interstate Oil and Gas Compact Commission indicates that such incentives pay off for the States economy. States receive up to \$39 in increased gross output for each incentive dollar granted. Up to \$5.20 in new salaries is generated for each tax dollar the industry keeps. The typical oil and gas incentive attracts about \$1.098 billion in investment activity during its life and creates 6,000 work years. A copy of the IOGCC Briefing Paper with Key Findings from the study is attached.

We encourage you to pass SB 51. Thank you very much for your consideration.



IOGCC Briefing Paper

An Issue Summary from the Interstate Oil and Gas Compact Commission (IOGCC)

KEY FINDINGS

From the IOGCC's 1998 report on state oil and gas incentive programs,
Investments in Energy Security

- State and local tax collection streams get back \$2.27 for every dollar invested in tax credits.
- States receive up to \$39 in increased gross output for each incentive dollar granted. Up to \$5.20 in new salaries is generated for each tax dollar the industry keeps.
- The typical oil and gas incentive attracts about \$1.098 billion in investment activity during its life and creates 6,000 years of work.
- For the 17 state incentive programs studied:
 - Approximately \$18 billion in final demand was associated with the work.
 - Over 100,000 years of employment were attached.
 - Over \$920 million in net additional state taxes were associated with the efforts.
 - The federal government received over \$400 million in income tax payments.
 - People were paid \$2.5 billion in salaries to do the work.
- The oil and gas investment and production activity involved with these 17 incentives creates over \$16 billion per year in economic impact.
- Salaries are among the highest in any sector. For example, average earnings per oil and gas job in Montana equals \$32,380—considerably above the statewide average of \$20,500 for all industries and \$25,679 for the manufacturing sector.
- Each job created by the oil and gas industry results in an average 2.3 additional indirect jobs being created in other economic sectors.
- States receive a net annual tax gain of \$530 million on the investment in taxes distributed as incentives.
- Among the additional, immeasurable benefits is the positive atmosphere created for oil and gas investment. Just as the United States competes with other countries to lure industrial investment, so must the United States aggressively compete with other countries to attract petroleum industrial investment. A company will invest where it is most welcome — if by financial incentives or a government attitude that appreciates the investment dollars.

The Interstate Oil and Gas Compact Commission (IOGCC) is an organization of 36 states formed in 1935 to promote the conservation and efficient recovery of the nation's oil and gas resources, while protecting health, safety and the environment.

For more information, call [405/525-3556](tel:405/525-3556) or e-mail iogcc@oklaosf.state.ok.us. On the World Wide Web, <http://www.iogcc.oklaosf.state.ok.us>. Mailing address: 900 N.E. 23rd Street, Oklahoma City, Oklahoma 73105.

5-4

**CHARLES B. WILSON
TESTIMONY BEFORE THE
SENATE UTILITIES COMMITTEE
FEBRUARY 6, 2001**

My name is Charles B. Wilson and I am a vice president with BEREXCO INC., an independently owned oil and gas exploration and production company headquartered in Wichita. BEREXCO currently employees over 300 personnel and we operate nearly 1000 oil and gas wells in 44 Kansas counties.

As you know current legislation provides a seven year exemption from severance tax on oil and gas production increases, or incremental production, which result from investments in production enhancement projects. Such qualified projects after July 1, 1998 include: workovers of wells; recompletions into a different producing zone within the same well bore; secondary recovery projects; adding dehydration equipment; replacing or enhancing surface equipment; adding compression for gas wells; and new discoveries as a result of new exploration technology.

The severance tax, as is true with any tax related to a business activity, reduces the cash flow from that activity. We at BEREXCO saw the value of this tax incentive to re-invest cash flow into enhancing our existing production. Granted the paper work requirements are somewhat burdensome and many producers have been slow to take advantage of this exemption, we at BEREXCO have been proactive in our business decisions regarding the availability of the credit. Following are some facts of our activity since the exemption was made effective July 1, 1998:

1998 (after 7/1/98) - 10 wells were enhanced

1999 - Spent ~\$500,000 enhancing 39 wells. A year later, oil production is up 115 BPD

2000 - Spent \$2,728,000 enhancing 117 oil wells and 63 gas wells.

Since July 1, 1998, 232 enhancement projects have been completed by BEREXCO. Of these, 51 did not meet the qualifications for the severance tax exemption. 105 applications have been sent to the KCC for approval, of which 6 have now been approved. The remaining 76 applications are in various stages of internal preparation at BEREXCO.

As our production has increased due to investing in projects, additional revenue has accrued to us, and a significant portion of the total investment has been recouped. The incremental impact will not only benefit us. Jobs have been created and the local economies have felt the multiplier effect from project dollars spent by us. Royalty owners have received increased revenues from the production increases, while not bearing any of the cost of the projects. Additional county ad valorem taxes have or will increase and certainly additional state income taxes have been or will be paid as a result of our investments.

Pursuant to the price caps in the existing provisions of the exemption rules, it appears we will lose this credit for the next year. The loss of the credit, not only affects the economics of the projects already completed, but creates a disincentive for entering into new projects.

Among other modifications to the statute which we also support, SB 51 removes these price caps. We encourage your support of SB 51 so we can continue evaluating possible projects without having to worry about losing this incentive. I believe every party will be a net winner with the passage of this bill.

6

HEIN AND WEIR, CHARTERED

Attorneys at Law

5845 SW 29th Street, Topeka, KS 66614-2462

Telephone: (785) 273-1441

Telefax: (785) 273-9243

Ronald R. Hein

Email: rhein@hwchtd.com

Stephen P. Weir*

Email: sweir@hwchtd.com

*Admitted in Kansas & Texas

**Testimony re: SB 51
Senate Utilities Committee
Presented by Ronald R. Hein
on behalf of
Pioneer Natural Resources U.S.A., Inc.
February 6, 2001**

Mr. Chairman, Members of the Committee:

My name is Ron Hein, and I am legislative counsel for Pioneer Natural Resources USA, Inc. Pioneer is one of the largest independent exploration and production oil and gas companies in North America, with major natural gas production in the Hugoton field in Southwest Kansas.

Pioneer supports SB 51. Specifically, Pioneer supports the removal of the cap on the price of gas in K.S.A. 79-4217(b)(6)(D), at page 6, lines 25-31, and the addition of the two new exemptions set out in K.S.A. 79-4217(b)(6)(A)(4)(viii) and (ix), at page 5, line 43, and page 6, lines 1-5.

Pioneer supports these changes because anything that the State of Kansas can do to remove disincentives to increase production of oil and gas, either from new technologies or otherwise, will be positive to the citizens of Kansas and this nation. Kansas' tax structure which includes a 4.33% severance tax on oil and gas in addition to ad valorem tax, which is based upon production, results in taxes higher than other oil and gas producing states. When companies are choosing where to invest their money in enhanced recovery projects or other expensive technological methodologies for increasing or finding new production, Kansas' combined severance and ad valorem tax operates as a disincentive to invest in Kansas.

Because you are hearing from other producers regarding the details of enhanced recovery and SB 51, we will not repeat those here, but will simply indicate our support for the passage of this bill.

Thank you very much for permitting me to submit this written testimony, and if you have any questions, I will be available to respond to them.

Senate Utilities Committee
February 6, 2001
Attachment 7-1

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

February 6, 2001

To the Honorable Members of the Senate Committee on Utilities:

RE: Senate Bill 51 relating to exemptions from severance taxation for incremental severance and production of oil and gas

Chairman Clark 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 appearing on behalf of members of our Association and on behalf of Kansas royalty owners to support of Senate Bill No. 51 dealing with exemptions from severance taxation for incremental severance and production of oil and gas.

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 around 2,300 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 objective 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.

We believe that any severance tax acts to reduce the long term development of our energy resources and makes our nation more dependant on foreign energy and thus more vulnerable to price increases. We also note that mineral production in Kansas is declining and will continue to do so in the years to come, thus creating a declining and unstable tax source for the state.

SEVERANCE TAX EXEMPTION BILL

Senate Bill No. 51 is an industry sponsored bill which, in part, grants additional exemptions from severance taxation for production from oil and gas from horizontally drilled wells, and from gas or oil produced from a coal bed.

As we have seen in recent months, it is very important for the United States to develop and implement policies that will encourage responsible development of natural resources within its borders to help make itself energy independent.

Kansas has been blessed with many oil and gas deposits. Most of the “easy to find” reserves have been discovered long ago, yet there are many reserves in Kansas that are not so easy to find, or are more difficult and costly to produce. The use of horizontal drilling techniques allows for precise and efficient development of reserves that might otherwise not be recovered. Likewise, encouraging production of gas and oil from coal beds is another way to promote development of reserves that may be more difficult to produce.

To the extent that SB No. 51 helps to promote further development of long term stable supplies of oil and gas in Kansas, and the development of difficult to find or costly to produce reserves of oil and gas in Kansas, SWKROA supports the bill.

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

Respectfully submitted,

Erick E. Nordling,
Executive Secretary, SWKROA

EEN:een