

MINUTES OF THE HOUSE ENERGY AND UTILITIES COMMITTEE

The meeting was called to order by Vice-Chair Forrest Knox at 9:15 a.m. on January 27, 2010, in Room 785 of the Docking State Office Building.

All members were present except:

Representative Carl Holmes- excused
Representative Annie Kuether- excused

Committee staff present:

Matt Sterling, Office of the Revisor of Statutes
Cindy Lash, Kansas Legislative Research Department
Iraida Orr, Kansas Legislative Research Department
Renaë Hansen, Committee Assistant

Conferees appearing before the Committee:

Representative Rob Olson,
Andy Cockrell, Independent Oil Producers
Victor Hood, Independent Oil Producers
Matt Galemore, Independent Oil Producers
John Galemore, Independent Oil Producers
Gina Bowman, Coffeyville Resources

Others attending:

Seventy-one including the attached list.

Chairman Knox spoke to the committee about the rules of the committee.

Student shadows and interns were introduced by Representatives: Vern Swanson, Milack Talia, Cindy Neighbor, Mike Slattery, Dan Johnson, Tom Sloan, and Richard Proehl.

Hearing on:

HB 2402 - Fair pricing of crude oil act.

Cindy Lash, Kansas Legislative Research Department, spoke to the committee with information pertaining to **HB 2402.**

Matt Sterling, Office of the Revisor of Statutes, spoke to the committee about what **HB 2402** would accomplish if implemented.

Questions were asked and comments made by Representatives: Richard Proehl, Milack Talia, Joe Seiwert, and Tom Sloan.

Proponents:

Representative Rob Olson, (Attachment 1), spoke to the committee about the construction of **HB 2402** and presented a proposed balloon amendment (Attachment 2) to the bill. He gave an explanation to the committee of why this bill is necessary.

Questions were asked and comments made by Representative Tom Sloan concerning the proposed amendment to **HB 2402.**

Andy Cockrell, (Attachment 3), spoke to the committee from the perspective of the independent oil and gas producers in support of **HB 2402.** He also presented several white boards with explanations, to support the oil producers perspective concerning **HB 2402.**

Victor Hood, Matt Galemore, and John Galemore: independent oil and gas producers, were available for questioning in addition to Andy Cockrell.

CONTINUATION SHEET

Minutes of the House Energy and Utilities Committee at 9:15 a.m. on January 27, 2010, in Room 785 of the Docking State Office Building.

Questions were asked and comments made by Representatives: Vern Swanson, Joe Seiwert, Tom Sloan, Rob Olson, Rocky Fund, Don Myers, and Vince Wetta.

Opponents:

Gina Bowman, Coffeyville Resources (Attachment 4), presented written testimony in opposition to **HB 2402**.

The hearing on **HB 2402** was closed.

Vice Chair Forrest Knox invited anyone from the audience to explain how the state of Kansas would gain from the pipeline that is going to come from Canada and go through Kansas.

The next meeting is scheduled for January 28, 2010.

The meeting was adjourned at 10:28 a.m.

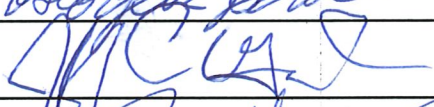
HOUSE ENERGY AND UTILITIES COMMITTEE GUEST LIST

DATE: January 27, 2010

NAME	REPRESENTING
JOHN LOEFFELBEIN	J&J Operating
Jim Loeffelbein	J&J oil operating
Angela Wyatt	
Linda Cockrell	
Andy Cockrell	
Matt Galenore	Galenore Oil
Victor Hood	J.V Oil LLC
John E Galenore	JVOil LLC
Becky King	King Oil
Paul J King	King oil inc.
Lue Jackson	Dale Jackson Production Co
Samuel Jackson	Dale Jackson Prod. Co.
Wesley Jackson	Dale Jackson Prod. Co.
John P. Jackson	Dale Jackson Prod. Co.
Danielle Birkenst	Birk Oil
Ed Birk	Birk Oil
TED HENRY	CAPITOL STRATEGIES.
Jerry Bowen	Triple B crude
Jay Leedy	L&B crude

HOUSE ENERGY AND UTILITIES COMMITTEE GUEST LIST

DATE: January 27, 2010

NAME	REPRESENTING
Julie Galemore	Galemore Oil
Rachel Galemore	Galemore Oil
Selene Hummer	JV Oil
Elsie Galemore	JV Oil
Luke Galemore	Galemore Oil
Kurt Jackson	Galemore Oil
Sue Jackson	Jackson oil + Drilling
George Ford	Jackson oil + Drilling
	J-V Oil
Joe Green, Jr	Little Joe Oil Co
Roger Kent	R.G. Enterprises
Maxvin T. Kimzey	Kimzey Drilling
DR. KEVIN WALTER	TRADEWIND ENERGY
TOM DAY	KCC
Lucas Smith	NGTC Shadow

State of Kansas
Kansas House of Representatives



Representative Rob Olson
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**Testimony Presented To
House Committee on Utilities and Energy
January 27, 2010
HB 2402**

Chairman Holmes and Honorable Members of the Committee,

Thank you for the opportunity to provide testimony in support of HB 2402.

This committee learned last session about concerns many in the Kansas oil industry had about the levels of fees oil producers were being charged. They explained refiners and transporters were docking producers large fees and not explaining what the fees covered. These fees were based solely on where the oil came from in the state and had nothing to do with the quality or content of the oil.

Concerns also were raised about whether low quality oil from Canada was being piped into Kansas market at a price below actual production costs and below market prices.

HB 2402 would amend state law to require any refinery who receives income tax credit to give priority to purchase Kansas crude oil if available. The refinery may reject any oil that is not marketable or doesn't meet production standards.

The bill also would require refineries to provide a detailed statement explaining why they discounting the purchase price.

I also would like to provide an amendment to the bill that would allow a crude oil producer or operator to sell and deliver to any refinery. The legislation would require a refinery to pay the market rate for oil delivered, with deductions allowed for differences in specific gravity, deductions for contaminants and any hauling charges.

This legislation seeks to level the playing field for Kansas oil producers. Like any business, they want to be treated fairly based on the quality of their product – not based on what part of the state they come from. Like one producer told me, oil is a commodity and Kansas oil should be treated just like gold, silver, and grain. Pricing should have nothing to do with territorial boundaries. As it is right now, Kansas oil producers are penalized based on what county or section of the state the oil is pulled from the ground – not on the quality of the product.

Thank you for your consideration of HB 2402 and ask that you pass favorably. As always, I stand for questions.

HOUSE ENERGY AND UTILITIES

DATE: 1/27/2010

ATTACHMENT /

HOUSE BILL No. 2402

By Committee on Federal and State Affairs

4-29

December 16, 2009

Representative Olson

Created by M.Doeblin, O
of Revisor of Statutes

HOUSE ENERGY AND UTILITIES
DATE: 1/27/2010
ATTACHMENT 2

9 AN ACT concerning fair pricing of crude oil.

10 *Be it enacted by the Legislature of the State of Kansas:*

11 Section 1. As used in this act, the following words and phrases shall
12 mean:

13 (a) "First purchaser" means the first person purchasing **light** crude oil
14 directly from the operator or producer.

15 (b) [REDACTED]

16 (d) "Operator" means the person responsible for the actual physical
17 operation of the crude oil producing property.

18 (e) "Producer" means any interest owner in the crude oil producing
19 property including a royalty interest owner.

20 (f) "Refinery" has the meaning provided by K.S.A. 2009 Supp. 79-
21 32,217, and amendments thereto.

22 Sec. 2. Any refinery in addition to any other qualifications required
23 to receive an income tax credit under K.S.A. 2009 Supp. 79-32,218, and
24 amendments thereto, the accelerated depreciation deduction provided
25 under K.S.A. 2009 Supp. 79-32,221, and amendments thereto, or the
26 environmental compliance income tax credit provided under K.S.A. 2009
27 Supp. 79-32,222, and amendments thereto, shall give priority to purchase
28 Kansas crude oil if available for such refinery. Any such refinery has the
29 right to reject any crude oil which is not of merchantable quality or is
30 altered or contaminated by foreign substances or for other quality pur-
31 poses as stated in the terms and conditions stated in any contract or
32 division order between any such refinery and producer.

33 Sec. 3. A first purchaser of crude oil shall disclose to the operator or
34 producer a detailed statement of the reason for any discount in the pur-
35 chase price below the market rate for such crude oil.

36 5. This act shall take effect and be in force from and after its
37 publication in the statute book.

"Light crude" means crude oil with a low specific gravity and high API gravity due to the presence of a high proportion of light hydrocarbon fractions.

(c) "Market rate" means the listed daily spot price on the New York mercantile exchange, or NYMEX, for one barrel of 40 light gravity light sweet crude oil.

(g) "Spot price" means the one-time market case transaction, where a commodity is purchased on-the-spot at current market rates.

2009

Sec. 4. An operator or producer of crude oil shall be entitled to sell and deliver merchantable quality light sweet crude oil to any refinery. Such refinery shall be required to pay the market rate for oil delivered, with deductions allowed for differences in specific gravity, deductions for contaminants and any hauling charges. A refinery shall disclose to the operator or producer the reasons why a rate other than the market rate is paid for the light sweet crude oil.

MD: Not sure about including these definitions - possibly.

"API gravity" means gravity, weight per unit volume, of oils as measured by the American petroleum institute, or API, scale whereby API gravity equals 141.5.

"Specific gravity" means the ratio of the density of a substance at 60 degrees Fahrenheit to the density of water at the same temperature, where specific gravity equals negative 131.5.

A refinery shall accept light crude hauled by a producer, if the producer fulfills all requirements of a hauler.

JANUARY 27, 2010

HEARING ON HOUSE BILL NO. 2402

House Bill no. 2402 concerns fair pricing for crude oil in the state of Kansas. After addressing the current problems that exist with the marketing of Kansas crude oil in our state, we will present factual evidence supporting our position and why House Bill no. 2402 should be passed.

Kansas is the eighth largest producer of oil in the US and the oil industry is the second largest industry in the state. Since Kansas oil production has risen 16% over the course of the last six years, producers sold 39,582,384 barrels (BBL) of crude oil in 2008 which produced gross revenues for the state estimated to be \$3,944,384,566. The 2009 figures at this time are incomplete but are in line to show similar gains in production. Even with the increases in production, the unethical business practices of outside corporate predators are stripping Kansas of its finite natural resources and local economies are suffering.

The problem that producers in the state of Kansas face is the forced partnership with the purchasers of our crude oil. Producers are denied a point of sale directly with the refineries in the state. We want the right to transport our oil directly to the refinery and receive a fair "World Market" price for the oil we produce. In addition, refineries in the state should give priority to Kansas crude oil over foreign imports.

The industry is threatened by the Keystone XL pipeline that will flood the Cushing market in the near future. This low-quality high sulfur Canadian crude is currently being transported via pipeline and mixed with our higher-quality crude. We are being forced to sell at prices way below market value and in fact what local producers receive is lower than anywhere else in the world. This difference in price is severely damaging the oil industry statewide and if this isn't stopped this price difference will double or triple as the pipeline is put into use. Not only is the oil industry jeopardized, but the money being extracted from local producers is leaving the state and is lining the pockets of corporate executives working for companies like Goldman Sachs who happen to own one of the local refineries. We have all read about how Wall Street is flying around on private jets, lavishing in their executive bonus plans and golden parachutes while the Kansas consumer is not benefiting from this in any way. They are fleecing the people of Kansas.

As a comparison, a farmer has the right to take his grain to any elevator and receive the market price on the day he sells his grain. We have been denied this simple right. We have been told several reasons for this. One reason we have been denied was as simple as "it's complicated". Another reason was the expectation that the oil we would transport to the refinery could be contaminated. With the existing system, there is no test for contamination at the point of sale. The only tests performed are for gravity, temperature, water content, and basic sediments contained in the oil which would continue as a normal business practice once this bill is signed into law.

HOUSE ENERGY AND UTILITIES

DATE: 1/27/2010

ATTACHMENT 3-1

House Bill no. 2402 helps to solve this problem. As we will demonstrate on the following exhibits, this bill requires local refineries in the state to accept merchantable quality oil at a fair "World Market" price. In addition, jobs and revenue in the state will be protected from corporate predators creating forced partnerships and monopoly-like conditions. This bill will instantly start to bring additional taxable revenue into the state to the tune of approximately \$395,823,840. This money will get re-invested locally and help to grow our state economy which ultimately leads to additional jobs, better schools, hospitals and quality of life in the state. If this doesn't get signed into law, our finite natural resources will be lost. This isn't like corn or wheat, it can't just be grown year after year. Once it's produced and sold, it's gone forever. Protect Kansas by signing this bill.

Exhibits

- A. Energy Information Administration – World Oil Prices
- B. JV OIL, LLC oil sales to Coffeyville Resources
- C. Keystone XL Pipeline Map
- D. Kansas State Oil Production from the Kansas Geological Survey. Production listed by year.
- E. Crude Oil Price Definition
- F. Kansas Average Per Barrel Oil Prices for 2008
- G. Five (5) Oil Run Tickets from various producers


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Petroleum Navigator

Summary	Prices	Crude Reserves & Production	Refining & Processing	Imports/Exports & Movements	Stocks	Consumption/ Sales	Publications & Analysis
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World Crude Oil Prices

(Dollars per Barrel)

Period: Weekly

Crude Type	12/11/09	12/18/09	12/25/09	01/01/10	01/08/10	01/15/10	View History
Total World	73.89	70.60	71.75	75.55	78.62	78.65	1978-2010
United States	71.78	68.51	69.94	74.01	77.16	77.90	1978-2010
OPEC* Average	74.63	71.40	72.34	75.77	78.91	78.68	1978-2010
Abu Dhabi, Murban 39°	78.16	74.11	74.21	77.70	80.79	81.03	1978-2010
Algeria, Saharan Blend 44°	75.46	72.52	73.43	76.72	80.24	79.76	1978-2010
Angola, Cabinda 32°	74.59	71.51	72.48	75.82	79.43	78.99	1989-2010
Dubai, Fateh 32°	76.80	72.74	72.64	76.28	79.29	79.62	1978-2010
Ecuador, Oriente 30°	66.23	65.85	68.81	73.98	77.25	76.07	1978-2010
Iran, Heavy 30°	74.52	70.65	71.37	74.59	78.08	77.85	1978-2010
Iran, Light 34°	74.87	71.00	71.72	74.94	78.43	78.24	1978-2010
Iraq, Kirkuk 36°	74.08	71.25	72.46	75.66	78.88	78.52	1978-2010
Kuwait, Kuwait 31°	76.13	71.91	71.81	75.49	78.56	78.95	1978-2010
Libya, Es Sider 37°	75.13	72.19	73.41	76.73	80.18	79.95	1978-2010
Neutral Zone, Khafji 28°	73.71	70.70	71.97	75.21	77.82	77.53	1999-2010
Nigeria, Bonny Light 37°	76.31	73.31	74.35	77.69	81.27	80.99	1978-2010
Nigeria, Forcados 31°	75.75	72.70	73.65	76.99	80.56	80.15	1978-2010
Qatar, Dukhan 40°	77.41	73.47	73.58	77.20	80.25	80.71	1978-2010
Saudi Arabia, Arabian Heavy 27°	72.06	69.05	70.32	73.56	76.22	75.93	1978-2010
Saudi Arabia, Arabian Light 34°	73.71	70.70	71.97	75.21	77.82	77.53	1978-2010
Saudi Arabia, Arabian Medium 31°	72.51	69.50	70.77	74.01	76.72	76.43	1978-2010
Venezuela, Bachaquero 17°	NA	NA	NA	NA	NA	NA	1978-2010
Venezuela, Bachaquero 24°	NA	NA	NA	NA	NA	NA	1978-2010
Venezuela, Tia Juana Light 31°	72.56	70.13	71.54	76.11	79.67	78.97	1978-2010
Non-OPEC* Average	72.89	69.52	70.96	75.26	78.24	78.61	1978-2010
Australia, Gippsland 42°	76.88	73.37	74.38	78.19	81.43	81.83	1989-2010
Brunei, Seria Light 37°							1978-2003
Cameroon, Kole 34°	73.96	70.93	72.02	75.65	78.79	78.43	1989-2010
Canada, Canadian Par 40°	71.19	66.93	69.43	73.99	77.04	79.66	1993-2010
Canada, Heavy Hardisty 22°	66.55	61.36	63.40	68.53	71.36	75.99	2007-2010
Canada, Lloyd blend 22°							1989-2007
China, Daqing 33°	75.73	71.69	72.22	75.50	79.39	79.25	1978-2010
Colombia, Cano Limon 30°	75.63	74.02	75.16	80.12	83.43	82.61	1989-2010
Egypt, Suez Blend 33°	71.00	68.20	69.30	72.59	75.96	75.90	1978-2010
Gabon, Mandji 30°	NA	NA	NA	NA	NA	NA	1978-2010
Indonesia, Minas 34°	79.73	75.87	76.84	79.97	83.73	83.13	1978-2010
Malaysia, Tapis Blend 44°	78.58	74.33	75.14	78.94	82.26	82.46	1978-2010
Mexico, Isthmus 33°	72.45	70.02	71.43	76.00	79.56	78.86	1978-2010
Mexico, Maya 22°	67.67	65.76	66.78	70.80	74.11	73.45	1989-2010
Norway, Ekofisk Blend 42°	75.57	72.58	73.54	76.83	80.31	80.03	1978-2010
Oman, Oman Blend 34°	76.85	72.78	72.68	76.39	79.53	79.98	1978-2010
Russia, Urals 32°	73.61	70.61	72.08	76.57	79.21	78.48	1978-2010
United Kingdom, Brent Blend 38°	74.70	71.48	72.91	77.27	79.94	78.88	1989-2010

-- No Data Reported; -- Not Applicable; NA = Not Available; W = Withheld to avoid disclosure of individual company data.

Notes: *Countries listed under OPEC and non-OPEC are based on current affiliations. OPEC and non-OPEC averages are based on affiliations for the stated
http://tonto.eia.doe.gov/dnav/pet/pet_pri_wco_k_w.htm

1/25/2010



period of time which may differ from current affiliations. Indonesia withdrew from OPEC in January 2009, Angola joined OPEC in January 2007, Ecuador withdrew from OPEC in January 1993 and rejoined in November 2007, and Gabon withdrew from OPEC in July 1996. Estimated contract prices based on government-selling prices, netback values, or spot market quotations. All prices are f.o.b. at the foreign port of landing except where noted; 30 day payment plan except where noted. Iraq, Kirkuk 36° is the netback price at the U.S. Gulf. Total OPEC is the netback price at the U.S. Gulf. Total World, United States, OPEC, and Non-OPEC are average prices (f.o.b.) weighted by estimated export volume. Egypt, Suez Blend 33° is on 60 days credit. Effective with the week ending July 6, 2007, Lloyed Blend crude stream data are no longer available; a similar crude stream Heavy Hardisty has replaced this category. Brunei, Seria Light 37° contract prices are no longer available for use in weekly calculations. Russia, Urals 32° price (f.o.b.) to Mediterranean destinations; also called Urals. United States average price (f.o.b.) is weighted by estimated import volume. The Canadian crude prices have been changed to U.S. dollars. See Definitions, Sources, and Notes link above for more information on this table.

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Next Release Date: 1/27/2010

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Definitions, Sources and Explanatory Notes

Category: [Petroleum Prices](#)

Topic: [World Crude Oil Prices](#)

■ Definitions

Key Terms	Definition
API Gravity	An arbitrary scale expressing the gravity or density of liquid petroleum products. The measuring scale is calibrated in degrees as follows: $\text{Degrees API} = (141.5 / (\text{sp. gr. } 60^\circ\text{F} / 60^\circ\text{F})) - 131.5$ <p>The higher the API gravity, the lighter the compound. Light crudes generally exceed 38 degrees API and heavy crudes crudes with an API gravity of 22 degrees or below. Intermediate crudes fall in the range of 22 degrees to 38 degrees API</p>
Barrel	A unit of volume equal to 42 U.S. gallons.
Crude Oil	A mixture of hydrocarbons that exists in liquid phase in natural underground reservoirs and remains liquid at atmospheric surface separating facilities. Depending upon the characteristics of the crude stream, it may also include: <ul style="list-style-type: none"> • Small amounts of hydrocarbons that exist in gaseous phase in natural underground reservoirs but are liquid at atmospheric pressure recovered from oil well (casinghead) gas in lease separators and are subsequently commingled with the crude stream and measured. Lease condensate recovered as a liquid from natural gas wells in lease or field separation facilities and later also included; • Small amounts of nonhydrocarbons produced with the oil, such as sulfur and various metals; • Drip gases, and liquid hydrocarbons produced from tar sands, oil sands, gilsonite, and oil shale. <p>Liquids produced at natural gas processing plants are excluded. Crude oil is refined to produce a wide array of petroleum products including gasoline, diesel and jet fuels; lubricants; asphalt; ethane, propane, and butane; and many other products used for their respective purposes.</p>
F.O.B. (Free on Board)	Pertains to a transaction whereby the seller makes the product available within an agreed on period at a given port at a price that includes the cost of the product and the cost of the transportation and insurance.
OPEC	An intergovernmental organization whose stated objective is to coordinate and unify petroleum policies among member countries. It was created at the Baghdad Conference on September 10-14, 1960, by Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela. The five founding members were joined by nine other members: Qatar (1961); Indonesia (1962); Libya (1962); United Arab Emirates (1967); Algeria (1969); Nigeria (1970); Gabon (1975-1994), and Angola (2007).

For definitions of related energy terms, refer to the [EIA Energy Glossary](#).

■ Sources

EIA, Office of Energy Markets and End Use, Integrated Energy Statistics Division; Platt's Oilgram Price Report; Petroleum Intelligence Weekly Journal; Oil Market Intelligence; Natural Resources Canada; [Petroleum Place](#).

■ Explanatory Notes

- Countries listed under OPEC and non-OPEC are based on current affiliations. OPEC and non-OPEC averages are based on affiliations for the year in which they may differ from current affiliations. Indonesia withdrew from OPEC in January 2009, Angola joined OPEC in January 2007, Ecuador withdrew from OPEC in November 2007, and Gabon withdrew from OPEC in July 1996.
- Estimated contract prices based on government-selling prices, netback values, or spot market quotations. All prices are f.o.b. at the foreign origin; 30 day payment plan except where noted.
- Iraq, Kirkuk 36° is the netback price at the U.S. Gulf.
- Total OPEC is the netback price at the U.S. Gulf.
- Total World, United States, OPEC, and Non-OPEC are average prices (f.o.b.) weighted by estimated export volume. For details, see "Calculations" in the [Explanatory Notes of the Weekly Petroleum Status Report](#).
- Egypt, Suez Blend 33° is on 60 days credit.
- Effective with the week ending July 6, 2007, Lloyd Blend crude stream data are no longer available; a similar crude stream Heavy Hardisty is used.
- Brunei, Seria Light 37° contract prices are no longer available for use in weekly calculations.
- Russia, Urals 32° price (f.o.b.) to Mediterranean destinations; also called Urals.
- United States average price (f.o.b.) is weighted by estimated import volume.
- The Canadian crude prices have been changed to U.S. dollars.

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B

3-7

COFFEYVILLE 2009 cont.							
Date	BBLs	WTI	Paid	Difference	Percentage	Load Fee	Land Owner \$ Lost
07/18/09	139.92	\$63.56	\$54.50	\$9.06	14.25%	\$1,267.68	\$ 158.46
07/27/09	169.52	\$68.34	\$59.50	\$8.84	12.94%	\$1,498.56	\$ 187.32
08/12/09	159.77	\$70.08	\$61.25	\$8.83	12.60%	\$1,410.77	\$ 176.35
08/28/09	162.17	\$72.72	\$63.75	\$8.97	12.33%	\$1,454.66	\$ 181.83
09/10/09	150.91	\$71.95	\$63.00	\$8.95	12.44%	\$1,350.64	\$ 168.83
09/12/09	154.26	\$69.34	\$60.25	\$9.09	13.11%	\$1,402.22	\$ 175.28
09/23/09	161.21	\$68.74	\$60.00	\$8.74	12.71%	\$1,408.98	\$ 176.12
10/12/09	164.84	\$73.24	\$64.25	\$8.99	12.27%	\$1,481.91	\$ 185.24
10/17/09	147.00	\$78.54	\$69.50	\$9.04	11.51%	\$1,328.88	\$ 166.11
10/19/09	161.18	\$79.47	\$70.50	\$8.97	11.29%	\$1,445.78	\$ 180.72
11/11/09	166.30	\$79.16	\$70.25	\$8.91	11.26%	\$1,481.73	\$ 185.22
11/14/09	157.04	\$76.34	\$67.25	\$9.09	11.91%	\$1,427.49	\$ 178.44
11/28/09	157.02	\$75.95	\$67.00	\$8.95	11.78%	\$1,405.33	\$ 175.67
12/09/09	148.11	\$70.67	\$61.75	\$8.92	12.62%	\$1,321.14	\$ 165.14
12/11/09	160.44	\$69.87	\$60.75	\$9.12	13.05%	\$1,463.21	\$ 182.90
12/29/09	161.49	\$78.87	\$69.75	\$9.12	11.56%	\$1,472.79	\$ 184.10
					pg total	\$22,621.78	\$ 2,827.72
					2009 Total:	\$54,038.13	\$ 6,754.77

C



Domestic Energy Producers Alliance, Inc.

Statement of Purpose & Rationale for Position in Opposition to Construction and Operation of TransCanada's Keystone XL Pipeline

The Domestic Energy Producers Alliance (DEPA) is a coalition of independent crude oil and natural gas producers, royalty owners and oilfield service companies founded in early 2009. Currently, it represents more than 1,000 mostly small, privately-owned companies, from 32 states, engaged in the exploration and production of oil and natural gas.

The DEPA is opposed to the approval of the presidential permit allowing construction of the Keystone XL pipeline. The DEPA supports all individuals, companies and organizations that stand in opposition to various local, state and federal approvals necessary for TransCanada to acquire in order to build and operate this system. The DEPA has serious concerns about the legal, economic, environmental and safety aspects of the Keystone XL pipeline project:

Economic

DEPA has commissioned studies that clearly show the significant economic damage to U.S. regional crude oil markets as Canadian crude oil imports increase. It happened in 2005-06 in the Guernsey, Wyoming, market, where crude oil price differentials (the difference between global/national prices and the price actually paid by purchasers to producers and royalty owners) went from \$3/barrel to \$25/barrel with the opening of the expanded Express Pipeline. It is happening now in the Cushing, Oklahoma, market, which has negative ramifications to oil producers and royalty owners across the U.S., since Cushing is the pricing point for NYMEX's benchmark crude, West Texas Intermediate. This winter, as the first Canadian imports arrived in Cushing, differentials blew out from \$2-3/barrel to \$16/barrel.

DEPA's reports indicate this situation will worsen as Canadian tar sands production seeks to find a market in the Texas Gulf Coast and other smaller refining centers in the U.S. Our projections suggest that U.S. sweet crude could be devalued permanently by \$10-20/barrel as Canadian imports reach 1.5-2.0 million barrels/day. The negative economic impact on local and state economies, including significant job losses in all oil-producing states, will be in the hundreds of billions of dollars, and the negative impact to local and state treasuries will swamp whatever small increase in property taxes the existence of the pipeline may create.

DEPA believes the owner/operators of tar sands production have other options: 1) Increase refining capacity in Canada; 2) Market/transport the tar sands production to the west coast of Canada for shipment to China, India and/or Japan.

Environmental & Safety

DEPA believes the information on potential environmental and safety threats created by Keystone XL have been dramatically understated by TransCanada. Citizens across the central U.S., especially those



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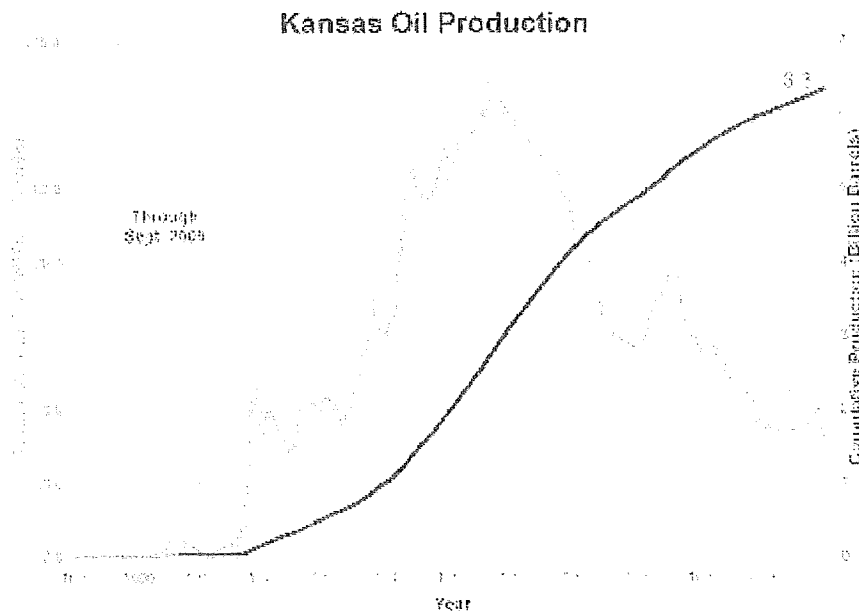
State Production and Historical Info

Production data through September 2009. County production is [also available online](#).

Year	Oil		
	Production (bbls)	Wells	Cumulative (bbls)
1995	45,370,367	42,821	5,802,691,000
1996	43,629,091	48,996	5,846,320,091
1997	41,289,345	47,037	5,887,609,436
1998	36,378,608	44,446	5,923,988,044
1999	33,905,125	41,404	5,957,893,169
2000	35,174,434	42,165	5,993,067,603
2001	34,124,322	41,545	6,027,191,925
2002	33,379,734	41,383	6,060,571,659
2003	33,972,033	41,206	6,094,543,692
2004	33,878,472	41,920	6,128,422,164
2005	33,619,258	43,012	6,162,041,422
2006	35,668,804	43,924	6,197,710,226
2007	36,590,204	43,413	6,234,300,430
2008	39,582,384	45,106	6,273,882,814

2009* 29,523,383 43,610 6,303,406,197

*2009 data incomplete at this time.
 Note: bbls is barrels.



Year	Gas		
	Production (mcf)	Wells	Cumulative (mcf)
1995	733,846,903	15,405	31,957,139,000
1996	735,034,582	16,572	32,692,173,582
1997	690,383,524	16,742	33,382,557,106
1998	606,699,695	16,794	33,989,256,801
1999	567,679,755	16,793	34,556,936,556
2000	533,658,257	17,124	35,090,594,813
2001	486,024,900	17,559	35,576,619,713
2002	458,925,327	17,917	36,035,545,040
2003	423,514,411	18,394	36,459,059,451
2004	400,549,717	19,179	36,859,609,168
2005	379,857,888	20,238	37,239,467,056
2006	375,427,533	22,576	37,614,894,589
2007	370,933,214	24,273	37,985,827,803
2008	378,013,044	25,614	38,363,840,847
2009*	270,628,783	25,575	38,634,469,630

*2009 data incomplete at this time.

<http://www.kgs.ku.edu/PRS/petro/state.html>

1/25/2010

About.com US Economy



Crude Oil Prices Definition

By Kimberly Amadeo, About.com Guide

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What Crude Oil Prices Measure:

Crude oil prices measure the spot price of various barrels of oil, most commonly either the West Texas Intermediate or the Brent Blend. The OPEC basket price and the NMEF Futures price are also sometimes quoted.

West Texas Intermediate (WTI) crude oil is of very high quality, because it is light-weight and has low sulphur content. For these reasons, it is often referred to as "light, sweet" crude oil. These properties make it excellent for making gasoline, which is why it is the major benchmark of crude oil in the Americas. WTI is generally priced at about a \$5-6 per barrel premium to the OPEC Basket Price and about \$1-2 per-barrel premium to Brent.

Brent Blend is a combination of crude oil from 15 different oil fields in the North Sea. It is less "light" and "sweet" than WTI, but still excellent for making gasoline. It is primarily refined in Northwest Europe, and is the major benchmark for other crude oils in Europe or Africa. For example, prices for other crude oils in these two continents are often priced as a differential to Brent, i.e., Brent minus \$0.50. Brent blend is generally priced at about a \$4 per barrel premium to the OPEC Basket price or about a \$1-2 per barrel discount to WTI.

The OPEC Basket Price is an average of the prices of oil from Algeria, Indonesia, Nigeria, Saudi Arabia, Dubai, Venezuela, and Mexico. OPEC uses the price of this basket to monitor world oil market conditions. OPEC prices are lower because the oil from some of the countries have higher sulphur content, making them more "sour", and therefore less useful for making gasoline. The NYMEX futures price for crude oil is reported in almost every major U.S. newspaper.

It is the value of a 1,000 barrels of oil, usually WTI at some agreed upon time in the future. In this way, the NYMEX gives a forecast of what oil traders think the WTI spot price will be in the future. However, the futures price usually follows the spot price pretty closely, since the oil traders can't know about sudden disruptions to the oil supply, etc.

How Crude Oil Prices Affect the U.S. Economy:

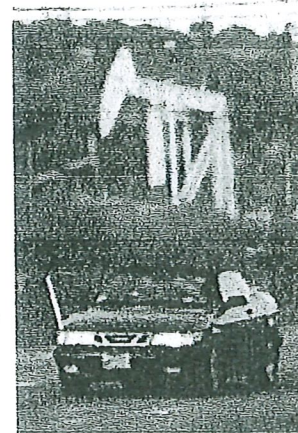
Higher crude oil prices directly affect the cost of gasoline, home heating oil, manufacturing and electric power generation. How much? According to the EIA, 96% of transportation relies on oil, 43% of industrial product, 21% of residential and commercial, and (only) 3% of electric power. However, if oil prices rise, then so does the price of natural gas, which is used to fuel 14% of electric power generation, 73% of residential and commercial, and 39% of industrial production. (Source: EIA, U.S. Primary Energy Consumption by Source and Sector, 2004)

How Crude Oil Prices Affects You:

For this reason, higher oil prices increase the cost of everything you buy, especially food. That's because a lot of food costs

http://useconomy.about.com/od/economicindicators/p/Crude_Oil.htm

1/25/2010



(Credit: David McNew/Getty Images)

depends on transportation. High oil prices will ultimately increase [inflation](#).

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Crude oil prices most directly affect you in higher gasoline prices and higher home heating oil prices (primarily for those of you who live in the Northeast U.S.) Crude oil accounts for 55% of the price of gasoline, while distribution and taxes influence the remaining 45%.

Recent Crude Oil Price Trends:

In June 2008, the price of WTI crude oil hit an all-time high of \$145 per barrel. By December, it had fallen to a low of \$30 per barrel. (Source: [EIA](#))

The U.S. average retail price for regular gasoline also hit a peak in July of \$4.10, rising as high as \$5 a gallon in some areas. By December, it had also dropped to \$1.68 a gallon. (Source: [EIA](#))

Oil prices usually go up in the summer, driven by high demand for gasoline during vacation driving times. Sometimes it will drop further in the winter, if there is lower than expected demand for home heating oil, due to warmer weather. During 2008, there was fear that economic growth from China and the U.S. would create so much demand for oil that it would overtake supply, driving up prices. However, most analysts now realize that such a sudden increase in oil prices was due to increased investment by [hedge fund](#) and futures traders. (See [What Causes High Oil Prices?](#))

The Crude Oil Price Outlook:

The EIA forecasts the price of a barrel of WTI crude to be around \$75 per barrel through 2010, in response to increased demand as the world moves out of recession. The price by the end of 2010 is projected to rise to \$82 per barrel. (Source: [EIA, Short-Term Forecast](#)) (*Updated January 3, 2010*)

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WTI Nymex Prices 2008

Date	Name	Price
	CM = 1st to 31st of month	
	OM = 26th to 25th of month	

Compliments of GASearch Energy Intelligence
(972) 899-0175

WTI Nymex Prices December, 2008

Dec 2008	WTI NYMEX CM	\$42.042
Dec 2008	WTI NYMEX OM	\$59.584

WTI Nymex Prices November, 2008

Nov 2008	WTI NYMEX CM	\$57.441
Nov 2008	WTI NYMEX OM	\$82.921

WTI Nymex Prices October, 2008

Oct 2008	WTI NYMEX CM	\$76.724
Oct 2008	WTI NYMEX OM	\$106.391

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WTI Nymex Prices September, 2008

Sep 2008	WTI NYMEX CM	\$103.764
Sep 2008	WTI NYMEX OM	\$118.226

WTI Nymex Prices August, 2008

Aug 2008	WTI NYMEX CM	\$116.688
Aug		

Latest Oil & Gas News

Pipeline pushes up natural gas prices (Billings Gazette)
GILLETTE - A new pipeline carrying natural gas through Wyoming has helped alleviate the backlog in the state, resulting in higher prices, according to the Wyoming Pipeline Authority.

Crude And Heating Oil Up In U.S. Monday Morning; Natural Gas Is Down (Nasdaq)
(RTTNews) - Energies saw mixed trading during Monday's U.S. session. Crude oil and heating oil were up during the morning's trading. Meanwhile, natural gas had slipped from the rise it saw at the end of last week.

Ripper Oil and Gas Inc. third quarter results (CNW Group via Yahoo! Finance)
RIPPER OIL AND GAS INC. reports that for the nine-month period ended December 31, 2006, oil and gas revenue, net of royalties, was \$3,663,890 compared to \$4,200,234 last year. This decrease was mainly due to lower natural gas prices.

Oil And Gas Prices Rise (CBS News)
Oil prices rose Monday as a winter storm plowed across the United States, spurring expectations of strong demand for heating oil. In addition, gasoline prices soared nearly 13 cents a

2008 WTI NYMEX OM \$136.131

WTI Nymex Prices July, 2008

Jul 2008 WTI NYMEX CM \$133.485

Jul 2008 WTI NYMEX OM \$132.197

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Intelligence
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WTI Nymex Prices June, 2008

Jun 2008 WTI NYMEX CM \$134.016

Jun 2008 WTI NYMEX OM \$123.431

WTI Nymex Prices May, 2008

May 2008 WTI NYMEX CM \$125.459

May 2008 WTI NYMEX OM \$110.740

WTI Nymex Prices April, 2008

Apr 2008 WTI NYMEX CM \$112.463

Apr 2008 WTI NYMEX OM \$104.630

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WTI Nymex Prices March, 2008

Mar 2008 WTI NYMEX CM \$105.420

Mar 2008 WTI NYMEX OM \$93.440

WTI Nymex Prices February, 2008

Feb 2008 WTI NYMEX CM \$95.349

Feb 2008 WTI NYMEX OM \$93.780

WTI Nymex Prices January, 2008

Jan 2008 WTI NYMEX CM \$92.930

Jan WTI NYMEX OM \$91.083

source nearby 15 cents a
gallon on average
nationwide.

**Latest TX Water
Rights News**

**Averitt bill targets
Texas water needs
(Waxahachie Daily
Light)**

AUSTIN - State Sen. Kip
Averitt, R-McGregor, has
filed Senate Bill 3, a
comprehensive bill to
address Texas' growing
needs relating to water.

**East Texas legislators
say they'll fight for
water interests (The
Lufkin Daily News)**

East Texas legislators
vehemently oppose House
Bill 911, the most recent
attempt of water-poor
cities seeking to overstep
local input in their quest to
take East Texas water.



PACER ENERGY MARKETING, LLC.

086570

30640 LITTLE JOE OIL CO

Tax Id: xx-xxx2803

Questions on this Payment Call: (918) 585-6790
Duplicate Cannot Be Furnished - Retain For Tax Purposes

Property		100% Lease Over Owner Amounts					100% Net	Your Net
IT	Rev Int%	\$/Unit	Volume	Gross Rev	Taxes	Other Exp	JIB	
1546	NELSON			County/State: ALLEN ,KS	Prdn Pd: 02/2009	Product: Oil		
			170.55	3,658.30	15.52	1.60	0.00	3,641.18
W	0.4375000000	21.450	74.61	1,600.50	6.79	0.80	0.00	1,592.91

PACER ENERGY MARKETING, LLC.

086570

Visit our website at
www.pacereenergymarketing.com

	Gross	Sev Tax	Other Exp	JIB	Your Net	W/H	Check Amt
This Check:	1,600.50	6.79	0.80	0.00	1,592.91	0.00	1,592.91
Check Nbr: 086570	YTD WI: 1,600.50	6.79	0.80	0.00	1,592.91		
Date: 02/17/2009	YTD RI: 0.00	0.00	0.00		0.00		
YTD Totals:	1,600.50	6.79	0.80	0.00	1,592.91	0.00	1,592.91

WTT Price on 2-13-09

37.63

21.45 was paid

16.18 dock for hauling



Production Period: 01/2009
Statement Date: 02/17/2009

Crude Oil Statement
PACER ENERGY MARKETING LLC
P O BOX 4470
TULSA OK 74159

KAMC OIL & GAS LLC
800 HENRY CIRCLE
FRUITA CO 81521

Field:
State: KANSAS
County: ALLEN
Lease: 2426 FUSSMAN STATE PRDN ID: 114235

Property Operated By: KAMC OIL & GAS LLC

---Tank---	---Date---	---Ticket---	---In---	---Out---	---Adj Grav---	---Price---	---Barrels---	---\$ Value---	---Taxes---	---Net \$---	---Deductions---	---Final Net \$---
2426-1	01/02/09	150108			20.0	30.1000	8.84	266.08	12.32	253.76	0.11	253.65
							8.84	266.08	12.32	253.76	0.11	253.65

Owner Revenue Allocations

-----Owner-----	Int Type	---Revenue--- Interest	---Sales--- Volume	---Gross--- Revenue	---Taxes---	---Other--- Chg	---JIB--- Chg	---Net---
13721 FUSSMAN, PHILLIP C	R	0.0312500000	0.28	8.32	0.39	0.00	0.00	7.93
13722 BURTON, KAY F	R	0.0937500000	0.83	24.95	1.16	0.00	0.00	23.79
23322 KAMC GAS & OIL LLC	W	0.8750000000	7.73	232.81	10.77	0.11	0.00	221.93

WTI Price on 1.2.09

46.34

30.10 was paid

16.24 dock for hauling



Production Period: 01/2009
Statement Date: 02/17/2009

Crude Oil Statement
PACER ENERGY MARKETING LLC
P O BOX 4470
TULSA OK 74159

KAMC OIL & GAS LLC
800 HENRY CIRCLE
FRUITA CO 81521

Field:
State: KANSAS
County: ALLEN
Lease: 3044 GERKEN STATE PRDN ID: 101206

Property Operated By: KAMC OIL & GAS LLC

---Tank---	---Date---	---Ticket---	---In- ---Out---	---Seal---	---Adj---	---Grav---	---Price---	---Barrels---	---\$ Value---	---Taxes---	---Net \$---	---Deductions---	---Final ---Net \$---
3044-1	01/02/09	150107				30.7	30.1000	18.58	559.26	25.91	533.35	0.24	533.11
								18.58	559.26	25.91	533.35	0.24	533.11

Owner Revenue Allocations

---Owner---	Int Type	---Revenue--- ---Interest---	---Sales--- ---Volume---	---Gross--- ---Revenue---	---Taxes---	---Other--- ---Chg---	---JIB--- ---Chg---	---Net---
11743 MONARCH CEMENT CO	R	0.1500000000	2.79	83.89	3.89	0.00	0.00	80.00
23322 KAMC GAS & OIL LLC	W	0.8500000000	15.79	475.37	22.02	0.24	0.00	453.11



Production Period: 01/2009
Statement Date: 02/17/2009

Crude Oil Statement
PACER ENERGY MARKETING LLC
P O BOX 4470
TULSA OK 74159

KAMC OIL & GAS LLC
800 HENRY CIRCLE
FRUITA CO 81521

Field:
State: KANSAS
County: NEOSHO
Lease: 2421 MOORE B STATE PRDN ID: 121814

Property Operated By: KAMC OIL & GAS LLC

---Tank---	---Date---	---Ticket---	---In---	---Out---	---Seal---	---Adj---	---Grav---	---Price---	---Barrels---	---\$ Value---	---Taxes---	---Net \$---	---Deductions---	---Final---	---Net \$---
2421-2	01/02/09	150106					32.9	30.1000	28.63	861.76	39.92	821.84	0.38	821.46	
									28.63	861.76	39.92	821.84	0.38	821.46	

Owner Revenue Allocations

-----Owner-----	Int	---Revenue---	---Sales---	---Gross---	---Other---	---JIB---	---Net---
-----Type-----	---Interest---	---Volume---	---Revenue---	---Taxes---	---Chg---	---Chg---	---
13695 MOORE, EARL & MARY LOIS - TRUST	R	0.1250000000	3.58	107.72	4.99	0.00	102.73
23322 KAMC GAS & OIL LLC	W	0.8550000000	24.48	736.80	34.13	0.37	702.30
30386 HAUL-PAC INC	W	0.0200000000	0.57	17.24	0.80	0.01	16.43

G

Pacer Energy Marketing, LLC

159907

421 1250 Street • PO Box 247
Humboldt, KS 66748

Date / Time 2-13-09

Office (620) 473-2291
Emergency (800) 229-5252

County / State ALKS

- First Purchase Reclaim Transfer
- Petroleum Crude Oil, 3 UN 1267 One Cargo Tank PG II
- Gasoline, 3 UN 1203 PG II (Condensate)
- Lease Turndown Split Load with # _____

Operator/ Company _____

Lease Name H. Nelson Lease # 1546

Tank # 1 Tank Size 200 Bbls/Inch 1.68

	FT.	IN.	WB Temp.
First Gauge	<u>10</u>	<u>1 1/2</u>	
Second Gauge	<u>1</u>	<u>4 1/2</u>	
Total Measured			
Gravity	<u>24.0</u>		Sample Temp. <u>60</u>
Corrected Gravity			Factor

Truck 44 Bobtail

Driver 106

Gross Bbls 176.40

Factor Bbls _____

15 %BS&W

Est. Bbls _____

Seal Off _____ Seal On _____ Dispatch # _____

REMARKS

Royce Saubers 634075
Signature

DELIVERY

	N	M	S
Second Gauge			
First Gauge			
Total Measured			

Destination _____

Mileage _____

Tank # _____

Gross Bbls _____

Factor Bbls _____

_____ %BS&W

Net Bbls _____

Start Meter _____

End Meter _____

Total Metered _____



Crude Oil Run Statement

December 2009

Coffeyville Resources
 10 E Cambridge Cr
 Suite 250
 Kansas City, KS 66103

Prepared date: 01/07/10

Customer Number: OP1010

Operator: John E Galemore
 Operator Number: OP1010

Lease Name: Beale
 Lease Number: 202068

To: Attn: Crude Oil Accounting
 John E Galemore
 PO Box 151
 Chanute, KS 66720

State: Kansas
 County: Neosho
 State Lease Number: 125717
 State Field:
 Product: Oil

Date	Ticket	Tank / Meter	Gravity	Net Barrels	Gross Price	Gross Value	Tax	Net Value
12/11/09	O13788827449	13468	32.70	160.44	60.7500	9,746.73	19.47	9,727.26
Lease total				160.44		9,746.73	19.47	9,727.26
Operator Total				470.04		30,156.45	57.85	30,098.60

COFFEYVILLE RESOURCES Coffeyville Resources Crude Transportation, LLC (CRCT)
 10 EAST CAMBRIDGE DRIVE, SUITE 250
 KANSAS CITY, KANSAS 66103
 PHONE PLAINVILLE - 816-298-1100 HARTLESVILLE - 452-752-4112

OPERATOR
John E Galemore

LEASE
Beale

PROPERTY NUMBER
202068

FEDERAL LEASE NUMBER
27S 19E 29

TANK NUMBER
13468

TANK SIZE
200

DATE
12/11/2009

TICKET NO. 13788827449

HT	DESCRIPTION AND CLASSIFICATION
X	PETROLEUM CRUDE OIL, 3 UN1267, PG1 1 CARGO TANK
	PETROLEUM CRUDE OIL, 3 UN1267, PG1 1 CARGO TANK

Gauge	Ft	In	1/4 In	Gauge	Ft	In	1/4 In	Temp
HEIGHT OF CONNECTION								
				1st	9	3	0	36
B S & W LEVEL								
				2nd	1	3	2	34
1st	0	8	0	Observed Gty. & Temp.		True Gty.		B S & W
2nd				31.00	36.0			1.00

RECEIVED FROM OR DELIVERED TO _____ FOP ACCOUNT OF _____

TRANSPORTER
CRCT

DESTINATION
31 -- Humboldt

METER RUN NO. _____ BARRELS READING _____

L-

START FINISH

METER CORR FACTOR	LINE TEMP.	GROSS MEASURED BLS	GROSS GAUGED BLS
			160.364

TURNED ON
 DRIVER GAUGER/LOADER
600036

DATE
12/11/2009

TIME
11:40 AM

OPERATOR'S WITNESS (OR WAIVER NO)
Josh Schooler

OFF SEAL
107487

TURNED OFF
 DRIVER GAUGER/LOADER
600036

DATE
12/11/2009

TIME
12:07 PM

OPERATOR'S WITNESS (OR WAIVER NO)
Josh Schooler

ON SEAL
112683

THIS TICKET DOES NOT CLAIM FOR ALLOWANCE. THE OIL REPRESENTED BY THIS TICKET WAS RECEIVED AS SHIPPED BY COFFEYVILLE RESOURCES CRUDE TRANSPORTATION, LLC.
 EMERGENCY CONTACT 1-800-424-9300

House Bill 2402

AN ACT concerning the fair pricing of crude oil.
Be it enacted by the Legislature of the State of Kansas:

Section 1. As used in this act, the following words and phrases shall mean:

- (a) "First Purchaser" means the first person purchasing crude oil directly from the operator or producer.
- (b) "Light Crude" means crude oil with a low specific gravity and high API gravity due to the presence of a high proportion of light hydrocarbon fractions.
- (c) "Market Rate" means the listed daily spot price listed on the New York Mercantile Exchange (NYMEX) for one barrel of 40 gravity crude oil.
- (d) "Operator" means the person responsible for the actual physical operation of the crude oil producing property.
- (e) "Producer" means any interest owner in the crude oil producing property including a royalty interest owner.
- (f) "Refinery" has the meaning provided by K.S.A. 2009 Supp. 79-32,217, and amendments thereto.
- (g) "Spot Price" means the one-time market case transaction, where a commodity is purchased on-the-spot at current market rates.

Section 2. Any refinery in addition to any other qualifications required to receive an income tax credit under K.S.A 2009 Supp. 79-32,218, and amendments thereto, the accelerated depreciation deduction provided under K.S.A. 2009 Supp. 79-32,221, and amendments thereto, or the environmental compliance income tax credit provided under K.S.A.2009 Supp. 79-32,222, and amendments thereto, shall give priority to purchase Kansas crude oil if available for such refinery. Any such refinery has the right to reject any crude oil which is not of merchantable quality or is altered or contaminated by foreign substances or for any other quality purposes as stated in the terms and conditions stated in any contract or division order between any such refinery and producer. A refinery shall accept merchantable quality crude hauled by a Kansas producer.

Section 3. A first purchaser of crude oil shall disclose to the operator or producer a detailed statement of the reason for any discount in the purchase price below the market rate for such crude oil.

Section 4. An operator or producer of crude oil shall be entitled to sell and deliver merchantable quality crude oil to any refinery. Such refinery shall be required to pay the market rate for oil delivered, with deductions allowed for differences in specific gravity, deductions for contaminants and hauling charges (if any). A refinery shall disclose to the operator or producer the reasons why a rate other than the market rate is paid for crude oil delivered.

Section 5. This act shall take effect and be in force from and after its publication in the status book.

Testimony on HB 2402
By
CVR Energy (Coffeyville Resources)

January 27, 2010

CVR Energy, Inc (Coffeyville Resources) is one of three refineries left in the state of Kansas. We are a small, independent Midwestern petroleum refiner and marketer of high value transportation fuels, with operations primarily in Coffeyville, Kansas.

Our company is also a producer and marketer of nitrogen fertilizer products – the only company producing crop nutrients from petroleum coke gasification in North America.

CVR Energy, a Fortune 500 company, employs more than 650 people and generated approximately \$5 billion in net sales revenue in 2008.

On the refining side of the business, we refine 115,000 barrels of crude oil per day. CVR Energy currently purchases in excess of 30,000 bpd of crude oil from producers in Central Kansas, Oklahoma, Eastern Colorado, Western Missouri and Southwest Nebraska. We currently purchase a limited percentage of our crude from Canada as well. The balance of our supply is from a variety of sources depending on relative refining economics each month. These sources include East and West Texas, U.S. Gulf Coast and foreign waterborne barrels.

CVR Energy is part of a very sophisticated delivery system for refineries. Our trucks and pipelines are physically located in Kansas and Oklahoma. Our assets are also linked to other pipeline gathering systems in the Mid-Continent region.

We are very proud of the working relationship we have with our crude suppliers.

We are only one of about 15 purchasers of Kansas crude. Many of these are out of state.

HOUSE ENERGY AND UTILITIES

DATE: 1/27/2010

ATTACHMENT

4-1

We oppose HB 2402 for several reasons:

1. Crude pricing is conducted like any other commodity. It is a global commodity and all "types" are based on quality, economies of scale, etc. Each type of crude varies in quality and its relative value to different refineries. Crude is a commodity not much different than grain. This legislation interferes with interstate commerce, as well as the overall marketplace.
2. CVR Energy conducts open communications with our oil producers, including both associations, so transparency is evident. Our price information is posted on our Customer Care Website, www.coffeyvillecrude.com.
3. This legislation puts restrictions only on the three Kansas refineries. Again, there are many other Kansas crude purchasers, most out of state. Putting restrictions on the 3 refineries is unfair treatment and puts the refineries in a competitive disadvantage among other Midwestern refineries.

We believe that this legislation is unnecessary and if passed would not only create an unfair disadvantage for the three Kansas refineries, but interferes with interstate commerce and sets an uncanny precedent for all commodity pricing.

We will be glad to respond to questions from the committee.

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