

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: HB 1260 Amendment to: _____

Requested by Legislative Council Date of Request: 1-11-95

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, and cities.

Narrative:

See Attached Page

2. State fiscal effect in dollar amounts:

	<u>1993-95</u> <u>Biennium</u>		<u>1995-97</u> <u>Biennium</u>		<u>1997-99</u> <u>Biennium</u>	
	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Funds</u>
Revenues:	0	0	(108,590)	(430,053)	(21,031)	(83,292)
Expenditures:	0	0	1,200	4,800	1,200	4,800

3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1993-95 biennium: 0
- b. For the 1995-97 biennium: Add \$6,000 (cost of benefit analysis)
- c. For the 1997-99 biennium: Add \$6,000 (cost of benefit analysis)

4. County and City fiscal effect in dollar amounts:

	<u>1993-95</u> <u>Biennium</u>		<u>1995-97</u> <u>Biennium</u>		<u>1997-99</u> <u>Biennium</u>	
	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>	<u>Counties</u>	<u>Cities</u>

If additional space is needed, attach a supplemental sheet.

Date Prepared: 1/18/95

Signed 

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Department Land Department

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Fiscal Note

Bill Number HB1260

Date of Request 1-11-95

1. Narrative:

To determine the fiscal impact of this bill we have used historical information to project a model for the future. We have used actual well statistics from eight wells drilled on state-owned minerals over the last two years (actual production and values plus decline curve analysis from the Industrial Commission). We do not have actual completion costs from these wells and have therefore used an industry average completion cost of \$74.07 per foot to drill a well. We have used 6% interest in our present value and future value calculations. The price of oil was assumed to remain constant at \$14.73 per barrel.

By projecting well production using the above assumptions and model, we see that the money given up during the early stages of the well's life would never be recovered in six of the eight sample wells. The two remaining wells would take from 5.5 to 7.5 years to recover the initial lost royalty.

Well	Well Cost @ \$74.07/ft	Initial Production	Decline Rate	Month to Payout	Months to Recover
13451	\$593,004	146 b/d	38.41%	42	never
13459	\$947,429	572 b/d	64.73%	5	never
13472	\$650,471	25 b/d	73.77%	never	never
13542	\$590,042	70 b/d	21.39%	29	67
13547	\$981,428	129 b/d	33.82%	40	never
13564	\$378,053	25 b/d	1.57%	33	92
13578	\$874,619	15 b/d	35.46%	never	never
13623	\$677,074	113 b/d	65.59%	58	never