

## OIL TAX REVENUE COLLECTIONS AND ALLOCATIONS SUMMARY

This memorandum provides a summary of oil tax revenue collections, oil production and prices, and oil tax revenue allocations. The first page compares the current month to the previous month. The second page compares the biennium to date for the 2013-15 biennium to the same number of months for the 2011-13 biennium. The third page provides a comparison of actual and forecasted collections and allocations. The fourth page provides information on the distribution of oil and gas gross production tax collections to political subdivisions for the current month and for the biennium to date.

### MONTHLY SUMMARY Oil Tax Revenue Collections

The schedule below provides a comparison of actual to forecasted oil tax revenue collections for the months of August and September 2014.

|                                        | August 2014   | September 2014 | Increase (Decrease) |            |
|----------------------------------------|---------------|----------------|---------------------|------------|
|                                        |               |                | Amount              | Percentage |
| <b>Actual collections</b>              |               |                |                     |            |
| Oil and gas gross production tax       | \$147,026,175 | \$151,471,984  | \$4,445,809         | 3.0%       |
| Oil extraction tax                     | 175,530,949   | 181,851,708    | 6,320,759           | 3.6%       |
| Total actual collections               | \$322,557,124 | \$333,323,692  | \$10,766,568        | 3.3%       |
| <b>Forecasted collections</b>          |               |                |                     |            |
| Oil and gas gross production tax       | \$97,320,036  | \$100,564,037  | \$3,244,001         | 3.3%       |
| Oil extraction tax                     | 127,493,880   | 131,743,676    | 4,249,796           | 3.3%       |
| Total forecasted collections           | \$224,813,916 | \$232,307,713  | \$7,493,797         | 3.3%       |
| <b>Increase (decrease) to forecast</b> |               |                |                     |            |
| Amount                                 | \$97,743,208  | \$101,015,979  |                     |            |
| Percentage                             | 43.5%         | 43.5%          |                     |            |

### Oil Production and Prices

The schedule below provides information on actual and forecasted average daily production and average daily price of oil per barrel for the months of June and July 2014. Monthly oil tax revenue collections reflect production from two months prior. For example, September 2014 oil tax revenue collections relate to July 2014 oil production.

|                                                      | June 2014 | July 2014 | Increase (Decrease) |            |
|------------------------------------------------------|-----------|-----------|---------------------|------------|
|                                                      |           |           | Amount              | Percentage |
| <b>Actual average daily production and price</b>     |           |           |                     |            |
| Average daily production of oil in barrels           | 1,092,519 | 1,110,642 | 18,123              | 1.7%       |
| Average daily price of oil per barrel                | \$90.03   | \$86.20   | (\$3.83)            | (4.3%)     |
| <b>Forecasted average daily production and price</b> |           |           |                     |            |
| Average daily production of oil in barrels           | 850,000   | 850,000   | 0                   | 0.0%       |
| Average daily price of oil per barrel                | \$80.00   | \$80.00   | \$0.00              | 0.0%       |

### Oil Tax Revenue Allocations

The schedule below provides information on the total oil tax revenue allocations to state funds, the Three Affiliated Tribes, and political subdivisions for the months of August and September 2014.

|                                            | August 2014   | September 2014 | Increase (Decrease) |            |
|--------------------------------------------|---------------|----------------|---------------------|------------|
|                                            |               |                | Amount              | Percentage |
| Legacy fund                                | \$113,720,871 | \$111,467,779  | (\$2,253,092)       | (2.0%)     |
| Three Affiliated Tribes                    | 23,114,976    | 23,331,193     | 216,217             | 0.9%       |
| Oil and gas research fund                  | 0             | 0              | 0                   | N/A        |
| Oil and gas impact grant fund              | 19,941,841    | 20,853,120     | 911,279             | 4.6%       |
| Political subdivisions                     | 31,298,467    | 56,975,900     | 25,677,433          | 82.0%      |
| Abandoned well reclamation fund            | 993,848       | 1,010,542      | 16,694              | 1.7%       |
| North Dakota heritage fund                 | 993,848       | 1,029,041      | 35,193              | 3.5%       |
| Foundation aid stabilization fund          | 15,212,861    | 15,811,573     | 598,712             | 3.9%       |
| Common schools trust fund                  | 15,212,861    | 15,811,573     | 598,712             | 3.9%       |
| Resources trust fund                       | 30,425,723    | 31,623,147     | 1,197,424           | 3.9%       |
| General fund                               | 0             | 0              | 0                   | N/A        |
| Property tax relief fund                   | 0             | 0              | 0                   | N/A        |
| Strategic investment and improvements fund | 71,641,828    | 55,409,824     | (16,232,004)        | (22.7%)    |
| State disaster fund                        | 0             | 0              | 0                   | N/A        |
| Total oil and gas tax revenue allocations  | \$322,557,124 | \$333,323,692  | \$10,766,568        | 3.3%       |

## BIENNIUM-TO-DATE SUMMARY - COMPARISON

### Oil Tax Revenue Collections

The schedule below provides a comparison of actual to forecasted oil tax revenue collections for the first 14 months of the 2011-13 and 2013-15 bienniums.

|                                        | August 2013<br>Through<br>September 2014 | August 2011<br>Through<br>September 2012 | Increase (Decrease) |            |
|----------------------------------------|------------------------------------------|------------------------------------------|---------------------|------------|
|                                        |                                          |                                          | Amount              | Percentage |
| <b>Actual collections</b>              |                                          |                                          |                     |            |
| Oil and gas gross production tax       | \$1,791,416,423                          | \$943,341,915                            | \$848,074,508       | 89.9%      |
| Oil extraction tax                     | 2,112,062,001                            | 1,028,531,175                            | 1,083,530,826       | 105.3%     |
| Total actual collections               | \$3,903,478,424                          | \$1,971,873,090                          | \$1,931,605,334     | 98.0%      |
| <b>Forecasted collections</b>          |                                          |                                          |                     |            |
| Oil and gas gross production tax       | \$1,199,719,902                          | \$542,603,232                            | \$657,116,670       | 121.1%     |
| Oil extraction tax                     | 1,571,690,181                            | 519,994,764                              | 1,051,695,417       | 202.3%     |
| Total forecasted collections           | \$2,771,410,083                          | \$1,062,597,996                          | \$1,708,812,087     | 160.8%     |
| <b>Increase (decrease) to forecast</b> |                                          |                                          |                     |            |
| Amount                                 | \$798,744,649                            | \$748,228,619                            |                     |            |
| Percentage                             | 28.8%                                    | 70.4%                                    |                     |            |

### Oil Production and Prices

The schedule below provides information on actual and forecasted average daily production and average daily price of oil per barrel for the first 14 months of 2011-13 and 2013-15 bienniums. Monthly oil tax revenue collections reflect production from two months prior. For example, September 2014 oil tax revenue collections relate to July 2014 oil production.

|                                                      | June 2013<br>Through<br>July 2014 | June 2011<br>Through<br>July 2012 | Increase (Decrease) |            |
|------------------------------------------------------|-----------------------------------|-----------------------------------|---------------------|------------|
|                                                      |                                   |                                   | Amount              | Percentage |
| <b>Actual average daily production and price</b>     |                                   |                                   |                     |            |
| Average daily production of oil in barrels           | 964,361                           | 537,561                           | 426,800             | 79.4%      |
| Average daily price of oil per barrel                | \$85.48                           | \$82.12                           | \$3.36              | 4.1%       |
| <b>Forecasted average daily production and price</b> |                                   |                                   |                     |            |
| Average daily production of oil in barrels           | 845,000                           | 405,615                           | 439,385             | 108.3%     |
| Average daily price of oil per barrel                | \$75.71                           | \$69.42                           | \$6.29              | 9.1%       |

### Oil Tax Revenue Allocations

The schedule below compares oil tax revenue allocations to state funds, the Three Affiliated Tribes, and political subdivisions for the first 14 months of the 2013-15 biennium to the 2011-13 biennium.

|                                            | August 2013<br>Through<br>September 2014 | August 2011<br>Through<br>September 2012 | Increase (Decrease) |            |
|--------------------------------------------|------------------------------------------|------------------------------------------|---------------------|------------|
|                                            |                                          |                                          | Amount              | Percentage |
| Legacy fund                                | \$1,151,824,593                          | \$535,224,266                            | \$616,600,327       | 115.2%     |
| Three Affiliated Tribes                    | 282,556,080                              | 85,104,215                               | 197,451,865         | 232.0%     |
| Oil and gas research fund                  | 10,000,000                               | 4,000,000                                | 6,000,000           | 150.0%     |
| Oil and gas impact grant fund              | 226,317,395                              | 99,999,999                               | 126,317,396         | 126.3%     |
| Political subdivisions                     | 434,312,950                              | 158,016,714                              | 276,296,236         | 174.9%     |
| Abandoned well reclamation fund            | 7,004,390                                | N/A                                      | 7,004,390           | N/A        |
| North Dakota heritage fund                 | 11,983,445                               | N/A                                      | 11,983,445          | N/A        |
| Foundation aid stabilization fund          | 183,592,172                              | 94,967,838                               | 88,624,334          | 93.3%      |
| Common schools trust fund                  | 183,592,172                              | 94,967,838                               | 88,624,334          | 93.3%      |
| Resources trust fund                       | 367,184,345                              | 189,935,679                              | 177,248,666         | 93.3%      |
| General fund                               | 300,000,000                              | 300,000,000                              | 0                   | 0.0%       |
| Property tax relief fund                   | 341,790,000                              | 341,790,000                              | 0                   | 0.0%       |
| Strategic investment and improvements fund | 381,320,882                              | 67,866,541                               | 313,454,341         | 461.9%     |
| State disaster fund                        | 22,000,000                               | 0                                        | 22,000,000          | N/A        |
| Total oil and gas tax revenue allocations  | \$3,903,478,424                          | \$1,971,873,090                          | \$1,931,605,334     | 98.0%      |

## COMPARISON OF ACTUAL TO FORECAST - COLLECTIONS AND ALLOCATIONS

### Monthly Comparison

The schedule below provides a comparison of actual to forecasted oil tax revenue collections and allocations for the month of September 2014.

|                                            | September 2014 |               | Increase (Decrease) |            |
|--------------------------------------------|----------------|---------------|---------------------|------------|
|                                            | Actual         | Forecast      | Amount              | Percentage |
| <b>Collections</b>                         |                |               |                     |            |
| Oil and gas gross production tax           | \$151,471,984  | \$100,564,037 | \$50,907,947        | 50.6%      |
| Oil extraction tax                         | 181,851,708    | 131,743,676   | 50,108,032          | 38.0%      |
| Total actual collections                   | \$333,323,692  | \$232,307,713 | \$101,015,979       | 43.5%      |
| <b>Allocations</b>                         |                |               |                     |            |
| Legacy fund                                | \$111,467,779  | \$74,312,192  | \$37,155,587        | 50.0%      |
| Three Affiliated Tribes                    | 23,331,193     | 11,700,000    | 11,631,193          | 99.4%      |
| Oil and gas research fund                  | 0              | 0             | 0                   | N/A        |
| Oil and gas impact grant fund              | 20,853,120     | 14,814,316    | 6,038,804           | 40.8%      |
| Political subdivisions                     | 56,975,900     | 47,080,745    | 9,895,155           | 21.0%      |
| Abandoned well reclamation fund            | 1,010,542      | 770,912       | 239,630             | 31.1%      |
| North Dakota heritage fund                 | 1,029,041      | 770,912       | 258,129             | 33.5%      |
| Foundation aid stabilization fund          | 15,811,573     | 12,424,368    | 3,387,205           | 27.3%      |
| Common schools trust fund                  | 15,811,573     | 12,424,368    | 3,387,205           | 27.3%      |
| Resources trust fund                       | 31,623,147     | 24,848,735    | 6,774,412           | 27.3%      |
| General fund                               | 0              | 0             | 0                   | N/A        |
| Property tax relief fund                   | 0              | 0             | 0                   | N/A        |
| Strategic investment and improvements fund | 55,409,824     | 24,389,635    | 31,020,189          | 127.2%     |
| State disaster fund                        | 0              | 8,771,530     | (8,771,530)         | (100.0%)   |
| Total oil and gas tax revenue allocations  | \$333,323,692  | \$232,307,713 | \$101,015,979       | 43.5%      |

### Biennium-to-Date Comparison

The schedule below provides a comparison of actual to forecasted oil tax revenue collections and allocations for the biennium to date for the 2013-15 biennium.

|                                            | 2013-15 Biennium to Date |                 | Increase (Decrease) |            |
|--------------------------------------------|--------------------------|-----------------|---------------------|------------|
|                                            | Actual                   | Forecast        | Amount              | Percentage |
| <b>Collections</b>                         |                          |                 |                     |            |
| Oil and gas gross production tax           | \$1,791,416,423          | \$1,300,283,939 | \$491,132,484       | 37.8%      |
| Oil extraction tax                         | 2,112,062,001            | 1,703,433,857   | 408,628,144         | 24.0%      |
| Total actual collections                   | \$3,903,478,424          | \$3,003,717,796 | \$899,760,628       | 30.0%      |
| <b>Allocations</b>                         |                          |                 |                     |            |
| Legacy fund                                | \$1,151,824,593          | \$887,625,220   | \$264,199,373       | 29.8%      |
| Three Affiliated Tribes                    | 282,556,080              | 155,400,000     | 127,156,080         | 81.8%      |
| Oil and gas research fund                  | 10,000,000               | 10,000,000      | 0                   | 0.0%       |
| Oil and gas impact grant fund              | 226,317,395              | 178,736,474     | 47,580,921          | 26.6%      |
| Political subdivisions                     | 434,312,950              | 350,535,980     | 83,776,970          | 23.9%      |
| Abandoned well reclamation fund            | 7,004,390                | 6,515,872       | 488,518             | 7.5%       |
| North Dakota heritage fund                 | 11,983,445               | 9,951,069       | 2,032,376           | 20.4%      |
| Foundation aid stabilization fund          | 183,592,172              | 160,443,388     | 23,148,784          | 14.4%      |
| Common schools trust fund                  | 183,592,172              | 160,443,388     | 23,148,784          | 14.4%      |
| Resources trust fund                       | 367,184,345              | 320,886,771     | 46,297,574          | 14.4%      |
| General fund                               | 300,000,000              | 300,000,000     | 0                   | 0.0%       |
| Property tax relief fund                   | 341,790,000              | 341,790,000     | 0                   | 0.0%       |
| Strategic investment and improvements fund | 381,320,882              | 99,389,634      | 281,931,248         | 283.7%     |
| State disaster fund                        | 22,000,000               | 22,000,000      | 0                   | 0.0%       |
| Total oil and gas tax revenue allocations  | \$3,903,478,424          | \$3,003,717,796 | \$899,760,628       | 30.0%      |

## 2013-15 BIENNIUM DISTRIBUTIONS TO POLITICAL SUBDIVISIONS - OIL AND GAS GROSS PRODUCTION TAX COLLECTIONS

The schedule below provides information on the distribution of oil and gas gross production tax collections to political subdivisions for the biennium to date. Distributions of the oil and gas gross production tax to political subdivisions reflect production from two months prior. For example, September 2014 distributions of oil and gas gross production tax collections relate to July 2014 oil production. Distributions to political subdivisions pursuant to the new formula in 2013 House Bill No. 1358 became effective with July 2013 oil production and September 2013 distributions. As a result, this memorandum reports the distributions to political subdivisions for the period September 2013 to August 2015 to reflect 24 months of distributions based on the new formula.

|                                                                  | <b>Fiscal Year<br/>2014</b> | <b>September<br/>2014</b> | <b>Biennium-to-<br/>Date Total</b> |
|------------------------------------------------------------------|-----------------------------|---------------------------|------------------------------------|
| Counties                                                         | \$197,538,275               | \$32,339,212              | \$229,877,487                      |
| Hub cities <sup>1</sup>                                          | 54,724,166                  | 6,912,200                 | 61,636,366                         |
| Other cities                                                     | 66,635,265                  | 10,829,819                | 77,465,084                         |
| Hub city school districts                                        | 8,750,000                   | 708,334                   | 9,458,334                          |
| Other school districts                                           | 21,661,622                  | 2,994,868                 | 24,656,490                         |
| Townships                                                        | 18,982,777                  | 3,191,467                 | 22,174,244                         |
| <b>Total</b>                                                     | <b>\$368,292,105</b>        | <b>\$56,975,900</b>       | <b>\$425,268,005</b>               |
| <sup>1</sup> The distributions to the hub cities are as follows: |                             |                           |                                    |
| Williston                                                        | \$33,209,498                | \$4,122,320               | \$37,331,818                       |
| Dickinson                                                        | 16,417,231                  | 2,123,660                 | 18,540,891                         |
| Minot                                                            | 5,097,437                   | 666,220                   | 5,763,657                          |
| <b>Total</b>                                                     | <b>\$54,724,166</b>         | <b>\$6,912,200</b>        | <b>\$61,636,366</b>                |