

News from Senator

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DOLE AMENDMENT EXEMPTING INDEPENDENT STRIPPER WELLS PASSES IN FINANCE COMMITTEE

WASHINGTON -- An amendment offered by Kansas Senator Bob Dole this afternoon exempting independent stripper wells from the "windfall profit tax" passed on a 11-9 vote. A "stripper" well produces less than 10 barrels per day.

The amendment, which would provide an exemption from the windfall profits tax for up to 1,000 barrels a day of stripper oil produced by an independent producer, is especially important to the Kansas oil industry. According to industry experts, more than 76% percent of Kansas oil production comes from independent stripper wells.

In arguing for his amendment, Senator Dole pointed out that:

- *Stripper oil has been decontrolled since 1973. It is not affected by the administrative order to decontrol all oil. Hence there is no 'windfall profit' to recapture.
- *According to testimony before the Finance Committee, the country may lose much of the 7.8 billion barrels of proven stripper well reserves recoverable by primary and secondary methods.
- *The proposed tax would accelerate abandonments. Since stripper production has been decontrolled, the rate of well abandonment has decreased dramatically.
- *A tax on strippers would produce a sharp reduction of additional drilling on stripper properties.
- *A tax on strippers would delay and reduce well workovers and general maintenance of stripper wells. In addition, the wells that are plugged are gone and not subject to economical enhanced recovery.
- *Independents have historically reinvested 105% of wellhead revenues in drilling, exploration, and production activities.
- *The exemption of stripper oil has a significant production response. The Committee received testimony of increased production of 497,000 barrels per day by 1990.
- *The average stripper well produces only 2.9 barrels per day.

"This amendment will mean more production for the United States and a healthier oil industry in Kansas. It rectifies a basic flaw in the windfall tax scheme and will enable us to have a better chance at recovering domestic oil through new technology," said Senator Dole.