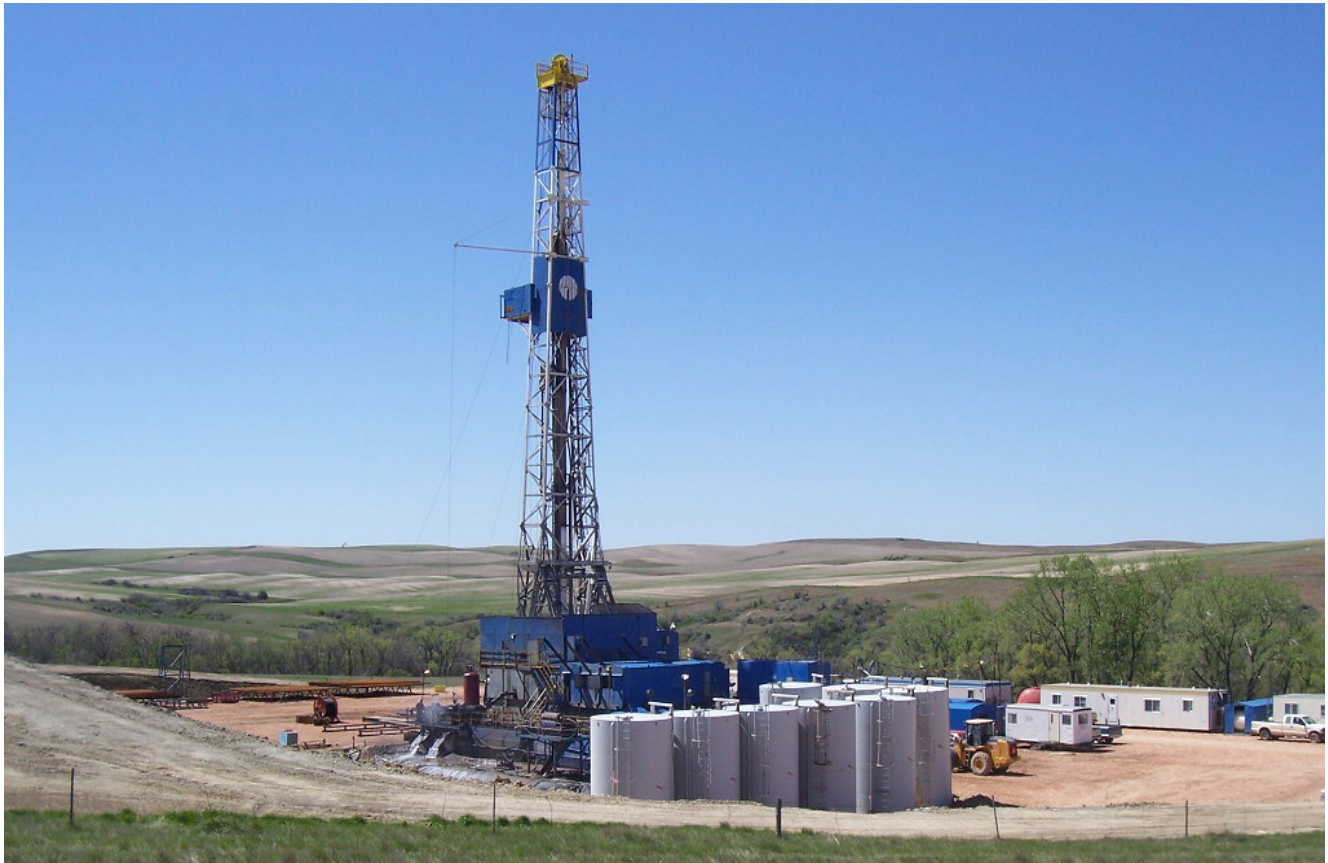


State of Montana

Department of Natural Resources and Conservation

Trust Land Management Division



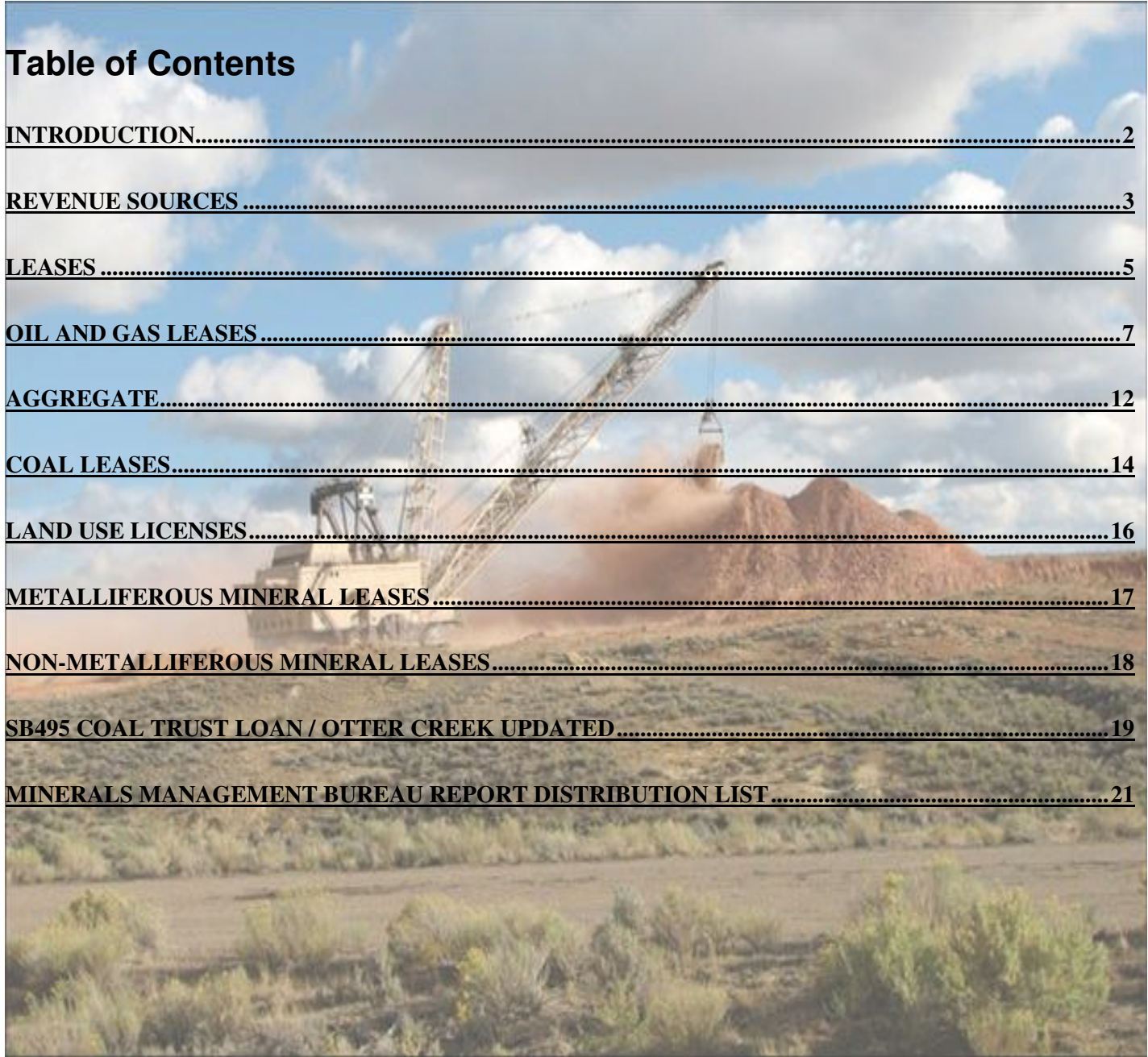
MINERALS MANAGEMENT BUREAU

Annual Report

for FISCAL YEAR 2007



Table of Contents



INTRODUCTION.....	2
REVENUE SOURCES	3
LEASES	5
OIL AND GAS LEASES	7
AGGREGATE.....	12
COAL LEASES.....	14
LAND USE LICENSES.....	16
METALLIFEROUS MINERAL LEASES.....	17
NON-METALLIFEROUS MINERAL LEASES.....	18
SB495 COAL TRUST LOAN / OTTER CREEK UPDATED.....	19
MINERALS MANAGEMENT BUREAU REPORT DISTRIBUTION LIST.....	21

INTRODUCTION

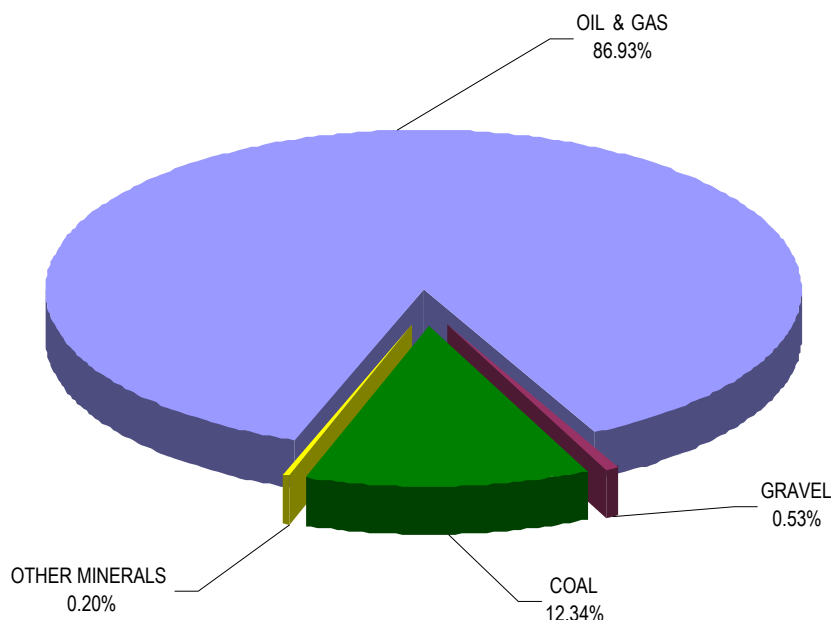
This report was prepared by the Minerals Management Bureau (MMB) within the Trust Land Management Division and contains information gathered by the Bureau regarding State of Montana mineral leases. The report provides production and revenue information for each lease type managed by the Bureau. Within each lease type, there are reports providing income by county, area office, and grant. The revenue and pricing information was compiled using the cash basis method of accounting. Oil & gas production information was compiled using information reported on DNRC Form 5s for each royalty month.

For questions or additional information contained in this report, contact Steve Webster by telephone at (406) 444-0292 or e-mail at stwebster@mt.gov.

REVENUE SOURCES

TOTAL REVENUE BY MINERAL TYPE

Fiscal Year 2007

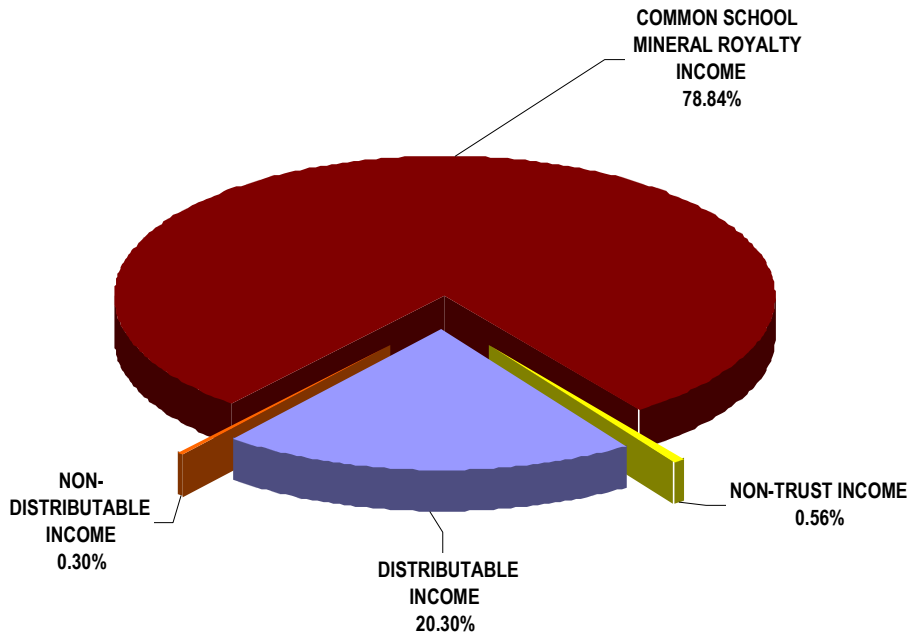


<i>Mineral Type & Revenue Source</i>		<i>FY2006</i>	<i>FY2007</i>	<i>% Change from FY06</i>
Oil & Gas -	Rentals/Bonuses/Penalties*	\$16,656,283	\$6,151,965	-63.07%
	Royalties **	21,377,566	20,408,064	-4.54%
	Seismic*	5,459	7,323	34.14%
	Total	\$38,039,308	\$26,567,352	-30.16%
Gravel -	Rentals	\$250	\$200	-20.00%
	Royalties	417,794	163,047	-60.97%
	Total	\$418,044	\$163,247	-60.95%
Coal -	Rentals/Bonuses	\$41,524	\$41,524	0.00%
	Royalties	4,179,503	3,729,473	-10.77%
	Total	\$4,221,027	\$3,770,997	-10.66%
<i>Other Minerals –</i>				
Land Use License				
	Rentals/Penalties*	\$16,683	\$39,274	135.42%
	Royalties	3,263	2,809	-13.91%
	Total	\$19,946	\$42,083	110.99%
Metalliferous Minerals				
	Rentals/Penalties	\$5,176	\$4,505	-12.97%
	Royalties	2,250	1,262	-43.92%
	Total	\$7,426	\$5,767	-22.35%
Non-Metalliferous Minerals				
	Rentals/Penalties	\$10,436	\$11,882	13.85%
	Royalties	0	0	n/c
	Total	\$10,436	\$11,882	13.85%
GRAND TOTAL		<u>\$42,716,187</u>	<u>\$30,561,328</u>	<u>-28.45%</u>

* Includes Surface Damage settlement to leased land revenues

** Includes interest and shut-in payments

**TOTAL REVENUE BY SOURCE
Fiscal Year 2007**



**TOTAL REVENUE TO SCHOOL TRUST REVENUE
\$30,388,883**

TOTAL NON-DISTRIBUTABLE INCOME		TOTAL DISTRIBUTABLE INCOME	
\$92,939	0.31%	\$30,295,944	99.69%
		Common Schools Royalty (SB 495) :	\$24,093,462
		All Other Distributable:	\$6,202,482

TRUST LAND REVENUE (by Trust)

Common Schools **	\$30,099,740	State Normal School	\$18,924
University of Montana	11,523	School for Deaf and Blind	5,387
M.S.U. Morrill	95,619	State Industrial School	38,548
M.S.U. 2nd Grant	1,830	Public Buildings	81,173
School of Mines	36,139	<i>Total All Trusts:</i>	\$30,388,883

NON-TRUST LAND REVENUE *

Agricultural Experiment Station	\$31,712
Department of Fish, Wildlife & Parks	\$6,825
Department of Transportation	6,143
Department of Public Health and Human Services	101
DNRC – Water Resources Division	127,664
<i>Total Non-Trust:</i>	\$172,445

TOTAL REVENUE **\$30,561,328**

* Non-Trust Land income consists of revenue the Department of Natural Resources and Conservation collects as an administrator for various entities. These funds are distributed to the entity upon collection.

** Pursuant to Chapter 418, Montana Session Laws of 2001 (SB495), common school mineral royalties are utilized to pay debt service on the coal trust loan with any remainder deposited into the guarantee account and distributed.

LEASES

In FY2007, oil and gas prices fell from FY06 record highs and resulted in a decrease in *new* leasing as compared to FY06 however, the total number of leases increased this year due to a drop in the turnover of canceled and expired leases. Similar to last year, oil and gas leasing increases accounted for a majority of the 7.7% increase in the number of leases managed. Producing leases dropped to 621 from 624 in FY06, as a loss in producing gravel permits canceled out the slight increases in producing oil and gas leases. Oil and gas leases on State Trust Land account for nearly 1.8 million acres which equates to 96.7% of all acreage leased for minerals

MMB activities related to existing leases include collecting royalty and rental payments, auditing, reviewing and approving assignments and tracking working interest ownership; reviewing and preparing for approval of communitization agreements and unit operating agreements; and coordinating with field offices the review and approval of all proposed physical operations on state leases

ACREAGE LEASED FOR OIL, GAS, AND OTHER MINERALS As of: June 30, 2007

Type of Lease	No. of Leases	% Change from FY06	Acreage Leased	% Change from FY06	Producing Leases	% Change from FY06	Producing Acreage	% Change from FY06
<i>Coal Leases</i>	29	0.0%	13,841	0.0%	4	0.0%	1,710	0.0%
<i>Gravel Permits *</i>	48	0.0%	1,340	-6.0%	31	-22.5%	922	-26.2%
<i>Land Use Licenses</i>	23	53.3%	4,361	34.9%	2	0.0%	960	0.0%
<i>Metalliferous Leases</i>	8	0.0%	2,374	14.0%	1	n/a	92	n/a
<i>Non-Metalliferous Leases</i>	8	-11.1%	3,303	-1.2%	0	0.0%	0	0.0%
<i>Seismic Permits</i>	13	-43.5%	26,834	-25.4%	n/a	0.0%	n/a	0.0%
<i>Gas Storage Agreements</i>	5	0.0%	8,617	0.0%	n/a	0.0%	n/a	0.0%
<i>Oil and Gas Leases</i>	4,345	8.0%	1,798,550	8.1%	583	0.9%	216,684	0.3%
Total Leases	4,479	7.70%			621	-0.48%		
Total Acres			1,859,220	7.40%			220,368	0.18%

* Small Volume Permits and Permits to Test for Aggregate are not included. During FY07, DNRC field offices issued 16 Small Volume Permits and 1 Permit to Test for Aggregate.

NOTE: Producing leases, licenses and permits are described as follows:

Gravel Permits - Includes permits that produced during the fiscal year. Does not include advance royalties paid. Does not include small volume or test permits.

Coal Leases - Includes leases that produced during the fiscal year. Does not include advance royalties.

Land Use Licenses - Includes salt water disposal where we received royalties or advance royalties.

Metalliferous Leases - Includes leases that produced during the fiscal year. Does not include advance royalties.

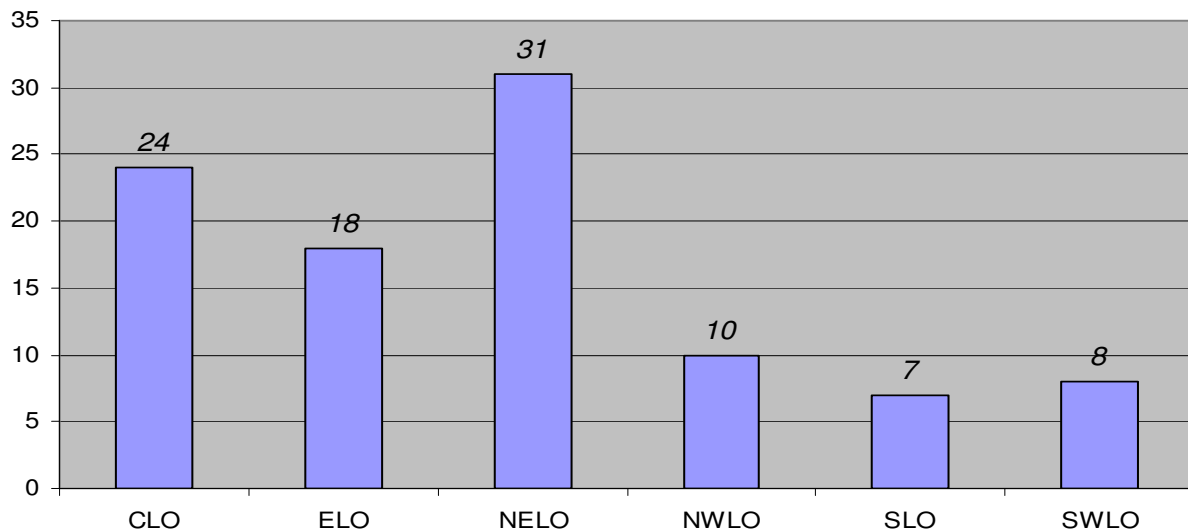
Non-Metalliferous Leases - Includes leases that produced during the fiscal year. Does not include advance royalties.

Oil and Gas Leases - Includes any lease with a well that is capable of production.

Mineral Activity Conducted by Field Office

Area Office / Unit Office	O&G Wells & Pipelines	Seismic	Coal	M & NM Leases	LULs	Gravel Permits	Gravel Renewals	Small Volume	Test Permits	TOTAL
CLO										
Bozeman							4			4
Conrad	7	4						3		14
Dillon							3	1		4
Helena					1			1		2
Area Office Total	7	4	0	0	1	0	7	5	0	24
ELO	13	1			2		2			18
Area Office Total	13	1	0	0	2	0	2	0	0	18
NELO										
Glasgow	9	2			4		2	1		18
Havre	3	3								6
Lewiston		3				1	2		1	7
Area Office Total	12	8	0	0	4	1	4	1	1	31
NWLO										
Kalispell							1			1
Libby				1						1
Plains							1	4		5
Stillwater								2		2
Swan River						1				1
Area Office Total	0	0	0	1	0	1	2	6	0	10
SLO	2				3		2			7
Area Office Total	2	0	0	0	3	0	2	0	0	7
SWLO										
Anaconda							1			1
Clearwater							1	2		3
Hamilton								1		1
Missoula						1	1	1		3
Area Office Total	0	0	0	0	0	1	3	4	0	8
GRAND TOTAL	34	13	0	1	10	3	20	16	1	98

Mineral Activity by Area Office

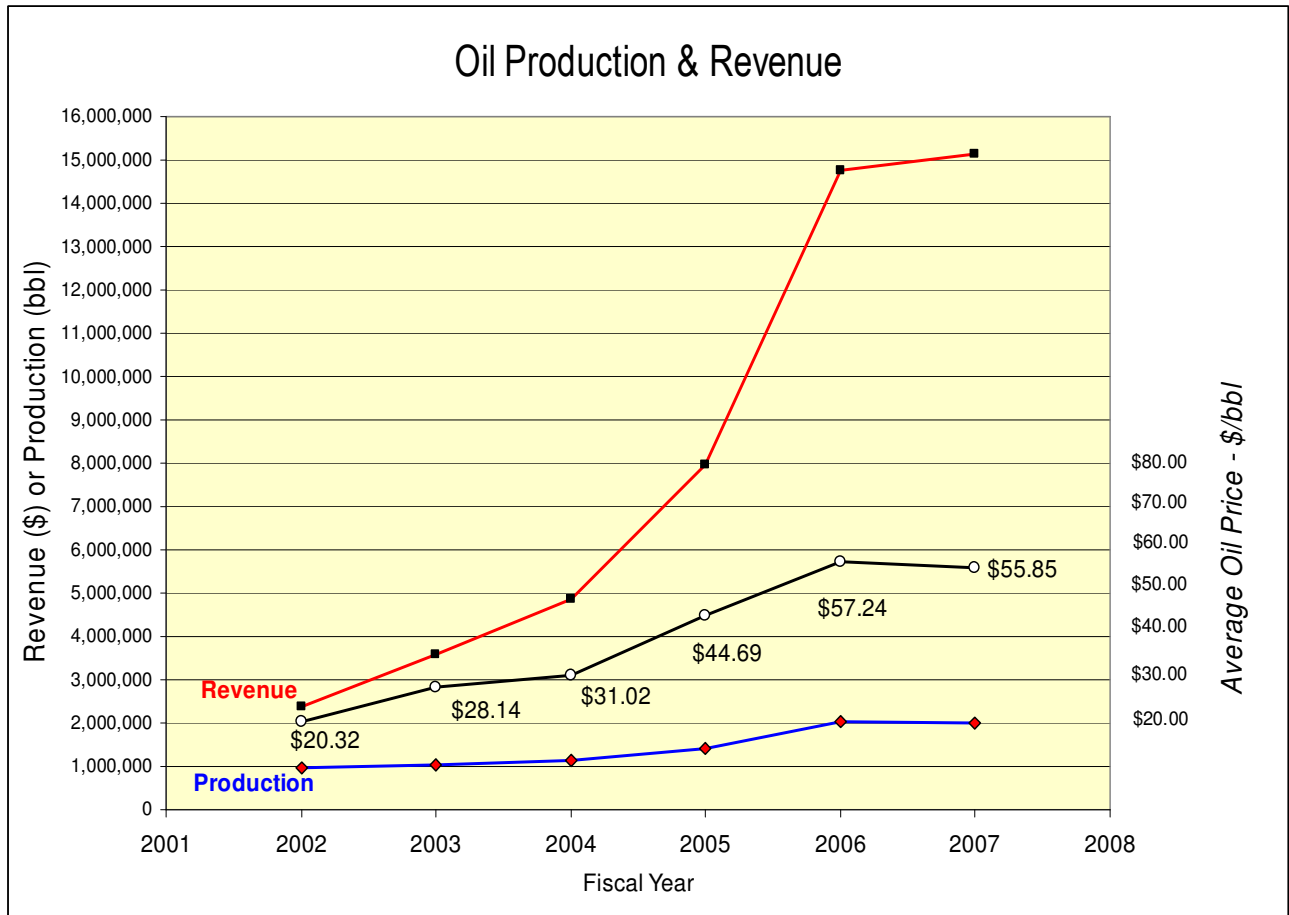


OIL AND GAS LEASES

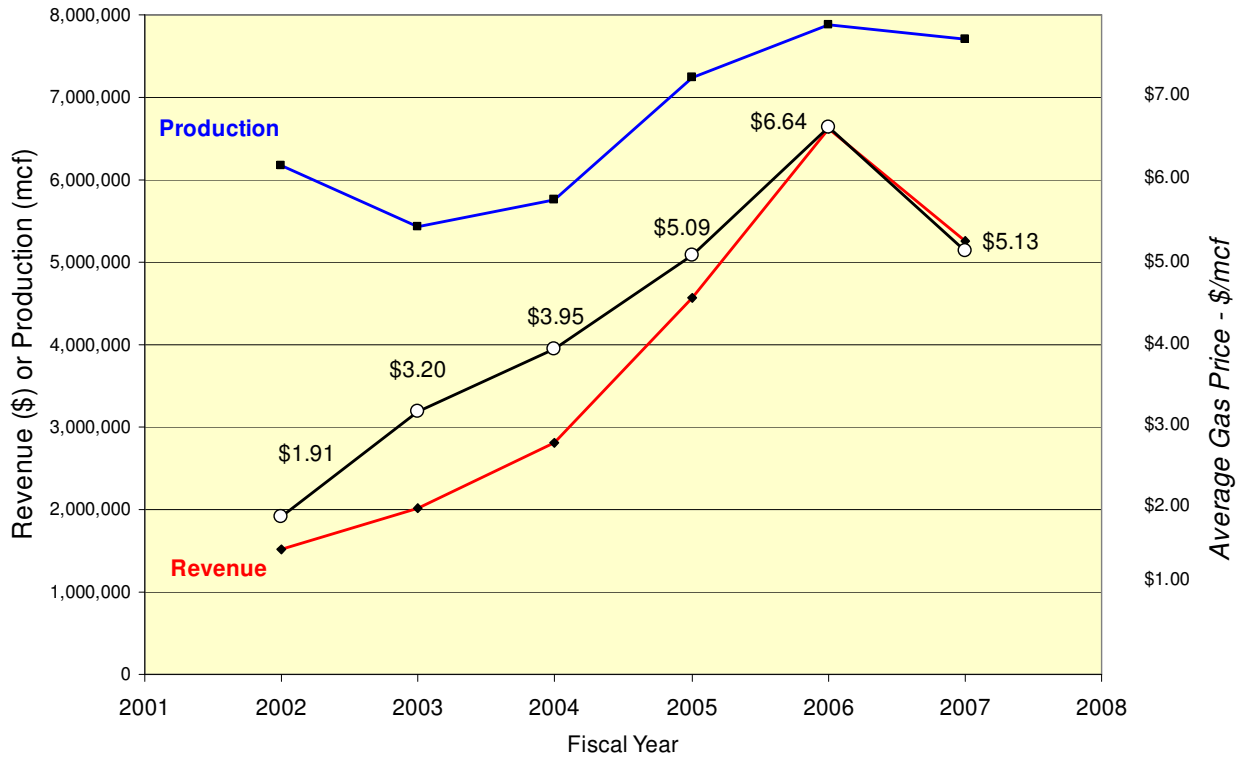
OIL: The average price for a barrel of oil produced from trust land leases, dropped 2.4% to \$55.85 a barrel from \$57.24/bbl in FY 2006. Oil production remained very strong decreasing slightly by 0.59% from FY 2006 to 2,012,340 barrels. Actual fiscal year revenue increased 2.5% to \$15.1 million. Royalty payments received in a fiscal year include some payments for prior year production. Oil royalties accounted for nearly half of all income this year.

GAS: Gas prices in FY 2007 fell considerably by 22.6% from last year. The price for a mcf (thousand cubic feet) of gas produced from state lands dropped to \$5.13 per mcf from \$6.64/mcf in FY 2006. Gas production decreased by 2.16% from FY 2006. The expected decline in production per-well resulted in lower overall production. Production totaled 7,708,192 mcf for the year. The gas price decrease combined with lower production resulted in an overall decrease in gas royalty revenue of nearly \$1.2 million compared to FY 2006. See charts on the next page for gas.

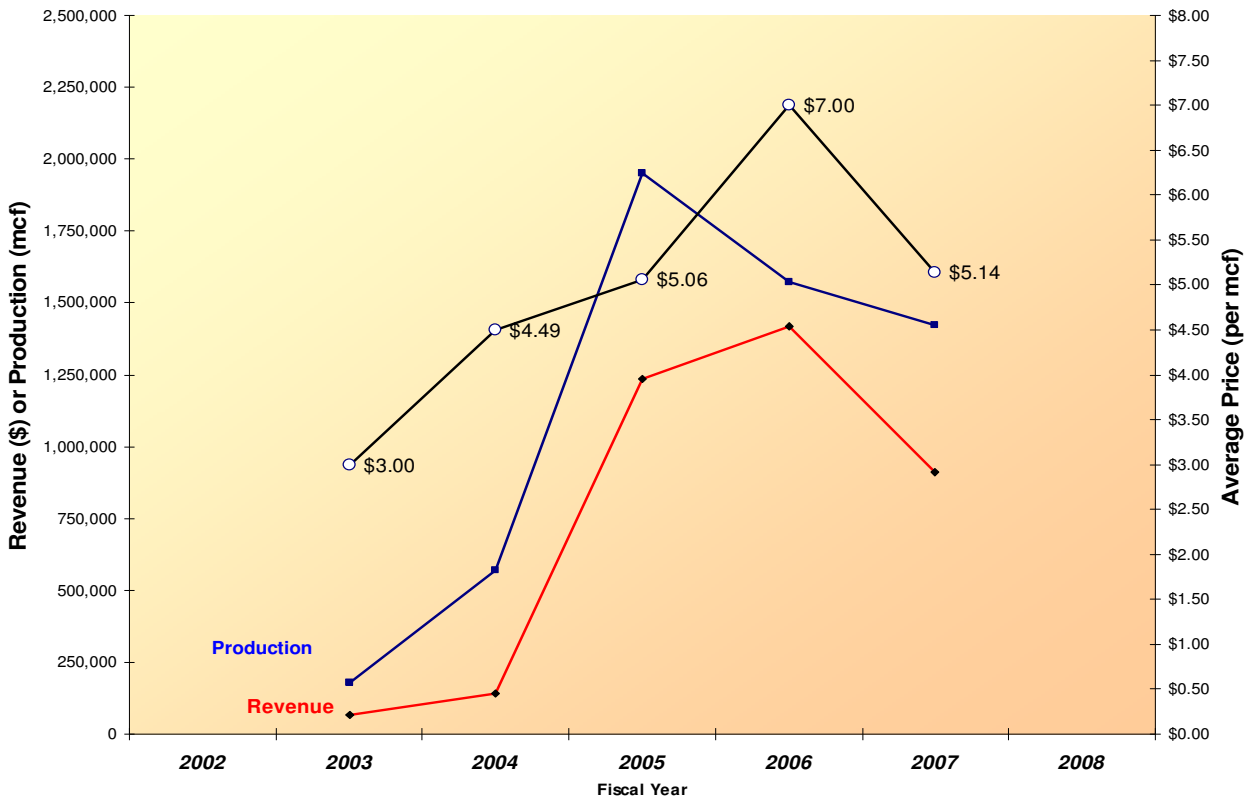
CBNG: Included in the gas totals (chart next page) is the production and revenue from coal bed natural gas. Overall production from CBNG wells decreased in FY 2007 by 9.5% to 1,422,028 mcf compared to 1,571,830 mcf in FY 2006. The well count increased to 140 from last year's total of 110. The expected decline in production per-well resulted in lower overall production. Average price for CBNG fell from \$7.00/mcf in FY 2006 to \$5.14 in FY 2007. All production from CBNG comes from Big Horn County. See chart on next page for CNBG.



Gas Production, Revenue & Avg Price



CBNG Production, Revenue & Avg Price



Royalty Income and Production By County (Oil, Gas, Condensate)

County	Oil		Gas		Condensate		Total Royalties
	Royalties*	Production (bbl)	Royalties*	Production (mcf)	Royalties*	Production (gal)	
Big Horn			\$912,374.19	1,422,028			\$912,374.19
Blaine	\$89,440.48	16,433	\$538,407.91	755,239	\$835.98	4,386	\$628,684.37
Chouteau			\$116,161.69	187,122	\$5,788.28	14,292	\$121,949.97
Daniels	\$6,866.10	855					\$6,866.10
Dawson	\$349,064.93	54,058					\$349,064.93
Fallon	\$2,849,369.92	437,873	\$973,987.01	1,546,209	\$33,280.92	204,065	\$3,856,637.85
Garfield	\$22,759.39	3,397					\$22,759.39
Glacier	\$44,212.69	6,252	\$75,423.77	114,834	\$6,386.31	37,829	\$126,022.77
Golden Valley			\$36,600.08	28,149			\$36,600.08
Hill			\$624,356.34	954,133			\$624,356.34
Liberty	\$167,119.34	22,433	\$115,756.39	210,171			\$282,875.73
Musselshell	\$12,339.31	2,102					\$12,339.31
Petroleum	\$12,191.85	1,309					\$12,191.85
Phillips			\$719,698.69	1,133,568			\$719,698.69
Pondera	\$115,117.15	15,909	\$22,754.77	44,722			\$137,871.92
Powder River	\$16,790.75	2,717					\$16,790.75
Richland	\$8,471,650.23	1,044,620	\$512,312.00	671,668	\$128,095.97	981,099	\$9,112,058.20
Roosevelt	\$744,744.09	93,542	\$38,059.08	38,150			\$782,803.17
Rosebud	\$191,158.49	24,540					\$191,158.49
Sheridan	\$1,653,380.12	226,132	\$46,264.07	42,999			\$1,699,644.19
Stillwater			\$1,197.35	731			\$1,197.35
Sweet Grass			\$497.29	715			\$497.29
Teton	\$11,929.70	2,198					\$11,929.70
Toole	\$192,444.24	28,334	\$311,027.92	490,797	\$2,569.58	2,592	\$506,041.74
Valley			\$27,480.34	46,597			\$27,480.34
Wibaux	\$190,688.73	29,636	\$12,584.09	20,360	\$4,896.08	30,463	\$208,168.90
Grand Total	\$15,141,267.51	2,012,340	\$5,084,942.98	7,708,192	\$181,853.12	1,274,726	\$20,408,063.61

* Totals include interest and shut-in royalty payments

The top 3 counties generated 84.9% of all oil production on State Trust Lands in FY2007. Richland County accounted for nearly 52% with over one million barrels produced in FY2007. A significant portion of the oil produced in Richland County comes from horizontal Bakken formation wells. Fallon County ranked second with 437K bbl's accounting for 21.8%. Sheridan County produced 226K barrels for an 11.2% share, placing it third

Top Revenue Producing Counties - Oil (\$\$).....#1 Richland \$8.5 Million
 #2 Fallon \$2.8 Million
 #3 Sheridan \$1.7 Million

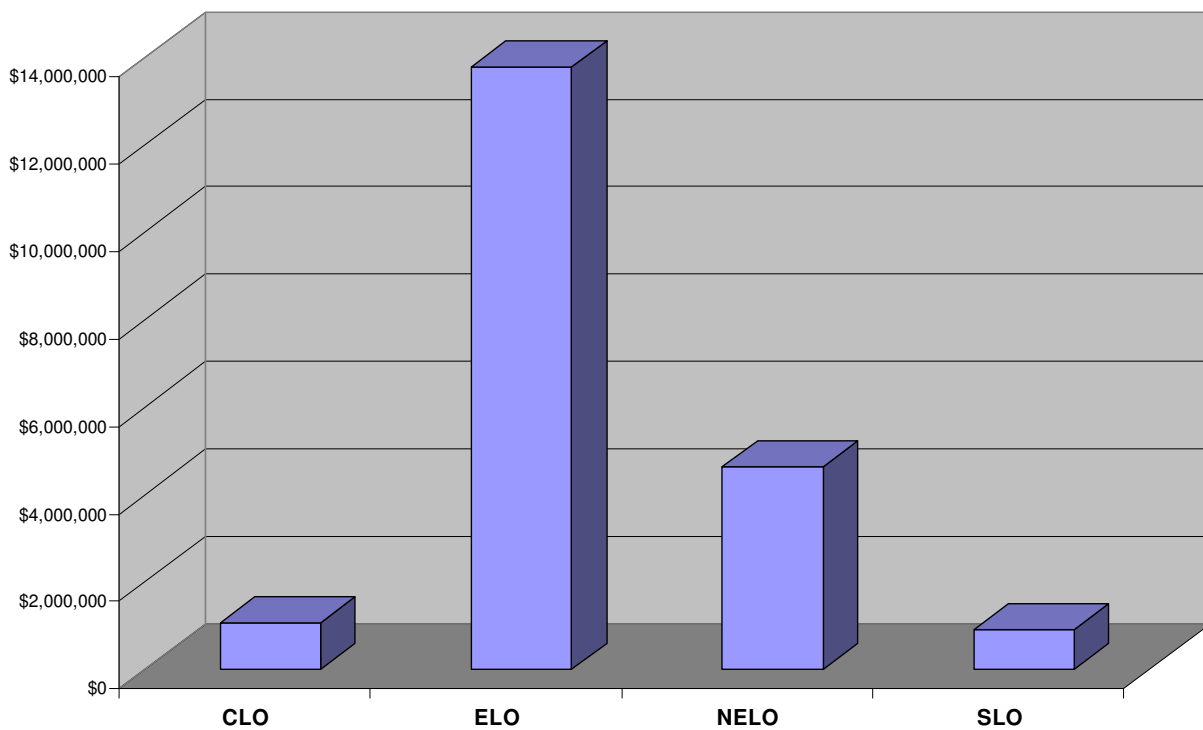
The top gas producing county for FY2007 was Fallon County which accounted for 20.1% of total state land production. Next was Big Horn County which produced over 1.4 million mcf in FY2007 and 18.4% of this year's total. Coal bed natural gas was the primary source for the production from Big Horn County. Phillips County followed closely as the third highest gas producer for FY2007 with more than 1.1 million mcf produced from State Trust Land administered leases.

Top Revenue Producing Counties - Gas (\$\$).....#1 Fallon \$973K
 #2 Big Horn \$912K
 #3 Phillips \$719K

Royalty Income reported by Area and Unit Office (Oil, Gas, Condensate)

Pay Type	<i>CLO</i>	<i>ELO</i>	<i>NELO</i>			<i>SLO</i>	Pay Type Totals
	Conrad	N/A	Glasgow	Havre	Lewistown	N/A	
<i>ConRoy</i>	\$8,955.89	\$166,272.97		\$835.98	\$5,788.28		\$181,853.12
<i>GasInt</i>			\$1,199.43	\$2,508.58	\$6,189.58		\$9,897.59
<i>GasRoy</i>	\$524,002.85	\$1,498,883.11	\$787,579.99	\$1,153,527.36	\$173,759.28	\$912,237.09	\$5,049,989.68
<i>GRoyA</i>			\$1,483.07	\$2,888.30	\$14,052.60		\$18,423.97
<i>OILInt</i>	\$434.54						\$434.54
<i>OILRoy</i>	\$530,388.58	\$12,108,675.89	\$2,393,715.54	\$89,440.48	\$6,273.17	\$12,339.31	\$15,140,832.97
<i>SIGas</i>	\$960.00			\$3,840.00		\$1,831.74	\$6,631.74
AO Totals	\$1,064,741.86	\$13,773,831.97	\$3,183,978.03	\$1,253,040.70	\$206,062.91	\$926,408.14	\$20,408,063.61

Oil & Gas Royalty by Area Office



Rental Income by Grant (Oil, Gas, Condensate)

<i>Grant</i>	<i>Bonus Income</i>	<i>Surface Damages</i>	<i>Penalty Income</i>	<i>Rental Income</i>	<i>Seismic Permits</i>	<i>Total Rental</i>
Common Schools	\$2,101,871.61	\$228,721.57	\$1,066,757.83	\$2,506,339.68	\$7,182.72	\$5,910,873.41
Public Buildings	\$3,840.00	\$422.22	\$18,904.70	\$24,241.15	\$140.28	\$47,548.35
School for Deaf & Blind			\$2,650.00	\$1,740.00		\$4,390.00
State Industrial School	\$17,262.69		\$7,327.55	\$13,332.61		\$37,922.85
State Normal School	\$3,210.14		\$2,551.55	\$7,722.21		\$13,483.90
University of Montana	\$2,880.00		\$2,290.59	\$5,693.24		\$10,863.83
MSU Morrill	\$7,176.23		\$20,164.42	\$21,558.30		\$48,898.95
School of Mines			\$16,486.78	\$14,629.37		\$31,116.15
Total Trust Income	\$2,136,240.67	\$229,143.79	\$1,137,133.42	\$2,595,256.56	\$7,323.00	\$6,105,097.44
Agricultural Experiment Station				\$2,000.00		\$2,000.00
Dept of Transportation	\$352.00		\$393.63	\$4,708.50		\$5,454.13
Galen State Hospital				\$0.00		\$0.00
Dept Of Fish Wildlife & Parks	\$3,946.00			\$2,254.00		\$6,200.00
Water Resources Division	\$39,029.62			\$1,506.82		\$40,536.44
Total Non-Trust Income	\$43,327.62	\$0.00	\$393.63	\$10,469.32	\$0.00	\$54,190.57
Grand Total	\$2,179,568	\$229,144	\$1,137,527	\$2,605,726	\$7,323	\$6,159,288

Royalty Income by Grant (Oil, Gas, Condensate)

<i>Grant</i>	<i>Oil Royalty</i>	<i>Gas Royalty</i>	<i>Condensate Royalty</i>	<i>Total Royalty</i>	<i>Total Revenue By Grant</i>
Common Schools	\$15,133,322.09	\$4,902,187.55	\$180,525.30	\$20,216,034.94	\$26,126,908.35
Public Buildings	\$6,657.65	\$17,056.35	\$1,304.69	\$25,018.69	\$72,567.04
School for Deaf & Blind				\$0.00	\$4,390.00
State Industrial School				\$0.00	\$37,922.85
State Normal School		\$4,525.88	\$23.13	\$4,549.01	\$18,032.91
University of Montana				\$0.00	\$10,863.83
MSU Morrill		\$44,206.99		\$44,206.99	\$93,105.94
School of Mines				\$0.00	\$31,116.15
Total Trust Income	\$15,139,979.74	\$4,967,976.77	\$181,853.12	\$20,289,809.63	\$26,394,907.07
Agricultural Experiment Station		\$29,711.77		\$29,711.77	\$31,711.77
Dept of Transportation	\$579.50	\$109.50		\$689.00	\$6,143.13
Galen State Hospital	\$100.48			\$100.48	\$100.48
Dept Of Fish Wildlife & Parks	\$607.79	\$17.15		\$624.94	\$6,824.94
Water Resources Division		\$87,127.79		\$87,127.79	\$127,664.23
Total Non-Trust Income	\$1,287.77	\$116,966.21	\$0.00	\$118,253.98	\$172,444.55
Grand Total	\$15,141,268	\$5,084,943	\$181,853	\$20,408,064	\$26,567,352

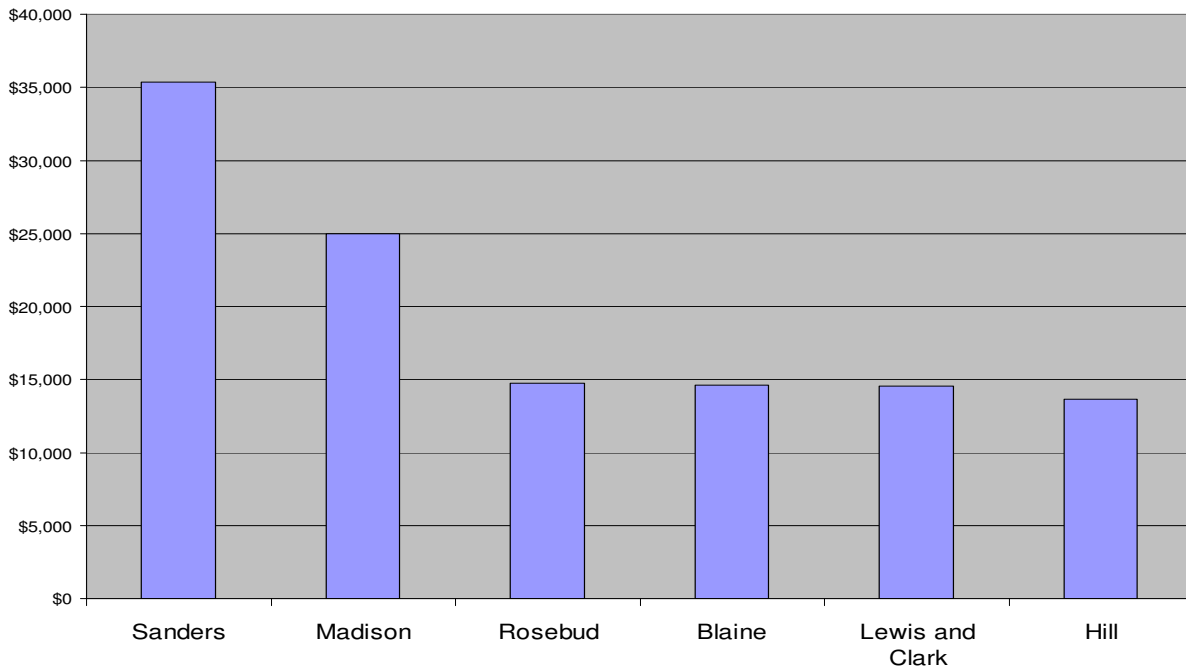
AGGREGATE

Royalty and Rental Income by County – Aggregate (Sand, Gravel, Rock)

County	Cubic Yards (Sand & Gravel)		Tons (Rock)		Total Royalty
	* Royalty \$	Production	* Royalty \$	Production	
Beaverhead	\$1,601.60	2,640	\$1,250.00	100	\$2,851.60
Blaine	\$14,595.00	17,160			\$14,595.00
Broadwater			\$400.00	40	\$400.00
Carbon		0			\$0.00
Cascade	\$4,922.26	13,328			\$4,922.26
Chouteau	\$5,002.90	8,846			\$5,002.90
Flathead	\$2,162.50	1,089	\$100.00	1	\$2,262.50
Gallatin	\$3,048.03	4,167	\$100.00	0	\$3,148.03
Golden Valley			\$2,924.00	203	\$2,924.00
Hill	\$13,673.30	13,673			\$13,673.30
Lake	\$1,580.00	2,500		0	\$1,580.00
Lewis and Clark	\$14,540.10	24,125			\$14,540.10
Madison	\$25,008.10	75,719			\$25,008.10
Mineral	\$404.80	724			\$404.80
Missoula	\$184.80	0	\$4,500.00	300	\$4,684.80
Musselshell		0			\$0.00
Phillips	\$300.00	300			\$300.00
Pondera	\$4,135.00	6,380			\$4,135.00
Powell	\$100.00	0			\$100.00
Ravalli			\$40.00	2	\$40.00
Rosebud	\$14,736.90	18,314			\$14,736.90
Sanders	\$1,470.00	300	\$33,900.00	1,171	\$35,370.00
Sheridan	\$595.00	850			\$595.00
Teton	\$3,191.71	5,476			\$3,191.71
Valley		0			\$0.00
Wheatland			\$4,849.06	75	\$4,849.06
Yellowstone	\$3,732.40	5,332			\$3,732.40
Grand Total	\$114,984.40	200,923	\$48,063.06	1,892	\$163,047.46

* Totals may include advance royalty payments

Aggregate Royalty by County



Royalty and Rental Income by Area Office - **Aggregate** (Sand, Gravel, Rock)

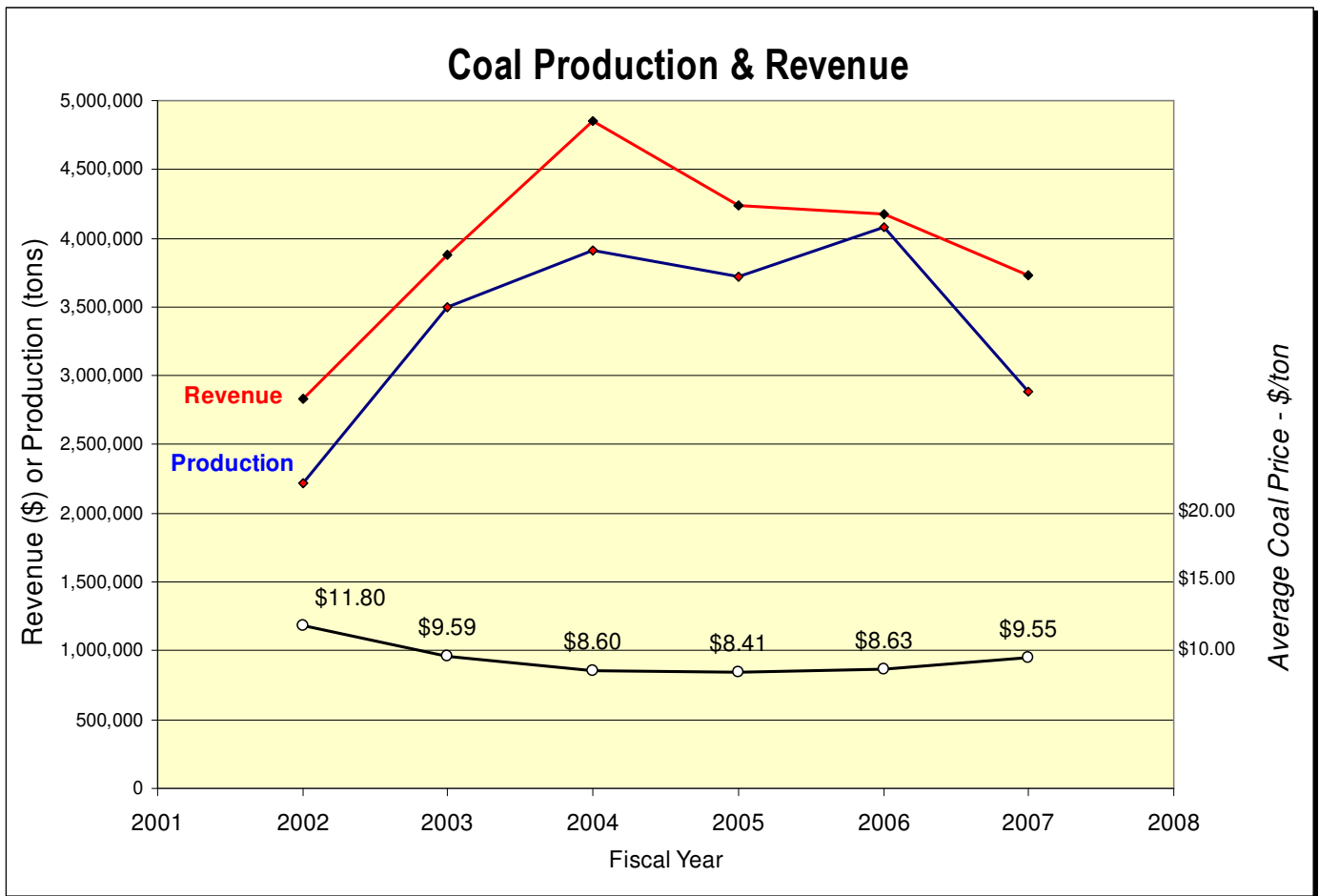
Area Office	Unit Office	Rental Income	Royalty Income
CLO	Bozeman		\$28,156.13
	Conrad		\$7,326.71
	Dillon		\$2,851.60
	Helena		\$5,322.26
<i>Area Office Totals</i>		\$0.00	\$43,656.70
ELO	None		\$14,736.90
<i>Area Office Totals</i>		\$0.00	\$14,736.90
NELO	Glasgow		\$895.00
	Havre		\$28,268.30
	Lewistown		\$12,775.96
<i>Area Office Totals</i>		\$0.00	\$41,939.26
NWLO	Kalispell		\$1,975.00
	Plains	\$200.00	\$35,370.00
	Swan River		\$1,580.00
	Stillwater		\$287.50
<i>Area Office Totals</i>		\$200.00	\$39,212.50
SLO	None		\$3,732.40
<i>Area Office Totals</i>		\$0.00	\$3,732.40
SWLO	Anaconda		\$100.00
	Clearwater		\$16,224.90
	Hamilton		\$40.00
	Missoula		\$3,404.80
<i>Area Office Totals</i>		\$0.00	\$19,769.70
Grand Total		\$200.00	\$163,047.46

Royalty and Rental Income by Grant - **Aggregate** (Sand, Gravel, Rock)

Grant	Royalty Income	Rental Income	Total Income
Common Schools	\$143,883.59	\$200.00	\$144,083.59
MSU 2nd Grant	\$1,459.80		\$1,459.80
MSU Morrill	\$2,512.90		\$2,512.90
Public Buildings	\$7,886.51		\$7,886.51
School for Deaf and Blind	\$997.50		\$997.50
State Industrial School	\$625.00		\$625.00
School of Mines	\$5,023.03		\$5,023.03
University of Montana	\$659.13		\$659.13
Grand Total	163,047.46	200.00	163,247.46

COAL LEASES

Coal production decreased 29.3% percent in FY 2007 to 2,883,432 tons mined compared to 4,079,399 tons mined in FY 2006. All coal reported was produced from four state leases in Big Horn and Rosebud Counties. In FY 2007, Spring Creek Coal Company produced 2,696,308 tons, while the remainder of 187,124 tons was produced by Decker Coal Company. Decker's production totals increased by nearly four times that of last year, while Spring Creek's production decreased 33%. The volume of coal mined can change significantly from year to year, as mining activity moves onto or off state land within the normal sequence of mining operations. Overall, coal prices increased 10.6% over FY 2006 to \$9.55/ton which is the highest price per ton the State has received since FY03. The graph below is a six-year summary of coal revenue, production, and prices reported on State Trust Lands.



Royalty and Production by County - Coal

<i>County</i>	<i>Royalties (\$)</i>	<i>Production (ton)</i>
Big Horn	\$3,425,604.54	2,696,308
Rosebud	\$303,868.50	187,124
Total	\$3,729,473.04	2,883,432

Royalty and Rental by Area Office - Coal

<i>Area Office</i>	<i>Royalty Income</i>	<i>Rental Income</i>	<i>Total</i>
ELO	\$303,868.50	\$28,938.30	\$332,806.80
SLO	\$3,425,604.54	\$12,585.93	\$3,438,190.47
Grand Total	\$3,729,473.04	\$41,524.23	\$3,770,997.27

Royalty and Rental Income by Grant - Coal

<i>Grant</i>	<i>Royalty Income</i>	<i>Rental Income</i>	<i>Total</i>
Common Schools	\$3,729,473.04	\$41,524.23	\$3,770,997.27
Total	\$3,729,473.04	\$41,524.23	\$3,770,997.27

LAND USE LICENSES

Royalty Income by County - LUL

<i>County</i>	<i>LUL Royalty Income</i>	<i>Grand Total</i>
Dawson - Salt Water Disposal	\$1,808.99	\$1,808.99
Roosevelt - Salt Water Disposal	\$1,000.00	\$1,000.00
Grand Total	\$2,808.99	\$2,808.99

Note: There is no Production associated with Salt Water Disposal

Royalty and Rental Income by Area Office - LUL

<i>Area Office - Unit Office</i>	<i>Royalty Income</i>	<i>Rental Income</i>	<i>Grand Total</i>
CLO Dillon	\$0.00	\$2,470.90	\$2,470.90
Helena	\$0.00	\$100.00	\$100.00
Area Office Total	\$0.00	\$2,570.90	\$2,570.90
ELO n/a	\$1,808.99	\$14,950.00	\$16,758.99
Area Office Total	\$1,808.99	\$14,950.00	\$16,758.99
NELO Glasgow	\$1,000.00	\$19,153.20	\$20,153.20
Area Office Total	\$1,000.00	\$19,153.20	\$20,153.20
SLO n/a	\$0.00	\$2,600.00	\$2,600.00
Area Office Total	\$0.00	\$2,600.00	\$2,600.00
Grand Total	\$2,808.99	\$39,274.10	\$42,083.09

Royalty and Rental Income by Grant - LUL

<i>Grant</i>	<i>Royalty Income</i>	<i>Rental Income</i>	<i>Total</i>
Common Schools	\$2,808.99	\$38,013.20	\$40,822.19
MSU 2nd Grant		\$370.00	\$370.00
State Normal School		\$890.90	\$890.90
Total Trust Income	\$2,808.99	\$39,274.10	\$42,083.09

METALLIFEROUS MINERAL LEASES

Royalty Income by County - Metalliferous Minerals

<i>County</i>	<i>Mineral Type</i>	<i>Royalty Income</i>
Broadwater	Gold	\$250.00
Deer Lodge	Gold & Gemstones	\$250.00
Fergus	Gold & Associated Minerals	\$11.81
Granite	Gold & Gemstones	\$250.00
Madison	Garnets	\$500.00
Grand Total		\$1,261.81

Royalty and Rental Income by Area Office - Metalliferous Minerals

<i>Area Office - Unit Office</i>	<i>Royalty Income</i>	<i>*Rental Income</i>	<i>Total</i>
CLO Helena	\$250.00	\$107.50	\$357.50
Dillon	\$500.00	\$640.00	\$1,140.00
Area Office Total	\$750.00	\$747.50	\$1,497.50
NELO Lewistown	\$11.81	\$100.00	\$111.81
Area Office Total	\$11.81	\$100.00	\$111.81
NWLO Kalispell	\$0.00	\$2,420.00	\$2,420.00
Libby	\$0.00	\$457.32	\$457.32
Area Office Total	\$0.00	\$2,877.32	\$2,877.32
SWLO Anaconda	\$250.00	\$300.00	\$550.00
Missoula	\$250.00	\$480.00	\$730.00
Area Office Total	\$500.00	\$780.00	\$1,280.00
Grand Total	\$1,261.81	\$4,504.82	\$5,766.63

* Rental figures include bonus & in lieu of exploration payments

Royalty and Rental Income by Grant - Metalliferous Minerals

<i>Grant</i>	<i>Royalty Income</i>	<i>*Rental Income</i>	<i>Total</i>
Common Schools	\$1,261.81	\$4,504.82	\$5,766.63
Total Trust Income	\$1,261.81	\$4,504.82	\$5,766.63

* Rental figures include bonus & in lieu of exploration payments

NON-METALLIFEROUS MINERAL LEASES

During Fiscal Year 2007 there were no royalties associated with production on any Non-Metalliferous mineral lease. Penalty income shown in the following three tables consists of payments for in lieu of exploration. Rental payments received are shown broken down by County, Area Office / Unit Office, and Grant.

Income by County - Non-Metalliferous Minerals

<i>County</i>	<i>Rental Income</i>	<i>Penalty Income</i>	<i>Total</i>
Beaverhead	\$1,685.88	\$0.00	\$1,685.88
Carter	\$4,626.00	\$500.00	\$5,126.00
Jefferson	\$4,320.00	\$750.00	\$5,070.00
Grand Total	\$10,631.88	\$1,250.00	\$11,881.88

Income by Area Office -Non-Metalliferous Minerals

<i>Area Office - Unit Office</i>	<i>Rental Income</i>	<i>Penalty Income</i>	<i>Total</i>
CLO Helena	\$4,320.00	\$750.00	\$5,070.00
Dillon	\$1,685.88	\$0.00	\$1,685.88
Area Office Total	\$6,005.88	\$750.00	\$6,755.88
ELO n/a	\$4,626.00	\$500.00	\$5,126.00
Area Office Total	\$4,626.00	\$500.00	\$5,126.00
Grand Total	\$10,631.88	\$1,250.00	\$11,881.88

Income by Grant - Non-Metalliferous Minerals

<i>Grant</i>	<i>Rental Income</i>	<i>Penalty Income</i>	<i>Total</i>
Common Schools	\$9,911.88	\$1,250.00	\$11,161.88
Public Buildings	\$720.00	\$0.00	\$720.00
Total Trust Income	\$10,631.88	\$1,250.00	\$11,881.88

SB495 COAL TRUST LOAN / OTTER CREEK UPDATED

SB495 (Coal Tax Trust Loan) Implementation

The 2001 Legislature passed SB495, authorizing the department to borrow from the coal tax trust and place the loan proceeds in the public school permanent trust fund (trust fund). The Federal Enabling Act requires mineral royalties to be deposited into the trust fund. Therefore, the loan was intended to keep the trust fund whole while redirecting a specified amount of future mineral royalty revenues. The redirected royalties cover debt service on the loan, with any remaining amount distributed to school equalization. The State Board of Land Commissioners (Board) reviewed the legislation and directed the Department to implement the provisions of SB495 beginning in fiscal 2002. The SB495 fiscal note estimated royalty revenue for the next 30 years. Board staff selected a discount rate of 9.85%, which produced a calculated present value (i.e. loan) amount. Effective July 1, 2001, the Department borrowed \$46,366,904 from the coal tax trust and placed it in the public school permanent trust fund, in lieu of \$138,894,596 in future net mineral royalties.

Loan principal and interest payments through fiscal year end 2007 total \$51,587,862. The table below summarizes the changes in the amounts distributed to school equalization and deposits into the permanent trust fund from the implementation of SB495.

Impact of SB495 to Public School Trust				
Net Change: SB495 vs. No SB495				
Loan Year	Fiscal Year	Change in Distributions	Change in Trust Deposits	Loan Pmts & Balance
Execute Loan			\$ 46,366,904	\$ (46,366,904)
1	2002	3,359,644	(3,492,427)	-
2	2003	5,492,305	(5,958,910)	-
3	2004	6,134,727	(8,985,527)	1,820,860
4	2005	8,789,210	(12,976,554)	2,650,063
5	2006	8,875,615	(21,686,073)	10,848,960
6	2007	(993,316)	(21,037,758)	19,473,459
Thru FYE 2007		\$ 31,658,184	\$ (27,770,345)	\$ (11,573,562)
Projected Impact at:				
End of Loan:		\$ 72,303,925	\$ (92,680,768)	0
At 30 Years:		\$ (29,677,955)	\$ (98,048,235)	0

The loan increased the permanent trust fund balance by \$46,366,904 but also created a loan payable obligation for the same amount. As of June 30, 2007, SB495 increased distributions to school equalization by \$31,658,184. Royalty revenue totaling \$74,592,689 has been diverted from the permanent trust fund. The trust fund balance is now \$27,770,345 lower than it would have been absent SB495, with a loan balance of \$11,573,562 remaining to be paid. The net change in asset (i.e. trust fund) position is therefore \$39,343,907 lower pursuant to SB495.

The analysis above calculates impacts due only to SB495. The 2007 Legislature passed SB2 in special session. Beginning with FY08, SB2 redirects remaining SB495 purchased royalties (approximately \$52.2 million) to a school facility improvement account. The projected change to school distributions at the end of loan and at 30 years would be \$20.1 and (\$81.9) million, respectively.

Otter Creek Tracts

On October 13, 2006, the Federal Surface Transportation Board (STB) issued its Final Supplemental Environmental Impact Statement on the proposed Tongue River Railroad. At fiscal year end, the STB had not issued a decision on the Tongue River Railroad application. Great Northern Properties continued to evaluate its potential interest in leasing or participating in development. The DNRC remains interested in leasing the school trust coal ownership at Otter Creek for exploration and development.

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