

State of Montana

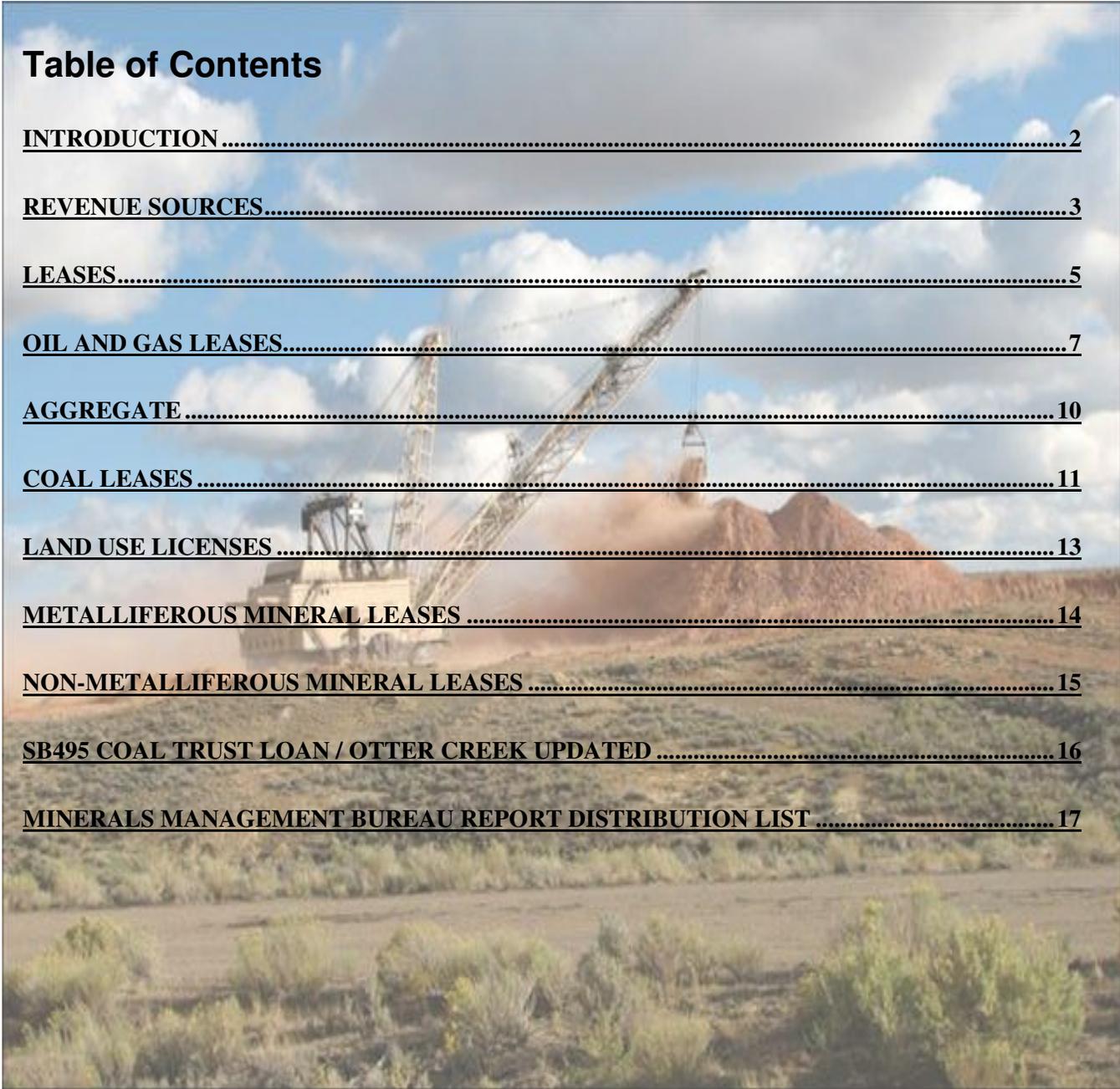
Department of Natural Resources and Conservation
Trust Land Management Division

MINERALS MANAGEMENT BUREAU



Fiscal Year 2008 Annual Report

Table of Contents



<u>INTRODUCTION.....</u>	<u>2</u>
<u>REVENUE SOURCES.....</u>	<u>3</u>
<u>LEASES.....</u>	<u>5</u>
<u>OIL AND GAS LEASES.....</u>	<u>7</u>
<u>AGGREGATE.....</u>	<u>10</u>
<u>COAL LEASES.....</u>	<u>11</u>
<u>LAND USE LICENSES.....</u>	<u>13</u>
<u>METALLIFEROUS MINERAL LEASES.....</u>	<u>14</u>
<u>NON-METALLIFEROUS MINERAL LEASES.....</u>	<u>15</u>
<u>SB495 COAL TRUST LOAN / OTTER CREEK UPDATED.....</u>	<u>16</u>
<u>MINERALS MANAGEMENT BUREAU REPORT DISTRIBUTION LIST.....</u>	<u>17</u>

INTRODUCTION

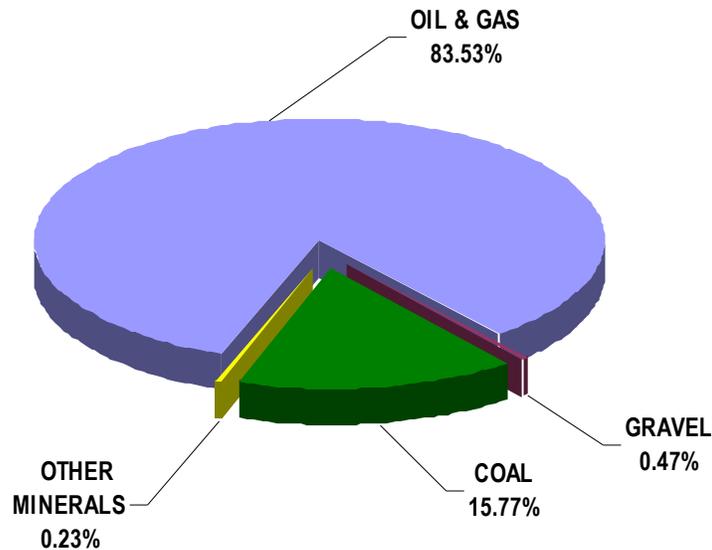
This report was prepared by the Minerals Management Bureau (MMB) within the Trust Land Management Division and contains information gathered by the Bureau regarding State of Montana mineral leases. The report provides production and revenue information for each lease type managed by the Bureau. Within each lease type, there are reports providing income by county, area office, and grant. 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 5's for each royalty month. Royalty payments received during the fiscal year include some payments for prior year production.

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 2008

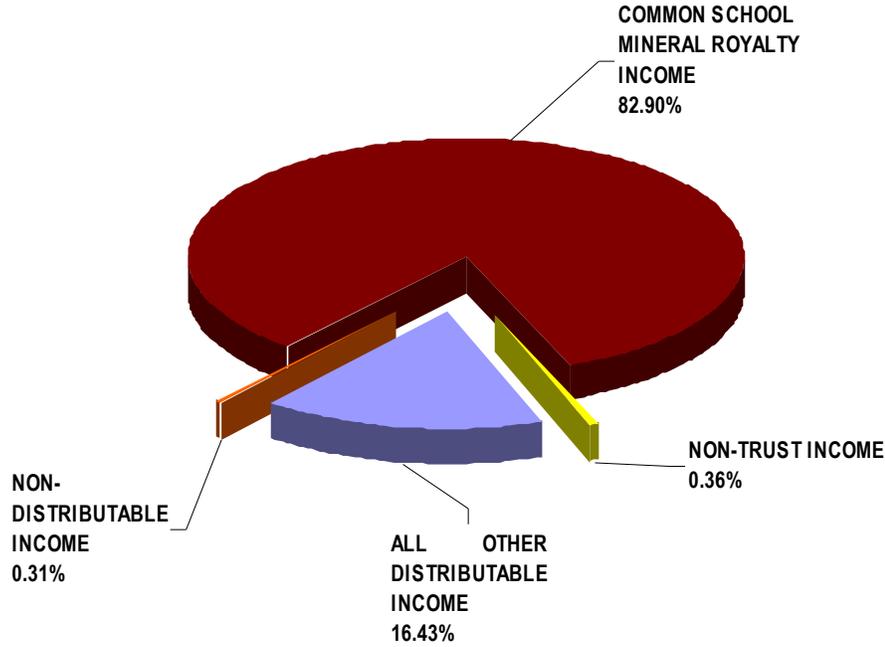


<i>Mineral Type & Revenue Source</i>		<i>FY2007</i>	<i>FY2008</i>	<i>% Change from FY07</i>
OIL & GAS-	Rentals/Bonuses/Penalties	\$5,922,821	\$5,895,042	-0.47%
	Royalties **	\$20,408,064	\$25,240,047	23.68%
	Surface Damages	\$229,144	\$141,960	-38.05%
	Seismic	\$7,323	\$9,976	36.23%
	Total	\$26,567,352	\$31,287,025	17.76%
GRAVEL -	Rentals	\$200	\$100	-50.00%
	Royalties	\$163,047	\$174,196	6.84%
	Total	\$163,247	\$174,296	6.77%
COAL -	Rentals/Bonuses	\$41,524	\$41,524	0.00%
	Royalties	\$3,729,473	\$5,865,071	57.26%
	Total	\$3,770,997	\$5,906,595	56.63%
OTHER MINERALS -				
LAND USE LICENSE				
	Rentals/Penalties	\$39,274	\$45,573	16.04%
	Royalties	\$2,809	\$2,168	-22.82%
	Total	\$42,083	\$47,741	13.44%
METALLIFEROUS MINERALS				
	Rentals/Bonuses/Penalties	\$4,505	\$12,443	176.22%
	Royalties	\$1,262	\$1,512	19.81%
	Total	\$5,767	\$13,955	141.99%
NON-METALLIFEROUS MINERALS				
	Rentals/Bonuses/Penalties	\$11,882	\$23,199	95.24%
	Royalties	\$0	\$1,000	
	Total	\$11,882	\$24,199	103.66%
GRAND TOTAL		<u>\$30,561,328</u>	<u>\$37,453,811</u>	<u>22.55%</u>

** Includes interest and shut-in payments

TOTAL REVENUE BY SOURCE

Fiscal Year 2008



\$114,619

0.31%

\$37,202,387

99.69%

Common Schools Royalty (SB 495) :

\$31,047,977

All Other Trust Distributable:

\$6,154,410

TRUST LAND REVENUE (by Trust)

Common Schools **	\$36,981,836	State Normal School	\$18,840
University of Montana	64,013	School for Deaf and Blind	5,800
M.S.U. Morrill	98,430	State Industrial School	20,150
M.S.U. 2nd Grant	1,132	Public Buildings	78,278
School of Mines	47,627	Veterans Home Income	900

Total Trust Grants: \$37,317,006

NON-TRUST LAND REVENUE *

Agricultural Experiment Station	\$51,276
Department of Fish, Wildlife & Parks	\$2,796
Department of Transportation	\$6,497
Department of Public Health and Human Services	176
DNRC – Water Resources Division	76,060

Total Non-Trust Grants: \$136,805

TOTAL REVENUE

\$37,453,811

* 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 deposited into the guarantee account and distributed.

LEASES

Oil & Gas Leasing: In FY08, overall leasing increased by over 7% from FY07, with oil and gas leases accounting for the majority of that gain. Oil prices increased to historic highs during the last half of FY08, which benefited all trusts with increased royalty revenue over FY07 and also contributed to higher bidding and overall interest on tracts in counties which have not historically been large oil and gas producers.

Oil and gas leasing alone accounts for over 1.9 million acres, or 96.2% of all acreage leased for minerals.

Seismic Permits increased by 5 over FY07 while acreage assigned to seismic activities increased by 39%, indicating increased interest in oil and gas exploration.

Hard Rock - Industrial Leasing: The surge in gold prices (over \$1,000/oz at one point during the fiscal year) likely contributed to a 75% increase in metalliferous leases issued. However, interest in hard rock mining in general has not yet yielded substantial production. Of the 23 metalliferous and non-metalliferous leases, only one produced in FY08.

Gravel Permits: While overall permit counts remain unchanged since FY06, producing permits dropped to just 27 in FY08. However, the acreage assigned to those leases increased by 94% from FY07.

Coal Leasing: Lease counts for producing and non-producing leases have remained constant

Type of Lease	No. of Leases	% Change from FY07	Acreage Leased	% Change from FY07	Producing Leases	% Change from FY07	Producing Acreage	% Change from FY07
Coal Leases	29	0.0%	13,841	0.0%	4	0.0%	1,710	0.0%
Gravel Permits	48	0.0%	2,019	50.7%	27	-12.9%	1788	93.9%
Land Use Licenses	26	13.0%	6,176	41.6%	2	0.0%	960	0.0%
Metalliferous Leases	14	75.0%	3,756	58.2%	1	0.0%	92	0.0%
Non-Metalliferous Leases	9	12.5%	3,943	19.4%	0	0.0%	0	0.0%
Seismic Permits	18	38.5%	37,301	39.0%	0	0.0%	0	0.0%
Gas Storage Agreements	5	0.0%	8,617	0.0%	0	0.0%	0	0.0%
Oil and Gas Leases	4,653	7.1%	1,937,886	7.7%	606	4.0%	224,771	3.7%
Total Leases	4,802	7.21%			640	3.06%		
Total Acres			2,013,539	8.30%			229,321	4.06%

since FY06 despite a moderate increase in coal prices in FY08.

Summary:

Leased acreage for minerals use topped 2 million acres on state trust lands for the first time since FY87. Of the 2 million+ acres leased, producing leases hold 11.4% of that acreage.

Land Use Licenses have nearly doubled since FY04, however the acreage assigned to those licenses has fallen by over 50% during that same timeframe.

Small Volume Permits and Permits to Test for Aggregate are not included in the table below. During FY08, DNRC field offices issued 9 small volume permits and 3 test permits.

MMB Activities: Activities related to existing leases include collecting royalty and rental payments, auditing, review of all proposed leases, 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 environmental review and approval of all proposed physical operations on state leases.

Lease Types:

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 activities such as salt water disposal, access roads and pipelines constructed on state land.

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

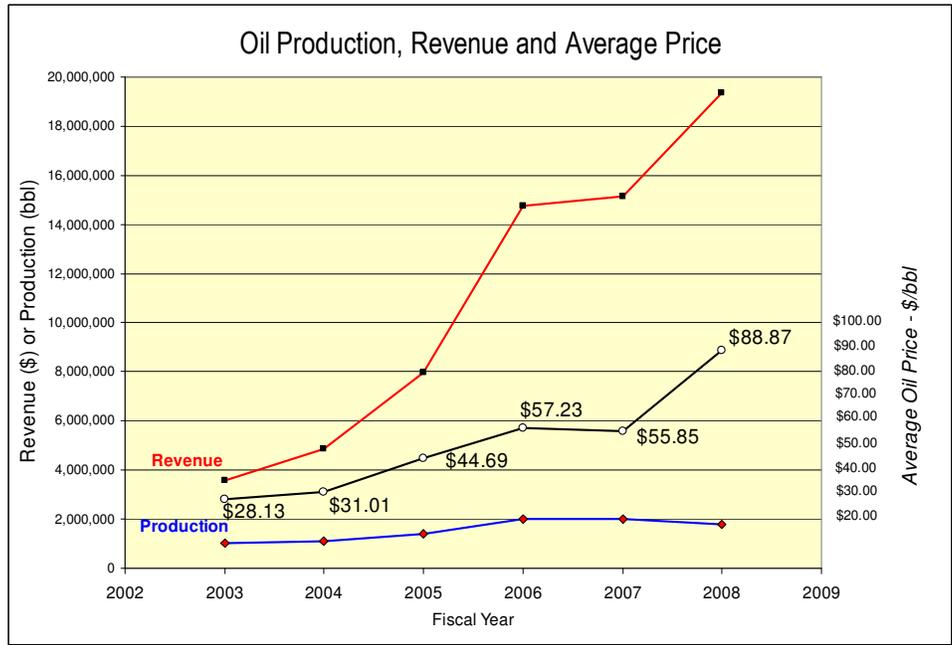
DNRC Area and Unit office field staff conduct on-site reviews and prepare environmental assessments when mineral exploration or development is proposed on state land. These reviews address resource concerns and provide site specific stipulations to mitigate impacts to project development. Stipulations may include such items as restricting work to dry or frozen conditions, noxious weed control, timing restrictions to address wildlife concerns, and reclamation requirements. Field staff also conduct periodic reviews of mineral development to verify that lessees are complying with lease requirements. The following table breaks down the number of reviews by mineral type for the fiscal year 2008.

Area Office / Unit Office	Oil & Gas Leases	O&G Wells & Pipelines	Seismic	Coal	M & NM Leases	LULs	Gravel Permits	Gravel Renewals	Small Volume	Test Permits	TOTAL
Bozeman		1	1								2
Conrad	46	6	3				1	2	1	2	61
Dillon								5	1	1	7
Helena	5							1			6
CLO Total	51	7	4	0	0	0	1	8	2	3	76
Miles City	198	9	4			1	1				213
ELO Total	198	9	4	0	0	1	1	0	0	0	213
Glasgow	40	9	3			7	1		1		61
Havre	3	16	7					1			27
Lewistown	298	5					1	2	1		307
NELO Total	341	30	10	0	0	7	2	3	2	0	395
Kalispell											0
Libby					1						1
Plains							1	2	3		6
Stillwater									1		1
Swan River								1	1		2
NWLO Total	0	0	0	0	1	0	1	3	5	0	10
Billings	140	4				2					146
SLO Total	140	4	0	0	0	2	0	0	0	0	146
Anaconda								1			1
Clearwater					1						1
Hamilton											0
Missoula					4			1			5
SWLO Total	0	0	0	0	5	0	0	2	0	0	7
GRAND TOTAL	730	50	18	0	6	10	5	16	9	3	847

This table represents total field activity by Area and Unit office. It does not include non mineral management bureau activities.

OIL AND GAS LEASES

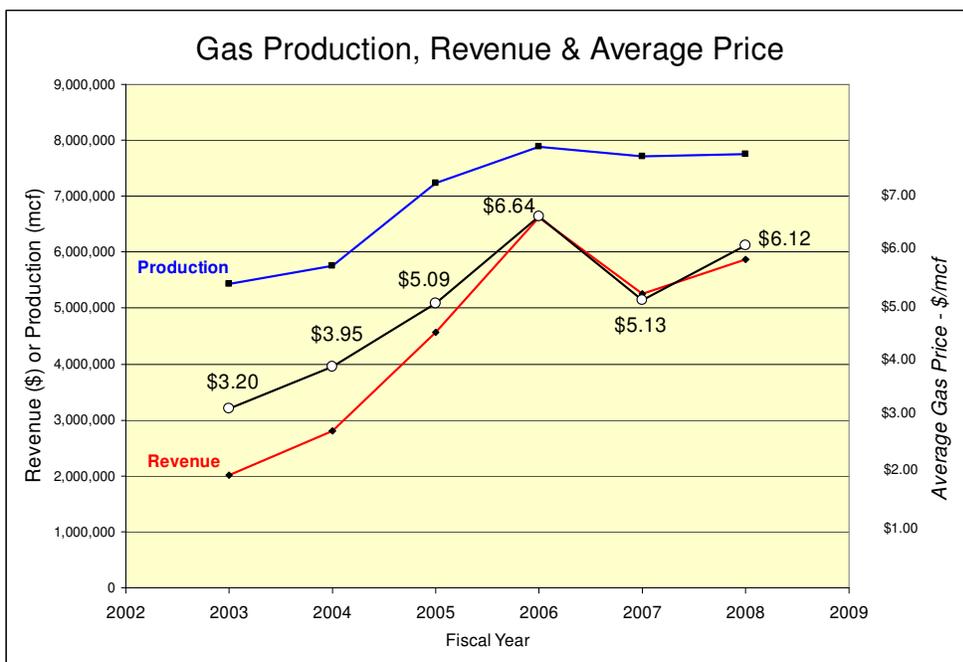
OIL: The average price for a barrel of oil produced from trust land leases increased to an all time high of \$88.87 per barrel from \$55.85, which represents a 59.1% increase over the average price in FY07. Oil production remained very strong but the normal decline in production per well resulted in lower overall production for FY08 and accounted for a decrease of 10.1% from FY07 to 1,808,692 barrels. However, due to the high price of oil, actual fiscal year revenue increased by 28.0% from FY07 to \$19,376,981, a record amount attributed to trust lands. Oil royalties alone accounted for more than half of all income received by the Minerals Management Bureau during this fiscal year.



FY07. Production totaled 7,751,961 mcf for the year as compared with the 7,708,192 mcf produced in FY07. The price increase combined with slightly higher production resulted in an overall increase in gas royalty revenue of 10.1% over FY07 to \$5,596,119. The gas chart on the lower left includes condensate revenues of \$266,946.

GAS: A global increase in demand for natural gas helped average prices in FY08 rebound from the significant drop in price in FY07. The average price for a thousand cubic feet (mcf) of gas produced from state lands increased to \$6.12/mcf from \$5.13/mcf in FY07. That represents an increase in price of 19.3%. Natural gas production increased by 0.6% from

CBNG: Included in the gas totals chart is the production and revenue from coal bed natural gas. Overall production from CBNG wells decreased in FY08 by 17.1% to 1,178,559 mcf compared to 1,422,028 mcf in FY07. Normal production decline rates are the reason for the decrease despite limited production from seven new wells operated by Pinnacle Gas Resources. The new wells increased the total well count to 147. Revenues from CBNG activity totaled \$819,327 for the fiscal year. Average price for a mcf of CBNG increased from \$5.14/mcf in FY07 to \$5.85 in FY08. All production from CBNG comes from Big Horn County.



Royalty Income & Production by County (Oil, Gas, Condensate)

County	Oil		Gas		Condensate		Total Royalties
	Royalties*	Production (bbl)	Royalties*	Production (mcf)	Royalties*	Production (gal)	
Big Horn			\$823,358.25	1,178,559			\$823,358.25
Blaine	\$221,445.81	24,718	\$543,303.43	834,517	\$1,863.69	8,656	\$766,612.93
Chouteau			\$148,672.91	222,437	\$3,138.58	16,885	\$151,811.49
Daniels	\$682.05	68					\$682.05
Dawson	\$456,632.60	43,608					\$456,632.60
Fallon	\$4,044,340.23	389,864	\$991,316.94	1,410,963	\$40,814.17	187,749	\$5,076,471.34
Garfield	\$48,553.01	3,625					\$48,553.01
Glacier	\$62,532.69	6,135	\$83,504.33	106,682	\$8,198.90	37,724	\$154,235.92
Golden Valley			\$20,500.07	36,741			\$20,500.07
Hill			\$824,189.45	1,183,597			\$824,189.45
Liberty	\$262,191.83	25,133	\$127,886.47	184,621			\$390,078.30
Musselshell	\$33,136.19	3,268					\$33,136.19
Petroleum	\$17,158.08	1,752					\$17,158.08
Phillips			\$843,054.65	1,236,471			\$843,054.65
Pondera	\$229,769.89	17,089	\$19,087.94	35,862			\$248,857.83
Powder River	\$45,975.62	4,721	\$720.00				\$46,695.62
Richland	\$10,276,080.69	943,778	\$639,470.99	699,075	\$204,747.49	1,184,898	\$11,120,299.16
Roosevelt	\$952,811.12	88,219	\$36,805.37	32,374			\$989,616.49
Rosebud	\$291,654.63	22,867					\$291,654.63
Sheridan	\$1,893,441.63	179,218	\$105,049.78	58,102			\$1,998,491.41
Stillwater			\$7,115.15	6,393			\$7,115.15
Sweet Grass			\$5,328.08	4,588			\$5,328.08
Teton	\$19,171.65	1,543					\$19,171.65
Toole	\$259,354.85	26,540	\$333,400.45	455,594	\$1,827.22	1,388	\$594,582.52
Valley			\$31,899.61	48,073			\$31,899.61
Wibaux	\$262,048.74	26,546	\$11,454.96	17,313	\$6,356.40	28,561	\$279,860.10
Grand Total	\$19,376,981.30	1,808,692	\$5,596,118.83	7,751,961	\$266,946.45	1,465,861	\$25,240,046.58

* Totals include interest and shut-in royalty payments

** Production totals represent amounts attributable to state trust land only.

OIL: Similar to FY07, the top three counties generated 83.6% of all oil production on state trust lands in FY08. However all counties with Bakken formation oil showed an expected drop in production, while highline counties such as Blaine, Liberty, and Pondera showed increases in production in FY08. Richland County accounted for 52% of all production on state trust lands while accounting for more than half of oil royalties.

Top Revenue Producing Counties – Oil:(\$\$)

#1 Richland	\$10.3 Million
#2 Fallon	\$4.0 Million
#3 Sheridan	\$1.9 Million

Gas: The top gas producing county for FY08 was again Fallon County, which accounted for 18.2% of total state land production and nearly one million in royalties. Phillips County saw a 9% increase in production over FY07 to rank second with more than 1.2 million mcf. Hill County posted a 24% increase in FY08. Big Horn County, primarily a coal bed natural gas producer, saw its production fall by 17.1%, but revenue decreased by only 9.7% from FY07 figures.

Top Revenue Producing Counties – Gas:(\$\$)

#1 Fallon	\$991K
#2 Phillips	\$843K
#3 Hill	\$824K



Royalty Income 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	Miles City	Glasgow	Havre	Lewistown	Billings	
Oil Royalty	\$825,135.58	\$15,455,637.08	\$2,823,510.64	\$221,445.81	\$17,158.08	\$25,374.94	\$19,368,262
Oil Interest	\$5,582.05						\$5,582
Oil Royalty Audit	\$2,303.28	\$833.84					\$3,137
Gas Royalty	\$540,612.51	\$1,637,326.24	\$1,016,809.41	\$1,364,612.88	\$169,172.98	\$831,769.74	\$5,560,304
Gas Interest	\$1,660.79	\$2,628.99					\$4,290
Gas Royalty Audit	\$18,339.21	\$2,287.66					\$20,627
Shut in Gas	\$3,266.68	\$720.00		\$2,880.00		\$4,031.74	\$10,899
Condensate Royalty	\$10,026.12	\$251,918.06		\$1,863.69	\$3,138.58		\$266,946
AO Totals	\$1,406,926.22	\$17,351,351.87	\$3,840,320.05	\$1,590,802.38	\$189,469.64	\$861,176.42	\$25,240,047

Royalty and Rental Income by Grant (Oil, Gas, Condensate)

Grant	Surface Damages		Penalty Income	Rental Income	Seismic Permits	Oil Royalty	Gas Royalty	Condensate Royalty	Total Revenue by Grant
	Bonus Income								
Common Schools	\$2,153,575.33	\$136,523.66	\$812,453.57	\$2,700,962.17	\$9,519.05	\$19,366,955.27	\$5,393,215.90	\$266,492.42	\$30,839,697
Public Buildings	\$40.00		\$18,222.81	\$21,340.15		\$8,280.58	\$22,914.29	\$443.48	\$71,241
School for Deaf & Blind			\$2,900.00	\$1,740.00					\$4,640
State Industrial School			\$7,527.55	\$11,652.61	\$450.00				\$19,630
State Normal School			\$4,900.19	\$7,722.20			\$6,207.42	\$10.55	\$18,840
University of Montana	\$44,898.05		\$2,290.59	\$15,263.84					\$62,453
MSU Morrill			\$23,341.36	\$20,959.21			\$54,129.57		\$98,430
School of Mines			\$19,759.25	\$14,629.36					\$34,389
Veterans Home				\$900.00					\$900
Total Trust Income	\$2,198,513.38	\$136,523.66	\$891,395.32	\$2,795,169.54	\$9,969.05	\$19,375,235.85	\$5,476,467.18	\$266,946.45	\$31,150,220
Agricultural Experiment Station		\$5,429.75		\$2,000.00			\$43,846.02		\$51,276
Dept of Transportation	\$278.13		\$49.52	\$4,611.26	\$5.86	\$950.19	\$601.89		\$6,497
Galen State Hospital						\$176.06			\$176
Dept Of Fish Wildlife & Parks		\$6.62		\$2,154.00	\$0.96	\$619.20	\$14.68		\$2,796
Water Resources Division				\$871.06			\$75,189.06		\$76,060
Total Non-Trust Income	\$278.13	\$5,436.37	\$49.52	\$9,636.32	\$6.82	\$1,745.45	\$119,651.65	\$0.00	\$136,805
Grand Total	\$2,198,792	\$141,960	\$891,445	\$2,804,806	\$9,976	\$19,376,981	\$5,596,119	\$266,946	\$31,287,025

AGGREGATE

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

County	CubicYards (Sand & Gravel)		Tons (Rock)		Total Royalty	Total Prod
	* Royalty \$	Production	* Royalty \$	Production		
Beaverhead	\$2,026.25	3,060			\$2,026	3,060
Blaine	\$35,600.00	18,440			\$35,600	18,440
Carbon	\$250.00	0			\$250	0
Cascade	\$14,519.28	29,545			\$14,519	29,545
Flathead	\$10,102.50	6,475	\$50.00	2	\$10,153	6,477
Gallatin	\$3,361.23	5,482	\$100.00	0	\$3,461	5,482
Lake	\$144.00	3,860			\$144	3,860
Lewis and Clark	\$819.38	1,311			\$819	1,311
Lincoln			\$2,000.00	0	\$2,000	0
Madison	\$39,198.75	61,035			\$39,199	61,035
Mineral	\$100.00	0			\$100	0
Missoula	\$907.00	907			\$907	907
Musselshell	\$200.00	0			\$200	0
Phillips	\$3,383.00	3,383			\$3,383	3,383
Pondera	\$525.00	400			\$525	400
Rosebud	\$9,187.80	21,413			\$9,188	21,413
Sanders	\$1,147.50	656	\$37,900.00	1,341	\$39,048	1,997
Teton	\$2,924.94	5,595			\$2,925	5,595
Valley			\$100.00	200	\$100	200
Wheatland			\$9,649.31	509	\$9,649	509
Grand Total	\$124,396.63	161,561	\$49,799.31	2,052	\$174,196	163,613

* Totals may include advance royalty payments

Royalty & Rental by Area Office

Unit Office/Area Office	Rental Income	Royalty Income
Bozeman		\$42,659.98
Conrad		\$3,449.94
Dillon		\$2,026.25
Helena		\$14,519.28
CLO Area Office Totals	\$0.00	\$62,655.45
Miles City		\$9,187.80
ELO Area Office Totals	\$0.00	\$9,187.80
Glasgow		\$3,483.00
Havre		\$35,600.00
Lewistown		\$9,649.31
NELO Area Office Totals	\$0.00	\$48,732.31
Kalispell		\$9,877.50
Libby		\$2,000.00
Plains	\$100.00	\$39,047.50
Stillwater		\$275.00
Swan River		\$144.00
NWLO Area Office Totals	\$100.00	\$51,344.00
Billings		\$450.00
SLO Area Office Totals	\$0.00	\$450.00
Anaconda		\$0.00
Clearwater		\$1,726.38
Hamilton		\$0.00
Missoula		\$100.00
SWLO Area Office Totals	\$0.00	\$1,826.38
Grand Total	\$100.00	\$174,195.94

Royalty & Rental by Grant

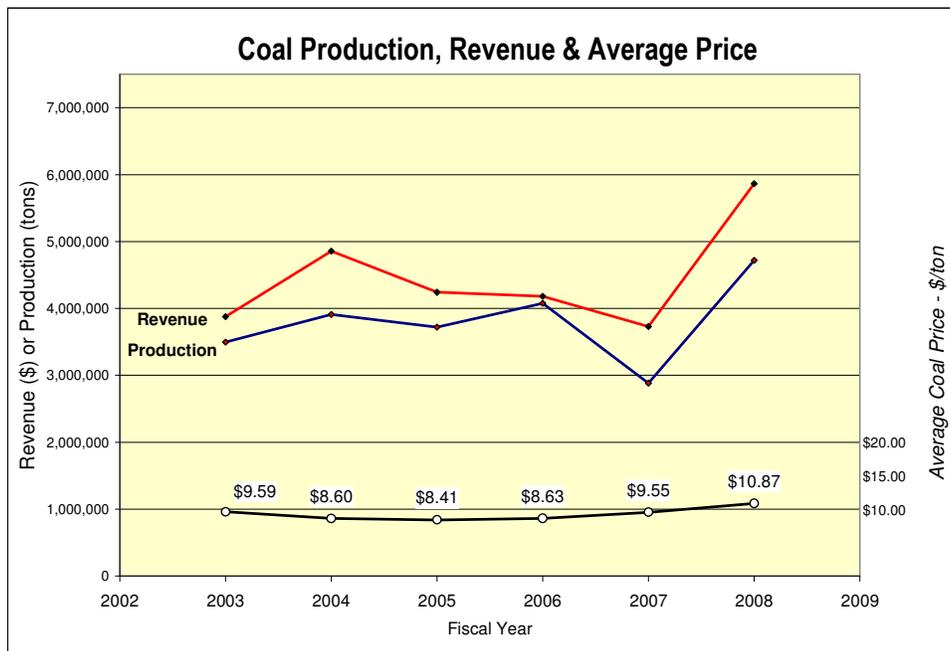
Grant	Royalty Income	Rental Income	Total Income
Common Schools	\$151,812.64	\$100.00	\$151,912.64
MSU 2nd Grant	\$1,132.00		\$1,132.00
Public Buildings	\$5,501.94		\$5,501.94
School for Deaf and Blind	\$1,160.38		\$1,160.38
State Industrial School	\$520.00		\$520.00
School of Mines	\$13,238.73		\$13,238.73
University of Montana	\$830.25		\$830.25
Grand Total	174,195.94	100.00	174,295.94

COAL LEASES

Production: Coal production on state trust lands increased 63.7% in FY08 to 4,720,487 tons mined compared to 2,883,432 tons mined in FY07. The production totals were the highest recorded on state trust lands over the past decade. All coal reported was produced from three state leases in Rosebud and Big Horn counties. In FY08 Spring Creek Coal Company produced 4,579,484 tons, while the remainder of 141,003 tons was produced by Western Energy Company. Spring Creek's production totals increased by nearly 70% compared to last fiscal year while Western Energy Company recorded a decrease of 24.6%. The volume of coal mined can change significantly from year to year, as mining activity moves onto or

off of state land within the normal sequence of operations.

Revenues: All coal revenues received on current state trust land leases benefit the common schools grant. In FY08, coal royalty revenues totaled \$5,865,071 which was an increase of 57.3% over FY07. A majority of that increase was due to large production increases. However, coal prices saw increases as well. Prices increased for the third straight year to \$10.87/ton which was an increase of 13.8% over the previous fiscal year average price of \$9.55/ton.



Coal Facts:

- Of the 15 major coal producing states, Montana ranks first in coal reserves with nearly 120 billion tons. Of that 120 billion tons, 1.2 billion tons are presently recoverable reserves from existing producing coal mines.*
- Currently the Minerals Management Bureau receives a 12.5% royalty rate on state trust land coal leases.
- Every ton of Montana coal replaces 3 ½ barrels of foreign oil.*
- Spring Creek Coal Company and Western Energy Company currently operate mines in the State of Montana which are among the top 15 largest surface coal mines in the US.*

* Source: Montana Coal Council

Royalty and Production by County - Coal

<i>County</i>	<i>Royalties (\$)</i>	<i>Production (ton)</i>
Big Horn	\$5,599,582.98	4,579,484
Rosebud	\$265,487.86	141,003
Total	\$5,865,070.84	4,720,487

Royalty and Rental Income by Area Office - Coal

<i>Area Office</i>	<i>Royalty Income</i>	<i>Rental Income</i>	<i>Total</i>
ELO	\$265,487.86	\$28,938.30	\$294,426.16
SLO	\$5,599,582.98	\$12,585.93	\$5,612,168.91
Grand Total	\$5,865,070.84	\$41,524.23	\$5,906,595.07

Royalty and Rental Income by Grant - Coal

<i>Grant</i>	<i>Royalty Income</i>	<i>Rental Income</i>	<i>Total</i>
Common Schools	\$5,865,070.84	\$41,524.23	\$5,906,595.07
Total	\$5,865,070.84	\$41,524.23	\$5,906,595.07

LAND USE LICENSES

Land Use Licenses:

- Can apply to any type of mineral and are issued for mineral activities that are not included in other types of leases or permits.
- The length of license is determined by each individual activity.
- Examples of licensed activities include salt water disposal, access roads and pipelines, non-mechanized prospecting for minerals, groundwater monitoring wells, gravity surveys, and infrastructure for coal bed natural gas fields.
- Under a Land Use License for gold or silver prospecting, the user may explore but cannot remove or sell minerals.
- Annual in lieu of exploration penalties may be included in a Land Use License (LUL) to encourage exploration work.

Royalty and Rental Income by County - LUL

<i>County</i>	<i>Royalty Income</i>	<i>Rental Income</i>	<i>Grand Total</i>
Big Horn		\$22,290.00	\$22,290.00
Dawson	\$1,168.04		\$1,168.04
Musselshell		\$150.00	\$150.00
Phillips		\$7,951.00	\$7,951.00
Roosevelt	\$1,000.00	\$3,705.55	\$4,705.55
Rosebud		\$500.00	\$500.00
Sheridan		\$10,376.25	\$10,376.25
Valley		\$600.00	\$600.00
Grand Total	\$2,168.04	\$45,572.80	\$47,740.84

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>
ELO Miles City	\$1,168.04	\$650.00	\$1,818.04
Area Office Total	\$1,168.04	\$650.00	\$1,818.04
NELO Glasgow	\$1,000.00	\$22,632.80	\$23,632.80
Area Office Total	\$1,000.00	\$22,632.80	\$23,632.80
SLO Billings	\$0.00	\$22,290.00	\$22,290.00
Area Office Total	\$0.00	\$22,290.00	\$22,290.00
Grand Total	\$2,168.04	\$45,572.80	\$47,740.84

Royalty and Rental Income by Grant - LUL

<i>Grant</i>	<i>Royalty Income</i>	<i>Rental Income</i>	<i>Total</i>
Common Schools	\$2,168.04	\$45,572.80	\$47,740.84
Total Trust Income	\$2,168.04	\$45,572.80	\$47,740.84

METALLIFEROUS MINERAL LEASES

Metalliferous Leases cover a variety of commercially marketed metallic minerals such as gold, silver, copper, and gemstones including rubies, garnets and sapphires.

Royalty and Rental Income by County - Metalliferous Minerals

<i>County</i>	<i>Royalty Income</i>	<i>*Rental Income</i>	<i>Total</i>
Broadwater (Gold)	\$250.00	\$268.75	\$518.75
Deer Lodge (Gold & Gemstones)	\$250.00	\$400.00	\$650.00
Fergus (Gold & Ass. Minerals)	\$12.19	\$100.00	\$112.19
Flathead		\$2,420.00	\$2,420.00
Granite (Gold & Gemstones)	\$250.00	\$480.00	\$730.00
Lincoln		\$574.35	\$574.35
Madison (Garnets)	\$500.00	\$1,600.00	\$2,100.00
Missoula		\$6,120.00	\$6,120.00
Petroleum	\$250.00	\$480.00	\$730.00
Grand Total	\$1,512.19	\$12,443.10	\$13,955.29

* Rental figures include bonus & in lieu of exploration payments

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	\$268.75	\$518.75
Dillon	\$500.00	\$1,600.00	\$2,100.00
Area Office Total	\$750.00	\$1,868.75	\$2,618.75
NELO Lewistown	\$262.19	\$580.00	\$842.19
Area Office Total	\$262.19	\$580.00	\$842.19
NWLO Kalispell	\$0.00	\$2,420.00	\$2,420.00
Libby	\$0.00	\$574.35	\$574.35
Area Office Total	\$0.00	\$2,994.35	\$2,994.35
SWLO Anaconda	\$500.00	\$880.00	\$1,380.00
Missoula	\$0.00	\$6,120.00	\$6,120.00
Area Office Total	\$500.00	\$7,000.00	\$7,500.00
Grand Total	\$1,512.19	\$12,443.10	\$13,955.29

* 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	\$1,262.19	\$11,028.75	\$12,290.94
Public Buildings		\$934.35	\$934.35
University of Montana	\$250.00	\$480.00	\$730.00
Total Trust Income	\$1,512.19	\$12,443.10	\$13,955.29

* Rental figures include bonus & in lieu of exploration payments

NON-METALLIFEROUS MINERAL LEASES

Non-Metalliferous Leases cover a variety of commercially marketed non-metallic minerals such as limestone, bentonite, barite, and peat moss.

Royalty and Rental Income by County - Non-Metalliferous Minerals

<i>County</i>	<i>Royalty Income</i>	<i>*Rental Income</i>	<i>Total</i>
Beaverhead		\$1,082.74	\$1,082.74
Carter		\$5,126.00	\$5,126.00
Jefferson		\$5,070.00	\$5,070.00
Missoula	\$1,000.00	\$11,920.00	\$12,920.00
Grand Total	\$1,000.00	\$23,198.74	\$24,198.74

** Rental figures include bonus & in lieu of exploration payments*

Royalty and Rental Income by Area Office - Non-Metalliferous Minerals

<i>Area Office - Unit Office</i>	<i>Royalty Income</i>	<i>*Rental Income</i>	<i>Total</i>
CLO Helena		\$5,070.00	\$5,070.00
Dillon		\$1,082.74	\$1,082.74
Area Office Total	\$0.00	\$6,152.74	\$6,152.74
ELO Miles City		\$5,126.00	\$5,126.00
Area Office Total	\$0.00	\$5,126.00	\$5,126.00
SWLO Anaconda		\$0.00	\$0.00
Clearwater	\$1,000.00	\$11,920.00	\$12,920.00
Area Office Total	\$1,000.00	\$11,920.00	\$12,920.00
Grand Total	\$1,000.00	\$23,198.74	\$24,198.74

** Rental figures include bonus & in lieu of exploration payments*

Royalty and Rental Income by Grant - Non-Metalliferous Minerals

<i>Grant</i>	<i>Royalty Income</i>	<i>*Rental Income</i>	<i>Total</i>
Common Schools	\$1,000.00	\$22,598.74	\$23,598.74
Public Buildings		\$600.00	\$600.00
Total Trust Income	\$1,000.00	\$23,198.74	\$24,198.74

** Rental figures include bonus & in lieu of exploration payments*

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 originally 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. The loan increased the permanent trust fund balance by \$46,366,904 but also created a loan payable obligation for the same amount.

A Special Session of the 2007 Legislature included a provision in SB2 that created the school facility improvement account. Beginning in FY2008, any remaining SB495 royalties are to be deposited into that account instead of the school equalization account.

The department paid off the coal trust loan in FY2008. Life-of-loan principal and interest payments totaled \$46,366,904 and \$17,131,303, respectively, for a total debt service loan cost of \$63,498,207. Royalties available after loan payoff amounted to \$15,382,591, which was deposited into the school facility improvement account. The table below summarizes the changes in the amounts distributed to school equalization and/or school facility improvement, and deposits into the permanent trust fund from the implementation of SB495.

Cash Flow with Debt Service SB495 (including SB2)						
FY	Net Royalty	FYE Loan Balance	Loan Abatement	Interest Payment	Net Roy to Sch Eq	Net Roy to Fac Acct
2002	3,654,268	46,366,904	-	3,369,613	284,655	
2003	6,100,912	46,366,904	-	3,306,650	2,794,262	
2004	9,104,301	44,546,088	1,820,816	3,405,415	3,878,070	
2005	13,049,974	41,896,025	2,650,063	3,005,668	7,394,243	
2006	21,698,099	31,047,064	10,848,961	2,255,822	8,593,316	
2007	20,985,135	11,573,605	19,473,459	1,505,158	6,518	
2008	27,239,173	(0)	11,573,605	282,977		15,382,591
	101,831,862		46,366,904	17,131,303	22,951,064	15,382,591

At FYE2008, \$101,831,862 of the total \$138,896,594 in purchased royalties had been generated and redistributed pursuant to SB495 and SB2. The department estimates the remaining \$37,062,734 will be generated and distributed to the school facility improvement account in FY2009 and FY2010, thereby increasing total deposits to \$52,445,325.

Otter Creek Tracts

The department entered into a professional services agreement with Norwest Corporation in FY2008 for the preparation of a leasing appraisal covering the State's coal ownership in the Otter Creek project area. Completion is expected in the fourth quarter of calendar 2008. The Land Board will evaluate the appraisal and consider offering the state tracts for lease in FY2009.

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