

REVENUE DEPARTMENT SEEKS COURT ACTION ON OIL AND GAS COMPANIES' DELINQUENT TAXES

The Montana Department of Revenue has filed an action in First Judicial District Court against seven oil and gas companies who owe more than a million dollars in taxes to the State of Montana and five county governments along the Hi-Line.

The action, filed on January 3, alleges that multiple fuel production companies owned by William M. Fulton and fuel transmission companies owned by Gary McDermott have failed to pay a variety of natural resource taxes and property taxes that they had agreed to pay in tax settlement agreements with state and local governments. All are headquartered in Shelby, Montana.

The department alleges that the companies conspired with financier Triassic Energy Partners to alter the terms of their tax settlements with the governments, breaching the agreements in an attempt to evade the taxes they owe.

"The Fulton Companies gave their word that they would pay the taxes they owe. Now we are seeking payment," said revenue director Dan Bucks. "In Montana, we will not tolerate those who willfully refuse to pay the taxes they owe. The majority of Montanans play by the rules and pay their taxes."

Bucks also noted that the action to collect these taxes owed the state and five counties is historic. "We commend the County Commissioners in Liberty, Pondera, Teton, Blaine and Glacier for their decisions that made this joint action possible. Their decisions serve the best of their citizens."

The companies entered into the tax settlement agreements in 1998, and committed to pay periodic installments to local governments and the state. As part of the agreements, local governments and the state relinquished their top position on tax liens held against the seven fuel companies, giving first priority on the liens to Triassic Energy Partners. Triassic, a development company incorporated in Delaware, was offering \$8 million in financing to help the oil and gas companies with business development.

The department alleges that the fuel production and transmission companies breached their tax settlement agreements when, in 2005, they entered into a new loan agreement with Bank of Oklahoma. The state and local governments maintain they had no knowledge of the new loan, did not consent to it, and did not agree to the subsequent changes it made to the tax settlement agreements.

Montana counties that helped enable the action and are slated to receive revenues from it include Liberty, Pondera, Teton, Blaine and Glacier.

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NOTE TO EDITORS: The following information, which shows the county and state debt related to this court action, is intended to supplement the news release.

COUNTY DEBT (interest is calculated through May 2006)

Blaine County: Tax = \$1,872. Penalty = \$0. Interest = \$4,840. Total Amount Due = \$6,712.

Glacier County: Tax = \$5,717. Penalty = \$0. Interest = \$0. Total Amount Due = \$5,717.

Liberty County: Tax = \$160,620. Penalty = \$0. Interest = \$323,032. Total Amount Due = \$483,652.

Pondera County: Tax = \$49,426. Penalty = \$0. Interest = \$126,408. Total Amount Due = \$175,834.

Teton County: Tax = \$20,638. Penalty = \$0. Interest = \$54,240. Total Amount Due = \$74,878.

Total Due for All Counties: Tax = \$238,273. Penalty = \$0. Interest = \$508,520. Total Amount Due = \$746,793.

KNOWN STATE DEBT (interest is calculated through May 2006)
Settlement Agreement for State Oil and Gas Production Taxes: Tax = \$482,823. Penalty = \$51,116. Interest = \$429,712. Total Amount Due = \$963,651.

TOTAL COUNTY AND STATE DEBT DUE
Total Amount Due = \$1,710,444.

FOR IMMEDIATE RELEASE

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