

Senate Bill 374
Testimony of J. Roger Kelley
Continental Resources, Inc.
Senate Taxation Committee
March 10, 2015

SENATE TAX

Exhibit No. 10
Date 3-10-2015
Bill No. SB 374

Continental Resources, Inc. (NYSE: CLR) is a Top 10 independent oil producer in the United States and a leader in America's energy renaissance. Based in Oklahoma City, Continental is the largest leaseholder and one of the largest producers in the nation's premier oil field, the Bakken play of North Dakota and Montana. The Company also has significant positions in Oklahoma, including its SCOOP Woodford and SCOOP Springer discoveries and the Northwest Cana play. With a focus on the exploration and production of oil (along with natural gas), Continental has unlocked the technology and resources vital to American energy independence and is a strong free market advocate in favor of lifting of the domestic crude oil export ban. In 2015, the Company will celebrate 48 years of operations.

In September of 2014, Continental developed and proposed its forecasted budget for 2015, based on the current and projected prices of oil. As these prices began to slip on the market, Continental was obliged to re-evaluate this budget. We reduced our total capital expenditure budget (CAPEX) by over \$2.0 billion. We also made changes in the placement of our CAPEX to maximize the usage of capital in the most business friendly environments. These changes were based on the value of the reserves, the cost of drilling, and the overall business environment. We have released over half of our drilling rigs in North Dakota and almost that many in our SCOOP and NW Cana plays and currently have no rigs running in Montana at this time.

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Continental currently owns interest in and operates approximately 360 oil and gas wells located primarily in Fallon and Richland Counties in Montana, 49 of these wells were drilled and completed in 2014. Our original 2015 budget included the drilling of 29 additional wells in your state, but the drastic lowering of oil prices caused us to reduce our CAPEX budget for Montana from \$247 million to \$26 million , which represents the completion of 8 wells and no new drilling wells.

SB374 is not conducive to a business friendly environment. The implementation of a tax trigger based on the decrease in oil prices does not incentivize Continental or any other oil company to increase drilling and production in this state. Granted, oil prices themselves provide the greatest incentive to drilling, but the loss of this tax holiday when prices rebound will be on the negative side of the pros and cons that companies will be considering when they prepare their new budgets and are determining the best use of capital.

America is on its way to energy independence and security through this renaissance in oil and gas production. The Bakken play in North Dakota and Montana is playing a tremendous part in this renaissance and the recent decrease in oil prices and the corresponding decrease in activity will be but a small glitch in that phenomenon. We will soon be able to export oil from this country and compete in the world market and be a leader in oil production worldwide.

We realize that the collateral damage of reduced exploration and production activity represents a corresponding reduction in jobs and tax dollars. When rigs are laid down, wells are not drilled, oil and gas is not produced, taxes are not collected and jobs are lost. The result is a

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net loss for all the citizens of Montana. Montana has heretofore been a business friendly environment and we hope that you will help to maintain that environment with a do not pass on SB374.