

House Bill 1054
Testimony of Brady Pelton
House Energy and Natural Resources Committee
January 15, 2021

Chairman Porter and members of the House Energy and Natural Resources Committee, my name is Brady Pelton, general counsel and director of government affairs for the North Dakota Petroleum Council (“NDPC”). The North Dakota Petroleum Council represents more than 650 companies in all aspects of the oil and gas industry, including oil and gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oilfield service activities in North Dakota. I appear before you today in opposition of House Bill 1054.

House Bill 1054 effectively removes the discretion of the North Dakota Industrial Commission (“NDIC”) regarding whether to require a well in abandoned-well status be placed on a single-well bond. Currently, the NDIC has the option of requiring such a single-well bond on abandoned wells that a) have not been promptly returned to production in paying quantities, b) have not been approved by the NDIC for temporarily abandoned (“TA”) status, or c) have not been plugged or reclaimed within six months. At a time when regulatory flexibility is perhaps more important to the oil and gas industry than ever before, removing the NDIC’s ability to require single-well bonds when it is deemed appropriate takes away any opportunity for consideration of case-specific details. It is important to note that, in current statute, there is nothing prohibiting the NDIC from requiring a single-well bond on abandoned wells falling outside the conditions listed above.

Ensuring North Dakota is prepared to properly address situations where abandoned wells may become orphaned is an important priority. In its administrative rulemaking promulgated in 2019, the NDIC

proposed substantial changes to the well bonding process to do just that. Those proposed rules were ultimately approved, heightening the requirements for blanket bonds and requiring abandoned wells transferred from a bond to be single-well bonded. Given the protections now already within the North Dakota Administrative Code, the removal of NDIC discretion on requiring a single-well bond is unnecessary and potentially harmful to a number of operators and working interest owners. Many of these individuals are born-and-raised North Dakotans, whose businesses frequently invest in North Dakota's legacy wells. Before I conclude and try to answer any questions, I am pleased to introduce you to one of them whose testimony will follow mine. Preston Page is the owner of Dakota Energy Advisors and will share his perspective on this bill as a working interest owner.

Taking away any flexibility of a regulatory body such as the NDIC to make impactful decisions on a case-by-case basis is not good policy, and we therefore urge a **Do Not Pass** on House Bill 1054. I would be happy to answer any questions.