

Senate Bill 2374
Testimony of Fred Catchpole
Senate Energy and Natural Resources Committee
February 9, 2023

Eighty-Eight Oil is a crude oil marketing company that purchases crude oil production in North Dakota. We've been purchasing crude in North Dakota for decades, and we take seriously our obligations of paying our royalty and tax payments accurately, legally, and promptly. We believe the proposed legislation in Senate Bill 2374 is unnecessary, imposes exorbitant fees and penalties, creates confusion, and ultimately fails to aid the royalty owner. In short, we do not support the proposed legislation.

Each month, we send out thousands of royalty checks to owners from our North Dakota production purchases. Each check includes specific check details such as the lease name and location, volume, price, total deductions, date, taxes, and royalty payment amount. This is the source document that provides the royalty owner the information and details outlining the royalty check payment amount. Providing an additional, editable document will likely confuse royalty owners. Intentional or unintentional manipulation of data in the CSV file can change payment detail amounts and cause confusion as it is not the primary, source document. Additionally, not all royalty owners can receive – nor desire – a portable document, and the mechanics or process of sending an editable document to every royalty owner are ill-defined. Many owners only desire the hardcopy check and its accompanying check details. This legislation is unhelpful to them.

The proposed legislation would significantly impact our lease purchasing operations in North Dakota and would likely curtail any purchases in which we couldn't pay the operator/producer 100% of taxes and royalties. The administrative burden and penalty amounts induce a level of cost and risk that Eighty-Eight is likely not comfortable assuming. A company could likely accumulate a \$60,000 penalty in a single month. This poses too great a risk for companies such as Eighty-Eight.

Given the onerous administrative processing requirements and severe penalties, including criminal misdemeanor convictions, Eighty-Eight would likely not purchase from producers/operators who aren't paid 100%. This will significantly impact our business in North Dakota. From a wider perspective, this bill will likely also disproportionately impact smaller operators/producers, which would likely ultimately hurt royalty owners. We do not support this proposed legislation as it ultimately does more harm than good to royalty owners, and we therefore recommend a Do Not Pass recommendation for Senate Bill 2374.

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