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Senate Bill 2319

Testimony of Brady Pelton

House Finance and Taxation Committee

March 23, 2021

Chairman Headland and members of the House Finance and Taxation Committee, my name is Brady Pelton, general counsel and director of government affairs for the North Dakota Petroleum Council. The North Dakota Petroleum Council represents more than 650 companies involved 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 support of Senate Bill 2319.

At a time when North Dakota's Bakken and Three Forks formations are in immense competition for capital investments with oil plays in other areas of the nation, it is critical to have a stable and consistent business climate in place. Senate Bill 2319 helps sustain and enhance that stable environment by allowing the Mandan, Hidatsa, and Arikara ("MHA") Nation and the State of North Dakota to continue a strong and enduring agreement on how oil and gas taxes on minerals produced within the Fort Berthold Indian Reservation ("FBIR") are shared between the two governments.

Stability created by resolving the issue of how oil taxes on straddle wells are distributed between the MHA Nation and the State and its complement to a fair and equitable tax-sharing agreement have a far reach. Greater capital expenditures toward oil and gas exploration and production brought on by that stability inevitably lead to increased production and even larger amounts of revenue to the State, the MHA Nation, oil and gas companies, and royalty owners. Stability for oil and gas producers also encourages midstream companies to increase investments into natural gas infrastructure, significantly increasing natural gas capture capabilities within the Fort Berthold Indian Reservation.

North Dakota's oil and gas industry has a longstanding history of cooperation and partnership with the MHA Nation, examples of which may be shared by those industry representatives following me in testimony today. This mutually beneficial partnership has resulted in responsible mineral development in an area of the state with exceptional mineral geology. This partnership also extends far beyond oil and gas producers agreeing to invest capital within FBIR and the MHA Nation receiving a portion of oil tax revenue. The MHA Nation has taken strong steps to protect and enhance its mineral asset by supporting mineral development within FBIR boundaries and the economic transportation of oil to market. It has also been communicated to industry that the Nation will be an ally in interactions with the new federal administration, an important factor in consideration of the complex regulatory structure involved with developing federal, trust, and fee minerals.

A stable tax environment is the foundation of a healthy and productive business climate that works to the advantage of all parties. The North Dakota Petroleum Council therefore urges your support for **Senate Bill 2319** in a version that resolves the straddle well oil tax distribution issue fairly and respectfully recommends a **Do Pass** vote on that version of the bill. Thank you, and I would be happy to answer any questions.