



**Testimony of Lynn D. Helms
Director, North Dakota Industrial Commission Department of Mineral Resources
February 1, 2021
Senate Finance and Taxation Committee
SB 2307**

The North Dakota Industrial Commission (NDIC) is opposed to SB 2307 and urges a do not pass.

Testimony in support of SB 2037 shows a serious misunderstanding of the \$5 million per biennium spending limit in subdivision e of subsection 2 of section 38-08-04.5.

There is no limit on spending for 38-08-04.5 subsection 2 subdivisions a-d

- a. Contracting for the plugging of abandoned wells**
- b. Contracting for the reclamation of abandoned drilling and production sites, saltwater disposal pits, drilling fluid pits, and access roads**
- c. To pay mineral owners their royalty share in confiscated oil**
- d. Defraying costs incurred under section 38-08-04.4 in reclamation of saltwater handling facilities, treating plants, and oil and gas-related pipelines and associated facilities.)**

The \$5 million per biennium spending limit is for subdivision e only (Reclamation and restoration of land and water resources impacted by oil and gas development, including related pipelines and facilities that were abandoned or were left in an inadequate reclamation status before August 1, 1983, and for which there is not any continuing reclamation responsibility under state law. Land and water degraded by any willful act of the current or any former surface owner are not eligible for reclamation or restoration.)

Subdivision e is for pre 1983 legacy site cleanup like the brine ponds. Our current plan is to spend \$1.0-2.5 million per year 2022-2026 to remediate the brine ponds. NDIC does not support using more than one third of the biennium income for legacy sites.

The current revenue projection using \$40/barrel, 1.1 million barrels per day FY23, and 1 million barrels per day FY24 will result in income to the fund of \$12,264,000 which is less than the current \$15 million max (\$7.5 million per year). Current biennium to date (19 months) income is \$8,289,294.

Our long term budget for the fund spends \$5 million per biennium on legacy sites, \$10 million on orphan well plugging and reclamation in 2021, \$2.5-3.5 million for orphan well reclamation 2022-2026, and does not reach the current \$50 million fund limit until 2029.

The fund could benefit from more income, but the revenue is not there this biennium.

NDIC can support increasing the fund cap, but not changing how the funds can be spent, and raising the fund cap isn't needed for 8-10 years.