NORTH DAKOTA PETROLEUM COUNCIL
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Senate Bill 2262

Testimony of Brady Pelton

Senate Energy and Natural Resources Committee

January 28, 2021

Chairman Kreun and members of the Senate 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 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 opposition of Senate Bill 2262.

Senate Bill 2262 is a seemingly simple bill, but one with largely negative potential impacts on oil and gas operations within the state. The bill would shorten the amount of time before which a surface owner would be able to request North Dakota Industrial Commission ("NDIC") review of a well in temporarily abandoned status from seven to two years.

The North Dakota Century Code language proposed to be changed by this bill was first approved by the Sixty-fourth Legislative Assembly in 2015, a section of then House Bill 1358. The section served as a compromised method to provide surface owners with a process to request formal review of a TA well they felt was near the end of its production life after a reasonable amount of time had passed with that well in TA status.

The shortened timeframe before surface owner-requested review proposed in Senate Bill 2262 is a departure from that reasonable agreement and will have a detrimental effect on temporarily abandoned ("TA") wells awaiting further development through enhanced oil recovery methods or other methods

designed to bring those wells back to economic production status. These secondary and tertiary operations are long horizon projects and often take a great deal of time to initiate as operators assess economics, infrastructure availability, and production potential for their TA wells. Current oil prices, affected by a COVID-19 global pandemic-inspired demand cratering and continued domestic and international production, only underscore the need to have additional time for operators to consider secondary and tertiary operations on TA wells. Given the recent federal action of suspending new oil and gas leases on federal lands, significant questions remain on how rights-of-way and easements across federal acres may be impacted, adding to the uncertainty of being able to get critical gas gathering, CO2, and water infrastructure in place for continued operations on wells currently in TA status. Time remains an important factor in considering any oil and gas operation, but it is especially important to development considerations of legacy wells.

Finally, TA wells are already subject to annual reports of operations and plans for development as required by administrative rule. The NDIC may intervene and routinely review wells on TA status based upon these annual reports. Any well on TA status must undergo annual casing integrity testing and renewal of its TA status. In this way, protections sought by surface owners through this bill are already in place.

Being subject to a burdensome and unnecessary notice and hearing process as quickly as two years after being placed in TA status significantly jeopardizes the likelihood of exploring future options for any TA well. Here today to speak more about the site-specific impacts this bill creates are Jeff Herman, Region Manager for Petro-Hunt, L.L.C., and Greg Schnacke, Executive Director, Governmental Relations for Denbury Inc.

Limiting the options of operators to explore secondary and tertiary recovery techniques on TA wells by introducing a shorter period before surface owner-requested review is bad policy. This bill is a solution in search of a problem, and we therefore urge a **Do Not Pass** on Senate Bill 2262. I would be happy to try to answer any questions.