

Senate Bill 2374
Testimony of Corey Dahl
House Energy and Natural Resources Committee
March 17, 2023

Chairman Porter and members of the Committee, my name is Corey Dahl, lobbyist for the Williston Basin Royalty Owners Association. I appear before you today to testify in favor of Senate Bill 2374 though it no longer resembles what was initially introduced by constituents.

The first version of SB 2374 was brought forth to address concerns from royalty owners regarding their interaction with the industry. Testimony provided by the industry on February 9, 2023, concurred with what royalty owners have been saying for years:

Bruce Larson, President, Kraken Operating:

* "Kraken would love to be part of a broader solution that looks at ways to eliminate or penalize specific companies that fail to pay or respond to legitimate concerns in a timely manner."

* "We (as all operators should be) are open and receptive to a penalty being assessed against an operator who willfully withholds information that a royalty owner is entitled to"

Craig Smith, Attorney, Crowley Fleck:

* "...we recognize that there are legitimate royalty owner concerns and communication efforts between operators and mineral owners can be improved"

Jason Weddle, Land Director, Chord Energy

* "We acknowledge that no industry and no company is perfect. Mistakes are sometimes made"

Kate Black, Vice President, Inland Oil & Gas

* "I will attest that some operators are more responsive or have better customer service than others"

While the industry agreed there is an ongoing issue, they must have felt threatened by the request for transparency and accountability because they worked with senators to hoghouse the bill brought forth by mineral owners. Not a single word of the original bill remained in the amended version that was passed by the Senate Energy and Natural Resources committee that is before you today.

For the record, constituents brought forth an amended version that addressed industry concerns but there was no opportunity for discussion with the Senate Energy and Natural Resources committee. The decision had already been made to move forward with language the industry provided and was in the hands of Legislative Council for drafting.

It is indefensible that a multibillion-dollar industry can manipulate legislation without the knowledge or input of those who originally created the bill. When an industry can completely change a bill brought forth by constituents, and mold it in their favor, it sends a clear message who yields power and influence in the Capitol.

The Bismarck Tribune Editorial on March 13, 2023 gave a thumbs down based on what has happened with Senate Bill 2374 and noted that, "There's a perception among some North Dakotans that the Legislature is much too willing to bend to the powerful oil industry. The outcome of Senate Bill 2374 won't do anything to change that. Mineral owners asked lawmakers for greater transparency and accountability from oil companies when it comes to disputed fees. But senators instead advanced industry-backed proposals that would establish an ombudsman program to help sort out payment issues between royalty owners and oil companies. The House will now consider the legislation. Hopefully representatives will give serious thought to the request of mineral owners. Asking for more information doesn't seem unreasonable."

The Bismarck Tribune is right that the ombudsman program does not address key concerns in the original bill. Without legislative action, companies will continue ignoring current laws and face no consequences when they fail to comply.

Without penalties for noncompliance there are no remedies the ombudsman can turn to, any more than royalty owners can, to enforce current laws.

The House Energy and Natural Resources committee has an opportunity to do the right thing by amending version 23.1101.02000 of Senate Bill 2374 so the ombudsmen program will be able to help solve issues and not just collect statistics. Language should be included in the bill that will compel oil companies to comply with current statutes and require them to provide transparent information in an electronic format to royalty owners.

Industry testimony during this session said that providing Excel files to royalty owners is either not possible, incredibly burdensome and costly or will lead to cybersecurity threats. This testimony was disingenuous. Excel files are available to download for free from select company websites today and they were readily available to download from most operators for free in the past prior to a single company becoming the dominant repository of oil and gas statements.

It is simply not true that going to a company website to download electronic versions of hard copy royalty statements in the form of an Excel spreadsheet is dangerous or difficult. Why does the industry oppose royalty owners having Excel copies of their royalty statements? The likeliest answer is that they do not want royalty owners to more easily analyze the information provided on their paper statements.

The Williston Basin Royalty Owners Association would support the effort to create an ombudsman program under the Agriculture Commission. However, the association strongly urges the committee to address the issues brought forth in the original version of Senate Bill 2374 for the program to be successful. If companies can continue ignoring current statutes because there are no consequences or remedies to compel them to do so, the ombudsman program will only kick the can down the road another two years to the detriment of the citizens of North Dakota.

The Williston Basin Royalty Owners Association asks for your favorable consideration of Senate Bill 2374.