

March 9, 2023

The industry testified in support of HB 1286 before the House Finance and Taxation Committee on February 7, 2023, and positioned the additional 1% extraction tax if the price of oil is over \$90 per barrel for three consecutive months as a "windfall" for the state. The industry failed to mention in their testimony that the legislature lowered the extraction tax from 6.5% to 5% in 2015 which was a "windfall" for the industry. The worst the industry can do is pay a half percent LESS in tax than they did as recently as 2015 even if the trigger price is activated.

An industry representative portrayed the trigger as a 20% tax increase. That perspective falls apart once you realize the industry was given a 23% decrease by the legislature and is further taken out of context knowing that the price of oil must be at historic highs in order to trigger an increase of 1%.

Since 1970, oil has only been over \$90 per barrel in six of the fifty plus years. For every additional \$1 million in revenue the industry earns over \$90 per barrel they would have to pay the state of North Dakota \$10,000. How many of your constituents would gladly pay the state of North Dakota \$10,000 if they received \$1 million in return?

As they so often do, the industry and its lobbyists claim that they will take their business to other states if the legislature does not act in their favor. What the industry will never be able to do is magically extract the oil in North Dakota from Texas or anywhere else.

Learning from history is only effective if one recalls what the history is. The history tells us that the industry will be paying LESS in oil extraction tax no matter what the price of oil is because of the compromise they agreed to in 2015 to lower the tax rate in return for paying an extra 1% when oil is selling for historically high prices. Any additional tax revenue based on the \$90 indexed trigger price will be far more beneficial helping to pay for schools, roads, and water projects in North Dakota rather than increasing the profits of the oil industry.

For these reasons I urge you to vote no on HB 1286.

Tom Wheeler
Williston Basin Royalty Owners Association