

**House Bill 1427
Testimony of Zachary Weis
Marathon Oil Company
Senate Finance and Taxation Committee
March 8, 2023**

Good morning, Chairman Kannianen and members of the Senate Finance and Taxation Committee. My name is Zac Weis and I represent Marathon Oil Company, a US resource play focused exploration and production company based in Houston, Texas. Our operations footprint includes the Eagle Ford in south Texas, Stack/Scoop in Oklahoma, the Permian in both the Texas and New Mexico side and here in the Bakken. With operations in all the major oil producing resource plays, Marathon has a unique prospective of the challenges and opportunities that come with operating in these states.

I am here today to speak in support of HB 1427. We see the program in this bill as a tool for North Dakota to stay competitive with other resource play states and is a way for you the policy makers to establish pro-business legislation that will encourage reinvestment into older Bakken wells that will spur increase revenues generated for the state, the mineral owners and local governments.

HB 1427 introduces the term "restimulation well" into century code. A restimulated well is a previously completed oil well that, after it has been producing oil for an extended period of time and the production is far into the decline curve, undergoes a newer modern completion treatment to enhance production of oil in the aging well. The restimulation is a significant investment into the older producing well, with many of the associated costs of drilling and completing a new well. The process involves the shut down and preparation of the wellsite. A drilling crew will come onto the location to drill out and clean the well, followed by setting a new smaller diameter liner within the existing production liner far into the curve of the well. That is followed by our completions operations to perform the new stimulation of the well.

the clear goal of the restimulation is to bring new life to older producing wells. The benefits however extend to the state, mineral owners and operators. Restimulations help keep older Bakken wells active and not plugged, maintaining the significant geological potential we continue to hear of the Bakken and the future the basin has through further enhancement of oil recovery. Restimulations increase the ultimate recoverable barrels of oil, meaning more overarching economic value for the state at every level. Mineral owners who are seeing declining royalty payments will prosper from additional royalties paid on the incremental production. Additionally, restimulations are a net positive for the environment through continued use of existing infrastructure, wellsite footprints, natural gas pipelines, etc.

This incentive will also make it more attractive for companies to spend capital on these older wells, which I believe is essential to maintain oil production levels out in the future. One look at the production breakdown for the Bakken, which I have included on the last page of my testimony, shows what we are up against. In order to maintain the production forecasts the state uses for setting budgets and planning for the state's future, depends on new production to continue to occur. Thankfully, throughout the Bakken we have many more years of new wells to drill and our companies are continuing to push the boundaries of the core of the Bakken. However, there are opportunities for incremental production to occur that we should not be overlooking.

The powerful part of a concept like this is that the extraction tax incentive is only on the incremental new production and does not apply to existing production from the well. The state could look at this as an investment to recovering more Bakken barrels resulting in more economic impact. Also, a second round of sales tax is collected on all associated inputs for drilling and completion work needed for the restimulation and there is no impact to the local governments share of production tax.

From the operator's perspective, the potential benefit of a restimulation comes with technology. Similar to the advances our state has promoted in the innovations of modern farming, we are seeing advances in completions technology that are innovating the way wells are completed. Smart completions technology is using fiberoptic cabling that provide on the spot data for the use of advanced real-time learning for completions optimization. We are able to adjust pumping rates, modify stages and perforation clusters and spacing, see real time well interference and able to optimize the use of recycled water and chemical performance. All this to say there can be an opportunity to bring this technology into older producing wells through restimulation and drive more production out of this amazing resource.

As you can imagine this all comes with a price tag. When it comes down to making decisions for where companies like mine are going to spend our capital, we will always go after the highest rate of return. Drilling new wells is still the hands down best use of capital for a return on investment. However, programs like this are an encouraging factor for operators when looking for production and reassessing our total recoverable barrels in the Bakken.

I see HB 1427 as a message that North Dakota is open for business, that you want to stay competitive with other states and that you encourage companies to spend their capital here. It benefits both the state and the producer by increasing the ultimate recoverable barrels of oil, reducing environmental impacts, and providing an incentive for investment in older wells. I urge the committee to support this bill. Thank you and I'm happy to answer any questions you have.

Base Production Decline

