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February 9, 2023

**Senate Energy and Natural Resources Committee**

RE: Comments Regarding SB 2374 Proposed Amendments

Dear Senators:

I am writing on behalf of Chord Energy Corporation and its subsidiaries (collectively, "Chord") to support the concept of an ombudsman program currently contemplated in SB 2194, as well as to address our concerns regarding adverse potential consequences of the proposed amendments to SB 2374. As a long-standing operator and the largest acreage holder in the Williston Basin, we appreciate the opportunity to lend our perspective to the conversation relating to these important bills.

Chord operates approximately 3,100 wells across its holdings of nearly one million Williston Basin acres. The company produces more than 100,000 gross barrels of oil per day and paid approximately \$660 million to more than 20,000 royalty owners in 2022 alone. At this scale, we are deeply familiar with the process of distributing royalties and the incredible benefits that those distributions provide to our neighbors, our communities, and the State of North Dakota.

We acknowledge that no industry and no company is perfect. Mistakes are sometimes made despite the best of intentions and efforts, but we work hard to identify them when they happen, fix them promptly and to not repeat them. To assist in the identification and resolution of any such issues, we are supportive of the proposed ombudsman program concept contemplated in SB 2194, which we feel would serve to establish a more tailored-made approach to address real and sometimes complex issues. Such a program could also limit the ability for bad actors to impugn the reputation of the vast majority of operators that share Chord's values and standards relating to royalty owners.

While we think SB 2194 is on the right path, proposed amendments to SB 2374, while purporting to provide royalty owners with certain standard information, impose a one-size-fits-all approach and may not ultimately provide the information unique to each royalty owner's situation. Additionally, while intended to benefit royalty owners, we believe the true beneficiaries of the proposed amendments to SB 2374 would be misguided plaintiff's and class-action attorneys seeking to bog down an otherwise efficient industry by forcing compliance with the non-standard and overly intrusive regulations in the pursuit of the punitive penalties contemplated in the proposed amendments. As a result, we feel strongly that the proposed amendments to SB 2374 would make operating in the Williston Basin a less economic and higher-risk endeavor at the expense of the many stakeholders referenced above.



Certain limitless requirements and unreasonable timelines contained in the proposed amendments to SB 2374, such as the requirement to supply lengthy title documents upon any requests for same (reasonable or not), are out of touch with how the industry operates and would cause companies like ours to structurally change the way they operate and are staffed in order to comply. Further, certain information contained in these documents is proprietary in nature and often extremely expensive to acquire. In many cases, such information is drafted subject to attorney-client privilege and not intended for public or other third party consumption. The requirements in the proposed amendments lend themselves to manipulation by plaintiff attorneys that could easily overwhelm companies with frivolous requests for the sole purpose of collecting the punitive penalties contemplated for delayed reporting relative to the rapid response requirements in the proposed amendments.

As an industry, and certainly as a company, we strive to uphold our end of the bargain in the symbiotic relationship between operators and royalty owners. Without the leases we own and operate, there would be no opportunity to harness the world-class resource that has blessed the State of North Dakota and its citizens. Similarly, without the technical expertise and capital investment of the operators, that resource would be produced in a far less efficient manner, if at all. These relationships are governed not only by mutual respect, but by oil and gas leases and other agreements that set forth the contractual obligations of each party to the other. There is no need for legislation to override a well-established operating environment and doing so in the manner proposed would materially alter the economic equation that has made the Williston Basin such an attractive place to operate during our company's long history here.

In closing, Chord Energy, the second largest producer and the largest acreage holder in the Williston Basin, respectfully requests your consideration to move in support of the ombudsman concept currently contemplated in SB 2194 and against supporting the proposed SB 2374 amendments.

We are happy to make ourselves available to discuss further should that be of interest to you or any of your colleagues.

Sincerely,



Jason Weddle  
Land Director