



Senate Bill 2374

Testimony of Fred Catchpole

Senate Energy and Natural Resources Committee

February 9, 2023

Good Afternoon Chairman and Members of the Committee,

My name is Fred Catchpole, and I am the Superintendent of Eighty-Eight Oil. I appear before you today in opposition of Senate Bill 2374.

Eighty-Eight Oil is a crude oil marketing company that purchases crude oil production in North Dakota and pays thousands of royalty owners each and every month. We've been purchasing crude oil in North Dakota for decades, and we take seriously our obligations of paying our royalty and tax payments accurately, legally, and promptly. Ultimately, we believe the proposed legislation is unnecessary, imposes exorbitant fees and penalties, creates confusion, potentially exposes royalty owners to cybercrimes, and ultimately fails to aid the royalty owner. In short, we do not support the proposed legislation.

Each month, we send out thousands of royalty checks to owners from our North Dakota production purchases. Each check includes specific check details such as the lease name and location, volume, price, total deductions, date, taxes, and royalty payment amount. This is the source document that provides the royalty owner the information and details outlining the royalty check payment amount. To date, we have not had any additional requests for additional check detail information. Providing an additional, editable document will likely confuse royalty owners. Intentional or unintentional manipulation of data in the CSV file can change payment detail amounts and cause confusion, as it is not the primary, source document. Additionally, not all royalty owners can receive – nor desire – a portable document. The process of adhering to this legislation is ill-defined, unduly cumbersome, and unrealistic to achieve within the specified timeline. From experience working at Eighty-Eight, most owners only desire the hardcopy check and its accompanying check details. This legislation is unhelpful to them. Finally, in this day of heightened cyber security concerns, conveying payment information and interest ownership into unsecured personal email accounts opens electronic and financial vulnerabilities to royalty owners.

Moreover, the proposed legislation would significantly impact our lease purchasing operations in North Dakota and would likely curtail any purchases in which we couldn't pay the operator/producer 100% of taxes and royalties. The administrative burden, penalty amounts, and misdemeanor convictions induce a level of cost and risk that Eighty-Eight is not comfortable assuming. Additionally, the \$2,000 per day penalty regarding university and school lands is exorbitant. A company could accumulate a \$60,000 penalty in a single month. This poses too great a risk for companies such as Eighty-Eight Oil.

Thus, given the onerous administrative processing requirements and severe penalties, including criminal misdemeanor convictions, Eighty-Eight would likely not purchase from producers/operators who aren't paid 100%. This will significantly impact our business – and producer business – in North Dakota. From a wider perspective, this bill will likely also disproportionately impact smaller operators/producers, which would likely ultimately hurt royalty owners. We do not support this proposed legislation as it ultimately does more harm than good to royalty owners.

I urge your support and a Do Not Pass Recommendation for SB 2374. I would be happy to answer any questions. Thank you for your time and consideration.