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## **House Bill 1483**

### **Testimony of Ron Ness**

#### **House Finance & Taxation Resources Committee**

**February 4, 2025**

Chairman Headland and members of the Committee, my name is Ron Ness, president of the North Dakota Petroleum Council (“NDPC”). The North Dakota Petroleum Council represents more than 550 companies involved in all aspects of the oil and gas industry, including oil and gas production, refining, pipeline development, transportation, mineral leasing, consulting, legal work, and oilfield service activities in North Dakota, South Dakota, and the Rocky Mountain region. I appear before you today in support of House Bill 1483.

House Bill 1483 is a refresher of an oil severance tax incentive that was implemented during the peak of the Bakken to try and encourage activity outside of the Bakken. That bill, as passed and signed into law, included a ten-mile buffer zone from any Bakken field. At the time, there was so much activity inside the Bakken production area it was felt no additional activity was needed in those areas. Today, a decade later, the size and scope of the Bakken has expanded into new areas, putting even more acreage off limits for this tax incentive. However, the same problem exists. All the investment and all the focus is on the Bakken petroleum system, which includes the Three Forks Formation. As you will see from the data and charts, out of an average of six hundred wells drilled per year, only a handful are targeting the other ten oil-producing formations in the Williston Basin. The great news is that over the past two decades, we have produced over five billion barrels of oil from the Bakken. The not-so-great news is our non-Bakken oil production is less the four percent of our total daily oil production. However, since oil was discovered in 1951, these ten other oil formations have produced one billion barrels of oil. We believe there is significant potential in these formations – not world class reserves like the Bakken, but certainly substantial oil to be recovered if we can attract the investment to try new technologies.

So, what has changed? Why bring this bill in 2025? Well, elections have consequences, and this one is the Trump Effect! We believe now is the time, after years of small oil and gas operators being pushed out of business or denied access to financing, we see the mantra of “Drill Baby Drill” attracting investment back into oil and gas exploration. House Bill 1483 likely won’t change much for bigger companies with planned drilling budgets and operations focused on the Bakken, the Permian, and other oil shale plays. But for small to mid-size private local or regional companies, this incentive can help them raise money assist their drilling economics, allowing them to drill a few more wells and maybe discover the next big thing in the Williston Basin.

In Section 1, the bill increases the maximum barrels allowed under this incentive from the first 75,000 barrels to the first 90,000 barrels of oil produced from a new non-Bakken well. This increase is based upon the increased cost of drilling these conventional or horizontal wells. Many of these wells, unlike a typical Bakken well, may not hit 90,000 barrels before the eighteen-month limit on the incentive expires. Ninety thousand barrels of oil at \$65 per barrel equates to a \$175,500 incentive on a well that may cost \$4-6 million. Again, that is not likely enough to inspire big operators, but we hope it will encourage small to mid-size operators to explore other formations. The state, its political subdivisions, the oilfield service industry, and rural economies win if the well is drilled, and any barrel produced will still pay a total tax rate of 7% of the gross value of the oil, plus full sales tax on the drilling and completion of the well, as well as corporate and personal income tax on the any profits from the well and the service companies doing the work..

In closing, Kathleen Neset, North Dakota’s great geologist who educates our future military leaders on energy says this about House Bill 1483, “The strength and longevity of the Williston Basin is this array of legacy oil- and gas-bearing zones. These formations have been explored for decades and continue to hold the wealth of hydrocarbons that will take North Dakota into the future of reliable energy production.” We urge you to support the initiative House Bill 1483 puts forth with a **Do Pass recommendation**.

Thank you, and I would be happy to answer any questions.