

March 12, 2024

Testimony presented by: **Nathan Anderson, Director**
Department of Mineral Resources

Presented to: **Senate Finance and Taxation Committee**
Senator Mark Weber, Chair

HOUSE BILL 1483

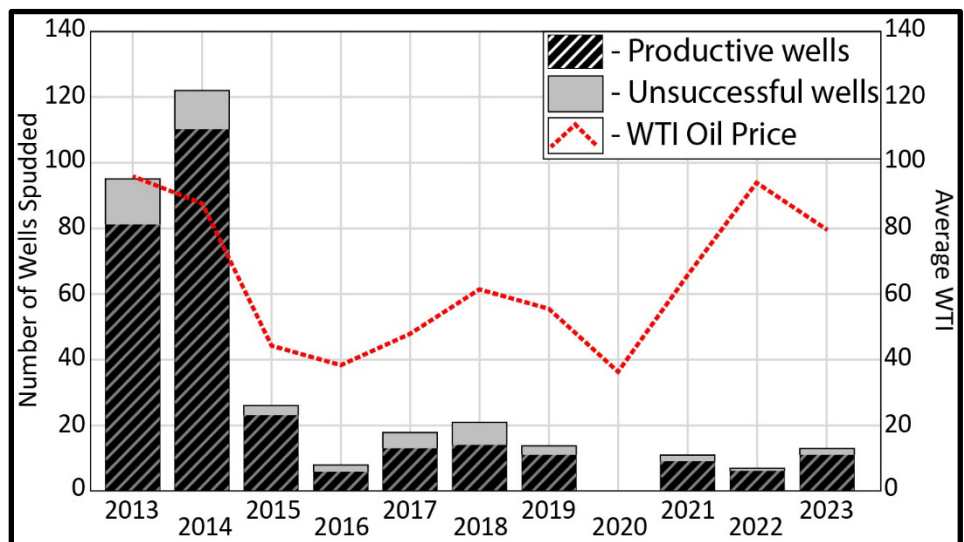
Introduced by:
Representatives Headland, D. Anderson, Koppelman, Vollmer, J. Olson and Hagert
Senators Kessel, Meyer, Rummel and Thomas

A BILL for an Act to amend and reenact subsection 4 of section 57-51.1-03 of the North Dakota Century Code, relating to the oil extraction tax rate reduction for oil produced from a new well drilled and completed outside the Bakken and Three Forks formations; and to provide an effective date.

SECTION 1. AMENDMENT. The first ~~seventy-five thousand~~ one hundred twenty -five thousand barrels of oil produced during the first ~~eighteen~~ thirty - six months after completion, from a well drilled and completed outside the Bakken and Three Forks formations, and ~~ten miles [16.10 kilometers] or more outside an established field in which the industrial commission has defined the pool to include the Bakken or Three Forks formation,~~ is subject to a reduced tax rate of two percent of the gross value at the well of the oil extracted under this chapter.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable production beginning after June 30, 2025.

- This bill attempts to further promote exploration, development, and production outside of the Bakken and Three Forks formations.
- Currently, 97% of production in North Dakota is produced in the Bakken and Three Forks formations encompassing 89% of the total well count. In addition, North Dakota produces ~ 1,200,000 bbls of oil per day of which ~36,000 of those bbls are from formations outside the Bakken and Three Forks formations.



Mark F. Bohrer
ASSISTANT DIRECTOR
OIL AND GAS DIVISION

Nathan D. Anderson
DIRECTOR
DEPT. OF MINERAL RESOURCES

Edward C. Murphy
STATE GEOLOGIST
GEOLOGICAL SURVEY

- Non-Bakken Development from 2013 through 2023 show very low levels of drilling and completion outside of the Bakken and Three Forks formations. This highlights the opportunity for expanding exploration into those areas.
- DMR staff estimates that for 2024 the number of wells drilled and completed outside of the Bakken and Three Forks remains similar to that of 2023 and the past 8 years at just 15-20 new wells.
- There have been more than 600 wells drilled in the Bakken and Three Forks formations to a depth greater than 10,500 feet in 2024. Over the years of Bakken development, an incredible amount of data has been accumulated by industry during that development. The idea would be to further encourage companies to take a look at this data to assist in finding other reservoirs outside the Bakken and Three Forks formations.
- This bill seeks to increase the initial number of bbls of oil eligible for a reduced tax rate from 75,000 to 90,000 during the first 18 months of production in non-Bakken and Three Forks formations. Calculating the value of 15,000 bbls of oil reserves, assuming \$65/bbl would come up with a gross value of ~\$975,000 per well. The current reduced rate of two percent would yield approximately \$29,250 in financial benefit to the operator to potentially assist with non-Bakken development. This change matters to small companies that would take the risk, innovating and developing the next great chapter in North Dakota oil and gas. Further, this matters to all North Dakotans, tax revenue from the ~1,200,000 bbls produced each day yields roughly \$7,500,000 - \$8,000,000 in taxes to the state. This is important.
- Mid - Large cap & multi-national companies, are very involved in the Bakken and Three Forks play in North Dakota. However, it is typical for small to mid-size companies to develop outside of the Bakken and Three Forks. Back in the early days of the Bakken, a multitude of small companies assisted in the innovation and technological advances needed to make it what the Bakken what it is today.
- The mission statement of the DMR, Oil & Gas Division," **to encourage and promote the development, production, and utilization of oil and gas in the state in such a manner as will prevent waste, maximize economic recovery, and fully protect the correlative rights of all owners to the end that the landowners, the royalty owners, the producers, and the general public realize the greatest possible good from these vital natural resources."**
- I wake up every day as part of my job remembering the mission of the Department of Mineral Resources, which is to promote the resources of the state for the benefit of all. I ask myself what is the next great discovery, innovation or technology that will help further responsibly explore & develop the great resources of the state. How do we continue to help North Dakota's resources compete with other basins. As you have heard the total percentage of North Dakota production from the Bakken and Three Forks is very high, which means North Dakota needs additional investment into formations outside of the Bakken and Three Forks formations to ensure continued success.
- The Williston Basin competes with basins like the Permian, Powder River, DJ, & Uintah for US onshore capital investment. Common among leading oil producing basins is having multiple producing intervals. However, currently the Williston basin is heavily dependent upon one formation. There are ~18 formations in the Williston basin that have produced oil & gas, there is a technology and people that will unlock additional production from these other non-Bakken intervals. I've spent my career working various basins and those basins that have

multiple productive intervals continue to re-invent and innovate and always are at the top of list for additional investment when companies explore. The Bakken is one of the most amazing unconventional resources in the world however, encouraging exploration of other intervals is a responsibility to the people of North Dakota.

- I request this committee vote in favor of HB 1483. It is critical that North Dakota continues to find ways to responsibly develop additional resources in order to create a production stream for decades to come.