



100 West Broadway, Ste. 200 | P.O. Box 1395 | Bismarck, ND 58501-1395  
701.223.6380 | ndpc@ndoil.org | www.NDOil.org

## **House Bill 1483**

### **Testimony of Brady Pelton**

#### **Senate Finance & Taxation Resources Committee**

**March 12, 2025**

Chairman Weber and members of the Committee, my name is Brady Pelton, vice 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 strong support of House Bill 1483.

House Bill 1483 revisits and refreshes an oil severance tax incentive originally implemented at the height of Bakken development to encourage drilling outside of the Bakken or Three Forks formation. A decade ago, this legislation included a ten-mile buffer zone from any Bakken or Three Forks field, as there was already significant investment within the core Bakken area. However, since that time, the Bakken’s reach has expanded, limiting areas where the incentive applies.

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. Despite North Dakota producing over five billion barrels of oil from the Bakken, production outside of the Bakken accounts for only around three percent of the state's total daily oil production. However, historical production from the ten other formations in the Williston Basin has demonstrated significant potential, with over one billion barrels of oil having been produced from them since 1951. House Bill 1483 seeks to encourage investment in these non-Bakken formations by bridging the economic gap in conventional formation development and incentivizing operators to explore new opportunities and apply innovative technologies to extract additional resources.

House Bill 1483 increases the maximum barrels of oil eligible for the extraction tax reduction incentive from the first 75,000 barrels to the first 125,000 barrels per well. This adjustment reflects the rising costs of drilling non-Bakken wells, which often take longer to reach full production potential. Unlike Bakken wells, many of these conventional or vertical wells may not reach 125,000 barrels before the current 18-month incentive limit expires, something the ND House of Representatives took into account when it increased the time window for the tax incentive to the first 36 months of production. At a conservative price of \$65 per barrel, this incentive equates to \$243,750 per well on a well that may cost \$4-6 million to drill. While this incentive may not impact major operators, it can provide the necessary boost for small to mid-size operators to explore and develop 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.

House Bill 1483 aligns with North Dakota's long-standing commitment to responsible energy development while fostering new investment opportunities. This bill is also extremely timely. After years of small oil and gas operators being pushed out of business or denied access to financing, we strongly believe now is the time to use the momentum of the federal "Drill, Baby, Drill" approach to attract investment back into oil and gas exploration. For small to mid-size private local or regional companies, an update to this incentive can help them raise money and assist their drilling economics, allowing them to drill a few more wells and perhaps discover the next big thing in the Williston Basin.

We urge you to support the initiative House Bill 1483 puts forth to further diversify the state's oil production portfolio with a **Do Pass recommendation**.

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