

2011 HOUSE APPROPRIATIONS

HB 1343

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1343
1/27/11
13528

Conference Committee

Committee Clerk Signature

Meredith Trachoff

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the industrial commission; and to declare an emergency.

Minutes:

You may make reference to "attached testimony."

Chairman Delzer opened the hearing. The bill title was read.

Representative Al Carlson, District 41, House Majority Leader: This bill is going to be part of the industrial commission's budget dealing with the oil and gas division. They have been really swamped trying to keep up with the oil activity in the west. Two problems: we don't have enough regulators, and they get hired away by the oil industry. This bill gives them \$150,000 and four full time equivalent positions right away. They came to us in the interim and asked for our help. Their full budget and needs for the next biennium will be looked at, but this is a band-aid fix for right away.

Chairman Delzer: This is \$150,000 just for the rest of this biennium. The issue of paying for these positions or more in the future will be handled in the industrial commission budget.

Representative Carlson: We would hope this could be voted on and over to the Senate right away, and get it done.

Representative Bellew: Would the four in this bill be part of the ten in their budget bill?

Representative Carlson: Yes.

Chairman Delzer: Have we got any inclination on whether the Senate did anything on the deficiency appropriation bill on this issue?

Becky Keller, Legislative Council: I am not aware that they added money in that bill.

Representative Nelson: Some would argue that a more orderly or slower approach to development would be better, because that oil resource is not going away, it would just be

tapped at a slower pace. Is this rapid approach to oil development a good thing for the state?

Representative Carlson: I would hate to see that we put something at a slower pace and lose those rigs to Montana, Canada, etc., to states more willing to keep up with that pace. It's a very competitive business. My concern is to safely regulate it in an environmentally sound way.

Chairman Delzer: We should note that last time we had the budget with two more if the rig count hit 100. We're currently at 160. These four will help with the 160 that exist.

Representative Skarphol: There are people in western ND that want their minerals developed, and they do not want to wait. If you wait there are those who would believe they're being shortchanged on their resources.

Lynn Helms, Director, Department of Mineral Resources: Yes, there are those voices saying state government should step in and slow this down; however, we don't have a way to do that fairly. There are also those who want to speed it up. This bill, and our budget and the 10 FTE request, and the possibility of adding contingency employees, is designed to keep up with oil industry. The executive budget recommendation will put enough people into our department to manage 170 drilling rigs and the wells they will turn out. We will be able to visit every well, the producing wells 6 times a year and the injecting wells 12 times a year. The reason for the urgency is we need to beat graduation in recruiting these engineering techs so we've got them ready to go to work for us as soon as they finish their program. At the present time, our staff is allowing us to cover the 164 rigs out there today, but that is requiring that we only see a producing well twice a year, and only see an injecting well four times a year. That is not enough. The type of people we're looking at hiring are two year educated technicians; they're not engineers or geologists, that's not what we need. One thing about the bill, the executive budget recommendation phases some of these people in. One of these four positions is not funded in the budget recommendation until January 1, 2012. That leaves a \$45,000 gap between this bill and HB 1014. We need to make sure if we hire that person that they can be paid from July 1 to January 1. If we wanted to take care of that fully in this bill the actual number would be \$195,000.

Chairman Delzer: This would get you through the end of the biennium, to July 1. We'd want to address the rest in HB 1014. Is there any further testimony on HB 1343?

Todd Kranda, Attorney, Kelsch Law Firm: I am here in support of HB 1343 on behalf of the North Dakota Petroleum Council. We are fully supportive of this legislation, we believe it is necessary and the emergency clause is appropriate. We want the department of mineral resources to have the regulatory positions necessary for the industry. It is critical to ensure the regulatory people are on staff and resources are appropriate to regulate and issue the necessary permits, orders, and inspections. I will leave you a handout with general information on oil facts. See attachment 1. It doesn't specifically deal with this bill but it helps you understand why this bill is necessary.

Chairman Delzer: Questions by the committee? Further testimony in favor of or opposition to HB 1343? Seeing none, we'll close the hearing.

Representative Skarphol: I move Do Pass on HB 1343.

Chairman Delzer: We have a Do Pass motion and a second by Representative Wieland. Any discussion?

Representative Williams: We've seen the impact that oil has on our state budget. This is very much needed.

Chairman Delzer: Further discussion? Seeing none, the clerk will call the roll for a Do Pass on 1343. 15-0-6 Do Pass. Representative Skarphol will be the carrier.

Date: 1/27/11
 Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 1343

House Appropriations Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Skarphol Seconded By Rep. Wieland

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Representative Nelson	X	
Vice Chairman Kempenich			Representative Wieland	X	
Representative Pollert					
Representative Skarphol	X				
Representative Thoreson			Representative Glassheim	X	
Representative Bellew	X		Representative Kaldor		
Representative Brandenburg	X		Representative Kroeber	X	
Representative Dahl			Representative Metcalf	X	
Representative Dosch	X		Representative Williams	X	
Representative Hawken					
Representative Klein	X				
Representative Kreidt	X				
Representative Martinson	X				
Representative Monson	X				

Total (Yes) 15 No 0

Absent 6

Floor Assignment Rep. Skarphol

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1343: Appropriations Committee (Rep. Delzer, Chairman) recommends DO PASS
(15 YEAS, 0 NAYS, 6 ABSENT AND NOT VOTING). HB 1343 was placed on the
Eleventh order on the calendar.

2011 SENATE APPROPRIATIONS

HB 1343

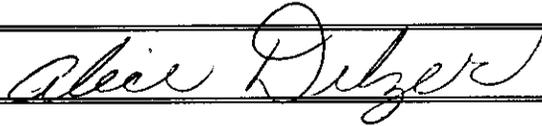
2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1343
03-14-2011
Job # 15356

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL to provide an appropriation for defraying the expenses of the Industrial Commission and to declare an emergency.

Minutes:

No testimony submitted

V. Chair Bowman called the committee to order on Monday, March 14, 2011 at 11:00 am in reference to HB 1343. All committee members were present except Chairman Holmberg. Tad H. Torgerson, OMB and Becky J. Keller, Legislative Council were also present.

Lynn Helms: Director of Department of Mineral Resources testified in support of HB1343, representing the Industrial Commission. HB 1343 is an acceleration of the hiring of 4 full time equivalent positions for the Department of Mineral Resources as field inspectors. It is an emergency measure which would allow the Department to begin recruiting immediately to hire these individuals. We've had people up at BSC and working those areas, that is the type of person we are intending to hire, like a BSC power plant graduate. Three of these positions would be placed in the Field offices immediately. One in Dickinson, one in Williston, one in Minot to begin field inspection this spring on existing facilities and salt water facilities to relieve some of the load or the backlog there of inspections as a result of the petroleum engineers and geologists focusing all their time on drilling rigs as they have needed to. The other one would be a measurement specialist which would relieve some backlog there of gas meter and oil measurement that hasn't been inspected. These lease automatic custody transfer meters and that sort of thing. The \$150,000 provides \$7,500.00 per month for 4 people to get these people on staff immediately and cover their salary and operating expenses through June 30, 2011. At that point they would be part of that other request what was funded through the executive budget in terms of those 6 engineering tech positions.

Senator Warner: When you say operating costs does that include the lease of the vehicle from the motor pool, the allocation for fuel, because there is a lot of driving involved, isn't there?

Lynn Helms: The primary operating cost is that 4 wheel drive pickup from DOT motor pool, but they will also need a laptop computer, a cell phone, they will need some training and a few other incidentals. They're going to spend all their work day in that pickup truck. That is their office. The housing is the challenge and the most recent field inspector that we hired in

Williston, we directed him to a mobile home dealer because the only way they could get a parking space for a mobile home was to buy it from the dealer who had them all tied up in Williston. You can, if you are not too picky, find apartments, but you have to be willing to take something that's kind of oil field quality for the first few months. That is going to be a challenge. That is what this bill is all about is to accelerate the hiring of these 4 of these 6 engineering technicians so that we can recruit and hire immediately. We want to get ahead of industry and have them hired as of graduation date and get them on the payroll right now.

V. Chair Bowman: The sooner we get the bill out of here and get it voted on and the governor signs it, the sooner you can start to hire, right? He was told that is correct.

V. Chair Bowman: Is there any other testimony on this bill? If not, I will close the hearing on HB 1343.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

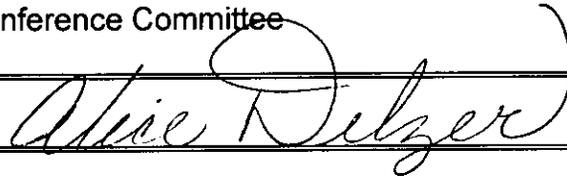
HB 1343

Job # 15569 (Meter 27.27 – 32.51)

This job also covers HB 1024 Hearing
Discussion on HB 1005, 1009, 1010, 1003

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

DISCUSSION REGARDING THE INDUSTRIAL COMMISSION (EMERGENCY) (the hearing was actually on HB 1024)

Minutes:

You may make reference to "attached testimony."

Chairman Holmberg opened the discussion on the emergency salary increases for the rest of this biennium for Industrial Commission technicians. All committee members were present. Tad H. Torgerson, OMB and Brady Larson, Legislative Council were also present.

Senator Christmann: When we talked about raising the salaries of some of these people because those careers are in such hot demand from the oil industry that has a lot of money to spend on those types of people; do we ever contemplate what would happen if we lost Lynn Helms or Karlene Fine? There's a lot of good employees in the state, there's a few who are in positions where they're so unique, I don't know who would step into those roles and with what's happening to our state with that intensity of growth in an industry, I sometimes worry about those folks getting snatched up.

Chairman Holmberg: They don't have, at least they didn't in the recent past any kind of plan of action if Karlene Fine were to leave because she doesn't, we still don't have an assistant for her, (He was told she does now) I missed that hearing but I do recall about 3 sessions ago we increased the salary of the secretary of the Industrial Commission by quite a bit. She was making a pitiful salary compared to the responsibility she had of a billion dollars to deal with. The Industrial Commission sat there and did nothing until we took the ball and raised the salaries, because the Industrial Commission can do that, they have latitude, if they want to give Lynn Helms additional salary they can do that, they don't have to be stuck with the 3 and 3 or 4 and 1 because it's by equity and performance. It's a good question.

Senator Christmann: If they chose to do that would that money then becoming out of the pockets of the other employees.

Chairman Holmberg: They have so much cash for salaries.

Senator Christmann: I would be very un-nerved if I opened the paper one morning and found out that Harold Hamm had hired Lynn Helms away.

Chairman Holmberg: We have the Industrial Commission. If the committee that is handling that ably which is Wardner, Erberle, Warner, if they felt, is this one of those that there was also a built-in equity adjustment within their budget too. (He was told yes.) and that money is for everybody?

Tad H. Torgerson, OMB: There is an equity adjustment built into their budget, it's mainly directive toward engineers and geologists.

Chairman Holmberg: If you people want to take a look at that because Randy raises a good question. We can't outbid billionaires if they want to hire someone away but you are talking about people that have really dedicated their careers to the state of ND, but you can take a look at it.

Senator Christmann: Where do we stop?

Senator Wardner: That 1343, that is to get those 4 people going early, it doesn't raise any salaries, it's to get 4 people hired as soon as possible.

Senator Robinson: Just a quick comment. This has been a good discussion and it underscores some of the challenges we have with the state pay system, our inability to reward folks for performance at a level that we'd like to. The committee might want to toss this think around and sometimes it's not only the amount of money, it's the gesture on our part that we would recognize the value that these people bring to the table. So it's something you mull over and can we come up to the market in pay what Harold Hamm might pay, absolutely not, but sometimes these folks are dedicated to the state of ND and an effort on our part to recognize what they are doing, although far less than what they can do in the private sector, sends a pretty positive message.

The discussion on HB 1343 was closed.

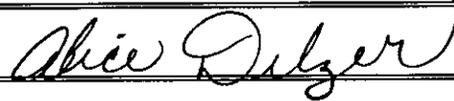
2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

HB 1343
03-18-2011
JOB # 15665 also 15664 (Meter 4.45)

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A ROLL CALL VOTE FOR A DO PASS IN REGARDS TO THE INDUSTRIAL COMMISSION SALARIES

Minutes:

You may make reference to "attached testimony."

Chairman Holmberg called the committee to order on Friday, March 18, 2011 in reference to HB 1343. All committee members were present except Senator Warner. Sara Chamberlin, Legislative Council and Tammy R. Dolan OMB were also present.

On Job # 15664 Senator Robinson asks about 1343 and moves a DO PASS.

Job # 15665.

Chairman Holmberg: The commission needs to hire people immediately. There is an emergency clause on this bill. This bill will allow those employees to start as soon as this bill passes. This allows them to get a 3 month start.

Chairman Holmberg: The motion for a DO PASS was made Senator Robinson. **Seconded by Senator Krebsbach.** Would you call the roll on a DO PASS ON 1343.

A ROLL CALL VOTE WAS TAKEN ON A DO PASS ON HB 1343. YEA: 12; NAY: 0; ABSENT: 1. V. Chair Bowman will carry the bill. The hearing was closed on HB 1343.

Date: 3-18-11
 Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 1343

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Robinson Seconded By Krebsbach

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Warner	a	
Senator Bowman	✓		Senator O'Connell	✓	
Senator Grindberg	✓		Senator Robinson	✓	
Senator Christmann	✓				
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 12 No 0

Absent 1

Floor Assignment Bowman

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1343: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS (12 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1343 was placed on the Fourteenth order on the calendar.

2011 TESTIMONY

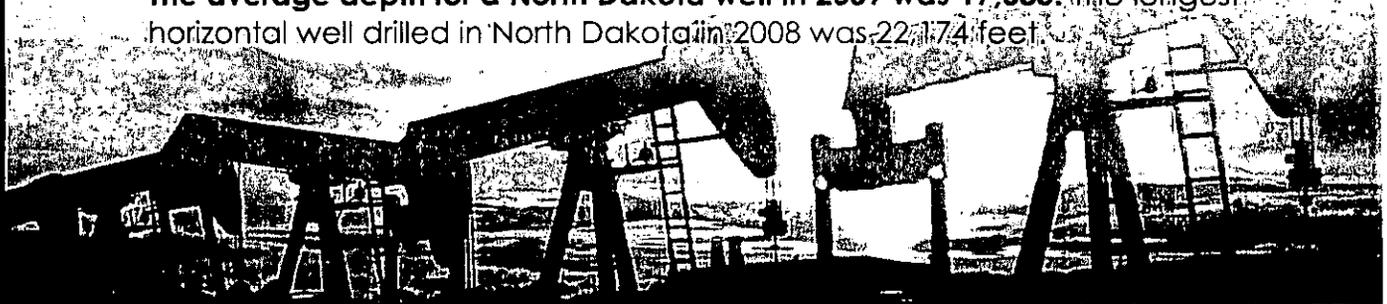
HB 1343

HB. 1343
January 27, 2011
Attachment 1

NORTH DAKOTA OIL FACTS

Did You Know?

- ▶ **North Dakota is the fourth largest oil producing state.** The state's average production in 2009 was more than 218,000 barrels of oil per day, totaling nearly 80 million barrels for the year, up more than 17 million from 2008.
- ▶ All-time production of crude oil in North Dakota amounts to more than 1.7 billion barrels.
- ▶ At the end of 2009, there were 5,200 wells capable of producing oil and gas in North Dakota. The average North Dakota well produced approximately 47 barrels per day.
- ▶ During 2009, **92.5 billion cubic feet of natural gas were produced** and 56.4 billion cubic feet of natural gas were processed in North Dakota.
- ▶ The drilling rig count, a prime barometer for measuring new oil and gas activity, averaged 52 rigs a day in 2009. The peak year for drilling rigs was 1981, with an average monthly rig count of 119. The all-time high was in October of 1981, with 146 operating rigs.
- ▶ There were 627 drilling permits issued during 2009, down 319 from 2008. Approximately 517 wells were completed in 2009.
- ▶ **Horizontal, or directional, drilling accounted for 95% of the new wells drilled in 2009** and 84.7% of the state's total oil production.
- ▶ The success ratio for new wells in existing fields in 2009 was 99% and for wildcat wells was 94%. A wildcat well is a new well drilled at least one mile from existing production. The overall industry success rate for new wells in North Dakota for 2009 was 98%.
- ▶ The deepest vertical well drilled in North Dakota in 2008 was 13,805 feet. **The average depth for a North Dakota well in 2009 was 17,035.** The longest horizontal well drilled in North Dakota in 2008 was 22,174 feet.



- ▶ The average cost of completing an oil well in North Dakota was approximately **\$5.6 million** during 2009. The average cost of completing a well in 2008 was about \$5.4 million.
- ▶ There were **17 counties in the state in 2009 with commercial oil production**. Oil and gas exploration has occurred at some point in every county in the state except Traill County.
- ▶ **Mountrail County** was the top-producing county in 2009, accounting for 37% of the state's oil production. The other top-producing counties were Bowman, McKenzie, Dunn and Williams.

Employment

- ▶ The state averaged more than **5,508 North Dakotans** at work in the oil patch in fiscal year 2008-09. Peak oil field employment occurred in late 1981, when more than 10,000 people were working in the oil patch.
- ▶ **Each drilling rig results in approximately 120 direct and indirect jobs.**
- ▶ Other sectors of the petroleum industry include refineries, gas plants, pipelines, retail gasoline stations, wholesalers, and transporters. The industry altogether employed approximately 12,747 people in North Dakota during fiscal year 2008-09.
- ▶ In 2008, Job Service North Dakota reported the average yearly wage in the oil and gas extraction industry was **\$82,803**. That wage is 132.5% above the statewide average wage of \$35,618.

Oil Tax Revenues

- ▶ Production tax revenues for 2009 were more than \$392.9 million, representing a 25% decrease from 2008.
- ▶ Over the past 57 years, **the State of North Dakota has received more than \$791 million from oil and gas leases, bonuses, royalties and rentals on state land**. During 2009, more than \$36.4 million went to the Lands and Minerals Trust and more than \$120 million to the Board of University and School Lands Trust.
- ▶ U.S. Forest Service administered lands in the Little Missouri National Grasslands provided federal oil and gas revenues of \$34,184,078 during fiscal year 2009. Of that amount, one fourth, or \$8,546,019, was returned to McKenzie, Billings, Golden Valley and Slope Counties for schools and roads. In addition, Bureau of Land Management administered land produced \$54,067,250 during fiscal year 2009. Approximately half of that amount, \$26,492,948 (adjusted for new receipts sharing), was returned to the state's general fund and is the first money expended for education statewide.

North Dakota Petroleum Council

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