

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/21/2019**

Bill/Resolution No.: SB 2336

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>				\$452,000,000		
<b>Expenditures</b>						
<b>Appropriations</b>						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
<b>Counties</b>			
<b>Cities</b>			
<b>School Districts</b>			
<b>Townships</b>			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

SB 2336 increases the oil extraction tax rate.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of SB 2336 permanently raises the oil extraction tax rate from 5% to 6.5%, effective January 1, 2020. It also removes the "high price" trigger which would have increased the oil extraction tax rate from 5% to 6% at times of high oil prices.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, SB 2336 is expected to increase special fund and tribal revenue by an estimated \$452 million in the 2019-21 biennium.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

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**Telephone:** 701.328.3402

**Date Prepared:** 01/25/2019

**2019 SENATE FINANCE AND TAXATION**

**SB 2336**

# 2019 SENATE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2336  
1/28/2019  
Job #31545

- ☐ Subcommittee  
☐ Conference Committee

Committee Clerk: Alicia Larsgaard
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### Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 57-51.1-02 of the North Dakota Century Code, relating to the oil extraction tax rate; and to provide an effective date.

### Minutes:

Attachments:8
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**Chairman Cook:** Called the hearing to order on SB 2336.

**Senator Merrill Piepkorn:** Introduced SB 2336. See attachment #1. I am sure each of you in your other committees have people asking for funds for different things. For example, at the end of last week, there was a group looking for funds to keep aquatics nuisance species out of the state. They were asking for \$2.5 million. Which would not be hard to accumulate. In order to put us even with MN, MT, it would cost about \$20 million. UND and NDSU are asking for money for research. This extraction of oil tax would not necessarily fix the problem, but it would go a long way in relieving some of these. Our state's chief justice of the supreme court is asking for funding. There are tons of others asking for funds as well. Restoring this oil tax isn't a bad idea. The people in this business will tell you that it is the price per barrel that really drives this action on the Bakken. However, this raise will put more stress on the oil business, no one is denying that. Individual rights owners will also pay more. The oil business has been very beneficial to the state of ND. My hometown of ND has a lot of permanent jobs in which those oil people appreciate. We also need to harvest this benefit as people, not just the businesses. This business will most likely be here for a long time. There may be threats. The Bakken is productive and I do not believe that this 1.5 restoration is enough for people to pull out of business. I urge you to keep our everyday citizens in mind when you are debating this bill. I urge you to pass this bill.

**Senator Unruh:** You have the effective tax rate here. I suggest you google effective tax rates so you understand why ND's number is at 8.3%. My focus is on the bottom where you have Alaska. I believe they change to the higher rate around 2013. Do you know what happened to their state government and funding at that time? Also, what happened to oil production rates?

**Senator Piepkorn:** I do not. I do know they have \$61 billion in their savings account.



**Chairman Cook:** Alaska's savings account was started in 1976 and Alaska owns most of the oil in the state. ND has private mineral owners that own the oil. Alaska has a direct advantage.

**Senator Piepkorn:** I did vote to give those mineral rights.

**Chairman Cook:** You talked a lot about action that was taken in 2015 and that justifies what you are introducing today. It is very unusual that we see a piece of legislation that loos backwards. Do you recognize that that was an increase in taxes on the oil industry?

**Senator Piepkorn:** There were two parts to the bill. One was when we eliminated the trigger and one was when we lowered the tax to 5%.

**Chairman Cook:** That was a tax increase on the oil industry do you agree?

**Senator Piepkorn:** I do not understand that. I would appreciate it if you explained that to me.

**Chairman Cook:** We eliminated the triggers which would respectively lower the extraction tax from 6.5 to 0. 0% tax is going to raise a lot less money than 5%. That is obviously a tax increase. Do we agree?

**Senator Piepkorn:** Yes.

**Chairman Cook:** Do you have any understanding of how much of a tax increase that was?

**Senator Piepkorn:** I simply just disagree with the language. I understand the effect. I know what could've happened.

**Chairman Cook:** If we put a fiscal note or a retroactive clause on this bill and put the triggers back in place, this bill would have a fiscal note. That would tell us exactly what the tax increase would be.

**Senator Piepkorn:** If we started from here without going back that far and it had a fiscal not, it would have one of a positive \$600 million per biennium.

**Chairman Cook:** So that is another tax increase?

**Senator Piepkorn:** Yes. That is what we are asking for.

**Senator Meyer:** Have you ever met with the oil industry to get their thoughts on this bill?

**Senator Piepkorn:** No I have not.

**Senator Patten:** Are you aware of any other industries that are taxed on gross production in the state?

**Senator Piepkorn:** No. My general understanding is that the production tax replaces what would be a property tax.

**Senator Patten:** If it was assessed as a property tax, then where would the revenue stream go?

**Senator Piepkorn:** I do not know? What other industries are taxed in the way the oil is on production and such

**Chairman Cook:** Senator we will ask the questions here.

**Senator Patten:** I am assuming that because you are asking for this tax, these are ways that you are directing to our critical need of funding?

**Senator Piepkorn:** I am not making that judgement at all. I am just pointing out that this is where it goes. It is up to the committee to decide if those are good destinations for the money.

**Senator Patten:** So no judgment on your part regarding the beneficiary of the taxes as far as their need?

**Senator Piepkorn:** That is correct.

**Senator Patten:** It has been recently determined that 50% of the state's revenue is generated from oil and gas tax revenue. That is not including the benefits of the sales tax. Do you have any concerns with tying so much of the state revenue stream to one specific industry and one specific tax?

**Senator Piepkorn:** I think that is a concern of everyone in this body and in ND. That is why if we could use some of this money to fund innovation and research, that would be an investment that would take the load off of the oil and industry business.

**Senator Patten:** With that in mind, would you be an advocate of other tax revenue to support those goals?

**Senator Piepkorn:** I think why wouldn't we look at that? Yes.

**Senator Unruh:** I have a hard time sorting out the numbers we go in this chart here in the charts because we are pressing the issue. You look back at the 4 years and you are only picking pieces of the revenues that we either would have or would not have received. I need to take a closer look at the numbers to try and figure out which numbers he has here that would have applied.

**Chairman Cook:** If I may interrupt you, Senator Unruh, since we passed the bill in 2015, there has been 2 parties arguing the numbers. We will continue to argue them for a long time as long as there are two different views on this issue. The bottom line is that in 2015 we passed the bill to extract the triggers which would devastated our income has it gone into effect. We lowered the rate. The original bill would've lowered it even more. If we had not compromised, the oil industry would've moved south. We would not need this many jobs.

**Senator Piepkorn:** The numbers are what they are. I agree.

**Senator Kannianen:** When you talk about the land owners, and it being small numbers out of their checks. As far as looking at fiscal notes and depending on the values, it adds up to a big number on the average lease. 15-18% of that maybe belongs to the loyalty owners. Are you concerned with the \$100 million out of mineral owner's pockets?

**Senator Piepkorn:** I guess you could say I am concerned about it. I spoke with mineral owners who are very against it and with others who are happy to contribute their benefit to the state. That is why I mentioned it.

**Senator Piepkorn:** I have two testimonial letters in favor of the bill from people who could not make it here because of the weather. See attachment #2.

**Senator Unruh:** There is a piece of history missing in this testimony. That is that Governor Sinner signed the bill that put the triggers in place that we removed in 2015. I would ask him why he excluded that.

**Senator Piepkorn:** I have another testimony in favor of this bill from Birgit Pruess. See attachment #3.

**Waylon Hedeggard, President AFL-CIO:** Testified in favor of the bill. ND faces a lot of problems. Our school our suffering. I door knock union member and talk about their issues as well as the doors of school teachers. When you ask them what is effecting them, 80% of the school teachers say behavioral issues and school safety. I have had conversations where they are in tears because they are afraid to go to school. This needs a solution. I am a union boiler maker. I have spent many years repairing power plants across the state. I have made all my money in the fossil fuel industry. Over the next 10-20 years, that industry faces a change. Things are moving. We are going to see plant closures and stress on communities. So many of these communities and people rely on these industries. At the heart of all these solutions, is the need for revenue to help. I support this tax increase because I believe ND is facing serious issues in the next several years and we will need money to fix them.

**Patrick Hart:** Testified in favor of the bill. I am not a lobbyist. I do not have oil behind me. I am standing here to ask that you go forward on this bill with a do pass. I am asking that you set this tax back to the way it was set in 1980, before I was born. There has been a lot of low revenue. That state has seen staff and service reductions. It has led to a state government that isn't as easy or friendly to deal with. Many of you, feel that this is an additional tax and that it would be seen by a constituency as an overreach. Many of my friends and family have seen their property tax increase 10-15% year over year. We are seeing are reduction of tax given to oil companies. Many are based out of state. In the late session of 2015, there was a proposal to remove this trigger and lower the extraction rate. This has and will continue to lead to a loss of revenue for many years to come. As you mow this decision over I am left wondering, if not them, then who? We have to make sausage as you said. If we increase fuel tax, that will be felt by me. If we increase property tax, that will be felt by landowners and farmers. Increasing income tax is felt by residents. Increasing oil extraction tax on a one-time harvest, they won't leave. The market will drive their prices up and down. 1.5% isn't a lot of money. I am asking for a do pass on this bill.

**Senator Kannianen:** Can you imagine what things would be like if the oil business had never come to our state?

**Patrick Heart:** The oil field is wild. There is a lot of good and bad that came. Infrastructure needed repair. There is mental health instability. It is a good thing for the state, but with good comes bad.

**Mary Jenson, ND Farmer's Union:** Testified in favor of the bill.

**Senator Patten:** You do have some people who are royalty owners as well so they are being effected,

**Mary Jenson, ND Farmer's Union:** Our policy is states that we support the reinstatement of the oil extraction tax of 6.5% rather than the current 5%. We do support the current elimination of the trigger. I will stand for questions.

**Senator Patten:** With Farmer's Union, you obviously have people who are loyalty owners as well. They are being affected by this as well. When you took your position, did you consider their interest as well.

**Mary Jenson:** Our policy is adopted by our members, so any issues would've come up at our convention when it is adopted.

**Andrew Alexis Varvel:** Testified in favor of the bill. See attachment #4. One of the greatest concerns is not having enough employees in the state. We need to understand that if the oil and gas industry wants to have more qualified employees, the money has to come from somewhere. A lot of this boom comes from the Core Library at UND. The oil industry takes credit for what has been provided by the tax payers of ND through institutional subsidy. We need to make sure our buildings and faculty are taken care of. I am also proposing a constitutional overhaul of higher education governments which would establish a unified ND university with the 4 major campuses. It would be helping regional equilibrium and mean an expansion of opportunities for job training. If this were to even pass as a constitutional amendment, it would require cooperation from the oil and gas industry to make sure the job training gets paid for. I will stand for questions.

**Chairman Cook:** How much money did Harold Ham donate to the Geological unit of UND.

**Andrew Varvel:** I believe around \$12 Million.

**Chairman Cook:** Any further testimony in favor? Any testimony opposed?

**Finn Dooley, Lobbyist, Salt Contaminated Water Council:** Testified in opposition of the bill. I have a handout. See attachment #5. I have caught some of my most important experiences connecting with extractive industries as well as other things. Supporting and further discussions of this issue will require a lot more insight than what has been given thus far. I would like to point to the past. A man suggested what could be done with the lands after the mining. We committed to 100% reclamation. I am handing out a study that was funded by you. This illustrates the failure to reclaim land that is impacted by salt. I have seen brine

being dumped on multiple occasions. I saw the death of the estuaries from south intrusion. The salt is the problem. We have not begun to count the acres. This is an excellent start. In the study, we have a description of pits that were once called evaporation pits. I am suggesting that we need to look at what will be left if we haven't counted the acres and began the reclamation that was typical of the coal industry. That is my purpose in being here. We have a webpage; [www.saltedlands.org](http://www.saltedlands.org). If you look at this study, you will realize that 3 counties have dramatic consequences of destroyed land. The cost of restoring them is a daunting thing. Ed Murphy has warned us about these salts. He came to a hearing in Minot and that prompted the funding to the beginning of the counting of the acres. I want to say that as a grandfather, I am grateful for the oil industry. I kept my fingers and didn't get killed. The oil industry has brought life to ND. My proposition is to have more life and more jobs to repair the damage done by mishandle brines.

**Preston Page, Dakota Energy Advisors:** Testified in opposition of the bill. We are proud to be a part of this industry. As the economics of the development are turbulent, we are at 1.2 million barrels of production today. That is dependent on continual development and drilling. For that to take place, oil wells have to be economic. An additional 15% of gross proceeds puts the development of ND in harm's way. We have \$50 oil, 10%, 20% for royalties which leaves us at \$35. New wells today are probably a \$9 million. That divided by 20-25 is 360-425 thousand barrels to pay out for that one well. The Bakken has about 55 townships. The Williston basin expands 250 townships across ND where that development is in question. That is the more long term view that we need to be looking at is maintaining the production we have. If we stop drilling today, in 12 months from now, our numbers predict that oil would drop 30-35%. If you take Divide county, it has about 30-35 townships. Every section of land has oil. Prior to 2015 before the drop in prices. There were 736 wells drilled from 2010-2015 in that county. Since 2016, there have been 36 wells dropped. We need to take a long term view of the industry. We are moving with 15,000 wells drilled since 2005 in ND, into more terminal declines of these wells. We have our development and now they are in their long term production. The economics are continually increasing. Production is dropping and now they are facing an additional 15% in taxes. That uncertainty makes the industry uncertain of capital divestments as we are competing in ND for the capital from OK and others. 15% is a significant increase. That burden lies on us. I am a young guy who is very proud to be in ND> My income is derived from oil and gas. We are very happy to be here. I will answer any questions.

**Chairman Cook:** Repeat for me the production from Alaska and their numbers please.

**Preston Page:** It is about 600,000 today.

**Senator Patten:** Could you expand on when you talked about the Bakken and what would happen in those areas compared to those 4 counties.

**Preston Page:** We think there are 55 townships. That would produce 700,000-800,000 barrels of oil per well on average. With the lower acreage, that is where you are going to be hit hard. I am directly involved in 120 wells that have been drilled since 2012. We are producing much lower production rates. A 15% jump is significant. Our wells produced on average, 15 barrels a day. There are burdens to be paid. We are in a difficult position but to continue to tax the oil and gas industry is not a long term solution.

**Senator Dotzenrod:** Will you take me through the math again?

**Preston Page:** We took 30%; 10% for taxes, 20% for royalties, we are \$50 minus 30% which is \$35. The cost per well to pump is \$10-\$15 per barrel. We are \$20-\$25 net profit per barrel. To drill that well, it probably cost \$9 million. That divided by 25 is 360,000 barrels. The core of the Bakken can sustain that. The core is getting drilled very fast. In two years, I think you are going to be having a different location regarding where those rigs are located.

**Chairman Cook:** Before you start, Mr. Ness, will you answer the question that I asked Senator Piepkorn? What would've the fiscal note be if we made this retroactive with the triggers on.

**Ron Ness, ND Petroleum Council:** \$942 million will take it.

**Ron Ness:** Testified in opposition of the bill. See attachment #6. A lot of the discussion today has been focused on the needs of the state and the revenues. If the taxes are so dire why would we just tax one segment of an industry. It seems like a revenue situation and one that I will offer a solution for. We should look at the big picture. Had the legislation not have taken that action late in that session, after all the rainy day funds, where would we have gone for the money. What taxes would have to been raised had the legislature not taken that action. Some who opposed the bill suggested it was a giveaway. The new oil was headed at \$90 per barrel. The triggers would never hit. Those who think they know what the oil market is going to do, are usually wrong. Six months late, those triggers did hit, and they stayed on for 30 months. If those triggers were in place today, they would've been off for about 7 months. We would already be 2 months back to 5 months to put those triggers back on. Your budget process and every bill you have before you today, you would have 2 budgets. This budget and then the budget if the triggers would hit. We watched this happen for 30 years. The 1980s was a very dire time for our state. Few of us were able to find jobs. North Dakota is at about 67 rigs, Texas is at 517, OK is at 126, New Mexico is 112 rigs operating. The concept in 2015 was to create a long term plan.

**Chairman Cook:** We all understand the consequences of taxes. When we talk about the oil industry we look at rig count and production levels. I understand how important capital is. Is there a way we can measure the amount of capital available?

**Ron Ness:** We met the capital by looking at the investment in a natural gas infrastructure \$3 billion right now. \$18 billion over the past 8 years. Sixty-seven rigs require you to attract \$20 million per day of cap X. You are going to see a retraction. People aren't leaving but they can easily transfer rigs. If you look at the drop of production in November, that happened because of uncertainty in the industrial commission level in terms of where they going to meet their gas capture targets. They all began holding back on their completions. Production numbers dropped. We need to think about the mineral owners out there. Their revenue streams have gone down. We have always used the drilling rig as the prime barometer of industry. We another one which is the completions per month. That is your capital.

**Chairman Cook:** I have always looked at sales tax collections going to the state for every new well that is complete as around \$250,000. Is that a safe figure to use?

**Ron Ness:** You are exactly right and costs have gone up. Having the month of November, there were 40 less completions.

**Senator Dotzenrod:** The cost to drill a well in the Bakken requires a lot of work and technology. I understand that they found some ways to bring that cost per well down after the slow down. Do you have any numbers on that? Is that true?

**Ron Ness:** You are correct; the overall cost went down. As with anything the inflation has gone up. How significant this information is great? People ask what the impact of weather is going to do this week as far as production and if it will lower it because of the weather that is projected. If they do a report of how much this is going to drop because of the weather, what is that going to do to the world today? We prepare for that today. When we think our production is going to increase, that matters to you when you fill your gas tanks this spring. The decisions you make here also make a big impact. We are now part of the world market and people watch what happens here.

**John Olson:** Watford City wanted to send someone to testify in opposition of this bill but they wouldn't because of the weather so I will hand out their testimony. Distributed opposition testimony for Vawnita Best, Watford City. See attachment #7. I want to point you to the paragraph that stresses the breakdown of taxes from oil and gas and the core 4 counties that are involved.

**Arik Spencer, President and CEO, Greater ND Chamber:** Testified in opposition of the bill. We want ND to have the best business climate in the nation. When we look at increasing this tax, it concerns me when we want to raise to the top in terms of the tax rate for the oil industry. Oil state is dependent on it. We just saw a report that 50% of the tax revenue has come from the oil and gas industry. With that, I urge you to not pass this bill.

**Peter Masset Junior:** Testified in opposition of the bill. This is a proposed 15% tax increase to the oil and extraction tax. This increase would put an additional impact on the oil industry here in ND. It would also shrink the core area of the Bakken. Our oil industry pays a huge portion of the state budget. Hinging our future to one industry will not be good for the long term. If we believe there are shortcomings in the tax area, we should be looking at all the industries, not just one.

**Jason Ulmer, CEO Bison Plains Energy:** Testified in opposition of the bill. We are involved in oil and gas leasing, mineral ownership, and non-operated working interest positions. A 15% increase will have negative impact on my business and others in the Bakken. ND is already a high tax state. We are going to be at 11% where the national average is 6.5%. We are nearly double the average. The national association of royalty owners has found that the typical mineral owner is a woman of 60 years or older, receiving a little more than \$600 per month. This is the person we will be increasing the taxes on. In addition, the higher tax insure the less economic fringe areas will not be developed. Oil wells decline as time goes on. Without new production, we will see our production decrease dramatically. We need to attract these dollars to keep new wells drilling new wells in the new areas because the core of the Bakken will be drilled out soon. Since the 2015 tax change, we are at \$942 million in a time when we really needed those dollars. The decrease in taxes resulted in that money we

needed. My worry is that we will become too reliant on these tax revenues; setting up budgets that cannot be met if these operators leave. Oil wells decline without drilling new ones. The places left to drill new ones are not as good of areas as the places we already have drilled.

**Senator Dotzenrod:** One of the arguments you hear from people supporting this bill is that the Bakken grew and thrived and was booming when we had the 6.5% tax. Now it sounds like that is almost like that never happened.

**Jason Ulmer:** If you look at the maps today of where the rigs are; if you go to New Town and draw a 60-mile radius, that is where all the rigs are.

**Senator Dotzenrod:** You are saying that if we go back to the environment we had when the Bakken was thriving, the tax environment would be a disaster.

**Chairman Cook:** Senator Dotzenrod, what was the price of oil during the boom?

**Senator Dotzenrod:** The price of oil was very good.

**Chairman Cook:** It is easy to pay 6.5% in taxes when the price of oil is \$90 per barrel.

**Chairman Cook:** Any further testimony? We will close the hearing on SB 2336.

**Additional testimony and data was sent to the clerk after the hearing. See attachment #8.**



# 2019 SENATE STANDING COMMITTEE MINUTES

## Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2336  
1/28/2019  
Job # 31589

- ☐ Subcommittee  
☐ Conference Committee

Committee Clerk: Alicia Larsgaard
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### Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 57-51.1-02 of the North Dakota Century Code, relating to the oil extraction tax rate; and to provide an effective date.

### Minutes:

Attachments: 0
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**Chairman Cook:** Called the committee to order on SB 2336.

**Senator Meyer:** Moved a Do Not Pass.

**Senator Unruh:** Seconded.

**Chairman Cook:** Called for discussion.

**Senator Dotzenrod:** This is a black and white thing. I supported leaving the 6.5 intact in the '15 session and I will continue to express that view. I will be voting in favor of passing 2336 but we don't need to spend a lot of time arguing the issue.

**A Roll Call Vote Was Taken. 5 yeas, 1 nay, 0 absent.**

**Motion Carried.**

**Senator Patten will carry the bill.**

Date: 1-28-19  
Roll Call Vote #: 1

2019 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2336

Senate Finance and Taxation Committee

☐ Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation: ☐ Adopt Amendment  
☐ Do Pass ☒ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar  
Other Actions: ☐ Reconsider ☐ \_\_\_\_\_

Motion Made By Meyer Seconded By Unruh

Senators	Yes	No	Senators	Yes	No
Chairman Cook	✓		Senator Dotzenrod		✓
Vice Chairman Kannianen	✓				
Senator Meyer	✓				
Senator Patten	✓				
Senator Unruh	✓				

Total (Yes) 5 No 1

Absent 0

Floor Assignment Patten

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

**REPORT OF STANDING COMMITTEE**

**SB 2336: Finance and Taxation Committee (Sen. Cook, Chairman)** recommends **DO NOT PASS** (5 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). SB 2336 was placed on the Eleventh order on the calendar.

**2019 TESTIMONY**

**SB 2336**

Feb. 28, 2019

## Committee Hearing

Chairman Cook and members of the Finance and Taxation Committee. I'm State Senator Merrill Piepkorn, from District 44 which I describe as being the Near Northside of Fargo. I'm here today to introduce Senate Bill 2336 for your deliberation. If you take a look at the bill, you'll see it is not complicated. It simply restores the oil extraction tax to 6.5%, the level it was at for 35 years, from 1980 until 2015 when the legislature lowered it to 5%. There is a reference, beginning on line 12, to a trigger that would raise the rate to 6% rate if the ppb gets to \$90 per barrel, but that becomes a mute point when the bill passes and the tax rate is established at 6.5%. And the distribution formula remains the same as it is now.

There has been much discussion and some confusion over the actions of the 2015 legislature. Fact: They lowered the tax from 6.5 to 5%. Also fact: The legislature eliminated a low trigger on the price of a barrel of oil, that, had it gone into effect, due to low oil prices, would have virtually zeroed out the extraction tax dollars and left the state in even more dire economic circumstances than what we faced in 2017 and now.

Also fact...and this is what many in the public do not understand. The trigger could have been eliminated but the rate of 6.5% could have stayed the same. I was not in the Senate at the time, but I understand there was heated debate, and those who argued in favor of lowering the tax prevailed.

### Exhibit #1 Flow Chart

I'm passing out a chart that shows where revenue from the extraction tax flows. For this immediate discussion, the numbers, (the dollar amounts), are not so important. I just want you to see where the money goes.

(brief discussion of destinations {pots})

See back of chart for definition of intended use for the money

## **Exhibit 2-Comparison table**

Now I'm passing out a table that makes a side by side comparison of a 5% and 6.5% easier to understand. Based on \$52.50 per barrel/1.2 million barrels per day  
Price of PPB changes, production projected to grow at modest pace

## **Exhibit 3-Actual effects of Reduction**

Now I'm passing out what I call the "Effect of Reduction" statement from Legislative Council.

The demands, or requests for state funding are numerous and substantial. I'm sure each of you in your other various committees have heard these requests. I won't go through the laundry list, but here are a few examples...

\*From my Natural Resources Committee....a \$20 million dollar investment would bring our standards of guarding against invasive species into our waters up to par with other states. Looks like 2 million will be a challenge

\*Various Waer Districts....\$50 million dollar ask seems to be the popular figure, Fargo Diversion-\$50 million, RRVWS-\$50 million

\*UND and NDSU \$100 million dollar ask for research...25 million per year for each of the Universities for the next two years.

\*Our state's Chief Justice of the Supreme Court is even asking for funding...to secure a District Judge, court reporters and court recorders. His words are, "The court system is underwater. I'm not here to sound the death knell for the court system, but I am here to ask for help regaining our footing".

\*And often it is the most vulnerable among us who are at the most risk. The elderly, those in our nursing homes and other care units. The folks in the long

term care business are afraid they can't properly care for their clients unless the state steps up its commitment.

\*Lots of talk of raising various taxes on our citizens to raise funds...like the talk of raising the gas tax.

The list goes on and you each have your own goals...projects back yhome you'd like to see accomplished.

Where do we stand in comparison to other states? It's hard to compare tax rates between states because of the various methods of imposing rates on the oil industry, but from information I've been able to look at, I think we can say we may be slightly above the middle of the top ten oil producing states.

#### Exhibit 4 tax comparison charts

Oklahoma, the lowest oil tax, kind of following Kansas' lead in cutting taxes, did indeed follow Kansas into the Disaster Zone. Things were a disaster in OK a year ago. Just look at the Headlines that popped up in a google search. They were running schools just 4 days a week and struggling to keep their Highway Patrol cars gassed up. Fortunately things are picking up a bit in OK with a rebound in oil prices and other economic improvement.

And Alaska, the highest? (35%) According to Alaskabudget-dot-com they have 61 **Billion** dollars in savings, and enough to fund the state budget for three years if the oil industry was to dry up completely.

Now being realistic about the restoration of the 1.5% that was eliminated in 2015 will put some negative pressure on the oil business. It will raise the cost of doing business, but I believe folks in the business and promoters of the business will tell you that it is the price of a barrel of oil that drives the business and not this 1 ½% tax restoration. You'll have a tough time convincing the people of this state that the oil companies are going to "head for the Hills" if 6.5 is restored.

In the spirit of full disclosure, individual owners of minerals will also be taxed at this new rate.

\$100 check...additional buck fifty

\$1,000 dollars...\$15

If you get a ten thousand dollar a month check, you'll be nicked an additional Hundred and fifty

And a million? \$15,000 additional in taxes.

The oil business has been beneficial to North Dakota in many ways. Let's not be afraid to harvest the benefits of this resource that our state has been blessed with, while the companies that are here doing the work also benefitting. This business can be here for quite some time, to the benefit of all involved. There may be threats that the oil business will flee if 6.5 is restored. That was the rate for 35 years, the rate when the boom hit, and a fair rate now. Restoring that state revenue can be prudently used to serve all the residents of our state. I urge you to keep your everyday North Dakota citizen in mind and vote to recommend a DO PASS on this bill.

I will try to answer questions you may have, although I expect we have answered some of those questions along the way. Thank you.

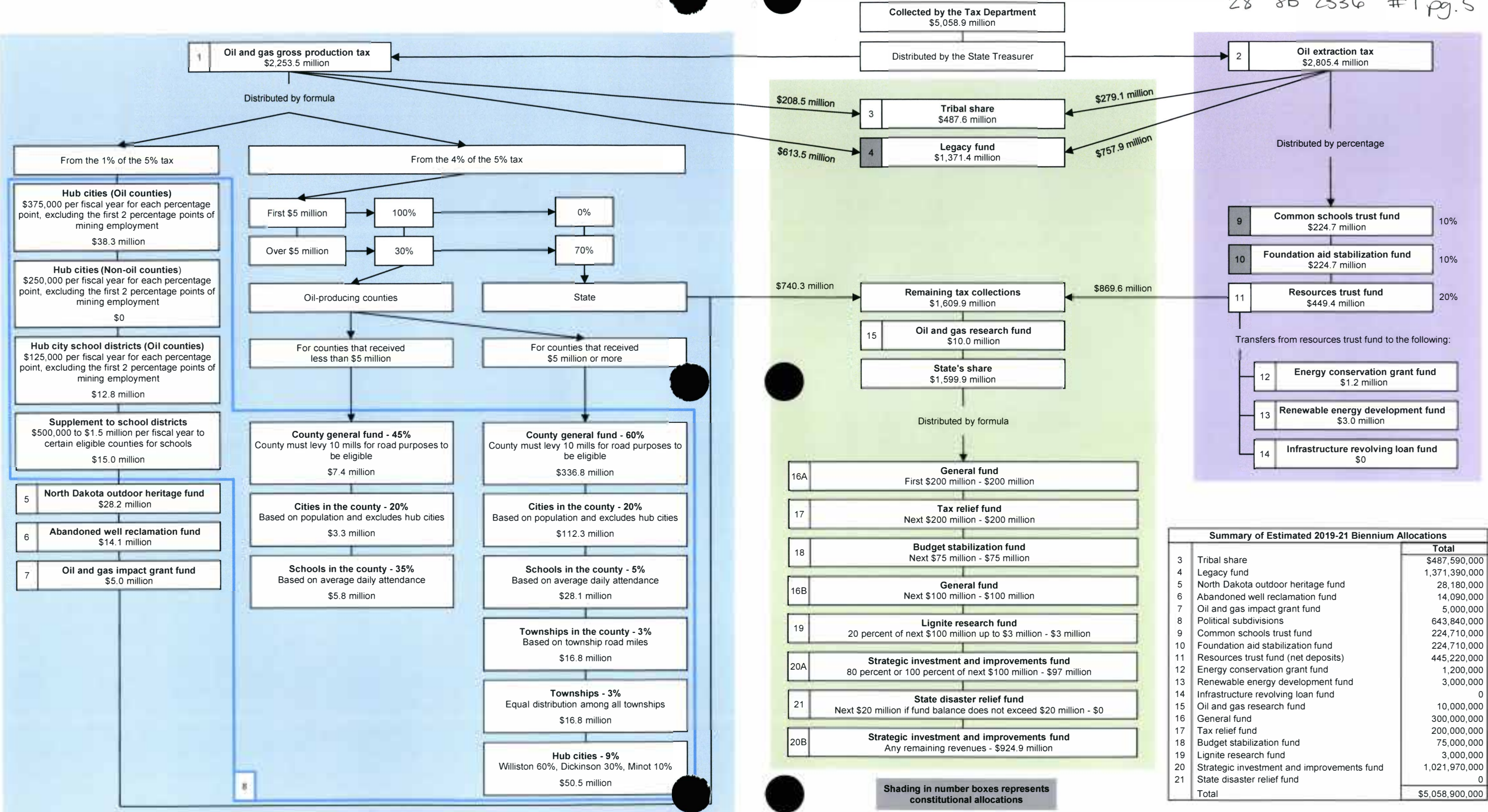


ALTERNATIVE OIL AND GAS TAX REVENUE ALLOCATION SCENARIO - FLOWCHART

This memorandum provides an alternative oil tax revenue allocation scenario. It estimates the allocation of oil and gas tax collections for the 2019-21 biennium based on current law allocation formulas, a 6.5 percent oil extraction tax rate rather than the 5 percent rate in current law, oil production remaining at 1.2 million barrels per day, and oil prices averaging \$52.50 per barrel. A description of each of the funds is included on the second page.

ESTIMATED 2019-21 BIENNIAL ALLOCATIONS

1/28 SB 2336 #1 pg. 5



NOTE: The amounts reflected in these schedules are preliminary estimates based on the alternative tax rate and selected assumptions for August 2019 through July 2021. The actual amounts allocated for the 2019-21 biennium may differ significantly from these amounts based on actual oil price and oil production.



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The schedule below provides a brief description of the taxes and funds included in the flowchart on the previous page.

Box	Tax/Fund	Description
1	Oil and gas gross production tax	North Dakota Century Code Section 57-51-02 provides for a tax of 5 percent of the gross value at the well of oil produced in North Dakota unless exempted, and a tax on gas of four cents times the gas base rate adjustment for each fiscal year as calculated by the Tax Department.
2	Oil extraction tax	Section 57-51.1-02, as amended by House Bill No. 1176 (2015), provides for a tax of 5 percent of the gross value at the well on the extraction of oil unless exempted. Prior to January 1, 2016, the oil extraction tax rate was 6.5 percent.
3	Tribal share	Chapter 57-51.2 provides the requirements for allocating oil and gas tax related to the oil production within the Fort Berthold Reservation. The oil and gas tax revenues are allocated 50 percent to the state and 50 percent to the Three Affiliated Tribes of the Fort Berthold Reservation.
4	Legacy fund	Section 26 of Article X of the Constitution of North Dakota provides for a deposit to the legacy fund of 30 percent of total revenue derived from taxes on oil and gas production and extraction.
5	North Dakota outdoor heritage fund	House Bill No. 1278 (2013) created the North Dakota outdoor heritage fund to preserve natural areas and public lands. House Bill No. 1176 (2015) amended Section 57-51-15 to provide 8 percent of revenues from the first 1 percent of the oil and gas gross production tax, up to \$20 million per fiscal year, be deposited in the fund.
6	Abandoned oil and gas well plugging and site reclamation fund	House Bill No. 1333 (2013) and House Bill No. 1032 (2015) amended Section 57-51-15 to increase the allocations to the abandoned oil and gas well plugging and site reclamation fund. Based on current law, 4 percent of the first 1 percent of oil and gas gross production tax is allocated to the fund not to exceed \$7.5 million per fiscal year and not in an amount that would bring the balance of the fund to more than \$100 million.
7	Oil and gas impact grant fund	Pursuant to House Bill No. 1302 (1989), Section 57-51-15 establishes the oil and gas impact grant fund to provide grants to political subdivisions impacted by oil development. House Bill No. 1176 (2015) amended Section 57-51-15 to provide an allocation from the first 1 percent of the 5 percent oil and gas gross production tax, up to \$140 million for the 2015-17 biennium. Senate Bill No. 2013 (2017) decreased the allocations to provide up to \$25 million per biennium for the 2017-19 biennium, and after the 2017-19 biennium, to provide up to \$5 million per biennium.
8	Political subdivisions	Oil and gas gross production taxes are distributed to political subdivisions under Section 57-51-15 as amended by Senate Bill No. 2013 (2017).
9	Common schools trust fund	Section 1 of Article IX of the Constitution of North Dakota provides for a common schools trust fund to be used to support the common schools of the state. Section 24 of Article X of the Constitution of North Dakota provides for a distribution of 10 percent of oil extraction taxes to the common schools trust fund to become part of the principal of the fund. The earnings are distributed through the state school aid payments.
10	Foundation aid stabilization fund	Section 24 of Article X of the Constitution of North Dakota provides for a distribution of 10 percent of oil extraction taxes to the foundation aid stabilization fund. Section 24, as amended by Senate Concurrent Resolution No. 4003 (2015) and approved by the voters, restricts a portion of the fund to offset state school aid payments due to a revenue shortfall and allows the remainder to be used for educational purposes.
11	Resources trust fund	Section 57-51.1-07 provides for a distribution of 20 percent of oil extraction taxes to the resources trust fund. Section 22 of Article X of the Constitution of North Dakota provides the fund may be used, subject to legislative appropriation, for constructing water-related projects, including rural water systems, and funding of programs for energy conservation.
12	Energy conservation grant fund	Senate Bill No. 2014 (2013) amended Section 57-51.1-07 to provide for a transfer of one-half of 1 percent of the amount credited to the resources trust fund from the resources trust fund into the energy conservation grant fund, up to \$1.2 million per biennium.
13	Renewable energy development fund	Senate Bill No. 2014 (2013) amended Section 57-51.1-07 to provide for a transfer of 5 percent of the amount credited to the resources trust fund from the resources trust fund into the renewable energy development fund, up to \$3 million per biennium. House Bill No. 1020 (2017) decreased the percentage transferred from 5 to 3 percent.
14	Infrastructure revolving loan fund	Senate Bill No. 2233 (2013) created an infrastructure revolving loan fund within the resources trust fund to provide loans for water projects. Ten percent of the oil extraction tax allocations deposited in the fund are designated for the infrastructure revolving loan fund. House Bill No. 1020 (2017) limited the total amount deposited in the infrastructure revolving loan fund to \$26 million.
15	Oil and gas research fund	Section 57-51.1-07.3 (2003 Senate Bill No. 2311) establishes the oil and gas research fund for the Oil and Gas Research Council to provide grants. Senate Bill No. 2014 (2013) amended Section 57-51.1-07.3 to provide 2 percent of the state's share of the oil and gas tax revenues, up to \$10 million per biennium, is to be deposited into the oil and gas research fund.
16A, 16B	General fund	The general fund is the chief operating fund of the state. Section 57-51.1-07.5, as amended by House Bill No. 1152 (2017) provides for an allocation of \$400 million of the state's share of oil and gas tax revenues to the general fund for the 2017-19 biennium and an allocation of \$300 million after the 2017-19 biennium.
17	Tax relief fund	House Bill No. 1152 (2017) amended Section 57-51.1-07.5 to provide for the allocation of \$200 million of the state's share of oil and gas tax revenues to the tax relief fund each biennium.
18	Lignite research fund	The lignite research fund is established under Section 57-61-01.6 for research, development projects, and marketing activities related to the lignite industry. House Bill No. 1152 (2017) amended Section 57-51.1-07.5 to provide for an allocation of up to \$3 million from the state's share of oil and gas tax revenues.
19	Budget stabilization fund	The budget stabilization fund is established under Section 54-27.2-01. The Governor may order a transfer from the budget stabilization fund to the general fund when certain criteria are met to offset a general fund revenue shortfall. House Bill No. 1152 (2017) amended Section 57-51.1-07.5 to provide for an allocation of up to \$75 million from the state's share of oil and gas tax revenues.
20A, 20B	Strategic investment and improvements fund	Section 15-08.1-08 provides for the strategic investment and improvements fund. The fund is to be used for one-time expenditures to improve state infrastructure or initiatives to improve the efficiency and effectiveness of state government. Section 57-51.1-07.5 provides for the allocation of certain oil tax revenues to the strategic investment and improvements fund.
21	State disaster relief fund	Section 37-17.1-27 provides for the state disaster relief fund to be used for the required state share of funding for expenses associated with presidential-declared disasters. Section 57-51.1-07.5, as amended by House Bill No. 1152 (2017), provides for the distribution of up to \$20 million of oil tax revenues to the state disaster relief fund each biennium, but not in an amount that would bring the balance of the fund to more than \$20 million.

## OIL AND GAS TAX REVENUE SCENARIO COMPARISON

The schedule below compares two oil and gas tax revenue scenarios. The first scenario reflects the allocation of oil and gas tax collections for the 2019-21 biennium based on a 6.5 percent oil extraction tax rate rather than the 5 percent rate in current law. The second scenario reflects the allocation of oil and gas tax collections for the 2019-21 biennium based on current law tax rates. Both scenarios are based on the current law allocation formulas, oil production remaining at 1.2 million barrels per day, and oil prices averaging \$52.50 per barrel.

2019-21 Biennium Oil and Gas Tax Revenues			
	Scenario One - 6.5 Percent Oil Extraction Tax	Scenario Two - Current Law Tax Rates	Increase (Decrease)
<b>Oil price and production (biennium average)</b>			
Production in barrels	1,200,000	1,200,000	0
Price per barrel	\$52.50	\$52.50	\$0.00
<b>Collections</b>			
Gross production tax	\$2,253,510,000	\$2,253,510,000	\$0
Oil extraction tax	2,805,390,000	2,207,520,000	(597,870,000)
<b>Total collections</b>	<b>\$5,058,900,000</b>	<b>\$4,461,030,000</b>	<b>(\$597,870,000)</b>
<b>Allocations</b>			
Tribal share	\$487,590,000	\$428,100,000	(\$59,490,000)
Legacy fund	1,371,390,000	1,209,880,000	(161,510,000)
North Dakota outdoor heritage fund	28,180,000	28,180,000	0
Abandoned well reclamation fund	14,090,000	14,090,000	0
Oil and gas impact grant fund	5,000,000	5,000,000	0
Political subdivisions	643,840,000	643,840,000	0
Common schools trust fund	224,710,000	176,820,000	(47,890,000)
Foundation aid stabilization fund	224,710,000	176,820,000	(47,890,000)
Resources trust fund (net deposits)	445,220,000	349,440,000	(95,780,000)
Energy conservation grant fund	1,200,000	1,200,000	0
Renewable energy development fund	3,000,000	3,000,000	0
Infrastructure revolving loan fund	0	0	0
Oil and gas research fund	10,000,000	10,000,000	0
General fund	300,000,000	300,000,000	0
Tax relief fund	200,000,000	200,000,000	0
Budget stabilization fund	75,000,000	75,000,000	0
Lignite research fund	3,000,000	3,000,000	0
State disaster relief fund	0	0	0
Strategic investment and improvements fund	1,021,970,000	836,660,000	(185,310,000)
<b>Total allocations</b>	<b>\$5,058,900,000</b>	<b>\$4,461,030,000</b>	<b>(\$597,870,000)</b>

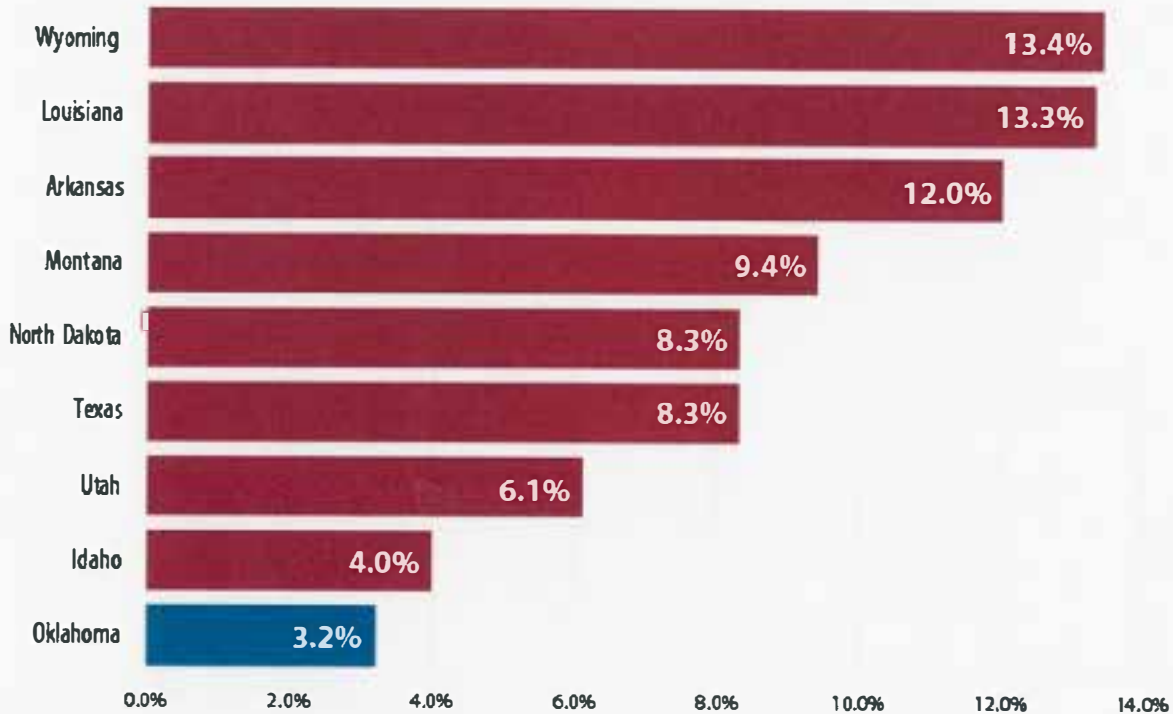
## EFFECT OF OIL EXTRACTION TAX RATE REDUCTION

The Legislative Assembly in 2015 House Bill No. 1476 repealed the provisions of the "large trigger" effective with December 2015 oil production and changed the oil extraction tax rate from 6.5 to 5 percent effective with January 2016 oil production. Oil tax revenue collections relate to oil production from 2 months prior; therefore, actual collections beginning in March 2016 were impacted by the rate change. The state's share of oil extraction tax collections are distributed by formula to state funds, including the legacy fund, the common schools trust fund, the foundation aid stabilization fund, and the resources trust fund.

If the "large trigger" had been repealed, but the tax rate had not changed (remained at 6.5 percent), oil extraction tax collections for the 2015-17 biennium would have been approximately \$274 million more, or an average of \$15.2 million per month. Oil extraction tax collections for the 2017-19 biennium to date through July 2018 would have been approximately \$295 million more, or an average of \$24.5 million per month. Based on the 2017 legislative revenue forecast, oil extraction tax collections for the remainder of the 2017-19 biennium would be approximately \$235 million more, or an average of \$19.6 million per month.

When these taxes are combined, the honest comparison of taxes in Oklahoma and peer oil and gas producing states looks like the chart below. Oklahoma's 3.2 percent effective tax rate on drilling is less than half what the industry pays in North Dakota and Texas (8.3 percent) and less than one-fourth what they pay in Wyoming (13.4 percent):

## Effective Severance and Ad Valorem Tax Rates Paid By Oil and Gas Industry, FY 2016



Source: Covenant Consultant Group, 2016 Oil and Gas Tax Comparison for the State of Idaho, Jan. 2017

That's **according to a study** performed by Covenant Consulting Group for the state of Idaho. Another study by Headwaters Economics used a somewhat different methodology but found similar results. **Headwaters commented**, "Oklahoma collects the lowest effective tax rate, but this incentive has failed to prevent producers from doing business in higher-tax states such as Texas, North Dakota, and Wyoming."

Where's Alaska? Perhaps off the chart. Does 35% sound right?

Oklahoma plans across-the-board cuts to close budget hole | The ...

<https://www.seattletimes.com/.../oklahoma-plans-across-the-board-cuts-to-close-budget-h...>

Feb 15, 2018 - The budget panels also approved a bill appropriating **\$31.7 million** in emergency funds for the state's two medical schools at the University of Oklahoma and Oklahoma State University to make up for the loss of federal funding for those programs.

State Budget Plan Is Largest in History, But Falls ... - Oklahoma Watch

<https://oklahomawatch.org/.../despite-funding-boost-budget-fails-to-restore-most-cuts/>

Oklahoma Plans Across-The-Board Cuts to Close Budget Hole ...

<https://www.usnews.com> › Civic › Best States › Oklahoma News

1. **Cached**

Feb 15, 2018 - **Oklahoma** leaders say they plan to impose across-the-board **cuts** to all **state** agencies, including public schools, to close a hole in **the budget** ...

Governor Signs Bill Imposing Cuts to Oklahoma Agencies | Oklahoma ...

<https://www.usnews.com> › Civic › Best States › Oklahoma News

1. **Cached**

Feb 27, 2018 - **OKLAHOMA CITY** (AP) — **Oklahoma** Gov. Mary Fallin has signed a bill that imposes across-the-board **budget cuts** to all **state** agencies, ...

What's the matter with Oklahoma? - Education in America

<https://www.economist.com/united-states/2018/01/30/whats-the-matter-with-oklahoma>

1. **Cached**



Jan 30, 2018 - Low teacher pay and severe **budget cuts** are driving schools to the brink ... As in **Oklahoma's** northern neighbour, Kansas, deep tax **cuts** have ...

Oklahoma again No. 1 in the nation for funding cuts to common ...

[https://www.tulsaworld.com/.../oklahoma...the...funding-cuts.../article\\_385a8778-3094-...](https://www.tulsaworld.com/.../oklahoma...the...funding-cuts.../article_385a8778-3094-...)

Nov 29, 2017 - **Oklahoma's state funding cuts** to common education once again lead the nation, as has been the case for the good part of the past decade.

Oklahoma Legislature finishing budget 8 months after it started

<https://newsok.com/.../oklahoma-legislature-finishing-budget-8-months-after-it-started>

1. **Cached**

Feb 20, 2018 - The sometimes-raucous **Oklahoma** House of Representatives quietly closed ... The **budget cut** bill passed the House by a 67-24 party-line vote.

Latest state budget offering cuts 49 agencies - NewsOK

<https://newsok.com/article/5571973/latest-deal-cuts-49-agency-budgets>

1. **Cached**

Nov 13, 2017 - **Oklahoma** lawmakers in two key **budget** committees will decide Tuesday whether to recommend cutting 49 agency **budgets** to make up for lost ...

Oklahoma cut taxes. Now a squeeze on public services forces a rethink.

<https://www.csmonitor.com/.../Oklahoma-cut-taxes.-Now-a-squeeze-on-public-services-f...>

Oct 26, 2017 - Mary Fallin, left, announces a deal to shore up the **state budget** and ... a **budget** crisis after years of steep tax **cuts**, his call for higher taxes on his ...

Senate Bill 2336  
Senate Finance and Tax Committee  
Testimony of William Patrie  
January 28, 2019

Mr. Chairman and members of the committee, my name is Bill Patrie. I served as the director of the economic development commission between 1985 and 1990 during the George Sinner administration. For the 10 years prior to that, I served as the executive director of North Central Planning Council in Devils Lake. While working for the planning council I became aware and involved in two initiated measures. The first one established the State Housing Authority. A few weeks ago I attended the funeral of Bill Schott who involved me in that organizational effort. Most people in North Dakota would not know that the State Housing Authority is the result of an initiated measure. Today, the success of the State Housing Authority is broadly supported by most members of the legislature, regardless of political affiliation.

Likewise, the actions of supporters of the initiated measure to create the oil extraction tax are not well known. 39 years ago is beyond the memories of all the generations except us baby boomers and historians. However, much like the State Housing Authority, I think most of us would agree that the revenue from that tax has been important in funding essential government activities in North Dakota. While in Devils Lake I served on the Devils Lake School board. I can tell you that initiated measure meant a great deal to us.

Your committee will decide whether to recommend restoring this extraction tax to the original level. I have read concerns by industry leaders that restoring the tax will result in less oil companies operating in North Dakota and less revenue. I don't know if that will happen or not, but my experience with industry in the last 40 years teaches me not to fear industry threats of leaving. I remember once in the Sinner administration we were meeting with one of the nation's largest food companies. Governor Sinner was concerned that our meeting with this company would cause other food companies to shun North Dakota. That industry leader replied to Governor Sinner that his competition would sell their grandmother for \$20 per hundred weight. No one is moving the Bakken, and there should be careful discussion over the appropriate levels of extraction taxes. I don't think industry threats should decide the question. I think it is likely the industry can accommodate the restoration of the tax to 6.5% and that revenue is certainly needed by everyone.

I appreciate the work you have ahead of you in deciding this complex question and wish you well. I will be glad to take any questions you may have.



Birgit Pruess, Ph.D.  
3002 10<sup>th</sup> Str. N  
Fargo, ND 58102

1/28 SB 2336 #3 pg. 1

January 26, 2019

North Dakota Legislative Assembly  
Finance and Tax Committee

Dear members of the Finance and Tax Committee,

I am here to testify regarding SB2336 as a citizen of the State of North Dakota. For reasons of transparency, I like to reveal that I am a State employee, currently serving as the faculty advisor on the State Board of Higher Education. As an SBHE member, I would never express an opinion on bills unless they are related to Higher Ed in a much more direct way. Even as a citizen, I am providing NEUTRAL testimony on this bill. However, I have an immense intrinsic knowledge about the Higher Education system in North Dakota and am summarizing some observations below. I hope that the point comes across that Higher Ed needs an adequate and stable source of income and leave it up to our legislators to make decisions about the source(s) of such funding.

During the past year and a half, after the University System received a budget cut of close to 20%, many things have changed. I have watched my much appreciated, former collaborator colleagues leave. Some of the positions may get refilled; however, past collaborators are still gone and new faculty need time to build a network. Furthermore, it is much easier for faculty to get accepted into positions elsewhere if they have large research grants. Such faculty typically also have larger number of graduate students. This means that we lose on the educational end as well as the research one. When questioned why they leave, faculty often cite better opportunities elsewhere. Others are more specific and admit that they feel like our research opportunities are diminishing thanks to the lack of funding and appreciation from the State. Altogether, the State has lost some 700 faculty, some to intended early retirement buyouts, others to better opportunities elsewhere. In addition, support staff has been reduced as well, possibly even more so than faculty. This means that faculty now have to do administrative tasks they have never done before and have not been trained for. That adds to the workload problem that already exists because there are fewer faculty. Faculty are asked to write more research grants to bring in money, but they also have to teach more courses, and do additional administrative work. Frequent employee turnover is a symptom of the problem, as well as a contributor to the problem. This is because a new employee does not always get adequately trained when the previous employee left on short notice and that means the faculty will have to explain everything that has previously been done once more. This impacts both our research and teaching responsibilities. Note that an empty Department office also does not look good when a new student comes in.

Travelling the state, I have made the observation that the faculty of North Dakota really love their students and are dedicated to student success. However, having to teach 15 to 18 credit hours increases the overall workload of the instructor while still decreasing the time per course or per student. This reduces faculty morale, as well as the instructional quality that our students have grown accustomed to. Faculty take pride in their teaching and there is a strong desire to do the best possible job, but it just not possible for anyone to actually do their best under these working conditions.

The State of North Dakota has some great students, faculty, and staff. Employers are waiting eagerly to hire our next graduates. This is an issue of workforce development as well as economic impact. I feel very strongly that our students and University System employees deserve the best opportunities that they can get. Altogether, the need for a strong budget has not diminished, it is as strong as it ever was.

Sincerely and respectfully

B. Pruess

*Testimony to the  
Senate Finance & Taxation Committee*

SB 2336

Andrew Alexis Varvel

January 28, 2019

Chairman Cook and Members of the Committee:

My name is Andrew Alexis Varvel, and I live in Bismarck. I earned my BA in History and my BS in Geology from the University of North Dakota. I learned about the oil and gas industry from the late Donal Butler, a retired exploration geologist who had worked for Sinclair and Phillips 66.

Harold Hamm deserves credit for looking through the Core Library's archives and finding a way to take advantage of the economic opportunity of the Bakken. His discoveries were made possible through the existence of the Core Library. The taxpayers of North Dakota deserve a debt of gratitude from the oil and gas industry for paying the ongoing costs, generation after generation, for maintaining UND's Department of Geology and Geological Engineering, the North Dakota Geological Survey, and the Wilson M. Laird Core and Sample Library at the University of North Dakota.

Oil and gas companies keep complaining about how there aren't enough qualified employees in North Dakota. Fair enough. Yet, if they are unwilling to pay for training and educating qualified employees, they should quit whining. They can pay for job training or have low taxes – not both. Given how the oil and gas industry

benefits from North Dakota's institutional subsidy through the existence of our Core Library, the oil and gas industry has a moral responsibility to ensure that our university buildings don't crumble into rubble. When any industry demands public benefits that it refuses to pay for, it becomes a beggar – indeed, a rent seeker.

Elsewhere in this session, I am proposing a major constitutional overhaul of higher education governance which would establish North Dakota University with four major campuses – in Grand Forks, Fargo, Minot, and Bismarck – and seven minor campuses. This proposal ought to be of great interest to the oil and gas industry, particularly how North Dakota University would promote regional equilibrium and balanced economic development, but the oil and gas industry needs to play its part as a constructive stakeholder.

The Petroleum Council may very well succeed in blocking this proposed correction in North Dakota's excise tax rate, but such a victory would be short sighted and indeed Pyrrhic on the part of the oil and gas industry.

Please give Senate Bill 2336 a **DO PASS** recommendation.

Thank you.

Andrew Alexis Varvel  
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701-255-6639  
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$\frac{1}{28}$  SB 2336 #5 pg. 1

## NDIC Brine Pond Study

### Phase II: Site Assessments

Submitted to:

**North Dakota Department of Mineral Resources - Oil and Gas Division**

1016 E Calgary Ave  
Bismarck, ND 58503

Submitted by:

**Golder**

2000 Schafer Street, Suite H, Bismarck, North Dakota 58501, USA

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June 25, 2018

rev. September 10, 2018

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Table 1	Bottineau County Brine Ponds
Table 2	Renville County Brine Ponds
Table 3	Ward County Brine Ponds

## APPENDICES

Appendix A	Scope of Work
Appendix B	Bottineau County Site Assessment Reports
Appendix C	Renville County Site Assessment Reports
Appendix D	Ward County Site Assessment Reports



## 1.0 INTRODUCTION

The work described herein is being performed for the North Dakota Industrial Commission (NDIC) Oil and Gas Division in support of the House Bill 1347 Brine Pond Assessment Program (Brine Pond Study). The Brine Pond Study includes a remote sensing and visual assessment of historical oil and gas produced water evaporation ponds (brine ponds) believed to be active in the State of North Dakota between 1951 and 1984.

Brine ponds were used to manage water extracted from oil bearing formations during oil and gas exploration and production (E&P) during periods of early oil and gas development in North Dakota. The typically high salinity brine was managed through retention and evaporation in brine ponds as early as 1951. In 1972, brine ponds were outlawed in North Dakota due to increasing research indicating brine was infiltrating into the soil profile rather than just evaporating<sup>1</sup>. Between 1972 and 1984, brine ponds were drained and backfilled as a closure technique. Removal of salt-affected soils during brine pond closure was not common, and impacts from historical brine disposal remains a potential environmental threat.

Golder Associates Inc. (Golder) was retained under the current Environmental Services Consultant Contract to identify former brine ponds in North Dakota in two phases, as follows:

- Phase I includes a desktop investigation of publicly available historical aerial imagery and other historical records to identify former brine ponds in north-central North Dakota.
- Phase II includes conducting a visual environmental assessment in conformance with American Society for Testing and Materials (ASTM) standard E1527-13 Section 9 for each brine pond identified during Phase I.

This Summary Report (Report) is for Phase II of the project, which Golder performed starting May 1<sup>st</sup>, 2018. As specified in the authorized scope of work (SOW) provided by the NDIC and upon further discussions with NDIC, Phase II of the project targeted sites in Bottineau, Renville, and Ward Counties, North Dakota (the Counties). The authorized SOW is provided as Appendix A.

The NDIC authorized the work described herein on December 20<sup>th</sup>, 2017.

### 1.1 Phase II Objectives

The primary objective of Phase II of the Brine Pond Study is to conduct site reconnaissance of the historical brine ponds previously identified in Phase I. Due to budgetary constraints, it was agreed with NDIC that only brine ponds identified in the Counties in Phase I of the Study were to be visited and documented. Documentation included a summary of conditions observed at each site, including photographic documentation and approximate measurement of impacts.

## 2.0 SITE ASSESSMENT METHODOLOGY

Golder performed Phase II of the Brine Pond Study by visiting the identified brine ponds from Phase I in the Counties. An inspection report was created for each individual site visited. Visual assessments were conducted in accordance with ASTM standard E1527-13 Section 9, and included the following information:

- Brine pond site access and adjoining roads;
- Current land use and adjacent land use;

<sup>1</sup> Doll et al. *Characterization of Detrimental Effects of Salts and Other Chemical Constituents Carried in Surface and Subsurface Waters from Brine and Drilling Fluid Disposal Pits Buried During Oil Development*. North Dakota State University, 1985

- Any evidence of buildings, structures, equipment, or oil and gas equipment on-site or in the vicinity of the site;
- Visual impacts such as barren areas, stressed vegetation, salt crusting, or evidence of erosion;
- Potential receptors in the vicinity such as wetlands, intermittent creeks, or residences;
- General topography and drainage in the vicinity;
- Evidence of utilities on-site or in the vicinity of the site;
- Photographs of the site and the surrounding areas; and
- Interviews conducted, if any.

### 3.0 RESULTS

Golder completed a site assessment at each of the 216 historical brine ponds identified in the Counties during Phase I of the brine pond study. Bottineau County brine pond locations and site assessment reports are provided in Table 1 and Appendix B, respectively. Renville County brine pond locations and site assessment reports are provided in Table 2 and Appendix C, respectively. Ward County brine pond locations and site assessment reports are provided in Table 3 and Appendix D, respectively. During the initial inspection, 12 sites in Bottineau County and 10 sites in Renville County had been recently plowed at the time of the site visit, and no impacts could be observed due to the ground disturbance. These sites were revisited in August 2018 to assess for visual impacts.

### 4.0 CLOSING

Using publicly available historical aerial imagery, a total of 216 historical brine ponds were identified in the Counties during Golder's remote sensing survey of north-central North Dakota under Phase I of the Brine Pond Study. Brine ponds were typically observed to be angular, in close proximity to oil and gas facilities, and exhibiting visual signs of salt impact.

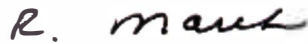
Locations of the brine ponds identified in the Counties were mapped and associated data were tabulated. Brine ponds in Burke, Divide, Mountrail, and Williams Counties were mapped and a Google Earth KMZ file indicating their locations is being provided to NDIC in-lieu of tabulated data. The data were used to conduct Phase II of the Brine Pond Study, which involved completing a site assessment of each brine pond identified in the Counties in accordance with ASTM standard E1527-13 Section 9. Conditions observed at each brine pond identified in the Counties are documented in Appendices B, C, and D of this report.

## Signature Page

Golder Associates Inc.



Joseph Xi, PE  
*Project Manager*



Randy March, PE, PG  
*VP/Principal Geological Engineer*

JX/RM

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## APPENDIX A

# Scope of Work

## Assessment of Brine ponds active between 1951&1984 Project

### Intent

Per HB 1347 section 2 1a. this project is to determine how many brine ponds there are in the north central portion of the state that require remediation of salt and any other contamination from the surrounding soil. These ponds were active between 1951 and 1984.

### Directions

#### Phase 1: Desktop Investigation

A desktop investigation will be performed to identify locations of former brine evaporation ponds. This investigation will be performed using publicly available data as follows:

- 1) Current and historical aerial imagery.
- 2) List and map of potential locations of former brine evaporation ponds compiled by the North Dakota Geological Survey.
- 3) Locatable historical records from the 1984 NDSU study of former brine evaporation ponds.
- 4) Will include north-central portions of North Dakota that have undergone oil and gas development. Portions will begin with Renville and Bottineau counties and may expand to surrounding counties if necessary. Expansion past Renville and Bottineau counties will be approved prior to investigation.

The following results of the desktop investigation will be provided to the North Dakota Department of Mineral Resources Oil and Gas Division:

- 1) Monthly progress report with time and materials billing for the month the work was performed.
- 2) A final report to include the following:
  - a. Tabular list of all identified brine ponds including geographical coordinates.
  - b. Map of all identified brine ponds.
  - c. Copies or references for all publicly available data utilized.

#### Phase 2: Assessment

Phase 2 will include a Phase I Environmental Site Assessment (ESA) site reconnaissance per ASTM E1527-13 Section 9 or E2247-16 Section 9 for each brine pond identified in Phase 1 for total impacts observed. Full Phase I ESAs will not be provided.

The following results of the assessment will be provided to the North Dakota Department of Mineral Resources Oil and Gas Division:

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- 1) A report briefly summarizing conditions observed at each site.
  - a. Documentation of any records review performed
  - b. Photo documentation of the inspection
  - c. Documentation of any interviews conducted.
  - d. Documentation of any measurement (size) of impacts. (No sampling is required for this project)

This effort will be billed on a time and materials basis per the rates in the Environmental Services Contract. Costs cannot exceed \$100,000.

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## APPENDIX B

# Bottineau County Site Assessment Reports

## B1-1



Photograph facing north off of an oilfield lease road showing no visual impacts in agricultural field.



Photograph facing northeast off of an oilfield lease road showing no visual impacts in agricultural field.

### Site Inspection Observations

B1-1 was inspected on May 15<sup>th</sup>, 2018, and is located approximately 500 feet north of an oilfield lease road. The site could not be accessed at the time of the site visit. The site is currently used as agricultural land, and is surrounded by agricultural fields. Visual impacts were not observed from a distance at the time of the site visit. A wetland was observed to the south of the site. The site topography is generally flat, and a drainage direction could not be assessed due to access limitations.



## B1-2



Photograph facing north off of an oilfield lease road showing no visual impacts in agricultural field. Wetlands were observed northwest of the site.



Photograph facing northeast off of an oilfield lease road showing no visual impacts in agricultural field. Aboveground powerlines were observed north of the site.

### Site Inspection Observations

B1-2 was inspected on May 15<sup>th</sup>, 2018, and is located approximately 200 feet north of oilfield lease road. The site could not be accessed at the time of the site visit. The site is currently an agricultural field that was recently plowed, and is surrounded by agricultural fields. Visual impacts were not observed from a distance at the time of the site visit. A wetland was observed to the north of the site. The site topography is generally flat and slopes to the northwest. Aboveground powerlines were observed approximately 100 feet north of the site.

## B1-3



Photograph facing north off of an oilfield lease road showing a visually impacted area. Barren ground and stressed vegetation is visible in an approximately 100 feet by 100 feet area. A pump jack pad is located 75 feet to the northeast.



Photograph facing northeast off of an oilfield lease road showing visually impacted area and wetland located approximately 75 feet southeast.

## Site Inspection Observations

B1-3 was inspected on May 15<sup>th</sup>, 2018, and is located approximately 200 feet east of 32<sup>nd</sup> Ave NW and 50 feet north of an oilfield lease road. The site is currently native grassland, and is surrounded by grasslands. An oil & gas facility consisting of one pump jack was observed to the northeast of the site. Visual impacts were observed, including an area of barren ground with stressed vegetation; the area of visual impacts measured approximately 100 feet by 100 feet. The impacted area appeared to have been migrating from the pump jack to the northeast. A wetland was observed to the southeast of the site. The site topography is generally flat and slopes to the southwest. Aboveground powerlines were observed to the west of the site.



## B1-4



Photograph facing east off of an oilfield lease road showing visual impacts. Two areas were observed with barren ground, a lack of vegetation, and salt crusts.



Photograph facing southeast off of an oilfield lease road showing one of the two visually impacted areas and a wetland to the south.

### Site Inspection Observations

B1-4 was inspected on May 15<sup>th</sup>, 2018, and is located approximately 50 feet east of an oilfield lease road. The site is currently native grassland, and is surrounded by grasslands. An oil & gas facility consisting of one pump jack was observed to the northwest of the site. Visual impacts were observed, including two areas of barren ground with little to no vegetation and salt crusting. The areas measured approximately 50 feet by 40 feet and approximately 40 feet by 40 feet. A wetland was observed to the south of the site. The site topography is generally flat and slopes to the southwest. Aboveground powerlines were observed to the west of the site.



## B1-5



Photograph facing northwest off of an oilfield lease road showing agricultural fields. The site is located 1,000 feet further northwest and could not be accessed.



Photograph facing north off of an oilfield lease road showing an agricultural field. The site could not be accessed due to access limitations.

### Site Inspection Observations

B1-5 was inspected on May 16<sup>th</sup>, 2018, and is located approximately 1,000 feet northwest of an oilfield lease road. The site could not be accessed at the time of the site visit. The site is currently used for agricultural purposes, and is surrounded by agricultural fields. No visual impacts could be observed at the time of site visit due to access limitations. The site topography is generally flat but a drainage direction could not be assessed due to access limitations.

## B1-6



Photograph facing west from 30<sup>th</sup> Ave NW showing a visually impacted area. Depression and stressed vegetation are visible from the road approximately 500 feet west.



Photograph facing northwest off of 30<sup>th</sup> Ave NW showing a residential area approximately 1,000 feet northwest of the site.

### Site Inspection Observations

B1-6 was inspected on May 16<sup>th</sup>, 2018, and is located approximately 500 feet west of 30<sup>th</sup> Ave NW. The site could not be accessed at the time of the site visit. The site is currently used for agricultural purposes, and is surrounded by agricultural fields. From the road, a slight depression with stressed vegetation could be observed. However, the area could not be measured because of access limitations. The site topography is generally flat and seems to drain towards the north to northwest.



**B1-7**

Photograph facing east off of an oilfield lease road showing a visually impacted area. Extensive dead zones with salt crusts were visible in an area approximately 80 feet by 30 feet. Aboveground powerlines were observed to the east.



Photograph facing southwest off of an oilfield lease road showing a visually impacted area. Cracks and salt crusts were observed.

### Site Inspection Observations

B1-7 was inspected on May 15<sup>th</sup>, 2018, and is located approximately 150 feet south of 104<sup>th</sup> St NW and 50 feet east of an oilfield lease road. The site is currently native grassland. Native grasslands lie to the east and south, and agricultural fields lie to the north. An oil & gas facility consisting of 11 aboveground storage tanks, one pump jack, and three heater-treaters was observed to the west of the site. Visual impacts were observed, including an area of barren ground with stressed vegetation and salt crusting; the area of visual impacts measured approximately 80 feet by 30 feet. The site topography is generally flat and slopes to the southeast. Aboveground powerlines were observed to the east of the site, and underground oil & gas pipelines were observed to the north, just south of 104<sup>th</sup> St NW.

## B1-8



Photograph facing north off of 104<sup>th</sup> St NW showing a visually impacted area. Extensive dead zones and salt crusts were observed.



Photograph facing northwest off of 104<sup>th</sup> St NW showing visually impacted area with salt crusts in an agricultural field.

### Site Inspection Observations

B1-8 was inspected on May 15<sup>th</sup>, 2018, and is located approximately 100 feet north of 104<sup>th</sup> St NW and 200 feet west of an oilfield lease road. The site is currently used for agricultural purposes, and is surrounded by agricultural fields. Visual impacts were observed, including an area of barren ground with stressed vegetation and salt crusting; the area of visual impacts measured approximately 125 feet by 100 feet. The site topography slopes steeply to the south. Aboveground powerlines were observed to the south of the site.



**B1-9**

Photograph facing west off of an oilfield lease road showing a visually impacted area. Extensive dead zones, salt crusts, and soil cracks are visible in a 200 feet by 100 feet area. The impacted area is adjacent to pad containing oilfield equipment.



Photograph facing southwest off of oilfield lease road showing wetland adjacent to the south of the site.

## Site Inspection Observations

B1-9 was inspected on May 15<sup>th</sup>, 2018, and is located approximately 500 feet east of 31<sup>st</sup> Ave NW and 700 feet south of 104<sup>th</sup> St NW. The site is currently native grassland. Native grasslands lie to the north and south, and agricultural fields lie to the east. An oil & gas facility lies to the east, consisting of a field office, a pump jack, a pipeline riser, and miscellaneous field equipment. Visual impacts were observed, including an area of barren ground with little to no vegetation; the area of visual impacts measured approximately 200 feet by 100 feet. A wetland was observed to the north. The site topography is generally flat, and slopes to the south. A pipeline riser was observed to the west, indicating the likelihood of underground pipeline utilities in the vicinity of the site.

## B1-10



Photograph facing southeast off of an oilfield lease road showing no visual impacts. A pump jack is located approximately 1,000 feet east of site.



Photograph facing southwest off of oilfield lease road showing no visual impacts. A wetland is located approximately 100 feet south of the site.

### Site Inspection Observations

B1-10 was inspected on May 15<sup>th</sup>, 2018, and is located approximately 200 feet south of an oilfield lease road. The site is currently native grassland, and is surrounded by grasslands to the west, south, and east. Agricultural fields lie to the north. No visual impacts were observed at the time of the site visit. A wetland was observed to the south. The site topography is generally flat, and slopes to the north.



**B1-11**

Photograph facing east off of 31<sup>st</sup> Ave NW showing native grasslands with no visual impacts. The site is located approximately 500 feet further southeast in a fenced off field.



Photograph facing south off of 31<sup>st</sup> Ave NW. The site is located approximately 500 feet southeast in a fenced off field. Aboveground powerlines are located approximately 500 west of site.

### Site Inspection Observations

B1-11 was inspected on May 15<sup>th</sup>, 2018, and is located approximately 500 feet south of 31<sup>st</sup> Ave NW. The site could not be accessed at the time of the site visit. The site is currently native grassland, and is surrounded by grasslands. Visual impacts were not observed from a distance at the time of the site visit. A wetland was observed to the south of the site. The site topography is generally flat and slopes to the north.



## B1-12



Photograph facing south off of 31<sup>st</sup> Ave NW showing native grassland. The site is approximately 1,000 feet further south in the fenced-off field. Aboveground powerlines are located approximately 500 feet west of site.



Photograph facing southwest from 31<sup>st</sup> Ave NW. Site could not be accessed due to fence.

### Site Inspection Observations

B1-12 was inspected on May 16<sup>th</sup>, 2018, and is located approximately 1,000 feet south of 31<sup>st</sup> Ave NW. The site could not be accessed at the time of the site visit. The site is currently native grassland, and is surrounded by grasslands. Visual impacts could not be observed at the time of site visit due to access limitations. A wetland was observed to the south of the site. The site topography is generally flat but a drainage direction could not be assessed due to access limitations.

## B1-13



Photograph facing southwest off of 31<sup>st</sup> Ave NW. Site is in fenced off pasture land approximately 1,500 feet further southwest.



Photograph facing southwest off of 31<sup>st</sup> Ave. NW. The site is in fenced-off pasture land. Aboveground powerlines are located approximately 500 feet east of the site.

### Site Inspection Observations

B1-13 was inspected on May 15<sup>th</sup>, 2018, and is located approximately 1,500 feet south of 31<sup>st</sup> Ave NW. The site could not be accessed at the time of the site visit. The site is currently native grassland, and is surrounded by grasslands. Visual impacts were not observed from a distance at the time of the site visit. The site topography appears to drain to the north.



**B1-14**

Photograph facing northeast off of an oilfield lease road showing a visually impacted area including barren areas with no vegetation. The impacted area is approximately 200 feet by 175 feet. Oil pipeline risers are located southwest of site.



Photograph facing northeast off of oilfield lease road showing salt crusts and soil cracks on site. The site is adjacent to a wetland measuring approximately 300 feet by 100 feet.

### Site Inspection Observations

B1-14 was inspected on May 15<sup>th</sup>, 2018, and is located approximately 50 feet east of an oilfield lease road. The site is currently native grassland, and is surrounded by grasslands to the east, south, and west. Oil & gas facilities lie to the northwest (consisting of one pump jack), and to the east (consisting of one pump jack). Visual impacts were observed, including an area of barren ground with little to no vegetation and salt crusting; the area of visual impacts measured approximately 200 feet by 175 feet. A wetland was observed to the north. The site topography is generally flat and slopes to the northeast. Aboveground pipeline risers were observed to the west of the site, indicating the likelihood of underground pipelines in the vicinity of the site.

## B2-1 (May 2018)



Photograph facing east of an oilfield lease road. No visual impacts were observed at the time of the May 16, 2018 site visit. The site is surrounded by agricultural fields with an oil & gas facility located to the west.

### Site Inspection Observations

B2-1 was inspected on May 16<sup>th</sup>, 2018 and is located approximately 350 feet north of 104<sup>th</sup> St NW and 50 feet east of an oilfield lease road. The site is currently used for agricultural purposes and is surrounded by agricultural fields. An oil & gas facility consisting of two aboveground storage tanks, one heater-treater, and one pump jack was observed to the west of the site. No visual impacts were observed at the time of the site visit. A wetland was observed to the southeast of the site. The site topography is generally flat and slopes to the west and northwest. Aboveground powerlines were observed to the south of the site.



## B2-1 (August 2018)



Photograph facing northeast off of an oilfield lease road showing the northern portion of the visually impacted area. Barren ground and stressed vegetation were observed in an area measuring approximately 100 feet by 20 feet.



Photograph facing southeast off of an oilfield lease road showing the southern portion of the visually impacted area.

### Site Inspection Observations

B2-1 was revisited on August 20<sup>th</sup>, 2018. During the initial inspection, the site had recently been plowed, and no impacts could be observed. This follow-up investigation identified visual impacts consisting of barren ground and stressed vegetation in an area measuring approximately 100 feet by 20 feet.



## B2-2



Photograph facing north of 29<sup>th</sup> Ave NW. The site is located approximately 500 feet further north from the location of the picture and could not be accessed during the time of the inspection.



Photograph facing northwest of the wetland located to the southwest of the site. No visual impacts could be observed at the time of the visit due to access limitations.

### Site Inspection Observations

B2-2 was inspected on May 16<sup>th</sup>, 2018, and is located approximately 500 feet northeast of 29<sup>th</sup> Ave NW. The site could not be accessed at the time of the site visit. The site is currently used for agricultural purposes, and is surrounded by agricultural fields. No visual impacts could be observed from a distance at the time of the site visit. A wetland was observed to the southwest of the site. The site topography is generally flat and slopes to the southwest.



**B2-3**

Photograph facing northwest showing site conditions. A 50 feet by 50 feet area of visual impacts can be seen in the foreground.



Photograph facing west showing site conditions. Minimal visual impacts were observed. The wetland observed southwest of the site can be seen in the left side of the photograph.

### Site Inspection Observations

B2-3 was inspected on May 16<sup>th</sup>, 2018, and is located approximately 450 feet west of 28<sup>th</sup> Ave NW. The site is currently used for agricultural purposes, and is surrounded by agricultural fields to the north, west, and south. An oil & gas facility consisting of four aboveground storage tanks, one heater-treater, one wellhead, and one flare pit was observed to the east of the site. Minimal visual impacts were observed, including an area of lighter colored soils and stressed vegetation; the area of visual impacts measured approximately 50 feet by 50 feet. A wetland was observed to the southwest of the site. The site topography is generally flat and slopes to the east.



## B3-1



Photograph facing southwest from the northeast corner of the site, showing visual impacts, including salt residues, barren soils and stressed vegetation, within the oil & gas pad.



Photograph facing west from the east side of the site, showing site conditions.

### Site Inspection Observations

B3-1 was inspected on May 16<sup>th</sup>, 2018, and is located at the center of an active oil & gas facility. The site is currently used as an oil & gas facility. The facility consists of 16 aboveground storage tanks, four heater-treaters, four shacks, and one horizontal separator. Visual impacts were observed, including an area of barren soils with little to no vegetation and salt residues; the area of visual impacts measured approximately 50 feet by 50 feet. The site topography is generally flat and slopes to the northeast. An aboveground powerline was observed on the oil pad facility, running east-west.

## B3-2 (May 2018)



Photograph facing east off of 19<sup>th</sup> Ave NW. No visual impacts were observed at the time of the May 16, 2018 site visit.

### Site Inspection Observations

B3-2 was inspected on May 16<sup>th</sup>, 2018 and is located approximately 500 feet east of 19<sup>th</sup> Ave NW and 50 feet north of an oilfield lease road. The site is currently used for agricultural purposes and is surrounded by agricultural fields. An oil & gas facility consisting of one wellhead was observed to the east of the site. No visual impacts were observed at the time of the site visit. The site topography is generally flat and slopes to the east.



## B3-2 (August 2018)



Photograph facing east off of an oilfield lease road showing a visually impacted area. Barren ground and stressed vegetation were observed in numerous areas.



Photograph facing north off of an oilfield lease road showing a visually impacted area. Stressed vegetation was observed in numerous areas.

### Site Inspection Observations

B3-2 was revisited on August 20<sup>th</sup>, 2018. During the initial inspection, the site had recently been plowed, and no impacts could be observed. This follow-up investigation identified visual impacts consisting of barren ground and stressed vegetation in four distinct areas. One area measuring approximately 20 feet by 15 feet is located in the eastern portion of the site, while 3 additional areas measuring 20 feet by 10 feet, 20 feet by 20 feet, and 30 feet by 15 feet are located to the north of the lease road.

**Table 1**  
**Bottineau County Brine Ponds**

Brine Pond ID	Latitude <sup>1</sup>	Longitude <sup>1</sup>	PLSS Description <sup>2</sup>	Most Visible Imagery <sup>3</sup>	Date Identified	Estimated Area of Impacts (sq ft)	Current Land Usage	Site Access
B1-1	48.992158°	-101.467019°	NENW S32 T164N R83W	SWC 1961	1/4/2018	No visual impacts	Agriculture	
B1-2	48.997636°	-101.482953°	NWSE S30 T164N R83W	GE 1995	1/4/2018	No visual impacts	Agriculture	
B1-3	48.930214°	-101.408394°	SWNW S23 T163N R83W	GE 1995	1/4/2018	10,000	Natural Grassland	
B1-4	48.930764°	-101.395706°	SWNE S23 T163N R83W	SWC 1961	1/4/2018	3,600	Natural Grassland	
B1-5	48.930389°	-101.379636°	SENE S24 T163N R83W	SWC 1961	1/4/2018	No visual impacts	Agriculture	
B1-6	48.926019°	-101.368106°	NESE S24 T163N R83W	SWC 1961	1/4/2018	No site access	Agriculture	Site Access Limitations
B1-7	48.921814°	-101.396914°	NWNE S26 T163N R83W	SWC 1961	1/4/2018	2,400	Natural Grassland	
B1-8	48.923064°	-101.402453°	SESW S23 T163N R83W	SWC 1961	1/4/2018	12,500	Agriculture	
B1-9	48.92015°	-101.384747°	NWNW S25 T163N R83W	SWC 1961	1/4/2018	20,000	Natural Grassland	
B1-10	48.913633°	-101.383017°	NWSW S25 T163N R83W	SWC 1961	1/4/2018	No visual impacts	Natural Grassland	
B1-11	48.906133°	-101.383464°	NWNW S36 T163N R83W	SWC 1961	1/4/2018	No visual impacts	Natural Grassland	
B1-12	48.904447°	-101.383847°	NWNW S36 T163N R83W	SWC 1961	1/4/2018	No visual impacts	Natural Grassland	
B1-13	48.902481°	-101.391689°	SENE T163N R83W	GE 1995	1/4/2018	No visual impacts	Natural Grassland	
B1-14	48.930756°	-101.401106°	SENE S23 T163N R83W	SWC 1961	1/4/2018	35,000	Natural Grassland	
B2-1	48.923728°	-101.356772°	SESW S19 T163N R82W	SWC1961	1/9/2018	2,000	Agriculture	
B2-2	48.927583°	-101.340386°	NWSW S20 T163N R82W	SWC1961	1/9/2018	No visual impacts from a distance	Agriculture	Site Access Limitations
B2-3	48.931494°	-101.324619°	SENE S20 T163N R82W	SWC1961	1/9/2018	2,500	Agriculture	
B3-1	48.963719°	-101.116472°	NENW S12 T163N R81W	SWC 1961	1/16/2018	2,500	Oil & Gas	
B3-2	48.971331°	-101.121383°	NWSW S1 T163 R81W	SWC 1961	1/16/2018	1,350	Agriculture	
B3-3	48.967872°	-101.1218°	SWSW S1 T163 R81W	SWC 1961	1/16/2018	450	Agriculture	
B3-4	48.968733°	-101.111775°	SWSE S1 T163N R81W	SWC 1961	1/16/2018	No visual impacts	Agriculture	
B3-5	48.957022°	-101.120686°	NWSW S12 T163N R81W	SWC 1961	1/16/2018	9,375	Natural Grassland	
B3-6	48.920639°	-101.23185°	NWNW S30 T163N R81W	GE 1997	1/16/2018	10,000	Natural Grassland	
B4-1	48.990156°	-101.001711°	SWNE S35 T164N R80W	SWC 1991	1/16/2018	1,125	Agriculture	
B4-2	48.991078°	-101.006711°	SENE S35 T164N R80W	SWC 1991	1/16/2018	No site access	Agriculture	Site Access Limitations
B4-3	48.990738°	-100.990449°	SWNW S36 T164N R80W	SWC 1991	1/16/2018	15,000	Agriculture	
B4-4	48.980258°	-100.984786°	NENW S1 T163N R80W	SWC 1991	1/16/2018	20,000	Agriculture	
B4-5	48.978286°	-100.979033°	NWNE S1 T163N R80W	SWC 1991	1/16/2018	2,500	Agriculture	
B4-6	48.980281°	-100.978908°	NWNE S1 T163N R80W	SWC 1996	1/16/2018	40,000	Agriculture	
B5-1	48.994267°	-100.855228°	SENE S36 T164N R79W	SWC 1961	1/17/2018	No visual impacts	Natural Grassland	
B5-2	48.988604°	-100.847097°	NENW S36 T164N R79W	SWC 1961	1/17/2018	5,000	Agriculture	
B5-3	48.956453°	-100.947939°	NWSW S8 T163N R79W	SWC 1969	1/17/2018	7,500	Agriculture	
B5-4	48.960561°	-100.952758°	SENE S7 T163N R79W	SWC 1961	1/17/2018	No visual impacts	Natural Grassland	
B5-5	48.920811°	-100.881208°	NWNW S26 T163N R79W	SWC 1961	1/17/2018	5,625	Oil & Gas	
B6-1	48.990436°	-100.827436°	SWNE S31 T164N R78W	SWC 1961	1/17/2018	No visual impacts	Agriculture	
B6-2	48.986139°	-100.827922°	NWSE S31 T164N R78W	SWC 1961	1/17/2018	No visual impacts	Agriculture	
B6-3	48.956592°	-100.778947°	NESE S9 T13N R78W	SWC 1961	1/17/2018	3,000	Agriculture	
B6-4	48.916756°	-100.826944°	SWNE S30 T163N R78W	SWC 1961	1/17/2018	5,000	Agriculture	
B6-5	48.909136°	-100.826572°	SWSE S30 T163N R78W	SWC 1961	1/17/2018	625	Agriculture	
B6-6	48.907389°	-100.823592°	NENE S31 T163N R78W	SWC 1961	1/17/2018	14,400	Agriculture	
B7-1	48.994497°	-100.660969°	NWNW S33 T164N R77W	SWC 1961	1/19/2018	No visual impacts	Reclaimed	
B7-2	48.991886°	-100.654392°	NENW S33 T164N R77W	SWC 1961	1/19/2018	No visual impacts	Agriculture	
B7-3	48.986525°	-100.650578°	NWSE S33 T164N R77W	SWC 1961	1/19/2018	1,000	Natural Grassland	
B7-4	48.944028°	-100.647304°	NESE S33 T164N R77W	SWC 1961	1/19/2018	400	Agriculture	
B7-5	48.989040°	-100.652265°	SWNE S33 T164N R77W	USDA Imagery	2/27/2018	300	Natural Grassland	
B11-1	48.875982°	-101.381789°	NENW S12 T162N R83W	NHAP 1984	1/18/2018	No visual impacts from a distance	Agriculture	Site Access Limitations
B11-2	48.819019°	-101.477088°	NENE S31 T162N R83W	GE 2009	1/18/2018	3,500	Natural Grassland	
B11-3	48.807794°	-101.482984°	SWSE S31 T162N R83W	GE 2007	1/18/2018	35,000	Agriculture	
B11-4	48.808059°	-101.471100°	SWSW S32 T162N R83W	GE 1995	1/18/2018	600	Agriculture	

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**Table 1**  
**Bottineau County Brine Ponds**

Brine Pond ID	Latitude <sup>1</sup>	Longitude <sup>1</sup>	PLSS Description <sup>2</sup>	Most Visible Imagery <sup>3</sup>	Date Identified	Estimated Area of Impacts (sq ft)	Current Land Usage	Site Access
B12-1	48.815772°	-101.25665°	SENE S35 T162N R82W	GE1995	1/30/2018	1,250	Agriculture	
B13-1	48.826132°	-101.214133°	NESE S30 T162N R81W	SWC 1961	2/27/2018	12,000	Agriculture	
B13-2	48.818545°	-101.215100°	NENE S31 T162N R81W	SWC 1961	2/27/2018	6,500	Oil & Gas	
B13-3	48.822472°	-101.219728°	SWSE S30 T162N R81W	SWC 1961	2/27/2018	5,000	Natural Grassland	
B13-4	48.821629°	-101.213599°	SESE S30 T162N R81W	SWC 1961	2/27/2018	5,000	Oil & Gas	
B14-1	48.880578°	-101.034867°	SWSW S3 T162N R80W	SWC 1961	2/8/2018	2,000	Agriculture	
B14-2	48.873761°	-101.003411°	SWNE S11 T162N R79W	SWC 1961	2/8/2018	No visual impacts	Reclaimed	
B14-3	48.874464°	-101.035611°	SWNW S10 T162N R79W	SWC 1961	2/8/2018	6,100	Agriculture	
B14-4	48.869817°	-101.030592°	NESW S10 T162N R79W	SWC 1961	2/8/2018	300	Agriculture	
B14-5	48.865983°	-101.040072°	SESE S9 T162N R79W	SWC 1961	2/8/2018	1,250	Agriculture	
B14-6	48.851589°	-101.024097°	SWSE S15 T162N R79W	SWC 1961	2/8/2018	1,000	Agriculture	
B14-7	48.856206°	-100.974894°	NESE S13 T162N R79W	SWC 1961	2/8/2018	15,000	Agriculture	
B14-8	48.837822°	-100.991144°	SWSW S24 T162N R79W	SWC 1961	2/8/2018	1,000	Agriculture	
B14-9	48.848161°	-101.007456°	NENW S23 T162N R79W	SWC 1961	2/8/2018	250	Agriculture	
B14-10	48.833711°	-100.986678°	NENW S25 T162N R79W	SWC 1961	2/8/2018	6,000	Agriculture	
B14-11	48.822567°	-100.97975°	SWSE S25 T162N R79W	SWC 1961	2/8/2018	3,325	Agriculture	
B14-12	48.8251°	-100.975375°	NESE S25 T162N R79W	SWC 1961	2/8/2018	6,250	Agriculture	
B14-13	48.819033°	-100.976292°	NENE S36 T162N R79W	SWC 1961	2/8/2018	No visual impacts from a distance	Agriculture	Site Access Limitations
B14-14	48.825231°	-100.972078°	NWSW S30 T162N R79W	SWC 1961	2/8/2018	750	Agriculture	
B14-15	48.812097°	-100.958978°	NWSE S31 T162N R79W	SWC 1961	2/8/2018	20,000	Agriculture	
B14-16	48.83535°	-100.948431°	NWNW S29 T162N R79W	SWC 1961	2/8/2018	500	Agriculture	
B14-17	48.833519°	-100.952717°	NENE S30 T162N R79W	SWC 1961	2/8/2018	800	Agriculture	
B14-18	48.84175°	-100.952583°	NESE S19 T162N R79W	SWC 1961	2/8/2018	400	Agriculture	
B14-19	48.841025°	-100.942092°	NESW S20 T162N R79W	SWC 1961	2/8/2018	300	Agriculture	
B20-1	48.791220°	-101.478217°	NENE S7 T161N R83W	GE1995-2016	1/18/2018	40,000	Agriculture	
B20-2	48.801371°	-101.474364°	SWNW S5 T161N R83W	GE1995-2016	1/18/2018	10,000	Natural Grassland	
B20-3	48.806189°	-101.465476°	NENW S5 T161N R83W	GE1995-2016	1/18/2018	100	Natural Grassland	
B20-4	48.794312°	-101.482230°	SWSE S6 T161N R83W	GE1995-2016	1/18/2018	15,000	Agriculture	
B21-1	48.766050°	-101.255163°	SWSW S13 T161N R82W	SWC 1961	2/2/2018	1,500	Natural Grassland	
B21-2	48.764622°	-101.243038°	SWSE S13 T161N R82W	SWC 1961	2/2/2018	No visual impacts	Natural Grassland	
B21-3	48.768767°	-101.258205°	NESE S14 T161N R82W	SWC 1961	2/2/2018	1,500	Natural Grassland	
B21-4	48.760395°	-101.268699°	NENW S23 T161N R82W	SWC 1961	2/2/2018	5,000	Natural Grassland	
B21-5	48.753658°	-101.269553°	NESW S23 T161N R82W	SWC 1961	2/2/2018	80,000	Natural Grassland	
B21-6	48.754010°	-101.257797°	NESE S23 T161N R82W	SWC 1961	2/2/2018	400	Natural Grassland	
B21-7	48.750665°	-101.264484°	SWSE S23 T161N R82W	SWC 1961	2/2/2018	2,500	Agriculture	
B21-8	48.750707°	-101.241917°	SWSE S24 T161N R82W	SWC 1961	2/2/2018	No visual impacts	Natural Grassland	
B21-9	48.749646°	-101.240286°	SESE S24 T161N R82W	SWC 1961	2/2/2018	160,000	Natural Grassland	
B21-10	48.761430°	-101.247241°	NENW S24 T161N R82W	SWC 1961	2/2/2018	40,000	Natural Grassland	
B21-11	48.758272°	-101.241650°	SWNE S24 T161N R82W	SWC 1961	2/2/2018	3,000	Agriculture	
B21-12	48.753811°	-101.237459°	SESE S24 T161N R82W	SWC 1961	2/2/2018	No visual impacts	Private	
B21-13	48.746601°	-101.256851°	NENE S26 T161N R82W	SWC 1961	2/2/2018	250,000	Oil & Gas	
B21-14	48.747227°	-101.247272°	NENW S25 T161N R82W	SWC 1961	2/2/2018	5,000	Natural Grassland	
B21-15	48.744213°	-101.253771°	NWSW S25 T161N R82W	SWC 1961	2/2/2018	11,625	Natural Grassland	
B21-16	48.743379°	-101.253241°	SWSW S25 T161N R82W	SWC 1961	2/2/2018	1,125	Natural Grassland	
B21-17	48.744961°	-101.257914°	NENE S26 T161N R82W	SWC 1961	2/2/2018	1,000	Agriculture	
B21-18	48.740247°	-101.236588°	NESE S25 T161N R82W	SWC 1961	2/2/2018	40,000	Natural Grassland	
B21-19	48.739618°	-101.236110°	NESE S25 T161N R82W	SWC 1961	2/2/2018	187,500	Natural Grassland	
B21-20	48.739681°	-101.291556°	SWSW S23 T161N R82W	SWC 1961	2/2/2018	50,000	Oil & Gas	
B21-21	48.750527°	-101.275177°	SWNE S23 T161N R82W	SWC 1961	2/2/2018	30,000	Natural Grassland	

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**Table 1**  
**Bottineau County Brine Ponds**

<b>Brine Pond ID</b>	<b>Latitude <sup>1</sup></b>	<b>Longitude <sup>1</sup></b>	<b>PLSS Description <sup>2</sup></b>	<b>Most Visible Imagery <sup>3</sup></b>	<b>Date Identified</b>	<b>Estimated Area of Impacts (sq ft)</b>	<b>Current Land Usage</b>	<b>Site Access</b>
B21-22	48.736031°	-101.242668°	SWSE S25 T161N R82W	SWC 1961	2/2/2018	No visual impacts from a distance	Agriculture	Site Access Limitations
B21-23	48.740177°	-101.247356°	NESW S25 T161N R82W	SWC 1961	2/2/2018	No visual impacts	Natural Grassland	
B21-24	48.746033°	-101.236260°	NENE S25 T161N R82W	SWC 1961	2/2/2018	6,250	Natural Grassland	
B21-25	48.747019°	-101.236871°	NENE S25 T161N R82W	SWC 1961	2/2/2018	1,200	Oil & Gas	
B22-1	48.750239°	-101.232119°	SWSW S19 T161N R81W	SWC 1961	2/2/2018	325	Agriculture	
B22-2	48.749679°	-101.221134°	SESE S19 T161N R81W	SWC 1961	2/2/2018	400	Natural Grassland	
B22-3	48.746171°	-101.215610°	NENE S30 T161N R81W	SWC 1961	2/2/2018	50,000	Agriculture	
B22-4	48.743339°	-101.222061°	NWSW S30 T161N R81W	SWC 1961	2/2/2018	1,000	Natural Grassland	
B22-5	48.742892°	-101.232856°	SWNW S30 T161N R81W	SWC 1961	2/2/2018	10,000	Natural Grassland	
B22-6	48.739865°	-101.227654°	NESW S30 T161N R81W	SWC 1961	2/2/2018	No visual impacts	Natural Grassland	
B22-7	48.739334°	-101.227025°	NESW S30 T161N R81W	SWC 1961	2/2/2018	No visual impacts	Natural Grassland	
B22-8	48.739349°	-101.215676°	NESE S30 T161N R81W	SWC 1961	2/2/2018	1,000	Oil & Gas	
B22-9	48.736216°	-101.232908°	SWSW S30 T161N R81W	SWC 1961	2/2/2018	7,500	Agriculture	
B22-10	48.735924°	-101.232158°	SWSW S30 T161N R81W	SWC 1961	2/2/2018	No site access	Agriculture	Site Access Limitations
B22-11	48.737914°	-101.231883°	NWSW S30 T161N R81W	SWC 1961	2/2/2018	1,000	Agriculture	
B22-12	48.732013°	-101.214781°	NWSW S31 T161N R81W	SWC 1961	2/2/2018	No visual impacts	Agriculture	
B22-13	48.732959°	-101.202999°	NENW S32 T161N R81W	SWC 1961	2/2/2018	10,400	Natural Grassland	
B22-14	48.735435°	-101.198461°	SWSE S29 T161N R81W	SWC 1961	2/2/2018	60,000	Agriculture	
B22-15	48.736278°	-101.210857°	SWSW S29 T161N R81W	SWC 1961	2/2/2018	No visual impacts	Natural Grassland	
B22-16	48.738502°	-101.203743°	NESW S29 T161N R81W	SWC 1961	2/2/2018	20,000	Oil & Gas	
B22-17	48.743265°	-101.209503°	SWNW NESW S29 T161N R81W	SWC 1961	2/2/2018	100	Agriculture	
B22-18	48.733198°	-101.211381°	NWNW S32 T161N R81W	SWC 1961	2/2/2018	No visual impacts from a distance	Agriculture	Site Access Limitations
B22-19	48.733039°	-101.206875°	NWNW S32 T161N R81W	SWC 1961	2/2/2018	No visual impacts	Agriculture	
B23-1	48.79605°	-100.975356°	NESE S1 T161N R80W	SWC 1961	2/8/2018	No visual impacts from a distance	Private	Site Access Limitations
B24-1	48.800875	-100.963146	SESW S6 T161 R79W	SWC 1961	2/8/2018	No visual impacts	Agriculture	
B24-2	48.783676	-100.927753	NWSE S9 T161 R79W	SWC 1961	2/8/2018	10,000	Oil & Gas	
B24-3	48.77878	-100.919317	SESW S9 T161 R79W	SWC 1961	2/8/2018	11,525	Agriculture	
B24-4	48.75376	-100.902169	NWSW S22 T161 R79W	SWC 1961	2/8/2018	1,600	Agriculture	
B24-5	48.750446	-100.909563	SESE S21 T161 R79W	SWC 1961	2/8/2018	6,000	Agriculture	
B24-6	48.75011	-100.919279	SESW S21 T161 R79W	SWC 1961	2/8/2018	10,000	Oil & Gas	
B24-7	48.742976	-100.920753	SESW S28 T161 R79W	SWC 1961	2/8/2018	No visual impacts	Agriculture	
B24-8	48.742827	-100.907443	SENE S28 T161 R79W	SWC 1961	2/8/2018	1,500	Agriculture	
B24-9	48.769509	-100.922962	NESW S16 T161 R79W	SWC 1961	2/8/2018	9,500	Agriculture	
B25-1	48.767522°	-100.821681°	NESE S18 T161N R78W	SWC 1961	2/8/2018	1,100	Reclaimed	
B25-2	48.761578°	-100.809808°	NENW S20 T161N R78W	SWC 1961	2/8/2018	400	Agriculture	
B25-3	48.756589°	-100.806047°	SWNE S20 T161N R78W	SWC 1961	2/8/2018	300	Agriculture	
B25-4	48.75415°	-100.8111°	NESW S20 T161N R78W	SWC 1961	2/8/2018	1,250	Agriculture	
B25-5	48.753339°	-100.799056°	NESE S20 T161N R78W	SWC 1961	2/8/2018	40,000	Agriculture	
B25-6	48.750758°	-100.793311°	SWSW S21 T161N R78W	SWC 1961	2/8/2018	100,000	Agriculture	
B25-7	48.724092°	-100.754067°	NESE S34 T161N R78W	SWC 1961	2/8/2018	1,200	Agriculture	

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**Table 1**  
**Bottineau County Brine Ponds**

<i>Brine Pond ID</i>	<i>Latitude<sup>1</sup></i>	<i>Longitude<sup>1</sup></i>	<i>PLSS Description<sup>2</sup></i>	<i>Most Visible Imagery<sup>3</sup></i>	<i>Date Identified</i>	<i>Estimated Area of Impacts (sq ft)</i>	<i>Current Land Usage</i>	<i>Site Access</i>
B41-1	48.553866°	-101.197763°	SENE S36 T159N R82W	SWC1961	1/11/2018	25,000	Agriculture	
B41-2	48.548492°	-101.199216°	NWSE S36 T159N R82W	SWC 1961	1/11/2018	500	Agriculture	
B41-3	48.558014°	-101.203210°	NENW S36 T159N R82W	SWC1961	1/11/2018	No site access	Agriculture	Site Access Limitations
B42-1	48.554618°	-101.186746°	SWNW S31 T159N R81W	SWC 1961	1/10/2018	225	Agriculture	
B42-2	48.561495°	-101.186533°	SWSW S30 T159N R81W	SWC 1961	1/10/2018	400	Agriculture	
Total						1,692,150		

Notes:

- 1: Datum - NAD 1983 State Plane Coordinate System
- 2: Shown as Quarter Quarter, Section, Township, Range
- 3: Publicly available imagery in which the identified brine pond is most apparent
- 4: GE - Google Earth
- 5: NHAP - National High Altitude Photography
- 6: PLSS - Public Land Survey System
- 7: SWC - North Dakota State Water Commission
- 8: sq ft - Square Feet

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**Table 2**  
**Renville County Brine Ponds**

Brine Pond ID	Latitude <sup>1</sup>	Longitude <sup>1</sup>	PLSS Description <sup>2</sup>	Most Visible Imagery <sup>3</sup>	Date Identified	Estimated Area of Impacts (sq ft)	Current Land Usage	Site Access
R1-1	48.964078°	-101.908493°	NWNW S12 T163N R87W	NHAP 1984	3/5/2018	37,500	Agriculture	
R3-1	48.967205°	-101.685369°	SESW S3 T163N R85W	GE 2009	1/12/2018	225	Agriculture	
R3-2	48.974415°	-101.686069°	SESW S3 T163N R85W	SWC 1961	1/12/2018	No visual impacts	Agriculture	
R3-3	48.971184°	-101.669907°	NWSW S2 T163N R85W	SWC 1961	1/12/2018	No visual impacts from a distance	Agriculture	Site Access Limitations
R3-4	48.981339°	-101.684042°	SESW S34 T164N R85W	SWC 1961	1/12/2018	No visual impacts	Private	
R3-5	48.981293°	-101.674091°	SESE S34 T164N R85W	SWC 1961	1/12/2018	No visual impacts	Oil & Gas	
R3-6	48.977902°	-101.664090°	NENW S2 T163N R85W	SWC 1961	1/12/2018	No visual impacts	Oil & Gas	
R3-7	48.977830°	-101.654025°	NENE S2 T163N R85W	SWC 1961	1/12/2018	22,500	Agriculture	
R3-8	48.994566°	-101.645066°	NWNW S36 T164N R85W	GE 1995	1/12/2018	1,000	Agriculture	
R3-9	48.996668°	-101.630800°	SESE S25 T164N R85W	GE 2013	1/12/2018	15,000	Oil & Gas	
R3-10	48.983823°	-101.652687°	SESE S35 T164N R85W	SWC 1961, GE 2007	1/12/2018	2,500	Agriculture	
R3-11	48.989873°	-101.664786°	SESW S35 T164N R85W	SWC 1961, GE 2013	1/12/2018	2,000	Oil & Gas	
R3-12	48.896079°	-101.673160°	SESE S34 T163N R85W	NHAP 1984	3/5/2018	15,000	Natural Grassland	
R4-1	48.997327°	-101.569315°	SWSE S28 T164N R84W	SWC 1961	1/12/2018	11,250	Natural Grassland	
R4-2	48.993508°	-101.564249°	NENE S33 T164N R84W	SWC 1961	1/12/2018	20,000	Natural Grassland	
R4-3	48.994419°	-101.626619°	NWNW S31 T164N R84W	NHAP 1984	3/5/2018	400	Agriculture	
R6-1	48.870120°	-101.805373°	NESE S10 T162N R86W	SWC 1979	1/15/2018	20,000	Natural Grassland	
R6-2	48.880798°	-101.799949°	SWSW S2 T162N R86W	GE 1995	1/15/2018	No site access	Agriculture	Site Access Limitations
R7-1	48.837019°	-101.750496°	SESW S19 T162N R85W	SWC 1979, GE 2003	1/16/2018	10,000	Agriculture	
R7-2	48.828013°	-101.750650°	NESW S30 T162N R85W	SWC 1979	1/16/2018	40,000	Agriculture	
R7-3	48.820206°	-100.990449°	NENW S32 T162N R85W	GE 1995	1/16/2018	2,000	Natural Grassland	
R7-4	48.812102°	-101.717165°	NESE S32 T162N R85W	SWC 1979	1/16/2018	600	Oil & Gas	
R7-5	48.808559°	-101.724776°	SWSE S32 T162N R85W	SWC 1979, GE 2009	1/16/2018	No visual impacts	Agriculture	
R8-1	48.848278°	-101.526739°	NWNE S23 T162N R84W	GE 1995	1/16/2018	40,000	Natural Grassland	
R8-2	48.812271°	-101.499256°	NESE S36 T162N R84W	GE 2007	1/16/2018	No visual impacts from a distance	Natural Grassland	Site Access Limitations
R10-1	48.787063°	-101.832836°	SWNE S9 T161N R86W	GE1995, 2010	1/15/2018	No visual impacts from a distance	Agriculture	Site Access Limitations
R10-2	48.783600°	-101.833589°	NWSE S9 T161N R86W	GE1995, 2015	1/15/2018	No visual impacts	Agriculture	
R10-3	48.782567°	-101.843433°	NWSW S9 T161N R86W	NHAP 1984	3/6/2018	200	Natural Grassland	
R10-4	48.780490°	-101.849120°	SESE S8 T161N R86W	NHAP 1984	3/6/2018	No visual impacts	Agriculture	
R11-1	48.761757°	-101.663201°	NENW S23 T161N R85W	NHAP 1984	1/16/2018	1,200	Agriculture	
R14-1	48.656564°	-101.627871°	SENE S27 T160N R85W	GE 1995	1/12/2018	No visual impacts	Agriculture	
R14-2	48.650320°	-101.625874°	SESE S27 T160N R85W	GE 1995	1/12/2018	No visual impacts	Natural Grassland	
R14-3	48.707297°	-101.687688°	SWSW S5 T160N R85W	NHAP 1984	3/6/2018	No visual impacts	Agriculture	
R15-1	48.660164°	-101.569648°	NWNE S30 T160N R84W	NHAP 1984	1/17/2018	4,000	Agriculture	
R15-2	48.663415°	-101.563883°	SESE S19 T160N R84W	NHAP 1984	1/17/2018	200	Agriculture	
R15-3	48.652935°	-101.507883°	NESW S27 T160N R84W	NHAP 1984	3/6/2018	4,900	Agriculture	
R17-1	48.574788°	-101.640125°	NENW S27 T159N R85W	SWC 1961	3/6/2018	10,000	Agriculture	
R17-2	48.574939°	-101.648721°	NENE S28 T159N R85W	SWC 1961	3/6/2018	5,000	Natural Grassland	
R17-3	48.573280°	-101.650414°	NENE S28 T159N R85W	SWC 1961	3/6/2018	1,200	Agriculture	
R17-4	48.575861°	-101.635747°	SWSE S22 T159N R85W	GE 1995	3/6/2018	400	Agriculture	
R17-5	48.546755°	-101.611353°	SWSE S35 T159N R85W	GE 1995	3/6/2018	No visual impacts	Pasture	
R17-6	48.574954°	-101.662437°	NENW S28 T159N R85W	GE 1995	3/6/2018	6,000	Agriculture	
R18-1	48.619626°	-101.542414°	SWSE S5 T159N R84W	GE 1995	1/17/2018	45,000	Agriculture	
R18-2	48.619806°	-101.546251°	SESE S5 T159N R84W	GE 1995	1/17/2018	No visual impacts from a distance	Agriculture	Site Access Limitations
R18-3	48.584046°	-101.515013°	SWNW S22 T159N R84W	GE 1995	1/17/2018	No site access	Agriculture	Site Access Limitations
R19-1	48.478473°	-101.785925°	NWESW S28 T158N R86W	GE 2010	1/9/2018	No site access	Private	Site Access Limitations
R20-1	48.542877°	-101.609791°	NWNE S2 T158N R85W	GE 1991	3/6/2018	No visual impacts	Pasture	
R20-2	48.539461°	-101.616118°	SESW S2 T158N R85W	GE 1991	3/6/2018	400	Natural Grassland	
R20-3	48.536750°	-101.609766°	NWSE S2 T158N R85W	GE 1991	3/6/2018	8,100	Natural Grassland	
R20-4	48.531010°	-101.627552°	NENE S10 T158N R85W	GE 1991	3/6/2018	10,000	Agriculture	
R23-1	48.544175°	-101.204404°	NENW S1 T158N R82W	NHAP 1984	3/6/2018	1,000	Agriculture	
R23-2	48.533224°	-101.197740°	SWSE S1 T158N R82W	NHAP 1984	3/6/2018	No visual impacts	Private	
R23-3	48.529609°	-101.195094°	NENE S12 T158N R82W	NHAP 1984	3/6/2018	10,000	Natural Grassland	

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**Table 2**  
**Renville County Brine Ponds**

Brine Pond ID	Latitude <sup>1</sup>	Longitude <sup>1</sup>	PLSS Description <sup>2</sup>	Most Visible Imagery <sup>3</sup>	Date Identified	Estimated Area of Impacts (sq ft)	Current Land Usage	Site Access
R23-4	48.529283°	-101.226363°	NENW S11 T158N R82W	NHAP 1984	3/6/2018	No visual impacts	Reclaimed	
R23-5	48.526118°	-101.219936°	SWNE S11 T158N R82W	NHAP 1984	3/6/2018	2,500	Agriculture	
R23-6	48.521201°	-101.233100°	NWSW S11 T158N R82W	NHAP 1984	3/6/2018	1,500	Agriculture	
R23-7	48.518074°	-101.230741°	SWSW S11 T158N R82W	NHAP 1984	3/6/2018	400	Agriculture	
R23-8	48.510920°	-101.232832°	SWNW S14 T158N R82	NHAP 1984	3/6/2018	30,000	Agriculture	
R23-9	48.500328°	-101.236738°	NENE S22 T158N R82W	NHAP 1984	3/6/2018	5,000	Oil & Gas	
R24-1	48.544808°	-101.183395°	NENW S6 T158N R81W	SWC 1961	3/6/2018	1,300	Natural Grassland	
R24-2	48.539852°	-101.188780°	SWNW S6 T158N R81W	SWC 1961	3/6/2018	No visual impacts	Private	
R24-3	48.533350°	-101.188099°	SWSW S6 T158N R81W	SWC 1961	3/6/2018	900	Natural Grassland	
R24-4	48.535696°	-101.183493°	NESW S6 T158N R81W	SWC 1961	3/6/2018	No visual impacts	Natural Grassland	
R24-5	48.522396°	-101.182705°	NESW S7 T158N R81W	SWC 1961	3/6/2018	1,500	Oil & Gas	
R24-6	48.517808°	-101.178616°	SWSE S7 T158N R81W	SWC 1961	3/6/2018	15,000	Oil & Gas	
R24-7	48.517515°	-101.167904°	SWSW S8 T158N R81W	SWC 1961	3/6/2018	33,750	Private	
R24-8	48.515722°	-101.181875°	NENW S18 T158N R81W	SWC 1961	3/6/2018	60,000	Agriculture	
R24-9	48.511321°	-101.167872°	SWNW S17 T158N R81W	SWC 1961	3/6/2018	9,000	Private	
R24-10	48.507878°	-101.170486°	NESE S18 T158N R81W	SWC 1961	3/6/2018	12,500	Agriculture	
R24-11	48.510505°	-101.189010°	SWNW S18 T158N R81W	SWC 1961	3/6/2018	7,500	Agriculture	
R24-12	48.503381°	-101.167602°	SWSW S17 T158N R81W	SWC 1961	3/6/2018	1,575	Agriculture	Site Access Limitations
					<b>Total</b>	<b>530,000</b>		

## Notes:

- 1: Datum - NAD 1983 State Plane Coordinate System
- 2: Shown as Quarter Quarter, Section, Township, Range
- 3: Publicly available imagery in which the identified brine pond is most apparent
- 4: GE - Google Earth
- 5: NHAP - National High Altitude Photography
- 6: PLSS - Public Land Survey System
- 7: SWC - North Dakota State Water Commission
- 8: sq ft - Square Feet

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**Table 3**  
**Ward County Brine Ponds**

<i>Brine Pond ID</i>	<i>Latitude<sup>1</sup></i>	<i>Longitude<sup>1</sup></i>	<i>PLSS Description<sup>2</sup></i>	<i>Most Visible Imagery<sup>3</sup></i>	<i>Date Identified</i>	<i>Estimated Area of Impacts (sq ft)</i>	<i>Current Land Usage</i>	<i>Site Access</i>
Ward-1	48.284676°	-101.707267°	SESE S34 T156N R86W	NHAP 1984	2/26/2018	25,000	Oil & Gas	
Ward-2	48.291965°	-101.707192°	SENE S34 T156N R86W	GE 1995	2/26/2018	5,000	Agriculture	
Total						30,000		

**Notes:**

1: Datum - NAD 1983 State Plane Coordinate System

2: Shown as Quarter Quarter, Section, Township, Range

3: Publicly available imagery in which the identified brine pond is most apparent

4: GE - Google Earth

5: NHAP - National High Altitude Photography

6: PLSS - Public Land Survey System

7: SWC - North Dakota State Water Commission

8: sq ft - Square Feet

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SB 2336 #5  
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**Senate Bill 2336**  
**Testimony of Ron Ness**  
**Senate Finance and Taxation Committee**  
**January 28, 2019**

Chairman Cook and members of the Finance and Taxation Committee, my name is Ron Ness, president of the North Dakota Petroleum Council. The North Dakota Petroleum Council represents more than 500 companies in all aspects of the oil and gas industry, including oil and gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oilfield service activities in North Dakota. I appear before you today in opposition to Senate Bill 2336.

Senate Bill 2336 is the mirror image of HB 1449 heard in the House last week. Some people continue to say that the 2015 tax deal was “not fair.” We would agree! In 2015, as part of the compromise, the ND Petroleum Council pushed for a 4.25% tax. However, the legislature approved a 5% fixed extraction tax, eliminated the low-price oil tax triggers, and added a new high-oil price trigger. The low-price oil triggers were implemented in the late 1980s by the Democrat and Republican controlled House and Senate and signed by the Democrat Governor as incentive to attract oil and gas investment. The loss of those triggers cost the industry and the mineral owners (tens of thousands of farmers, ranchers, and citizens across the state, who also pay the tax on every royalty dollar they receive) over \$1 million per day, totaling \$942 million since December 2015.

We all know the state would have been in major financial distress without that \$942 million, especially after the rainy-day funds had all been spent. Where would the money to balance the budget have come from last session? What other taxes would have been raised?

Many of us vividly remember the discussion on the Senate floor near the end of the 2015 Legislative Session, when several who opposed the oil tax bill changes suggested it was a give-away. They knew oil was headed to \$90 a barrel and the triggers would never hit. Well, those who think they know what the oil markets will do are usually wrong. Six months later, the trigger would have hit and stayed on for 30 months, putting the state budget in a critical situation. Proponents of this bill suggest that the triggers should have simply been taken away and the industry continue to be taxed at the 6.5% extraction rate. That type of tax policy at a time when oil prices were plummeting would certainly have driven investment and jobs out of the state, similar to what happened in the early 1980s. History tells us that did not work.

Other major oil producing states we compete with are taxing oil at a much lower rate: Texas at 4.6%, New Mexico at 7.3%, and Oklahoma at 7%. These states all have more rigs operating than North Dakota, and we compete for capital every day with investment opportunities in those states.

As with any business, certainty is important and essential to attracting the capital necessary to fund the \$20 million per day that industry is spending on oil exploration and development in our state.

The recently released “ND Oil and Gas Tax Distribution Study,” show that the entire state and all our citizens benefit greatly from oil tax revenues. Over the past ten years oil taxes have accounted for 44% of all taxes collected and equal more than \$18 billion in collections. In the 2017-2019 biennium budget, oil taxes are expected to generate \$4.12 billion in revenue for North Dakota.

If this committee is truly interested in creating a better oil tax policy, we welcome you to adopt the attached amendment. The amendment lowers the extraction tax rate to 4.25%, which will likely increase capital investment, generate additional job growth, and exponentially increase the economic activity of the state, thus increasing overall tax revenue as the proponents of this bill seek. If not, let’s quickly defeat this bill and focus on passing legislation creating a new oil tax revenue agreement with the Three Affiliated Tribes that will create a stable and certain business environment and lead to even more growth. We urge a Do Not Pass on Senate Bill 2236. I would be happy to answer any questions.

28 SB 2336 #6 pg. 3

North Dakota Petroleum Council Amendment to SB 2336

Page 1 line 11 after the word "is" over-strike "six and one-half" and replace with "four and one-quarter"



Watford City



## City of Watford City

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Watford City, ND 58854

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[www.cityofwatfordcity.com](http://www.cityofwatfordcity.com)

1/28/2019

9:00 AM – Lewis and Clark Room

## Urge a DO NOT Pass Recommendation for SB 2336

Chairman Cook and members of Senate Finance and Taxation,

Thank you for the opportunity to oppose SB 2336. I am Vawnita Best, Community Development Director, City of Watford City.

Watford City, in the 2010 U.S. Census reported a population of 1,744. A 2017 U.S. Census estimate reported our population at 6,523, making Watford City the 12<sup>th</sup> largest city in North Dakota. Last Friday, during the Senate Transportation committee hearing on SB 2268, OMB and BND provided a joint presentation on the bonding position of the state of North Dakota. That presentation reported that on a per capita basis, the state of North Dakota is bonded \$133 / per person. Comparatively, Watford City is bonded 225 times that on a per capita basis. Why share this? **To help explain our level of 'skin in the game' and the reason why it is so important to the communities of the core four to see the Competitive Index of the Bakken continue to rise above the other shale plays in the United States.** The state cannot control many items that impact the Competitive Index of the Bakken, but the rate of Extraction Tax and associated exemptions and triggers, it can.

Last Wednesday NDPC and WDEA released the results of the North Dakota Oil and Gas Tax Revenue Study. **That study reported that over the last five years, 50% of North Dakota's tax revenue came from oil and gas taxes. 94% of North Dakota's oil and gas is produced in the core four - McKenzie (39.6%), Mountrail (19.3%), Dunn (19.0%), and Williams (16.3%) - 47% of North Dakota's TOTAL tax collections came from the core four and through the investments their communities made and continue to make to attract workers and their families (another one of many Competitive Index Point).**

Fundamentally, from a taxing structure policy perspective, the changes to the Extraction tax proposed in SB 2336 would continue to move revenue diversification in the wrong direction as well. It would further lengthen the longest leg of the North Dakota tax stool.

For these reasons, the City of Watford City opposes SB 2336 and urges Senate Finance and Taxation to recommend a DO NOT Pass. Again, Chairman Cook and committee members, thank you for your time and attention. I would be happy to answer any questions.

Vawnita Best, City of Watford City  
Community Development Director  
[vbest@nd.gov](mailto:vbest@nd.gov)

Chairman Cook and members of the Finance and tax committee

Hello my name is Krisanna Peterson from Bismarck. I am asking you to vote yes on SB 2336. I am a mother, advocate, and licensed teacher working at a Public School. I am also the spouse of a hardworking state employee. These are all reasons why I believe restoring the oil extraction tax to 6 ½% is extremely important.

I am going to start off with a quote our beloved President — **Theodore Roosevelt** who lived in ND "Knowing what's right doesn't mean much unless you do what's right."

We need to start doing what is right for ND not just for a select few. First I want to start out with grew up on a Farm north of Bismarck. A family farm that has been here for three generations. I have found a love for the land and a love for ND. I went to school in Washburn they call it coal county. I am happy to know people in this state have great jobs due to coal and oil in this state. But along with everything else it should to be taxed accordingly.

I never get to talk to this committee. Human services knows me quite well. I can not get off much to speak due to working at a school. So I would like to take a quick moment to tell you how this has affected my family.

The most important thing in my life is my family. I have one child who has several disabilities. If you looked at him you would never know he has a disability. My child was/is in the partnership program and he got some mentor hours. Nothing extreme. Well I remember it well our state was needing to make cuts before legislature met in 2017. Why don't you guess where those cuts came out of. That program got cut Just because human service is the largest program doesn't mean it has places to cut. These kids do not get anything else and they cut the little bit they had.

I don't know who decided to make these cuts to partnership but it was ill sided. Instead of maybe a couple hours a week for respite I had nothing. The reason I needed it is so I can work. My son had many appointments and I needed help taking him to these appointments. A couple hours isn't much when about every day you are having to take him to appointments. This was my other job I did. It is exhausting. I know you might know how it feels when you work all day in legislature. It is like that 24/7 -7 days a week. It goes on for years. While I am married and my husband must maintain a job as well. You see I wish I could just not work for work part time to keep up but life didn't work that way. I needed to work for health insurance and money. Not just any insurance. We needed to have two insurances to make sure we did not go into medical debt. I know over the years I have talked with some of you and told you my family didn't qualify for medicaid. Just because someone has a mental health diagnoses does not mean we are poor. That is inaccurate assumption. Our family does not qualify for any help. We make too much money. Even with me quitting my job we would still make too much money. So do not assume that means we are ok. No it does not. Having a child with disabilities has costs you do not see. When you are exhausted mentally and physically you have to do some things that maybe others would not. The only way we could qualify for medicaid without a waiver is me working as a paraprofessional. But we would not have any way to live. So I am doing the best I can with what I have. That is why we work at where we work and do what we do. So how does this all relate? Well when you cut down the oil extraction tax that cuts down the services we have for our kids. It cuts down money for everything. It seems like a small percent but it makes a huge difference. I know some here do not live paycheck to paycheck and do not understand what it's like. So I would like to give you all the opportunity to go through my life. Believe me my life isn't as bad as some. I work in a school system and some are much much much worse. As a teacher/para I have donated things to what I call 'my kids'. My school kids. I am good at finding a good deals and that helps me to be able to do that type of thing. We have not gotten raises my husband. As you know things go up and cost more. I really account him not getting a raise to

why we are not living paycheck to paycheck. We need to increase the cost of public employees.

Also last session they changes our insurance plan to make our co pays and coinsurance, deductible, all went up for \$200. Well we are losing money. I hear complains that the state employees get health paid at 100%. What people do not realize if that dental or vision is not paid. Any other employee who works at regular job gets a percent of that paid. Even working at a school for 8-9 months a year has that. So when people are complaining our state is too poor to do this we can do something about it. It time to wake up my legislator friends! It's time to increase the taxes on oil. What are we causing more harm than good for my family and your constituents. When you take a oath of office remember it's not about you its about all of us. Some say if we change our rate we will lose business. What are oil tax rates of other states? I have a teacher friend from Oklahoma. She said that happened to her state and they having a hard time with funding. In fact they had teacher rallies not all that long ago due to schools falling apart. Let us learn from Oklahoma and not make the mistakes they did, All this oil does something to our state it can be good and bad. So the bad goes unnoticed and we end up paying it for it later on. What we take out we must put back in the earth. Please keep the ND that I grew up with.

I was recently told that by a legislator that they decreased the oil taxes, but they need to increase taxes elsewhere. If this is the case why can't we just put the oil tax back to were it was?. We need more money to come into this state. I am tired of our state not having funding for taking care of its people.

Thank you.

**Piepkorn, Merrill**

✓ 28 SB 2336 #8 pg.3

**From:** Karen K. Ehrens <karen@ehrensconsulting.com>  
**Sent:** Monday, January 28, 2019 7:52 AM  
**To:** Piepkorn, Merrill; Anderson, Pamela K.  
**Subject:** Fw: SB 2336 - Restore the Oil Extraction Rate

**CAUTION:** This email originated from an outside source. Do not click links or open attachments unless you know they are safe.

FYI, Karen  
Have a great week!

**From:** Karen K. Ehrens  
**Sent:** Monday, January 28, 2019 7:49 AM  
**To:** dcook@nd.gov ; jkannianen@nd.gov ; Jim A. Dotzenrod ; scottmeyer@nd.gov ; dpatten@nd.gov ; jkunruh@nd.gov  
**Subject:** SB 2336 - Restore the Oil Extraction Rate

January 28, 2019

Dear Senators of the Finance and Taxation Committee,

Please support SB 2336 to restore the oil extraction rate to levels that were in place from 1980 to 2015. This can help to cover costs for the known and unknown impacts of hydraulic fracturing, "fracking," to the people, infrastructure and environment of our state. While many in our state have benefitted from the rapid re-expansion of oil extraction with fracking, there are municipal, county, and state budgets that are not keeping up with past, current, and future costs.

While some of the groundwater and surface water contamination and air pollution have been minimized, there are ongoing and future costs at each step of production from site preparation to drilling, production, transportation, storage and disposal of wastewater and chemicals to site remediation. I am particularly concerned with the damage to the lands we use to produce food, prime agricultural land. Some taxes are being paid by the oil industry and from the individuals and businesses that are experiencing benefit. But not all the external costs to our state are being covered. It makes sense to me that the companies benefitting most from the extraction should contribute to the current and future burdens on our state and its people.

With the increased economic development and population, and our state's population estimated to be at our highest level ever, there are more costs to providing services to more people. There are increased needs in human and social services: increased human trafficking and victim services, public safety, housing and food needs, K-12, vocational and higher education needs, behavioral health and addiction needs, health, healthcare and long term care needs – and the budgets for providing of all of these have been cut over the past 2 bienniums. We cannot afford to cut any more: we need to invest in our people and our infrastructure. We experimented with the reduced rate for four years, and we are falling behind. **It's time to restore the oil tax extraction rate to 6.5%.** Let's leave a legacy of a North Dakota as a better place than we had for our children and grandchildren.

Thank you for the consideration of these comments,  
Sincerely,

Karen Ehrens, RD, LRD  
233 W Ave C  
Bismarck, ND 58501  
phone: 701-223-2616  
karen@ehrensconsulting.com  
Everything is connected...