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ROLL NUMBER

DESCRIPTION

2311

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Deanna Hallen
Operator's Signature

10/22/03

Date

2003 SENATE FINANCE AND TAXATION

SB 2311

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10/22/03

Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2311

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 5, 2003

Tape Number	Side A	Side B	Meter #
1		X	5,430-end
2	X		1-2948
Committee Clerk Signature <i>Mary Kay L. L. L.</i>			

Minutes:

Senator Urlacher opened the hearing on SB2311. All committee members are present. This bill relates to creating and establishing an oil and gas research council.

Senator Wardner (mtr #5470) - Primary sponsor of the bill. Introduced the bill and explained the intent, also clarified the purpose of the trust fund. Referenced Exhibit A handout.

Senator O'Connell (mtr #45) - Testified in support of SB2311.

Senator Bill Bowman (mtr #163) - Testified in support of SB2311.

Bob Harms, Counsel to Governor Hoeven (mtr #310) - Testified in support of SB2311. Written testimony is attached.

Senator Tollefson (mtr #680) - Asked a question regarding the oil reserve, oil production, price and the relationship with this proposed council.

Mr. Harms (mtr #750) - This council will be educational.

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10/22/03
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Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number SB2311

Hearing Date February 5, 2003

Ron Ness, Executive Director of the ND Petroleum Council (mtr #855) - Testified in support of SB2311. Written testimony is attached

Senator Seymour (mtr #1597) - Question about the recipient of the revenue from the sale of oil.

Who is the employer?

Mr. Ness (mtr #1620) - 148 oil companies in the state, listed various oil companies.

Senator Wardner (mtr #1736) - Royalty owners also a recipients of net sales.

Mr. Ness (mtr #1755) - Responded to the remark by Senator Wardner.

Senator Tollerfson (mtr #1951) - Questioned a reference to the Lignite Council an estimate of reserve funds.

Mr. Ness (mtr #2040) - We hope to have those numbers.

Lynn Helms, Director, NDIC Oil & Gas Division (mtr #2112) - Testified in support of SB2311.

Written testimony is attached.

Senator Urlacher (mtr #2573) - What percent of oil reserves are on reservation land?

Mr. Helms (mtr #2584) - Reservation lands hold significant oil reserves. Have not been tapped.

Senator Seymour (mtr #2633) - Has a council partnership been considered with other states?

Mr. Helms (mtr #2654) - The structure would not lend itself to that type of structure.

Roger Chinn, McKenzie County rancher (mtr #2735) - Testified in support of SB2311. Feels it benefits the entire state. Recommends a do pass.

Senator Urlacher (mtr #2948) - Closed the hearing on SB2311

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Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2311

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 10, 2003

Tape Number	Side A	Side B	Meter #
1		X	2929-3980
Committee Clerk Signature <i>[Signature]</i>			

Minutes:

Senator Urlacher opened the discussion on SB2311. All committee members are present. This bill relates to creating and establishing an oil and gas research council and oil and gas research fund.

Senator Wardner (mtr #2993) - Handed out amendments and reviewed the intent of the amendments. Amendment .0101 clarifies the language regarding the funds. Amendment .0102 clarifies wording "advisory board" replaced with "oil and gas research council". The amendments do not overlap. Groups involved in creating the amendments are in agreement.

Senator Urlacher (mtr #3352) - Is open for a motion.

Senator Wardner moves to add both amendments to SB2311. 2nd by Senator Seymour. Roll call vote 6 yea, 0 nay, 0 absent.

Senator Syverson (mtr #3478) - Questioned the ability to have this council work in partnership with another council.

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10/22/03
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Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number SB2311

Hearing Date February 10, 2003

Senator Wardner (mtr #3569) - This council is unique, nothing similar. The cost is minimal.

Senator Wardner moves a Do Pass as Amended. 2nd by Senator Tollefson. Roll call vote 6 yea,

0 nay, 0 absent. Carrier is Senator Wardner.

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10/22/03

Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2311

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date February 17, 2003

Tape Number	Side A	Side B	Meter #
1	X		40-750
Committee Clerk Signature <i>Mary Kay Lusk</i>			

Minutes:

Senator Urlacher opened the discussion on SB2311. All committee members are present. This bill relates to creating and establishing an oil and gas research council and oil and gas research fund.

Senator Wardner (mtr #40) - Bill is back in committee due to the cost of the funding. Proposed an amendment that would reduce the fiscal note to \$4,900.00.

Senator Wardner moved to reconsider the committee's action on SB2311. 2nd by Senator Tollefson.

Senator Urlacher took a voice vote to reconsider SB2311. 6 yea, 0 nay. Bill is back in the committee.

Senator Wardner moved to amend SB2311 as proposed with .0201. 2nd by Senator Tollefson.

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Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number SB2311

Hearing Date February 17, 2003

General discussion by all Senators followed regarding the amendment, and the revenue that would be generated and the likelihood of the formation of the research council. Also talked about the impact of the reduced fiscal note.

Senator Wardner went over the compensation package of the board members.

Senator Urlacher - Took a voice vote to amend as proposed. 6 yea, 0 nay. Bill is before the committee as amended.

Senator Wardner moved a Do Pass as Amended. 2nd by Senator Nichols. Roll call vote 5 yea, 1 nay, 0 absent. Carrier is Senator Wardner.

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10/22/03
Date

FISCAL NOTE
Requested by Legislative Council
04/17/2003

Amendment to: SB 2311

1A. 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.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	(\$50,000)	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$50,000	\$0	\$0

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

Section 2 of the Second Engrossed SB 2311 with conference committee amendments appropriates the first \$50,000 of gross production and oil extraction tax collections in the 2003-05 biennium to the newly created oil and gas research fund. The \$50,000 appropriation reduces state general fund revenues. Other transfers to the oil and gas research fund that are provided for in the bill are estimated to not occur, as the current forecast does not exceed the threshold established in the bill for additional transfers in the 2003-2005 biennium.

After the 03-05 biennium 2% of the identified tax revenues (up to \$1,300,000) will be deposited into the Oil and Gas Research Fund. If the identified tax revenues exceed \$63,300,000 there will be no impact on the General Fund. There would be an impact of up to \$1,300,000 to the Oil Trust Fund.

Costs for administering this fund and assisting the newly created Oil and Gas Research Council will come from the Oil and Gas Research Fund.

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.

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, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Senate Bill 2311 provides for a continuing appropriation. The bill authorizes up to \$1,300,000 to be transferred to the

Oil and Gas Research Fund each biennium after the 2003-2005 biennium. It is estimated that during the 2003-2005 biennium \$50,000 would be transferred to the newly created Oil and Gas Research Fund.

Name:	Karlens K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	04/17/2003

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10/22/03
Date

FISCAL NOTE
Requested by Legislative Council
04/03/2003

Amendment to: SB 2311

1A. 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.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	(\$50,000)	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$50,000	\$0	\$0

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

Section 2 of Reengrossed SB 2311 with the most recent House Amendments appropriates the first \$50,000 of gross production and oil extraction tax collections in the 2003-05 biennium to the newly created oil and gas research fund. The \$50,000 appropriation reduces state general fund revenues. Other transfers to the oil and gas research fund that are provided for in the bill are estimated to not occur, as the current forecast does not exceed the threshold established in the bill for additional transfers in the 2003-2005 biennium.

After the 03-05 biennium 1% of the identified tax revenues (up to \$650,000) will be deposited into the Oil and Gas Research Fund. If the identified tax revenues exceed \$62,650,000 there will be no impact on the General Fund. There would be an impact of up to \$650,000 to the Oil Trust Fund.

Costs for administering this fund and assisting the newly created Oil and Gas Research Council will come from the Oil and Gas Research Fund.

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.

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, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Senate Bill 2311 provides for a continuing appropriation. The bill authorizes up to \$650,000 to be transferred to the

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Oil and Gas Research Fund each biennium after the 2003-2005 biennium. It is estimated that during the 2003-2005 biennium \$50,000 would be transferred to the newly created Oil and Gas Research Fund.

Name:	Karlene K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	04/03/2003

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10/22/03
Date

FISCAL NOTE
Requested by Legislative Council
03/26/2003

Amendment to: SB 2311

1A. 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.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	(\$27,000)	(\$9,500)	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$50,000	\$0	\$0

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	(\$13,500)	\$0	\$0	\$0	\$0	\$0

2. Narrative: Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

Section 2 of Reengrossed SB 2311 with House Amendments appropriates the first \$50,000 of gross production and oil extraction tax collections in the 2003-05 biennium to the newly created oil and gas research fund. The \$50,000 appropriation reduces state general fund revenues as well as county and various other fund revenues. Other transfers to the oil and gas research fund that are provided for in the bill are estimated to not occur, as the current forecast does not exceed the threshold established in the bill for additional transfers in the 2003-2005 biennium.

After the 03-05 biennium 3% of the identified tax revenues (up to \$2,000,000) will be deposited into the Oil and Gas Research Fund. If the identified tax revenues exceed \$63,917,526 there will be no impact on the General Fund. There would be an impact of up to \$2,000,000 to the Oil Trust Fund.

Costs for administering this fund and assisting the newly created Oil and Gas Research Council will come from the Oil and Gas Research Fund.

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.

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, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Senate Bill 2311 provides for a continuing appropriation. The bill authorizes up to \$2,000,000 to be transferred to the

Oil and Gas Research Fund each biennium after the 2003-2005 biennium. It is estimated that during the 2003-2005 biennium \$50,000 would be transferred to the newly created Oil and Gas Research Fund.

Name:	Karlene K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	03/27/2003

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10/22/03

Date

FISCAL NOTE
Requested by Legislative Council
02/19/2003

Amendment to: SB 2311

1A. 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.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Senate Bill 2311 establishes the Oil and Gas Research Fund. The monies to be deposited into this Fund come from the oil and gas gross production tax and the oil extraction tax. During the 03-05 biennium, if estimated revenues exceed \$65,415,659 from the above identified taxes, up to \$4,900 will be deposited into the newly created Oil and Gas Research Fund.

After the 03-05 biennium 3% of the identified tax revenues (up to \$2,000,000) will be deposited into the Oil and Gas Research Fund. If the identified tax revenues exceed \$63,917,526 there will be no impact on the General Fund.

Costs for administering this fund and assisting the newly created Oil and Gas Research Council will come from the Oil and Gas Research Fund.

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.*

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, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Senate Bill 2311 provides for a continuing appropriation. The bill authorizes up to \$2,000,000 to be transferred to the Oil and Gas Research Fund each biennium after the 2003-2005 biennium. This bill authorizes that during the 2003-2005 biennium up to \$4,900 be transferred to the newly created Oil and Gas Research Fund.

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10/22/03
Date

Name:	Kariene Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	02/19/2003

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FISCAL NOTE
Requested by Legislative Council
02/12/2003

Amendment to: SB 2311

1A. 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.*

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Senate Bill 2311 establishes the Oil and Gas Research Fund. The monies to be deposited into this Fund come from the oil and gas gross production tax and the oil extraction tax. During the 03-05 biennium, if estimated revenues exceed \$65,415,659 from the above identified taxes, up to \$2,000,000 will be deposited into the newly created Oil and Gas Research Fund.

After the 03-05 biennium 3% of the identified tax revenues (up to \$2,000,000) will be deposited into the Oil and Gas Research Fund. If the identified tax revenues exceed \$63,917,526 there will be no impact on the General Fund.

Costs for administering this fund and assisting the newly created Oil and Gas Research Council will come from the Oil and Gas Research Fund.

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

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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, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Senate Bill 2311 provides for a continuing appropriation. The bill authorizes up to \$2,000,000 to be transferred to the Oil and Gas Research Fund each biennium.

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Operator's Signature

10/22/03
Date

Name:	Karlene Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	02/12/2003

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Operator's Signature

10/22/03
Date

FISCAL NOTE
Requested by Legislative Council
01/27/2003

Bill/Resolution No.: SB 2311

1A. 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.

	2001-2003 Biennium		2003-2005 Biennium		2005-2007 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

2001-2003 Biennium			2003-2005 Biennium			2005-2007 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2. Narrative: Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.

Senate Bill 2311 establishes the Oil and Gas Research Fund. The monies to be deposited into this Fund come from the oil and gas gross production tax and the oil extraction tax. During the 03-05 biennium, if estimated revenues exceed \$65,415,659 from the above identified taxes, up to \$2,000,000 will be deposited into the newly created Oil and Gas Research Fund.

After the 03-05 biennium 3% of the identified tax revenues (up to \$2,000,000) will be deposited into the Oil and Gas Research Fund. If the identified tax revenues exceed \$63,917,526 there will be no impact on the General Fund.

Costs for administering this fund and assisting the newly created Oil and Gas Research Council will come from the Oil and Gas Research Fund.

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.

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, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.

Senate Bill 2311 provides for a continuing appropriation. The bill authorizes up to \$2,000,000 to be transferred to the Oil and Gas Research Fund each biennium.

Name:	Karlene Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	01/31/2003

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Operator's Signature

01/22/03

Date

Date: 2.10.03
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2311

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Add Amendments .0101 & .0102 to bill.

Motion Made By Sen. Luchessa Seconded By Sen. Luchessa

[illegible]

Total (Yes) 16 No 0

Absent

Floor Assignment

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

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Deanna D. Ball
Operator's Signature

10/22/03
Date

38347.0103
Title.0200

Adopted by Finance and Taxation Committee
February 10, 2003

fo3
2-10-03

PROPOSED AMENDMENTS TO SENATE BILL NO. 2311

Page 2, line 16, replace "Advisory board" with "Oil and gas research council"

Page 2, line 17, replace "advisory board" with "oil and gas research council"

Page 2, line 22, replace "The" with "Subject to subsection 7, the", remove "appointed", and replace "advisory board" with "council"

Page 2, line 23, replace "and" with a comma and after "years" insert ", and three serve for three years"

Page 2, line 24, replace "advisory board" with "council"

Page 2, line 25, replace "advisory board" with "council"

Page 2, line 26, replace "deems" with "determines"

Page 2, line 29, replace "advisory board" with "council" and replace "council" with "commission"

Page 3, line 3, replace "advisory board" with "council"

Page 3, line 6, replace "advisory board" with "council"

Page 3, line 8, after "council" insert "or commission"

Page 3, line 14, after "council" insert "or commission"

Page 4, line 4, replace "advisory board" with "council"

Page 4, line 16, after "of" insert "the state's share of"

Page 4, line 23, after "of" insert "the state's share of the"

Page 4, line 24, after "tax" insert "revenues that are deposited into the state general fund,"

Page 4, line 26, after "of" insert "the state's share of"

Renumber accordingly

Date: 2.10.03
Roll Call Vote #: 2

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2311

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do pass as amended

Motion Made By Sen. Laxness Seconded By Sen. Tollefson

Senators	Yes	No	Senators	Yes	No
Senator Urlacher - Chairman	/		Senator Nichols	/	
Senator Wardner - Vice Chairman	/		Senator Seymour	/	
Senator Syverson	/				
Senator Tollefson	/				

Total (Yes) 6 No 0

Absent _____

Floor Assignment Senator Laxness

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

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Dennis Hall
Operator's Signature

10/22/03
Date

REPORT OF STANDING COMMITTEE (410)
February 11, 2003 12:50 p.m.

Module No: SR-26-2276
Carrier: Wardner
Insert LC: 38347.0103 Title: .0200

REPORT OF STANDING COMMITTEE

SB 2311: Finance and Taxation Committee (Sen. Uriacher, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2311 was placed on the Sixth order on the calendar.

Page 2, line 16, replace "Advisory board" with "Oil and gas research council"

Page 2, line 17, replace "advisory board" with "oil and gas research council"

Page 2, line 22, replace "The" with "Subject to subsection 7, the", remove "appointed", and replace "advisory board" with "council"

Page 2, line 23, replace "and" with a comma and after "years" insert ", and three serve for three years"

Page 2, line 24, replace "advisory board" with "council"

Page 2, line 25, replace "advisory board" with "council"

Page 2, line 26, replace "deems" with "determines"

Page 2, line 29, replace "advisory board" with "council" and replace "council" with "commission"

Page 3, line 3, replace "advisory board" with "council"

Page 3, line 6, replace "advisory board" with "council"

Page 3, line 8, after "council" insert "or commission"

Page 3, line 14, after "council" insert "or commission"

Page 4, line 4, replace "advisory board" with "council"

Page 4, line 16, after "of" insert "the state's share of"

Page 4, line 23, after "of" insert "the state's share of the"

Page 4, line 24, after "tax" insert "revenues that are deposited into the state general fund,"

Page 4, line 26, after "of" insert "the state's share of"

Renumber accordingly

38347.0201
Title.0300

Adopted by the Finance and Taxation
Committee
February 17, 2003

[Signature]
2-17-03

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2311

Page 4, line 14, replace "two million" with "four thousand nine hundred"

Page 4, line 19, replace "two million" with "four thousand nine hundred"

Renumber accordingly

Page No. 1

38347.0201

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[Signature]
Operator's Signature

10/22/03
Date

Date: 2.17.03
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2311

Senate	Finance and Taxation	Committee
---------------	-----------------------------	------------------

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Same as discussed

Motion Made By Sam. Williams Seconded By Sam. Tolleson

[illegible]

Total (Yes) 6 No 0

Absent

Floor Assignment

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

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Operator's Signature Deanna Walling Date 10/22/03

Date: 2-17-03
Roll Call Vote #: 2

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 231

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken 1500 hours US Commanded

Motion Made By Sam. Woodson Seconded By Sam. Nelson

[illegible]

Total (Yes) 5 No 1

Absent

Floor Assignment Don. Leachman

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

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Operator's Signature Deanna Hall

10/22/03

Date _____

REPORT OF STANDING COMMITTEE (410)
February 18, 2003 8:13 a.m.

Module No: SR-31-3030
Carrier: Wardner
Insert LC: 38347.0201 Title: .0300

REPORT OF STANDING COMMITTEE

SB 2311, as engrossed: Finance and Taxation Committee (Sen. Uriacher, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (5 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). Engrossed SB 2311 was placed on the Sixth order on the calendar.

Page 4, line 14, replace "two million" with "four thousand nine hundred"

Page 4, line 19, replace "two million" with "four thousand nine hundred"

Renumber accordingly

2003 HOUSE FINANCE AND TAXATION

SB 2311

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Deanna Hall
Operator's Signature

10/22/03

Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2311

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date March 11, 2003

Tape Number	Side A	Side B	Meter #
2		X	33.6
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

REP. WES BELTER, CHAIRMAN Called the hearing to order.

SEN. RICH WARDNER, DIST. 37, DICKINSON Introduced the bill. This bill sets up an oil and gas research council. It is set up for the purpose and under the same guidelines similar to the one that the coal research and development, in which they are looking for new ways to burn coal and use products from coal, this one will be looking for new ways to get oil out of the ground.

This would be a tool that would be used to find new ways to get that oil out, and continue to keep our oil production up. Went on to explain the bill.

REP. BELTER Is this somewhat similar to the Lignite Research Council?

SEN. WARDNER Yes, it is under the same idea.

REP. BELTER You have two legislators on this committee, under the Lignite Council, there are no legislators, are there?

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Deanna Hall
Operator's Signature

10/22/03
Date

Page 2

House Finance and Taxation Committee

Bill/Resolution Number SB 2311

Hearing Date March 11, 2003

SEN. WARDNER That is correct. That is not necessarily the make up of the board, but the concept of having a research and development tool out in the oil country, that would be similar to what is in coal country.

REP. BELTER All of the appointees, are that of the Governor. My concern would be, currently, we are in very good shape, but if I can use the word "goofy", there is a possibility that North Dakota could have a goofy Governor, my question is, is there people in the oil industry, that could consequently, be considered goofy, and get appointed to this board, and pretty soon we have a board that is controlled by people who are not very supportive of the oil industry.

SEN. WARDNER I guess your point is well taken. We trust our governor to appoint people to all kinds of boards, and so far, there has been a pretty good job. What you are saying could happen.

REP. BELTER I have seen things happen over the years that I have been in the legislature, and I have heard a lot of horror stories from other states.

REP. WEILER Stated that he thought the governor had excellent staff.

REP. DROVDAL I thought the make up of the board was rather strange too, of course, I have trust in the governor and staff to make good appointments too, one of them is a royalty owner. With the diversification of royalty minerals all over the United States, and actually in many cases, it is Burlington Northern or the oil companies themselves which would actually have a person on, which can be good or bad, are there other options, and what was the logic that went into that?

SEN. WARDNER I guess I can't answer that, I think we would have no problem if you think there needs to be a tweeking on this bill.

Page 3

House Finance and Taxation Committee

Bill/Resolution Number SB 2311

Hearing Date March 11, 2003

REP. DROVDAL Who came up with the makeup?

SEN. WARDNER It came from the oil industry.

REP. SCHMIDT As an elected official, one of the instructions we get when we come to Bismarck, how would I answer my constituents in this?

SEN. WARDNER I am looking at the big picture, somebody has to be in charge. Somebody has to decide what project we are going to do for research and development. If we are going to continue with oil production in this state, and if we are going to continue to keep revenue coming in so that we can fund education, and human services, we have to have some new ideas out there so we can keep that oil production up. That is why we feel it is important to put this board into place, because it will be overseen in these projects to decide which are acceptable and which are not. The big reason is to keep oil production up, which keeps money coming in to the state coffers.

REP. BELTER You have two members from the legislative assembly, and I guess, by and large, the legislature has, over the years, refrained from putting legislators on boards, and I have a constituent in my district, who was a long time legislator, who feels very adamantly about not having legislators on boards. In your development of this bill, was there any discussion as to why you need legislators on the board. I sometimes think it is very important to keep the legislature independent from these various boards.

SEN. WARDNER The committee felt it is a production of revenue and keeping the oil production high, is of great interest to the legislature, however, I don't feel it is something that is a necessary thing. We can take the legislators out, we don't have a problem with that. We would definitely like to work with the committee for their ideas, we are open.

Page 4
House Finance and Taxation Committee
Bill/Resolution Number SB 2311
Hearing Date March 11, 2003

REP. JOHN WARNER. Testified in support of the bill. See written testimony.

REP. FRANK WALD DICKINSON Testified in support of the bill. Submitted a handout relating to the most recent revenue projections. See attached copy. As you all know, at the present time, the oil and gas industry have been good corporate citizens in this state, by and large, contribute about five percent of the general fund budget. They have contributed about sixty two million for 2003-2005 biennium, and another two to three million dollars in the trust fund which was set up a few years ago. That totals ninety three million dollars. In addition to that ninety three million dollars, that the oil and gas industry contributes to the general fund, there is about fifty to sixty percent of that amount that also goes to the cities, counties and school districts. You all understand how that formula works, which is close to about another one hundred million dollars out in the oil producing counties. The energy industry contributes about two hundred million dollars in direct tax collections to the general fund. You all understand the dire need we are in this year, in terms of producing revenue. I think the oil and gas industry have paid their fair share. Commented on mineral leasing fees, stating that it is estimated in the most recent forecast, that there will be about \$ 4,215,000 of lease money, which comes in from lands under the control of the State Land Department and other agencies.

Related to the appointments which the governor makes. It has been suggested that perhaps, one of the six ought to be a county commissioner in an oil producing county. You also asked about legislators being on there. Last session, if you recall, we put two legislators on the Agricultural Research Board, one from each party. It is not plowing new ground in terms of putting new legislators on these boards. Back in the days when Governor Olson was governor, I was

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Deanna Waller
Operator's Signature

10/22/03
Date

Page 5
House Finance and Taxation Committee
Bill/Resolution Number SB 2311
Hearing Date March 11, 2003

appointed to the EEOC, as a legislative member on that board, and then when Governor Schafer became governor, he took legislative members off that board, that is the governor's call.

I think SB 2311 is an idea whose time has come. Years ago, one of the savings and loans, had a very catchy marketing phrase, which was "no deposit, no return", I am here to say, if we don't make some deposits in oil and gas research, there may not be much of a return down the road.

SEN. BILL BOWMAN Testified in support of the bill, stating he signed on to the bill, when he read, line 12 through 17, what the actual council does. The thing that stuck out in my mind was horizontal drilling. When it first came to our area, nobody really knew what it was. If you went in to a cafe and asked ten different people, you got ten different answers. Over a period of time, everyone learned what it meant, and we also seen the results in increased production.

Another hot word right now is, "cold bed methane". The council can address what this will do. They will address environmental issues and the spacing of these oil wells. They address all of the things which have huge impact to those areas. I can remember when the first horizontal well was drilled, people thought it was a joke, and look what happened because of it and because of the research. I think it is a wonderful way to expand the oil industry.

REP. EARL RENNERFELD, WILLISTON Testified in support of the bill. Felt this program is definitely needed and long overdue. He mentioned, you don't have the risk involved as there used to be because of the research which has been done.

BOB HARMS, COUNSEL TO GOVERNOR HOEVEN Testified in support of the bill.

See attached written testimony. Also submitted a handout relating to the North Dakota Daily Oil Produced and Price.

Page 6

House Finance and Taxation Committee

Bill/Resolution Number SB 2311

Hearing Date March 11, 2003

RON NESS, EXECUTIVE DIRECTOR OF THE NORTH DAKOTA PETROLEUM

COUNCIL Testified in support of the bill. See written testimony plus Facts and Figures regarding the North Dakota Oil & Gas Industry and charts showing the North Dakota daily oil produced and price together with the North Dakota average monthly rig count.

Related to the governor's appointments in the bill. He stated they wanted to mirror the Lignite Council in this, they do have legislators on their committee. Thought it would be important to have legislative representation. Whether or not the six board members would be appointed by the governor could be up to the wisdom of the committee.

REP. DROYDAL What was your comment about the mineral owner.

RON NESS We thought it was important to have a mineral owner on the board. Why would a governor appoint anyone to this council that doesn't have a vote in this state. All of these revenues we are talking about, there are royalty owners, or mineral owners reaping the benefits.

REP. DROYDAL would there be an objection to having a county commissioner on the board?

RON NESS I don't know that we would have any opposition if it was someone from the oil producing counties. The concept was, the Lignite Research Council is appointed by executive order, and their board has grown to about twenty seven people. We felt it was too unruly.

ROGER CHINN, MCKENZIE COUNTY COMMISSIONER Testified in support of the bill. See written testimony.

LYNN HELMS, NDIC OIL & GAS DIVISION, INDUSTRIAL COMMISSION Testified in support of the bill. See written testimony.

With no further testimony, the hearing was closed.

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2311

House Finance and Taxation Committee

☐ Conference Committee

Hearing Date March 24, 2003

Tape Number	Side A	Side B	Meter #
1	X		52.4
		X	0
Committee Clerk Signature			

Minutes:

COMMITTEE ACTION

REP. BELTER Presented amendments #38347.0304 to committee members. The amendments would change the members of the board. He took off the two legislators and took out the royalty owner. The change would also be, if revenues exceed \$71,640,000 the excess up to two million dollars must be deposited into the oil and gas research fund.

REP. IVERSON Made a motion to adopt the amendments as presented.

REP. HEADLAND second the motion. Motion carried by voice vote.

REP. WINRICH Asked if the bill sponsors were aware of the amendments.

REP. BELTER Stated he showed the amendments to Ron Ness and Sen. Wardner. Sen. Wardner suggested changes in the funding level, as far as the biennium.

REP. IVERSON Made a motion for DO PASS AS AMENDED

REP. KLEIN Second the motion. **MOTION CARRIED 12 Yes 0 No 2 Absent**

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Deanna Waller
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10/22/03
Date

Date: 3-24-03
Roll Call Vote #: 7

2003 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2311

House FINANCE & TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 38347.0304

Action Taken Do Pass as amended

Motion Made By Rep. Iverson Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
BELTER, CHAIRMAN	✓				
DROVDAL, VICE-CHAIR	✓				
CLARK	✓				
FROELICH	✓				
GROSZ	✓				
HEADLAND	✓				
IVERSON	✓				
KELSH	✓				
KLEIN	✓				
NICHOLAS	✓				
SCHMIDT	✓				
WEILER	✓				
WIKENHEISER	✓				
WINRICH	✓				

Total (Yes) 12 No 0

Absent 2

Floor Assignment Rep. Drovda

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

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Operator's Signature Deanna Waller Date 10/22/03

REPORT OF STANDING COMMITTEE (410)
March 25, 2003 8:20 a.m.

Module No: HR-53-5620
Carrier: Drovda
Insert LC: 38347.0304 Title: .0400

REPORT OF STANDING COMMITTEE

SB 2311, as reengrossed: Finance and Taxation Committee (Rep. Belter, Chairman)
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends
DO PASS (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). Reengrossed
SB 2311 was placed on the Sixth order on the calendar.

Page 1, remove lines 10 and 11

Page 2, line 16, remove "- Governor to appoint"

Page 2, line 17, replace "governor shall appoint an oil and gas research council composed of nine" with "oil and gas research council is composed of seven members, four of whom must currently be engaged in and have at least five years of active experience in the oil and natural gas exploration and production industry. The council consists of:

- a. Four members appointed by the governor from a list provided by the North Dakota oil and gas association. The governor may reject the list and request the association to submit a new list until the appointments are made.
- b. One member appointed by the governor from a list provided by the North Dakota association of oil and gas producing counties. The governor may reject the list and request the association to submit a new list until the appointment is made.
- c. The executive director of the North Dakota petroleum council, or the executive director's designee.
- d. A county commissioner selected by the North Dakota association of oil and gas producing counties."

Page 2, remove lines 18 through 21

Page 2, line 23, replace the first "three" with "two" and replace the second "three" with "two"

Page 2, line 29, replace "Six" with "Four"

Page 3, line 5, replace "A member" with "Members" and replace "serves" with "appointed by the governor serve"

Page 4, line 12, replace "If the estimates for the oil and gas gross production tax and the oil" with "the first fifty thousand dollars of revenue from the oil and gas production tax and oil extraction tax"

Page 4, remove line 13

Page 4, line 14, remove "hundred fifty-nine dollars, the excess, up to four thousand nine hundred dollars,"

Page 4, line 15, replace "as provided in this" with a period

Page 4, replace lines 16 through 22 with "In the 2003-05 biennium, if the estimates for the oil and gas gross production tax and the oil extraction tax in any revenue forecast exceed seventy-one million sixty-four thousand dollars, the excess, up to two million dollars, must be deposited into the oil and gas research fund. At the end of each calendar quarter, the state treasurer shall transfer three percent of the state's share of the oil and gas gross production tax and oil extraction tax revenues that have been deposited

(2) DESK, (3) COMM

Page No. 1

HR-53-5620

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Deanna Waller
Operator's Signature

10/22/03
Date

REPORT OF STANDING COMMITTEE (410)
March 25, 2003 8:20 a.m.

Module No: HR-53-5620
Carrier: Droydal
Insert LC: 38347.0304 Title: .0400

into the general fund in the previous three months into the oil and gas research fund. When transfers to the oil and gas research fund reach two million dollars in the 2003-05 biennium, no further transfers may be made. If subsequent revenue projections during the 2003-05 biennium reduce the revenue forecast for the oil and gas production tax and oil extraction tax to seventy-one million sixty-four thousand dollars or less, transfers to the fund shall cease."

Page 4, line 23, remove "thousand six hundred fifty-nine dollars or less, transfers to the fund shall cease."

Renumber accordingly

2003 HOUSE APPROPRIATIONS

SB 2311

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Operator's Signature

10/22/03

Date

2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2311

House Appropriations Committee

☐ Conference Committee

Hearing Date 03-31-03

Tape Number	Side A	Side B	Meter #
1		X	-28
2	X		27
Committee Clerk Signature <i>Chris J. Nelson</i>			

Minutes:

Chairman Svedjan Opened SB 2311 for discussion. A quorum was present.

Sen. Rich Wardner In Finance and Tax, they messed up the appropriation mechanism. These amendments fix it so the counties aren't affected.

Rep. Gulleson This non-elected group has broad authority. This group has to be under the Industrial Commission.

Chairman Svedjan The financial impact will reduce revenue by 50,000 and require an appropriation of 50,000?

Sen. Wardner Correct.

Chairman Svedjan So it would have no impact on the counties.

Rep. Delzer You designed this after the lignite council?

Sen. Wardner The objective is the same.

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Deanna Ballin
Operator's Signature

10/22/03

Date

Page 2
House Appropriations Committee
Bill/Resolution Number SB 2311
Hearing Date 03-31-03

Rep. Delzer When I look through the list of the petroleum council projects, I need to know how we justify this. With the Lignite Coal, we are almost an exclusive provider of it. Oil is worldwide. How do we justify spending 2.5 million dollars on a global industry that doesn't distinguish between ND and the rest of the globe?

Sen. Wardner There is exploration that is a part of this. Our state needs to be proactive in helping with shallow gas extraction.

Rep. Delzer The fiscal note says there could be an impact on the trust fund.

Sen. Wardner We took that off.

Rep. Delzer I want to understand how this works.

Sen. Wardner If oil revenue projections drop below 63 million dollars, the cap would be triggered.

Rep. Glassheim What is the excess up to \$500,000? How does that relate?

Rep. Delzer Let's ask Rep. Belter.

Ron Ness, ND Petroleum Council We could not amend the version with the House Amendments. The engrossed bill would have 71, 64,000 coming in to the cap of 62 million on the fund. 9 million dollars and change would flow into the Oil and Tax Trust Fund. We would take \$50,000 off the top, replace the funding mechanism in the original bill. Then that would have no impact on the counties. Then they inserted the 71 million dollars which is the new number from Economy.Com. That will hold harmless the 03-05 biennium other than the \$50,000. It replaces all other language in the bill.

Rep. Wald Shouldn't we also change line 13?

Ness Its taken care of.

Page 3
House Appropriations Committee
Bill/Resolution Number SB 2311
Hearing Date 03-31-03

Rep. Gulleason What is your marketing budget for each year?

Ness We don't have a specific budget, but an estimate is \$25,000.

Rep. Gulleason How does BSC's grant work with this?

Ness I don't know their intentions.

Rep. Aarsvold On page 2, line 4, why did we not stay with the 3% all the way up rather than having that balloon, when it goes over 71 million?

Ness The 3% wouldn't start until August 10, 2005.

Rep. Aarsvold This mirrors the lignite council?

Ness Yes, except for the board membership and the funding mechanism.

Rep. Wald I don't know if I heard a clear answer on the question of Rep. Glassheim on page 2 of the amendments. The access of \$500,000, would you explain that?

Ness The 71 million and change is the new number Economy.Com came up with last month. This bill in the original form had 65 million and change, which was the number in the Governor's budget. The budget situation has brought us to use the new number and lower that from 2 million to \$500,000.

Rep. Wald In the next biennium, the most that could be put into the research fund is \$550,000?

Ness Yes. The 2 million is off the table.

Rep. Delzer I 05-07, 1.5 million would still go to the research fund.

Ness Correct, 3% goes to this fund.

Rep. Delzer Petrol is global, CO-2 research is out there, not specific to ND. Is the Lignite Energy Research Council statute?

Page 4
House Appropriations Committee
Bill/Resolution Number SB 2311
Hearing Date 03-31-03

Woeste, I'll have to check.

Rep. Rennerfeldt I move .0305 to SB 2311. 2nd by Rep. Wald.

Rep. Timm Are we stripping the other amendments?

Chairman Svedjan Yes.

Rep. Gulleason Should we do this?

Chairman Svedjan We are asked with your concurrence to adopt these amendments?

Rep. Wes Belter Yes.

Rep. Skarphol Did your committee not change the makeup of the council?

Rep. Belter Correct., that was done prior.

Motion Carries

Rep. Delzer I have concerns on the 2 million dollar limit every biennium. I want the 3% lowered to 1%. I move that. 2nd by Rep. Skarphol.

Rep. Rennerfeldt I think by doing that you will cut that to ineffectiveness. This council is long overdue. We need to stabilize this industry.

Rep. Wald What Rep. Delzer referred to won't happen if we don't invest in this.

Rep. Carlson We are encumbering future biennium's Legislatures. Rep. Delzer is correct.

Motion Carries 12-11-0.

Rep. Rennerfeldt I move a Do Pass As Amended. 2nd by Rep. Carlson.

Rep. Glasshelm Why are continuing appropriations a good idea with oil, but not with tourists?

Rep. Carlson We have more oil than tourists.

Motion Carries 23-0-0. Rep. Rennerfeldt will carry this bill on the floor.

REPORT OF STANDING COMMITTEE (410)
April 1, 2003 8:51 a.m.

Module No: HR-58-6286
Carrier: Rennerfeldt
Insert LC: 38347.0305 Title: .0500

REPORT OF STANDING COMMITTEE

SB 2311, as reengrossed: Appropriations Committee (Rep. Svedjan, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (23 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed SB 2311 was placed on the Sixth order on the calendar.

In lieu of the amendments adopted by the House as printed on pages 1042 and 1043 of the House Journal, Reengrossed Senate Bill No. 2311 is amended as follows:

Page 1, remove lines 10 and 11

Page 2, line 16, remove "- Governor to appoint"

Page 2, line 17, replace "governor shall appoint an oil and gas research council composed of nine" with "oil and gas research council is composed of seven members, four of whom must currently be engaged in and have at least five years of active experience in the oil and natural gas exploration and production industry. The council consists of:

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- d. A county commissioner from an oil-producing county appointed by the governor.
- e. The director of the oil and gas division and the state geologist shall serve on the council as advisory nonvoting members."

Page 2, remove lines 18 through 21

Page 2, line 23, replace the first "three" with "two" and replace the second "three" with "two"

Page 2, line 29, replace "Six" with "Four"

Page 3, line 5, replace "A member" with "Members" and replace "serves" with "appointed by the governor serve"

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Page 4, remove line 13

Page 4, line 14, remove "hundred fifty-nine dollars, the excess, up to four thousand nine hundred dollars,"

Page 4, line 15, replace "as provided in this" with a period

(2) DESK, (3) COMM

Page No. 1

HR-58-6286

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Deanna Hallmark
Operator's Signature

10/22/03
Date

REPORT OF STANDING COMMITTEE (410)
April 1, 2003 8:51 a.m.

Module No: HR-58-6286
Carrier: Rennerfeldt
Insert LC: 38347.0305 Title: .0500

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Page 4, line 23, remove "thousand six hundred fifty-nine dollars or less, transfers to the fund shall cease."

Renumber accordingly

(2) DESK, (3) COMM

Page No. 2

HR-58-6286

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Deanna Hall
Operator's Signature

10/22/03

Date

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2311

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Page 1, remove lines 10 and 11

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Page 3, line 5, replace "A member" with "Members" and replace "serves" with "appointed by the governor serve"

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Page 4, remove line 13

Page 4, line 14, remove "hundred fifty-nine dollars, the excess, up to four thousand nine hundred dollars,"

Page 4, line 15, replace "as provided in this" with a period

Page 4, replace lines 16 through 22 with "In the 2003-05 biennium, if actual revenues for the 2001-03 biennium from the state general fund share of the oil and gas production tax and oil extraction tax exceeded seventy-one million sixty-four thousand dollars, the excess up to five hundred thousand dollars must be deposited in a special fund known as the oil and gas research fund, as provided in this section."

Page 4, line 23, remove "thousand six hundred fifty-nine dollars or less, transfers to the fund shall cease."

Page 4, line 24, replace "three" with "one"

Page 4, line 25, replace "two million" with "six hundred fifty thousand"

Page 4, line 27, replace "three" with "one"

Renumber accordingly

REPORT OF STANDING COMMITTEE (410)
April 2, 2003 9:17 a.m.

Module No: HR-59-6474
Carrier: Rennerfeldt
Insert LC: 38347.0306 Title: .0600

REPORT OF STANDING COMMITTEE

SB 2311, as reengrossed: Appropriations Committee (Rep. Svedjan, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (23 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed SB 2311 was placed on the Sixth order on the calendar.

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Page 4, remove line 13

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(2) DESK, (3) COMM

Page No. 1

HR-59-6474

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Deanna Hall
Operator's Signature

10/22/03
Date

REPORT OF STANDING COMMITTEE (410)
April 2, 2003 9:17 a.m.

Module No: HR-59-6474
Carrier: Rennerfeldt
Insert LC: 38347.0306 Title: .0600

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Page 4, line 23, remove "thousand six hundred fifty-nine dollars or less, transfers to the fund shall cease."

Page 4, line 24, replace "three" with "one"

Page 4, line 25, replace "two million" with "six hundred fifty thousand"

Page 4, line 27, replace "three" with "one"

Renumber accordingly

2003 SENATE FINANCE AND TAXATION

CONFERENCE COMMITTEE

SB 2311

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Operator's Signature

10/22/03
Date

2003 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2311

Senate Finance and Taxation Committee

☐ Conference Committee

Hearing Date April 14, 2003

Tape Number	Side A	Side B	Meter #
1	X		1-1360
Committee Clerk Signature <i>Mary Kay Walker</i>			

Minutes:

Chairman Wardner called the Conference Committee to order. Committee members are: Senator Wardner, Senator Urlacher, Senator Nichols, Representative Rennerfeldt, Representative Wald, Representative Warner. All committee members are present.

Senator Wardner (mtr #30) - Basically two parts that we want to visit about. Referenced second engrossed bill with House amendments. First issue, page 2 of that bill, where it talks about the Oil and Gas Research Council, want to visit about the appointing of the Council and who is on the Council. Second part, section 2, page 4, regarding the Oil and Gas Research fund deposits and continuing appropriation. Any other areas of the bill we should look at?

Senator Wardner (mtr #114) - If not will concentrate our efforts on page 2 to start with. The Oil and Gas Research Council, the appointing of and the make-up of the Council. First issue to talk about is the make-up. As it is, the House has four members appointed, using list provided by the ND Oil and Gas Associations, four members would come from that group. One member

Page 2

Senate Finance and Taxation Committee

Bill/Resolution Number SB2311

Hearing Date April 14, 2003

provided by the ND Association of Oil and Gas Producing Counties. The Executive Director of the Oil and Gas Council would assign a designee and the seventh person would be a county commissioner from an oil producing county. Any comments from the committee on the make-up of the Council.

Representative Wald (mtr #194) - Is comfortable with the make-up as it is in the second engrossment with the House amendments.

Representative Rennerfeldt (mtr #211) - Is also comfortable with the make-up as it is.

Senator Wardner (mtr #219) - There was some talk of a royalty owner, that would be the only issue. Personally am satisfied as it is in the second engrossment with House amendments.

Senator Wardner (mtr #271) - Continued, restated that the committee is comfortable with the make-up of the Oil and Gas Research Council. Will move on to the next part, the appointing of members. Have felt on the Senate side that the Industrial Commission should be appointing the Council. In the bill, it is the Governor. Any comments from committee members on who should be appointing.

Representative Rennerfeldt (mtr #323) - On the House side, more comfortable with the Governor making the appointments rather than the Industrial Commission.

Senator Urlacher (mtr #346) - Feeling was that the Industrial Commission handles the oil and gas activity.

Senator Wardner (mtr #375) - Questioned if the Industrial Commission oversees this council and appoints, is there a conflict of interest.

Page 3

Senate Finance and Taxation Committee

Bill/Resolution Number SB2311

Hearing Date April 14, 2003

Representative Warner (mtr #404) - Echoes the concerns of Senator Wardner, feels there may be a conflict of interest. Feels one person making the appointment would be cleaner. Would avoid separate slate of candidates and divided votes.

Senator Nichols (mtr #447) - Feels the Governor making the appointment is the cleanest way to do it.

Senator Wardner (mtr #475) - Agrees, we should leave it with the Governor.

Senator Wardner (mtr #535) - Moved to the next part on page 4. Reviewed lines 21-29, the appropriation and how it would work. Reviewed amount of excess funding that would be deposited to the fund in the current biennium. It is possible that we could have up to \$500,000.00 to work with in the 03-05 biennium.

Representative Wald (mtr #664) - Is the original general fund appropriation given realistic?

Ron Ness, Lobbyist (mtr #678) - Not with the current oil and gas market.

Senator Wardner (mtr #705) - Chances are we would end up with about \$50,000.00. Moved on to review of line 29. When bill left the Senate, it was at 3%, the House amended it to 1%.

Representative Wald (mtr #773) - Moves, line 29, strike 1% and make it 2%. And then on line 31 the 2% would yield 1.3 million rather than the \$650,000.00. And line 2 on page 5 becomes a 2.

Senator Nichols (mtr #838) - Seconds the motion made by Representative Wald to amend the bill. Roll call vote 6 yea, 0 nay, 0 absent.

Representative Wald (mtr #1100) - Moves that the House recedes from its amendments and amends as proposed. Second by Representative Rennerfeldt.

Page 4

Senate Finance and Taxation Committee

Bill/Resolution Number SB2311

Hearing Date April 14, 2003

Roll call vote 6 yea, 0 nay, 0 absent. Carrier's Senator Wardner and Representative Rennerfeldt.

Senator Wardner clarified that all House amendments will be put back in and just make the two changes as proposed.

Senator Wardner adjourned the meeting.

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Deanne Hall
Operator's Signature

10/22/03

Date

23
4-14-03
1 of 2

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2311

That the House recede from its amendments as printed on pages 1088 and 1089 of the Senate Journal and pages 1192 and 1193 of the House Journal and that Reengrossed Senate Bill No. 2311 be amended as follows:

Page 1, remove lines 10 and 11

Page 2, line 16, remove "- Governor to appoint"

Page 2, line 17, replace "governor shall appoint an oil and gas research council composed of nine" with "oil and gas research council is composed of seven members, four of whom must currently be engaged in and have at least five years of active experience in the oil and natural gas exploration and production industry. The council consists of:

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Page 4, line 23, remove "thousand six hundred fifty-nine dollars or less, transfers to the fund shall cease"

Page 4, line 24, replace "three" with "two"

Page 4, line 25, replace "two" with "one" and after "million" insert "three hundred thousand"

Page 4, line 27, replace "three" with "two"

Renumber accordingly

Date: 4.14.03
Roll Call Vote #: 1

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2311

Senate Finance and Taxation Committee

☒ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Amended as presented changing 1/6 to 2/6 and changing cap to 1.3 million

Motion Made By Rep. Wald Seconded By Sen. Nichols

Senators	Yes	No	Representatives	Yes	No
Senator Wardner	<input checked="" type="checkbox"/>		Representative Rennerfeldt	<input checked="" type="checkbox"/>	
Senator Urlacher	<input checked="" type="checkbox"/>		Representative Wald	<input checked="" type="checkbox"/>	
Senator Nichols	<input checked="" type="checkbox"/>		Representative Warner	<input checked="" type="checkbox"/>	

Total (Yes) 6 No 0

Absent _____

Floor Assignment _____

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

Date: 4.14.03
Roll Call Vote #: 2

2003 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2311

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken House Recedes from Amend & amend as follows.

Motion Made By Rep. Wald Seconded By Rep. Rennerfeldt

Senators	Yes	No	Representatives	Yes	No
Senator Wardner	<input checked="" type="checkbox"/>		Representative Rennerfeldt	<input checked="" type="checkbox"/>	
Senator Urlacher	<input checked="" type="checkbox"/>		Representative Wald	<input checked="" type="checkbox"/>	
Senator Nichols	<input checked="" type="checkbox"/>		Representative Warner	<input checked="" type="checkbox"/>	

Total (Yes) 6 No 0

Absent _____

Floor Assignment Sen. Wardner, Rep. Rennerfeldt

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

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Deanna Waller
Operator's Signature

10/22/03
Date

REPORT OF CONFERENCE COMMITTEE (420)
April 14, 2003 3:08 p.m.

Module No: SR-67-7646

Insert LC: 38347.0308

REPORT OF CONFERENCE COMMITTEE

SB 2311, as reengrossed: Your conference committee (Sens. Wardner, Uriacher, Nichols and Reps. Rennerfeldt, Wald, Warner) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 1088-1089, adopt amendments as follows, and place SB 2311 on the Seventh order:

That the House recede from its amendments as printed on pages 1088 and 1089 of the Senate Journal and pages 1192 and 1193 of the House Journal and that Reengrossed Senate Bill No. 2311 be amended as follows:

Page 1, remove lines 10 and 11

Page 2, line 16, remove "- Governor to appoint"

Page 2, line 17, replace "governor shall appoint an oil and gas research council composed of nine" with "oil and gas research council is composed of seven members, four of whom must currently be engaged in and have at least five years of active experience in the oil and natural gas exploration and production industry. The council consists of:

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(2) DESK, (2) COMM

Page No. 1

SR-67-7646

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Deanna Walker
Operator's Signature

10/22/03

Date

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April 14, 2003 3:08 p.m.

Module No: SR-57-7646

Insert LC: 38347.0308

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Page 4, line 27, replace "three" with "two"

Renumber accordingly

Reengrossed SB 2311 was placed on the Seventh order of business on the calendar.

2003 TESTIMONY

SB 2311

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Deanna Halliwell
Operator's Signature

10/22/03
Date

TAX DISTRIBUTION
 (\$20.00 PER BARREL OIL - 3 BARRELS PRODUCTION)
 \$20.00 x 100 BARRELS = \$2000.00

A. WELL COMPLETED ON OR BEFORE
 APRIL 27, 1987 - 6 1/2 % TAX
 B. WELL COMPLETED AFTER
 APRIL 27, 1987 - 4% TAX

EXTRACTION TAX - 4%
 \$2,000.00 x .04 = \$80.00

DISTRIBUTION

OIL PRODUCTION TAX - 5%
 \$2,000.00 x .05 = \$100.00 TAX

DISTRIBUTION

- 1%
 1. 1% OF \$2,000.00 = \$20.00
 2. 33 1/3 OF \$20.00 = \$6.67
 3. 66 2/3 OF \$20.00 = \$13.33

- 4%
 1. 4% OF \$2,000.00 = \$80.00

1ST MILLION - 75% COUNTY, 25% STATE
 2ND MILLION - 50% COUNTY, 50% STATE
 OVER 2 MILLION - 25% COUNTY, 75% STATE

*ASSUMPTION 1 MILLION OR LESS TO COUNTY

2. 75% OF \$80.00 = \$60.00
 3. 25% OF \$80.00 = \$20.00

STATE

GENERAL FUND
 CAPPED 62 M

1. \$13.33
 2. \$20.00
 3. \$48.00
 \$81.33

OIL IMPACT
 GRANT FUNDS

\$6.67

COMMON SCHOOL
 TRUST FUND

\$8.00

45% COUNTY
 GENERAL FUND

45% OF \$60.00
 = \$27.00

35% SCHOOL
 IN COUNTY

35% OF \$60.00
 = \$21.00

20% INCORPORATED
 CITIES

20% OF \$60.00
 = \$12.00

COUNTY

FOUNDATION AID
 STABILIZATION FUND

\$8.00

RESOURCES
 TRUST FUND

\$16.00

OIL TRUST FUND
 PROJECTED

COUNTY CAPS

POPULATION	CAPS
0-2999	3.9M
3000-5999	4.1M
6000+	4.6M

RICH WARDNER
 SENATOR, DISTRICT 37
 DICKINSON, NORTH DAKOTA

Testimony in support of: SB 2311

Robert Harms
Governor's Counsel
State of North Dakota
February 5, 2003

State Capitol
Senate Finance and Taxation Committee
Bismarck, North Dakota

Mr. Chairman, members of the Committee, my name is Robert Harms. I am counsel to Governor Hoeven and appear in support of SB 2311, which was prepared in concert with the Governor and industry.

Six Pillars: The Governor has advanced an agenda since taking office, consisting of six broad topics (called pillars), one of which is energy. The objective of the energy policy is simply to enhance the production of North Dakota's energy resources to further diversify our economy, raise incomes and provide additional economic opportunities for our citizens. The components of the energy sector include.

- Wind
- Coal
- Ethanol
- Bio-diesel
- Hydro
- And Oil and gas

With respect to the oil and gas sector, the Governor has been working on a number of fronts as part of a strategy to encourage new development and investment. These efforts include:

1. Preparation of a DOE grant this spring, for a coal-bed methane test project, spearheaded by Lynn Helms of the ND Oil and Gas Division
2. Introduction of HB1145, which provides a 24-month tax holiday for shallow gas wells.
3. A host of administrative efforts relating to the National Grasslands Management plan and resolving permitting issues with the US Forest Service to reduce impediments to oil and gas development on federal lands.
4. And SB 2311, which establishes a research council and fund.

The goal of SB 2311 is simply to provide a mechanism and funding that will allow new research projects similar to the Lignite Research Council and to provide public education of the oil and gas industry that is so important to our state. For example:

- Attached is a graph that shows the declining production in North Dakota. Oil and gas is a key industry, whose revenues contribute greatly to state and local treasuries, and provide high tech jobs in a dynamic industry. The Council is designed to help change that production curve, stabilize and eventually increase production.

- Secondly, we need to educate the public about the importance of the industry, and the opportunities that exist for employment. Industry officials recognize that they have a looming employment shortage facing them in the next decade, losing approximately 50% of the work force, which will further challenge development in North Dakota. The Council may help educate the educators, students, company executives and the public about the industry and the opportunities it offers.

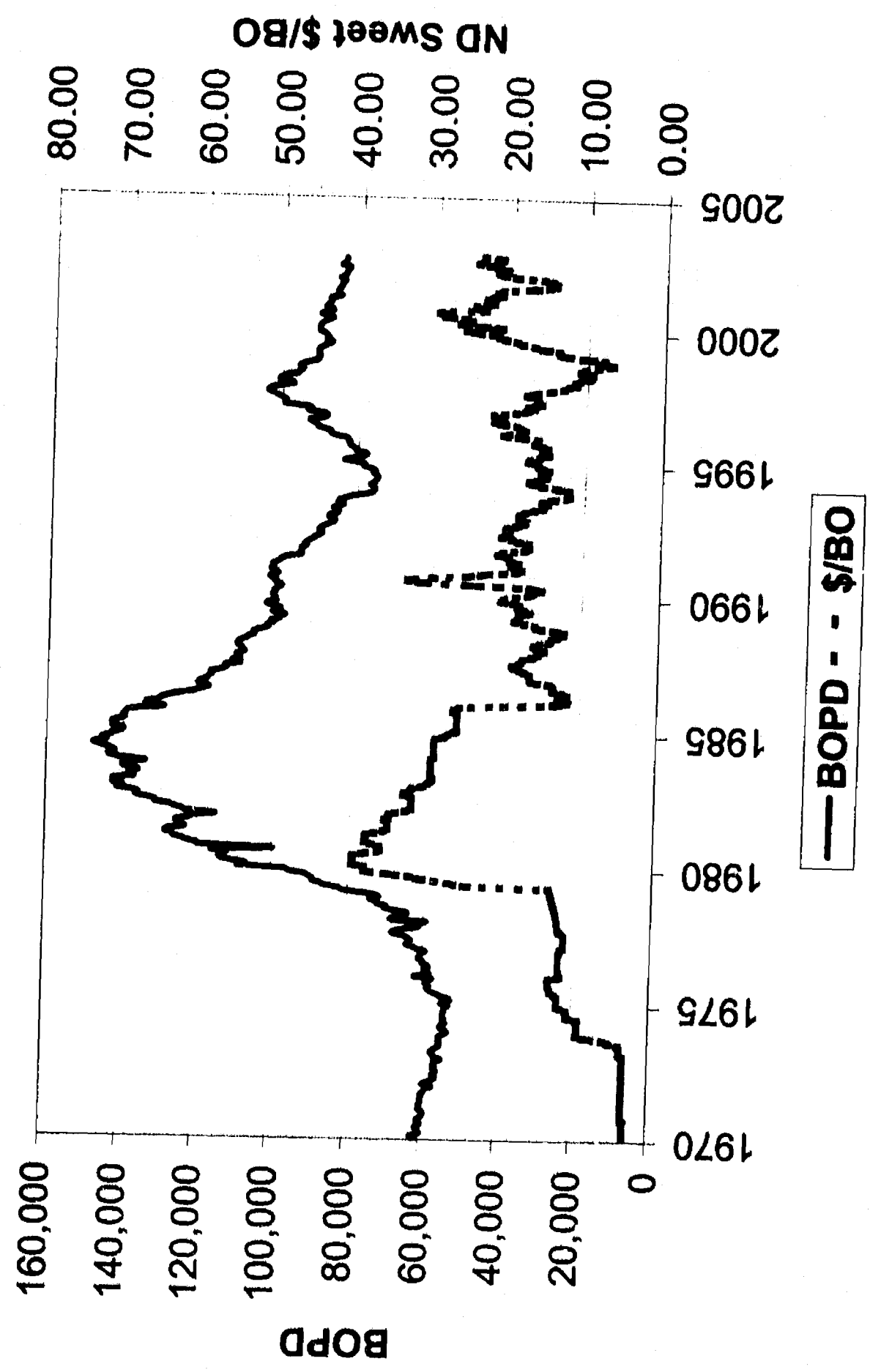
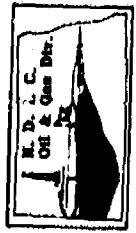
On behalf of Governor Hoeven we respectfully request a "DO PASS" on SB 2311.

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Deanne Hallmark
Operator's Signature

10/22/03
Date

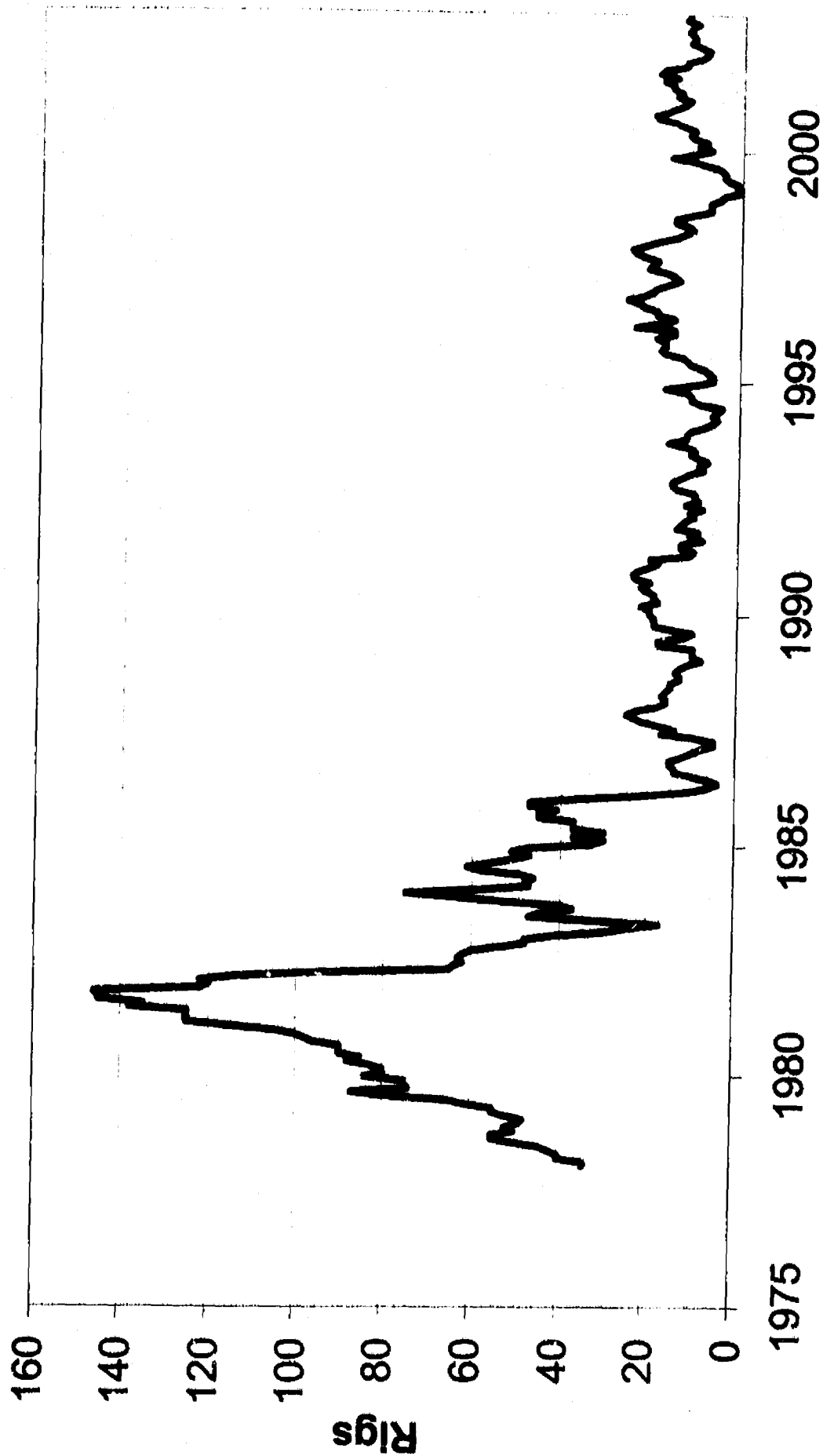
North Dakota Daily Oil Produced and Price



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Operator's Signature Deanna Hallmark Date 10/22/03

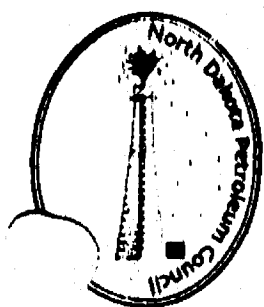
North Dakota Average Monthly Rig Count



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North Dakota Petroleum Council

Ron Ness
Executive Director

Marsha Reimnitz
Office Manager

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Phone: 701-223-6380
Fax: 701-222-0006
120 N. 3rd Street • Suite 225
P.O. Box 1395
Bismarck, ND 58502-1395

Senate Bill 2311

Senate Finance and Taxation Committee

February 5, 2003

Chairman Urlacher and Members of the Committee, My name is Ron Ness, Executive Director of the North Dakota Petroleum Council. I appear before you today in support of Senate Bill 2311.

North Dakota Oil and Gas Industry Update

Production Stats for 2001

- ◆ Ninth largest oil producing state.
- ◆ 31 million barrels of oil were produced.
- ◆ 85,000 barrels of oil produced per day.
- ◆ 3,287 producing wells.
- ◆ Averaged 14 drilling rigs per day.
- ◆ 148 oil producers operating in the State.

Tax Revenues

- ◆ 2000 tax collections were \$73.4 million.
- ◆ 2001 tax collections were \$63.7 million.
- ◆ The largest tax revenue source for the State behind general sales, income, corporate, and motor vehicles tax collections.
- ◆ 98.5% of the oil and gas tax revenues collected in the U.S. Forest Service system are from North Dakota.

Jobs & Economic Impact

- ◆ More than 2,500 people directly employed in the oil patch.
- ◆ The average wage was \$44,305. That wage is 80% above the statewide average wage of \$24,683.
- ◆ Its expected that between 50% - 75% of the industry's workforce will retire in the next 5 - 15 years.

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Senate Bill 2311 - Oil and Gas Research Council (OGRC)

As described previous proponents, SB 2311 is an attempt to ensure that North Dakota continues to reap the benefits of oil and gas production in the future. As you can see by this graph, North Dakota's oil production continues to decline.

The "oil boom" in North Dakota probably peaked in 1983 and ended in 1986. In the past 15 years, production has been on a fairly steady decline, but the decline has been flattened by a number of technological advances.

Horizontal drilling began in the Bakken formation in 1987. In the early 1990's, the Lodgepole fields in the Dickinson area were discovered, developed and unitized, resulting so far in more than 41 million barrels of oil. About the same time, horizontal drilling was applied to a previously uneconomic Red River zone in Bowman County, resulting the development and unitization of the Cedar Hills field as one of the largest oil fields in the lower 48 states.

However, even though our we continue to discover new reserves, develop new conservation methods, and continue to develop new alternative energy sources, demand continues to outpace supply - that creates an opportunity for North Dakota to become more prominent in supplying to the nation.

We need to continue to look for new technologies to help find and produce new oil and gas fields in North Dakota. In the past, we were fortunate to have major oil companies and very large independent companies working actively in the State of North Dakota on "research and development" type projects. As those larger companies moved overseas and off-shore, the typical North Dakota producer is a much small company, with far more limited resources for research and development.

We believe the OGRC will be an effective tool to encourage and assist with research, development and education and allow continued production of these valuable natural resources.

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10/22/03

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We envision the OGRC as having three main purposes:

- 1.) Research
- 2.) Resource Development
- 3.) Energy Education and Career Awareness

Hopefully, the best ideas of the OGRC are yet to be realized, but here are a few that need attention immediately:

Research

- ◆ Research of coal bed methane potential.
- ◆ Research of shallow gas potential.
- ◆ Research of CO2 for enhanced recovery in existing fields.
- ◆ Further enhancement of horizontal drilling technology and other completion and producing techniques.
- ◆ Advanced geophysical and survey analysis technologies.

Resource Development

- ◆ Facilitate technology transfer between drillers, producers and service industry.
- ◆ Apply advances & experimentation activities in other active oil & gas regions to North Dakota exploration.
- ◆ Advanced geophysical survey and analysis technologies.
- ◆ Develop initiatives for streamlining federal permitting procedures.

Energy Education and Career Awareness

- ◆ Landowner and royalty owner education and awareness.
- ◆ Educate the public about importance of the oil and gas industry to the state and the ability to responsibly produce oil and gas in an environmentally safe manner on public and private lands.
- ◆ Educate and generate interest in students about career opportunities in North Dakota's energy industry.
- ◆ Educate legislators and state leaders about North Dakota's oil and gas industry.

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We believe there is a tremendous need to put more resources towards maintaining an active oil and gas industry in the state. To date, there has not been such an organized effort in North Dakota for oil and gas and we need only to look at the successes of the lignite industry over the past fifteen years to see the potential results for such a program.

Fossil fuels provide 96.5% of our nations daily energy needs. Oil furnishes 40% of the daily energy needs and natural gas provides 25%. We have these valuable natural resources in our state and need to continue to develop them in as efficient manner as possible.

Thank you, for your consideration on this bill. We urge a Do-Pass on SB 2311. I would be happy to answer any questions.

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What Does Every New Oil Well Mean to North Dakota?

A typical North Dakota oil well produces an average of 10 years.

- ◆ If economical, additional secondary recovery efforts can be made to extend the life of the well.

An Average Oil Well in the First 10 Years:

- ◆ Produces over 200,000 barrels of oil (55 barrels of oil per day)
- ◆ Generates \$4.4 million gross profit

- ◆ Pays \$332,000 in taxes:
 - Oil production tax - \$200,020
 - Extraction tax - \$77,000
 - Sales tax - \$40,000
 - Gas production tax - \$16,000

- ◆ Pays royalties to mineral owners of \$178,000

- ◆ Pays salaries of \$814,000

- ◆ Has operating expenses of \$720,000

Oil and gas development accounts for a major portion of the business for REC's in western ND -- as much as 75% in some instances.

Local businesses such as road contractors, electricians, welders, service companies, and other retailers rely on oil field businesses for their livelihood

About 46% of the value of an oil well is returned to the local economy in taxes, wages, and other expenses, which help keep the local economy running, the government operating, and helps reduce your tax burden.

The average cost of drilling a well in North Dakota in 2001 was \$ 1.3 million.

- ◆ The success ratio for wells in existing fields in 2001 was 92% and for wildcat wells it was 41%.

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Senate Bill No. 2311

**Testimony of Lynn Helms, Director, N.D. I. C. Oil & Gas Division,
Before the Senate Natural Resources Committee
February 5, 2003**

You have already heard about the potential workforce, educational, public image, and mineral owner benefits that could be realized from the passage of this bill.

I am here to share information with you about some of the potential technology benefits that could be realized.

THE WILISTON BASIN HAS ALWAYS REQUIRED HIGH TECH

Oil discovery came 90 years after the industry was born at the Drake well and 50 years after Spindletop.

Modern rotary drilling techniques were required to reach commercial depths here.

2D seismic was required to locate commercial deposits.

Enhanced Oil Recovery (EOR) was applied within a decade of oil discovery and has expanded rapidly in the last 10 years. The percentage of production that comes from EOR projects in North Dakota is one of the highest in the nation.

3D seismic led to development of prolific deposits in the 1990's that now produce over 20% of North Dakota's oil.

Horizontal drilling led to development of the largest discovery of the 1990's in the lower 48 states. Now common for 100% of North Dakota's rigs to be drilling horizontal wells.

DECLINE IN PRIVATE AND FEDERAL RESEARCH AND DEVELOPMENT

IOGCC study found private funding of oil and gas research and development has been declining 3% per year since 1991.

DOE fossil fuels program budgets have also been cut significantly in recent years. FY 2002-2003 cut 37% and FY 2003-2004 cut 58%.

POSSIBLE DEVELOPMENT-DEMONSTRATION PROJECTS

Cost share projects funded by federal grants such as the current coal bed methane project proposal.

Carbon Dioxide enhanced recovery studies such as the current Weyburn Unit project in southern Saskatchewan.

Technology development and transfer for drilling, stimulation, production, and reclamation.

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Lynn Helms
Operator's Signature

10/22/03
Date

Dakota Resource Council
P. O. Box 1095, Dickinson ND 58602-1095
(701) 483-2851; www.drcinfo.com

TESTIMONY: SB 2311

Dakota Resource Council (DRC) submits this testimony in opposition to SB 2311, which would establish a North Dakota oil and gas research council.

Dakota Resource Council is a private, non-profit, membership-based group that has worked with North Dakota citizens for 25 years to make our state a better place to live and work. It has always been committed to responsible development of oil and gas resources and other energy sources.

Dakota Resource Council opposes the creation of a state oil and gas research council for the following reasons:

- **Setting up an oil and gas research fund is an inappropriate use of state taxes on the production and extraction of North Dakota's oil and gas resources.** Like other fossil fuels, oil and gas resources represent a limited asset, and their "development" constitutes the liquidation of that asset. In addition, extraction and production of oil and gas results in impacts on other assets, including air and water quality, water quantity, and surface use. Taxes on extraction and production of oil and gas should be used exclusively to compensate the state for the loss of oil and gas assets, and to protect and preserve other assets of the state that may be compromised by oil and gas extraction.
- **Establishing an oil and gas research council unwisely puts the state in the position of favoring fossil fuel energy development over clean and sustainable energy development.** The use of fossil fuels to provide energy for the state and the nation is a stopgap measure that cannot continue forever. There is simply not enough oil and gas to provide for American energy needs in the long term. Even if there were, our climate and environment cannot absorb impacts of fossil fuel combustion indefinitely. Both environmental and national security concerns dictate the rapid development of North Dakota's abundant and sustainable energy resources, including wind and geothermal energy, and investment in technologies necessary to produce energy from these sources. Establishing an oil and gas research council further yokes the state's energy future to dead-end technologies and works against the progress of renewable technologies, which represent our future. It would be far better to divert state resources that accrue from fossil fuel extraction to the development of energy resources that will ultimately replace the ones on which we currently rely.
- **Establishing an oil and gas research council further blurs the line between private and public interests in energy development.** This bill would set up a government-sponsored entity dominated by representatives from a single industry that would directly benefit from the public expenditures over which it has authority. It is hard to imagine a more striking example of building conflict of interest into public policy administration.

Dennis Hallmark
Operator's Signature

10/22/03

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The interests of the public cannot possibly be well-served by such an arrangement, and the opportunity for abuse is obvious.

- **Oil and gas research and development is already lavishly subsidized at the federal level.** According to a 1980 report by Pacific Northwest Laboratory, between 1918 and 1980 the federal government spent \$268.5 billion for incentives to the oil industry. The U. S. Department of Energy in 1995 requested \$483 million for fossil fuel research and development funding. According to a study by the Union of Concerned Scientists, the effective tax rate for the oil industry is 11%, compared to 18% for non-oil industries. Incentives for the oil and gas industry have only accelerated under the Bush Administration. None of these measures, incidentally have moved the United States in the direction of energy independence. Providing additional subsidies for oil and gas research and development at the state level is unnecessary and will not serve the public interest.
- **Promoting oil and gas exploration and extraction is among the least effective measures possible to develop a healthy economy in North Dakota.** Understandably, the State Legislature wants to take measures that will revive North Dakota's depressed economy. However, assisting oil and gas development will not do so. In 1995, Stark Development Corporation published a chart showing the "new wealth coefficients," or economic multiplier effects, of 17 industries in North Dakota. At the top of the list were livestock production and primary sector manufacturing with coefficients close to 3.5. Oil exploration and extraction were dead last on the list with a coefficient of less than 1. The chart demonstrated that creating government jobs would actually result in more new wealth for the state than increased oil and gas development. SB 2311 is not an effective economic development measure. It is no more than another handout to an already wealthy industry employing outmoded technology, and it will only further North Dakota's economic decline.

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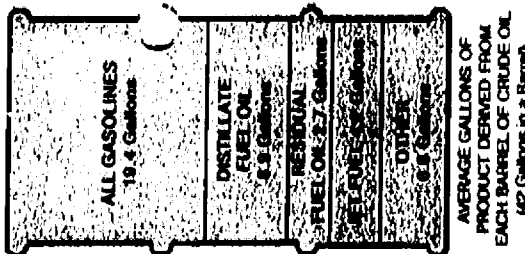
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RESPONSIBLE DEVELOPMENT ON PUBLIC LANDS

- The oil and gas industry in North Dakota has explored and drilled the grasslands for the past 50 years and has a proven track record of being able to produce oil without disrupting the environment or wildlife.
- The industry, in cooperation with the Forest Service, has restored over 500 wells and 500 miles of roads in the national grasslands. This represents more than 5,500 acres returned to vegetation after the oil and gas reserves were depleted.
- Twenty-seven percent of the state's oil production and 30% of the state's producing wells are on the grasslands.

REFINING AND TRANSPORTATION

- The state's only operating crude oil refinery is at Mandan. It has a daily capacity of about 60,000 barrels.
- There are nine natural gas processing plants operating in western North Dakota. They are located near Tioga, Ambrose, Killdeer, Lignite, Rhame, Gorham, Arnegard, Trotters and Marmarth.
- The nine natural gas processing plants processed enough natural gas in 2001 to heat 466,000 North Dakota households for one year.

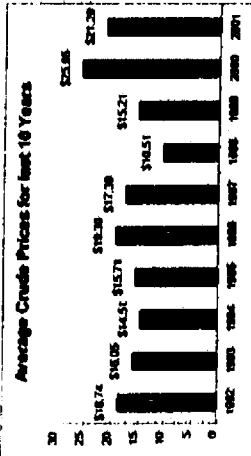


GASOLINE - CONSUMPTION & TAXES

- North Dakotans pay 21 cents state tax and 3.4 cents federal tax on each gallon of gasoline and diesel fuel they buy.
- North Dakotans used over 364 million gallons of gasoline in 2001, and 496 million gallons of diesel fuel.
- Gasoline and special fuels taxes raised \$115 million in tax revenue during 2001 - up slightly from \$112 million the previous year. These funds are used primarily for road construction.

HISTORY

- April 4, 2001 marked the 50th Anniversary of the discovery of oil in North Dakota. It was on April 4, 1951, that the Clarence Iverson #1 well came in near Tioga in Williams County. That well produced more than 585 thousand barrels of oil over 28 years.
- Prior to the discovery of oil in 1951, 64 wells had been drilled in the state dating back to 1910. Since 1951, another 14,000 wells have been drilled in North Dakota.
- The average crude oil posted price for North Dakota in 2001 was \$21.29 per barrel. That represented a 22% decrease from the 2000 average of \$29.95 and a 29% increase from the \$15.21 average in 1999.



- The future is bright for the oil and gas industry in North Dakota. There is a huge amount of oil and gas still in the ground in areas that have not been explored. New technologies, new discoveries, and new work in older fields have vastly increased both the odds of finding oil and the efficiency of producing it.

AND NATIONALLY

- The biggest source of energy in the United States is petroleum - oil and natural gas. Together, they supply 65% of the energy we use. Oil furnishes 40% of our energy, natural gas 25%, coal 22%, nuclear 6%, and renewables 4%.
- The average drilling rig count in the U.S. for 2001 was 1,156, up from 918 in 2000. The all-time high was 4,530 in 1981.
- U.S. crude oil production in December of 2001 was 5.9 million barrels per day.
- Total imports averaged 11 million barrels per day for 2001, up 2.2% from 2000.
- The United States imported 57% of its crude oil in 2001. The largest importers to the U.S. are Canada with 10%, Saudi Arabia with 8%, Mexico with 7.2%, Nigeria with 4%, and Iraq with 4.8%. OPEC countries supplied about 28% of our nation's daily oil needs. Russia is the largest producer of oil in the world.

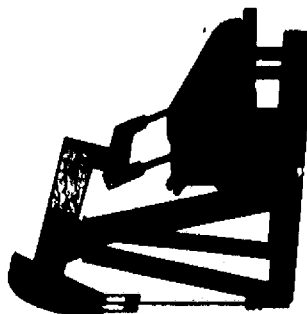
All data from latest year available.
For sources or additional information, contact:
North Dakota Petroleum Council
Box 1395, Bismarck ND 58502

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www.ndoil.org • www.apl.org

Ron Ness
Executive Director

Marsha Reinartz
Office Manager

FACTS & FIGURES



2002 EDITION

NORTH DAKOTA
PETROLEUM COUNCIL

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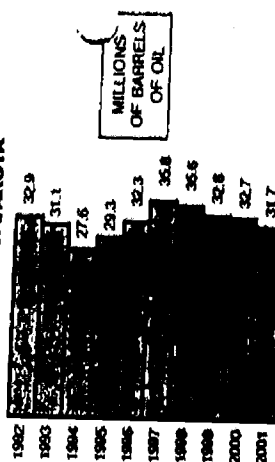
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NORTH DAKOTA'S OIL PATCH STATS FOR 2001

- North Dakota is the ninth largest oil producing state. The state produced nearly 87,000 barrels of oil per day in 2001, totaling more than 31 million barrels for the year.
- All-time production of crude oil in North Dakota amounts to more than 1.4 billion barrels.
- At the end of 2001, there were 3,287 wells capable of producing oil and gas in North Dakota. The average North Dakota well produced approximately 26 barrels per day.
- An estimated 58 billion cubic feet of natural gas was produced and 51.2 billion cubic feet of natural gas was processed in North Dakota during 2001.
- The state's oil production dipped slightly in 2001 for the fourth consecutive year. Total oil production for the year was 31,691,091 barrels, down 1,023,431 from the previous year.

ANNUAL CRUDE OIL PRODUCTION IN NORTH DAKOTA



- The drilling rig count, which is a prime barometer for measuring oil and gas activity, averaged 14 rigs a day in 2001. The peak year for drilling rigs was 1981, with an average monthly rig count of 119. The all-time high was in October of 1981 with 146 rigs operating.

DRILLING RIGS

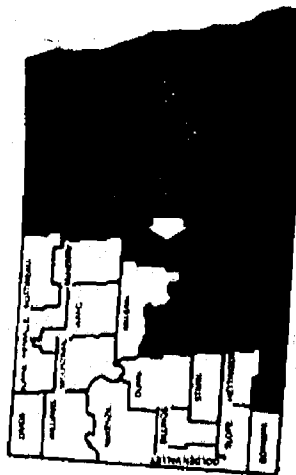


- There were 178 drilling permits issued during 2001, compared to 132 the previous year. Approximately 137 wells were completed during the year - up 90% from the previous year.
- Horizontal or directional drilling accounted for 72% of the new wells drilled in 2001 and accounted for 25.9% of the state's total oil production.
- The success ratio for wells in existing fields in 2001 was 92% and for wildcat wells it was 41%. Horizontal wells were successful 99% of the time. The overall industry success rate in North Dakota for 2001 was 85%. A wildcat well is a new well drilled at least one mile from existing production.
- The deepest vertical well drilled last year in North Dakota was 13,970 feet. The average depth for a North Dakota well in 2001 was 12,001 feet compared to 5,334 feet nationwide.
- The average cost of completing an oil well in North Dakota was approximately \$1.3 million during 2001. The average cost of completing a well in the U.S. was just under \$800,000.

WHEN THE OIL COMES

- There are 17 counties in the state with commercial oil production. Oil and gas exploration has occurred at some point in every county in the state except Traill County.
- Stark County was the top producing county in 2001 accounting for 17.2% of the state's oil

production. The other top producing counties were McKenzie, Billings, Bowman, and Williams.



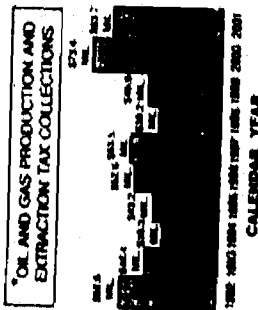
OIL PATCH EMPLOYMENT

- There were more than 2,200 North Dakotans at work in the oil patch in 2001. Peak of field employment occurred in late 1981, when more than 10,000 people were working in the oil patch.
- Each drilling rig results in approximately 120 direct and indirect jobs.
- Other sectors of the petroleum industry include refineries, gas plants, pipelines, retail gasoline stations, wholesalers, and transporters. The industry altogether employed more than 9,000 people in North Dakota in 2001.
- Job Service North Dakota reports that in 2000 the average yearly wage in the mining industry, which includes oil and gas extraction and coal mining, was \$44,305. That wage is 80% above the statewide average wage of \$24,683.

OIL TAX REVENUES IN 2001

- Higher crude oil prices in 2001 led to huge tax collections for the State of North Dakota. Counties and schools benefited from increased oil and gas tax collections as well.

State tax revenues for 2001 were \$63.7 million, representing a 15% decrease from 2000.



*Total collections reflect all revenue paid by the industry, including the counties' share of the 5% production tax and the trust fund portion of the 0.5% extraction tax.

- All-time oil tax revenues to the State have exceeded \$1.9 billion.
- The average production and extraction tax paid on crude oil in 2001 was 7.4%. The tax rate on crude oil varies between 5% and 11.5% depending upon the type of well.
- The tax on natural gas is a flat four cents per thousand cubic feet (mcf). In 2001, the State collected \$3.1 million in natural gas taxes.
- Over the past 51 years, the State of North Dakota has received more than \$510 million from oil and gas leases, bonuses, royalties and rentals on state land. During 2001, nearly \$1.48 million went to the Lands and Minerals Trust and over \$8.10 million to the Board of University and School Lands Trust.
- U.S. Forest Service administered lands in the Little Missouri National Grasslands provided oil and gas revenues of \$15.1 million during fiscal year 2001. Of that amount, one-fourth, or \$3.8 million, was returned to McKenzie, Billings, Golden Valley and Slope Counties for schools and roads. In addition, Bureau of Land Management administered land produced more than \$13.1 million during fiscal year 2001. Half of that amount, \$6.6 million, was returned to the state's general fund and is the first money expended for education statewide.

SB 2311
Representative John Warner
11 March 2003

What Does Every New Oil Well Mean to North Dakota?

A typical North Dakota oil well produces an average of 10 years.

- ◆ If economical, additional secondary recovery efforts can be made to extend the life of the well.

An Average Oil Well in the First 10 Years:

- ◆ Produces over 200,000 barrels of oil (55 barrels of oil per day)
- ◆ Generates \$4.4 million gross profit
- ◆ Pays \$332,000 in taxes:
 - Oil production tax - \$200,020
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- ◆ Pays royalties to mineral owners of \$178,000
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Local businesses such as road contractors, electricians, welders, service companies, and other retailers rely on oil field businesses for their livelihood

About 46% of the value of an oil well is returned to the local economy in taxes, wages, and other expenses, which help keep the local economy

running, the government operating, and helps reduce your tax burden.

The average cost of drilling a well in North Dakota in 2001 was \$ 1.3 million.

- ♦ The success ratio for wells in existing fields in 2001 was 92% and for wildcat wells it was 41%.

Oil and gas companies are major consumers of electricity. A thriving oil field has the same impact on a rural electric cooperative as a developed commercial area. It allows the fixed costs of the cooperative to be amortized over a much larger customer base and lowers the costs to all consumers of electric power.

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Deanna Waller
Operator's Signature

10/22/03
Date

Rep Wald
SB 2311

LEGISLATIVE REVENUE FORECAST
OFFICE OF MANAGEMENT AND BUDGET
March 2003

	2001-02 BUDGET			2003-04 BUDGET		
	November Percent	Legislative Percent	Change	November Percent	Legislative Percent	Change
REVENUES AND TRANSFERS						
Sales and Use Tax	946,331,333	\$	(2,053,000)	\$	\$	
Motor Vehicle License Tax	121,857,875	119,742,875	(2,115,000)	130,237,000	128,028,000	(2,209,000)
Individual Income Tax	388,887,091	388,138,091	7,150,000	431,311,000	435,883,000	(4,572,000)
Corporate Income Tax	85,888,297	85,888,297	1,288,000	90,884,000	91,814,000	(930,000)
Personal Income Tax	5,165,548	5,208,000	34,452	5,288,000	5,288,000	
Oil & Gas Production Tax	38,188,000	38,188,000		38,010,915	38,788,000	(777,085)
Oil Extraction Tax	22,841,000	22,841,000		28,388,744	28,388,744	
Cigarette & Tobacco Tax	39,702,882	39,702,882		67,384,000	68,438,000	(1,054,000)
Coal Consumption Tax	47,888,802	46,778,802	(1,110,000)	46,884,000	47,221,000	(337,000)
Insurance Premium Tax	47,888,204	46,782,204	(1,106,000)	51,888,000	51,888,000	
Wholesale Liquor Tax	11,131,782	11,131,782		11,884,000	11,884,000	
Gaming Tax	28,302,222	27,474,000	1,171,778	28,178,000	28,178,000	
Lodging				5,888,000	5,888,000	
Departmental Collections	57,308,000	57,512,000	(204,000)	58,228,575	58,728,575	(500,000)
Interest	9,775,000	8,785,000	990,000	12,888,000	12,888,000	
Miscellaneous Fees	5,847,000	5,847,000		3,870,000	3,870,000	
Bank of North Dakota Profits - Transfer	60,000,000	60,000,000		60,000,000	60,000,000	
State M&M Profits - Transfer	6,000,000	6,000,000		5,888,000	5,888,000	
Gas Tax Admin. - Transfer	1,383,382	1,383,382		1,388,200	1,388,200	
Student Loan Trust Fund Interest	9,000,000	9,000,000		9,000,000	9,000,000	
Other Transfers	15,380,171	15,383,481	(3,310)	19,200,000	28,243,782	(9,043,782)
Total Revenues and Transfers	\$ 1,847,915,789	\$ 1,882,445,139	\$ 34,529,350	\$ 1,788,285,634	\$ 1,778,883,837	\$ 9,401,797

*Other Transfers - 2001-02:	
Land & Minerals Trust Fund	3,545,182
Sale of Dist. Lic. Loan Fund	2,000,000
Water Development Trust Fund	9,733,830
Miscellaneous Transfers	84,000
Total 2001-02 Other Transfers	15,363,012

*Other Transfers 2003-04:	
Land & Minerals Trust Fund	2,000,000
Permanent Oil Tax Trust Fund	2,000,000
State Bonding Fund	2,000,000
Total 2003-04 Other Transfers	6,000,000

Oil & Gas Tax Revenue - \$93.1 million

Plus Counties receive 50-60%
of all Collections - \$100 + million
Netly \$ 200 million

Operator's Signature

10/22/03

Date

Testimony in support of: SB 2311

Robert Harms

Governor's Counsel

State of North Dakota

March 11, 2003

State Capitol

House Finance and Taxation Committee

Bismarck, North Dakota

Mr. Chairman, members of the Committee, my name is Robert Harms. I am counsel to Governor Hoeven and appear in support of SB 2311, which was prepared in concert with the Governor and industry.

Six Pillars: The Governor has advanced an agenda since taking office, consisting of six broad topics (called pillars), one of which is energy. The objective of the energy policy is simply to enhance the production of North Dakota's energy resources to further diversify our economy, raise incomes and provide additional economic opportunities for our citizens. The components of the energy sector include.

- Wind
- Coal
- Ethanol
- Bio-diesel
- Hydro
- And Oil and gas

With respect to the oil and gas sector, the Governor has been working on a number of fronts as part of a strategy to encourage new development and investment. These efforts include:

1. Preparation of a DOE grant this spring, for a coal-bed methane test project, spearheaded by Lynn Helms of the ND Oil and Gas Division
2. Introduction of HB1145, which provides a 24-month tax holiday for shallow gas wells.
3. A host of administrative efforts relating to the National Grasslands Management plan and resolving permitting issues with the US Forest Service to reduce impediments to oil and gas development on federal lands.
4. And SB 2311, which establishes a research council and fund.

The goal of SB 2311 is simply to provide a mechanism and funding that will allow new research projects similar to the Lignite Research Council and to provide public education of the oil and gas industry that is so important to our state. For example:

- Attached is a graph that shows the declining production in North Dakota. Oil and gas is a key industry, whose revenues contribute greatly to state and local treasuries, and provide high tech jobs in a

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dynamic industry. The Council is designed to help change that production curve, stabilize and eventually increase production.

- Secondly, we need to educate the public about the importance of the industry, and the opportunities that exist for employment. Industry officials recognize that they have a looming employment shortage facing them in the next decade, losing approximately 50% of the work force, which will further challenge development in North Dakota. The Council may help educate the educators, students, company executives and the public about the industry and the opportunities it offers.
- The research council is designed to use funds produced by the oil and gas industry to reinvest in the industry to expand production, increase jobs, develop new technology and grow the industry with the funds it helps to produce. The Governor believes SB2311 is sound public policy that will advance the oil and gas industry and will help to attract and retain young people in an exciting and rewarding field.

On behalf of Governor Hoeven we respectfully request a "DO PASS" on SB 2311.

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10/22/03
Date



North Dakota Association of Oil & Gas Producing Counties

EXECUTIVE COMMITTEE

Dean Koppelman
President
Dickinson PSD

Bruce Bultman
Williston

Roger Chinn
President Elect
McKenzie County

Gary Engstrom
Kildeer PSD

Julian Gustafson
Williams County

Verdon Krum
Bellevue County

Mike Ness
Bellevue PSD

Dick Posa
Past President
Fay

Allen Ryberg
Bowbells

Jane Erickson
Secretary/Treasurer
Kildeer

N.D. House Finance and Tax Committee

Testimony in Support of Senate Bill 2311
Tuesday, March 11, 2003
11:00 AM

Mr. Chairman Belter and Members of the House Finance and Tax Committee.

My name is Roger Chinn. I'm a McKenzie County Commissioner. I live on a ranch south of Grassy Butte.

I'm also President-Elect of the North Dakota Association of Oil and Gas Producing Counties. This Association represents counties, cities and school districts which receive oil tax revenues from the 5% gross production tax.

I am here in support of Senate Bill 2311. We understand that the bill takes its funding from the state general fund from the oil extraction tax.

Forming an oil and gas research council would benefit not only the western energy counties, but it would benefit the state. The state's oil and gas industry is part of the state's economy and many people in the state are not informed about it.

Part of the council's work would include information about the industry to the public:

- the public may not be aware of federal oil sites in the national grasslands that have been completely reclaimed
- ways that the oil industry uses technology to lessen impacts on the environment
- the public could understand the role energy development plays in our state and how changes on policies affect us

We do offer a couple suggestions for the bill. The Executive Committee would like to ask for your consideration that the Council membership include a county commissioner from the oil or gas counties and also a legislator who represents the oil and gas producing area. We think the county commissioner position will bring a useful perspective to the Council and provide communication about projects back to the oil and gas producing counties.

Please consider a do-pass recommendation for Senate Bill 2311. Thank you for your time.

VICKY STEINER - EXECUTIVE DIRECTOR
888 Senter Ave. - Dickinson, ND 58601-3735 - Phone: (701) 463-TEAM (8286) - Fax: (701) 463-8328 - Cellular: (701) 280-1338
E-mail: vsteiner@ndsupernet.com - Web: www.nd-oilcounties.org

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**Senate Bill No. 2311
Testimony of Lynn Helms
Director, N.D. I. C. Oil & Gas Division,
House Finance and Taxation Committee
March 11, 2003**



You have already heard about the potential workforce, educational, public image, and mineral owner benefits that could be realized from the passage of this bill.

I am here to share information with you about some of the potential technology benefits that could be realized.

THE WILISTON BASIN HAS ALWAYS REQUIRED HIGH TECH

Oil discovery came 90 years after the industry was born at the Drake well and 50 years after Spindletop.

Modern rotary drilling techniques were required to reach commercial depths here.

2D seismic was required to locate commercial deposits.

Enhanced Oil Recovery (EOR) was applied within a decade of oil discovery and has expanded rapidly in the last 10 years. The percentage of production that comes from EOR projects in North Dakota is one of the highest in the nation.

3D seismic led to development of prolific deposits in the 1990's that now produce over 20% of North Dakota's oil.

Horizontal drilling led to development of the largest discovery of the 1990's in the lower 48 states. Now common for 100% of North Dakota's rigs to be drilling horizontal wells.

DECLINE IN PRIVATE AND FEDERAL RESEARCH AND DEVELOPMENT

IOGCC study found private funding of oil and gas research and development has been declining 3% per year since 1991.

DOE fossil fuels program budgets have also been cut significantly in recent years. FY 2002-2003 cut 37% and FY 2003-2004 cut 58%.

POSSIBLE DEVELOPMENT-DEMONSTRATION PROJECTS

Cost share projects funded by federal grants such as the current coal bed methane project proposal.

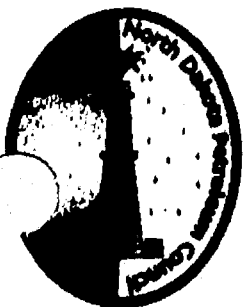
Carbon Dioxide enhanced recovery studies such as the current Weyburn Unit project in southern Saskatchewan.

Technology development and transfer for drilling, stimulation, production, and reclamation.

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Lynn Helms
Operator's Signature

10/22/03
Date



North Dakota Petroleum Council

Ron Ness
Executive Director
Marsha Reimnitz
Office Manager

Email: ndpc@ndtigate.com
Phone: 701-223-6380
Fax: 701-223-0006
120 N. 3rd Street • Suite 225
P.O. Box 1995
Bismarck, ND 58502-1995

Senate Bill 2311

House Finance and Taxation Committee

March 11, 2003

Chairman Belter and Members of the Committee, My name is Ron Ness, Executive Director of the North Dakota Petroleum Council. I appear before you today in support of Senate Bill 2311.

North Dakota Oil and Gas Industry Update

Production Stats for 2001

- ◆ Ninth largest oil producing state.
- ◆ 31 million barrels of oil were produced.
- ◆ 85,000 barrels of oil produced per day.
- ◆ 3,287 producing wells.
- ◆ Averaged 14 drilling rigs per day.
- ◆ 148 oil producers operating in the State.

Tax Revenues

- ◆ 2000 tax collections were \$73.4 million - 2001 tax collections were \$63.7 million.
- ◆ 2002 tax collections were \$58.1 million plus \$6 million in collections from federal lands.
- ◆ The largest tax revenue source for the State behind general sales, income, corporate, and motor vehicles tax collections.
- ◆ 98.5% of the oil and gas tax revenues collected in the U.S. Forest Service system are from North Dakota.

Jobs & Economic Impact

- ◆ More than 2,500 people directly employed in the oil patch.
- ◆ The average wage was \$44,305. That wage is 80% above the statewide average wage of \$24,683.
- ◆ Its expected that between 50% - 75% of the industry's workforce will retire in the next 5 - 15 years.

Senate Bill 2311 - Oil and Gas Research Council (OGRC)

As described previous proponents, SB 2311 is an attempt to ensure that North Dakota continues to reap the benefits of oil and gas production in the future. As you can see by this graph, North Dakota's oil production continues to decline.

The "oil boom" in North Dakota probably peaked in 1983 and ended in 1986. In the past 15 years, production has been on a fairly steady decline, but the decline has been flattened by a number of technological advances.

Horizontal drilling began in the Bakken formation in 1987. In the early 1990's, the Lodgepole fields in the Dickinson area were discovered, developed and unitized, resulting so far in more than 41 million barrels of oil. About the same time, horizontal drilling was applied to a previously uneconomic Red River zone in Bowman County, resulting the development and unitization of the Cedar Hills field as one of the largest oil fields in the lower 48 states.

However, even though our we continue to discover new reserves, develop new conservation methods, and continue to develop new alternative energy sources, demand for energy continues to outpace supply - that creates an opportunity for North Dakota to become more prominent in supplying to the nation.

We need to continue to look for new technologies to help find and produce new oil and gas fields in North Dakota. In the past, we were fortunate to have major oil companies and very large independent companies working actively in the State of North Dakota on "research and development" type projects. As those larger companies moved overseas and off-shore, the typical North Dakota producer is a much small company, with far more limited resources for research and development.

We believe the OGRC will be an effective tool to encourage and assist with research, development and education and allow continued production of these valuable natural resources.

We envision the OGRC as having two main purposes:

- 1.) Research
- 2.) Energy Education and Career Awareness

Hopefully, the best ideas of the OGRC are yet to be realized, but here are a few that need attention immediately:

Research

- ◆ Research of coal bed methane potential.
- ◆ Research of shallow gas potential.
- ◆ Research of CO2 for enhanced recovery in existing fields.
- ◆ Further enhancement of horizontal drilling technology and other completion and producing techniques.
- ◆ Facilitate technology transfer between drillers, producers and service industry.
- ◆ Apply advances & experimentation activities in other active oil & gas regions to North Dakota exploration.
- ◆ Advanced geophysical survey and analysis technologies.
- ◆ Develop initiatives for streamlining federal permitting procedures.

Energy Education and Career Awareness

- ◆ Landowner and royalty owner education and awareness.
- ◆ Educate the public about importance of the oil and gas industry to the state, counties, and citizens.
- ◆ Educate and generate interest in students about career opportunities in North Dakota's energy industry.
- ◆ Educate legislators and state leaders about North Dakota's oil and gas industry.
- ◆ Showcase the ability of the oil and gas industry in North Dakota to responsibly produce oil and gas in an environmentally safe manner on public and private lands.

We believe there is a tremendous need to put more resources towards maintaining an active oil and gas industry in the state. To date, there has not been such an organized effort in North Dakota for oil and gas and we need only to look at the successes of the lignite industry over the past fifteen years to see the potential results for such a program.

As discussed, there is currently a disconnect between the oil price and oil activity in North Dakota. SB 2311 is not a magic bullet like a major new oil discovery would be but it provides a mechanism to start researching and developing new ideas and methods to bring new life to our aging oil fields and create new opportunities for oil and gas production in western North Dakota and potentially new areas of the State in case we don't have the new oil discovery.

All energy sources need to be developed as the demand for energy in the nation continues to grow. However, the greatest opportunity still lies in fossil fuels. Fossil fuels provide 96.5% of our nations daily energy needs. Oil furnishes 40% of the daily energy needs and natural gas provides 25%. We have these valuable natural resources in our state and need to continue to develop them in as efficient manner as possible which will ensure continued oil and gas tax revenues for the State and local communities.

Thank you, for your consideration on this bill. We urge a Do-Pass on SB 2311. I would be happy to answer any questions.



INDUSTRIAL COMMISSION OF NORTH DAKOTA

John Hoeven
Governor

Wayne Stenehjem
Attorney General

Roger Johnson
Commissioner of Agriculture

April 14, 2003

Senate Bill 2311 Conference Committee Members

Senator Herbert Urlacher

Senator Rich Wardner

Senator Ronald Q. Nichols

Representative Earl R. Rennerfeldt

Representative Francis J. Wald

Representative John M. Warner

Dear Conferees:

The Industrial Commission of North Dakota consisting of Governor John Hoeven, Attorney General Wayne Stenehjem and Agriculture Commissioner Roger Johnson went on record at their recent Industrial Commission meeting in support of the establishment of an Oil and Gas Research Council and funding of the Oil and Gas Research Fund.

The Commission noted that there are already potential projects identified with the need for matching funds totaling \$500,000 that would have an immediate positive impact on oil and gas exploration and development in North Dakota. Some of these research projects would open doors for expanded development of the State's natural resources and provide additional revenue sources for our citizens and for the State. If the research proves successful this will bring about well-paying job opportunities for our youth.

The Commission has found the Lignite Research Council to be successful in a private-public partnership and would hope to have the same successes in partnership with the oil and gas industry if sufficient funding is provided.

Thank you for your work on this important legislation—Senate Bill 2311.

Sincerely,

Karlene Fine
Executive Director

Karlene K. Fine, Executive Director and Secretary
State Capitol, 14th Floor - 600 E Boulevard Ave Dept 405 - Bismarck, ND 58505-0840
E-Mail: kfine@state.nd.us
Phone: (701) 328-3722 FAX: (701) 328-2820
"Your Gateway to North Dakota": discovernd.com

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10/22/03
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Subject: SB 2311 Location: Lewis and Clark
Begins: Mon 04/14/2003 09:45 AM Entry type: Meeting
Ends: Mon 04/14/2003 10:30 AM
Chair:

(For Conference Committee Notices)
Meeting: Sen. Wardner, Rep. Rennerfeldt
Chairman: Rennerfeldt E. ; Wald F. ; Urlecher H. ; Warner J. ; Wardner R. ; Nichols R.
Attendees: House Appropriations EE, Senate Finance & Taxation
Associated Committees:

To: Earl R. Rennerfeldt/NDLC/NoDek@NoDek, Francis J. Wald/NDLC/NoDek@NoDek, Herbert A. Sch-Urlecher
John M. Warner/NDLC/NoDek@NoDek, Rich P. Wardner/NDLC/NoDek@NoDek, Ronald G. Nichols/NDLC/
cc:
bcc:

Rooms: Lewis and Clark/NDLC

☐ Pencil In
☐ Mark Private
☐ Notify me
Categorize:

Time will appear free to others.
Others cannot see any details about this event.
Have Notes notify you before the event.

Description:
conference

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