Good morning;

I am Daryl Dukart a split estate owner living on our ranch near Dunn Center. We operate a 1766 acre ranch and all but 160 acres has been drilled and is now producing oil and gas.

Thank you for the invitation to speak to the Natural Resources Committee this morning:

Who are we and why do we try to play a role in oil and gas development in our communities:

We act as individual in every decision we make and encourage negotiations at all times with all oil and gas companies to achieve the best possible settlement for surface and mineral owners. We are thankful for the added revenues oil production has delivered to our state, county and communities and we have no intent to act against or favor any certain oil production company in North Dakota. We look forward to building stronger relationships with all oil and gas companies in our state in the future.

Dunn County Energy Development organization became an organization in November of 2007.

Our mission statement is:

As the energy industry continues to become increasingly diverse, Dunn County Energy Development Organization of Land and/or Mineral holders will attempt to foster a better understanding of the impact energy development will have on the greater Dunn County areas.

Focus of DCED is:

DCED will provided educational, informational and some kind of direction to land and/or mineral holders during energy development of any kind.

Today with me are three ranchers form the Dunn County area:

Gene Harris of Killdeer:

His family ranch is located northwest of Killdeer in the beautiful badlands of North Dakota. He will share a power point about his 20 plus years of dealing with oil and gas impacts to his owned lands.

Dean Knutson of Dunn Center:

His family ranch is north of Dunn Center right on the edge of the Missouri river badlands: Dean will tell his story of dealing with an oil company and the problems dealing with a split estate and surface use agreements (drilling site development). Annual production loss clause and why it is needed.

Casey Fredricks of Dunn Center:

His family ranch is North of Dunn Center. Casey operates on land located in the badlands, reservation, and some acreage above the Missouri River which is farm ground. Casey will share with you today a little about abandon minerals and surface use agreements.

Daryl Dukart:

Will present other issues DCED membership is dealing with at the present time.

1: If 1280 acre spacing is split 50-50 by two oil companies who have the right to negotiated the surface use agreement? We understand the majority owner does when it is not split evenly.

2: When an oil company makes a surface agreement with an adjoining land owner to drill into another spacing unit should there be a pipe line easement attached to this agreement? We think an easement should be attached for the 10,000 foot vertical and the 500 plus feet of horizontal and should be treated as a pipe line easement.

3: We feel abandon or severed minerals should be returned to the surface owner if mineral owner contacts can not be made by landsman. It's taking way to long to clear abandon minerals and the cost to some individual is getting very expensive.

4: Surface use over burden: When oil companies are preparing site pads for rigs and they actually use more acreage than original leased: This is an issue even if most settlements are finally made with in a reasonable time: (Company leases 6 acres and use 8 to store top soil and etc.)

5: Can legislation provided a term (length of lease agreement clause) period clause be added to surface use agreements? Example here is: If you rent or lease surface land to another agriculture producer you enter into a term for years on the lease. Many of the surface use/lease agreements with oil companies have no term attached to them and we feel they should. Once the surface owner agrees to one of these surface use agreements with out terms the lease becomes open ended or could last forever. Problem here is in split estates, passing the operation to the next generation or selling the land. Its non production lands to any of these operations and yet the property taxes will be paid by the present surface owner. Terms could be 5 years, 10years, 15years and even 20 years.

6: Water usage: Fresh water is very valuable to us in the western side of the state and we support many of the decision the state water commission has made. We do fill penalties should be placed against well owners who abused their permitted levels.

7: Other areas of concern:

A: Children safety on major highways used for transportation for any reason related to the oil industry. Busses stopping on these highways to pick-up or unload children have to be at higher risk because of the heavy amount of traffic. Many have said not if it's going to happen but when will a bus get hit?

B: Dust and terrific noise continue to be issues for both city and rural folks:

C: Garbage in road ditches, fields and in towns are becoming bigger issue as more and more people move and work in these oil producing areas. Companies working in the oil industry need to put the message out to all employees to help keep the country side clean and free of as much litter as possible... An example is about two weeks ago a pick-up truck rolled over by my approach on highway 200 which left boxes, pop cans, paper products and ropes lying in the ditch after the truck was turned upright and removed from the ditch.

D: Major traffic roads used by oil companies which are county owned need to be looked at and rebuilt to handle the large amount of traffic: Paving or whatever it takes for the county to have reasonable good main traffic roads for emergence traffic to serve the communities and rural people in time of need. At the present time many of these main roads would not support speeds for emergences vehicles faster than 45 miles per hour. The risk of the driver loosing control is very high.

E: Is the Pipeline/transportation/purchaser cost tax

Thank you on behalf of Dunn County Energy Development Organization

We would encourage your Committee to hold one summer meeting in the Killdeer area and we would be very willing to organize a tour of the area so you would be able to see the activity first hand.

Side notes: this is new information and I have not looked into it at all!

Is anyone aware of the Bank of North Dakota not wanting to finance Beginning Farmer Loans for restate if the restate has an oil well site on it? I have not had the time to check this out but was told this by an individual the other day.

Do all Oil Companies charge the mineral owner the Pipeline/Transportation/purchaser cost tax? Delivered from gas royalties. An Account said this should not be charged to the mineral owner because the gas is paid at the well head. From the few I visited with sounds like it's about 15% of the gross gas revenues.

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