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SHARING THE GOOD WORD ABOUT NORTH DAKOTA



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Thank you, Mr. Chairman and members of the committee.

For 82 years, the oil industry has been part of the North Dakota landscape. The relationship has endured some bumps in the road but, at least from the outside looking it, both parties have done quite well: the North Dakota government treasury has some reserve and the oil companies have even bigger reserves.

I live in Billings County and I am here on my own dime and my own time to speak against House Bill 1286 because I see no rhyme or reason for us to continue to visit this issue. I believe the 1% trigger tax is good policy that was established in 2017, and “triggered” only one time since becoming law.

I ask you to consider the following:

1. Why was the original HB 1286 amended to allow the “trigger” tax to be levied on wells located within the exterior boundaries of a reservation, a well located on trust properties outside reservation boundaries as defined in section 57 - 51.2 - 02, or a straddle well located on reservation trust land as defined in section 57 - 51.2 - 07.10. This is perplexing and leaves unanswered the question: “Does the MHA nation and leadership know something that rest of us do not?”

2. The oil companies are not in North Dakota because they get a good suntan, appreciate the walleye fishing in Lake Sakakawea or enjoy the Medora Musical. They are here because they are making money—lots of money. As an independent business person, I do not begrudge the oil companies earning a living. And, I am happy they are doing well because we are all doing well.

3. I do, however, take issue with the rollback of the “trigger” tax. In 2022, \$135,600,000 was collected by the 1% trigger tax (<https://www.ndlegis.gov/assembly/68-2023/regular/fiscal-notes/23-0830-01000-fn.pdf>), which means oil company revenues in the same time were roughly about \$13,560,000,000—that is \$13.56 Billion, with a “B”. This was collected on about 155 million barrels of oil, which costs roughly \$6.2 billion to produce (including royalties)—a difference of \$7.3 billion.

4. If you want to extrapolate that a little further and “pay the taxes “of 11%--5% gross production, 5% extraction and 1% trigger—you still have a margin of almost \$6.5 Billion, or about \$1.3 Billion per month when the trigger tax was being collected. Friends, that is more than 40 times the amount of money paid in taxes.

5. Since 1951, North Dakota has produced over 6.4 million barrels of oil (<https://www.dmr.nd.gov/oilgas/stats/historicaloilprodstats.pdf>).

6. The US Energy Information Administration has published West Texas Intermediate crude oil prices

(<https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=F003048623&f=M>) since October 1993. During that time, North Dakota has produced nearly 5.3 million barrels of oil, valued at about \$325 billion using EIA West Texas Crude Oil prices.

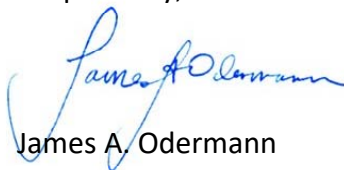
7. Historically, North Dakota has a good working relationship with oil companies. Oil companies have invested heavily in North Dakota but at the same reaping tremendous rewards.

8. It is my opinion that the current law is working and only impacts the oil industry when they are experiencing opportunities for very generous profits. The “trigger” tax for 2023, as set by the North Dakota Tax Department in accordance with N.D.C.C. § 57-51.1-02, (<https://www.tax.nd.gov/sites/www/files/documents/newsletters/oil-gas/annual-oil-trigger-price-adjustment.pdf>) is \$115.55 per barrel, almost \$40 above the current trading price. The irony here is that \$40 has been mentioned as the benchmark cost of production.

9. I invite a thorough examination and discussion of the information presented. In the end, however, the decision is to make sure that North Dakotans are justly compensated for the withdrawal of a non-renewable resource. We only get one chance in life to do it right. You are elected leaders. You get to make the decision. This is a situation where both sides can win and I urge you to think long and hard before changing the current law. You hold the power in your hands to protect the citizens of North Dakota.

Thank you.

Respectfully,



James A. Odermann