

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2/20

2001 SENATE NATURAL RESOURCES

SB 2120

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2120

Senate Natural Resources Committee

Conference Committee

Hearing Date 1-19-01

| Tape Number | Side A | Side B | Meter # |
|--|--------|--------|-------------|
| 1 | X | | 19.9 - 35.7 |
| | | | |
| Committee Clerk Signature <i>Janet James</i> | | | |

Minutes:

SENATOR TOLLEFSON: opened the hearing on SB 2120, RELATING TO THE INDUSTRIAL COMMISSION'S OVERSIGHT OF THE CREATION OF UNITS FOR THE FURTHER DEVELOPMENT OF OIL AND GAS AND CHANGING RATIFICATION REQUIREMENTS FOR THESE UNITS.

CHARLES CARVELL, Assistant Attorney General representing the Attorney General Office appeared in a neutral position before the committee. The Industrial Commission has the authority to approve secondary recovery units designed to enhance the production of oil and gas. Because this process crosses property boundary lines, a 70 % of interested parties need to approve the units along with the industrial commission. The bill reduces the 70% requirement to 55%. Former Attorney General Heitkamp introduced the bill to make the change, but Attorney General Stenehjem asked the bill be withdrawn because he feels there is not a significant problem to warrant the legislators attention.

Page 2

Senate Natural Resources Committee

Bill/Resolution Number SB 2120

Hearing Date 1-19-01

SENATOR CHRISTMANN: wanted to clarify if the changes proposed other than the last paragraph were only grammatical corrections.

REPRESENTATIVE KEITH KEMPENICH, testified in support of the Bill. He presented a packet of charts and proposed several amendments.

RON NESS, representing the North Dakota Petroleum Council testified in support of Bill 2120 as amended at 60% instead of 70%. (See attached testimony).

SENATOR TOLLEFSON closed the hearing on SB 2120.

SENATOR FISCHER returned to the meeting.

Discussion was held on the bill.

The proposed amendments seemed to be fair and a logical compromise.

SENATOR KELSH: made a motion to accept the amendments to SB 2120.

SENATOR EVERY: second the motion.

Roll vote #1 was taken indicating 7 YAYS; 0 NAYS; 0 ABSENT OR NOT VOTING.

SENATOR TOLLEFSON: made a motion for a "DO PASS" as amended of SB 2120.

SENATOR KELSH: second the motion.

Roll vote #2 was taken indicating 7 YAYS; 0 NAYS; 0 ABSENT OR NOT VOTING.

SENATOR FREBORG will carry SB 2120.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2120

Page 1, line 22, overstrike "seventy" and insert immediately thereafter "sixty"

Page 1, line 23, overstrike "seventy" and insert immediately thereafter "sixty"

Page 2, remove all of lines 18 through 23

Renumber accordingly.

Date: 1-19-01
 Roll Call Vote #: 1

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2120

Senate NATURAL RESOURCES Committee

Subcommittee on _____
 or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Senator Kelsh Seconded By Senator Every

| Senators | Yes | No | Senators | Yes | No |
|---------------------------------|-----|----|-----------------------|-----|----|
| Sen. Thomas Fischer, Chairman | ✓ | | Sen. Michael A. Every | ✓ | |
| Sen. Ben Tollefson, Vice Chair. | ✓ | | Sen. Jerome Kelsh | ✓ | |
| Sen. Randel Christmann | ✓ | | | | |
| Sen. Layton Freborg | ✓ | | | | |
| Sen. John T. Traynor | ✓ | | | | |
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Total (Yes) 7 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent: to make changes of percent numbers

Date: 1-19-01
Roll Call Vote #: 2

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2120

Senate NATURAL RESOURCES Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Tollefson Seconded By Kelsh

| Senators | Yes | No | Senators | Yes | No |
|---------------------------------|-----|----|-----------------------|-----|----|
| Sen. Thomas Fischer, Chairman | - | | Sen. Michael A. Every | - | |
| Sen. Ben Tollefson, Vice Chair. | ✓ | | Sen. Jerome Kelsh | ✓ | |
| Sen. Randel Christmann | ✓ | | | | |
| Sen. Layton Freborg | ✓ | | | | |
| Sen. John T. Traynor | ✓ | | | | |
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Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Freborg

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

REPORT OF STANDING COMMITTEE

SB 2120: Natural Resources Committee (Sen. Fischer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2120 was placed on the Sixth order on the calendar.

Page 1, line 22, overstrike "seventy" and insert immediately thereafter "sixty"

Page 1, line 23, overstrike "seventy" and insert immediately thereafter "sixty"

Page 2, remove lines 18 through 23

Renumber accordingly

2001 HOUSE NATURAL RESOURCES

SB 2120

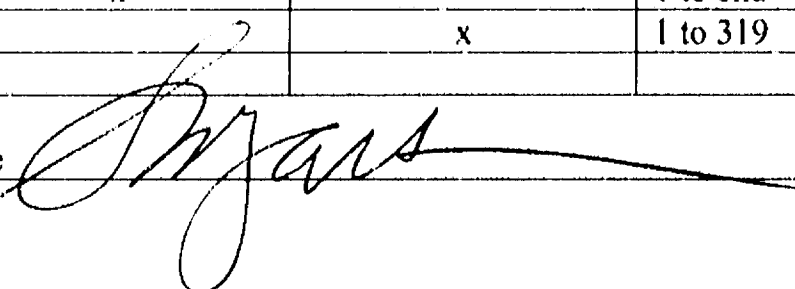
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2120

House Natural Resources Committee

Conference Committee

Hearing Date March 1, 2001

| Tape Number | Side A | Side B | Meter # |
|---|--------|--------|----------|
| 1 | x | | 1 to end |
| 1 | | x | 1 to 319 |
| Committee Clerk Signature  | | | |

Minutes:

Chairman Earl Rennerfeldt, Vice Chair Jon O. Nelson, Rep. Brekke, Rep. DeKrey, Rep. Drovdal, Rep. Galvin, Rep. Keiser, Rep. Klein, Rep. Nottestad, Rep. Porter, Rep. Weiler, Rep. Hanson, Rep. Kelsh, Rep. Solberg, Rep. Winrich.

Chairman Rennerfeldt: I will call the House Natural Resources Committee to order, Clerk call the roll. I will open the hearing on SB 2120.

Ron Ness - NDPC: I am here to speak in favor of SB 2120. (see written testimony).

Chairman Rennerfeldt: I have some amendments, would you like to address that?

Ness: We have seen the amendment and the amendment would currently as I understand it, if you form a unit, it takes 70% of the unit to petition the Industrial Commission to approve that unit and what the amendment would do is lower the percentage required to disband a unit to 60%. That is salable to some of the people who expressed concerns with this bill.

Chairman Rennerfeldt: Also, it would grandfather in, say for instance if a unit went in at 80% or 70% that would remain when this is dropped to 60%. The older units would still have to take a 70 or 80 percent vote to disband. So the older units are grandfathered in at whatever vote was used to bring them in.

Ness: That is correct. It would be from the date of this act forward, and we certainly support that and would be adamant about it being included that way.

Chairman Rennerfeldt: Does everyone understand this.

Rep. Solberg: For the benefit of all the committee are you familiar with unitization and what's good about it. What is the major objection of the unit owners. Why are they saying no to this, do they have some concerns about the distribution of royalties or what?

Ness: I think Lynn Helms is in a better position to answer that, my response would be that there have been a select group of individuals that have voiced concerns about this bill. We don't feel their concerns were valid back in the eighties. In regard to the Little Knife Field, a few individuals got enough mineral owners riled up - up there and they didn't form that unit. I think that is in conflict of mineral owners to the state of ND. That has been their concern that their rights have not been protected and this bill may be a big company bill versus a small company bill. This bill is supported by both the large and small operators. Something that has changed over the years, back in the eighties there were a lot of large oil companies producing in ND. Right now we have not had a major oil company drill a well in the state for well over a year. We are looking at ND and regional production companies. Those are the companies out there looking for workers and are having a hard time raising the capitol. That is why we haven't seen the resurgence in the industry because the major oil companies have decided our regulatory

environment in the US has made it much easier for them to invest overseas. Where there is a much bigger return on their investments.

Rep. DeKrey: Is this the same we dealt with in the 1991 session? Is this what we tried to do?

Ness: I believe, probably someone here has a little more history on this. I believe it went from 80% to 70%.

Rep. Galvin: How much of an area could a unit encompass? How far apart can they be?

Ness: I will defer that question to Lynn Helms. It varies on when and how the spacing was done, and how big the units. The units in Cedar Hills are going to be very large.

Rep. Kempinich - District 39: This bill was introduced by the Attorney General's office and it caught my attention early in the session. It started to make sense, it is one of the things we looked at here in the last two years. What it came down to in the past, a few would mess up the majority. You still want the majority to support this, but make it so the majority was represented too. When the bill came in it was at 55% and then 60% and then the committee passed out the amendment addressing the back side. With those amendments, this bill should address most of the concerns people have had dealing with this. When you look at these types of deals. The types of situations you run into, it really does become critical if you are going to move ahead in these types of deals, some people may feel they are getting the short end of the stick. You gotta look at the majority instead of the minors and that is how this comes into play.

Chairman Rennerfeldt: Thank you, anyone else here to testify in favor of this bill?

Lynn Helms - NDIC Oil and Gas Division: The Industrial Commission has not taken a position on this bill. I am here to testify in a neutral position. Mainly to answer questions that may come up. It is a very complicated process or can be that involves legal work and technical work. (See written testimony).

Rep. Keiser: You stood up there and said you were neutral on your position because the Commission hasn't taken a position. I listen to your testimony and have never heard a more positive neutral person. Where the heck is the Commission on this? Why aren't they supporting this?

Helms: The Commission took a neutral position on this simply because of the concerns of the mineral owners versus the working interest owners. The Commission is decidedly pro unit but they didn't take a position on what this number should be. They felt it was best for the Legislature to decide that through input from your constituents. What is the magic number as far as the right number for ratification. The Commission didn't take a position on this bill, what the percentage should be, but they are decidedly pro unit.

Rep. Keiser: You said that in this current field that there was so much dissent that the Commission has to make the decision on the formula? So what is the Commission's decision on this formula?

Helms: Are you talking about the 60%? I can't speak for the Commission because they have not given me a formal position on the 60% versus 70%.

Rep. Winrich: In the example that you presented. You said this unit agreement is essentially a contract and the 70% of those who have an interest in that area whether it is working or royalties have signed that contract. Is that correct? What about the other 30%, do they participate in this in any way or are they just out?

Helms: The other 30% are basically force pooled into the unit as a result of the decision of the 70%. That is what compulsory unitization is. They participate in the process but once the 70% is achieved, it requires both 70% of the mineral owners and the working interest owners. They are

