

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2205

2001 SENATE FINANCE AND TAXATION

SB 2205

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2205

Senate Finance and Taxation Committee

Conference Committee

Hearing Date 1/30/01

Tape Number	Side A	Side B	Meter #
1	x		12.5-end
		x	0-16
2		x	21.1-36.3
Committee Clerk Signature <i>Rynelle W. Kraft</i>			

Minutes:

Senator Urlacher: Opened the hearing on SB 2205, relating to determination of the trigger price that determines application of oil extraction tax rates and exemptions.

Senator Wardner: Cosponsored, introduced the bill to the committee. Provides handout and explains where the revenue goes. This bill does three things: Changes the trigger, Clears up language on monthly average, and Puts in an index. This is a fairness bill. We do have some amendments to clear up some language.

Senator Nichols: Does this bill affect all wells?

Senator Wardner: It affects all wells except for stripper wells.

Ron Ness: ND Petroleum Council, testified in support. Written testimony attached.

Senator Wardner: Who are the players in the ND oil field?

Ron Ness: We now longer have the major oil companies exploring and drilling in our state. We basically have regional and state-owned companies.

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Senate Finance and Taxation Committee

Bill/Resolution Number 2205

Hearing Date 1/30/01

Senator Aaron Krauter: Co-sponsored the bill, testified in support. Feels bill gives some long term stability to oil industry.

Jeff Herman: Petro-Hunt LLC, testified in support. Written testimony attached.

Lynn Helms: Director of Oil & Gas Division, testified neutrally to provide some information. Provides handout and summarizes the main points. Explains coal bed methane gas and the outlook of drilling for next year.

Senator Urlacher: What about the reservations? Is there any foreseeable movement there?

Lynn Helms: There is potential but there are tribal politics that puts a damper on it.

Senator Urlacher: Is there anything the state can do to help?

Lynn Helms: Nothing off the top of my head. I have been encouraging the executive branch to come up with something on a cooperative effort.

Jack Stark: Continental Resources, Inc., testified in support. Provides handout of graphs and goes over them.

Senator Wardner: What's your success rate on horizontal wells in ND?

Jack Stark: You spend substantially more, you risk more dollars when you drill a horizontal well to start with. As far as success rate, it depends on where you're at in the state.

Vicki Steiner: ND Assoc. Of Oil & Gas Producing Counties, testified in support.

Senator Urlacher: Closed the hearing. Action delayed.

Discussion held later. Meter number 21.1-36.3.

#### AMENDMENT ACTION:

Motion made by Senator Wardner, Seconded by Senator Stenehjem, to move amendment numbered 10407.0201. Voice Vote taken. All in favor, amendment adopted.

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Senate Finance and Taxation Committee  
Bill/Resolution Number 2205  
Hearing Date 1/30/01

COMMITTEE ACTION: 1/30/01

Motion made by Senator Christmann for a DO PASS AS AMENDED, Seconded by  
Senator Stenchjem. Vote was 6 yeas, 0 nays, 0 absent and not voting. Bill carrier was Senator  
Wardner.

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/02/2001

Bill/Resolution No.:

Amendment to: SB 2205

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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

SB 2205 First Engrossment changes the "trigger price" mechanism that determines the oil extraction tax rates and exemptions. SB 2205 First Engrossment is not expected to affect revenues during the 01-03 biennium.

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.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Tax Department
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	02/06/2001

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/16/2001

Bill/Resolution No.: SB 2205

Amendment to:

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.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

SB 2205 changes the "trigger price" mechanism that determines the oil extraction tax rates and exemptions. Based on the forecasted oil price, neither the current law trigger price, nor the proposed trigger price would be met. Therefore, SB 2205 is not expected to affect revenues during the 01-03 biennium.

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.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Tax Department
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	01/29/2001

PROPOSED AMENDMENTS TO SENATE BILL NO. 2205

Page 1, line 15, after "average" insert "of the" and remove the overstrike over "daily" and insert immediately thereafter "closing"

Page 1, line 17, after "cents" insert ". When computing the monthly average price, the most recent previous daily closing price must be considered the daily closing price for the days on which the market is closed"

Page 4, line 1, remove "an average price of a barrel of crude oil of"

Page 4, line 2, replace "first" with "thirty-first"

Page 4, line 4, replace "consumer" with "producer"

Page 4, line 5, after "commodities" insert "as calculated and published by the United States department of labor, bureau of labor statistics," and replace "September thirty-first" with "June thirtieth"

Page 10, line 29, replace "taxable events" with "oil production"

Renumber accordingly



Date: 1/30/01  
Roll Call Vote #: )

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2205

Senate Finance and Taxation Committee

Subcommittee on \_\_\_\_\_

or

Conference Committee

Legislative Council Amendment Number 10407.0201

Action Taken More Amendment (Voice Vote)

Motion Made By Wardner Seconded By Stenehjem

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman					
Senator Wardner-Vice Chairman					
Senator Christmann					
Senator Stenehjem					
Senator Kroeplin					
Senator Nichols					

Total (Yes) 0 No 0

Absent 0

Floor Assignment \_\_\_\_\_

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

Date: 1/30/01  
Roll Call Vote #: 2

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2205

Senate Finance and Taxation Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass As Amended

Motion Made By Christmann Seconded By Stenehjem

Senators	Yes	No	Senators	Yes	No
Senator Urlacher-Chairman	✓				
Senator Wardner-Vice Chairman	✓				
Senator Christmann	✓				
Senator Stenehjem	✓				
Senator Kroeplin	✓				
Senator Nichols	✓				

Total (Yes) 6 No 0

Absent 0

Floor Assignment Wardner

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

**REPORT OF STANDING COMMITTEE**

**SB 2205: Finance and Taxation Committee (Sen. Urlacher, Chairman) recommends AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2205 was placed on the Sixth order on the calendar.

Page 1, line 15, after "average" insert "of the" and remove the overstrike over "~~daily~~" and insert immediately thereafter "closing"

Page 1, line 17, after "cents" insert ". When computing the monthly average price, the most recent previous daily closing price must be considered the daily closing price for the days on which the market is closed"

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Renumber accordingly

2001 HOUSE FINANCE AND TAXATION

SB 2205

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2205

House Finance and Taxation Committee

Conference Committee

Hearing Date March 7, 2001

Tape Number	Side A	Side B	Meter #
1	x		47
Committee Clerk Signature <i>Janice Stein</i>			

Minutes:

**REP. AL CARLSON, CHAIRMAN** Opened the hearing and read the fiscal note.

**REP. JOHN WARNER,** Introduced the bill as a co-sponsor. He endorsed the concept of the bill. He spoke briefly about the disappointments in the oil fields. Although there has been a significant rise in the price of oil, oil is so volatile, we are not seeing the kind of long term commitment of oil development in North Dakota. I hope this bill can address that problem.

**SEN. RICH WARDNER, DIST. 37, DICKINSON** Testified in support of the bill. This bill does three things: it adjusts the trigger, it puts in a producer price increase, and it also clarifies the five month average. He explained the history of the trigger back to 1985. He explained some of the incentives that were granted which were called "holidays". He stated these incentives have been good to North Dakota. He talked about the prices of North Dakota crude oil per barrel. He talked about West Texas Intermediate as a neutral intermediary. He talked about the five month average when the trigger can take place. He stated there are two major oil companies in

