

2017 HOUSE ENERGY AND NATURAL RESOURCES

HB 1257

2017 HOUSE STANDING COMMITTEE MINUTES

Energy and Natural Resources Committee Coteau –A Room, State Capitol

HB 1257
2/3/2017
27901

- Subcommittee
 Conference Committee

Committee Clerk Signature

Kathleen Davis

Explanation or reason for introduction of bill/resolution:

Relating to approval requirements for unitization plans

Minutes:

Attachment #1 - #6

Chairman Porter: Called the committee to order on HB 1257. The Clerk read the title.

Rep. Steiner: presented Attachment #1. The rules of unitization are very complicated and I can't say I understand all the rules they go through at the ND Industrial Commission, but this bill is allowing a simple majority to form a unit.

Ron Ness, president of BND Petroleum Council provided Attachment #2. The concept here is that 4 of you may own, or have oil wells on your land, or your minerals. The 4 of you over here also have wells on your land and your minerals, and typically at the end of the primary production state, how do we get more oil out of that. We may form a unit, we all come together in almost a coop type of arrangement. Historically we put water down your 4 wells, and the oil comes out of your 4 wells. A bit nervous to some people, but in reality it will all change. You all share equally now in the oil that comes out, and if you're the working interest, you share equally in the costs that come out.

Rep. Keiser: Go through unitization again. If I own 75% of the property, how much of a vote do I get versus the others.

Ness: It's working interests and mineral interest. You have to go out and get a more than 60% majority of those interests of a percentage of the ownership underneath that well.

Rep. Keiser: It's the percentage of the interests (?) for persons

11:22

Rod Backman: presented Attachment #3 encouraging a Do Pass. We interviewed 4 groups, including ranchers, oil industry, conservation groups, and government agencies. ndstakeholders.com

Rep. Bosch: What are the parameters, you talk about larger units. What are the guidelines. How do you decide how big a unit will be?

Backman: Better experts in the room. My understanding is when you do a larger unit, it has a lot to do with how many production companies are involved, who owns the minerals, a matter of getting the mineral owners and production people together in the room to work out how big they would set the unit.

Rep. Keiser: I'm trying to think back and how valuable unitization was. It seems to me we reached kind of a compromise at 60/40, a super majority. In reality we're taking property rights of somebody with unitization. Intuitively at that time made sense to say let's make it a super majority. This current legislation, I could own 49% or 45% of the unit, and still be overruled even though I may want to wait a little bit for unitization. On one hand we're letting the minority rule the majority. But original in this legislation the argument was made and I think supported by the oil industry that maybe a super majority is okay because we are taking property rights. Your reaction to that?

Backman: I stepped forward because of a project I'd worked on. We didn't specifically interview mineral owners in our study, although many of the surface owners were mineral owners, so that's one group we didn't get input from. I can certainly say the other groups looked to the idea that a larger unitization would be good for the surface in ND.

Blaine Hoffmann: Attachment #4 in support. I'm not here so much to support industry or land owners but mostly to support the big picture of what we're doing.

19:31

Chairman Porter: I'm familiar with unitization with the head pressure of the field comes down and whether you miss it or hit it, in an enhanced kind of recovery situation. Have we in ND experienced a situation where we've drained the field to the point of where we've missed the opportunity and then everybody has suffered across a unit?

Hoffmann: I can't think of a lot of areas that's happened. There's pros and cons. A lot and depends on when you go in and unitize and start putting water or gas in the ground to recover. If you've already drained too much out, the chance of unitization and secondary recovery working, your percentages go down. If you can implement this from the start, whether it's secondary, triary recover, or if you do this from the start to lessen the impact, it makes a big difference. You can gather more oil, helps mineral interest owners out there.

Chairman Porter: Do you have any other kind of relative information on how other oil producing states handle this issue?

21:07

Hoffmann: CO and WY, they all have different forms of unitization, and much in pristine areas they endorse unitization for these areas. I think it's worked well in many of these areas and we develop and learn and we can all do better. If we could implement unitization in the start of the field in the big picture it would help all the resources.

22:14

Greg Steiner: exploration and production manager for Ballantyne Oil out of Bottineau in support. I have been actively involved in creating units in convention reservoirs of legacy production, non-Bakken production. Most of the fields I deal with are in the NE flank of the Williston Basin. They're all mature fields. Most in today's current price environment, are to the point of being at the point or near their economic limit. If the fields are not unitized, a lot of these old wells need to be plugged. Once you plug these wells, there's very little chance someone will come back and open those wells because the investment doesn't justify the return you can get. If you do not abandon wells in the 1st place and you try to get some of the remaining oil, it's best to take those old wells and keep them going as long as possible. Most reservoirs, you'll produce 15-25% of the oil in place, and the rest need some other form of re-pressurization. If you start plugging and walking away, you're going to waste the reset of the oil in the reservoir, and I don't think standing for 15-25% of the oil that was there is a very good plan. Re-pressurizing is the only way to getting another way to get another 10% maybe 15%-20% out. If you abandoned these at the end of their primary, very little chance someone will come back in and re-drill those later when the price goes up. Your initial production that pays most of your bills will not be there.

24:46

Rep. Keiser: Given that you are primarily in the legacy wells, how many times have you gone for unitization and the affected parties haven't signed the agreement at the 60/40 ratio?

Steiner: zero

Chairman Porter: Further testimony in support? Opposition?

26:00

Edward Vanover, Bismarck. Own few hundred scattered mineral acres in western in ND. I've been through this unitization nightmare personally. A few years ago, I had some working interests in the 25,000 acres specifically in 2 different 1280's. They had just brought on line 7 wells, in Sec.29 and 32-150-95. It was producing 34% of the 25,000 acres, 34% of the oil. TEP (?) wanted to unitize it. I about mortgage my house, and my son's house to participate in these wells. It was producing \$50k a month in revenue because they had just come on board. The unitization dropped my revenue down to less than 5%, or \$5000, I'd have gone broke, the bank would repossess my house, and my son's house. The Industrial Commission approved this. Later they didn't get the 60% and Mr. Helms and his group put some conditions on it and TEP (?) went away and I didn't go broke. If this is about secondary recovery my position would probably be totally different. Secondary recovery versus primary recovery is a different animal. If you go to the Century Code and read unitization it says in 4 places, fair for all, but that didn't necessarily apply in this situation. It also says this cannot be unduly burdensome to the mineral acre owners, but when you go to find an attorney to represent you, no real oil and gas attorney will not represent you because there's a conflict of interest. So I had to hire a trial attorney that cost me \$5000. One oil and gas attorney, the 4th one I

contacted, said yes I'll represent you for \$17,000 for a one-day hearing! That's all I have to say.

30:20

Chairman Porter: Further opposition? Seeing none, asked John Harju to come forward and present some technical information on unitization.

John Harju, VP for Strategic Partnerships, presented Attachment #5

Lynn Helms, presented Attachment #6. **43:14** That's really the primary purpose of unitization, to enhance soil recovery.

43:23

Chairman Porter: Little Knife, go back to barrels unrecoverable

Helms: 70 million barrels. This unit currently has produced almost 80 million barrels of oil. It has maybe 4-5 million remaining that it will produce economically. It should have produced 160 million had it been unitized and put on enhanced oil recovery. There was a project, a pilot water flood that showed that would work, there was also a Pilot CO2 flood performed there by the Dept. of Energy that showed that would have worked. The mineral owners would not ratify it at 80-70%-60%.

Chairman Porter: So simple math then, at \$50 barrel, times the 10% of the tax dollars is fairly significant loss of revenue to the state.

Helms: It's an enormous loss to the state and even more so to the mineral owners and the operators in Little Knife. It's in the 10's of millions.

52:00

Helms: I want to talk a bit about primary units. ND's laws are a little unique in that it does allow if they total recovery from a unitized area can be increased of the number of wells decreased in order to achieve that recover, it allows for unitization in the absence of secondary or tertiary recover. This is the Coral Creek unit. It was unitized about 31,000 acres. We went from 4 potential operators down to 1. There are 286 active wells, 2 inactive wells, 11 non completed, 42 approved drilling locations, and there'll be another 151 wells drilled in this unit. This unit on the surface includes homes, the Little Missouri State Park, as well as leased lands for the (?), highways, water disposal (? In or on) the Little Missouri River. I want to point out included in the unit, the darkest shading there is Little Missouri State Park. The area with somewhat lighter shading around that is the leased area, private lands leased for horse riding trails. The red stars represent surface locations and pads that did not have to be built because of unitization. 16 pads that would have been in topographically sensitive areas were eliminated; 7 right on the banks of the Little Missouri River, 2 right inside the state park, and 8 in the horseback riding area leased for the state park. All of those were able to be moved and organized in a much less intrusive way. There are timing limitations on when drilling and construction can occur within the park. It's all done off season. Everything's

brought out by pipeline to central tank batteries. **47:00** The purposes of the primary unit were completely achieved here in order to minimize the impacts on the Little Missouri River, the state park, on the horseback riding trails and on the surface owners in the area. Everything is very neat, organized, and is in organized, and is along Highway 22 where it totally minimizes the impact to the river and Badlands and the state park. Some statistics, you can see the amount of roads within the Coral Creek Unit was reduced by 9 miles of road, 74 acres less taken up by roads, and overall 264 acres of less surface acres of footprint of that unitization. You've heard the appeal to make it easier to do these units as we moved into some of the very sensitive areas located along that Little Missouri River and make it easier. One other possible application, a situation where a unit could be very protective of infrastructure. (see the City of Williston, green shaded area). Within this area, development is taking place under 6 different oil and gas operators. There are 67 active wells, 2 inactive wells, 12 not completed, 2 approved permits, and those 6 operators are going to drill another 168 wells, all in and around the city of Williston, which contains, homes, schools, parks, hospitals, business, abandoned salt mine, and active Leonardite mine, and a waste water treatment facility, an abandoned salt mine, a landfill, and levies to protect it from floods from the Missouri and Little Missouri River. This looks like the perfect application of unitization, where we can go from 6 operators down to 1 and we could put together a plan to develop the minerals under the city of Williston and all of its infrastructure and bypasses, with a minimum footprint. This is the type of application if unitization, if it were made easier, would certainly benefit places like the city of Williston, and truly benefit the Little Missouri State Park. That's what this bill is about, to make it easier to unitize. I've gone through the numbers of failures. Over time there's been 126 units formed in the state, only 7 have truly failed- 5%. As a result of the operations, harm was done to oil and gas production. Only 16 failed to achieve more than the promised recovery percentage which is 1 out of 8. Mr. Vanover had a very valid complaint when the Grail Unit was formed. The number he gave you about what would be the impact to his income stream was the unit as proposed by the unit operator. That is not the formula the Industrial Commission approved – a 3 phase formula for that unit that would have kept Mr. Vanover and his other mineral owners whole on the primary production and phased in different unit formulas as development took place across that unit. There were also questions, how big. The typical primary development unit in the state of ND, is 1280 acres. Sometime we double that to 2560. Once you go beyond that, it requires this process to form larger units. They are typically 25k-30k acres.

Rep. Keiser: Who owns the minerals under the city of Williston?

Helms: The homeowners, the people who own the lots. When the people or the city sold off lots, they did not retain the minerals. It'll be a complicated unit if they go to put it in a unit.

Chairman Porter: The protection to the mineral owner and their investment, relies back on you during the process of implementation. So we change the vote to 50%. There are still major protections in place as the proposals come forward as to how this unit is put together? Expound a little bit more on individual protections exist as the process is moved forward through the Industrial Commission.

55:24

Helms: Unitization is a complicated lengthy process. It's required all of the proposed names of mineral owners, the proposed unit formula, and lands affected have to be filed with the Industrial Commission 45 days prior to public hearings. At least 1 public hearing, in some cases we've done 2 or more to take input from all of the owners who would be impacted. My staff goes back and reviews everything about the unit proposal in terms of formula and ownership, relative percentages people are getting, and carefully calculate the impact. We have started over the last 10-12 years, to do multi-phase formulas, so in the first phase, everybody's primary production is kept whole. That nobody sacrifices a primary barrel of oil for their neighbor. Phase 2 kicks in as increased density drilling takes place or as enhanced oil recovery processes take place. In some cases, we've reach Phase 3 or Phase 4. Everything is done transparently, has to be filed with the Commission at least 45 days ahead of time. It's available to all owners, in fact it has to be hand delivered ahead of the unitization process so they have it in hand and can review the potential impacts to their royalty checks. In the case of a few units where we had tens of thousands of owners, i.e. under the city of Dickinson, we actually signed and order an got approval from the Attorney General, to place multiple copies of those exhibits around the city and make them available. For example, the City Library. Then they have the opportunity to plead their case or ratify or not. Finally, the Industrial Commission has to approve forming the unit and finding the proper percentage of peoples ratified.

58:30

Rep. Keiser: I was in a fracking trailer in the Bakken area with a well owner. We were talking about the process, his liability, etc. He made the comment I found interesting at the time. The return on investment of the well and jokingly said that's nothing, I've just applied for a patent for a new fracking process that is going to make this very insignificant. Whether or not he got it or did that, the bottom line, fracking today is considerably different from even 3 years ago. The technology is evolving very quickly. So there may be reason, maybe misguided, but uninformed, but they may have said, I don't care if we unitize, I don't want to do it right now. On legacy wells there's not a lot of resistance on unitization. But on primary production, we're taking that right away and moving it from 40 to 50 does affect some folks who might say we're not opposed to unitization, we don't think it's right, right now. Is that an issue for that 10%?

Helms: For some it is an issue. Speaking to the Grail Unit. The timing was not good. At the time Mr. Vanover's property was very intensely developed. It was extremely challenging for us at the Industrial Commission to come up with a formula to treat people fairly. It can be an issue. What tends to happen, is that once proposed and failed, either in the Industrial Commission or the ratification process, the unit proposal never comes back again. I'm not opposed to unitization but I want it to come back.

Chairman Porter: Do you have info on other oil producing states and how they handle this process.

1:02:00

Helms: I do, I can provide that, for SD, WY

Chairman Porter: Closed the hearing on HB 1257

2017 HOUSE STANDING COMMITTEE MINUTES

Energy and Natural Resources Committee

Coteau –A Room, State Capitol

HB 1257

2/9/2017

28124

Subcommittee

Conference Committee

Committee Clerk Signature

Kathleen Davis

Explanation or reason for introduction of bill/resolution:

Relating to approval requirements for unitization plans

Minutes:

Attachment #1

Chairman Porter: Called the committee to order on HB 1257.

Rep. Keiser: This is the unitization bill. The amendment, Attachment #1, has been prepared does basically one thing. Adjusts the bill from 50% to 55% of the royalty and mineral owners, all the folks that benefit. It does still require a majority. It's not as strong a majority. Given this is a form of taking, at least for that party that may object to it, this does give a little more protection and does address the issues we discussed during the hearing that when this was initially passed because of that, we had the 60/40. The 55/45 is a reasonable alternative adjustment so that's what the amendment does. Industry does support this. Everybody we've talked to supports this. I've had no objections to the amendment. Mr. Chairman I move adoption of the amendment.

Rep. Anderson: Second

Chairman Porter: I have a motion from Rep. Keiser for adoption, second from Rep. Anderson. Discussion? Rep. Keiser, I want to be clear. Mr. Helms talked about in 9.4 the removal of a unit is still at 60/40. Was that addressed in your amendment?

Rep. Keiser: It was supposed to be addressed. It's supposed to be both.

Chairman Porter: It is, Section 1 talks about it. Any other discussion on the proposed amendment? Seeing none all those in favor say Aye. Opposed. Voice vote, motion carries. We have an amended HB 1257.

Rep. Keiser: move a Do Pass Recommendation as Amended on HB 1257.

Rep. Lefor: Second

Chairman Porter: We have a motion from Rep. Keiser, second from Rep. Lefor for a Do
Pass as Amended for HB 1257. Any discussion? Seeing none, the Clerk called roll.
Yes 13 No 0 Absent 1 Rep. Anderson is the carrier.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1257

Page 1, line 1, replace "section" with "subsection 7 of section 38-08-09.4 and sections"

Page 1, line 1, after "38-08-09.5" insert "and 38-08-09.9"

Page 1, after line 3, insert:

"SECTION 1. AMENDMENT. Subsection 7 of section 38-08-09.4 of the North Dakota Century Code is amended and reenacted as follows:

7. The time when and conditions under which and the method by which the unit must or may be dissolved and its affairs wound up; however, the unit may be dissolved ten years after the unit agreement becomes effective upon a petition to the commission by the royalty owners who are credited with at least eighty percent of the production and proceeds thereof or for units established after August 1, 2001, upon a petition to the commission by the royalty owners who are credited with at least sixty percent of the production and proceeds thereof the percentage of interest of the royalty production and proceeds thereof required to ratify the unit agreement on the date the unit agreement was initially approved by the commission, and a subsequent hearing and order by the commission. The commission may not dissolve any unit if the dissolution would be likely to result in waste or the violation of the correlative rights of any owner. This provision does not limit or restrict any other authority which the commission has."

Page 1, line 19, replace "fifty" with "fifty-five"

Page 1, line 20, replace "fifty" with "fifty-five"

Page 2, after line 12, insert:

"SECTION 3. AMENDMENT. Section 38-08-09.9 of the North Dakota Century Code is amended and reenacted as follows:

38-08-09.9. Enlargement of area - Creation of new units - Amendment of plan.

The unit area of a unit may be enlarged at any time by the commission, subject to the limitations hereinbefore provided in this chapter to include adjoining portions of the same common source of supply, including the unit area of another unit, and a new unit created for the unitized management, operation, and further development of ~~such~~ the enlarged unit area, or the plan of unitization may be otherwise amended, all in the same manner, upon the same conditions and subject to the same limitations as provided with respect to the creation of a unit in the first instance, except, that where an amendment to a plan of unitization relates only to the rights and obligations as between lessees, or the amendment to a plan of unitization or the enlargement of a unit area is found by the commission to be reasonably necessary in order to effectively carry on the joint effort, to prevent waste, and to protect correlative rights, and that such will result in the general advantage of the owners of the oil and gas rights within the unit area and the proposed enlarged unit area, and the persons and owners in the proposed added unit area have ratified or approved the plan of unitization as required

2/9/17 DA

2 of 2

by section 38-08-09.5, then ~~such~~the amendment to a plan of unitization or the enlargement of a unit area need not be ratified or approved by royalty owners of record in the existing unit area provided that written notice thereof is mailed to ~~such~~the royalty owners by the operator of a unit not more than forty days nor less than thirty days prior to the commission hearing. The notice must describe the plan for the unit amendment or enlargement together with the participation factor to be given each tract in the unit area and in the proposed area and must contain the time and place of the commission hearing. An affidavit of mailing verifying ~~such~~the notice must be filed with the commission. ~~Said~~The notice must further provide that in the event ten percent of the royalty interests or working interests in the existing unit area file with the commission at least ten days prior to the commission proceeding an objection to the plan of enlargement, the commission shall require that the unit amendment or enlargement be approved by ~~sixty~~more than fifty-five percent of all royalty interests and working interests in the existing and proposed areas."

Renumber accordingly

Date: 2-9-17

Roll Call Vote #: 1

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1257

House Energy & Natural Resources Committee

Subcommittee

Amendment LC# or Description: 17,0685,01001,02000

Recommendation

- Adopt Amendment
- Do Pass Do Not Pass Without Committee Recommendation
- As Amended Rerefer to Appropriations
- Place on Consent Calendar
- Other Actions Reconsider _____

Motion Made By Rep Keiser Seconded By Rep. Anderson

Representatives	Yes	No	Representatives	Yes	No
Chairman Porter			Rep. Lefor		
Vice Chairman Damschen			Rep. Marschall		
Rep. Anderson			Rep. Roers Jones		
Rep. Bosch			Rep. Ruby		
Rep. Devlin			Rep. Seibel		
Rep. Heinert					
Rep. Keiser			Rep. Mitskog		
			Rep. Mock		

*voice
vote
permitted*

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 2-9-17

Roll Call Vote #: 2

2017 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1257

House Energy & Natural Resources Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation

- Adopt Amendment
- Do Pass Do Not Pass Without Committee Recommendation
- As Amended Rerefer to Appropriations
- Place on Consent Calendar

Other Actions

- Reconsider
- _____

Motion Made By Rep Keiser Seconded By Rep Lefor

Representatives	Yes	No	Representatives	Yes	No
Chairman Porter	✓		Rep. Lefor	✓	
Vice Chairman Damschen	✓		Rep. Marschall	✓	
Rep. Anderson	✓		Rep. Roers Jones	✓	
Rep. Bosch	✓		Rep. Ruby	✓	
Rep. Devlin	✓		Rep. Seibel	✓	
Rep. Heinert	✓				
Rep. Keiser	✓		Rep. Mitskog	✓	
			Rep. Mock	AB	

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep Anderson

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

REPORT OF STANDING COMMITTEE

HB 1257: Energy and Natural Resources Committee (Rep. Porter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1257 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "section" with "subsection 7 of section 38-08-09.4 and sections"

Page 1, line 1, after "38-08-09.5" insert "and 38-08-09.9"

Page 1, after line 3, insert:

"SECTION 1. AMENDMENT. Subsection 7 of section 38-08-09.4 of the North Dakota Century Code is amended and reenacted as follows:

7. The time when and conditions under which and the method by which the unit must or may be dissolved and its affairs wound up; however, the unit may be dissolved ten years after the unit agreement becomes effective upon a petition to the commission by the royalty owners who are credited with at least ~~eighty percent of the production and proceeds thereof~~ or for units established after August 1, 2001, upon a petition to the commission by the royalty owners who are credited with at least ~~sixty percent of the production and proceeds thereof~~ the percentage of interest of the royalty production and proceeds thereof required to ratify the unit agreement on the date the unit agreement was initially approved by the commission, and a subsequent hearing and order by the commission. The commission may not dissolve any unit if the dissolution would be likely to result in waste or the violation of the correlative rights of any owner. This provision does not limit or restrict any other authority which the commission has."

Page 1, line 19, replace "fifty" with "fifty-five"

Page 1, line 20, replace "fifty" with "fifty-five"

Page 2, after line 12, insert:

"SECTION 3. AMENDMENT. Section 38-08-09.9 of the North Dakota Century Code is amended and reenacted as follows:

38-08-09.9. Enlargement of area - Creation of new units - Amendment of plan.

The unit area of a unit may be enlarged at any time by the commission, subject to the limitations ~~hereinbefore~~ provided in this chapter to include adjoining portions of the same common source of supply, including the unit area of another unit, and a new unit created for the unitized management, operation, and further development of ~~such~~ the enlarged unit area, or the plan of unitization may be otherwise amended, all in the same manner, upon the same conditions and subject to the same limitations as provided with respect to the creation of a unit in the first instance, except, that where an amendment to a plan of unitization relates only to the rights and obligations as between lessees, or the amendment to a plan of unitization or the enlargement of a unit area is found by the commission to be reasonably necessary in order to effectively carry on the joint effort, to prevent waste, and to protect correlative rights, and that such will result in the general advantage of the owners of the oil and gas rights within the unit area and the proposed enlarged unit area, and the persons and owners in the proposed added unit area have ratified or approved the plan of unitization as required by section 38-08-09.5, then ~~such~~ the amendment to a plan of unitization or the enlargement of a unit area need not be ratified or approved by royalty owners of record in the existing unit area provided that written notice thereof is mailed to ~~such~~ the royalty owners by the operator of a unit

not more than forty days nor less than thirty days prior to the commission hearing. The notice must describe the plan for the unit amendment or enlargement together with the participation factor to be given each tract in the unit area and in the proposed area and must contain the time and place of the commission hearing. An affidavit of mailing verifying ~~such~~the notice must be filed with the commission. ~~Said~~The notice must further provide that in the event ten percent of the royalty interests or working interests in the existing unit area file with the commission at least ten days prior to the commission proceeding an objection to the plan of enlargement, the commission shall require that the unit amendment or enlargement be approved by ~~sixty~~more than fifty-five percent of all royalty interests and working interests in the existing and proposed areas."

Renumber accordingly

2017 SENATE ENERGY AND NATURAL RESOURCES

HB 1257


2017 SENATE STANDING COMMITTEE MINUTES

Energy and Natural Resources Committee Fort Lincoln Room, State Capitol

HB 1257
3/10/2017
Job #29038

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution: Relating to approval requirements for utilization plans.

Minutes:

Attch#1, #2=Rep.Steiner; Attch#3=Ron Ness; Attch#4=John Harju; Attch#5=Lynn Helms;

Chairwoman Unruh: Let's open HB 1257.

Rep. Vicky Steiner, Dist. 37, Dickinson, ND: (see Attch#1 and #2). Unitization will benefit ND in the long run and means less footprint on the land. The background sheet will help people taking this to the floor. Any questions?

Ron Ness, ND Petroleum Council: (3.55-11.05) (see Attch#3) In 2001, units accounted for 44% of our oil production. 54% of that was from the Cedar Hill unit. Today we produce 90,000 barrels of oil by 3:00 a.m. We have some to the 982,000 barrels a day in January. These small areas are truly important to those communities. What are you going to do with the Baakan in the next generation? It is going to take CO2 or gas because of the density of the nonconventional resource there. Can't just put high pressure water and force the oil. New technology is needed and will be developed in ND and is on the minds of the CEO's. Great value to unitization. 50 to 65 is a good change. The cleanup language fixes a lot of things. Old units have to be unwound the same way that they were wound.

Sen. Armstrong: Two sessions ago there were big unitizations going on in the Baakan. You hear a lot of complaints on the front end, but now that they have been there, how is it now. Now it is OK.

Ron: You are right. There was a large unit in east McKinsey County that did not meet the criteria. It is a way to keep old oil fields alive.

Chairwoman Unruh: There is testimony from John Harju. He could not be here but there is information from him. (see Attch#4)

Sen. Oban: How often do you get threshold down to 55%?

Ron: The question was asked in the House, how often have we not achieved the 60%. I never brought one that I did not get 60%. You will not bring it forward if it fails. People are trying for the 60%. You go back to plan B. Every % matters.

Chairwoman Unruh: Further in support of HB 1257.

Gary Preszler, ND Assoc. of Realtors: (15.20) Here in support of this bill as engrossed.

Chairwoman Unruh: More in support? Any opposed? Neutral testimony?

Lynn Helms, Director of Dept. of Mineral Resources: (15.55-35-00) (see Attch#5) He explained the power point page by page. Any questions?

Chairwoman Unruh: Thank you. You did a very thorough job. Any more testimony? Seeing none we will close the hearing on HV 1257.

2017 SENATE STANDING COMMITTEE MINUTES

Energy and Natural Resources Committee

Fort Lincoln Room, State Capitol

HB 1257
3-16/2017
Job #29342

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Minutes:

Committee work

Chairwoman Unruh: Take up engrossed HB 1257.

Sen. Armstrong: I move a Do Pass on HB 1257. **Sen. Oban:** I second.

Chairwoman Unruh: Any discussion. Please call the roll.

YES 7 NO 0 -0- absent.

Sen. Roers will carry the bill.

Date: 3/16/17
Roll Call Vote #: 1

**2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES HB 1257
BILL/RESOLUTION NO.**

Senate Energy and Natural Resources Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation:
- Adopt Amendment
 - Do Pass Do Not Pass Without Committee Recommendation
 - As Amended Rerefer to Appropriations
 - Place on Consent Calendar
- Other Actions: Reconsider _____

Motion Made By Sen. Armstrong Seconded By Sen. Oban

Senators	Yes	No	Senators	Yes	No
Chair Jessica Unruh	/		Sen. Erin Oban	/	
Vice Chair Curt Kreun	/				
Sen. Kelly Armstrong	/				
Sen. Dwight Cook	/				
Sen. Jim Roers	/				
Sen. Don Schaible	/				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Roers

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

REPORT OF STANDING COMMITTEE

HB 1257, as engrossed: Energy and Natural Resources Committee (Sen. Unruh, Chairman) recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1257 was placed on the Fourteenth order on the calendar.

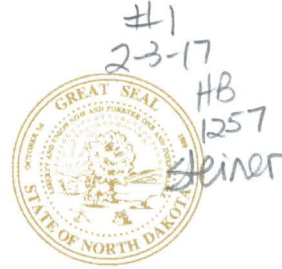
2017 TESTIMONY

HB 1257



NORTH DAKOTA HOUSE OF REPRESENTATIVES

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360



Representative Vicky Steiner

District 37
859 Senior Avenue
Dickinson, ND 58601-3755

Residence: 701-225-4227
Cell: 701-290-1376
vsteiner@nd.gov

COMMITTEES:
Finance and Taxation
Government and Veterans Affairs

February 3, 2017

1257- Do Pass

Thank you Chairman Porter and Members of the Energy and Natural Resources committee,

Vicky Steiner, District 37, Dickinson.

I present for your consideration House bill 1257. This is a simple bill on a complicated subject. Unitization today requires a 60% vote of the majority of the mineral owners for approval of a unit as one of the requirements.

This bill lowers that threshold to a simple majority, or greater than 50%.

The research staff has provided unitization past law for your committee's information. The first unit was called the Tioga Madison Unit which was formed April 1, 1958. Units were voluntary at that time. In 1983, the percentage was 80%. In 1991, it was 70%. In 2001, with Senate Bill 2120, it was lowered to 60%. I hope this bill will mean that there will be additional units formed. It moves the mineral royalty owner approval to simple majority.

I recently served on a Badlands Advisory Group for 6 months with western leaders on lessons learned and how we might lessen an industrial footprint on the landscape. We have about 13,000 wells moving to perhaps at least 50,000 wells in the future. Unitization came up frequently in our discussion on how unitization should be encouraged when possible as it will mean less footprint on the land, especially less need for multiple roads for multiple operators. Units mean pre-planning and I believe that reduction in infrastructure will benefit our state.

There are experts here on all the rules of unitization but as I said, this bill is about allowing simple majority to form a unit rather than 60%. I will leave the research with the committee secretary and whoever might carry this bill on the floor.

Thank you Mr. Chairman.

1A
HB 1257
2-3-17
Rep Steiner

1983 SENATE NATURAL RESOURCES

HB 1199

SENATE
NATURAL RESOURCES

2-18-83

The Senate Natural Resources Committee met at 8:00 a.m., with all members present.

Tape 22, Counter 22
Side 2

House Bill #1199, A bill for an act to amend and reenact section 38-08-09.5 of the North Dakota Century Code, relating to ratification of unit agreements.

Doug Johnson, Attorney for the Industrial Commission, appeared to explain the bill. (See attached testimony.) Mr. Johnson explained further that at present effectively what happens is that the oil companies can get almost any unit agreement ratified by carving out some of their working interests and making them into noncost-bearing interest owners. Under this bill, 80% of the royalty interests must sign the unit agreement.

Tom Smith, Little Knife Producing Mineral Owners' Association, spoke in support of HB1199.

There was no further testimony, and the hearing was closed.

COMMITTEE ACTION
Tape 30, Side 1
Counter 100

Doug Johnson appeared briefly to state that the main intent of HB1199 was to define a royalty owner and to ratification of units by royalty owners only, and not by all non-cost-bearing interest owners, or by over-riding interest owners.

Senator Moore moved "Do Pass". Senator Dean Meyer seconded the motion. The motion carried, 8 Yeas, 0 Nays.

Connie Johnsen
Clerk

SENATE NATURAL RESOURCES

BILL NO: HB1199

SUBJECT: A bill for an act to amend and reenact section 38-08-09.5

of the North Dakota Century Code, relating to ratification of unit agreements

SPONSOR: Industrial Commission

HEARING DATE: 2-18-83

ACTION TAKEN: do pass

FLOOR ASSIGNMENT: Sen. Parker

COMMITTEE VOTE:

yes LEE

yes MOORE

yes GOODMAN

yes PARKER

yes DAVID

yes MEYER

yes MAIXNER

yes KRAUTER

TESTIMONY:



REPORT OF STANDING COMMITTEE

Mr. (President/Speaker): Your committee on Natural Resources to which was ~~(xx)~~ referred HB1199 has had the same under consideration and recommends (by a vote of _____ yeas, _____ nays, _____ absent and not voting) that the same:

- do pass do not pass be placed on the calendar without recommendation
- be amended as follows:

(XXXXXXXXXXXX)

- and when so amended, recommends the same (do do not) pass.
- and be rereferred to the committee on _____.
- statement of purpose of amendment

_____, Chairman

Senator Shirley Lee

HB1199 was placed on the 14th order of business on the calendar for the succeeding legislative day.

_____ was rereferred to the committee on _____.

TESTIMONY ON HB 1199

House Bill No. 1199
Before the House Natural Resources Committee

Testimony of
Douglas L. Johnson
Assistant Attorney General
Oil and Gas Division
North Dakota Industrial Commission

Sections 38-08-09.1 through 09.17 of the North Dakota Century Code provide for the unitization of oil and gas reservoirs. The purpose of forming units is to increase the ultimate recovery of oil and gas through secondary and tertiary recovery methods. This could include the injection of water, gas, CO₂ or other substances into the producing formation.

Under the present law before a unit becomes effective, the unit agreement must be approved by the Industrial Commission and ratified by 80% of the cost bearing interests and 80% of the owner of interests which are "free of cost such as royalties, overriding royalties, and production payments."

House Bill 1199 would amend Section 38-08-09.5 N.D.C.C. to provide that the unit agreements must be ratified by 80% of the royalty owners excluding overriding royalties, production payment owners and other interests carved out of the working interest. Under the present wording of the section, it is possible for an oil company to obtain the required 80% approval from the non-cost bearing interest owners, when in fact a majority of the mineral or royalty owners are opposed to the proposed unitization.

Attached to my testimony is a copy of an exhibit from an Industrial Commission hearing showing the non-cost bearing interest owners who ratified the plan of unitization for the South Black Slough Unit in Burke County. The total percentage of non-cost bearing interest owners ratifying the agreement was 82.534%. The John Oil Corporation of Delaware and Morgan Guaranty Trust Company of New York are listed as owning 48.24% of the non-cost bearing interest in the unit. The remaining 34% of the non-cost bearing interests ratifying the agreement were individual mineral or royalty owners and several oil companies. If you subtract out the interests owned by the oil companies, which were probably overriding royalty interests, less than 30% of the non-cost bearing interests that signed the agreement were royalty owners.

It is the Industrial Commission's position that 80% of the royalty owners should approve any unit agreement before it becomes effective. Under the present law 80% of the non-cost bearing interests are required to ratify the unit agreement. Non-cost bearing interests include overriding royalty interests and production payment interests. Overriding royalty interests and production payment interests are usually held by oil companies, other individuals in the oil business, or large financial institutions. Their interest in whether a unit is formed may differ from a royalty owners.

House Bill No. 1199
Page Three

Additionally, under the present law, if the operator proposing the creation of a unit is having difficulty obtaining the 80% ratification from the non-cost bearing interest owners, the operator can simply create more non-cost bearing interests out of his own working interest until he has the required 80% ratification. An operator can convert his working interest into a non-cost bearing interest by simply selling a portion of his right to receive payment from his share of the oil. This is what is known as a production payment interest and it is treated as a cost free interest.

Amending Section 38-08-09.5 N.D.C.C. as proposed in House Bill No. 1199 would ensure that royalty owners would have a true say in whether a unit is formed and would ensure that a unit could not be forced on royalty owners when less than 80% of the royalty owners favor the unit.

CHAPTER 389

HOUSE BILL NO. 1333
(Representatives A. Olson, Mahoney)
(Senator Keller)

UNITIZATION PLAN APPROVAL

AN ACT to amend and reenact sections 38-08-09.5 and 38-08-09.9 of the North Dakota Century Code, relating to ratification or approval of unitization plans.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 38-08-09.5 of the North Dakota Century Code is amended and reenacted as follows:

38-08-09.5. Ratification or approval of plan by lessees and owners. At the time of filing of the petition for the approval of a unit agreement and the filing of the unit agreement, the commission shall set a time and place for the hearing. At least forty-five days prior to the hearing, the applicant or someone under his direction and control, shall give notice of the time and place of said hearing and shall mail, postage prepaid, a copy of the application and the proposed plan of unitization to each affected person owning an interest of record in the unit outline, at such person's last known post-office address. In addition, such applicant shall file with the commission engineering, geological, and all other technical exhibits to be used at said hearing, and further, the notice must so specify that such material is filed and is available for inspection. Service is complete in the mailing of the notice of hearing and unit agreement to each interest owner as hereinbefore prescribed at his last known address and the filing of an affidavit of mailing with the commission. No order of the commission creating a unit and prescribing the plan of unitization applicable thereto becomes effective unless and until the plan of unitization has been signed, or in writing ratified or approved by those persons who, under the commission's order, will be required to pay at least ~~eighty~~ seventy percent of the costs of the unit operation and also by the owners of at least ~~eighty~~ seventy percent of the royalty interests under the commission's order, excluding overriding royalties, production payments, and other interests carved out of the working interest, and in addition it shall be required that when there is more than one person who will be obligated to pay costs of the unit operation, at least two nonaffiliated such persons and at least two royalty interest owners, shall be required as voluntary parties, and the commission has made a finding either in the order creating the unit or in a supplemental order that the plan of unitization has been so signed, ratified, or approved by lessees and royalty owners owning the required percentage interest in and to the unit area. Where the plan of unitization has not been so signed, ratified, or approved by lessees and royalty owners owning the required percentage interest in and to the unit area at the time the order creating the unit is made, the commission shall, upon petition and notice, hold such additional and supplemental hearings as may be requested or required to determine if and when the plan of unitization has been so signed,

ratified, or approved by lessees and royalty owners owning the required percentage interest in and to the unit area and shall, in respect to such hearings, make and enter a finding of its determination in such regard. In the event lessees and royalty owners, or either, owning the required percentage interest in and to the unit area have not so signed, ratified, or approved the plan of unitization within a period of six months from and after the date on which the order creating the unit is made, the order creating the unit ceases to be of further force and effect and shall be revoked by the commission.

SECTION 2. AMENDMENT. Section 38-08-09.9 of the North Dakota Century Code is amended and reenacted as follows:

38-08-09.9. Enlargement of area - Creation of new units - Amendment of plan. The unit area of a unit may be enlarged at any time by the commission, subject to the limitations hereinbefore provided to include adjoining portions of the same common source of supply, including the unit area of another unit, and a new unit created for the unitized management, operation, and further development of such enlarged unit area, or the plan of unitization may be otherwise amended, all in the same manner, upon the same conditions and subject to the same limitations as provided with respect to the creation of a unit in the first instance, except, that where an amendment to a plan of unitization relates only to the rights and obligations as between lessees, or the amendment to a plan of unitization or the enlargement of a unit area is found by the commission to be reasonably necessary in order to effectively carry on the joint effort, to prevent waste, and to protect correlative rights, and that such will result in the general advantage of the owners of the oil and gas rights within the unit area and the proposed enlarged unit area, and the persons and owners in the proposed added unit area have ratified or approved the plan of unitization as required by section 38-08-09.5, then such amendment to a plan of unitization or the enlargement of a unit area need not be ratified or approved by royalty owners of record in the existing unit area provided that written notice thereof is mailed to such royalty owners by the operator of a unit not more than forty days nor less than thirty days prior to the commission hearing. The notice must describe the plan for the unit amendment or enlargement together with the participation factor to be given each tract in the unit area and in the proposed area and must contain the time and place of the commission hearing. An affidavit of mailing verifying such notice must be filed with the commission. Said notice must further provide that in the event ten percent of the royalty interests or working interests in the existing unit area file with the commission at least ten days prior to the commission proceeding an objection to the plan of enlargement, the commission shall require that the unit amendment or enlargement be approved by ~~eighty~~ seventy percent of all royalty interests and working interests in the existing and proposed areas.

Approved April 16, 1991
Filed April 18, 1991

01/14 House	Introduced, first reading, referred JUDICIARY	HJ 129
01/17 House	Committee hearing 01/23 8:00	
02/07 House	Reported back, do pass, placed on calendar y 011 n 003	HJ 431
02/08 House	Second reading, failed to pass, yeas 050 nays 055	HJ 438
02/11 House	Motion to reconsider failed	HJ 461

HB 1331

Rep. Clayburgh

A BILL for an Act to amend and reenact sections 32-19-07 and 32-19.1-07 of the North Dakota Century Code, relating to mortgage foreclosure actions and other actions in which real property secures the debt.

01/14 House	Introduced, first reading, referred JUDICIARY	HJ 129
01/17 House	Committee hearing 01/22 8:30	
02/04 House	Reported back amended, amendment poc y 010 n 006	HJ 379
02/05 House	Amendment adopted, placed on calendar	HJ 383
02/06 House	Second reading, failed to pass, yeas 022 nays 080	HJ 406

HB 1332

Rep. Timm

A BILL for an Act to amend and reenact section 60-07-11 of the North Dakota Century Code, relating to storage company license exemptions.

01/14 House	Introduced, first reading, referred INDUSTRY, BUSINESS AND LABOR	HJ 129
01/17 House	Committee hearing 01/22 9:00	
02/05 House	Request return from committee	HJ 385
	Withdrawn from further consideration	HJ 385

HB 1333

Rep. A. Olson, Mahoney
Sen. Keller

A BILL for an Act to amend and reenact sections 38-08-09.5 and 38-08-09.9 of the North Dakota Century Code, relating to ratification or approval of unitization plans.

01/14 House	Introduced, first reading, referred NATURAL RESOURCES	HJ 129
01/31 House	Committee hearing 02/07 8:00	
02/15 House	Reported back amended, amendment poc y 009 n 004	HJ 570
02/18 House	Amendment adopted, placed on calendar	HJ 583
02/19 House	Second reading, passed as amended, yeas 068 nays 035	HJ 624
02/20 Senate	Received from House	SJ 621
	Introduced, first reading, referred NATURAL RESOURCES	SJ 676
03/07 Senate	Committee hearing 03/14 10:00	
03/21 Senate	Reported back amended, amendment poc y 005 n 002	SJ1150
03/22 Senate	Amendment adopted	SJ1172
	Second reading, passed as amended, yeas 051 nays 000	SJ1172
03/25 House	Returned to House (12)	HJ1360
03/26 House	Refused to concur	HJ1414
	Conf comm appointed Byerly Olson, A. Williams	HJ1414
03/28 House	Reported back from conference committee amend, placed on calendar	HJ1473
04/02 Senate	Conf comm appointed Meyer Tomac Moore	SJ1424
04/04 House	Conference committee report adopted	HJ1670
	Second reading, passed as amended, yeas 080 nays 022	HJ1670
04/05 Senate	Reported back from conference committee amend, placed on calendar	SJ1508
	Conference committee report adopted	SJ1508
	Second reading, passed as amended, yeas 047 nays 004	SJ1508
04/06 House	Enrolled	HJ1794
04/09 House	Signed by Speaker	HJ1807
04/09 Senate	Signed by President	SJ1616
04/09 House	Sent to Governor	HJ1816
04/22 House	Signed by Governor 0416	
	Filed with Secretary of State 0418	

HB 1334

Rep. Belter, Dalrymple
Sen. Nelson, Stenehjem

A BILL for an Act to create and enact a new section to chapter 11-11 of the North Dakota Century Code, relating to the reorganization of county governments.

01/14 House	Introduced, first reading, referred POLITICAL SUBDIVISIONS	HJ 129
01/17 House	Committee hearing 01/25 9:30	
02/01 House	Reported back, do not pass, placed on calendar y 016 n 000	HJ 365
02/04 House	Second reading, failed to pass, yeas 030 nays 071	HJ 375

HB 1335

Rep. Schneider, Kretschmar

A BILL for an Act to amend and reenact section 28-22-03.1 of the North Dakota Century Code, relating to property exempt from judicial process.

01/14 House	Introduced, first reading, referred FINANCE AND TAXATION	HJ 129
01/17 House	Committee hearing 01/21 11:00	
01/21 House	Reported back, do pass, placed on calendar y 015 n 001	HJ 196
01/22 House	Second reading, passed, yeas 100 nays 003	HJ 229
01/24 Senate	Received from House	SJ 193
	Introduced, first reading, referred FINANCE AND TAXATION	SJ 203
02/14 Senate	Committee hearing 02/19 11:00	
02/20 Senate	Reported back, do pass, placed on calendar y 007 n 000	SJ 672

1991 HOUSE NATURAL RESOURCES

HB 1333

HOUSE NATURAL RESOURCES

The Natural Resources committee met on 1/20/83 at 9:20 A.M. with 16 members present and 1 member absent.

January 20, 1983
(Tape 6, Side 2)

HB 1199-Relating to ratification of unit agreements

DOUG JOHNSON, ASSISTANT ATTORNEY GENERAL, OIL AND GAS DIVISION, NORTH DAKOTA INDUSTRIAL COMMISSION, PROPONENT; (See attached testimony) He said that HB 1199 would amend a bill to provide that the unit agreements must be ratified by 80% of all royalty owners, excluding overriding royalties. It is the Industrial Commission's position that 80% of the royalty owners should approve any unit agreement before it becomes effective. Amending section 38-08-09.5 N.D.C.C. as proposed in HB 1199 would ensure that a unit could not be forced on royalty owners when less than 80% of the royalty owners favor the unit.

TOM SMITH, ATTORNEY, REPRESENTING THE LITTLE KNIFE FIELD PRODUCING ROYALTY OWNERS ASSOCIATION, PROPONENT; He urged a favorable consideration to this amended bill by the committee.

REP. RILEY asked to clarify spacing and units.

MR. JOHNSON said that spacing is how the well itself is placed or how many wells can be placed in a given area and that the unit is the pooling of all the wells in a given area. He said that it is a safe assumption that unitization causes a problem when wells differ in production in a given unit. He said that complex formulas are used in determining the production of a unit, but that units are formed to "theoretically" benefit all; but that most royalty owners were dissatisfied when forced into a unit.

There was no more discussion .

REP. MURPHY moved a Do Pass.

REP. KLOUBEC seconded it.

Motion carried. 15 aye 0 nay 2 ab

HB 1199 will be carried to the floor by Rep. Murphy.

Wanda Scheid
Committee Clerk

NATURAL RESOURCES

BILL NO: HB-1199

SUBJECT: Relating to ratification of unit agreements.

SPONSOR: Industrial Commission

HEARING DATE: 1/20/83

ACTION TAKEN: Do Pass

FLOOR ASSIGNMENT: Rep. Murphy

COMMITTEE VOTE:

aye BROKAW
aye GULLICKSON
aye HANSON
aye KLOUBEC
aye KRETSCHMAR
aye LAUTENSCHLAGER

aye MARTIN
RB MARTINSON
aye MEIER, A
aye MEYER, R
aye MURPHY
RB O'SHEA

aye POMEROY
aye RILEY
aye SCHINDLER
aye TIMM
aye WILLIAMS

TESTIMONY:

15 aye 0 nay 2 RB



REPORT OF STANDING COMMITTEE

Madam

~~Mr.~~ (President/ Speaker); Your committee on Natural Resources to which was (re)referred HB 1199 has had the same under consideration and recommends (by a vote of 15 yeas, 0 nays, 0 absent and not voting) that the same:

- do pass do not pass be placed on the calendar without recommendation
- be amended as follows:

(XXXXXXXXXXXX)

- and when so amended, recommends the same (do do not) pass.
- and be rereferred to the committee on _____.
- statement of purpose of amendment

[Signature], Chairman

HB 1199 was placed on the Eleventh order of business on the calendar for the succeeding legislative day.

_____ was rereferred to the committee on _____.

(CONTINUED)

01/25 HOUSE	REPORTED BACK AMENDED, AMENDMENT PLACED ON CALENDAR Y 015 N 000	HJ 454
01/26 HOUSE	AMENDMENT ADOPTED, PLACED ON CALENDAR REREFERRED TO APPROPRIATIONS	HJ 484 HJ 484
01/27 HOUSE	ENGROSSED	HJ 513
01/28 HOUSE	REPORTED BACK, DO PASS, PLACED ON CALENDAR Y 019 N 000	HJ 578
01/31 HOUSE	SECOND READING, PASSED AS AMENDED, YEAS 101 NAYS 000 EMERGENCY CLAUSE CARRIED	HJ 589 HJ 589
02/02 SENATE	RECEIVED FROM HOUSE	SJ 465
02/03 SENATE	INTRODUCED, FIRST READING, (EMERGENCY), REFERRED NATURAL RESOURCES	SJ 522
02/10 SENATE	COMMITTEE HEARING 02/18	
02/18 SENATE	REPORTED BACK, DO PASS, PLACED ON CALENDAR Y 000 N 000 REREFERRED TO APPROPRIATIONS	SJ 967 SJ 967
03/03 SENATE	COMMITTEE HEARING 03/10 8:30	
03/10 SENATE	REPORTED BACK, DO PASS, PLACED ON CALENDAR Y 000 N 000	SJ1391
03/11 SENATE	SECOND READING, PASSED, YEAS 046 NAYS 000 EMERGENCY CLAUSE CARRIED	SJ1436 SJ1436
03/15 HOUSE	RETURNED TO HOUSE	HJ1877
03/17 HOUSE	ENROLLED	HJ1933
	SIGNED BY SPEAKER	HJ1930
03/17 SENATE	SIGNED BY PRESIDENT	SJ1585
03/18 HOUSE	SENT TO GOVERNOR	HJ2032
03/21 HOUSE	SIGNED BY GOVERNOR	HJ2039

HB 1199

COMMITTEE ON NATURAL RESOURCES

(AT THE REQUEST OF THE INDUSTRIAL COMMISSION)

A BILL FOR AN ACT TO AMEND AND REENACT SECTION 38-08-09.5 OF THE NORTH DAKOTA CENTURY CODE, RELATING TO RATIFICATION OF UNIT AGREEMENTS.

01/04 HOUSE	INTRODUCED, FIRST READING, REFERRED NATURAL RESOURCES	HJ 108
01/20 HOUSE	REPORTED BACK, DO PASS, PLACED ON CALENDAR Y 015 N 000	HJ 341
01/21 HOUSE	SECOND READING, PASSED, YEAS 102 NAYS 000	HJ 374
01/25 SENATE	RECEIVED FROM HOUSE	SJ 330
01/26 SENATE	INTRODUCED, FIRST READING, REFERRED NATURAL RESOURCES	SJ 360
02/10 SENATE	COMMITTEE HEARING 02/18	
03/10 SENATE	REPORTED BACK, DO PASS, PLACED ON CALENDAR Y 000 N 000	SJ1391
03/11 SENATE	SECOND READING, PASSED, YEAS 046 NAYS 000	SJ1436
03/15 HOUSE	RETURNED TO HOUSE	HJ1877
03/17 HOUSE	ENROLLED	HJ1933
	SIGNED BY SPEAKER	HJ1930
03/17 SENATE	SIGNED BY PRESIDENT	SJ1585
03/18 HOUSE	SENT TO GOVERNOR	HJ2032
03/21 HOUSE	SIGNED BY GOVERNOR	HJ2039

HB 1200

COMMITTEE ON FINANCE AND TAXATION

(AT THE REQUEST OF THE INDUSTRIAL COMMISSION)

A BILL FOR AN ACT TO AMEND AND REENACT SUBSECTION 3 OF SECTION 57-51.1-01 OF THE NORTH DAKOTA CENTURY CODE, RELATING TO THE DEFINITION OF PROPERTY FOR EXTRACTION TAX PURPOSES.

01/04 HOUSE	INTRODUCED, FIRST READING, REFERRED FINANCE AND TAXATION	HJ 108
01/12 HOUSE	REPORTED BACK, DO PASS, PLACED ON CALENDAR Y 015 N 000	HJ 183

1983 HOUSE NATURAL RESOURCES

HB 1199

1991 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1333

House Committee on NATURAL RESOURCES

Subcommittee on _____

Conference Committee _____

Identify or
check where
appropriate

Original Hearing Date 2/7/91

Subsequent Hearing Date _____

Tape Number 1 /Side A
Side B

Meter # 0-2nd
0-4015

Committee clerk signature *Anders Schaefer*

Minutes:

VICE CHAIRMAN opened the hearing on HB 1333.

CHAIRMAN OLSON testified in support of the bill as its prime sponsor. She stated that the bill makes 2 changes to present law. It would require 60% (not 80%) of the lessees and owners to adopt a unitization plan, and it would require those participating to pay 60% of the cost. Any changes to the unit would also have to be approved by 60% of the royalty interests and working interests in the existing and proposed areas.

LOWELL RIDGEWAY, Petroleum Council, spoke in support of the bill to the committee. Mr. Ridgeway introduced the members of a task force that has been put together to work for enhanced oil recovery legislation, which he feels goes hand in hand with unitization.

LYNN HELMS, Amerada Hess Corp., Registered professional petroleum engineer in the state of ND, acquainted the committee with the oil industry through the slide presentation. He explained what an oil reservoir is, the methods that the industry uses to extract the oil from the reservoir (primary production, enhanced oil recovery--secondary recovery and tertiary recovery). (see booklet enclosed), and how this affects unitization. The oil reservoir is actually a deformed layer of rock. The oil in the layer is on the move. Because the oil is lighter than the water in the rock, it moves up into the deformed place and is trapped there. This forms the oil reservoir. Because of the tremendous pressure under the surface of the earth, the oil is able to come out of the rock. He explained "primary production". This starts with the drilling of "wildcat" wells (wells that are drilled outside of a known oil area). In the past 15 years, 89% of the wildcat wells are dry (1 in 10 find oil). Oil production is a displacement process. In the case of primary production either natural gas or water replaces the oil. There are several methods to get the oil moved to the producing wells.

Primary oil recovery only gets 20% of the oil in the reservoir. This means that 80% of the oil in the reservoir is left behind at the end of primary recovery. Improved oil recovery, by injecting fluids into the reservoir, results in enhanced oil recovery (EOR).

Before anything can be injected into a reservoir, a unit has to be formed. All of the mineral interests (the working interests, the royalty interests, and everything together) have to be brought together into one producing property called a UNIT. A unit must be formed so that everybody who owns mineral interests under the reservoir gets the most fair share possible of every barrel of oil that comes out of that reservoir.

In secondary recovery, the most common way is water flooding. Water is pumped into some of the wells. The water moves away from the injection wells and pressures up the reservoir and pushes the oil ahead of it, over the producing wells. Oil is being moved from under one well to another well. There is also gas injection and is more expensive. This secondary recovery gets another 10% or 30% of the total oil out of the well. This still leaves 70% of the oil in the reservoir. The final stage is tertiary recovery. This is done with an injection of carbon dioxide along with the water. After this stage is completed there is a 40% - 50% oil recovery from the reservoir. In North Dakota almost 70% of the secondary oil recovery is successful. This is much cheaper than discovering new wells. With enhanced oil recovery they have added 90 billion barrels of oil in the US. Mr. Helms referred to 5 oil fields in ND that have been unitized and put under secondary recovery or water flood operations. Primary production from these units is 50 mil. barrels of oil. Secondary production is another 57 mil. barrels of oil. Tertiary recovery is estimated to be worth another 29 mil. barrels of oil. This is 86 mil. barrels of oil added to the production of these five fields with secondary and tertiary recovery. These processes increased the life of these fields by another 18 years. For 18 more years, these fields are going to pay out 1.9 mil. dollars in wages, 3.8 mil. dollars in production taxes, 5.5 mil. dollars in royalties, and purchase almost 1 mil. dollars per year in electricity. Mr. Helms explained the unitization formula. The formula is worked out by technical people and then it is put up for a vote by the royalty owners, all the working interest owners, and anyone who owns mineral interests under the reservoir. The formula determines the fraction of each barrel of oil that comes out of the unit of which each lease will receive. He then discussed unit boundaries. The technical committee determines the outside edge of all leases where there is oil that can be moved. This is usually determined by the drilling of the dry holes during the development stage.

REP. RING asked the voting weight of each holder is determined. Mr. Helms stated that it is based on percent ownership, mineral interest. Under the current formula, if one person owns more than 20% of the mineral interests under a reservoir, he could stop it from being unitized.

Kenneth Wagner, Chair. Amerada Hess Corp., handed out a booklet which contains his presentation. (enhanced oil recovery potential) (see attached booklet).

REP. TOLLEFSON stated that he thinks it is important that we understand the importance and value of tertiary recovery in our state and the revenues to individuals that it provides. He stated it is in the millions of dollars. He also feels that the revenues to the state would be greatly enhanced through this.

LYDIA PHILLIPS, Conoco Oil Corp., stated that their intent on coming to ND was for enhanced oil recovery (EOC). They have had difficulty in obtaining 80% with the royalty interest people. She addressed the question of the water that is used in the injection process and protection of the reservoir. The water mixture that they use is produced water most of the time. There are methods used to monitor the wells for any environmental problems, such as leakage. This is checked monthly and yearly.

FLETCHER POLING, Basin Elec. Power Co., and Dakota Gasification Co., stated their support for this bill. If there is a chance that the state and the royalty owner can share in a part of something, rather than all or nothing, this would be beneficial to everyone. If the economy can be enhanced with EOR and the modification of some of the laws, they would support it.

WES NORTON, Industrial Commission, spoke briefly stating that the commission is concerned about the reservoirs that should be under secondary or enhanced recovery. They feel a lot of waste is taking place. The commission supports anything that will enhance putting the unit together in a fair manner and to protect the rights. They feel the 80% is too high and the 60% is too low. They feel some place in between is workable.

LEONARD KOSTELNOK, Killdeer, ND, Little Knife Royalty owner, stated he is not opposed to unitization as long as it is fair. He noted that the committee that drew up the booklet distributed by Kenneth Wagner did not have a royalty owner on it. He stated that 80% is required for termination of a unit he thinks.

MARVIN KAISER, attorney representing the Little Knife Assoc., stated that they support unitization. They did oppose unitization on Little Knife under the agreement and manner proposed. These people are conservationists, people in agriculture. They don't favor leaving oil in the reservoir as a waste. They are interested in increasing oil production. They will support methods designed to increase oil production. They oppose the way the units are put together in reality and the consequences and the balances that exist. It is an economic issue. They dispute the statements made that substantially most of the existing units in ND have shown production. Of 33 units that he had analyzed, only 3 units met the production estimates that the industry had presented at the time they had induced the royalty owners to sign the unit agreement. This group would like to leave the statute as is. If there is an economic incentive, if the current agreements are working, they would like to see the statute kept, and the royalty owners could work out the unitization with a "fair" plan.

KONRAD NORSTOG, Dakota Resource Council, gave some comments.
(see attached)

DAVID NELSON, farmer/rancher in McKenzie Co., stated that he is opposed to lowering this to 60%. The group of people that he is affiliated with is not against unitization or EOR. They have a unit close to them that a lot of the people are in. They are not very happy with the deal they are getting. Also, they have not had anything to do with the unitization. It was more by their families years ago. He feels if there is a fair plan, there will be an 80% agreement.

Chairman Olson closed the hearing on HB 1333.

CHAIRMAN OLSON stated that this bill changes 80% to 60% approval for unitization and it requires the participating mineral interests to pay 60% of the cost.

REP. BROWN stated his constituents thought the 60% was a little low. They would like to see it higher than 60% and would like it on both ends. Chairman Olson stated it was her understanding that it does apply to both ends, the industry and the royalty owners.

REP. BYERLY stated that as long as a well holds production, it stays unitized. He stated that the testimony dealt with people who had property on the edge of a unit, and the lease that covers that land will still hold all the land outside of the unit too. The people in Williston are trying to work out a solution to be able to release these lands that adjoin the unit lands that are held within the lease.

REP. RING MOVED TO AMEND EVERY PLACE THAT SAYS 60% TO READ 75%.
Seconded by REP. BROWN.

REP. URLACHER MOVED A SUBSTITUTE MOTION TO READ 70%. Seconded by REP. BYERLY.

Rep. D. Olsen asked if there was a big problem in getting 80% and if that is why the industry had asked to have the percentage reduced. Rep. Ring stated that in testimony there was a disagreement as to why they have the trouble getting the 80%. Rep. D. Olsen wondered if 70% was still too high.

REP. D. OLSEN MOVED A SUBSTITUTE MOTION TO READ 65%. SECONDED BY REP. TOLLEFSON.

Rep. Urlacher stated that it was his understanding that the minerals in the outlying areas are owned by a small number of people who don't have a chance to unitize with the strong mineral owners within the package.

REP. BYERLY did a study which showed that for a 160 acre piece of property that could be unitized, there are 54 mineral owners in the 160 acre parcel. The largest owner is one of the surface owners who has half of it which makes him a 50% voter. The next largest mineral owner only owns 5 acres. The least interest is .13 acres. This would be extremely difficult to unitize with a large percentage of ownership needed for approval.

ROLL CALL VOTE ON AMENDMENT: (65%) 8 YES 5 NO 3 Absent. Amendment Adopted. REP. BYERLY MOVED A DO PASS AS AMENDED. Second, REP. SCHINDLER.
ROLL CALL: 9 YES 4 NO 3 Absent. Motion Carried.
CARRIER: REP. A. OLSON

Please type or use
black pen to complete

1991 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1333

House Committee on NATURAL RESOURCES

Subcommittee on _____

Conference Committee _____

Identify or
check where
appropriate

Date of Hearing 2/7/91 Date of Action 2/14/91

Action Taken to amend to 6570

Motion Made By D. Olsen Seconded By Tollefson

Representatives	Yes	No	Representatives	Yes	No
<u>A. Olson, Chairman</u>	<u>✓</u>	_____	<u>A. Erickson</u>	<u>✓</u>	_____
<u>H. Urlacher, V. Chmn.</u>	<u>✓</u>	_____	<u>L. Hanson</u>	_____	<u>✓</u>
<u>G. Brown</u>	_____	<u>✓</u>	<u>J. Nelson</u>	<u>A</u>	_____
<u>R. Byerly</u>	<u>✓</u>	_____	<u>B. Oban</u>	_____	<u>✓</u>
<u>S. Gorman</u>	<u>A</u>	_____	<u>J. Ring</u>	_____	<u>✓</u>
<u>D. Henegar</u>	<u>✓</u>	_____	<u>L. Snyder</u>	_____	<u>✓</u>
<u>D. Olsen</u>	<u>✓</u>	_____	<u>W. Williams</u>	<u>A</u>	_____
<u>O. Schindler</u>	<u>✓</u>	_____			
<u>B. Tollefson</u>	<u>✓</u>	_____			

Total 8 5
(Yes) (No)

Absent 3

Floor Assignment _____

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

Amendment

Please type or use
black pen to complete

1991 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1333

House Committee on NATURAL RESOURCES

Subcommittee on _____

Conference Committee _____

Identify or
check where
appropriate

Date of Hearing 2/7/91 Date of Action 2/14/91

Action Taken Go Pass as Amended

Motion Made By Byerly Seconded By Schindler

Representatives	Yes	No	Representatives	Yes	No
<u>A. Olson, Chairman</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>A. Erickson</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>H. Urlacher, V. Chmn.</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>L. Hanson</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<u>G. Brown</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>J. Nelson</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>R. Byerly</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>B. Oban</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>S. Gorman</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>J. Ring</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<u>D. Henegar</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>L. Snyder</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<u>D. Olsen</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<u>W. Williams</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<u>O. Schindler</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			
<u>B. Tollefson</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>			

Total 9 4
(Yes) (No)

Absent 3

Floor Assignment G. Olson

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

Page 4, line 1, remove "the instrument"

Page 4, line 23, remove the overstrike over "and", remove the underscored comma, and remove the overstrike over "or costs"

Page 4, line 24, overstrike "ten" and insert immediately thereafter "twelve" and remove ", and additional charges assessed by"

Page 4, line 25, remove "the dra. ee of the instrument"

Renumber accordingly

HB 1284: Committee on Transportation (Rep. Belter, Chairman) recommends DO PASS (13 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). HB 1284 was placed on the Eleventh order on the calendar.

HB 1285: Committee on State and Federal Government (Rep. Martinson, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (8 YEAS, 7 NAYS, 0 ABSENT AND NOT VOTING). The proposed amendment was placed on the Sixth order on the calendar.

Page 1, line 9, replace "January" with "July" and replace "1992" with "1993"

Renumber accordingly

HB 1287: Committee on Natural Resources (Rep. A. Olson, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO NOT PASS (9 YEAS, 6 NAYS, 1 ABSENT AND NOT VOTING). The proposed amendment was placed on the Sixth order on the calendar.

Page 1, line 6, after "permit" insert "pursuant to section 61-04-02"

Page 1, line 7, after "each" insert "permitted"

Page 1, line 11, replace the first "water commisson" with "engineer" and replace the second "water commisson" with "engineer"

Page 1, line 13, replace "is" with "shows an increasing amount of milligrams per liter toward the maximum contaminant level of ten milligrams per liter, which has been set for potable water by the United States environmental protection agency under the safe drinking water act of 1974, then the department and the state engineer shall take action to identify the point source of the possible nitrate contamination and cause it to be controlled or abated."

Page 1, remove lines 14 through 16

Renumber accordingly

HB 1333: Committee on Natural Resources (Rep. A. Olson, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (9 YEAS, 4 NAYS, 3 ABSENT AND NOT VOTING). The proposed amendment was placed on the Sixth order on the calendar.

Page 2, line 3, replace "sixty" with "sixty-five"

Page 2, line 5, replace "sixty" with "sixty-five"

Page 4, line 4, replace "sixty" with "sixty-five"

Renumber accordingly

HB 1338: Committee on Human Services and Veterans Affairs (Rep. Larson, Chairman) recommends DO PASS (12 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). HB 1338 was placed on the Eleventh order on the calendar.

1991 SENATE NATURAL RESOURCES

HB 1333

1991 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION/NO. 1333

Senate Committee on SENATE NATURAL RESOURCES

Subcommittee on _____

Conference Committee _____

Identify or
check where
appropriate

Hearing Date 03-14-91

Type Number 1 / Side A _____
Side B X Meter # 1182

Committee clerk signature *Tommy J. Stuebel*

Minutes:

Senator Dean Meyer, chair, opened the hearing on HB 1333, at 10:00 a.m. Present were Sens. Wogsland, Tomac, Krauter, DeKrey, Moore, and Traynor.

HB 1333: Relates to ratification or approval of unitization plans.

REPRESENTATIVE JOHN MAHONEY, District 33, testified in support of the bill as amended. He expressed Rep. Alice Olson, prime sponsor's feelings that the present 80% is too high and almost negates any unitization activity. She strongly urges that the committee accept the bill as amended, and allow the committee allow the change to require 55% ratification by the persons involved in the unit. Rep. Mahoney stated that his sentiments are the same. He knows that at the higher level with the split from the mineral interests it would be very difficult to put together unitization at 80%. He feels that the bill could be a stimulus for more oil development, and to promote economic development.

LOWELL RIDGEWAY, North Dakota Petroleum Council, appeared in support of HB1333. This is the result of an enhanced oil recovery task force study that they had put together during the interim to look at this bill as well as 1414 which is kind of a companion bill to help enhanced oil recovery in North Dakota. The industry appointed a task force. Ken Wagner with Amerada Hess was chairman. The task force report was handed out. (See attachment). The prime highlight is that it has been determined that there are approximately 633 mil. barrels of oil that could be brought out of the ground from enhanced oil recovery. In order to have enhanced oil recovery, both secondary and tertiary, unitization is needed.

LYNN HELMS, Sr. Reservoir Engineer for Amerada Hess Corp., testified in support of the bill. Testimony in two parts, the first is a slide presentation--"Oil from the Earth", prepared by the Society of Petroleum Engineers--to familiarize the committee with oil reservoirs and how oil is extracted from those reservoirs and what is enhanced oil recovery. The second part dealt with the report "Enhanced Oil Recovery in North Dakota". (See attachment). (Page 3, Page 5, Page 7, Page 15, Page 19).

SENATOR MEYER, asked how many reservoirs haven't been completed or initiated because he hasn't been able to get the 80% participation. Lynn Helms, said that he could not give an exact number because the oil companies do not share information. In his personal experience of working 11 years in North Dakota, he has seen 2 projects die because of not being able to get the required percentage. Those two projects involved about 6 mil. barrels of secondary recovery and another 6 mil. of tertiary.

MICHEAL HAVRILLA, Chevron USA, Inc., and is responsible for the engineering functions for the Little Knife Field and have been for the last 2½ years. He testified in favor of the bill. Would like to clarify that Chevron understands that this is not a bill to unitize the Little Knife Field, but a state wide bill for all fields in North Dakota. (See attached testimony). He stated that Chevron is currently offering the Little Knife Field for sale. Prior to the late 80's Chevron had been involved in all the major basins in the United States. Based on studies, Chevron decided to end exploratory work in the basin. Chevron is very good at secondary recovery. After 3 unitization attempts, the prospect of Chevron being able to unitize the Little Knife Field appears to be extremely remote. It was decided to concentrate efforts in basins where Chevron could use it's technical expertise.

SENATOR MEYER, asked if when we talk about the 80% or 65%, does that mean the percent of the production that comes out of the field. How many people do you have to deal with to get 80% vs. 65% in a case such as the Little Knife Field. Micheal Haverilla, any one person involved has sufficient veto power to prevent a unit.

KENNETH WAGNER, Amerada Hess Corp. testified in support of the bill. (See attached testimony).

BRUCE HOWE, Little Knife Royalty Assoc., testified against the bill. He introduced those testifying for the opposition.

LYDELL BEARD, President of the Burke County Surface and Mineral Association, said that they were unitized in the early 60's and described the problems they encountered. In the early 80's, along with the state and Federal Land Bank they went through a lengthy court battle to desolve four units. They feel that 80% is fair and acceptable. They would like the following clauses included in the bill: 1) If production should be calculated on (--?--) pay zone as well as well production. 2) Should include an infield drilling plan. 3) Unit agreement should only hold formations or zones being unitized, the other zones or formations would only be held by the original lease and the lease would terminate on the original date the lease was set to terminate unless there was other production. What that covers, is not so much the formations that are under the land in the unit, but other leases that are tied up with leases that are outside the unit. In this area you can end up with a mass lease holding action. 4) There should be a termination clause in

in stating that any time the operator stops the enhanced production operation for any reason or length of time, it would be terminated. In their experience, the operation only went a year, but they were still held to the agreement. 5) There should be a plugging program to plug wells as they become inoperable and no longer needed in unit operation. (See attached testimony).

SENATOR MEYER, asked if some of this could be included in the unit agreement. Lydell Beard said that his agreement was drawn up in the 60's and he is testifying about the problems that he knows.

JULIA HERNENKO, spent her life living in the middle of the Little Knife Oil Field. (See attached testimony.)

BRUCE HOWE, attorney and Vice President of the Little Knife Royalty Association, testified in opposition to the bill. (See attached testimony). Requested that the committee to retain the present law to as close to the current percentage of 80% as possible. Presented history of the Little Knife Field. Stated that his organization is not opposed to unitization--secondary recovery and tertiary recovery. What they are opposed to is not having some voice in the decision making process. They want to have a voice in any future decision making regarding secondary recovery methods. They believe there is no reason to change significantly where the bill is concerned. Our law is nearly the same as it is in other states. They do believe, however, that the percentage is too low. There should be some compromise as far as that is concerned.

SENATOR TRAYNOR, asked how the landowners were injured in 1983? Bruce Howe, answered that they were not injured because they did not accept the plan, but that he believes they would have been if they had accepted the Gulf formula.

DEAN WINKJER, attorney, appeared on his own behalf, testifying against the bill. Gave a background on the unitization process. The initial unitization law was a voluntary unitization law that also had a percentage of the subscription tied to it. The unitization law was part of a package that was introduced into North Dakota by Dr Laird that supposedly gave North Dakota the best of all the oil legislation throughout the country. The earliest unitization packages in the 50's were a failure. A lot of royalty owners lost as a result--but the operators probably did not because of the tax credit because of the the tertiary recovery Federal statutes. Senator Meyer, asked whether the tax credit is still in effect. Dean Winkjer, answered that he is not sure. A unitization agreement takes away from the landowner, the royalty owner, the rights that he has under contract in the oil and gas lease. The oil and gas lease is set aside in the "public interest" in favor of a unitization process. The farmer/landowner first hears about the unitization after the committee has met and decided how the "pie" is going to be divided. It has been illustrated that the working interests have the decision made before the landowner

is made aware of the plan. The landowner has no input into the process whatsoever. It was agreed that if 80% of the people agreed with this process, in the interest of the state of North Dakota, in the interest of conservation, it could go into effect. The problem is that when the unitization agreement is presented to the Industrial Commission, through the Oil & Gas Commission, a landowner does not have any ability, either economic or otherwise to counter the technical testimony that is given by the oil company geologists and engineers who have been working on this for several years. Senator Traynor asked if any of these unitization plans been successful. Dean Winkjer is not positive, he has asked the people with the Oil and Gas Commission and they say that there have been successful plans. He can recite three or four of them that have been failures. Once the Industrial Commission puts it's seal of approval on an agreement, it has the force and effect of law. the oil and gas lease is now amended by action of the state of North Dakota. Senator Traynor asked if there is some termination in the lease agreement--some termination clauses that would remain in effect. Dean Winkjer said that the problem is that part of a section (eg. 40 acres) may be put into a unit agreement and this will hold the rest of the section into it. He proposed an amendment to the bill. (See attachment). The amendment says that if the unitization agreement does not do what it says it would, the unit shall be responsible for the damages to non-consenting royalty owners. Senator Meyer asked if it had been changed a few years ago so that areas outside a unit agreement--- there was a 2 year time period where a participant could back out of the agreement. Dean Winkjer said that he was not aware of that, he may be right. Senator Moore asked if when there is a hearing before the Industrial Commission and the oil companies have expert testimony and individuals do not, whether that isn't the responsibility of the Industrial Commission to represent the interests of everyone before they would make a decision. Isn't there some expertise within the Industrial Commission? Dean Winkjer said that they do, but they have limited staff and limited time. Senator Moore questioned the amendment proposed--suggested that the language is ambiguous. (re: "not fair") Dean Winkjer stated that the fairness language has been taken out of Sec 35-08-09.10 and 38-08-09.13, and the statute requires the agreement to be "fair". He agrees that the language may be ambiguous. Senator Traynor asked if the amendment had been presented to the House committee. Dean Winkjer said no. He did not appear at the House committee.

ELMER GLOVATSKY, Grassy Butte, He is not opposed to unitization. The 80% has worked, and other states surrounding us still maintain the 80%. He feels that we should still maintain this percentage. He would still like to be a part of any plan.

SENATOR MEYER noted that Senator Keller supports the bill.

Hearing closed at 11:30

1991 SENATE STANDING COMMITTEE MINUTES

BILL/~~RESOLUTION~~ NO. HB 1333

Senate Committee on NATURAL RESOURCES
Subcommittee on _____
Conference Committee _____

Identify or
check where
appropriate

Hearing Date March 19, 1991

Tape Number 1 / Side A X
Side B _____ Meter # 0

Committee clerk signature Tracy J. Lindberg

Minutes:

Senator Meyer called the meeting to order at 9:00 a.m. Roll was taken. Present were Sens. Wogsland, Tomac, Krauter, Moore, DeKrey, and Traynor.

COMMITTEE WORK:

SENATOR MEYER asked the committee for discussion on HB 1333. Senator Moore has mixed feelings about the bill. He would like to protect the minority interests. Senator Meyer proposed, if they do not have a percentage, giving authority to the Industrial Commiss. to authorize unitization. Bob Gravelin, ND petroleum council, does not prefer that as an alternative. Senator Meyer said that the problem with unitization because of problems with old agreements. Senator Traynor brought up Winkjer's amendments. Senator Moore does not feel that the amendment is vague. Senator DeKrey feels that the people have nothing to lose. Senator Traynor pointed out that their lease can be modified. Senator Meyer said that the unit agreement rewrites the lease agreement. Bob Gravelin said outside the boundry, after two years, the lease is no longer tied up.

ACTION:

SENATOR TOMAC: Moved to amend the bill replacing "65" with "75".

SENATOR WOGSLAND: Seconded.

VOICE VOTE: Motion carried. 6 ayes, 1 nay.

SENATOR KRAUTER: Moved Do Pass as Amended.

SENATOR TOMAC: Seconded.

ROLL CALL VOTE: 5 ayes, 2 nays. Motion carried.

Senator Moore will carry.

1991 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION No. 1333

Senate Committee on NATURAL RESOURCES

Subcommittee on _____

Conference Committee _____

Identify or
check where
appropriate

Date of Hearing 5-19

Date of Action 5-19-91

Action Taken D.P.A.

Motion Made By Krauter

Seconded By Tomac

Senators	Yes	No	Senators	Yes	No
<u>Dean Meyer</u>		<u>X</u>			
<u>Dan Wogsland</u>	<u>X</u>				
<u>Steve Tomac</u>	<u>X</u>				
<u>Aaron Krauter</u>	<u>X</u>				
<u>Don Moore</u>	<u>X</u>				
<u>Duane DeKrey</u>	<u>X</u>	<u>X</u>			
<u>John Traynor</u>					

Total 5 2
(Yes) (No)

Absent _____

Floor Assignment _____

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

1991 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION No. 1333

Senate Committee on NATURAL RESOURCES

Subcommittee on _____

Identify or
check where
appropriate

Conference Committee _____

Date of Hearing 3-19-91

Date of Action 3-19-91

Action Taken DPIT

Motion Made By Krauter

Seconded By Wogsland

Senators	Yes	No	Senators	Yes	No
<u>Dean Meyer</u>		<input checked="" type="checkbox"/>	_____		
<u>Dan Wogsland</u>	<input checked="" type="checkbox"/>		_____		
<u>Steve Tomac</u>	<input checked="" type="checkbox"/>		_____		
<u>Aaron Krauter</u>	<input checked="" type="checkbox"/>		_____		
<u>Don Moore</u>	<input checked="" type="checkbox"/>		_____		
<u>Duane DeKrey</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____		
<u>John Traynor</u>		<input checked="" type="checkbox"/>	_____		
_____			_____		
_____			_____		
_____			_____		

Total 5 2
(Yes) (No)

Absent _____

Floor Assignment Moore

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

REPORT OF STANDING COMMITTEE

15759

Bill/Res. No. 1333 (, as ~~xxx~~ engrossed):

Committee on SENATE NATURAL RESOURCES

((Sen./Rep.) R. Meyer, Chairman) recommends
Senator Dean Meyer

AMENDMENTS AS FOLLOWS and when so amended, recommends

- DO PASS (and)
- DO NOT PASS (and)
- BE PLACED ON THE CALENDAR WITHOUT RECOMMENDATION (and)

BE REREFERRED to the Committee on _____

BE PLACED ON THE CONSENT CALENDAR

(5 YEAS, 2 NAYS, 0 EXCUSED, 0 ABSENT AND NOT VOTING).

- _____ was placed on the _____ order on the calendar.
- _____ was placed on the Tenth order (Consent Calendar).
- The proposed amendment was placed on the Sixth order on the calendar.
- The proposed amendment was placed on the Tenth order (Consent Calendar).

- DATE: 03 / 19 / 91
- CARRIER: Moore
- LC NO. 18349.0201 of amendment
- Emergency clause added or deleted
- Statement of purpose of amendment

10349.8201

JOS
3/20/91

SENATE AMENDMENTS TO ENG. HB1333 NR 3/20/91

Page 2, line 3, replace "sixty-five" with "seventy-five"

Page 2, line 5, replace "sixty-five" with "seventy-five"

SENATE AMENDMTNS TO ENG. HB1333 NR 3/20/91

Page 4, line 4, replace "sixty-five" with "seventy-five"

Renumber accordingly

1991 HOUSE NATURAL RESOURCES
CONFERENCE COMMITTEE

HB 1333

HOUSE NR HB 1333 Conference Committee 3/26/91 *Tape 2, Side A*

Conference Committee:

Rep. Byerly

Sen. Meyer

Rep. A. Olson

Sen. Tomac

Rep. Williams

Sen. Moore

REP. WILLIAMS MOVED THE SENATE RECEDE FROM ITS AMENDMENTS AND
AMEND THE BILL TO REPLACE 65% with 70%.

SECONDED BY REP. A. OLSON. ROLL CALL VOTE: 5 YES 1 NO 0 absent.

Closed

Andrea Schafu

Please type or use black pen to complete

1991 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. Engrossed HB 1333

House Committee on _____

Subcommittee on _____

Identify or check where appropriate

Conference Committee NATURAL RESOURCES

Date of Hearing ~~XXXXXX~~ _____ Date of Action 3-26-91

Action Taken Senate Recede fr. amend. & amend

Motion Made By Williams Seconded By A. Olson

Representatives	Yes	No	XXXXXXXXXXXX Senators	Yes	No
Rep. Byerly	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sen. Meyer	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Rep. A. Olson	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sen. Tomac	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Rep. Williams	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sen. Moore	<input checked="" type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
_____	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

Total 5 1
(Yes) (No)

Absent _____

Floor Assignment Byerly / Meyer

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

REPORT OF CONFERENCE COMMITTEE (ACCEDE/RECEDE)

MR. SPANIS PROPOSED (XXXXXXXX) HR 1331 (XXXXXX)XXXXXXXX

- Your Conference Committee recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from) the (Senate/House) amendments on (SJ/HJ) page(s) _____ and then place it on the Seventh order.
- Your Conference Committee recommends that the (SENATE/HOUSE) (~~ACCEDE~~) (RECEDE from) the (Senate/~~HOUSE~~) amendments on (S/J/HJ) page(s) 1366, (~~RECEDE~~) amend as follows, and then place on the Seventh order:
- Your Conference Committee, having been unable to agree, recommends that the members be discharged and a new conference committee be appointed.

For the Senate:

For the House:

Sen. Meyer _____

Rep. Byerly _____

Sen. Tomac _____

Rep. A. Olson _____

Sen. Moore _____

Rep. Williams _____

(SEN./REP.) _____ MOVED that the report be adopted, which motion prevailed.

- DATE: 3 / 27 / 91
- CARRIER: Rep. Byerly
- LC NO. 10717 . 0102 of amendment
- whether Title change and emergency clause added
- statement of purpose of amendment

BEST COPY AVAILABLE

REPORT OF CONFERENCE COMMITTEE (ACCEDE/RECEDE)

16402

MR. PRESIDENT PROPOSED
(XXXXXXXXXX) NO 1339

XXXXXXXXXXXXXXXXXXXX

- Your Conference Committee recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from) the (Senate/House) amendments on (SJ/HJ) page(s) _____ and then place it on the Seventh order.
- Your Conference Committee recommends that the (SENATE/HOUSE) (~~ACCEDE to~~) (RECEDE from) the (Senate/House) amendments on (SJ/HJ) page(s) 1150, (~~ACCEDE to~~) amend as follows, and then place on the Seventh order:
- Your Conference Committee, having been unable to agree, recommends that the members be discharged and a new conference committee be appointed.

For the Senate:

For the House:

Sen. Meyer _____

Rep. Byerly _____

Sen. Tomac _____

Rep. A. Olson _____

Sen. Moore _____

Rep. Williams _____

(SEN./REP.) _____ MOVED that the report be adopted, which motion prevailed

- DATE: 3 / 27 / 91
- CARRIER: Sen. Meyer
- LC NO. 10717 . 0102 of amendment
- whether Title change and emergency clause added
- statement of purpose of amendment

BEST OR ONLY COPY AVAILABLE

QNN
3/26/91

HOUSE NR CONF. COMM. AMENDMENTS TO ENG. HB 1333 3/26/91

That the Senate recede from its amendments as printed on page 1366 of the House Journal and page 1150 of the Senate Journal and that Engrossed House Bill No. 1333 be amended as follows:

Page 2, line 3, replace "sixty-five" with "seventy"

Page 2, line 5, replace "sixty-five" with "seventy"

HOUSE NR CONF. COMM. AMENDMENTS TO ENG. HB 1333 3/26/91

Page 4, line 4, replace "sixty-five" with "seventy"

Renumber accordingly

1991 TESTIMONY

HB 1333

TESTIMONY OF KONRAD NORSTOG

INTRODUCTION OF SELF AND COMMENTS ON EXPERTISE.

IT SHOULD BE KEPT IN MIND THAT THIS IS IN EFFECT A STIPULATION TO THE LEASES NEGOTIATED WITH THE MINERAL OWNERS. IT SEEM TO ME THAT IF THESE MATTERS ARE NOT NEGOTIATED DURING THE LEASING PROCESS-- THAT THE MINERAL OWNERS INTERESTS ARE BEING OVERRIDEN BY LEGISLATION. THIS SEEMS TO BE EXTREMELY UNJUST. NO MATTER WHAT THE REASONS AND GEOLOGICAL INFORMATION PRESENTED, THE MINERAL OWNER IS STILL THE OWNER AND DOES NEED TO HAVE SOME CONTROL ON HIS OWNERSHIP.

JUST A BRIEF COMMENT ON PRESENTED TESTIMONY. IN AS MUCH AS THIS IS A ND MATTER IN ITS ENTIRETY--IT WOULD APPEAR THAT THE INDUSTRY SHOULD USE FIGURES PERTINENT TO ND WHEN SPEAKING OF EXPLORATORY SUCCESS RATIO AND ALSO ND SUCCESS RATIO APPLICABLE TO FIELD EXTENSION. WHILE I DO NOT HAVE UP TO DATE DOCUMENTED FIGURES--EVERY ARTICLE APPEARING IN THE PRESS SEEMS TO INDICATE A FAR HIGHER SUCCESS RATIO AND WITH AN EXTREMELY HIGH SUCCESS RATIO IN HORIZONTAL BAKKEN WELLS. MAYBE WE NEED TO LOOK A LITTLE DEEPER.

IT ALSO SEEMS STRANGE THAT THE ND TAXPAYER IS EXPECTED TO PAY THE COST OF A NORMAL BUSINESS EXPENSE. WE NEED TO KEEP IN MIND THAT BUSINESSES PAY FOR THE COST OF EXPANDED PRODUCTION FROM THE PROFITS OF THE BUSINESS. The profits from major oil companies are 30 to 50 percent higher than they were last year. We need to keep all these things in mind.

Legislative Council Library has a copy

ENHANCED OIL RECOVERY

IN

NORTH DAKOTA

Julia Hernandez

TO THE COMMITTEE HEARING ON H.B. 1333

The proposed amendments to Section 38-08-9-5 and Section 38-08-09-9 are just another attempt by lessee interests in an oil field to avoid the obligations they agreed to under their original leases. Those leases provide for producing oil thereon within a fixed period of time as provided in each lease. Failure to do so results in the loss of lease.

In the case of the Little Knife Field, which has already defeated an attempt by Gulf Oil Co. to unitize, it should be noted that the proposed unit includes federal lands which seem to agree to anything the oil company's want. Many of the tracts ^{are} not leased ^{AND SOME} have never been produced.

Lowering the required number of signatures to get a unit established by the State, simply makes it easier for the lessee interests to avoid abiding by their original lease.

As for the tracts not under lease, those mineral owners will be forced to pay a share of the unit costs even if unitization fails to achieve its estimated production. Their allotted share of production will be extremely low since the oil company is reluctant to give up oil from tracts they have under production to tracts where the mineral owner will receive the lessee as well as the lessor interest. Only the oil companies are involved in estimating the production for those tracts.

As for the unitization plan, and they are all basically the same, it should be noted that once agreed to, no signer can ever petition to get out of the unit for any reason. The major oil company or companies involved tell each tract owner what his share of unit production will be. That share can be lowered dramatically if new tracts adjacent to the existing unitized field are annexed into the field.

The unit plan is based on estimates provided by the oil companies involved with no protection for the original mineral owners, regardless of whether their estimates prove to be wrong.

The one last recourse for the mineral owners is to petition the State Industrial Commission to order the units dissolved. The Burke County Unitized Mineral Owners Association took that course of action, and with help from the State Land Department, the Federal Land Bank and a membership of 90% of the tract owners, it took 3 years of hearings and court actions to an order dissolving the units. It took two more years of appeals by the oil companies before they accepted the Industrial Commission order.

The legal cost of the above action cost the Burke Co. Unitized Mineral Owners \$75,000.00, plus an estimated cost of at least that much furnished by the State Land Dept., The Federal Land Bank, and the the costs of hearings held by the State Oil & Gas Division and the State Industrial Commission.

page 2

Getting out of a unit can be costly, even after it is proven that Pan American included as mineral owners The Morgan Guarantee Trust Co. of New York and The John Oil Co of Delaware, neither of which owned one acre of minerals but were a non-cost sharing lessee interest, yet they signed up as over 40% of the mineral owners in order to achieve an 80% sign-up.

In view of the above, it would seem much more logical to raise the 80% to 95% sign-up, which would be far more beneficial to the actual mineral owners of North Dakota.

PLEASE DON'T HELP THE OIL COMPANIES TEAR UP OUR LEASES WITHOUT OUR PERMISSION.

Burke Co Unitized Mineral Owners Association

Walter Owings
Walter Owings, chairman

1725 2nd Ave. S.W.

Minot, N.D. 58701

Wanda Grandall

Wanda Grandall, sec-treas

924 28th Ave. S.W.

Minot, N.D. 58701

March 14, 1991

Senate Natural Resources Committee
North Dakota State Capitol
Bismarck, N. Dak.

Dear, Chairman and Members of the Senate Natural Resources Committee

In reference to Bill # HB 1333, we feel that the 80% is fair and acceptable. If the unitization plan has the following clauses included in the document it would be easier to get the amount of signers needed to form the unit.

1. Production percentage should be calculated on the footage of pay zone as well as on well production.
2. It should include an infield drilling plan.
3. The unit agreement should only hold formations or zones being unitized. The other zones or formations would only be held by the original lease and the lease would terminate on the original date of the lease.
4. It should have a termination clause in it stating that at any time the operator ceases the enhanced production operation for any reasonable length of time, it would be terminated.
5. There should be a plugging program to plug the wells as they become inoperable or no longer are needed in the unit operation.

Yours Very Truly,



Lydell Beard, President
Burke County Surface and Mineral Assoc.

Lydell Beard, President
Burke County Surface and Mineral Assoc.
HCR 1, Box 31
Lignite, ND 58752

Dena Wencher, testimony

AMENDMENT TO HOUSE BILL NO. 1333

In the event the Unit, in operation, does not prevent waste, or protect correlative rights or increase ultimate recovery of oil or gas or is not fair, reasonable, equitable to any nonconsenting interest, the Unit shall be responsible for all damages sustained by those nonconsenting royalty interests and nonconsenting working interests who did not join in or formally ratify the Unit Agreement.

The Order of the Industrial Commission creating the Unit for the purpose of this Section, is not a final Order, but may be considered evidence by a reviewing Court.

In the event damages are awarded by a Court of competent jurisdiction, the Court may triple the damages and may award the nonconsenting owner costs and attorney's fees.

REFERENCE: HB-1333 Supporting testimony before the North Dakota Senate Natural Resources Committee March 14, 1991.

My name is Kenneth A. Wagner. I reside at 2210 2nd Ave. E., Williston, ND. I am employed by the Amerada Hess Corporation and have been with this company for over 31 years, and during the last 11 years as Region Production Manager. I am a native North Dakotan and take great pride in my state.

I wish to testify this morning on HB-1333 in rebuttal to some testimony you may have received in writing or that you may hear today.

Testimony: "Historically, units were not always developed with secondary or tertiary recovery in mind, but rather to solve regulatory or taxing problems."

Rebuttal: All oil recovery units that I am aware of were formed for the express purpose of implementing some method of secondary recovery, and, in fact, working interest owners of those units did initiate injection facilities and operations at great expense to recover additional oil.

Testimony: "Units also often result in the failure to drill or maintain unit wells because failure to produce does not result in the loss of the lease."

Rebuttal: The performance of each well in a unit, be it a producer or injector, enters into the economic viability of the unit as a whole. If the performance of a well has not contributed to the performance of the unit and cannot stand on its own economic merits, the well can be plugged or work can be deferred until economics improve. This is one of the benefits to royalty owners signed into a unit. On a non-unit lease, a non-economic well could be lost and its portion of hydrocarbons not recovered, a definite loss not only to the royalty owner but to the state. Unitized common sources of hydrocarbon supply greatly enhance potential for increased recovery and conservation of natural resources.

Aside from the potential of additional recovery through secondary and tertiary injection methods, a unit should recover more hydrocarbons through more efficient operation of the wells and facilities. Units promote fieldwide fluid gathering and processing systems that in total individual lease operations cannot tolerate economically. When the economic limit is reduced, more oil will be produced.

Testimony: "Units typically hold other producing horizons within a unit under the terms of the individual lease clauses,"

Rebuttal: It is in the best interests of the working interest owners of a unit to develop all potential productive reservoirs as rapidly as possible if economically justified. In general, the case develops in the Williston Basin that the shallower reservoirs, such as the Madison, are more prolific with areal extent to satisfy requirement of enhanced oil recovery under unit operations. The development of potential deeper horizons then is deferred for good reasons, such as: marginal recovery expectations coupled with higher cost of drilling and operation; expected high sour gas production without marketability; low heating value gas without marketability. However, as replacement wells are required for the unit, deeper wells are often drilled as exploratory for the deeper horizons.

It has been my experience and observation that operators in North Dakota have done a yeoman job of developing all reservoirs in a given field when economically justified, and I site the following list of units as examples where other identified horizons have also been developed:

<u>Primary Unit</u>	<u>Associated Developed Reservoirs</u>
Tioga Madison Unit:	Red River, Silurian, Devonian
Beaver Lodge Units:	Madison, Devonian, Silurian, Ordovician Reservoirs, all unitized and more or less juxtaposed.
Capa Madison Unit:	Red River and Silurian
Hofflund Madison Unit:	Red River and Silurian
Charlson Madison Unit:	Red River, Silurian, Devonian, Bakken
Antelope Madison Unit:	Red River, Silurian, Devonian Unit, Bakken, Sanfish
Hawkeye Madison Unit:	Red River, Silurian
Blue Buttes Unit:	Red River, Silurian, Devonian
Fryburg Heath Madison Unit:	Red River
Medora Heath Madison Unit:	Red River

This partial list of unitized reservoirs with other reservoir development should serve to dispel the testimony that "units typically hold other producing horizons"

Testimony: "With a high ratification approval requirement, the royalty owners are better able to bargain for unitization terms and participation formulas...."

Rebuttal: Once the working interest owners of a proposed unit have hammered out the parameters of equalization for tracts involved based on scientific facts and data, there is very little room left for adjustment. The only other arguments are purely subjective in nature. And, of course, the royalty interest participation will follow the working interest. Attempts at further negotiation with a minority of royalty owners can only disregard the facts and jeopardize the project, thus eliminating additional recovery and causing waste of natural resources.

A great deal of the opposing comments you have heard or may hear relate to voluntary units. We are discussing today statutory units which must provide a plan of operation and a plan of dissolution under state law. In addition, under state law, dissatisfied royalty owners can petition the commission after ten years to dissolve the unit. Therefore, the state and royalty owners are protected from non-performance.

In conclusion, we support the provision of HB-1333 to substantially reduce the voting requirement for ratification of the formation of a unit. We feel that it is unjust for a relatively small minority of non-investors to potentially jeopardize the recovery of additional oil and cause waste of a natural resource.

SENATE

Natural Resources Committee -

Mar 14, 1991. 10:00 AM

FORT
Lincoln
Room

Hearing on House Bill - # 1333

I Committee Member

1. Ch. Dean Meyer, Watford City - Rancher
- V. Ch. Daniel K Wogstad, Hannabond - Farmer
- Arvon Krauter, Regent
- Steve Tomac, St Anthony - Farmer - Rancher
- Orlin "Bill" Hanson Sheewood - Rancher
- Jack Traynor Devils Lake, Attorney
- Donald Moore, Forbes, Rancher

II Testimony in Support of Retaining ^{the} Provisions
of 38-08-09.5 + 38-08-09.9

1. Bruce Howe, V. Pres. of Little Knife Roy Assn
Killdeer, N. Dak.
 - a) I will introduce presenters & also
give testimony on behalf of the L.K.R. Assn
 - 1) 1st. Lydell Beard, Pres. Burke County surbur &
Mineral Assn
 - 2) Written Test. of Walter Owings, Ch. of
Burke County Utilized Owner Assn
Presented by Julia Nurvankko
 - 3) Bruce Howe - on behalf?
 - 4) Marvon Nurvankko
 - 5) Dean Winkler - Williston
Attorney - Architect of many of Oil & Gas Law
will close our testimony -

5 In Summary - We believe -

1. There is no reason to change ^{significantly} the

percentage required by the current law
a) ~~Our~~ law is ^{very} ~~the~~ same as ^{most} other states around us -

b) The arguments in favor of change are not persuasive

1) All these reasons can be accomplished by sitting down at a meeting with rep. of the Oil Co. involved (Chevron has the Field on the Market), the Cess - + Indust. Comm.

c) An agreement can be reached dealing with issues or concerns of the Royalty owners - such as:

1) Unitization of our formation - so other formation can be leased

2) Prod for Term. Unitized field

System is low & deal close with 1/4 mile
We agree with the 1st speaker -
2nd speaker from Chevron - we offered to sit down & discuss - in July + field of 1/4 mile
May be because they are selling field

We encourage you to take the position that retains the existing laws - rather than the position that will begin ^{the process of} ~~in~~ ^{eroding} the individual rights of the Mineral Owner

And so - Dean Winkler - Williston

c) In other words, They ^{simply} want to continue to have a voice in future decision regarding Secondary Research Methods - so that the 1981 Gulf situation doesn't take place again

↳ This doesn't seem to be an unreasonable request -

~~It is~~ In fact, the eroding of individual rights is contrary to principles advocated by our Founding Fathers - ~~of individual rights~~

~~we~~ ~~take away~~ ~~we~~ ~~need~~ ~~to~~ ~~have~~ ~~another~~ ~~"Boston Tea Party"~~

We must continue to protect their rights - so another "Boston Tea Party" isn't necessary -

3 History - Continued

- b) 2nd Attempt in 1985. Was a consideration of a draft of a Plan.
- c) 3rd Attempt in May 1988 consisted of a Draft of Plan presented by Chevron to Little Knife Bd of Directors
- d) The 4th event took place in July 26, 1990. Nick Spahr, Asst Gen Chaired the Meeting -
 - 1) Meeting ended with suggestion that a Task force consisting of Rep of Chevron, the Little Knife Reps + Rep of Wm Hartman's office - to discuss the possibility of Unitization -
However, No thing happened.

4. Position of Little Knife Res. Mem.

- a) They are not opposed to unitization + the applications of secondary recovery methods to enhance oil production in the Little Knife field.
The Members of Deso are good Reasonable People -
 - 1) If the production of their wells was stabilized or increased - why in the ~~world~~ world would they oppose unitization which would provide ~~them~~ them additional income.
- b) What they are opposed to, is the evoking of their individual rights as mineral owners - AND ~~but~~ reducing their voice in decisions affecting the production of oil and gas from this field.

Testimony on House Bill # 1333

1. Intro - Bruce Honey Rd. - Dickinson -
Member of Little Kute Roy Assoc by virtue
of representing a client who is a mineral
owner in the field -

a) Serve on Bd of Direct & Executive V. Pres.

b) Pres. - Leonard Kostelak - Well known
& well regarded
by most ^{in the area} that have any thing to do with
Oil & Gas Matters - ^{He Test. said when the} Bill was in the House
^{Natural Resource Committee}

1) At this moment he is going thru
a thorough ^{health} examination here in Bismarck
& is unable to be here.

c) We have members present from our
association & will ask them to stand as Pres ^{File}

2. My Testimony - speaking on behalf

of the area - is to encourage Pres

Committee to Retain the Present Law
in as close ^{to the same percentage} of the Royalty
of the Royalty which requires 80% of the Royalty interest
to approve a plan. Unitizing an oil field

3. Brief History of Unitization of Little Kute Roy ^{field}

a) 1st Attempt was a leasing plan
~~prepared~~ prepared by Gulf Oil in 1981

1) Plan was resisted by Little Kute Roy Assoc

2) Plan was not approved

a) 2 comments -

1) In its 2nd attempt - Gulf
Oil admitted the plan was
hastily drawn & wouldn't have worked

2) Article in Wall Street Journal
indicated Gulf would have received 80%

Earl Grandall Jr.
Unit 304A
924 28th Ave SW
Minot, North Dakota 58701

Phone: 701-839-0294

Senate Natural Resources Committee
North Dakota State Capital
Bismarck, North Dakota 58501

Dear Chairman and Member of the Natural Resources Committee:

In reference to House Bill # HB 1333, I wish to recommend that this bill not be favorably passed by the Committee; or alternatively, I recommend that the Committee amends the bill in order to continue the current provisions of State law providing for eighty percent (80%) sign-up and legal authorization by royalty interests before the North Dakota Industrial Commission will make a favorable ruling for Involuntary Oil Field Unitization.

For reference to the Committee, I was born and raised at Lignite, North Dakota in Burke County. I am and have been a Farmer/Rancher/Landowner/Businessman/Government Official and Public Service Advocate. I am a past secretary of the Burke County Surface and Mineral Owners Association and I have been deeply involved in issues concerning oil and gas development in North Dakota. My family has considerable experience with oil and gas development, unitization, and other royalty issues; this experience dates to the early discovers of oil in North Dakota in the 1950's. My family was a partner in the successful undertaking by the Burke County Unitized Mineral Owners Association, the Federal Land Bank, and the State of North Dakota to successfully terminate four unitization oil fields in Burke County.

Currently I hold the position of Natural Resources and Agricultural Development Specialist for the Standing Rock Indian Reservation in North and South Dakota. The Standing Rock Reservation consists of 2.3 million acres of land in both North and South Dakota. I work under the Reservation Resources Development Program; this program is responsible for the planning and development of water, minerals, soil, agriculture, business, and cultural development on the Standing Rock Reservation. One of the most important responsibilities assumed under this program is the assumption of a Covenant of Trust between The United States government and Native Americans whereby the United States has agreed to insure that the vital interests of Native Americans are

Page 2
Senate Natural Resources Committee
HB 1333
Oil Field Unitization

protected by the Federal government. This is a result of Treaty obligations assumed by the Federal government in exchange for land ceded to the Federal government by Native Americans. The nature of this Trust Responsibility includes the protection and safe-guarding of the integrity 800 thousand acres of land owned by Native Americans on the Standing Rock Indian Reservation. This concept of a Covenant of Trust is very important in relation to the issue before the Committee concerning oil field unitization.

With the establishment of State law allowing for Involuntary Oil Field Unitization of mineral and royalty interests by the State of North Dakota, the State assumed a Covenant of Trust to protect the vital interests of those individuals who would be yielding their Constitutional Rights of land ownership for the purposes of oil field unitization. In exchange for the mineral and royalty owner yielding and abrogating these rights, the State guaranteed the nature of this Trust by protecting the interests of the mineral and royalty owners. This was accomplished by the State through supervision, management, and oversight. Provisions for accomplishing this can be found in State law with the North Dakota Industrial Commission assuming the regulatory objective of fulfilling this Covenant of Trust between the State and the royalty owners who would be incorporated in the unitization plan.

The single most important provision of State Law protecting mineral and royalty owners is the provision requiring 80% sign-up and legal authorization by mineral and royalty interests before the establishment of any oil field unitization plan by the State. This insures that Production and Unitization interests must "sell" their plan for Involuntary Oil Field Unitization to the legal owners of the mineral interests and State of North Dakota. Both the State and the mineral owners must be convinced of validity of the proposed plan.

The assumption of a Covenant of Trust by any government is a very serious matter and must be undertaken in only the most compelling of circumstances. Current State law providing for 80% mineral and royalty approval before Involuntary Oil Field Unitization insures that unitization and the subsequent assumption of a Covenant of Trust between the State and the royalty interests will only be undertaken in the most compelling of circumstances for both the State of North Dakota and the citizens which the State is responsible to protect.

Page 3
Senate Natural Resources Committee
HB 1333
Oil Field Unitization

In conclusion, I wish again to request the continuation of current State law requiring the approval of 80% of mineral and royalty interests for the implementation of Oil Field Unitization. Thank you for your consideration of this issue as well as for your continuing stewardship of Natural Resources for the State of North Dakota.

Sincerely,

Earl Grandall

Earl Grandall

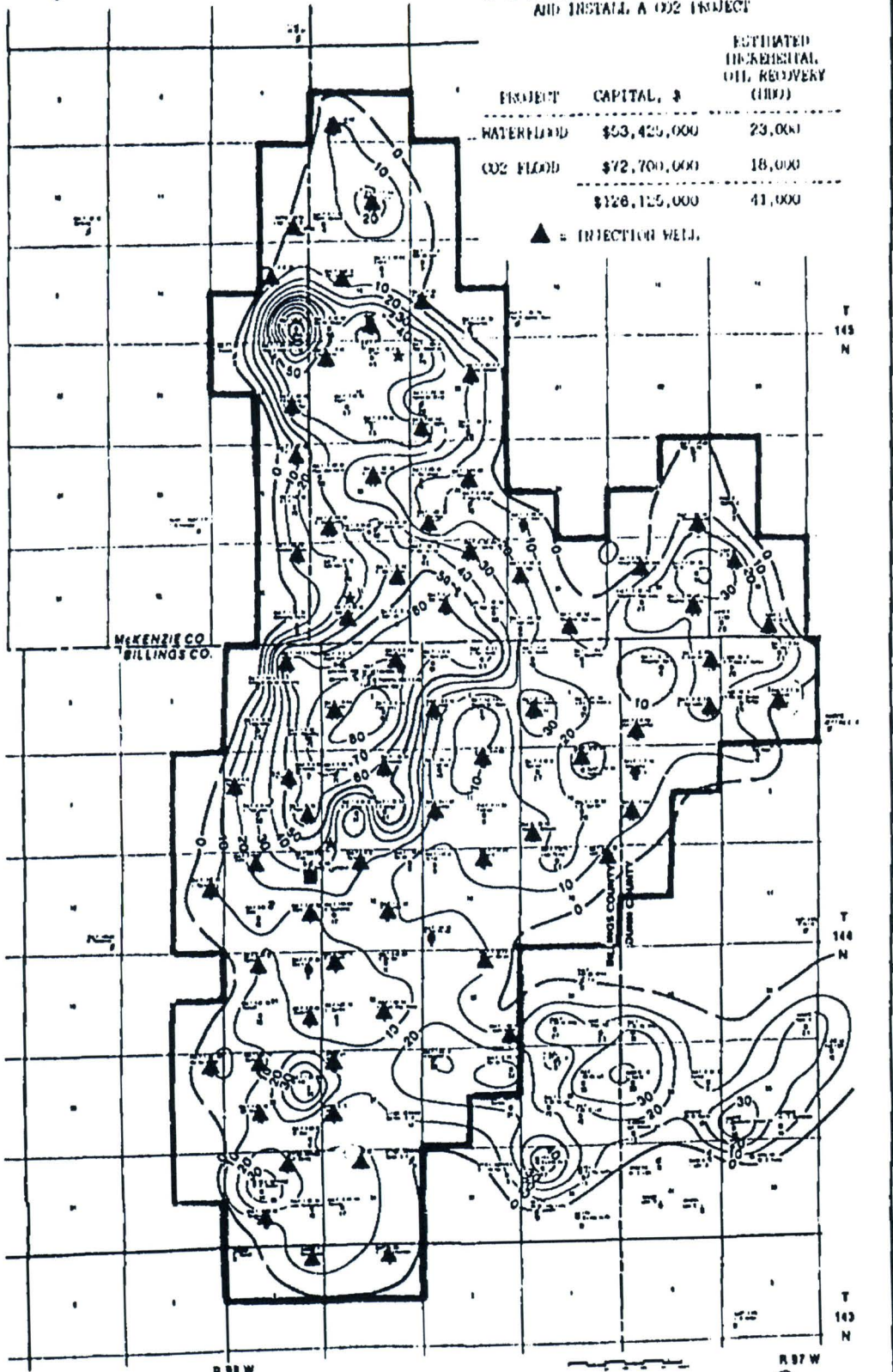
True North

EXHIBIT 1

1993 PROPOSAL: WATERFLOOD ENGINE FIELD,
AND INSTALL A CO2 PROJECT

PROJECT	CAPITAL, \$	ESTIMATED INCREMENTAL OIL RECOVERY (BOO)
WATERFLOOD	\$53,425,000	23,000
CO2 FLOOD	\$72,700,000	18,000
	\$126,125,000	41,000

▲ = INJECTION WELL



- ▲ INITIAL CONVERSION 1984
- COMPLETE CONVERSION 1988
- DAC REPLACEMENT WELLS
- ★ CENTRAL BANK BATTERY
- WARREN GAS PLANT

— UNIT OUTLINE
AUGUST 31, 1987

- WELL PATHS
- WELLS UNDER LOCATION
- WELL HEADS
- COMPLETE MISHON LANTON
- COMPLETE SUPERIOR
- 8 1/2" HOLE

LITTLE KNIFE FIELD

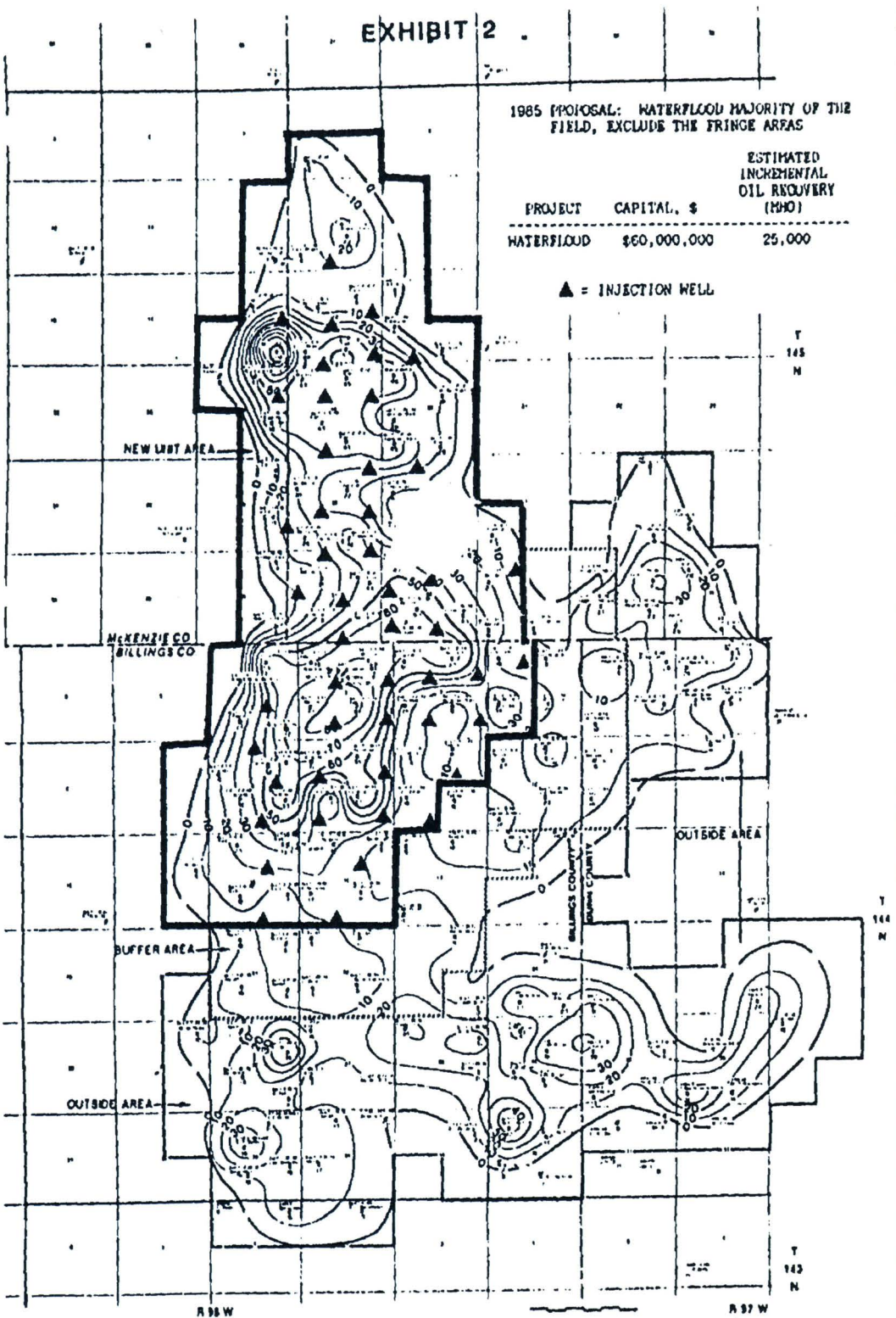
320 AC & SPOT WATERFLOOD

EXHIBIT 2

1985 PROPOSAL: WATERFLOOD MAJORITY OF THE FIELD, EXCLUDE THE FRINGE AREAS

PROJECT	CAPITAL, \$	ESTIMATED INCREMENTAL OIL RECOVERY (MMO)
WATERFLOOD	\$60,000,000	25,000

▲ = INJECTION WELL



**WATERFLOOD SCHEME
60 INJECTION WELLS**

- UNIT OUTLINE
- ▲ PROPOSED INJECTION WELLS PER O&G DAM OCTOBER 23, 1984

- WELL TESTING PROGRAM LOCATION
- WELL DRILLING
- EXHIBITION WELLS
- EXHIBITION WELLS
- ◇ EXHIBITION WELLS



EXHIBIT 3

1988 PROPOSAL: WATERFLOOD THE CENTRAL PART OF THE FIELD ONLY

PROJECT	CAPITAL, \$	ESTIMATED INCREMENTAL OIL RECOVERY (MBO)
WATERFLOOD	\$25,250,000	16,000

▲ = INJECTION WELL

NEW INJECTOR ▲

CONVERT TO INJECTOR ▲

MCKENZIE COUNTY
BILLINGS

COUNTY
COUNTY

LITTLE KNIFE FIELD

CENTRAL AREA

**TESTIMONY ON HOUSE BILL 1333
BY MIKE HAVRILLA, CHEVRON U.S.A. INC.
MARCH 14, 1991**

Mr. Chairman
Members of this Committee

I am a Petroleum Engineer with Chevron U.S.A. Inc. I am here to testify in favor of House Bill #1333.

First I would like to clarify that Chevron understands this is not a bill to unitize the Little Knife Field, but a state bill for all fields in North Dakota. Passage of this bill will not result in the unitization of Little Knife, because there are far fewer than 65% of the royalty owners in favor of unitization.

The main purpose why I am here today, is to present some figures that Chevron had developed when we were trying to unitize the Little Knife Field, in order to provide you an example of how the State can benefit from additional unitized fields.

In 1983, as shown on Exhibit 1, Chevron's predecessor, Gulf Oil Company, and its partners were willing to spend in excess of \$126 million to install a field-wide 320-acre patterned waterflood and CO₂ project. At that time, Gulf estimated that the waterflood and CO₂ projects would have recovered an incremental 41 million BO (23 million BO due to the waterflood and 18 BO million from the CO₂ project).

In 1985, as shown on Exhibit 2, Chevron and its partners proposed to spend \$60 million to install a 160-acre patterned waterflood throughout the majority of the field. At that time, Chevron estimated the waterflood would have recovered an incremental 25 million BO.

In 1988, as shown on Exhibit 3, Chevron along with its partners were willing to spend \$25 million to install a 160-acre patterned waterflood in the central part of the field. We estimated the waterflood would have recovered an incremental 16 million BO.

In summary, any of the plans would not only have generated increased production, but also increased employment, severance taxes, property taxes, sales taxes, and royalty revenues for the State of North Dakota.

Chevron believes that to protect the interests of the state, 65% royalty owner approval is fair for unitization. We also believe that the state and local areas cannot afford the lost revenues that result from unsuccessful unitization attempts like Little Knife. I have never seen, and to the best of my knowledge, am unaware of any secondary recovery project that has recovered less oil than its ultimate primary recovery. In other words, the state has nothing to lose and everything to gain from House Bill 1333.

If there are any questions, I will answer them at this time. Thank you.

BILL SUMMARY: HB 1333

Prepared by the Legislative Council staff

DATE: March 22, 1991

SUBJECT: Approval of oil and gas unitization plans

GENERALLY, THIS BILL:

As amended, changes the percentage of contributing operators and royalty ownership approval needed for a new or amended oil or gas unitization plan from 80 to 75 percent.



vsteiner



MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

2/20

2001 SENATE NATURAL RESOURCES

SB 2120

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.

there is more than one person who will be obligated to pay costs of the unit operation, at least two nonaffiliated such persons and at least two of the persons owning production or proceeds thereof that will be credited to interests which are free of costs such as royalties, overriding royalties, and production payments royalty interest owners, shall be required as voluntary parties, and the commission has made a finding either in the order creating the unit or in a supplemental order that the plan of unitization has been so signed, ratified, or approved by lessees and royalty owners owning the required percentage interest in and to the unit area. Where the plan of unitization has not been so signed, ratified, or approved by lessees and royalty owners owning the required percentage interest in and to the unit area at the time the order creating the unit is made, the commission shall, upon petition and notice, hold such additional and supplemental hearings as may be requested or required to determine if and when the plan of unitization has been so signed, ratified, or approved by lessees and royalty owners owning the required percentage interest in and to the unit area and shall, in respect to such hearings, make and enter a finding of its determination in such regard. In the event lessees and royalty owners, or either, owning the required percentage interest in and to the unit area have not so signed, ratified, or approved the plan of unitization within a period of six months from and after the date on which the order creating the unit is made, the order creating the unit shall cease to be of further force and effect and shall be revoked by the commission.

Approved March 21, 1983

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.

Senate Natural Resources Committee
January 19, 2001

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

Re-number 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	✓				

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	✓				

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 (410)
January 19, 2001 2:41 p.m.

Module No: SR-09-1332
Carrier: Freborg
Insert LC: 18221.0101 Title: .0200

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

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

1B
HB 1257
2-3-17
RepSteiner

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tloga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tloga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tloga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tloga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tloga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tloga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tloga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tloga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tloga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce B. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tloga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

SB
2120

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks
ASSISTANT DIRECTOR

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

1C
HB 1257
2-3-17
Rep Steiner

2001 HOUSE NATURAL RESOURCES

SB 2120

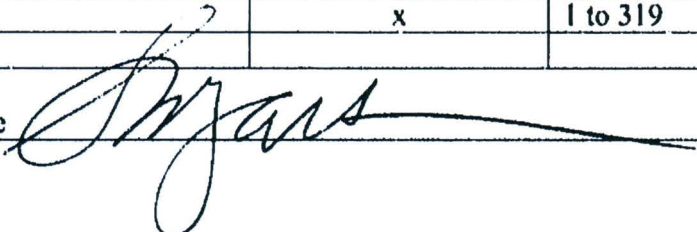
2001 HOUSE STANDING COMMITTEE MINUTES

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.

Page 2
House Natural Resources Committee
Bill/Resolution Number SB 2120
Hearing Date March 1, 2001

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

handled separately. Once those signatures are obtained, the other 30% are force pooled into the unit.

Rep. Winrich: And they participate in the recovery process?

Helms: They fully participate in the recovery process.

Rep. Winrich: As I understand this, when this sort of legislation was first done, the required ratification was 80% and that was reduced to 70% and now we are proposing reducing this to 60%? Apparently it is getting harder and harder to form units. You painted a very glowing picture of that, why would anyone object to this?

Helms: It goes back to the same response I gave to Rep. Solberg. The objection is when a mineral holder who perhaps is a farmer or rancher, when he is confronted with this... He has a lot of concerns about whether this fair to him and whether or not it is going to achieve all the promises made in this agreement. That is the reason that often times it is very difficult to achieve mineral owner ratification. It is a very technical process, it is complicated and there is a serious amount of distrust. When I am the owner of one little forty acre tract in the middle of a 170 square miles. How can I be sure that I am getting my fair share of the 100 million barrels that are going to be produced out of this reservoir under secondary recovery. That really is where the objection usually comes from. The concern for fairness. Yes, it has become over time more and more difficult to form units and that is why we went from voluntary unitization to compulsory unitization to a lowering of the compulsory unitization percentage and why industry is back in again and asking to lower it one additional time.

Chairman Rennerfeldt: Over the years, don't you think technology has made it a little easier for some of these people to agree to do this, because they see the results of some of these units and

how successful they are being? Compared to years ago, when the technology wasn't there to do the job properly?

Helms: I would definitely agree, the technology exists today for someone to load this spreadsheet and instantaneously calculate the effects of any formula change on any of their tracts. So technology has been a big boost to that, on the other side of it, the 7% or so of units that have failed to accomplish their purpose get a lot of press. Those are the horror stories that spread in the small communities and make it difficult to achieve ratification of units.

Rep. Solberg: Is it not true that for example the Little Knife Field which refused unitization and therefore refused the secondary recovery efforts that those mineral owners left huge amounts of money laying on the table that they could have had in their bank accounts, had they unitized and went to secondary recovery?

Helms: In my opinion, yes. There was a small group of mineral owners that owned the very best part of the Little Knife Reservoir. They were concerned with sharing any of that oil that lay under their land with any of the other owners in that field. As a result of that concern, they owned the very best parts, so they owned enough percentage under the equity formula to keep the unit from being formed. In that concern, they went about producing their fields under primary recovery only and Petro Hart did a study shortly after taking the field over in 1993 and found that the secondary recovery potential was gone. Two and a half billion dollars worth.

Rep. Keiser: Can you explain why the secondary recovery disappeared? Once you have completed primary recovery what is the time table that you have to initiate secondary or tertiary recovery to get to the oil before it doesn't work?

Helms: The time table basically to move from primary to secondary falls in the range of 5 to maybe as much as 15. Once you have gone past 15 years, typically you vaporize so much of the oil that the process no longer can make any money and no longer can move any oil.

Rep. DeKrey: Oil production has changed a lot. They used to just tap it and let it blow. Do you have any figures about how much oil has been lost over the years because the production wasn't up to the technology available today?

Helms: I really don't have a number like that at hand. Even for ND. I can say that enhanced recovery nationwide has added approximately 100 billion barrels of oil to our nation's production.

Chairman Rennerfeldt: In the Cedar Hills project. On horizontal drilling are they just using one leg or several legs on the wells? In the future would they use more?

Helms: In Cedar Hills they are using single legs. They have developed the technology to be able to drill down 9000 feet and drill out as much as 7000 feet and maintain over 80% of that well boring in a 3 foot thick interval. They found that to be the most economic. When you move up to Burke County, we drilled a well that had 6 horizontal laterals under it. There were two different zones and they each needed 3 horizontal laterals. They tailor it to the reservoir.

Chairman Rennerfeldt: Any more questions? Anyone else care to testify in favor of SB 2120?

Loren Kopsang - Missouri River Royalty: We operate 10 wells in ND. Ron was interested in a view point of a small operator and I agreed to come up here and tell you my brief story. In 1983 I was working for Everett Drilling Ventures. Mr. Everett had working interest in the Little Knife Unitization effort. He had producing minerals. Later we owned wells in that field. 104 million barrels of oil minimum, 2.5 billion dollars were lost. The operators of that field at that time were primarily Gulf, Amoco and the Hunt group. They were the people that really lost the money. In

1983 I received this packet on unitization of the field. It was plain to me that this was a good deal for everyone. It was about 168 wells averaging 100 barrels of oil a day. The royalty owners received a newsletter from the Little Knife Royalty Association. This was a dissident group that felt the oil companies were out to screw the royalty owners. It didn't make sense to me. (reads newsletter paragraph). Within 9 days of the mailing of this newsletter, 67% of the equity interest had adopted the associations position paper. Some very vocal people convinced the royalty owners what they needed to do is to get Gulf and Amoco to guarantee the success of the unitization. Gulf sold out to Chevron, in 1987 Chevron again tried to get the association together and agree to unitize this field. The royalty owners headed it off and stopped the unitization. Again in 1987 Chevron tried it and said it had to be done immediately or it would be too late. Again it was derailed. In 1993 I got a letter from the Hunt estate (reads letter) it was too late. The Little Knife situation was a total tragedy for this state. The royalty owners should not have had a say, the working operators are gambling with their 7/8. If it is being reduced from 70% to 60% I don't really understand. I support this bill.

Chairman Rennerfeldt: Any questions from this committee? Any one else care to testify in favor of SB 2120? Is there any opposition to SB 2120? In favor, sure.

Lynn Moser - Inland Oil & Gas Corporation: I just very briefly I want to tell you that we have seen these changes come from 80% down to 70% and we really are looking for a lower percentage rate, we have the Oil and Gas Commission here which does a wonderful job of protecting our interests. They go through a very serious long and drawn out hearing, when they are done, if we can get 60% of the owners to ratify the unit, we feel we have been well served.

Chairman Rennerfeldt: Any questions of the committee? Is there no one to testify in favor? You are the opposition?

Elmer Glovatsky - President of the Little Knife Property Royalty Owners Association: I

represent a group of farmers and rancher in the Little Knife Field area. This last week I have been in contact with dozens of people in our area about this Senate Bill. Everyone I talked to opposes this bill. The opinions range from mildly opposed to violently outraged in some cases that this comes up again. Many of these people remember from lessons in real life. We are at the unitization hearings that were proposed to form our field also attended hearings in Minot and elsewhere for the dissolution. We were shocked to understand how hard it is once a unit is formed to dissolve a unit. We saw these things. Royalty owners traditionally are not gathered into a room for a general meeting. Generally they are talked to on a one to one basis. Many of us were told that many of neighbors had already signed a unit. We felt misled in many cases. Some of the lessons we learned were the participation factors as we studied these were not always favorable to what was there underneath the surface and proved to be later as we looked at the figures. The zones we felt were unfair. We would see no control once it was unitized. We learned these things at the meetings. I am here representing all these people and tell you to kill this bill. We were characterized as a small group or some of our people in that area that we didn't want to share. That was not the issue. As to the comments about our inability to assess the situation, we tried our very best and used a lot of good help. We felt obligated to hire the only engineering group at the time that wasn't working for the industry, and that was difficult to find. They had most of them under retainers. We made studies. We were not privy to all the information the oil companies have. I resent the fact that the working owners are the more important part. Without the royalty owners there would be no place to drill for oil. We need to work together. At one point during our hearings we were told that primary production was nearly over and then we need secondary recovery. We asked for a guarantee. There were no takers to that. The years the

wer.' by with the projected primary production passed, since it was used up, it doubled maybe tripled from the projected figures. I am saying all the projections can be projections. Even the best studies cannot predict the outcome. So we have seen some of the things said and we watched and I think the right decision was made, we are not criminals. We feel that the percentage as it is - is certainly low enough. If there are merits to unitization that we should have the industry share that with us.

Chairman Rennerfeldt: This bill would not really affect the Little Knife Field, because that field is pretty much history as far as unitization is concerned?

Glovatsky: I am not sure. We haven't had discussion whether there will be an attempt to unitize anything there. I am not sure.

Rep. Galvin: I think some of your arguments are reasonable. In hind sight, would you have done anything differently.

Glovatsky: I can't think of a particular that would illustrate that. We felt that with the resources we could employ we sought to get whomever we could to help us with the decision and I really think I am not sure I would know of something we would do differently. As we watched the figures climb way beyond what was predicted we began to affirm the fact that we were right. Primary production far exceed the predicted figures.

Rep. Keiser: Do you think that the working partners who are risking 7/8's would ever suggest secondary and tertiary recover and invest in that if they didn't think there was a real opportunity for it to pay off?

Glovatsky: No, it would be counterproductive for them to do that. However, in our case what we noticed is not necessarily the economics of the situation, it was more or less a neat package if the

field could be unitized and marketed. As you know it changed hands several times. It was to us it looked like this was more of situation at hand than it was a secondary recovery.

Rep. Droydal: If we would have had this bill at 60% in '83 and '87, would the Little Knife had been unitized?

Glovatsky: I couldn't say that it would have. At the outset when we knew nothing at the beginning we certainly were not aware of what we were dealing with. When this came up and we were forced to study and know what units meant. The participation factor is how we would arrive as a royalty holder, how we would be paid. As we would not be receiving what was on our section of land. Some of the pay zones were measured. In looking at that itself, we saw how unfair it was. The equitable part of that was missing.

Rep. Droydal: You don't have the numbers on that. Hindsight is a lot better than foresight, the numbers they came out with on the 104 million barrels that were lost on unitization, have you ever sat down and punched in the numbers? If you didn't unitize the primary oil holder would get the money, if you didn't unitize it was spread out throughout. Have you ever gone through the formula since 1987 and put in the 104 million barrels. How would that primary royalty owner have come out, ahead, behind?

Glovatsky: I didn't do that. I can't answer that. I would think with the figures for primary production far exceeding the expectations I still think that we were way ahead. I am not sure.

Chairman Rennerfeldt: Any further questions of the committee? If not thank you, anyone else care to speak in opposition to SB 2120? I have two written testimony in opposition for your consideration from Marvin L. Kaiser and Walters Petroleum Enterprises, L.L.C. (see written testimony) I will close the hearing on SB 2120.

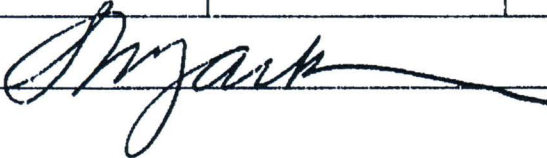
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2120

House Natural Resources Committee

Conference Committee

Hearing Date March 9, 2001

Tape Number	Side A	Side B	Meter #
2	x		3990 to 5523
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: Let's work on SB 2120.

Rep. Keiser: I move the amendments.

Rep. Porter: I second.

Chairman Rennerfeldt: Is there any discussion on the Rennerfeldt amendment?

Rep. Weiler: What is the current percentage to break it up?

Chairman Rennerfeldt: 70% percent. This lowers it. What this also does, if a unit was unitized at 70% would remain at 70%. They are grandfathered in under the original percentage.

Page 2
House Natural Resources Committee
Bill/Resolution Number SB 2120
Hearing Date March 9, 2001

Rep. Winrich: I have some concerns about dropping it from 70 to 60% because basically that means in the negotiation of that formula. You are going to be forcing 40% of the mineral rights owners into an agreement where they don't necessarily think the formula is fair. I talked with Mr. Helms and Mr. Ness about this and one of the things I learned is if we lower our percentage to 60% that will make ND's provisions for these kinds of agreements to have the lowest percentage required in the country. The figures I got from Mr. Helms - In Montana, Wyoming and Colorado the percentage required is 80%; In South Dakota it is 75%; Nebraska is 65% and currently Kansas and Oklahoma both require 63% for ratification of the agreement. So we would be lowering ours to the lowest level in the nation. Actually in my opinion, 70% is well within the appropriate range here. But in talking with Mr. Ness this morning, he seemed to think 65% perhaps be an appropriate compromise. I would like to propose that rather than the 60%.

Rep. Keiser: A point of order, there is an amendment and a motion on the floor.

Chairman Rennerfeldt: Are you opposing the amendment?

Rep. Winrich: May I move to amend the amendment?

Rep. Keiser: The person making the motion for the amendment would have to agree with that, and he doesn't.

Chairman Rennerfeldt: Okay, we have .0201 amendment before us. All those in favor signify by saying Aye. Opposed? Motion carries.

Rep. Winrich: I move to further amend 60 to 65%.

Rep. Keiser: The amendment only deals with backing out an agreement. If I understand your point, you would like to move the 65% to forming a unit as well as backing out.

Page 3
House Natural Resources Committee
Bill/Resolution Number SB 2120
Hearing Date March 9, 2001

Rep. Winrich: That is correct. I was under the impression we were not going to deal with this bill until next week. So I had planned to prepare some written information. That is correct. I would like to amend the ratification percentage to 65%.

Chairman Rennerfeldt: And the back out.

Rep. Winrich: So that would also change lines 22 and 23 on page 1 of the bill to 65%.

Chairman Rennerfeldt: Do we have a second to that motion.

Rep. Brekke: I second.

Rep. Keiser: I resist the motion to further amend simply because Attorney General Heitkamp brought his legislation out at 51 and it was moved to 55 and the compromise was the move to 65. From my perspective, the super majority is tough to get. A majority going up above 60% makes it less reasonable. As policy makers for the state I don't know that we can afford to lose the revenue associated with the unitization of oil fields.

Vice Chair Nelson: If I could ask Rep. Winrich, in your study of other states were the figures you gave both for ratification and dissolution?

Rep. Winrich: I am not sure, I got the numbers from Mr. Helms and my understanding was they were ratification percentages. I don't know if they also apply to dissolution.

Rep. Solberg: I intend to stand on 60%. The major reason is that our state needs this production from secondary recovery. The way that the formula is determined to divide up the production amongst the people who own the oil rights is a very fair formula. It is scrutinized very closely by a number of commissions, so I am going to stand on 60%.

Chairman Rennerfeldt: I too will stand on 60. All the information that came out to me would point in the direction that that's a figure that everyone in the industry can live with. First of all in

Page 4
House Natural Resources Committee
Bill/Resolution Number SB 2120
Hearing Date March 9, 2001

these units, it isn't unitized anyway until the pressure drops and I think everyone will benefit from this. So I am going to stick with the 60%.

Rep. Winrich: It is certainly not my purpose to oppose the unitization of oil fields. I think one thing we are all on agreement on is we need to do this. My concern was that this would put ND in a unique position among other oil producing states in having such a low ratification percentage. As I said, I was attempting to gather further information. On the basis of what I know about it at this point, I think 65% would be a reasonable compromise.

Chairman Rennerfeldt: Did they inform you as to how many fields had been unitized in these other states. Did they give you a comparison? I think we have a totally different situation in this state then in most other states. To compare other states to us is like apples and oranges.

Rep. Droydal: I call for the question.

Chairman Rennerfeldt: We have a question on the amendment. All those in favor of the Winrich amendments signify by saying Aye. Opposed? Amendment fails.

Rep. Droydal: I move a Do Pass as Amended.

Rep. Keiser: I second.

Chairman Rennerfeldt: Any further discussion? If not, call the roll.

MOTION FOR A DO PASS AS AMENDED

YES, 14 NO, 1

CARRIED BY REP. KEISER

18221.0201
Title.0300

Prepared by the Legislative Council staff for
Representative Rennerfeldt
February 28, 2001

VR
3/9/01

HOUSE AMENDMENTS TO ENGROSSED SB 2120 - NATURAL RESOURCES 03/12/01
Page 1, line 1, after "reenact" insert "subsection 7 of section 38-08-09.4 and"

Page 1, line 2, after "to" insert "dissolution of units and to"

Page 1, after line 4, insert:

"SECTION 1. AMENDMENT. Subsection 7 of section 38-08-09.4 of the North Dakota Century Code is amended and reenacted as follows:

7. The time when and conditions under which and the method by which the unit shall must or may be dissolved and its affairs wound up; however, the unit may be dissolved ten years after the unit agreement becomes effective upon a petition to the commission by the royalty owners who are credited with at least eighty percent of the production and proceeds thereof or for units established after the effective date of this Act, upon a petition to the commission by the royalty owners who are credited with at least sixty percent of the production and proceeds thereof, and a subsequent hearing and order by the commission. The commission may not dissolve any unit if the dissolution would be likely to result in waste or the violation of the correlative rights of any owner. This provision does not limit or restrict any other authority which the commission has."

Renumber accordingly

3/9/01

Date:
Roll Call Vote #:

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

House Natural Resources Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS as amended

Motion Made By Rep. Duvdal Seconded By Rep. Keiser

Representatives	Yes	No	Representatives	Yes	No
Earl Rennerfeldt - Chairman	✓		Lyle Hanson	✓	
Jon O. Nelson - Vice Chairman	✓		Scot Kelsh	✓	
Curtis E. Brekke	✓		Lonnie B. Winrich		✓
Duane DeKrey	✓		Dorvan Solberg	✓	
David Drovdal	✓				
Pat Galvin	✓				
George Keiser	✓				
Frank Klein	✓				
Darrell D. Nottestad	✓				
Todd Porter	✓				
Dave Weiler	✓				

Total (Yes) 14 No 1

Absent _____

Floor Assignment Rep. Keiser

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

REPORT OF STANDING COMMITTEE

SB 2120, as engrossed: Natural Resources Committee (Rep. Rennerfeldt, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (14 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). Engrossed SB 2120 was placed on the Sixth order on the calendar.

Page 1, line 1, after "reenact" insert "subsection 7 of section 38-08-09.4 and"

Page 1, line 2, after "to" insert "dissolution of units and to"

Page 1, after line 4, insert:

"SECTION 1. AMENDMENT. Subsection 7 of section 38-08-09.4 of the North Dakota Century Code is amended and reenacted as follows:


7. The time when and conditions under which and the method by which the unit ~~shall~~ must or may be dissolved and its affairs wound up; however, the unit may be dissolved ten years after the unit agreement becomes effective upon a petition to the commission by the royalty owners who are credited with at least eighty percent of the production and proceeds thereof or for units established after the effective date of this Act, upon a petition to the commission by the royalty owners who are credited with at least sixty percent of the production and proceeds thereof, and a subsequent hearing and order by the commission. The commission may not dissolve any unit if the dissolution would be likely to result in waste or the violation of the correlative rights of any owner. This provision does not limit or restrict any other authority which the commission has."

Renumber accordingly

2001 TESTIMONY

SB 2120

MEMORANDUM

TO: Committee Clerk, Senate Natural Resources Ctte.
FROM: Charles M. Carvell, Assistant Attorney General 
DATE: January 20, 2001
RE: S. Bill 2021

After Friday's hearing you asked me to submit to you in writing the comments I made to the committee. Here is substantially what I said.

Secondary recovery units are a means by which the operators of oil and gas wells can get significantly more oil out of the ground. Production is increased by injecting, through injection wells, water or another substance into the producing formation. This has the effect of pushing oil to the producing wells.

Because this causes oil to be moved across property lines, requires converting some producing wells to injection wells, and increases the amount of production from the remaining producing wells, several things must happen before an area can be unitized.

The present law requires that 70% of the working interest owners, that is, the operators of the wells, must approve the unit. The law also requires that 70% of the mineral owners must approve. Finally, the Industrial Commission must review and approve the proposed unit.

Senate Bill 2120 proposes to change one of these requirements. It proposes that the Industrial Commission be given the authority to reduce the requirement that 70% of the working interest owners approve the unit. It allows, but doesn't require, the Industrial Commission to drop this requirement down to some percentage below 70% but to no lower than 55%.

Attorney General Heitkamp filed this bill because of the difficulty we have had getting a unit in place in the Cedar Hills Field in Bowman County. The two primary operators, Continental Resources and Burlington Resources, each own at least 30% of the field and, therefore, are able to block one another's unitization proposals. The controversy has been going on for two or three years.

Because of her frustration over the inability of these two companies to resolve their dispute and get the field unitized, Attorney General Heitkamp filed this bill.

Attorney General Stenehjem, however, asks that it be withdrawn. He doesn't believe that there is a significant problem with putting units together under the present law, and whatever problems there are don't warrant legislative attention. About 80 units have been put in place in North Dakota. They have been put in place with the requirement of 70% approval by working interest owners. And prior to a 1991 change, the required approval was 80%.

We are unaware of any unit proposal that has failed because of the 70% approval requirement placed on the working interest owners. Furthermore, even the immediate problem that gave rise to this bill, the Cedar Hills problem, appears to be resolved. The two companies have, finally, reached an agreement and we are confident that a unit will be in place in the very near future.

Therefore, since the present 70% requirement has not posed a problem for unitization in the past, Attorney General Stenehjem doesn't think there is anything needing a legislature to fix.

e:\carvell\stenehjem\bill.2120.test.doc

NORTH DAKOTA INDUSTRIAL COMMISSION

OIL AND GAS DIVISION

John D. Helms
DIRECTOR

<http://explorer.ndic.state.nd.us>

Bruce E. Hicks
ASSISTANT DIRECTOR

IMPACT OF OIL EXTRACTION TAX INCENTIVES

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.

New well (4/27/87)

- 22% of North Dakota oil production is from non-EOR Unit new vertical wells.

New Horizontal well and Horizontal re-entry

- 17% of North Dakota oil production is from non-EOR Unit new horizontal or re-entry horizontal wells.

Stripper Well

- 5% of North Dakota oil production is from non-EOR Unit stripper wells.
- Stripper wells are marginally economic (over 90% of costs go to wages and local business).

Workover and 2 Year Inactive wells

- 4% of North Dakota oil production is from non-EOR Unit qualifying workover projects and wells returned to production after 2 years idle.

PROJECTS AND PLAYS THAT HAVE RESULTED FROM A TAX INCENTIVE

Project	Barrels of Oil per Day	Cumulative Barrels of Oil	Tax Incentive Type
Beaver Creek Birdbear	3,381	2,098,985	Workover
Beaver Lodge Devonian	1,013	1,007,232	Enhanced Recovery
Cedar Hills Red River 'B'	8,178	21,474,384	New Horizontal Well
Haas Madison Drilling	332	853,704	New Horizontal Well
South Westhope Unit	216	0	Enhanced Recovery
State 1,286 Stripper Wells	5,046	30,510,350	Stripper Well
Tloga Madison Drilling	535	1,006,000	Horizontal Re-entry
Wayne Madison Drilling	531	1,423,475	New Horizontal Well
Total	19,232	58,374,130	

Oil Production 1994 vs Present by state

North Dakota	+18%
Montana	-7.6%
Wyoming	-6.6%

Current statewide production 88,000 BOPD
Extrapolate the 1986-1992 trend and it would be 50,000 BOPD

New Horizontal Well

Average estimated life	20 years
Average cumulative oil (first 24 months)	35,000 barrels
Average cumulative oil (24 months – stripper)	210,000 barrels

New Vertical Well

Average estimated life	16 years
Average cumulative oil (first 15 months)	15,000 barrels
Average cumulative oil (15 months – stripper)	150,000 barrels

Horizontal Re-entry Well

Average estimated life	10 years
Average cumulative oil (first 9 months)	16,000 barrels
Average cumulative oil (9 months – stripper)	110,000 barrels

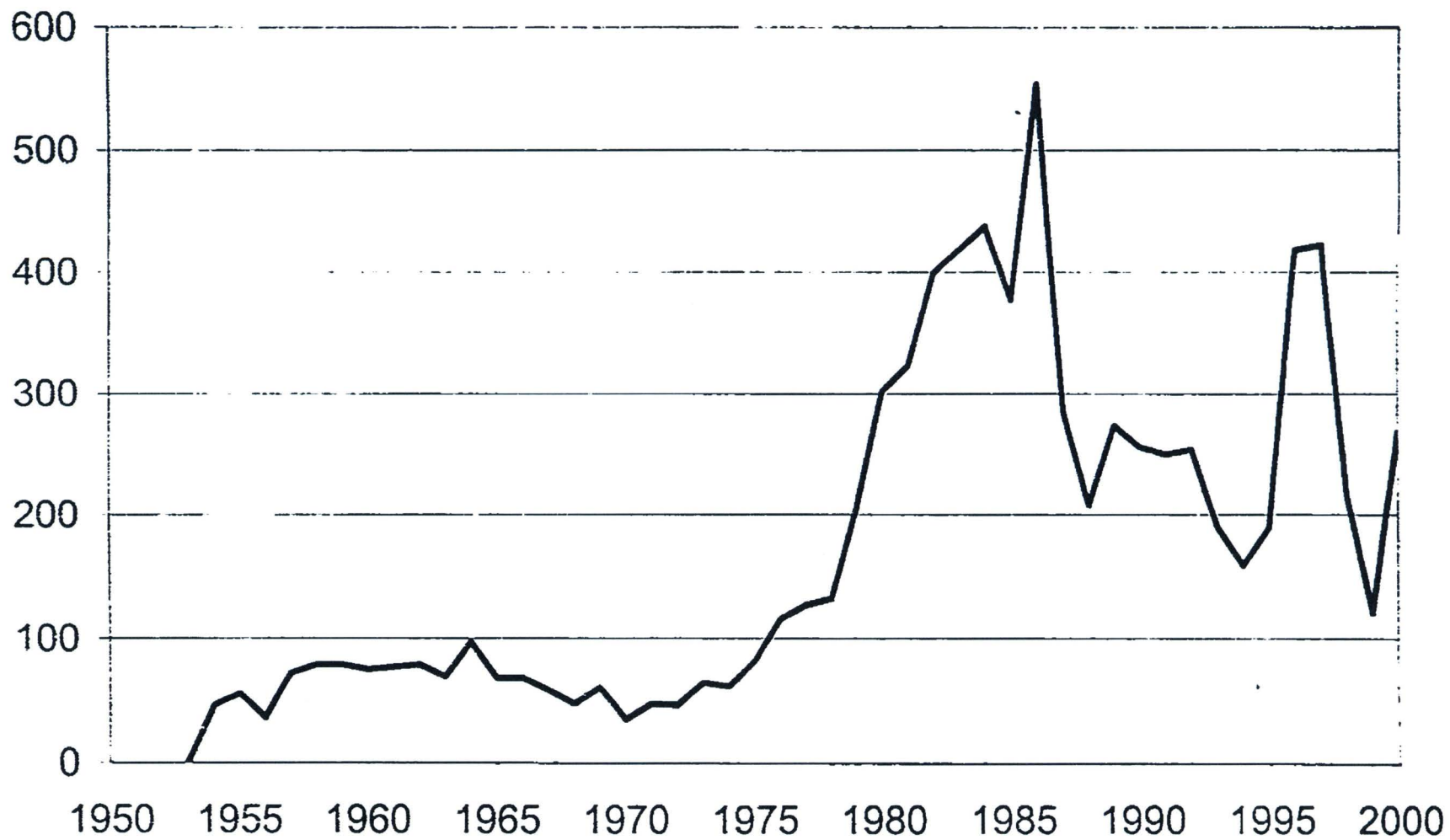
There are approximately 314 pre 4/27/87 non-stripper wells currently pumping.

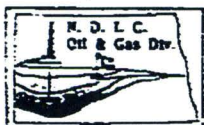
There have been approximately 184 Qualifying Workover Projects 1990 to date. Total spending on those projects has been approximately \$32,900,000. Current production attributable to those projects is approximately 2,650 barrels per day.

There have been approximately 63 Qualifying 2 year Idle Well Projects 1990 to date. Total spending on those projects has been approximately \$1,600,000. Current production attributable to those projects is approximately 900 barrels per day.

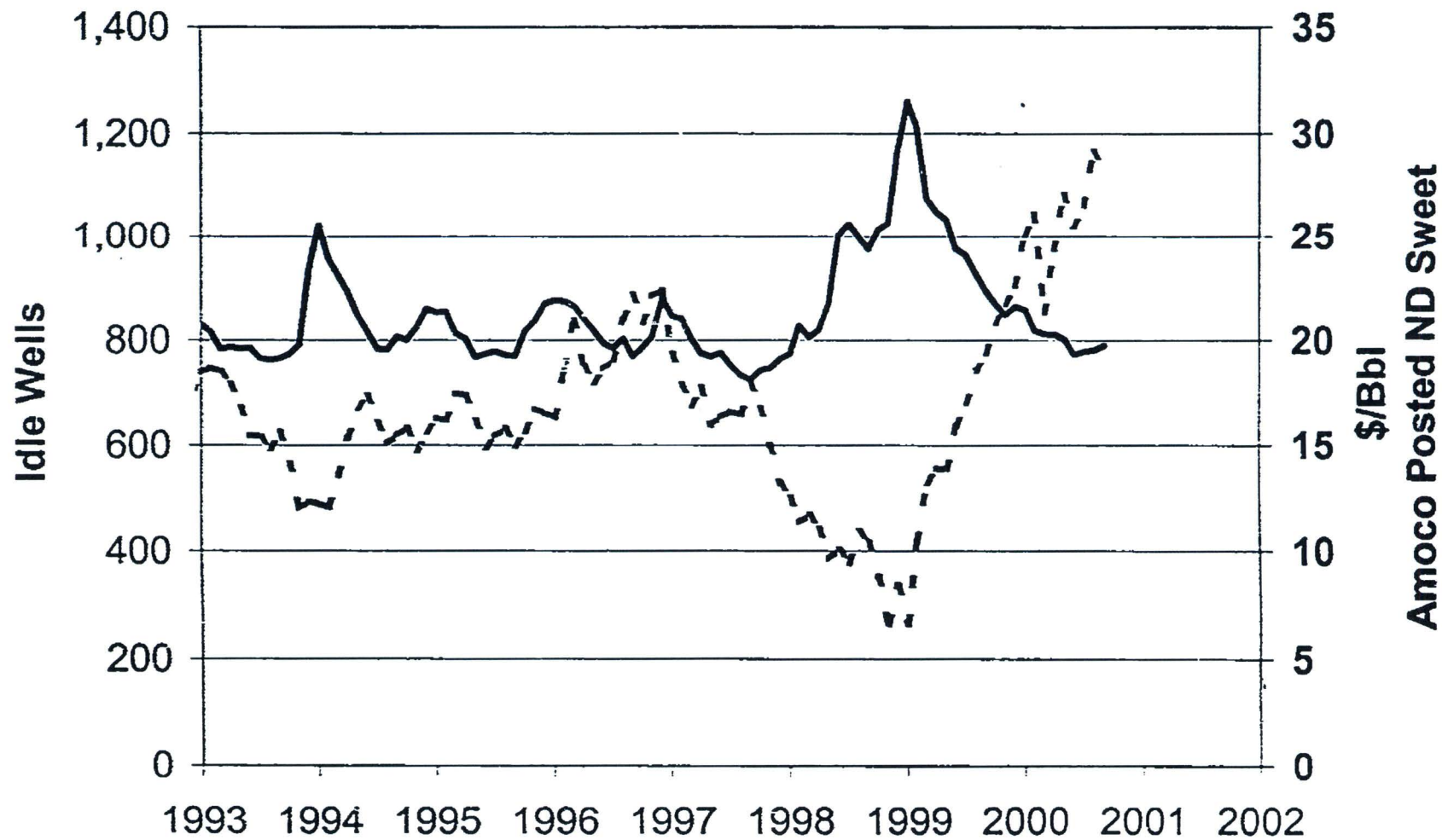


North Dakota Industrial Commission Cases Heard



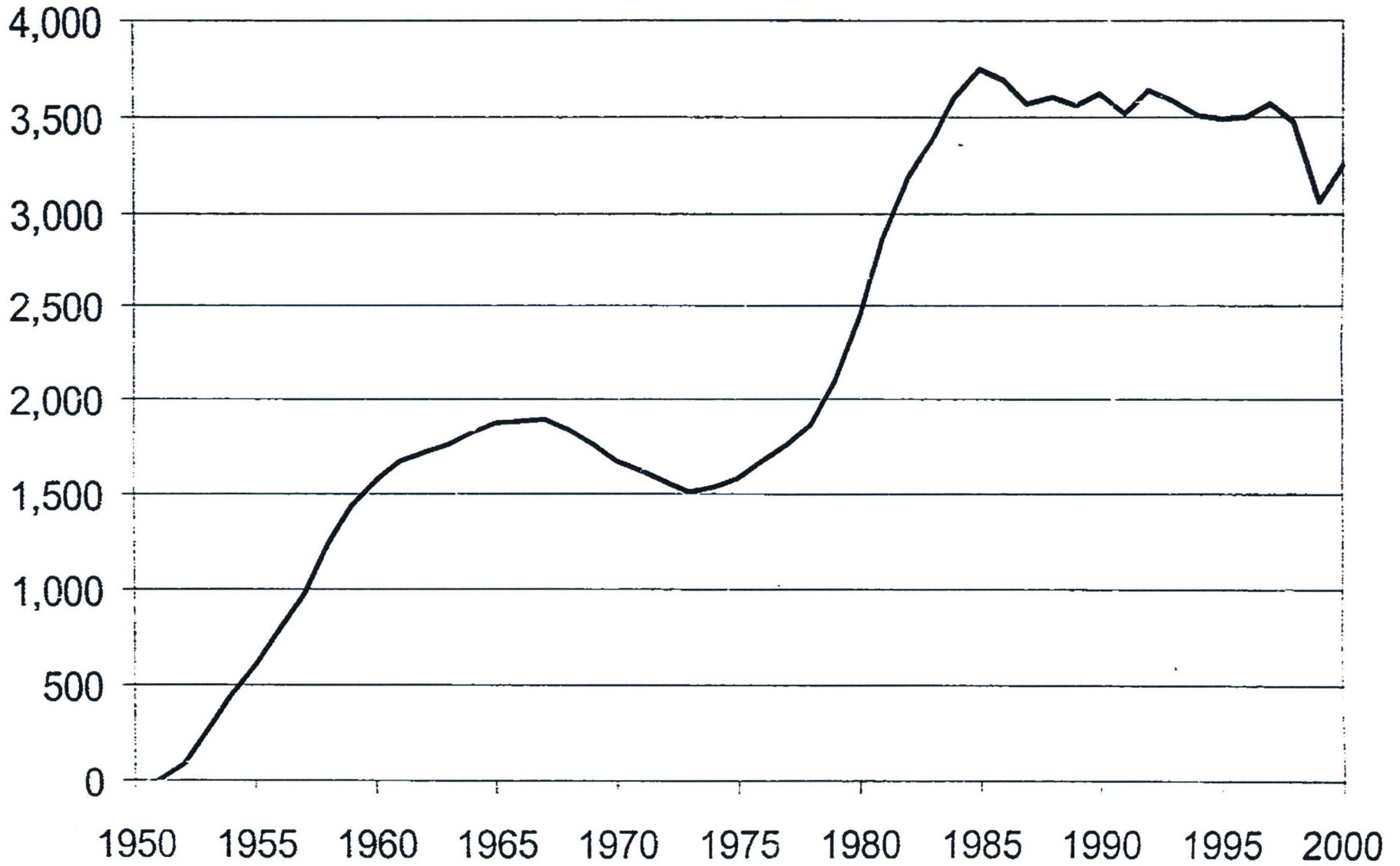


North Dakota Idle Wells



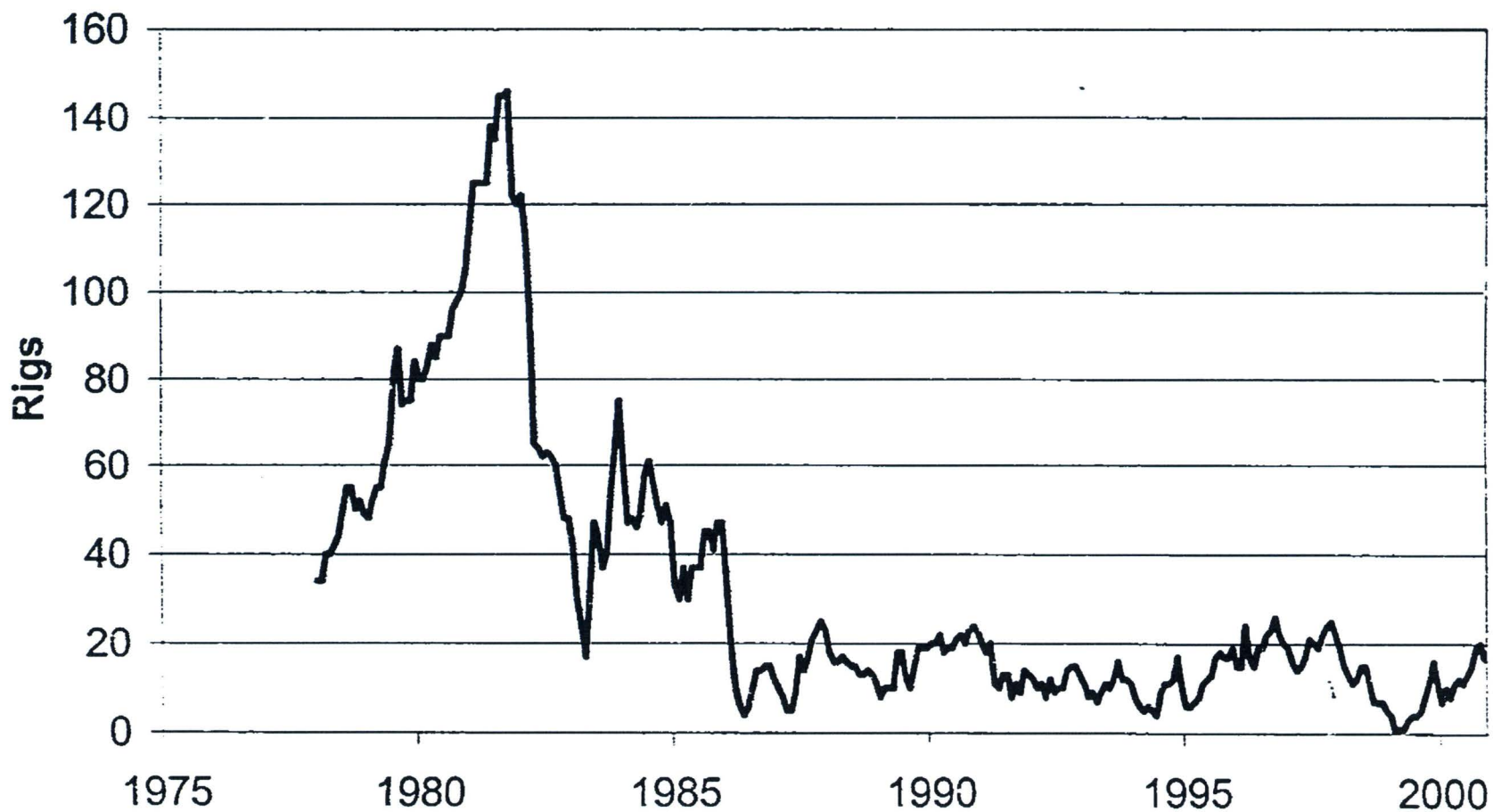


North Dakota Wells Producing Each Year



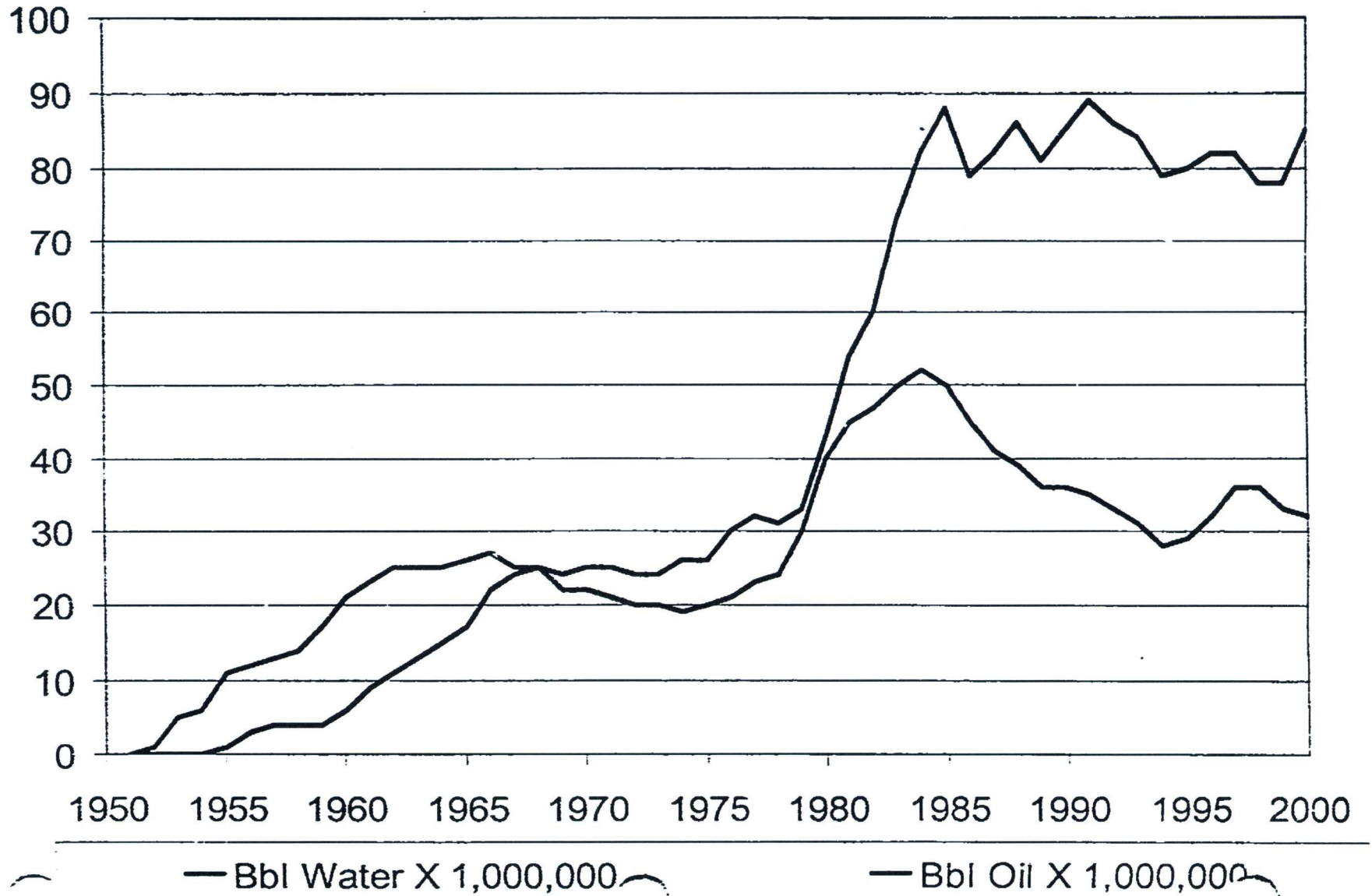


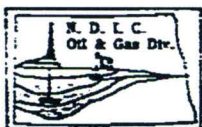
North Dakota Average Monthly Rig Count



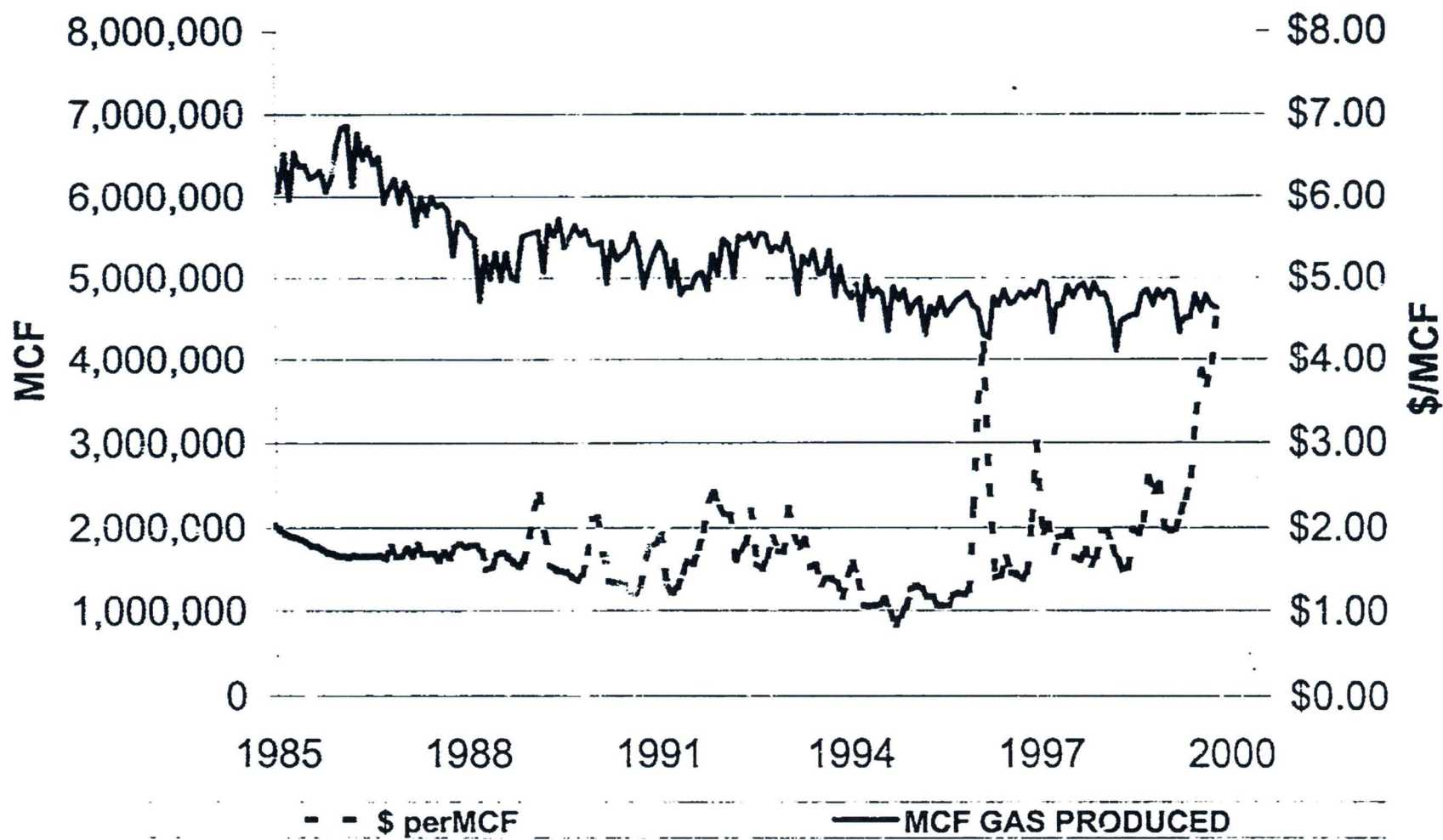


North Dakota Oil vs Water Production



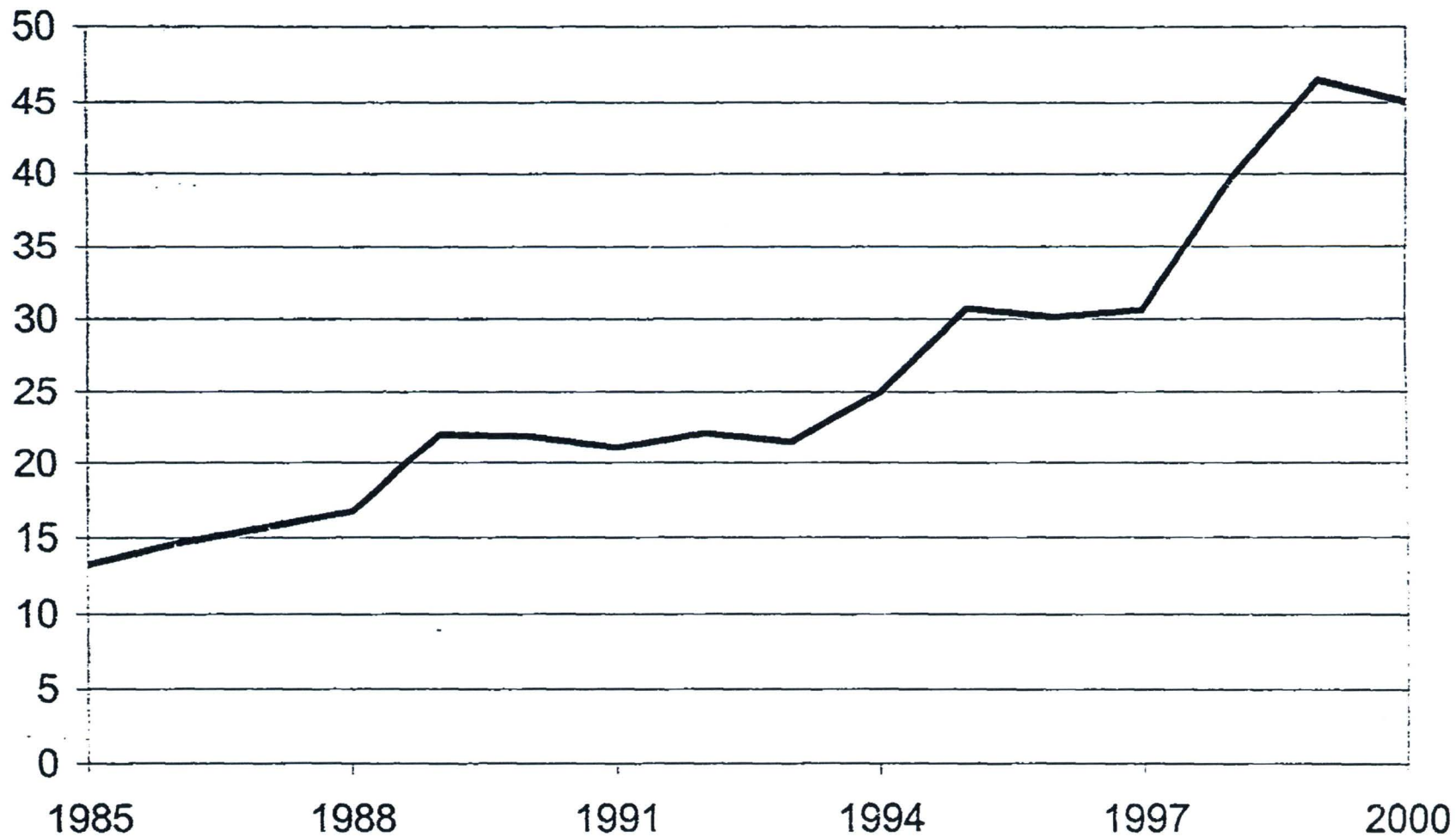


North Dakota Monthly Gas Produced and Price



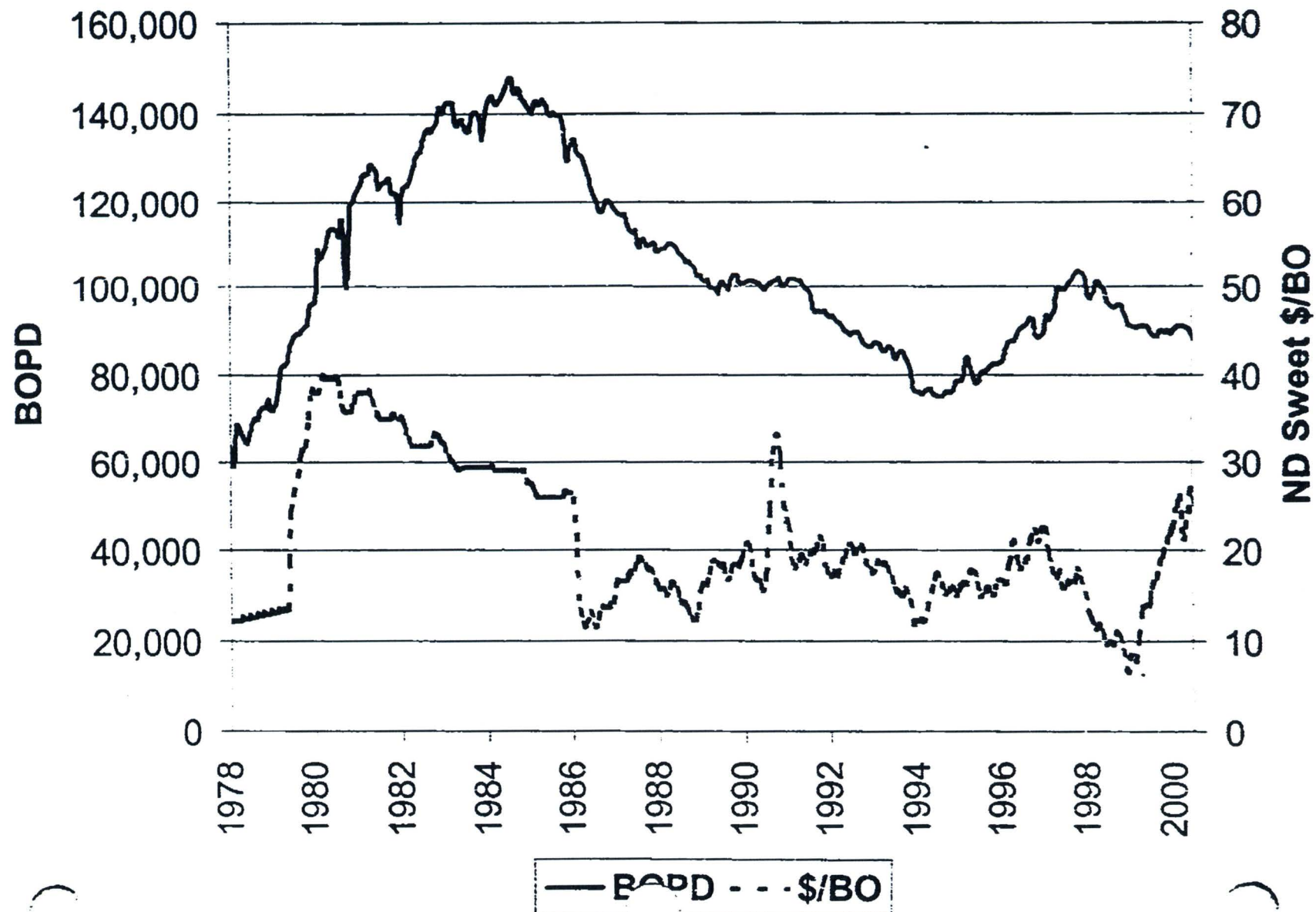


North Dakota % Production From Units





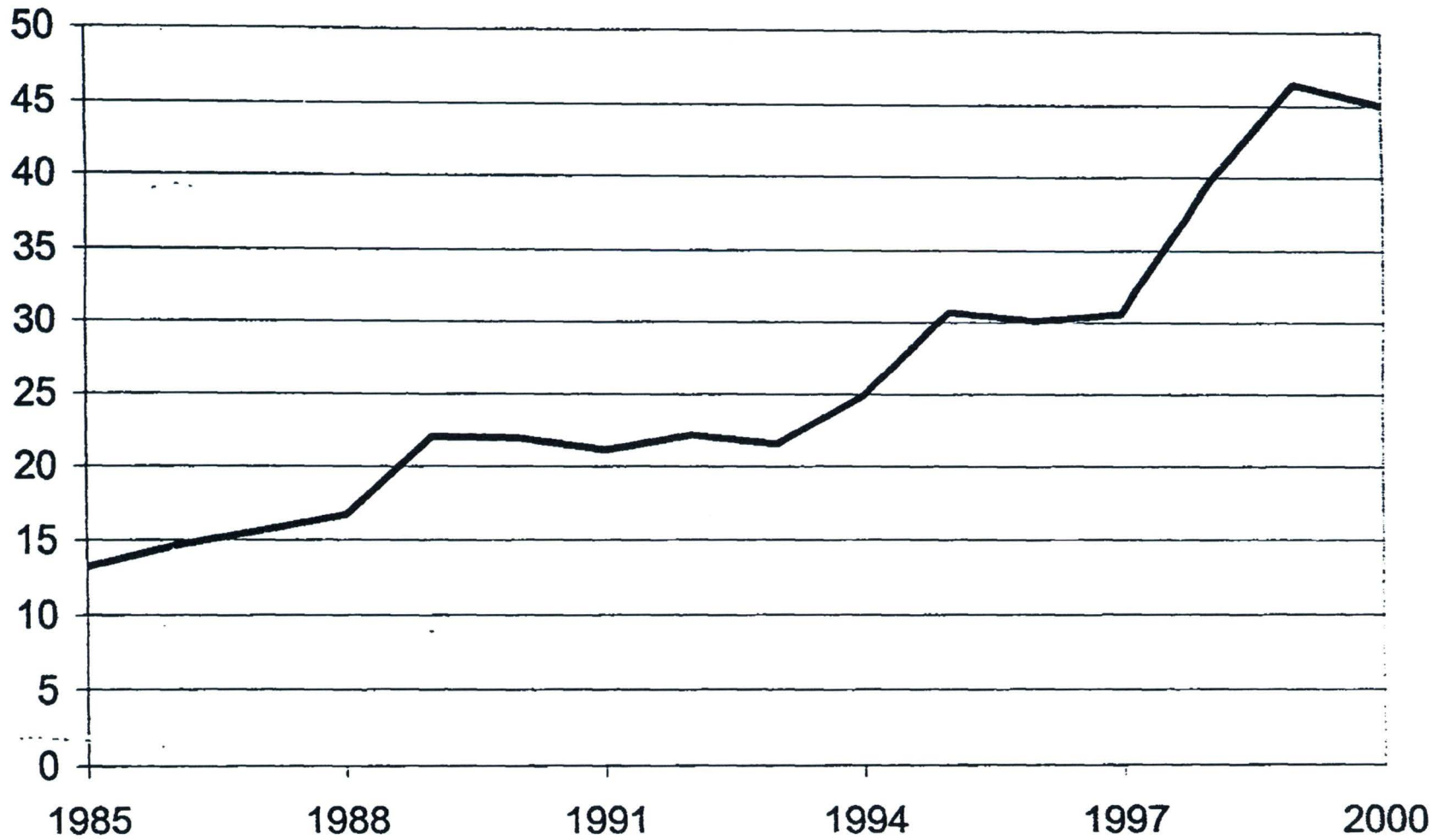
North Dakota Daily Oil Produced and Price



— BOPD - - - \$/BO



North Dakota % Production From Units





North Dakota Petroleum Council

Ron Ness
Executive Director
Maisha Remnitz
Office Manager

Email: ndpetc@ndpetc.com
Phone: 701.222.6400
Fax: 701.222.0002
120 E. 4th Street, Suite 226
P.O. Box 1107
Bismarck, ND 58102-1107

Senate Natural Resources Committee
January 18, 2001

Senate Bill 2120

Testimony by Ron Ness, North Dakota Petroleum Council

Chairman Fischer, members of the Natural Resources Committee, my name is Ron Ness. I am the Executive Director of the North Dakota Petroleum Council. The North Dakota Petroleum Council represents both large and small oil and gas companies, pipelines, oil field service companies, and the BP Refinery in Mandan. I appear before you today in support of Senate Bill 2120, although I will be offering some amendments for your consideration.

First, let's define what a production unit is. It's an area in which all interest owners jointly participate in a project that involves the injection of fluids into a reservoir to increase the recovery of hydrocarbons. As you can see by the handout, units are critical to enhanced oil recovery. A unit can significantly increase the value to all stakeholders in the project.

Senate Bill 2120 was introduced at the request of former Attorney General Heidi Heitkamp in response to a situation involving the unitization of the Cedar Hills Field in Bowman County. There have been a number of efforts to unitize all or portions of this field in the past several years, but no plan has been able to gain the necessary support of 70% of the lessees, or working interest owners, in the field. North Dakota law currently requires that a plan of unitization be ratified, or agreed to, by the 70% of the working interest (lessee or oil company) owners and 70% of the royalty interest (mineral owner) owners. The former attorney general introduced this bill which would authorize the Industrial Commission to reduce the required percentage of working interest owners to 55%.

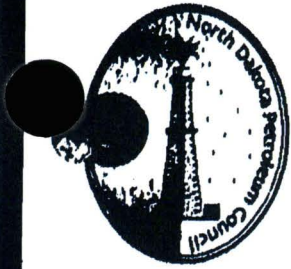
The members of the North Dakota Petroleum Council strongly support unitization of oil and gas fields in the State of North Dakota, which allows secondary recovery methods like water injection and air injection to be utilized. Currently, almost 50% of our daily production comes from units. We anticipate that number continuing to increase. We are hopeful that in the near future there will be some carbon dioxide

available for use in North Dakota fields. These recovery methods will result in greatly increased recoveries from North Dakota's oil fields, but they do require unitization. We agree that the 70% ratification requirement can prevent some fields from being unitized. However, our members have several concerns with Senate Bill 2120 as drafted. First, we are concerned that 55% is too low and could enable a single large owner to exercise too much control over unitization. Second, although the bill would authorize the Industrial Commission to lower the requirements, it gives no standard or criteria for the Commission to follow. Third, the bill does not address the potential problem with obtaining ratifications from royalty owners.

We, therefore, would like to propose the attached amendments to the bill. These amendments would simply lower the ratification requirement for both working and royalty interest owners from 70% to 60%. As amended, we think the bill would provide adequate protection for all mineral owners and lessees and would still help encourage unitization of oil and gas fields in the future. By reducing the percentage for all unit projects, it would ensure that all unit proponents receive the same opportunities to achieve unitization.

The North Dakota Petroleum Council asks your support for these amendments and for Senate Bill 2120 as amended.

Thank you for your consideration.



North Dakota Petroleum Council

Ron Ness
Executive Director
Marsha Reimnitz
Office Manager

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

House Natural Resources Committee

Senate Bill 2120
March 1, 2001

Testimony by Ron Ness, North Dakota Petroleum Council

Chairman Rennerfeldt, members of the Natural Resources Committee, my name is Ron Ness. I am the Executive Director of the North Dakota Petroleum Council. The North Dakota Petroleum Council represents both large and small oil and gas companies, pipelines, oil field service companies, and the BP Refinery in Mandan. I appear before you today in support of Senate Bill 2120.

First, let's define, what is a production unit? It's an area in which all interest owners jointly participate in a project that involves the injection of fluids into a reservoir to increase the recovery of hydrocarbons. As you can see by the handout – units are critical to enhanced oil recovery. A unit can significantly increase the value to all stakeholders in the project. Many of our oil fields are reaching the end of their primary production and without secondary recovery methods like horizontal drilling that is most effectively done in a unit we will be leaving a tremendous amount of oil in the ground.

Senate Bill 2120 was introduced at the request of former Attorney General Heidi Heitkamp in response to a situation involving the unitization of the Cedar Hills Field in Bowman County. There have been a number of efforts to unitize all or portions of this field in the past several years, but until recently, no plan has been able to gain the necessary support of 70% of the lessees, or working interest owners, in the field. North Dakota law currently requires that a plan of unitization be ratified, or agreed to, by the 70% of the working interest (lessee or oil company) owners and 70% of the royalty interest (mineral owner) owners. The former attorney general introduced this bill which would authorize the Industrial Commission to reduce the required percentage of working interest owners to 55%.

The Senate amendments eliminated the 55% and the discretion of the Industrial Commission and lowered the current 70% required for all interests to 60%. The oil

and gas industry supports this percentage that still requires a super majority of approval to form a unit.

We support this bill in its current form. It would simply lower the ratification requirement for both working and royalty interest owners from 70% to 60%. We think the bill would provide adequate protection for all mineral owners and lessees and would still help encourage unitization of oil and gas fields in the future. By reducing the percentage for all unit projects, it would ensure that all unit proponents receive the same opportunities to achieve unitization.

The members of the North Dakota Petroleum Council strongly support unitization of oil and gas fields in the State of North Dakota, which allows secondary recovery methods like water injection and air injection to be utilized. Currently, almost 50% of our daily production comes from units. We anticipate that number continuing to increase. We are hopeful that in the near future there will be some carbon dioxide available for use in North Dakota fields. These recovery methods will result in greatly increased recoveries from North Dakota's oil fields, but they do require unitization. We agree that the 70% ratification requirement can prevent some fields from being unitized. However, our members had several concerns with Senate Bill 2120 as drafted. First, we were concerned that 55% is too low and could enable a single large owner to exercise too much control over unitization. Second, although the bill would authorize the Industrial Commission to lower the requirements, it gave no standard or criteria for the Commission to follow. Third, the bill did not address the potential problem with obtaining ratifications from royalty owners. The Senate amendments addressed each of these concerns and, again, we support the bill as it was amended in the Senate.

SB-2120 could be labeled an economic development bill; units increase the amount of oil produced in a pool and extend the life of wells and oil activity in an area. If this bill allows more units to be formed – it will provide the state more tax revenue, more high paying jobs, and more economic activity for communities and local businesses in western North Dakota. Just consider what the production unit being ratified in Bowman County means to the state and community:

- Begin secondary production from a unit that is estimated to still hold 2.5 billion dollars of oil reserves;
- Increase the states daily oil production by 10,000 barrels per day at full production;
- The two companies involved plan to invest more than 250 million dollars in the unit over the next three years;
- At least six rigs will be operating in the units for the next three years;

- Each rig creates up to 120 primary and secondary jobs.
- Job Service reports that the average wage in 1999 for the mining industry was 81% higher than the state average wage (\$42,981 which is \$19,231 above the statewide average and \$9,986 higher than the next best paying industry).

There have been concerns raised about this bill from a small group of individuals involved in the Little Knife oil field. We believe these concerns were not valid in the late '80s when the Little Knife unitization efforts were defeated on a number of occasions by a small number of royalty owners and they are not valid now. There are many safeguards in place to protect mineral and working owner interests. The Industrial Commission and the Oil and Gas Division regulate oil and gas activities and provide many avenues for concerns to be heard. Unitization of a field that is supported by a super majority of 60% of the owners is certainly favorable to losing the potential to produce millions or billions of dollars worth of oil forever due to the lack of support from a minority of owners -- as was done in Little Knife. The question remains -- Are the mineral owners in the Little Knife field better off today as a result of those failed units? The answer is clearly NO!

The North Dakota Petroleum Council urges your support for Senate Bill 2120. This bill is supported by the big and small oil companies operating in the state. If passed, it could have a positive impact on the future of oil production in our state.

Thank you for your consideration. I would be happy to answer any questions.

KAISER LAW FIRM

201 East 26th Street
Williston, North Dakota 58802-0849

Marvin L. Kaiser

Telephone: 701/672-1890
Telefax: 701/774-0774
e-mail: Kaiser@dlr.net

January 26, 2001

Re: Senate Bill 2120: Ratification or
Approval of Oil and Gas Units

I am writing to you to provide information from the perspective of the North Dakota royalty owners and smaller oil and gas companies. I have worked for nearly 30 years in oil and gas matters. I am not being paid, nor was I asked to write by any industry or royalty group. Nevertheless, their perspective should be heard.

The compulsory ratification of an oil and gas unit, using the police powers of the State, should carry a substantial approval burden. When our statute was enacted in 1965, that percentage was 80 percent, which was consistent with other oil and gas producing states.

In 1991 some members of the industry were persuasive in getting the legislature to reduce this percentage to 70 percent. While approval was 70 percent, 80 percent was still required to terminate a unit. As I understand it today, this new proposal was to reduce the ratification percentage to 51 percent, which the Senate has now amended to 60 percent. I opposed the reduction from 80 percent to 70 percent, and vigorously oppose any further reduction.

No one interested in conservation can oppose the hope that units offer, which is the greater recovery of oil and gas from a field. Both the dominant oil company and the State, however, have had a tendency to view units as a single entity, because the production of any incremental oil is a tax benefit to the State and a revenue benefit to the oil company.

The challenge, however, is to conceive the unit so that individual property owners are all treated fairly in the process. This takes sincere thought and ultimate fairness. Property rights are impacted for many, many years to come. Many of the units formed by Amerada and Texaco have been in existence for more than 30 years, are likely to continue, and required 80 percent for ratification.

Most people who have had dealings with me and units believe that I am opposed to units, which is not true. I have supported a number of units, but have fought vigorously for an equitable formula. This fight also occurs in private unit meetings among the working-interest owners. The royalty owners almost never get an opportunity for input until the pie has been cut up by the working-interest owners.

Even with an 80 percent requirement, North Dakota was able to form about 36 units, vastly more than have been formed since the amendment that reduced the percentage to 70 percent. There is no compelling need to reduce this percentage any further.

I understand that this bill was introduced in response to the Bowman County fight between Burlington Resources and Continental Resources. This arguably should have been a difficult unit to form. Both of these parties had a substantial interest, and could veto each other's unit. The Commission was challenged, as were these two working-interest owners, to find a formula or methodology that was equitable to both of them. It seems they have achieved it without a change in the statute.

The unit agreement provisions are onerous to North Dakota landowners already for some of the following reasons:

1. The royalty owners do not participate in the drafting of the unit agreements, which significantly modify oil and gas leases.
2. Scientific data is known only by the working-interest owners, who share only the portions they wish to disclose in a public meeting.
3. Foreign substances may be injected into unit formations, which may or may not result in enhanced oil recovery.
4. Units allow expansion of area without further vote.
5. They are difficult to terminate. NDCC 38-08-09.4, sub-part 7 is challenging to determine if the State even could terminate, when termination is only allowed if "The Commission may not dissolve any unit . . . if the dissolution would be likely to result in waste or the violation of the correlative rights of any owner." This is a very tough standard.
6. The unit agreement doesn't require the company to perform the unit operations proposed to the Commission when it sought NDIC approval with respect to drilling additional wells, injection of substances, results of unitization, etc.

January 26, 2001
Page 2

Please kill this bill. It is unnecessary.

Sincerely,

Marvin L. Kaiser

MLK/jk

cc: Governor John Hoeven
Robert Harms, Esq.

WALTERS PETROLEUM ENTERPRISES, L.L.C.*William D. Walters, Jr., Manager*1121 - 2nd Avenue West
P.O. Box 1948
Williston, ND 58802-1948
Telephone: (701) 572-3671
Fax: (701) 572-3618

February 28, 2001

Rep. Earl Rennerfeldt, Chairman
House Natural Resources Committee
North Dakota State Capitol Building
600 E. Boulevard Avenue
Bismarck, ND 58505VIA FACSIMILE TRANSMISSION
701-328-1271

RE: Senate Bill 2120 Unitization

Dear Earl:

As you know, Senate Bill 2120 has passed the senate and is scheduled for hearing before the House Natural Resources Committee on March 1. This bill would lower the required unitization approval of working interest owners and mineral owners from 70% to 60%. This is not good for the oil industry, small oil producers or mineral owners in North Dakota.

I am writing this letter as a resident small independent oil producer, mineral owner and oil & gas attorney in North Dakota. This proposed reduction of voting approval % for units is unnecessary and potential disaster. I am not against units in concept and, in fact, we are active in units as working interest owners and mineral owners. On a regular basis we participate with unit operators in ongoing development of existing units. However, wrongly or mistakenly utilized, unitization can inequitably confiscate property rights and damage the economic health of North Dakota mineral owners and minority working interest owners.

The science involved with the units (engineering & geology) is not precise and is often subject of varying credible & industry opinion. Also, the unit participation formulas are subject to significant variation. Unit participation formulas directly affect and change royalty interests and entitlement. Approved unit agreements directly change existing lease rights, contract rights and property ownership interests. Therefore, a unit is not something that should, in effect, be almost unilaterally enforceable by one or two entities or owners. Moreover, the rights affected are so important that the protection of those rights should not be reduced in any manner. Senate Bill 2120 would reduce that protection and do so in a manner unprecedented in most oil producing states.

In the past everyone in the industry has seen unit proposals (participation formulas, estimates of primary & secondary recovery, etc.) that were incorrect and if approved would have been a financial disaster for the mineral owners and minority working interest owners in the proposed units. Had Senate Bill 2120 been law in these past instances it might have, in effect, prevented productive disagreement, discussion, constructive resolution and the eventual correct results.

page 2
February 28, 2001

Further, you can look to the history of units in North Dakota for verification of these potential problems. Industrial Commission records provide evidence of forcefully disbanded units that had never worked as originally proposed and had served as nothing but a deprivation of property rights of North Dakota mineral owners & minority working interests. In addition, once formed, these nonperforming units can go on indefinitely, holding minerals in limbo which mineral owners could otherwise be leasing, deriving benefit and, hopefully, productive development. Senate Bill 2120 would make further unit disasters much more likely.

Opposition to Senate Bill 2120 is pro-North Dakota oil industry. The North Dakota oil industry is composed of mineral owner citizens (farmers, ranchers & others), small resident independent oil operators & companies, nonresident independents and nonresident majors. This bill would disadvantage all of these listed except for a very few nonresident major oil companies.

Due to a scheduling conflict I am unable to appear at the committee hearing on March 1. In my absence I ask that you read this letter to the committee. I ask that the committee assist the North Dakota oil industry and protect North Dakota mineral owners and oil operators by indicating its disapproval of senate bill 2120.

Thank you



Bill Walters, Williston, ND
Imperial Oil of North Dakota, Inc
Walters Petroleum Enterprises, LLC
The Mineral Mart, Inc.

erty rights, leases, contracts, and all other rights and obligations shall be regarded as amended and modified to the extent necessary to conform to the provisions and requirements of this Act and to any valid and applicable plan of unitization or order of the commission made and adopted pursuant hereto, but otherwise to remain in full force and effect.

Nothing contained in this Act shall be construed to require a transfer to or vesting in the unit of title to the separately-owned tracts or leases thereon within the unit area, other than the right to use and operate the same to the extent set out in the plan of unitization; nor shall the unit be regarded as owning the unit production. The unit production and the proceeds from the sale thereof shall be owned by the several persons to whom the same is allocated under the plan of unitization. All property, whether real or personal, which the unit may in any way acquire, hold, or possess shall not be acquired, held, or possessed by the unit for its own account but shall be so acquired, held, and possessed by the unit for the account and as agent of the several lessees and shall be the property of such lessees as their interests may appear under the plan of unitization, subject, however, to the right of the unit to the possession, management, use, or disposal of the same in the proper conduct of its affairs.

The amount of the unit production allocated to each separately-owned tract within the unit, and only that amount, regardless of the well or wells in the unit area from which it may be produced, and regardless of whether it be more or less than the amount of the production from the well or wells, if any, on any such separately-owned tract, shall for all intents, uses, and purposes be regarded and considered as production from such separately-owned tract, and, except as may be otherwise authorized in this Act, or in the plan of unitization approved by the commission, shall be distributed among or the proceeds thereof paid to the several persons entitled to share in the production from such separately-owned tract in the same manner, in the same proportions, and upon the same conditions that they would have participated and shared in the production or proceeds thereof from such separately-owned tract had not said unit been organized, and with the same legal force and effect. If adequate provisions are made for the receipt thereof, the share of the unit production allocated to each separately-owned tract shall be delivered in kind to the persons entitled thereto by virtue of ownership of oil and gas rights therein or by purchase from such owners subject to the rights of the unit to withhold and sell the same in payment of unit expense pursuant to the plan of unitization, and subject further to the call of the unit on such proportions

of the gas for operating purposes as may be provided in the plan of unitization.

Operations carried on under and in accordance with the plan of unitization shall be regarded and considered as a fulfillment of and compliance with all of the provisions, covenants, and conditions, express or implied, of the several oil and gas mining leases upon lands included within the unit area, or other contracts pertaining to the development thereof, insofar as said leases or other contracts may relate to the common source of supply or portion thereof included in the unit area. Wells drilled or operated on any part of the unit area no matter where located shall for all purposes be regarded as wells drilled on each separately-owned tract within such unit area.

Nothing herein or in any plan of unitization shall be construed as increasing or decreasing the express or implied covenants of a lease in respect to a common source of supply or lands not included within the unit area of a unit.

§ 9.) Section 38-08-09.9 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.9. Enlargement of Area—Creation of New Units—Amendment of Plan.) The unit area of a unit may be enlarged at any time by the commission, subject to the limitations hereinbefore provided to include adjoining portions of the same common source of supply, including the unit area of another unit, and a new unit created for the unitized management, operation, and further development of such enlarged unit area, or the plan of unitization may be otherwise amended, all in the same manner, upon the same conditions and subject to the same limitations as herein provided with respect to the creation of a unit in the first instance, except, that where an amendment to a plan of unitization relates only to the rights and obligations as between lessees the requirement that the same be signed, ratified, or approved by royalty owners of record of not less than eighty percent of the unit area shall have no application.

§ 10.) Section 38-08-09.10 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.10. Reasonableness of Plan.) A plan of unitization shall not be considered fair and reasonable if it contains a provision for operating charges which include any part of district or central office expense other than reasonable overhead charges.

§ 11.) Section 38-08-09.11 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.11. Participating by Public Lands.) The proper board or officer of the state having the control and management of state land, and the proper board or officer of any political, municipal, or other subdivision or agency of the state, are hereby authorized and shall have the power on behalf of the state or of such political, municipal, or other subdivision or agency thereof, with respect to land or oil and gas rights, subject to the control and management of such respective body, board, or officer, to consent to or participate in any plan or program of unitization adopted pursuant to this Act.

§ 12.) Section 38-08-09.12 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.12. Receipts as Income.) Neither the unit production, nor proceeds from the sale thereof, nor other receipts shall be treated, regarded, or taxed as income or profits of the unit; but instead, all such receipts shall be the income of the several persons to whom or to whose credit the same are payable under the plan of unitization. To the extent the unit may receive or disburse said receipts it shall only do so as a common administrative agent of the persons to whom the same are payable.

§ 13.) Section 38-08-09.13 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.13. Definitions.) For the purposes of this Act, unless the context otherwise requires:

1. The term "lessee" refers not only to lessees under oil and gas leases but also includes owners of unleased mineral rights having the right to develop the same for oil and gas to the extent of a 7/8ths interest.
2. Any reference to a separately-owned tract, although in general terms broad enough to include the surface and all underlying common sources of supply of oil and gas shall have reference thereto only in relation to the common source of supply or portion thereof embraced within the unit area of a particular unit.
3. The phrase "oil and gas" shall refer not only to oil and gas as such in combination one with the other, but shall have general reference to oil, gas, casinghead gas, casinghead gasoline, gas-distillate, or other hydrocarbons, or any combination or combinations thereof, which may be found in or produced from a common source of supply of oil, oil and gas or gas-distillate.

4. The term "person" shall mean and include any individual, corporation, partnership, common law or statutory trust, association of any kind, the state of North Dakota, or any subdivision or agency thereof acting in a proprietary capacity, guardian, executor, administrator, fiduciary of any kind, or any other entity or being capable of owning an interest in and to a common source of supply of oil and gas.
5. The term "unit expense" shall include and mean any and all cost and expense in the conduct and management of its affairs or the operations carried on by it.

§ 14.) Section 38-08-09.14 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.14. Severability of Provisions.) The provisions of this Act are declared to be severable, and, if any section, sentence, clause, or part thereof be held invalid or unconstitutional for any reason, such invalidity or unconstitutionality shall not be construed to affect the validity of the remaining provisions of this Act.

§ 15.) Section 38-08-09.15 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.15. Agreements Not Violative of Laws Governing Monopolies or Restraint of Trade.) No agreement between or among lessees or other owners of oil and gas rights in oil and gas properties, entered into pursuant hereto or with a view or for the purpose of bringing about the unitized development or operation of such properties, shall be held to violate any of the statutes of this state prohibiting monopolies or acts, arrangements, agreements, contracts, combinations, or conspiracies in restraint of trade or commerce.

§ 16.) Section 38-08-09.16 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.16. Appeals.) Any person adversely affected by an order of the commission made under this Act, may appeal from such order to the district court of the county in which the land or a part thereof involved in the unit lies, in the manner provided in section 38-08-14 of the North Dakota Century Code.

Approved March 20, 1965.

Introduction, first reading, 220.
 Referred to Committee on Appropriations.
 Reported back, indefinitely postponed, 512.
 Placed on calendar, 513.
 Re-referred to Committee on Appropriations, 539.
 Reported back amended, 597.
 Sixth Order of Business, 694.
 Amendments adopted, 694.
 Engrossed, 714.
 Second reading, 742.
 Passed, 742.
 To Senate, 761.
 Returned to House, indefinitely postponed, 1400.

House Bill No. 925 —

House Bill No. 925. A Bill for an Act providing for a tax levy for emergency purposes by municipal corporations.

Introduction, first reading, 220.
 Referred to Committee on Finance and Taxation.
 Reported back, do pass, 484.
 Second reading, 526, 1289.
 Passed, 526, 1289.
 To Senate, 541.
 Senate amendments, 1181.
 Returned to House, amended, 1181.
 Conference Committee, 1223.
 Conference Committee report, 1288.
 House adopts, 1288.
 Re-engrossed, 1289.
 Enrolled, 1430.
 Signed by Speaker, 1430.
 Sent to Senate, 1430.
 Received from Senate, 1431.
 Message to Governor, 1431.

House Bill No. 926 —

House Bill No. 926. A Bill for an Act to create and enact sections 38-08-09.1, 38-08-09.2, 38-08-09.3, 38-08-09.4, 38-08-09.5, 38-08-09.6, 38-08-09.7, 38-08-09.8, 38-08-09.9, 38-08-09.10, 38-08-09.11, 38-08-09.12, 38-08-09.13, 38-08-09.14, 38-08-09.15, and 38-08-09.16 of the North Dakota Century Code, to provide for the unitized management, operation, and development of common sources of supply of oil and gas and to encourage cycling, recycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the benefit of landowners, royalty owners, producers, and the general public, and for the protection of the correlative rights of all such persons; and to prescribe procedures for organizing such unit operations, and to repeal section 38-08-09 of the North Dakota Century Code, relating to voluntary agreements for unit operation.

Introduction, first reading, 220.
 Referred to Committee on Natural Resources.
 Reported back, amended, 606.
 Sixth Order of Business, 694.
 Amendments adopted, 695.
 Second reading, 748, 1358.
 Re-engrossed, 748, 1358.
 Passed, 748, 1359.
 To Senate, 761.
 Engrossed, 762.

Returned to House, amended, 1205.
 Senate amendments, 1209.
 Conference Committee, 1309.
 Conference Committee report, 1357.
 Enrolled, 1430.
 Signed by Speaker, 1430.
 Sent to Senate, 1430.
 Received from Senate, 1431.
 Message to Governor, 1431.

House Bill No. 927 —

House Bill No. 927. A Bill for an Act to amend and reenact section 57-20-07 of the North Dakota Century Code, to provide for giving notice of amount of real estate taxes due.

Introduction, first reading, 221.
 Referred to Committee on Finance and Taxation.
 Re-referred to Committee on Political Subdivisions.
 Reported back, do pass, 473.
 Second reading, 506, 514.
 Deferred one legislative day.
 Passed, 515.
 To Senate, 541.
 Returned to House, 1180.
 Enrolled, 1324.
 Signed by Speaker, 1348.
 Sent to Senate, 1348.
 Received from Senate, 1394.
 Message to Governor, 1395.

House Bill No. 928 —

House Bill No. 928. A Bill for an Act to amend and reenact section 15-21-19 of the North Dakota Century Code relating to the power of the state board of public school education.

Introduction, first reading, 221.
 Referred to Committee on Education.
 Reported back, do pass, 473.
 Second reading, 515.
 Passed, 515.
 To Senate, 541.
 Returned to House, 924.
 Enrolled, 1070.
 Signed by Speaker, 1116.
 Sent to Senate, 1116.
 Received from Senate, 1136.
 Message to Governor, 1253.
 Approved by Governor, 1243.

House Bill No. 929 —

House Bill No. 929. A Bill for an Act to amend and reenact subsection 4 of section 57-37-02 of the North Dakota Century Code, relating to the inclusion of life insurance proceeds within the gross estate of a resident decedent for estate tax purposes.

Introduction, first reading, 221.
 Referred to Committee on Finance and Taxation.
 Reported back, do pass, 480.
 Second reading, 522.
 Passed, 523.
 To Senate, 541.

Referred to Committee on Industry, Business and Labor.
 Reported back, do pass, 630.
 Second reading, 686.
 Passed, 686.
 Returned to House, 711.
 Received from House, 830.
 Signed by President, 857.
 Sent to House, 857.

House Bill No. 924—

House Bill No. 924. A Bill for an Act making an appropriation for the erection and construction of an adolescent treatment center on the grounds of the state hospital at Jamestown, North Dakota.

To Senate, 487.
 Introduction, first reading, 492.
 Referred to Committee on Appropriations.
 Reported back, indefinitely postponed, 728.
 Placed on calendar, 730.
 Reconsidered, 730.
 Second reading, 791.
 Lost, 792.
 Clincher motion, 795.
 Returned to House, 985.

House Bill No. 925—

House Bill No. 925. A Bill for an Act providing for a tax levy for emergency purposes by municipal corporations.

To Senate, 397.
 Introduction, first reading, 416.
 Referred to Committee on Political Subdivisions.
 Reported back, do pass, 728.
 Reported back, amended, 789.
 Second reading, 789, 915.
 Passed, 790, 916.
 Clincher motion, 795.
 Returned to House, amended, 801.
 Conference Committee, 842, 877.
 Conference Committee report, 915.
 Received from House, 1015.
 Signed by President, 1016.
 Sent to House, 1017.

House Bill No. 926—

House Bill No. 926. A Bill for an Act to create and enact sections 38-08-09.1, 38-08-09.2, 38-08-09.3, 38-08-09.4, 38-08-09.5, 38-08-09.6, 38-08-09.7, 38-08-09.8, 38-08-09.9, 38-08-09.10, 38-08-09.11, 38-08-09.12, 38-08-09.13, 38-08-09.14, 38-08-09.15, and 38-08-09.16 of the North Dakota Century Code, to provide for the unitized management, operation, and development of common sources of supply of oil and gas and to encourage cycling, recycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the benefit of landowners, royalty owners, producers, and the general public, and for the protection of the correlative rights of all such persons; and to prescribe procedures for organizing such unit operations, and to repeal section 38-08-09 of the North Dakota Century Code, relating to voluntary agreements for unit operation.

To Senate, 488.
 Introduction, first reading, 492.
 Referred to Committee on Natural Resources.
 Reported back, amended, 702.
 Amendments adopted, 753.
 Second reading, 798, 950.
 Passed, 799, 950.
 Clincher, 815.
 Returned to House, amended, 824.
 House does not concur, 900.
 Conference Committee, 900, 908.
 Conference Committee report, 949.
 Received from House, 1015.
 Signed by President, 1016.
 Sent to House, 1017.

House Bill No. 927—

House Bill No. 927. A Bill for an Act to amend and reenact section 57-20-07 of the North Dakota Century Code, to provide for giving notice of amount of real estate taxes due.

To Senate, 397.
 Introduction, first reading, 416.
 Referred to Committee on Finance and Taxation.
 Reported back, do pass, 657.
 Second reading, 762.
 Passed, 763.
 Clincher motion 763.
 Returned to House 800.
 Received from House, 945.
 Signed by President, 973.
 Sent to House, 973.

House Bill No. 928—

House Bill No. 928. A Bill for an Act to amend and reenact section 15-21-19 of the North Dakota Century Code relating to the power of the state board of public school education.

To Senate, 397.
 Introduction, first reading, 417.
 Referred to Committee on Education.
 Reported back, do pass, 544.
 Second reading, 580.
 Passed, 580.
 Returned to House 598.
 Received from House, 727.
 Signed by President 751.
 Sent to House, 751.

House Bill No. 929—

House Bill No. 929. A Bill for an Act to amend and reenact subsection 4 of section 57-37-02 of the North Dakota Century Code, relating to the inclusion of life insurance proceeds within the gross estate of a resident decedent for estate tax purposes.

To Senate, 397.
 Introduction, first reading, 417.
 Referred to Committee on Judiciary.
 Reported back, do pass, 587.
 Second reading, 615.
 Passed, 615.

Feb. 5, 1965

24

Roll call 20

Chairman Christensen opened the meeting and HB 926 was read. Rep. Aamoth explained HB 750 and 751. He suggested an amendment would suggest public shooting areas. Discussion was brought out as to what lakes were considered public lakes.

HB 750 Russ Stewart, Game & Fish dept. Commissioner. states that practically all laws carried a minimum fine. Game & Fish Dept. hold public auction on confiscated articles. St. Game and Fish has 80,000 acres controlled by them.

HB 632 has been returned to committee. Amendments were suggested. Paul Sands and Russ Stewart of the St. Game and Fish offered a proposed amendment. This bill would give the St. Game and Fish authority to regulate boating on lakes in No. Dak. Sidney Brashews filed a copy with committee of a resolution as to boating on N. D. waters.

HB 814 Rep. Jungroth presented some proposed amendments. Cliff Yokim Water Commission, stated he felt the bill had areas which could be dangerous as to temperatures. Proposed amendment was read which was proposed by Rep. Jungroth.

Milo Hosvlien, St. Water Engineer talked on temperatures of water at the various generating plants throughout the state. He explained the bank stabilization program and stated they evaluate the water rights of industry. Canadians objected to water pollution.

M. R. Morgan, Bismarck Wildlife Assn. offered resolution to pass. Mr. Sidney Brashews, Director N. D. Wildlife stated we need this bill.

HB 792 Rep. Olienyk called to attention an editorial in Bismarck Tribune, April 4.

Mr. Pollock, Belfield stated he had 28 antelope on his place, and 62 in 1962.

HB 926 Rep. Davis made a motion that we may hear the HB 926 without reading all the bill.

esen Wincher, Attorney from Williston represented the mineral owners in northwest part of this state. He is in favor of unitization. Proponents for the bill were: Lee Fraese, Governor's Office stated this bill would be taken from the Oklahoma Statute almost word for word. Senate Bill 168 divides the authority between state and landowners. 1945 Okla. passed their unitization bill. It is amended now, however. Fraese stated that the authority should remain with regulatory commission, and that it would have the right to shut down the field. Senate bill will get bogged down with litigation he stated. Mr. Hammond, Vice President Amerada stated that the voluntary statute is still in existence in Okla. He filed a letter with this committee as to Okla. statute. Art Bauer, Bismarck, represented the Independent Oil Men and stated they are in favor of this bill. He referred to the percentage rate of 4% for legal fees.

Art Seay, Three Forks Oil was for the bill, and also M. R. Fulton, Bismarck

I. J. Wilhite, Bismarck Independent Oil Men and Land Owners Assn. stated he was for this unitization bill except for an amendment.

Charles Donlan, N. D. I. O. & Land Owners Assn. for unitization with the proposed amendments.

William Pierce, Lawyer, Bismarck explained why he favored this bill. Left testimony with the committee which has Okla. Law in it.

Feb. 5

Executive Session

Chairman Christensen called the meeting to order. Quorum was present. HB 632 under consideration. Rep. Jungroth made a motion we accept the proposed amendments. 2nd by Mueller. Substitute motion was made by Rep. Shorma that we Ind. postpone the bill. Rep. Dick 2nd the motion. Motion lost. Original motion to accept the bill as amended by Jungroth and seconded by Mueller passed. Bill will be given a do pass as amended. Rep. Mueller will have this bill on the floor.

HB 750 Jungroth made a motion to indefinitely postpone this bill. Rep. Breum 2nd it. Rep. Davis made a substitute motion that we give this bill a do pass. It was 2nd by Rep. Bowman. No ruled. Rep. Jungroth's motion carried and he will take this bill on the floor.

HB 792 Rep. Shorma moved that we indefinitely postpone this bill. 2nd by Mueller. Motion carried and Rep. Rosendahl will have this bill on the floor.

HB 814 Rep. Jungroth moves that the proposed amendments be adopted. Mescke seconded it. Rep. Jungroth made a motion that when we arrise we give this bill a do pass. Rep. Mescke 2nd this motion. HB 814 received a do pass as amended. Rep. Jungroth will take this bill on the floor.

HB 926 Rep. Glaspey, Bowman, and Winge will be sub-committee on this bill. Rep. Davis moved we postpone discussion on this bill until 9 o'clock next Fri. Meeting adjourned.
Committee Clerk.

NATURAL RESOURCES

Feb. 12

50

Executive Session

Rep. Christensen called the meeting to order. Quorum present. Mr. Milo Housvian explained HCR "W" and "V". He suggested that irrigation be inserted in the Mott Dam Resolution. Rep. Jungroth made a motion that we amend HCR "V". Davis 2nd the motion. HCR "V" passed as amended. Hosvieven explained the Pipestem project.

HCR W Rep. Reimers moved that HCR "W" be given a do pass, and Rep. Jungroth 2nd the motion. Motion carried. Do Pass

HB 832 Rep. Mueller suggested leaving as is. Mueller moved that we Ind. Postpone the bill and Rep. Dick seconded the motion. Davis made a substitute motion and Breium seconded the motion that we give this a do pass. Motion carried and bill received a do pass.

HB 9

HB 926 Rep. Glaspey presented a sub-committee report. Rep. Winge made motion that we adopt these amendments and Rep. Bowman seconded this. Rep. Winge made a motion that we do pass on 926 as amended. Rep. Rosenthal seconded the motion. Motion carried and Hb 926 will be amended and receive a do pass.

HB 845 Rep. Glaspey Rep. Shablow made a motion that we amend HB 845. Rep. Mueller 2nd the motion. Shablow made a motion for a do pass and Rep. Bowman 2nd the motion, we recommend HB 845 a do pass as amended.

HB 935 Rep. Glaspey explained this bill. Rep. Dornacker made motion to ind. postpone this bill. Rep. Reimers 2nd the motion. Vote was taken and 6 in favor to ind. postpone and 7 not in favor to postpone. Motion lost. Rep. Glaspey made a motion that we do pass this bill. Rep. Davis seconded the motion. Motion carried. Do Pass

E-1 Rep. Mueller moved that HCR E-1 be recommended for passing. 2nd by Shablow. Motion carried to give HCR E-1 a do pass.

Motion was made to recess by Rep. Shablow and 2nd by Rep. Davis.

Chairman Christensen called the meeting to order and roll call showed a quorum present. Senate bills No. 168, 169, 165, 221 and Senate Concurrent Resolution "Y" was read.

SB 165 was taken up first and Senator J. H. Mahoney appeared on this bill as a proponent. He stated that the State game and fish department has no accurate way of knowing how many people are involved in hunting. This proposed system could determine how many people were hunting in the state. He explained what the auditor gets or does not get when license are sold. Senator Strindien appeared on this bill. He stated he would like to see some of the money come back to people selling license. Russ Stewart, Commissioner of Game & Fish Department stated that North Dakota losses several thousand dollars every year in addition to federal funds because of the formula used in selling of different licenses. Wilbur Holdt, Deputy Commissioner of St. Game & Fish Dept. proposed an amendment. There are no fees received from selling licenses now. He stated that the auditors will be reluctant to let vendors sell the license. If this act goes into effect it won't be until Jan. 1, 1966. Arvid Ferris, Mandan Hardware dealer stated he did not like to charge the people an extra 10 cents when buying their license. This should be included with the license. John Hockadah, Executive Secretary of Hardware Assn. gave the percentages as to sales of licenses. He proposed an amendment. Russ Stewart, Game & Fish Dept. stated that the license sold and monies returned must balance out. Co. Auditor is bonded. He estimated that income at \$25,000 from license. Bernice Asbridge, Burleigh Co. Auditor gave a report on the December meeting. She was in agreement that a sub-agent should get a commission on sale of license.

Mr. Wold, Richland Co. Auditor for Co. appeared and opposed the bill. He stated that he thought the agents should be bonded so the co. auditor would not be libel for any loss of money from sale of license. Mr. Oltan Topp, Toten and Fred Shield, Fargo, Hardware Dealer appeared for the bill.

SB 221 read Mr. Harold Spitzer, Chief Game Warden of Game and Fish Dept. appeared on this bill and stated that the old law was very vague. There was no distinction between resident and non-resident. Questions were asked as to military mens status and college students. He explained that any person can get an affidavit and submit it to the commissioner and get a license.

SCR "Y" read Rep. Christopher explained this resolution. \$600,000 has been spent on this study already. He described the area. Rep. Christopher moved that when the committee arrises they give the bill a do pass. Rep. Shablow 2nd the motion. Motion carried.

SB 221 Rep. Winge moved that when the committee arrises they give this bill a do pass. Rep. Shorma seconded the motion. Motion carried.

SB 169 Harold Vavra, Director of the Aeronautics Commission stated that a study is being conducted in Bowman near the S. D. border. Dr. Schlustner appeared in the senate on this bill. He explained how they seed the clouds with silver iodine on the wing tip tanks. A lab is set up at the S. D. School of mines. He presented some materials from Austrailian experiments. 1 lb every 3 minutes of silver iodine is used. Senator Roen explained the bill and urged support of it. Mr. Vavra referred to differnt sections of the bill and proposed an amendment. This would authorize townships to spend funds for this purpose. Bill does not provide how the expenses are to be paid.

Bill Fisher, Bowman stated that this work began in 1961.

J. D. Latham, Co. agent, Bowman, H. J. Burk, Bob Roen, Herb Fisher, Bowman Mr. Brewer, Bowman stated that part of the time these funds have come out of their own pockets.

Mr. Morris Burkholz, Minot explained what they have done.

Gordon Smith, Benson Co. likes the amendment.

Palmer Whiat, Benson Co.

Mr. Richard Wurtz, Plaza presented a letter on experiments of rain making. This was a KX editorial. Also presented an article from the Npls. Tribune.

SB 168

Proponents were: William Pierce, Lawyer from Bismarck. He stated it is a well drafted bill and modeled after the Okls. law.

H. A. Madden, Amerada Vice President

John Dyer, Consultant geologist, Bismarck spoke for the bill.

Bruce Elfson, Independent Oilman from Williston.

Dean Wincher/^{Williston}Opposed the bill. He stated that it is the major oil companies that oppose giving the industrial commission power. He referred to the amendments. He referred to sec. (4) which puts blessing on the confiscation of oil. Example sited was the Tioga field and the Beaver Lodge field. He suggested an indefinite postponement on this bill.

Lee F. Case, Attorney for the Governor's Office opposed to Senate bill. The commission must have the right to authorize and regulate he stated.

Art Seay, Independent Oilman, 3 Forks Oil Corporation opposed the bill and stated that there is not enough authority in the bill.

Ronald Johnson, Beach stated that the land owner does not have any protection in this bill. He cannot lease his land in a particular area in Montana because of a tax agreement with MDU in 1935.

William Pierce, Bismarck made a summary of his statements. The basic reasons are the same for these two bills, SB 168 and HB 926 but the mechanics are different. SB 168 does not give the Industrial Commission power to regulate etc. Approved the notices to people and stated it would be effective.

Dean Wincher stated they should have the approval of the Industrial Commission first, then go to the land owner. SB 168 takes the heart out of this bill HB 926. Recess until after the session.

Executive Session SB 165

Rep. Christensen called the meeting to order. Quorum present. Rep. Breum made a motion that the committee delete the Senate amendments. Rep. Winge seconded the motion. Substitute motion was made by Rep. Muller and seconded by Rep. Davis that we delete the senate amendment and ~~accept~~ the amendment proposed by the N. D. Hardware Dealers Assn. Motion carried. Rep. Shablow made a motion that the committee indefinitely postpone the bill. Rep. Davis seconded the motion. Rep. Dornacker made a substitute motion for a do pass as amended. Rep. Krenz seconded the motion. Motion carried.

SB 169 Rep. Dornacker made a motion that they amend SB 169 and Rep. Meshke seconded the motion. Motion carried. Rep. Meschke moved we further amend SB 169 and R. p. Bowman seconded the motion. Motion carried. Rep. Dornacker made a motion to pass the bill as amended. Rep. Bowman seconded the motion. Motion carried.

House Concurrent Resolution W-1 was read. Rep. Christensen explained this

61

resolution. He presented figures what the cost would be in various counties in N. D. Rep. Davis made a motion that when the committee arrises they give the resolution a do pass. Rep. Shablow seconded the motion. Motion carried. Committee recessed.

March 3 Executive Session.

SB 168 Rep. Glaspey stated that the senate has amended the bill. Rep. Glaspey made a motion that we indefinitely postpone SB 168 and Rep. Shorma: seconded the motion. Motion carried. Rep. Glaspey will take this bill on the floor. Recess to call of the chair.

Meeting was called by Rep. Christensen and SB 165 was reconsidered. Rep. Dick made a motion they amend the bill. Rep. Davis seconded the motion. Rep. Dick made a motion they accept the amendments and Rep. Davis seconded the motion. Question was called. Rep. Lornacker made a motion for a do pass as amended. Rep. Dick seconded the motion. Motion carried.

House COMMITTEE ON NATURAL RESOURCES

Rep. Lee Christensen, CHAIRMAN

8 a. m. (time)

Feb. 5, 19 65 (date)

Members Present:

All but Rep. Gronhoyd

Bill No. H. B. 750

Pertaining To Confiscation and disposition of game and fish unlawfully taken and equipment used in taking same. Bill No.

H. B. 632

(Re-referred) Pertaining To Regulation of boating on State Waters

Bill No. HB 814

Pertaining To Pollution of public waters and water conservation.

Bill No. HB. 792

Appearing before Committee: Name and Address:

Bill No. For Against

Russ, Stewart, St. Game & Fish Dept.	750	X	
Russ Stewart, St. Game & Fish Dept.	632	X	
Cliff Yokim, Water Commission	814	X	with amendments
Milo Eosvien, St. Water Commissioner	814	A	
H. R. Morgen, Bismarck Wildlife Assn.	814	X	with resolution
Sidney Brashears, N. D. Wildlife Dir.	814	X	
Mr. Pollack, Belfield,	814	X	
Dean Wincher, Attorney, Williston	926	X	
Lee Fraase, Governor's Office	926	X	
Mr. Hammond, Vice President Ameradao.	926	X	
Mr. Art Bauer, Bismarck	926	X	with amendments
Mr. Art Sasy, Bismarck, Three Forks O.	926	X	
M. R. Fulton, Bismarck	926	X	
I. J. Wilhite, Bismarck	926		X
William R. Pierce, Bismarck	926	X	with amendments
Jim Boxell, Bismarck	926	X	with amendments
John Hammon,			
Bruce Elksen, Williston			

Pertaining To Destruction of antelope causing damage to crops & pasture

Bill No. H. B. 926

Pertaining To Unitization of oil fields

Bill No.

Pertaining To

Bill No.

Pertaining To

Bill No.

Pertaining To

House COMMITTEE ON Natural Resources

CHAIRMAN

9 A.M.
(time)

Feb. 12, 1965
(date)

Members Present: All but two

Chairmen Christensen called the meeting to order HB 832 was read, HCR "V", "P", "E", "W", and HB 935, and 926. HB 832 was heard. Rep. Johnson of Barnes explained the bill. He stated a 10 yr. period is too long. Wilbur Boldt, stated reason for refuge was need for a waterfowl area. HB 845 was heard. Rep. Glaspey explained this bill. Stated Laird, the State Geologist is hired by the President of UND. Rep. Fossum stated that rules are not enforced and no state official ever came out to check on drilling, and he had to get attorneys and take it to court because of the salt water allowed to get into the wells and suggested a disposal system for this salt water. Art Bauer, IOA suggested putting together both division of the oil industry. Dr. Laird stated they do not issue permits for spacing in some cases and gave examples. Badlands was example.

Pertaining To
Crack Dams and resect sub-section
3 of sec 30-11-01 of the Code period of lease for gas. Bill No. on present bill
845

Pertaining To Control
of gas and oil resources by the
Industrial Commission and Geologist

Bill No. 935
TO set up an Industrial Commission
Pertaining To HCR V

Lee Fresse, Gov. Guy's Office, stated that the appropriations should be changed. Stated the Geological Survey and Industrial Commission appropriation

Appearing before Committee: should be separate.
Name and Address: Bil. No. For Against

Pertaining To

Name and Address	Bil. No.	For	Against
Rep Johnson of Barnes	832	X	
Wilbur Boldt, Rep. Commission, ^{St. James} Fair	832	X	
Rep. Glaspey	845	X	
Rep Fossum	845	X	
Art Bauer, Bismarck	845	X	
Lee Fresse, Governor's office	845	X	
William M. Laird, State Geologist	845		X
William R. Pierre, Bismarck	845		X
Mac Jewett	832	X	
Rep. Glaspey	935	X	
Mr. Lee Fresse, ^{office} Governor	935	X	
Art Bauer, Bismarck	935	X	
William M. Laird, State Geologist	935	X	X
William Pierre, Bismarck	935		X
James Bayell, ^{Madame} cabinet Billings	935		X
Bruce Alfson, Williston	935	X	
John Ketch, Killdeer	935	X	

Bill No.

Pertaining To

Bill No.

Pertaining To

Bill No.

Pertaining To

Bill No.

Pertaining To

Report of Standing Committee

Mr. **Speaker** : Your Committee on **NATURAL RESOURCES**
to whom was referred **HOUSE** Bill No. **926**

Has had the same under consideration and ~~does pass.~~
recommends that the same ~~be indefinitely postponed.~~
be amended as follows:

On line 11 after the "comma" insert the following language "the drilling of unnecessary wells eliminated,"

On line 70 delete the word "recommended" and insert in lieu thereof "proposed"
through line 85 inclusive

On line 82/delete the following language "Only so much of a common source of supply as has been defined and determined to be productive of oil and gas by actual drilling operations may be so included within the unit area."

In line 174 after the parenthesis insert the following language

At the time of filing of the petition for the approval of a unit agreement and the filing of the unit agreement, the Commission shall set a time and place for the hearing. At least 45 days prior to the hearing, the applicant or someone under his direction and control shall give notice of the time and place of said hearing and shall serve a copy of the application and the application and the unit agreement on each person owning an interest of record in the pool, field, or common source of supply affected by seiling, postage prepaid, to each of the said known interest owners at their last post office address, in addition, such applicant shall file with the Commission engineering, geological, and all other technical exhibits to be used at said

And when so amended recommends the same do pass.

Chairman

Rep. Wingo

moved that the report ~~be adopted,~~ be adopted, which motion prevailed.

hearing, and further, the notice shall so specify that such material is filed and is available for inspection. Service shall be complete in the mailing of the notice of hearing and unit agreement to each interest owner as hereinbefore prescribed at their last known address and the filing of an affidavit of mailing with the Commission."

Delete lines A 26 through A 59 inclusive and insert in lieu thereof the following language "Subject to such reasonable limitations as may be set out in the plan of unitization, the unit shall have a first and prior lien upon the leasehold production (exclusive of such interests which are free of costs, such as royalties, overriding royalties, and production payments) in and to each separately owned tract, the interest of the owner thereof in and to the unit production in the possession of the unit, to secure the payment of the amount of the unit expense charged to and assessed against such separately owned tract. The interest of the lessee or other persons who by lease, contract, or interest of the lessee or other persons who by lease, contract, or otherwise are obligated or responsible for the cost and expense of developing and operating a separately owned tract for oil and gas in the absence of unitization, shall, however, be primarily responsible for and charged with any assessment for unit expense made against such tract. Any land owner, royalty or any overriding royalty, or any production payment which is a part of the unit production allocated to each separately owned tract shall in all events be regarded as royalty to be distributed to and among, or the proceeds thereof paid to the royalty owners free and clear of all unit expense and free of any lien thereof.

In line A90 following the word "effairs" insert a "period" and delete the remaining language

In line A 91 delete all the language

In line A133 after the word "enlarged" insert the following language:
"at any time by the commission"

In line A158 following the word "Act" delete the "comma" and insert the

following language: and not withstanding any of the limitations hereinbefore set forth."

Delete lines A166 through A172 inclusive

In line A173 following the second period delete the following language

"MEETINGS TO BE HELD WITHIN STATE - INFORMATION AVAILABLE TO THE COMMISSION"

Delete lines A181 through A187 inclusive

In line A225 following the word "also" delete the following language

through line A227 inclusive and insert in lieu thereof "includes orders of unleased mineral rights having the right to develop the same for oil and gas to the extent of a 7/8ths interest."

On line 251 delete the first "comma" and insert the word "and" in lieu thereof and following the word "expense" delete the "comma" and the following language "or indebtedness incurred by the unit in the establishment of its organization, or incurred"

In line A277 following the word repealed delete the "period" and insert in lieu thereof a "comma" and ^{add} the following language: "and the repeal thereof shall not be construed to prohibit a voluntary plan of unitization under the terms of his Act."

The Committee on Natural Resources met on Friday, February 26th at 8:10 A.M. in Room G-2. All members were present except Senator Ræverstad.

House Bill No. 926, relating to oil unitization was taken up and a motion made by Senator Saumur and seconded by Senator Morgan to dispense with the reading, motion carried.

Representative Glaspey appeared before the committee stating the bill was patterned after Oklahoma law; the House amendments pertain mainly to Section 10 which he felt and several others felt there should be some protection as far as correlative rights to the landowners; subsection 2 was deleted as the bill wouldn't be too harsh; Industrial Commission made up of elected people and they are going to be there for the people of the state and he does not believe they are going to do anything to hurt the oil people or run them out of North Dakota. Mr. Dean Winkjer of Williston also appeared stating under this bill the oil company would have to go to the proper regulatory body and tell them they want to cancel a contract made with the farmer on the grounds they do not want to pay the farmer one-eighth of the oil any longer and also state that they will pay out of the production of the oil which will be in lieu of the one-eighth. He added if conservation is the principal issue, if the IC is going to be given the authority to break this contract then the IC should have some authority other than to say yes or no; if conservation is the issue then let's not give the IC any authority other than to say yes or no. This bill would protect the farmer, the royalty owner that does not have the ability to hire lobbyists to represent them, the owner that does not have large legal staffs to spend the entire time working out these things; will prevent litigation. Mr. Lee Fraase an Attorney also appeared stating there is little difference between the House and Senate bills except in Section 10, 90 percent of the bill is already in the favor of the landowner, if the Commission finds it reasonably necessary to protect correlative rights they make a change and this is what the farmer is entitled to. He concluded he can think of no one unless they are appearing for a special interest group that can read anything else into this bill.

Mr. Ronald Johnson a farmer from Beach stated he has this same bill in litigation in Montana. His land has been in the unit since 1935. There was no termination date on this and he has never since 1941 ever received one cent of royalty or one cent of interest money and he has not been able to lease any of his land.

Mr. William Pearce, North Dakota Gas and Oil Association appeared for the bill as amended with Section 10 out. Did not believe that Section 17 should be in the bill because there is no reason for repealing the voluntary plan. He stated if line A138 is retained there should be an amendment added "subject to the limitations hereinbefore provided". Under this bill anyone who can convince the Commission that a participation factor is not correct then the Commission will disapprove the agreement. Mr. John Dyer, Geologist from Bismarck speaking for 46 of their members stated he opposes the bill in view of the language in Section 10. Mr. John Amund of Amerado Petroleum stated he wished to emphasize that unitization is important to them; they spent 10 million dollars in equipping and putting into operation their units; he stated the apparent dangers of Section 10 cannot be over-emphasized; it would go a long ways in providing the expiration of oil and gas in North Dakota; 436 units have been formed in Oklahoma as a result of this statute there. Mr. Bruce Alfson of Williston also opposed the language in Section 10; unitization would be apt to change every time the IC changed; there are no safeguards. Mr. Kye Traut, Consulting Engineer from Bismarck stated if we are going to have unitization now is the time to do it; he stated also it is good to work with other states' laws but we should come up with a pattern of our own, one that we can work with; authority to compulse is sometimes misused.

House Bill No. 845, relating to the control of gas and oil resources by the Industrial Commission and State Geologist was taken up and the motion made by Senator Morgan and seconded by Senator Robinson to dispense with the reading, motion carried.

Representative Glaspey appeared stating this bill would give the Industrial Commission to hire what personnel they think they need; at present this is two appropriations in one; \$470,000 appropriation; did not know what the separation would be but stated that the 1951 appropriation for geological survey was \$32,000 and after oil was discovered the appropriation went to \$139,000 in 1953. Representative Fossum appeared for the bill stating that today's laws are good; authority and deliberation of IC have been good however they have salt water problems in his territory at Bottineau and these problems have not been taken care of by the geological survey or the geologist; there is no leeway on taxes on the ruined property; on his neighbor's property there was a lot of damage and the State Geologist did nothing about it until the day before this bill came out and he then had the wells shut down; he concluded our laws are good and workable but there is some changes needed in personnel. Mr. Lee Fraase also appeared in support of the bill stating it is believed to be simple to arrange for the appropriation to go to the IC; as it stands now it is the same as giving your hired hand your bank account; total appropriation \$471,000, \$80,000 would be transferable to the IC; could amount to a minimum saving of \$50,000 and as high as \$100,000; records could remain at the University.

Mr. William Pearce, North Dakota Oil and Gas Association appeared opposing the bill stating what business have we to tell the State who they should employ to any specific staff; the elected officials are told the Attorney General is their lawyer whether they like it or not; no question that if the IC hired another staff the records could not be kept at the University and what about the students who wish to study oil; records could not possibly remain there and the staff here; would be a detriment to the University and to the students; it is not the State Geologist who decides these things, it is the IC; all of the powers are given to the IC, the State Geologist is the marshall of the thing; the Commission must issue the orders to the State Geologist; this bill would not change what the desires for changes are; the effect of the bill would be simply to give the Commission the authority to have another supervisor and additional personnel; the Commission already has the power to have other personnel deemed necessary; sympathizes with the problems but this will not solve them.

Dr. Wilson Laird, State Geologist appeared stating the law as now written provides for an unbiased, nonpolitical employee and he does nothing without the authority of the Industrial Commission; does not feel the passage of this bill would benefit the state; the US Geological Survey handles drilling on federal lands; approximately \$75,000 to \$100,000 of the appropriated \$471,750 is used for Geological Survey.

House Bill No. 706, prescribing fuels to be used in the various state institutions was taken up and Senator Stumur moved we dispense with the reading, seconded by Senator Morgan, motion carried.

Representative Unruh of Grand Forks appeared stating the purpose of this bill is to give authority to the schools and various institutions to utilize natural gas; leave it up to the school board to decide what fuel to use; \$200,000 would be saved at the University if they use natural gas (this is in construction cost).

Mr. R. W. Wheeler, Northern States Power appeared stating the fuel preference statute has been on our books since 1889; the state itself is violating the law part of the time because half of its fuel for the Capitol comes from Tioga and the other half from Wyoming; law is ambiguous; started out to amend the law and then thought it better to repeal it; cheaper rate is available to public institutions on interruptible service.

Mr. Clinton Johnston, School Board Member of Fargo, Mr. Joseph Lightowler, Mechanical Engineer of Fargo, Mr. L. A. Rutherford of Baukol-Noonan and Mr. R. W. Rovelstad of Baukol-Noonan appeared also on the bill. Mr. Rutherford and Mr. Rovelstad opposed the bill. Copy of their statements are attached hereto.

The Committee on Natural Resources adjourned at 12:20 P.M.

Lois Scherr, Clerk

NATURAL RESOURCES
March 1, 1965

Chairman Trenbeath called the meeting to order at 1:00 P.M.

All members present.

HB 706 - Prescribing fuels to be used in the various state institutions, county buildings, and public school houses in this state.

Discussion. Becker moved for question on Rolfsrud's submitted amendment. (yellow sheet).

Sorlie moved to place on the calendar without recommendation.

Rolfsrud moved, seconded by Becker to adopt amendments. Motion carried.

Rolfsrud moved, seconded by Becker for a do pass as amendment against original bill. Motion passed. (See committee report)

HB 845 - Relating to the control of gas and oil resources by the industrial commission.

Saumur moved, seconded by Morgan for Indefinite Postponement. Vote taken.

Do pass: Robinson, Becker, Witteman, Solberg, Rolfsrud, Van Horn and Rait. (7)

Indef. Post: Sorlie, Morgan Beck, Saumur and Trenbeath (5)

Becker asked that we reconsider for another amendment which he submitted. Amendment adopted. Robinson moved, seconded by Becker for a do pass as amended. Motion carried. (See committee report)

HB 926 - To provide for the unitized management, operation, and development of common sources of supply of oil and gas, etc.

Rolfsrud moved, seconded by Solberg to strike out Section 10 of engrossed bill. (Lines A133-A150) Motion carried.

Robinson moved, seconded by Becker to delete lines A242 - A245 inc. of Section 17. Motion carried. (see committee report)

Becker moved, seconded by Rolfsrud for a do pass as amended. Motion carried.

Meeting adjourned.

P. Engen, Acting
Committee Clerk

Report of Standing Committee

Mr. President; Your Committee on Natural Resources
Game Bill No. 926
to whom was referred

~~The~~ ~~we~~ had the same under consideration and ~~the~~ be amended as follows:
recommend that the same
In line 13 of the title delete the ~~word~~ and insert in lieu thereof a period and delete
the remainder of the line.

Delete all of lines 14 and 15 of the title.

In line 179 after the word "and" delete the words "shall serve a"

Delete all of lines 180, 181, 182 and 183.

In line 184 delete the word "address" and insert in lieu thereof the following:

"shall mail, postage prepaid, a copy of the application and the proposed plan of
mitigation to each affected person owning an interest of record in the unit outlined,
at such persons last known post office address"

In line 1121 after the letters "and" insert the following words: ", subject to the
limitations hereinbefore provided"

Delete all of lines 1133 through 1190.

Delete all of lines 1202 through 1205.

Re-number the lines accordingly.

And when so amended recommend the same do pass.

~~Senator Trevelth~~ moved ~~that the report be~~ adopted, which motion prevailed
and the report was adopted. Chairman

RAY C. JONES
Chairman

HAROLD FREEMAN
Vice-Chairman

WILBURN CARYWRIGHT
Member

DAN R. GUNNETT
Director Of Conservation

D. L. JONES
Assistant Director

CARL B. MITCHELL
Secretary

FERRILL N. ROGERS
Conservation Attorney

STANLEY ROGERS
Assistant Director

RALPH L. BARN
Asst. Conservation Att.

W. J. MARSHALL
Assistant Director

NELL RHODES FISHER
Asst. Conservation Att.

OKLAHOMA

Corporation Commission



OKLAHOMA CITY

OKLAHOMA

OIL AND GAS
CONSERVATION
DEPARTMENT

February 2, 1965

Mr. Lee Frazer
Governor of N.D.
State Capitol Bldg
Bismark, N. D.

Dear Mr. Frazer:

First I want to apologize for the vagueness in answering some of the questions you asked over the telephone this morning. Your call came while there was a number of people in my office for a conference and I had difficulty switching my mind from their problems to the proper answers of your questions.

You are advised that Oklahoma has never had a statute pertaining to voluntary unitization, where all parties in the unit have agreed to the plan of unitization there is no need to appear before the Commission except upon an application for waterflooding or whatever method of secondary recovery is contemplated. The only statute we have ever had pertained to involuntary unitization. The industry as a whole has been most satisfied with the Oklahoma statute and as stated this morning ninety per cent of the applications for unitization are uncontested. It is my understanding that our statute has been followed by a number of states as a model statute. I have also been advised by the Commission that no changes in this statute are being contemplated or recommended.

You inquired this morning if the Commission could, after the formation of a unit, enlarge or decrease the size of the same. If this is done it is usually upon the application of interested parties but there is no doubt but that the Commission could, upon application of the Conservation Department, accomplish this purpose if it is shown that it would protect correlative rights and prevent waste. ~~All orders creating units, provide that the Commission retains continuing jurisdiction over said unit for the purpose of maintaining, modifying, and interpreting the terms and provisions of its order, and the plan of unitization of said unit.~~

The case mentioned to you on the telephone this morning, which I have found to answer many questions arising in the few cases that are contested, is Jones Oil Company vs Corporation Commission 382 P. 2d 751.

If we can answer any further questions for you, please feel free to call upon us at any time.

Yours very truly

Nell Rhodes Fisher
Assistant Conservation Attorney

HRF:

WESTERN UNION TELEGRAM

1014A CST FEB 5 65 MA071 KB055

K OCC002 PD FA OKLAHOMA CITY OKLA 5 942A CST

J V "JIM" BOXALL

CALVERT DRG. & PROD CO BISMARK NDAK

THIS IS TO ADVISE YOU THAT UNDER THE OKLAHOMA COMPULSORY UNITIZATION STATUTE, WHEN A PROPOSED PLAN OF UNITIZATION IS SUBMITTED TO THE CORPORATION COMMISSION FOR CREATION OF A UNIT, THE COMMISSION HAS THE AUTHORITY TO PRESCRIBE WHATEVER CHANGES MIGHT BE NECESSARY UNDER THE STATUTE. BUT IN NO EVENT CAN SUCH A PLAN OF UNITIZATION THEN GO INTO EFFECT UNTIL AFTER IT HAS BEEN APPROVED OR RATIFIED BY THE OWNERS OF THE REQUIRED PERCENTAGES OF WORKING INTEREST AND ROYALTY INTERESTS IN THE UNIT

FERRILL H. ROGERS, CONSERVATION ATTORNEY

(10).

chief counsel
Okla. Comm.



vsteiner



MINING AND GAS AND OIL PRODUCTION

CHAPTER 325

SENATE BILL NO. 2099

(Natural Resources Committee)

(At the request of the Industrial Commission)

OIL AND GAS AND SUBSURFACE MINERAL REGULATION

AN ACT to amend and reenact subsection 3 of section 38-08-04.5, section 38-08-21, and subsection 7 of section 38-12-01 of the North Dakota Century Code, relating to the abandoned oil and gas well plugging and site reclamation fund, control of gas and oil resources, and subsurface mineral regulation; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 3 of section 38-08-04.5 of the North Dakota Century Code is amended and reenacted as follows:

3. All moneys collected under this section must be deposited in the abandoned oil and gas well plugging and site reclamation fund. This fund must be maintained as a special fund and all moneys transferred into the fund are ~~hereby~~ appropriated and must be used and disbursed solely for the purpose of defraying the costs incurred in carrying out the plugging or replugging of wells, the reclamation of well sites, and all other related activities. However, when the ~~money fees~~ accumulated in the fund exceeds fifty thousand dollars, any additional fees collected by the oil and gas division of the industrial commission must be deposited in the general fund.

SECTION 2. AMENDMENT. Subsection 3 of section 38-08-04.5 of the North Dakota Century Code is amended and reenacted as follows:

3. All moneys collected under this section must be deposited in the abandoned oil and gas well plugging and site reclamation fund. This fund must be maintained as a special fund and all moneys transferred into the fund are ~~hereby~~ appropriated and must be used and disbursed solely for the purpose of defraying the costs incurred in carrying out the plugging or replugging of wells, the reclamation of well sites, and all other related activities. However, when the ~~money fees~~ accumulated in the fund ~~exceeds~~ exceed two hundred fifty thousand dollars, any additional fees collected by the oil and gas division of the industrial commission must be deposited in the general fund.

SECTION 3. AMENDMENT. Section 38-08-21 of the North Dakota Century Code is amended and reenacted as follows:

38-08-21. Regulation of carbon dioxide and nitrogen gas. The commission is hereby vested with the authority and duty to regulate the exploration, development, and production of carbon dioxide, coal bed methane gas, helium gas, and nitrogen gas within the state, ~~used for the development of oil and gas resources,~~ in the same manner, insofar as is practicable, as it regulates oil or gas as defined in this chapter.

SECTION 4. AMENDMENT. Subsection 7 of section 38-12-01 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

7. "Subsurface minerals" means all naturally occurring elements and their compounds, volcanic ash, precious metals, carbonates, and natural mineral salts of boron, bromine, calcium, fluorine, ~~helium,~~ iodine, lithium, magnesium, ~~nitrogen,~~ phosphorus, potassium, sodium, thorium, uranium, and sulfur, and their compounds, but does not include sand and gravel and rocks crushed for sand and gravel.

SECTION 5. EFFECTIVE DATE. Section 2 of this Act becomes effective on July 1, 2003.

Approved March 14, 2001
Filed March 15, 2001

CHAPTER 326**SENATE BILL NO. 2120**
(Natural Resources Committee)
(At the request of the Attorney General)**OIL AND GAS UNIT DISSOLUTION AND
RATIFICATION**

AN ACT to amend and reenact subsection 7 of section 38-08-09.4 and section 38-08-09.5 of the North Dakota Century Code, relating to dissolution of units and 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.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

¹⁶⁰ **SECTION 1. AMENDMENT.** Subsection 7 of section 38-08-09.4 of the North Dakota Century Code is amended and reenacted as follows:

7. The time when and conditions under which and the method by which the unit ~~shall~~ must or may be dissolved and its affairs wound up; however, the unit may be dissolved ten years after the unit agreement becomes effective upon a petition to the commission by the royalty owners who are credited with at least eighty percent of the production and proceeds thereof or for units established after the effective date of this Act, upon a petition to the commission by the royalty owners who are credited with at least sixty percent of the production and proceeds thereof, and a subsequent hearing and order by the commission. The commission may not dissolve any unit if the dissolution would be likely to result in waste or the violation of the correlative rights of any owner. This provision does not limit or restrict any other authority which the commission has.

SECTION 2. AMENDMENT. Section 38-08-09.5 of the 1999 Supplement to the North Dakota Century Code is amended and reenacted as follows:

38-08-09.5. Ratification or approval of plan by lessees and owners. At the time of filing of the petition for the approval of a unit agreement and the filing of the unit agreement, the commission shall ~~set a time and place for the~~ schedule a hearing. At least forty-five days prior to the hearing, the applicant ~~or someone under his direction and control~~, shall give notice of the ~~time and place of said~~ hearing and shall mail, postage prepaid, a copy of the application and the proposed plan of unitization to each affected person owning an interest of record in the unit outline, at such person's last-known post-office address. In addition, ~~such~~ the applicant shall file with the commission engineering, geological, and all other technical exhibits to be used at ~~said~~ the hearing, and further, the notice must ~~so~~ specify that such material is filed and is available for inspection. Service is complete in the mailing of

¹⁶⁰ Section 38-08-09.4 was also amended by section 10 of House Bill No. 1049, chapter 55.

the notice of hearing and unit agreement to each interest owner as ~~hereinbefore prescribed at his last known address described in this section~~ and the filing of an affidavit of mailing with the commission. No order of the commission creating a unit and prescribing ~~the~~ its plan of unitization ~~applicable thereto~~ becomes effective ~~unless and~~ until the plan of unitization has been signed, or in writing ratified or approved by those persons who, under the commission's order, will be required to pay at least ~~seventy~~ sixty percent of the costs of the unit operation and ~~also~~ by the owners of at least ~~seventy~~ sixty percent of the royalty interests ~~under the commission's order~~, excluding overriding royalties, production payments, and other interests carved out of the working interest, and in addition it ~~shall be~~ is required that when there is more than one person who will be obligated to pay costs of the unit operation, at least two nonaffiliated such persons and at least two royalty interest owners, ~~shall be~~ are required as voluntary parties, and the commission has made a finding either in the order creating the unit or in a supplemental order that the plan of unitization has been so signed, ratified, or approved by lessees and royalty owners owning the required percentage interest ~~in and to the unit area~~. Where the plan of unitization has not been ~~so~~ signed, ratified, or approved by lessees and royalty owners owning the required percentage interest ~~in and to the unit area~~ at the time the order creating the unit is made, the commission shall, upon petition and notice, hold such additional ~~and supplemental~~ hearings as may be requested or required to determine if and when the plan of unitization has been so signed, ratified, or approved by lessees and royalty owners owning the required percentage interest ~~in and to the unit area~~ and shall, in respect to such hearings, ~~make and~~ enter a finding of its determination in such regard. In the event lessees and royalty owners, or either, owning the required percentage interest ~~in and to the unit area~~ have not ~~so~~ signed, ratified, or approved the plan of unitization within a ~~period of~~ six months from ~~and after~~ the date on which the order creating the unit is made, the order ~~creating the unit~~ ceases to be of further force and effect and shall be revoked by the commission.

Approved April 10, 2001
Filed April 10, 2001

My name is Richard L. Fulton. My residence is Bismarck and I have lived here since 1953 with the exception of 1961 and 1962 when I was out of the State. I am with La Habana Corporation, a small oil operator. I would like to state that I am very much for unitization. There is no doubt in my mind that the ultimate recovery, both in production and income, is greatly enhanced by unitization and, if the drilling of unneeded locations, unnecessary tank batteries and other leasehold equipment can be avoided, hundreds of thousands of dollars will be saved by the operators in each field. Senate Bill #168 can help save these monies and will increase the amount of tax ultimately received by the State. I would like to point out that Senate Bill #168 does not have, in my opinion, any protection for the landowner of North Dakota or for the small working interest operator. My business is selling the North Dakota Oil Industry to Independents. Since leaving Stanolind Oil and Gas Company, now Pan American Petroleum Corporation, in 1957 and going with La Habana Corporation, our total gross business with major oil companies amounts to \$3,700,000. I have participated either individually or with La Habana Corporation in either overriding royalties, small working interests, or mineral interests in 52 wells since 1957 in North Dakota, and I feel unless Senate Bill #168 is amended to include some protective measures, that the large amount of interest from independents, which we are now enjoying from out of State, will show a marked decrease.

I would like to offer the following amendments, which I feel will protect the small interest owners:

Under Section 1 "Hearings by Commission", under Line 8-a, insert Section 1-A, as follows:

The Industrial Commission of the state of North Dakota is hereby vested with continuing jurisdiction, power and authority, including the right to describe and set forth in its orders all those things pertaining to the plan of unitization which are fair, reasonable, equitable and which are necessary or proper to protect, safeguard, and adjust the respective rights and obligations of the several persons affected, and it shall be its duty to make and enforce such orders and do such things as may be necessary or proper to carry out and effectuate the purposes of this Act.

I feel that this clause is necessary because if the Industrial Commission is being asked to be an enforcer, it should have the continuing power of jurisdiction and should have the power to enforce its orders, to review the engineering, and examine any inequities brought to its attention by any member of the unit.

That Section 3, Subsection 6, Line 65, Page 4 be changed by striking the word "reasonable" and inserting the word "legal".

The difference in these two words is 3%. As I understand, the legal interest rate in North Dakota is 4% and if a man is being forced into a unit, he should not also be forced to pay a large interest rate.

Under Section 3, after Line 88, insert Subsection 12, as follows:

Each unit and unit area shall be limited to all or a portion of a single common source of supply. A unit may be created to embrace less than the whole of a common source of supply only where it is shown by the evidence that the area to be so included within the unit area is of such size and shape as may be reasonably required for the successful and efficient conduct of the unitized method or methods of operation for which the unit is created, and that the conduct thereof will have no material adverse effect upon the remainder of such common source of energy.

That Section 4, Line 99, Page 5, be changed to eighty-five percent.

This is for the landowner who has no vote and no voice, but is forced to take what others offer him.

That Section 8 be amended so that Lines 175 through 180 would be changed as follows:

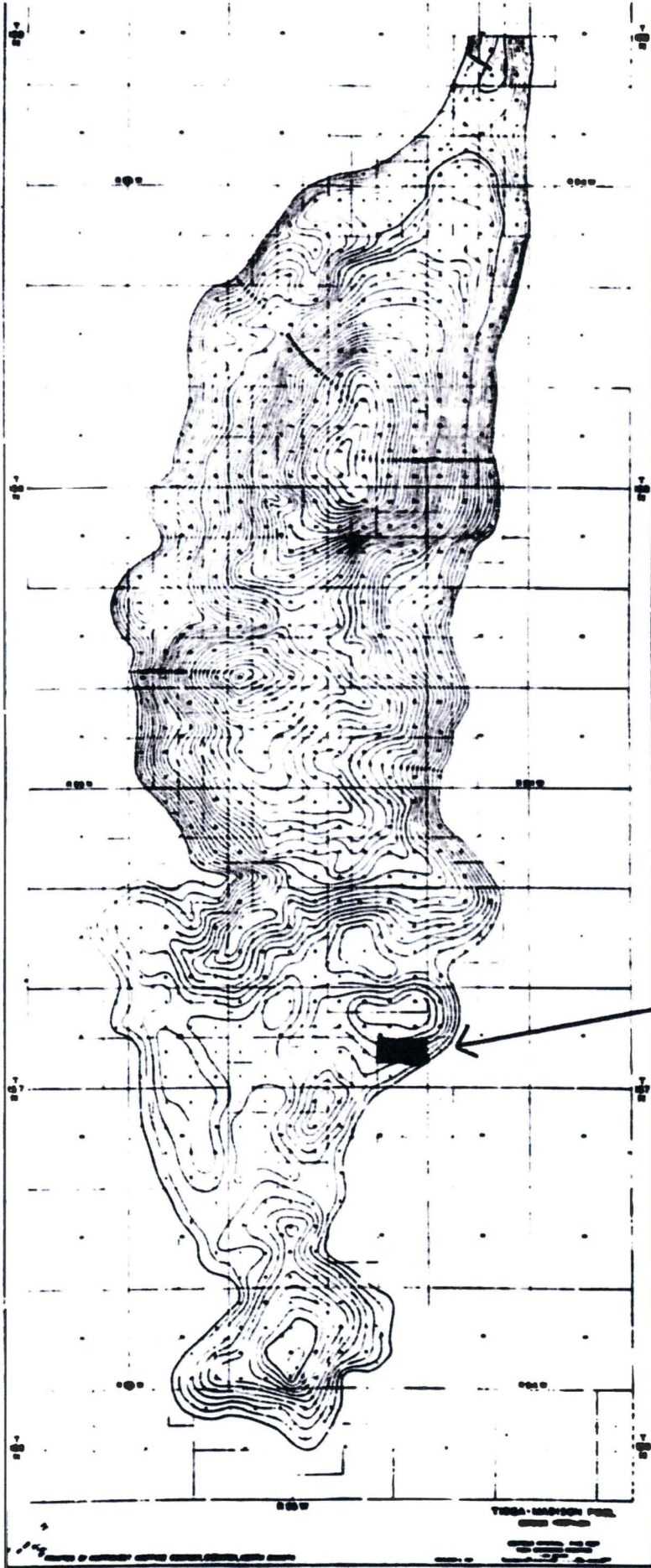
Operations conducted ^{in accordance} ~~in accordance~~ to an order of the Commission providing for unit operations shall constitute a fulfillment of all the expressed or implied obligations, insofar as unitization horizons or substances, however, nothing contained in the unitization agreement or the order of the Commission shall effect the expressed or implied obligations of each lease or contract concerning the non-unitization horizons or substances.

I feel that as this clause is now written, the landowner has no recourse for development of acreage outside of the unit or for formations known to produce under the lands within the unit. We feel that he should at least be given his day in court with the right to sue for cancellation of the lease for nondevelopment if all of the expressed or implied obligations of his original lease outside of the unit are not complied with. As I now understand it, any acreage outside of the unit could be held indefinitely without recourse for further development until the unitized area is depleted. Most landowners do not live that long.

That Section 14 be added to the Bill to provide for all formal engineering meetings (formal being understood to mean those meetings at which all working interest operators and owners of working interest are invited to attend, but this would not preclude some of the operators getting together and sharing cost for engineering reports and meeting anywhere of their choosing) in the negotiations between the various working interest owners in the unit to be held in North Dakota, unless all unit working interest owners agree to hold the meeting at another place of their choosing. That one meeting be held each year of all unit working interest owners at a place of their choosing to review the cost of the operations and the unit operating procedures. That the owners of the production or proceeds of the unit, which are free of working interest cost such as royalties, overriding royalties, and production payments be allowed to attend all formal meetings at which all working interest operators are invited as interested parties without a vote in such meetings.

The committee's consideration of these amendments will be sincerely appreciated and I personally feel that with some amendments, Senate Bill #168 will be an inducement to out-of-state investors.

*Presented
by Mr. Wingard*



**INDUSTRIAL
COMMISSION EXHIBIT
NO. 40**

APPELLANTS' TRACT



vsteiner



JOURNAL OF THE SENATE

Fifty-seventh Legislative Assembly

* * * * *

Bismarck, January 19, 2001

The Senate convened at 12:30 p.m., with President Pro Tem Krebsbach presiding.

The prayer was offered by Pastor Marvin Klemmer, Church of the Ascension, Bismarck.

The roll was called and all members were present except Senators Espegard, Krauter, G. Nelson, and Polovitz.

A quorum was declared by the President Pro Tem.

REQUEST

SEN. CHRISTMANN REQUESTED that the Journal reflect that Sens. G. Nelson and Krauter were absent yesterday and today because they are attending the Presidential Inauguration representing the North Dakota Senate, which request was granted.

CONSIDERATION OF AMENDMENTS

SB 2035: SEN. WATNE (Judiciary Committee) MOVED that the amendments on SJ pages 107-108 be adopted and then be placed on the Eleventh order with **DO PASS**, which motion prevailed.

CONSIDERATION OF AMENDMENTS

SB 2080: SEN. KELSH (Education Committee) MOVED that the amendments on SJ page 108 be adopted and then be placed on the Eleventh order with **DO PASS**, which motion prevailed.

CONSIDERATION OF AMENDMENTS

SB 2154: SEN. D. MATHERN (Political Subdivisions Committee) MOVED that the amendments on SJ page 109 be adopted and then be placed on the Eleventh order with **DO PASS**, which motion prevailed.

CONSIDERATION OF AMENDMENTS

SB 2162: SEN. TOLLEFSON (Industry, Business and Labor Committee) MOVED that the amendments on SJ pages 109-110 be adopted and then be placed on the Eleventh order with **DO PASS**, which motion prevailed.

SECOND READING OF SENATE BILL

SB 2060: A BILL for an Act to amend and reenact subsection 2 of section 57-38-45, subsection 1 of section 57-39.2-18, and subsection 1 of section 57-40.2-15 of the North Dakota Century Code, relating to penalties for income tax and sales or use tax purposes; and to provide a penalty.

ROLL CALL

The question being on the final passage of the amended bill, which has been read, and has committee recommendation of DO PASS, the roll was called and there were 45 YEAS, 0 NAYS, 0 EXCUSED, 4 ABSENT AND NOT VOTING.

YEAS: Andrist; Bercier; Bowman; Christenson; Christmann; Cook; Dever; Erbele; Every; Fischer; Flakoll; Freborg; Grindberg; Heitkamp; Holmberg; Kelsh; Kilzer; Klein; Krebsbach; Kringstad; Kroeplin; Lee; Lindaas; Lyson; Mathern, D.; Mathern, T.; Mutch; Nelson, C.; Nething; Nichols; O'Connell; Robinson; Schobinger; Solberg; Stenehjem; Tallackson; Thane; Tollefson; Tomac; Traynor; Trenbeath; Urlacher; Wanzek; Wardner; Watne

ABSENT AND NOT VOTING: Espegard; Krauter; Nelson, G.; Polovitz

Engrossed SB 2060 passed and the title was agreed to.

SECOND READING OF SENATE BILL

SB 2116: A BILL for an Act to amend and reenact section 12.1-31-03 and subsection 17 of section 27-20-02 of the North Dakota Century Code, relating to the sale of tobacco to minors; and to provide a penalty.

ROLL CALL

The question being on the final passage of the amended bill, which has been read, and has committee recommendation of DO PASS, the roll was called and there were 36 YEAS, 9 NAYS, 0 EXCUSED, 4 ABSENT AND NOT VOTING.

YEAS: Andrist; Bercier; Christenson; Christmann; Dever; Erbele; Every; Fischer; Flakoll; Freborg; Grindberg; Heitkamp; Holmberg; Kelsh; Kilzer; Klein; Krebsbach; Kroepelin; Lee; Lindaas; Mathern, D.; Mathern, T.; Nelson, C.; Nething; Nichols; O'Connell; Robinson; Tallackson; Tollefson; Tomac; Traynor; Trenbeath; Urlacher; Wanzek; Wardner; Watne

NAYS: Bowman; Cook; Kringstad; Lyson; Mutch; Schobinger; Solberg; Stenehjem; Thane

ABSENT AND NOT VOTING: Espegard; Krauter; Nelson, G.; Polovitz

Engrossed SB 2116 passed and the title was agreed to.

SECOND READING OF SENATE BILL

SB 2135: A BILL for an Act to amend and reenact section 12.1-32-07 and subsection 15 of section 54-23.3-04 of the North Dakota Century Code, relating to probation supervision costs and fees, powers and duties of the director of the department of corrections and rehabilitation, and civil collection of supervision costs and fees.

ROLL CALL

The question being on the final passage of the bill, which has been read, and has committee recommendation of DO PASS, the roll was called and there were 45 YEAS, 0 NAYS, 0 EXCUSED, 4 ABSENT AND NOT VOTING.

YEAS: Andrist; Bercier; Bowman; Christenson; Christmann; Cook; Dever; Erbele; Every; Fischer; Flakoll; Freborg; Grindberg; Heitkamp; Holmberg; Kelsh; Kilzer; Klein; Krebsbach; Kringstad; Kroepelin; Lee; Lindaas; Lyson; Mathern, D.; Mathern, T.; Mutch; Nelson, C.; Nething; Nichols; O'Connell; Robinson; Schobinger; Solberg; Stenehjem; Tallackson; Thane; Tollefson; Tomac; Traynor; Trenbeath; Urlacher; Wanzek; Wardner; Watne

ABSENT AND NOT VOTING: Espegard; Krauter; Nelson, G.; Polovitz

SB 2135 passed and the title was agreed to.

SECOND READING OF SENATE BILL

SB 2051: A BILL for an Act to create and enact a new section to chapter 20.1-13 of the North Dakota Century Code, relating to evidence of sales or use tax payment or exemption for motorboat licensing.

ROLL CALL

The question being on the final passage of the bill, which has been read, and has committee recommendation of DO PASS, the roll was called and there were 44 YEAS, 1 NAY, 0 EXCUSED, 4 ABSENT AND NOT VOTING.

YEAS: Andrist; Bercier; Bowman; Christenson; Christmann; Cook; Dever; Erbele; Every; Fischer; Flakoll; Freborg; Grindberg; Heitkamp; Holmberg; Kelsh; Kilzer; Klein; Krebsbach; Kringstad; Kroepelin; Lee; Lindaas; Lyson; Mathern, D.; Mathern, T.; Mutch; Nelson, C.; Nething; Nichols; O'Connell; Robinson; Solberg; Stenehjem; Tallackson; Thane; Tollefson; Tomac; Traynor; Trenbeath; Urlacher; Wanzek; Wardner; Watne

NAYS: Schobinger

ABSENT AND NOT VOTING: Espegard; Krauter; Nelson, G.; Polovitz

SB 2051 passed and the title was agreed to.

SECOND READING OF SENATE BILL

SB 2055: A BILL for an Act to amend and reenact section 54-24.4-01 of the North Dakota Century Code, relating to the composition of the North Dakota library coordinating council.

ROLL CALL

The question being on the final passage of the bill, which has been read, and has committee recommendation of DO PASS, the roll was called and there were 45 YEAS, 0 NAYS, 0 EXCUSED, 4 ABSENT AND NOT VOTING.

YEAS: Andrist; Bercier; Bowman; Christenson; Christmann; Cook; Dever; Erbele; Every; Fischer; Flakoll; Freborg; Grindberg; Heitkamp; Holmberg; Kelsh; Kilzer; Klein; Krebsbach; Kringstad; Kroepflin; Lee; Lindaas; Lyson; Mathern, D.; Mathern, T.; Mutch; Nelson, C.; Nething; Nichols; O'Connell; Robinson; Schobinger; Solberg; Stenehjem; Tallackson; Thane; Tollefson; Tomac; Traynor; Trenbeath; Urlacher; Wanzek; Wardner; Watne

ABSENT AND NOT VOTING: Espegard; Krauter; Nelson, G.; Polovitz

SB 2055 passed and the title was agreed to.

SECOND READING OF SENATE BILL

SB 2058: A BILL for an Act to amend and reenact section 57-01-13 of the North Dakota Century Code, relating to the collection of delinquent telecommunications carriers tax from nonresident taxpayers and service of payment requests to delinquent nonresident taxpayers before assignment to a collection or credit agency.

ROLL CALL

The question being on the final passage of the bill, which has been read, and has committee recommendation of DO PASS, the roll was called and there were 45 YEAS, 0 NAYS, 0 EXCUSED, 4 ABSENT AND NOT VOTING.

YEAS: Andrist; Bercier; Bowman; Christenson; Christmann; Cook; Dever; Erbele; Every; Fischer; Flakoll; Freborg; Grindberg; Heitkamp; Holmberg; Kelsh; Kilzer; Klein; Krebsbach; Kringstad; Kroepflin; Lee; Lindaas; Lyson; Mathern, D.; Mathern, T.; Mutch; Nelson, C.; Nething; Nichols; O'Connell; Robinson; Schobinger; Solberg; Stenehjem; Tallackson; Thane; Tollefson; Tomac; Traynor; Trenbeath; Urlacher; Wanzek; Wardner; Watne

ABSENT AND NOT VOTING: Espegard; Krauter; Nelson, G.; Polovitz

SB 2058 passed and the title was agreed to.

SECOND READING OF SENATE BILL

SB 2094: A BILL for an Act to repeal section 25-16-11 of the North Dakota Century Code, relating to purchase of residential care, custody, treatment, and education for developmentally disabled persons by the department of human services.

ROLL CALL

The question being on the final passage of the bill, which has been read, and has committee recommendation of DO PASS, the roll was called and there were 45 YEAS, 0 NAYS, 0 EXCUSED, 4 ABSENT AND NOT VOTING.

YEAS: Andrist; Bercier; Bowman; Christenson; Christmann; Cook; Dever; Erbele; Every; Fischer; Flakoll; Freborg; Grindberg; Heitkamp; Holmberg; Kelsh; Kilzer; Klein; Krebsbach; Kringstad; Kroepflin; Lee; Lindaas; Lyson; Mathern, D.; Mathern, T.; Mutch; Nelson, C.; Nething; Nichols; O'Connell; Robinson; Schobinger; Solberg; Stenehjem; Tallackson; Thane; Tollefson; Tomac; Traynor; Trenbeath; Urlacher; Wanzek; Wardner; Watne

ABSENT AND NOT VOTING: Espegard; Krauter; Nelson, G.; Polovitz

SB 2094 passed and the title was agreed to.

SECOND READING OF SENATE BILL

SB 2102: A BILL for an Act to create and enact a new section to chapter 42-01 of the North Dakota Century Code, relating to the use of certain structures as a nuisance.

ROLL CALL

The question being on the final passage of the bill, which has been read, and has committee recommendation of DO PASS, the roll was called and there were 44 YEAS, 1 NAY, 0 EXCUSED, 4 ABSENT AND NOT VOTING.

YEAS: Andrist; Bercier; Bowman; Christenson; Christmann; Cook; Dever; Erbele; Every; Fischer; Flakoll; Freborg; Grindberg; Heitkamp; Holmberg; Kelsh; Kilzer; Klein; Krebsbach; Kringstad; Kroepflin; Lee; Lindaas; Lyson; Mathern, D.; Mathern, T.; Mutch; Nelson, C.; Nething; Nichols; O'Connell; Robinson; Schobinger; Solberg; Stenehjem; Tallackson; Thane; Tollefson; Tomac; Traynor; Urlacher; Wanzek; Wardner; Watne

NAYS: Trenbeath

ABSENT AND NOT VOTING: Espeguard; Krauter; Nelson, G.; Polovitz

SB 2102 passed and the title was agreed to.

SECOND READING OF SENATE BILL

SB 2107: A BILL for an Act to create and enact a new section to chapter 15-40.3 of the North Dakota Century Code or in the alternative to create and enact a new section to chapter 15.1-31 of the North Dakota Century Code, relating to the payment of tuition for open enrolled students.

ROLL CALL

The question being on the final passage of the bill, which has been read, and has committee recommendation of DO NOT PASS, the roll was called and there were 0 YEAS, 45 NAYS, 0 EXCUSED, 4 ABSENT AND NOT VOTING.

NAYS: Andrist; Bercier; Bowman; Christenson; Christmann; Cook; Dever; Erbele; Every; Fischer; Flakoll; Freborg; Grindberg; Heitkamp; Holmberg; Kelsh; Kilzer; Klein; Krebsbach; Kringstad; Kroepflin; Lee; Lindaas; Lyson; Mathern, D.; Mathern, T.; Mutch; Nelson, C.; Nething; Nichols; O'Connell; Robinson; Schobinger; Solberg; Stenehjem; Tallackson; Thane; Tollefson; Tomac; Traynor; Trenbeath; Urlacher; Wanzek; Wardner; Watne

ABSENT AND NOT VOTING: Espeguard; Krauter; Nelson, G.; Polovitz

SB 2107 lost.

SECOND READING OF SENATE BILL

SB 2122: A BILL for an Act to create and enact a new section to chapter 57-38 of the North Dakota Century Code, relating to optional income tax contributions to the trees for North Dakota program trust fund; to amend and reenact sections 4-21.2-01, 4-21.2-02, and 4-21.2-03 of the North Dakota Century Code, relating to changing the centennial trees program to the trees for North Dakota program; and to declare an emergency.

ROLL CALL

The question being on the final passage of the bill, which has been read, and has committee recommendation of DO PASS, the roll was called and there were 45 YEAS, 0 NAYS, 0 EXCUSED, 4 ABSENT AND NOT VOTING.

YEAS: Andrist; Bercier; Bowman; Christenson; Christmann; Cook; Dever; Erbele; Every; Fischer; Flakoll; Freborg; Grindberg; Heitkamp; Holmberg; Kelsh; Kilzer; Klein; Krebsbach; Kringstad; Kroepflin; Lee; Lindaas; Lyson; Mathern, D.; Mathern, T.; Mutch; Nelson, C.; Nething; Nichols; O'Connell; Robinson; Schobinger; Solberg; Stenehjem; Tallackson; Thane; Tollefson; Tomac; Traynor; Trenbeath; Urlacher; Wanzek; Wardner; Watne

ABSENT AND NOT VOTING: Espeguard; Krauter; Nelson, G.; Polovitz

SB 2122 passed, the title was agreed to, and the emergency clause was declared carried.

SECOND READING OF SENATE BILL

SB 2172: A BILL for an Act to amend and reenact sections 4-34-01, 4-34-03, and 4-34-07 of the North Dakota Century Code, relating to the purposes, qualifications of commission members, and compensation of commission members of the North Dakota beef commission.

ROLL CALL

The question being on the final passage of the bill, which has been read, and has committee recommendation of DO PASS, the roll was called and there were 45 YEAS, 0 NAYS, 0 EXCUSED, 4 ABSENT AND NOT VOTING.

YEAS: Andrist; Bercier; Bowman; Christenson; Christmann; Cook; Dever; Erbele; Every; Fischer; Flakoll; Freborg; Grindberg; Heitkamp; Holmberg; Kelsh; Kilzer; Klein; Krebsbach; Kringstad; Kroepelin; Lee; Lindaas; Lyson; Mathern, D.; Mathern, T.; Mutch; Nelson, C.; Nething; Nichols; O'Connell; Robinson; Schobinger; Solberg; Stenehjerm; Tallackson; Thane; Tollefson; Tomac; Traynor; Trenbeath; Urlacher; Wanzek; Wardner; Watne

ABSENT AND NOT VOTING: Espegard; Krauter; Nelson, G.; Polovitz

SB 2172 passed and the title was agreed to.

SECOND READING OF SENATE CONCURRENT RESOLUTION

SCR 4003: A concurrent resolution urging Congress to reduce or eliminate the impediment of capital gains and estate taxes on passage of property to succeeding generations.

The question being on the final adoption of the resolution, which has been read, and has committee recommendation of DO PASS.

SCR 4003 was declared adopted and the title was agreed to.

MESSAGE TO THE HOUSE FROM THE SENATE (WILLIAM R. HORTON, SECRETARY)

MR. SPEAKER: The Senate has passed, the emergency clause carried, and your favorable consideration is requested on: SB 2093, SB 2134, SB 2179.

MESSAGE TO THE HOUSE FROM THE SENATE (WILLIAM R. HORTON, SECRETARY)

MR. SPEAKER: The Senate has passed and your favorable consideration is requested on: SB 2052, SB 2059, SB 2062, SB 2075, SB 2108, SB 2118, SB 2123, SB 2141, SB 2157.

MESSAGE TO THE SENATE FROM THE HOUSE (MARK L. JOHNSON, CHIEF CLERK)

MR. PRESIDENT: The House has passed, the emergency clause carried, and your favorable consideration is requested on: HB 1092.

MESSAGE TO THE SENATE FROM THE HOUSE (MARK L. JOHNSON, CHIEF CLERK)

MR. PRESIDENT: The House has passed and your favorable consideration is requested on: HB 1110, HB 1142, HB 1144.

MOTION

SEN. CHRISTMANN MOVED that the absent members be excused, which motion prevailed.

MOTION

SEN. CHRISTMANN MOVED that the Senate be on the Fifth, Ninth, and Thirteenth orders of business and at the conclusion of those orders, the Senate stand adjourned until 1:00 p.m., Monday, January 22, 2001, which motion prevailed.

REPORT OF STANDING COMMITTEE

SB 2025: Agriculture Committee (Sen. Wanzek, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2025 was placed on the Eleventh order on the calendar.

REPORT OF STANDING COMMITTEE

SB 2034: Judiciary Committee (Sen. Traynor, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2034 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "two" with "three"

Page 1, line 3, remove the second "and"

Page 1, line 4, remove "and"

Page 1, line 5, after the first comma insert "25-03.3-17,"

Page 6, line 7, remove ", at the respondent's choice."

Page 7, line 28, after the period insert "An individual with mental retardation may be elevated under this chapter at a facility only if that facility provides care and treatment to individuals with mental retardation."

Page 8, line 17, replace "ninety" with "sixty"

Page 9, after line 10, insert:

"SECTION 12. A new subsection to section 25-03.3-17 of the 1999 Supplement to the North Dakota Century Code is created and enacted as follows:

If the executive director moves a committed individual from a placement in the community to a placement in a secure treatment facility that is more restrictive, the committed individual may challenge the move at a hearing to be held within thirty days after the move in accordance with procedures established by the department of human services."

Page 10, after line 5, insert:

"SECTION 16. A new section to chapter 25-03.3 of the North Dakota Century Code is created and enacted as follows:

Individual rights. For so long as a committed individual is placed in and resides at a treatment facility, the committed individual has the same rights as other residents of the facility, subject to the following limitations and restrictions:

1. The individual's rights are subordinate to legitimate safety precautions and to the terms of the applicable individualized habilitation or treatment plan.
2. If an individual's rights are inconsistent with this chapter in a particular situation, the specific provisions of this chapter prevail."

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2061: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman) recommends **DO PASS** (5 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SB 2061 was placed on the Eleventh order on the calendar.

REPORT OF STANDING COMMITTEE

SB 2081: Judiciary Committee (Sen. Traynor, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (6 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). SB 2081 was placed on the Sixth order on the calendar.

Page 1, line 15, replace "the" with "an"

Page 2, line 15, replace "A" with "For an application for appointed defense services in the district court, a"

Page 2, line 16, after "The" insert "district"

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2083: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2083 was placed on the Eleventh order on the calendar.

REPORT OF STANDING COMMITTEE

SB 2084: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2084 was placed on the Eleventh order on the calendar.

REPORT OF STANDING COMMITTEE

SB 2099: Natural Resources Committee (Sen. Fischer, Chairman) recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2099 was rereferred to the **Appropriations Committee**.

REPORT OF STANDING COMMITTEE

SB 2100: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2100 was placed on the Sixth order on the calendar.

Page 2, line 8, remove "forward the same to the city auditor or other official having the power to draw"

Page 2, line 9, remove "warrants, who shall"

Page 2, line 11, remove "or the proper officer"

Page 2, line 12, remove "required to issue the warrant fails or neglects to issue a warrant as provided in this section,"

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2110: Agriculture Committee (Sen. Wanzek, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2110 was placed on the Eleventh order on the calendar.

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

REPORT OF STANDING COMMITTEE

SB 2125: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends **DO NOT PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2125 was placed on the Eleventh order on the calendar.

REPORT OF STANDING COMMITTEE

SB 2158: Government and Veterans Affairs Committee (Sen. Krebsbach, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2158 was placed on the Eleventh order on the calendar.

REPORT OF STANDING COMMITTEE

SB 2167: Agriculture Committee (Sen. Wanzek, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2167 was placed on the Sixth order on the calendar.

Page 1, line 7, after "commercial" insert "or custom" and remove the underscored comma

Page 1, line 8, remove "recommend." and overstrike "restricted use"

Renumber accordingly

FIRST READING OF SENATE BILLS

Sen. Bowman introduced:

SB 2262: A BILL for an Act to amend and reenact section 27-05-08 of the North Dakota Century Code, relating to the residency requirements of district judges.

Was read the first time and referred to the **Judiciary Committee.**

Sens. C. Nelson, Kelsh, Lindaas and Reps. Fairfield, Maragos, Winrich introduced:

SB 2263: A BILL for an Act to provide for rights of organization and representation of state employees, collective bargaining negotiations between the state of North Dakota and its employees, a state employment relations board, and public employment relations.

Was read the first time and referred to the **Industry, Business and Labor Committee.**

Sens. Espegard, Christenson, Flakoll, Holmberg, Tollefson, Traynor introduced:

SB 2264: A BILL for an Act to amend and reenact section 11 of chapter 535 of the 1999 Session Laws, relating to the issuance of bonds for a flood control or reduction project in Grand Forks.

Was read the first time and referred to the **Natural Resources Committee.**

Sens. Flakoll, Lee, Lyson, Traynor introduced:

SB 2265: A BILL for an Act to amend and reenact subsection 2 of section 6-08-16 and subsection 4 of section 6-08-16.2 of the North Dakota Century Code, relating to the civil penalty for issuing a bad check or draft.

Was read the first time and referred to the **Judiciary Committee.**

Sens. Tomac, Christmann, Cook, Freborg and Reps. Boehm, Mahoney introduced:

SB 2266: A BILL for an Act to amend and reenact subsection 2 of section 47-05-02.1 of the North Dakota Century Code, relating to duration of easements.

Was read the first time and referred to the **Natural Resources Committee.**

Sens. Wanzek, Freborg, G. Nelson and Reps. Belter, Haas, Nelson introduced:

SB 2267: A BILL for an Act to create and enact a new section to chapter 15-47 of the North Dakota Century Code or in the alternative to create and enact a new section to chapter 15.1-18 of the North Dakota Century Code, relating to teacher unavailability.

Was read the first time and referred to the **Education Committee.**

Sens. Wanzek, Cook, Freborg and Reps. Haas, Nelson introduced:

SB 2268: A BILL for an Act to provide an appropriation for the data envelopment analysis project.

Was read the first time and referred to the **Appropriations Committee.**

Sens. Bowman, D. Mathern, Wardner and Reps. Brusegaard, Rennerfeldt introduced:

SB 2269: A BILL for an Act to create and enact a new section to chapter 39-13 of the North Dakota Century Code, relating to a logo sign program.

Was read the first time and referred to the **Transportation Committee.**

Sens. Grindberg, Christenson, Cook and Reps. Haas, Nottestad, L. Thoreson introduced:

SB 2270: A BILL for an Act relating to the provision of all grade levels by school districts.

Was read the first time and referred to the **Education Committee.**

Sens. Kroeplin, Grindberg, Klein and Reps. Nelson, Warner, Weisz introduced:

SB 2272: A BILL for an Act to create and enact a new subsection to section 40-63-04 of the North Dakota Century Code, relating to renaissance zone income tax exemptions for certain purchases or leases of business property in small cities; and to provide an effective date.

Was read the first time and referred to the **Finance and Taxation Committee.**

Sens. Stenehjem, O'Connell, Schobinger and Reps. Keiser, Mahoney, Weisz introduced:

SB 2273: A BILL for an Act to create and enact thirteen new sections to chapter 39-22 of the North Dakota Century Code, relating to the licensing of motor vehicle dealers; to amend and reenact sections 39-05-17, 39-22-04, 39-22-05.1, 39-22-06, and 39-22-11 of the North Dakota Century Code, relating to vehicle title transfer requirements and motor vehicle dealer licensing; to repeal sections 39-22-02, 39-22-07, and 39-22-08 of the North Dakota Century Code, relating to motor vehicle dealer licensing; to provide a penalty; and to provide an effective date.

Was read the first time and referred to the **Transportation Committee.**

Sen. Dever and Reps. Dosch, Meier introduced:

SB 2274: A BILL for an Act to amend and reenact section 27-08.1-02 of the North Dakota Century Code, relating to filing a small claims action.

Was read the first time and referred to the **Government and Veterans Affairs Committee**.

Sens. Tollefson, Solberg and Reps. Keiser, Wald introduced:

SB 2275: A BILL for an Act to create and enact a new section to chapter 1-01 of the North Dakota Century Code, relating to the definition of public interest.

Was read the first time and referred to the **Judiciary Committee**.

Sens. Urlacher, Wardner and Reps. Haas, F. Klein introduced:

SB 2277: A BILL for an Act to create and enact a new section to chapter 16.1-01 of the North Dakota Century Code, relating to projections of election results before the closing of the polls; and to amend and reenact section 16.1-01-03 of the North Dakota Century Code, relating to closing of the polls.

Was read the first time and referred to the **Political Subdivisions Committee**.

Sens. D. Mathern, Flakoll, T. Mathern and Reps. Delmore, Hawken, S. Kelsh introduced:

SB 2278: A BILL for an Act to create and enact a new subsection to section 57-35.3-05, a new section to chapter 57-38, and a new subsection to section 57-38-30.3 of the North Dakota Century Code, relating to a credit against financial institutions taxes and corporate, individual, estate, and trust income taxes for employment of recent graduates in targeted jobs; and to provide an effective date.

Was read the first time and referred to the **Finance and Taxation Committee**.

Sens. Fischer, Christmann, C. Nelson and Reps. Galvin, Hawken, Weisz introduced:

SB 2279: A BILL for an Act to amend and reenact subsection 1 of section 28-32-08.1 and subsection 4 of section 54-57-03 of the North Dakota Century Code, relating to the qualifications of hearing officers and administrative law judges.

Was read the first time and referred to the **Judiciary Committee**.

Sens. Wanzek, Fischer, Nichols and Reps. Berg, Nicholas, B. Thoreson introduced:

SB 2280: A BILL for an Act relating to awards for the damage and destruction of crops.

Was read the first time and referred to the **Agriculture Committee**.

FIRST READING OF HOUSE BILLS

HB 1092: A BILL for an Act to create and enact a new subsection to section 12.1-08-06 of the North Dakota Century Code, relating to escapes and jurisdiction over escapes; to amend and reenact subsection 1 of section 12.1-08-06 of the North Dakota Century Code, relating to escapes; to repeal sections 29-03-15 and 29-03-16 of the North Dakota Century Code, relating to escapes; and to declare an emergency.

Was read the first time and referred to the **Judiciary Committee**.

HB 1110: A BILL for an Act to create and enact a new section to chapter 50-06.3 of the North Dakota Century Code, relating to interest accrued on uncollected aged, blind, and disabled claims.

Was read the first time and referred to the **Human Services Committee**.

HB 1142: A BILL for an Act to amend and reenact subsection 2 of section 15-59-01 of the North Dakota Century Code or in the alternative to amend and reenact subsection 4 of section 15.1-32-01 of the North Dakota Century Code, relating to the definition of a child or student with disabilities.

Was read the first time and referred to the **Education Committee**.

HB 1144: A BILL for an Act to create and enact section 26.1-36-09.11 of the North Dakota Century Code, relating to insurance coverage for breast reconstruction surgery; and to amend and reenact subsection 5 of section 26.1-36.3-05 and subsection 5 of section 26.1-36.4-05 of the North Dakota Century Code, relating to renewability of health insurance coverage.

Was read the first time and referred to the **Industry, Business and Labor Committee**.

The Senate stood adjourned pursuant to Senator Christmann's motion.

WILLIAM R. HORTON, Secretary



MINING AND GAS AND OIL PRODUCTION

CHAPTER 260

H. B. No. 926
(Glaspey, Backes, Stockman)

OIL AND GAS UNITIZATION

AN ACT

To create and enact sections 38-08-09.1, 38-08-09.2, 38-08-09.3, 38-08-09.4, 38-08-09.5, 38-08-09.6, 38-08-09.7, 38-08-09.8, 38-08-09.9, 38-08-09.10, 38-08-09.11, 38-08-09.12, 38-08-09.13, 38-08-09.14, 38-08-09.15, and 38-08-09.16 of the North Dakota Century Code, to provide for the unitized management, operation, and development of common sources of supply of oil and gas and to encourage cycling, recycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the benefit of land-owners, royalty owners, producers, and the general public, and for the protection of the correlative rights of all such persons; and to prescribe procedures for organizing such unit operations, providing for appeals to district courts.

Be It Enacted by the Legislative Assembly of the State of North Dakota:

§ 1.) Section 38-08-09.1 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.1. Legislative Finding.) The legislature finds and determines that it is desirable and necessary, under the circumstances and for the purposes hereinafter set out, to authorize and provide for unitized management, operation, and further development of the oil and gas properties to which this Act is applicable, to the end that a greater ultimate recovery of oil and gas may be had therefrom, waste prevented, the drilling of unnecessary wells eliminated, and the correlative rights of the owners in a fuller and more beneficial enjoyment of the oil and gas rights be protected.

§ 2.) Section 38-08-09.2 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.2. Power and Authority of Commission.) The industrial commission of the state of North Dakota, hereinafter referred to as the "commission", is hereby vested with continuing jurisdiction, power and authority, including the right to describe and set forth in its orders all those things per-

taining to the plan of unitization which are fair, reasonable and equitable and which are necessary or proper to protect, safeguard, and adjust the respective rights and obligations of the several persons affected, and it shall be its duty to make and enforce such orders and do such things as may be necessary or proper to carry out and effectuate the purposes of this Act.

§ 3.) Section 38-08-09.3 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.3. Matters To Be Found by Commission—Requisites of Petition.) If upon the filing of a petition therefor and after notice and hearing, all in the form and manner and in accordance with the procedure and requirements hereinafter provided, the commission shall find:

1. That the unitized management, operation, and further development of a common source of supply of oil and gas or portion thereof is reasonably necessary in order to effectively carry on pressure-maintenance or repressuring operations, cycling operations, water flooding operations, or any combination thereof, or any other form of joint effort calculated to substantially increase the ultimate recovery of oil and gas from the common source of supply;
2. That one or more of said unitized methods of operation as applied to such common source of supply or portion thereof are feasible, will prevent waste and will with reasonable probability result in the increased recovery of substantially more oil and gas from the common source of supply than would otherwise be recovered;
3. That the estimated additional cost, if any, of conducting such operations will not exceed the value of the additional oil and gas so recovered; and
4. That such unitization and adoption of one or more of such unitized methods of operation is for the common good and will result in the general advantage of the owners of the oil and gas rights within the common source of supply or portion thereof directly affected,

it shall make a finding to that effect and make an order creating the unit and providing for the unitization and unitized operation of the common source of supply or portion thereof described in the order, all upon such terms and conditions, as may be shown by the evidence to be fair, reasonable, equitable, and which are necessary or proper to protect, safeguard, and adjust the respective rights and obligations of the several persons affected, including royalty owners, owners of overriding

royalties, oil and gas payments, carried interests, mortgagees, lien claimants, and others, as well as the lessees. The petition shall set forth a description of the proposed unit area with a map or plat thereof attached, must allege the existence of the facts required to be found by the commission as hereinabove provided and shall have attached thereto a proposed plan of unitization applicable to such proposed unit area and which the petitioner or petitioners consider to be fair, reasonable, and equitable.

§ 4.) Section 38-08-09.4 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.4. Order—Units and Unit Areas—Plan of Unitization.) The order of the commission shall define the area of the common source of supply or portion thereof to be included within the unit area and prescribe with reasonable detail the plan of unitization applicable thereto.

Each unit and unit area shall be limited to all or a portion of a single common source of supply.

A unit may be created to embrace less than the whole of a common source of supply only where it is shown by the evidence that the area to be so included within the unit area is of such size and shape as may be reasonably required for the successful and efficient conduct of the unitized method or methods of operation for which the unit is created, and that the conduct thereof will have no material adverse effect upon the remainder of such common source of supply.

The plan of unitization for each such unit and unit area shall be one suited to the needs and requirements of the particular unit dependent upon the facts and conditions found to exist with respect thereto. In addition to such other terms, provisions, conditions and requirements found by the commission to be reasonably necessary or proper to effectuate or accomplish the purpose of this Act, and subject to the further requirements hereof, each such plan of unitization shall contain fair, reasonable, and equitable provisions for:

1. The efficient unitized management or control of the further development and operation of the unit area for the recovery of oil and gas from the common source of supply affected. Under such a plan the actual operations within the unit area may be carried on in whole or in part by the unit itself, or by one or more of the lessees within the unit area as unit operator subject to the supervision and direction of the unit, dependent upon what is most beneficial or expedient. The designation of the unit operation shall be by a vote of the

working interest owners in the unit in a manner provided by the plan of unitization and not by the commission, and the unit operating agreement shall contain a provision that the owners of a simple majority of the working interest in the unit area may vote to change the unit operator;

2. The division of interest or formula for the apportionment and allocation of the unit production, among and to the several separately-owned tracts within the unit area such as will reasonably permit persons otherwise entitled to share in or benefit by the production from such separately-owned tracts to produce or receive, in lieu thereof, their fair, equitable, and reasonable share of the unit production or other benefits thereof. A separately-owned tract's fair, equitable, and reasonable share of the unit production shall be measured by the value of each such tract for oil and gas purposes and its contributing value to the unit in relation to like values of other tracts in the unit, taking into account acreage, the quantity of oil and gas recoverable therefrom, location on structure, its probable productivity of oil and gas in the absence of unit operations, the burden of operation to which the tract will or is likely to be subjected, or so many of said factors, or such other pertinent engineering, geological, or operating factors, as may be reasonably susceptible of determination. Unit production as that term is used in this Act shall mean and include all oil and gas produced from a unit area from and after the effective date of the order of the commission creating the unit regardless of the well or tract within the unit area from which the same is produced;
3. The manner in which the unit and the further development and operation of the unit area shall or may be financed and the basis, terms, and conditions on which the cost and expense thereof shall be apportioned among and assessed against the tracts and interests made chargeable therewith, including a detailed accounting procedure governing all charges and credits incident to such operations. Upon and subject to such terms and conditions as to time and legal rate of interest as may be fair to all concerned, reasonable provision shall be made in the plan of unitization for carrying or otherwise financing lessees who are unable to promptly meet their financial obligations in connection with the unit;
4. The procedure and basis upon which wells, equipment, and other properties of the several lessees within the

unit area to be taken over and used for unit operations, including the method of arriving at the compensation therefor, or of otherwise proportionately equalizing or adjusting the investment of the several lessees in the project as of the effective date of unit operation;

5. The creation of an operating committee to have general overall management and control of the unit and the conduct of its business and affairs and the operations carried on by it, together with the creation or designation of such other subcommittees, boards, or officers to function under authority of the operating committee as may be necessary, proper or convenient in the efficient management of the unit, defining the powers and duties of all such committees, boards, or officers and prescribing their tenure and time and method for their selection;
6. The time when the plan of unitization shall become and be effective;
7. The time when and conditions under which and the method by which the unit shall or may be dissolved and its affairs wound up.

§ 5.) Section 38-08-09.5 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.5. Ratification or Approval of Plan by Lessees and Owners.) At the time of filing of the petition for the approval of a unit agreement and the filing of the unit agreement, the commission shall set a time and place for the hearing. At least 45 days prior to the hearing, the applicant or someone under his direction and control, shall give notice of the time and place of said hearing and shall mail, postage prepaid, a copy of the application and the proposed plan of unitization to each affected person owning an interest of record in the unit outline, at such person's last known post office address. In addition, such applicant shall file with the commission engineering, geological, and all other technical exhibits to be used at said hearing, and further, the notice shall so specify that such material is filed and is available for inspection. Service shall be complete in the mailing of the notice of hearing and unit agreement to each interest owner as hereinbefore prescribed at their last known address and the filing of an affidavit of mailing with the commission. No order of the commission creating a unit and prescribing the plan of unitization applicable thereto shall become effective unless and until the plan of unitization has been signed, or in writing ratified or approved by those persons who, under the commission's order, will be required to pay at least eighty percent of

the costs of the unit operation and also by the owners of at least eighty percent of the production or proceeds thereof that will be credited to interests which are free of cost such as royalties, overriding royalties, and production payments, and in addition it shall be required that when there is more than one person who will be obligated to pay costs of the unit operation, at least two nonaffiliated such persons and at least two of the persons owning production or proceeds thereof that will be credited to interests which are free of costs such as royalties, overriding royalties, and production payments, shall be required as voluntary parties, and the commission has made a finding either in the order creating the unit or in a supplemental order that the plan of unitization has been so signed, ratified, or approved by lessees and royalty owners owning the required percentage interest in and to the unit area. Where the plan of unitization has not been so signed, ratified, or approved by lessees and royalty owners owning the required percentage interest in and to the unit area at the time the order creating the unit is made, the commission shall, upon petition and notice, hold such additional and supplemental hearings as may be requested or required to determine if and when the plan of unitization has been so signed, ratified, or approved by lessees and royalty owners owning the required percentage interest in and to the unit area and shall, in respect to such hearings, make and enter a finding of its determination in such regard. In the event lessees and royalty owners, or either, owning the required percentage interest in and to the unit area have not so signed, ratified, or approved the plan of unitization within a period of six months from and after the date on which the order creating the unit is made, the order creating the unit shall cease to be of further force and effect and shall be revoked by the commission.

§ 6.) Section 38-08-09.6 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.6. Unlawful Operation.) From and after the effective date of an order of the commission creating a unit and prescribing the plan of unitization applicable thereto, the operation of any well producing from the common source of supply or portion thereof within the unit area defined in the order by persons other than the unit or persons acting under its authority or except in the manner and to the extent provided in such plan of unitization shall be unlawful and is hereby prohibited.

§ 7.) Section 38-08-09.7 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.7. Status and Powers of Unit — Liability for Expenses — Liens.) Each unit created under the provisions of this Act shall be a body politic and corporate, capable of suing, being sued, and contracting as such in its own name. Each such unit shall be authorized on behalf and for the account of all the owners of the oil and gas rights within the unit area, without profit to the unit, to supervise, manage, and conduct the further development and operations for the production of oil and gas from the unit area, pursuant to the powers conferred, and subject to the limitations imposed by the provisions of this Act and by the plan of unitization.

The obligation or liability of the lessee or other owners of the oil and gas rights in the several separately-owned tracts for the payment of unit expense shall at all times be several and not joint or collective and in no event shall a lessee or other owner of the oil and gas rights in the separately-owned tract be chargeable with, obligated or liable, directly or indirectly, for more than the amount apportioned, assessed or otherwise charged to his interest in such separately-owned tract pursuant to the plan of unitization and then only to the extent of the lien provided for in this Act.

Subject to such reasonable limitations as may be set out in the plan of unitization, the unit shall have a first and prior lien upon the leasehold production (exclusive of such interests which are free of costs, such as royalties, overriding royalties, and production payments) in and to each separately-owned tract, the interest of the owners thereof in and to the unit production in the possession of the unit, to secure the payment of the amount of the unit expense charged to and assessed against such separately-owned tract. The interest of the lessee or other persons who by lease, contract, or otherwise are obligated or responsible for the cost and expense of developing and operating a separately owned tract for oil and gas in the absence of unitization, shall, however, be primarily responsible for and charged with any assessment for unit expense made against such tract. Any land owner, royalty or any overriding royalty, or any production payment which is a part of the unit production allocated to each separately-owned tract shall in all events be regarded as royalty to be distributed to and among, or the proceeds thereof paid to the royalty owners free and clear of all unit expense and free of any lien thereof.

§ 8.) Section 38-08-09.8 of the North Dakota Century Code is hereby created and enacted to read as follows:

38-08-09.8. Modification of Property Rights, Leases and Contracts—Title to Property—Distribution of Proceeds—Delivery in Kind—Effect of Operations—Matters Not Affected.) Prop-



House Bill 1257

Testimony of Ron Ness

House Energy and Natural Resources Committee

February 3, 2017

Chairman ^{Porter}Unruh and members of the House Natural Resources Committee, my name is Ron Ness, president of the North Dakota Petroleum Council. The North Dakota Petroleum Council represents more than 500 companies in all aspects of the oil and gas industry, including oil and gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oilfield service activities in North Dakota. I appear before you today in support of House Bill 1257.

House Bill 1257 lowers the percentage of working interest (lessee or oil company) royalty interest (mineral owner) required for an oil production unit from more than 60% to more than 50%. The rationale for this is very simple, on a financial decision like this, a minority of owners should not dictate to the majority. Currently, 40% of the owners can block a decision of 60%. This is similar to the votes you take daily, more than 50% wins. On decisions related to business and boards that's certainly the threshold.

The 2001 Legislature lowered the unitization percentage from 70% to 60%. That bill was brought to the legislature by Attorney General Heitkamp with a recommendation of 55%. NDPC testified at the time, we were concerned that was too big of a change and it was amended to 60%. Sixteen years later, I am here to indicate they we were wrong and a majority should decide especially as the legacy fields in North Dakota now struggle to attract investment. In 2001, units accounted for 44% of the North Dakota oil production of about 90,000 barrels per day. So, units

were a major aspect of industry's future. How little we knew how much things would change in just a few years. Today, North Dakota produces 90,000 barrels of oil before 3am every single day. This does not diminish the value of each of these barrels or value to their owners, especially since the units are primarily in the northern and southern most parts of the oil patch, it just shows the Bakken has completely dwarfed all other development. However, someday hopefully in the near future, the technology in the Bakken will warrant the injection of carbon dioxide or natural gas into Bakken fields that will increase the productivity and extend the life and potential of existing Bakken wells and fields.

What is a production unit? It's an area in which all interest owners jointly participate in a project that involves the injection of fluids into a reservoir to increase the recovery of hydrocarbons. In non-Bakken fields, this is generally done with water or air. In the Bakken, the rock is too dense and water will not work, so EERC and others are researching the technology to provide secondary recovery after primary production is depleted. Once a unit is established, the operator can use my wells as injection wells and my neighbors wells as production wells, the expenses, royalties are all shared as part of a bigger project. A unit can significantly increase the value to all the stakeholders but oftentimes raises concerns and questions relating to how do I make sure my neighbor isn't benefiting more than me since I think more of the oil came from my minerals. This is a concern but the goal is to recover more by using advanced technology, units that are not successful can also be subject to a vote to discontinue the unit.

One of the clear benefits of unitization beyond increased oil production and recovery is that under unit develop the oil operator can consolidate their well sites, tank batteries, pipelines, roads and all other infrastructure over a much larger area which will substantially reduce the environmental footprint and impacts on wildlife. Some would like to see Bakken units occur earlier

in the process to reduce impacts. We have one great example in Corral Creek north of Killdeer, where a 33,000-acre unit was developed to ensure minimum impacts occurred to the Little Missouri State Park. That project has been an incredible success and without it, the park which is on private land, would have been substantially impacted. The North Dakota Industrial Commission has to ratify each unit and the process is subject to a formal hearing, comment and approval.

We urge a Do Pass on HB 1257. I would be happy to answer any questions.

2001

IMPACT OF UNITIZATION

Enhanced Oil Recovery

- 44% of North Dakota oil production is from Enhanced Oil Recovery Units.
- Enhanced Oil Recovery Units yield major capital investments, and long term stable production and jobs.
- Average primary recovery (no EOR) is 20% of original oil in place.
- Average incremental secondary recovery is 15% of original oil in place.
- Average incremental tertiary recovery is 10% of original oil in place.

History of North Dakota Units

- The first unit in North Dakota was Tioga Madison Unit formed 4/1/58.
- 19 voluntary units were formed in North Dakota from 1958-1965.
- North Dakota's compulsory unitization statute was passed in 1965.
- 25 compulsory units were formed in North Dakota from 1965-1990.
- 36 compulsory units have been formed in North Dakota since 1991.
- 9 units have been terminated in North Dakota since 1984.
- 4 units were delayed by 3-10 years due to working interest ratification problems.
- 1 unit was never formed due to royalty interest ratification problems (-104 million barrels).

Production that has resulted from North Dakota Units

- Units have produced 685 million barrels of oil.
- Estimated primary production from those units would have been 464 million barrels.
- Incremental production to date is 219 million barrels (over \$5 billion at today's oil price).
- Ultimate estimated incremental is 373 million barrels (over \$9 billion at today's oil price).
- 58 units already produce incremental oil and 16 soon will for a 93% rate of success.

#3
2-3-17
HB 1257
Backman

House Energy & Natural Resources Committee

February 3, 2017

HB 1257

Testimony by Rod Backman

Chairman Porter & members of the committee my name is Rod Backman, I am here today speaking in favor of HB 1257, representing myself.

Over the last year and a half, I have worked on three related projects starting with an assessment of North Dakotan's perception of oil development in the Badlands and soliciting their ideas to create strategies for how best to develop mineral resources with responsible stewardship of the Badlands. This project was not about reducing or hindering oil development but rather how oil, ranching and wildlife might best cohabitate.

The projects have resulted in several recommendations for this improved cohabitation, including more implementation of large unitizations. We found widespread support among the four categories of North Dakotans we interviewed, which included ranchers, oil industry, government agencies and conservation groups.

The key common interest we found in the assessment of the four groups was concern for the surface, the surface owner, and the impacts to ranching and wildlife. While larger unitization is not the only solution, it is a positive one to reduce the development footprint and

thus reduce impacts to ranching and wildlife. Our analysis of the Corral Creek Unitization revealed a reduction of 264 acres, 33 less well/tank battery pads and a reduction of 9 miles of roads, as compared to what would have occurred without the large unitization.

My experience in these projects have led me to believe this bill will be good for North Dakota and the surface interests in this state. I encourage a do pass recommendation.

Thank you, Mr. Chairman, I would be happy to take any questions the committee may have.

4
2-3-17
HB 1257
Hoffmann

House Energy & Natural Resources Committee
February 3, 2017

HB 1257

Blaine Hoffmann Testimony

Chairman Porter & members of the committee, my name is Blaine Hoffmann and I am here today representing myself and speaking in favor of HB 1257.

I am a life time resident of North Dakota and worked in the Oil & Gas Industry in this state for over 39 years before retiring in 2016. In that time span I have served on many boards and working groups in relation to not only the industry but also conservation groups, community projects and rural zoning and regulatory entities.

Industry has made some remarkable advancements targeting safety, environmental stewardship and regulatory compliance, especially in the last 15 years but as with any business or industry there is always room for improvement. HB 1257 would help achieve all of the targets mentioned above by developing mineral resources in a more responsible manner with less impact to the other great natural resources that are so important to all of us in North Dakota.

Unitization is an important tool to reduce surface footprints which lessens impact to landowners, wildlife and the public in general. This is even more important in the Little Missouri and Missouri River drainages

where soils and ecosystems are fragile and very hard to remediate after they have been disturbed.

Having helped develop and implement the Bakken play in North Dakota from inception I have seen many instances where unitization would have been a preferable and much better choice over conventional development. Larger drill pads and production facilities could have lessened surface impact by as much as 50 percent in many applications. All we need to do is look at the Corral Creek project which was a tremendous success in regards to lessening surface footprint, ranching and wildlife intrusion.

HB1257 would help lessen the burden of implementing unitization while helping to protect all of our natural resources in these affected areas.

Thank you for your consideration of my testimony and I would be happy to answer any questions the committee may have.

Blaine Hoffmann

Gladstone, ND

2/2/2017
#5
HB1257
Harju



The Value of Unitization to Enhanced Oil Recovery in North Dakota Oil Fields

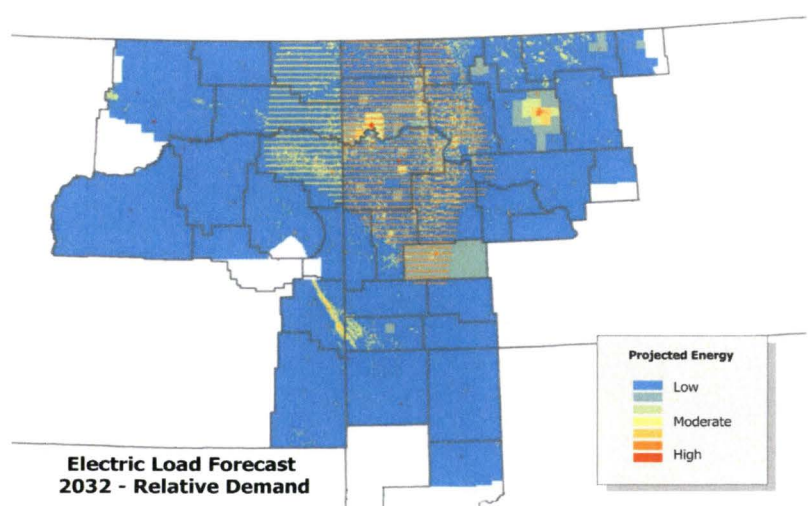
John Harju
Vice President for Strategic Partnerships
Energy & Environmental Research Center

Testimony to the
North Dakota House of Representatives Natural Resources Committee

Bismarck, North Dakota
February 3, 2017

Critical Challenges. **Practical Solutions.**

FUTURE DEMAND FOR ENERGY IN NORTH DAKOTA



**3721 MW required
for load demand...**

3x today's demand.



Source: Power Forecast 2012, KLI

MORE POWER = MORE CO₂

Opportunities for CO₂ capture, utilization, and storage in North Dakota.

Prairie Business

BUSINESS ENERGY HEALTH CARE HIGHER EDUCATION

ENERGY



Project Tundra takes step forward

By KATHY RATHERT | Business Tribune | Feb 26, 2017

Facebook Twitter LinkedIn

GRANDFORK, N.D. — Business Tribune has reported that a partnership for Project Tundra, a clean coal

Synfuels plant reaches CO₂ delivery milestone

By LAUREN DONOVAN | Business Tribune | Feb 26, 2017

Facebook Twitter LinkedIn

A milestone was reached early Sunday when the Dakota Carbonization Co. measured 25 million tons of carbon dioxide delivered by pipeline to Canadian oil fields.

The CO₂, an unregulated greenhouse gas, is a byproduct from the company's Great Plains Synfuels plant near Bismarck where lignite coal is processed into synthetic gas.

It's shipped by a 200-mile pipeline to oilfields near Wrayburn, Saskatchewan and injected into older

Williston Herald

NEWS SPORTS CHITS LIFESTYLE OPINION EIGHTS CLASSIFIED MEDIA SPECIAL SECTIONS

Carbon capture technique could be a 'gamechanger'

DOE funds \$2.5 million grant toward enhanced oil recovery method



Prairie News

1980 Grandview Drive
Travel with Rick Steves

Home News Television Radio Business Support Events Shop About Us

Red Trail Energy, EERC researching carbon capture at the Richardton (ND) ethanol plant

BAHN ELECTRIC POWER COOPERATIVE
A Tribuna Energy Cooperative

About Us News Center Projects Facilities Environment Contact Us

Allam Cycle showing potential in a carbon-constrained world

Clean Power Plan

The vision for the Allam Cycle consists of gasifying lignite coal to produce synthetic natural gas, which would then be used along with oxygen and carbon dioxide (CO₂) to drive a turbine generator.

EOR is a critical component of CO₂ management in ND

- North Dakota's oil industry generates more than **\$12 BILLION** of economic activity and supports 35,000 direct workers and more than 65,000 indirect jobs.
- North Dakota's lignite industry has a **\$3.3 BILLION** economic impact and directly employs nearly 4000 people and supports nearly 11,500 indirect jobs.
- The ethanol industry contributes more than **\$300 MILLION** annually to the state's economy and supports more than 10,000 jobs. North Dakota's ethanol plants employ nearly 200 workers directly.

Source: www.business.nd.gov/energy/

Need for Oil Field Unitization

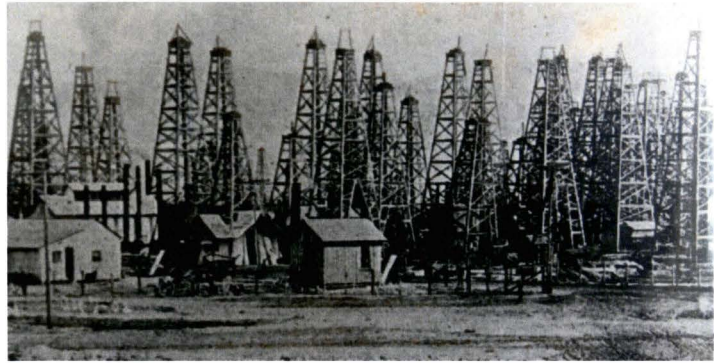
Increase:

- Hydrocarbon produced from the reservoir
- Overall profitability of all unitized wells

Decrease:

- Residual Hydrocarbon

Mutually beneficial to everyone involved



Stages of Conventional Oilfield Maturity

Primary recovery

- Oil is brought to the surface by natural pressure or simple mechanical pumping.
- Can last a few years to decades, depending on reservoir conditions.

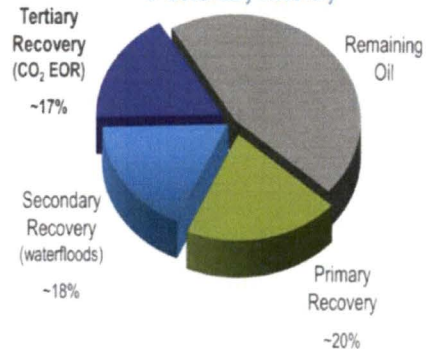
Secondary Recovery

- Also called enhanced oil recovery (EOR).
- Involves injection of water to improve oil mobility.
- Also known as “waterfloods.”
- Typically lasts multiple decades.

Tertiary Recovery

- EOR that occurs after waterflood is no longer economically effective.
- EOR using a different fluid, most commonly CO₂.
- Typically planned to last at least 20 years.
- **Unitization is essential for CO₂ EOR in conventional reservoirs.**

EOR Delivers Almost as Much Production as Primary or Secondary Recovery



Source: www.denbury.com/csr-home/our-company/what-we-do/

CO₂ EOR Projects

- Are low-return/high-cash flow/long-life investments.
- **Require large investments up-front.**
- Have high operating costs.
- Are technically demanding projects (“nimble”).
- Not all oil reservoirs are EOR candidates.
- Are best placed in a portfolio with low-cost/high-return projects.



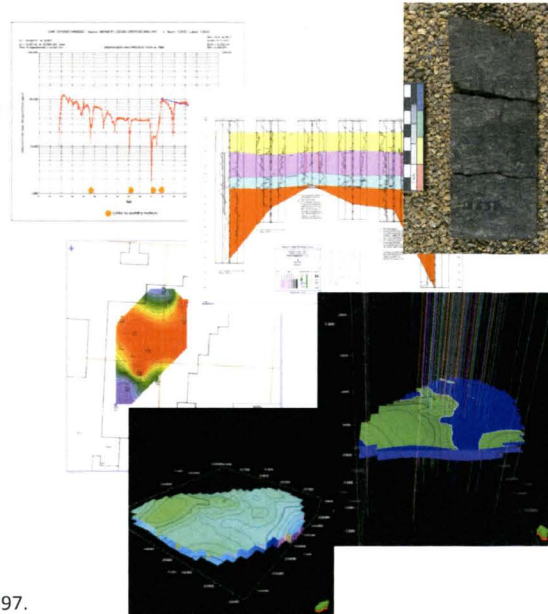
*Adapted from Wilkins, M. Presentation at the 2006 EOR Carbon Management Workshop – “CO₂ EOR Issues and Economics, Is It as Profitable as We Think?”

CO₂ EOR Project Site-Screening Criteria

- **Unitized field**

A field must be unitized before CO₂ EOR can even be considered.

- Primary field production history
- Secondary field production history
- Depth
 - Temperature/pressure
- Rock properties
 - Lithology, porosity, thickness
- Formation fluid properties
 - Saturation



Source: Smith and others, 2009, in AAPG Studies in Geology 59, p. 87-97.

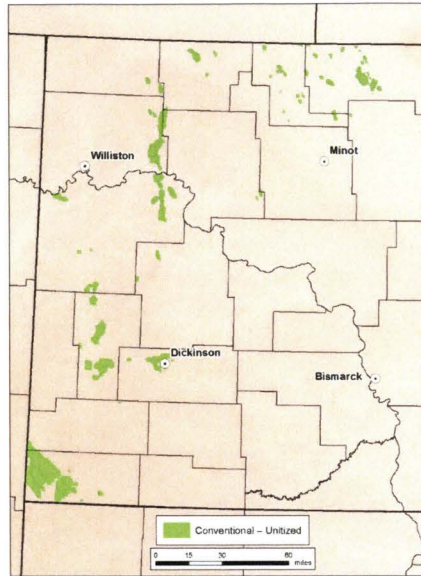
NORTH DAKOTA EOR AND STORAGE OPPORTUNITIES CONVENTIONAL VS. BAKKEN AND THREE FORKS

86 fields could use CO₂ now.

280 to 631 million bbl of incremental oil.

47 to 283 million metric tons of CO₂ needed.

Source: North Dakota Oil and Gas Industry Impacts Study - KLJ, 2014

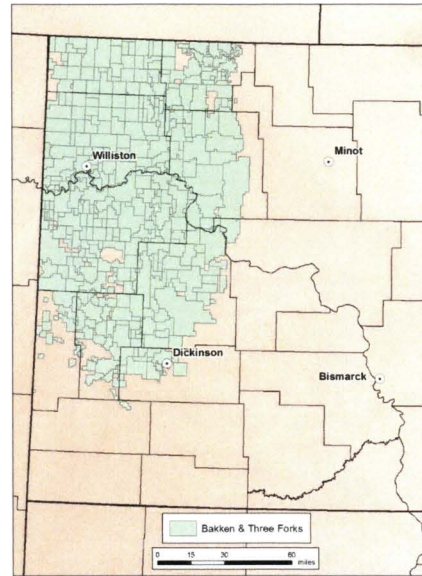


Widespread deployment is perhaps a decade away.

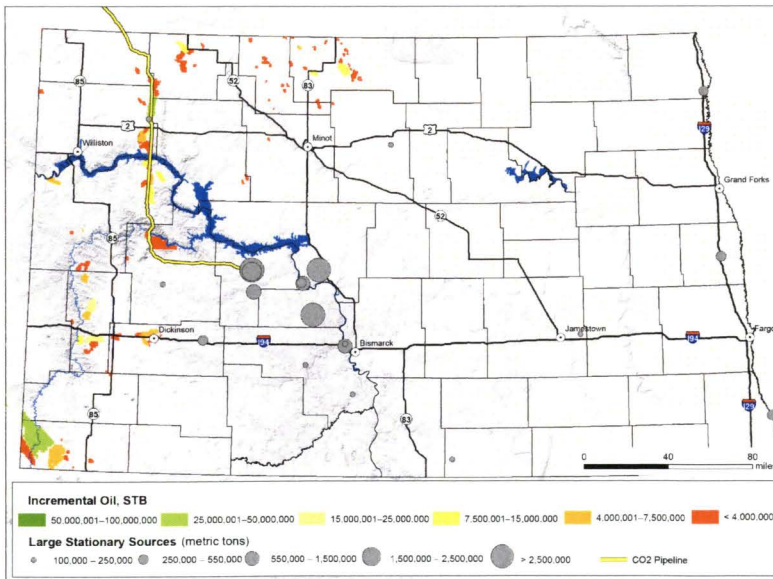
1000 to 4000 million bbl of incremental oil.

200 to 2000 million metric tons of CO₂ needed.

Source: Sorensen and others, 2014, Energy Procedia, v. 63, p. 7852-7860.



Conventional Oilfield CO₂ EOR Opportunities in North Dakota



Legislatively commissioned 2014 report shows:

- In 86 conventional unitized oil fields:
 - 280 to 631 million bbl of incremental oil
 - 47 to 283 million metric tons of CO₂ needed

Source: North Dakota Oil and Gas Industry Impacts Study - KLJ, 2014

ESTIMATION OF BAKKEN CO₂ EOR POTENTIAL

The DOE methodology for estimating CO₂ EOR and storage capacity (2007) was applied to the Bakken in North Dakota:

Potential incremental oil from CO₂-based EOR

Cumulative Production Method



648 Mbbl

Reality?



4000 Mbbl

Reservoir Properties Method



7000 Mbbl

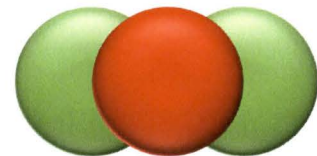
CO₂ needed to realize Bakken EOR



187 Mt



2000 Mt

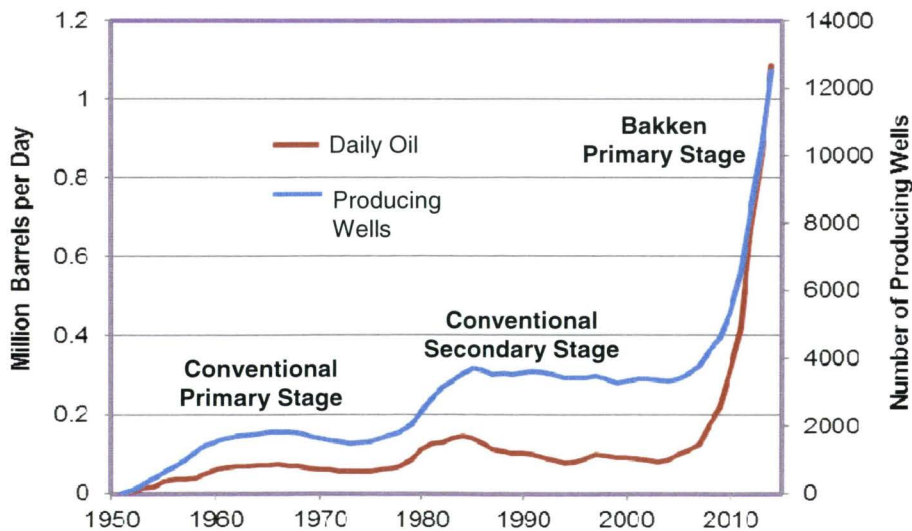


3200 Mt

North Dakota coal-fired generation currently emits ~33 million tons CO₂/year.

Source: Sorensen and others, 2014, Energy Procedia, v. 63, p. 7852-7860.

Maturity of North Dakota Oil Production



As Bakken moves into the secondary recovery stage, a clear path to unitization will be critical.

Secondary recovery in the Bakken will require innovation.

Lower threshold for unitization will facilitate the implementation of innovative approaches & technologies.

Graphic source: Created by EERC using NDIC Oil & Gas Division data.

Technical Challenges to Bakken Waterflood EOR

- Water can cause some clays to swell, closing off permeability.
- Bakken rock is often oil-wet, which makes it difficult for water to mobilize oil in the reservoir.
- Fractures short circuit the flow, leaving large areas of the reservoir unswept and reducing waterflood efficiency.



Addressing these challenges
will require innovative solutions.

Unitization Facilitates Innovation

- Gases such as CO₂ and ethane, or mixtures, likely most effective.
- Fractured reservoirs need nonstandard injection and production methods to achieve best performance.
- Innovation requires flexibility of design and operations.
- Unitization can facilitate innovation.



EOR is a Critical Component of CO₂ Management in North Dakota

- The size of the prize in conventional fields is substantial (280 to 631 million bbl).
- The potential for EOR in the Bakken is enormous (greater than 1 billion bbl).
- In the past, oil revenue has had to pay for everything (source, pipeline, field infrastructure).
- In the coming world of CCS/CO₂ EOR, capture and possibly transportation may be at least covered by others, leaving economics of the field to control new implementation of EOR projects.
- Unitization is necessary to efficiently and economically implement widespread CO₂ EOR and support the development of innovative EOR methods.

Photo credit: EERC, 2016

Contact Information

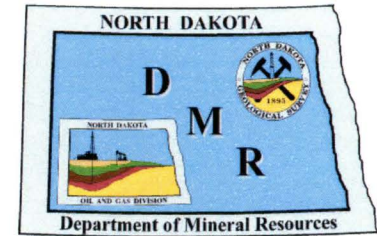
Energy & Environmental Research Center

University of North Dakota
15 North 23rd Street, Stop 9018
Grand Forks, ND 58202-9018

World Wide Web: www.undeerc.org
Telephone No. (701) 777-5157
Fax No. (701) 777-5181

John Harju
Vice President for Strategic Partnerships
jharju@undeerc.org





**House Bill 1257
Unitization**

House Energy and Natural Resources Committee

February 3, 2017

**Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission**

#6
2-3-17
Helms
1-11-17
1257

38-08-09.1. LEGISLATIVE FINDING.

The legislative assembly finds and determines that it is desirable and necessary, under the circumstances and for the purposes hereinafter set out, to authorize and provide for **unitized management, operation, and further development** of the oil and gas properties to which sections 38-08-09.1 through 38-08-09.16 are applicable, to the end that a **greater ultimate recovery of oil and gas** may be had therefrom, **waste prevented**, the **drilling of unnecessary wells eliminated**, and the **correlative rights** of the owners in a fuller and more beneficial enjoyment of the oil and gas rights be **protected**.

38-08-09.2. POWER AND AUTHORITY OF COMMISSION.

38-08-09.3. MATTERS TO BE FOUND BY COMMISSION - REQUISITES OF PETITION.

. . . protect, safeguard, and **adjust the respective rights and obligations** of the several persons affected, including **royalty owners**, **owners of overriding royalties**, **oil and gas payments**, **carried interests**, **mortgagees**, **lien claimants**, and others, as well as the **lessees**.

38-08-09.4. ORDER - UNITS AND UNIT AREAS - PLAN OF UNITIZATION.

38-08-09.5. RATIFICATION OR APPROVAL OF PLAN BY LESSEES AND OWNERS.

38-08-09.6. UNLAWFUL OPERATION.

38-08-09.7. STATUS AND POWERS OF UNIT - LIABILITY FOR EXPENSES - LIENS.

38-08-09.8. MODIFICATION OF PROPERTY RIGHTS, LEASES, AND CONTRACTS - TITLE TO PROPERTY - DISTRIBUTION OF PROCEEDS - EFFECT OF OPERATIONS.

38-08-09.9. ENLARGEMENT OF AREA - CREATION OF NEW UNITS - AMENDMENT OF PLAN.

38-08-09.10. REASONABLENESS OF PLAN.

38-08-09.11. PARTICIPATING BY PUBLIC LANDS.

38-08-09.12. RECEIPTS AS INCOME.

38-08-09.13. DEFINITIONS.

38-08-09.14. SEVERABILITY OF PROVISIONS. Repealed

38-08-09.15. AGREEMENT NOT VIOLATIVE OF LAWS GOVERNING MONOPOLIES OR RESTRAINT OF TRADE.

38-08-09.16. APPEALS.

Summary

The purpose and required processes of unitization are fully defined in 16 sections of Century Code. The process is long and complicated. Requiring the input of attorneys, landmen, geologists, engineers, accountants, operators, mineral owners, and surface owners. There is no Administrative Code (agency rules) for unitization.

Unitization provides for one operator, with one management and development plan.

The purposes of unitization are:

Increase oil and gas recovery.

Prevent physical waste of oil & gas and economic waste of drilling unnecessary wells.

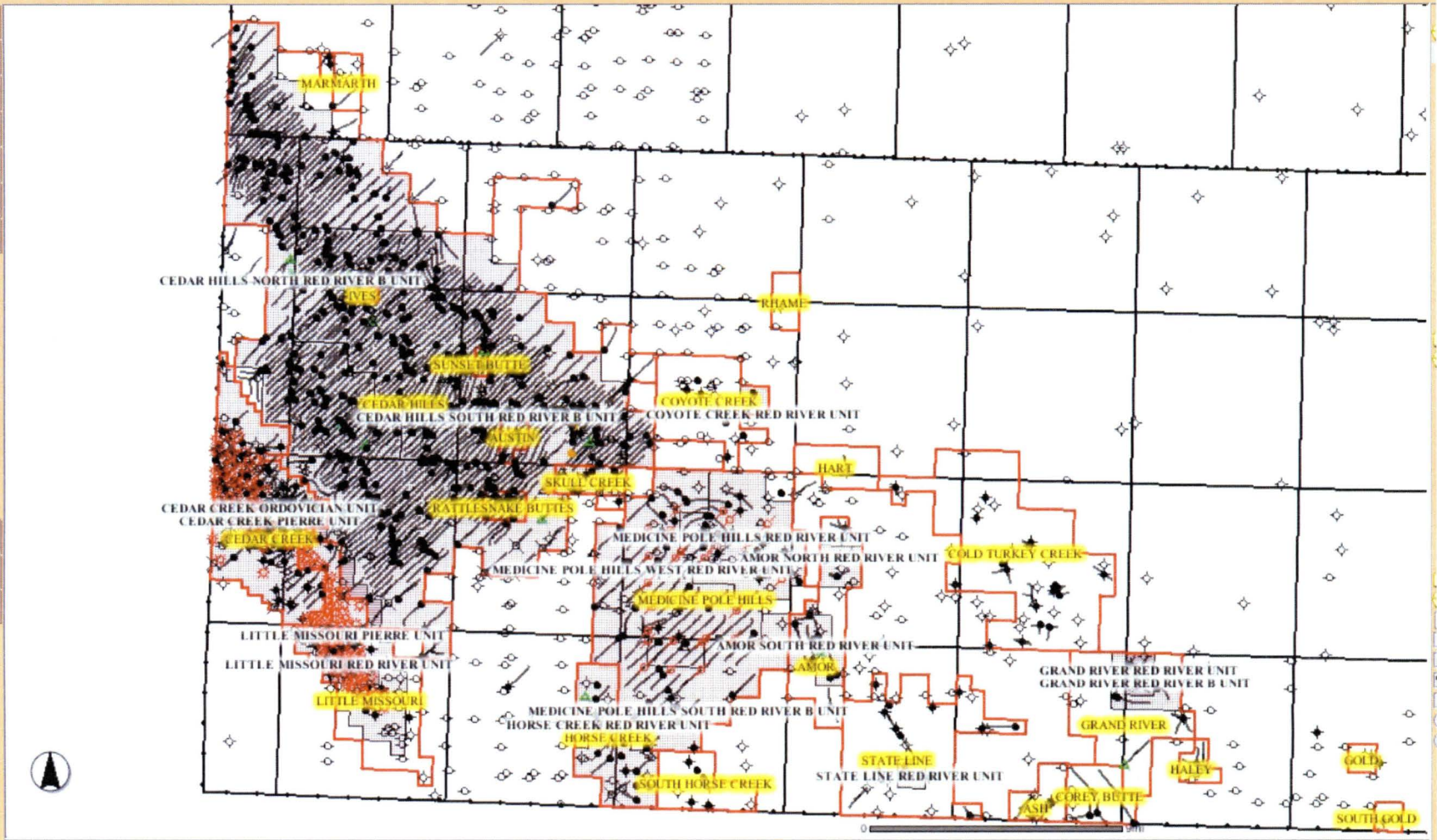
Protect the correlative rights of all the owners.

Units are complicated long term contracts that determine how every dollar spent, and every dollar of oil and natural gas revenue will be divided among royalty owners, owners of overriding royalties, carried interests, mortgagees, lien claimants, lessees and others.

A unit that is ratified by the legal minimum of two types of owners is binding upon all the rest.

Oil and Gas : ArcIMS Viewer

- Legend / Layers
- Overview Map
- View Entire State
- Previous View
- Clear Selection
- Search
- Create PDF
- Zoom In
- Zoom Out
- Pan
- Rect Identify
- Select Object
- Buffer
- Distance
- Find Well
- Find Field / Unit
- Find Section



Zoom In

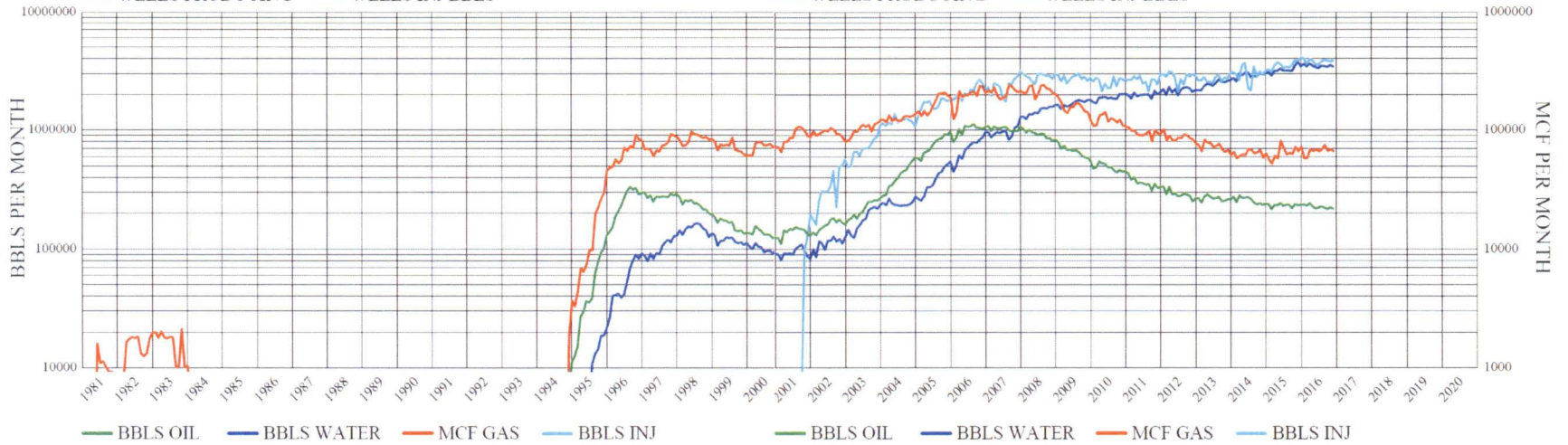
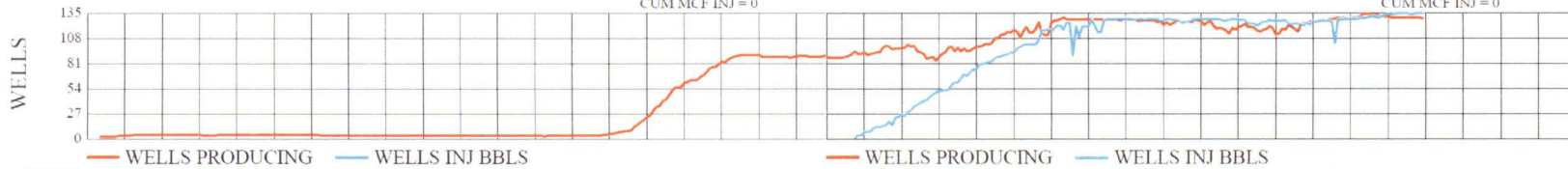
M

CEDAR HILLS SOUTH RED RIVER B UNIT

CUM OIL = 103228439
 CUM WATER = 291759615
 CUM GAS = 27723350
 CUM BBL INJ = 419227367
 CUM MCF INJ = 0

CEDAR HILLS SOUTH RED RIVER B UNIT

CUM OIL = 103228439
 CUM WATER = 291759615
 CUM GAS = 27723350
 CUM BBL INJ = 419227367
 CUM MCF INJ = 0



*** THIS CURVE DOES NOT INCLUDE DATA FROM CONFIDENTIAL WELLS ***

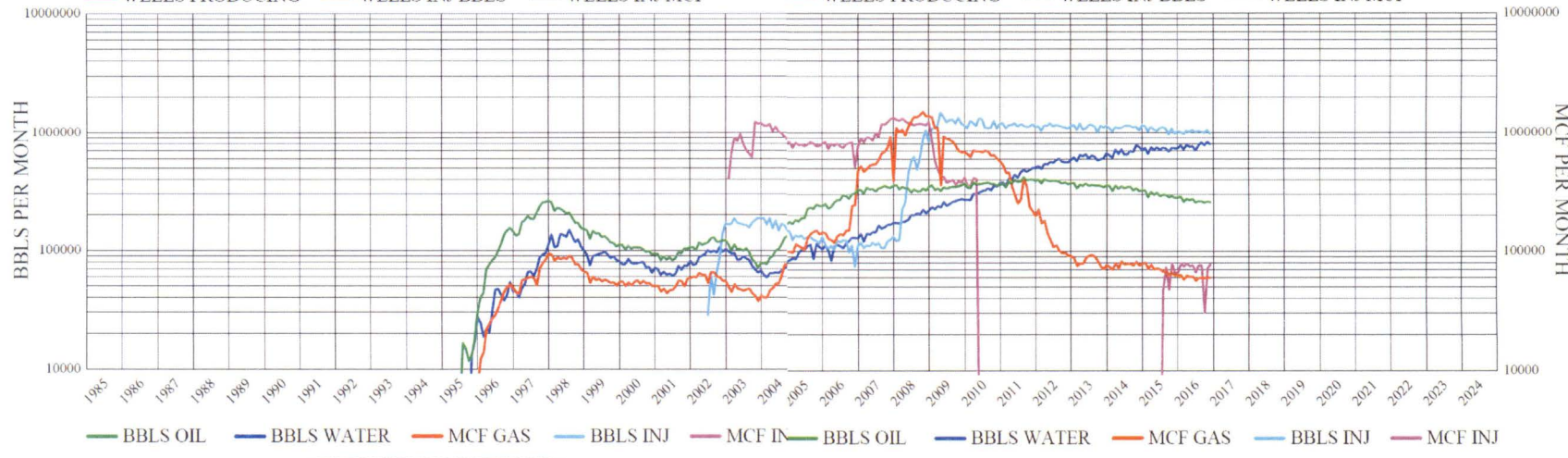
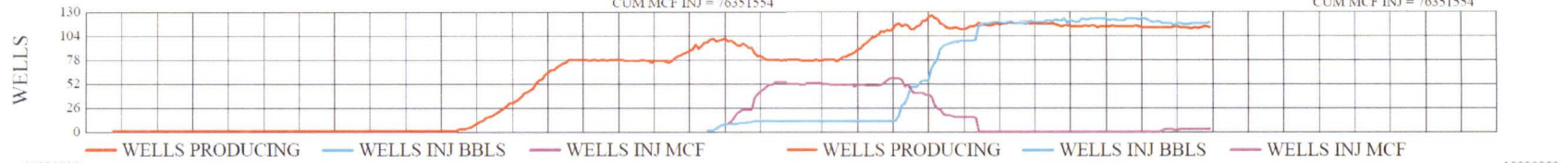
*** THIS CURVE DOES NOT INCLUDE DATA FROM CONFIDENTIAL WELLS ***

CEDAR HILLS NORTH RED RIVER B UNIT

CUM OIL = 60625177
 CUM WATER = 67212462
 CUM GAS = 58791999
 CUM BBL INJ = 123879402
 CUM MCF INJ = 76351554

CEDAR HILLS NORTH RED RIVER B UNIT

CUM OIL = 60625177
 CUM WATER = 67212462
 CUM GAS = 58791999
 CUM BBL INJ = 123879402
 CUM MCF INJ = 76351554



— BBLS OIL — BBLS WATER — MCF GAS — BBLS INJ — MCF IN — BBLS OIL — BBLS WATER — MCF GAS — BBLS INJ — MCF INJ

*** THIS CURVE DOES NOT INCLUDE DATA FROM CONFIDENTIAL WELLS ***

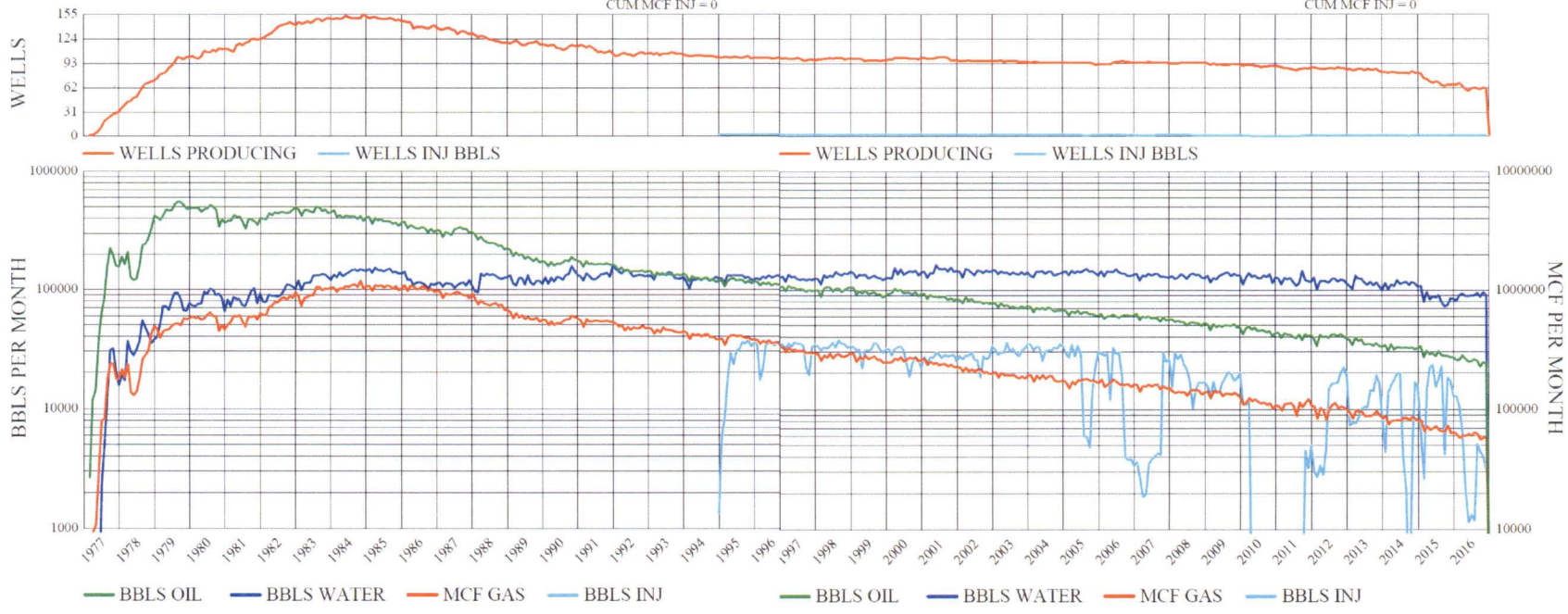
*** THIS CURVE DOES NOT INCLUDE DATA FROM CONFIDENTIAL WELLS ***

LITTLE KNIFE MADISON

CUM OIL = 79707310
 CUM WATER = 56671608
 CUM GAS = 185098624
 CUM BBL INJ = 5355234
 CUM MCF INJ = 0

LITTLE KNIFE MADISON

CUM OIL = 79707310
 CUM WATER = 56671608
 CUM GAS = 185098624
 CUM BBL INJ = 5355234
 CUM MCF INJ = 0

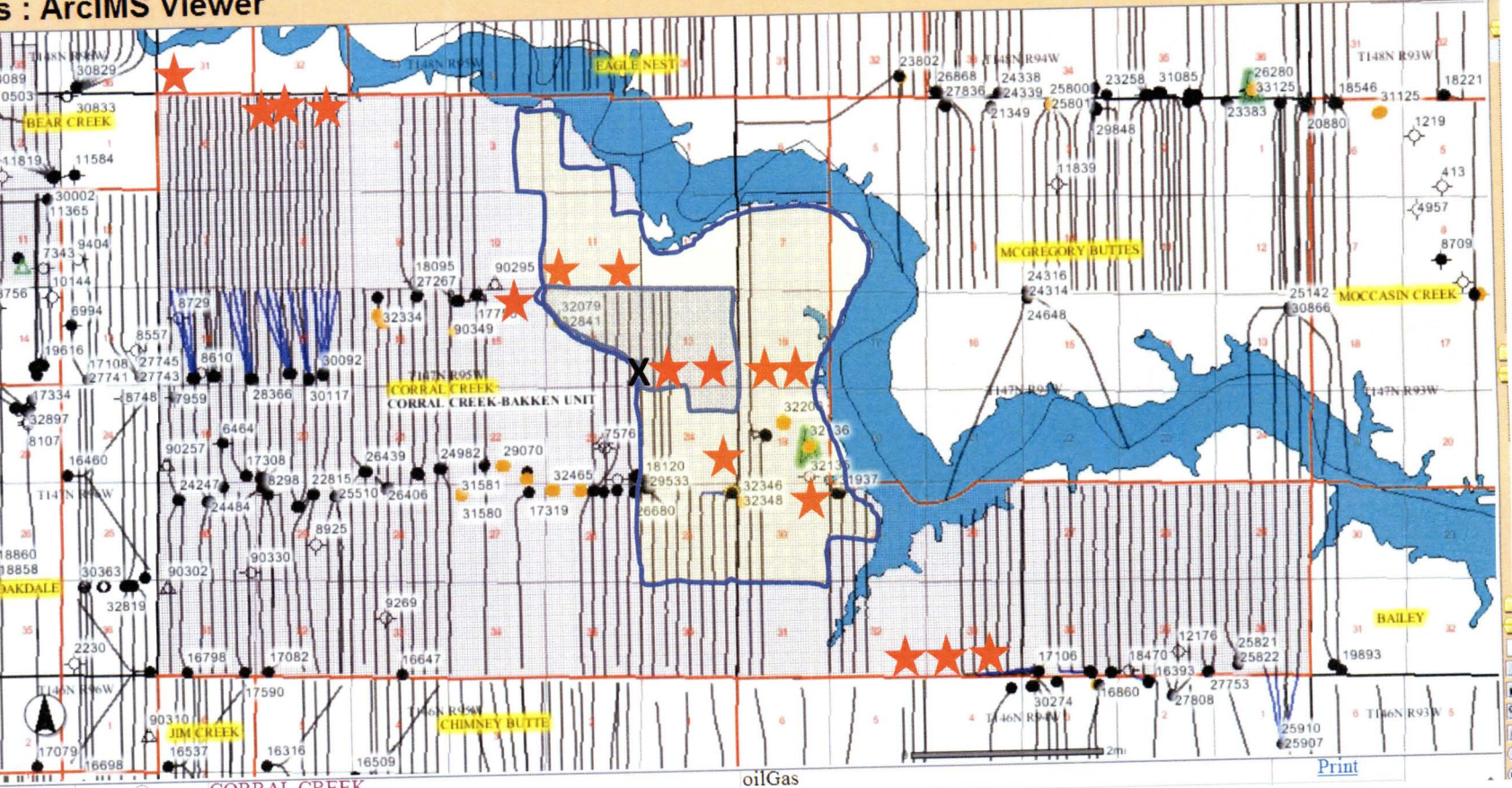


*** THIS CURVE DOES NOT INCLUDE DATA FROM CONFIDENTIAL WELLS ***

*** THIS CURVE DOES NOT INCLUDE DATA FROM CONFIDENTIAL WELLS ***

Oil and Gas : ArcIMS Viewer

- Legend / Layers
- Overview Map
- View Entire State
- Previous View
- Clear Selection
- Search
- Create PDF
- Zoom In
- Zoom Out
- Pan
- Rect Identify
- Select Object
- Buffer
- Distance
- Find Well
- Find Field / Unit
- Find Section



oilGas

Print

Operators	Wells-Active	Inactive	NC	LOC-APD	Approved Incr. Density
1 vs 4	286	2	11	42	151

Homes + Parks + Businesses + Highways + Water Disposal + Little Missouri River

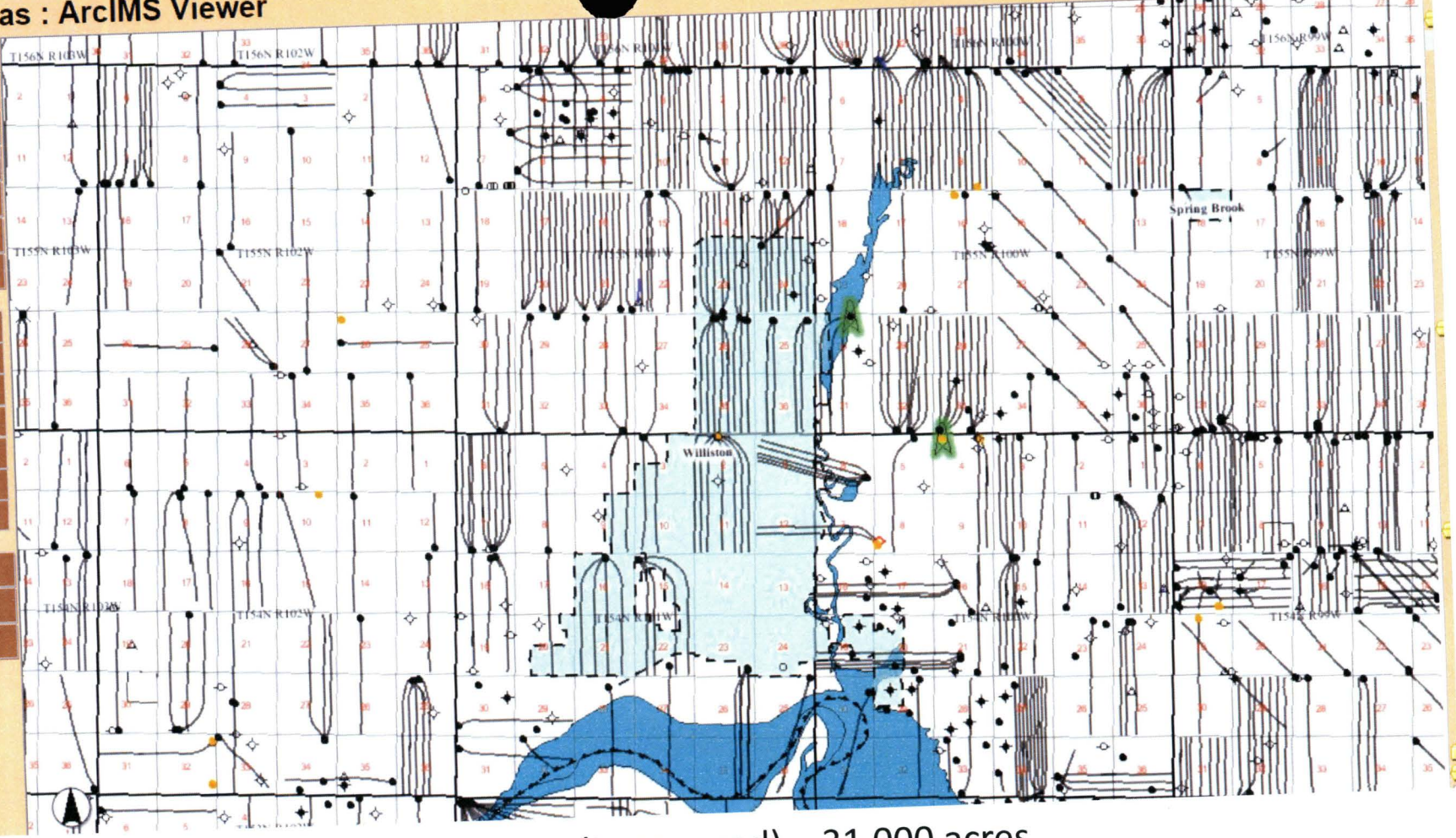


Corral Creek full Bakken + Threeforks development:

	Unit	Non-unit
Well pads	50	0
Well pad size	5.2	NA
Well + battery pads	12	70
Well + battery size	8.0	8.0
Central tank battery pads	5	0
Central tank battery pad size	2.8	NA
Total acres well + battery	370	560
Roads	19 miles 150 acres	28 miles 224 acres
Footprint	520 acres	784 acres

Oil & Gas : ArcIMS Viewer

- Legend / Layers
- Overview Map
- View Entire State
- Previous View
- Clear Selection
- Search
- Create PDF
- Zoom In
- Zoom Out
- Pan
- Rect Identify
- Select Object
- Buffer
- Distance
- Find Well
- Find Field / Unit
- Find Section



City of Williston (for illustration only – no unit proposed) – 31,000 acres

Operators	Wells-Active	Inactive	NC	LOC-APD	Approved Incr. Density
6	67	2	12	2	168

Homes + Schools + Parks + Hospitals + Businesses + Bypasses + Abandoned Coal Mines + Landfill
 + Railroad+ Leonardite Mine + Abandoned Salt Mine + Wastewater Treatment
 + Little Muddy&Missouri Rivers and Levees

1
KEISER
2-9-17
HB 1257

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1257

Page 1, line 1, replace "section" with "subsection 7 of section 38-08-09.4 and sections"

Page 1, line 1, after "38-08-09.5" insert "and 38-08-09.9"

Page 1, after line 3, insert:

"SECTION 1. AMENDMENT. Subsection 7 of section 38-08-09.4 of the North Dakota Century Code is amended and reenacted as follows:

7. The time when and conditions under which and the method by which the unit must or may be dissolved and its affairs wound up; however, the unit may be dissolved ten years after the unit agreement becomes effective upon a petition to the commission by the royalty owners who are credited with at least eighty percent of the production and proceeds thereof or for units established after August 1, 2001, upon a petition to the commission by the royalty owners who are credited with at least sixty percent of the production and proceeds thereof the percentage of interest of the royalty production and proceeds thereof required to ratify the unit agreement on the date the unit agreement was initially approved by the commission, and a subsequent hearing and order by the commission. The commission may not dissolve any unit if the dissolution would be likely to result in waste or the violation of the correlative rights of any owner. This provision does not limit or restrict any other authority which the commission has."

Page 1, line 19, replace "fifty" with "fifty-five"

Page 1, line 20, replace "fifty" with "fifty-five"

Page 2, after line 12, insert:

"SECTION 3. AMENDMENT. Section 38-08-09.9 of the North Dakota Century Code is amended and reenacted as follows:

38-08-09.9. Enlargement of area - Creation of new units - Amendment of plan.

The unit area of a unit may be enlarged at any time by the commission, subject to the limitations hereinbefore provided in this chapter to include adjoining portions of the same common source of supply, including the unit area of another unit, and a new unit created for the unitized management, operation, and further development of ~~such~~ the enlarged unit area, or the plan of unitization may be otherwise amended, all in the same manner, upon the same conditions and subject to the same limitations as provided with respect to the creation of a unit in the first instance, except, that where an amendment to a plan of unitization relates only to the rights and obligations as between lessees, or the amendment to a plan of unitization or the enlargement of a unit area is found by the commission to be reasonably necessary in order to effectively carry on the joint effort, to prevent waste, and to protect correlative rights, and that such will result in the general advantage of the owners of the oil and gas rights within the unit area and the proposed enlarged unit area, and the persons and owners in the proposed added unit area have ratified or approved the plan of unitization as required

by section 38-08-09.5, then ~~such~~the amendment to a plan of unitization or the enlargement of a unit area need not be ratified or approved by royalty owners of record in the existing unit area provided that written notice thereof is mailed to ~~such~~the royalty owners by the operator of a unit not more than forty days nor less than thirty days prior to the commission hearing. The notice must describe the plan for the unit amendment or enlargement together with the participation factor to be given each tract in the unit area and in the proposed area and must contain the time and place of the commission hearing. An affidavit of mailing verifying ~~such~~the notice must be filed with the commission. ~~Said~~The notice must further provide that in the event ten percent of the royalty interests or working interests in the existing unit area file with the commission at least ten days prior to the commission proceeding an objection to the plan of enlargement, the commission shall require that the unit amendment or enlargement be approved by ~~sixty~~more than fifty-five percent of all royalty interests and working interests in the existing and proposed areas."

Renumber accordingly

NORTH DAKOTA HOUSE OF REPRESENTATIVES

HB 1257
3-10-17
AH 41
Pj1



STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360

Representative Vicky Steiner

District 37
859 Senior Avenue
Dickinson, ND 58601-3755

Residence: 701-225-4227
Cell: 701-290-1376
vsteiner@nd.gov

COMMITTEES:
Finance and Taxation
Government and Veterans Affairs

March 10, 2017

Chairman Senator Unruh and Member of the Senate Energy and Natural Resources

Vicky Steiner, State representative for District 37, Dickinson.

I present for your consideration House Bill 1257. This is a simple bill on a complicated subject. Unitization today requires a 60% vote of the majority for approval of a unit as one of the requirements.

This bill lowers that threshold to 55% as amended in House Industry, Business and Labor.

I hope this bill will mean that there will be additional units formed. It moves the unitization requirement to approval at 55%.

I recently served on a Badlands Advisory Group for 6 months. The group had a rancher in McKenzie County, a Dunn county commissioner who's also a rancher and a surface owner, a former state game warden, a former corporate oil manager and myself. We looked at lessons learned from the past 7 years in the Bakken oil field development in western North Dakota. We discussed how the state might lessen an industrial footprint on the landscape. We have about 13,000 wells moving to possibly at least 50,000 wells in the future.

Unitization came up frequently in our discussion on how unitization should be encouraged when possible as it will mean less footprint on the land, especially less need for multiple roads for multiple operators. The benefit is a unit has one operator working with the N.D. Industrial Commission. Units require pre-planning and I believe that planning will reduce unneeded multiple pads and roads. It's also essential for Enhanced Oil Recovery or EOR.

This will benefit our state in the long run.

Lynn Helms from the ND Dept. of Minerals is here with the technical explanation of the enhance oil recovery opportunities with unitization. Please include his technical information.

Thank you.

PROPOSED AMENDMENTS TO
HOUSE BILL NO 1257
BACKGROUND

HB 1257
3-10-17
AA #2
ygl

Fr. Rep Skinner

The unitization statutes codified as Sections 38-08-09.1 – 38-08-09.16, N.D.C.C. were initially enacted in 1965. S.L. 1965, Chpt. 260. Initially, Section 38-08-09.5 required ratification by 80% of working interests and royalty interest, and Section 38-08-09.9 required any enlargement to be approved by 80% of royalty and working interests in some circumstances.

In 1991, Section 38-08-09.5 was amended to reduce the ratification requirement to 70% and Section 38-08-09.9 was amended to reduce the ratification requirement for enlargements to 70%. S.L.1991, Chpt. 389. In 1991, no change was made to subsection 7 of Section 38-08-09.4, which provided that the Commission could terminate a unit upon petition of the owners of 80% of the royalty interests.

In 2001, Section 38-08-09.5 was amended to reduce the ratification requirement to 60% and this time subsection 7 of Section 38-08-09.4 was also amended to reduce the minimum percentage for any petition to terminate a unit to 60% for units established after August 1, 2001, the effective date of the 2001 statute. S.L. 2001, Chpt.326. In 2001 no change was made to Section 38-08-09.9, so the percentage required to ratify an enlargement remained at 70%. In 2003, the 70% requirement in Section 38-08-09.9 was changed to 60% in the Technical Corrections Act, S.L. 2003, Chpt. 48, §29.

The Proposed Amendments reduce the ratification requirements in Section 38-08-09.5 from 60% to 55% (originally proposed as 50% in HB No. 1257) and also provide a petition to terminate a unit or an enlargement of a unit needs the joinder or ratification of the same percentage required to ratify the unit in question when it was initially approved by the NDIC while an enlargement of a unit requires ratification by more than 55%.



HB 1257
3-10-17
AH #3
pg 1

House Bill 1257
Testimony of Ron Ness
Senate Energy and Natural Resources Committee
March 10, 2017

Chairman Unruh and members of the Senate Natural Resources Committee, my name is Ron Ness, president of the North Dakota Petroleum Council. The North Dakota Petroleum Council represents more than 500 companies in all aspects of the oil and gas industry, including oil and gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oilfield service activities in North Dakota. I appear before you today in support of House Bill 1257.

As amended, House Bill 1257 lowers the percentage of working interest (lessee or oil company) royalty interest (mineral owner) required for an oil production unit from more than 60% to more than 55% and lowers the percentage (lessee or oil company) royalty interest (mineral owner) required to disband an oil production unit from more than 60% to more than 55%. The rationale for this is very simple, on a financial decision like this, a minority of owners should not dictate to the majority. Currently, 40% of the owners can block a decision of 60%. This is similar to the votes you take daily, more than 50% wins. On decisions related to business and boards that's certainly the threshold. The House felt 50% was too much of a jump at once and decided on 55%.

The 2001 Legislature lowered the unitization percentage from 70% to 60%. That bill was brought to the legislature by Attorney General Heitkamp with a recommendation of 55%. NDPC testified at the time, we were concerned that was too big of a change and it was amended to 60%. Sixteen years later, I am here to indicate they we were wrong and a majority should decide

AB 1257
3-10-17
AH H3
pg 2

especially as the legacy fields in North Dakota now struggle to attract investment. In 2001, units accounted for 44% of the North Dakota oil production of about 90,000 barrels per day. So, units were a major aspect of industry's future. How little we knew how much things would change in just a few years. Today, North Dakota produces 90,000 barrels of oil before 3am every single day. This does not diminish the value of each of these barrels or value to their owners, especially since the units are primarily in the northern and southern most parts of the oil patch, it just shows the Bakken has completely dwarfed all other development. However, someday, hopefully in the near future, the technology in the Bakken will warrant the injection of carbon dioxide or natural gas into Bakken fields that will increase the productivity and extend the life and potential of existing Bakken wells and fields.

What is a production unit? It's an area in which all interest owners jointly participate in a project that involves the injection of fluids into a reservoir to increase the recovery of hydrocarbons. In non-Bakken fields, this is generally done with water or air. In the Bakken, the rock is too dense and water will not work, so EERC and others are researching the technology to provide secondary recovery after primary production is depleted. Once a unit is established, the operator can use my wells as injection wells and my neighbor's wells as production wells, the expenses, royalties are all shared as part of a bigger project. A unit can significantly increase the value to all the stakeholders, but oftentimes raises concerns and questions relating to how do I make sure my neighbor isn't benefiting more than me since I think more of the oil came from my minerals. This is a concern, but the goal is to recover more by using advanced technology, units that are not successful can also be subject to a vote to discontinue the unit.

One of the clear benefits of unitization beyond increased oil production and recovery is that under unit develop the oil operator can consolidate their well sites, tank batteries, pipelines, roads

HB 1257
3-10-17
AH 43
pg 3

and all other infrastructure over a much larger area which will substantially reduce the environmental footprint and impacts on wildlife. Some would like to see Bakken units occur earlier in the process to reduce impacts. We have one great example in Corral Creek north of Killdeer, where a 33,000-acre unit was developed to ensure minimum impacts occurred to the Little Missouri State Park. That project has been an incredible success and without it, the park which is on private land, would have been substantially impacted. The North Dakota Industrial Commission has to ratify each unit and the process is subject to a formal hearing, comment and approval.

We urge a Do Pass on HB 1257. I would be happy to answer any questions.

HB1251
3/10/17
Harju
p8



The Value of Unitization to Enhanced Oil Recovery in North Dakota Oil Fields

John Harju
Vice President for Strategic Partnerships
Energy & Environmental Research Center

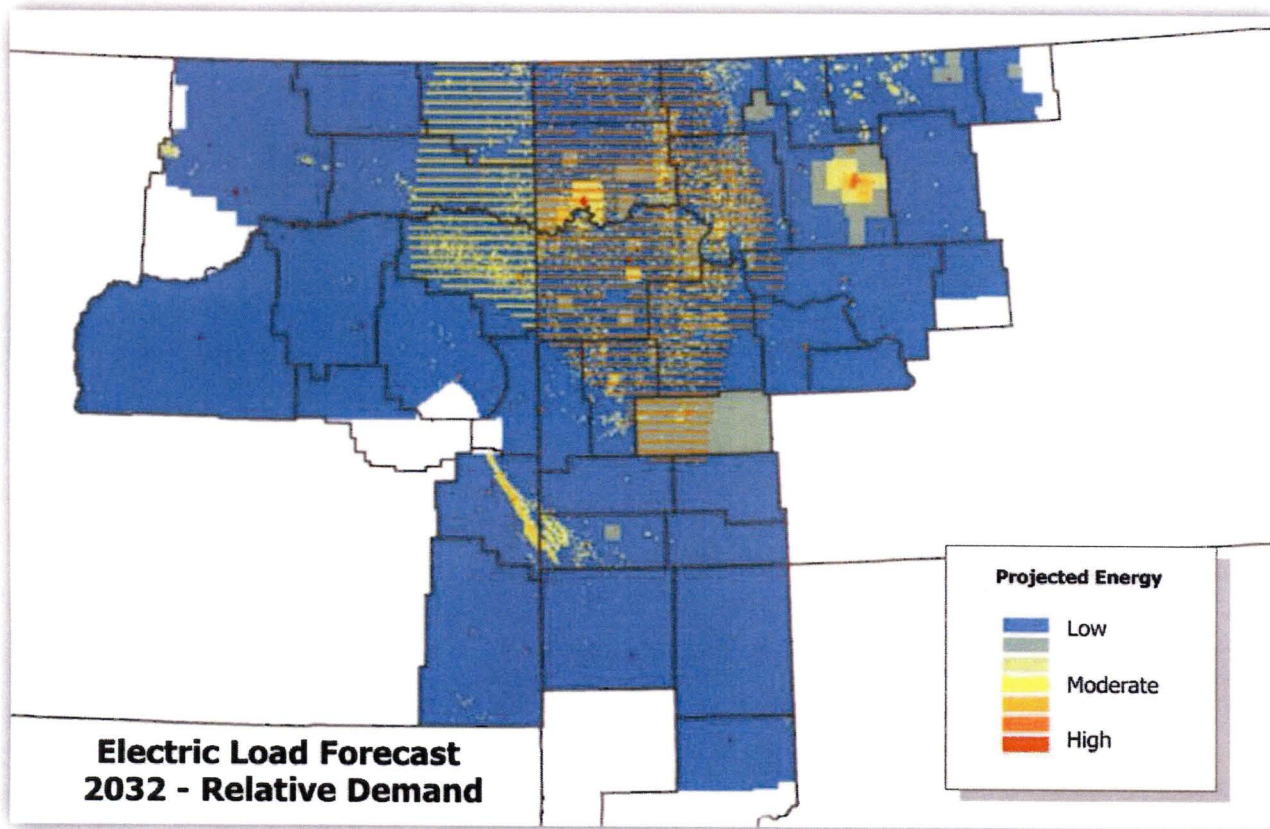
Testimony to the
North Dakota House of Representatives Natural Resources Committee

Bismarck, North Dakota
February 3, 2017

Critical Challenges. **Practical Solutions.**

HB 1251
3/10/17
att #4
pp 2

FUTURE DEMAND FOR ENERGY IN NORTH DAKOTA



**3721 MW required
for load demand...**

3x today's demand.



Source: Power Forecast 2012, KLI

15210A
3/10/17 4
#A #B #C

MORE POWER = MORE CO₂

Opportunities for CO₂ capture, utilization, and storage in North Dakota.

Prairie Business
BUSINESS ENERGY HEALTH CARE HIGHER EDUCATION

ENERGY



IMAGE: Kayla Prasek/Prairie Business

Project Tundra takes step forward

By Kayla Prasek, Prairie Business on Aug 22, 2015 at 9:22 a.m.

GRAND FORKS, N.D. — Four regional organizations signed a memorandum of understanding today to advance their partnership for Project Tundra, a clean coal

Bismarck Tribune News Sports Lifestyles Obituaries Buy & Sell Celebrate

Synfuels plant reaches CO₂ delivery milestone

By LAUREN DONOVAN | Bismarck Tribune Feb 26, 2013

A milestone was reached early Sunday when the Dakota Gasification Co. measured 25 million tons of carbon dioxide delivered by pipeline to Canadian oil fields.

The CO₂, an unregulated greenhouse gas, is a byproduct from the company's Great Plains Synfuels plant near Beulah where lignite coal is processed into natural gas.

It's shipped by a 200-mile pipeline to oilfields near Weyburn, Saskatchewan, and injected into older

Williston Herald
Williston Herald's News, Sports, Lifestyle, Opinion, Events, Classifieds, Media, Special Sections

Carbon capture technique could be a 'gamechanger'

DOE funds \$2.5 million grant toward enhanced oil recovery method

By Karen Jean Gagnier/Williston Herald on 10/11/2015

More from our site

- Ruby Herland**
Ruby Herland, 83, of Williston, passed away at the St. Vincent Health Care Center in Williston.
- More oil for NorthStar**
More oil could soon be headed to the NorthStar Refining Facility located in Devils Elbow.
- Kathryn R. Rathert**

Prairie Public News

FM1: Classical and News
Travel with Rick Steves

Home News Television Radio Education Support Events Shop Search

Red Trail Energy, EERC researching carbon capture at the Richardton (ND) ethanol plant

By DAVE THOMPSON • AUG 15 2016

BASIN ELECTRIC POWER COOPERATIVE
A Touchstone Energy Cooperative

About Us News Center Projects Facilities Environment Contact Us

Allam Cycle showing potential in a carbon-constrained world

Clean Power Plan

The vision for the Allam Cycle consists of gasifying lignite coal to produce synthetic natural gas, which would then be used along with oxygen and carbon dioxide (CO₂) to drive a turbine generator.

On Aug. 3, 2015, the Environmental Protection Agency released its Clean Power Plan.

On Oct. 23, 2015, the Clean Power Plan was published in the Federal Register.

Handwritten notes in blue ink: "Level #1", "Level #2", "Level #3", "Level #4", "Level #5", "Level #6", "Level #7", "Level #8", "Level #9", "Level #10", "Level #11", "Level #12", "Level #13", "Level #14", "Level #15", "Level #16", "Level #17", "Level #18", "Level #19", "Level #20", "Level #21", "Level #22", "Level #23", "Level #24", "Level #25", "Level #26", "Level #27", "Level #28", "Level #29", "Level #30", "Level #31", "Level #32", "Level #33", "Level #34", "Level #35", "Level #36", "Level #37", "Level #38", "Level #39", "Level #40", "Level #41", "Level #42", "Level #43", "Level #44", "Level #45", "Level #46", "Level #47", "Level #48", "Level #49", "Level #50", "Level #51", "Level #52", "Level #53", "Level #54", "Level #55", "Level #56", "Level #57", "Level #58", "Level #59", "Level #60", "Level #61", "Level #62", "Level #63", "Level #64", "Level #65", "Level #66", "Level #67", "Level #68", "Level #69", "Level #70", "Level #71", "Level #72", "Level #73", "Level #74", "Level #75", "Level #76", "Level #77", "Level #78", "Level #79", "Level #80", "Level #81", "Level #82", "Level #83", "Level #84", "Level #85", "Level #86", "Level #87", "Level #88", "Level #89", "Level #90", "Level #91", "Level #92", "Level #93", "Level #94", "Level #95", "Level #96", "Level #97", "Level #98", "Level #99", "Level #100".

EOR is a critical component of CO₂ management in ND

- North Dakota's oil industry generates more than **\$12 BILLION** of economic activity and supports 35,000 direct workers and more than 65,000 indirect jobs.
- North Dakota's lignite industry has a **\$3.3 BILLION** economic impact and directly employs nearly 4000 people and supports nearly 11,500 indirect jobs.
- The ethanol industry contributes more than **\$300 MILLION** annually to the state's economy and supports more than 10,000 jobs. North Dakota's ethanol plants employ nearly 200 workers directly.

Source: www.business.nd.gov/energy/

HP 1257
3/10/17
#4
#5

Need for Oil Field Unitization

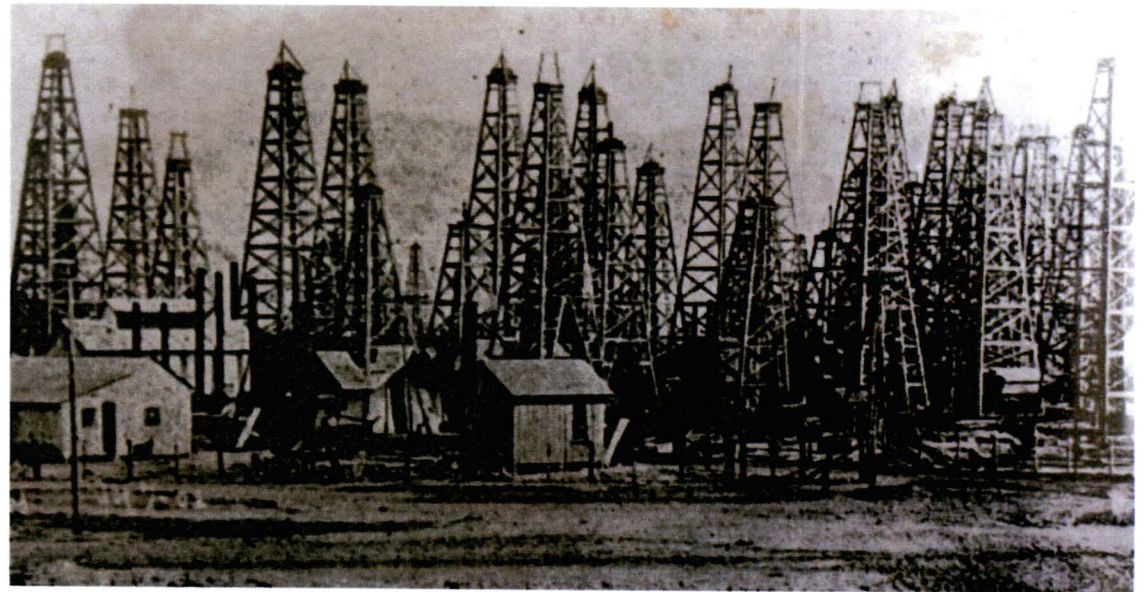
Increase:

- Hydrocarbon produced from the reservoir
- Overall profitability of all unitized wells

Decrease:

- Residual Hydrocarbon

Mutually beneficial to everyone involved



Stages of Conventional Oilfield Maturity

Primary recovery

- Oil is brought to the surface by natural pressure or simple mechanical pumping.
- Can last a few years to decades, depending on reservoir conditions.

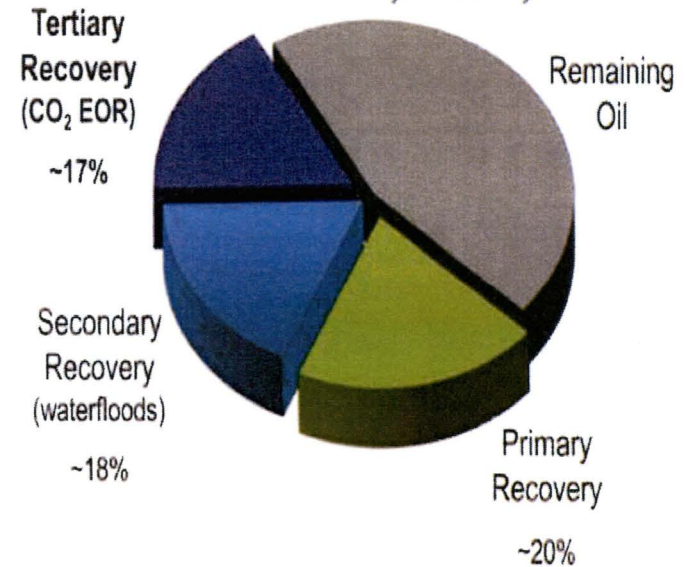
Secondary Recovery

- Also called enhanced oil recovery (EOR).
- Involves injection of water to improve oil mobility.
- Also known as “waterfloods.”
- Typically lasts multiple decades.

Tertiary Recovery

- EOR that occurs after waterflood is no longer economically effective.
- EOR using a different fluid, most commonly CO₂.
- Typically planned to last at least 20 years.
- **Unitization is essential for CO₂ EOR in conventional reservoirs.**

EOR Delivers Almost as Much Production as Primary or Secondary Recovery

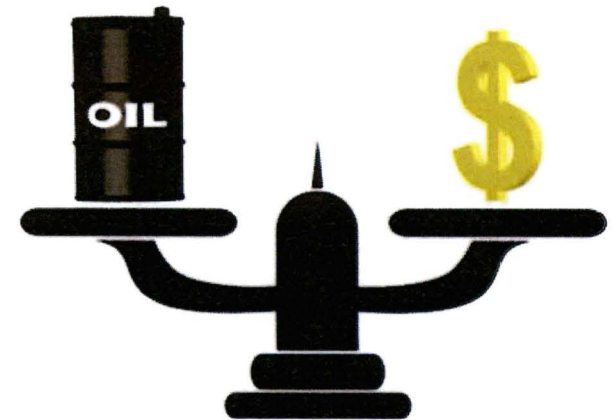


Source: www.denbury.com/csr-home/our-company/what-we-do/

15/11/08
11/10/16
AA
AA
AA

CO₂ EOR Projects

- Are low-return/high-cash flow/long-life investments.
- **Require large investments up-front.**
- Have high operating costs.
- Are technically demanding projects (“nimble”).
- Not all oil reservoirs are EOR candidates.
- Are best placed in a portfolio with low-cost/high-return projects.

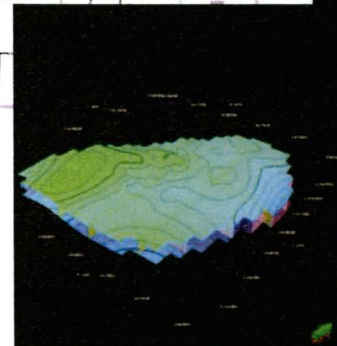
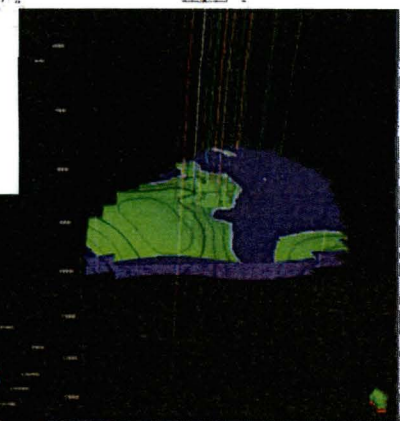
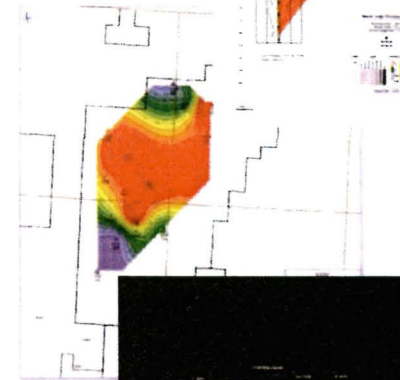
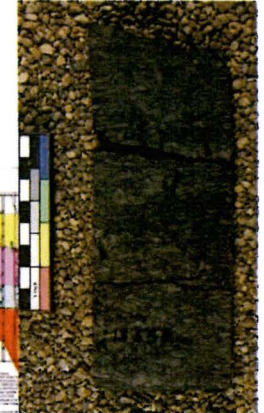
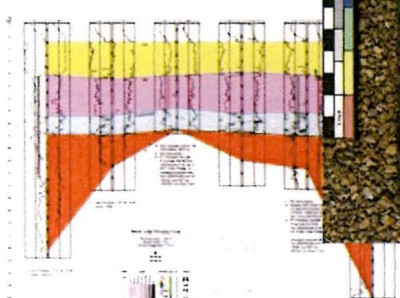
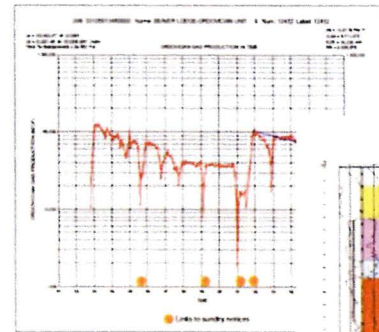


*Adapted from Wilkins, M. Presentation at the 2006 EOR Carbon Management Workshop – “CO₂ EOR Issues and Economics, Is It as Profitable as We Think?”

CO₂ EOR Project Site-Screening Criteria

- Unitized field
- Primary field production history
- Secondary field production history
- Depth
 - Temperature/pressure
- Rock properties
 - Lithology, porosity, thickness
- Formation fluid properties
 - Saturation

A field must be unitized before CO₂ EOR can even be considered.



Source: Smith and others, 2009, in AAPG Studies in Geology 59, p. 87-97.

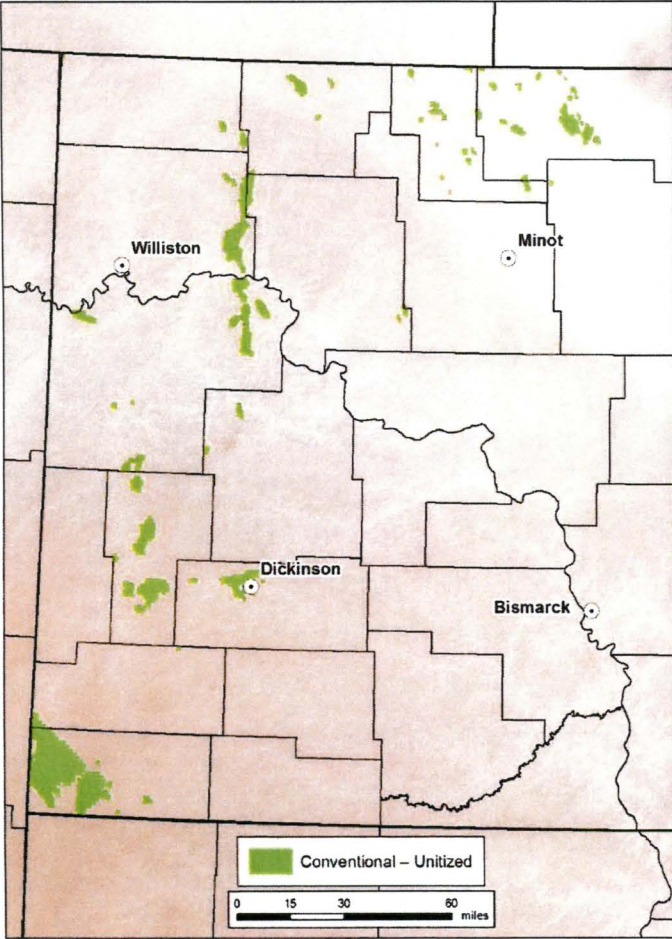
10/21/17
11/10/17
11/10/17
11/10/17
11/10/17
11/10/17

NORTH DAKOTA EOR AND STORAGE OPPORTUNITIES CONVENTIONAL VS. BAKKEN AND THREE FORKS

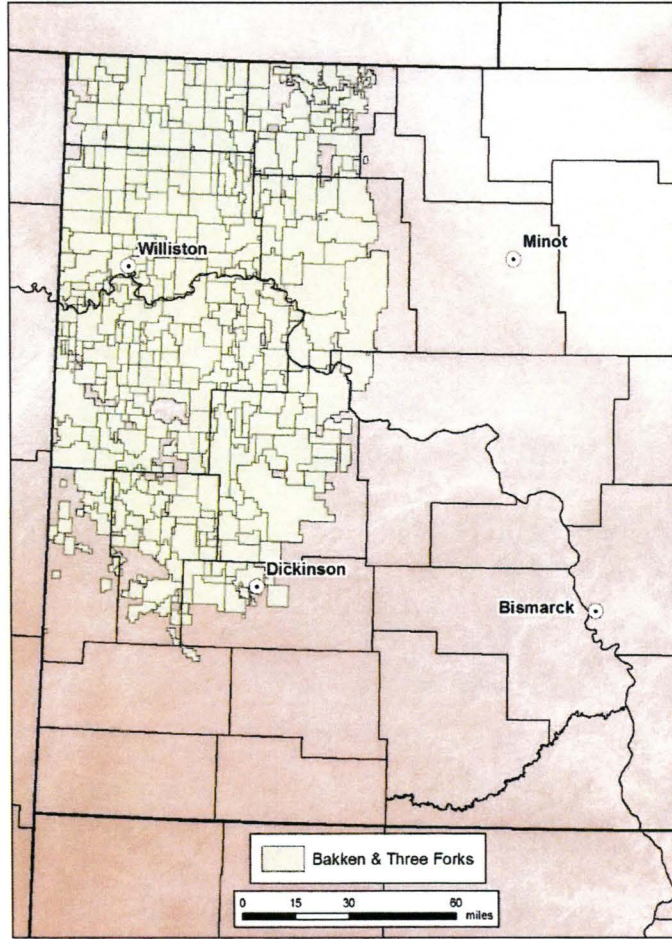
86 fields could use CO₂ now.

280 to 631 million bbl of incremental oil.

47 to 283 million metric tons of CO₂ needed.



Source: North Dakota Oil and Gas Industry Impacts Study - KLJ, 2014



Widespread deployment is perhaps a decade away.

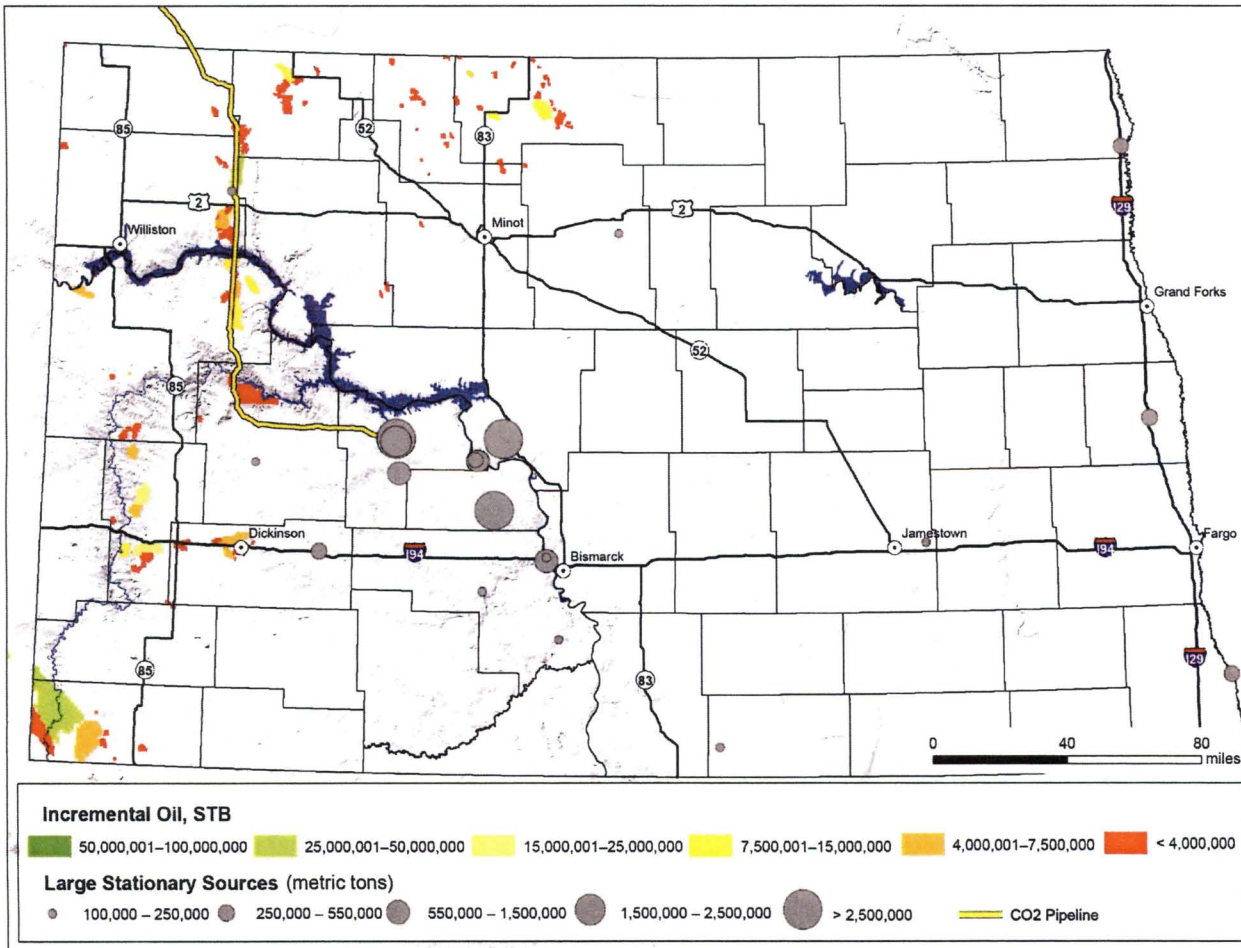
1000 to 4000 million bbl of incremental oil.

200 to 2000 million metric tons of CO₂ needed.

Source: Sorensen and others, 2014, Energy Procedia, v. 63, p. 7852-7860.

Conventional Oilfield CO₂ EOR Opportunities in North Dakota

Handwritten notes in blue ink:
 #1
 #2
 #3
 #4
 #5
 #6
 #7
 #8
 #9
 #10
 #11
 #12
 #13
 #14
 #15
 #16
 #17
 #18
 #19
 #20



Legislatively commissioned 2014 report shows:

- In 86 conventional unitized oil fields:
 - 280 to 631 million bbl of incremental oil
 - 47 to 283 million metric tons of CO₂ needed

Source: North Dakota Oil and Gas Industry Impacts Study - KLJ, 2014

1581257
3/10/17
11/28/17

ESTIMATION OF BAKKEN CO₂ EOR POTENTIAL

The DOE methodology for estimating CO₂ EOR and storage capacity (2007) was applied to the Bakken in North Dakota:

Potential incremental oil from CO₂-based EOR

Cumulative Production Method



648 Mbbbl

Reality?



4000 Mbbbl

Reservoir Properties Method



7000 Mbbbl

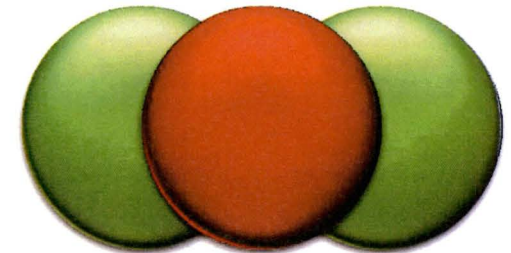
CO₂ needed to realize Bakken EOR



187 Mt



2000 Mt



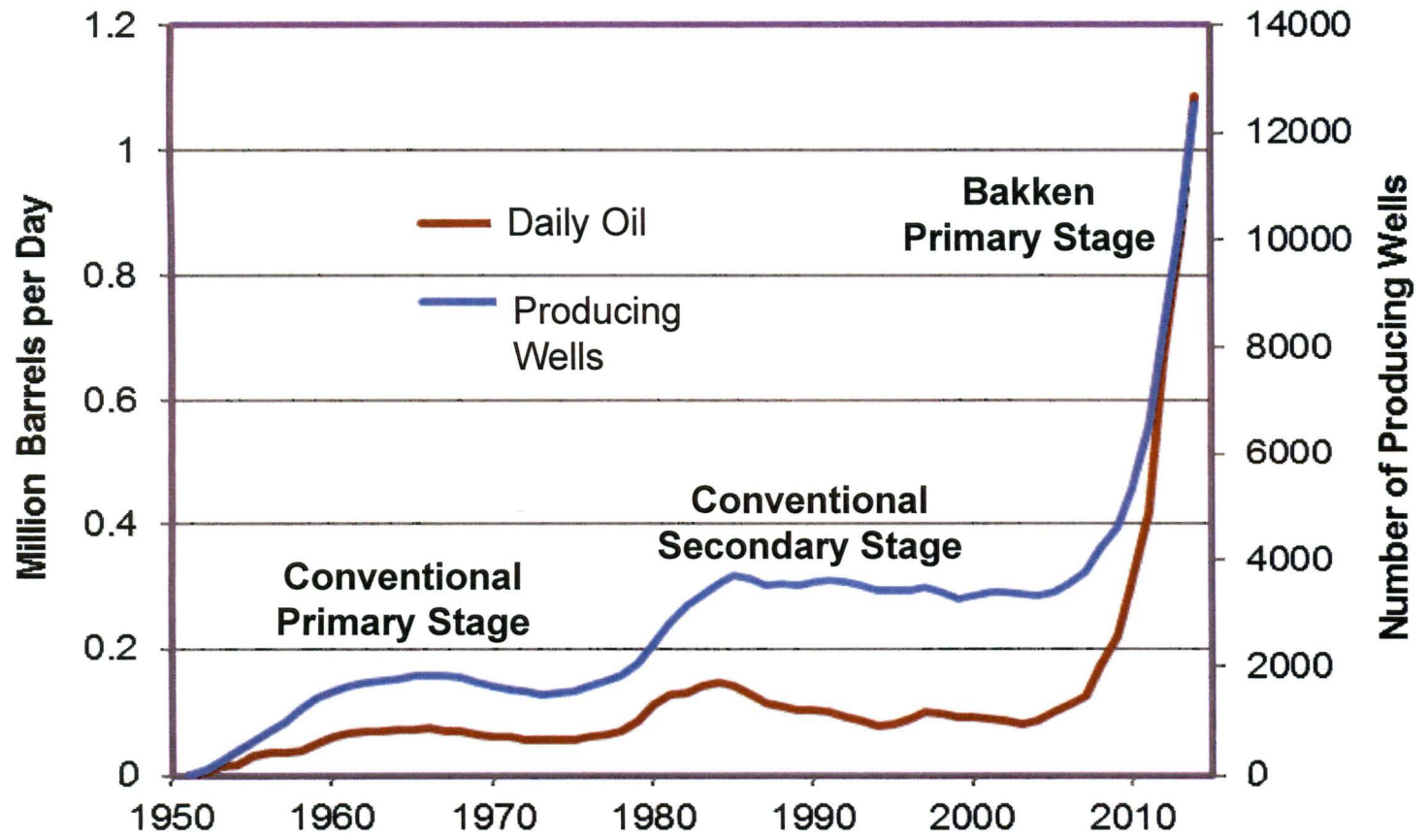
3200 Mt

North Dakota coal-fired generation currently emits ~33 million tons CO₂/year.

Source: Sorensen and others, 2014, Energy Procedia, v. 63, p. 7852-7860.

4b 1251
3/10/17
#12
#12

Maturity of North Dakota Oil Production



As Bakken moves into the secondary recovery stage, a clear path to unitization will be critical.

Secondary recovery in the Bakken will require innovation.

Lower threshold for unitization will facilitate the implementation of innovative approaches & technologies.

Graphic source: Created by EERC using NDIC Oil & Gas Division data.

15/10/18
31/10/18
11/11/18
17/11/18

Technical Challenges to Bakken Waterflood EOR

- Water can cause some clays to swell, closing off permeability.
- Bakken rock is often oil-wet, which makes it difficult for water to mobilize oil in the reservoir.
- Fractures short circuit the flow, leaving large areas of the reservoir unswept and reducing waterflood efficiency.

**Addressing these challenges
will require innovative solutions.**

15/12/17
#1013
#1014
#1015
#1016
#1017
#1018
#1019
#1020
#1021
#1022
#1023
#1024
#1025
#1026
#1027
#1028
#1029
#1030
#1031
#1032
#1033
#1034
#1035
#1036
#1037
#1038
#1039
#1040
#1041
#1042
#1043
#1044
#1045
#1046
#1047
#1048
#1049
#1050
#1051
#1052
#1053
#1054
#1055
#1056
#1057
#1058
#1059
#1060
#1061
#1062
#1063
#1064
#1065
#1066
#1067
#1068
#1069
#1070
#1071
#1072
#1073
#1074
#1075
#1076
#1077
#1078
#1079
#1080
#1081
#1082
#1083
#1084
#1085
#1086
#1087
#1088
#1089
#1090
#1091
#1092
#1093
#1094
#1095
#1096
#1097
#1098
#1099
#1100
#1101
#1102
#1103
#1104
#1105
#1106
#1107
#1108
#1109
#1110
#1111
#1112
#1113
#1114
#1115
#1116
#1117
#1118
#1119
#1120
#1121
#1122
#1123
#1124
#1125
#1126
#1127
#1128
#1129
#1130
#1131
#1132
#1133
#1134
#1135
#1136
#1137
#1138
#1139
#1140
#1141
#1142
#1143
#1144
#1145
#1146
#1147
#1148
#1149
#1150
#1151
#1152
#1153
#1154
#1155
#1156
#1157
#1158
#1159
#1160
#1161
#1162
#1163
#1164
#1165
#1166
#1167
#1168
#1169
#1170
#1171
#1172
#1173
#1174
#1175
#1176
#1177
#1178
#1179
#1180
#1181
#1182
#1183
#1184
#1185
#1186
#1187
#1188
#1189
#1190
#1191
#1192
#1193
#1194
#1195
#1196
#1197
#1198
#1199
#1200

Unitization Facilitates Innovation

- Gases such as CO₂ and ethane, or mixtures, likely most effective.
- Fractured reservoirs need nonstandard injection and production methods to achieve best performance.
- Innovation requires flexibility of design and operations.
- Unitization can facilitate innovation.



Photo credit: EERC, 2016

15219H1
L-1-01-3
#1
#2
#3

Contact Information

Energy & Environmental Research Center
University of North Dakota
15 North 23rd Street, Stop 9018
Grand Forks, ND 58202-9018

World Wide Web: www.undeerc.org
Telephone No. (701) 777-5157
Fax No. (701) 777-5181

John Harju
Vice President for Strategic Partnerships
jharju@undeerc.org



HB 1257
3-10-17
AH # 5

Pgt



**House Bill 1257
Unitization**

Senate Energy and Natural Resources Committee

March 10, 2017

**Lynn D. Helms, Director
Department of Mineral Resources
North Dakota Industrial Commission**

HB 1251
3-10-17
Att #5
pg 2

38-08-09.1. LEGISLATIVE FINDING.

The legislative assembly finds and determines that it is desirable and necessary, under the circumstances and for the purposes hereinafter set out, to authorize and provide for **unitized management, operation, and further development** of the oil and gas properties to which sections 38-08-09.1 through 38-08-09.16 are applicable, to the end that a **greater ultimate recovery of oil and gas** may be had therefrom, **waste prevented**, the **drilling of unnecessary wells eliminated**, and the **correlative rights** of the owners in a fuller and more beneficial enjoyment of the oil and gas rights be **protected**.

38-08-09.2. POWER AND AUTHORITY OF COMMISSION.

38-08-09.3. MATTERS TO BE FOUND BY COMMISSION - REQUISITES OF PETITION.

. . . protect, safeguard, and **adjust the respective rights and obligations** of the several persons affected, including **royalty owners**, **owners of overriding royalties**, **oil and gas payments**, **carried interests**, **mortgagees**, **lien claimants**, and **others**, as well as the **lessees**.

38-08-09.4. ORDER - UNITS AND UNIT AREAS - PLAN OF UNITIZATION.

38-08-09.5. RATIFICATION OR APPROVAL OF PLAN BY LESSEES AND OWNERS.

38-08-09.6. UNLAWFUL OPERATION.

38-08-09.7. STATUS AND POWERS OF UNIT - LIABILITY FOR EXPENSES - LIENS.

38-08-09.8. MODIFICATION OF PROPERTY RIGHTS, LEASES, AND CONTRACTS - TITLE TO PROPERTY - DISTRIBUTION OF PROCEEDS - EFFECT OF OPERATIONS.

38-08-09.9. ENLARGEMENT OF AREA - CREATION OF NEW UNITS - AMENDMENT OF PLAN.

38-08-09.10. REASONABLENESS OF PLAN.

38-08-09.11. PARTICIPATING BY PUBLIC LANDS.

38-08-09.12. RECEIPTS AS INCOME.

38-08-09.13. DEFINITIONS.

38-08-09.14. SEVERABILITY OF PROVISIONS. Repealed

38-08-09.15. AGREEMENT NOT VIOLATIVE OF LAWS GOVERNING MONOPOLIES OR RESTRAINT OF TRADE.

38-08-09.16. APPEALS.

HB 1257
3-10-17
Att #5
pg 3

Summary

The purpose and required processes of unitization are fully defined in 16 sections of Century Code.
The process is long and complicated. Requiring the input of attorneys, landmen, geologists, engineers, accountants, operators, mineral owners, and surface owners.
There is no Administrative Code (agency rules) for unitization.

Unitization provides for one operator, with one management and development plan.

The purposes of unitization are:

- Increase oil and gas recovery.
- Prevent physical waste of oil & gas and economic waste of drilling unnecessary wells.
- Protect the correlative rights of all the owners.

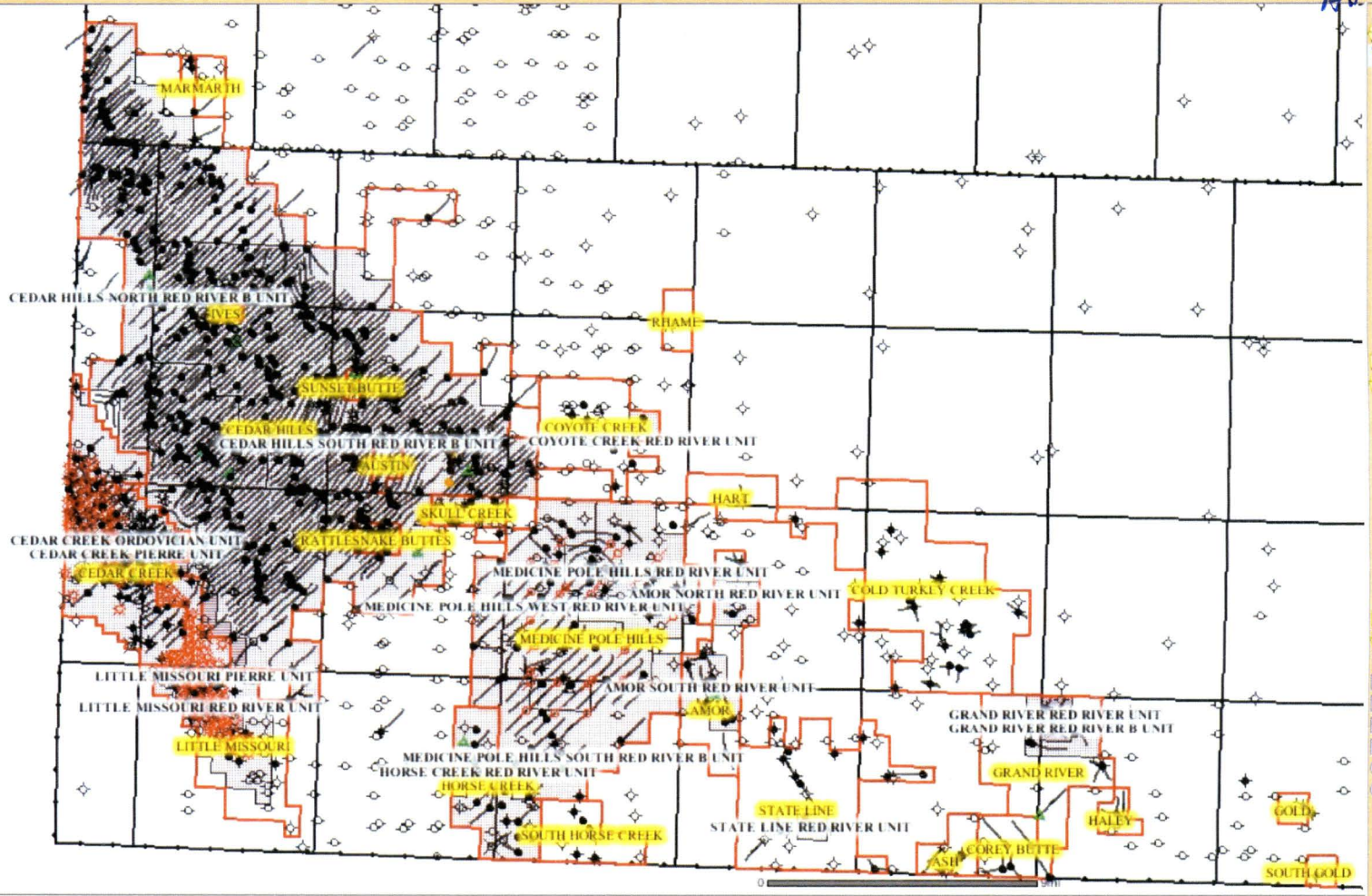
Units are complicated long term contracts that determine how every dollar spent, and every dollar of oil and natural gas revenue will be divided among royalty owners, owners of overriding royalties, carried interests, mortgagees, lien claimants, lessees and others.

A unit that is ratified by the legal minimum of two types of owners is binding upon all the rest.

HB1257
370-17
AH #5
pg 4

Oil and Gas : ArcIMS Viewer

- Legend / Layers
- Overview Map
- View Entire State
- Previous View
- Clear Selection
- Search
- Create PDF
- Zoom In
- Zoom Out
- Pan
- Rect Identify
- Select Object
- Buffer
- Distance
- Find Well
- Find Field / Unit
- Find Section



Zoom In

M

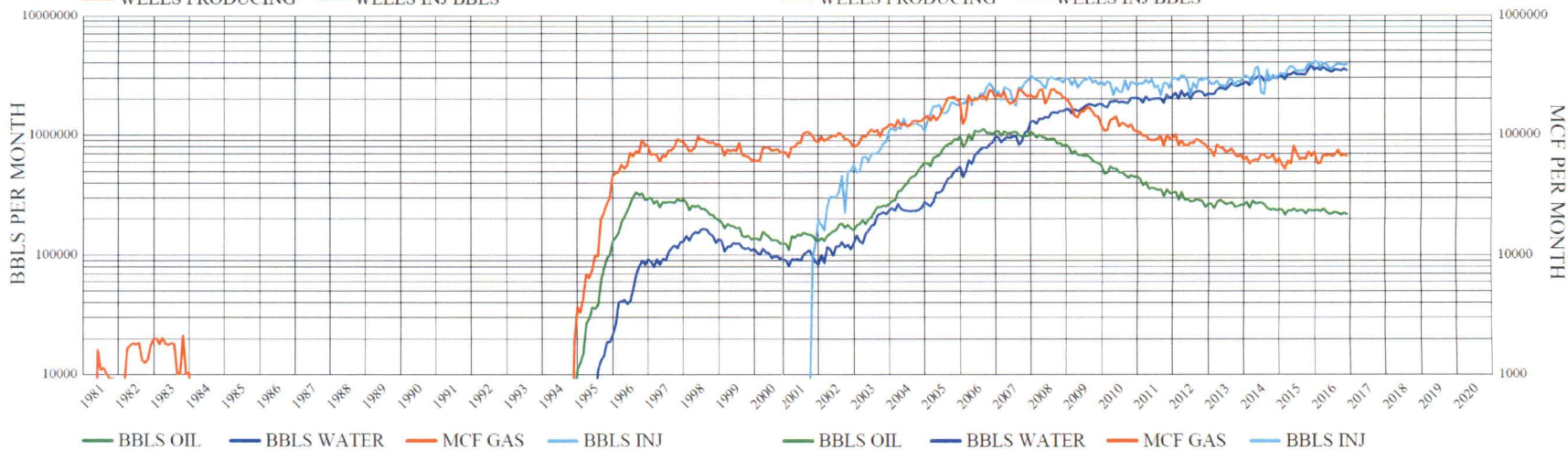
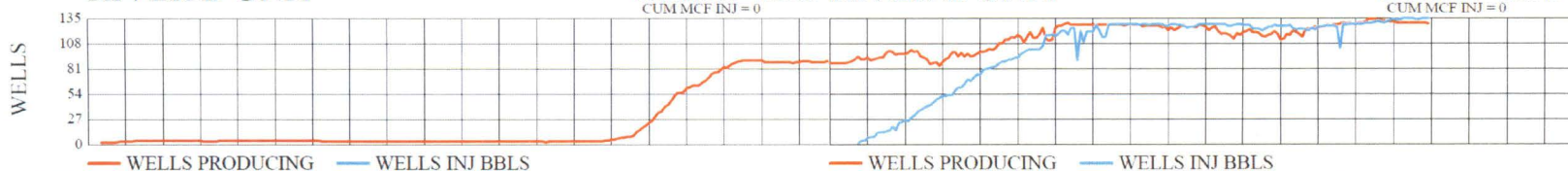
HB 1257
3-10-17
AA #5
Pg 5

CEDAR HILLS SOUTH RED RIVER B UNIT

CUM OIL = 103228439
CUM WATER = 291759615
CUM GAS = 27723350
CUM BBL INJ = 419227367
CUM MCF INJ = 0

CEDAR HILLS SOUTH RED RIVER B UNIT

CUM OIL = 103228439
CUM WATER = 291759615
CUM GAS = 27723350
CUM BBL INJ = 419227367
CUM MCF INJ = 0



*** THIS CURVE DOES NOT INCLUDE DATA FROM CONFIDENTIAL WELLS ***

*** THIS CURVE DOES NOT INCLUDE DATA FROM CONFIDENTIAL WELLS ***

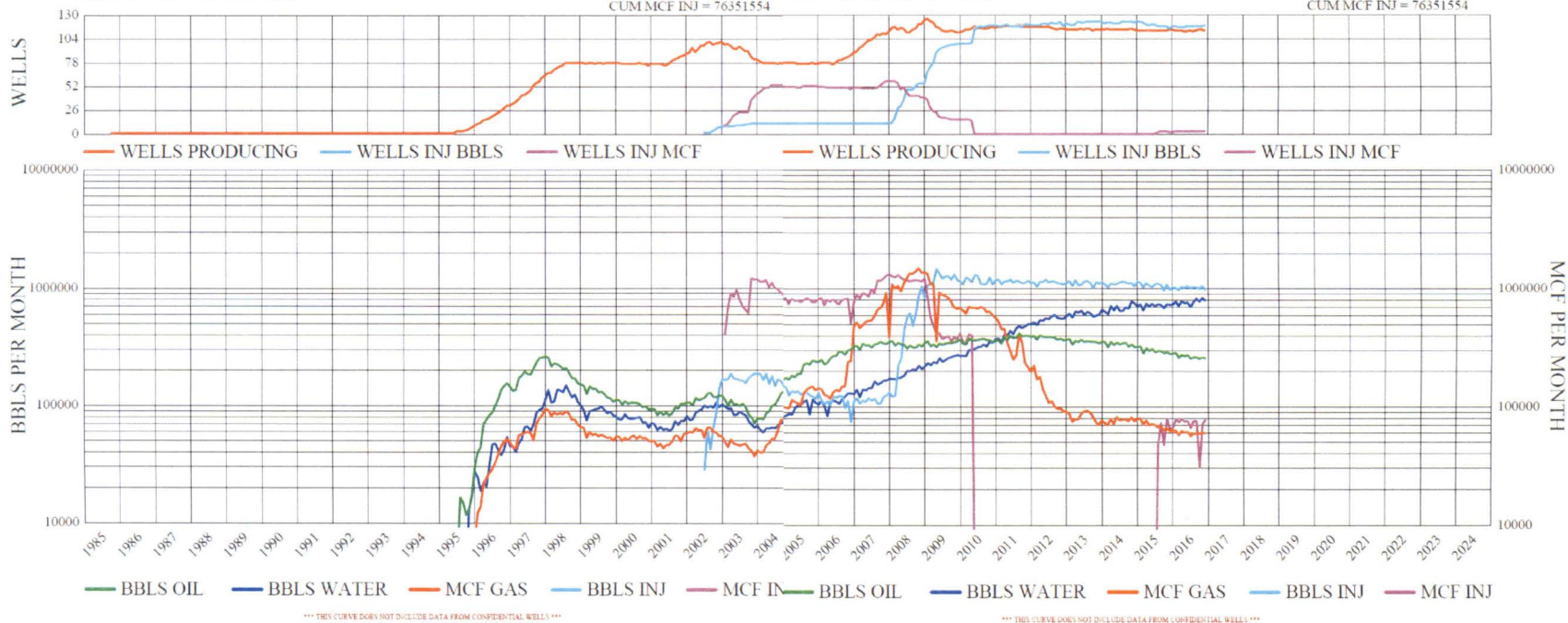
HB 1257
 3-10-17
 AH #5
 P76

CEDAR HILLS NORTH RED RIVER B UNIT

CUM OIL = 60625177
 CUM WATER = 67212462
 CUM GAS = 58791999
 CUM BBL INJ = 123879402
 CUM MCF INJ = 76351554

CEDAR HILLS NORTH RED RIVER B UNIT

CUM OIL = 60625177
 CUM WATER = 67212462
 CUM GAS = 58791999
 CUM BBL INJ = 123879402
 CUM MCF INJ = 76351554



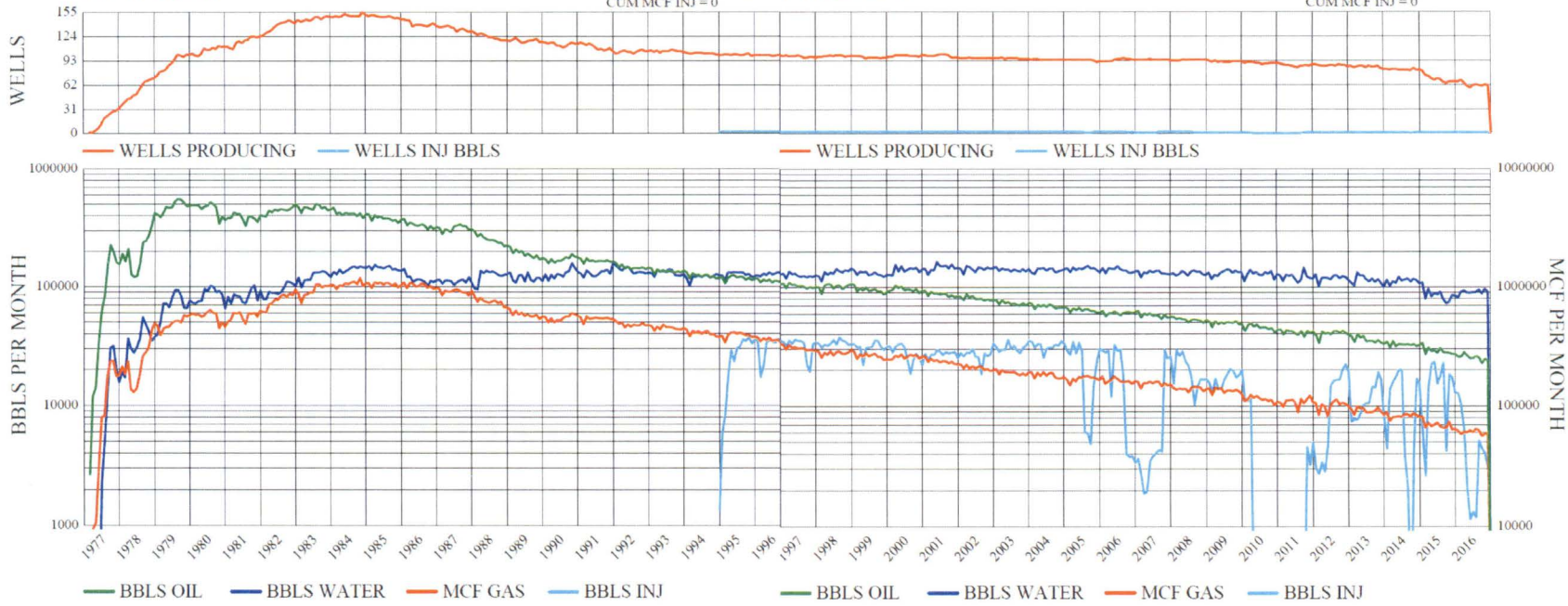
HB1257
3-10-17
AA-75
pg 7

LITTLE KNIFE MADISON

CUM OIL = 79707310
CUM WATER = 56671608
CUM GAS = 185098624
CUM BBL INJ = 5355234
CUM MCF INJ = 0

LITTLE KNIFE MADISON

CUM OIL = 79707310
CUM WATER = 56671608
CUM GAS = 185098624
CUM BBL INJ = 5355234
CUM MCF INJ = 0



*** THIS CURVE DOES NOT INCLUDE DATA FROM CONFIDENTIAL WELLS ***

*** THIS CURVE DOES NOT INCLUDE DATA FROM CONFIDENTIAL WELLS ***

HB 1257
3-10-17
AH #5
Pg 8

Conventional: Case Study of North Dakota Fields/Pools for CO₂ Flooding and CO₂ Sources

CONFIDENTIAL DRAFT

NDIC Field Name	NDIC Pool Validated	SDIC Estimated OGP, million cbl	CO ₂ OR Recovery at 12% NDIC OGP, million cbl	CO ₂ Needed Using 6 Mcf/cbl Oil Recovered, Bcf	Potential CO ₂ Storage, Bcf	Potential CO ₂ Storage, million tons
Central Hills North	Red River II	167	43	333	156	21
Tage	Madison	216	26	207	227	13
Beaver Lodge	Madison	77	21	165	165	10
Big Lake	Madison	84	23	159	159	10
Pythag	Heath-Madison	65	19	124	124	9
Beaver Lodge	Devonian	56	17	133	133	8
Academy	Madison	66	12	96	96	6
Newberg	Spearhead (Charles)	86	17	81	93	6
Wiley	Devonian	86	12	81	93	6
Blue Dunes	Madison	93	11	88	99	6
Charlton North	Madison	90	13	87	97	6
Spaul	Madison	72	9	78	78	5
Dickinson	Beach	62	7	58	58	4
Midway	Heath-Madison	20	7	28	35	2
North Eastern	Madison	36	7	32	33	2
Ranch						
Beaver Lodge	Devonian	34	4	33	33	2
Wiley	Madison	34	4	31	31	2
Strategic Field East	Madison	31	4	36	36	2
Clear Fork	Madison	32	3	36	36	2
Pythag South	Dyer	22	2	21	24	1
Kelheim	Madison	19	2	18	18	1
Beaver Lodge	Devonian	18	2	18	18	1
Academy	Devonian	16	2	14	14	1
Midway	Madison	15	2	13	13	1
Blue Creek	Devonian	14	2	12	12	1
Charlton South	Madison	12	2	8	8	1
Utah Mountain	Dyer	8	1	9	9	0.5
Laska	Madison	8	1	8	8	0.5
Total Potential Storage in Selected Units					2095	138

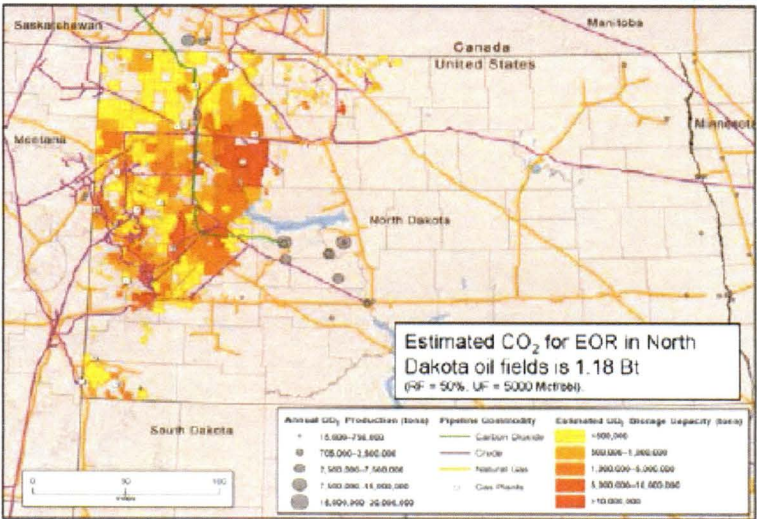
- OOIP = 2184 Mstb
- CO₂ needed = 2095 Bcf
- Potential CO₂ storage
 - 2095 Bcf
 - 128 Mt
- EOR = 300 Mstb
- Estimated CO₂ for EOR in North Dakota oil fields is 1.18 Bt
- EPIC 500-MW plant
- CO₂ = ~4 Mtpy
- Preliminary assessments

Source: North Dakota Industrial Commission (NDIC) data and Smith and others (2005).



CO₂ Production, Pipelines, and Estimated CO₂ Storage Capacity

CONFIDENTIAL DRAFT



2 – 3 billion tons of CO2

Could yield

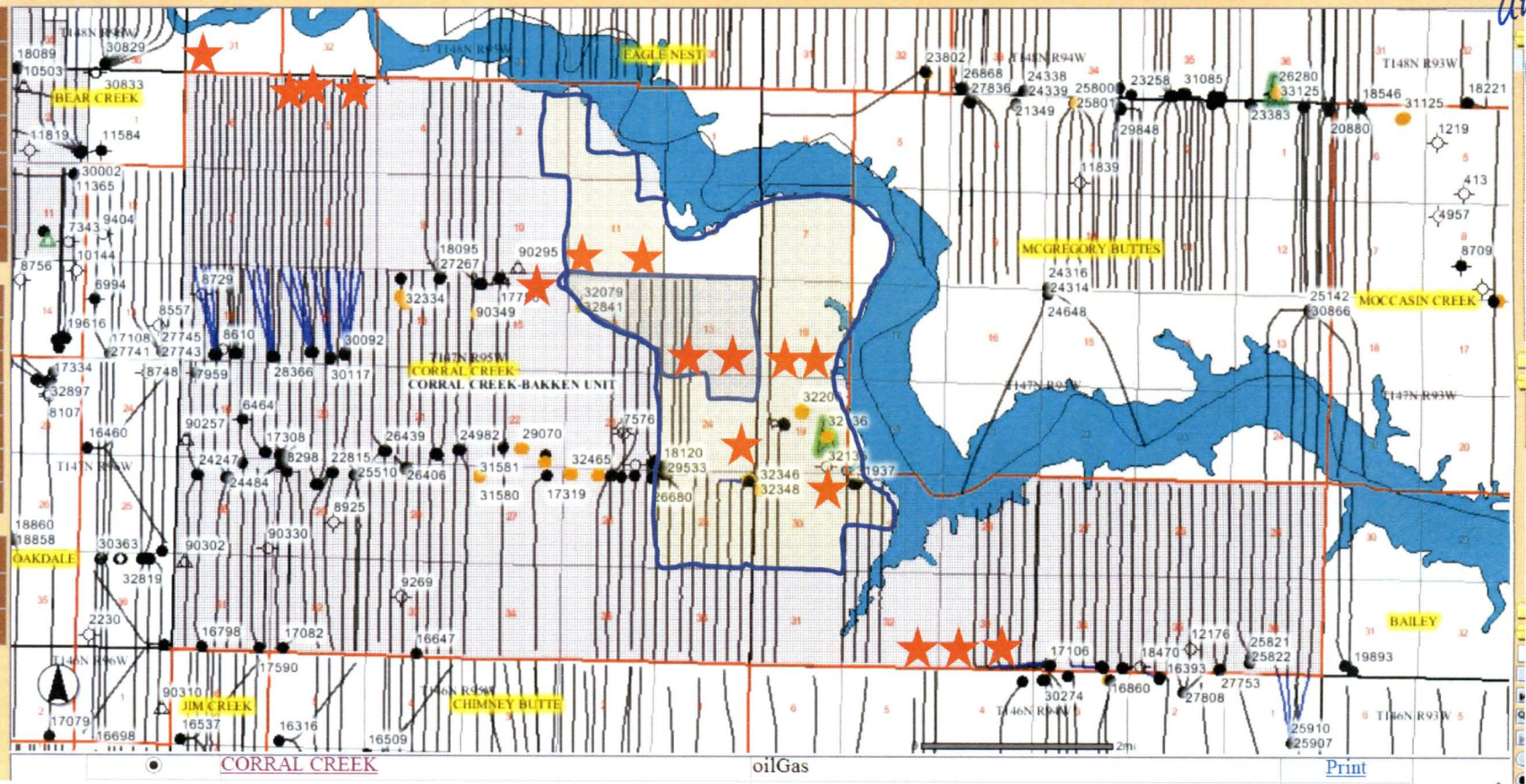
4 – 7 billion barrels of oil



AB1257
3-10-17
at \$
P510

Oil and Gas : ArcIMS Viewer

- Legend / Layers
- Overview Map
- View Entire State
- Previous View
- Clear Selection
- Search
- Create PDF
- Zoom In**
- Zoom Out
- Pan
- Rect Identify
- Select Object
- Buffer
- Distance
- Find Well
- Find Field / Unit
- Find Section



Operators	Wells-Active	Inactive	NC	LOC-APD	Approved Incr. Density
1 vs 4	286	2	11	42	151

Homes + Parks + Businesses + Highways + Water Disposal + Little Missouri River



14B 1257
3-10-17
CH #5
Pg 11

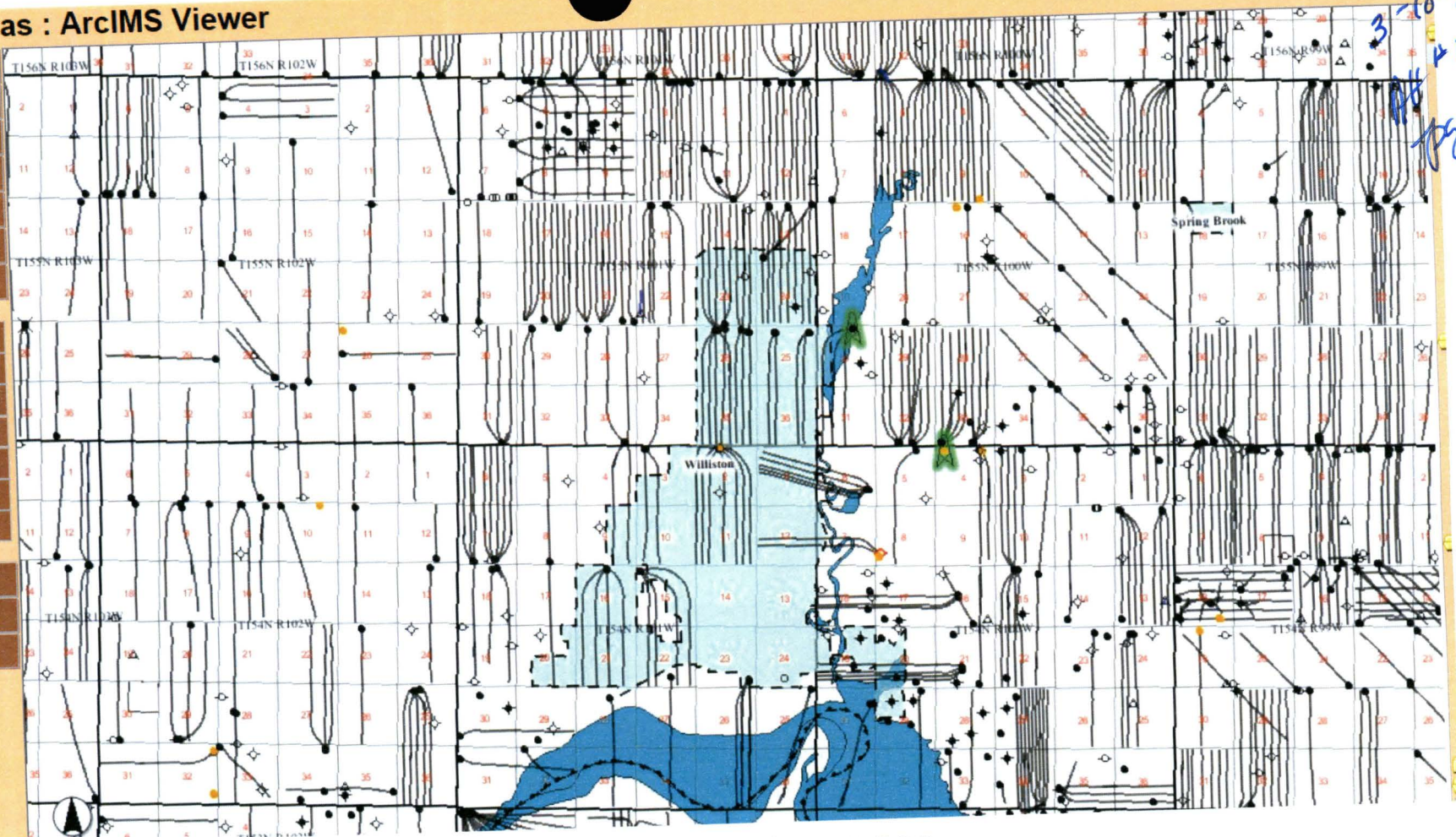
HB1257
3-10-17
AA #5
pg 12

Corral Creek full Bakken + Threeforks development:

	Unit	Non-unit
Well pads	50	0
Well pad size	5.2	NA
Well + battery pads	12	70
Well + battery size	8.0	8.0
Central tank battery pads	5	0
Central tank battery pad size	2.8	NA
Total acres well + battery	370	560
Roads	19 miles 150 acres	28 miles 224 acres
Footprint	520 acres	784 acres

Oil & Gas : ArcIMS Viewer

- Legend / Layers
- Overview Map
- View Entire State
- Previous View
- Clear Selection
- Search
- Create PDF
- Zoom In
- Zoom Out
- Pan
- Rect Identify
- Select Object
- Buffer
- Distance
- Find Well
- Find Field / Unit
- Find Section



HB 1257
3-10-17
pg 45
pg 13

City of Williston (for illustration only – no unit proposed) – 31,000 acres

Operators	Wells-Active	Inactive	NC	LOC-APD	Approved Incr. Density
6	67	2	12	2	168

Homes + Schools + Parks + Hospitals + Businesses + Bypasses + Abandoned Coal Mines + Landfill
 + Railroad+ Leonardite Mine + Abandoned Salt Mine + Wastewater Treatment
 + Little Muddy&Missouri Rivers and Levees