



NORTH DAKOTA SENATE

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Senator Jordan Kannianen

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COMMITTEES:
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Testimony on SB 2319

Jordan Kannianen, District 4 Senator

Chairman Headland and Committee members,

This bill addresses “straddle wells” whose horizontal laterals cross the boundaries of the Fort Berthold Indian Reservation. It would establish that wells drilled outside the boundary of the reservation whose laterals cross into the reservation are part of the existing oil and gas tax agreement between the state and the Three Affiliated Tribes. The Interim Tribal Taxation Issues Committee studied this issue extensively, and there is much data on the subject. Both the Department of Mineral Resources and Mineral Tracker have done long and thorough research, showing the past and projected results of these wells (see Mineral Tracker Report in testimonies).

The location of the well head has always been the method for establishing the taxation of the oil and gas extracted from a well, regardless of the positioning of the horizontal laterals. This bill would change that.

With the exemption the Three Affiliated Tribes have received on reservation lands from the halt on oil and gas activities on Federal lands, this bill seeks to create additional revenue for both the state and the Tribes by allowing access to Federal minerals off of the reservation through reservation lands. The Tribes believe they can obtain the same exemption for Federal lands in which a lateral originates from Tribal lands.

A final EIS on the Federal lands in question was supposed to be delivered by the US Forest Service in 2016 (which was needed before non-surface access and respacing could occur), but it was finally received December 7, 2020. This has not been available for drilling because of Vision Quest (a spiritual area for the MHA Tribes) and bighorn

sheep. The feds have looked at ways to develop these lands, since it contains some of the best geology in the Bakken, and that led to the new EIS. Now that it was finally delivered, we have the new administration to deal with. The reasoning behind this bill was to strike a deal, so to speak, in which the Tribes would share in the exterior straddle wells if they got a Federal exemption on those core lands, potentially increasing revenues on both sides.

The bill was amended on the Senate side to require production to occur on these Federal lands before the terms of the bill could be triggered in 2023.

Moreover, although it's a bit wordy, the attempt was made to exempt Mountrail County from these provisions since it contains no Federal lands and would only lose money from this deal (losing on the straddle wells and not gaining anything on the back end with the Federal minerals). Language was also added to ensure this bill didn't affect the distribution of gross production taxes back to the political subdivisions and school districts (based on the location of the wellhead).

Now, with all that said, the Tribes don't like the changes that occurred on the Senate side. While the argument can be made that the amendments saved the bill, I'm offering an amendment at the request of the Tribes to basically put the bill back into its original form.