

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1385

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Deanna Hallworth
Operator's Signature

10/3/03
Date

2003 HOUSE APPROPRIATIONS

HB 1385

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1385

House Appropriations Committee

Conference Committee

Hearing Date 02-13-03

Tape Number	Side A	Side B	Meter #
1		X	12.3
Committee Clerk Signature <i>Chris J. Nyberg</i>			

Minutes:

Chairman Svedjan Called the meeting to order, a quorum was present.

Rep. Skarphol This is to reconcile a discrepancy in the law to mediate the unjustness of crude oil prices.

Joel Gilbertson, Attorney of the Vogel Law Firm, speaking on behalf of Continental

Resources. See written testimony

Tom Luttrell, Senior VP of Continental Resources See written testimony.

Rep. Warner Oil can be stored in a non-pressurized tank or it can be in an underground cavern.

How do you store natural gas when supply exceeds demand?

Luttrell It is stored just as easily as oil is, there are large gas storage facilities across the US, one large one is in MT. They take old reservoirs and they set up injection wells and put the gas back down into that formation. When they need it they take it out. It is not a problem now. Demand is higher than supply.

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Page 2
House Appropriations Committee
Bill/Resolution Number HB 1385
Hearing Date 02-13-03

Rep. Kerzman Is all gas useable? What about "sour gas"?

Luttrel All gas is useable, some has a higher sulfur content and that is referred to as sour gas.

There are sulfur stripping plants for that.

Rep. Wald At what point does the gathering of gas rather than flaring of it become economical?

Luttrel Lack of infrastructure is the key, and I don't think it is a problem in ND anymore. The NDIC would have jurisdiction on that.

Rep. Delzer Paragraph 4 of section 1 of the bill, prohibits a company that has gas gathering and production from favoring their own production. I want to understand the reasoning behind that.

If a company pays for the capital, why should they not favor their own production?

Luttrel This relates to purchasers, not gatherers. The purchasers of the gas can't discriminate against their own production. They can't take their gas into their pipeline versus that of other companies. That is a national theory that makes all the sense in the world to have open access to these large pipelines across the United States. If parties are biased and don't have open access to these pipelines that the purchasers have, that will hinder the gas flow throughout the United States. That was studied and found on by the Federal Energy Regulatory Commission.

Rep. Delzer So you're talking about when they tie into the major gaslines, not when they go to the first gas plant in the field.

Luttrel I'm talking about whoever the purchaser may ultimately be.

Rep. Kempenich Regarding the pipeline, is it like a toll-road, does the consumer pay all of this eventually?

Luttrel That is exactly how it will be.

Rep. Kroeber Do we have regulatory authority now?

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10/3/03
Date

Page 3
House Appropriations Committee
Bill/Resolution Number HB 1385
Hearing Date 02-13-03

Luttrel There is no regulatory authority on gas.

Rep. Skarphol Regarding Rep. Delzer's question on section 4. Give an example of that.

Luttrel They need to treat all of the producers the same.

Mike Armstrong, Independent oil and gas producer from Dickinson, ND. I fully agree with Mr. Luttrel. I've been against government intervention my whole life. I think we have an exception here. Please support HB 1385.

Rep. Aarsvold I'm a producer too, but I produce grain. I know there are grading factors that affect my product. Do people also grade gas and oil?

Armstrong Yes, it is tested.

Rep. Aarsvold Who tests it?

Armstrong Bear Paw, or whoever the purchaser is. I have never questioned the validity of any of those tests.

Rep. Earl Rennerfeldt, Williston I am the prime sponsor, yet I only introduced this for Rep. Skarphol. He was over his 5 bill limit. After signing on to this bill I realized it could cause many more problems that it will ever resolve. I'm also of the opinion that because of all the contract disputes There was a similar bill introduced in Oklahoma, sponsored by a company, and it failed. This will stifle gas hookups and increase flaring.

Ron Ness We want to advance oil and gas development in ND, but this bill is not the answer.

Rep. Wald What about the statement of "unregulated monopolies" being created?

Ness That's beyond my capabilities to answer.

Rep. Timm There have been lots of conflicts over these bills. You don't think its about anything personal on Rep. Skarphol's behalf?

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10/3/03
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Page 4
House Appropriations Committee
Bill/Resolution Number HB 1385
Hearing Date 02-13-03

Ness No, I don't.

Rep. Monson Does the big company just take care of themselves first by buying there own production?

Ness We don't have enough gas in ND to economically stimulate more gas plants for more competition.

Rep. Skarphol I was asked to introduce this bill and I have experience with this bill. That is the extent of my personal interests with it.

Ness I confirm that.

Wayne Biberdorf, Operation Manager for AHC ND located in Williston See written testimony.

Rep. Skarphol Isn't the issue a time issue? The longer negotiations take, the higher the cost and the more gas gets lost?

Rep. Rennerfeldt Please address the evergreen contracts.

Biberdorf All of the evergreen contracts would be brought to the forefront and cause a lot of problems and work if this bill passes.

John Morrison All gas in ND is sold on a percent of proceeds basis. AHS gets back 62% of tailgated gas.

Rep. Kempenich Producers lose money over the negotiation times, and between producers and operators, who is being pushed into this?

Morrison Its a natural contract situation.

Rep. Wald Respond to the "unregulated monopoly" comment.

Morrison If there is one, it is a natural monopoly.

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10/3/03
Date

Page 5
House Appropriations Committee
Bill/Resolution Number HB 1385
Hearing Date 02-13-03

Rep. Kempenich What is the toll to get onto a pipeline?

Morrison There is none since there are no 3rd party gathering lines in ND.

Rep. Skarphol How frequently are gas contracts negotiated?

Morrison It depends on the circumstances.

Rep. Skarphol The three wells in my handout, they have not been renegotiated. Subsection 6 in the bill says that all contracts in existence will not be subject to reconsideration.

Morrison It depends if evergreen contracts are encompassed.

Pierce Norton, JR., President of Bearpaw LLC See written testimony.

Rep. Monson Part of the reason ND is not moving forward in this is because of our lack of regulation. What other states do not have these laws?

Norton Montana and Wyoming.

Rep. Kerzman How is shallow well methane relating to your pipelines?

Norton We'd like to keep it out of our system, and it may require a different infrastructure.

Rep. Skarphol Evergreen contracts allow people to access markets at higher prices.

Norton We aren't price gouging. This is a relationship business.

Rep. Skarphol What percent of your gas do you sell in the long-term contracts?

Norton Not very many of them.

Al Golden, Owner of Golden Oil Company See written testimony.

Lynne Helms, Director of the Oil and Gas Division of the ND Industrial Commission We want to be on the record as being neutral on this bill.

Rep. Timm Flaring is regulated? There is one by West Hope that has been flaring for many years.

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Date

Page 6
House Appropriations Committee
Bill/Resolution Number HB 1385
Hearing Date 02-13-03

Rep. Kerzman Are there any other revenue streams for companies to flare?

Norton I'm not aware of any.

Rep. Skarphol If its not appropriate for regulation for this for natural gas, how about crude oil?

Helms I agree.

Rep. Skarphol Quality is not usually in dispute then, correct?

Helms Correct, what is disputed is the contract percentages.

Rep. Rennerfeldt So if its not broke, why fix it?

Helms The Industrial Commission is not trying to.

Rep. Wald If we pass this legislation, will it hinder or augment gas production in ND?

Helms It would augment it in my personal opinion.

Rep. Glassheim I'm not in favor of flaring. It wastes resources.

Chairman Svedjan Closed the hearing on HB 1385.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1385

House Appropriations Committee

Conference Committee

Hearing Date 02-18-03

Tape Number	Side A	Side B	Meter #
2		X	8.1- end of tape
Committee Clerk Signature <i>Chris S. Nelson</i>			

Minutes:

Chairman Svedjan Opened HB 1385 for discussion.

Rep. Skarphol I think we need to be sensitive to the mineral owners here.

Rep. Skarphol The Oklahoma legislature passed this bill, but the governor vetoed it.

Rep. Brusegaard I move a Do Not Pass, 2nd by Koppleman.

Rep. Timm Does this allow the landowner to request a better price?

Rep. Skarphol It gives royalty owners a place to ask questions and get them answered.

Rep. Brusegaard Motion withdrew.

Rep. Wald I move to amendment number 30595.0101 to HB 1385. 2nd Carlson.

Motion Passes.

Rep. Wald I move Do Pass As Amended. 2nd Skarphol.

Motion fails.

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10/3/03
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Page 2
House Appropriations Committee
Bill/Resolution Number HB1385
Hearing Date 02-18-03

Rep. Rennerfeldt I move to convert this a bill to a study. 2nd Carlisle

Motion fails.

Rep. Rennerfeldt I move a Do Not Pass As Amended. 2nd Brusegaard.

Motion carries 13 yea, 9 nay, 1 absent/not voting. Rep. Carlisle will carry this bill to the floor.

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