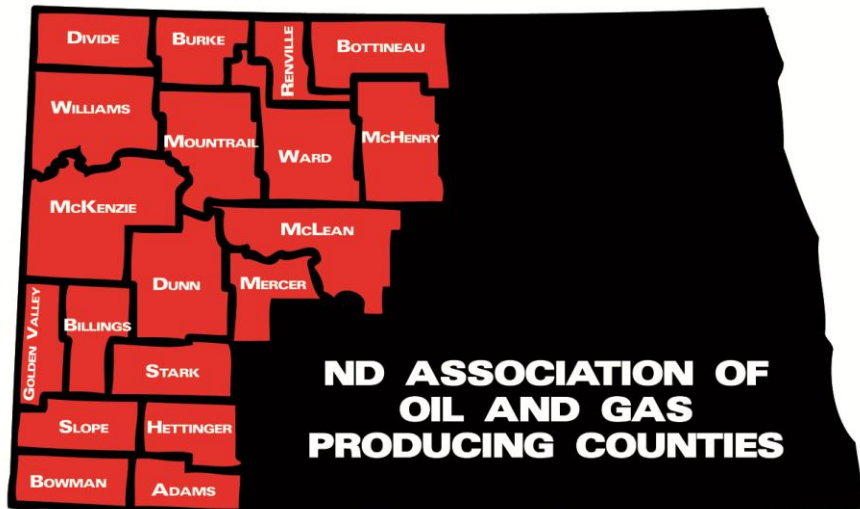


Oil Tax Distributions in North Dakota and Other Unconventional Oil Play States



Economic Impact
Committee

November 18, 2013

Brady Pelton, Deputy Executive Director
ND Association of Oil and Gas Producing Counties



ND Oil Production

- September production = approximately 931,940 barrels of oil per day (BOPD)
 - Current rig count is at 185
 - ND is 2nd largest oil producing state
- Estimated oil tax collections in 2013-15 biennium = \$5.3 billion

11.5% Total Oil Tax Based on Two Taxes

5% Gross Production Tax
Established in 1953



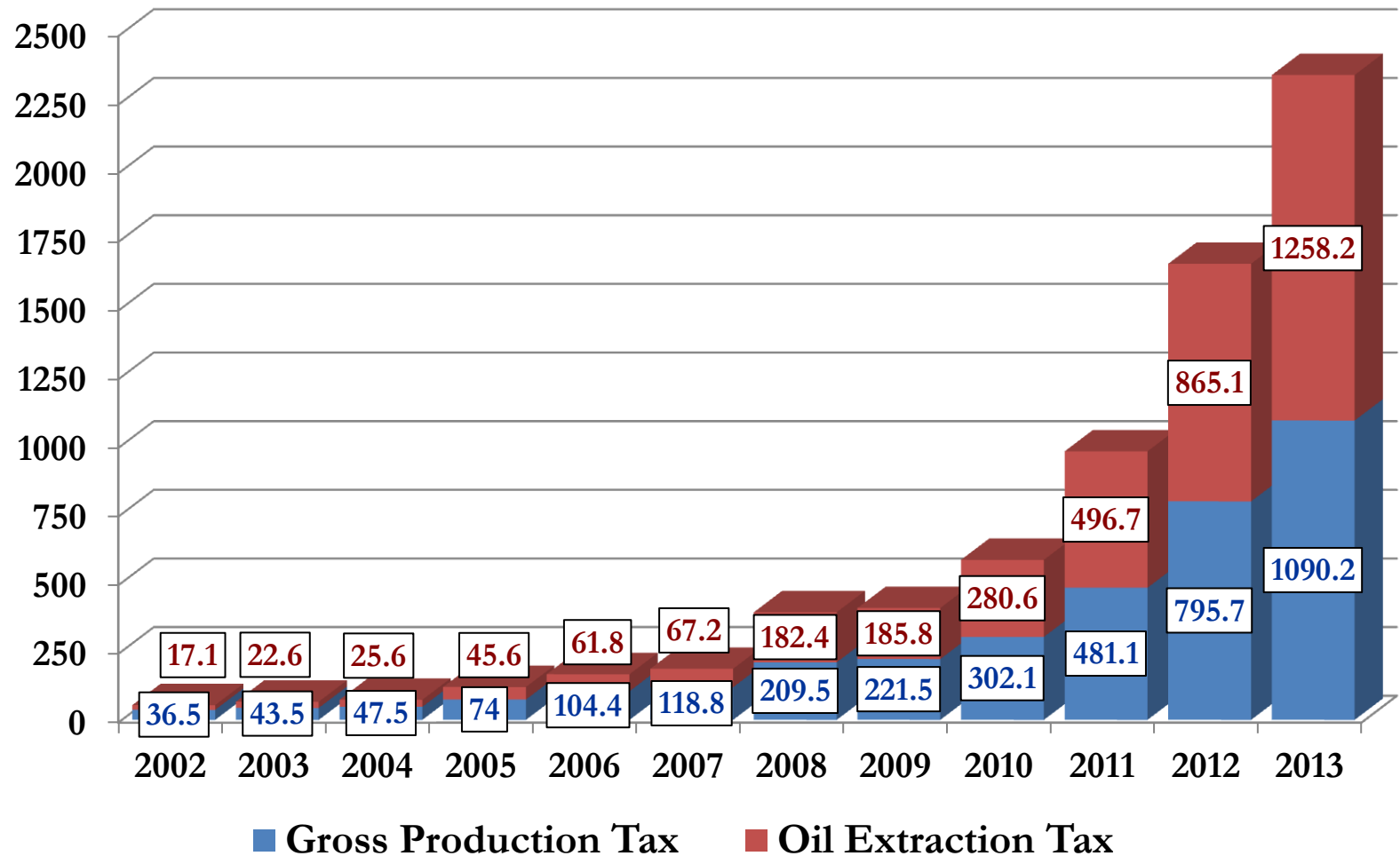
6.5% Extraction Tax
Established in 1980



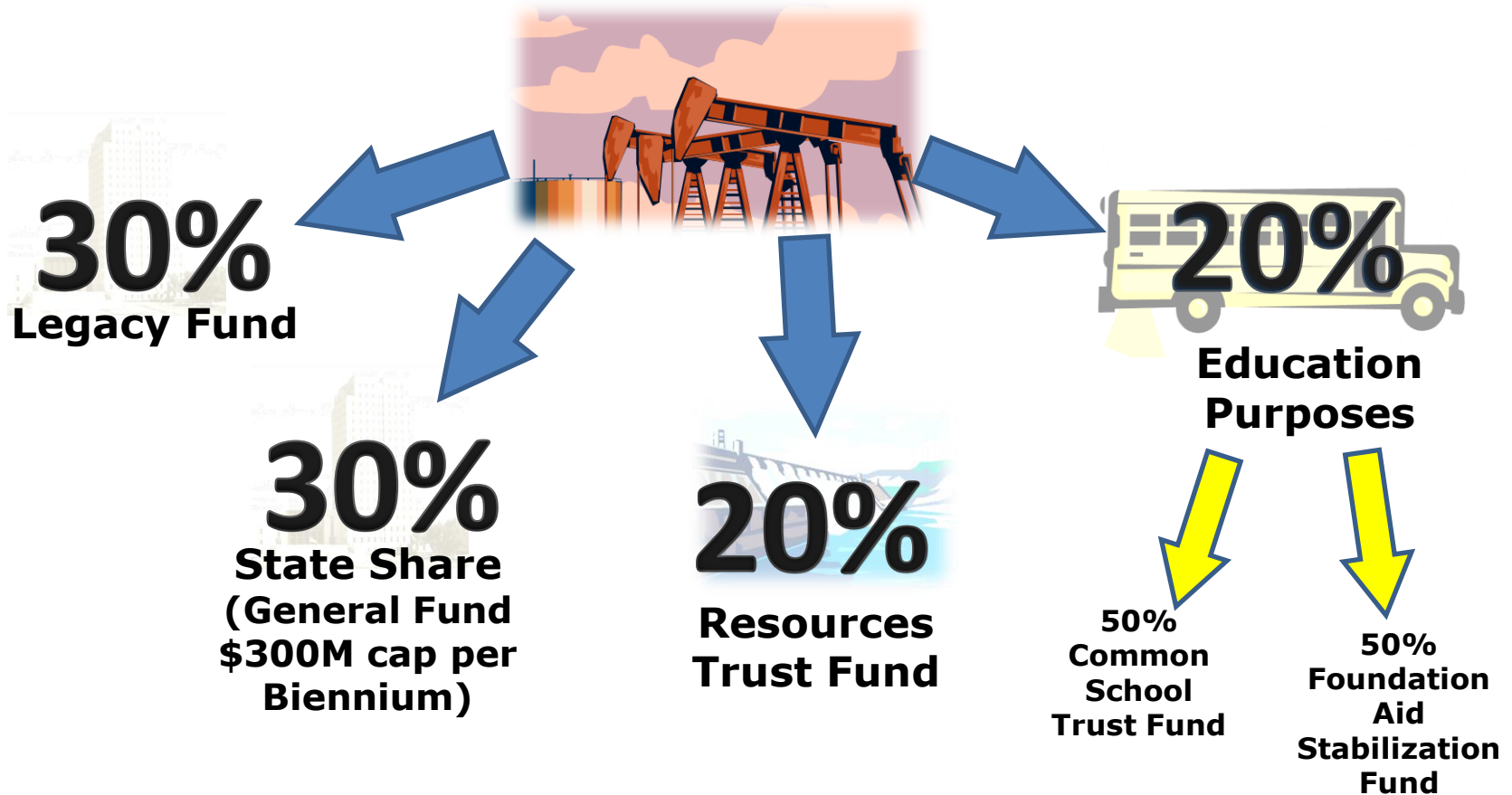
Total Tax
11.5%

ND Oil & Gas Taxes

Trends in Oil and Gas Tax Collections



6.5% Oil Extraction Tax



5% Gross Production Tax

- Two distribution avenues
 - First 1% (i.e. $1/5$ of the 5% GPT)
 - Remaining $4/5$ of the GPT

1/5 of 5% Gross Production Tax

\$375,000 per fiscal year to hub cities for each percentage point of oil and mining employment

\$125,000 per fiscal year to hub city school districts for each percentage point of oil and mining employment

**Oil and Gas Impact Grant Fund
\$240 million per biennium**

**4% to the Heritage Fund
capped at \$30 million per biennium**

4% to the Abandoned Oil and Gas Well Plugging and Site Reclamation Fund capped at \$10 million per biennium

Remainder to the state

Hub City Allocations from 1st 1% GPT

Williston

43

×

\$375,000

=

\$16.125
Million/year

Divide by 12 = Monthly Distribution Amount

Dickinson

21

×

\$375,000

=

\$7.875
Million/year

Divide by 12 = Monthly Distribution Amount

Minot

6

×

\$375,000

=

\$2.25
Million/year

Divide by 12 = Monthly Distribution Amount

Hub City School District Allocations from 1st 1% GPT

Williston

43

×

\$125,000

=

\$5.375
Million/year

Divide by 12 = Monthly Distribution Amount

Dickinson

21

×

\$125,000

=

\$2.625
Million/year

Divide by 12 = Monthly Distribution Amount

Minot

6

×

\$125,000

=

\$750,000
/year

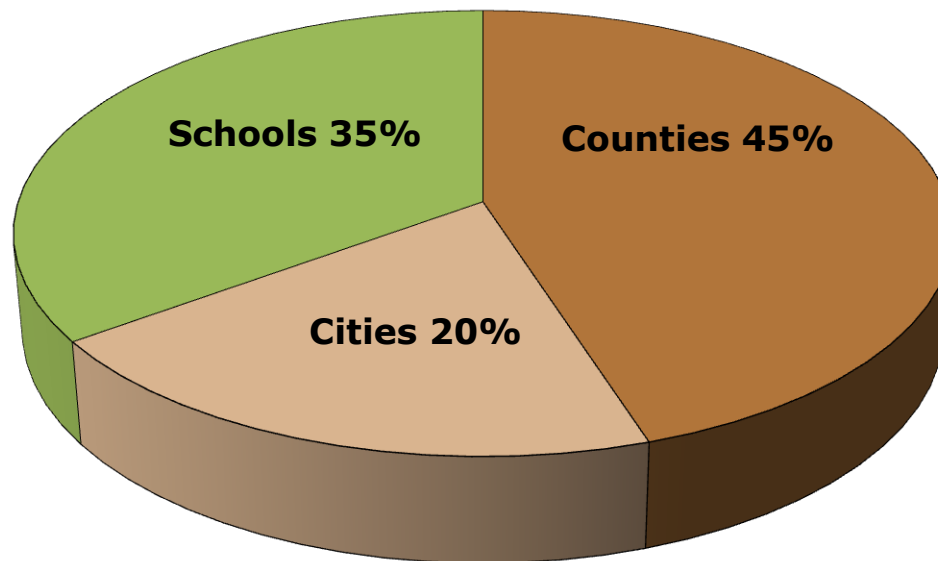
Divide by 12 = Monthly Distribution Amount

HB 1358 - Energy Impact Grants

- \$240 million appropriated for energy impact grants
- Legislative Allocations:
 - \$5 million – New oil and gas development counties
 - \$60 million – Airports (priority to those that have federal funding)
 - \$4 million – Higher education institutions
 - \$3 million – Dust control pilot project
 - \$7 million – County sheriff's offices
 - \$7 million – Emergency Medical Services
 - \$3.5 million – Fire protection districts
 - \$14 million – Hub cities
 - Williston - \$2 million; Dickinson - \$7 million; Minot - \$5 million
 - \$135.8 Million Remains for “Non-Specific” Awards

4/5 of 5% GPT – Counties Under \$5 Million

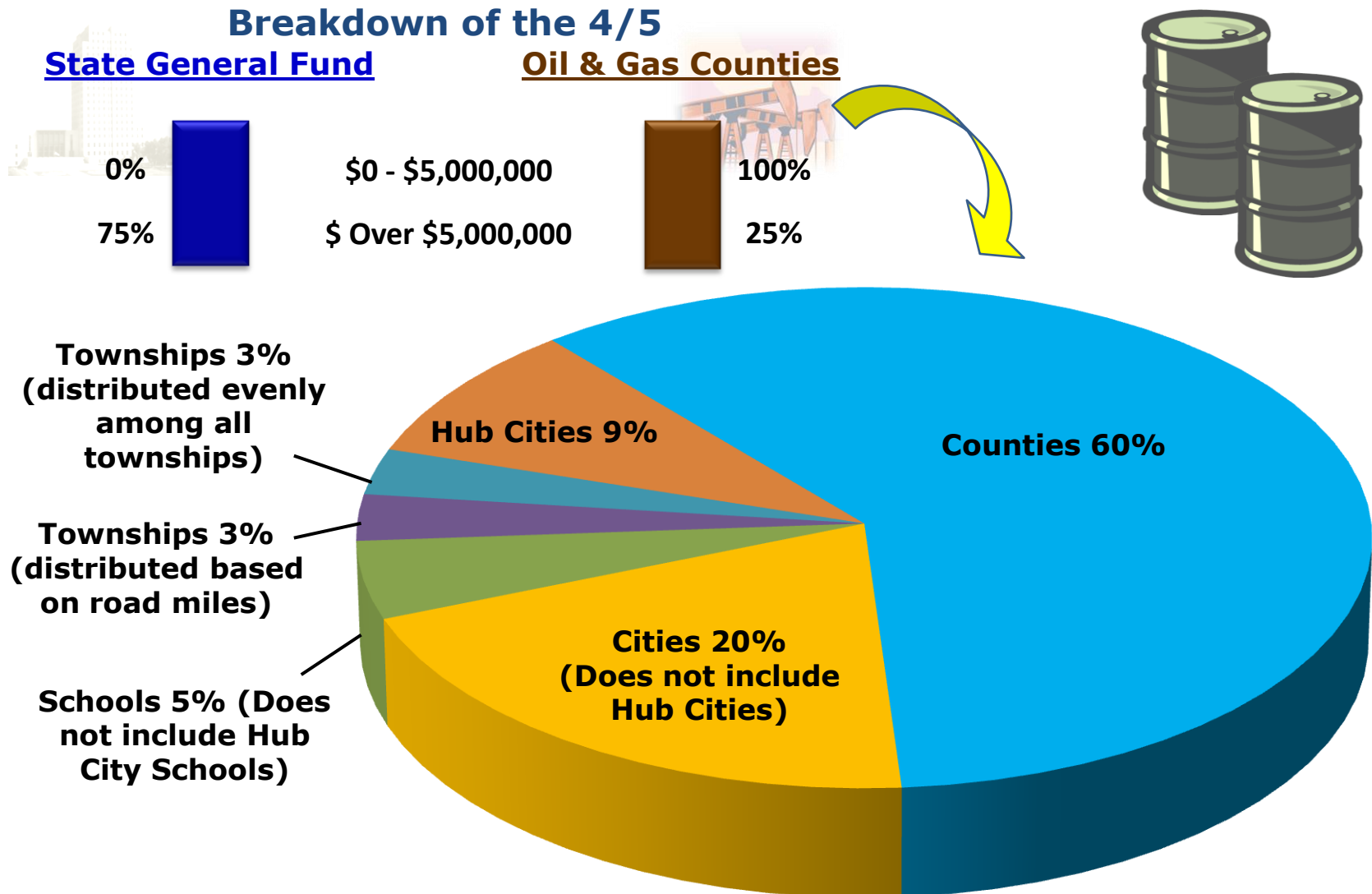
Breakdown of the 4/5 among political subdivisions



HB 1358
2013
Legislature



4/5 of 5% GPT – Counties Over \$5 Million



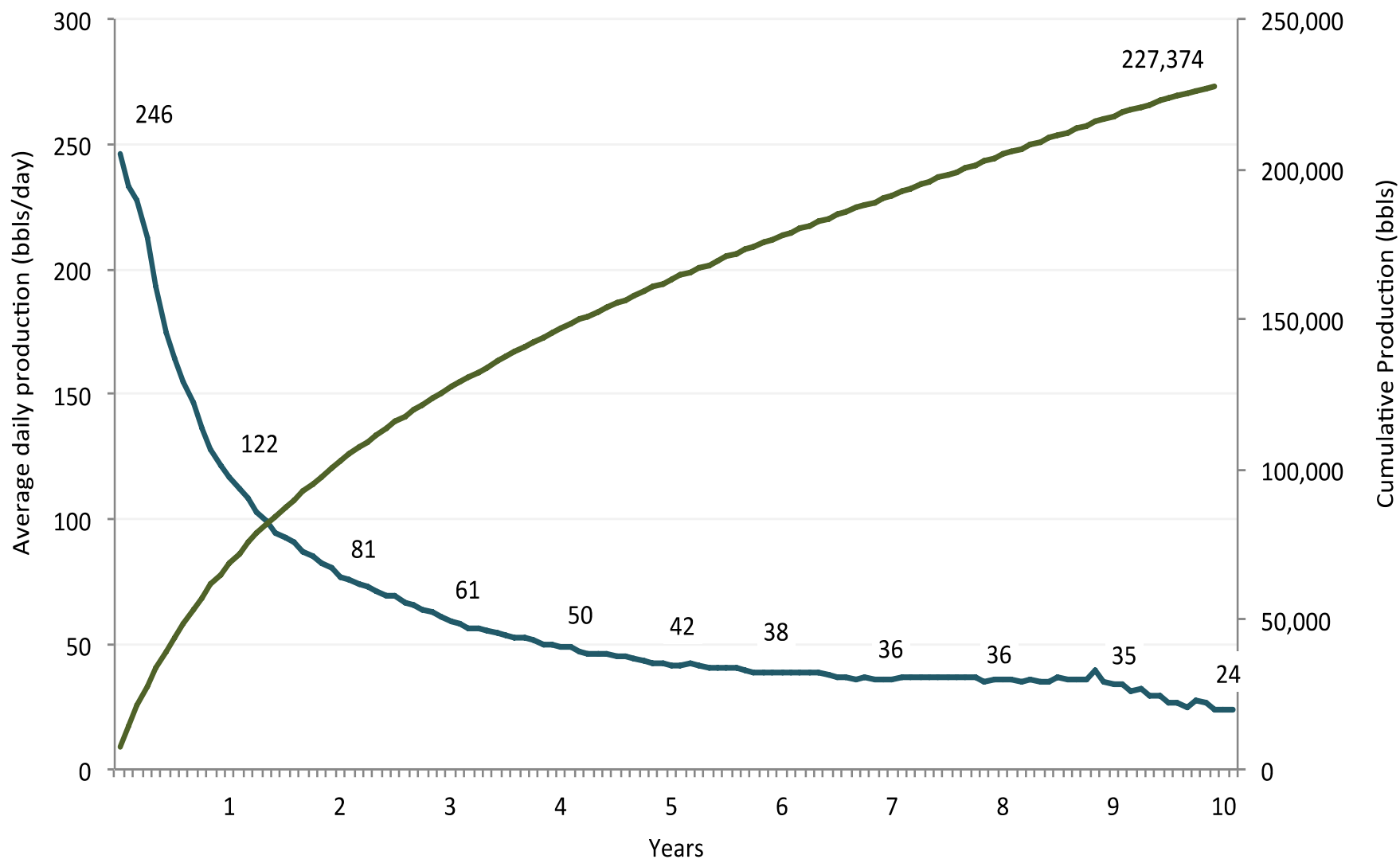
GPT Summary

- HB 1358 increased the oil and gas tax revenue distributed to local government through the formula to \$593M
 - Counties - \$315.5M
 - Cities - \$198M
 - School Districts - \$49M
 - Townships - \$30.5M
- This includes distributions and monies made available to “hub” cities and “hub” school districts

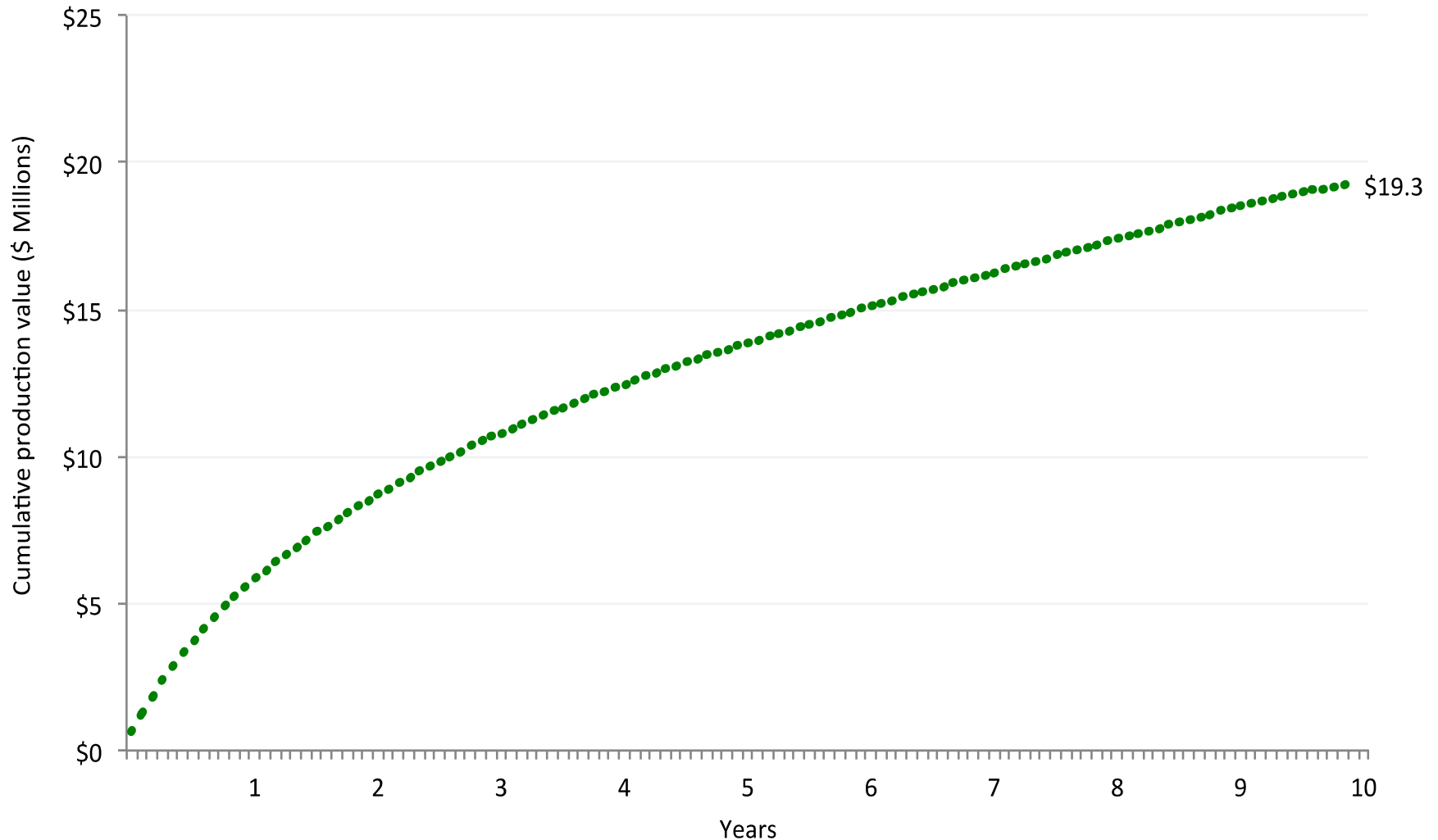
Comparisons of State Oil Tax

- Comparisons between states difficult, but not impossible
- Headwaters Economics study on oil tax revenue and its distribution
- Focus on unconventional oil play states
- “Typical unconventional well” used as basis for comparison between states

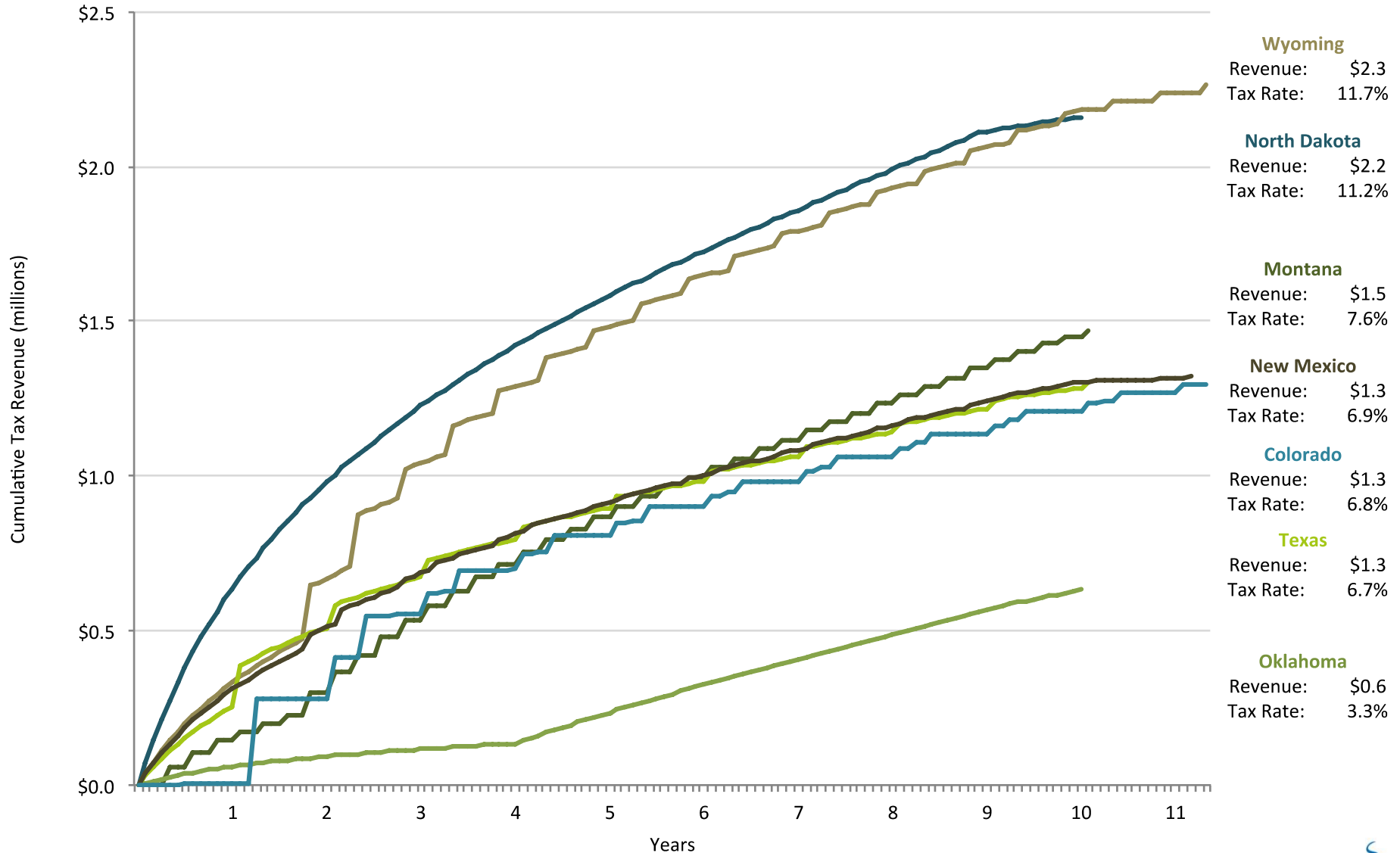
Typical Unconventional Oil Well Production Profile



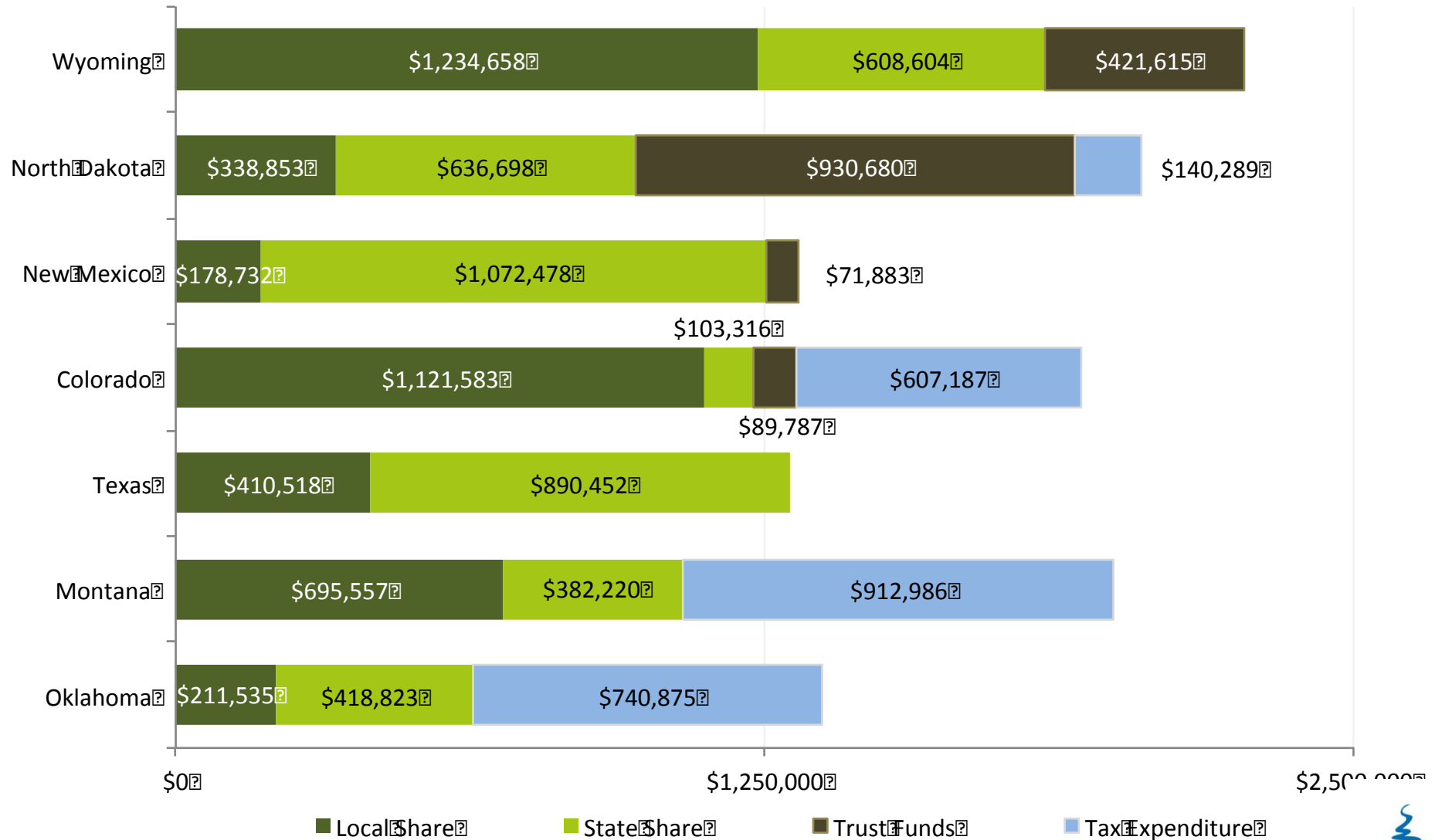
Cumulative Production Value from Typical Unconventional Well



Tax Revenue Collected from a Typical Unconventional Oil Well



Distribution of Production Tax Revenue in Seven Oil Producing States Based on a Typical Unconventional Oil Well



Preliminary Study Results for ND

- ND has some things right
 - Direct allocations to local political subdivisions
 - Timely distribution of revenue
- Potential improvements
 - Long term certainty for local political subdivisions
 - Drilling must continue for ongoing revenue

Questions?

Contact Information

Brady Pelton, Deputy Executive Director

ND Association of Oil and Gas Producing Counties

701-260-2479

brady.pelton@midconetwork.com

www.ndenergy.org

