

## **Extracted: How oil companies pull more money from North Dakota mineral owners**

In this yearlong investigation by the North Dakota Monitor and ProPublica, reporter Jacob Orledge revealed how North Dakota oil and gas companies withhold hundreds of millions of dollars every year from the people they lease drilling rights from, and how state officials refuse to take action.

Though the investigation began in July 2024 supported by a grant from ProPublica, the topic first came to Orledge's attention several years earlier. He attended the inaugural meeting of the Williston Basin Royalty Owners Association in 2018, a group of nearly 100 royalty owners who had begun noticing the deductions being taken out of their monthly checks with only vague explanations from the companies.

Orledge set out to investigate their complaints, understand why companies were holding back large portions of the payments, and whether it was legal. He also investigated why state officials declined to intervene to protect their constituents.

The investigation was wide ranging. Orledge convinced dozens of royalty owners to share thousands of pages of royalty information, personal financial information they see as akin to credit card statements, to verify the claims. He did extensive research on the obscure legal history of the issue across the country, learning there is far more disagreement about what should be allowed than regulators and companies lead lawmakers to believe.

The result was a [four-part series](#) illustrating the lack of transparency from the industry, how as much as a billion dollars may be deducted in a year, and how other states have better protected constituents.

The reporting has already had an impact in raising awareness of the issue. Many royalty owners, due to the complexity of their monthly statements and the industry's opaque explanations, are unaware of the deductions. But royalty owners around the country, judging by emails received post-publication, have been alerted to the issue. Several lawsuits have been filed against one company, Hess Corp., that has been among the worst offenders. And more than a dozen royalty owners joined a class-action effort against that company.

Many of the impacts will not be immediately obvious. Our fourth article illustrated several lawmakers are interested in finding a policy solution to the royalty owners' complaints. But North Dakota has a biennial Legislature and any solutions can't be proposed, let alone implemented, until January 2027.

## North Dakota Monitor

# North Dakota mineral owners say oil companies unfairly keep millions from checks without oversight

Public officials have refused to take action for years, which some attribute to the industry's outsize influence on the state

BY: JACOB ORLEDGE AND PHOTOGRAPHY BY SARAHBETH MANEY, PROPUBLICA - AUGUST 4, 2025 5:00 AM



📷 In the past decade, mineral owners in North Dakota, including Bob and Diana Skarphol, left, Curtis Trulson, center, and Brian Anderson, have tried to get help from state leaders as oil and gas companies take some of their share of the earnings from selling their oil. (Sarahbeth Maney/ProPublica)

*This article was produced for ProPublica's Local Reporting Network in partnership with the North Dakota Monitor. [Sign up for Dispatches](#) to get stories in your inbox every week.*

For more than half a century, Diana Skarphol's family received a check every month from the company that drilled the first successful oil well in North Dakota on their land in 1951.

The checks, from the company that became Hess Corp., were straightforward. Her family, which owns the oil and gas underground, received a percentage of the revenue generated from the company's sale of the minerals, called a royalty.

But in April 2015, when she opened that month's check and looked at the accompanying statement detailing her share, she noticed for the first time that a significant portion of the payment had been deducted. About 35% of what she thought she was owed was gone, and she didn't know why.

She was so taken aback that she called her husband, Bob Skarphol, a state lawmaker on the verge of retirement, as he drove from the Capitol in Bismarck to their home in Tioga, a small community in the oil-rich Bakken in the western part of the state.

"Why are there minuses?" Diana Skarphol recalls asking. "Rather than being added in, things were being subtracted. I was puzzled and confused."

The couple remembers that call because it was the start of a frustrating, decade-long search for answers from the company and of a string of unanswered pleas for help from the state, which has not taken action to help royalty recipients even as other states have. Over the past decade, Hess has withheld about 31%, or \$137,635, of the Skarphols' royalty income to cover the company's costs to move oil and gas from the well site to market, records show.

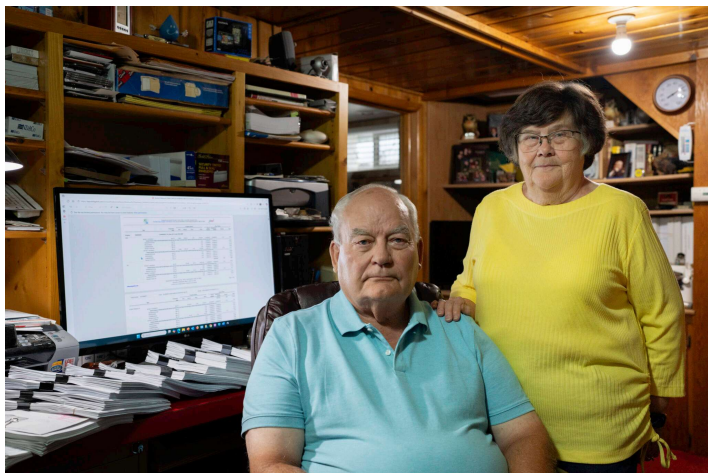
Oil and gas companies owed the state's private mineral owners, like the Skarphols, an estimated \$4.6 billion in 2023 before deductions, according to [North Dakota State University research](#). But those deductions – which can vary greatly – are deeply contentious in the state: The companies claim certain costs should be shared with royalty owners, while owners say that in most circumstances, the deductions shouldn't be permitted at all. The state itself doesn't regulate what can be deducted and there is no official accounting of how much of that money is withheld.

The North Dakota Monitor and ProPublica spoke with 18 mineral owners, interviewed experts and lawmakers, and reviewed court records and royalty statements to understand the extent of deductions. A dozen owners provided records of companies withholding 20% or more of their oil and gas royalties. Some monthly statements showed deductions as high as 50%. Similarly, at least one energy company and one independent researcher have found the deductions to be around 20% in recent years.

The industry's chief lobbyist said percentages that high are atypical. Ron Ness, president of the North Dakota Petroleum Council, said it would be "impossible" to calculate an average deduction but suggested it couldn't be more than 7% to 10% based on the cost of transporting oil out of state. If deductions were in that range, North Dakota royalty owners collectively would have lost between \$322 million and \$460 million in 2023.

The Skarphols' leases with Hess were signed during a time when oil and gas was often sold at or near well sites. The leases didn't say anything about deductions.

"It's a matter of fairness," Diana Skarphol said. "We didn't get any say in it. They just up and changed it. You feel like you're being cheated. It's not right."



📷 Bob and Diana Skarphol have kept records of payments for their mineral rights going back decades. (Sarahbeth Maney/ProPublica)

While the language in the leases has not changed, the industry has. Most companies now choose to move the commodities away from the well site before selling them, incurring additional transportation and processing costs. They pass on a share of those costs to the royalty owners, which the North Dakota Supreme Court has ruled is legal.

By contrast, North Dakota officials have taken steps to safeguard state-owned royalties. Since 1979, all state leases with oil and gas companies prohibit deductions. When state trustees noticed deductions were being taken anyway, they fought back and have spent years negotiating settlements to recoup those missing royalties.

But the majority of the oil and gas in North Dakota is privately owned by about 300,000 individuals, according to the industry. And North Dakota policymakers have not taken action that would protect private minerals, an investigation by the North Dakota Monitor and ProPublica has found.

"There's a double standard," said Rep. Keith Kempenich, a Republican from Bowman, a community in the oil field. He has co-sponsored several pieces of unsuccessful legislation aimed at helping private owners.

Lawmakers have rejected efforts to rein in deductions and to make it easier for royalty owners to understand what costs are being deducted and why. And oil and gas regulators have claimed they have no jurisdiction to help.

“It’s ridiculous,” said Bob Skarphol, who has led the advocacy efforts by private mineral owners. “The industry has an incredible amount of influence in North Dakota.”

The state, [which owns about 6% of the minerals in North Dakota](#), has advantages that private mineral owners don’t have. It has the resources to audit companies that pay royalties and to litigate disputes. State law also [requires that companies provide electronic copies](#) of royalty and production data to regulators, but private royalty owners are guaranteed access only if they travel to the company’s office, which could be out of state.

And unlike the state, private mineral owners rarely have the leverage to negotiate a lease that prohibits deductions, and leases don’t expire unless oil production lapses.

In responses to questions from the North Dakota Monitor and ProPublica, officials from three companies that operate in North Dakota – Hess Corp., Slawson Exploration Co. and Zavanna Energy – said they follow the language in the leases. In fact, most leases, like the Skarphols’, don’t explicitly mention deductions. The companies also said that while there are additional expenses to selling the oil and gas farther away from the well site, doing so also leads to a better price for both the companies and the owners.

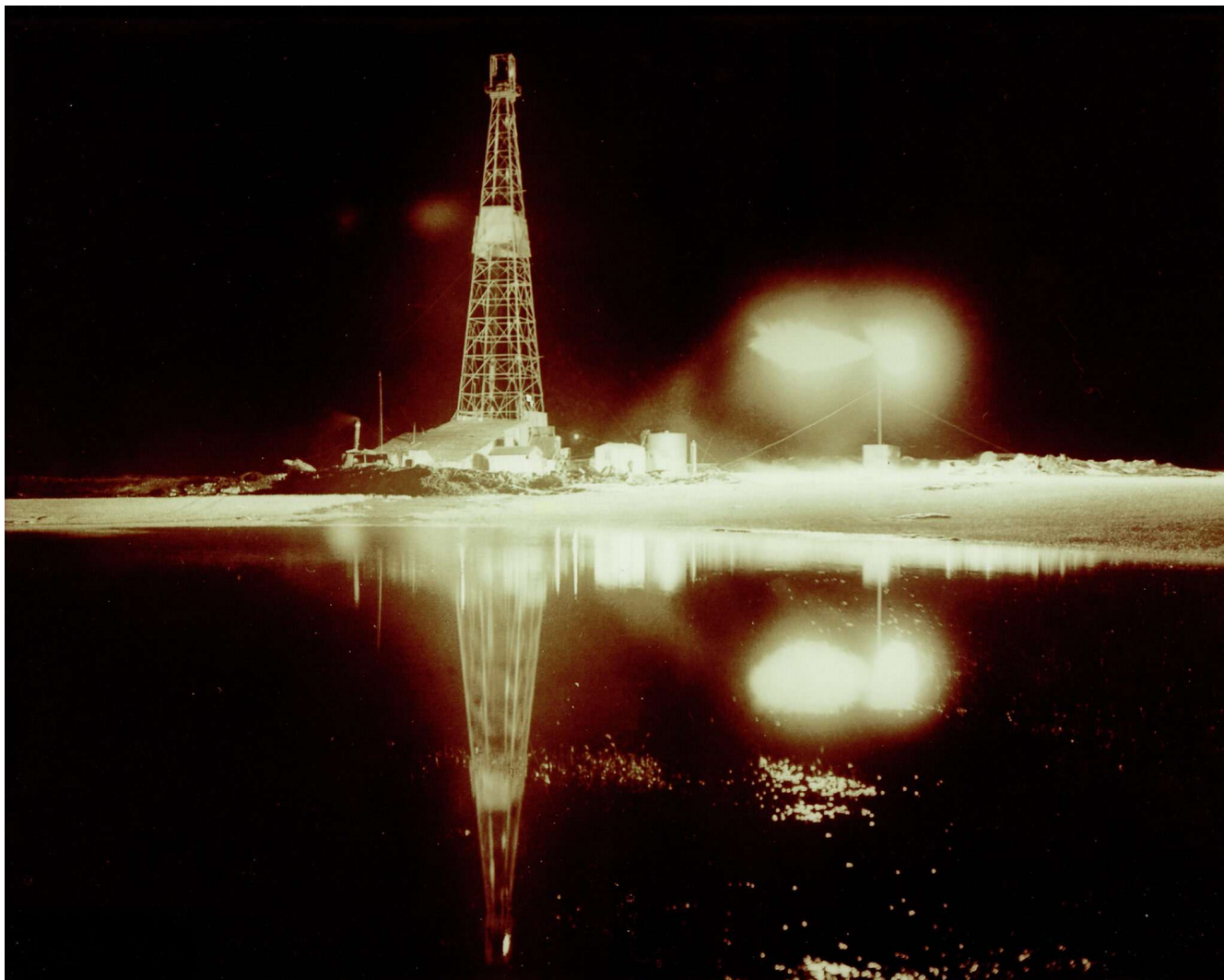
The companies, as well as the organization that advocates for the industry, blamed some of the fees charged to private owners on costly state regulations enacted a decade ago.

“Basically it got really, really expensive and really, really challenging. And I think it put the economics of gas in a whole different position,” said Ness of the North Dakota Petroleum Council, which represents more than 550 oil and gas companies in the state. “Pure and simple, the world changed.”

### ‘Saddled with expenses’

Diana Skarphol was less than a year old when her mother’s family, the Iversons, first leased the rights to any oil found under their land to Amerada Petroleum, which later merged with Hess, in 1949. The Iverson family had immigrated from Norway at the turn of the century. They’d farmed the land for decades, survived the dust bowl of the hard ’30s and were still feeling the effects of the Great Depression.

The discovery of oil in 1951, setting off the state’s first oil boom, changed everything. Oil executives and workers flooded the small community. Diana Skarphol said her relatives welcomed them and invited them over for coffee.



📷 The Clarence Iverson Well #1 on April 4, 1951, its first night of operation. The well was the first in North Dakota to produce oil. Clarence Iverson was a relative of Diana Skarphol. (William Shemorry, courtesy of State Historical Society of North Dakota. SHSND 10958-0059-00001)

It was a change in fortune for the Iversons and many other families. “They weren’t very rich farmers. They were just getting by. And this supplemented their income,” she said. The leases promised a 12.5% royalty on the oil’s market value the day it left the well site, “free of cost.” That means that the mineral owner is not responsible for costs to drill or operate a well or other production expenses.

That’s why families like the Skarphols say they were perplexed when the deductions began.

The Skarphols keep decades of monthly royalty checks, so they can track when Hess began deducting money. A column titled “other deductions” first appeared in 1998 but remained blank until April 2007, when the company began to deduct less than 2% of their royalty, an amount they said was too small to notice at the time.

North Dakota’s oil and gas industry was on the verge of momentous change. The shale oil boom, triggered by new technologies, had arrived. Crude oil was fetching \$100 a barrel by 2008, and the “drill, baby, drill” spirit took hold before the phrase was ever uttered in the White House.

But the oil was leaving the surface intermingled with vast quantities of wet natural gas, which the companies often disposed of by burning it. The sight of small flames, called flares, became ubiquitous in the Bakken.

Flaring looked unsightly, polluted the air and wasted a natural resource that could be sold. State officials enacted regulations in 2014 that required companies to curtail the flaring. The industry, in turn, said it has spent an estimated \$25 billion so far to build the necessary infrastructure to collect the gas, process it and export it through pipelines.



Maney/ProPublica)

Companies pass on to owners a share of those infrastructure costs, as well as the expenses associated with processing and transporting oil and gas, sometimes to far-flung markets. Whether owners ought to share in these costs is the heart of the debate.

The industry justifies the shared costs by citing a North Dakota Supreme Court ruling that empowered companies to deduct expenses. That 2009 ruling, which addressed a narrow issue related to natural gas, concluded that the value of the gas for royalty purposes should be calculated “at the well,” where it leaves the ground.

That laid the groundwork for postproduction deductions. The ruling meant that when calculating royalties, companies could start with the sale price and then deduct the costs incurred after the minerals were extracted – what has been called the postproduction phase – to determine how the resources would have been valued at the well. But to royalty owners whose leases promise a royalty “free of cost,” the fact that companies incur expenses before selling the oil and gas is not their problem.

“Mineral owners are being saddled with expenses,” said Neil Christensen, the agent for his three sisters who inherited mineral rights in McKenzie County that they lease to Hess. Those expenses, he suggested, should “reduce stockholder dividends, not reduce mineral owner income.”

## Private royalties in North Dakota, estimated in the billions

📷 Royalties fluctuate based on the price of oil and the amount produced. The figures are prior to deductions.

Source: [North Dakota State University research, Agribusiness and Applied Economics](#)

There’s a lot of money at stake. North Dakota Sen. Brad Bekkedahl, a Republican who routinely sponsors bills advocating for the interests of both the industry and royalty owners, estimates that companies deduct “at least hundreds of millions of dollars” every year. He says companies should use their revenues to cover the postproduction costs – as they did before the most recent oil boom.

An executive with XTO Energy told lawmakers in 2021 that the oil and gas company deducts on average \$30 million annually, or about 21% of the royalties owed to private leaseholders in North Dakota. Mary Ellen Denomy, a forensic accountant who has audited royalty statements across the country and for at least 30 North Dakotans in the last decade,

said that about 22% of royalties are deducted on average – which would have amounted to \$1 billion in 2023. These figures are in line with royalty statements that mineral owners shared with the North Dakota Monitor and ProPublica.

It's difficult to verify what specific costs each company deducts because companies don't detail those, either for royalty owners or for the state, instead providing only broad categories on the statements that accompany their checks.

Hess said it is a "common industry practice" to pass on some infrastructure costs, such as the \$1.5 billion the company spent on pipelines, the expansion of a gas processing plant and construction of other facilities in the early 2010s. Hillary Durgin Harmon, a Hess spokesperson, said those investments support economic growth by increasing oil and gas production and transporting it to more markets, benefiting royalty owners and the state overall.

Zavanna Energy also attributed the increased deductions to infrastructure expenses, including the cost of getting landowners' permission to install pipelines in the state, according to the company's general counsel.

"I've seen the costs associated with obtaining pipeline easements in some parts of North Dakota increase as much as 3000% over the last 10 years," Zavanna's Gillian Wilkin said. "Those increased costs can substantially influence the price that must be paid to get oil and gas to downstream markets."

Todd Slawson, chairman of the North Dakota Petroleum Council, defended owners sharing the costs to move and enhance oil and gas after leaving the well site. Such "post-marketability" costs, he said, benefit the owners, too.

"The objective of the operator is also to obtain the best prices for all parties," said Slawson, who owns Slawson Exploration Co., another energy company. "We are all in this together, so everyone wants the best price."

He called royalty owners like the Skarphols, who inherited leases, "very lucky and fortunate." "What a great country we live in where minerals can be privately owned – I do not know of another country where that occurs, but there probably are some," he said. In most countries, oil and gas are largely owned by the government.

Bob and Diana Skarphol didn't feel fortunate when Hess began taking unexpected deductions in 2015. Nor did Brian Anderson, who also inherited a lease with Hess that his father signed in 1949. Donald Anderson was then a 21-year-old farmer who worked in a coal mine on his property to support his younger siblings.

The family started getting royalties soon after. But since the company began taking deductions a decade ago, Brian Anderson said his family has lost more than \$600,000.

"The fact that they just arbitrarily started taking it just sticks in my craw so bad," said Anderson, who at one time worked for Hess. "You don't take anything for 60 years, and then all of a sudden you, abracadabra, can do it?"



📷 Brian Anderson inherited an oil and gas lease from his father. He began noticing deductions on his royalty statements a decade ago. (Sarahbeth Maney/ProPublica)



📷 Anderson's property in Tioga in the 1950s in an old photograph hanging in his dining room, first image; his family home still stands on that land. Second image: An oil well on his property in June. (Sarahbeth Maney/ProPublica)

By the fall of 2018, Skarphol had talked to enough other mineral owners to realize that deductions had begun appearing on many of their royalty statements – and they weren't stopping.

Skarphol called a meeting at City Hall in Williston on a brisk October evening to discuss what they could do about it. Dozens of mineral owners filled every seat and stood shoulder to shoulder in the back of the room.

Janice Arnson, who along with her seven siblings inherited mineral rights from their mother, stood up and declared that deductions were “out of control.” One particular lease, signed by her mother in 2009, began paying royalties a few years later when Hess drilled a well. The deductions were minuscule at first and then skyrocketed to 23% of Arnson's royalty check in February 2015. “We just want to be paid our fair share,” she said at the meeting.

“I want the Legislature to take this seriously,” said Linda Meyer, a mineral owner in Williams County.

Skarphol, who called the meeting, responded. “Do we want to get angry enough to do something about it?” Skarphol asked the crowd. “I do.”

That night, the mineral owners formed the Williston Basin Royalty Owners Association.



📍 Bob Skarphol shows a group of mineral royalty owners the breakdown of a royalty statement. At that October 2018 meeting, Skarphol and other mineral owners founded the Williston Basin Royalty Owners Association. (Jamie Kelly/Williston Herald)

### ‘Such a hopeless feeling’

The group started with a request at the beginning of the 2019 legislative session for the state to study the issue and consider potential solutions. Lawmakers approved the request, but the committee that selects which studies should be completed discarded the proposal.

In 2021, royalty owners worked with legislators to [draft a bill to directly address their concerns](#). Among other changes, the legislation would have prohibited deductions unless they were explicitly allowed for in a lease and would have permitted royalty owners to audit a company’s records, at the royalty owners’ expense, to ensure they are being paid correctly.

Curtis Trulson, a retired farmer, shared concerns about the deductions with lawmakers during that session. He receives royalty payments through leases with multiple companies, and he first started noticing his royalty payments were diminishing during the start of the COVID-19 pandemic.

“Nobody ever called and said, ‘Well, we’re going to start taking these costs and here’s why.’ It just started disappearing,” Trulson said. “Almost every operator is doing the same thing now. They didn’t all do it to start with.”



📍 Curtis Trulson on his farmland near Stanley, North Dakota. He has asked lawmakers to help mineral owners. (Sarahbeth Maney/ProPublica)

Trulson emailed details of his situation, and a royalty statement, to seven senators on the committee considering the bill drafted by the royalty owners. Some deductions “go totally unexplained!” he told them. The only legislator who responded was the one Democrat, Merrill Piepkorn.

“I hate to say this because I lean a little more on the Republican side and I’m more conservative,” Trulson said. “Other ones didn’t even bother to respond or say thanks for the information or anything.” He added: “The state of North Dakota doesn’t want to help us out.”

The legislation was turned into a study, which ultimately recommended no changes to state law.

“I had a hard time keeping from screaming,” Anderson said of his frustration during the hearings, which he attended in person.

The mineral owners tried for more modest changes in 2023. That year, [they pushed for a bill](#) that would have required companies to provide royalty statements in spreadsheets. While state law requires that companies provide them that way for publicly owned minerals, there is no such requirement for private owners.

That legislation failed, too.

“Every time we make any kind of an attempt it seems like the industry has a whole lot more influence over the Legislature in North Dakota than the people do,” Christensen said.

Arnson, who worked with Skarphol to bring concerns about this issue to legislators’ attention, said she feels betrayed by her representatives.

“It was such a hopeless feeling,” Arnson said. “Have I lost a lot of faith? Yes I have.”



📍 Janice Arnson on land once owned by her family. Arnson and her siblings inherited mineral rights from their mother in Williams County, North Dakota. (Sarahbeth Maney/ProPublica)

Legislators from both parties who were involved in the efforts to amend state law told the North Dakota Monitor and ProPublica that repeated legislative measures have failed because of the industry's impact on the state economy and subsequent influence in state politics. State and local governments took in about \$32 billion in oil and gas taxes between 2008 and 2024, according to a study by the Western Dakota Energy Association. That same study found that more than 50% of all local tax collections are tied to oil and gas.

The industry's influence "has curtailed any investigation or legislation regarding looking into the validity of the deductions," Piepkorn said. "Ron Ness is a pretty smooth talker," he said of the industry's chief lobbyist. "We just take what he says for gospel." Ness said his reputation with policymakers as "a trusted and respected voice for the industry" has been "hard earned" over 27 years.

Bekkedahl, chair of the Senate Appropriations Committee that crafts the state budget, said more than half the state's revenues are tied to oil and gas activity. He called the energy industry's lobbying efforts on this issue "very aggressive" but said lawmakers need to address concerns about royalty deductions.

"I've always maintained that we should, as the Legislature, provide some clarity to this issue so that the courts can make the interpretations with clear statutes in place, which they don't have now," Bekkedahl said.

North Dakota Petroleum Council staff have testified to lawmakers that the state should not get involved in what it describes as private contract disputes.

But the Legislature has gotten involved in other contract issues championed by the energy industry, including this year when it [approved legislation](#) related to coal leases. The new state law allows the companies to extract critical minerals from coal without having to negotiate amendments to existing leases.

Joseph Schremmer, a University of Oklahoma law professor who specializes in the energy industry, said the Legislature can take action on other issues affecting private contracts as long as there is a "legitimate state interest."

“The Legislature has the power to do many things that would potentially modify the operation of existing contracts,” he said.

Gov. Kelly Armstrong, a Republican who is both a royalty owner and a former executive in his family’s oil company, declined to comment for this story. He said in an interview last year that royalty owners should rely on the courts, though litigation is expensive and not feasible for most.

“If you think you have a litigation issue, litigate it,” Armstrong said. “You’re trying to use the state of North Dakota as your private lawyer. If you are in a contract dispute, there is a better place to settle that.”



North Dakota Petroleum Council President Ron Ness, left, talks to North Dakota Gov. Kelly Armstrong, center, and North Dakota State University researcher Dean Bangsund during a March 2025 event to highlight the economic impact of the oil and gas industry. (Kyle Martin for North Dakota Monitor)

Diana Skarphol is doing just that. She is one of 34 plaintiffs from the extended Iverson family who sued Hess in 2021 for \$10 billion in damages, arguing that the company breached their contracts by taking deductions.

Northwest Judicial District Judge Robin Schmidt ruled in favor of Hess and dismissed the case last week. North Dakota law, which the Skarphols and other families have been asking the Legislature to change for years, “is not on your side,” she told the plaintiffs in a June hearing.

But where this will end is unclear: The North Dakota Supreme Court has overturned this judge’s rulings on a different case related to deductions. And the Skarphols’ attorney said they will likely appeal. Schmidt also told the plaintiffs they could bring a new lawsuit over a different set of oil wells.

Meanwhile, Bob and Diana Skarphol continue to open the checks each month and calculate their losses. So far this year, Hess has deducted 36%.

*North Dakota Monitor reporter Jacob Orledge can be reached at [jorledge@northdakotamonitor.com](mailto:jorledge@northdakotamonitor.com).*

*This is the first story in a series. Next week, read about a state program that North Dakota lawmakers established to help royalty owners. But with limited authority, the program has not lived up to its name.*

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# They can't get answers from the oil industry. North Dakota's oversight program hasn't helped.

Program has not resolved a single case related to royalty deductions

BY: JACOB ORLEDGE AND PHOTOGRAPHY BY SARAHBETH MANEY, PROPUBLICA - AUGUST 11, 2025 5:00 AM



📍 Neil Christensen and his family started noticing deductions from their royalty payments about a decade ago. North Dakota mineral owners have asked state leaders for help with the issue, but they say an oversight program has fallen short. (Sarahbeth Maney/ProPublica)

*This article was produced for ProPublica's Local Reporting Network in partnership with the North Dakota Monitor. Sign up for Dispatches to get stories in your inbox every week.*

One morning in February 2023, a small group of mineral owners arrived at the North Dakota Capitol on a mission. They had traveled from across the state and other parts of the country to explain to lawmakers how the powerful oil and gas companies had been chipping away at their income.

It's not easy to recruit people to testify during the winter months of the legislative session. Ranchers are busy with the calving season. Snowbirds have relocated to warmer climates. It's a more than three-hour drive for those living in the Bakken oil field.

But those who made it to Bismarck lined up at a podium to share details of their own experiences and the broader concerns affecting the estimated 300,000 people who receive money from the industry in exchange for the right to their underground minerals. For nearly a decade, they had grappled with companies withholding significant portions of their royalty payments without explaining how they determined how much to deduct, as [the North Dakota Monitor and ProPublica reported last week](#).

Now they were at the Capitol for a specific reason: [They wanted legislators to require](#) companies to provide more information so owners could discern if they were being paid correctly, and to impose penalties if companies failed to comply.

Shane Leverenz, who manages income his extended family receives from numerous oil wells, read aloud email responses from companies to illustrate the lack of cooperation mineral owners face when they request information. "We are not obligated to mail each owner a calculation as to how their interest was calculated," one company wrote.

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This is the second story in a series.  
Read the first story [here](#).

“There is no transparency,” Leverenz told the legislators. Leverenz, whose great-grandfather homesteaded in North Dakota and had his property deed signed by President Theodore Roosevelt, has helped organize royalty owners on this issue in recent years. Leverenz grew up in Epping, a town of fewer than 100 people in the northwest part of the state, and traveled to North Dakota from Texas, where he now lives, to testify.



Shane Leverenz testifies at a bill hearing in the North Dakota Capitol in 2023. (Jeremy Turley/Forum News Service)

After input from Leverenz and others, lawmakers decided [to create a new state program](#) that they hoped would address conflicts between royalty owners and companies. In particular, mineral owners had mounting concerns over postproduction deductions, the money companies withhold to cover the costs of processing and transporting minerals after they are extracted and before they are sold. Companies say they are allowed to pass on a share of those costs, while royalty owners say they shouldn't bear that responsibility because in most cases lease agreements don't mention those expenses.

The state's "postproduction royalty oversight program" had the support of the industry, but it was far less than what Leverenz and other owners wanted. In the two years [since its creation](#), the program has not lived up to its name and has not alleviated owners' concerns over deductions or transparency, an investigation by the North Dakota Monitor and ProPublica found. The program has resolved 69 cases so far, and none have involved postproduction deductions, according to documents obtained under a public records request. A case can represent a complaint or question from a royalty owner.

"The legislative intent was supposed to be addressing the issue of the postproduction costs that they were hitting people with," said Rep. Don Longmuir, a Republican from Stanley, in the northwest corner of the state.

The newsrooms' investigation found that the program has focused on other issues. It has instead helped owners resolve complaints about companies withholding payments entirely and failing to pay interest on late royalty payments, records show. Some mineral owners said in interviews that they do not trust state officials to help them get information about the deductions and therefore have not tried to use the program.

Leverenz said the program, also referred to as the ombudsman program, has not accomplished what he and other royalty owners were told it would. He has taken six complaints to the ombudsman; three were resolved but three remain open,

including two for more than a year. The unresolved complaints do not involve deductions, he said, and focus on other issues with his family's royalty payments.

"The ombudsman is running into the same thing that I have, where there's just no response from the oil companies or they stalled," Leverenz said. "There's been no forward momentum."

Ron Webb, who coordinates the program within the state's Department of Agriculture, said it has helped facilitate communication between mineral owners and companies. He said the program is voluntary and does not have authority to compel companies to change how they calculate payments or even to provide information. "Oil companies are not required to work with us," Webb said.

The program no longer promotes itself as being able to oversee concerns about royalty deductions even though that was part of the legislative intent. On the department's website and in a brochure, the word "postproduction" has been dropped from the program's name even though it is in the title of the law that created it.

The department's legal counsel, Dutch Bialke, said the name of the law is irrelevant to how the program operates.

"The title is entirely legally non-binding and has no legal effect," he wrote in an email, citing North Dakota law.

## Sixty-eighth Legislative Assembly of North Dakota In Regular Session Commencing Tuesday, January 3, 2023

SENATE BILL NO. 2194  
(Senators Patten, Bekkedahl, Kannianen)  
(Representatives Longmuir, J. Olson, Timmons)

AN ACT to create and enact a new section to chapter 4.1-01 of the North Dakota Century Code, relating to a postproduction royalty oversight program; to amend and reenact subsection 2 of section 38-08-04.5 of the North Dakota Century Code, relating to the abandoned oil and gas well plugging and site reclamation fund; and to provide a report.

### BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

**SECTION 1.** A new section to chapter 4.1-01 of the North Dakota Century Code is created and enacted as follows:

#### **Postproduction royalty oversight program - Report.**

1. The commissioner shall establish a program providing technical assistance and support to mineral owners, lease owners, and mineral companies relating to royalty payment issues.

 A bill introduced in 2023 established what it called the postproduction royalty oversight program. The program has since dropped the word "postproduction" from its name. (Obtained by North Dakota Monitor and ProPublica. Highlighted by ProPublica.)

### 'Nothing is clear'

Ever since Neil Christensen and his sisters noticed in 2016 that Hess Corp. was withholding nearly 25% of their royalty income – up from less than 1% just two years earlier – his family has tried to get answers from the company.

He traveled to Minot, North Dakota, some years ago to meet with Hess representatives at their production offices. He also called the company's accounting office and its royalty owner hotline, but he said their explanations didn't make sense.

"It doesn't seem as if the company has a large interest in explaining themselves," Christensen said. Spreadsheets kept by his family show withholdings have been as much as 42% in recent years. "The transparency issue is a big problem with oil operators and mineral owners."



Christensen manages land and oil and gas minerals in McKenzie County, North Dakota, for his family. (Sarahbeth Maney/ProPublica)

The royalty statements can be hundreds of pages long but provide only a general description of the reasons for the deductions, leaving owners unable to verify the companies' costs and whether they are being paid a fair share. Christensen's family and others said they have had payments reduced for expenses the companies incurred years earlier.

"Nothing is clear," said his sister Naomi Staruch, who has spent most of her career working in finance for banks and churches in Minnesota. "I would get so frustrated really looking hard at the statements."

Diana and Bob Skarphol, who have advocated for years on behalf of royalty owners, said confusing and overwhelming royalty statements are a common concern. The couple received one statement last year that included 39 pages of calculations for a single well – including reductions to past royalties going back nine years. The Skarphols received \$1.15 that month from the production of the well.

Merrill Piepkorn, a Democratic former state senator from Fargo who was the prime sponsor of the transparency legislation, said oil companies' tactics are "obfuscation through transparency."

"You get so much information, there's no way to find what you're looking for," said Piepkorn, who unsuccessfully ran for governor in 2024.

Todd Slawson, chair of the North Dakota Petroleum Council, said royalty statements are complex in part because state regulators within the last decade began requiring companies to include additional categories of information. Hess said it maintains an online portal where royalty owners can access their royalty information and operates a call center that mineral owners can contact with questions.

North Dakota does not regulate the costs that companies can pass on to individual owners, though the state and federal governments regulate deductions on government-owned land. The state audits the royalties paid on state-owned minerals

to ensure the amounts are correct and, since 1979, the state's leases do not allow deductions. But private mineral owners don't have that same access and often learn about deductions by comparing their statements with one another.

"It's kind of all rigged against the individual royalty owner," Leverenz said.

State officials have told mineral owners that they can't get involved in private disputes and that litigation is the owners' best recourse. But litigation isn't financially feasible for most families, according to attorney Josh Swanson, who represents mineral owners.

"It easily exceeds six figures, and that's cost-prohibitive for most folks," Swanson said. "Part of the playbook for a lot of operators is making these things as cost-prohibitive as they can."

Swanson was the attorney Janice Arnson and her family hired to try to get answers from Hess. Hess had been deducting between 15% and 36% of their royalty income each month since 2015, according to a spreadsheet maintained by Arnson. They had no luck getting an explanation from the company until they hired Swanson in 2017. When Hess responded, a company attorney said in a letter that the deductions were "proper and permissible" under the terms of the lease. While Swanson disagreed, the family declined to pursue litigation because "it was going to be an expensive suit."



📷 First image: Janice Arnson in her Williston, North Dakota, home. Second image: Arnson places her hand on land once owned by her family, where she still retains mineral ownership, near the northern shore of Lake Sakakawea in northwest North Dakota. (Sarahbeth Maney/ProPublica)

"We were one small, little family," said Arnson. "We just didn't have the resources against Hess to fight."

(In response to questions about royalty deductions, Hess [reiterated its comments published previously](#) that the increased costs are due to infrastructure investments made in the past decade. Those changes were made to reduce natural gas flaring

and meet state regulations.)

Some royalty owners have turned to the Northwest Landowners Association, a nonprofit advocacy group, for help. Troy Coons, the group's chair, said he has fielded multiple calls a week from royalty owners who are angry that state leaders have not helped them with the deductions. "It's a massive concern for people," said Coons, whose group has sued the state on behalf of property owners on a different issue. "We're not supposed to be bearing the burden of expenses."



📍 Troy Coons, chair of the nonprofit Northwest Landowners Association, on his property in Donnybrook, North Dakota. Mineral owners have reached out to the association for help with deductions. (Sarahbeth Maney/ProPublica)

Lawmakers initially had bipartisan support in 2023 for a [bill](#) that would have guaranteed mineral owners access to electronic spreadsheets detailing their payments and would have required companies to provide more information on how they calculate a royalty owner's share of the income from each well. It also would have directed courts to require companies to reimburse royalty owners for attorneys' fees if they successfully sued for the information.

But that bill was discarded in favor of [legislation creating the royalty oversight program](#).

The Legislature "took our bill and they stripped it of everything, and they shoved the ombudsman program into it," Leverenz said. They created the program "with the promises that, you know, this is going to be the answer to all the issues that have been brought up over the years with the royalty owners."

Sen. Brad Bekkedahl, a Republican from Williston, initially backed both bills. The senator said he hoped the bill creating the ombudsman program would be amended in the legislative process to give it more authority to advocate on behalf of mineral owners. That didn't happen.

"That would have been, I think, more beneficial to royalty owners," said Bekkedahl, who ultimately voted against it.



📍 North Dakota state Sen. Brad Bekkedahl, a Republican who is also Williston's finance commissioner, outside Williston City Hall after a commission meeting in June. (Sarahbeth Maney/ProPublica)

## 'Barking up a tree'

In pitching the program to lawmakers in 2023, Doug Goehring, the state's agriculture commissioner, said the goal was to "try to develop some resolution" for royalty owners with questions about their payments, including concerns over deductions.

The bill required a report to legislators. Goehring told lawmakers he would share with them "full and complete information concerning the cases" handled by the program and the issues faced by mineral owners in order to inform future legislation. "We'll certainly provide you scenarios, situations, and some of the challenges and difficulties we've dealt with," Goehring, a Republican, testified in 2023. "And even some suggestions about how you correct some of this moving forward."

The result has fallen short of what Goehring pledged in testimony, the news organizations found. Goehring now says it is not the program's job to find resolution for royalty owners who question the deductions. "We don't have a leg to stand on to try and advocate or try to extort money out of the company," Goehring said. He said an exception is if deductions are specifically prohibited in leases, but most agreements, especially those signed decades ago, are silent on the issue of deductions.

Instead of a detailed report, Goehring delivered a [one-page summary](#) to legislators in September that broadly categorized the issues handled through the program. Legislators accepted the report without discussion. Goehring said a more detailed report was not necessary. "They don't want to know that," he said. "We generally don't write reports in that manner. We give them the basic information."



📍 North Dakota Agriculture Commissioner Doug Goehring, a Republican, says the royalty oversight program has been successful, citing feedback from the oil industry. (Kyle Martin/For the North Dakota Monitor)

Of the 147 cases filed with the program, about half remain unresolved, including more than two dozen that have been pending since 2023. Goehring said some of the cases remain open at the request of royalty owners.

Two of the pending cases involve postproduction deductions, including one that has been open since September 2023, according to Bialke, the Agriculture Department's legal counsel.

The cases are assigned to two energy companies that serve as ombudsmen, Diamond Resources and Aurora Energy Solutions, which contact the companies on behalf of the mineral owners. Neither of the companies responded to questions from the North Dakota Monitor and ProPublica.

The news organizations paid \$425 to obtain records related to the cases that had been resolved as of late June. In those cases, the ombudsmen have answered royalty owners' questions and obtained answers for them when companies had not been responsive. In some cases, they mediated solutions that resulted in royalty owners receiving payments they were owed, records show.

In one case, an ombudsman spent nearly 10 months going back and forth with a company until the royalty owner got paid. In other cases, ombudsmen helped royalty owners understand technical issues related to taxes and the probate process after inheriting minerals. The department redacted company names from the documents released, with Bialke citing state law.

"It has been extremely helpful for frustrated royalty owners who cannot get their questions answered," said Slawson of the North Dakota Petroleum Council, who also owns an energy company. "Having deductions suddenly show up on revenue checks and questions not being answered or not explained well can lead to suspicions of wrongdoing."

Kenneth Schmidt, who owns minerals near Ray in Williams County, contacted the program after struggling to convince a company that it owed interest on late royalty payments as mandated by state law. It took a few months, he said, but the company paid him.

“I was very satisfied with the program,” said Schmidt. “Instead of going to an attorney and I’ll pay \$400 an hour, they did it for free, but through the state.”

Goehring said the program has been successful, citing feedback from the industry as well as the fact that no bills related to royalty deductions were introduced during this year’s legislative session, the first time in nearly a decade.

“If there’s no bills that are coming up, then isn’t that an indication? It’s kind of like if you don’t have a cough, then maybe you don’t have a cold,” he said.

While the program has resolved disputes like Schmidt’s, which are more cut-and-dried, it isn’t well equipped to handle more complex disagreements, Goehring said. That isn’t a surprise to one of the lawmakers who worked on the bill.

“I don’t doubt that in some cases, facilitating that communication probably helped, but I don’t think it gives all the answers to the royalty owners that they’re looking for,” Bekkedahl said.

A number of royalty owners told the news organizations they simply don’t trust the program to help. “I didn’t feel the ombudsman program had any teeth in it whatsoever to do anything,” said Brian Anderson, who has not filed a complaint even though he wants companies to more fully explain their deductions. “They’ll placate you; they’re not going to do anything about it.”

Curtis Trulson, a royalty owner in Mountrail County, agreed: Going to the program, he said, is just “barking up a tree.”

*Clarification, Aug. 12, 2025: This story has been updated to reiterate previous comments from Hess.*

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## Some states restrict the oil industry from taking mineral owners' earnings. Not North Dakota.

BY: JACOB ORLEDGE - AUGUST 15, 2025 5:00 AM



📷 Pumping units in Williams County, North Dakota. (Sarahbeth Maney/ProPublica)

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Millions of Americans own the rights to oil and gas underground. When they're approached by an energy company to lease out those rights, they're offered a cut of the revenue, called a royalty.

"Royalties saved our place," said James Horob, a farmer in northwest North Dakota, who used oil royalties to rescue his family's farm from bankruptcy in 2008 and replace equipment that had been auctioned off. "We're lucky to have what we got."

However, the royalty income that mineral owners like Horob get can depend in part on the state where they live. In North Dakota, estimates show that in recent years companies have been deducting hundreds of millions of dollars annually to help cover the costs incurred once oil and gas leave the ground on their way to being sold. [North Dakota officials have not stepped in to help royalty owners](#), even though the state, in its own leases, has explicitly prohibited oil and

gas companies from taking deductions from government royalty payments since 1979, [as the North Dakota Monitor and ProPublica reported this month](#).

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This is the third story in a series.  
Read the collection [here](#).

“It’s tough to think that there isn’t some better solution out there than what we currently have,” said Aaron Weber, a Watford City-based attorney who represents mineral owners in North Dakota.

In contrast to North Dakota, at least seven oil-and-gas-producing states have taken either legislative or judicial action to restrict the costs that can be deducted from royalty owners’ checks. Here are the key ways North Dakota differs from these other states when it comes to protecting the interests of royalty owners:

## The debate in North Dakota

North Dakota Gov. Kelly Armstrong has called the oil and gas industry [the “No. 1 driver of our economy” in the state](#). The industry contributed \$32 billion in oil and gas taxes to state and local governments between 2008 and 2024, [according to the Western Dakota Energy Association](#), which advocates for energy-producing communities. That same study found that more than 50% of all local tax collections are tied to oil and gas.

Oil and gas companies owed the state’s private mineral owners, like Horob, an estimated \$4.6 billion in 2023 before deductions, according to [North Dakota State University research](#).

Deductions from that royalty income – which can vary greatly by company and mineral owner – are deeply contentious in the state: Companies say they’re withholding transportation and other expenses that should be shared with royalty owners; the owners say those “postproduction deductions,” as they are generally known, shouldn’t be permitted in most circumstances.

The energy industry says the postproduction deductions, which began surging about a decade ago, reflect changes in the oil business. Oil, discovered in the state in 1951, used to be sold primarily at the well site. Now, oil and gas are often sold farther away, and companies incur costs to process and transport the minerals. The companies say this enables them to fetch a better price, benefiting the royalty owner as well. The industry also attributes an increase in deductions to regulations added in 2014 to reduce natural gas flaring, requiring companies to make new investments.



📷 A gas flare in Williams County, North Dakota, in June 2025. (Sarahbeth Maney/ProPublica)

Owen Anderson previously worked for North Dakota’s regulatory agencies and helped draft language to prohibit companies from taking deductions from royalty payments owed to the state. Anderson, a law professor who studies the energy industry, called the issue “a big, big deal.”

Armstrong declined to comment.

## How courts have addressed oil and gas royalties

**Around the country:** State supreme courts in Colorado, Oklahoma, Kansas and West Virginia have determined oil and gas companies are responsible for the costs that make the commodities “marketable.” That means there are limits on the expenses that companies can pass on to royalty owners after the minerals leave the ground. Those expenses may include removing impurities, gathering the products in central locations, and transporting the oil and gas to where it will be sold.

Still, the costs that companies can deduct from royalties vary by state, depending on how states define when a product is marketable.

West Virginia provides royalty owners the most protection from deductions, the result of state Supreme Court of Appeals decisions in 2001 and 2006. In those cases, the court found that companies cannot pass on costs to the owners unless a lease explicitly allows it. This matters

because many leases across the country were written before shifts in the industry led to more extensive deductions, so most early leases don't explicitly mention them.

"The default is, you cannot take deductions unless they're specifically agreed to," said Tom Huber, the leader of West Virginia's royalty owner association. The 2006 court decision "basically says if there's ambiguous language, you go on the side of the royalty owner because the company constructed the lease," he said.

That decision also determined that deductions cannot be taken unless leases specify which costs can be shared and lay out how the deductions will be calculated. Rulings in 2024 and 2025 confirmed the court's stance.

Courts in Colorado, Kansas and Oklahoma also have placed limits on what costs can be deducted from royalty payments. Those courts have determined that companies must make the oil and gas "marketable" before costs can be deducted from royalties. Each state uses different criteria to determine at what point in the process the commodities become marketable.

Courts in other oil-and-gas-producing states have taken a legal approach that is more friendly to the industry. Texas, Louisiana, Mississippi and others have determined that companies can deduct costs incurred between the minerals' extraction and when they are sold unless there is lease language to the contrary.

That is also true in Pennsylvania. But in 2015, the state's attorney general cracked down on a company, Chesapeake Energy, [alleged to be taking artificially excessive deductions](#). The attorney general's lawsuit, prompted by complaints from landowners, was [resolved with a \\$5.3 million settlement](#) for royalty owners and an option to receive royalties moving forward without deductions. The company did not admit wrongdoing in the settlement.

**In North Dakota:** As is the case in Texas, Louisiana and some other states, the North Dakota Supreme Court has sided with companies. In 2009 and 2021, the court ruled that royalties, in most cases, should be based on the value of the oil and gas when the minerals are extracted from the ground. Costs incurred between when the minerals are extracted and when they are sold can be shared proportionately between the oil company and the royalty owner, the court found. Companies can deduct these costs unless a lease clearly specifies otherwise.

Josh Swanson, a Fargo-based oil and gas attorney who is involved in multiple pending lawsuits contesting deductions, said he's concerned companies will impose even more "excessive" deductions unless courts place limits on what the companies can do.

"Operators are going to continue to be very aggressive in the amounts they're taking for postproduction costs until a court tells them they've overstepped and gone over the line," he said.

In responses to questions from the North Dakota Monitor and ProPublica, officials from three energy companies that operate in North Dakota said they follow the language in the leases when determining what costs they can deduct from royalty payments. Older leases often don't mention deductions, however.

## How lawmakers have addressed oil and gas royalties

**Around the country:** Some state legislatures have passed laws that limit postproduction deductions. Laws in Wyoming and Nevada, passed in 1989 and 1991, respectively, prohibit companies from taking deductions for specific expenses incurred soon after extraction, such as gathering the commodities from well sites to get them to central hubs.

In Michigan, a law passed in 1999 allows companies to deduct from royalty income only two types of expenses – transportation and some gas treatment costs – unless a lease explicitly allows for other reasons.

The West Virginia Legislature, meanwhile, has helped royalty owners with what it called “oppressive” leases. Many West Virginia mineral owners receive royalties from “flat rate” leases signed as long as a century ago that provide owners a few hundred dollars a year instead of a percentage of the revenue. Calling those leases “unjust,” West Virginia lawmakers passed a measure in 1982 that guarantees owners at least 12.5% of the revenue, effectively overriding the original leases. A 2018 amendment requires that postproduction deductions not be taken from this royalty.

West Virginia's law ensuring a minimum royalty for those leases is enforced by state regulators, who will grant new drilling permits only if the company files an affidavit promising to adhere to the law.

Huber said his state's legislative and judicial branches have historically tried to protect landowner and royalty owner rights while encouraging the growing natural gas industry.

“It sounds like North Dakota doesn't have that, and that's a shame,” Huber said. “I hope that the people in North Dakota wake up and realize how much money should be in their pockets instead of industry's pockets.”

**In North Dakota:** Legislators and state officials have argued that disputes should be settled in the courts. They rejected a measure in 2021 that would have prevented companies from taking deductions unless explicitly allowed in a lease, and another bill in 2023 that would have required oil companies to provide mineral owners with more information about how royalties are calculated.

State Sen. Dale Patten, a Republican from Watford City, said the Legislature is ill suited to address concerns related to private contracts and royalty owners should seek relief from the courts. Legal action would be prohibitively expensive for most families, however.



📷 North Dakota Sen. Dale Patten, a Republican from Watford City, served as chair of the Senate Energy and Natural Resources Committee in the legislative session that ended in May. (Kyle Martin/For the North Dakota Monitor)

“We’re getting into really complicated issues. And actually in my mind the proper venue to solve that would be in the courts,” said Patten, who has served as chair of the Senate Energy and Natural Resources Committee. “And you deal with it on a company-by-company basis.”

Public officials have argued that royalty owners should have negotiated language into their leases to prohibit deductions. But leases in many cases were signed decades ago, before this was an issue, and don’t mention who should pay for postproduction costs. The leases don’t expire unless production stops. And in new lease negotiations, mineral owners are at a disadvantage against companies unless they own a large percentage of the mineral rights in the area.

“It’s really difficult for a private landowner to negotiate a no-deductions lease in North Dakota,” Anderson said.

Ron Ness, president of the North Dakota Petroleum Council, which represents the oil industry, warned that regulating or limiting the expenses that companies pass on to owners would discourage oil and gas investment in the state and drive business away.

“It’s one of the most foolish things the state of North Dakota could ever do, is to try and essentially financially punish operators from getting a better price for their commodities by not allowing postproduction costs on some of those things,” Ness said in an interview.

But Weber, the attorney who represents mineral owners, said it's time for the Legislature to get involved and address the concerns.

"Given that the court has already selected what it is going to do," he said, "the only way to fix it is to get it to the Legislature."

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## North Dakota lawmakers acknowledge action may be needed to ensure royalty owners get a fair shake

BY: JACOB ORLEDGE - SEPTEMBER 15, 2025 5:00 AM



📷 A pump jack near Tioga, North Dakota, extracts crude oil in June 2025 as part of the oil and gas production process. (Photo by Sarahbeth Maney/ProPublica)

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For years, North Dakota's mineral owners have said state officials have ignored their pleas for help as companies deduct money from their share of income from oil and gas production.

Now, some state lawmakers agree they need to take action. Responding to [a recent North Dakota Monitor and ProPublica investigation](#), more than a half-dozen said a committee should study the issue and propose solutions before the next legislative session in 2027. Others suggested changes to state law, including one proposal to prohibit deductions unless a lease specifically allows them and another that would require companies and royalty owners to renegotiate their contracts every few decades.

The Legislature meets every other year. North Dakota lawmakers rejected proposals to protect

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private mineral owners in 2021 and 2023, and did not address the issue during this year’s session.

This is the fourth story in a series. Read the collection [here](#).

“It will definitely come up in 2027,” said Sen. Chuck Walen, a Republican from New Town. “I don’t know what the outcome will be, but it will definitely be coming up.”

North Dakota officials have taken steps to safeguard state-owned royalties. Since 1979, all state leases with oil and gas companies prohibit deductions. But that protection does not extend to leases that are negotiated by North Dakota’s estimated 300,000 private mineral owners.

“I definitely think something has to be done, especially since the state has protected itself,” said Rep. Patrick Hatlestad, a Republican from Williston. “I think it needs to do something similar for its citizens.”

Some lawmakers also have suggested they may need to make changes to the state’s postproduction royalty oversight program, created in 2023 to address minerals owners’ mounting frustration about postproduction deductions – the money companies withhold to cover the costs of processing and transporting minerals after they are extracted and before they are sold. That program has not alleviated concerns over postproduction deductions and, as of August, had not resolved any cases about that issue, [the news organizations found](#).

## Why it matters

Mineral owners have the rights to oil and gas found underground. They can lease those rights to companies in exchange for a cut of the revenue when oil is produced, called a royalty.

But while the leases have remained the same for decades, the industry has changed. Oil and gas are now sold farther from the well, and companies incur more transportation and other costs to get the products to the point of sale. The companies pass on a portion of those costs to mineral owners, which North Dakota courts have determined is usually legal unless a lease says otherwise.

Most leases signed decades ago don’t explicitly mention postproduction deductions, and leases don’t expire unless oil production lapses.

Deductions began surging in North Dakota about a decade ago. About 20% of royalties are deducted, on average, according to two estimates as well as interviews with royalty owners. That would have amounted to about \$1 billion in 2023.

Estimates provided by the North Dakota Petroleum Council suggest companies withhold at least hundreds of millions of dollars in North Dakota every year.

## Why some lawmakers are pushing for change

Several lawmakers, including Republican Rep. Don Longmuir, said that because the state's legislative season is a relatively short 80 days, it's important to have an interim legislative committee conduct a study and propose a solution ahead of the 2027 session.

"We can't wait until the session starts," said Longmuir, of Stanley, in the oil-producing region of the state. "That's something that you know really needs to happen before session starts, so that maybe they can come up with something."

Assigning a new study to an interim committee would require a directive from Senate Majority Leader David Hogue, chair of the Legislative Management Committee. Hogue, a Republican from Minot, said he "would consider it" and will likely make a decision in the next month or two.

"I really need to do more self-education right now," Hogue said. The recent series has raised "awareness that there is an issue out there," he said.

Sen. Dale Patten, who has served as chair of the Senate Energy and Natural Resources Committee and would likely have influence over any legislation, said he is open to a formal legislative study but said it should be initiated only with input from the full Legislature.

"I would be comfortable with taking a look at it and see if there's a way to resolve it," said Patten, a Republican from Watford City.

Some lawmakers are already thinking about ways to address the issue in the next session.

One lawmaker said he may introduce legislation that would limit the length of leases to 30 years. Republican Sen. Jeff Magrum, who represents Hazelton and has supported landowners on other issues, said he hopes limiting leases will give future generations of mineral owners the opportunity to renegotiate contracts and incentivize companies to be more mindful of how they treat North Dakotans.

"I don't think that's right for someone that's not even born yet to have to honor a contract that I signed today. It's just not fair to them," Magrum said. "Look at how times have changed. Everything's changed and they're stuck in the contract that was written in the 1950s."

Magrum has introduced 13 bills related to property rights issues in the past two legislative sessions. All but one failed.

Rep. David Richter, a Republican from Williston, said he thinks it would be difficult for the Legislature to modify existing leases in that way, but it could limit the length of future leases.

"Going forward, I think that might be an option worth taking a really hard look at," Richter said. "But that doesn't do anything to alleviate the situation of the leases that are already in place."

For those existing leases, Richter said it is often “unclear” whether deductions are permitted, and some lawmakers said they should pass a state law to address the issue.

Richter said he prefers that companies and mineral owners renegotiate the contracts to specify whether deductions are permitted. But if that doesn’t happen, he said he is open to legislation that would “clarify” how leases that don’t mention deductions should be interpreted by the courts.

Senate Minority Leader Kathy Hogan, a Democrat from Fargo, said lawmakers should pass a law stating that companies can’t take postproduction deductions unless leases explicitly allow them to do so. Sen. Brad Bekkedahl, a Republican from Williston who supports oil development but who also has tried to help mineral owners, proposed such a measure in 2021.

“We could write legislation clarifying this easily,” Hogan said. “But we’ve never been able to get it done.”

## **Industry, state officials respond**

Ron Ness, president of the North Dakota Petroleum Council, an organization that lobbies on behalf of more than 550 oil and gas companies, said many of the proposals would be a “substantial infringement” on mineral owners’ property rights.

“We believe direct state involvement/interference in the contractual agreements of hundreds of thousands of private mineral leases is the wrong approach,” Ness wrote in an email. “Suggested actions like this would have a detrimental impact on mineral development in North Dakota.”

Gov. Kelly Armstrong, a Republican who worked for his family’s privately owned oil company earlier in his career, did not respond to a request for comment for this article.

But during an Aug. 18 appearance on a KFGO radio program, the governor said he was open to making tweaks to the royalty oversight program. The program was created by legislators in 2023 and was envisioned as a way to mediate disputes about deductions between mineral owners and companies, but that hasn’t happened.

“If this one isn’t working, we should find out why not and figure out if we can tweak it and make it better,” Armstrong said.

Some lawmakers said they don’t see a need to take any action.

Sen. Kent Weston, a Republican from Sarles, said he’s discussed the issue with colleagues in the Legislature and North Dakota Petroleum Council staff in recent weeks. He said the status quo is “fair” and necessary to ensure the oil and gas industry continues to invest in the state.

House Majority Leader Mike Lefor and Rep. Todd Porter, the longtime chair of the committee overseeing the energy industry in the House, could not be reached for comment.

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