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Study of the Contribution of the Petroleum Industry to the North Dakota Economy

Final Report: December 21, 2007

Applicant: The North Dakota Petroleum Council

Principal Investigator: Ron Ness, President

Petroleum Industry Economic Impact Study

The objective of this project was to estimate the contribution of the petroleum industry to the North Dakota economy, measured by indicators such as employment, income, additional gross receipts in various sectors of the state economy, and revenues from selected state taxes. North Dakota State University completed the study in the spring of 2007. Summary documents and the communications plan were put together throughout the summer. The study indicated that North Dakota's oil and gas industry generated \$3.9 billion in total business activity for 2005 and provided direct employment for 5,267 people and in-direct employment for nearly 21,000 people, making it one of the state's largest industries.

The North Dakota Industrial Commission released the results of the study in October 2007. The study received statewide media coverage and the results continue to appear in news stories two months later. Clearly, this data is of great value and interest not only to policy makers, the media, but to the general public. This was the first time a study of this magnitude was done on the petroleum industry in North Dakota. Industry officials anticipated that the impact would be significant, but didn't expect it would be comparable to other leading sectors of the state's economy. What's particularly remarkable about such high economic statistics is that the study only included crude oil and natural gas production, transportation, and refining services. The additional impacts resulting from the sale of retail gasoline, the distribution of fuel oil, and other related activities were not part of this research study.

For more than 50 years, the petroleum industry has been one of the pillars of the North Dakota economy. However, because the industry's major activity is concentrated in areas remote from the state's major population centers, policy makers and citizens may not fully

appreciate the magnitude of the oil and gas industry's economic contribution. Like the lignite energy industry, the petroleum sector is characterized by extremely capital-intensive production and processing activities, so the number of persons directly employed by oil and gas firms is not a good indicator of the industry's importance to the state's economy. This study provided a comprehensive assessment of the economic contribution of the North Dakota petroleum industry, which could enhance understanding of its importance to the state. This information will be particularly useful as state policy makers deal with issues affecting the industry's future (for example, tax policy or land use issues). It's anticipated that policy makers will be looking for this data to be updated in the future. The data used for the study was from 2005. The level of activity, expenses of drilling wells and installing infrastructure, and commodity prices have skyrocketed in the past two years.

The anticipated results of the project were expected to result in a current, well-documented summary of the economic contribution of petroleum exploration, extraction, and refining activities to the North Dakota economy. This goal was clearly met and the study results will likely continue to get media attention as the industry continues to expand and draw media attention across the state and nation.

The goals of this project were to provide outreach and education mechanisms that raise the public awareness of the economic impacts of the oil and gas industry to the state and to provide outreach to policy makers and the public about the existing economic trends and future impacts of our industry and state. In order to meet these goals, a communications plan was designed to develop and distribute a comprehensive set of outreach materials for the general public, develop and distribute a set of outreach materials that will be useful for industry partners, and develop a

long-range outreach plan that will support economic impact outreach for the oil and gas industry in the future.

The Communications Plan Included:

Media Coverage of the Study

- News Release by the North Dakota Industrial Commission on the study results.
- Media Event at the October Industrial Commission Meeting releasing the study results.
- Oil and Gas *Tidbits* publication providing a brief summary focusing on the highlights of
- The study results and a complete summary of the report were distributed to 1,000 policy makers.
- Numerous radio, television, and newspaper interviews on the study results by the researchers, Petroleum Council, and others.
- The results have been presented at a number meetings and to legislative committees.

Web Site and Publications

- Created a power-point presentation highlighting the study results and placed it on the web site for public use.
- Created several FACT sheets on the industry study results
- Created a “Frequently Asked Questions” section on the web site.

The total project expenses were approximately \$38,000. Two-thirds of the expense was the study expenses incurred by North Dakota State University in conducting the study and publishing the results. The communications plan is complete; however, the documents resulting from the plan have continued value until they are replaced by new data.

In summary, the Study of the Contribution of the Petroleum Industry to the North Dakota Economy took nearly two years to complete. The oil and gas industry is an extremely complex

industry, therefore, gathering and analyzing the data proved to be a difficult task. Since this was the first study of this magnitude on the industry, companies were hesitant to release their confidential data to the researchers due to the severe competition of this industry. The data collected did result in a statistically valid study and the results of the study were quite shocking. Companies will likely be more willing to release their data in subsequent studies and the questionnaire should be easier to develop by the researchers. The communications plan was a critical element to ensuring the data was put to use. The distribution of the study results in a variety of publications has proven successful.

Respectfully Submitted by Ron Ness