

## Memorandum

TO: Oil and Gas Research Council Members

FR: Karlene Fine, Industrial Commission

DT: April 8, 2007

RE: North Dakota Pipeline Authority

### **Mission**

Statutory Purpose: To diversify and expand the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities, thereby increasing employment, stimulating economic activity, augmenting sources of tax revenue, fostering economic stability and improving the state's economy.

### **2007-2008 Goal**

Develop a "white paper" similar to what was done in 2006 on the crude oil transportation crisis in the following four areas:

- Natural Gas
- Crude Oil (this would be an update to the prior white paper)
- CO<sub>2</sub>
- Refined Products

Under each of these areas are a number of subtopics. For example in the area of crude oil, quality banks need to be further discussed/pursued. Under natural gas, the number of gas plants being built—what are the transportation issues they are seeing; can there be some joint efforts; etc. The "white paper(s)" should including findings; some analysis; and make recommendations with specific steps on how the Pipeline Authority can facilitate/help the parties in meeting our mutual goals.

### **How To**

The initial step is to meet with key contacts in each of the 4 areas to determine the status of ongoing projects, what their needs are, and how can the Pipeline Authority help facilitate solutions. For example, are there some barriers at the State level the Pipeline Authority can help overcome; what are the financing needs; are there new tax incentives and credits available, etc.?

The Authority should develop a packet of information on what the State can offer a project—tax incentives, tax credits, financing options at the Bank of North Dakota—this could be

developed in conjunction with the Commerce Department. The Authority may also be able to provide some funding for studies, if needed.

In gaining background on what the Pipeline Authority may be able to do, one of the first steps is to meet with Wyoming Pipeline Authority officials to pursue what has happened and is currently happening in Wyoming.

In the area of Crude Oil there needs to be follow-up with the Enbridge, Bridger / Belle Fourche, and Keystone pipelines and an update of the July 2006 white paper. The Pipeline Authority should participate in the ongoing work of the IOGCC Crude Oil Market Dynamics Task Force.

In the area of Natural Gas there needs to be follow-up with each of the gas plant operators, those who are planning new construction, and pipeline operators to get the “big picture” of what is happening and where the Pipeline Authority may be able to assist. There is some new legislation that may be effective August 1 that could be of assistance.

In the area of Refined Products, Tesoro would be a primary contact but contacts also need to be made with North American Coal/Great River Energy/Headwaters on their projects.

In the area of CO<sub>2</sub> and agricultural processing, the operators of oilfields along the DGC pipeline and in the Dickinson area, DGC and EERC, along with Red Trail and Blue Flint, would be key contacts.

### **What will it Cost to Reach our Goal**

Budget for next 12 months

|          |  |
|----------|--|
| \$65,000 | Approximately 40 hours a month for 12 months |
| \$10,000 | Travel                                       |
| \$50,000 | Studies                                      |

Anticipate that during the first few months the number of hours required would be closer to 80 hours a month in order to develop each of the white papers. The amount of time required in later months would depend on what had been identified in the white papers as activities the Pipeline Authority should be pursuing.

Opportunities for staffing to utilize:

- 2007 Williston Basin Petroleum Conference scheduled for April 29 – May 1, 2007 in Regina, Saskatchewan
- North Dakota Petroleum Council meeting scheduled for September, 2007
- Interstate Oil and Gas Compact Commission Crude Oil Task Force Market Dynamics meetings on oil transportation issues (there should be a meeting prior to their annual meeting September 23-25, 2007.)

### **Reporting Requirements**

Staff would report to the Oil and Gas Research Council and Industrial Commission on a quarterly basis (will be scheduling additional OGRC meetings) and to the Management Committee (Lynn, Ron and Karlene) on a more frequent basis—*frequency to be discussed*. We anticipate the Authority will be asked to report to the new legislative Energy Development and Transmission Committee on a fairly regular basis.

It is important that industry representatives in each of the four areas be contacted to gather information on the transportation bottlenecks they are seeing. Key contacts and interested parties that need to be met with include but are not limited to:

Enbridge Pipeline  
Keystone (TransCanada)  
Alliance Pipeline  
Bridger / Belle Fourche Pipeline  
Northern Border Pipeline  
Williston Basin Interstate Pipeline  
IOGCC  
Tesoro  
Amerada Hess  
PetroHunt  
Bear Paw  
Whiting  
Headington  
E.O.G.  
Murex  
Encore Operating  
EERC  
DGC  
Red Trail Energy  
Blue Flint Energy  
North American Coal  
Great River Energy

The majority of these meetings would be one-on-one, with assistance from Lynn and Ron to make initial contact and schedule the first meeting. Once initial meetings are done, then there may be the possibility of putting together group meetings.

The Industrial Commission Administrative Office will be available to provide some assistance such as development of a website and the Department of Mineral Resources will be able to provide meeting spacing and help with the gathering of data.

Karlene