

**Status Report on Oil and Gas Research Program Ongoing Administration Projects
June 26, 2007**

Study of a North Dakota Crude Oil Quality Equalization System Quality Bank

This is a project submitted by the North Dakota Petroleum Council. Total cost of the project is \$100,000 with \$50,000 to be provided from the Oil and Gas Research Fund. The objective of this project is to conduct an unbiased study/assessment of North Dakota crude oil to determine whether a quality bank or some form of quality regulation can provide a tool that will create more pipeline capacity to export crude oil to market. Purvin & Gertz Inc. (P&G) were retained by the NDPC to complete the study/assessment. The scope of work is divided into three (3) phases, composed of a number of tasks. The first phase of the work provides a study of the current market environment and the potential impact of quality regulation on pipeline capacity. The second phase of work concentrates on specific issues related to designing and implementing a quality bank. The third phase provides for ad hoc assistance and ongoing advisory or administrative services.

April 10, 2007

Phase 1 was subdivided into 2 tasks: - Task 1 – Background Market Analysis and Task 2 – Impact Crude Quality Regulation on Pipeline Capacity. Phase 1 has been completed with the conclusion – traditional quality bank regulations are not likely to increase pipeline capacity. Based on that P&G conclusion, Phase 2 is not necessary at this time. P&G is available for a formal project presentation. A formal P & G presentation should be considered after the implementation of the newly established ND Pipeline Authority. Further project activities should be overseen and directed by the Pipeline Authority.

June 26, 2007

Lynn Helms, Director of the Department of Mineral Resources, will be providing a summary report on the Phase I final report from Purvin & Gertz, Inc. at the June 26, 2007 Oil and Gas Research Council meeting. Payment for Phase I in the amount of \$21,000 has been made. No further payments are anticipated at this time unless the Council and Commission in consultation with the Pipeline Authority should direct the State proceed with Phase II of the Project