INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple
Governor
Wayne Stenehjem
Attorney General
Doug Goehring
Agriculture Commissioner

November 11, 2011

The Honorable Kent Conrad
United States Senator
530 Hart Senate Office Building
United States Senate
Washington, DC 20510-3403

The Honorable John Hoeven
United States Senator
120 Russell Senate Office Building
United States Senate
Washington, DC 20510

The Honorable Rick Berg
United States Congressman
323 Cannon House Office Bldg.
U.S. House of Representatives
Washington, DC 20515

Dear Senators Conrad and Hoeven and Congressman Berg:

The North Dakota Industrial Commission, along with the Oil and Gas Division, is seeing a growing interest in the issue of flaring of natural gas in North Dakota. Recent press releases from the offices of four members of Congress citing a recent New York Times article have prompted us to inform you on the facts about flaring in North Dakota. This letter is intended to provide the answers to any questions you may receive regarding this topic.

The North Dakota Oil and Gas Division’s mission is to encourage and promote development and production of oil and gas in the State, but to do so in a way that will prevent waste and maximize recovery. The goal of all of this is to protect all parties involved as well as our citizens.

The Bakken is the largest continuous play in the lower 48 states. It underlies approximately 18,000 square miles of North Dakota and is about the size of the State of West Virginia. The gas gathering and processing industry is typically separate from the oil drilling and production industry. Natural gas flaring in the Bakken play has increased as oil production has increased demonstrating to the natural gas gathering and processing industry the size and potential of the resource.

The State has taken many steps to properly develop and support this industry. First, the Oil and Gas Research Council was founded by the legislature in 2003 to encourage the growth of the oil and gas industry through research and education. Currently, the Oil and Gas Research Council has devoted nearly $2 million dollars in grant money toward three research projects specifically aimed at utilizing natural gas in areas that might not otherwise be able to capture this energy. After additional outside grants and industry investment, the total costs of the projects themselves will total nearly $11.5 million dollars.

Secondly, North Dakota’s Pipeline Authority was established by the Legislature in 2007. The Authority was created for the purpose of diversifying and expanding the North Dakota economy by facilitating development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities. Both of these agencies, as well as the Department of Mineral Resources, Oil and Gas Division are overseen by the Industrial Commission.
To create an incentive and a better business climate, the North Dakota Legislature made all natural gas gathering and processing equipment sales tax exempt.

Industry also plans to invest over $3 billion in natural gas gathering and processing infrastructure in 2011, 2012, and 2013. As this investment is made and gas gathering infrastructure is built, policy can be expected to focus even more toward preventing waste in the natural gas arena. By year end 2012, natural gas processing capacity is expected to increase 389% from 2006. North Dakota’s natural gas processing plants will have the capacity to process one billion cubic feet of natural gas per day.¹

North Dakota is currently able to capture 92% of all the potential energy extracted from the ground in western North Dakota and sell it to market.² This means domestically, more than 1.3 million homes a year can be heated with gas gathered and processed in North Dakota.³ Even with the rapid pace of development, we continue to capture nearly 70% of total natural gas production.

According to Energy Information Administration (EIA) data, in 2009 the United States flared 165.4 billion cubic feet per year. North Dakota’s portion was 28.5 billion.⁴ In 2009, North Dakota flared just half of one percent of the global flaring volumes.⁵

None of this comes without its challenges. Keep in mind winter weather and wet spring conditions also make our construction season short.

We hope you find this letter informative, and if you would have any further questions regarding this matter please contact Alison Ritter at the Oil and Gas Division.

Sincerely,

Jack Dalrymple  
Governor and Chairman

Wayne Stenehjem  
Attorney General

Doug Goehring  
Agriculture Commissioner

¹ Attached slide 1  
² Attached slide 2  
³ Attached slide 3  
⁴ Attached slide 4  
⁵ Attached slide 5
ND Oil & Gas Development Efficiency

92.4%

- BTU's Captured

7.6%

- BTU's Flared

July 2011 Data
**Bakken & Three Forks Natural Gas**

Assumes Avg Home Uses 72.4 Million BTU's Per Year - Source: AGA
United States - North Dakota Natural Gas Flaring

Data: Most Recently Available US EIA Data and ND Department of Mineral Resources
World Natural Gas Flaring

Data Source: World Bank, Most Recently Available US EIA Data, and ND Department of Mineral Resources