



INDUSTRIAL COMMISSION OF NORTH DAKOTA

John Hoeven
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

News Release

August 28, 2009

For Immediate Release

INCENTIVES PROMOTE NATURAL GAS GATHERING SYSTEMS

BISMARCK - North Dakota is implementing incentives to promote the building of new gathering systems to keep up with increased oil and natural gas production.

"Earlier this year, we worked with the Legislature to create tax incentives promoting new technologies for capturing natural gas at well sites," said Gov. John Hoeven, Chairman of the North Dakota Industrial Commission. "The captured gas, which would otherwise be flared, can then be used to generate electricity that can be sold to the local transmission grid."

"We have seen a 32 percent decrease in the flared volume of natural gas since December, the highest flaring month in modern history," said Attorney General Wayne Stenehjem. "We will always see some gas being flared since most of the natural gas produced in North Dakota is an oil production byproduct."

"Industry will not build infrastructure until there is an assurance of sufficient, recoverable resources to justify the cost," said Agriculture Commissioner Doug Goehring. "The Industrial Commission has rules and policies to give industry time to determine if a well will prove profitable before installing required equipment for natural gas recovery."

Goehring said the rules allow a new well 60 days of unlimited oil production, enough time to estimate a well's ultimate production potential. Then production is limited to 200 barrels a day for 60 days, 150 barrels for 60 days and finally 100 barrels a day until the needed infrastructure is in place, and the gas is gathered and transported to a pipeline or gas processing plant.

"In just two months, we will see an additional 20-40 million cubic feet per day of natural gas captured and transported by pipeline through Pecan's Prairie Rose Pipeline," said Justin Kringstad, Director of the North Dakota Pipeline Authority. "This could increase to 80 million cubic feet per day in 2010."

"Have we reached our goal of limited flared gas? No, but progress is being made every day," said Lynn Helms, Director of the North Dakota Department of Mineral Resources. "In the past year we have seen a 298 percent increase in the amount of gas gathered and sold in Mountrail County."

Helms said almost one-fifth of the gas flared daily is in Bowman County as part of an air injection-enhanced oil recovery project. Gas recovered by the process is of such low quality that it cannot be processed for sale. Efforts are being made to process the gas into a saleable product.

Since 2006 the oil and gas industry has already spent more than \$145 million on expanding and building new natural gas processing plants. Three more major expansions are currently in the planning or early construction stages.

The North Dakota Department of Mineral Resources and the North Dakota Pipeline Authority are branch agencies of the North Dakota Industrial Commission. The commission is made up of the Governor, Agriculture Commissioner and Attorney General.

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