



INDUSTRIAL COMMISSION OF NORTH DAKOTA

John Hoeven
Governor

Wayne Stenehjem
Attorney General

Roger Johnson
Agriculture Commissioner

News Release

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For Immediate Release

Research Shows Economic Impact of Oil and Gas Industry

BISMARCK – A new study shows that North Dakota’s oil and gas industry generated \$3.9 billion in total business activity for 2005, making it one of the state’s largest industries.

The study, conducted by North Dakota State University researchers, was presented Wednesday to the North Dakota Industrial Commission.

“This study confirms that the petroleum industry is an important part of North Dakota’s increasingly diversified economy,” said Governor John Hoeven. “The oil and gas industry provides direct employment for 5,267 people and is helping to create more good paying jobs and careers in our State.”

The industry’s direct economic contribution to the state’s economy was estimated at \$1.48 billion in 2005. This included extraction (\$909 million), exploration (\$445 million) and processing (\$132 million) of crude oil and natural gas, which encompasses geological research, land surveying, equipment inspections, transportation, mineral leasing, various taxes, and government revenues. Secondary contributions were estimated \$2.4 billion for 2005, including retail trade (\$774 million), personal households (\$740 million), government (\$121 million) and communications and public utilities (\$119 million).

The study concludes that with both direct and indirect contributions, the industry’s total economic contribution was \$3.88 billion in 2005, compared to an estimated annual gross business volume for wheat of \$3.56 billion and coal of \$1.8 billion.

“Agriculture remains our state’s number one industry, but having another major economic engine like the oil and gas industry helps solidify a broader economic base for North Dakota’s future,” said Agriculture Commissioner Roger Johnson. “The oil and gas industry also benefits our state’s residents through lease payments and royalties paid to land and mineral owners,”

The results showed that the industry paid nearly \$200 million in royalties and \$82 million in lease bonuses to mineral and royalty owners in 2005.

“Seventeen counties are realizing a direct benefit from oil and gas activity with new job opportunities for our citizens and the entire state benefits from the taxes paid by the growing oil and gas activity,” said Attorney General Wayne Stenehjem. “The study showed that the industry paid \$281 million in state and local taxes in 2005.”

“This is the first economic impact study of North Dakota’s oil and gas industry,” said Ron Ness, President of the North Dakota Petroleum Council. “We anticipated that the impact would be significant, but we 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.”

Researchers from the NDSU Department of Agribusiness and Applied Economics conducted the study with funding from the Industrial Commission/Oil and Gas Research Council and the North Dakota Petroleum Council.

"Our approach was to measure the economic size of the petroleum industry by examining the amount and type of expenditures made in North Dakota," said NDSU Economist Dean Bangsund, one of the study's authors. "An important distinction with this approach was that nearly all of the financial data for the study came directly from firms and companies operating in North Dakota. Not many studies of the petroleum sector have been able to rely on industry data to the extent we did in this study."

The complete study can be viewed at <http://ageconsearch.umn.edu/>

The Oil and Gas Research Council was established by the North Dakota Legislature in 2003 to promote the growth of the oil and gas industry through research and education.

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For further information on the study contact Dean Bangsund at 701-231-7471 or Ron Ness, at 701-223-6380.