NORTH DAKOTA PETROLEUM COUNCIL
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Senate Bill 2328

Testimony of Ron Ness

Senate Energy and Natural Resources Committee

February 4, 2021

Chairman Kreun and members of the Committee, my name is Ron Ness, president of the North Dakota Petroleum Council. The North Dakota Petroleum Council represents more than 650 companies in all aspects of the oil and gas industry, including oil and gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oilfield service activities in North Dakota. I appear before you today in support of Senate Bill 2328.

Senate Bill 2328 is a strong message from the State of North Dakota in support of continued efforts to reduce flaring with innovation and technology. The Bakken is, first and foremost, an oil play. The abundant rich natural gas that is produced along with the oil has been a challenge for producers since the first big Bakken well was drilled in Parshall field in late 2006. We lacked the infrastructure necessary to capture the gas and our location, in the middle of the continent and far from the marketplace, made for challenging economics in managing the gas we were producing.

On top of that, the North Dakota Industrial Commission took steps to require oil operators to capture a specified percentage of their gas or face production restrictions. This was an additional challenge for operators and midstream developers, now with a deadline attached, to not only build processing plants but also get easements and pipelines built to every well site.

Fifteen years and $20 billion dollars later, the industry has finally built the infrastructure to now capture 93% of the natural gas produced each day. This is a huge achievement given the stubborn trend of low natural gas prices and the huge investments required to build the complex infrastructure related to handling and processing the Bakken's rich natural gas. Frankly, it's an amazing accomplishment and an applaudable solution to a highly publicized and controversial issue.

So, what else can be done to capture even more of the natural gas that might be stranded, either waiting for the pipeline to arrive or another plant to be expanded. Over the past decade, I've heard from around 250 entrepreneurs from all over the world promoting new ideas for remote well site technologies to help solve our state's natural gas flaring challenge and to find value for the gas until a pipeline arrives. My message has always been we hope you have the answer! However, that solution must be able to operate on a paper-thin margin, it must operate efficiently at sub-zero temperatures, be portable and fit on the well pad, and not hurt the economics of the well.

This, along with the unpopularity of the deducts on gas production costs as well as climate and other concerns, have made this a tough business model. However, today, I have two NDPC members that will testify in support of this bill. They have met these challenges head-on and made remote capture technologies successful in the Bakken. SB 2328 will assist additional companies and technologies in overcoming the economic hurdles of remote gas capture in the Bakken.

First to testify will be Cully Cavness with Crusoe Energy Services followed by Jim Haider with GTUIT. We have worked on this bill concept for nearly a year and a lot of thought has gone into the right type of incentive that helps the oil producer reduce the costs of trying these new technologies. The bill also keeps intact the acknowledgement that midstream companies have invested billions of dollars to gather, transport, process, and export this gas and the fact that in most cases those entities have a legal right to this gas when their infrastructure is capable and ready to take it. The language in this bill makes that clear and with that the industry is supportive of every effort to reduce as much of the flaring as possible in the Bakken.

We therefore urge a **Do Pass** recommendation on Senate Bill 2328. I would be happy to answer any questions.