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## **Senate Bill 2089**

### **Testimony of Brady Pelton**

#### **House Finance and Taxation Committee**

**March 8, 2023**

Chairman Headland and members of the Committee, my name is Brady Pelton, Vice President of the North Dakota Petroleum Council (“NDPC”). The North Dakota Petroleum Council represents more than 600 companies involved 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 2089.

Senate Bill 2089 is a strong message from the State of North Dakota in support of continued efforts to maximize clean energy production through technology and innovation. 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 the location of our state in the middle of the continent and far from the marketplace made for challenging economics in managing the gas our industry was producing.

In addition, 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 added challenge for operators and midstream developers to not only build processing plants, but also get easements and pipelines built to every well site – all with a deadline attached.

Seventeen years and over \$20 billion dollars in gas capture and processing investments later, industry has built the infrastructure to now capture about 95 percent of the natural gas produced in North Dakota each day. This is a huge achievement given the stubborn trend of low natural gas prices and the staggering 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.

Two years ago, the 67th Legislative Assembly approved a flare mitigation tax credit designed to incentivize the capture an even greater percentage of the natural gas that might be stranded, either waiting for the pipeline to arrive or another plant to be expanded. Multiple operators chose to pursue that tax credit and utilize developing remote well site gas capture technologies. The flare mitigation tax credit legislation included a sunset, allowing the 68th Legislative Assembly to review and potentially make the tax credit permanent. Since passage in 2021, the gas capture challenge before us has changed. Today, the majority of instances where natural gas is not captured or otherwise utilized exist within well locations that are connected to a gas-gathering pipeline network. We believe the gas capture incentive created in 2021 should similarly be adjusted to focus on a new goal of maximum gas capture rather than simple flare mitigation.

The North Dakota Petroleum Council supports the amendments made to Senate Bill 2089 before it crossed over that changed this important incentive from a tax credit to a grant program. Through grant dollars awarded by the technical experts of the Oil and Gas Research Council and approved by the North Dakota Industrial Commission, producers and midstream operators will have the economic leverage they need to make additional investments in gas capture and utilization technology, ultimately resulting in an even higher rate of natural gas capture in the state and the continuation of North Dakota producing the cleanest barrel of oil in the world.

NDPC urges your support for the innovation needed to take North Dakota oil production to an even cleaner level with a **Do Pass recommendation** on Senate Bill 2089. I would be happy to answer any questions.