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House Bill 1272

Testimony of Ron Ness

House Energy and Natural Resources Committee

January 27, 2023

Chairman Porter and members of the Committee, my name is Ron Ness, 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 House Bill 1272.

There is much discussion about the future of the Bakken and North Dakota’s ability to sustain more than one million barrels of oil per day for the next decade and beyond. The carbon dioxide discussion is front page news. What is less known is the incredible size and world-class resource status of the Bakken shale formation in our state. Estimates of recoverable oil in the Bakken range from thirteen to twenty-four billion barrels of oil. As of today, we have produced about four billion barrels of oil from the Bakken. The future of the Bakken is dependent upon success of new technologies, and the most likely technology to be used will include the utilization of spacing units and unitized fields with the use of natural gas and/or carbon dioxide injection in some wells to push oil to adjacent wells to maximize production. This technique is vastly different than what is being done in the Bakken today where each well is a producing well and operates as a single business unit. House Bill 1272 is a look into the future and is an attempt to ensure that oil producers can identify which wells in their fields have the potential for enhanced oil recovery or “EOR.” Creating a new well status, as would be authorized by House Bill 1272, will allow Bakken producers to go to the North Dakota Industrial Commission and request that wells be put on “EOR” well status when the production from a certain well declines to uneconomic levels in order to preserve that wellbore for future EOR projects. Currently, when the production of a well drops below expectations of other wells in the field, these wells are moved to

temporarily abandoned, or “TA,” well status, essentially placing them on a company’s liability side of the balance sheet. Operators then begin to look at plugging these TA wells despite the fact that great potential may still exist with the advancement of new technology or enhanced oil recovery once the entire spacing unit or field production declines. From a North Dakota standpoint, it is important that Bakken wells capable of future development be retained on the asset side of the balance sheet by the producer. Researchers indicate it will take up to ten years before we likely have the technology to advance carbon dioxide utilization throughout the Bakken. Each of these Bakken wells is like a \$7 to \$10 million business, and we do not want that business to close its doors when business is slow. In the Bakken, we have a world-class resource that, once a well bore is plugged and abandoned, it is highly unlikely a new well will be drilled to replace it. Most of the Bakken spacing units now have between four and twelve producing wells on a pad. Some of these wells develop mechanical problems as they age, and those are the wells that should be analyzed for future potential, plugged and abandoned if future potential is very low, and not moved to EOR status. The Department of Mineral Resources has a process for that to happen. Unfortunately, we are seeing plugging and abandonment happen to many wells in the Bakken once production declines. Large operators with assets across the globe have many opportunities to invest. As we have seen in the past, smaller local and regional operators typically follow these larger operators and utilize technologies and efficiencies to produce incremental barrels of oil at lower volumes for decades. These wells, like small businesses, create jobs, pay taxes, stimulate the local economy, and become critical to community success. The goal of House Bill 1272 is to keep the wells in play. This can happen with a simple change in the way the Department of Mineral Resources regulates the industry. If this was a main street business, we would do this in a heartbeat to keep a business open. The time to act is now before these well bores begin to disappear. The more productive Bakken wells will continue to produce massive amounts of oil and new wells will be drilled and completed. Developing a plan for the lower-producing wells with good wellbore integrity now, is thinking long term for the State of North Dakota. NDPC urges your support and a **Do Pass Recommendation** for HB 1272. I would be happy to answer any questions.