



NORTH DAKOTA
PETROLEUM
C O U N C I L

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Senate Bill 2089

Testimony of Ron Ness

Senate Finance and Taxation Committee

January 4, 2023

Chairman Kannianen 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 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 general support of Senate Bill 2089.

Senate Bill 2089 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.

Seventeen years and over \$20 billion dollars later, industry has finally built the infrastructure to now capture about 95% 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.

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 tax credit 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 continuing this important tax credit and expanding the language in Senate Bill 2089 to encourage even greater rates of natural gas capture in the state. Though the current bill contains some of this expansion language, we respectfully request additional time before Senate Finance and Taxation Committee action on this bill to allow for industry collaboration with the North Dakota Tax Commissioners Office, the North Dakota Department of Mineral Resources, research entities, and other supporting partners. This collaboration will allow for the most appropriate amendment language to be introduced to this Committee for consideration, with the goal of maximizing gas capture throughout the oil-producing region of North Dakota.

We thank you for your consideration of this approach. I would be happy to answer any questions.