

Oil pipeline capacity still big N.D. issue

Simply put, North Dakota's daily crude oil production will surpass the capacity, by rail and pipeline, to carry it to market by as soon as the end of the year.

This "bottleneck" has roots in new discoveries in the Bakken formation in western North Dakota, development of improved technologies and techniques for tapping that Bakken oil, continuing demand for petroleum based products and a much higher per barrel price for crude.

TRIBUNE EDITORIAL

Moving crude oil to market isn't simple. Pipelines are expensive and, to date, rightfully the province of private enterprise — creatures of supply (mostly) and demand. But the state can help provide quality information about the Bakken formation and what levels of production it can sustain. The state can make sure that while it protects the environment, it also ensures permitting processes are efficient, timely and fair. The state can use its bully pulpit to keep the pipeline issue front and center for the petroleum industry.

And there should at least be some discussion about incentives for pipeline construction.

North Dakota crude production was about 125,000 barrels per day in 2007. By March, that figure was 147,000 barrels per day. At a field hearing for the U.S. Senate Energy and Water Appropriations Committee recently in Bismarck, Sen. Byron Dorgan put daily production at 166,000 barrels per day.

Rail and pipeline capacity for taking North Dakota crude to market: 188,000 barrels per day.

For a nation importing too much foreign oil and forced to accept the terrible economic consequences, the North Dakota crude bottleneck is a problem wanting a solution — now.

The price of crude has been astronomical, at one point nearly \$150 per barrel and now hovering at the \$100 per barrel mark after spending much of the past 15 to 20 years under \$25 per barrel. The price of oil has been rising steadily since 2003.

The higher price makes Bakken production and pipeline expansion more realistic. But measured, stable production from the Bakken is more important. The pipeline companies — which work off narrow margins — need to have reasonable expectations that Bakken production can keep any new pipeline at capacity for 20 years. Reaching that conclusion, while working with highly competitive and independent Williston Basin marketers and producers, can be difficult. Much of the information at stake is proprietary. And that might be one of the areas the state can do some real good — providing and facilitating the exchange of information.

It's not like resources haven't been spent recently on pipelines in North Dakota. In the past three years, \$584 million has gone into pipelines in this state.

Meanwhile, rail shipping of crude needs to expand and existing pipelines enhanced where possible. Hopefully, pipelines already in the planning stage will materialize. The conversation about additional refineries needs to continue, with emphasis on free enterprise. And the state needs to maintain a high profile for the Bakken and its sweet crude.