Lawsuits Seek Damages For Burned, Wasted Gas

CHET BROKAW, Associated Press

North Dakota mineral owners filed 10 lawsuits Wednesday seeking damages from oil drilling companies for natural gas that is lost when it is burned instead of being captured as a byproduct of oil production. The lawsuits against 10 oil companies in the Bakken oilfields seek class-action status to represent other western North Dakota mineral rights owners. It argues the mineral owners have lost millions of dollars in royalties because oil drilling companies burn off large quantities of gas instead of capturing and selling it.

Derrick Braaten, a Bismarck lawyer representing the mineral rights owners, said the lawsuits seek to force oil drilling operators to comply with state law and pay royalties to mineral owners for the value of flared gas going back six years. He noted that state officials have said more than 30 percent of the gas produced from the Bakken wells is being burned off. North Dakota law allows limited flaring in an oil well's first year of production, Braaten said. After that, a producer must apply for a written exemption for future flaring, but must pay royalties and state taxes if it fails to do so, he said.

The lawsuits allege operators are flaring in excess of production limits during the first year, and flaring beyond a year without exemptions and without paying royalties on flared gas. The lawsuits were filed in McKenzie, Williams, Mountrail and Divide counties, Braaten said. The lawsuits were filed against Burlington Resources Oil and Gas Company LP, Continental Resources Inc., Crescent Point Energy, HRC Operating LLC, Marathon Oil, Samson Resources Company, SM Energy Company, Statoil Oil and Gas LP, WPX Energy and XTO Energy Inc.

"We believe that the operators need to pay royalties on flared gas pursuant to state laws," Braaten said. The lawsuits also could encourage oil drillers to develop the pipelines and processing facilities needed to capture and sell the natural gas, Braaten said. Ron Ness, president of the North Dakota Petroleum Council, said companies are complying fully with state laws on flaring and get the required approval from the North Dakota Industrial Commission.

"Nobody wants to capture that flare more than the oil operators because that's the value stream that coming out of that well," Ness said. Ness noted that the council's more than 400 member companies have formed a task force to reduce gas flaring in the Bakken oilfields. However, capturing natural gas is a complex job, partly because of the need for processing facilities, he said.

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