ND Losing $1M Monthly In Natural Gas Taxes

JAMES MacPHERSON, Associated Press

BISMARCK, N.D. (AP) — North Dakota is losing nearly $1 million monthly in natural gas tax revenue as vast amounts of the byproduct of oil production goes up in smoke, state tax department records show.

About 30 percent of the state's gas production is being burned off because development of the pipelines and processing facilities needed to handle it has not kept pace with production. Oil producers can flare gas without paying taxes on it for up to a year, but are routinely being granted waivers after that.

The lost tax revenue — often overlooked in the oil-rich state that has a more than $2 billion savings account — could help fund the $240 million set aside through 2015 to help counties experiencing rapid growth from the state's unprecedented oil bonanza.

The expansion of the oil industry in North Dakota has strained roads, schools, law enforcement and emergency medical services, putting unprecedented demands on lawmakers to spend money on those items, said Sen. Dwight Cook, R-Mandan, chairman of the Senate Finance and Taxation Committee.

"Every little bit helps," Cook said. "The solution is: If we don't let them drill they don't flare. And if we do that, we'd probably lose more in tax revenue by slowing down the whole industry."

About half of more than 10,000 producing wells in western North Dakota's oil patch burned off, or flared, natural gas in November, according to the latest figures available from the state Department of Mineral Resources statistics.

The U.S. Energy Department says less than 1 percent of natural gas is flared from oil fields nationwide, and less than 3 percent worldwide.

North Dakota Tax Commissioner Ryan Rauschenberger said oil and gas tax collections for November were $252 million, with natural gas collections representing about $2 million.

North Dakota oil producers can flare natural gas for a year without paying taxes or royalties on it. Companies can then ask state regulators for an extension because of the high costs of moving the gas to market.

Rauschenberger said only one well that had been flaring for more than a year was subjected to the tax in November. New York-based Hess Corp. paid the state about $16,500 for flaring during the month, Rauschenberger said.

Lawmakers killed a bill last year that sought to cut the easily acquired waiver that allows companies to claim an economic hardship of connecting a well to a natural gas pipeline. The Legislature instead passed a pair of bills giving tax breaks to companies if natural gas is collected and used for agricultural, industrial and railroad purposes. Projects that convert natural gas to such things as farm fertilizer or electricity also are given incentives.

A group representing hundreds of companies working in North Dakota's oil patch told state regulators last week that the industry plans to significantly decrease the amount of natural gas being flared. The North Dakota Petroleum Council's flaring task force said the industry expects to be capturing 85 percent of the gasby 2016, and 90 percent within six years.

Don Morrison, director of the Dakota Resource Council, called the oil companies' pledge "nothing more than lip service."

"They are still getting a free ride for flaring," said Morrison, whose environmental-minded landowner group has more than 700 members in North Dakota. "Until the state stops giving away these tax breaks, flaring won't stop."

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