

Oil Companies Fight ND Plan To Slow Production

James MacPherson, Associated Press

BISMARCK, N.D. (AP) — Dr. Lyle Best traveled nearly 200 miles from the heart of North Dakota's oil patch Tuesday to tell state regulators one thing: "Slow down."

The North Dakota Industrial Commission is considering a proposal that would cut back on the state's booming oil production as a means of controlling the amount of natural gas that's being burned off at well sites and wasted as a byproduct of the more valuable substance, oil.

But oil companies are fighting the idea of slowing production, and want regulators to consider self-imposed steps to curb natural gas flaring, such as submitting plans for natural gas gathering before applying for a drilling permit.

North Dakota drillers currently burn off, or flare, a record 36 percent of the gas because development of pipelines and processing facilities to capture it hasn't kept pace with oil drilling. 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.

Best, a Watford City physician, was among more than two dozen people who testified on the new proposal. Best said he lives within 200 yards of two oil wells that emit flares at least 20 feet high and produce a sound "similar to a jetliner passing nearby."

The biggest issues with burning the gas, he said, is wasting it and the potentially harmful emissions that may be released from flaring.

"Some mild restrictions on this activity would go a long way toward improving a host of problems related to oil development, not the least of which is gas flaring," Best said.

North Dakota, which is producing nearly 1 million barrels of daily, also produces more than 1 million cubic feet of natural gas daily. The state is losing nearly \$1 million monthly in natural gas tax revenue from flaring, state tax department records show.

Oil producers can flare gas without paying taxes on it for up to a year, but companies are almost always granted waivers after that.

The North Dakota Petroleum Council's flaring task force said the industry has already invested more than \$6 billion in infrastructure to capture natural gas in the past six years and plans to spend at least an additional \$1.7 billion over the next two years building gas pipelines and other infrastructure. The council in January pledged to capture 85 percent of the gas by 2016, and 90 percent within six years as infrastructure catches up with oil development.

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"I'm confident that flaring goals are going to be met by industry," said Ron Ness, president of the Petroleum Council, which represents more than 500 energy-related companies working in North Dakota. "Nobody wants gas flaring captured more than the operator."

Several company officials warned regulators Tuesday that restricting oil development would impact investment and, more importantly, the state's treasury, which already is flush with \$2 billion in savings.

"If production curtailment is the chosen regulatory path, then wells will be shut in or not even drilled," said Roger Kelley, director of regulatory affairs for Oklahoma City-based Continental Resources Inc., one of the biggest players in western North Dakota's oil patch. "Revenues will be reduced, taxes will not be generated and those jobs will be lost. And the gas will not be captured and used productively."

Industry officials say obtaining right of way easements from landowners has been one of the biggest hurdles in trying to gather natural gas, and its task force recommended the state review potential legislation to improve access.

The panel that took testimony Tuesday will forward their recommendations to Gov. Jack Dalrymple, Attorney General Wayne Stenehjem and state Agriculture Commissioner Doug Goehring, who make up the Industrial Commission.

Theodora Bird Bear of Mandaree told the regulatory panel that blaming landowners is unfair and that an increasing number of spills in the oil patch have many residents worried.

"Landowners are not a barrier to this development," said Bird Bear, a spokeswoman for the Dakota Resource Council, an environmental-minded landowner group. "If industry really wants to work with landowners, they need to reach out in a very genuine way."

Bird Bear said flaring should only be allowed in an emergency or during testing at a well. She also said state health officials need to closely monitor emissions and test residents for any ill effects from flaring.

"We need to address issues the public has," she said. "We know a lot of revenue being generated. But there is going to be a lot of costs to the public if this is not done right."

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