

**FISCAL NOTE**  
**Requested by Legislative Council**  
**02/09/2015**

Amendment to: SB 2366

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

As amended, this bill transfers the responsibility for the Oil & Gas Research program from the Industrial Commission to the Department of Commerce. This would require a transfer of funds between agencies, but would not have an additional fiscal impact.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 through 6 transfer responsibility over the Oil and Gas Research Council, which would be an agency to agency transfer and would not have an additional fiscal impact to the state.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Justin Dever

**Agency:** Department of Commerce

**Telephone:** 701-328-7258

**Date Prepared:** 02/10/2015

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/27/2015**

Bill/Resolution No.: SB 2366

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures			\$1,594,725		\$1,435,600	
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill transfers the responsibility in promoting the oil and gas industry from the Industrial Commission to the Department of Commerce. This would include some transfers of funds between the two agencies, but would also include additional expenditures not covered by a transfer.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Sections 1 and 7 transfer the responsibility to "foster, encourage, and promote the development, production, and utilization of natural resources of oil and gas in this state" from the State Industrial Commission to the Department of Commerce. This would include transfer of the Wilson Laird Core and Sample Library and functions related to NDCC § 38-08-01 including prevent waste, protect correlative rights, increase ultimate recovery, and encourage cycling, recycling, pressure maintenance, and secondary recovery. Additional costs to the state would be incurred as these functions are separated from other activities conducted by the Department of Mineral Resources.

Section 2 through 6 transfer responsibility over the Oil and Gas Research Council, which would be an agency to agency transfer and would not have an additional fiscal impact to the state.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

According to information provided by Industrial Commission staff, the transfer of responsibilities would include the Wilson Laird Core and Sample Library as 65% of the core library use is private industry visits to promote oil and gas

development, production, and utilization. This transfer is expected to have a reoccurring cost of \$485,600 relating to salary & benefits associated with one subsurface geologist and one geothermal inspector/warehouse technician and rent and utilities for 3,000 sq. ft. warehouse space and lab. One time costs for this transfer would be an estimated \$159,125 including moving the non-oil & gas cores and samples to Bismarck and purchasing shelving and equipment.

Commerce would need to expend approximately \$475,000 per year (\$950,000 per biennium) to hire contract personnel for promotion of oil and gas development, production, and utilization programs in compliance with NDCC § 38-08-01 including prevent waste, protect correlative rights, increase ultimate recovery, and encourage cycling, recycling, pressure maintenance, and secondary recovery. This estimate is based upon current costs of the Oil and Gas Division.

There would need to be other agency to agency transfer of salary dollars, but this would not represent an increased fiscal impact to the state.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

No appropriations were included in this bill nor were they included the executive budget.

**Name:** Justin Dever

**Agency:** Department of Commerce

**Telephone:** 701-328-7258

**Date Prepared:** 02/04/2015

**2015 SENATE ENERGY AND NATURAL RESOURCES**

**SB 2366**

# 2015 SENATE STANDING COMMITTEE MINUTES

## Energy and Natural Resources Fort Lincoln Room, State Capitol

SB 2366  
2/5/2015  
22330

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Katie Oliver*

### Explanation or reason for introduction of bill/resolution:

Relating to regulation of the oil industry by the industrial commission and promotion of the oil industry by the department of commerce.

### Minutes:

8 attachments

Chairman Schaible called the committee back to order and the hearing on SB 2366 was opened.

Senator Triplett: District 18. See attachment #1. (.36-12:44)

Senator Hogue: The industrial commission is the governor, attorney general and agriculture commissioner the commerce level in the governor's office. What happens if we shift promo

Senator Triplett: Different staff doing it. It's the commission that manages the regulatory staff and the governor manages the affairs of the commerce department.

Mike McEnroe: Bismarck. See attachment #2. (14:22-17:35)

Wade Schafer: Dakota Chapter of the Sierra See attachment #3. (18:00-19:39)

Shelly Vench: See attachment #4 (20:03-20:49)

Marie Hoff: In favor of the bill. The relation between government and industry is a question at all levels. The most recent incident is the economic bust of 2008-2009 when the regulators were so embedded in the financial industry that they couldn't see what the public interest is. Many people feel this is a contributor to the attitude of cynicism. The purpose of a car is to go forward but it can be very dangerous machine. It is in my mind.

### Opposition

Mike Smith: Executive Director of the Interstate Oil and Gas Compact Commission. See attachment #5. (24:37-29:18)

Senator Murphy: Are you suggesting that the wording of promotion is between the regulator and the mineral owner?

Mike Smith: I think so, yes. But I can say that the info that we have on file the language was no adopted on a whim. It is very difficult that this sort of conservation is done. It is directed at those who have vested property interest in that property. I don't think you can separate them.

Senator Murphy: Are you suggesting that if we were to enact this legislation that the industry would suffer?

Mike Smith: I do not think that it is worth the risk. I think it would put you at a competitive disadvantage.

Senator Triplett: So we made a mistake when we allocated \$2,000,000 to get a study done on the value added projects and we wanted to find out the opportunities that are out there?

Mike Smith: I am unfamiliar with that effort. I can tell you that this has nothing to do with that statute. This is about the conservation of oil and gas.

Ron Ness: North Dakota Petroleum Council. Our concept of what this statue means but, more importantly, what lines 19-20 will mean in the future. I can refer to what our intention of what those lines mean to the state, a \$40,000,000,000 industry that employs 65,000 direct employees. The commission, governor, attorney general, and agriculture commissioner may not foster, encourage and promote the development of production and utilization of natural resources of oil and gas in this state. To me that means that the governor cannot work with investors to promote the utilization of natural gas for value added energy. I think that it is a serious proposal before you and we stand in opposition to the concept that bill has.

Lynn Helms: Director, Department of Mineral Resources. See attachment #6. (36:36-40:54)

Ed Murphy: Department of Mineral Resources. See attachment #7. (41:02-57:14)

Senator Triplett: Did I make it clear that it was not my intention was not to make you do any of those things.

Ed Murphy: Yes I just found that out.

Lynn Helms: Now is the point when the Executive Director of the North Dakota Industrial Commission will talk to you about the oil and gas research council.

Senator Hogue: I see you fighting oppressive federal regulations. Do you think this bill wills hempen your ability to do your job?

Lynn Helms: There are instances that would be the case, yes. I do not think you can make that statement across the board. Recently it has been about environmental impacts and not conservation.

Karlene Fine: Executive Director North Dakota Industrial Commission. See attachment #8. (1:00:48-1:04:09)

Lynn Helms: We have heard about conflict of interest and intent but the unintended consequences are mighty. Are these policy changes going to be extended to game and fish where they regulate the wildlife? Are they going to be extended to North Dakota board of higher education? If the answer is no then it is anti-oil policy.

John Haru: Associate Director of Research at the Energy Departmental Research Center. When I first saw this bill I thought that Mr. Smith was the perfect person to offer some insight. I have seen a marked increase in the ability to work with the survey and have had the chance to work closely with Mr. Helms and Mr. Murphy and find them to be of the utmost integrity. I have had the privilege of working in all of the oil and gas producing states and they all have the conservation.

There was no further testimony or discussion and Chairman Schaible closed the hearing on SB 2366.

# 2015 SENATE STANDING COMMITTEE MINUTES

**Energy and Natural Resources**  
Fort Lincoln Room, State Capitol

SB 2366  
2/6/2015  
23375

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Katia Oliver*

## **Explanation or reason for introduction of bill/resolution:**

Relating to regulation of the oil industry by the industrial commission and promotion of the oil industry by the department of commerce.

## **Minutes:**

1 Attachment

Chairman Schaible called the committee back to order; Senator Murphy handed out his amendment and explained the changes. See attachment #1.

Vice Chair Unruh: If we changed the language on page 1, does the rest of the bill remain the same?

Senator Murphy: Yes, from what I understand it does.

Chairman Schaible: The idea is to act on this bill this afternoon.

Chairman Schaible closed the committee work on SB 2366.

# 2015 SENATE STANDING COMMITTEE MINUTES

Energy and Natural Resources  
Fort Lincoln Room, State Capitol

SB 2366  
2/6/2015  
23426

- Subcommittee  
 Conference Committee

Committee Clerk Signature

*Katie Oliver*

## Explanation or reason for introduction of bill/resolution:

Relating to regulation of the oil industry by the industrial commission and promotion of the oil industry by the department of commerce.

## Minutes:

Senator Triplett made a motion to adopt amendment number 15.0993.01002 with a second by Senator Armstrong.

Senator Triplett: I got this in late and this was handed off which I didn't intend on having worded this way. This amendment is to remove the language and what it does in addition is cleans up the heading by removing the word promotion and replaces the word regulate.

Senator Hogue: The amendment does make an improvement with the underscored language but then amendment also removes the "foster and encourages" language on line 9 and I am in support of the Department of Mineral Resources and I do not want to be ambiguous in any way. The amendment is a mixed bag.

Senator Triplett: I think that generally there is courtesy toward the proponent of a bill that if there is a mistake in the draft that the proponent are allowed to correct it. If the group could pass the amendment and then further amend by changing the language back.

Senator Hogue: I am supporting of the language of the amendment but not so much as it overstrikes "foster encourage and promote." It is an amendment that has objectionable amendments within it so I am stuck with supporting it in whole or rejecting in whole.

There was no further discussion, roll was taken and the motion was adopted on a 4-3-0 count. Senator Armstrong then moved a do not pass as amended with a second by Vice Chair Unruh.

Senator Triplett: I did inform Senator Murphy that while I did not speak to Mr. Helms about his amendment my best understanding is that Senator Murphy misunderstood what Mr. Helms was trying to convey to him. The only change would be to remove the word promote.

Senate Energy and Natural Resources Committee

SB 2366

02/06/2015

Page 2

There was no further discussion, roll was taken and the motion passed on a 5-2-0 vote with Senator Armstrong carrying the bill to the floor.

February 5, 2015

2/6/15  
JRE

PROPOSED AMENDMENTS TO SENATE BILL NO. 2366

Page 1, line 8, remove "promotion and "

Page 1, line 9, remove "1."

Page 1, line 9, overstrike "foster, to encourage, and to promote" and insert immediately thereafter "regulate"

Page 1, remove lines 19 through 24

Renumber accordingly





**REPORT OF STANDING COMMITTEE**

**SB 2366: Energy and Natural Resources Committee (Sen. Schaible, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2366 was placed on the Sixth order on the calendar.

Page 1, line 8, remove "promotion and "

Page 1, line 9, remove "1."

Page 1, line 9, overstrike "foster, to encourage, and to promote" and insert immediately thereafter "regulate"

Page 1, remove lines 19 through 24

Renumber accordingly

**2015 TESTIMONY**

**SB 2366**



## North Dakota Senate

State Capitol  
600 East Boulevard Avenue  
Bismarck, ND 58505-0360

### Senator

Connie Triplett  
District 18  
1807 Willow Drive  
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### Committees:

Energy and Natural Resources  
Finance and Taxation

## ND SENATE ENERGY & NATURAL RESOURCES COMMITTEE

### TESTIMONY RE SB 2366

February 5, 2015

Mr. Chairman and Members of the Senate Energy & Natural Resources Committee:

I am here today to introduce SB 2366, which would separate the duties of *regulating* the oil and gas industry in North Dakota from the duties of *fostering, encouraging, and promoting* the industry. Currently, both duties are found in Chapter 38-08 of the NDCC, which is the chapter of our code that authorizes and sets out the duties of ND Industrial Commission. See the high-lighted portion below to find the legislative directive to "foster, to encourage, and to promote" the industry.

#### **38-08-01. Declaration of policy.**

It is hereby declared to be in the public interest to foster, to encourage, and to promote the development, production, and utilization of natural resources of oil and gas in the state in such a manner as will prevent waste; to authorize and to provide for the operation and development of oil and gas properties in such a manner that a greater ultimate recovery of oil and gas be had and that the correlative rights of all owners be fully protected; and to encourage and to authorize cycling, recycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the end that the landowners, the royalty owners, the producers, and the general public realize and enjoy the greatest possible good from these vital natural resources.

If we remove the *foster, encourage, and promote* language and replace that phrase with the directive to *regulate*, we would be making a clear legislative statement that we want the ND Industrial Commission to focus the attention of its staff on the regulatory function, which would then look like this:

#### **38-08-01. Declaration of policy.**

It is hereby declared to be in the public interest to regulate the development, production, and utilization of natural resources of oil and gas in the state in such a manner as will prevent waste; to authorize and to provide for the operation and development of oil and gas properties in such a manner that a greater ultimate recovery of oil and gas be had and that the correlative rights of all owners be fully protected; and to encourage and to authorize cycling, recycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the end that the landowners, the royalty owners, the producers, and the general public realize and enjoy the greatest possible good from these vital natural resources.

Then, if we move the "foster, encourage, and promote" language to the state Department of Commerce, as occurs in section 7 of the bill, we would have succeeded in moving the promotion function to that department. Sections 2-6 of the bill re-direct the responsibility of the Oil & Gas Research Council to the Department of Commerce. That is done to be consistent with the main idea of the bill which is that activities to promote the industry more properly belong in Commerce.

I want to say at the outset that this is not an original idea. I have attached a page from Governor Dalrymple's 2011 Executive Budget Message, presented to a joint session of the legislature on December 8, 2010. As you can see, in that message he proposed a new Office of Energy Development as a new division within the ND Department of Commerce. The new division was envisioned by the Governor as a venue which would "promote the development of all of North Dakota's energy resources, work with communities on infrastructure, and administer energy programs to help the various energy producers move their projects forward rapidly for the benefit of all North Dakotans."

As a legislature, we have directed the Department of Commerce to manage the EmPower Commission. In 2013, we appropriated \$500,000 to the Department of Commerce to manage a study, the goal of which was to identify value-added opportunities for the abundant natural gas being produced in association with oil production. You may also recall that the Department of Commerce houses the state's Renewable Energy Program and the Biomass Incentive and Research Program. Over time, the concept of promoting and encouraging the development of our natural resources *has* migrated toward the Department of Commerce through individual programs and appropriations. SB 2366 clarifies and expands on this series of decisions.

So why is this bill necessary, if the transition is happening anyway?

The primary reason for the bill is to remove from our statutory construct the appearance of a conflict of interest if we leave the idea of promotion in the NDIC's charge, together with regulation, which I think we can all agree is the agency's primary function in the oil and gas arena. The appearance of a conflict is a serious matter because it can affect the perception of our citizens and whether they trust that their government is looking out for their best interests. It can also affect the perception of those who watch us from afar in the national media, in the equity

markets on which our industries depend, and in federal agencies, some of which are fully prepared to step in if we as a state prove unable to manage our own regulatory affairs.

I understand that the dual position of promotion and regulation may have made sense in the 1950s when oil was first discovered in North Dakota. The oil industry was well established in many other states and the legislature likely believed it would take some effort to convince the industry to move some of their assets to our state.

It has also occurred to me that it might be reasonable to leave the promotion language in place but expect the Industrial Commission to balance between the two roles as time passes. In other words, during boom times, the NDIC would direct staff not to engage in promotion activities, but during down times, re-authorize the staff to engage in promotional activities. However, that solution does not solve the inherent conflict of interest issue.

I do want to be very clear that this bill is not directed toward the incumbent members of the NDIC nor is it directed to the current staff of the Division of Mineral Resources. When I have heard constituents complain about the IC or the staff acting in their role of industry promoter, I have consistently defended them because I understood that they are only doing what our law requires them to do. If we do not change this law, we cannot criticize our state elected leaders or our state employees for doing their jobs according to law.

Having said that, the dual role is unseemly and needs to be corrected. I will close with one example:

On September 3, 2015, I attended and testified at an Industrial Commission hearing on rail safety. Specifically, the question was whether the IC should require the industry to condition or otherwise treat oil before it is loaded on rail cars for transport across the country. The Governor, as the Chairman of the NDIC, presided over the hearing for several hours, then left the staff to manage the remainder of the hearing. It was all very serious and had all the hallmarks of a regulatory hearing.

Two days later, I attended a portion of the annual meeting of the ND Petroleum Council because I was scheduled to participate in a panel discussion with several other legislators. While waiting for the panel discussion to come up on the agenda, I listened to a presentation by Mr. Helms, in

which he assured the assembled group of industry representatives that he would make sure that, whatever came out of the NDIC as a new policy would simply "backstop" their current activities. In other words, the new policy would not change anything. It was just an exercise to garner some media attention and placate the public and the federal regulators who were expecting us to "do something."

Again, telling that story is not an indictment of Mr. Helms or any member of the NDIC. It is an indictment of us as legislators for allowing the dual role to remain in law. I urge your favorable consideration of SB 2366.



2011-2013 Budget Address  
to the  
North Dakota Legislative Assembly

December 8, 2010

Governor Jack Dalrymple

National Guard and all of our branches of military service are there for us. We need to make sure we're there for them by showing our appreciation in real ways.

Would all veterans in the audience please stand so that we may express our gratitude for your service.

### Public Employee Salaries and Health Insurance

In past bienniums, we have done our best to recognize the valuable contribution our public employees make to our state. They provide our citizens with a well-run, efficient state government.

Our budget proposes a 3 percent salary increase in each year of the new biennium, and in addition, fully funds the increase in public employee health care premiums.

Although North Dakota has not experienced the full brunt of the national recession, one important area where we have felt the impact is in our public sector pension funds, which are dependent on the performance of larger national and international financial markets.

To fortify these funds, we have – in conjunction with the Employee Benefits Committee – allocated one percent of the salary increase each year to the Public Employee Retirement Fund, and matched it with one percent contributed by the state of North Dakota.

The men and women who serve in our agencies are hard-working North Dakotans, committed to providing quality services to their fellow citizens, and we truly appreciate their work.

### CONTINUED AGGRESSIVE ECONOMIC DEVELOPMENT IS VITAL

Finally, we would not – could not – be in a position to fund any of these important priorities, had Governor Hoeven and I not made economic development and job creation priority number one over the past ten years. Aggressive economic development is what makes all of our worthy programs possible.

By following a strategic plan for economic development; by building the strongest business climate possible; and by establishing effective tools like the Department of Commerce and the North Dakota Trade Office, we have been able to grow and diversify our economy. This strategy, combined with sound fiscal discipline and a solid partnership with the private sector, are the keys for our current surplus and solid financial situation.

1.6  
In our budget, I propose that we continue to make the kinds of investments that will further grow our economy, some of which are tried and true, and others that break new ground. Let's start with energy.

### New Office of Energy Development

Energy was designated as one of the five targeted industries in our strategic plan for economic development drafted nearly a decade ago.

As a result, we've grown wind energy in North Dakota from less than a megawatt when we started in 2000 to nearly 1500 megawatts built or under construction by 2009. The story is similar with biofuels. When Governor Hoeven and I began, North Dakota produced less than 40 million gallons of ethanol annually, and no biodiesel. Over the decade, we increased that capacity ten-fold; today, we can produce nearly 500 million gallons of biofuels every year in North Dakota.

When we began, oil companies were leaving the state. So we established the state Oil and Gas Research Fund and Council, established sensible incentives, and worked to cultivate North Dakota's oil patch. Today, we are second only to Texas in land-based drilling activity.

As a next step, we now propose establishing a new division within the North Dakota Department of Commerce. We recommend funding this division with \$600,000 from the General Fund.

The division will be headed by a new Director of Energy, whose entire focus will be to promote the development of all of North Dakota's energy resources, work with communities on infrastructure, and administer energy programs to help the various energy producers move their projects forward rapidly for the benefit of all North Dakotans throughout our state.

The potential for energy development in our state is so great that we need a full-time director leading the energy effort.

### ND Trade Office

Just as our energy industry has met with success so have North Dakota's exporters. North Dakota exports grew nearly 250 percent between 2000 and 2009. During the same time period, the nation's exports grew just 35 percent.

It has been my privilege to serve as chairman of the North Dakota Trade Office, and I must say it has more than paid its way in terms of increased economic activity and revenues for the state of North Dakota. Our budget, therefore, recommends increasing funding for the Trade Office by

PROPOSED AMENDMENTS TO SENATE BILL NO. 2366

Page 1, line 8, remove "promotion and "

Page 1, line 9, remove "1."

Page 1, line 9, overstrike "foster, to encourage, and to promote" and insert immediately thereafter "regulate"

Page 1, remove lines 19 through 24

Renumber accordingly

**SENATE ENERGY AND NATURAL  
RESOURCES COMMITTEE  
FEBRUARY 5, 2015  
SB 2366**

**Chairman Schaible and Members of the Committee:**

**For the record; Mike McEnroe of Bismarck.**

**I am here today in support of SB 2366, to place the responsibility for the encouragement and promotion of the oil and gas industry in the Department of Commerce, and to hold the responsibility for the regulation and management of the oil and gas industry in the North Dakota Industrial Commission. The two missions or responsibilities are quite different and often contradictory. Hence, the support for the idea to place the separate responsibilities in different agencies. I believe this concept was also suggested by Governor Dalrymple last legislative session.**

**Promotion and encouragement for the oil and gas industry would be a logical function of the Department of Commerce. It could support this function or responsibility much like it does with EmPower North Dakota, setting forth energy policy and supporting the energy industries in North Dakota.**

**The North Dakota Industrial Commission would then oversee the regulation and management of the oil and gas industry as it currently does through the Oil and Gas Division. Management and regulation of the industry would remain science and technology based.**

The oil industry is booming in North Dakota, even given the recent downturn in price and resultant slowdown in drilling activity. No one is predicting a long-term slowdown or “bust” scenario. Drilling and production in the mature Bakken is a proven deal. We don’t have to encourage or promote investment in the Bakken. We have 12,000 wells in the State; we are our way to 50, 60, or 70,000 wells. They have a proven rate of success, a proven rate of profit, even recognizing the temporary drop in oil prices.

With 12,000 wells come more management and regulatory responsibilities. There are more permit applications, more requests for changes in spacing units, more needed coordination with other agencies. There are more pipelines, tank batteries, possibly more refineries, and other permitted or coordinated infrastructure. There are unfortunately, more spills and leaks and clean-up and monitoring situations. There will be more of all of these activities with 50,000 wells than there are with 12,000 wells.

Even without the promotion and encouragement responsibilities, the management and regulatory function and responsibilities of the Oil and Gas Division are increasing.

The Legislature has recognized this growing responsibility by increasing the Oil and Gas Division’s number of inspectors by 21 this current biennium (2013-2015) and the Industrial Commission has requested another 13 new inspectors for the next (2015-2017) biennium.

I know there are concerns that SB 2366 as written may move the Core Library and the State Geological Survey publication responsibilities to the Department of Commerce. I would suggest and support amendments to SB 2366 that would maintain the scientific and data based responsibilities for oil

and gas management, such as the Core Library and the State Geological Survey within the Department of Mineral Resources under the direction of the Industrial Commission.

Mr. Chairman and members of the Committee, I respectfully ask for a "Do Pass" vote on SB 2366. I would try to answer any questions the Committee may have.

Testimony for public hearing on SB 2366, February 5, 2015

Mr. Chairman, members of the committee

My name is Wayde Schafer.

I am the Conservation Organizer for Dacotah Chapter of Sierra Club

Thank you for the opportunity to comment on this bill.

No matter how much you intellectualize or justify or rationalize the fact that the ND Department of Mineral Resources and its director are expected to be both regulator and head cheerleader for the oil industry, it just doesn't feel right. Your gut just tells you that something's wrong.

Upon learning of this dual role, most people's reaction is: "How does that work?" Well it doesn't! Promoting North Dakota's second largest industry and regulating it are 2 full time jobs and then some. This dual role may have worked when the oil industry was just starting out in the state, but we're in the midst of a boom of unprecedented proportions. It is unrealistic and unfair, and arguably unworkable, to expect the Department of Mineral Resources to do both jobs well given the current breakneck pace of oil and gas development.

We would not expect a police officer to also be a social worker. They're two distinct jobs with two different skill set requirements and end goals.

Separating the duties of regulation and promotion of the oil and gas industry is an idea whose time has come.

Dacotah Chapter of Sierra Club respectfully urges this committee to recommend a DO PASS for SB 2366.

February 5, 2015

Senate Bill No. 2366

Mr. Chairman and Members of the Committee:

My name is Shelly Ventsch and I support Senate Bill 2366. I don't believe that one person should actively advocate for something that he/she is supposed to regulate, as the Director of Mineral Resources is now doing. I see the two as conflicting. Promotion of oil and gas is already being done by the ND Petroleum Council and its members. What the state is in need of is a strong regulator. A regulator should enforce regulations, not help write them. Awhile ago, Mr. Helms was a guest on a Williston radio station. He and the interviewer were discussing the stress of the director's job and how he escapes it by spending time with his horses. Taking some of the stress out of the job by separating the duties of promotion and regulating ~~can~~ result in better enforcement of regulations which would benefit the entire state.

Thank you.

**Sixty-Fourth Legislative Assembly of North Dakota  
Senate Natural Resources Committee  
Senate Bill No. 2366**

**Testimony of Carl Michael Smith Executive Director  
Interstate Oil and Gas Compact Commission (IOGCC)  
February 5, 2015**

Mr. Chairman and members of the Committee, my name is Mike Smith.<sup>1</sup> I am the Executive Director of the Interstate Oil and Gas Compact Commission (IOGCC), headquartered in Oklahoma City, Oklahoma. IOGCC is an interstate compact chartered by the U.S. Congress in 1935 pursuant to Article 1, Section 10, of the United States Constitution. The mission of IOGCC is to promote the conservation and efficient recovery of domestic oil and natural gas resources while protecting health, safety and the environment. Among other things, the IOGCC charter provides that the drilling, equipping, locating, spacing or operating of a well or wells, should be accomplished to prevent physical waste and provide for the maximum amount of oil and natural gas recovery.

IOGCC is a Compact of its thirty (30) member and eight (8) associate member states, representing all of our nation's oil and natural gas production.

Three North Dakota governors have served IOGCC at its chairman: Governors George Sinner (1987-88), Ed Schafer (1995) and John Hoeven (2003 & 2007).

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<sup>1</sup> My Biography is attached for the Committees' convenience

Each member state, as a condition to join the Compact, has passed meaningful conservation laws to protect correlative rights, prevent waste, and ensure the ultimate production of oil and natural gas. In 1949 the IOGCC Legal Committee drafted (and IOGCC adopted) a Model Conservation Statute<sup>2</sup> for possible use by states considering membership. The Declaration of Policy of the Model Statute reads as follows:

*A Form for an Oil and Gas Conservation Statute  
Declaration of Policy*

*It is hereby declared to be in the public interest to foster, to encourage, and to promote the development, production, and utilization of natural resources of oil and gas in the state in such a manner as will prevent waste; to authorize and to provide for the operation and development of oil and gas properties in such a manner that a greater ultimate recovery of oil and gas be had and that the correlative rights of all owners be fully protected; and to encourage, to authorize, and to provide for cycling, re-cycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the end that the land owners, the royalty owners, the producers, and the general public realize and enjoy the greatest possible good from these vital natural resources.*

North Dakota joined IOGCC in 1953 and the above language was adopted verbatim in Section 38-08-01 of the North Dakota Century Code. Senate Bill No. 2388 proposes amending same.

All IOGCC member states are free to adopt conservation laws that are in the best interest of their citizens and adapt to their local conditions, but the Declaration of Policy language sets the primmer for regulatory details found in each state's statutes and rules.

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<sup>2</sup> A full copy of the Model Statute will be furnished upon request

California, Mississippi, South Dakota, Utah and Virginia have also adopted the Model Statute Declaration of Policy language verbatim.

Some combination of “foster, encourage, and/or promote” is found in the statutes of Arizona, Colorado, Indiana, Kentucky, Michigan, Nevada, Ohio, Texas and West Virginia. Kentucky, for example, expands the verbiage to “foster conservation”, “encourage maximum recovery of oil and natural gas”, and “promote safety”.

Not all states (particularly those joining IOGCC before the Model Statute) have adopted the terms “foster, encourage and/or promote”. However, as noted by IOGCC members, this language is inherent in *all* statutes as “foster, encourage and/or promote” is an indivisible public function to protect the correlative rights of both working interest and mineral owners. Such terms are synonymous with “conservation”.

Mr. Chairman, I am unaware of any other IOGCC member state considering bifurcating a portion of their oil and gas regulatory agency’s duties to an unrelated state agency with no oil and gas regulatory authority. It is a journey not being taken by other states competing for North Dakota drilling dollars. It is my opinion that the passage of Senate Bill No. 2366 would not be in the best interest of the people of North Dakota. If another IOGCC member state considers a similar move, I would offer this same opinion.

Thank you and the other members for the opportunity to address the Committee.

5.4



## CARL MICHAEL "MIKE" SMITH

Smith is the Executive Director of the Interstate Oil & Gas Compact Commission.

From 2002 to 2004 Smith served as Assistant Secretary of Fossil Energy, US Department of Energy. He served as the primary policy advisor to Secretary Spencer Abraham on federal coal, petroleum, and natural gas programs, including extensive research and development efforts. Smith's responsibilities included overseeing an organization of nearly 1,000 scientists, engineers, technicians and administrative staff in two national laboratories, four field offices and at DOE's headquarters in Washington, D.C. He was responsible for several high-priority presidential initiatives, including implementation of the Bush Administration's \$2 billion development of a new generation of environmentally sound clean coal technologies and the \$1 billion FutureGen project. Duties also included managing the nation's Strategic Petroleum Reserve and the Northeast Home Heating Oil Reserve, both key emergency response tools available to the president to protect Americans from energy supply disruptions.

Smith's international experience includes service with the Secretary General, Ministry of Science and Technology, People's Republic of China, as a co-chair of the US-China Oil and Gas Forum and as Chairman of the Policy Group, Carbon Sequestration Leadership Forum (CSLF). CSLF is a Bush Administration initiative with a 21-country membership seeking technical solutions to the capture and storage of carbon dioxide from energy generating facilities. Additionally, he led US bilateral fossil energy protocols in Australia, India, Norway and Russia.

From 1995 to 2002, Smith served as Oklahoma's Secretary of Energy in the cabinet of former Governor Frank Keating. He was responsible for fossil energy policy and oversight of seven major state energy agencies and commissions. He served as the Governor's Official Representative to the Interstate Oil & Gas Compact Commission (IOGCC), the Southern States Energy Board, the Interstate Mining Compact Commission, and the Governors' Ethanol Coalition. He served IOGCC as its Vice Chairman in 1999.

Smith served as President of the Oklahoma Independent Petroleum Association (1994) and operated an independent oil and gas exploration company based in Oklahoma City. He practiced energy law and earned Bachelor of Arts and law degrees from the University of Oklahoma.

## Mission

To promote the conservation and efficient recovery of domestic oil and natural gas resources, while protecting health, safety and the environment.

## Core Values

**Passion** • advancing the quality of life

**Integrity** • minimizing environmental impact

**Credibility** • advising our nation's leaders

**Innovation** • finding creative solutions

**Efficiency** • wisely maximizing our nation's energy

**Inclusion** • collectively representing member states

### Member States

Alabama (1945)  
Alaska (1957)  
Arizona (1955)  
Arkansas (1941)  
California (1974)  
Colorado (1935)  
Florida (1945)  
Illinois (1935)  
Indiana (1947)  
Kansas (1935)  
Kentucky (1942)  
Louisiana (1941)  
Maryland (1959)  
Michigan (1939)  
Mississippi (1948)

Montana (1945)  
Nebraska (1953)  
Nevada (1955)  
New Mexico (1935)  
New York (1941)  
North Dakota (1953)  
Ohio (1943)  
Oklahoma (1935)  
Pennsylvania (1941)  
South Dakota (1955)  
Texas (1935)  
Utah (1957)  
Virginia (1982)  
West Virginia (1945)  
Wyoming (1955)

### Associate States

Georgia (1946)  
Idaho (1960)  
Missouri (1995)  
North Carolina (1971)

Oregon (1954)  
South Carolina (1972)  
Tennessee (2007)  
Washington (1967)

### International Affiliates

Alberta (1996)  
British Columbia (2002)  
Egypt (1999)  
Newfoundland and Labrador (1997)  
New Brunswick (2011)

Nova Scotia (1997)  
Republic of Georgia (2001)  
Saskatchewan (2008)  
Venezuela (1997)  
Yukon (2008)



P.O. Box 53127  
Oklahoma City, OK 73152-3127  
900 N.E. 23rd Street  
Oklahoma City, OK 73105  
Phone: 405/525-3556  
Fax: 405/525-3592  
E-mail: [iogcc@iogcc.state.ok.us](mailto:iogcc@iogcc.state.ok.us)

**World Wide Web**  
[www.iogcc.state.ok.us](http://www.iogcc.state.ok.us)





## Who We Are

The Commission, representing the governors of 30 member and eight associate states, works to ensure our nation's oil and natural gas resources are conserved and maximized while protecting health, safety and the environment.

Established by the charter member states' governors in 1935, the Interstate Oil and Gas Compact Commission is the oldest, largest and most effective interstate compact in the nation.

## What We Do

### The IOGCC:

- Provides governors of member states with a clear and unified voice.
- Serves as the authority on issues surrounding domestic oil and natural gas.
- Assists member states in balancing a multitude of interests through sound regulatory practices.
- Stands dedicated to securing domestic resources needed so that all Americans can maintain their quality of life.

## Organizational Structure

In 1935, six states endorsed and Congress ratified the Interstate Compact to Conserve Oil and Gas, resulting in the formation of the unique governmental entity now known as the Interstate Oil and Gas Compact Commission.

Since that time, states have established effective regulation of the oil and natural gas industry, assisted by IOGCC programs designed to gather and share information. This dialogue takes place primarily during IOGCC meetings, held biannually at sites across the United States.

Each member state holds one vote, exercised by the governor or delegated to the state's official representative or associate representative. Gubernatorial appointees offer their expertise to IOGCC committees.

State contributions fund IOGCC operations, while projects may be funded through grants. The IOGCC does not accept petroleum industry funds for its operating expenses.

### IOGCC Committees

#### Standing

Energy Resources, Research  
and Technology  
Environment and Safety  
Legal and Regulatory Affairs  
Public Lands  
Public Outreach  
State Review  
International Committee

#### Operational

Steering Committee  
Finance Committee  
Resolutions Committee  
Nominating Committee

## Member State Benefits

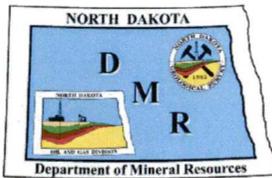
The Interstate Oil and Gas Compact Commission is the nation's only forum for governors, state appointees and key policy staff dedicated to the conservation and maximization of our country's oil and natural gas resources. Through the Commission, member states are able to:

- Attend biannual meetings to discuss state oil and gas regulation, new technologies and key policy issues.
- Receive key information about what is stirring in other states and in Congress.
- Obtain assistance in initiating innovative state programs or improving current programs.
- Learn about emerging national trends.

## The Future

The IOGCC is evolving to meet changing needs. Our unique structure offers a highly effective forum for states, industry, Congress and the environmental community to share information and viewpoints to advance our nation's energy future.

The IOGCC has never been more relevant than it is today. The Commission will continue as a forum for voices of reason, balance and wisdom as we promote the conservation and maximization of our nation's oil and gas resources.



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**Senate Bill 2366**  
**Senate Energy and Natural Resources Committee**  
February 05, 2015  
Testimony of Lynn D. Helms, Director

The North Dakota Industrial Commission policy to promote responsible development and production of North Dakota oil and gas resources has existed since the IOGCC model statute was adopted in 1953. This language is common and appears in the authorizing language of 16 other state and one Canadian province oil and gas regulatory agencies:

N.D. Century Code.

**38-08-01. DECLARATION OF POLICY.** It is hereby declared to be in the public interest to foster, to encourage, and to promote the development, production, and utilization of natural resources of oil and gas in the state in such a manner as will prevent waste; to authorize and to provide for the operation and development of oil and gas properties in such a manner that a greater ultimate recovery of oil and gas be had and that the correlative rights of all owners be fully protected; and to encourage and to authorize cycling, recycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the end that the landowners, the royalty owners, the producers, and the general public realize and enjoy the greatest possible good from these vital natural resources.

AZ, CA, CO, IN, KS, KY, MI, MS, MT, ND, NV, OH, SD, UT, TX, VA, WV, and BC all have enabling language that includes the terms encourage, foster, and/or promote.

Please note what the declaration of policy does not include, and the Industrial Commission does not do. Promoting the oil and gas industry is the job of the North Dakota Petroleum Council.

At this time I would like to introduce State Geologist Ed Murphy who has overseen the promotional programs of the Industrial Commission through the Geological Survey Division of the Department of Mineral Resources since 2005. He will explain those programs and the potential impacts of SB2366 upon them. (Presentation of Ed Murphy)

Now Executive director Karlene Fine who has overseen the promotional programs of the Industrial Commission through the Oil and Gas Research Council since 2003 will explain those programs and the potential impacts of SB2366 upon them. (Presentation of Karlene Fine)

6.2

In closing Chairman Shaible and members of Senate Energy and Natural Resources I would like to offer some analogies to clarify the promotional programs of the Industrial Commission. The sponsors of SB2366 should be asked if the policy of the bill will be extended to remove programs that promote wildlife production from North Dakota Game and Fish which runs four regulatory programs, remove programs like Pride of Dakota that promote agriculture production from the North Dakota Department of Agriculture which runs seven regulatory programs, and remove programs from the North Dakota Board of Higher Education which runs two regulatory programs that promote college education. If the answer is no then we can conclude that SB2366 is simply anti oil and gas politics, if the answer is yes then it helps us see what a negative policy direction SB2366 begins.

Mr. Chairman and members of Senate Energy and Natural Resources the North Dakota Industrial Commission urges a DO NOT PASS for SB 2366.



# **Senate Energy and Natural Resources Committee**

## **SB-2366**

**February 5, 2015**

**Edward C. Murphy, State Geologist**  
**Department of Mineral Resources**  
**North Dakota Industrial Commission**

# Geological Survey

Support Staff	8.45
Geologists	10.0
State Geologist	<u>1.0</u>
Total	19.45 FTE

1) Surface Section (4 geologists)

2) Paleontology Section (3 paleontologists)

3) **Subsurface Section (3 geologists)**

1) **Core Library Technician/Field Inspector** (geothermal & subsurface minerals)

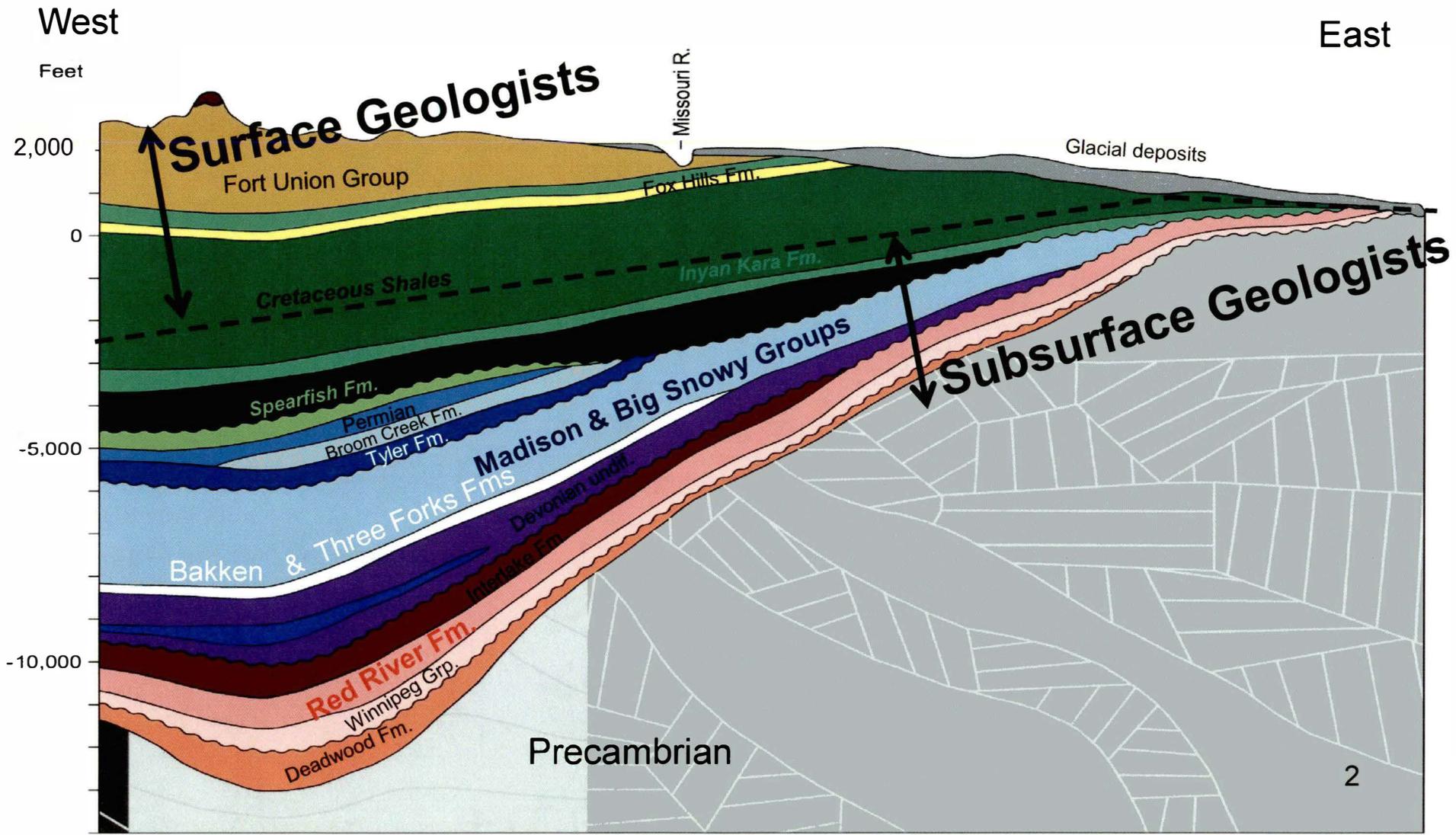
2) **Core Library Technician**

The Geological Survey does not have a petroleum section – we have a subsurface section that studies the rocks from the Dakota Group down to the Precambrian basement rocks.

The subsurface section studies rocks that contain oil and gas, salt, potash, uranium, nitrogen, diamonds (potentially), etc. as well as storage and waste disposal.

The geologists within all three sections routinely interact on projects.

# North Dakota Geologic Cross-Section From Beach to Fargo



13

# GEOLOGICAL SURVEY

## Surface Section

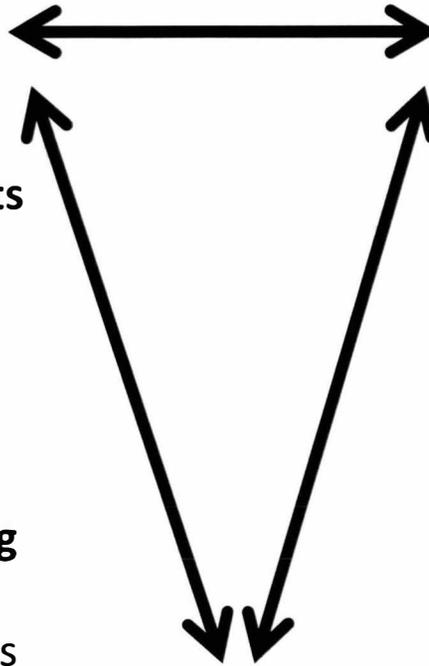
Stratigraphic Studies  
Lignite Assessments  
**Mineral Resource Assessments**  
Shallow gas  
Surface Geologic Mapping  
Geologic Hazards Mapping  
Hydrogeological Studies  
Coal Exploration Permitting  
**Subsurface Mineral Permitting**  
**Geothermal Permitting**  
Waste Disposal Permit Reviews  
Outreach

## Subsurface Section

Stratigraphic Studies  
Petroleum Assessments  
**Mineral Resource Assessments**  
Deep gas  
**Core and Sample Library**  
Geothermal Assessments  
**Subsurface Minerals Permitting**  
**Geothermal Permitting**  
Outreach

## Paleontology Section

Paleontological Activities  
**Stratigraphic Studies**  
**Paleontological Exhibits**  
**State Fossil Collection**  
State Rock & Mineral Collection  
Outreach

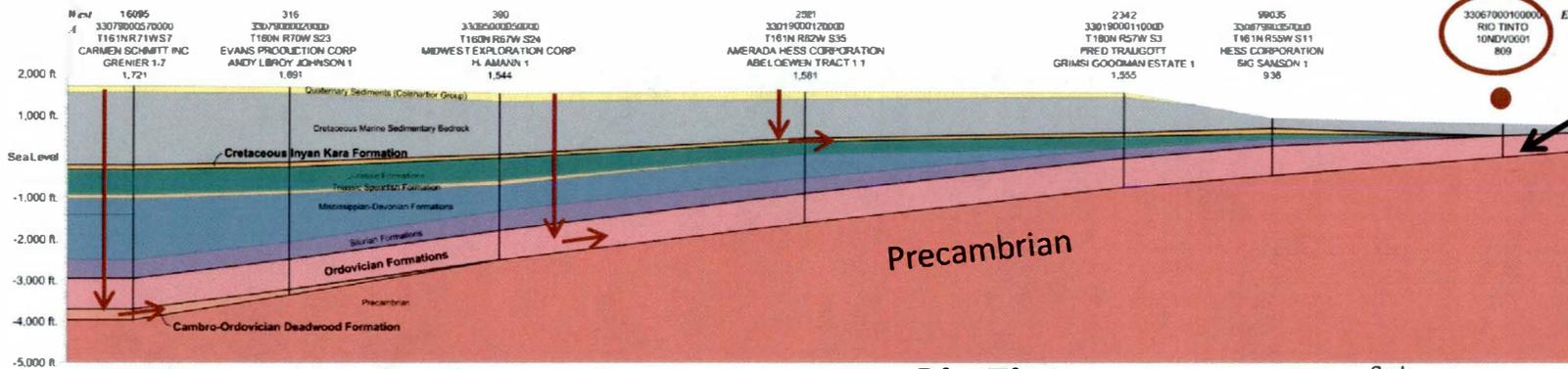


# EXAMPLES OF NON-OIL & GAS PROJECTS IN SUBSURFACE SECTION

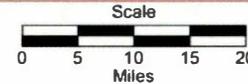
## POTENTIAL SUBSURFACE WASTE DISPOSAL HORIZONS IN EASTERN ND

Timothy O. Nesheim

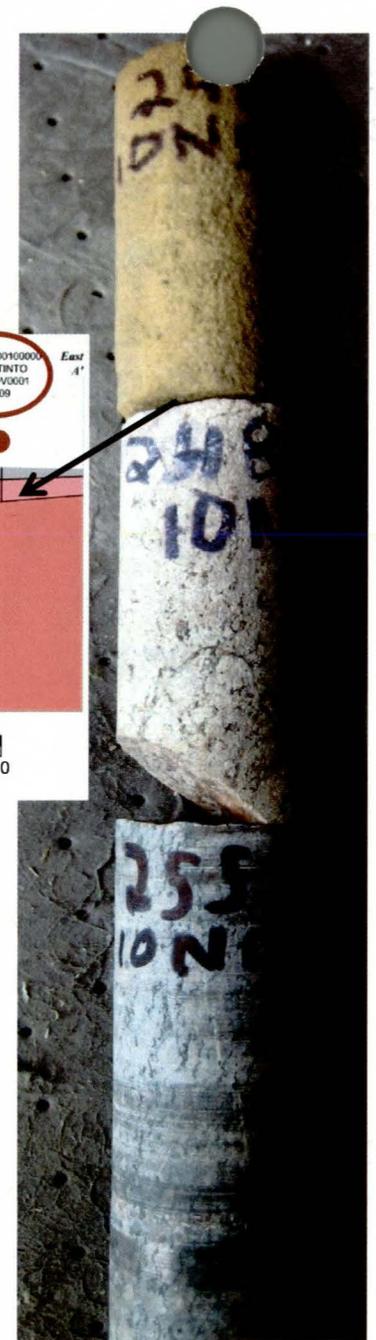
2015 draft



Rio Tinto  
Diamond Exploration Hole



One of five or six cross sections.

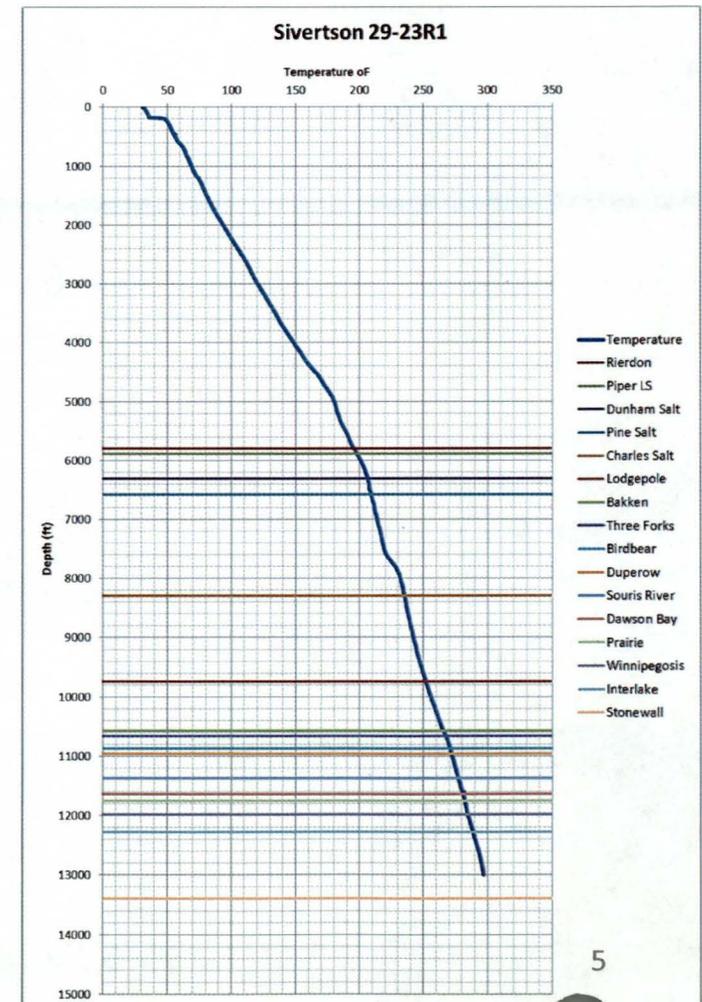


# TEMPERATURE LOGGING OIL & GAS WELLS IN THE WILLISTON BASIN

Project initiated in subsurface section, but operated through the surface section.  
Temperature logged 11 temporarily abandoned oil wells this winter (3,000 – 13,200 feet).  
Data will be used to generate deep geothermal potential maps and oil maturation maps.  
Companies likely would not have granted access to wells without our ties to Oil & Gas Division.



Above: Temperature logging a temporarily abandoned oil well in Mountrail County. Right: Temperature log generated from the Sivertson well in McKenzie County.



**GROUNDWATER QUALITY BENEATH A BURIED COAL AND GAS RESERVE PIT IN WESTERN NORTH DAKOTA**

(1980 - 2014)

by  
Edward C. Murphy



REPORT OF INVESTIGATIONS NO. 114  
NORTH DAKOTA GEOLOGICAL SURVEY  
Edward C. Murphy, State Geologist  
Lynn D. Helms, Director Dept. of Mineral Resources  
2015



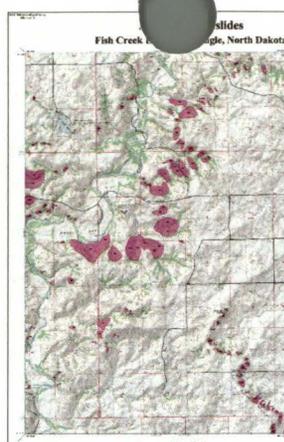
North Dakota Geological Survey



**Core Based Examination of Upper Tyler Formation Source Rocks within Southwestern North Dakota**

by  
Timothy G. Reardon  
and  
Stephen V. Hovinger

Geological Investigations No. 179  
North Dakota Geological Survey  
Edward C. Murphy, State Geologist  
Lynn D. Helms, Director Dept. of Mineral Resources  
2014



Edward C. Murphy  
2011



North Dakota Geological Survey

**The Potash Members of the Prairie Formation in North Dakota**

By  
Lee A. Ruge



REPORT OF INVESTIGATIONS NO. 212

and Resources



**2014 Core Workshop**

Tyler Formation  
Prairiehorn Member - Bakken Formation  
Red River Formation

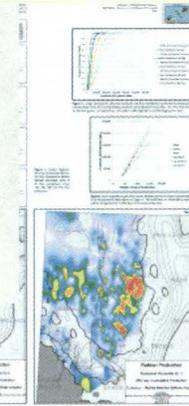
John A. Lefever  
Stephen H. Hovinger  
Timothy G. Reardon

GEOLOGIC INVESTIGATIONS NO. 178  
NORTH DAKOTA GEOLOGICAL SURVEY  
Edward C. Murphy, State Geologist  
Lynn D. Helms, Director Dept. of Mineral Resources



**2013 -- 2015 Biennium  
Geological Survey  
48 Publications  
82 Presentations**

**INDEX MAP OF GROUND-WATER WELL LOCATIONS IN NORTH DAKOTA INVESTIGATED FOR SHALLOW NATURAL GAS OCCURRENCE**



**Catalog of North Dakota Radiocarbon Dates**

By  
Lorraine A. Manz



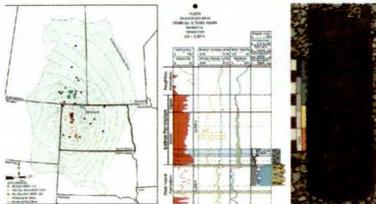
MISCELLANEOUS SERIES OF  
NORTH DAKOTA GEOLOGICAL SURVEY  
Edward C. Murphy, State Geologist  
Lynn D. Helms, Director Department of Mineral Resources  
2014



North Dakota Geological Survey

**Examination of the Icebox Formation's (Winnipeg Group, Ordovician) Source Rock Potential within North Dakota**

by  
Timothy G. Reardon and Stephen V. Hovinger

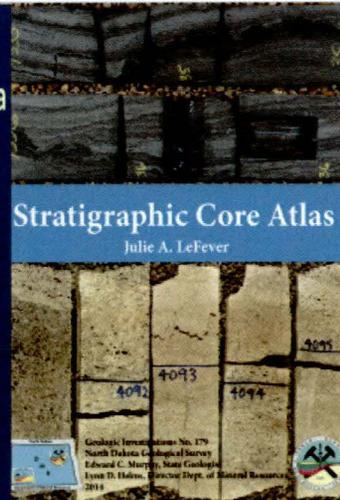


Geological Investigations No. 189  
North Dakota Geological Survey  
Edward C. Murphy, State Geologist  
Lynn D. Helms, Director Dept. of Mineral Resources  
2013

**Reserve Pit and Brine Pond Studies in North Dakota**

Presented to the  
Energy Development and Transmission Committee  
Senator Rich Wardner, Chair  
Minot, ND  
April 8, 2014

Ed Murphy  
North Dakota Geological Survey  
Geologic Investigations No. 175



**Stratigraphic Core Atlas**  
Julie A. Lefever

Geologic Investigations No. 179  
North Dakota Geological Survey  
Edward C. Murphy, State Geologist  
Lynn D. Helms, Director Dept. of Mineral Resources  
2014

**THE ALUMINA CONTENT OF THE BEAR DEN MEMBER (GOLDEN VALLEY FORMATION) AND THE RHAME BED (SLOPE FORMATION) IN WESTERN NORTH DAKOTA**

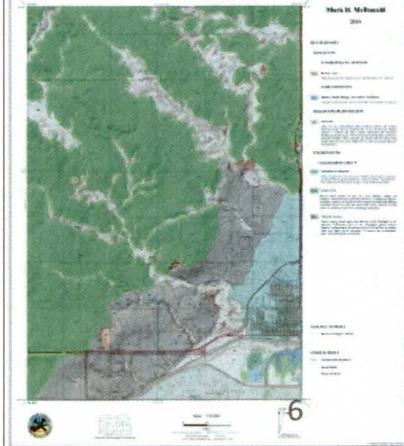
by  
Edward C. Murphy



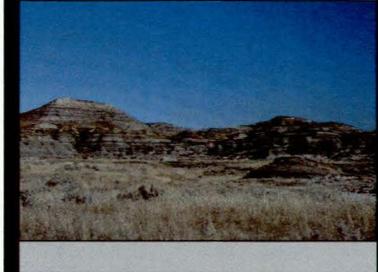
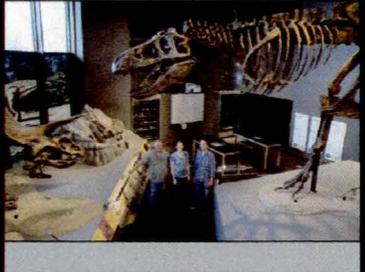
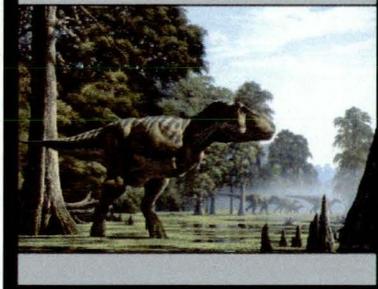
REPORT OF INVESTIGATION NO. 112  
NORTH DAKOTA GEOLOGICAL SURVEY  
Edward C. Murphy, State Geologist  
Lynn D. Helms, Director Dept. of Mineral Resources  
2013

**Surface Geology  
Williston West Quadrangle, North Dakota**

Mark H. McHardy  
2014



19

<p>NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES</p> <h1>GEO NEWS</h1> <p>Volume 42, No. 1 January 2015</p>	<p>NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES</p> <h1>GEO NEWS</h1> <p>Volume 41, No. 2 July 2014</p>	<p>NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES</p> <h1>GEO NEWS</h1> <p>Volume 41, No. 1 January 2014</p>	<p>NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES</p> <h1>GEO NEWS</h1> <p>Volume 40, No. 2 July 2013</p>	<p>NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES</p> <h1>GEO NEWS</h1> <p>Volume 40, No. 1 January 2013</p>
				
<p>NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES</p> <h1>GEO NEWS</h1> <p>Volume 39, No. 2 July 2012</p>	<p>NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES</p> <h1>GEO NEWS</h1> <p>Volume 39, No. 1 January 2012</p>	<p>NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES</p> <h1>GEO NEWS</h1> <p>Volume 38, No. 2 July 2011</p>	<p>NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES</p> <h1>GEO NEWS</h1> <p>Volume 38, No. 1 January 2011</p>	<p>NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES</p> <h1>GEO NEWS</h1> <p>Volume 37, No. 2 July 2010</p>
				
<p>NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES</p> <h1>GEO NEWS</h1> <p>Volume 37, No. 1 January 2010</p>	<p>NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES</p> <h1>GEO NEWS</h1> <p>Volume 36, No. 2 July 2009</p>	<p>NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES</p> <h2>DMR NEWSLETTER</h2> <p>MINERAL RESOURCES</p> <p>Volume 36, No. 1</p> 	<p>NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES</p> <h2>DMR NEWSLETTER</h2> <p>MINERAL RESOURCES</p> <p>Volume 35, No. 2</p> 	<p>NORTH DAKOTA DEPARTMENT OF MINERAL RESOURCES</p> <h2>DMR NEWSLETTER</h2> <p>MINERAL RESOURCES</p> <p>Volume 35, No. 1</p> 

# Wilson M. Laird Core and Sample Library



Built in 1980

13,000 ft<sup>2</sup> warehouse

2,000 ft<sup>2</sup> lab and office area

Expected to be full to capacity in 2017

# CORE BOXES



whole core

slabbed core

Standard Core Box

Two-Inch Box

One-Inch Box

# SAMPLE BOXES





> 75 miles of core  
400,000 feet of core

132,000 core boxes  
40,000 sample boxes

### Types of Cores and Samples

- 1) **Oil and gas cores**
- 2) Potash cores
- 3) Salt (NaCl) cores
- 4) Coal cores/samples
- 5) Uranium samples
- 6) Cement rock cores
- 7) Precambrian cores

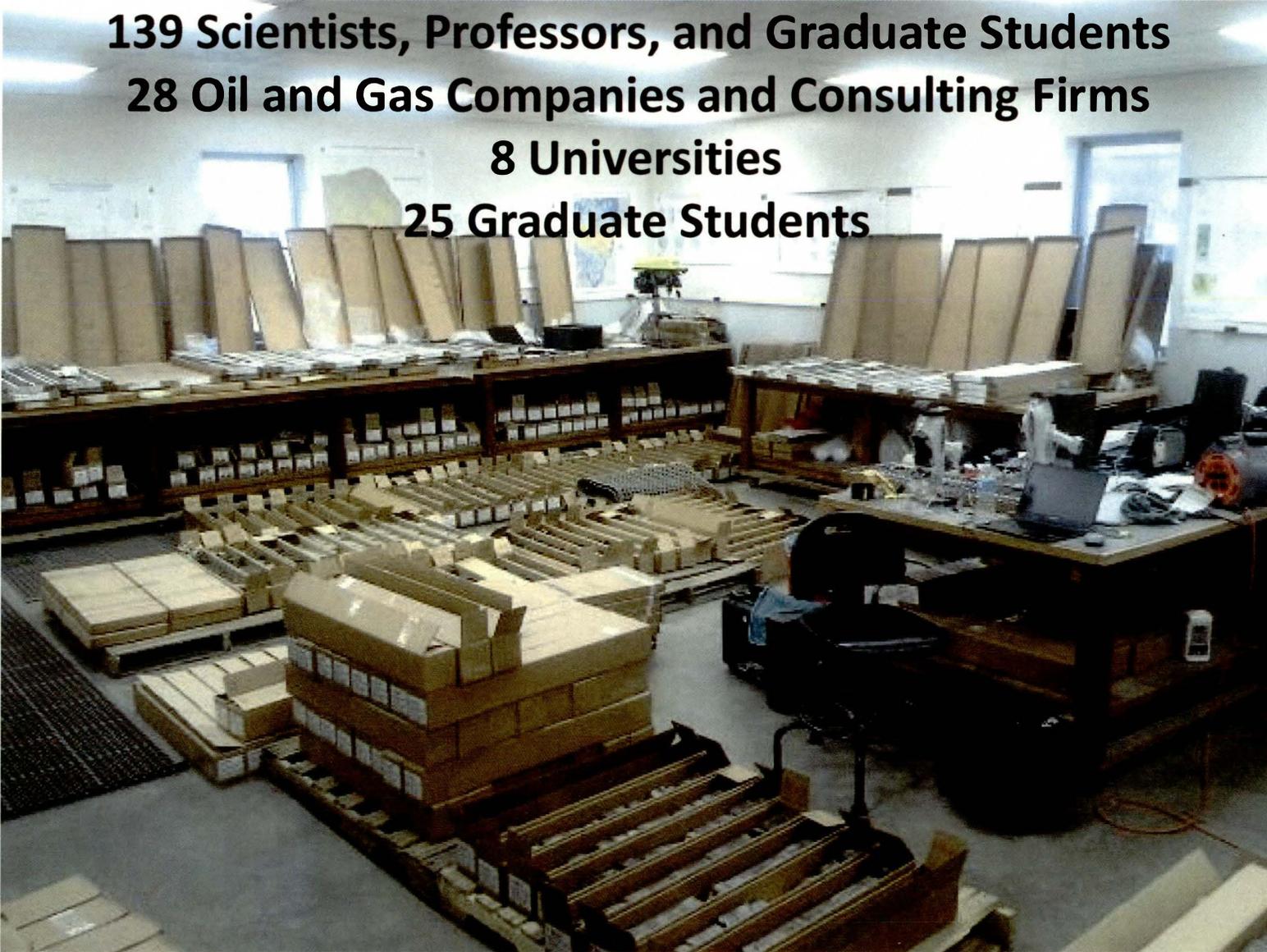
*Diamond exploration*

- 8) Others

Each aisle contains about 260 tons of rock.

2013

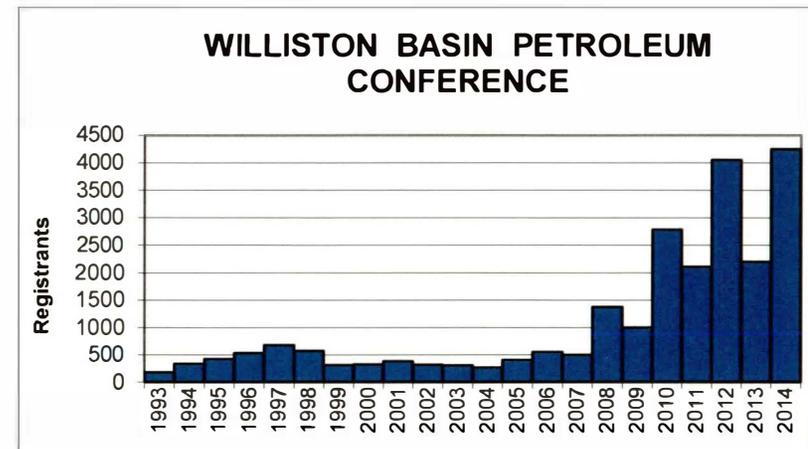
**139 Scientists, Professors, and Graduate Students**  
**28 Oil and Gas Companies and Consulting Firms**  
**8 Universities**  
**25 Graduate Students**





Computer generated drawing of core library expansion.

# WILLISTON BASIN PETROLEUM CONFERENCE



## Horizontal Well Conference

1993 - 2005 North Dakota Geological Survey  
Saskatchewan Geological Survey  
University of Regina

## Williston Basin Petroleum Conference

2006 - 2015 North Dakota Department of Mineral Resources  
North Dakota Petroleum Council  
Saskatchewan Ministry of Energy Resources  
Petroleum Technology Research Centre



8.1

# INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple  
Governor

Wayne Stenehjem  
Attorney General

Doug Goehring  
Agriculture Commissioner

Testimony on Senate Bill 2366  
Karlene Fine, Industrial Commission Executive Director  
February 5, 2015

Sections 2 - 6 of Senate Bill 2366 would transfer the Oil and Gas Research Program from oversight of the Industrial Commission to the Department of Commerce. Here is some background information about the Oil and Gas Research Program:

## History of the Oil and Gas Research Program

North Dakota's Oil and Gas Research Program ("Program"), established by the Legislature in 2003, is a state/industry program designed to demonstrate to the general public the importance of the State oil and gas exploration and production industry, to promote efficient, economic and environmentally sound exploration and production methods and technologies, to preserve and create jobs involved in the exploration, production and utilization of North Dakota's oil and gas resources, to develop the State's oil and gas resources, and to support research and educational activities concerning the oil and natural gas exploration and production industry. The Program is funded from two percent of the State's share of the oil and gas gross production tax and oil extraction tax revenues, **up to \$10 million**, each biennium.

As noted above this Program does partly deal with promotion but it also plays a role in regards to research on environmental issues, best practices, development of the natural resource in all aspects -- from primary to secondary recovery.

I've highlighted a few of the Program's projects:

### Program to Determine the Uniqueness of Three Forks Bench Reserves, Determine Optimal Well Density in the Bakken Pool, and Optimize Bakken Production - Energy & Environmental Research Center and Continental Resources

This project is to simultaneously improve Bakken system oil recovery and reduce the environmental footprint of production activities. The anticipated outcomes are to increase well productivity and economic output of North Dakota's oil and gas resources, decrease environmental impacts of wellsite operations, and reduce demand for infrastructure construction and maintenance. Specific results will likely include:

- a) a greater understanding of Bakken-Three Forks reservoirs and subsequent significant increases to estimates of recoverable hydrocarbons;
- b) less truck traffic, resulting in decreased diesel emissions, road cost and spills;
- c) reduced road maintenance costs, wastewater production, disposal costs, and freshwater use;
- d) reduced land use impacts;

- e) increased revenue for the state, royalty owners, and operators from added product streams captured earlier in the well life cycle.

Reduction of Flares and Capture of Natural Gas Liquids with Vortex Tools. Submitted by Bakken Frontier, LLC.

This project is to demonstrate through the use of the Vortex Tool the capture of NGL's which in turn will reduce the amount of flaring. This will be especially beneficial to more remote locations.

The Mini-GTL Zero Flare Solution that Captures 100% of Associated Gas Flaring at the Wellhead and Converts it to Biodegradable and Environmentally Safe Liquid Fuels and Chemicals. Submitted by GeoTechno Energy and Fuels (USA) LLC

This project will utilize a process for converting natural gas to liquids thus eliminating associated gas flaring via conversion to commercially saleable liquid chemicals at the wellhead.

If the Oil and Gas Research Council's role under the direction of the Department of Commerce will be more focused on just promotional activities, projects such as those listed above may not be funded.

15.0993.01003  
Title.

Prepared by the Legislative Council staff for  
Senator Murphy

February 5, 2015

PROPOSED AMENDMENTS TO SENATE BILL NO. 2366

Page 1, line 9, overstrike the first comma and insert immediately thereafter "and"

Page 1, line 9, overstrike ", and to promote"

Renumber accordingly

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