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## North Dakota Petroleum Council Quality Bank Study

Report Date: June 4, 2007

Applicant: The North Dakota Petroleum Council

Principal Investigator: Ron Ness, President

## **Project Summary: North Dakota Petroleum Council Quality Bank Study**

The objective of this project was to conduct an unbiased study/assessment of North Dakota crude oil to determine whether a quality bank or some form of quality regulation can provide a tool that will create more pipeline capacity to export crude oil to market. This issue is of critical interest; not only the economic impacts on the oil and gas industry, but the financial impacts on the state of North Dakota, counties, and mineral and royalty owners. The value gained by the study is of value to all parties in assessing the issues related to the bottleneck.

The scope of work was divided into three (3) distinct phases, each composed of a number of tasks. The first phase of the work provided a study of the current market environment and the potential impact of quality regulations on pipeline capacity. The second phase concentrates on specific issues related to designing and implementing a quality bank. The third phase provides for ad hoc assistance and ongoing advisory or administrative services. The projected total cost to complete all three phases was \$100,000; however, with only Phase 1 being completed, the actual total project cost was \$42,000. The Research Council's share is \$21,000.

The Petroleum Council contracted with Purvin & Gertz Inc. to conduct the study and they completed Phase 1, Tasks 1 and 2 as instructed. The study results have been provided to the Research Council and distributed to the Petroleum Council's Quality Bank Task Force. A quality bank was one of the identified potential solutions to the Williston Basin crude oil bottleneck. Because Phase 1, Task 2 suggests that quality restrictions on the North Dakota crude oil pipeline systems would likely not achieve the desired result of increasing the pipeline capacity to allow more crude to be exported to market, Phases 2 and 3 will not be pursued at this time. This unbiased study provides valuable information, since it has been a topic of debate in the discussion related to how to resolve the crude oil bottleneck.

The Petroleum Council has completed its assessment of the study and will turn the document over to the Pipeline Authority for further review and action as deemed appropriate.

**Quality Bank Study - Expense for Reporting Period 12/1/2006 – 5/31/2007**

Actual Expenses:

**Purvin & Gertz Inc.**

Phase 1 Fees:

Task 1 – Market Analysis	\$15,000.00
Task 2 – Impact of Quality Regulation on Pipeline Capacity	\$25,000.00
Expenses (5% of fees)	<u>2,000.00</u>
Total Project Cost	<u>\$42,000.00</u>

Projected Expenses:

The North Dakota Petroleum Council request was based on a match for this project.

North Dakota Petroleum Council	(50%)	\$ 50,000.00
Oil and Gas Research Council	(50%)	<u>\$ 50,000.00</u>
Total Projected Expenses		<u>\$100,000.00</u>

Total Project Cost = \$42,000

**Total Project Cost for the Oil & Gas Research Council** **\$21,000.00**