



Ron Ness
President

Marsha Reimnitz
Office Manager

120 N. 3rd Street • Suite 200 • P.O. Box 1395 • Bismarck, ND 58502-1395
Phone: 701-223-6380 • Fax: 701-222-0006 • Email: ndpc@ndoil.org

North Dakota Petroleum Council's 2007 Economic Impact Study

Report 1: February 20, 2009

Applicant: The North Dakota Petroleum Council

Principal Investigator: Ron Ness, President

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1.0 Project Summary:

The objective of this project was to estimate the contribution of the petroleum industry to the North Dakota economy, measured by indicators such as employment, income, additional gross receipts in various sectors of the state's economy, and revenues from selected state taxes. The study indicated that North Dakota's oil and gas industry generated \$8.22 billion in total business activity for 2007. \$3.1 billion of this was direct impacts, while secondary impacts made up \$5.1 billion. The industry paid \$520 million in state and local taxes and provided direct employment for 7,719 people and indirect employment for nearly 38,500 people, making it one of the state's largest industries.

Our goal in this project was to provide outreach and education mechanisms that raise the public awareness of the economic impacts of the oil and gas industry to the state and to provide outreach to policy makers and the public about the existing economic trends and future impacts of our industry and state. A comprehensive set of outreach materials was developed and distributed to policy makers and the general public. These outreach materials will be useful for industry partners and others for outreach and education programs.

North Dakota State University Department of Agribusiness & Applied Economics Professor F. Larry Leistritz and Dean Bangsund, Researcher, completed the report on the oil and gas industry's economic impacts late January 2009. The report and summary for this study were released during a news conference at the North Dakota State Capitol Building, February 3, 2009 during "Oil Can! Day." Six media representatives, more than 30 legislators, state officials, and general public gathered to take part in the news conference. Presentations were also made on the study results to the Oil and Gas Research Council and other representatives of the petroleum industry. Media packets, along with outreach materials, were prepared and distributed at the news conference to the media and public.

2.0 Importance of the Updated Study:

The economic impact information that the North Dakota Petroleum Council, as well as many other members and industry representatives, was using was 2005 data from the previous economic impact study which had become outdated with the increase in oil activity in recent years. Below is a list of examples which depicts the importance of continual updating of this information:

- Overall business activity increased from \$4.12 billion in 2005 to \$8.22 billion in 2007. (99% increase)
- Exploration increased from \$1.29 billion in 2005 to \$4.26 billion in 2007 (231% increase).
- Total employment increased from 5,267 to 7,719 full-time employees (47% increase).
- From 2005 to 2007, the number of active wells in North Dakota increased from 3,391 to 3,759 (10.8% increase).
- Production increased from 35.6 million barrels of crude oil produced in 2005 as compared to 45.1 million barrels in 2007. (27% increase)

3.0 Evaluation of Success:

The completion of the survey of oil industry firms to determine the industry's direct employment and expenditures to in-state entities was represented by more than 30% of the state's oil production. Representation to this extent is well above what is commonly seen for similar industry analysis. The gathered data allowed for use of the North Dakota Input/Output Model, to estimate and compile the secondary and total economic contribution resulting from the industry's operations in the state. This data additionally allowed for calculations using an

adjusted Consumer Price Index to make accurate comparisons to where the oil and gas industry in North Dakota was in 2007 as compared to 2005.

A communication plan was effectively implemented to communicate study results to targeted audiences of North Dakota policy makers and to the general public during the “Oil Can! Day” news conference. Results of the study were referenced by news media to provide accurate, up-to-date economic data to the public immediately following the news conference and will continue to serve as a basis in future news coverage of North Dakota’s oil and gas industry. The North Dakota Petroleum Council’s paid advertising and communication outreach efforts through the “Oil Can!” program have been updated to include the new industry impact numbers set forth by the study.

The North Dakota Petroleum Council web site has been updated to include results of the study digitally. In addition to this document, a powerpoint presentation is currently available on the North Dakota Petroleum Council web site which outlines the presentation given by Dean Bangsund on impacts to the state in 2007. Additional reference handouts on the study will be developed as needed. An Oil and Gas *TidBits* is being produced that outlines some of the more impressive findings within the study. These handouts, as well as the information in general, will be used for future North Dakota Petroleum Council education and outreach efforts.

4.0 Online Materials

- The 2007 Economic Impact Study can be viewed online at <http://www.ndoil.org/?id=89>.
- The powerpoint presentation by Dean Bangsund regarding the 2007 Economic Impact Study can be viewed at <http://www.ndoil.org/?id=73>.

5.0 Economic Impact Study Expenses:

<u>Item</u>	<u>Expense</u>	
Salaries and Wages:		
Research scientist(s) (3.5 months)	\$ 13,000	
Research scientist overload pay (6 mo. @ 17.27%)	<u>\$ 3,500</u>	
Salaries and Wages Subtotal		\$16,500
Researcher Expenses		
Travel, in-state	\$ 600	
Printing and office supplies	<u>\$ 400</u>	
Research Expenses Subtotal		<u>\$ 1,000</u>
Total NDSU Data Collection/Analysis/Report Preparation		<u>\$17,500</u>
Communication Expenses		
Design/Development	\$ 2,100	
Consulting	\$ 1,200	
Promotion	\$ 2,615	
Printing	\$ 450	
Administrative Staff Time	\$ 2,600	
Paid Advertising/Outreach (Radio)	<u>\$ 1,250</u>	
Total Communication Plan Expenses		<u>\$10,215</u>
Total Expenses		<u>\$27,715</u>

Respectfully Submitted by Ron Ness