

Oil and Gas Research Fund
Financial Statement
2011-2013 Biennium
June 30, 2013 Oil and Gas Research Council Meeting

	<u>Cash Balance</u>
July 1, 2011 Balance	\$ 2,433,097.84
Revenues through June 30, 2013	\$ 4,012,022.06
Transfer to the Pipeline Authority Fund	\$ (301,500.00)
Expenditures through June 30, 2013	<u>\$ (2,267,948.72)</u>
	\$ 3,875,671.18
Unused Administration Allocation as of June 30, 2013	\$ (32,106.18)
Outstanding Project Commitments as of June 30, 2013*	<u>\$(3,843,565.00)</u>
Balance	\$ 000.00*

Oil and Gas Research Fund
Continuing Appropriation Authority
2011-2013 Biennium

Uncommitted Balance July 1, 2011	\$ 455,297.84
Actual Income from Project Applications & Interest <small>(Estimated \$20,000)</small>	\$ 12,022.06
Revenues (2% of State's Share of Oil Tax Revenues)	\$4,000,000.00
Returned Commitments as of June 30, 2013	<u>\$ 250,741.17</u>
	\$4,718,061.07
Transfer to Pipeline Authority	\$ (301,500.00)
Administration Commitment <small>(Adjusted to reflect reduced income)</small>	\$ (175,966.07)
Project Commitments 2011-2013	<u>\$(4,240,595.00)*</u>
Available Funding	\$ 000.00*

57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.

There is established a special fund in the state treasury to be known as the oil and gas research fund. Before depositing oil and gas gross production tax and oil extraction tax revenues in the general fund, property tax relief sustainability, strategic investment and improvements fund or the state disaster relief fund, two percent of the revenues must be deposited monthly into the oil and gas research fund, up to four million dollars per biennium. All moneys deposited in the oil and gas research fund and interest on all such moneys are appropriated as a continuing appropriation to the council to be used for purposes stated in chapter 54-17.6.

*This amount does not include research funding of \$800,000 for Contract G-027-057 to be expended in the 2013-2015 biennium; \$3,100,000 for Contract G-028-058 to be expended in the 2013-2015 and 2015-2017 biennia; \$6,600,633 for Contract G-030-060 to be expended in the 2013-2015 and 2015-2017 biennia and education funding of \$179,056 being committed from the 2013-2015 biennium allocation. (A total of \$10,679,689 being committed from future biennia.)

Pipeline Authority Fund
 June 30, 2013 Financial Report
Final Report for the 2011-2013 Biennium

	<u>Cash Balance</u>
July 1, 2011 Balance	\$158,113.00
Transfer from Oil and Gas Research Fund	\$301,500.00
Interest Income Revenues through June 30, 2013	\$ 273.33
Expenditures through June 30, 2013	<u>\$293,819.67</u>
Balance	\$166,066.66

Pipeline Authority Fund
 Breakdown of Expenditures
 Fiscal Year 2012

Consultant Services (Pipeline Authority Director)	\$ 72,562.20
Director Travel Expenditures	\$ 1,537.86
Contracted Studies	\$ 20,000.00*
Administration/Printing of reports/newsletters	\$ 3,306.72
Legal Services	\$ 517.44
Other Administrative Expenditures	<u>\$ 155.02</u>
	\$ 98,079.24

Pipeline Authority Fund
 Breakdown of Expenditures
 Fiscal Year 2013

Consultant Services (Pipeline Authority Director)	\$ 82,401.30
Director Travel Expenditures	\$ 3,162.96
Contracted Studies	\$ 103,335.11
Administration/Printing of reports/newsletters	\$ 6,841.06
Legal Services	\$ 000.00
Other Administrative Expenditures	<u>\$ 000.00</u>
	\$ 195,740.43

The Industrial Commission, based on the recommendation of the Oil and Gas Research Council, authorized a transfer of \$301,500 from the Oil and Gas Research Fund to the Pipeline Authority Fund for the 2011-2013 biennium. This was approximately 7.5% of the biennial income of the Oil and Gas Research Fund.

*The Pipeline Authority paid only the first portion of the costs for the Bentek Study during FY 2012. The remaining amount of \$103,335.11 was paid in FY2013 after the final report was released and the presentation by Bentek was made to the Oil and Gas Research Council.



INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple
Governor

Wayne Stenehjem
Attorney General

Doug Goehring
Agriculture Commissioner

MEMORANDUM

TO: Oil and Gas Research Council
FR: ~~Karlene Fine~~, Industrial Commission Executive Director
DT: August 19, 2013
RE: 2013-2015 OGRF allocations

During the 2011-2013 biennium the Commission adopted the Oil and Gas Research Council's recommendation and allocated the funding as follows:

Research	73.25%	\$2,944,650
Education	15.00%	\$ 603,000
Pipeline Authority	7.50%	\$ 301,500
Administration	4.25%	<u>\$ 170,850</u>
		\$4,020,000

The 2013 Legislature increased the amount to be deposited in the Oil and Gas Research Fund from \$4,000,000 to \$10,000,000. The Commission, on the recommendation of the Oil and Gas Research Council, has already committed a significant portion of the \$10,000,000 for the 2013-2015 biennium and some funding for the 2015-2017 biennium. See the attached spreadsheet.

There is a balance of \$166,066.66 in the Pipeline Fund that is available for the next biennium for the Pipeline Authority, so that percentage can be reduced for the 2013-2015 biennium. The Pipeline Authority needs approximately \$300,000 to \$350,000 a biennium—which allows for one study plus the costs for the Director and his expenses. There is \$32,106 of unused administrative dollars that will be carried over to the next biennium. I am proposing an increase in the amount for administration for this one biennium as a result of a legislative directive regarding a specific study—see the next to last paragraph of this memorandum.

The attached spreadsheet presents the following allocation of \$10,000,000 plus investment earnings:

Research	92.0%	\$ 9,218,400
Education	3.0%	\$ 300,600
Pipeline Authority	2.0%	\$ 200,400
Administration/Legislative action	3.0%	<u>\$ 300,600</u>
		\$10,020,000

Last year the Council recommended funding of \$1,000,000 for the N-Flex Project – Distributed Ammonia Production from Associated Gas. The Commission asked for more information about the project and then in November, 2012 approved the funding. However, prior to the contract being signed N-Flex (now Beowulf N-Flex LLC) determined that the project should not go forward as outlined in their initial proposal. It has been the Council’s position in the past that if a project’s Statement of Work changes significantly, it needs to be resubmitted by the applicant and then it can be reconsidered by the Council after going through the review process. Beowulf has submitted a revised proposal which is currently going through the review process. On the attached spreadsheet you see a column titled “Unused Commitment/Grant Round 27 Project” which returns this \$1,000,000 commitment to the Research allocation pool.

With the previously approved commitments as noted on the spreadsheet, the return of the \$1,000,000 commitment and with the above suggested percentages, the Program would have uncommitted dollars as follows for the 2013-2015 biennium rounds:

Research	\$2,817,767
Education	\$ 121,544

With the passage of the additional funding for the Oil and Gas Research Program the Legislature made the following statement:

“Commission give special emphasis to value-added processing of oil and gas projects”

In addition the Legislature stated that the Commission may provide \$150,000 “for nonmatching follow-up studies to provide updates and refinements to employment models used to track and forecast changes in the oil and gas industry workforce and estimate housing and population in the Williston Basin and to make a comprehensive assessment of the demographic makeup of the current and expected oil and gas industry workforce.” I am anticipating that the application for this funding will be submitted by the November 1, 2013 deadline.

I would request the Council’s consideration and recommendation regarding the allocation of the Oil and Gas Research Program funding for the 2013-2015 biennium.

Karlene

Oil and Gas Research Program Budget Allocation/Applications											
Priorities	%	2013-2015 Biennium New Monies	Carried Over Uncommitted Funds	Carried Over Commitment to 2013-2015 biennium*	Unused commitment Grant Round 27 Project	2013-2015 Available Funds	Grant Round 31 6/1/13	Grant Round 32 11/1/13	Grant Round 33 6/1/14	Grant Round 34 11/1/14	Carried over Commitment to 2015-2017 biennium*
Research	92.00%	9,218,400	0	7,400,633	1,000,000	2,817,767	1,250,000	0	0	0	3,100,000
Education	3.00%	300,600	0	179,056	0	121,544	75,000	0	0	0	0
Subtotal	95.00%	9,519,000	0	7,579,689	1,000,000	2,939,311	1,325,000	0	0	0	3,100,000
Pipeline	2.00%	200,400	166,067			366,467					
Admin.	3.00%	300,600	32,106			332,706					
Total	100.00%	10,020,000	198,173	7,579,689		2,638,484					
8/19/2013											
<p>*The <u>Grant Round 27</u> application anticipates payments of approximately \$200,000 during the 2011-2013 biennium, \$800,000 to be charged to the 2013-2015 biennium. The <u>Grant Round 28</u> application anticipates payments of approximately \$900,000 during the 2011-2013 biennium, \$2,000,000 to be disbursed in the 2013-2015 and \$1,100,000 to the 2015-2017 biennia.</p>						<p>*The <u>Grant Round 30</u> Application anticipates payments of \$1,399,367 during the 2011-2013 biennium, \$4,600,633 to be disbursed in the 2013-2015 biennium and \$2,000,000 in the 2015-2017 biennium</p>					

Oil and Gas Research Fund
 Financial Statement
2013-2015 Biennium
 August 20, 2013 Oil and Gas Research Council Meeting

	<u>Cash Balance</u>
July 1, 2013 Balance	\$ 3,875,671.18
Revenues through July 31, 2013	\$ 0.00
Transfer to the Pipeline Authority Fund	\$ (000.00)
Expenditures through July 31, 2013	\$ (63,091.00)
	\$ 3,812,580.18
Carried over Administration Allocation	\$ (32,106.18)
Outstanding Project Commitments as of July 31, 2013*	\$(3,580,474.00)
Balance	\$ 200,000.00*

Oil and Gas Research Fund
 Continuing Appropriation Authority
 2013-2015 Biennium

Uncommitted Balance July 1, 2013	\$ 000.00
Carried Over Administration Allocation	\$ 32,106.18
Projected Income from Project Applications & Interest	\$ 20,000.00
Revenues (2% of State's Share of Oil Tax Revenues)	\$10,000,000.00
Unused commitment from 2011-2013 biennium	\$ 200,000.00
	\$10,252,106.18
Transfer to Pipeline Authority	\$ (200,400.00)
Administration Commitment	\$ (332,706.18)
Approved Project Commitments 2013-2015	\$ (000.00)
Carried over Project Commitments for 2013-2015	\$(6,779,689.00)
Available Funding	\$ 2,939,311.00**

57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.

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*This amount does not include research funding for:

Contract G-028-058 of \$2,000,000 to be expended during the 2013-2015 biennium and \$1,100,000 to be expended in the 2015-2017 biennium;

Contract G-030-060 of \$4,600,633 to be expended during the 2013-2015 biennium and \$2,000,000 for to be expended in the 2015-2017 biennium; and

Contract G-029-059 of \$179,056 to be expended during the 2013-2015 biennium.

(A total of \$6,779,689 is committed to be expended during the 2013-2015 biennium and \$3,100,000 is committed to be expended from the 2015-2017 biennium.)

**This amount does not include research funding of \$3,100,000 that is committed to be expended during the 2015-2017 biennium.