BLM FLARING AND VENTING RULES | FACT SHEET

The Bureau of Land Management (BLM) is proposing a new rule for flaring and venting of natural gas. While the North Dakota Petroleum Council (NDPC) and its members support capturing more of its natural gas, these proposed rules will do little to achieve BLM's goals while inflicting serious consequences on our state's economy, tax revenues, and job growth. A one-size-fits-all federal process does not address the specifics of each state, particularly North Dakota. In addition, much of the new rule is duplicative of Environmental Protection Agency (EPA) and state regulations and fails to acknowledge industry success in quickly and efficiently capturing more natural gas and thus reducing flaring and emissions.

BLM RULE IMPACTS AT A GLANCE

» **$23.8 MILLION in lost state oil and gas production taxes annually once rule is fully implemented.**

» **$240 MILLION per year in lost total oil production, which impacts jobs and state and local tax revenues.**

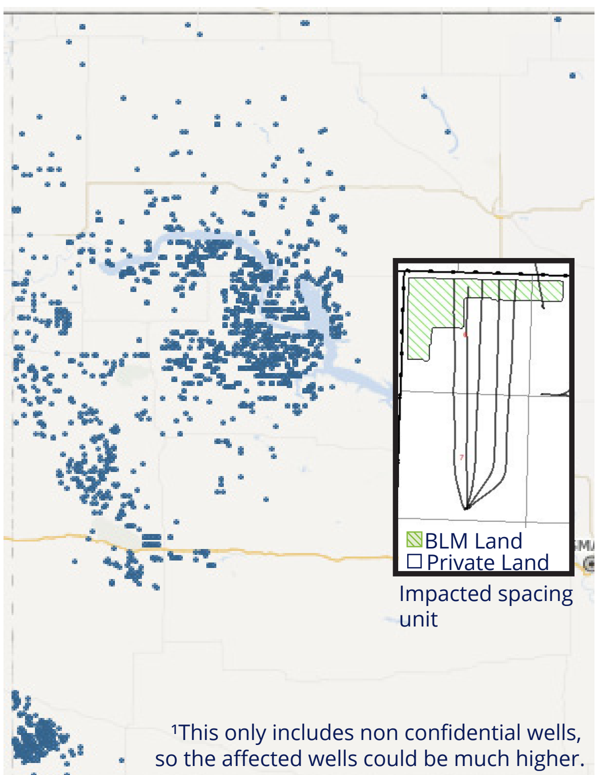
» About **$39.1 MILLION in fewer royalty revenues collected.**

THOUSANDS OF PRIVATE MINERAL OWNERS WILL BE IMPACTED

These rules would not only apply to wells with federal leases, but would apply to any spacing unit that may contain federal minerals. According to the North Dakota Department of Mineral Resources (DMR), this would be 30 percent of all spacing units, which would affect thousands of private mineral owners.

Roughly 2,783 wells[1] within 14 counties, including Billings, Bottineau, Bowman, Burke, Divide, Dunn, Golden Valley, McKenzie, Mountrail, Slope, Stark, Renville, Ward and Williams counties, would be affected by these rules, with many of them having to curtail production to meet the flaring thresholds.

NORTH DAKOTA WELLS IMPACTED BY PROPOSED RULES



Impacted spacing unit

[1]This only includes non confidential wells, so the affected wells could be much higher.

OIL AND GAS PRODUCTION WILL DECREASE

In the current price environment, these rules would have a serious impact on oil and gas production. These wells produced nearly one-third, or 307,000 barrels per day (bopd) in 2015. Early estimates show that production could decrease to less than 240,000 bopd within three years. Production on MHA Nation could fall from 152,000 bopd to 144,400 bopd.

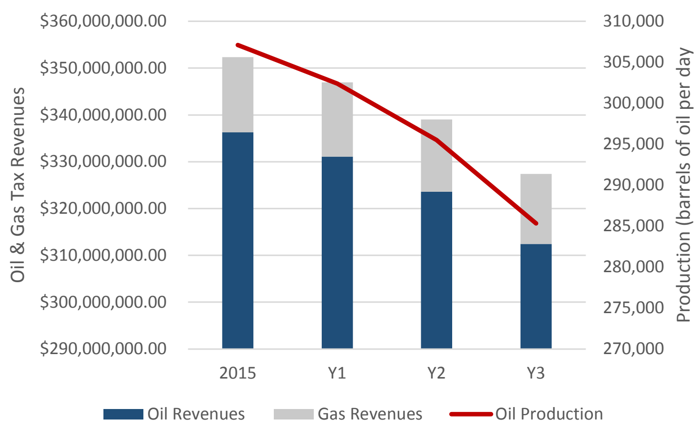
On a national scale, this decrease would reduce production by nearly 8 million barrels annually in North Dakota alone. With other assets in other states affected by this rule, this could shift our reliance back on foreign oil, ending the strides we've made toward national energy security.

LESS PRODUCTION MEANS FEWER TAX REVENUES AND JOBS AND SLOWER ECONOMY

Reduced production will have a huge impact on state revenues and private mineral owners' rights. Oil and gas production and extraction taxes alone could decrease by $23.8 million annually upon full implementation of the rule with the tribal share being reduced by $8 million annually. The reduction in royalties would be twice that, resulting in a $39.1 million per year loss to royalty owners upon full implementation. The loss of production would also impact sales and use taxes, corporate and income taxes and other revenues that would severely impact

PRODUCTION & STATE TAX REVENUES UNDER RULES

The proposed rules would lead to decreased production, which would have a significant impact on state oil and gas severance taxes.



state, local and federal tax collections.

BOTH PRIVATE AND FEDERAL ROYALTIES WILL DECREASE

BLM claims that royalty revenues will increase by as much as $21 million, but this assumption is based off of incorrect information and doesn't consider the economic reality of today's price cycle. Rather, this rule will *cost* the state and royalty owners more than $62.9 million in lost revenues. In other words, the BLM is grabbing for pennies while the state and royalty owners lose dollars.

INDUSTRY INNOVATION IS ALREADY LEADING THE WAY IN FLARING REDUCTION

Since 2006, the oil and gas industry has invested $11 billion in natural gas pipeline and processing infrastructure and another $2 billion will be invested within the next year to capture more gas — investments that may be threatened by these rules. Regulations should instead encourage infrastructure build-out rather than hampering it.

MINIMAL REDUCTIONS WOULD BE MADE IN FLARING AND VENTING

Reducing emissions is one of the stated reasons for the rule, but the BLM rule will have little, if any, impact. Even under the best case scenario, if these rules were to be implemented, total U.S. methane emissions would only be reduced by 0.064 percent. This is a miniscule amount compared to the progress industry has voluntarily made. In fact, methane emissions from oil and natural gas production have declined by 21 percent since 1990 without federal regulation, even as natural gas production has increased by 47 percent.

Furthermore, because of the duplicative nature of the rules and no regard taken for local regulations, DMR has concerns that the rule could actually increase flaring on private and state lands in North Dakota.

BLM IS ITSELF RESPONSIBLE FOR FLARING AND VENTING

The most economic way to transport natural gas is through a pipeline. Often, pipeline infrastructure is either delayed or canceled because companies are unable to get ROWs or permits from the federal government, including BLM. In fact, there were two pipeline projects that could have captured 6 percent of the natural gas flared in North Dakota, but industry either delayed or canceled those pipelines because they could not get the required easements from federal agencies. BLM and other agencies could quickly and easily reduce flaring by simply processing ROWs and permits in a timely manner rather than embarking on a time-consuming new regulatory process that will take two years or more.

BLM's staff, time and resources are already overtaxed. Implementing rules and regulations that are already covered by state or other federal agencies is unnecessary and will only further burden employees and dilute their ability to perform their duties.

THIS RULE IS A FEDERAL OVERREACH

North Dakota has the most comprehensive rules on flaring in the nation, and yet the proposed BLM rules could prevent the state from enforcing them. State regulators have better knowledge of the state and its resources. It is also questionable whether BLM has the statutory authority to propose and implement these rules. The authority for air quality programs resides with EPA and the states.

The proposed BLM rule also creates duplicative and conflicting regulation. In many cases, states or other agencies already have similar rules in place, and these rules will only add confusion as to which entity has regulatory authority. This will, in turn, cause further delay in making meaningful strides toward gas capture.

CONCLUSION

The proposed purpose of these rules are to reduce emissions and flaring and increase royalties, but the assumptions made by the BLM are based off of incorrect information and flawed assumptions. Instead, the rules would have minimal and possibly the opposite effect on decreasing emissions and would actually sacrifice rather than gain royalties. This would be at the expense of North Dakotans' jobs, the state's economy and our nation's energy security.