



Statement to Quadrennial Energy Review: “Responding to Changing Infrastructure Needs in the Bakken”

August 8, 2014

‘Energy Infrastructure - Challenges and Constraints in the Bakken’

By Mike Turner, Senior Vice President, Global Onshore, Hess Corporation

Good afternoon. My name is Mike Turner and I am the Senior Vice President of our Global Onshore assets at Hess Corporation. We are pleased to have the opportunity to participate in today’s meeting and to provide some insights and general views on both the challenges and opportunities involved in the ongoing planning and build- out of key infrastructure projects in the Bakken region.

The Quadrennial Energy Review will serve as a roadmap for moving this important work forward and will play a critical role to ensure that the process is successful. I would like to take a moment on behalf of Hess to commend Secretary Moniz, the Department of Energy, and all of the other State and Federal agencies represented here today for the considerable time and attention they continue to devote to this matter.

As many of you know, Hess has had a significant local presence in North Dakota for generations, going back to when we drilled our first well here nearly 65 years ago. We are proud both of the reputation we have been able to cultivate here over that time, and the work we are doing today to invest in North Dakota’s

future – specifically helping to deliver on many of the long-term priorities for this region that have been previously referenced by a number of panelists.

By way of introduction, let me provide you with just a few of our relevant operational statistics:

- Today, we have 17 rigs running and approximately 830 wells operational across an area of roughly 640,000 acres in the State, all serviced by a world-class workforce of approximately 4,000 people.
- The expansion of our Tioga Gas Plant earlier this year has allowed us to double our natural gas processing capacity with plant gross inlet capacity at 250 million cubic feet of gas per day. The plant has the potential to reach 300 million cubic feet of gas per day.
- That amount is matched by an increase to our current net Bakken oil production, which is currently about 85,000 to 90,000 barrels of oil equivalent per day, with an expectation to reach more than 150,000 barrels per day by 2018.
- And in a period of less than three years, we have invested over \$1.5 billion to specifically grow and enhance North Dakota's energy infrastructure. That figure represents only a fraction of our total investment here, which stands at more than \$10 billion since 2010.

These statistics only tell part of our story, but I hope they demonstrate the strength of our commitment to working with everyone here to promote the kinds of investments needed to ensure the future health and wellbeing of this region.

Hess is proud to have called North Dakota home since 1951, when we drilled the first commercial oil well in the State. There are families in North Dakota who have been tied to Hess for three generations and counting. Our employees and their families continue to live here. They enjoy the bounties of the North Dakota landscape. They rely on the clean air and water and on the high-quality public schools. In short, Hess cares about North Dakota and its infrastructure.

Of course, the fact that North Dakota has become the second-largest oil producing state in the country, in the largest oil-producing nation in the world, is a startling achievement given where we were just a few short years ago.

Hess is proud of the work we have done and continue to do to contribute to that achievement. But it is even more important to recognize the critical role that State leadership has played in making this renaissance a reality. North Dakota has worked hard to create a regulatory framework here that can serve as a guide, and even a blueprint, for other states – one that encourages resources to be developed, but only within a comprehensive regulatory structure that ensures this work takes place in the safest, most responsible, most technologically advanced way possible.

Technology is at the core of everything Hess does, and in the Bakken, we continue to apply the best technologies available to the challenge of finding safe and responsible ways to convey our product to market. As you might expect, our ability to safely and reliably transport the products we produce here depends on the quality and reliability of our access to key infrastructure -- specifically the tank cars, loading facilities, rail lines, pipelines and gathering lines that make our entire enterprise run on a daily basis.

Over the last year or so, we have seen the topic of crude-by-rail transport rise to a level of national importance. Hess commends the continued and persistent efforts being led by this Administration and Secretary Foxx to substantively address the various safety concerns which have emerged. Inherent within this process is the necessity to manage this evolution in a well-ordered and effective manner. Contrary to what some may think, the shale phenomenon in North Dakota did not reach its present, historic levels overnight. As we collectively look to enhance the present system to ensure its sustainability into the future, prudence dictates that we proceed with proper deliberation – using science-based data and on timetables that reflect what is technically possible and practically achievable. Hess looks forward to working with the Department of

Transportation in the near-term to determine the best way to achieve our common goal of safe crude-by-rail transport.

Another challenge in the Bakken has been and continues to be the lack of necessary infrastructure in place to capture associated gas. As I noted earlier, Hess has made a major investment in growing the infrastructure of the Bakken, including completion of our Tioga gas processing plant. In addition, Hess has several gas gathering projects underway which will add as much as 60 million cubic feet per day of capacity.

Notwithstanding the good progress that Hess has made in this area, the regulatory process for gas gathering and even intrastate pipeline approval can be complex. The regulatory process could be improved if the multiple agencies involved – both State and Federal -- were to adopt a more streamlined and interconnected system. For instance, in addition to the several significant Department of Interior steps, such as Right-of-Way application, NEPA review, National Historic Preservation Act 106 consultation and Endangered Species Act determinations, companies also need to interact with the Army Corp of Engineers on multiple water issues, and the Forest Service on specific land access and permitting approvals, in addition to several state specific departments and commissions here in North Dakota. We are committed to meeting all regulatory requirements but with multiple agencies and stakeholders involved, the process is time consuming and complicated.

Clearly this infrastructure is essential to the future development of the Bakken – not just for Hess operations, but to the wider industry's ability to develop oil and gas resources safely and responsibly, and to deliver them in a reliable way to customers across North America. Streamlining the current system to properly rationalize and simplify that process is essential – not just to Hess, but to the entire industry. We would ask that the QER consider how best to modernize the system to ensure it is fit for purpose.

At Hess, nothing is more important than doing business safely. Be it in the investments that we made several years ago in a safer rail-car fleet, to introducing a state-of-the-art rail loading terminal with an array of enhanced safety features,

or to the multi-million dollar upgrade and expansion of our Tioga gas processing plant, we are committed to operating in a secure and responsible manner.

We stand ready, willing and eager to work with State and Federal officials to ensure that Hess is not just in compliance with applicable regulations, but where possible, is exceeding them in ways that define a best practice for our entire industry. We look forward to our continuing role in the safe development of the Bakken and its resources.

Thank you for the opportunity to speak.