

**HOW INFRASTRUCTURE INVESTMENTS CAN
BOLSTER NORTH DAKOTA'S ENERGY AND
AGRICULTURE ECONOMIES: THE U.S. 85
CORRIDOR**

THURSDAY, MAY 28, 2009

U.S. SENATE,
COMMITTEE ON THE BUDGET
Williston, ND

The Committee met, pursuant to notice, at 9:04 a.m. in the Williston Community Library, 1302 Davidson Dr., Williston, ND 58801, Hon. Kent Conrad, Chairman of the Committee, presiding.
Present: Senator Conrad
[presiding].

OPENING STATEMENT OF SENATOR CONRAD

The CHAIRMAN. The hearing will come to order. I want to welcome everyone to this hearing of the Senate Budget Committee. This is an official hearing of the committee, so we will be operating under the rules of the U.S. Senate and an official record of this hearing will be kept.

I especially want to welcome our outstanding witnesses here today. They include Williston Mayor Ward Koeser; Williston City Commissioner, Dr. Brad Bekkedahl; the Director of North Dakota's Department of Transportation, Francis Ziegler; Watford City Council President, Brent Sanford; Power Fuels President, Mark Johnsrud; and the Director of the Williston Research Extension Center, Dr. Jerry Bergman.

We will have two panels today. I'll ask each of the witnesses to make a statement. I'd ask them to hold it to approximately 5 minutes. Full statements will be made part of the official record. That will leave us some time for questions to each of the panels.

And this is especially important because what we are trying to do is build a case for improvements that I think we all know need to be made to Highway 85 as we prepare for the next transportation bill that will go through the Congress either later this year or sometime next year.

This hearing will focus on how infrastructure investments in Highway 85 can foster the energy, agriculture, and manufacturing economies in this part of the State. We need to ensure that Highway 85 has the capacity to handle the increased economic activity in this region.

The energy development in this part of the State, particularly with the oil boom in the Bakken formation, is crucial to North Dakota's economy. And, I might add, the importance of this corridor

goes well beyond our own borders. This region is now of significant national importance and needs to be seen in that way.

Our State is already one of the leading energy producers in the Nation and the expansion of energy production in this region will play an increasingly important role in the national effort to reduce our dependence on foreign energy. Highway 85 represents a critical lifeline for this energy development.

This map shows why Highway 85 is so important to the energy production in our State. We have major gas plants and oil fields scattered up and down this road. You can see there the green line is Highway 85 and we have depicted on this map—at least those of you in the first rows will be able to see it—the oil fields, the gas fields that are close-by this highway.

Specifically, 400,000 barrels of oil a day are produced in the corridor region and a large percentage of that—of that is hauled over Highway 85 to tank farms for transport via pipeline. The highway connects six major east-west highway systems that service these energy developments. And the highway serves as a major route for the transport of oil rigs, pipe, steel, and supplies.

We also have significant and growing manufacturing and agricultural businesses in this area that similarly rely on Highway 85 to transport their products. Unfortunately, as we all know, Highway 85 was never designed to handle the increasing number of heavy trucks and oversized loads currently traveling on it. The highway simply must be repaired to foster continued growth in these industries, to ensure a safe travel route, and to better serve the communities in the area.

Let me say that a key reason that I'm holding this hearing today is because last fall I traveled on Highway 85 and, I'll tell you, it made quite an impression on me. It's very clear that the condition of that road has to be addressed; that there are safety issues and safety concerns that have to be attended to; and that there is simply a volume of traffic that has to be addressed as well. Highway 85 was never designed for this level of development. I think all of us who have traveled on that road know that those statements are true.

Improvements to Highway 85 will also pay dividends for agriculture in the region. It will enhance the transportation of crops and livestock. It will help increase export opportunities with enhanced access to Canada, and it will help further diversify western North Dakota agriculture with the ability to attract more value-added agriculture businesses to the region. The manufacturing businesses in the region will also benefit from improvements to Highway 85.

The North Dakota Department of Transportation's ongoing study of the corridor will form the basis for determining the necessary investments that must be made. Let me emphasize that. There is a process that is set up in the State of North Dakota, under the direction of Mr. Ziegler, who is the head of our Department of Transportation, to prioritize needs in the State and to determine what kind of upgrades are necessary. We are not prejudging that process here today.

I got called yesterday by a former State legislator who is very concerned that we are holding a hearing focusing on Highway 85

when there are so many roads in the State that have been adversely affected by flooding. And we told him that you have to keep in mind what we're talking about with Highway 85 is future transportation program funding. The moneys that are used to address the damage to roads from flooding are FEMA public assistance funds. That is an entirely different pot of money. And, in fact, earlier this week I was in Lisbon and La Moure working on that separate pot of money, the FEMA disaster assistance funds that flow as a result of the Presidential declaration that deal with the flooded roads that have been dramatically impacted all across the State of North Dakota. But what we're focusing on here today is a separate pot of money, the money that will flow to the State as a result of the transportation legislation that will be considered by Congress either later this year or next. I think it's very important that we make that distinction.

I intend to continue to work at the Federal level to bring resources to address the needs here in North Dakota, both the needs in those areas that have been affected by flooding and the opportunities that exist for improving transportation so we improve the economic opportunity for a region like this one.

Highway 85, as I indicated earlier, is a key lifeline, not just for this community, but, really, for the national effort to reduce our dependence on foreign energy.

North Dakota benefited greatly from the last highway bill, which was completed in 2005. As a negotiator of that bill, I worked to make sure that North Dakota received significant funding increases for our highways and transit needs. Specifically, I worked to secure one and a half billion dollars for North Dakota, a 31 percent increase over the previous bill. Annually, that averages over \$230 million a year for highways, with additional funding provided for transit systems.

We did very well in comparison to other States. We received two dollars for every dollar in gas tax money we send Washington. That put us in the top four States in the entire United States in terms of our return on our tax dollar sent to Washington.

I also worked to have Highway 85 designated as a high-priority corridor. The designation means Highway 85 is eligible for special corridor funding from the Federal Highway Administration to help expand the area into an even greater trade corridor.

Here are some of the priorities that I intend to work on as we begin consideration of the next transportation bill. The next bill, I believe, must identify sufficient funding so that infrastructure investments are secure and robust over the length and term of that legislation. States and communities must be able to rely on this source of funds.

Next, any new transportation bill must maintain recognition that rural transportation needs are absolutely vital to the Nation. After all, most of the energy production for this country, most of the agriculture production is in rural areas.

And, finally, I will fight very hard to secure funding for long-term investments for our nationally important corridors like Highway 85. I am particularly interested in hearing from our witnesses on the immediate investments that are needed in Highway 85 and what future investments are needed to support the energy, agri-

culture, and manufacturing enterprises so important in this part of the State.

I am also interested in learning whether any of the \$170 million in Federal stimulus funds provided to the State for roads have reached this corridor or are planned for this corridor.

And with that, we will turn to our witnesses that are here today. Again, I want to thank them for their attendance and their participation.

We have with us today, as I indicated, Williston Mayor Ward Koeser; Williston City Commissioner, Dr. Brad Bekkedahl; and the Director of North Dakota's Department of Transportation, Francis Ziegler.

Francis, I'd like to start with you, if we could. It is very important that at this hearing we make the case on the needs for this highway corridor. There is no one better to do that than our Director of Transportation in the State of North Dakota who enjoys a reputation as someone who makes these decisions based on a process that prioritizes the transportation needs of the State of North Dakota.

Let me just say that while most of the funding for roads and bridges comes from the Federal Government, we look to the State Department of Transportation to set the priorities. In other States, they do it differently. They have a political process. We have not done that in this State. We try to follow in priority order the needs that are determined by the State Department of Transportation.

And let me just indicate that we have a high degree of confidence in the State Department of Transportation to make these judgments in a professional and objective way. We work closely with Governor Hoeven. I note that his Chief of Staff is here, Lance Gaebe. We appreciate very much his participation. I think that sends a signal that the Governor takes us seriously.

Senator Dorgan and Congressman Pomeroy, who were with me yesterday, said that they wanted to make certain that the record from this hearing is made available to them and that they will do everything they can to support the conclusions that we reach as a basis—as—as a result of this hearing.

Again, Mr. Ziegler, thank you very much for your being here and I think based on my previous dealings in the previous transportation bills, the credibility that the North Dakota Department of Transportation has, not only here, but around the country, serves us very well.

Thank you, and please proceed.

STATEMENT OF FRANCIS ZIEGLER, P.E., DIRECTOR, NORTH DAKOTA DEPARTMENT OF TRANSPORTATION, BISMARCK, NORTH DAKOTA

Mr. ZIEGLER. Thank you, Senator. I certainly appreciate the opportunity to be here before your budget committee.

I'd like to address the following three items: Federal transportation legislative issues, Senator, that you had already talked about, how critical that is for the future; how infrastructure investments can bolster North Dakota's economy; and the US 85 corridor.

Federal investment in North Dakota's highways is in the national interest and it is imperative that the reauthorization of the

Federal highway program continue to serve the needs of rural States, allowing us to continue to meet the demands being placed on our highway network, including US 85.

This year, I know we have some legislators in the audience here, but we had an unprecedented sum of nonmatching general Federal fund dollars that came from our legislative body to help with the program.

The CHAIRMAN. Let me just ask you to stop for a minute, Francis. Obviously, we're having some problems with that microphone. Why don't we do this? Why don't we, Tracee—we'll give you this microphone. OK.

Mr. ZIEGLER. Testing. OK.

Earlier this month, the legislative body passed a \$1.35 billion budget and that was—it's a highlight of what the department had received this year. Of that, about \$750 million was Federal aid, and so we certainly appreciate that. But the infrastructure certainly needed it for the immediate assistance to cities, counties, and townships, and to the State DOT to help with our infrastructure. So that's what we're all about.

Senator I did provide you with a full document. In the interest of brevity this morning, I will just highlight a few of the items.

The Department of Transportation is very, very concerned about the highway account of the highway trust fund approaching a zero balance this summer. It will be highly disruptive to States if FHWA begins to delay payment of State claims to reimburse costs. As a zero balance gets closer, States will begin to curtail bid openings and work to avoid the risk of not having funds to pay for that work. If the program is disrupted, we certainly are going to be in trouble. We hope that Congress can address that and we appreciate anything that you could do to help with that.

The other thing is that a multi-year highway and surface transportation authorization bill is also needed. The bill would recognize the benefit the entire Nation receives from a strong Federal investment in surface transportation. And it's important under this legislation that rural States be able to get their fair share. We do have a large population base, a lot of highway—excuse me, a lot of highways, a large infrastructure base with few people to pay for it, and so it gets—the Federal aid is very important to us.

Federal-aid highways in our state, not just those in highway—not just those on the national highway system, No. 1, serve as a bridge for truck and personal traffic between other States, enable Ag exports and serve the nation's ethanol production and energy extraction industries, which are located largely in rural areas. They're a lifeline for remotely located and economically challenged citizens. They enable people and businesses to traverse the vast tracts of sparsely populated land, and they provide access to scenic wonders, and enable and enhance investments to address safety on these rural roads, such as Highway 85.

Highway transportation between our country's major metropolitan areas is simply not possible without excellent roads that bridge these vast distances. FHWA data on tonnage origins and destinations shows that just over 59 percent of the truck traffic using North Dakota's highways does not either originate or terminate within the State. So we're a bridge State.

A significant portion of the economy in our State is based on Ag, energy production, and natural resource extraction. In fact, the Governor's economic package has identified Ag and energy and advanced manufacturing, technology-based businesses, and tourism as growth industries, for which we need a good infrastructure.

Ag is one sector of the economy where the United States has consistently run an international trade surplus.

North Dakota is a major contributor of energy production in the nation. Our State is currently fifth in oil production and contains a large amount of coal reserves. Good roads throughout the State are paramount to the Nation becoming energy independent.

Over the last three decades, tens of thousands of rural rail branch lines have been abandoned. The reduced reach of the rail network means that many areas, particularly rural areas, must rely more heavily on trucks. With this increased truck traffic in North Dakota and much of the upper Midwest, we are challenged with our ability to continue to move the products. The challenge is compounded by the necessity to impose spring load restrictions. Like congestion, load restrictions slow down commerce and add greatly to the cost of doing business.

We have a chart over there, Senator. I know it's pretty hard to read, but you can see the red lines on chart one, and that shows the number of roads that we have load restrictions on in the spring of the year. So for a 3-month period of time in North Dakota, the commerce that can move on those roads is very limited because of the fact that we are limited to—because of the load restrictions.

Rural States like North Dakota face a number of serious obstacles in preserving and improving the Federal-aid highway system within their borders. We are rural, geographically large, have low population densities and extensive highway networks.

Our road network has few people to support it. The per capita contribution to the highway account of the highway trust fund contributed—or attributed to North Dakota is \$161 that North Dakotans put in, compared to the average of \$109 per person nationally.

These factors make it challenging for rural States to provide and maintain and preserve a modern system. I'll just give you an example. In our system, our orange plow trucks to remove snow and to seal the cracks that they have to seal costs \$9,200 per year per mile. It takes about 2,000 cars a year just to maintain the snow-plow operations and those maintenance operations in and around the State. So a Federal investment is certainly an important element.

As it relates specifically to the Highway 85 corridor, transportation provides a vital link to our State's economic growth and is critical to almost all freight movements: Connecting manufacturers to retailers; farms to markets; shippers to pipelines, railroads, airports, and seaports. For this reason, the State has proceeded with a number of improvements on the TRE roadway or corridor that are part of the Statewide Transportation Improvement Program.

On chart two, you can see it. It's in your testimony, Senator. It's probably pretty hard to see that on chart two. But all the way from the border of South Dakota up to Highway 2, the department has, in the last decade, done quite a bit of work on this facility and is intending to do considerably more. The green portion from the top

down on that chart shows the most recent efforts that are going to be made on some safety initiatives that we have going.

We are also currently working on the—we have cosponsored a corridor study, as you already indicated, with the Teddy Roosevelt Expressway Coalition. And that's to study the whole 197 miles of the TRE. The overall objective is to find out what is necessary, and it's done in three phases: To identify current to projected needs; to develop primary corridor improvement alternatives; and to refine preferred alternatives and prepare the required environmental documents.

While we're doing that, we are, in concert, doing these safety efforts and making these safety efforts to make sure that the corridor is safe while we look to the future as to what it's going to be looking like down the road.

Some of the main topics that have been brought up at some of the meetings and some of the hearings are everybody's interested in making improvements. Everyone is interested in safety. And so widening shoulders, lowering hills, adding turning lanes are all very important on this corridor.

There are concerns about changes to 85 that could result in communities being bypassed. People fear that. So as we develop corridors, we have to recognize that, and our engineers will be looking at that as a concern that's been expressed. Residents living along the road have concern about losing land to the right-of-way, and so on. So those are just some of the things we're—we have been hearing.

Phase one of the study is scheduled to be completed on May 2010. And as each phase is completed, we'll determine what to do with the next phase.

Senator I know you've always worked with us and we really appreciate the working relationship we have as we work to prioritize our projects, and we certainly hope to work with you again on this project to prioritize it and, as you said earlier, to put it in our list of high priorities that we have in our State. And as you can see from the red on chart one, there are a lot of priorities.

In conclusion, Senator, we consider it essential that Congress, through the reauthorization process, recognize that significantly increased Federal investment in highways and surface transportation in rural States is, and will remain, important to the national interest. The citizens and businesses of our nation's more populated areas, not just residents of rural America, benefit from a good transportation network in and across rural States like North Dakota. With such legislation, we will be better equipped to address our statewide needs, which includes the US 85 corridor.

Senator that concludes my testimony and I'll certainly be willing to answer any questions that you might have.

[The prepared statement of Mr. Ziegler follows:]

The CHAIRMAN. Thank you. Is this working?

Voice. Like it was before.

The CHAIRMAN. Well, perhaps you can hear me even if it's not working perfectly. Francis, I think what we'll do is proceed with the rest of the panel. Then we'll come back to you. I do want to try to determine as best we can if there are matrix that apply to Highway 85 that tell us what kind of increases we're facing in

terms of traffic through the corridor from what we have experienced in previous years. And that will be important to us in making the case.

Before I come back to you on questions, I'd like to next go to Mayor Koeser and thank him for being here and ask you to proceed. It looks like we have got all kinds of microphone issues here.

**STATEMENT OF HON. E. WARD KOESER, MAYOR, CITY OF
WILLISTON, NORTH DAKOTA**

Mr. KOESER. Thank you.

The CHAIRMAN. Welcome. Good to have you here. Thanks for the leadership you've provided on this issue over many years. I'd note that, Mayor, you and Brad and others were just in Washington talking to us about the future of this region and the priorities that you've put on transportation needs.

Mr. KOESER. Thank you.

Good morning. My name is Ward Koeser and I have served for 15 years as the President of the Board of City Commissioners for Williston. That would be commonly what we call mayor.

Thank you, Senator Conrad, for coming to our city to hold this hearing so that you and the budget committee can better understand the issues relevant to our community.

Although we're trying hard to diversify our economy, agriculture and oil remain as the main pillars holding up our economic base. Agriculture has played a key role ever since the settlers moved here more than a hundred years ago, while oil has been a part of our lives since oil was first discovered near Tioga in the early 1950's. The vast majority of our citizens in northwest North Dakota have ties to at least one of these two industries, with over 20 percent of Williston workers being employed in the oil field.

The city of Williston has worked hard to provide the infrastructure needed for these and other industries to thrive. Improvements have been made to our water system, schools, airport, streets, and roads. We recognize that for our city to grow and prosper, adequate infrastructure must be in place and well-maintained.

As we look to the years ahead and evaluate what needs to be done to position our community for a bright and prosperous future, we recognize that improving the connections of our city to the rest of North Dakota and the world needs to be a high priority. This is why we wholeheartedly support the development of the US Highway 85 corridor.

Communities with strong agriculture and oil industries require a tremendous amount of transportation for the products produced. Thousands of truckloads of farm products, such as durum, wheat, peas, lentils, corn, potatoes, and sugar beets, need to find their way from the field to the elevator or processing plant. The farm trucks hauling these commodities need good, solid roads capable of handling heavy loads.

The oil industry requires even more truck hauling. Pickups, trucks, and semis fill our roads as drilling, service, and production oil companies haul heavy equipment, water, diesel fuel, and crude oil from Williston to well site and well site to pipeline-loading facilities. Convoys of large and heavy trucks move oil rigs and travel to wells for production stimulation and other service jobs. Moving

convoys of trucks on two-lane roads create safety issues, as travelers become impatient to pass slow-moving vehicles and risk their own safety, as well as those they meet on the road. A four-lane corridor in the heavily traveled areas would be of great benefit.

Infrastructure improvements in the US Highway 85 corridor will help our oil and Ag industries grow to meet an increasing world demand. Our region has the potential to feed and fuel America. As the corridor improves, so will the speed and safety with which our products move to market. The Highway 85 corridor travels through the breadbasket of America and the energy beltway of the United States.

It's common to see pickups and trucks with Texas, Oklahoma, and Colorado license plates in our community, and it's common for our oil field workers to travel south to other oil production regions of the country. A good road system for these workers to travel on saves time and money and provides for a safe arrival.

The Bakken oil formation has the potential for us to meet a greater portion of America's demand for energy, but it will require an investment in infrastructure. As the benefits will be nationwide, it's fitting that the Federal Government should be involved in the funding of these improvements. An improved Highway 85 corridor will be good for Williston and especially good for America.

Thank you again, Senator Conrad, for coming to Williston to hear from those most impacted by the oil and Ag industries.

[The prepared statement of Mr. Koeser follows:]

The CHAIRMAN. Thank you, and thanks for your testimony and thanks for the effort that you've made over the years.

Is that working? You know, sometimes the technology just doesn't want to cooperate.

Again, thank you, Mayor.

Next, we have Dr. Brad Bekkedahl. Brad has been deeply involved in this effort for as long as I can remember and always is helpful on the insights he provides on the need for transportation improvements in the region.

Brad, please proceed with your testimony.

**STATEMENT OF BRAD BEKKEDAHL, D.D.S, CITY
COMMISSIONER, CITY OF WILLISTON, NORTH DAKOTA**

Dr. BEKKEDAHL. Thank you, Senator Conrad. Good morning to you and your staff.

One point I would make is that we need to invest in our infrastructure of microphones in the library, I think. So we would—we will correct that for your next hearing, sir. Thank you.

My name is Brad Bekkedahl. I am currently the Finance Commissioner for the city of Williston. I want to thank you for bringing this Senate Budget Committee Field Hearing to Williston and allowing me the opportunity to present testimony on the importance of infrastructure investments for the US 85 corridor. It is a crucial link in producing and moving the commodities produced in our agriculture and energy economy here in North Dakota. I hope my testimony of a success story for infrastructure investment will be an asset to the other testimony provided here today.

My background for this presentation is my involvement in economic development issues for western North Dakota. In my role as

an elected official, I have worked cooperatively with other local, State, and Federal officials and agencies to promote the development and diversification of our economies. In my research to perform these duties in 1996, I discovered the importance of infrastructure, particularly four-lane highway systems, to moving goods and services safely and efficiently from points of production, to manufacturing and adding value, and, finally, to distribution to destinations and final markets.

In 1997, I was elected president of the Communities for a Modern Highway 2, a North Dakota communities group seeking to complete a four-lane corridor on US Highway 2 that was planned to go from Grand Forks in eastern North Dakota to Williston in western North Dakota, but had only been completed from Grand Forks to Minot. Working as an advocacy group to promote infrastructure development, we were able to get the last 100 miles of this four-lane corridor completed in 2008. It was the successful coordination of planning and commitment at the state and Federal elected and agency levels that saw this completion in less than 7 years.

At the time, no one could have predicted what would happen to the economy of North Dakota, particularly northwest North Dakota, but a crystal ball could not have even put the infrastructure in place at a better time. The development of legume crops on our summer-fallow ground has substantially increased our agricultural production capability, and investments by private capital have reacted with facilities to add value to these crops in our local communities. This increase in production has also increased our need for fuel, fertilizer—fertilizer, and equipment. Highway 2 has been the corridor for much of that transit of goods in and out of our area, and its presence as a completed corridor has been a stimulus for our economy.

We have also seen the largest expansion of our oil and gas industry east, west, and south of Williston due to the Bakken formation development. Again, Highway 2 has been a corridor that has facilitated the safe and efficient development of that resource play without risking the lives of local citizens that also use the highway system for their transportation needs.

The relevance of where we stand today with the development of the Highway 85 corridor reminds me of where we were in 1996, partnering with you, Senator Dorgan, and Congressman Pomeroy as well at that time, and I see great potential for another success story for infrastructure investment in North Dakota.

As a board member of the Theodore Roosevelt Expressway Association formed to promote infrastructure development on US Highway 85, I have been acutely aware of both corridors and their potential. In comparing the corridors, the one area of difference is the history of traffic we have that shows the already significant growth of industrial and commercial traffic on High—on the Highway 85 corridor. According to data provided by the North Dakota Department of Transportation, we have seen an increase in truck average daily traffic, ADT, from a testing location 5.1 miles north of Belfield of approximately 100 percent from the period of time from 2004 to 2008, a 4-year doubling of traffic and trucks. It is apparent from the data that exists that this corridor is already seeing growth higher than the rest of North Dakota, which indicates our

traffic numbers on the corridor are also being raised by the transport of goods and services south and north of our corridor area.

The development of our partner corridors, the Ports-to-Plains Corridor and the Heartland Expressway, are now impacting the Highway 85 system in North Dakota, which raises the significance of the infrastructure investment to a level of national importance.

We see increasing movement of our agriculture commodities north and south of our corridor, as well as the majority of our equipment and production transportation related to oil and gas development at a time when we need to increase our domestic production capability to reduce our foreign oil dependency.

Production of food and energy are critical to the strength and independence of our country, and this entire corridor is an infrastructure investment that makes sense to further promote that goal. Our partnership of three federally designated high-priority corridors with nine States involved have significant national credibility at this time. Our nine States currently produce 14 percent of the total U.S. gross production—gross domestic production.

We embrace seven of the top ten States for installed and potential wind energy, with currently producing 45 percent of the total U.S. wind production, and we transport 22 percent, or almost \$45 billion, of United States agricultural goods, and contain 25 percent of the U.S. current ethanol refining capacity.

This is a corridor properly positioned for infrastructure investment to build upon the success already occurring. Since 2004, North Dakota has led the Nation in percentage growth of exports and Highway 85 is an important corridor to that statistic. And as the statistics show, it is already a corridor with connections to transportation of a national significance.

Senator Conrad, I appreciate the opportunity to be here today and thank you and your staff for your interest and involvement in such an important issue as infrastructure investment for the future of not only our State, but our corridor and our nation. Thank you, sir.

[The prepared statement of Dr. Bekkedahl follows:]

The CHAIRMAN. Thank you. OK. Is that working?

The Audience. Yes.

The CHAIRMAN. I'm not quite sure what the trick is with this, but it's working for the moment. Let's get right to it.

Maybe I can start with you, Brad, and go right down the line on the witnesses on this panel. What are your views of the condition of Highway 85 currently? How would you describe the condition of Highway 85?

Dr. BEKKEDAHL. I think, Senator, as you said in your opening statement, it's obvious that the road was never designed for the traffic level or the loads that are being placed on the surface at this time. We have significant rutting, and hydroplaning is becoming an issue in wet or rainy weather events. We have a significant number of people from this area and from Dickinson as well that just don't travel the road anymore because of the safety concerns.

I think the mayor pointed out that the traffic that we see, particularly with the oil industry, it's a little slower moving because of the loads and the sizes that they take, but it also tends to run in convoys. And what happens is people become very impatient.

They don't want to sit behind a convoy for 30 miles when they could be going 65 miles an hour and they're doing 45. And they tend to take risks because of that.

As a personal note, about 3 weeks ago I was going to Bismarck for the weekend for National Guard duty, and I was traveling the road. And I was coming up a hill and on the other side of the hill, when I reached the peak of this small hill obstruction, there was a convoy of oil trucks coming toward me in their lane and three cars coming directly at me in the passing lane, which forced me into the shoulder and part of the ditch to actually let them pass at that time. And I'm sure that has happened to many people.

So those instances have impacted the safety of the citizens using that road. So I would say that you're correct, the base is in bad condition at this time, needs significant overhaul.

I know that the DOT has worked with us in identifying those concerns and reacting to them as best they can. In fact, I can't believe they reacted as well as they have with the funding and the issues that they have for planning on this road. So I commend them for that. But I think in the long-term pattern, we need to do much more.

The CHAIRMAN. Mayor, what would be your assessment of the condition of Highway 85?

Mr. KOESER. It would be similar to Dr. Bekkedahl's. I'm not an engineer, so I don't necessarily understand the basis and, you know, that part of the road structure, but I just know that people have a lot of concerns when they travel that road.

I was speaking to someone not too long ago who actually was working in Watford City at the time and he was saying how you really have to plan extra time. Now, there's nothing wrong with that, but when people don't always plan extra time, then they take chances. So the safety issue, I think, is probably the biggest concern that I would have on the road, whether that be the—you know, the grooving and the hydroplaning or whether it would just simply be the fact that traffic in many times is moving in convoys, as has been stated already. People take chances.

And when you mix the oil and agriculture together, it creates some challenges. So I just—I recognize that the road, when the road was initially built, I don't think anyone understood what agriculture would involve, the size of the equipment that's used as it is now, and, obviously, when the road was built initially, they didn't understand that there was going to be an oil industry developed in there. So what's happened over the years is these two industries have developed and they've both put great demands on roads. You know, you can have some industries that don't impact roads too much, but those certainly do.

The CHAIRMAN. All right.

Francis, how would you describe the condition of 85?

Mr. ZIEGLER. Well, certainly, the Department of Transportation has recognized that it needs work. There's no doubt. And that's why we have chart two up there to indicate that we're looking at doing some safety work, providing some passing lanes and some turning lanes and those types of things.

We have those types of issues statewide and, as my testimony indicated, not only the load restrictions, but we have load issues and

can I—we do have—you asked about the matrix earlier. I do have a map with me today that talks about, yes, in some areas, certainly, the traffic has gone up. From Bowman north to the I-94, it's actually gone down considerably. And we can provide that information to you, Senator.

But there are some other States—other parts of the State, I should say, that—I'll give you an example. North of Jamestown, we have those same situations, and so the department is looking at the funding that it has available and is prioritizing all that we have to do in this State to keep the system going.

It's a daunting challenge some days when you—this past spring, we had an unbelievable amount of damage to our roadway system, and we attribute it to the fact we started out with a wet fall and a long winter, which got very cold, and so we had some freeze-thaw issues, and then this spring, we had a wet spring. And so the loads that were out there, and on Highway 85, the same type of thing, those heavy loads really did a tremendous amount of damage to the roads. So we're struggling right now.

The stimulus money couldn't have come at a better time. Our legislative body, along with Governor Hoeven's initiative to put \$140 million into the system, couldn't have come at a better time. So we are equipped to date to help ourselves, but for the long run, we're going to need a good, strong Federal aid program.

The CHAIRMAN. Well, thank you, and we have always worked in strong partnership on a plan that is responsive to North Dakota's needs and I know we'll do that again, Francis.

Let me ask you this: Has the State received stimulus funding for roads, I think somewhere in the range of \$170 million?

Mr. ZIEGLER. [Nods].

The CHAIRMAN. Is some of that being deployed to this part of the State? Can you give us some sense of whether any of that stimulus money is coming into this corridor?

Mr. ZIEGLER. Senator, I believe it is. We have some we did some microsurfacing last year and we're going to be doing some of the same type of work where Brad Bekkedahl indicated there's some rutting. So, yes, it is. We're going to be looking at doing some of that immediate repair so that—you know, we don't want cars hydroplaning on our roads, and that's concerning, and that's caused by heavy loads, though. Certainly going to put that money to use.

And, in fact, Senator, we have about 50 percent of our stimulus money already obligated and ready to go. Sixty-eight million dollars will be done this year and then the remainder up to the 170 million will be done in 2010.

The CHAIRMAN. Can I just say this? That in my driving on that road last fall, the rutting was very apparent. I mean, and I must say, there were places there that I was very concerned about. We were driving in a van.

And the other thing I really noticed is people taking risks. And I think it's born of impatience when they're dealing with these convoys and you've got a—you know, truck after truck after truck and, you know, there are places where it's hill, truck, curve. I remember that's how my grandfather used to describe driving through Wisconsin: Hill, truck, curve, (expletive deleted). And so I think we know we have got issues.

Francis, can you tell us and, look, we understand fully the extraordinary challenges that you confront because the cost, especially last year, of all of your inputs skyrocketed. When oil goes to \$140 a barrel, asphalt skyrockets. Steel skyrockets. All of your diesel, all of your input costs jump dramatically; correct? And that's what you were faced with last year.

Mr. ZIEGLER. That's correct, Senator. The asphalt prices were in the neighborhood of three to four hundred dollars a ton. After the as—the oil barrel price went up, it was at 800 to 900 dollar a ton. So it about doubled.

The CHAIRMAN. Yeah, so this is the reality of what we're having to confront.

Do you have any estimates at this point of what kind of money would be necessary to address the concerns that we have all identified in the Highway 85 corridor?

Mr. ZIEGLER. At this time, I don't have an exact number for you, Senator. We are—and that's one of the reasons we're doing the study, so that we know what the future holds and then what kind of repairs are needed. And that would be in addition to what you see on this—on chart two.

But we certainly can get a better handle on those numbers and get those to you.

The CHAIRMAN. OK. That would be hugely helpful because we're facing another crisis with our highway program, as you identified. We have, for this year alone, a five to seven billion dollar shortfall in the trust fund. We estimate the shortfall for next year to be in the nine to ten billion dollar range. There is going to have to be a source of funding to fill in that shortfall or States will be compelled to cut back; isn't that correct?

Mr. ZIEGLER. That's correct.

The CHAIRMAN. So we have to fill in that shortfall. In the budget that I presented to my colleagues that's now passed the Congress, we filled in that shortfall. We called for the committees of jurisdiction to come up with the money so that that shortfall would be met. And we called for it in both this year and next. And the committees of jurisdiction, especially the Finance Committee on which I also sit, are not very eager to take on that challenge, come up with that amount of money in this short a period of time, with all the other demands, but I think there's a general recognition it's got to be done.

And this is important in terms of the functioning of our economy as well because it makes no sense to, on the one hand, provide a stimulus funding to provide more jobs and jobs that will be in this country, as well as improve the efficiency of our economy by addressing some of these transportation needs, and then have the states have to cut back because the trust fund is running a deficit. That doesn't make any sense to you, does it, Francis?

Mr. ZIEGLER. I certainly agree with you.

The CHAIRMAN. So that's something that we have to try to address.

One other question I'd ask. If—Brad, if you—you've been involved in this for so many years. You did really tremendous work on Highway 2. What is—in your mind's eye, what do you think the

future needs to be for this 85 corridor? What are the kinds of upgrades that you think are going to be necessary?

Dr. BEKKEDAHL. Well, I think, Senator, the immediate upgrades would involve the safety considerations we have already brought to the DOT's attention and they're addressing at this time, which are turning capacities at major junctions; you mentioned the six major east-west highways that intersect this corridor, and those need to be addressed, and they're—I'm told they're using safety dollars for that at this time.

The other would be to identify the safety issues in terms of obstructions, hills, curves, as you mentioned as well, and that would—in my mind, would involve passing lane capacity, at least to a route around those traffic areas and obstruction areas.

I could see the traffic building, because it's becoming a corridor of national significance, north and south to the level of where someday a possible divided highway scenario could be in place as well. We see a divided corridor highway system south of us. Of the 2,300 miles already in this corridor, which are existing highway systems—this is not a new system—approximately 1,400 miles of that is already a four-lane or a divided highway system. So we are part of that.

And as I see that traffic growing south of us and north of us and passing or traversing through us, I think that could be an eventuality. So my issues would be safety, obstruction removals, rebuilding the base of the system to handle the loads, and possibly even acquiring right-of-way properties for possible expansion to a four-lane or divided system as the traffic and the need dictates.

That would be where I'd go, sir.

The CHAIRMAN. Mayor, what would be your observation? What's your vision for the future of 85?

Mr. KOESER. I've always felt that, as mayor, one of my jobs is to look to the future. I need to spend as much time as I can saying, "What's going to happen 5 years and 10 years down the road?" And as I look at the region and, you know, if we take the agriculture and oil, if you look at agriculture, we have a very bright future. This is one part of the country that actually has water available for irrigation. So I see the Ag industry developing exponentially where you will find several times the amount of products being produced as they are to—as there are today. Whether that takes 5 years or 10 years or 20 years, I don't know that.

When I look at the oil industry, we recognize that this Highway 85 corridor sits right at the heart of the Bakken formation and we already recognize that there's, you know, four to five billion barrels of oil in that area, and maybe more than that. And although we're very supportive of the green initiatives and trying to find other ways to provide for the energy needs, that's going to take some time. It doesn't happen overnight. And even as it does happen, I think there will be a great demand and there will be a demand for oil energy that would exceed what we could produce in America.

So I see that only growing. And what—it's hard to predict. Even those in the industry are hesitant to say what's going to happen.

But when you combine the two, you know, as we commented earlier, it's one thing if you have a strong Ag industry and you have all the combines and the wide—the heavy equipment, the air seed-

ers and whatever moving down the road. And it's another thing when you have an oil industry. But when you put those two together, I really see, in my mind, a need for a four-lane road system. That may start by having areas where you have four-lane segments. I've been on roads in Alaska where they do that, which allows—when there's a convoy, it allows people to get past them for several miles and it goes back to the two-lane. Maybe it would be phased in that way.

But I see a very bright future for this region. It's kind of the last frontier of America and has tremendous potential. When you look at the water resources that we have here in the Missouri River and when you look at the oil resources we have, those are two commodities that the demand is not going to decrease for.

The CHAIRMAN. Thank you very much. Let me—Francis, if I could ask you on a technical basis because you're our technical expert here, and this is something I very much want to get in the hearing record, from a technical standpoint, when this road was constructed and when improvements have been made previously in years past, I assume that this was built to a certain standard, certain engineering standard. When that was done, when this road was designed, when it was originally built, I assume that the standard that applied then did not contemplate what has developed. I mean nobody could have foreseen the development of the Bakken formation. Nobody could have foreseen what's happened with farm equipment, bigger, heavier. So help us understand so that when we talk to the technical people at the committees of jurisdiction, whom you know well—I'm thinking about the EPW committee now—help us with the language of how we would explain the standards that this road was built to and what would be required now. If we didn't have a road there, we had the current demands, what kind of a standard would be required?

Mr. ZIEGLER. First of all, Senator, when we design a project or any road, let's say we start from zero, like we did on Highway 2 with those added lanes, that is a design life of 20 years. And so what we do is we look at the anticipated traffic, both vehicular and truck traffic, and we I'm not going to get into a lot of details, but we use ESALs, and that's equivalent single-axle loading, that is going to be on that road. And so you can only project what you know. We can only design for what we know.

So when you look out 20 years, you have to be very visionary to try to figure out what's out there and what's going to happen. So as that system was built, it was built on the basis that we could incrementally add more pavement to build structural stability to it. And, as you can tell, we have had to do that. We have gone back in and added structural stability to it.

There comes a point in time where you have to go back and just redo it because the asphalt pavements that are out there have deteriorated to the point, due to loading and weather factors, to where you can't do it anymore. You go back and remill and start over.

So the second part of your question, how would we look at it today, we would use the same parameters. We look out 20 years, project what the truck traffic is going to be, what the—all traffic is going to be, and then go back and deal with that same criteria

as we look ahead to the visions of what's going to happen. We would have to incorporate those heavier loads that are there today. And we're finding that—

The CHAIRMAN. Is it fair to say—if I can interrupt, is it fair to say that nobody could have anticipated the energy and agriculture development that is—that has occurred in this corridor when that highway was originally designed and constructed?

Mr. ZIEGLER. There was no way of noting—knowing that. It used to be, for those who are from the Ag world, we drove around with small single-axle trucks, and now you don't find very many farmers that don't have at least a tandem axle, and most of them have semis, to move their goods and services. So that's a big change for the Department of Transportation to take care of that kind of loading.

The CHAIRMAN. You know, I've been driving on this road for 40 years, and I tell you, the changes, I think they're the most dramatic of any place that I drive in North Dakota. You know, the energy development alone has just transformed the traffic pattern on on parts of 85. You referenced Bowman to 94, that the traffic has actually been reduced there, as I heard you say it. But north of 94, do your traffic counts show a significant increase in traffic by trucks?

Mr. ZIEGLER. Senator, there are increases in segments. There are actually decreases in some of the segments. I have the information in front of me. 85 south of Watford City, that did have a decrease. But, in general, there has been an increase in traffic. It is in that neighborhood of a thousand to 2,000 vehicles a day.

The CHAIRMAN. A thousand to 2,000 a day.

And what percentage of that is truck traffic? Do you have that?

Mr. ZIEGLER. Yes, I do. It's approximately 20 to 30 percent.

The CHAIRMAN. Truck traffic?

Mr. ZIEGLER. That's correct.

The CHAIRMAN. And, Brad, when you gave the numbers of, on a segment, a hundred percent increase in truck traffic, what segment did that involve?

Dr. BEKKEDAHL. Senator, it was a—there was a marker placed about 5.1 miles north of Belfield, so I'm assuming it would be a traffic count that would be going north and south at that point.

The CHAIRMAN. At Belfield?

Dr. BEKKEDAHL. Just north of Belfield. So it would be whatever traffic was going out of Belfield north and coming to it south.

The CHAIRMAN. As I heard you say it, this is a 2004-to-2008 comparison?

Dr. BEKKEDAHL. That's correct.

The CHAIRMAN. OK. All right. Anything that any of these panelists would want to add to their testimony at this point before we go to the second panel?

Mr. ZIEGLER. I would, Senator.

The CHAIRMAN. Please proceed, Francis.

Mr. ZIEGLER. Thank you.

I would simply add, Senator, that whatever we do in transportation, we certainly ask that you and your committee work hard on the new highway bill. We would like the opportunity to work with you on that. Our State is very dependent on its Federal aid for its

transportation system and we look to a bright future here in North Dakota. Our visions are very bright. A lot of good things happening in our State, and, certainly, pulling together with the Federal Government and the State Government, we can build an infrastructure system that will serve our citizens.

The CHAIRMAN. Francis, maybe you could just tell us for the record, what percentage of your funding is from Federal sources?

Mr. ZIEGLER. We are at 55 percent.

The CHAIRMAN. Fifty-five percent Federal.

And as we go into this next transportation bill, I think it's critically important that we, as we have done in the past, work together on a strategy and plan on how to maximize those Federal resources. You know, we are a very large State. We're a relatively low population State, but we're a State that is critically important to the economic future of the country because we have the greatest combined energy resources. If you look at all of the elements to reducing our dependence on foreign energy, our oil, our gas, our coal, our wind energy potential, our various fuel replacement potentials that we have in this State for biofuels, North Dakota really is an energy hub for the rest of America. And the 85 corridor is central to that energy hub.

So there is a clear Federal responsibility here and, obviously, we have partnerships with the State and the local units of government. It requires all of us pulling together to get a result. And we'll need to be talking.

Director Ziegler, I think very quickly, will be wanting to be talking to the Governor and Senator Dorgan and Congressman Pomeroy, as well, as we fashion our strategy for going forward with the highway bill. It is now very clear because of the shortfalls in the trust fund that these decisions are going to come sooner rather than later and so we need to be prepared.

We always look forward to working with you.

Mr. ZIEGLER. Thank you.

The CHAIRMAN. Thank you, all.

Mayor Koeser, delighted to have you here.

Brad, thanks, as always, for the commitment that you've made to improvements in our transportation sector.

Next, we'll go to our second panel, Watford City Council President, Brent Sanford; Power Fuels President, Mark Johnsrud; and the Director of the Williston Research Extension Center, Dr. Jerry Bergman. I'd call you to the witness table and thank this group of witnesses as well.

As they're coming to the table, I'd just like to, for a moment, describe the witnesses that are part of this panel. Mr. Sanford is the president of the Watford City Council. Mr. Sanford is also a third-generation owner of S & S Motors, which is one of the oldest continuous businesses in Watford City.

Mark Johnsrud is the president of Power Fuels, which is an oil field transportation company.

And Mr. Jerry Bergman, Dr. Bergman, is the director of the North Dakota State University-Williston Research Extension Center and superintendent of the MSU Eastern Agricultural Research Center at Sidney, Montana. We'll forgive him for that.

You know, I was with Senator Tester and I told him last week, I said, "If you've got a Montana driver's license, in North Dakota, you're guilty." OK. That's a joke. Don't be writing me letters about how I'm picking on Montana. I was picking on Senator Tester.

Jerry coordinates the research activities of the two stations that serve seven million crop acres.

So what we wanted to do with this panel is to get kind of a diverse view. We have heard from elected officials and we have heard from our Director of Transportation. Now we wanted to hear from some of our private sector partners and those who have an involvement in the other major categories of economic activity on the corridor, and that's why this panel was selected.

Brent, why don't we start with you. Again, the President of the Watford City Council. Welcome and good to have you here.

STATEMENT OF BRENT SANFORD, PRESIDENT, WATFORD CITY COUNCIL, WATFORD CITY, NORTH DAKOTA

Mr. SANFORD. Thank you, Senator Conrad. I appreciate the opportunity to speak on behalf of the people of our region regarding the importance of Highway 85 to our communities.

My name is Brent Sanford. I'm on the panel today representing Watford City and McKenzie County as a local business owner and as the city council president. I was born and raised in Watford City, the county seat of McKenzie County, which is directly south of Williston, along Highway 85. I graduated from the University of North Dakota, lived and worked as a CPA in Fargo, North Dakota; Phoenix, Arizona; and Denver, Colorado.

In 2004, my wife and I decided to move home and become third-generation owners of S & S Motors, a 60-year-old automobile dealership. My grandfather started the business in Watford City in 1946 when he returned home from serving in the Navy during World War II. He owned the business for 28 years. Then my father owned the business for 30 years. The faces and franchises have changed over the years, but one thing has stayed the same. Our main customers are dryland farmers, ranchers, oil field service companies, utility companies, and their employees.

Another thing has stayed the same: Highway 85 is the only way the people of Watford City receive their goods and services. With no rail and no major airport, every kernel of wheat and every calf are hauled out by truck. Every egg and strawberry, every nut, bolt, and two-by-four are hauled into Watford City by truck. If you drove to this meeting along Highway 85 today, it probably wouldn't surprise you to know that our local grocery stores have extreme produce losses compared to their competitors along interstate highways.

But people from McKenzie County don't dwell on this. We make do with what we have. We're a hardy people. We're independent people. Our grandparents crossed the Missouri River and hauled their children over the bluffs and prairies to homestead where there were no roads and railroads. We're used to solving problems and challenges for ourselves. But with oil and clean water supply tightening worldwide, other people may be interested in what we have here in McKenzie County, and we're seeing that interest right now.

We can grow food in McKenzie County without irrigation and we have some of the best oil reserves in the U.S. So our narrow, bumpy, potholed, rutted Highway 85 has become the concern of others from outside of our county.

In western North Dakota we share the same concerns with the rest of the Highway 85 corridor from West Texas through New Mexico, Oklahoma, Kansas, Nebraska, Colorado, South Dakota, Wyoming, and Montana. These ten States make up the energy and agricultural production center of our nation. We share common characteristics in the sizes of our towns, the types of people living in our communities, the ways we make our living, and the types of goods we produce. We also share a common bond in that we are somewhat the forgotten region in regard to interstate transportation. You can go 300 miles east or west to reach a north-south-running interstate highway system in many parts of this Highway 85 corridor. This commonality has resulted in the alliance of three highway associations: The Theodore Roosevelt Expressway, the Heartland of North Dakota and South Dakota; the Heartland Expressway of Nebraska; and the Ports-to-Plains Alliance of Texas to Colorado. We are hoping our combined voice and unified vision will help bring attention to the challenges we face conducting our lives and our business along our existing highways. We also hope our combined voice and vision can bring light to the importance of the Ag and energy corridor and help convince Congress that development of our own Ag production and our own energy production is of vital national importance.

As a sidenote, I was an active observer of the Highway 85 problems on my last career stop before returning home to North Dakota. The last position I held before returning home was as the chief financial officer for Transwest Trucks in Commerce City, Colorado. My office overlooked the busy divided four lanes of Highway 85 as it entered the Denver metro area from the northeast. People's lives are affected every day by the bottleneck of traffic fighting through the middle of Denver as Highway 85 converges with I-25. The normal course of commerce in the entire west central region of the United States from Salt Lake City to Kansas City is hampered and disrupted by the lack of a seamless north-south route through eastern Colorado, away from I-25. While living and working in Colorado, the importance of moving Highway 85 to the east of Denver became very apparent to me.

The people here today from the North Dakota DOT, the Ports-to-Plains Alliance, and the Theodore Roosevelt Expressway have a storehouse full of information and statistics on what type of traffic is currently moving up and down our disjointed north-south roads on the Highway 85 corridor. Although the existing levels of traffic warrant discussion and consideration for infrastructure improvements, when planning the next highway bill and transportation bill, I would urge you to have the vision of what could be moving over improved north-south routes on our highway system. I would urge you to hold the vision of wind turbines and drilling rigs being safely transported down four-lane highways rather than limping down potholed two-lane highways with no shoulders. I would urge you to hold the vision of thriving communities that appear along the interstate systems adjacent to Highway—I-25 in northern Col-

orado, like Windsor, Fort Collins, Loveland, Longmont, and Westminster, as opposed to the dying communities along Highway 85 only 10 to 20 miles away running parallel to I-25 in northern Colorado and eastern Wyoming.

I'd urge you to envision a vibrant Highway 85 Ag and energy corridor up and down the center of our country as visionary leaders did when developing the east-west routes of the Federal rail system and the Federal interstate highway systems. We need the support of Congress in this endeavor. This is larger than individual States and individual counties. We're asking for visionary leadership from you, Senator Conrad.

Thank you for your time and consideration of this issue. This concludes my testimony.

[The prepared statement of Mr. Sanford follows:]

The CHAIRMAN. Thank you very much, Brent, for really excellent testimony. I appreciate it very much, and I think we're establishing a record here that will help us persuade our colleagues and others who will participate in the decisionmaking that we have got to address certain high-priority areas in the country. This really is an interest that goes beyond the interest of a region, a state. These really have become national issues, especially with the development of the Bakken formation and the further development of American agriculture turning a way that is far more reliant on heavy machinery than it was when this highway system was originally designed.

With that, we'll go to Mark Johnsrud, the president of Power Fuels, which is an oil field transportation company. Welcome to you, sir, and please proceed.

**STATEMENT OF MARK JOHNSRUD, PRESIDENT, POWER
FUELS, WATFORD CITY, NORTH DAKOTA**

Mr. JOHNSRUD. Good morning, and thank you for inviting me to testify at this hearing this morning. My name is Mark Johnsrud and I am the president and owner of Power Fuels and Landtech Enterprises, which are companies that provide fluid handling transportation and services to oil companies in the Williston Basin.

We currently employ roughly 30 people in western North Dakota and eastern Montana. And in the last years, our business has grown from roughly 60 employees to our current base of roughly 300 today. Our growth has been fueled by the expansion of the Bakken formation, which was started in Richland County several years ago and has moved into western North Dakota.

The US Highway 85 corridor is a very important initiative to serve the growing energy industry. Highway 85 is the primary artery that provides essential access to the inflow and outflow of products to support the oil and gas industry. This includes a broad range of products, including drilling rigs, well casing, drilling fluids, frac sand, pipeline components, and the movement of crude oil.

From the energy industry's perspective, we see the benefits of the US 85 corridor in the following categories: The long-term planning and growth for our State, the safety aspect, and a tax base that is extremely important for North Dakota.

2008 was a monumental year for the North Dakota petroleum industry. In April of last year, the U.S. Geological Survey released a report that estimates the Bakken formation to have between three to four and a half billion barrels of undiscovered, technically recoverable oil. This is a 25-fold increase from the amount of oil that can be recovered compared to the agency's 1995 report of 151 million barrels of oil.

In 2008, North Dakota produced more oil than they have since the State established the measure to report. The State reported production of over 62 million barrels, which is up 39 percent, compared to 45 million barrels extracted the year earlier. The 2008 shatters the previous record, which was set in two thousand—or, excuse me, in 1984, at which time we produced 52 million barrels.

The CHAIRMAN. Mark, can I stop you right there because—

Mr. JOHNSRUD. Yes.

The CHAIRMAN [continuing]. I want to rivet the point in your testimony right here that you're making. You've just testified that the oil production in North Dakota went up almost 40 percent in 1 year, and I think this is a statistic that would be especially powerful with those that we need to convince. We all know that we are importing almost 60 percent of the oil that we use in this country. There is a strong consensus, in fact, rarely do I see a stronger consensus in Washington than exists on this issue, that it's absolutely in America's interest to reduce our dependence on foreign energy. That's what we're doing right here in this region, increasing oil production 40 percent. I don't think there's another part of the country that has had that kind of increase year over year.

And if that kind of increase is going to be supported, you've got to have the infrastructure to move the product.

Mr. JOHNSRUD. That's correct.

The CHAIRMAN. And so I want to make certain that this part of the testimony is clear and that we direct some of our colleagues' attention to this specific point and some of their staff members as well.

Thank you.

Mr. JOHNSRUD. The next thing I'd like to address is the safety issue. Safety and safety training has become a primary focus of the energy industry. We currently participate in three safety-related data bases that our customers use to evaluate us. And the first thing they look at is our historical safety rating; No. 2 is they evaluate our training programs; No. 3 is they evaluate our written manuals to see what kind of a safety program we're developing. They come up with a total score.

The larger companies today are using this scoring mechanism for vendor selection, and that's why we have to be very cautious as to where we're sending our employees, what we're asking them to do, and the conditions they're working in.

The increase in traffic on Highway 85, especially truck traffic, and the fact the highway is a two-lane road increases the potential for more accidents. In addition, the combination of agricultural traffic, trucks, combines, and tractors, tourism traffic, and oil field traffic using a busy two-lane highway is a recipe for disaster.

The Highway 85 corridor has become a critical component of the movement of oil to existing pipeline systems. Almost 59 percent of

the state's increase in oil production was from Mountrail County last year. A significant amount of that was trucked from Mountrail County to pipeline stations in Richey, Montana, and Fryburg, North Dakota. Trucks hauling oil will continue to be a major part of the movement of oil from the wells to the pipeline locations.

The CHAIRMAN. Can I stop you again because, again, you've provided testimony here that is very, very important for my colleagues to hear and their staffs to understand.

This oil, much of it is not being moved initially by pipeline. I find my colleagues have, in their mind's eye, this notion that the oil all moves by pipeline. In the first instance, gathering lines that then go to major pipelines. But that isn't the way it works, is it?

Mr. JOHNSRUD. No.

The CHAIRMAN. What really is happening is this oil is produced and then it is trucked to lines; isn't that—

Mr. JOHNSRUD. That is correct. And part of it is that over time we'll see more gathering lines that are put together. But because of how rapid this expansion has been and especially the other factor that most people don't realize is that when the oil boom was here several years ago, it took three to 4 months to drill a well. Now they're drilling a well in 30 days or less.

The CHAIRMAN. You know, I've found my colleagues—I just had a discussion the last week we were in session before coming home for this work period, and I was really kind of surprised how surprised they were. One of my colleagues said to me, "Well, Kent, don't you have"—in getting ready for this hearing, we were talking about it. And he said to me, "Well, don't you have"—"Aren't those existing oil fields out there?" I said, "Yes, they are." He said, "Well, why don't you have existing gathering lines?" I said, "Well, because we have got new wells that are being drilled that don't have gathering lines extend to them, and we have also got issues of pipeline capacity."

So you've got a lot of oil that is being trucked here, and being trucked for a considerable distance. How far would it be to the stations, the Fryburg station and the other one that you referenced?

Mr. JOHNSRUD. From Mountrail County, we're somewhere between 120 and 170 miles.

The CHAIRMAN. So this is really not what they think is happening; OK?

Mr. JOHNSRUD. Correct.

The CHAIRMAN. This is not in their head that this oil is being trucked those distances.

Mr. JOHNSRUD. Mm-hmm.

The CHAIRMAN. So this is also a very important point that I want to make certain is highlighted in the testimony.

Mr. JOHNSRUD. And, you know, the I-85 corridor both going south from Watford City and then also going north to the Alexander leg for the Enbridge pipeline are extremely busy.

The CHAIRMAN. Would you know how heavy these trucks are once loaded?

Mr. JOHNSRUD. Yes. Most trucks today, because they're trying to maximize volume, weigh 105,000 pounds.

The CHAIRMAN. One hundred five thousand pounds, so that's over 50 tons?

Mr. JOHNSRUD. That is correct.

The CHAIRMAN. OK.

Mr. JOHNSRUD. And—

The CHAIRMAN. I'm sorry to interrupt you, but I want to—

Mr. JOHNSRUD. No, not at all. And this is—

The CHAIRMAN [continuing]. I want to make certain that this—that people pay attention to this part of the testimony because it makes the case why you've got to deal with this differently than I think a lot of people are thinking about.

Mr. JOHNSRUD. Well, I'm sure when this road was built, an 80,000-pound truck was, you know, a tractor-trailer or something of that configuration, but 80,000 pounds was all that was contemplated at that time.

The CHAIRMAN. All right.

Mr. JOHNSRUD. I guess the next part I'd like to mention is our State infrastructure needs to continue to be a priority item for the Federal Government, for all that we have talked about. If North Dakota wants to continue to grow its energy business, we need to move this project to the top of the list. The oil and gas production taxes for 2008 was nearly \$400 million, up from \$68 million in 2003.

As a North Dakota resident, I'm pleased to see our State have an economic surplus in our budget. As we look at the challenging economy today and other States with deficit problems, we need to invest in projects like the US 85 corridor to keep the energy industry investing in North Dakota energy production.

Thank you.

The CHAIRMAN. Thank you. That's very, very useful testimony. I think it will help us a lot.

Jerry, do you want to proceed? Thank you so much for being here. We appreciate it very much. Jerry Bergman.

**STATEMENT OF JERRY BERGMAN, Ph.D., DIRECTOR,
WILLISTON RESEARCH EXTENSION CENTER, WILLISTON,
NORTH DAKOTA**

Dr. BERGMAN. Thank you, Senator Conrad.

The Mon-Dak region of eastern Montana and western North Dakota has a three-million-acre land base. A dramatic growth in Mon-Dak agriculture production has resulted from the reduction of fallow acres due to conservation tillage systems and crop diversification. And as a result, we have two million additional crop acres since 1990.

The Mon-Dak region is the No. 1 producing area in the United States in durum, wheat, peas, and lentils for both export and domestic markets. The Mon-Dak region is the last irrigation frontier in the United States and has the potential to develop up to one million new acres of irrigated agriculture to support expanded production and area processing of high-value and value-added crops, both for food and energy and industrial uses.

The CHAIRMAN. Let me interrupt you, too, because this is another key point. This whole hearing is about energy and agriculture and manufacturing, how they impact this corridor. You just used a statistic here that I want to make certain gets paid attention to. Two million acres, crop acres, increase since 1990?

Dr. BERGMAN. Correct.

The CHAIRMAN. OK. That is massive. And that involves the Montana and the North Dakota side?

Dr. BERGMAN. Yes, and about 1.5 million of that's on the North Dakota side.

The CHAIRMAN. Great. Well, that's a powerful point.

Dr. BERGMAN. Yes.

The CHAIRMAN. Please go ahead.

Dr. BERGMAN. New large-scale agricultural processing industries are needed in the Mon-Dak region to support irrigation and economic development and job creation through growth in both dryland and irrigated agriculture. Investment in a four-lane divided US Highway 85 will be a key factor in attracting agricultural processing industries into our region and to allow us to fully capitalize and develop our water and land resources.

The potential of the Mon-Dak region to develop our resources will be greatly enhanced with the completion of the US 85 corridor for safe, efficient transportation of our agricultural crops, livestock, and renewable energy products.

And I thank you again for allowing me to testify in support of the US 85 corridor project.

[The prepared statement of Dr. Bergman follows:]

The CHAIRMAN. Thank you very much. This has been a very helpful panel. I appreciate it. I'd like to ask you a few questions, if I could, to further flesh out the record.

Maybe, Mark, I can start with you and ask you how have conditions on US 85 been impacting the oil industry and its development? What would you say if one of my colleagues here—a group of my colleagues were here and, say, they ask you the question that they asked me, "What's the condition of this road? How has it impacted oil field development and the movement of oil in this corridor?"

Mr. JOHNSRUD. I guess I believe that, to this point, I would not say that it has necessarily hampered the development, but, as you look forward, it's going to start to hamper problems, such as if you have more accidents, if you have more issues. Some of the companies that we work for are extremely sensitive with regards to safety and one problem takes just a significant amount of time. One accident can create a small company like ours just heartache that will last forever.

So, you know, how—it's really hard to define how you'd say how does it impact you, but it does, without any question.

As I look at the next 3 months, at every safety meeting, I tell our drivers, "This is the most dangerous time of the year because you're having people up here on"—"that are tourists, are looking, and when there's a buffalo or something else, they will just stop or pull over to the side of the road." And that just creates more problems.

And, you know, if there's an accident, it's an unfortunate event for everybody involved.

The CHAIRMAN. You know, you make a very good point.

And this corridor—I think that's another point we need to make for our colleagues' understanding. Not only is this critical for en-

ergy and agriculture, not only for our State and region, but the country, this is also a major tourist destination in North Dakota.

Mr. JOHNSRUD. Yes.

The CHAIRMAN. Medora is—may be the leading tourist attraction in our State and it's right in the center of this region. So that adds a complicating factor.

Brent, maybe you could help us. What would you say in terms of if I had colleagues here and they're saying, "Why should we be concerned about this Highway 85 corridor?" What would you say to them?

Mr. SANFORD. I guess I'll continue beating the drum on the Ag and the oil infrastructure that's necessary to continue developing those industries. It's fathomable to believe we can continue at current levels of production, which the two gentlemen on the panel have showed us an increase exponentially with what we have with basic safety improvements.

But to have a vision for what it could be, I think takes the next step. To envision where we could go to facilitate a hundred percent growth again in oil production. The reserves, apparently, are there. The technology is here. The people that know how to get it out is here. The bottleneck is the transportation.

And the same goes with agriculture as well. The know-how is here. The land is here. The bottleneck is transportation.

That hasn't even touched on other opportunities that we in McKenzie County—Gene Veeder is here today. We have looked at economic development projects of all different types in McKenzie County. We really can't support light manufacturing in McKenzie County when we have no rail, no major airport, no port. The only way that goods are getting in and out is by Highway 85. We have given up on that. We can do tourism, we can do oil, we can do Ag. But there's no reason to say we couldn't do light manufacturing up here if there were a four-lane highway.

The vision of what could be is—that's what I'm saying, it's going to take visionary leadership. It's exponential compared to what it is now.

The CHAIRMAN. All right. Jerry, I'd like to go back to you. What specific benefits do you see accruing to this area's agricultural economy with improvements along the corridor? You've already made the case, which I think is a very, very important one, two million additional crop acres in this Mon-Dak region, a million and a half of those in North Dakota alone, because of the change in planting patterns and the change of agricultural economics. What do you see as the role of Highway 85 in the future development as a result of those increased crop acres?

Dr. BERGMAN. Well, one of the first questions when we visit with food processing companies is, "Do you have a four-lane divided highway?" And that is a very—

The CHAIRMAN. And why is that important to them?

Dr. BERGMAN. To move their finished products, both to export markets and to the east. Two-thirds of the population of the U.S. is east of the Mississippi and we actually have a great freight advantage to move product there compared to the West Coast. And to do that, we need good four-lane divided highways.

The CHAIRMAN. OK.

Any other points any member of this panel would want to make for the record?

Mr. JOHNSRUD. I have one.

The CHAIRMAN. Yeah.

Mr. JOHNSRUD. I guess—

The CHAIRMAN. Go ahead.

Mr. JOHNSRUD. One more thing, I guess, I'd like to just comment on. We have talked about what's happened in the last year, a hundred percent increase in the traffic on Highway 85. Currently, there's 36 rigs drilling in the State and we're anticipating somewhere in the neighborhood of another, you know, 10 to 15 that will start drilling after load limits come off. So if we kind of interpolate that we're going to end up with 50 rigs drilling an average of this year, most of these rigs today are going to drill ten wells. That's adding an additional 500 wells.

In the last couple years, we have seen a tremendous increase in the fracturing and the stimulation of these wells as far as the amount of recoverable oil. And so as you take a look at, you know, this year and next year and 2 years, we can see that we're going to create a real problem just getting oil out of this area. But the additional stress that we're going to put on the highways is going to be monumental because while we see a 60 percent increase over the last year, we won't see that kind of increase again, but we're going to see—on a pure barrels produced per year, we're going to see the same kind of increase or more versus what we have in the past.

The CHAIRMAN. Well, that's a very powerful point. All right. I'm going to thank this panel.

And we have just got a few minutes remaining here. I want to—if there's somebody in the audience that would like to make a brief statement on this issue, we'd be happy to entertain it at this point.

Again, I want to recognize that the Governor's Chief of Staff is here. I had a chance to speak directly to the Governor yesterday about this hearing and thanked him for having his Director of Transportation here and also sending his Chief of Staff. We appreciate that very much.

If there's anybody that would want to make a statement for the hearing record, we'd certainly be willing to recognize them.

Yes, sir. If you'd identify yourself for the record and tell us what you do.

STATEMENT OF DWIGHT VANNATTA, NORTHEAST MONTANA LAND AND MINERAL OWNERS ASSOCIATION, BAINVILLE, MONTANA

Mr. VANNATTA. Excuse me. First of all, I am guilty. I'm from Montana. And I thought I should lend a perspective here.

The CHAIRMAN. If you would—

Mr. VANNATTA. First of all, I'm Dwight Vannatta from Bainville, Montana, which is just across the line.

The CHAIRMAN. Could you help us with the spelling for the record?

Mr. VANNATTA. Dwight, D-w-i-g-h-t, Vannatta, V-a-n-n-a-t-t-a.

The CHAIRMAN. OK.

Mr. VANNATTA. And I'm with the Northeast Montana Land and Mineral Owners Association, excuse me, which lends to the oil pro-

duction. I'm also with the Montana Farm Bureau. That has to do with the Ag end of it.

The CHAIRMAN. OK.

Mr. VANNATTA. There's some statistics I think that would lend greatly to your efforts here because I also am retired from the railroad and I was in train service for 40 years. So I have knowledge about the amounts of grain, oil, fertilizer, and other products that have been distributed or hauled from this area. I worked out of Havre, Montana; from there to as far east as St. Paul, Minnesota, and as far west as Spokane, Washington.

In those 40 years, there have been hundreds of miles of railroad that have been abandoned. And as a typical example, because I know personally of it, I saw the stats on it—in fact, at a Federal Railroad Administration hearing—where when the—what we call the north branch from Bainville, Montana, to Opheim, Montana, was abandoned or allowed to abandon, except for the bottom 50 miles, in 1978, we hauled an average of 20,000 tons of grain per week off of that branch. That is a smaller production than you have over here where you get a little more rain.

The—when—

The CHAIRMAN. And all that I assume the point is that's moved to the roads now.

Mr. VANNATTA. Exactly. Twenty thousand tons of grain represents in excess of 600 18-wheelers, typical grain-hauling vehicles. So when you talk about the rutted roads, when you take that many vehicles of that size and put them on the roads, you're going to have ruts.

Also—

The CHAIRMAN. What is the—do you know—by off chance, do you know what the grain truck—typical grain truck would weigh?

Mr. VANNATTA. Very close to what Mark said an oil rig—or an oil crude-hauling truck would.

The CHAIRMAN. Yeah, he was talking 50 tons for—

Mr. VANNATTA. Yeah. And, of course, when you're coming from the grain bin off of the farm 50 to a hundred miles to a grain terminal, a rail terminal, and you don't have the means to calibrate and weigh and everything, they're probably in excess of 160,000, you know. I would—that's the reality. I'm not trying to be derogatory or anything. It's just a reality.

The CHAIRMAN. Francis, you keep your ears shut now.

Mr. VANNATTA. But like it was alluded to earlier about the only access in and out of Watford City was rail or highway. And that's very true because that rail line in there has been abandoned for some years now. And so all that production has been put on the road as well. None of these things were anticipated or could have been anticipated when the engineers that designed these highways did so.

The CHAIRMAN. Can I just say this to you, Dwight? You may be from Montana, but you're a darn good witness.

Mr. VANNATTA. Well, OK. The Montana side of this is going to be interesting because I also belong to the Mon-Dak Energy Alliance that we have been working on to complete an energy complex. And because of that, it—there's going to be some more significant impact on our roads. And, also, because of that, there are going to

be increased productions of agriculture, like Dr. Bergman alluded to earlier about the significant increase already.

The Fort Peck Tribes on the Fort Peck Indian Reservation, the council told me that they have between 250,000 to 500,000 acres available for production in oilseed and/or corn and other grains that they intend to implement because it's just been—

The CHAIRMAN. Are those acres that are not being produced on now?

Mr. VANNATTA. Right. They have not been produced. They're just grazing and so forth.

The CHAIRMAN. Grazing.

Mr. VANNATTA. Yes.

The CHAIRMAN. And they're intending to turn that over to production?

Mr. VANNATTA. Exactly.

The CHAIRMAN. So that would be very significant additional that's big.

Mr. VANNATTA. Yeah.

And like Dr. Bergman also alluded to, the irrigation potential, because they also have significant water rights, they could just put vivid irrigation—

The CHAIRMAN. Yeah.

Mr. VANNATTA [continuing]. And irrigate and increase their production over a normal dryland production system. OK?

The CHAIRMAN. All right.

Mr. VANNATTA. Now, that portion of the corridor that goes to Culbertson and then into Canada, that will be impacted significantly by this increased production and by other entities, such as the CRP programs that will be coming out and not being allowed back in because they're a different—

The CHAIRMAN. Ah—very, very good point. This is a point that's not yet been made at this hearing and I want to make sure this gets on the record. Thank you for saying it, Dwight.

We know that because of the changing economics, land that has been in CRP has not been productive, at least not productive for crops that go to market, that a significant chunk of that land is going to come out of CRP and go back into production, meaning there will be even more demand on these road systems.

Mr. VANNATTA. And, also, like Jerry also alluded to is the various different crop varieties and species to be implemented into their crop rotation systems in order to offset the need for expensive fertilizer by implementing the legumes will make a significant impact, too, because there you have another source of another product that has to go in a different direction and a different way than when it is normally, you know, to Yakima or the West Coast or—

The CHAIRMAN. Yeah.

Mr. VANNATTA [continuing]. To Chicago or otherwheres. It's going to go all over. And so that, too, will increase the—

The CHAIRMAN. Yeah.

Mr. VANNATTA [continuing]. Impact on the roads.

The CHAIRMAN. Yeah. You're exactly right. All right. Thank you, Dwight—

Mr. VANNATTA. Thank you.

The CHAIRMAN [continuing]. Anyone else that would like to add a perspective to the record here before we close out? Jerry? Absolutely.

Dr. BERGMAN. I have one more.

The CHAIRMAN. Yes, sir. Maybe, Brent, you can pass him that mike.

Dr. BERGMAN. A fuel for thought, not food. We have the potential on our CRP acres to convert a portion of that to biomass for energy once that technology is available. And when that's harvested, it can be dead-ripe and it would have no influence on habitat. So you could take a third of your acres of CRP for biomass for energy without infecting the habitat that's crucial to many of the people in our country.

The CHAIRMAN. Well, thank you for that. Let me just say that we've just had hearings in Washington on this question of biofuels, and they tell me, I was just with the Secretary of Energy, that he believes they're very close to a breakthrough on biofuels that is also going to change the economics of that opportunity. So we have got a lot of food for thought here about likely changes that are going to have a big impact.

Dwight, I'm so glad you mentioned the railroad situation because, you know, you think about those volumes that used to move on the rails that have now been pushed over onto these road networks. That's a big deal.

Any other—yes, sir.

STATEMENT OF MILT HANSON, PRESIDENT, NORTH DAKOTA BED & BREAKFAST ASSOCIATION, ARNEGARD, NORTH DAKOTA

Mr. HANSON. My name is Milt Hanson. I'm the owner of Old School Bed & Breakfast down in Arnegard and also the president of the North Dakota Bed & Breakfast Association.

The CHAIRMAN. Welcome.

Mr. HANSON. One thing that has been mentioned very slightly is tourism. Tourism is North Dakota's No. 2 industry. This part of the State is prime for tourism. Our Sara Otte Coleman, Director of North Dakota Tourism, is very active in increasing that. And what I see from my guests is they're competing with Mark's trucks. You know, they're out looking at the buffalo. They're out looking at the antelope and all of a sudden there's a hundred thousand-pound semi roaring up behind them, you know, by no fault of the semi driver. He's doing his job. But that tourist, he's come to see our country, see our beautiful country, see the Theodore Roosevelt Park.

And hopefully with our State tourism's efforts, that the volume of traffic—you know, these guys up here are—you know, they talk about the weight limits on the traffic. Tourism depends on volume. You know, we talk about maybe a thousand vehicles a day. If—during the summertime, it's probably much greater than that going by my facility down in Arnegard. So to—an increase in the condition of Highway 85 directly benefits that segment of North Dakota's economy, which is, again, our No. 2 industry in the State.

The CHAIRMAN. Very good point, and I'm glad you—very good point. I'm glad you made it.

We're about at the end of our time here because I've got to go down to Dickinson for meetings there and we're going to have a similar hearing down there because we want to make sure we make the case in that community as well, in that region.

So any we'll have one more that we can take. Yes, sir.

**STATEMENT OF ALLEN DOMAGALA, HULSING & ASSOCIATES,
DICKINSON, NORTH DAKOTA**

Mr. DOMAGALA. Allen Domagala. One—

The CHAIRMAN. Could you just spell your name for our transcriptionist, so we get it correct on the record?

Mr. DOMAGALA. D-o-m-a-g-a-l-a. I'm with the architectural office Hulsing & Associates.

One thing that all of this brings up is the Williston area is busy in construction processes, but you go to the eastern part of the State and everything is slowing down. We haven't experienced that, so our truck traffic continues trying to bring construction materials. We have got the other problem that without the increased capability of our highway system, we can't get trucks here. "I go on four lanes."

So with that, a delivery comes to Bismarck. Then it shuttles off into a smaller truck. That might get to Minot and shuttles off to a smaller truck. Now with the four-lane there, it's making a little bit of a change.

But we have had a recent project over the last year that the delivery was transferred four different times to get to a truck capable of getting to Williston.

The CHAIRMAN. Wow.

Mr. DOMAGALA. We're in a construction boom and this is creating a problem that's always been there. If we can find a way to alleviate that problem, we'll continue on with our boom and bring the businesses back into town to be able to support them.

The CHAIRMAN. Well, that must add a—a very, very good—very interesting point. I've not heard that before from anyone. That must add a lot of cost when you've got to make all these shifts.

Mr. DOMAGALA. Absolutely.

The CHAIRMAN. All right. Thank you very much—very much for that.

Let me just indicate we have run out of time. We thank everyone for participating, all of our witnesses. I especially want to thank this panel, Brent, Mark, Jerry. I appreciate very much your participation. It was terrific. You did really an outstanding job that I think is going to be very helpful to us.

To others who provided testimony here in the audience, thank you as well. It was, all of it, excellent comments. I just am very, very pleased with this hearing. I don't think it could have gone any better.

So thank you very much, and we have got to keep working on this together. Thank you, all.

The meeting will stand adjourned.

[Whereupon, at 10:48 a.m., the hearing was adjourned.]