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Sixty-fourth
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1358

Introduced by

Representatives D. Anderson, Hatlestad, J. Nelson, Porter, Weisz

Senators Bekkedahl, O'Connell

A BILL for an Act to create and enact a new section to chapter 38-08 and a new subsection to section 38-08-26 of the North Dakota Century Code, relating to the operation of underground gathering pipelines and the sharing of information by a surface owner; to amend and reenact subdivisions d and l of subsection 1 of section 38-08-04, subsection 6 of section 38-08-04, and section 38-08-04.5 of the North Dakota Century Code, relating to an exception to confidentiality of well data, to underground gathering pipeline bonds, to temporarily abandoned status, and the uses of the abandoned oil and gas well plugging and site reclamation fund; ~~and~~to provide a report to the legislative management; to provide a transfer; to provide an appropriation; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 38-08 of the North Dakota Century Code is created and enacted as follows:

Controls, inspections, and engineering design on crude oil and produced water underground gathering pipelines.

The operator of an underground gathering pipeline designed or intended to transfer oil or produced water from a production facility for disposal, storage, or sale purposes and placed into service after August 1, 2015, shall file with the commission engineering design drawings and a certificate of inspection from a qualified third party for the underground gathering pipeline. The commission shall require the operator of the pipeline to install flow meters and overpressure protection devices designated by the commission or the commission may require alternative leak detection and monitoring technologies be installed by the operator of these pipelines.

SECTION 2. AMENDMENT. Section 38-08-04.5 of the North Dakota Century Code is amended and reenacted as follows:

38-08-04.5. Abandoned oil and gas well plugging and site reclamation fund - Continuing appropriation - Budget section report.

There is hereby created an abandoned oil and gas well plugging and site reclamation fund.

1. Revenue to the fund must include:
   a. Fees collected by the oil and gas division of the industrial commission for permits or other services.
   b. Moneys received from the forfeiture of drilling and reclamation bonds.
   c. Moneys received from any federal agency for the purpose of this section.
   d. Moneys donated to the commission for the purposes of this section.
   e. Moneys received from the state's oil and gas impact fund.
   f. Moneys recovered under the provisions of section 38-08-04.8.
   g. Moneys recovered from the sale of equipment and oil confiscated under section 38-08-04.9.
   h. Moneys transferred from the cash bond fund under section 38-08-04.11.
   i. Such other moneys as may be deposited in the fund for use in carrying out the purposes of plugging or replugging of wells or the restoration of well sites.
   j. Civil penalties assessed under section 38-08-16.
2. Moneys in the fund ~~may be used~~are appropriated on a continuing basis for the following purposes:
   a. Contracting for the plugging of abandoned wells.
   b. Contracting for the reclamation of abandoned drilling and production sites, saltwater disposal pits, drilling fluid pits, and access roads.
   c. To pay mineral owners their royalty share in confiscated oil.
   d. Defraying costs incurred under section 38-08-04.4 in reclamation of oil and gas-related pipelines and associated facilities.
   e. Reclamation and restoration of land and water resources adversely affected by oil and gas development including related pipelines and facilities which were abandoned or were left in an inadequate reclamation status before August 1, 1983, and for which there is not any continuing reclamation responsibility under state law. The commission may expend up to ~~three~~one million five hundred thousand dollars per biennium from the fund in the following priority:

(1) ~~For administrative expenses and cost in developing an abandoned site reclamation plan and the program.~~Research and demonstration projects for the development of reclamation and water quality control program methods and techniques for oil and gas development, including related pipelines and facilities.

(2) ~~For the protection of public health, safety, and general welfare.~~

~~(3)~~ For the restoration of eligible land and water that are degraded by the adverse effects of oil and gas development including related pipelines and facilities. ~~The restoration may include measures for the conservation and development of soil, water, wildlife, recreational opportunities, and agricultural productivity.~~

~~(4) Research and demonstration projects for the development of reclamation and water quality control program methods and techniques for oil and gas development including related pipelines and facilities.~~

~~(5) For the protection, repair, replacement, construction, or enhancement of public facilities including utilities, roads, recreational facilities, and conservation facilities adversely affected by oil and gas development including related pipelines and facilities.~~

~~(6)~~(3) For the development of publicly owned land adversely affected by oil and gas development including related pipelines and facilities.

(4) For administrative expenses and cost in developing an abandoned site reclamation plan and the program.

3. All moneys collected under this section must be deposited in the abandoned oil and gas well plugging and site reclamation fund. This fund must be maintained as a special fund and all moneys transferred into the fund are appropriated and must be used and disbursed solely for the purpose of defraying the costs incurred in carrying out the plugging or replugging of wells, the reclamation of well sites, and all other related activities.

4. The commission shall report to the budget section of the legislative management on the balance of the fund and expenditures from the fund each biennium.

SECTION 3. AMENDMENT. Subdivision d of subsection 1 of section 38-08-04 of the North Dakota Century Code is amended and reenacted as follows:

d. The furnishing of a reasonable bond with good and sufficient surety, conditioned upon the full compliance with this chapter, and the rules and orders of the industrial commission, including without limitation a bond covering the operation of any underground gathering pipeline intended to transfer oil or produced water from a production facility for disposal, storage, or sale purposes, except that if the commission requires a bond to be furnished, the person required to furnish the bond may elect to deposit under such terms and conditions as the industrial commission may prescribe a collateral bond, self-bond, cash, or any alternative form of security approved by the commission, or combination thereof, by which an operator assures faithful performance of all requirements of this chapter and the rules and orders of the industrial commission.

SECTION 4. AMENDMENT. Subdivision l of subsection 1 of section 38-08-04 of the North Dakota Century Code is amended and reenacted as follows:

l. The placing of wells in abandoned-well status which have not produced oil or natural gas in paying quantities for one year. A well in abandoned-well status must be promptly returned to production in paying quantities, approved by the commission for temporarily abandoned status, or plugged and reclaimed within six months. A surface owner may request a review of the temporarily abandoned status of a well that has been on temporarily abandoned status for at least seven years. The commission shall require notice and hearing to review the temporarily abandoned status. After notice and hearing, the surface owner may request a review of the temporarily abandoned status every two years. If none of the three preceding conditions are met, the industrial commission may require the well to be placed immediately on a single-well bond in an amount equal to the cost of plugging the well and reclaiming the well site. In setting the bond amount, the commission shall use information from recent plugging and reclamation operations. After a well has been in abandoned-well status for one year, the well's equipment, all well-related equipment at the well site, and salable oil at the well site are subject to forfeiture by the commission. If the commission exercises this

authority, section 38-08-04.9 applies. After a well has been in abandoned-well status for one year, the single-well bond referred to above, or any other bond covering the well if the single-well bond has not been obtained, is subject to forfeiture by the commission.

SECTION 5. AMENDMENT. Subsection 6 of section 38-08-04 of the North Dakota Century Code is amended and reenacted as follows:

6. To provide for the confidentiality of well data reported to the commission if requested in writing by those reporting the data for a period not to exceed six months. However, the commission shall release:

   a. Volumes injected from a saltwater injection well.

   b. Information from the spill report on a well on a site at which more than ten barrels of fluid, not contained on the well site, was released for which an oilfield environmental incident report is required by law.

SECTION 6. A new subsection to section 38-08-26 of the North Dakota Century Code is created and enacted as follows:

The surface owner may share information contained in the geographic information system database.

SECTION 7. TRANSFER - ABANDONED OIL AND GAS WELL PLUGGING AND SITE RECLAMATION FUND TO OIL AND GAS RESEARCH FUND - PRODUCED WATER PIPELINE STUDY - REPORT TO LEGISLATIVE MANAGEMENT. The director of the office of management and budget shall transfer the sum of $1,500,000 from the abandoned oil and gas well plugging and site reclamation fund to the oil and gas research fund for the purpose of funding a special project through the energy and environmental research center at the university of North Dakota during the biennium beginning July 1, 2015, and ending June 30, 2017. The special project must focus on conducting an analysis of produced water pipelines including the construction standards, depths, pressures, monitoring systems, maintenance, types of materials used in the pipeline including backfill, and an analysis of the ratio of spills and leaks occurring in this state in comparison to other large oil and gas-producing states with substantial volumes of produced water. The industrial commission shall contract with the energy and environmental research center to compile the information and the center shall work with the department of mineral resources to analyze the existing regulations on construction and

monitoring of produced water pipelines and provide a report with recommendations to the industrial commission and the energy development and transmission committee by December 1, 2015. The industrial commission shall adopt the necessary administrative rules necessary to improve produced water pipeline safety and integrity. In addition, the industrial commission shall contract for a pilot project on pipeline flow monitoring to evaluate a working leak detection system.

SECTION 8. APPROPRIATION. Notwithstanding section 38-08-04.5, there is appropriated out of any moneys in the abandoned oil and gas well plugging and site reclamation fund in the state treasury, not otherwise appropriated, the sum of ~~$2,500,000~~$500,000, or so much of the sum as may be necessary, to the industrial commission for the purpose of conducting a pilot program involving the oil and gas research council in conjunction with research facilities in this state to determine the best techniques for removing salt from the soil surrounding waste pits reclaimed by trenching between 1951 and 1984 in the north central portion of this state, for the biennium beginning July 1, 2015, and ending June 30, 2017.

SECTION 9. EMERGENCY. This Act is declared to be an emergency measure.