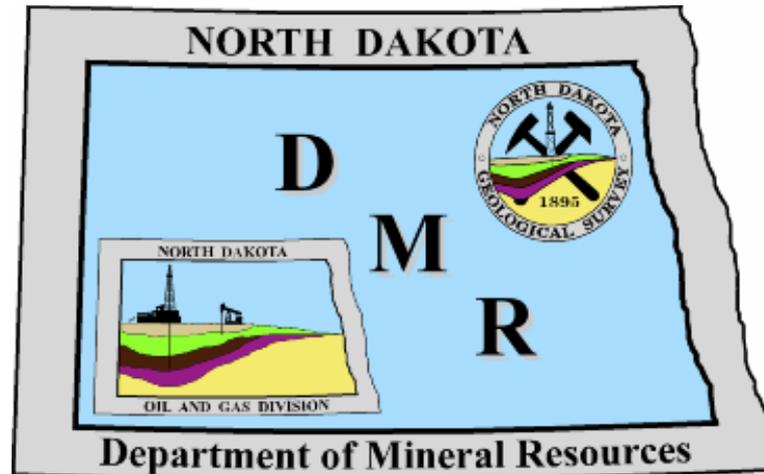


NDIC Department of Mineral Resources

BUDGET SECTION Monday, June 27, 2016

1:20 p.m. Presentation by a representative of the Industrial Commission on the balance of the abandoned oil and gas well plugging and site reclamation fund and expenditures from the fund pursuant to Section 38-08-04.5



<https://www.dmr.nd.gov/oilgas>
(701) 328-8020

<https://www.dmr.nd.gov/ndgs>
(701) 328-8000

600 East Boulevard Ave. - Dept 405
Bismarck, ND 58505-0840

Abandoned Well Plugging and Site Restoration Fund “AWPSRF”

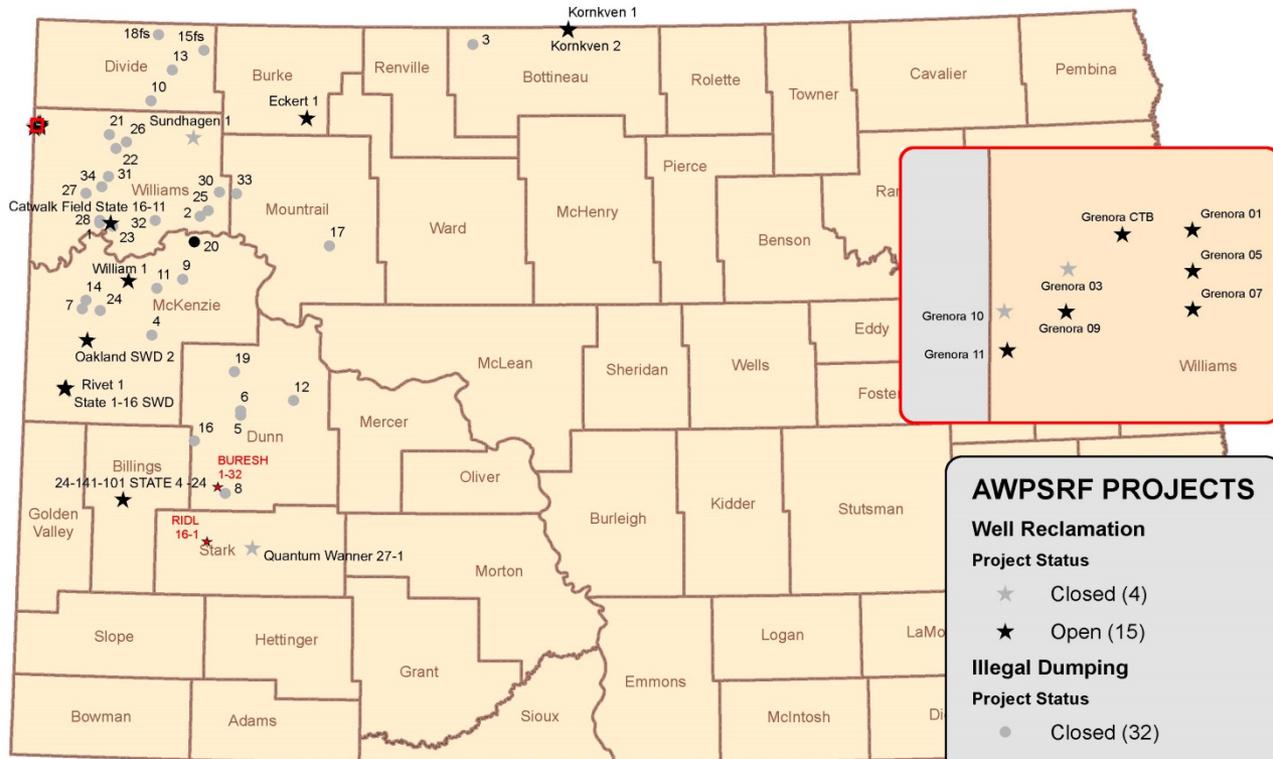
- Established 1983
- Pay plugging and reclamation costs where no responsible party exists
- Originally funded by:
 - Fees paid to the Oil and Gas Division
 - Confiscated bonds
- Amended 2013 the fund is currently supported through a combination of:
 - A portion of the gross production tax
 - Fees paid to the Oil and Gas Division
 - Confiscated bonds
 - Collected civil penalties
- The AWPSRF currently has approximately \$12.2 million dollars
 - General Program
 - Legacy Program limited to \$1.5 million per biennium

AWPSRF – General Program

- General Program
 - Plugging and reclamation of sites (1983-present)
 - Where a company has defaulted on their responsibilities and the state seized the bond, equipment, and salable oil
 - The commission shall seek reimbursement for all reasonable expenses incurred in plugging any well or reclaiming any well site through an action instituted by the Attorney General
 - Illegal dumping of oil-field waste
 - Examples include:
 - Production Water
 - Filter Socks
 - Frac fluid and proppant
 - Production equipment

AWPSRF – General Program

Abandoned Well Plugging and Site Restoration Fund Program (AWPSRF)

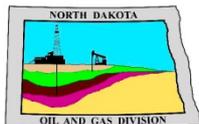


AWPSRF PROJECTS

Well Reclamation
Project Status
 ★ Closed (4)
 ★ Open (15)

Illegal Dumping
Project Status
 ● Closed (32)
 ● Open (1)

Orphan Wells
Project Status
 ★ Open (2)



North Dakota Industrial Commission
 Department of Mineral Resources
 Oil and Gas Division

State 4-24: Re-plugging

Billings County, ND; Spring 2016



Problem



Resolved

AWPSRF #9: Illegal Dumping

McKenzie County, ND; Winter 2014-Spring 2016



Problem



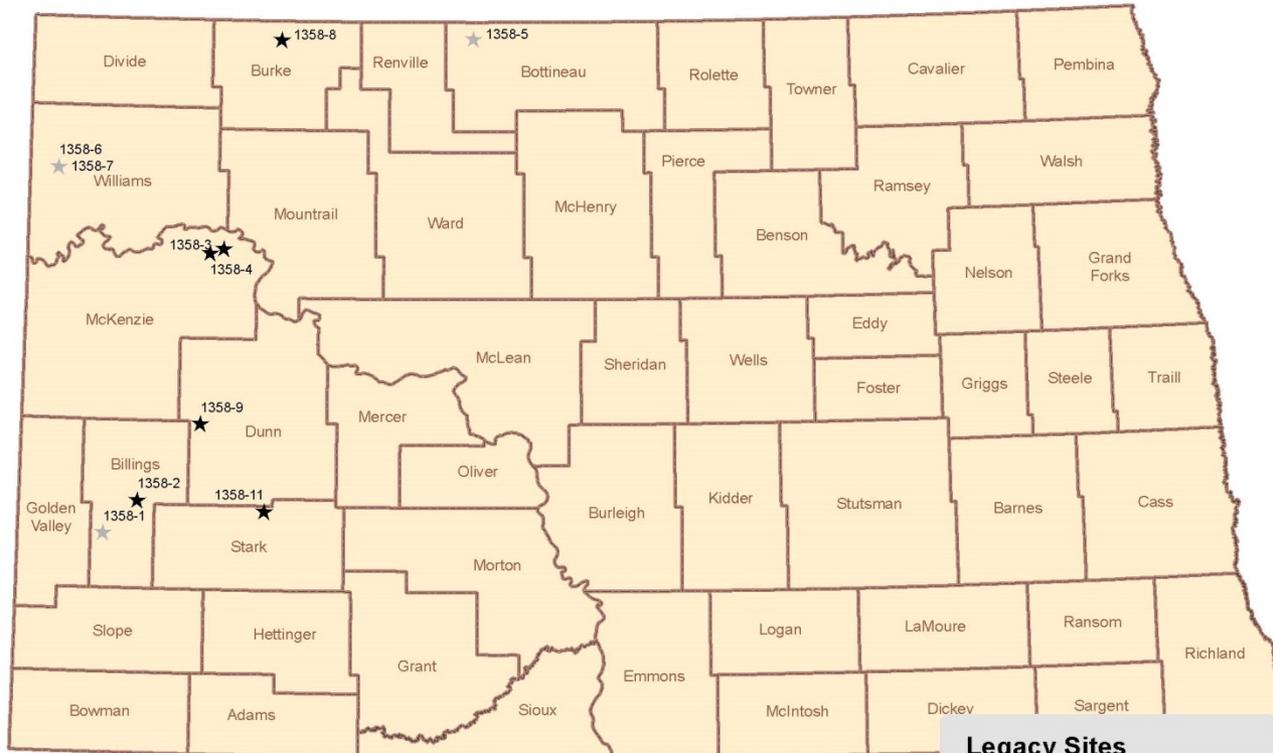
Resolved

AWPSRF - Legacy Program

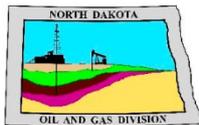
- 2015 State Legislature expanded the scope of the AWPSRF to include the legacy program
- Allocated additional \$1.5 million dollars per biennium
 - Dedicated to “legacy” pre-1983 oil field issues
 - No continuing reclamation responsibility covered under state law
 - Situations originated prior to state laws requiring reclamation
 - Allowed AWPSRF to cover reclamation of eligible pre-1983 oil filed issues
 - Examples include:
 - Reclaiming old reserve pits
 - Properly abandoning old flowlines
 - Plugging seismic “shot holes”

AWPSRF - Legacy Program

House Bill 1358 Legacy Sites



| Legacy Sites Status | |
|---------------------|------------|
| ★ | Closed (4) |
| ★ | Open (6) |



North Dakota Industrial Commission
 Department of Mineral Resources
 Oil and Gas Division

1358-1: Historical Reserve Pit

Billings County, ND; Fall 2015-Spring 2016



Problem



Resolved

1358-5: Flow line

Bottineau County, ND; Fall 2015



Problem



Resolved

1358-6/7: Plugged Shot Holes

Williams County, ND; Fall 2015-Spring 2016



Problem



Resolved

AWPSRF Balance Sheet

Fiscal Year 2013 - Present

• July 1, 2013 beginning balance \$2.3 Million

• Revenue \$15.8 M

- Gross Production Tax \$14.0 M
- Conf. Bonds/Civil Penalties \$0.6 M
- OGD Fees \$1.2 M

• General Program \$2.6 M

- Plugging and Reclaim \$0.4 M
- Illegal Dumping \$2.2 M

• Legacy Program \$1.2 M

- Sight Reclaim \$0.9 M
- Study \$0.3 M

• Legislative Transfers \$2.1 M

• **AWPSRF** **\$12.2 Million**