



Oil and Gas Division

APPENDIX K

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North Dakota Industrial Commission

www.dmr.nd.gov/oilgas/

ADMINISTRATIVE RULES COMMITTEE HEARING

TESTIMONY OF KEVIN C. CONNORS September 13, 2016

Chairman Devlin and Committee Members:

Issue: Bonding of existing pipelines

NDAC Sec. 43-02-03-15(8)a (Bonding of existing crude oil and produced water underground gathering pipelines)—Justification of changes

Originally proposal language: NDAC Section 43-02-03-15 (8)a

(Language subject to discussion highlighted in yellow)

Any owner of an existing underground gathering pipeline transferring crude oil or produced water must submit to the commission and obtain its approval of a surety bond or cash bond prior to July 1, 2017. Any owner of a proposed underground gathering pipeline to transfer crude oil or produced water must submit to the commission and obtain its approval of a surety bond or cash bond prior to placing into service. An alternative form of security may be approved by the commission after notice and hearing, as provided by law. The person responsible for the operation of the crude oil or produced water underground gathering pipeline shall be the principal on the bond. Each surety bond shall be executed by a responsible surety company authorized to transact business in North Dakota. The bond shall be in the amount of fifty thousand dollars when applicable to one crude oil or produced water underground gathering pipeline system only. Such underground gathering pipelines that are less than one mile [1609.34 meters] in length may be bonded in a lesser amount if approved by the director. When the principal on the bond is operating multiple gathering pipeline systems within the state or proposes to do so, the principal may submit a blanket bond conditioned as provided by law. A blanket bond covering one or more underground gathering pipeline systems shall be in the amount of one hundred thousand dollars. The owner shall file with the director, as prescribed by the director, a geographical information system layer utilizing North American datum 83 geographic coordinate system (GCS) and in an environmental systems research institute (Esri) shape file format showing the location of all associated pipeline facilities and above ground equipment and the pipeline centerline from the point of origin to the termination point of all underground gathering pipelines on the bond. Each layer shall include at least the following information:

- (1) The name of the pipeline gathering system and other separately named portions thereof;
- (2) The type of fluid transported;
- (3) The pipeline composition;

(4) Burial depth; and

(5) Approximate in-service date.

Twelve parties submitted comments on subsection 8, eleven of which were from industry (see Consideration of Comments pages 7-8). After fully considering the comments, the Commission determined that the legislative intent of HB 1358 is to require a bond on all existing crude oil and produced water underground gathering pipelines.

Industry Comments:

- No comments were received related to Industry's concerns with bonding existing crude oil or produced water underground gathering pipelines.
- Deadline to submit a bond for existing crude oil and produced water pipelines – The rule gives companies until July 1, 2017 to submit and obtain approval for a bond on existing crude oil and produced water underground gathering pipelines.
- Letters of Credit – One commenter suggested adding letters of credit as an option for bonding underground gathering pipelines. The bonding requirement allows for an alternative form of security after notice and hearing.
- Flow line, Injection Pipeline, EOR unit pipelines – The Commission defined “flow line” and “injection pipeline” (see page 139) and excluded these types of pipelines from the bonding required.

HB 1358 SECTION 3 AMENDMENT. Subdivision d of subsection 1 of NDCC Section 38-08-04 was 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 transferring 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.