

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1060

2007 HOUSE NATURAL RESOURCES

HB 1060

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1060

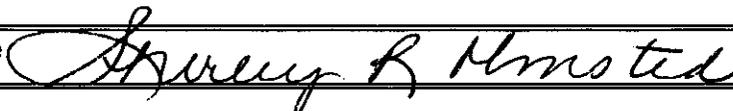
House Natural Resources Committee

Check here for Conference Committee

Hearing Date: January 5, 2007

Recorder Job Number: 665

Committee Clerk Signature



Minutes:

Chairman Porter called the House Natural Resources committee to order. All members (14) were present.

Terry Helms, Director of the Department of Mineral Resources (DMR) introduced testimony and explained each section as to how it applies to HB 1060. Please see attachment of that testimony.

Relative to Section 1: This modernizes the Oil and Gas Divisions contracting authority to deal with production equipment. (i.e. equipment that is on abandon sites.) They would deal with this in the same way that they have historically dealt with wells which mostly is emergency situations. They have the authority right now if a oil well or salt water disposal well is leaking and is creating any safety, health or environmental hazard, They would be able to intervene on an emergency basis and spent money from the abandon restoration fund without having to go out for bids and spent State dollars to take care of the problem. They currently do not have that authority with a piece of equipment that starts leaking.

Relative to Section 2: This would allow funds that are accumulated from cash bonds to be transferred into the abandoned well reclamation fund so that they could pay for the reclamation of all abandon wells with these funds. This would make this process simpler and easier. It also raises the cap from \$250,000 to \$500,000 which is where most of the fiscal note is coming from. The reason for this is that there is currently a one time transfer from an operator. There is a large settlement that is about to be made from an operator that will go into that fund and that settlement puts us over the \$250,000 cap temporarily. That money ends up going into the general fund and does not stay there to take care of the 34 wells that ultimately I think we are going to inherit. We will be able to transfer most of them to a good operator but some of them the state is going to have to take care of, out of that fund, so it is necessary to increase that cap. Plugging costs have doubled since the last time we increased that fund. We doubled the cap and that is how we came up with the \$250,000. The fiscal impact on this section is \$125,000.00.

Relative to Section 3: This would change the way geothermal installations are regulated. Current law requires commercial geothermal installers to permit and report what they have done. Residential installers just have to send in a report. The law is very confusing. We feel like we are getting a tremendous amount of under reporting. Residential installers have to file a completion report and we can fine them if they don't, but they don't have to get a permit from us. This bill corrects this and insures that these systems are installed using approved fluids that are not going to contaminate ground water and that everything is appropriate. We can better prevent problems up front looking at the permit application rather than having to deal with them at the completion report, when we see that something was not done right. We get 50 completion reports each year historically but we are sure that many, many more are being

installed and the paperwork just isn't being sent in. This proposal was presented to the Water Well Drillers Annual Meeting and the installers don't oppose the change.

Relative to Section 4: This establishes a new special fund. We put in a \$500,000 cap there because that is what we had on the other fund. Current income to the General Fund from fees for things like geophysical exploration, geothermal and all of that is \$10,000 per biennium and that just flows into the general fund. We would like to create this fund and build an industry funded bank account that can take care of problems if they develop in the future. With the explosion of geothermal installations, it is almost inevitable that at some point a parking lot is going to have to be torn up and an installation is going to have to be repaired for a seismic flowing well and we are going to have to repair it. We have never had funds on the state side to take care of those problems. We would obviously first go to the installer and their bond, if they had a bond, but in the case that it is truly an abandoned situation and the six years had run on the bond, we would like to have an industry funded bank account that could take care of these problems. We think it will work here.

Relative to Section 5: This creates a special fund with a continuing appropriation. The energy policy after 2005 that was passed in the US Congress authorized thirty million dollars a year for 5 years for geologic data preservation. The states are going to have to apply for that funding. We anticipate that North Dakota could get \$50,000 per year for five years. The Federal Funds have to be used for preserving geological data. We would use the funds to set up a geological survey subscription web site. We would anticipate that once the 5 years runs out, and we are not getting money from the Federal Government anymore, we would be self-sustaining. This is money that if we got it without creating a special fund, it would flow to the

General fund. We would have to use General Fund salary dollars or somehow match to achieve it, so there would be no net gain to the state.

Mr. Helms indicated there are some proposed amendments already. He apologized for that. He said that they had overlooked a couple of things in the original bill draft. They forgot to put geological exploration in the bill description in Section 4, so the amendments that you have on page 4 take care of that. In addition, when we were talking about Section 1 with the OBM, they suggested that because our bidding requirements meet or exceed their requirements, we should just exempt this process from OMB's procurement requirements, so that is what Section 6 does.

Chairman Porter asked Mr. Helm if he had amendments drafted. He indicated that they are on page 4.

Representative Keiser indicated that he was trying to do Chairman Porter a favor by asking that if a discussion had yet been done regarding at what level this had to be referred to Appropriations?

Chairman Porter indicated that it had always been \$50,000.

Representative Keiser said this has a fiscal note on it and he would think this has to be referred to Appropriations. I would appreciate you again running through the appropriation a little more specifically on what you are proposing here. For Committee members, when this bill gets referred, the Chairman gets to go before Appropriations. It is very important for us to

understand exactly what you are proposing here. One of the questions I would like you to address as we go back through this is that you said there were 32 or some number of wells that were going to be transferred to your responsibility? What is the cost estimated to address these versus the \$500,000 or the other dollars in there?

Mr. Helms indicated he would go back through it. He also indicated that he would go with Chairman Porter to Appropriations.

Section 1 is the main part of the fiscal note. It is \$135,000.00. The reason for the raising of the cap on the fund is for the plugging of abandon wells restoration fund. Relevant to the 34 wells that this operator operates, about one half of those wells will probably get transferred to another operator. It would be economical for another operator to take over. Typically, we get another operator to file a bond with us, and they take them so those wells will be off the table. This would be about 15. The remaining wells are going to cost probably \$50,000.00 each to plug and reclaim and restore the production sites. That leaves us with 19 wells. Let's round that up to 20. We are looking at about a \$1,000,000 dollars obligation. They have a \$100,000.00 bond posted with us. They are making a settlement of \$150,000.00 with us, so that is \$250,000.00 off the million. We are still \$750,000.00 short of completely covering that obligation. We have that much currently is the cash fund (in the Abandoned Restoration Fund) if we can do the other thing in this section about transferring the cash bond into the Abandoned Restoration Fund. That is a worst case scenario. We could end up with about a one million dollar obligation for plugging and restoration and about \$250,000 from this operator. We think it is very important that this money not flow into the General Fund and stay here to go for this

purpose. It is 90% certain that this operator is going to go under based on the settlement and the bond and their inability to produce the wells.

Representative Meyer asked for clarification as to why if he had 34 wells, why he only had to carry \$100,000 bond on those wells.

Mr. Helms indicated that when he took the wells over, he was in compliance and he was able to get a blanket bond to cover those 34 wells. This is not an a typical situation. For most operators, it is not a problem. You will get this occasional operator where we end up in this situation.

Representative Meyer asked for clarification that the bonding for one well is \$20,000.00? **Mr. Helms** indicated that was correct. **Representative Meyer** asked what the \$100,000.00 included. **Mr. Helms** indicated that it was unlimited. However, as an operator begins to slide into problems, there are restrictions on that blanket bond. The current rules provide that they can only have 6 wells out of compliance at any point in time on that blanket bond before they begin a complaint process with them. If they would ever try to drill another well, or buy another well, they would have to take out a new blanket bond. This is an unusual situation. Do any of your remember the name Earl Schwartz? This operator was his personal assistant. He willed these wells to him. There was a court battle over the wells that these wells should even go to him, but he won in the courts, and was actually able to get the wells and able to come up with the money to post the \$100,000.00 bond. We were backed into a corner and forced into this situation when Earl Schwartz died 6 years ago. This is the only situation like this that we have. This is very unique.

Representative Solberg asked for clarification of operator. Is that the same as owner? **Mr. Helms** indicated that in general it was the same as owner. A well may be operated by an owner who has a majority interest in the well. There can be dozens of other owners. The operator is the person whose name is on the bond. The operator is the one that posts the money and is registered with the Secretary of State. He is the responsible party. We are aggressively pursuing this individual in terms of all of their assets in terms of everything we can lay our hands on. They are active producing wells and we have garnished the oil production from those wells. We will actually recover dollars from this company oil production as this court fight goes on.

Representative Solberg also asked about the procedure used to pursue another operator?

Mr. Helms indicated that what typically what happens if an operator is in violation, they will file a complaint with the Attorney General's Office. They have 20 days to respond to that complaint, and then we will hold a hearing. The Industrial Commission will make a decision. If it is a situation like this one, the Industrial Commission will actually take the well facilities and any oil that is being produced. We actually have the authority to take ownership of that facility and to take the bond. If it is a chronic situation like this, and they don't clean it up, we will actually take it. At that point, we then own the well. The State will actually own the well. We are not in the business to operate wells, but what we can then do is (we own the equipment on the well, the site, the roads, everything) transfer title to a new operator. They will post a single bond with us and we will take the bond and transfer the title to them and make them the bonded operator of the well. That has worked very well for us. Probably 75%

of the abandon wells have had value. We have been able to get a new operator to step in and take on the responsibility of getting the well back in operation.

Representative Charging indicated that she was familiar with some of these situations, but indicated that she was wondering if \$50,000.00 was adequate for equipment and cleaning up the well to get it operational. If the equipment was outdated, and not state of the art, she felt that it would be a lot more than \$50,000.00. She would think that maybe \$250,000.00 would be more like the number in some cases to get all the equipment up to speed.

Mr. Helms indicated that the number was an average, of course, and he thought it was a pretty solid number. He also indicated that had just done two reclamations on a project in the Mon-Dak Fields. They went out of business and forfeited the bond. Those two site reclamations together cost them \$50,000.00 and the two pluggings cost \$50,000.00 so the total per well was \$50,000.00. That is an average. Up in the Minot area, the wells are shallow and they get a lot of rain, so reclamation goes easy. We can do a well for probably \$25,000.00 up there. There are situations like you are talking about, like out in the Badlands north of Medora, and you have a mile of roads, and it could run \$250,000.00, but on an average, that is what it costs.

Chairman Porter asked Mr. Helms that in the discussion of the overview of the oil and gas industry, we talked about the salt water wells and the permitting process. Would it be possible for him to draw up an amendment for us on how that would look for your agency to takeover the permitting process on the salt water wells? **Mr. Helms** indicated that he could certainly do that and this bill would be the appropriate vehicle if it was the will of the legislature that the Oil

and Gas Division should begin temporary permitting of supply wells for recovery. He indicated that he would be hesitant to go any deeper into the permitting business than that because when you start getting into fresh water wells that are going to be supplying fresh water to oil production; these have the potential to impact ground water resources. There are no hydrologists on staff. That certainly could be appropriate for temporary permits to be issued. Something could be drafted up. This would certainly be the appropriate vehicle for that.

Mr. Porter also asked that with the situation up in Minot and some of the things that happened with section one and two of this bill, would it work better for the department to have an emergency clause in place on those two sections to speed the process up so that some of the things you are talking about don't happen? You are looking at July before this would even come into place and if between now and July something happens up there, we could be in a little bit of trouble?

Mr. Helms indicated that he appreciated this and that he had not thought of that. It would be very helpful on this bill because we are reaching some deadlines in the middle of January with this operator and things are going to begin happening very quickly in terms of taking over wells and garnishing oil. It would be helpful to have the emergency clause in place so that we could handle this as quickly as possible.

Chairman Porter asked him to include this in that same amendment. **Mr. Helms** indicated that he would.

Representative Keiser was following up on Representative Meyer's question regarding the bond. Are we approaching the bond correctly? In some cases, it is obvious that the \$100,000.00 bond is not adequate to cover the risk associated with these wells. Are we doing what is right in that area?

Mr. Helms indicated that in general we are doing what our neighboring states are doing. That is usually what we are doing when we are involved in this rule making process. The last time we did a rule making, we asked for increased bonding levels, and we did get some, but not near what we asked for. When we do rule making, we are going to ask to increase all of those bonding levels. We rarely have a problem with the blanket bond. Usually it is our single well bonds, and it is the one or two well operator that gives us the trouble. We have a very unique situation here. We will address the bonds when we do the rule making this year. I anticipate raising those bond levels.

Representative Keiser said that the purpose of the bond is like an insurance policy. The purpose is to cover risk. I am not opposed to a blanket bond, but it should correlate with the risk. If you have 60 wells under a \$100,000 bond, it does not correlate with the risk. There is something wrong with that and it should be addressed.

Mr. Helm agreed and it has been a long term concern of his. We look at different ways to fix this. They are looking at a situation if you temporarily want to abandon a well, then you post a single well bond for that well for the full plugging costs. There are other states like Texas that have gone to a well life insurance policy system. You actually go out to a company and buy a life insurance policy on your well. If at the end of the life of your well, you cannot afford to plug

it, the insurance policy plugs it. There are some new vehicles that are being developed in this area. This certainly is an area that needs some looking at.

Representative Hunskor asked about the situation with Mr. Schwartz. He asked about the effect of the property owner. Is there any relation between the problem there and your department?

Mr. Helms asked if this was a mineral owner or a surface owner? One of the situations that they run into is making sure that the mineral rights actually flow back to the owner. As they go through the process that he just described, if the state takes over title to the well, one of the things that we do is idle the well long enough that the production clause expires on the lease so that the mineral owners get their leases back. It is important that they get their mineral rights back and that they are not somehow tied up in this well that is being transferred. They can then negotiate a new lease with the new operator that wants to take over the well. We also have to prioritize with the surface owners. They have a list that needs to be taken care and one of the main things to get them to the top of the list is if they are getting complaints from a surface owner. If we have an idle well and the surface owner wants that well out of there, we will really get on the company hard and file the complaint. We will get the well plugged and abandoned and get it out of there. These things are difficult in that it could represent a constitutional taking. You have to go through the legal process to take this well to take it over and transfer it to the new operator. It is a long process.

Since there were no further questions and testimony in support or opposition to this house bill 1060, the hearing was closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1060

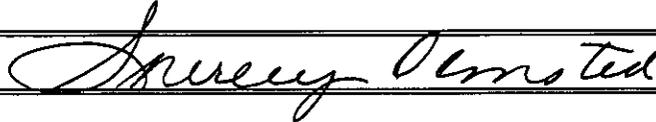
House Natural Resources Committee

Check here for Conference Committee

Hearing Date: January 11, 2007

Recorder Job Number: 952 (Beginning at 42:41 of tape)

Committee Clerk Signature



Minutes:

Chairman Porter opened the discussion on HB 1060. Mr. Helms was working on an amendment for an emergency act and what that would do is to change the money size of the accounts in Section 1 & 2 that needed to happen in order to accept the settlements that are coming out of the situation in Minot. By doing that, by making it an emergency, it does not exceed the size currently set out in statute, and would avoid having to go through the appropriation process because that money will be received before this bill will be enacted. Does anyone have any questions on the emergency clause on HB 1060? The second part of the amendment would move the permitting process for the appropriation of the salt water well from the state engineer to the Oil and Gas Division. The definition of that is that the unit operator tests satisfy the unit water needs from an aquifer containing more than 3000 mg/l total dissolved solids. That basically is the salt water well. That jurisdiction for the permits and the terms would move from the State Engineers Office to the Oil and Gas Division. They are in charge of the inspections. They are in charge of the conditions in the oil field. They just are not in charge of the permitting process. One of the things that prompted this particular amendment, during the last spring there was a problem with companies getting the salt water wells because of the other aquifer issues with the fresh water wells. The amount of work

required on the potable size was holding up the process on the saline side. This held us drilling and exploration in the oil fields. That is where the amendment came from. In the process of the discussion, all of the parties got together to discuss this. I have asked Mr. Shaver to come here to talk to us.

Mr. Robert Shaver spoke with Dale Frink today but unfortunately he is not available today. We have not been able to discuss the proposed amendment. He requested that we have time to look at this later today. We could possibly return tomorrow sometime. Mr. Frink said that he would be available to provide testimony at that time.

Chairman Porter said that would work. The Committee meeting was adjourned.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1060

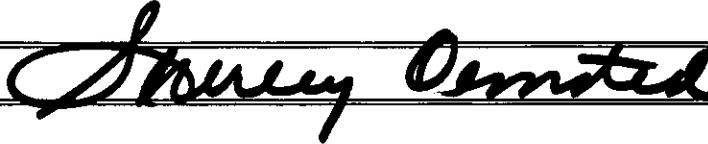
House Natural Resources Committee

Check here for Conference Committee

Hearing Date: January 12, 2007

Recorder Job Number: 992

Committee Clerk Signature



Minutes:

Chairman Porter opened the hearing on HB 1060. He asked Mr. Dale Frink to come down to address the proposed amendments from that we had asked to have submitted from the Oil and Gas Division in regards to the permanent process or salt water wells in the oil industry.

Mr. Frink thanked the committee for the opportunity to make some comments on this amendment. He has no problems with the rest of the bill. He wanted to address three things. In regards to the amendment itself, his major concern on this, and it is pretty significant, that it fracturalizes the water permit process almost state wide between two state agencies. In the water commission they do not even like fracturalizing the process between two hydrologists within their own agency. They like assign an aquifer to one person if possible. That makes that individual responsible for this but it makes him an expert on this. The ground water situation in North Dakota is very complex. He passed out a list of some of the aquifers that have a TDS content of at least 3000 mg/l. One of the concerns they have when analyzing is that if we approve a well, we can then start pulling in some of this back water into the good areas. This should be the opposite. It could have some drastic impacts on many of the livestock wells in the state of North Dakota. There are some problems in the Fox Hills area

as well as others in Western North Dakota in the Alexandria area. There can be a significant amount of coordination necessary between the two divisions to make this happen.

Chairman Porter asked that if under the current system, isn't there a significant amount of coordination that needs to happen already?

Mr. Frink said yes, but in terms of water and the water aquifers they do most of the scientific investigations in house. There are not many other ground water experts in the state of North Dakota. Oil and Gas primarily deal with the deeper formations. He does not want to fractionalize the evaluations of these aquifers between two agencies.

Chairman Porter asked Mr. Frink if he thinks the saline pockets are intermingling or connected hydraulically to the fresh water pockets, or are they stand alone pools that have no value other than to the industry?

Mr. Frink said in some cases they are separate, but in some cases they would be connected. In some cases they will do a pump test to find out where that water is going to come from. They do not want it to come from these high TDS areas because then it can contaminate the better portions of the aquifer.

Chairman Porter asked that if in these pump tests have you found that you have drawn salt water into a fresh water aquifer.

Mr. Frink said they found that was possible.

Chairman Porter asked if there was an area of the state where that has happened.

Mr. Frink said he had some hydrologist along and they could address that.

Representative DeKrey asked him to explain some of these locations.

Mr. Frink talked about the water permit process in general. They spend an enormous amount of time on this because North Dakota does not have a lot of extra water to appropriate. It is a very time consuming process. When an oil company wants a permit, you must pull someone

off another job to do this. They do that in some cases. It is my understanding that oil companies do not like to give a lot of advanced notice because the competition is great between the oil companies themselves. They wait as long as possible to do this and then they want the water right away. They do work with them on the Dakota aquifer as much as they can. The Dakota aquifer is the largest aquifer in North Dakota. You don't have a lot of use for the Dakota aquifer in the western part of North Dakota, so they don't mind giving water out of the Dakota aquifer in certain areas to pump down and use for this purpose. The Dakota is used in many parts of the state for drinking water and for livestock. When you come in for a water permit, you have to advertise in the paper for a couple of weeks and notify all the land owners and it takes a few months of administrative type things to get that. Once that is completed, then it goes to the geologists for analysis. If it is the Dakota aquifer, you can probably have it in a day. An agreement was reached with the governor's office that if the water is coming of the Dakota aquifer for water spraying purposes, they issue a temporary water permit as soon as possible. That temporary permit will be accompanied by an additional water permit application. That gives them one year to get that permit processed. Most oil companies and the state water commission agree that it works. We don't like giving temporary water permits for some of the other areas.

Representative Meyer asked if this amendment just targeted the 3000 ml/l. It would be just that aquifer.

Mr. Frink indicated that was correct but this amendment would get them in aquifers that the ranchers are using and there is not that much water in there. He is concerned about depleting these sources.

Representative Meyer asked if it was somewhere in the code an amount of time that an oil company has to talk to you about getting a permit?

Mr. Frink said they have to have an approved water permit, whether it is temporary or not, in hand and signed before they use the water.

Terry Helms came forward with the draft of the language that Mr. Frink was addressing.

When they initially looked at this, they looked at a number of ways of quantifying water that you might permit in conjunction with a water flood unit. There are a lot of definitions out there. We chose the definition of 3000 mg/l based on the program that they currently run for the EPA.

This may not be the right number. He was surprised that some of the aquifers had pockets of salty water. His concern with this process is that the process of getting a water permit is taking a great deal of time. He made reference to a company that is going to invest nine million dollars in this state, and when the process of getting a water permit is taking 6 to 12 months,

that is not acceptable. The process for putting a unit in place, all the documents have to be pre-filed with the Industrial Commission 45 days prior to the unit hearing. They have to be filed with all impacted owners, surface and mineral owners. The way it would work at the Industrial Commission is it would become part of the unit application. Everyone would have 45 days of advanced notice that they plan to use this water for their water flood operations. He was a little concerned himself about chopping up a process like this. He does not feel that this amendment would totally take away the water commission input into the process, but it would certainly remove it from the expert who works that aquifer. I applaud the goal because the oil companies are spending millions of dollars and they cannot afford to make that kind of investment and then quickly be able to get the water flooding up and running and start seeing production results. It would come in as part of the unit application, it would be pre-filed with us, and pre-filed with all the affected agencies and affected surface and mineral owners. It would be advertised in the local newspapers and the Bismarck Tribune. It would be one of the things discussed at the unit hearing. Some 30 days later, it would be one of the things that would be

contained with the Industrial Commission unit order that permission is hereby granted for use of this aquifer for this water purpose.

Chairman Porter said he thought it would simplify the application process, allow the oil company seeking the application to make one request, but the notification concerns from other state agencies, particularly the state engineer's office could be addressed during the hearing process.

Mr. Helms indicated that was correct. They would get the 45 day notice so if they had concerns, they would have 45 days to voice those concerns with the Industrial Commission.

Chairman Porter also asked if when a permit is granted currently, who has the regulatory authority over that well after that point.

Mr. Helms said it was his understanding that the water supply well authority lies with the water commission. Once the water is on the surface in a tank, then it becomes our jurisdiction.

Chairman Porter asked if an injection well falls in their jurisdiction. In your example of the company in the Glenburn taking the existing injection wells and then reversing them to take that water back out, is there another permit required?

Mr. Helms said yes. That disposal well has been under their jurisdiction since 1963. Once the application is made to the water commission to convert that to a supply well, it now comes out of our jurisdiction and goes into Mr. Frink's jurisdiction. It makes the transfer from one agency to another.

Chairman Porter asked so that as it is currently set up, there is a certain amount of fractionalization of authority now so this might help bring this together?

Mr. Helms said if they do this right, whether they leave it as it is now or change it, it will be a smooth process.

Chairman Porter said that the proposed amendments were before them.

Representative Hofstad had a general comment that he had some concerns about fragmenting this process. He said the study of aquifers is a very complicated system. He is concerned that we may be taking that authority away from an agency that has that expertise. He thinks this can best be addressed at the State Water Commission.

Representative DeKrey asked Mr. Frink a question. He asked about the oil companies wanting to keep this process quiet. Can we statutorily distinguish between a well of potable water into two processes so that we could keep them separate in your agency so perhaps that would spur the oil companies to get this request in a little faster?

Mr. Frink thought that you could specify that it was for water flooding only. The issue that he has is that mainly the aquifers above the Dakota are used heavily by other people and he thinks that should be under one jurisdiction. Farmers and ranchers have to go through quite a process for this and then an oil company comes in and we say we will treat them special. Possibly something could be worked out. The temporary permit gives them one year to get everything in place and that should not be any problem at all.

Chairman Porter addressed Mr. Ron Ness of the ND Petroleum Council.

Mr. Ron Ness said this issue is not a confidentiality issue, but a timing issue. Everyone has an interest in getting the unit up and running. The temporary permit solves the problem. It may be a resource issue. They are very happy with the agreement that has been reached.

Chairman Porter asked for discussion from the committee.

Representative Meyer part of this came up with the emergency temporary water permits for one year. At the end of that year, they are automatically reissued. We do have some of them that are going on 4 years. The ranchers are saying they want to be able to come in and say that the wells are being monitored and make sure there is no contamination when the water goes back down.

Chairman Porter indicated that was where the increase work load came in that slowed the process down for these wells that had nothing to do with the water wells.

Representative Meyer said that is correct but some of them are in this list. For the committee's information, and who should have the authority to be monitoring them. Mr. Frink did come out and meet with the ranchers and offered to do that.

Chairman Porter asked for further discussion. He also asked for a motion. He indicated that they had handled the issued on page 1, line 6 that presented an amendment to declare section an emergency. What that does is change the fiscal note. Did everyone get a copy of that?

Part of indication during the hearing was the fact that if the funds are received prior to us raising the cap then the bill would have to go through appropriations and that would have to be adjusted during the appropriations process. If we change it now, it is an emergency and those funds can be received between now and the biennium. We have already raised the ceiling on that dollar amount on that fund and everything is taken care of and the bill can just go through. There was a motion from Representative DeKrey and seconded by Representative Meyer that we move the emergency clause on those sections. There was no discussion. Let the record show that there were 14 ayes and 0 no on the motion. Motion carried.

There was no further discussion on the amendments.

Mr. Helm asked if the committee had already acted on the other amendments that were submitted with the original bill. They had inadvertently left the word "geophysical" out so they needed to get that inserted in a couple of spots.

Chairman Porter thanked him for bringing that to the attention of the committee.

On the back page of Mr. Helm's testimony, there is a list of proposed amendments from the agency.

There was a motion by Representative DeKrey to move the proposed amendments from the Oil and Gas Division and seconded by Representative Nottestad.

There was no discussion. A vote was taken. There were 14 ayes and 0 no, so the motion carries.

There was a motion to do pass as amended by Representative DeKrey and a second there was a second from Representative Nottestad.

There was no discussion on the amended bill. The Committee Clerk took roll call. There were 13 yeas and 1 no.

Representative Charging asked if that included section 7. If so, she would change her vote to yes.

The motion prevails with 14 yeas and 0 nos. The bill carrier will be Representative DeKrey.

FISCAL NOTE
Requested by Legislative Council
02/27/2007

Amendment to: Reengrossed
HB 1060

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$100,000	(\$10,000)	\$285,000	(\$10,000)	\$215,000
Expenditures	\$0	\$100,000	\$0	\$200,000	\$0	\$200,000
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

- a) Process for & funding of reclamation of abandoned well sites;
- b) Requires permitting & reporting of commercial & residential geothermal installations;
- c) Creates two special funds

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 allows for the transfer of funds from the cash bond fund in order for those funds to be utilized to plug & reclaim abandoned wells. It is anticipated that this fund could exceed the fund cap during the 07-09 biennium because of the timing of receipt from a large settlement with an oil and gas operator (estimated to be \$50,000), funding from the federal government (estimated to be \$20,000), permit fee income (estimated at \$105,000) and the Department's ability to expend these funds for plugging and reclamation of abandoned wells. The cost to plug and reclaim wells has doubled since the last time the cap was adjusted. Without the removal of the cap, those dollars exceeding the cap (estimated to be \$25,000 during the 07-09 biennium) would go to the General Fund and would not be available for their intended purpose of plugging and reclaiming abandoned wells.

Section 4 creates a special fund with continuing appropriation authority/\$500,000 cap. Current income to the General Fund from the fees outlined in this section is approximately \$10,000 a biennium. Passage of this bill will place these dollars in a special fund to meet unfulfilled obligations related to geothermal operations, subsurface minerals, coal & geophysical exploration. Fiscal impact to the General Fund (\$10,000) for each biennium.

Section 5 creates a special fund with a continuing appropriation. The geologic data preservation fund is being proposed as a result of federal legislation which may make \$50,000 available annually for 5 years. These federal funds must be used for preservation of geologic data.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Section 4 results in less income to the General Fund of (\$10,000) and an increase in other funds of \$10,000.

Section 5 results in \$100,000 for each of the 2007-2009 and 2009-2011 biennia from potential federal funds for the designated purpose of geologic data preservation.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Section 2 relates to the expenditure of dollars received from a settlement from an oil and gas operator regarding a number of oil wells, federal funds designated for plugging abandoned wells (orphaned wells) and fee income. Expenditures for plugging and reclamation are done when weather permits and when contractors are available to complete the work. Funds are expended as soon as possible and when it is prudent to do so. There could be a lag in time between receipt of funds and expenditures. Anticipated expenditures for the 07-09 biennium from the revenues outlined above are \$150,000. This leaves \$25,000 that would be retained in the fund until such time as they could be expended for plugging and reclamation.

Section 5 relates to expenditures for the geologic data preservation. We anticipate that approximately 50% of the funds received from the federal government could be expended within the 07-09 and 09-11 biennium. That amount would be \$50,000 each biennium. The remaining unexpended federal funds received in those biennia of \$100,000 would be used in future biennia.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There is no impact to appropriations as the funds being discussed have continuing appropriations.

Name:	Karlene K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	02/27/2007

FISCAL NOTE
Requested by Legislative Council
02/01/2007

Amendment to: Engrossed
 HB 1060

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$100,000	(\$10,000)	\$285,000	(\$10,000)	\$215,000
Expenditures	\$0	\$100,000	\$0	\$200,000	\$0	\$200,000
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

- a) Process for & funding of reclamation of abandoned well sites;
- b) Requires permitting & reporting of commercial & residential geothermal installations;
- c) Creates two special funds

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 allows for the transfer of funds from the cash bond fund in order for those funds to be utilized to plug & reclaim abandoned wells. It is anticipated that this fund could exceed the fund cap during the 07-09 biennium because of the timing of receipt from a large settlement with an oil and gas operator (estimated to be \$50,000), funding from the federal government (estimated to be \$20,000), permit fee income (estimated at \$105,000) and the Department's ability to expend these funds for plugging and reclamation of abandoned wells. The cost to plug and reclaim wells has doubled since the last time the cap was adjusted. Without the lifting of the cap during the 2007-2009 biennium and the increase in the cap in the future, those dollars exceeding the cap (estimated to be \$25,000 during the 07-09 biennium) would go to the General Fund and would not be available for their intended purpose of plugging and reclaiming abandoned wells.

Section 4 creates a special fund with continuing appropriation authority/\$500,000 cap. Current income to the General Fund from the fees outlined in this section is approximately \$10,000 a biennium. Passage of this bill will place these dollars in a special fund to meet unfulfilled obligations related to geothermal operations, subsurface minerals, coal & geophysical exploration. Fiscal impact to the General Fund (\$10,000) for each biennium.

Section 5 creates a special fund with a continuing appropriation. The geologic data preservation fund is being proposed as a result of federal legislation which may make \$50,000 available annually for 5 years. These federal funds must be used for preservation of geologic data.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Section 4 results in less income to the General Fund of (\$10,000) and an increase in other funds of \$10,000.

Section 5 results in \$100,000 for each of the 2007-2009 and 2009-2011 biennia from potential federal funds for the designated purpose of geologic data preservation.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line*

item, and fund affected and the number of FTE positions affected.

Section 2 relates to the expenditure of dollars received from a settlement from an oil and gas operator regarding a number of oil wells, federal funds designated for plugging abandoned wells (orphaned wells) and fee income. Expenditures for plugging and reclamation are done when weather permits and when contractors are available to complete the work. Funds are expended as soon as possible and when it is prudent to do so. There could be a lag in time between receipt of funds and expenditures. Anticipated expenditures for the 07-09 biennium from the revenues outlined above are \$150,000. This leaves \$25,000 that would be retained in the fund until such time as they could be expended for plugging and reclamation.

Section 5 relates to expenditures for the geologic data preservation. We anticipate that approximately 50% of the funds received from the federal government could be expended within the 07-09 and 09-11 biennium. That amount would be \$50,000 each biennium. The remaining unexpended federal funds received in those biennia of \$100,000 would be used in future biennia.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There is no impact to appropriations as the funds being discussed have continuing appropriations.

Name:	Karlene K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	02/01/2007

FISCAL NOTE

Requested by Legislative Council

01/24/2007

REVISION

Amendment to: HB 1060

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$100,000	(\$10,000)	\$285,000	(\$10,000)	\$215,000
Expenditures	\$0	\$100,000	\$0	\$200,000	\$0	\$200,000
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

- a) Process for & funding of reclamation of abandoned well sites;
- b) Requires permitting & reporting of commercial & residential geothermal installations;
- c) Creates two special funds

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 allows for the transfer of funds from the cash bond fund in order for those funds to be utilized to plug & reclaim abandoned wells. It is anticipated that this fund could exceed the fund cap during the 07-09 biennium because of the timing of receipt from a large settlement with an oil and gas operator (estimated to be \$50,000), funding from the federal government (estimated to be \$20,000), permit fee income (estimated at \$105,000) and the Department's ability to expend these funds for plugging and reclamation of abandoned wells. The cost to plug and reclaim wells has doubled since the last time the cap was adjusted. Without the increase in the cap, those dollars exceeding the cap (estimated to be \$25,000) would go to the General Fund and would not be available for their intended purpose of plugging and reclaiming abandoned wells. Section 4 creates a special fund with continuing appropriation authority/\$500,000 cap. Current income to the General Fund from the fees outlined in this section is approximately \$10,000 a biennium. Passage of this bill will place these dollars in a special fund to meet unfulfilled obligations related to geothermal operations, subsurface minerals, coal & geophysical exploration. Fiscal impact to the General Fund (\$10,000) for each biennium.

Section 5 creates a special fund with a continuing appropriation. The geologic data preservation fund is being proposed as a result of federal legislation which may make \$50,000 available annually for 5 years. These federal funds must be used for preservation of geologic data.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

- A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Section 4 results in less income to the General Fund of (\$10,000) and an increase in other funds of \$10,000.

Section 5 results in \$100,000 for each of the 2007-2009 and 2009-2011 biennia from potential federal funds for the designated purpose of geologic data preservation.

- B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Section 2 relates to the expenditure of dollars received from a settlement from an oil and gas operator regarding a number of oil wells, federal funds designated for plugging abandoned wells (orphaned wells) and fee income. Expenditures for plugging and reclamation are done when weather permits and when contractors are available to complete the work. Funds are expended as soon as possible and when it is prudent to do so. There could be a lag in time between receipt of funds and expenditures. Anticipated expenditures for the 07-09 biennium from the revenues outlined above are \$150,000. This leaves \$25,000 that would be retained in the fund until such time as they could be expended for plugging and reclamation.

Section 5 relates to expenditures for the geologic data preservation. We anticipate that approximately 50% of the funds received from the federal government could be expended within the 07-09 and 09-11 biennium. That amount would be \$50,000 each biennium. The remaining unexpended federal funds received in those biennia of \$100,000 would be used in future biennia.

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There is no impact to appropriations as the funds being discussed have continuing appropriations.

Name:	Karlene K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	01/26/2007

FISCAL NOTE
Requested by Legislative Council
01/18/2007

Amendment to: HB 1060

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$100,000	(\$35,000)	\$285,000	(\$10,000)	\$110,000
Expenditures	\$0	\$100,000	\$0	\$200,000	\$0	\$50,000
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

- a) Process for & funding of reclamation of abandoned well sites;
- b) Requires permitting & reporting of commercial & residential geothermal installations;
- c) Creates two special funds

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 allows for the transfer of funds from the cash bond fund in order for those funds to be utilized to plug & reclaim abandoned wells. It is anticipated that this fund could exceed the fund cap during the 07-09 biennium because of the timing of receipt from a large settlement with an oil and gas operator (estimated to be \$50,000), funding from the federal government (estimated to be \$20,000), permit fee income (estimated at \$105,000) and the Department's ability to expend these funds for plugging and reclamation of abandoned wells. The cost to plug and reclaim wells has doubled since the last time the cap was adjusted. Without the increase in the cap, those dollars exceeding the cap would go to the General Fund and would not be available for their intended purpose of plugging and reclaiming abandoned wells. Fiscal impact to the General Fund for the 07-09 biennium is (\$25,000). Sect. 4 creates a special fund with continuing appropriation authority/\$500,000 cap. Current income to the General Fund from the fees outlined in this section is approximately \$10,000 a biennium. Passage of this bill will place these dollars in a special fund to meet unfulfilled obligations related to geothermal operations, subsurface minerals, coal & geophysical exploration. Fiscal impact to the General Fund (\$10,000) for each biennium. Section 5 creates a special fund with a continuing appropriation. The geologic data preservation fund is being proposed as a result of federal legislation which may make \$50,000 available annually for 5 years. These federal funds must be used for preservation of geologic data.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Section 2 relates to a transfer of potential revenues to the General Fund and the timing of when dollars are received and the expenditure of those dollars for plugging and reclaiming abandoned wells. Potential impact to the General Fund is (\$25,000) and an increase in other funds of \$175,000 in the 07-09 biennium.

Section 4 results in less income to the General Fund of (\$10,000) and an increase in other funds of \$10,000.

Section 5 results in \$100,000 for each of the 2007-2009 and 2009-2011 biennia from potential federal funds for the designated purpose of geologic data preservation.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Section 2 relates to the expenditure of dollars received from a settlement from an oil and gas operator regarding a number of oil wells, federal funds designated for plugging abandoned wells (orphaned wells) and fee income. Expenditures for plugging and reclamation are done when weather permits and when contractors are available to complete the work. Funds are expended as soon as possible but there could be a lag in time between receipt of funds and expenditures. Anticipated expenditures for the 07-09 biennium from the revenues outlined above are \$150,000. This leaves \$25,000 that would be retained in the fund until such time as they could be expended for plugging and reclamation.

Section 5 relates to expenditures for the geologic data preservation. We anticipate that approximately 50% of the funds received from the federal government could be expended within the 07-09 and 09-11 biennium. That amount would be \$50,000 each biennium. The remaining unexpended federal funds received in those biennia of \$100,000 would be used in future biennia.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There is no impact to appropriations as the funds being discussed have continuing appropriations.

Name:	Karlene K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	01/19/2007

FISCAL NOTE

Requested by Legislative Council

01/10/2007

REVISION

Bill/Resolution No.: HB 1060

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$100,000	(\$35,000)	\$285,000	(\$10,000)	\$110,000
Expenditures	\$0	\$100,000	\$0	\$200,000	\$0	\$50,000
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

- a) Process for & funding of reclamation of abandoned well sites;
- b) Requires permitting & reporting of commercial & residential geothermal installations;
- c) Creates two special funds

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Sec. 2 allows for the transfer of funds from the cash bond fund in order for those funds to be utilized to plug & reclaim abandoned wells. It is anticipated that this fund could exceed the fund cap during the 07-09 biennium because of the timing of receipt for a large settlement with an oil and gas operator [\$50,000], funding from the federal government [\$20,000], permit fee income [\$105,000] and the Department's ability to expend these funds for plugging and reclamation of abandoned wells. The cost to plug and reclaim wells has doubled since the last time the cap was adjusted. Without the increase in the cap, those dollars exceeding the cap would go to the General Fund and would not be available for their intended purpose of plugging and reclaiming abandoned wells. Fiscal impact to the General Fund for the 07-09 biennium is (\$25,000).

Sec. 4 creates a special fund with continuing appropriation authority/\$500,000 cap. Current income to the General Fund from the fees outlined in this section is approximately \$10,000 a biennium. Passage of this bill will place these dollars in special fund to meet unfulfilled obligations related to geothermal operations, subsurface minerals, coal & geophysical exploration. Fiscal impact to the General Fund is (\$10,000) for each biennium.

Sec. 5 creates a special fund with a continuing appropriation. The geologic data preservation fund is being proposed as a result of federal legislation which may make \$50,000 available annually for 5 years. These federal funds must be used for preservation of geologic data.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Section 2 relates to a transfer of potential revenues to the General Fund and the timing of when dollars are received and the expenditure of those dollars for plugging and reclaiming abandoned wells. Potential impact to the General Fund is (\$25,000) and an increase in other funds of \$175,000 in the 07-09 biennium.

Section 4 results in less income to the General Fund of (\$10,000) and an increase in other funds of \$10,000.

Section 5 results in \$100,000 for each of the 2007-2009 and 2009-2011 biennia from potential federal funds for the designated purpose of geologic data preservation.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Section 2 relates to the expenditure of dollars received from a settlement from an oil and gas operator regarding a number of oil wells, federal funds designated for plugging abandoned wells (orphaned wells) and fee income. Expenditures for plugging and reclamation are done when weather permits and when contractors are available to complete the work. Funds are expended as soon as possible but there could be a lag in time between receipt of funds and expenditures. Anticipated expenditures for the 07-09 biennium from the revenues outlined above are \$150,000. This leaves \$25,000 that would be retained in the fund until such time as they could be expended for plugging and reclamation.

Section 5 relates to expenditures for the geologic data preservation. We anticipate that approximately 50% of the funds received from the federal government could be expended within the 07-09 and 09-11 biennium. That amount would be \$50,000 each biennium. The remaining unexpended federal funds received in those biennia of \$100,000 would be used in future biennia.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

There is no impact to appropriations as the funds being discussed have continuing appropriations.

Name:	Karlene K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	01/10/2007

FISCAL NOTE
Requested by Legislative Council
12/27/2006

Bill/Resolution No.: HB 1060

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	(\$135,000)	\$235,000	(\$10,000)	\$110,000
Expenditures	\$0	\$0	\$0	\$0	\$0	\$0
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

- a) Process for & funding of reclamation of abandoned well sites;
- b) Requires permitting & reporting of commercial & residential geothermal installations;
- c) Creates two special funds

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Sec. 2 allows for the transfer of funds from the cash bond fund in order for those funds to be utilized to plug & reclaim abandoned wells. An anticipated one-time transfer of \$125,000 results in abandoned oil and gas well plugging and site reclamation fund exceeding its current cap. If the cap is not increased the funds then go to the General Fund and are not available to plug/reclaim abandoned wells. Fiscal impact for the 07-09 biennium is \$125,000.

Sec. 4 creates a special fund with continuing appropriation authority/\$500,000 cap. Current income to the General Fund from the fees outlined in this section are approximately \$10,000 a biennium. Passage of this bill will place these dollars in special fund to meet unfulfilled obligations related to geothermal operations, subsurface minerals, coal & geophysical exploration.

Sec. 5 creates a special fund with continuing appropriation. The geologic data preservation fund is being proposed as a result of federal legislation which may make \$50,000 available annually for 5 years. These federal funds must be used for preservation of geologic data.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

- A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Section 2 relates to a transfer from a potential revenue to the General Fund of \$125,000 to that potential revenue being placed in a special fund.

Section 4 results in less income to the General Fund of \$10,000 and an increase in other funds of \$10,000.

Section 5 results in \$100,000 for each of the 2007-2009 and 2009-2011 biennia from potential federal funds for the designated purpose of geologic data preservation.

- B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

N/A

C. **Appropriations:** Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.

N/A

Name:	Karlene K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	01/04/2007

January 12, 2007

**House Amendments to HB 1060 (78099.0101) - Natural Resources Committee
01/15/2007**

Page 1, line 2, after "the" insert "geophysical,"

Page 1, line 4, after "38-19-04" insert "and subsection 5 of section 54-44.4-02"

Page 1, line 5, remove the third "and"

Page 1, line 6, after "permits" insert ", and exemptions from procurement practices", remove
"and", and after "appropriation" insert "; and to declare an emergency"

**House Amendments to HB 1060 (78099.0101) - Natural Resources Committee
01/15/2007**

Page 4, line 5, replace "Geothermal" with "Geophysical, geothermal"

Page 4, line 6, after "a" insert "geophysical,"

Page 4, line 8, after "sections" insert "38-08.1-04,"

Page 4, line 9, after "section" insert "38-08.1-03.1,"

Page 4, line 13, after "section" insert "38-08.1-07,"

Page 4, line 16, after "chapter" insert "38-08.1,"

Page 4, line 20, after "chapters" insert "38-08.1,"

**House Amendments to HB 1060 (78099.0101) - Natural Resources Committee
01/15/2007**

Page 5, after line 8, insert:

"SECTION 6. AMENDMENT. Subsection 5 of section 54-44.4-02 of the North
Dakota Century Code is amended and reenacted as follows:

5. Procurements through a contract or other instrument executed by the industrial commission under chapter 54-17.5 and under those statutes in title 38 authorizing the industrial commission to perform well and hole pluggings, reclamation work, equipment removal, leak prevention, and similar work.

SECTION 7. EMERGENCY. This Act is declared to be an emergency
measure."

Re-number accordingly

Date: 1-12-07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1060

House Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken proposed amendments

Motion Made By DeKrey Seconded By Drovdal

Representatives	Yes	No	Representatives	Yes	No
Chairman - Rep. Porter			Rep. Hanson		
Vice-Chairman - Rep Damschen			Rep. Hunskor		
Rep. Charging			Rep. Kelsh		
Rep. Clark			Rep. Meyer		
Rep. DeKrey			Rep. Solberg		
Rep. Drovdal					
Rep. Hofstad					
Rep. Keiser					
Rep. Nottestad					

*Vote
Vote*

Total Yes _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 1-12-07
 Roll Call Vote #: 3

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1060

House Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as amended (2)

Motion Made By DeKrey Seconded By Nottestad

Representatives	Yes	No	Representatives	Yes	No
Chairman - Rep. Porter	✓		Rep. Hanson	✓	
Vice-Chairman - Rep Damschen	✓		Rep. Hunskor	✓	
Rep. Charging	✓	✗	Rep. Kelsh	✓	
Rep. Clark	✓		Rep. Meyer	✓	
Rep. DeKrey	✓		Rep. Solberg	✓	
Rep. Drovdal	✓				
Rep. Hofstad	✓				
Rep. Keiser					
Rep. Nottestad	✓				

Total Yes 13 No _____

Absent 1

Floor Assignment DeKrey

If the vote is on an amendment, briefly indicate intent:

Motion Previous

REPORT OF STANDING COMMITTEE

HB 1060: Natural Resources Committee (Rep. Porter, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1060 was placed on the Sixth order on the calendar.

Page 1, line 2, after "the" insert "geophysical,"

Page 1, line 4, after "38-19-04" insert "and subsection 5 of section 54-44.4-02"

Page 1, line 5, remove the third "and"

Page 1, line 6, after "permits" insert ", and exemptions from procurement practices", remove "and", and after "appropriation" insert "; and to declare an emergency"

Page 4, line 5, replace "Geothermal" with "Geophysical, geothermal"

Page 4, line 6, after "a" insert "geophysical,"

Page 4, line 8, after "sections" insert "38-08.1-04,"

Page 4, line 9, after "section" insert "38-08.1-03.1,"

Page 4, line 13, after "section" insert "38-08.1-07,"

Page 4, line 16, after "chapter" insert "38-08.1,"

Page 4, line 20, after "chapters" insert "38-08.1,"

Page 5, after line 8, insert:

"SECTION 6. AMENDMENT. Subsection 5 of section 54-44.4-02 of the North Dakota Century Code is amended and reenacted as follows:

5. Procurements through a contract or other instrument executed by the industrial commission under chapter 54-17.5 and under those statutes in title 38 authorizing the industrial commission to perform well and hole pluggings, reclamation work, equipment removal, leak prevention, and similar work.

SECTION 7. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

2007 HOUSE APPROPRIATIONS

HB 1060

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1060

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 1/22/07

Recorder Job Number: 1601

Committee Clerk Signature

Minutes:

Chairman Carlson opened the meeting on House Bill 1060. A bill for an act to create and enact chapter 38-21 and a new section to chapter 54-17.4 of the North Dakota Century Code, relating to creation of the geophysical, geothermal, subsurface minerals, and coal exploration and geologic data preservation funds; to amend and reenact sections 38-08-04.4, 38-08-04.5 and 38-19-04 and subsection 5 of section 54-44.4-02 of the North Dakota Century Code, relating to oil well plugging contracts, the oil and gas well plugging and site reclamation fund, geothermal energy extraction permits, and exemptions from procurement practices; to provide a continuing appropriation; and to declare an emergency.

Representative Porter spoke in support of the bill. The Natural Resources committee amended the bill to include an emergency clause for sections one and two. The recommendation of the Natural Resources committee was a Do Pass as Amended by a vote of 14-0. The Appropriations committee did not have a copy of the Engrossed Bill including the amendments. The fiscal note was correct.

Chairman Carlson: Were there any other changes besides the emergency clause?

Representative Porter: There were a couple of wording changes by the oil & gas division that they forgot. Also there were a couple of drafting errors that were fixed.

Chairman Carlson: What fiscal changes are on this bill that would require it to come to us?

Representative Porter: Two things. The first thing is the bill does create a new special fund inside oil & gas. The second thing is that creation takes \$10,000 to do.

Representative Kempenich: The fiscal note did not change.

Chairman Carlson: The new fund will be called The Geological Preservation Fund that is what has been added in this bill? It allows a continuing appropriation and it takes \$10,000 to get it organized?

Representative Porter: Yes. The difference is, if you don't put the emergency clause on it will show as a complete general fund appropriation of \$135,000 in the 07-09 biennium. By putting the emergency clause on, \$100,000 is from the settlement that would transfer right into the special fund and the \$35,000 on the 07-09 biennium.

Chairman Carlson: Who will be the carrier on this bill?

Representative Porter: Representative DeKrey.

Lynn Helms testified in support of the bill. See attached testimony 1060.1.22.07A.

Chairman Carlson: There is a \$35,000 impact going to the general fund this biennium?

Lynn Helms: Yes.

Representative Kempenich: So you are collecting over the \$250,000?

Lynn Helms: Right. We will exceed the \$250,000 so we are raising the cap so those funds will not go to the general fund and we are creating two new special funds.

Representative Kempenich: What kind of federal money usually flows into this? How much do you expect to get or don't you expect to get any?

Lynn Helms: it varies. In the past, we have never gotten federal funds for plugging orphan wells. But we have the authority to receive them and put them in there. This is the first time.

Representative Skarphol: Are you anticipating continuing receiving that money?

Lynn Helms: The Energy Policy Act of 2004 makes that money available for five years.

Representative Skarphol: With regard to plugging orphaned wells. How many of them out there do you have that you are aware of that are real emergencies at this point in time?

Lynn Helms: We don't have any that I would put in an emergency category at this point in time. We have eight wells that are going to be the state's responsibility but they are all secure right now.

Representative Skarphol: It would seem logical to me that we should consider offering to allow you to carry forward this money until sometime after the boom maybe declines to where rigs are more available and costs are more competitive. Does that seem like a reasonable thing to do?

Lynn Helms: That is one of the reasons that we would like to raise this cap. This last year we saw the costs of plugging a well go from \$22,000 to almost \$60,000. Unless it was an emergency, I would hate to spend the state money in times when the work over rigs are \$400 per hour.

Representative Skarphol: I would think that would be an appropriate amendment to this particular piece of legislation is to allow the Oil & Gas Division to use their discretion in determining when to make these expenditures. I very much doubt that they could even get a rig to do them unless they were an emergency. And if they are an emergency then obviously we should do them but if they are not an emergency I think they should be allowed to carry this money forward indefinitely until such time is needed.

Chairman Carlson: You are convinced it will be needed sooner or later?

Representative Skarphol: Absolutely.

Chairman Carlson: Would you like to have an amendment drafted?

Representative Skarphol: Yes I think would be appropriate.

Lynn Helms: I believe what you are talking about is just removing the cap on this bill.

Representative Skarphol: I think allowing the carry forward of the excess funds and I think legislative intent needs to be expressed that it is intended because of the fact of the costs at this time so in the event that five years from now when different people are here that they have legislative history indicating what the intention was so this cannot continue to build indefinitely.

Representative Kempenich: Maybe what we need is a report if it goes over \$500,000 they have to report to the budget section. Then we don't need a cap on it just a report of what is available.

Representative Glassheim: Are they likely to go over \$500,000 in the next two years?

Lynn Helms: I think it is unlikely but we can't really anticipate what federal funds will be. But it is possible.

Chairman Carlson: So you don't object having that language added to the bill?

Lynn Helms: No Sir.

Chairman Carlson asked that Representative Skarphol and Representative Kempenich work with Legislative Council to get the amendment drafted.

Vice Chairman Carlisle: This bill came because of the wells that were left?

Lynn Helms: That is the primary driving force. In addition, two years ago these federal funds were not available. North Dakota needs to take the right steps to have a bank account to put those federal funds in.

Chairman Carlson: If we put a revisiting time in here of two years, why would you need a continuing appropriation?

Allen Knudson: They would have to line item all funds.

Mr. Helms indicated that there will be no additional FTEs needed.

Representative Glassheim: Is the \$35,000 from the General Fund in the Governor's Budget?

Lynn Helms: That is new money that has flowed in to the General Fund.

Chairman Carlson: But it was in the Governor's Budget as revenue?

Lynn Helms: \$10,000 was in there.

Karlene Fine will work with Legislative Council on the fiscal note.

The hearing was closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1060

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 1/25/07

Recorder Job Number: 1995 and 1996

Committee Clerk Signature

Kanya Voegele

Minutes:

Representative Skarphol and Allen Knudson from Legislative Council described the amendment that the committee asked to be drafted. This is amendment 78099.0201.

A motion was made by Representative Skarphol, seconded by Representative Thoreson and carried by voice vote to approve the amendment as written.

Representative Thoreson: What is a work over rig?

Representative Skarphol: A unit that they move onto an oil well to work on the well.

Chairman Carlson: Where do they get the money for this fund?

Representative Skarphol: This money is bonding money and settlement money.

Representative Kroeber: Are we keeping the emergency clause?

Representative Skarphol: Yes.

Page 2
House Appropriations Committee
Government Operations Division
Bill/Resolution No. 1060
Hearing Date: 1/25/07

A motion was made by Representative Thoreson, seconded by Representative Skarphol for a DO PASS AS AMENDED recommendation to the House Appropriation Full Committee. The committee vote was Y=8, N=0, A=0. The bill will be carried by Representative Skarphol.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1060

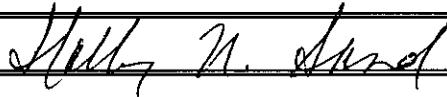
House Appropriations Committee

Check here for Conference Committee

Hearing Date: January 29, 2007

Recorder Job Number: 2090

Committee Clerk Signature



Minutes:

Chm. Svedjan opened the hearing on HB 1060.

Rep. Skarphol explained that this bill was introduced at the request of the Industrial Commission because of funds that are flowing into the Industrial Commission's cash bond fund. Rep. Skarphol reviewed the bill.

Rep. Skarphol motioned to adopt amendment .0201. **Rep. Carlisle** seconded the motion.

Rep. Aarsvold: That fund has its source from claims paid based on violations of one sort or another?

Rep. Skarphol: The fiscal note explains that as well as Section 2 of the engrossed bill. Rep. Skarphol explained Section 5 of the bill.

Rep. Wald: Is Section 8 new language?

Rep. Skarphol: Yes. That's in order for budget section to get a handle on how much money is flowing in and out of that fund and whether or not we need to make any suggestions with regard to that.

The motion to adopt amendment .0201 carried by a voice vote.

Rep. Skarphol motioned a Do Pass as Amended to Engrossed HB 1060. Rep. Kempenich seconded the motion. The motion carried by a roll call vote of 23 ayes, 0 nays and 1 absent and not voting. Rep. Skarphol was designated to carry the bill.

VK
1/30/07
log 2

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1060

Page 1, line 7, after the second semicolon insert "to provide for a report to the budget section; to provide an effective date; to provide an expiration date;"

Page 2, after line 16, insert:

"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. 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.
2. Moneys in the fund may be used 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.
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

2072

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. ~~However, when the fees accumulated in the fund exceed two hundred fifty thousand dollars, any additional fees collected by the oil and gas division of the industrial commission must be deposited in the general fund."~~

Page 5, after line 16, insert:

"SECTION 8. BUDGET SECTION REPORT. The industrial commission shall report to the budget section during the 2007-08 interim on revenues and expenditures of the abandoned oil and gas well plugging and site reclamation fund; geophysical, geothermal, subsurface minerals, and coal exploration fund; and the geologic data preservation fund for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 9. EFFECTIVE DATE. Section 3 of this Act becomes effective July 1, 2009.

SECTION 10. EXPIRATION DATE. Section 2 of this Act is effective through June 30, 2009, and after that date is ineffective."

Renumber accordingly

Date: 1/25/07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1060

House Appropriations- Government Operations Committee

Check here for Conference Committee

Legislative Council Amendment Number 78099.0201

Action Taken Do Pass by voice vote

Motion Made By SKARPHOL Seconded By THORESON

Representatives	Yes	No	Representatives	Yes	No
Chairman Al Carlson			Vice Chairman Ron Carlisle		
Rep Keith Kempenich			Rep Bob Skarphol		
Rep Blair Thoreson			Rep Eliot Glassheim		
Rep Joe Kroeber			Rep Clark Williams		

Total Yes _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Do PASS by voice vote.

Amendment Removes the cap on the fund for a period of 2 years. Then raises the cap to \$500,000 after that.

Date: January 29, 2007
 Roll Call Vote #: /

**2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 1060**

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number 78099.0201

Action Taken Adoption of Amend. - Passed by Voice Vote

Motion Made By Skarphol Seconded By Carlisle

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Representative Wald			Representative Aarsvold		
Representative Monson			Representative Gulleson		
Representative Hawken					
Representative Klein					
Representative Martinson					
Representative Carlson			Representative Glassheim		
Representative Carlisle			Representative Kroeber		
Representative Skarphol			Representative Williams		
Representative Thoreson					
Representative Pollert			Representative Ekstrom		
Representative Bellew			Representative Kerzman		
Representative Kreidt			Representative Metcalf		
Representative Nelson					
Representative Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 1/29/07
 Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1060

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number 78099.0201

Action Taken No. Pass or Amended Amended HB 1060

Motion Made By Skarphol Seconded By Kemperich

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kemperich	✓				
Representative Wald	✓		Representative Aarsvold	✓	
Representative Monson	✓		Representative Gulleon	✓	
Representative Hawken	✓				
Representative Klein	✓				
Representative Martinson	✓				
Representative Carlson	✓		Representative Glassheim	✓	
Representative Carlisle	✓		Representative Kroeber	✓	
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson	✓				
Representative Pollert	✓		Representative Ekstrom	✓	
Representative Bellew	✓		Representative Kerzman	✓	
Representative Kreidt	✓		Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland	✓				

Total (Yes) 23 No 0

Absent 01

Floor Assignment Skarphol

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1060, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (23 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1060 was placed on the Sixth order on the calendar.

Page 1, line 7, after the second semicolon insert "to provide for a report to the budget section; to provide an effective date; to provide an expiration date;"

Page 2, after line 16, insert:

"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. 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.
2. Moneys in the fund may be used 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.
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. ~~However, when the fees accumulated in the fund exceed two hundred fifty thousand dollars, any additional fees collected by the oil and gas division of the industrial commission must be deposited in the general fund."~~

Page 5, after line 16, insert:

"SECTION 8. BUDGET SECTION REPORT. The Industrial commission shall report to the budget section during the 2007-08 interim on revenues and expenditures of the abandoned oil and gas well plugging and site reclamation fund; geophysical, geothermal, subsurface minerals, and coal exploration fund; and the geologic data preservation fund for the biennium beginning July 1, 2007, and ending June 30, 2009.

SECTION 9. EFFECTIVE DATE. Section 3 of this Act becomes effective July 1, 2009.

SECTION 10. EXPIRATION DATE. Section 2 of this Act is effective through June 30, 2009, and after that date is ineffective."

Renumber accordingly

2007 SENATE NATURAL RESOURCES

HB 1060

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1060

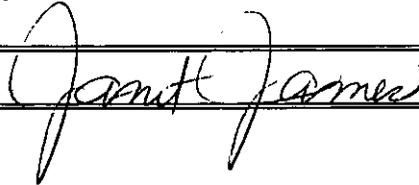
Senate Natural Resources Committee

Check here for Conference Committee

Hearing Date: February 22, 2007

Recorder Job Number: #3680, 3681

Committee Clerk Signature



Minutes:

Senator Stanley Lyson, Chairman of the Senate Natural Resources Committee brought the committee to order.

All member of the committee were present.

Senator Lyson opened the hearing on HB 1060, relating to creation of the geophysical, geothermal, subsurface minerals, and coal exploration and geologic data preservation funds.

Lynn Helms, director of the Industrial Commission's Department of Mineral Resources (DMR) testified in support of HB 1060 explaining each section of the bill (See attachment #1).

Senator Herbert Urlacher questioned if the cost of reclamation is high compared to the money available for it.

Lynn Helms agreed explaining the cost of plugging and reclaiming a well was \$20,000 but now it costs in excess of \$50, 000. He also told the committee they would be seeing a bonding bill.

Senator Urlacher continued asking if old well sights that have not been reclaimed fall back on this proposal and how many there are.

Lynn Helms answered there are eight sites in the state that the commission is responsible to fix with an additional nine abandoned or orphaned wells that will therefore need to be plugged.

This has to be done carefully and slowly as not to use up the money in the fund making it difficult to keep up with the need to take care of these wells.

Ron Ness representing the North Dakota Petroleum Council testified in support of HB 1060 stating the industry has paid these fees and as a result of the cap, the agency has not enough revenue to do what is required. Additional bonds or fees are not the answer and the answer is in HB 1060.

Senator Lyson asked for opposing testimony. Hearing none he asked for neutral testimony.

Senator Ben Tollefson asked why there should be a sunset clause on the cap as proposed in the HB 1060 and just leave it open or uncapped.

Lynn Helms stated he would support that concept although the House Natural Resources committee had some concerns as that would be too drastic a move and wanted to bring the cap back at \$500,000. He reiterated that these funds paid by the industry and the good operators should not take care of the problems of the bad operators, so capping the fund does not seem fair.

Senator Urlacher stated this issue is not going to go away and supports removing the sunset on the cap.

Lynn Helms stated they recognize that this a continuing appropriations and the legislature can remove the money at any time.

Senator Tollefson stated with the high level of oil activity, the need is there.

Senator Lyson closed the hearing on HB 1060.

Senator Lyson asked the intern to compose an amendment to remove the cap for further discussion.

Senator Lyson closed the hearing on HB 1060

3681

The intern distributed to the committee members a draft of the proposed amendment.

Lynn Helms stated the amendment was very simple and removes Section 3, 9, 10.

Senator Triplett asked if Section 3, subsection H was necessary.

Lynn Helms clarified it was a repeat of information in Section 2.

Senator Triplett made a motion for adoption of the amendment as proposed.

Senator Jim Pomeroy second the motion.

Roll call vote #1 for adoption of the amendments was taken by voice vote indicating 6 yeas 0 Nays and 1 absent.

Senator Ben Tollefson made a motion for a Do Pass as Amended and rereferred to appropriations.

Senator Layton Freborg second the motion.

Roll call vote #2 for a Do Pass as Amended and rereferred to Appropriations of HB 1060 was taken indicating 7 Yeas, 0 Nays and 0 absent or not voting.

Senator Ben Tollefson will carry HB 1060.

78099.0301
Title.0400

Adopted by the Natural Resources
Committee

February 22, 2007



2-23-07

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1060

Page 1, line 8, remove "; to provide an effective date; to provide an expiration date"

Page 3, remove lines 20 through 31

Page 4, remove lines 1 through 19

Page 6, remove lines 24 through 26

Renumber accordingly

Date: 2-22

Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. HB 1060

Senate Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Amend 5 to remove Sect 3, 9, 10

Motion Made By Triplet Seconded By Pomeroy

Senators	Yes	No	Senators	Yes	No
Sen. Stanley Lyson, Chairman			Sen. Joel Heitkamp		
Sen. Ben Tollefson, ViceChairman			Sen. Jim Pomeroy		
Sen. Layton Freborg			Sen. Constance Triplet		
Sen. Herbert Urlacher					

Total (Yes) 6 No 0

Absent 1

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 2/22

Roll Call Vote #: 2

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1060

Senate Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amendment & referral

Motion Made By Tollefson Seconded By Freborg

Senators	Yes	No	Senators	Yes	No
Sen. Stanley Lyson, Chairman	✓		Sen. Joel Heitkamp	✓	
Sen. Ben Tollefson, ViceChairman	✓		Sen. Jim Pomeroy	✓	
Sen. Layton Freborg	✓		Sen. Constance Triplett	✓	
Sen. Herbert Urlacher	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Tollefson

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1060, as reengrossed: Natural Resources Committee (Sen. Lyson, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING)**. Reengrossed HB 1060 was placed on the Sixth order on the calendar.

Page 1, line 8, remove "; to provide an effective date; to provide an expiration date"

Page 3, remove lines 20 through 31

Page 4, remove lines 1 through 19

Page 6, remove lines 24 through 26

Renumber accordingly

2007 SENATE APPROPRIATIONS

HB 1060

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1060

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 03-06-07

Recorder Job Number: 4447

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on HB 1060.

Lynn D. Helms, Director, Industrial Commission's Department of Mineral Resources (DMR), presented written testimony (1) in support of HB 1060 indicating the bill does several things for the Department regarding jurisdiction. He discussed the fiscal effects of the bill.

Senator Bowman questioned whenever money is in any fund, is there language in the bill that keeps it in that fund for the purpose intended. There response was that the language does not currently exist.

Senator Krebsbach questioned whether it was possible to have a sunset on this legislation.

The response was that the bill had a sunset and the house removed it.

Senator Bowman indicated it is environmentally sound to have this in place, it is good policy.

Senator Bowman moved a do pass, Senator Christmann seconded. A roll call vote was taken resulting in 11 yes, 0 no, and 3 absent. The motion passed and Senator Tollefson will carry the bill.

Chairman Holmberg closed the hearing.

Date: 3/6/07
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1060

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Bowman Seconded By Christmann

Senators	Yes	No	Senators	Yes	No
Chairman Ray Holmberg	✓		Senator Aaron Krauter		
Vice Chairman Bill Bowman	✓		Senator Elroy N. Lindaas	✓	
Vice Chairman Tony Grindberg	✓		Senator Tim Mathern		
Senator Randel Christmann	✓		Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson		
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 11 No 0

Absent 3

Floor Assignment Tallackson Not Res

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 7, 2007 8:18 a.m.

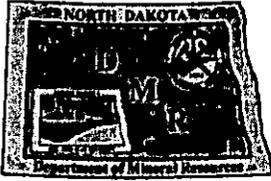
Module No: SR-43-4599
Carrier: Tollefson
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1060, as reengrossed and amended: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). Reengrossed HB 1060, as amended, was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

HB 1060



HOUSE BILL NO. 1060

House Natural Resources Committee
January 5, 2007

Testimony of Lynn D. Helms, Director

The Industrial Commission's Department of Mineral Resources (DMR) has jurisdiction over plugging and reclamation of abandoned wells and sites, coal exploration, geophysical exploration, geothermal energy extraction facilities, subsurface mineral production, and disseminating geological information.

Section 1 – modernizes the DMR Oil and Gas Division's contracting authority to deal with production equipment such as tanks, pumps, and treaters on abandoned sites in the same manner that wells have historically been dealt with.

Section 2 – allows funds accumulated from administrative fees on cash bonds to be transferred into the abandoned well reclamation fund to pay for plugging and reclamation of abandoned wells. This will make the process of contracting for abandonment and reclamation of abandoned wells and sites that were on a cash bond simpler and quicker. This legislation also would increase the cap on the Abandoned Well Restoration Fund from \$250,000 to \$500,000. Currently there is a onetime transfer anticipated which would result in the abandoned oil and gas well plugging and site reclamation fund temporarily exceeding its current cap. If the cap is not increased then the funds would go to the General Fund and not be available for the plugging and reclamation of the abandoned wells. Fiscal impact for the 07-09 biennium is \$125,000. Finally, the cost to plug and reclaim wells has doubled since the last time this cap was raised.

Section 3 – requires the permitting and reporting of both commercial and residential geothermal installations. Under the current statutes, residential installers must file a completion report, and if they fail to do so, we can fine them even though they are not required to obtain a permit. This bill corrects this and insures that these systems are installed using approved fluids, etc. We can prevent problems up front when reviewing a permit application rather than having to deal with them after the site is installed and we see a problem on the completion report. We receive 50 completion reports each year for residential systems but likely many more were installed and the paperwork not sent in. This proposal was presented to the water well drillers annual meeting. The installers do not oppose this change, in fact many support it. Several have commented that they are glad we are looking at a reduced permit application fee for residential systems.

Section 4 - establishes a special fund with continuing appropriation authority and a \$500,000 cap. Currently, the income to the General Fund from the fees outlined in this section is approximately \$10,000 a biennium. Passage of this bill will place these dollars in a special fund to be utilized to satisfy unfulfilled obligations related to geothermal operations, subsurface mineral production, coal exploration and geophysical exploration in the same way abandoned oil and gas sites have been handled.

Section 5 - establishes a special fund with continuing appropriation. The geologic data preservation fund is being proposed as a result of federal legislation, Energy Policy Act of 2005, which could make \$50,000 available for each of the next five years. These federal funds must be used for the preservation of geologic data. We anticipate using the funds to set up a Geological Survey subscription web site similar to the extremely successful Oil and Gas Division site. We will hire temporary employees, students if possible, who will scan all historical publications, aerial photographs, etc. now stored without any backup as hardcopies. We expect that subscription fees will sustain the process after federal funds end.

PROPOSED AMENDMENTS - In the original bill draft we left geophysical exploration out of the bill description and section 4. Discussions with OMB about section 1 led to their recommendation and support of section 6 because our bidding requirements meet or exceed their requirements.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1060

Page 1, line 2, after "the" insert "geophysical,"

Page 1, line 6, after "permits;" insert "to exempt certain industrial commission activities from section 54-44.4-02 of the North Dakota Century Code dealing with procurement practices;"

Page 4, line 5, replace "Geothermal" with "Geophysical, geothermal"

Page 4, line 6, after "a" insert "geophysical."

Page 4, line 8, after "sections" insert "38-08.1-04."

Page 4, line 10, before "38-12-02" insert "38-08.1-03.1."

Page 4, line 13, after "section" insert "38-08.1-07."

Page 4, line 16, after "chapter" insert "38-08.1."

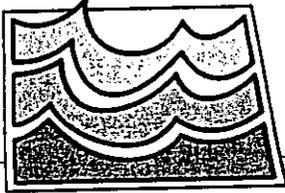
Page 4, line 20, after "chapters" insert "38-08.1."

Page 5, after line 8, insert:

"Section 6. Amendment. Subsection 5 of section 54-44.4-02 of the North Dakota Century Code is amended and reenacted as follows:

5. Procurements through a contract or other instrument executed by the industrial commission under chapter 54-17.5 and under those statutes in title 38 authorizing the industrial commission to perform well and hole pluggings, reclamation work, equipment removal, leak prevention, and similar work.

Renumber accordingly



North Dakota State Water Commission

900 EAST BOULEVARD AVENUE, DEPT 770 • BISMARCK, NORTH DAKOTA 58505-0850
701-328-2750 • TDD 701-328-2750 • FAX 701-328-3696 • INTERNET: <http://swc.nd.gov>

NB / D60 COPY

Water Appropriation Division
(701)328-2754

January 10, 2007

Eagle Operating, Inc.
PO Box 853
Kenmare, ND 58746

Ballantyne Oil
PO Box 397
Westhope, ND 58793

Kerr-McGee Oil
1670 Broadway, Suite 2800
Denver, CO 80202-4800

Dear Sirs:

On December 12, 2006, a meeting was held at the Governor's office to discuss the water permitting process and ways in which oil field waterflood water permit applications may be processed in a more timely manner. Various options were discussed which included:

1. Improving the efficiency of conditional water permit application processing procedures.
2. Granting temporary water permits so the applicant can begin oil field waterflooding while the conditional water permit application is being processed.

Improving the Efficiency of Conditional Water Permit Processing Procedures

The following procedures will be adopted by the Water Appropriation Division to improve the efficiency of the conditional water permit application process:

1. The number of water permit application processing days can be reduced significantly by developing an application tracking system. Analysis of delays in the application process indicated applicants failed, for various reasons, to follow through with essential paperwork required to complete the process. If, after reasonable time periods, the applicant does not provide required paperwork, our office will contact the applicant to determine the nature of the delay. Better communication between our office and the applicant should reduce delays occurring during the water permit application process.
2. The water source for waterflood projects is the Dakota aquifer and from aquifers deeper than the Dakota aquifer. These aquifers are characterized by high salinity waters that are not suitable for human/livestock consumption in oil field areas in the western part of the state without costly treatments. As a result, the protection of freshwater users (prior appropriators) (domestic/stock) is not an issue. In addition, the Dakota aquifer has been used to dispose of oil formation waters pumped during oil extraction. In many instances, this injected water will now be pumped for waterflood purposes. Given the above, the time required for the hydrologist to analyze and prepare a recommended decision is about one or two days. During 2006, eight waterflood water permit applications were made with the Dakota aquifer as the source aquifer. Seven of these water permit applications were received by this office

during September, October, and November. Due to the workload of our hydrologist assigned to review oil field related water permit applications, the preparation of recommended decisions was delayed. In the future this type of delay will be more effectively dealt with by either adjusting the hydrologist workload or contracting preparation of the recommended decisions to former employees familiar with the decision process.

3. Letters of concern/objection have been filed for some waterflood conditional water permit applications in response to notices of application. The respondents become parties of record and, as a result, the recommended decision must be sent to all parties of record for their review. Each party of record has 30 days to provide additional comments, request a hearing, or both, resulting in a month's delay in the issuance of the conditional water permit. For all past waterflood water permit applications, no party of record has submitted additional comments or requested a hearing. In reviewing comments expressed by parties of concern for more recent applications, it is evident that they were concerned about their shallow, fresh water supply wells and did not realize that the proposed waterflood source aquifer was a couple of thousand feet or more below the shallow, fresh water supplies. To help mitigate this lack of understanding in the case of oil field waterflood projects, the notice of application sent to record landowners within a one-mile radius of the proposed point of diversion and the notice of application published in the county newspaper will include the name of the aquifer to be used as the water source. In addition, the notice of application sent by the applicant to record landowners within a one-mile radius of the proposed point of diversion may include a letter giving a more detailed description of the proposed ground-water diversion (see attached example). For those who still respond to the application, the hydrologist can contact each respondent when their comments are filed to explain the hydrogeologic setting, allay their concerns, and request a letter removing their name as a party of record. Thus, it will not be necessary to wait for the entire 30-day comment period to expire.

Temporary Water Permit Applications

Applicants for oil field waterflooding water permits from the Dakota and deeper aquifers in western North Dakota can apply for and receive temporary water permit applications to initiate waterflooding while the conditional water permit application is being processed and evaluated. The following procedures and requirements will provide the basis for the issuance of temporary water permits requesting ground-water appropriation from the Dakota and deeper aquifers in western North Dakota:

1. The applicant must submit a temporary and a conditional water permit application at the same time.
2. The issuance of a proposed temporary water permit can be made for up to one year as currently allowed by statute. This provides more than enough time for the conditional water permit to be processed and issued.
3. A memo of recommendation will be prepared describing the special circumstances that prevail and therefore warrant the issuance of a temporary water permit. Based on past temporary water permit requests, all oil field waterflood projects deriving ground water from the Dakota aquifer or deeper aquifers in certain areas in western

North Dakota will likely meet the "special circumstance" requirements for the issuance of a temporary water permit. For waterflood projects using ground water from the Dakota aquifer or deeper aquifers, the "special circumstances" are:

- a) In the western part of the state, the Dakota aquifer and deeper bedrock aquifers are characterized by highly saline ground water that is unfit for human/livestock consumption. Therefore, protection of the rights of prior appropriators (domestic/stock/irrigation) is not an issue. In the central and eastern parts of the state, the Dakota aquifer is a source for domestic and municipal water supplies. As a result, temporary water permits deriving water from the Dakota aquifer will be limited to certain areas in the western part of the state.
- b) In North Dakota oil fields, the Dakota aquifer and other bedrock aquifers below the Dakota aquifer occur at depths of greater than 2000 feet below shallow, fresh water aquifers used for domestic/stock/irrigation use. As a result, pumping ground water from these deeper bedrock aquifers will have no measurable effect on water supplies developed in the more shallow, fresh water aquifers.
- c) The Dakota aquifer is used as a disposal zone for saline waters removed from oil producing formations. In some cases applicants will now be pumping water that had been previously injected into the aquifer. Overall, the oil companies inject much more water into the Dakota aquifer than they pump from it. Under these circumstances, over-appropriation will not be an issue.

The above administrative procedures will significantly reduce the processing/evaluation time required to obtain a conditional water permit to appropriate ground water from the Dakota and deeper aquifers in western North Dakota. In addition, the issuance of temporary water permits for the above ground-water appropriations will facilitate a more timely development of oil-field related waterflood projects. If you have any questions regarding the above administrative procedures do not hesitate to contact me.

Sincerely,



Robert Shaver, Director
Water Appropriation Division

RS:mb/1400, 1400A
Encl.

Below is an example of a letter which an oil company may, at their initiative, include with the formal notice of application letter sent to landowners within one mile of a proposed water-source well. The example, below, will be included with the information sent to the applicant.

Oil company letterhead

To: Landowners

From: [Name of oil company]

RE: Water Permit Application Number [xxxx]

Date: [date]

[Name of oil company] has made application to the Office of the State Engineer for a water permit which would authorize the appropriation of water from one of its converted oil wells in the [name of oil field]. If approved, water will be extracted from a well located in the [quarter-section-township-range], [name of county], North Dakota. The water source well will be completed in the Dakota aquifer at a depth of approximately [,__-__,__] feet below land surface. The water will then be injected into the oil-producing zone for enhanced oil recovery operations.

If you have any questions concerning this application, please do not hesitate to contact [individual, company, telephone number, email].

The following are people or groups that were emailed in a January 10, 2007 letter discussing water permits for waterflood operations:

Lance Gabel gabel@nd.gov (Governor's Office)

Lawrence Bender law.office@pearce-durick.com (Pearce & Durick law office)

Robert Harms harmsrbt@aol.com (Northern Alliance of Independent Producers)

Wade Moser nds@ndstockmen.org (Executive VP, ND Stockmen's Association)

Lynn Helms helms@nd.gov (ND Oil & Gas)

Ron Ness ndpc@ndoil.org (ND Petroleum Council)

Jim Legerski legerski.hrr@midconetwork.com (Consultant)

Shane Hanson: sahanson@flecklaw.com (with Fleck, Mather, & Strutz law office)

Johnson & Borchert: ndgeol@btinet.net (a part of Harris, Brown, & Klemmer, consultants)

John Soberhrad sobehrad@sbcglobal.net (Consultant for PetroSearch)

Justin Firkins justin.c.firkins@conocophillips.com (Reg. Tech. for Burlington Res.)

Scott Webb scottw@whiting.com (Regulatory technician with Whiting Petroleum)

Aquifers in North Dakota with TDS exceeding 3000 mg/l **4B/106**

Aquifer	Location	Date_Sampled	Max TDS
Bennie Pierre-Hay Creek	14710325ADD	5/5/81	4880
Bullion Creek	16209509ADD2	6/20/94	8660
Carlisle Formation	15105523BBB2	1/24/02	4560
Charbonneau	15010402ADA2	10/21/80	3630
Cherry Creek	15009834BCC	5/7/81	3490
Clay Sediments	15206233CDA2	7/22/03	3480
Columbus	16309317DDD	6/22/99	3420
Dakota Group	15205114CCC1	8/18/66	32400
Ellendale	12906107CCC5	6/16/04	4260
Elm Creek	14108923AAA	11/21/94	5200
Enderlin	13705536BAB	12/19/79	3780
Englevale	13105709BAA	9/15/05	3050
Englevale-Lower	13105705CBBB1	9/14/05	5950
Englevale-Middle	13105705CBBB2	10/10/95	3930
Englevale-Upper	13105801AAA3	8/16/01	16200
Fort Union	14810307CDD	8/1/79	5420
Fox Hills	16108424DDD	7/27/05	7930
Gravel Sediments	15406528DAA2	6/24/98	4730
Guelph	12906236ADA3	6/14/00	3250
Hankinson	13005014DCD2	10/25/95	3290
Hell Creek	14109215CCA	7/17/72	3720
Hillsboro	14405113DCD1	8/26/72	3960
Hofflund	15409602ACA	7/10/75	169400
Kidder County	14007027CCC2	8/8/02	9980
Killdeer	14109304CBB	12/15/73	5060
Lake Clay Sed.	15406511CCD3	5/7/92	31000
Lake Nettle	14708022CDD1	8/13/85	39500
Little Knife River Valley	15609133BDA3	10/24/90	3160
Little Missouri Burled Channel	14809935ACC	10/1/80	4370
Little Muddy	15510136CDC	6/15/94	3670
Long Lake	13707532C	9/23/66	3127
Manfred	14807213DAD	8/30/05	3100
Minnelusa	13110727BDCB	10/22/85	3300
NE Missouri Buried Channel	16210131AAA	6/22/82	3600
New Rockford	14506104DAD1	10/21/86	8320
North Hill	15508301CCC	8/27/65	3600
Oakes	12905934DBB	10/20/87	50500
Pierre Shale	15606510BCC	8/28/74	9800
Pleasant Lake	15607110BAB1	5/23/05	9730
Prosper	14105023CCC1	11/13/91	3090
Riverdale	14608417DAA	8/23/67	3670
Ryder Ridge	15108606DAA2	6/17/94	4200
Sand Sediments	15306404CAA1	7/25/88	8340
Sentinel Butte-Tongue River	14509332BBB2	10/20/71	8690
Shell Creek	15209036ABB1	1/1/61	3487
Shell Valley	16007202CBC	1/7/81	44800
Sheyenne Delta	13405407CDC	9/21/72	3070
Skjermo Lake	16210224BBC	6/24/04	7300
Souris Valley	15607611BDC	9/21/89	3170
Spiritwood	14405925AAB2	6/7/71	9480
Strawberry Lake	15008025AAA1	9/15/94	3890
Till	15006931CBC1	8/5/98	52300
Tobacco Garden Creek	15009818DDCD	5/24/00	4360
Tolgen	15308606AAA	1/1/77	3200
Tongue River	13810611AAA	7/28/81	6290
Tongue River-Ludlow	14109316AAA1	9/20/74	8030
Trenton	15310217CCC	7/19/01	5460
Undefined	14708011AC	1/26/73	75800
Unnamed	15105209CBCC1	9/24/92	9890
Vang	15208604BDA	7/16/02	3070
Wahpeton Buried Valley	13304720ADD2	5/19/94	6380
Wahpeton Sand Plain	13304720ABDB5	4/24/90	3320
Wahpeton Shallow Sand	13304720BBBAB5	5/15/01	5670
White Shield	14908910BBC	5/14/68	3880
Yellowstone Buried Channel	16009904AAA2	7/9/99	7600
Zeeland	12907324ABB	8/23/76	3200



HOUSE BILL NO. 1060

House Appropriations Committee
January 22, 2007

Testimony of Lynn D. Helms, Director

The Industrial Commission's Department of Mineral Resources (DMR) has jurisdiction over plugging and reclamation of abandoned wells and sites, coal exploration, geophysical exploration, geothermal energy extraction facilities, subsurface mineral production, and disseminating geological information.

HB 1060 has the following fiscal impacts:

- 1) Minor reduction to general fund income
- 2) Raises the cap on the existing continuing appropriation for abandoned well plugging and reclamation
- 3) Creates a new continuing appropriation fund for reclamation of coal exploration wells, geophysical exploration wells, geothermal energy extraction facilities, and subsurface mineral extraction sites
- 4) Creates a new continuing appropriation fund for geologic data preservation

House Bill 1060 Fiscal Note

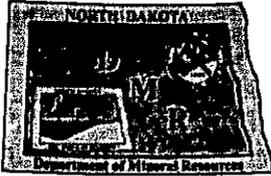
2005-2007 – The \$100,000 special funds income and expenses result from a complaint case settlement that is in progress. The emergency clause amendment will allow the Oil and Gas Division to receive this settlement and begin plugging and reclamation on the wells in the complaint without exceeding the proposed \$500,000 fund cap. The current fund balance is \$133,606 + the \$100,000 settlement +

\$25,000 fee income will exceed the current \$250,000 fund cap between now and June 30, 2007. Work paid for from this fund has to be scheduled based on weather and contractor availability while income to the fund varies with permit activity and complaint processes.

2007-2009 – \$25,000 of the (\$35,000) general fund impact results from raising the cap on the abandoned well plugging and restoration fund so that the remaining collections from the complaint case settlement remain in the fund instead of flowing over into the general fund. The other \$10,000 of the (\$35,000) general fund impact results from redirecting permit fees for coal exploration, geophysical exploration, geothermal energy extraction facilities, and subsurface mineral production which currently go to the general fund into a new Geophysical, geothermal, subsurface mineral, and coal exploration reclamation fund.

The \$285,000 special funds income and \$200,000 expenses result from the \$35,000 described above + \$105,000 oil and gas fee income + \$40,000 federal funds for orphan well plugging and \$100,000 federal funds for geologic data preservation both from the 2005 Energy Policy Act.

2009-2011 – The (\$10,000) general fund impact results from redirecting permit fees for coal exploration, geophysical exploration, geothermal energy extraction facilities, and subsurface mineral production which currently go to the general fund into a new Geophysical, geothermal, subsurface mineral, and coal exploration reclamation fund. The \$110,000 special funds income and \$50,000 expenses result from the \$10,000 described above + \$100,000 federal funds for geologic data preservation both from the 2005 Energy Policy Act.



ENGROSSED HOUSE BILL NO. 1060

Senate Natural Resources Committee
February 22, 2007

Testimony of Lynn D. Helms, Director

The Industrial Commission's Department of Mineral Resources (DMR) has jurisdiction over plugging and reclamation of abandoned wells and sites, coal exploration, geophysical exploration, geothermal energy extraction facilities, subsurface mineral production, and disseminating geological information.

Section 1 – modernizes the DMR Oil and Gas Division's contracting authority to deal with production equipment such as tanks, pumps, and treaters on abandoned sites in the same manner that wells have historically been dealt with.

Sections 2, 3, 9 and 10 – allow funds accumulated from administrative fees on cash bonds to be transferred into the abandoned well reclamation fund to pay for plugging and reclamation of abandoned wells. This will make the process of contracting for abandonment and reclamation of abandoned wells and sites that were on cash bonds simpler and quicker.

This legislation also removes the cap on the Abandoned Well Restoration Fund through June 30, 2009. On July 1, 2009 the cap is reinstated at \$500,000 instead of the current \$250,000. Currently there is approximately \$105,000 per biennium income to the fund from permit fees and a onetime transfer into the fund occurring from a complaint settlement which will likely result in the fund temporarily exceeding

its current cap. If the cap is exceeded the funds go to the General Fund and are not available for the plugging and reclamation of the abandoned wells, fiscal impact for the 07-09 biennium is \$100,000. The cost to plug and reclaim wells has doubled since the last time this cap was raised. The Oil & Gas Division has nine abandoned well sites to be restored and eight additional wells to be scheduled for plugging and site reclamation.

Well plugging and reclamation services are currently very hard to get and very expensive, so it would be in the states best interest to retain the funds in the Abandoned Well Reclamation Fund until the optimum time to perform the work.

Section 4 – requires permitting and reporting of both commercial and residential geothermal installations. Under the current statutes commercial installers are required to obtain a permit and it is implied that they must file a completion report while residential installers don't need a permit, but they must file a completion report, and if they fail to do so we can fine them even though they are not required to obtain a permit. This bill corrects all of this and insures that all systems are installed using approved fluids, grouting, etc. We can prevent problems up front when reviewing a permit application rather dealing with them after the site is installed and we see a problem on the completion report. We receive 50 completion reports each year for residential systems but likely many more were installed and the paperwork not sent in. This proposal was presented to the water well drillers annual meeting. The installers do not oppose this change, in fact many support it, but several have commented that they are glad we are looking at a reduced permit application fee for residential systems.

Section 5 - establishes a special fund with continuing appropriation authority and a \$500,000 cap. Current income to the General Fund from the fees outlined in this section is approximately \$10,000 a biennium. Passage of this bill will place these monies in a special fund to be used for unfulfilled obligations related to geothermal operations, subsurface mineral production, coal exploration and geophysical exploration in the same way abandoned oil and gas sites have been handled. None of these programs individually generates enough fee income to support a fund, but in aggregate they should.

Section 6 - establishes a special fund with continuing appropriation. The geologic data preservation fund is being proposed as a result of federal legislation, the Energy Policy Act of 2005, which could make \$50,000 available for each of the next five years. These federal funds must be used for the preservation of geologic data. We anticipate using the funds to set up a Geological Survey subscription web site similar to the extremely successful Oil and Gas Division site. We will hire temporary employees, students if possible, who will scan all historical publications, aerial photographs, etc. now stored as hardcopies with no backup. We expect subscription fees to sustain the process after federal funds end.

Section 7 - Discussions with OMB about section 1 led to their recommendation and support of exempting plugging and reclamation work from their procurement requirements because our bidding requirements meet or exceed theirs.

Section 8 – Requires an interim report to the budget section on the status of the continuing appropriations affected by this bill.

Section 11 – Is and emergency clause to prevent the complaint settlement income and postponing of work due to high cost and rig availability from exceeding the fund cap this biennium.



ENGROSSED HOUSE BILL NO. 1060

Senate Appropriations Committee
March 6, 2007

Testimony of Lynn D. Helms, Director

The Industrial Commission's Department of Mineral Resources (DMR) has jurisdiction over plugging and reclamation of abandoned wells and sites, coal exploration, geophysical exploration, geothermal energy extraction facilities, subsurface mineral production, and disseminating geological information.

HB 1060 has the following fiscal impacts:

- 1) Minor reduction to general fund income
- 2) Removes the cap on the existing continuing appropriation for abandoned well plugging and reclamation
- 3) Creates a new continuing appropriation fund for reclamation of coal exploration wells, geophysical exploration wells, geothermal energy extraction facilities, and subsurface mineral extraction sites
- 4) Creates a new continuing appropriation fund for geologic data preservation

House Bill 1060 Fiscal Note

2005-2007 – The \$100,000 special fund income and expenses result from fee income and a large complaint case settlement that is in progress. The emergency clause will allow the Oil and Gas Division to receive this settlement and plan the plugging and reclamation of the wells in the complaint without exceeding the current \$250,000 fund cap.

The current fund balance is \$139,415 + the \$100,000 settlement + \$25,000 fee income will exceed the current \$250,000 fund cap between now and June 30, 2007. Work paid for from this fund has to be scheduled based on weather and contractor availability while income to the fund varies with permit activity and complaint processes.

2007-2009 – The (\$10,000) general fund impact results from redirecting permit fees for coal exploration, geophysical exploration, geothermal energy extraction facilities, and subsurface mineral production from the general fund into a new Geophysical, geothermal, subsurface mineral, and coal exploration reclamation fund.

The \$285,000 special funds income and \$200,000 expenses result from the \$10,000 described above + the remaining \$30,000 from the complaint settlement + \$105,000 oil and gas fee income + \$40,000 anticipated federal funds for orphan well plugging and \$100,000 anticipated federal funds for geologic data preservation from the 2005 Energy Policy Act.

2009-2011 – The (\$10,000) general fund impact results from redirecting permit fees for coal exploration, geophysical exploration, geothermal energy extraction facilities, and subsurface mineral production from the general fund into a new Geophysical, geothermal, subsurface mineral, and coal exploration reclamation fund.

The \$215,000 special funds income and \$200,000 expenses result from the \$10,000 described above + \$105,000 oil and gas fee income + \$100,000 federal funds for geologic data preservation from the 2005 Energy Policy Act.