

2013 HOUSE ENERGY AND NATURAL RESOURCES

HB 1420

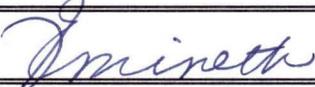
2013 HOUSE STANDING COMMITTEE MINUTES

House Energy and Natural Resources

Pioneer Room, State Capital

HB 1420
January 31, 2013
18125

Conference Committee



Relating to enforcement of laws, rules, and regulations concerning the conservation of oil and gas; and to provide a penalty.

Minutes:

1-11 Attachments

Rep. Porter: We will open the hearing on HB 1420.

Rep. Onstad: HB 1420 is a repeat from the last session SB2290. It is here today because the actions are here because we still have the same problems. (Attachment 1-3)

Rep. Keiser: On line 9 it says "enforce vigorously" versus enforce what is the difference?

Rep. Onstad: To take a more active role.

Galen Peterson: I am a farmer from Bottineau County; (showing slides of spills and damage of the land from saltwater spills and leaks and attachment 4)

Rep. Keiser: What did the department do?

Galen Peterson: They did bring against one company and they are reclaiming it.

Rep. Keiser: So can we call that a success?

Galen Peterson: Yes they are doing some work.

Rep. Brabandt: Is any of this saltwater damage on your land?

Galen Peterson: No it is not.

Myron Hanson: I am not representing Northwest Landowners in this bill. This is a personal thing. I have one well on my site which has not produced oil since 2008. The pump has

been gone for 2 years and the equipment is rusting and the weeds are growing and nothing has been done to take care of it.

Daryl Dukart: Dunn County Energy Development Corporation; we support this HB and it is all about enforcement let's put the people out and let them take of things.

Larry Peterson: I am a farmer from Antler; I was here to testify on the same bill two years ago and my problem still exists. (Attachment 5-8)

Alexis Brinkman: Representing the N.D. Petroleum Council; I appear before you today in opposition of HB 1420 we the bill is redundant and unnecessary. (Attachment 9)

Zac Weis: Government Affairs Representative for WPX Energy, oil and gas Explorations and Production Company operating here in the Williston basin. I can't emphasize enough that WPX Energy and our industry peers operating here in N.D. make every effort to comply with all the rules and regulations of the Dept. of Mineral Resources, Oil and Gas Division. (Attachment 10)

Lynn Helms: Director of the Dept. of Mineral Resources; this bill would require that every single perceived and reported violation become a complaint with the legal notices and due process afforded under N.D. rules of civil procedure, but the bill doesn't define notification.(Attachment 11)

Rep. Hunskor: The \$12,500.00 really is \$1,250.00 if you go by the 10 % you talked about before?

Lynn Helms: If I settle for that amount correct.

Rep. Hunskor: From that point on whatever the agreement is; then are you satisfied that the proper steps are being taken by the people involved to get the situation where you want it to be?

Lynn Helms: For the most part we are satisfied. We believe we are the best in the nation but we are under staffed.

Rep. Hunskor: If 10% is the agreement is it possible that the oil industry would say if it is only 10% so we will not be concerned.

Lynn Helms: What's happens is if you are an operator and you don't meet the terms of the stipulation agreement; if you have already signed it and it will be enforced in district court. Then we will take that directly to district court and go for a 100% fine.

Rep. Anderson: Is there any place that we can see the notification of the timeline if I call you for damage.

Lynn Helms: I would be happy to present that timeline to you.

Rep. Anderson: On the average how long does it take?

Lynn Helms: The average time is about 4 years.

Shelly Ventsch: from New Town and I would like to comment on HB1420. As you are all aware oil and gas development has become huge in the state and enforcement of the law is important because this bill is not strict enough.

Rep. Porter: We will close the hearing on HB 1420.

2013 HOUSE STANDING COMMITTEE MINUTES

House Energy and Natural Resources

Pioneer Room, State Capital

HB 1420
February 1, 2013
18167

Conference Committee



Relating to the conservation of oil and gas and to provide a penalty.

Minutes:



Rep. Porter: We have HB 1420 in front of us we heard plenty of testimony on both sides of this issue. There is due process to protect the property owner who may or may not be a good operator.

Rep. Hunsakor: In the 1950-1960s there was lots of junk out there I walked those sites with 2 of the 3 members of the Industrial Commission and that's where it comes from.

Rep. Porter: We have a do not pass and a second from Rep. Schmidt.

Rep. Anderson: Where do the fines go to once they are imposed?

Rep. Porter: They go the general fund.

Rep. Damschen: Will some of this get addressed by the bills that are in the subcommittee?

Rep. Porter: I don't think that the top part will but the they can look inside of that in HB1333 as we are funding the abundant well trust fund. Motion carried

Yes 11 No 1 Absent 1 Carrier: Rep. Schmidt

Date: 2-1-2013
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1420

House Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number Rep. Schmidt

Action Taken _____

Motion Made By Rep Hofstad Seconded By Rep Schmidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Todd Porter	✓		Rep. Bob Hunsakor		✓
Vice Chairman Chuck Damschen	✓		Rep. Scot Kelsh	✓	
Rep. Jim Schmidt	✓		Rep. Corey Mock	✓	
Rep. Glen Froseth	✓				
Rep. Curt Hofstad	✓				
Rep. Dick Anderson	✓				
Rep. Peter Silbernagel	✓				
Rep. Mike Nathe	✓				
Rep. Roger Brabandt	✓				
Rep. George Keiser					

Total (Yes) 11 No 1

Absent 1

Floor Assignment Rep. Schmidt

If the vote is on an amendment, briefly indicate intent:
Do not pass

REPORT OF STANDING COMMITTEE

HB 1420: Energy and Natural Resources Committee (Rep. Porter, Chairman)
recommends **DO NOT PASS** (11 YEAS, 1 NAYS, 1 ABSENT AND NOT VOTING).
HB 1420 was placed on the Eleventh order on the calendar.

2013 TESTIMONY

HB 1420

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HB 1420

Mr. Chairman and Members of Energy and Natural Resources, Good Afternoon

Rep Kenton Onstad District 4, Parshall

HB 1420 was last session SB2290 It is here today because nothing has changed in the eyes of surface owners that are truly affected from lack of enforcement.

The fifteen day notice is added to see enforcement..

Provided is several handouts, pictures, complaints and I agree it is only a few but in actuality it is many many more. I will also tell you the NorthWest Land Owners Association and Dunn County Land Owners Association were formed because of major concerns both Past and Present

Their mission statement's are not to obstruct Oil and Gas Development but hope to provide a responsible approach and protection of surface owners, mineral owners rights. I want to emphasis property rights, both surface and minerals

You have spent the morning and most of the afternoon hearing concerns of property owners and mineral owners. I am not going to take your time

The lack of enforcement of abandoned wells, reclaiming old well sites, inactive wells, oil spills, abandoned pipelines and list goes on has a tremendous effect to landowners.

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They are losing value to their property. They are further restricted to farm or ranch this property and are losing potential income. We aren't talking one or two years. We are talking 5-10-15 years or more.

Imagine a half torn down building next to your home and how long would you allow this. 6 months.. 6 years..

HB 1420 is here to have the discussion to address a problem

Our next concern is if this continues as the past, what will Western North Dakota look like in 20 years when 35000 wells and millions of miles of pipe are now in place.

Mr. Chairman and Members of the committee, this is indeed serious and hope you can look favorable towards HB1420.

38-08-01. DECLARATION OF POLICY. It is hereby declared to be in the public interest to foster, to encourage, and to promote the development, production, and utilization of natural resources of oil and gas in the state in such a manner as will prevent waste; to authorize and to provide for the operation and development of oil and gas properties in such a manner that a greater ultimate recovery of oil and gas be had and that the correlative rights of all owners be fully protected; and to encourage and to authorize cycling, recycling, pressure maintenance, and secondary recovery operations in order that the greatest possible economic recovery of oil and gas be obtained within the state to the end that the landowners, the royalty owners, the producers, and the general public realize and enjoy the greatest possible good from these vital natural resources.

38-08-04. JURISDICTION OF COMMISSION. The commission has continuing jurisdiction and authority over all persons and property, public and private, necessary to enforce effectively the provisions of this chapter. The commission has authority, and it is its duty, to make such investigations as it deems proper to determine whether waste exists or is imminent or whether other facts exist which justify action by the commission. The commission has the authority:

1. To require:

- a. Identification of ownership of oil or gas wells, producing leases, tanks, plants, structures, and facilities for the transportation or refining of oil and gas.
- b. The making and filing with the industrial commission of all resistivity, radioactivity, and mechanical well logs and the filing of directional surveys if taken, and the filing of reports on well location, drilling, and production.
- c. The drilling, casing, operation, and plugging of wells in such manner as to prevent the escape of oil or gas out of one stratum into another, the intrusion of water into oil or gas strata, the pollution of freshwater supplies by oil, gas, or saltwater, and to prevent blowouts, cavings, seepages, and fires.
- d. The furnishing of a reasonable bond with good and sufficient surety, conditioned upon the full compliance with this chapter, and the rules and orders of the industrial commission, except that if the commission requires a bond to be furnished, the person required to furnish the bond may elect to deposit under such terms and conditions as the industrial commission may prescribe a collateral bond, self-bond, cash, or any alternative form of security approved by the commission, or combination thereof, by which an operator assures faithful performance of all requirements of this chapter and the rules and orders of the industrial commission.
- e. That the production from wells be separated into gaseous and liquid hydrocarbons, and that each be accurately measured by such means and upon such standards as may be prescribed by the commission.
- f. The operation of wells with efficient gas-oil and water-oil ratios, and to fix these ratios.
- g. Certificates of clearance in connection with the transportation or delivery of oil, gas, or any product.
- h. Metering or other measuring of oil, gas, or product related to production in pipelines, gathering systems, storage tanks, barge terminals, loading racks, refineries, or other places, by meters or other measuring devices approved by the commission.
- i. Every person who produces, sells, purchases, acquires, stores, transports, refines, disposes of, or processes oil, gas, saltwater, or other related oilfield fluids in this state to keep and maintain within this state complete and accurate

records of the quantities thereof, which records must be available for examination by the commission or its agents at all reasonable times, and to file with the commission reports as the commission may prescribe with respect to oil or gas or the products thereof. An oil and gas production report need not be notarized but must be signed by the person submitting the report.

j. The payment of fees for services performed. The amount of the fee shall be set by the commission based on the anticipated actual cost of the service rendered.

Unless otherwise provided by statute, all fees collected by the commission must be deposited in the general fund of this state, according to procedures established by the state treasurer.

k. The filing free of charge of samples and core chips and of complete cores when requested in the office of the state geologist within six months after the completion or abandonment of the well.

l. The placing of wells in abandoned-well status which have not produced oil or natural gas in paying quantities for one year. A well in abandoned-well status must be promptly returned to production in paying quantities, approved by the commission for temporarily abandoned status, or plugged and reclaimed within six months. If none of the three preceding conditions are met, the industrial commission may require the well to be placed immediately on a single-well bond in an amount equal to the cost of plugging the well and reclaiming the well site. In setting the bond amount, the commission shall use information from recent plugging and reclamation operations. After a well has been in abandoned-well status for one year, the well's equipment, all well-related equipment at the well site, and salable oil at the well site are subject to forfeiture by the commission. If the commission exercises this authority, section 38-08-04.9 applies. After a well has been in abandoned-well status for one year, the single-well bond referred to above, or any other bond covering the well if the single

38-08-16. CIVIL AND CRIMINAL PENALTIES.

1. Any person who violates any provision of this chapter, or any rule, regulation, or order of the commission is subject to a civil penalty to be imposed by the commission not to exceed twelve thousand five hundred dollars for each offense, and each day's violation is a separate offense, unless the penalty for the violation is otherwise specifically provided for and made exclusive in this chapter. Any such civil penalty may be compromised by the commission. The penalties provided in this section, if not paid, are recoverable by suit filed by the attorney general in the name and on behalf of the commission, in the district court of the county in which the defendant resides, or in which any defendant resides, if there be more than one defendant, or in the district court of any county in which the violation occurred. The payment of the penalty may not operate to legalize any illegal oil, illegal gas, or illegal product involved in the violation for which the penalty is imposed, or to relieve a person on whom the penalty is imposed from liability to any other person for damages arising out of the violation.

2. Notwithstanding any of the other provisions of this section, a person who willfully violates any provision of this chapter, or any rule or order of the commission that pertains to the prevention or control of pollution or waste is guilty of a class C felony unless the penalty for the violation is otherwise specifically provided for and made exclusive in this chapter. The criminal penalty provided for in this subsection may

only be imposed by a court of competent jurisdiction.

38-11.1-03.1. INSPECTION OF WELL SITE. Upon request of the surface owner or adjacent landowner, the state department of health shall inspect and monitor the well site on the surface owner's land for the presence of hydrogen sulfide. If the presence of hydrogen sulfide is indicated, the state department of health shall issue appropriate orders under chapter 23-25 to protect the health and safety of the surface owner's health, welfare, and property

43-02-03-05. ENFORCEMENT OF LAWS, RULES, AND REGULATIONS

DEALING WITH CONSERVATION OF OIL AND GAS. The commission, its agents, representatives, and employees are charged with the duty and obligation of enforcing all rules and statutes of North Dakota relating to the conservation of oil and gas. However, it shall be the responsibility of all the owners or operators to obtain information pertaining to the regulation of oil and gas before operations have begun.

43-02-03-14.2. OIL AND GAS METERING SYSTEMS.

43-02-03-19.2 DISPOSAL OF WASTE MATERIAL. All waste material associated with exploration or production of oil and gas must be properly disposed of in an authorized facility in accord with all applicable local, state, and federal laws and regulations.

All waste material recovered from spills, leaks, and other such events shall immediately be disposed of in an authorized facility, although the remediation of such material may be allowed onsite if approved by the director.

This is not to be construed as requiring the offsite disposal of drilling mud from shallow wells or drill cuttings associated with the drilling of a well. However, water remaining in a drilling or reserve pit used in the drilling and completion operations is to be removed from the pit and disposed of in an authorized disposal well or used in a manner approved by the director. The disposition or use of the water must be included on the sundry notice (form 4) reporting the plan of reclamation pursuant to sections 43-02-03-19.4 and 43-02-03-19.5.

43-02-03-19.3. EARTHEN PITS AND OPEN RECEPTACLES. Except as otherwise provided in sections 43-02-03-19.4 and 43-02-03-19.5, no saltwater, drilling mud, crude oil, waste oil, or other waste shall be stored in earthen pits or open receptacles except in an emergency and upon approval by the director.

43-02-03-30. NOTIFICATION OF FIRES, LEAKS, SPILLS, OR BLOWOUTS. All persons controlling or operating any well, pipeline, receiving tank, storage tank, or production facility into which oil, gas, or water is produced, received, stored, processed, or through which oil, gas, or water is injected, piped, or transported, shall verbally notify the director within twenty-four hours after discovery of any fire, leak, spill, blowout, or release of fluid. If any such incident occurs or travels offsite of a facility, the persons, as named above, responsible for proper notification shall within a reasonable time also notify the surface owners upon whose land the incident occurred or traveled. Notification requirements prescribed by this section shall not apply to any leak, spill, or release of fluid that is less than one barrel total volume and remains onsite of a facility. The verbal notification must be followed by a written report within ten days after cleanup of the incident, unless deemed unnecessary by the director. Such report must include the following information: the operator and description of the facility, the legal description of the location of the incident, date of occurrence, date of cleanup, amount and type of each fluid involved, amount of each fluid recovered, steps taken to remedy the situation, cause

of the accident, and action taken to prevent reoccurrence. The signature, title, and telephone number of the company representative must be included on such report. The persons, as named above, responsible for proper notification shall within a reasonable time also provide a copy of the written report to the surface owners upon whose land the incident occurred or traveled. The commission, however, may impose more stringent spill reporting requirements if warranted by proximity to sensitive areas, past spill performance, or careless operating practices as determined by the director.

43-02-03-30.1. LEAK AND SPILL CLEANUP. At no time shall any spill or leak be allowed to flow over, pool, or rest on the surface of the land or infiltrate the soil. Discharged fluids must be properly removed and may not be allowed to remain standing within or outside of diked areas, although the remediation of such fluids may be allowed onsite if approved by the director. Operators must respond with appropriate resources to contain and clean up spills.

43-02-03-34.1. RECLAMATION OF SURFACE.

1. Within a reasonable time, but not more than one year, after a well is plugged, or if a permit expires, has been canceled or revoked, the well site, access road, and other associated facilities constructed for the well shall be reclaimed as closely as practicable to original condition. Prior to site reclamation, the operator or the operator's agent shall file a sundry notice (form 4) with the director and obtain approval of a reclamation plan. The operator or operator's agent shall provide a copy of the proposed reclamation plan to the surface owner at least ten days prior to commencing the work unless waived by the surface owner. Verbal approval to reclaim the site may be given. The notice shall include:

- a. The name and address of the reclamation contractor;
- b. The name and address of the surface owner and the date when a copy of the proposed reclamation plan was provided to the surface owner;
- c. A description of the proposed work, including topsoil redistribution and reclamation plans for the access road and other associated facilities; and
- d. Reseeding plans, if applicable.

The commission will mail a copy of the approved notice to the surface owner.

All equipment, waste, and debris shall be removed from the site. Flow lines shall be purged in a manner approved by the director. Flow lines shall be removed if buried less than three feet [91.44 centimeters] below final contour.

2. Gravel or other surfacing material shall be removed, stabilized soil shall be remediated, and the well site, access road, and other associated facilities constructed for the well shall be reshaped as near as is practicable to original contour.
3. The stockpiled topsoil shall be evenly distributed over the disturbed area and, where applicable, the area revegetated with native species or according to the reasonable specifications of the appropriate government land manager or surface owner.
4. Within thirty days after completing any reclamation, the operator shall file a sundry notice with the director reporting the work performed.
5. The director, with the consent of the appropriate government land manager or surface owner, may waive the requirement of reclamation of the site and access road after a well is plugged.

43-02-03-48. MEASUREMENT OF OIL. Oil production may not be transported from a well premises or central production facility until its volume has been determined through the use of properly calibrated meter measurements or tank measurements. All meter and tank measurements,

and volume determinations must conform to American petroleum institute standards and be corrected to a base temperature of sixty degrees Fahrenheit [15.56 degrees Celsius].

43-02-03-53. SALTWATER HANDLING FACILITIES.

1. All saltwater liquids or brines produced with oil and natural gas shall be processed, stored, and disposed of without pollution of freshwater supplies.
2. Underground injection of saltwater liquids and brines shall be in accordance with chapter 43-02-05.

3. Surface facilities are acceptable provided that:

a. They are devoid of leaks and constructed of materials resistant to the effects of produced saltwater liquids, brines, or chemicals that may be contained therein.

The above materials requirement may be waived by the director for tanks presently in service and in good condition. Unused tanks and injection equipment must be removed from the site or placed into service, within a reasonable time period, not to exceed one year.

b. Dikes must be erected and maintained around saltwater tanks at any saltwater handling facility built or rebuilt on or after July 1, 2000. Dikes must be erected around saltwater tanks at any new facility within thirty days after the well has been completed. Dikes must be erected and maintained around saltwater tanks at saltwater handling facilities built prior to July 1, 2000, when deemed necessary by the director. Dikes as well as the base material under the dikes and within the diked area must be constructed of sufficiently impermeable material to provide emergency containment. Dikes must be of sufficient dimension to contain the total capacity of the largest tank plus one day's fluid production. The required capacity of the dike may be lowered by the director if the necessity therefor can be demonstrated to the director's satisfaction.

Discharged saltwater liquids or brines must be properly removed and may not be allowed to remain standing within or outside of any diked areas.

43-02-03-55. ABANDONMENT OF WELLS - SUSPENSION OF DRILLING.

1. The removal of production equipment or the failure to produce oil or gas, or the removal of production equipment or the failure to produce water from a source well, for one year constitutes abandonment of the well. The removal of injection equipment or the failure to use an injection well for one year constitutes abandonment of the well. The failure to plug a stratigraphic test hole within one year of reaching total depth constitutes abandonment of the well. An abandoned well must be plugged and its site must be reclaimed pursuant to sections 43-02-03-34 and 43-02-03-34.1.
2. The director may waive for one year the requirement to plug and reclaim an abandoned well by giving the well temporarily abandoned status. This status may only be given to wells that are to be used for purposes related to the production of oil and gas. If a well is given temporarily abandoned status, the well's perforations must be isolated, the integrity of its casing must be proven, and its casing must be sealed at the surface, all in a manner approved by the director. The director may extend a well's temporarily abandoned status beyond one year. A fee of one hundred dollars shall be submitted for each application to extend the temporary abandonment status of any well.
3. In addition to the waiver in subsection 2, the director may also waive the duty to plug and reclaim an abandoned well for any other good cause found by the director. If the director exercises this discretion, the director shall set a date or circumstance upon which the waiver expires.

4. The director may approve suspension of the drilling of a well. If suspension is approved, a plug must be placed at the top of the casing to prevent any foreign matter from getting into the well. When drilling has been suspended for thirty days, the well, unless otherwise authorized by the director, must be plugged and its site reclaimed pursuant to sections 43-02-03-34 and 43-02-03-34.1.

Mr. Chairman, members of the committee, my name is Christine Peterson from Antler, ND. I am here in support of HB 1420. As a landowner that has a saltwater disposal well on my land that has endured many spills and even after a million dollars of clean up costs, much contamination remains. I respectfully request the legislature to require the oil company to take care of my land. I have had to pay huge fees to lawyers to try to get the damage fixed, but as you know salt water is not a curable cancer. The oil company that purchased this from the previous oil company probably had no idea how many spills had occurred on this property. The Oil and Gas records show spills that were not even reported until turned in by us or other agencies. Almost every spill has been under reported and claim to recover total amount of spill. Have you dumped a pail of water on your lawn and then tried to suck it all back up? Impossible.

So we are left with contaminated land that is no longer productive as agricultural land, and even raises our costs on remaining land. Even trying to sell the land at this point would be difficult, because now lenders will lend on contaminated land.

How can this bill help with this problem. If oil companies knew that they must follow the rules and regulations and there were enforcements with costly consequences instead of a slap on the hand that appears just to be a handshake, maybe some of these accidents would not happen.

Driving down a rural road at just 80 miles an hour doesn't get me a "oh don't do that" from the (regulator) highway patrolman. He hands me a ticket that means I will pay if I want the privilege to continue to drive. I am sure regulators that testify later will show you pretty pictures of a new dike (built on top of severely contaminated topsoil) and fresh black dirt, filled in excavation (Covering very high levels of saltwater contamination). This could be equated to PUTTING LIPSTICK ON A PIG. This is the very type of minimizing that has destroyed countless thousands of acres irreplaceable farm and ranch land in Western North Dakota. Please require accountability.

Sincerely,

A handwritten signature in cursive script that reads "Christine Peterson". The signature is written in black ink and is positioned above the printed name.

Christine Peterson

Mr. Chairman and committee members, My name is Roberta ^{Stead}~~Halstead~~, my address is 2091 99th St. NW, Westhope, ND. I am here in support of HB1420 that would help me get my land back.

I have been farming around a well on my land Stead1 # 10362. This well has not produced oil since November 1987, it has a long history of being abandoned status, then temporary status, and now overdue for temporary abandoned (TA) renewal. The last time it was approved was February 11, 2009. Some of the reasons that the oil company have given for needing this

TA status in the past are the possible use for injection or production well in a unit that has never been proposed or planned. They, the oil company , say they might use it for a Saltwater Disposal for a 320 spacing unit that was never developed. The planned horizontal well has not been drilled and most likely will never will be.

I have contacted NDIC oil and gas by phone and letter and requested the well be plugged. As of this time, I have not gotten any sort of response from oil and gas.

No compensation is being made to me, the surface owner, and we continue to farm around this site which ends up costing me much more in expenses. Also the mineral owner is not being paid anything but conveniently the oil company retains the lease.

I feel the land owner and also the mineral owner in this instance is being taken advantage of even though regulations state the well should be plugged. If I can put this into another perspective, lets say that my quarter of land is a hotel, and I long ago rented a room for a small amount of money to the oil company. I can not get this oil company to move out even though they continue to misuse the room. I have asked my security and the local sheriff to come and help me get them out, but it seems they have just become friends and are asked to join the party. Where can I go for help. Why am I required to hire lawyers at a big expense to get back what is mine.

That is why I am asking the state to approve HB1420.

Thank you for your consideration.

Roberta Stead
Roberta ~~Halstead~~

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10362

March 19, 2012

NDIC Oil and Gas Division
600 East Boulevard Ave Dept 405
Bismarck, ND 58505-0840



Re: Stead #1
NE NW Sec 5 161N 81W
Well File #10362

Attn: David McCusker

Mr. McCusker,

The above well has not produced since November 1987. It has a long history of being in abandoned status, then temporary abandoned (TA) status, and now overdue for TA renewal. (TA was last approved February 11, 2009).

Some of the reasons that Great American Royalties have given for needing TA status in the past are:

Possible use for injection or production well in a unit that has never been proposed or planned.

Possible use for SWD for a 320 spacing unit that was never developed. The planned horizontal well has not been drilled, and based on progress toward that, will never be drilled.

And repeatably, no reason at all.

This well needs to be plugged as required by state statutes and regulations. Nothing has been done to utilize it since 1987. No payments or compensation are being paid to the surface owner. It is preventing the use of its location for cropland, it is an unnecessary obstacle to farming the land, and it is holding a mineral lease even though no production or royalties are being paid to the mineral owners.

Please acknowledge receipt and place this letter in the well file, #10362.

This is in regard to the Robert Stead Trust my dad.

Roberta Halstead
2091 99th St NW
Westhope, ND 58793
Surface Owner

Roberta Halstead

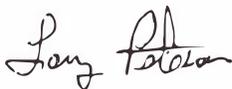
Mr. Chairman and members of the Committee,

I am here today to testify in support of HB1420. My name is Larry Peterson, from Antler ND. I am a farmer and also have been a contract pumper and gauger for over 31 years in the oil field. I was here testifying on this same bill 2 years ago. The problems still exist.

A lot of the violations that exist out there are dangerous and very costly. Last time in front of this committee, pictures were shown of tank tops that were rusted out and totally open. In fact we had a tour of local well sites in June of 2011 and had an employee of NDIC oil and gas there to observe. Senator O'Connell handed this employee (Mr. Bob Garby) a picture of these tanks and Mr. Garby said he would take care of this. No violations were issued, or public notices. However, this fall when NDIC knew legislators again were coming, the tanks finally got new tops or were removed. Thankfully, we did not have to read about someone falling into the tanks overcome with H₂S gasses. There is a written regulation about tanks and their condition, however it is one of the many that is not enforced.

Many spills of saltwater or oil are reported to NDIC as being under 1 barrel. This is most likely a under reported size, as at 1 barrel, the land owner does not need to be notified. When a cleanup report is submitted the report will say all brine (saltwater) and oil were recovered. This is impossible, but it lets the oil companies off the hook. Consequences like fines would make reporting, and maintaining dikes, monitors, equipment a priority for oil company's. I strongly believe if mandatory fines were levied and increased for repeat offenders, even restricting permits for offenders, in a long run the rules would be obeyed and the cost to the state would decrease.

Thank you for your time.



Larry Peterson

HB1420

Mr. Chairman, members of the committee.

My name is Kent Huber. I have been a farmer in the Westhope area for 30 years. I am here in support of HB 1420. that would help get abandoned or temporary wells plugged and allow me to farm the land that I own, and pay taxes on.

I have written and called the industrial commission many times, I have a copy of my letter dated October 2008, asking for some action. I have contacted the oil company that this well, Bronderslev 3 #10930 be plugged as it has been non productive for 13 years. My letters and requests have gone into the well files at oil and gas, but that is as far as it has gone.

A little information on this well is that it has not been utilized for the oil company since 2000. During this time, I have had to farm around the site, costing me many extra dollars on inputs to this field. The commissioner has reported that abandoned and non producing wells will be plugged and the land brought back to its original state. As this does not seem to be the case and there are many wells in my area, this bill will help me and my neighbors get our land back.

Thank you for your time.



Kent Huber

3

10930

McCusker, David J.

From: huberka@srt.com
Sent: Monday, October 13, 2008 8:51 AM
To: McCusker, David J.
Subject: Bronderslev 3

Dave,

Please take in to consideration my request to abandon the well we spoke about.
(Bronderslev 3) The reasons I would like abandoned is as follows.
It has been non productive for both myself and the oil comapany since the year 2000.
It be easier as a farmer to farm through it instead around it and would be eheaper to do
so especially when it comes to the cost of the recent imputs.
And would give me some revenue on the land that I purchased.
I would appreciate it if you would revue my request.

Thanks

Kent Huber
10139 23rd Ave. N.W.
Westhope, N. D. 58793

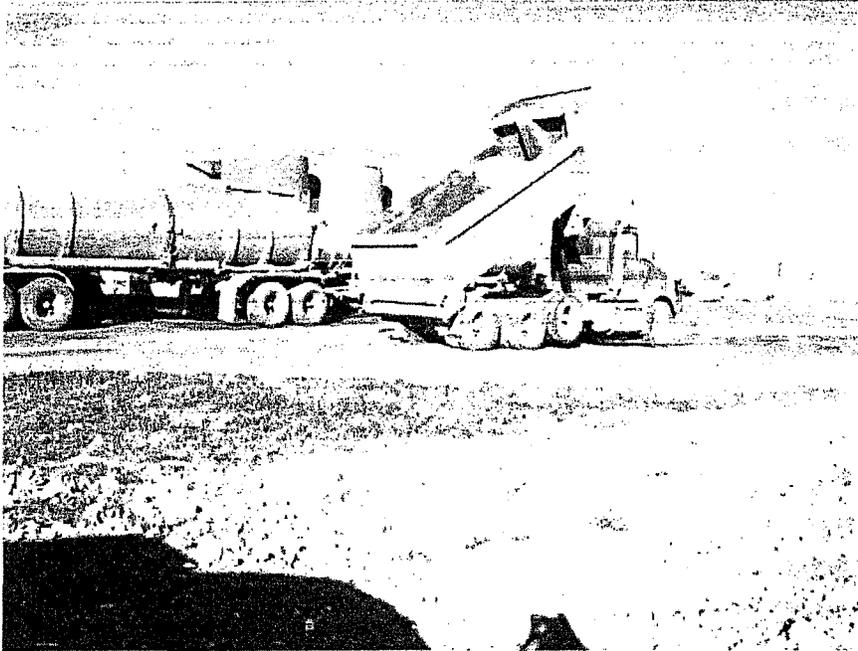
Daryl Peterson

From: "Daryl Peterson" <pete1@srt.com>
Date: Wednesday, January 23, 2013 4:31 PM
To: "Christine Peterson" <PETE1@ndak.net>
Subject: Fw: pictures of unreported spill

Mark, Cody,

Enclosed, pictures are of saltwater spill that occurred Nov 2 2011 at Peterson SWD #9916. Why would they not cleanup before spreading gravel ? Spill was from corroded out fitting from truck unloading water and could not move truck because of broken fuel line that leaked diesel unto ground (as Ward Williston employee, told me on location). He said they try to do good maintenance, but is difficult with the rush from increased oil activity. Allen Johnson with Ward said spill was very small (no big deal) until he found out I had pictures. Asked Ben Tohm (Petroharvester) why gravel was hauled, even in ditch and field and he stated he knew nothing about spill!! Allen said pumper knew about it. Would this spill have been reported if I had not been there to see it? I can not be there all the time to protect my land (begs the question, how many unreported spills have there been? I know you care about our land and rules. If there are no real consequences, only mostly forgiven fines, our land and children's future will be forever harmed. Please do what you can to make a difference. *Request response as to actions to be taken.*

Sincerely, Daryl and Christine Peterson



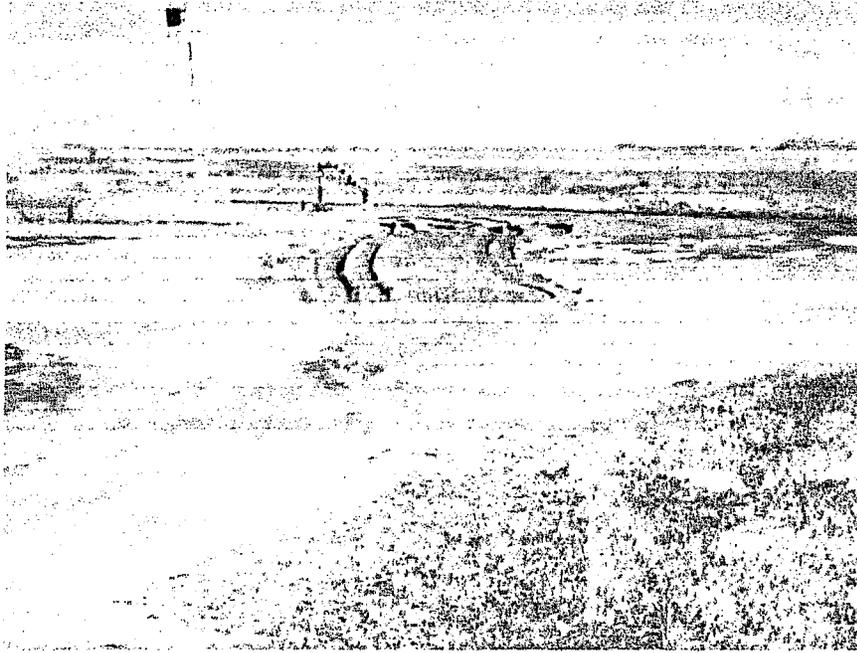
GRAVEL TRUCK HAULING TO COVER SPILL



WITNESSES TO SALTWATER OFF LOCATION



SALTWATER RUNNING OFF LOCATION



GRAVEL UNLOADED ON SALTWATER SPILL



ON SITE WATER WITH GRAVEL BEING UNLOADED



SALT EVIDENCE OFF LOCATION WITH GRAVEL PILES TO BE SPREAD

North Dakota Industrial Commission Department of Mineral Resources
Sagebrushes Resources LLC Violations

1. Rice Glessing CTB August, September spills, inaccurate reports, no dike, 500,000 gallons per day, severe off location spill. Land owner not notified, tardy report. Pictures, file reports, slow clean up, where did topsoil come from, where disposed of contaminated soil etc. 42-02-03-30 - 43-02-03-49 -
2. Peterson CTB, inaccurate report, tardy, trespass, severe salt spill and damage, location contamination. (pictures) 43-02-03-50 42-02-03-30
3. Brondersleve CTB. Rusted out tank top, unused oil field equipment on lease, lack of signage, (pictures and file report) *Glen Wollon (NDIC) worried someone would fall in tank HHS - No No Tresspass - 42-02-03-1*
4. Christenson 1 well file # 10845 Status AB Not pumped since July of 1997. NDIC well is still not plugged. 43-02-03-55
5. Nermo 14 Well File # 13565 Status AB Not pumped since October of 2004. Not produced oil August 1998. Nermo 1-4, numerous complaints order to plug, few complaints last few years. 43-02-03-55
6. Goodman Romsos 1 file #10794. Status AB. Not pumped since January 2005, has produced 25 barrels of oil since September 1997. 43-02-03-55
7. Kaeding 1 Well file # 4453. Status PA. Fraudulent reported production. ~~Reported production in 2005-2008.~~ *defective casing* 43-02-03-55
8. M Solberg Well File #4141. Status TA Not pumped since July 1992. Over 18 years. Oil company always talking infectivity, (second recovery) 43-02-03-55
9. H. Snider Well File # 10831 Status PA NDIC released bond, owner says well sight not reclaimed, state inspected and released bond. Sagebrush reported reclamation finished. Inexcusable. *Plugged 2010 2 1/2 years no production - Get owner to report*
10. Blowers SWD Well File #90006 Status PA .October 11, 2008 fail test, hole in casing. Not plugged until March 23, 2010 - tardy (not much in file).
11. Albin 29-13 Well File #11362 Status AB Over two years nothing done. 43-02-03-55
12. Brondersleve 3 Well File # 16294 Status AB See written response. 43-02-03-55
13. Lyle 1 Well File #16294 Status AB Not produced in 1 1/2 years. 43-02-03-55

Review of well files indicate less enforcement than in the past



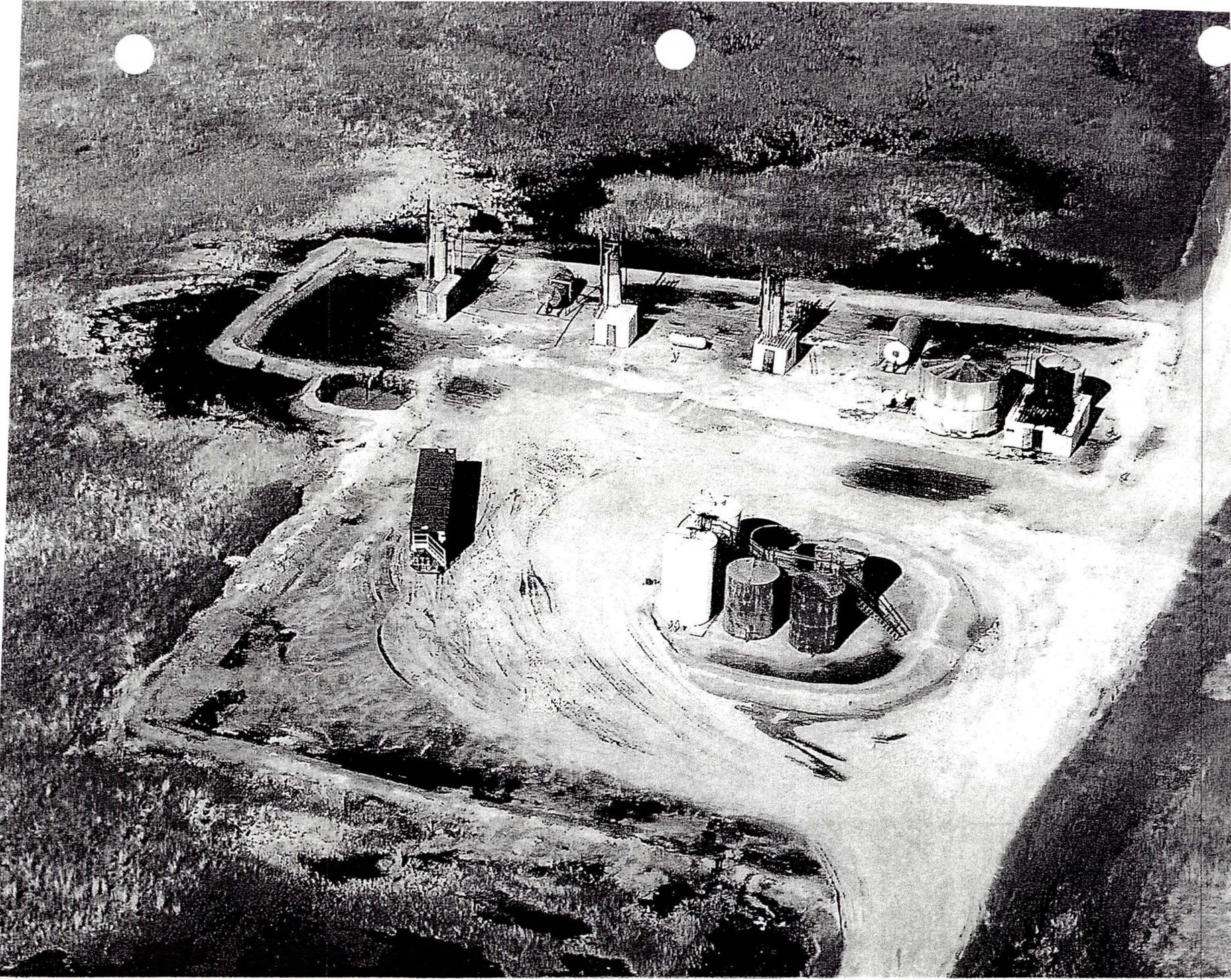
06/29/2012



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06/29/2012

Testimony in support of HB 1420

I am Galen Peterson, farmer, from western Bottineau County.

This same bill was introduced in 2011 as SB2290. The testimony against it was that the current system of enforcement and assessing fines through the civil suit process was working. And that there was no due process by levying fines without the requirement of a civil suit to collect them.

Because the surface owner has very little input on how saltwater spills are cleaned up and reclaimed on the well, tank battery, or saltwater disposal site, and even off-location on crop or pasture land, prompt enforcement and correction of violations is imperative to prevent spills.

This spill out onto cropland would have been prevented if rules and regulations had been enforced. NDAC § 43-02-03-53(3)(b), states that the dike must be able to contain the daily volume handled by the facility plus the volume of the largest tank. This well was disposing of 5400 barrels of saltwater per day at a pressure of 1200psi. Since the dikes failed to hold the reported 300 barrel spill, the dikes were obviously inadequate.

According to the spill report, and subsequent complaint, only 30 barrels escaped the dike and the spill affected an area 150 yards by 6 yards. When I looked at the field where the spill happened, saltwater was evident far beyond the reported area. The state inspector refused to investigate and was confident the spill report was accurate.

There was a complaint filed by the NDIC against the operator in this case. I am confident, the only reason a complaint was filed is because I had sent emails to several state officials and legislators and was subsequently sued by the operator for trespass. The court recently ordered summary judgment in my favor and dismissed the trespass claim. He even stated that it is an obligation of concerned citizens to do what I did.

The only reclamation of the spill to date was spraying some chemical to remediate salt damage. That procedure has not been proven to work in North Dakota. The recent addition of turkey manure has not worked either.

If the argument is made that spills are unavoidable, then it is a certainty that the landowner's property will be damaged.

43-02-03-49. OIL PRODUCTION EQUIPMENT, DIKES, AND SEALS. Storage of oil in underground or partially buried tanks or containers is prohibited. Surface oil tanks and production equipment must be devoid of leaks and in good condition. **Unused tanks and production equipment must be removed from the site or placed into service, within a reasonable time period, not to exceed one year.**

The first picture was taken in June of 2011 and the second was taken July 2012. How long the tanks were in this condition is unknown.

A state inspector was made aware of these dangerous tanks in June of 2011. These tanks were either fixed or removed in the fall of 2012, about a year and a half after notification. This is a serious safety and liability situation. Would they have been fixed or removed without concerned citizens reporting them?

On January 2, 2012 the KX network aired a story about Chesapeake Oil drilling Bakken wells south of Interstate 94. The wells for the most part have been unproductive. According to the story Lynn Helms stated that Chesapeake will be forced to either reenter the well sites or to plug and abandon them soon. The state only allows a non-paying well to stay on the landscape for a year. According to the latest well data which I have looked at, there are 207 abandoned wells and 351 temporary abandoned wells. I have looked at the well files on these wells, and there are wells that have been in abandoned status or temporary abandoned status for 5, 10 years and longer. Since there are about 2000 new wells being added per year, there needs to be more effort to get the abandoned and temporary abandoned wells plugged.

Admittedly, most of the testimony for this bill is from the area north of Minot. That is because we, in this region, are aware of the rules and regulations and monitor for compliance. We have seen large areas of farmland devastated by saltwater spills. We have seen what happens when equipment gets old and a state of disrepair. I feel it is safe to say that these types of violations are not confined to the Minot Region.

Galen Peterson

Mr. Chairman and members of the Committee,

I am here today to testify in support of HB1420. My name is Larry Peterson, from Antler ND. I am a farmer and also have been a contract pumper and gauger for over 31 years in the oil field. I was here testifying on this same bill 2 years ago. The problems still exist.

A lot of the violations that exist out there are dangerous and very costly. Last time in front of this committee, pictures were shown of tank tops that were rusted out and totally open. In fact we had a tour of local well sites in June of 2011 and had an employee of NDIC oil and gas there to observe. Senator O'Connell handed this employee (Mr. Bob Garby) a picture of these tanks and Mr. Garby said he would take care of this. No violations were issued, or public notices. However, this fall when NDIC knew legislators again were coming, the tanks finally got new tops or were removed. Thankfully, we did not have to read about someone falling into the tanks overcome with H2S gasses. There is a written regulation about tanks and their condition, however it is one of the many that is not enforced.

Many spills of saltwater or oil are reported to NDIC as being under 1 barrel. This is most likely a under reported size, as at 1 barrel, the land owner does not need to be notified. When a cleanup report is submitted the report will say all brine (saltwater) and oil were recovered. This is impossible, but it lets the oil companies off the hook. Consequences like fines would make reporting, and maintaining dikes, monitors, equipment a priority for oil company's. I strongly believe if mandatory fines were levied and increased for repeat offenders, even restricting permits for offenders, in a long run the rules would be obeyed and the cost to the state would decrease.

Thank you for your time.



Larry Peterson

10362



March 19, 2012

NDIC Oil and Gas Division
600 East Boulevard Ave Dept 405
Bismarck, ND 58505-0840

Re: Stead #1
NE NW Sec 5 161N 81W
Well File #10362

Attn: David McCusker

Mr. McCusker,

The above well has not produced since November 1987. It has a long history of being in abandoned status, then temporary abandoned (TA) status, and now overdue for TA renewal. (TA was last approved February 11, 2009).

Some of the reasons that Great American Royalties have given for needing TA status in the past are:

Possible use for injection or production well in a unit that has never been proposed or planned.

Possible use for SWD for a 320 spacing unit that was never developed. The planned horizontal well has not been drilled, and based on progress toward that, will never be drilled.

And repeatedly, no reason at all.

This well needs to be plugged as required by state statutes and regulations. Nothing has been done to utilize it since 1987. No payments or compensation are being paid to the surface owner. It is preventing the use of its location for cropland, it is an unnecessary obstacle to farming the land, and it is holding a mineral lease even though no production or royalties are being paid to the mineral owners.

Please acknowledge receipt and place this letter in the well file, #10362.

This is in regard to the Robert Stead Trust my dad.

Roberta Halstead
2091 99th St NW
Westhope, ND 58793
Surface Owner

Roberta Halstead

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Mr. Chairman and committee members, My name is Roberta ^{Stead}~~Halstead~~, my address is 2091 99th St. NW, Westhope, ND. I am here in support of HB1420 that would help me get my land back.

I have been farming around a well on my land Stead # 10362. This well has not produced oil since November 1987, it has a long history of being abandoned status, then temporary status, and now overdue for temporary abandoned (TA) renewal. The last time it was approved was February 11, 2009. Some of the reasons that the oil company have given for needing this

TA status in the past are the possible use for injection or production well in a unit that has never been proposed or planned. They, the oil company , say they might use it for a Saltwater Disposal for a 320 spacing unit that was never developed. The planned horizontal well has not been drilled and most likely will never will be.

I have contacted NDIC oil and gas by phone and letter and requested the well be plugged. As of this time, I have not gotten any sort of response from oil and gas.

No compensation is being made to me, the surface owner, and we continue to farm around this site which ends up costing me much more in expenses. Also the mineral owner is not being paid anything but conveniently the oil company retains the lease.

I feel the land owner and also the mineral owner in this instance is being taken advantage of even though regulations state the well should be plugged. If I can put this into another perspective, lets say that my quarter of land is a hotel, and I long ago rented a room for a small amount of money to the oil company. I can not get this oil company to move out even though they continue to misuse the room. I have asked my security and the local sheriff to come and help me get them out, but it seems they have just become friends and are asked to join the party. Where can I go for help. Why am I required to hire lawyers at a big expense to get back what is mine.

That is why I am asking the state to approve HB1420.
Thank you for your consideration.

Roberta Stead
Roberta ~~Halstead~~

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HB1420

Mr. Chairman, members of the committee.

My name is Kent Huber. I have been a farmer in the Westhope area for 30 years. I am here in support of HB1420. that would help get abandoned or temporary wells plugged and allow me to farm the land that I own, and pay taxes on.

I have written and called the industrial commission many times, I have a copy of my letter dated October 2008, asking for some action. I have contacted the oil company that this well, Bronderslev 3 #10930 be plugged as it has been non productive for 13 years. My letters and requests have gone into the well files at oil and gas, but that is as far as it has gone.

A little information on this well is that it has not been utilized for the oil company since 2000. During this time, I have had to farm around the site, costing me many extra dollars on inputs to this field. The commissioner has reported that ~~abandoned and non producing wells will be~~ plugged and the land brought back to its original state. As this does not seem to be the case and there are many wells in my area, this bill will help me and my neighbors get our land back.

Thank you for your time.



Kent Huber

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7

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so especially when it comes to the cost of the recent imputs.
And would give me some revenue on the land that I purchased.
I would appreciate it if you would revue my request.

Thanks

Kent Huber
10139 23rd Ave. N.W.
Westhope, N. D. 58793

Mr. Chairman, members of the committee, my name is Christine Peterson from Antler, ND. I am here in support of HB 1420. As a landowner that has a saltwater disposal well on my land that has endured many spills and even after a million dollars of clean up costs, much contamination remains. I respectfully request the legislature to require the oil company to take care of my land. I have had to pay huge fees to lawyers to try to get the damage fixed, but as you know salt water is not a curable cancer. The oil company that purchased this from the previous oil company probably had no idea how many spills had occurred on this property. The Oil and Gas records show spills that were not even reported until turned in by us or other agencies. Almost every spill has been under reported and claim to recover total amount of spill. Have you dumped a pail of water on your lawn and then tried to suck it all back up? Impossible.

So we are left with contaminated land that is no longer productive as agricultural land, and even raises our costs on remaining land. Even trying to sell the land at this point would be difficult, because now lenders will lend on contaminated land.

How can this bill help with this problem. If oil companies knew that they must follow the rules and regulations and there were enforcements with costly consequences instead of a slap on the hand that appears just to be a handshake, maybe some of this accidents would not happen.

Driving down a rural road at just 80 miles an hour doesn't get me a "oh don't do that" from the (regulator) highway patrolman. He hands me a ticket that means I will pay if I want the privilege to continue to drive. I am sure regulators that testify later will show you pretty pictures of a new dike (built on top of severely contaminated topsoil) and fresh black dirt, filled in excavation (Covering very high levels of saltwater contamination). This could be equated to PUTTING LIPSTICK ON A PIG. This is the very type of minimizing that has destroyed countless thousands of acres irreplaceable farm and ranch land in Western North Dakota. Please require accountability.

Sincerely,



Christine Peterson



120 N. 3rd Street • Suite 200 • P.O. Box 1395 • Bismarck, ND 58502-1395
Phone: 701-223-6380 • Fax: 701-222-0006 • Email: ndpc@ndoil.org

Testimony of Alexis Brinkman
House Bill 1420
House Energy and Natural Resources Committee
January 31, 2013

Chairman Porter and members of the Committee, my name is Alexis Brinkman, and I am representing the North Dakota Petroleum Council. The North Dakota Petroleum Council represents more than 400 companies in all aspects of the oil and gas industry, including oil and gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oilfield service activities in North Dakota. I appear before you today in opposition of House Bill 1420.

HB 1420 would impose additional fees for violation of the Department of Mineral Resources rules and regulations. This legislation is redundant and unnecessary, as ample fines and a method to administer them already exist in Century Code. A second set of penalties would only create uncertainty and extra burden for the Department.

We urge a Do Not Pass on HB 1420. I would be happy to answer any questions.

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**WPX ENERGY TESTIMONY ON HB 1420
JANUARY 31, 2013
HOUSE ENERGY AND NATURAL RESOURCES COMMITTEE
PIONEER ROOM
REPRESENTATIVE TODD PORTER, CHAIRMAN**

ZAC WEIS – GOVERNMENT AFFAIRS REPRESENTATIVE, WPX ENERGY

Good afternoon, Mr. Chairman and members of the Energy and Natural Resources committee, my name is Zac Weis, Government Affairs Representative for WPX Energy, an oil and gas Exploration and Production company operating here in the Williston basin.

I am here to testify against House Bill 1420. I can't emphasize enough that WPX Energy and our industry peers operating here in North Dakota make every effort to comply with all Rules and Regulations of the Department of Mineral Resources, Oil and Gas Division

As for HB 1420, we do not support additional penalties when there is a robust existing penalty structure in Century Code 38-08-16. The current statute imposes penalty fines of up to twelve thousand five hundred dollars per day for non-compliance of the Department's Rules and Regulations. We do not see the value of adding these duplicative penalties to the system and believe it would create unnecessary administrative burdens on the Department's resources.

Mr. Chairman and members of the committee that concludes my testimony and I am happy to entertain any questions.



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House Bill 1420
Relating to Enforcement of laws, rules and regulations of oil and gas

House Energy and Natural Resources
January 31, 2013

Testimony of Lynn D. Helms, Director

The North Dakota Industrial Commission – Department of Mineral Resources – Oil and Gas

Division has the following statutes and rules already in place for enforcement of laws and rules:

38-08-16. CIVIL AND CRIMINAL PENALTIES.

1. Any person who violates any provision of this chapter, or any rule, regulation, or order of the commission is subject to a civil penalty to be imposed by the commission not to exceed twelve thousand five hundred dollars for each offense, and each day's violation is a separate offense, unless the penalty for the violation is otherwise specifically provided for and made exclusive in this chapter. Any such civil penalty may be compromised by the commission. The penalties provided in this section, if not paid, are recoverable by suit filed by the attorney general in the name and on behalf of the commission, in the district court of the county in which the defendant resides, or in which any defendant resides, if there be more than one defendant, or in the district court of any county in which the violation occurred. The payment of the penalty may not operate to legalize any illegal oil, illegal gas, or illegal product involved in the violation for which the penalty is imposed, or to relieve a person on whom the penalty is imposed from liability to any other person for damages arising out of the violation.

2. Notwithstanding any of the other provisions of this section, a person who willfully violates any provision of this chapter, or any rule or order of the commission that pertains to the prevention or control of pollution or waste is guilty of a class C felony unless the penalty for the violation is otherwise specifically provided for and made exclusive in this chapter. The criminal penalty provided for in this subsection may only be imposed by a court of competent jurisdiction.

43-02-03-54. INVESTIGATIVE POWERS. Upon receipt of a written complaint from any surface owner or lessee, royalty owner, mineral owner, local, state, or federal official, alleging a violation of the oil and gas conservation statutes or any rule, regulation, or order of the commission, the director shall within a reasonable time reply in writing to the person who submitted the complaint stating that an investigation of such complaint will be made or the reason such investigation will not be made. The person who submitted the complaint may appeal the decision of the director to the commission. The director may also conduct such investigations on the director's own initiative or at the direction of the commission. If, after such investigation, the director affirms that cause for complaint exists, the director shall report the results of the investigation to the person who submitted the complaint, if any, to the person who was the subject of the complaint and to the commission. The commission shall institute such legal proceedings as, in its discretion, it believes are necessary to enjoin further violations.

43-02-03-90. HEARINGS - COMPLAINT PROCEEDINGS – EMERGENCY PROCEEDINGS - OTHER PROCEEDINGS.

1. Except as more specifically provided in North Dakota Century Code section 38-08-11, the rules of procedure established in subsection 1 of North Dakota Century Code section 28-32-21 apply to proceedings involving a complaint and a specific-named respondent.

This bill would at a minimum reduce the fines from \$12,500 per day to \$100 per day for the first 7 days and \$500 per day for the next 8 days. It may in fact reduce the \$12,500 per day to \$500 per day indefinitely.

House bill 1420 would require every verbal or letter notice now issued by the commission to be legally served with opportunity for hearing in order to comply with North Dakota rules of civil procedure and due process requirements.

This bill would require that every single perceived and reported violation become a complaint with the legal notices and due process afforded under North Dakota rules of civil procedure, but the bill doesn't define notification. Will affected landowner notifications require personal service instead of the user friendly procedure in NDAC 43-02-54? House bill 1420 replaces the North Dakota rules of civil procedure with a system of vigilante justice.

Mr. Chairman and members of House Energy and Natural Resources the North Dakota Industrial Commission urges a do not pass for House Bill 1420.