

**FISCAL NOTE**  
**Requested by Legislative Council**  
**02/23/2015**

Amendment to: HB 1032

- 1 A. **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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

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

Engrossed HB 1032 allocates an additional portion of the oil and gas gross production tax to the abandoned oil and gas well plugging and site reclamation fund, contingent upon the 'big trigger'.

- 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 1 increases from \$5 million to \$7.5 million per fiscal year, the allocation to the abandoned oil and gas well plugging and site reclamation fund. Section 2 makes this contingent upon the 'big trigger' not being in effect during the period July 1, 2015 through December 31, 2015.

The January 2015 re-forecast does assume the 'big trigger' becomes effective beginning in June 2015. Therefore, consistent with the January re-forecast, the provisions of engrossed HB 1032 are assumed to not become effective.

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.*

- 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.*

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 02/24/2015

**FISCAL NOTE**  
**Requested by Legislative Council**  
**12/19/2014**

Bill/Resolution No.: HB 1032

- 1 A. **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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$0		
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

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

HB 1032 allocates an additional portion of the oil and gas gross production tax to the abandoned oil and gas well plugging and site reclamation fund.

- 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 1 increases from \$5 million to \$10 million per fiscal year, the allocation to the abandoned oil and gas well plugging and site reclamation fund.

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.*

If enacted, HB 1032 would reduce revenues in the strategic investment and improvements fund and increase revenues in the abandoned oil and gas well plugging and site reclamation fund by \$10 million in the 2015-17 biennium. Both of these are "other funds" for purposes of 1A above.

- 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.*

- 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Kathryn L. Strombeck

**Agency:** Office of Tax Commissioner

**Telephone:** 328-3402

**Date Prepared:** 12/26/2014

**2015 HOUSE ENERGY AND NATURAL RESOURCES**

**HB 1032**

# 2015 HOUSE STANDING COMMITTEE MINUTES

## Energy and Natural Resources Committee Pioneer Room, State Capitol

HB 1032  
1/15/2015  
Job #22028

- ☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Becky Stuep*

### Explanation or reason for introduction of bill/resolution:

Relating to the abandoned oil and gas well plugging and site reclamation fund.

### Minutes:

Attachment #1

Vice Chairman Damschen opens hearing on HB 1032.

### Representative Todd Porter District 34, Vice Chairman of the Interim Energy and Transmission Committee

**Chairman Porter:** This bill raises the cap on the amount of money that can go into the fund and it raises the cap on the upper side on how much can be in the fund and considered full. Page 2 Line 5, it goes from 10 million dollars in a fiscal year, and it raises the balance from 75 million to 100 million dollars. This fund was created last biennium for the purpose to use for clean-up when there is no responsible party. With

**Lynn Helms, Director of Department of Mineral Resources, ND Industrial Commission (Attachment #1)**

**Rep. Glen Froseth:** The title is abandoned well plugging and site restoration. The meaning of "restoration" must be expanded quite a bit if you're using it for filter sock clean-up, and road clean-up, etc.

**Helms:** It was in the 63rd Legislative Assembly. That definition was expanded to include all incidents, such as the site that was contaminated due to an oil/gas pipeline incident.

**Rep. Glen Froseth:** Maybe the title should be changed so that it's more compatible with the overall use of the fund and purpose it.

**Helms:** I'm open to changing the title of the fund so that it's descriptive of what it can do. The expansion language, that was put in the last legislative assembly, limited expenditures to any well, site or facility that was constructed after August 1, 1983. The source of the illegal dumping would have to be post August 1, 1983 for the use of these funds.

16.11

**Rep. Nathe:** The bill says that no more than 10 million dollars a year can go in this, with a lifetime cap of 100 million dollars.

**Helms:** Correct.

**Rep. Nathe:** With all the work you're doing, do you see that you will hit that lifetime cap?

**Helms:** I don't. Biennium to date we have spent 1.6 million projects on 41 projects. If the companion bills pass, it will be a significant expense dealing with the legacy issues. If you get them early it's cheaper to clean up.

**Rep. Hunskor:** In Bottineau & Renville counties there many wells from the 50's & 60's that are a mess on top. We're in the process of encouraging those companies responsible to clean those up. There are many responsible people that are encouraged by your department to get the job done.

**Helms:** Yes, the responsible party is being pressured and encouraged to clean up. There are situations where we can't identify a responsible party, or they no longer exist. But in the interest of time, we use the fund until we find the responsible party and get reimbursed.

**Rep. Hunskor:** Do you have an estimate of the cost of the reclamation on a large salt water site?

**Helms:** Somewhere between 8-10 billion dollars per site (larger sites).

**Rep. Hunskor:** Lets take a small oil site that been abandoned and it needs cleaning up , how much?

**Helms:** About 250-300 thousand dollars.

#### **Alexis Baxley, ND Petroleum Council**

**Baxley:** We are in support of HB 1032. It's a great program. The past 10 months we've been working with landowner groups, industry people and people from Lynn's agency. I'm on a Right of Way task force to address right of way and reclamation issues. This would parallel with those efforts.

#### **Richard Schlosser, behalf of Farmers Union**

**Schlosser:** We are here in support of HB 1032. We represent farmers and ranchers that are affected by some issues that Mr. Helms mentioned. In 2012 our legislative committee

traveled through the state and asked questions what the issues were. Obviously, this bill was one we heard a lot about. Relating to what Rep. Hunsakor spoke of earlier of materials laying around causing problems for the farmers, we hear those same issues. With that, thank you.

**Chairman Porter:** Closed Hearing 26:20

Returned to HB 1032 for further discussion and action: 26:32

**Rep. Glen Froseth:** There are quite a few of the fines for violations that go into this fund also. Are they included that cap?

**Helms:** They would be included in the top dollar cap.

**Rep. Glen Froseth:** The only reason I brought the title of the bill up is In case of lawsuit - at least it is in the record what the title does represent.

**Rep. Mike Lefor:** Motioned Do Pass

**Rep. Roger Brabandt** - Second the Motion.

**Chairman Porter:** No further discussion. Clerk will call vote on a DO Pass on HB 1032

**A Roll Call vote was taken: Yes: 8 No: 0 Absent: 5** (Rep Anderson, Rep Devlin, Rep Keiser, Rep Mock, Rep Muscha)

Do Pass carries.

Rep. Glen Froseth will carry the bill.



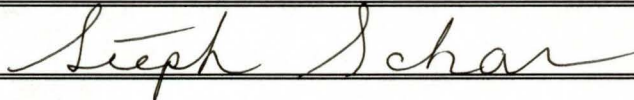
# 2015 HOUSE STANDING COMMITTEE MINUTES

## Energy and Natural Resources Committee Pioneer Room, State Capitol

HB1032  
2/6/2015  
Job # 23433

☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

Relating to the abandoned oil and gas well plugging and site reclamation fund.

### Minutes:

Attachments 1

**Chairman Porter** opens hearing.

**Rep. George Keiser:** I move to reconsider HB 1032.

**Rep. Corey Mock:** Second.

**Chairman Porter:** All those in favor say aye.

### Opposed:

None.

Motion carries unanimously.

**Chairman Porter:** We have HB 1032 in front of us and I have passed out the amendment; written testimony #1. We were asked to bring back and amend the bill.

**Chairman Porter** goes over the amendment.

**Rep. George Keiser:** I move to adopt the amendment to HB 1032.

**Rep. Mike Lefor:** Second.

### Discussion:

**Chairman Porter:** All those in favor say Aye.

**Opposed:** None.

**Chairman Porter:** Motion carries.

**Rep. George Keiser:** I move a Do Pass as amended on HB 1032.

**Rep. Mike Nathe:** Second.

**Discussion:**

**Rep. George Keiser:** Why doesn't this have to go to appropriations?

**Rep. Bob Hunsakor:** It's a shift from the Strategic Investment Fund, (SIF) to the Abandoned Well Fund.

**Chairman Porter:** It's not an appropriation, its changing the percentage of the formula.

**Vote:** Yes 12, No 0, Absent 1

**Rep. Glen Froseth:** Carrier.

SP  
2/6/15

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1032

Page 1, line 2, replace "an" with "a contingent"

Page 2, line 5, replace "ten" with "seven"

Page 2, line 5, after "million" insert "five hundred thousand"

Page 6, line 7, replace "ten" with "seven"

Page 6, line 7, after "million" insert "five hundred thousand"

Page 10, line 21, after the first boldfaced period insert "**CONTINGENT**"

Page 10, line 21, remove "June 30,"


Page 10, line 22, replace "2015" with "December 31, 2015, only if the exemption under subsection 3 of section 57-51.1-03 is ineffective for the completion of any new horizontal well during the period beginning July 1, 2015, and ending December 31, 2015"

Renumber accordingly

**2015 HOUSE STANDING COMMITTEE**  
**ROLL CALL VOTES** *HB 1032*  
**BILL/RESOLUTION NO. "Enter Bill/Resolution No."**

House Energy and Natural Resources Committee

☐ Subcommittee

Amendment LC# or Description: 

Recommendation: ☐ Adopt Amendment  
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar  
Other Actions: ☐ Reconsider ☐ \_\_\_\_\_

Motion Made By Rep. Mike Lefor

Seconded By Rep. Roger Brabandt

Representatives	Yes	No	Representatives	Yes	No
Chairman Porter	x		Rep. Bob Hunsakor	x	
Vice Chairman Damschen	x		Rep. Corey Mock	A	
Rep. Dick Anderson	A		Rep. Naomi Muscha	A	
Rep. Roger Brabandt	x				
Rep. Bill Devlin	A				
Rep. Glen Froseth	x				
Rep. Curt Hofstad	x				
Rep. George Keiser	A				
Rep. Mike Lefor	x				
Rep. Mike Nathe	x				

Total (Yes) 8 No 0

Absent 5

Floor Assignment Rep. Glen Froseth

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

Date: 2/6/15  
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1032

House Energy and Natural Resources Committee

☐ Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation: ☐ Adopt Amendment  
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar  
Other Actions: ☒ Reconsider ☐ \_\_\_\_\_

Motion Made By Rep. Keiser Seconded By Rep. Mock

Representatives	Yes	No	Representatives	Yes	No
Chairman Porter			Rep Hunskor		
Vice Chairman Damschen			Rep Mock	A	
Rep D Anderson			Rep Muscha		
Rep Brabandt					
Rep Devlin					
Rep Froseth					
Rep Hofstad					
Rep Keiser					
Rep Lefor					
Rep Nathe					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Date: 2/6/15  
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1032

House Energy and Natural Resources Committee

☐ Subcommittee

Amendment LC# or Description: 15.0113.01001

Recommendation: ☒ Adopt Amendment  
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar  
Other Actions: ☐ Reconsider ☐ \_\_\_\_\_

Motion Made By Rep Keiser Seconded By Rep. Lefor

Representatives	Yes	No	Representatives	Yes	No
Chairman Porter			Rep Hunsakor		
Vice Chairman Damschen			Rep Mock	A	
Rep D Anderson			Rep Muscha		
Rep Brabandt					
Rep Devlin					
Rep Froseth					
Rep Hofstad					
Rep Keiser					
Rep Lefor					
Rep Nathe					

Total (Yes) 1 No 1

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Moves amount from 10 million to 7.5 million.

Date: 2/6/15  
Roll Call Vote #: 3

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. HB 1032

House Energy and Natural Resources Committee

☐ Subcommittee

Amendment LC# or Description: 15.0113.01001

Recommendation: ☐ Adopt Amendment  
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☒ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar  
Other Actions: ☐ Reconsider ☐ \_\_\_\_\_

Motion Made By Rep Keiser Seconded By Rep Nathe

Representatives	Yes	No	Representatives	Yes	No
Chairman Porter	✓		Rep Hunskor	✓	
Vice Chairman Damschen	✓		Rep Mock	✓	
Rep D Anderson	✓		Rep Muscha	✓	
Rep Brabandt	✓				
Rep Devlin	✓				
Rep Froseth	✓				
Rep Hofstad	✓				
Rep Keiser	✓				
Rep Lefor	✓				
Rep Nathe	✓				

Total (Yes) 12 No 0

Absent 1

Floor Assignment Rep Froseth

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



**REPORT OF STANDING COMMITTEE**

**HB 1032: Energy and Natural Resources Committee (Rep. Porter, Chairman)**  
recommends **DO PASS** (8 YEAS, 0 NAYS, 5 ABSENT AND NOT VOTING).  
HB 1032 was placed on the Eleventh order on the calendar.



**REPORT OF STANDING COMMITTEE**

**HB 1032: Energy and Natural Resources Committee (Rep. Porter, Chairman)**  
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends  
**DO PASS** (12 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1032 was placed  
on the Sixth order on the calendar.

Page 1, line 2, replace "an" with "a contingent"

Page 2, line 5, replace "ten" with "seven"

Page 2, line 5, after "million" insert "five hundred thousand"

Page 6, line 7, replace "ten" with "seven"

Page 6, line 7, after "million" insert "five hundred thousand"

Page 10, line 21, after the first boldfaced period insert "**CONTINGENT**"

Page 10, line 21, remove "June 30,"

Page 10, line 22, replace "2015" with "December 31, 2015, only if the exemption under  
subsection 3 of section 57-51.1-03 is ineffective for the completion of any new  
horizontal well during the period beginning July 1, 2015, and ending December 31,  
2015"

Renumber accordingly

**2015 SENATE ENERGY AND NATURAL RESOURCES**

**HB 1032**

# 2015 SENATE STANDING COMMITTEE MINUTES

## Energy and Natural Resources Fort Lincoln Room, State Capitol

HB 1032  
3/20/2015  
25193

- ☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature

*Katie Oliver*

### Explanation or reason for introduction of bill/resolution:

Relating to the abandoned oil and gas well plugging and site reclamation fund; and to provide a contingent effective date.

### Minutes:

Chairman Schaible called the committee to order and opened the public hearing on HB 1032.

Michael Zeisch: North Dakota Job Service. The language in 1032, specifically in section 1a where the hub city criteria, is worded under the older methodology. It is still worded under mining wouldn't be in sync with it. HB 1049 has this working with mining in it. I wanted to committee to be aware of that.

Senator Triplett: This bill doesn't deal with hub cities and we are not dealing with it here and it would be merged and some dollar issues.

Michael Zeisch: I wasn't exactly sure of the procedure and didn't want something to get left behind.

Senator Triplett: District 18, Energy Development and Transmission Interim Committee. The evolution of dollars from gross productions had a formula as to how it is allocated and you work your way down to subsection E. The change that is being proposed is to increase the abandon oil and gas reclamation fund this bill would allow \$7,500,000 a year and increase the cap \$100,000,000 and the reason for the bill is because as oil development is ongoing and we have more and more wells the possibility that there might be situations where someone goes out of business and that well operator is not able to be held accountable for damages. It is a modest increase given the expansion of oil and gas drilling in the past years, that was all that was in the bill as it came from the. The contingent effective date would not take affect if the big trigger took effect.

Chairman Schaible then closed the public hearing on HB 1032 and Senator Triplett made a motion for a do pass.

Senator Triplett: The contingent effective date, since it is so far down on the list, the way I understand it is that the tax department interprets our work as going in order so they take care of the A and B before they get to D and E. I do not know for sure if the contingent effective date is necessary or not.

Senator Triplett then withdrew her motion for a do pass.

Ryan Shor: North Dakota Treasurer Office. Currently it is capped and it has capped the last two fiscal years at the \$5,000,000. It is based on a percentage so if oil collections are going down then it will go down. Based on this we would calculate at the 4%, up to \$5,000,000, unless the trigger hits then it goes up to 7.5%.

Senator Triplett: Were you at the House hearing?

Ryan Shor: I was not.

Senator Triplett: Does the contingent effective date matter?

Ryan Shor: Since it was going through December of 2015 the \$5,000,000 mark and it would continue to go up, if it didn't go up more we would continue to go up and at that point if we knew the trigger didn't hit we would continue to add to it.

Senator Triplett then made a motion for a do pass with a second by Senator Armstrong, there was no further discussion, roll was taken, the motion passed on a 6-0-1 count with Senator Triplett carrying the bill to the floor.

Date: 3/20/2015  
Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1032**

Senate Energy and Natural Resources Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken	Do Pass
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Motion Made By    Senator Triplett                      Seconded By    Senator Armstrong

[illegible]

Total	(Yes)	6	No	0
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Absent	1
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Floor Assignment      Senator Triplett

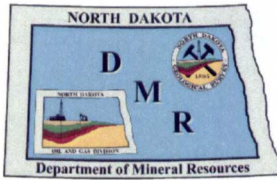
If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1032, as engrossed: Energy and Natural Resources Committee (Sen. Schaible, Chairman)** recommends **DO PASS** (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1032 was placed on the Fourteenth order on the calendar.

**2015 TESTIMONY**

**HB 1032**



#1

**House Bill 1032**  
**House Energy and Natural Resources**  
January 15, 2015

Testimony of Lynn D. Helms, Director

The North Dakota Industrial Commission – Department of Mineral Resources – Oil and Gas Division has had jurisdiction over the Abandoned Oil and Gas Well Plugging and Site Reclamation Fund (AWPSRF) since 1983:

This bill increases the annual funding and maximum balance amounts for the fund. Current fund balance as of December 31, 2014, is \$8,980,231.64.

Proposed amendments initiate two programs that the Commission supports:

Program 1

The first program initiated by proposed amendments identifies land and water resources adversely affected by oil and gas development and left in an inadequate reclamation status before August 1, 1983. The amendment also authorizes and prioritizes spending up to three million dollars per biennium for reclamation on those projects identified. The language creating this program borrows the best aspects of the very successful Abandoned Mine Lands program overseen by the Public Service Commission.

Program 2

The second program initiated by proposed amendments appropriates \$2,500,000 from AWPSRF for a pilot program through the oil and gas research council to determine the best techniques for removing salt from soil surrounding waste pits reclaimed by trenching between 1951 and 1984 in the north central portion of the state.



SB 2190 initiates a third program authorizing transfer of funds from AWPSRF to the Environmental Quality Restoration Fund managed by the Department of Health to address environmental emergencies involving oil and natural gas production, transportation, or waste disposal. There is no statutory cap on that fund, however the Department of Health has a policy of maintaining a \$400,000 balance in the fund.

## Abandoned Well Plugging and Site Restoration Fund Program (AWPSRF)



PROPOSED AMENDMENTS TO HOUSE BILL NO. 1032

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