

FISCAL NOTE
Requested by Legislative Council
02/09/2015

Amendment to: SB 2374

- 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			\$1,218,200	\$500,000	\$1,218,200	\$500,000
Appropriations			\$1,218,200		\$1,218,200	

- 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).*

This measure requires bonding for underground gathering pipelines carrying crude oil or produced water, inspection of pipelines, and mitigation of pipeline leaks.

- 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 of this measure requires the Oil & Gas division to administer an increased amount of bonds. Section 2 requires the Oil & Gas division to mitigate pipeline leaks. Section 3 requires the Oil & Gas division to create standards of inspections and designate necessary devices to be installed on pipelines. Section 4 allows the Oil & Gas division to inspect construction, operation, or servicing of pipelines, gather records on operation of the pipeline, and requires maintenance of confidentiality on 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.*

No revenue is anticipated at this time.

- 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.*

Expenditures per biennium include \$230,700 for a petroleum engineer to take care of standards of inspections and technological devices as well as supervise the pipeline program, \$208,000 for an RBDMS technician to update and maintain the database and gather pipeline records, \$130,000 for an administration assistant to administer bonds, and \$649,500 for three engineering technicians (one per district) for pipeline inspections.

Mitigation costs per biennium are estimated at approximately ten site assessments at \$30,000 each, and one incident likely to have no responsible party at \$200,000.

- 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.*

The Oil & Gas Division expenditures for the increased costs in FTE expenses mentioned in 3B total \$1,218,200. The FTE costs are general fund expenses, and are not included in the executive budget. The mitigation expenditures of \$500,000 would be funded from the abandoned oil and gas well plugging and site reclamation fund, a continuing appropriation fund.

Name: Robyn Loumer

Agency: Industrial Commission

Telephone: 701-328-8011

Date Prepared: 02/04/2015

FISCAL NOTE
Requested by Legislative Council
01/26/2015

Bill/Resolution No.: SB 2374

- 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				\$200,000		\$200,000
Expenditures			\$1,443,000	\$20,000	\$1,443,000	\$20,000
Appropriations			\$1,443,000		\$1,443,000	

- 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).*

This measure requires permits, inspection, and bonding for gas or liquid gathering pipelines.

- 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 of this measure requires the Oil & Gas division to issue permits for gas or liquid gathering pipelines, oversee installation requirements on new pipelines, inspect pipelines, and administer an increased amount of bonds. Section 2 requires the Oil & Gas division to mitigate pipeline leaks.

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.*

It is estimated 2,000 permits per year at \$100/permit would bring in approximately \$200,000 in revenue. As per section 1 of this measure, any money collected under this section must be deposited in the Abandoned Oil and Gas Well Plugging and Site Reclamation Fund (AWPSRF).

- 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.*

Expenditures per biennium include \$1,092,000 for 7 Engineering Technicians and one manager; \$130,000 for RBDMS technician to revise and maintain database; \$130,000 for Engineering Technician to inspect pipelines; \$91,000 for Administration Assistant to administer bonds; and \$20,000 in mitigation costs.

- 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.*

The Oil & Gas Division expenditures for the increased costs in FTE expenses mentioned in 3B total \$1,443,000. The FTE costs are general fund expenses, and are not included in the executive budget.

The mitigation expenditures of \$20,000 would be funded from AWPSRF, a continuing appropriation fund.

Name: Robyn Loumer

Agency: Industrial Commission

Telephone: 701-328-8011

Date Prepared: 02/04/2015

2015 SENATE ENERGY AND NATURAL RESOURCES

SB 2374

2015 SENATE STANDING COMMITTEE MINUTES

Energy and Natural Resources
Fort Lincoln Room, State Capitol

SB 2374
2/5/2015
23277, 23293

- Subcommittee
 Conference Committee

Committee Clerk Signature

Kate Oliver

Explanation or reason for introduction of bill/resolution:

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

Minutes:

2 attachments

Chairman Schaible called the committee back to order and opened the hearing on SB 2374. Senator Rich Wardner was on hand to introduce the bill.

Senator Wardner: District 37. See attachment #1. The bill I bring before you has to do with pipeline management out in the oil patch. In the first version we talk about flow meters and valves. We have come to a time that we do have to make regulations to control this, which is why I brought this forward.

Senator Wardner the explained the amendment he had passed out. (1:42-7:27)

Chairman Schaible: Some of these sound like a good idea but won't work but technology will come along and make it work better.

Senator Wardner: From what I understand yes, that is correct.

Senator Laffen: What does a bond do on a pipeline project? Is it a sum of money to help pay for a spill if it occurs?

Senator Wardner: This bond is deeper than that; this would be a bond to make sure that all of the reclamation is done correctly.

Senator Triplett: Who will do the inspections?

Senator Wardner: The way things are going I am for an independent contractor. We do need to investigate that.

Galen Peterson: North West See attachment #2 (11:04-12:50)

Senator Joe Miller: Completely in support of studying the effects of pipelines. In my area we do not have pipelines but rather gravel pits. How we can reclaim stuff and turn it into productive land. It is good for the economy and good for the state.

Peter Desautel: Out of Minot they are not complicated technologies. The technology is available.

Public hearing was then closed.

Senator Triplett: I think that we need to talk about the inspectors. I agree that it should be independent. My preference is that state inspectors do it.

Senator Armstrong: I am not sure how I feel about the underlined policy. We are having a very difficult time filling those inspector positions that have been vacant for quite some time. Appropriated or not it hard to put something into regulation when we do not have the positions to do it.

Senator Triplett: Maybe we just need to encourage the Appropriations Committee to get people out of the market or pay them more. If the oil companies can find inspectors then we can we just need to pay them more.

Vice Chair Unruh: I like what the bill does but creating a new level of inspectors at the state level. I have the word independent on my paper next to the word inspector, I am not sure if that is enough to clarify what we are after here.

Senator Armstrong: Would it leave it up to the industrial commission if the person to inspect was the best person to inspect?

Vice Chair Unruh: Yes I believe it would leave it up to the industrial commission if it was satisfactory or not. Maybe somewhere we can include language "To the satisfaction of the commission"

Senator Murphy: Wouldn't that be up to the division of mineral resources of the industrial commission? They wouldn't do it if they are not satisfied.

Vice Chair Unruh: I believe the first part of this is directing operators to file with the commission drawing of the pipeline and a certificate of inspection if we included some language that gives them the author to approve those documents.

Senator Triplett: I agree that if the certificate is supplied to the commission by the operator so the way it is written it is up to the operators as to who is going to inspect. To a degree that works, we have to believe that those doing business in North Dakota want to move their product to market. They have self interest in doing it right, but it really isn't working so there needs to be a level of oversight. I think that if we are in agreement with Senator Wardner then we need another set of eyeballs looking at what is going on.

Chairman Schaible: So we are, somewhat, in agreement with the amendments. Senator Unruh would you interested in further amending this with that intent?

Vice Chair Unruh: Yes.

Chairman Schaible: That is my suggestion. We can do that and look at it again.

Senator Hogue: I think we need to broaden that study as it relates to Senator Triplett's comments. We sit here as a legislative body and hear presentation about these technologies. Compel the industry to adopt these technologies. The other approach is to make sure we have the right incentives in place having penalties and things like that. You want to go out and hire inspectors and maybe they will never monitor but if you give them the right incentives. I think that is another possibility to include that. Not us looking at the tech but incentivize them to do it themselves.

Senator Armstrong: When we are not up against an appropriations deadline it would be something to look into.

Chairman Schaible: If you wanted to bring something this afternoon to advance the study I do not think anyone would have a problem with that.

Senator Triplett: The amendment will remove the study completely. Maybe next week is a better time to talk about this.

Chairman Schaible: The amendment we have is on the bill we are discussing. Like I said we have opportunities to advance studies in this bill or others. Look at this for this afternoon.

Senator Armstrong: We have to build flexibility into this if we are going to have an August 1 deadline. I think that regardless of pay scale I am not sure there are 10,000 pipeline inspectors who want to move to Mountrail County.

Senator Triplett: I see that Ron Ness is in the front row.

Ron Ness: North Dakota Petroleum Council. At the end of the day if you recall HB 1331 from last session you set in place the regulatory structure for gathering systems. The Industrial Commission is going to be compelled to have new rules. This is a new bonding mechanism that today doesn't exist. They have to determine what is an acceptable submission in terms of engineering problems. My quick read on that they need to do a rule in particular of what you are trying to do here. It is my understanding that they already can inspect on their own or contract with entities to do that. The details have to be ironed out. It is an encumbering thing. They will have to come in with the technology that you want to use. Unless you are compelled

Senator Triplett: Looking at the 01001 amendment that Senator Wardner brought in would it make it better if we changed and "an" to an "or" in the proposed amendment?

Ron Ness: I think that you would want to leave it open. Although I would say that despite all of the recent bills you would want to direct the industrial commission to rules in this arena.

Senator Armstrong: I know why they don't want to wait until 2017 but can we do this by August 1?

Ron Ness: My read on this is that if you put a pipe line in after that they need to have one of these things. I think it is clear to the pipeline companies that they need to have one of these technologies in place.

Senator Armstrong: Anybody who is putting pipe in the ground now it is not going to match with the rules later. What I don't want is someone who is putting pipe in the ground in the next 4 months and then when the rules change they need to do something else.

Ron Ness: This ensures that every line can have them.

Senator Laffen: I see there are 4 ways to have inspectors do the inspection. I think that we can rule out the first one but could we also leave this open enough to let those rules be defined by and do you have any thoughts on.

Ron Ness: I think that pipeline companies have to have a third part do the inspections and what is acceptable. The agencies have the ability to run their own, audit. I think that they are going to have to vet in their process to what is possible and what is not possible.

Lynn Helms: Director of Department of Mineral Resources Oil and Gas Division of North Dakota Industrial Commission. The industrial commission will have to promulgate administrative rules to make this work. One of those that we are contemplating is some type of rule regarding what constitutes a qualified independent inspector. That would not be a new thing for the industrial commission; we have a list of certified meter proofers. It would be a process similar to that, there is a process for emergency rules that can be in place for 40 days. If we started a rule making process on the last day of session then it would be in place January 1. It is a slow process but if you make it flexible and allow for and identify if you want independent inspections most of them would be done by people who are on the list. What we do in the oil and gas arena is watching a meter proofer do his job one day a year and make sure that they are really inspecting. We could do it through admin rules but it wouldn't be done by August 1. By August 1 when 1333 had taken affect people had already seen the new rule and people knew what they were up against. I think we can make this work if we provide the flexibility. We don't need to add some full time employees through that line to do this kind of work. We would be able to hire inspectors and people who can draft the qualifications. That is where we would go.

Senator Triplett: Can you speak to what is missing in the amendment? What was the conversation that

Lynn Helms: The idea behind that is the permitting process involves duplicating the well permit that we already have. The conversation moved to permitting the pipelines and the wells. Put the burden of the operator to hire an engineer, file it with the industrial commission. Rather than create a dual permitting staff. It replaces the permitting paradigm with the commission for review.

Senator Triplett: What is missing is the actual review. If there is a permit application and it comes in there is guarantee that someone is looking at it. By this you are just saying they have to file it. If it is not reviewed does it still get filed? I would like to say that it looks like a gap to me.

Lynn Helms: It would be good policy for the legislature to tell the industrial commission to adopt rules how they are reviewed before construction. Then it becomes That will deal with rules verses order.

Senator Hogue: Can you tell us where we can go to get some perspective on this issue. I would like to know if your department has something that we can look to leaks versus miles of pipeline.

Lynn Helms: You have a bill coming your way from the House that creates a study just like that and charges the EERC with that. They look at several large oil and gas states. I think that it would be a valuable tool. I can provide 200 pages of Alberta's pipeline. We borrowed from them extensively when we wrote our rule 29. They did a study and found that Alberta's pipeline was only marginally better than their counterparts. Take what works and leave the rest.

No other questions. Chairman Schaible closed the committee work on SB 2374.

2015 SENATE STANDING COMMITTEE MINUTES

Energy and Natural Resources
Fort Lincoln Room, State Capitol

SB 2374
2/6/2015
23377

- 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 site reclamation fund.

Minutes:

1 Attachment

Vice Chair Unruh handed out amendments and explained the changes that it would make to the bill. See attachment #1.

Senator Triplett: The only question that I would have in terms of the language of it is to say that the commission shall set standards and deny a certificate that almost makes it into a permit. It seems like strange phrasing. I am uncomfortable with that language otherwise I think that it looks good.

Chairman Schaible: The idea was that we will give the committee a chance to look at the amendment and then come back and discuss it this afternoon.

There was no further discussion and Chairman Schaible closed the committee work on SB 2374.

2015 SENATE STANDING COMMITTEE MINUTES

Energy and Natural Resources
Fort Lincoln Room, State Capitol

SB 2374
2/6/2015
23413

- 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 site reclamation fund.

Minutes:

Vice Chair Unruh then made a motion to adopt the amendment 15.1015.01002 with second by Senator Murphy.

Senator Triplett: It seems like new language and I do not know what the purpose would be.

Vice Chair Unruh: We took this language out of the administrative code.

Senator Triplett: The motion would be to re-refer but as this is a hog house amendment there would be no fiscal impact.

Vice Chair Unruh: I did find the language in the administrative code section 43.

Senator Murphy: Does that mean that we can delete this or is it redundancy?

Senator Armstrong: I don't think so because we are adding code language to the statute. They want the info and the complete info and companies want to protect any proprietary info that they have in relation to it so they need to feel like the language is protected.

Senator Triplett: Maybe we should reference the statute of confidentiality.

Vice Chair Unruh: I had legislative council draft this and I do trust their judgment in this section.

Senator Triplett I want to make sure we aren't creating new law. I wouldn't want this to be perceived as altering this.

Chairman Schaible: I would make a suggestion that we withdraw the motion and revisit it this afternoon.

Senator Hogue: It seems to me that the only thing that would be confidential is the lease. What this is trying to do is protect the lease because the people who secure the lease are interested in protecting their leases. Why protect this information?

Vice Chair Unruh: Any other thoughts or preferences?

Senator Armstrong: Submission of geographical information system data on oil and gas underground gas pipelines.

Vice Chair Unruh rescinded the motion to adopt the amendment and amended the bill further. Vice Chair Unruh then made a motion to further amend the bill with a second by Senator Armstrong, roll was taken and the motion passed on a 7-0-0 count. With the further amended bill in front of them Senator Armstrong made a motion for a do pass as further amended with a second by Vice Chair Unruh, roll was taken and the motion passed on a 7-0-0 with Vice Chair Unruh carrying the bill to the floor.

February 6, 2015

PROPOSED AMENDMENTS TO SENATE BILL NO. 2374

Page 1, line 1, replace "a" with "two"

Page 1, line 1, replace "section" with "sections"

Page 1, line 2, after "reenact" insert "subdivision d of subsection 1 of section 38-08-04 and"

Page 1, replace lines 6 through 19 with:

"SECTION 1. AMENDMENT. Subdivision d of subsection 1 of section 38-08-04 of the North Dakota Century Code is amended and reenacted as follows:

- d. The furnishing of a reasonable bond with good and sufficient surety, conditioned upon the full compliance with this chapter, and the rules and orders of the industrial commission, including and without limitation a bond covering the operation of an underground gathering pipeline carrying crude oil or produced water, 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."

Page 2, line 3, replace "salt" with "produced"

Page 2, after line 4, insert:

"SECTION 3. A new section to chapter 38-08 of the North Dakota Century Code is created and enacted as follows:

Controls, inspections, and engineering design on crude oil and produced water underground gathering pipelines.

The operator of any underground gathering pipeline designed for or intended to transfer oil or produced water from a production facility for disposal, storage, or sale purposes and placed into service after April 1, 2016, shall file with the commission engineering design drawings of the underground gathering pipeline and a certificate of an independent inspection of the pipeline. The commission shall set standards for the certificate of inspections and may deny a certificate that does not meet those standards. The commission shall designate flow meters, over-pressure protection devices, or alternative leak detection and monitoring technologies that an operator of the pipeline shall install on these pipelines.

SECTION 4. A new section to chapter 38-08 of the North Dakota Century Code is created and enacted as follows:

Inspection of pipelines.

Any person engaged in the construction, operation, or servicing of an underground gathering pipeline, including a produced water pipeline, shall allow the commission, the division of oil and gas of the industrial commission, and any representative of the same to enter any lease, property, and pipeline right of way operated or controlled by that person and to review any record and the operation of the pipeline. The person shall file any requested records with the commission. Any requested record received by the commission is confidential."

Renumber accordingly

February 6, 2015

Handwritten initials: "The Salt" and "1/2"

PROPOSED AMENDMENTS TO SENATE BILL NO. 2374

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Page 2, line 3, replace "salt" with "produced"

Page 2, after line 4, insert:

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2/a

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2374: Energy and Natural Resources Committee (Sen. Schaible, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2374 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "a" with "two"

Page 1, line 1, replace "section" with "sections"

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Page 1, replace lines 6 through 19 with:

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- d. The furnishing of a reasonable bond with good and sufficient surety, conditioned upon the full compliance with this chapter, and the rules and orders of the industrial commission, including and without limitation a bond covering the operation of an underground gathering pipeline carrying crude oil or produced water, 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."

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commissioner receives data under this section which is confidential under section 38-08-26, that data retains its confidential status."

Renumber accordingly

2015 SENATE APPROPRIATIONS

SB 2374

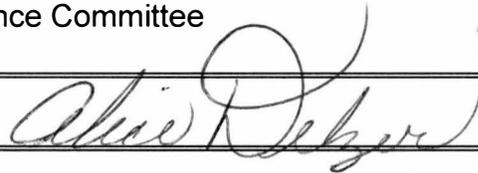
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2374
2/16/2015
Job # 23918

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL relating to regulation of gathering pipelines and abandoned oil and gas well plugging & site reclamation fund.

Minutes:

Chairman Holmberg called the committee to order on Monday, February 16, 2015 at 3:00 pm. All committee members were present. Chris Kadrmas, Legislative Council and Nick Creamer, OMB, were also present.

Senator Wardner, District 37 introduced the bill. He commented this is a critical issue in our state, critical to the oil industry. This bill is about eliminating pipe line spills. We have \$1.2M of general fund for the 2015-17 and about the same for 2017-19 biennium and if you happen to have the fiscal note, it tells you about the expenditures. Salt water pipelines is the one that is the most critical. You can clean up oil, but it's hard to clean up a salt water spill. This is to be proactive and keep us from having the pipeline breaks and spills we've been having. It is money well spent.

Chairman Holmberg any questions of other folks that want to testify. This is a bill that was heard in another committee and we are reviewing the dollar amounts. We will close the hearing on SB 2374.

V. Chairman Krebsbach moved a do pass. 2nd Senator Robinson.

Senator Gary Lee: Where would the FTE be, in industrial commission? He was told yes.

Chairman Holmberg: the fiscal note is drawn from the Industrial Commission.

A roll call vote was taken: Yes: 13; No: 0; Absent: 0. Senator Unruh will carry the bill.

The hearing was closed on SB 2374.

Date: 2-16-15
 Roll Call Vote #: 1

**2015 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2374**

Senate Appropriations 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 Krebsbach Seconded By Robinson

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Heckaman	✓	
Senator Bowman	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator O'Connell	✓	
Senator Carlisle	✓		Senator Robinson	✓	
Senator Sorvaag	✓				
Senator G. Lee	✓				
Senator Kilzer	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Emergency Unruh

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

REPORT OF STANDING COMMITTEE

SB 2374, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed SB 2374 was placed on the Eleventh order on the calendar.

2015 HOUSE ENERGY AND NATURAL RESOURCES

SB 2374

2015 HOUSE STANDING COMMITTEE MINUTES

Energy and Natural Resources Committee
Pioneer Room, State Capitol

SB 2374
3/6/2015
Job # 24439

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to regulation of gathering pipelines; relating to the abandoned oil and gas well plugging and site reclamation fund; and to provide for a legislative management study.

Minutes:

Attachments 1

Chairman Porter opens hearing.

Galen Peterson, NW Landowners Association; written testimony #1

Chairman Porter: Are there provision in here that are not covered in 1358.

Peterson: I don't see any differences, the wording is a little different.

OPPOSITION: None.

Chairman Porter closes hearing.

2015 HOUSE STANDING COMMITTEE MINUTES

Energy and Natural Resources Committee
Pioneer Room, State Capitol

SB 2374
3/26/2015
Job # 25503

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to regulation of gathering pipelines; relating to the abandoned oil and gas well plugging and site reclamation fund; and to provide for a legislative management study.

Minutes:

Attachments 0

Chairman Porter opens discussion, briefly reviews bill.

Rep. George Keiser: I move a Do Not Pass.

Rep. Dick Anderson: Second.

Vote: Yes 12, No 1, Absent 0

Rep. Mike Nathe: Carrier.

Chairman Porter closes discussion.

Date: 3/26/15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. SB 2374

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 D Anderson

Representatives	Yes	No	Representatives	Yes	No
Chairman Porter	✓		Rep Hunsakor	✓	
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 1

Absent 0

Floor Assignment Rep Nathe

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

REPORT OF STANDING COMMITTEE

SB 2374, as engrossed: Energy and Natural Resources Committee (Rep. Porter, Chairman) recommends DO NOT PASS (12 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2374 was placed on the Fourteenth order on the calendar.

2015 TESTIMONY

SB 2374

February 4, 2015

1.1
2-5-15

PROPOSED AMENDMENTS TO SENATE BILL NO. 2374

Page 1, line 2, after "reenact" insert "subdivision d of subsection 1 of section 38-08-04 and"

Page 1, replace lines 6 through 19 with:

"SECTION 1. AMENDMENT. Subdivision d of subsection 1 of section 38-08-04 of the North Dakota Century Code is amended and reenacted as follows:

- d. The furnishing of a reasonable bond with good and sufficient surety, conditioned upon the full compliance with this chapter, and the rules and orders of the industrial commission, including and without limitation a bond covering the operation of an underground gathering pipeline carrying crude oil or produced water, 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."

Page 2, line 3, replace "salt" with "produced"

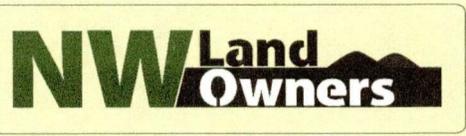
Page 2, after line 4, insert:

"SECTION 3. A new section to chapter 38-08 of the North Dakota Century Code is created and enacted as follows:

Controls, inspections, and engineering design on crude oil and produced water underground gathering pipelines.

The operator of any underground gathering pipeline designed for or intended to transfer oil or produced water from a production facility for disposal, storage, or sale purposes and placed into service after August 1, 2015, shall file with the commission engineering design drawings of the underground gathering pipeline and a certificate of inspection of the pipeline. The operator of these pipelines shall include flow meters, over-pressure protection devices, and alternative leak detection and monitoring technologies as may be required by the commission."

Renumber accordingly



2.1

**6050 Old Hwy 2
Berthold, ND 58718**

**For responsible development of
North Dakota's resources**

Troy Coons	President
Tom Wheeler	Vice President
Bob Grant	Treasurer
Galen Peterson	Secretary
Website	nwlandowners.com
Contact Us	gpete72@gmail.com

Donnybrook, ND
Ray, ND
Berthold, ND
Maxbass, ND

Northwest Landowners Association's Testimony in support of SB2374
Senate Energy and Natural Resources Committee
February 5, 2015

Chairman Schaible and members of the Senate Energy and Natural Resources Committee,

I am Galen Peterson from Northwest Landowners Association (NWLA). We currently have 450 members--farmers, ranchers, and landowners, mostly from north central, northwest, and west central North Dakota. We strive for responsible development of our natural resources.

The recent pipeline leak of (brine, produced water, saltwater) into Blacktail Creek has reminded us that something needs to be done. This wasn't the first major brine spill from a pipeline; there have been several major spills over the past 10 years; but we need to do something to ensure it is one of the last major spills. A recurring common thread with these spills is, no one knows how long the pipeline was leaking before the leak was discovered and these are new installations.

Brine spills on crop or ranch land is the most damaging type of spill. Depending on how long the brine is on and in the soil, cleanup ranges from very difficult to almost impossible and the only proven method is to remove and replace.

Until technology is available to immediately detect leaks and trigger shut off mechanisms, it will take a combination of what is now available along with human diligence to monitor lines. This combination will let the operator know there is a problem before it becomes a major problem. Is installation and the materials being used part of the problem?

Section 1 of this bill will more than likely need changes to be workable for the industry and regulators. We would support that as long as the goal remains, prevention mechanisms and accountability. Special attention needs to be placed on brine lines. And, waiting until 2017 should not be an option.

Section 3 of the bill is a 'must'. We need to look forward on how to improve.

2.2



Introduced by

Senators Wardner, Warner

Representatives B. Anderson, Mock

1.1
2-6-15

1 A BILL for an Act to create and enact ~~at two~~ new ~~section~~sections to chapter 38-08 of the North
2 Dakota Century Code, relating to regulation of gathering pipelines; to amend and reenact
3 subdivision d of subsection 1 of section 38-08-04 and subsection 3 of section 38-08-04.5 of the
4 North Dakota Century Code, relating to the abandoned oil and gas well plugging and site
5 reclamation fund; and to provide for a legislative management study.

6 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

7 ~~SECTION 1. A new section to chapter 38-08 of the North Dakota Century Code is created~~
8 ~~and enacted as follows:~~

9 ~~Permits for and controls on gas and liquid gathering pipelines - Bonds.~~

10 ~~The operator of a gas or liquid gathering pipeline, including a salt water pipeline, shall apply~~
11 ~~for a permit before the installation of the pipeline and the commission shall issue the permit if~~
12 ~~the qualifications under this section are met and the operator submits a plan to meet any~~
13 ~~requirements imposed by law. The cost of the permit must cover the regulatory costs of the~~
14 ~~commission as to that pipeline and be at least one hundred dollars. The commission shall~~
15 ~~require the installation of flow meters, automatic shutoff valves, and pressure cutoff switches on~~
16 ~~all new gas or liquid gathering pipelines, including salt water pipelines installed after June 30,~~
17 ~~2017. The commission shall require a reasonable bond in accordance with subdivision d of~~
18 ~~subsection 1 of section 38-08-04 from an operator of these pipelines. Any money collected~~
19 ~~under this section must be deposited in the abandoned oil and gas well plugging and site~~
20 ~~reclamation fund.~~

21 **SECTION 1. AMENDMENT.** Subdivision d of subsection 1 of section 38-08-04 of the North
22 Dakota Century Code is amended and reenacted as follows:

23 d. The furnishing of a reasonable bond with good and sufficient surety, conditioned
24 upon the full compliance with this chapter, and the rules and orders of the

1.2 1 industrial commission, including and without limitation a bond covering the
2 operation of an underground gathering pipeline carrying crude oil or produced
3 water, except that if the commission requires a bond to be furnished, the person
4 required to furnish the bond may elect to deposit under such terms and
5 conditions as the industrial commission may prescribe a collateral bond,
6 self-bond, cash, or any alternative form of security approved by the commission,
7 or combination thereof, by which an operator assures faithful performance of all
8 requirements of this chapter and the rules and orders of the industrial
9 commission.

10 **SECTION 2. AMENDMENT.** Subsection 3 of section 38-08-04.5 of the North Dakota
11 Century Code is amended and reenacted as follows:

- 12 3. All moneys collected under this section must be deposited in the abandoned oil and
13 gas well plugging and site reclamation fund. This fund must be maintained as a
14 special fund and all moneys transferred into the fund are appropriated and must be
15 used and disbursed solely for the purpose of defraying the costs incurred in carrying
16 out the plugging or replugging of wells; the reclamation of well sites; mitigation of gas
17 or liquid gathering pipeline leaks, including salt produced water pipeline leaks; and all
18 other related activities.

19 **SECTION 3.** A new section to chapter 38-08 of the North Dakota Century Code is created
20 and enacted as follows:

21 **Controls, inspections, and engineering design on crude oil and produced water**
22 **underground gathering pipelines.**

23 The operator of any underground gathering pipeline designed for or intended to transfer oil
24 or produced water from a production facility for disposal, storage, or sale purposes and placed
25 into service after April 1, 2016, shall file with the commission engineering design drawings of the
26 underground gathering pipeline and a certificate of an independent inspection of the pipeline.
27 The commission shall set standards for the certificate of inspections and may deny a certificate
28 that does not meet those standards. The commission shall designate flow meters,
29 over-pressure protection devices, or alternative leak detection and monitoring technologies that
30 an operator of the pipeline shall install on these pipelines.

1.3

1 **SECTION 4.** A new section to chapter 38-08 of the North Dakota Century Code is created
2 and enacted as follows:

3 **Inspection of pipelines.**

4 Any person engaged in the construction, operation, or servicing of an underground
5 gathering pipeline, including a produced water pipeline, shall allow the commission, the division
6 of oil and gas of the industrial commission, and any representative of the same to enter any
7 lease, property, and pipeline right of way operated or controlled by that person and to review
8 any record and the operation of the pipeline. The person shall file any requested records with
9 the commission. Any requested record received by the commission is confidential.

*all
43 = NCC ch 38*

10 **SECTION 5. LEGISLATIVE MANAGEMENT STUDY - PIPELINE SAFETY**

11 **TECHNOLOGY.** During the 2015-16 interim, the legislative management shall consider
12 studying technology that may be used on pipelines to detect or prevent leaks. The study must
13 include a review of flow meter technology and new advances in the industry. The legislative
14 management shall report its findings and recommendations, together with any legislation
15 required to implement the recommendations, to the sixty-fifth legislative assembly.

#1



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Northwest Landowners Association's Testimony in support of SB2374
House Natural Resources Committee
March 6, 2015

Chairman Porter and members of the House Natural Resources Committee,

I am Galen Peterson from Northwest Landowners Association (NWLA). We currently have 450 members--farmers, ranchers, and landowners, mostly from north central, northwest, and west central North Dakota. We strive for responsible development of our natural resources.

We support the concepts of this bill.

Since this committee drafted and unanimously approved HB1358, you know that this bill has similar provisions of HB1358.

We are aware that the 2 bills will have to be somehow melded into one. We urge that you take the best provisions of both to accomplish that.

Thank you.