

HOUSE BILL NO. 1054

Introduced by

Energy and Natural Resources Committee

(At the request of the Industrial Commission)

1 A BILL for an Act to amend and reenact subsection 1 of section 38-08-04 of the North Dakota
2 Century Code, relating to bond requirements for abandoned oil and gas wells.

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

4 **SECTION 1. AMENDMENT.** Subsection 1 of section 38-08-04 of the North Dakota Century
5 Code is amended and reenacted as follows:

6 1. The commission has continuing jurisdiction and authority over all persons and
7 property, public and private, necessary to enforce effectively the provisions of this
8 chapter. The commission has authority, and it is its duty, to make such investigations
9 as it deems proper to determine whether waste exists or is imminent or whether other
10 facts exist which justify action by the commission. The commission has the authority:

11 a. To require:

12 (1) Identification of ownership of oil or gas wells, producing leases, tanks,
13 plants, structures, and facilities for the transportation or refining of oil and
14 gas.

15 (2) The making and filing with the industrial commission of all resistivity,
16 radioactivity, and mechanical well logs and the filing of directional surveys, if
17 taken, and the filing of reports on well location, drilling, and production.

18 (3) The drilling, casing, operation, and plugging of wells in such manner as to
19 prevent the escape of oil or gas out of one stratum into another, the
20 intrusion of water into oil or gas strata, the pollution of freshwater supplies
21 by oil, gas, or saltwater, and to prevent blowouts, cavings, seepages, and
22 fires.

23 (4) The furnishing of a reasonable bond with good and sufficient surety,
24 conditioned upon the full compliance with this chapter, and the rules and

- 1 orders of the industrial commission, including without limitation a bond
2 covering the operation of any underground gathering pipeline transferring oil
3 or produced water from a production facility for disposal, storage, or sale
4 purposes, except that if the commission requires a bond to be furnished, the
5 person required to furnish the bond may elect to deposit under such terms
6 and conditions as the industrial commission may prescribe a collateral bond,
7 self-bond, cash, or any alternative form of security approved by the
8 commission, or combination thereof, by which an operator assures faithful
9 performance of all requirements of this chapter and the rules and orders of
10 the industrial commission.
- 11 (5) That the production from wells be separated into gaseous and liquid
12 hydrocarbons, and that each be accurately measured by such means and
13 upon such standards as may be prescribed by the commission.
- 14 (6) The operation of wells with efficient gas-oil and water-oil ratios, and to fix
15 these ratios.
- 16 (7) Certificates of clearance in connection with the transportation or delivery of
17 oil, gas, or any product.
- 18 (8) Metering or other measuring of oil, gas, or product related to production in
19 pipelines, gathering systems, storage tanks, barge terminals, loading racks,
20 refineries, or other places, by meters or other measuring devices approved
21 by the commission.
- 22 (9) Every person who produces, sells, purchases, acquires, stores, transports,
23 refines, disposes of, or processes oil, gas, saltwater, or other related oilfield
24 fluids in this state to keep and maintain within this state complete and
25 accurate records of the quantities thereof, which records must be available
26 for examination by the commission or its agents at all reasonable times, and
27 to file with the commission reports as the commission may prescribe with
28 respect to oil or gas or the products thereof. An oil and gas production report
29 need not be notarized but must be signed by the person submitting the
30 report.

1 (10) The payment of fees for services performed. The amount of the fee shall be
2 set by the commission based on the anticipated actual cost of the service
3 rendered. Unless otherwise provided by statute, all fees collected by the
4 commission must be deposited in the general fund of this state, according to
5 procedures established by the state treasurer.

6 (11) The filing free of charge of samples and core chips and of complete cores
7 when requested in the office of the state geologist within six months after
8 the completion or abandonment of the well.

9 (12) The placing of wells in abandoned-well status which have not produced oil
10 or natural gas in paying quantities for one year. A well in abandoned-well
11 status must be promptly returned to production in paying quantities,
12 approved by the commission for temporarily abandoned status, or plugged
13 and reclaimed within six months. If none of the three preceding conditions
14 are met, the industrial commission ~~may~~shall require the well to be placed
15 immediately on a single-well bond in an amount equal to the cost of
16 plugging the well and reclaiming the well site. In setting the bond amount,
17 the commission shall use information from recent plugging and reclamation
18 operations. After a well has been in abandoned-well status for one year, the
19 well's equipment, all well-related equipment at the well site, and salable oil
20 at the well site are subject to forfeiture by the commission. If the commission
21 exercises this authority, section 38-08-04.9 applies. After a well has been in
22 abandoned-well status for one year, the single-well bond referred to above,
23 or any other bond covering the well if the single-well bond has not been
24 obtained, is subject to forfeiture by the commission. A surface owner may
25 request a review of the temporarily abandoned status of a well that has
26 been on temporarily abandoned status for at least seven years. The
27 commission shall require notice and hearing to review the temporarily
28 abandoned status. After notice and hearing, the surface owner may request
29 a review of the temporarily abandoned status every two years.

30 b. To regulate:

- 1 (1) The drilling, producing, and plugging of wells, the restoration of drilling and
2 production sites, and all other operations for the production of oil or gas.
- 3 (2) The shooting and chemical treatment of wells.
- 4 (3) The spacing of wells.
- 5 (4) Operations to increase ultimate recovery such as cycling of gas, the
6 maintenance of pressure, and the introduction of gas, water, or other
7 substances into producing formations.
- 8 (5) Disposal of saltwater and oilfield wastes.
 - 9 (a) The commission shall give all affected counties written notice of
10 hearings in such matters at least fifteen days before the hearing.
 - 11 (b) The commission may consider, in addition to other authority granted
12 under this section, safety of the location and road access to saltwater
13 disposal wells, treating plants, and all associated facilities.
- 14 (6) The underground storage of oil or gas.
 - 15 c. To limit and to allocate the production of oil and gas from any field, pool, or area
16 and to establish and define as separate marketing districts those contiguous
17 areas within the state which supply oil and gas to different markets, and to limit
18 and allocate the production of oil and gas for each separate marketing district.
 - 19 d. To classify wells as oil or gas wells for purposes material to the interpretation or
20 enforcement of this chapter, to classify and determine the status and depth of
21 wells that are stripper well property as defined in section 57-51.1-01, to certify to
22 the tax commissioner which wells are stripper wells as defined in section
23 57-51.1-01 and the depth of those wells, and to certify to the tax commissioner
24 which wells involve secondary or tertiary recovery operations as defined in
25 section 57-51.1-01, and the date of qualification for the oil extraction tax
26 exemption for secondary and tertiary recovery operations.
 - 27 e. To adopt and to enforce rules and orders to effectuate the purposes and the
28 intent of this chapter and the commission's responsibilities under chapter
29 57-51.1. When adopting a rule, issuing an order, or creating a policy, the
30 commission shall give due consideration to the effect of including locations within
31 this state which may also be under the jurisdiction of the federal government or a

1 tribal government. When reporting information resulting from adopting a rule,
2 issuing an order, or creating a policy that affects locations within this state which
3 may also be under the jurisdiction of the federal government or a tribal
4 government, the commission shall provide sufficient information to indicate the
5 effect of including locations that may also be under the regulatory jurisdiction of
6 the federal government or a tribal government.

7 f. To provide for the confidentiality of well data reported to the commission if
8 requested in writing by those reporting the data for a period not to exceed six
9 months. However, the commission may release:

10 (1) Volumes injected into a saltwater injection well.

11 (2) Information from the spill report on a well on a site at which more than ten
12 barrels of fluid, not contained on the well site, was released for which an
13 oilfield environmental incident report is required by law.