

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1102

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*Yalosta Rickford*  
Operator's Signature

*10/2/03*  
Date

2003 HOUSE NATURAL RESOURCES

HB 1102

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1102

House Natural Resources Committee

Conference Committee

Hearing Date January 10, 2003

Tape Number	Side A	Side B	Meter #
1	xx		0-1755
Committee Clerk Signature <i>Ed Murphy</i>			

Minutes:

**Chair Nelson:** opened the hearing on HB 1102 relating to appeals from the decisions of the water commission and the state engineer.

**Ed Murphy:** testified on behalf of HB 1102 (see attached testimony).

**Rep. Keiser:** How are you depositing property?

**Ed Murphy:** We are attempting to model it on the Oil and Gas Division. The wording is based from thier statute. They do not accept property. I'm not sure why this is in the bill. There is cd deposited at the Bank of North Dakota. The interest would revert back to the company.

**Rep. Keiser:** Would a letter of credit from a bank be acceptable?

**Ed Murphy:** Not what we are proposing to do under our rules. The oil and gas division does not accept letters of credit.

**Rep. Drovedal:** Not to reflect on any particular company, but we get fly-by-nighters that use the property, which is difficult to valuate. When the soil activity is going on it is worth more money

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House Natural Resources Committee  
Bill/Resolution Number HB 1102  
Hearing Date January 10, 2003

and when the oil activity quits it becomes a liability. I can see you having property with contamination on it.

**Ed Murphy:** I need to consult with the Attorney General's office, but I would have no problem removing this language from it.

**Rep. Clark:** Is it possible to use other assets?

**Ed Murphy:** I do not have that answer.

**Rep. Nottestad:** If the law reads that property will be accepted and they do not accept property what is the scenario for that?

**Ed Murphy:** There has been no problem within oil and gas.

**Rep. Nottestad:** I recommend finding that out.

**Chair Nelson:** We are attempting to contact Lynn Helms the Director of the Oil and Gas Commission of the Industrial Commission.

**John Dwyer:** Testified in favor of HB 1102 (see Attachment). We do not have any objection to removing the property section of the bill. We only accept cash anyway so it will not affect the industry.

**Rep. Keiser:** What is the dollar level of the bond we are talking about? We are talking about taking working and investment capital and putting them in a non-operating category. This can have a negative effect. Because of this I ask again why are we not allowing a letter of credit in lieu of a cash bond?

**John Dwyer:** We do not have a problem with that. You make a good point. We can get you that language of the public service commission that provides for a performance bond in 38.14.

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House Natural Resources Committee  
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**Dean Peterson:** Spoke on behalf of North American Coal Corporation. These bonds are only \$10,000 bonds. It provides us some down pressure on the assurity companies. If they try to hijack us with respect to premiums it gives us another tool in the tool box. The cash option is the only thing we are interested in. We won't speak to this.

**Chair Nelson:** So you are at the mercy of the assurity company.

**Dean Peterson:** This is just another tool.

**Chair Nelson** closed the hearing.

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2003 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 1102

House Natural Resources Committee

Conference Committee

Hearing Date January 23, 2003

Tape Number	Side A	Side B	Meter #
1		xx	6100-end
2	xx		0-268
Committee Clerk Signature <i>Cornie Myers</i>			

Minutes:

Rep. Drovedal introduced an amendment related to the cash or property language.

Amendment Moved by Rep. Solberg, seconded by Rep. Keiser. Passed by voice vote.

Rep. Keiser moved a do pass on HB 1102 seconded by Rep. Clark. Passed by a vote of 13-0-1.

Rep. Keiser will carry.

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PROPOSED AMENDMENTS TO HOUSE BILL NO. 1102

Page 1, lines 13 through 15, replace "cash or property under the terms and conditions as the industrial commission may prescribe." with "surety bond, collateral bond, self-bond, deposit, a bond issued under the state surface mining and reclamation bond fund, any alternative form of security approved by the industrial commission, or combination thereof, by which a permittee assures faithful performance of all requirements of this chapter."

Page 1, lines 22 through 24, replace "cash or property under the terms and conditions as the industrial commission may prescribe." with "surety bond, collateral bond, self-bond, deposit, a bond issued under the state surface mining and reclamation bond fund, any alternative form of security approved by the industrial commission, or combination thereof, by which a permittee assures faithful performance of all requirements of this chapter."

Page 2, lines 5 through 7, replace "cash or property under the terms and conditions as the industrial commission may prescribe." with "surety bond, collateral bond, self-bond, deposit, a bond issued under the state surface mining and reclamation bond fund, any alternative form of security approved by the industrial commission, or combination thereof, by which a permittee assures faithful performance of all requirements of this chapter."

PROPOSED AMENDMENT TO N.D.C.C. 38-08-04

SECTION 1. AMENDMENT. 38-08-04(1)(d) is amended as follows:

Replace "cash or property under the terms and conditions as the industrial commission may prescribe." with "surety bond, collateral bond, self-bond, deposit, a bond issued under the state surface mining and reclamation bond fund, any alternative form of security approved by the industrial commission, or combination thereof, by which a permittee assures faithful performance of all requirements of this chapter."

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Title.0200

Adopted by the Natural Resources  
Committee

January 23, 2003

VR  
1/24/03

HOUSE AMENDMENTS TO HOUSE BILL NO. 1102 NAT RES 1-27-03

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

Page 1, after line 6, insert:

**"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 prescribed to govern the production of oil and gas on public and private lands within the state, except that if the commission requires a bond to be furnished, the person required to furnish the bond may elect to deposit ~~cash or property under such terms and conditions as the industrial commission may prescribe~~ a surety bond, collateral bond, self-bond, deposit, a bond issued under the state surface mining and reclamation bond fund, any alternative form of security approved by the commission, or combination thereof, by which a permittee assures faithful performance of all requirements of this chapter.

Page 1, line 14, replace "~~cash or property under the terms and conditions~~" with "a surety bond, collateral bond, self-bond, deposit, a bond issued under the state surface mining and reclamation bond fund, any alternative form of security approved by the commission, or combination thereof, by which a permittee assures faithful performance of all requirements of this chapter."

Page 1, remove line 15

Page 1, line 23, replace "~~cash or property under the terms and conditions~~" with "a surety bond, collateral bond, self-bond, deposit, a bond issued under the state surface mining and reclamation bond fund, any alternative form of security approved by the commission, or combination thereof, by which a permittee assures faithful performance of all requirements of this chapter."

Page 1, remove line 24

HOUSE AMENDMENTS TO HB 1102

NAT RES 1-27-03

Page 2, line 6, replace "~~cash or property under the terms and conditions as~~" with "a surety bond, collateral bond, self-bond, deposit, a bond issued under the state surface mining and reclamation bond fund, any alternative form of security approved by the commission, or combination thereof, by which a permittee assures faithful performance of all requirements of this chapter."

Page 2, remove line 7

Renumber accordingly

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