

**HOUSE BILL NO. 1358**

Introduced by

Representatives D. Anderson, Hatlestad, J. Nelson, Porter, Weisz

Senators Bekkedahl, O'Connell

1 A BILL for an Act to create and enact a new section to chapter 38-08 and a new subsection to  
2 section 38-08-26 of the North Dakota Century Code, relating to the operation of underground  
3 gathering pipelines and the sharing of information by a surface owner; to amend and reenact  
4 subdivisions d and l of subsection 1 of section 38-08-04, subsection 6 of section 38-08-04, and  
5 section 38-08-04.5 of the North Dakota Century Code, relating to an exception to confidentiality  
6 of well data, to underground gathering pipeline bonds, to temporarily abandoned status, and the  
7 uses of the abandoned oil and gas well plugging and site reclamation fund; and to provide a  
8 report to the legislative management; to provide a transfer; to provide an appropriation; and to  
9 declare an emergency.

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

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

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

15 The operator of an underground gathering pipeline designed or intended to transfer oil or  
16 produced water from a production facility for disposal, storage, or sale purposes and placed into  
17 service after August 1, 2015, shall file with the commission engineering design drawings and a  
18 certificate of inspection from a qualified third party for the underground gathering pipeline. The  
19 commission shall require the operator of the pipeline to install flow meters and overpressure  
20 protection devices designated by the commission or the commission may require alternative  
21 leak detection and monitoring technologies be installed by the operator of these pipelines.

22 **SECTION 2. AMENDMENT.** Section 38-08-04.5 of the North Dakota Century Code is  
23 amended and reenacted as follows:

1           **38-08-04.5. Abandoned oil and gas well plugging and site reclamation fund -**

2    **Continuing appropriation - Budget section report.**

3           There is hereby created an abandoned oil and gas well plugging and site reclamation fund.

4           1. Revenue to the fund must include:

5               a. Fees collected by the oil and gas division of the industrial commission for permits  
6               or other services.

7               b. Moneys received from the forfeiture of drilling and reclamation bonds.

8               c. Moneys received from any federal agency for the purpose of this section.

9               d. Moneys donated to the commission for the purposes of this section.

10              e. Moneys received from the state's oil and gas impact fund.

11              f. Moneys recovered under the provisions of section 38-08-04.8.

12              g. Moneys recovered from the sale of equipment and oil confiscated under section  
13              38-08-04.9.

14              h. Moneys transferred from the cash bond fund under section 38-08-04.11.

15              i. Such other moneys as may be deposited in the fund for use in carrying out the  
16              purposes of plugging or replugging of wells or the restoration of well sites.

17              j. Civil penalties assessed under section 38-08-16.

18           2. Moneys in the fund ~~may be used~~ are appropriated on a continuing basis for the  
19           following purposes:

20               a. Contracting for the plugging of abandoned wells.

21               b. Contracting for the reclamation of abandoned drilling and production sites,  
22               saltwater disposal pits, drilling fluid pits, and access roads.

23               c. To pay mineral owners their royalty share in confiscated oil.

24               d. Defraying costs incurred under section 38-08-04.4 in reclamation of oil and  
25               gas-related pipelines and associated facilities.

26               e. Reclamation and restoration of land and water resources adversely affected by  
27               oil and gas development including related pipelines and facilities which were  
28               abandoned or were left in an inadequate reclamation status before August 1,

29               1983, and for which there is not any continuing reclamation responsibility under

30               state law. The commission may expend up to ~~three~~one million five hundred

31               thousand dollars per biennium from the fund in the following priority:

1           (1) ~~For administrative expenses and cost in developing an abandoned site-~~  
2           ~~reclamation plan and the program.~~ Research and demonstration projects for  
3           the development of reclamation and water quality control program methods  
4           and techniques for oil and gas development, including related pipelines and  
5           facilities.

6           (2) ~~For the protection of public health, safety, and general welfare.~~

7           ~~(3) For the restoration of eligible land and water that are degraded by the~~  
8           ~~adverse effects of oil and gas development including related pipelines and~~  
9           ~~facilities. The restoration may include measures for the conservation and~~  
10          ~~development of soil, water, wildlife, recreational opportunities, and~~  
11          ~~agricultural productivity.~~

12          ~~(4) Research and demonstration projects for the development of reclamation-~~  
13          ~~and water quality control program methods and techniques for oil and gas-~~  
14          ~~development including related pipelines and facilities.~~

15          ~~(5) For the protection, repair, replacement, construction, or enhancement of~~  
16          ~~public facilities including utilities, roads, recreational facilities, and~~  
17          ~~conservation facilities adversely affected by oil and gas development~~  
18          ~~including related pipelines and facilities.~~

19          ~~(6)~~(3) For the development of publicly owned land adversely affected by oil and  
20          gas development including related pipelines and facilities.

21          (4) For administrative expenses and cost in developing an abandoned site  
22          reclamation plan and the program.

23           3. All moneys collected under this section must be deposited in the abandoned oil and  
24           gas well plugging and site reclamation fund. This fund must be maintained as a  
25           special fund and all moneys transferred into the fund are appropriated and must be  
26           used and disbursed solely for the purpose of defraying the costs incurred in carrying  
27           out the plugging or replugging of wells, the reclamation of well sites, and all other  
28           related activities.

29           4. The commission shall report to the budget section of the legislative management on  
30           the balance of the fund and expenditures from the fund each biennium.

1       **SECTION 3. AMENDMENT.** Subdivision d of subsection 1 of section 38-08-04 of the  
2 North Dakota Century Code is amended and reenacted as follows:

- 3           d. The furnishing of a reasonable bond with good and sufficient surety, conditioned  
4           upon the full compliance with this chapter, and the rules and orders of the  
5           industrial commission, including without limitation a bond covering the operation  
6           of any underground gathering pipeline intended to transfer oil or produced water  
7           from a production facility for disposal, storage, or sale purposes, except that if the  
8           commission requires a bond to be furnished, the person required to furnish the  
9           bond may elect to deposit under such terms and conditions as the industrial  
10          commission may prescribe a collateral bond, self-bond, cash, or any alternative  
11          form of security approved by the commission, or combination thereof, by which  
12          an operator assures faithful performance of all requirements of this chapter and  
13          the rules and orders of the industrial commission.

14       **SECTION 4. AMENDMENT.** Subdivision l of subsection 1 of section 38-08-04 of the North  
15 Dakota Century Code is amended and reenacted as follows:

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

1 authority, section 38-08-04.9 applies. After a well has been in abandoned-well  
2 status for one year, the single-well bond referred to above, or any other bond  
3 covering the well if the single-well bond has not been obtained, is subject to  
4 forfeiture by the commission.

5 **SECTION 5. AMENDMENT.** Subsection 6 of section 38-08-04 of the North Dakota Century  
6 Code is amended and reenacted as follows:

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

10 a. Volumes injected from a saltwater injection well.

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

14 **SECTION 6.** A new subsection to section 38-08-26 of the North Dakota Century Code is  
15 created and enacted as follows:

16 The surface owner may share information contained in the geographic information  
17 system database.

18 **SECTION 7. TRANSFER - ABANDONED OIL AND GAS WELL PLUGGING AND SITE**  
19 **RECLAMATION FUND TO OIL AND GAS RESEARCH FUND - PRODUCED WATER**

20 **PIPELINE STUDY - REPORT TO LEGISLATIVE MANAGEMENT.** The director of the office of  
21 management and budget shall transfer the sum of \$1,500,000 from the abandoned oil and gas  
22 well plugging and site reclamation fund to the oil and gas research fund for the purpose of  
23 funding a special project through the energy and environmental research center at the  
24 university of North Dakota during the biennium beginning July 1, 2015, and ending June 30,  
25 2017. The special project must focus on conducting an analysis of produced water pipelines  
26 including the construction standards, depths, pressures, monitoring systems, maintenance,  
27 types of materials used in the pipeline including backfill, and an analysis of the ratio of spills and  
28 leaks occurring in this state in comparison to other large oil and gas-producing states with  
29 substantial volumes of produced water. The industrial commission shall contract with the energy  
30 and environmental research center to compile the information and the center shall work with the  
31 department of mineral resources to analyze the existing regulations on construction and

1 monitoring of produced water pipelines and provide a report with recommendations to the  
2 industrial commission and the energy development and transmission committee by  
3 December 1, 2015. The industrial commission shall adopt the necessary administrative rules  
4 necessary to improve produced water pipeline safety and integrity. In addition, the industrial  
5 commission shall contract for a pilot project on pipeline flow monitoring to evaluate a working  
6 leak detection system.

7       **SECTION 8. APPROPRIATION.** Notwithstanding section 38-08-04.5, there is appropriated  
8 out of any moneys in the abandoned oil and gas well plugging and site reclamation fund in the  
9 state treasury, not otherwise appropriated, the sum of ~~\$2,500,000~~\$500,000, or so much of the  
10 sum as may be necessary, to the industrial commission for the purpose of conducting a pilot  
11 program involving the oil and gas research council in conjunction with research facilities in this  
12 state to determine the best techniques for removing salt from the soil surrounding waste pits  
13 reclaimed by trenching between 1951 and 1984 in the north central portion of this state, for the  
14 biennium beginning July 1, 2015, and ending June 30, 2017.

15       **SECTION 9. EMERGENCY.** This Act is declared to be an emergency measure.