

Sixty-fourth  
Legislative Assembly  
of North Dakota

ENGROSSED 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; to provide a report  
8 to the legislative management; to provide a transfer; to provide an appropriation; and to declare  
9 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 one million five hundred thousand  
31          dollars per biennium from the fund in the following priority:

1 ~~(1) Research and demonstration projects for the development of reclamation~~  
2 ~~and water quality control program methods and techniques for oil and gas~~  
3 ~~development, including related pipelines and facilities.~~

4 ~~(2)~~(1) For the restoration of eligible land and water that are degraded by the  
5 adverse effects of oil and gas development including related pipelines and  
6 facilities.

7 ~~(3)~~(2) For the development of publicly owned land adversely affected by oil and  
8 gas development including related pipelines and facilities.

9 ~~(4)~~(3) For administrative expenses and cost in developing an abandoned site  
10 reclamation plan and the program.

11 ~~(4)~~ Demonstration projects for the development of reclamation and water  
12 quality control program methods and techniques for oil and gas  
13 development, including related pipelines and facilities.

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

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

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

24 d. The furnishing of a reasonable bond with good and sufficient surety, conditioned  
25 upon the full compliance with this chapter, and the rules and orders of the  
26 industrial commission, including without limitation a bond covering the operation  
27 of any underground gathering pipeline intended to transfer oil or produced water  
28 from a production facility for disposal, storage, or sale purposes, except that if the  
29 commission requires a bond to be furnished, the person required to furnish the  
30 bond may elect to deposit under such terms and conditions as the industrial  
31 commission may prescribe a collateral bond, self-bond, cash, or any alternative

1 form of security approved by the commission, or combination thereof, by which  
2 an operator assures faithful performance of all requirements of this chapter and  
3 the rules and orders of the industrial commission.

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

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

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

28 6. To provide for the confidentiality of well data reported to the commission if requested in  
29 writing by those reporting the data for a period not to exceed six months. However, the  
30 commission shall release:  
31 a. Volumes injected from a saltwater injection well.

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

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

6           The surface owner may share information contained in the geographic information  
7           system database.

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

10 **PIPELINE STUDY - REPORT TO LEGISLATIVE MANAGEMENT.** The director of the office of  
11 management and budget shall transfer the sum of \$1,500,000 from the abandoned oil and gas  
12 well plugging and site reclamation fund to the oil and gas research fund for the purpose of  
13 funding a special project through the energy and environmental research center at the  
14 university of North Dakota during the biennium beginning July 1, 2015, and ending June 30,  
15 2017. The special project must focus on conducting an analysis of produced water pipelines  
16 including the construction standards, depths, pressures, monitoring systems, maintenance,  
17 types of materials used in the pipeline including backfill, and an analysis of the ratio of spills and  
18 leaks occurring in this state in comparison to other large oil and gas-producing states with  
19 substantial volumes of produced water. The industrial commission shall contract with the energy  
20 and environmental research center to compile the information and the center shall work with the  
21 department of mineral resources to analyze the existing regulations on construction and  
22 monitoring of produced water pipelines and provide a report with recommendations to the  
23 industrial commission and the energy development and transmission committee by  
24 December 1, 2015. The industrial commission shall adopt the necessary administrative rules  
25 necessary to improve produced water pipeline safety and integrity. In addition, the industrial  
26 commission shall contract for a pilot project on pipeline flow monitoring to evaluate a working  
27 leak detection system.

28           **SECTION 8. APPROPRIATION.** Notwithstanding section 38-08-04.5, there is appropriated  
29 out of any moneys in the abandoned oil and gas well plugging and site reclamation fund in the  
30 state treasury, not otherwise appropriated, the sum of \$500,000, or so much of the sum as may  
31 be necessary, to the industrial commission for the purpose of conducting a pilot program

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1 involving the oil and gas research council in conjunction with research facilities in this state to  
2 determine the best techniques for removing salt from the soil surrounding waste pits reclaimed  
3 by trenching between 1951 and 1984 in the north central portion of this state, for the biennium  
4 beginning July 1, 2015, and ending June 30, 2017.

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