

ADMINISTRATIVE RULES COMMITTEE HEARING

TESTIMONY OF BRUCE E. HICKS - March 4, 2020

Chairman Devlin and Committee Members:

Please find my written testimony below concerning the adoption of administrative rules by the Oil and Gas Division of the North Dakota Industrial Commission. The items listed are pursuant to Ms. Vonette Richter's request on February 12, 2020.

1. **Statutory changes:** There were no rule changes related to statute changes made by the recent Sixty-Sixth Legislative Assembly.
2. **Federal changes:** The rule changes are not related to any federal statute or regulation.
3. **Procedure:** The rulemaking procedure consisted of the following:
 - Aug 28, 2019—Received approval from Industrial Commission (IC) to adopt rules
 - Aug 30, 2019—Filed rules with Legislative Council
 - Sep 3, 2019—Completed regulatory analysis for rules impacting industry > \$50,000
 - Sep 3-Sep 14, 2019—Public notices were published in each county
 - Oct 7-8, 2019—Hearings (Case 27828) in Bismarck, Dickinson, Williston & Minot
 - Oct 18, 2019—Comment period deadline (10-11 day comment period)
 - Nov 22, 2019—Wrote responses to all comments received
 - Nov 25, 2019—Received approval from IC to adopt rules (Order No. 30278)
 - Nov 26, 2019—Mailed Order No. 30278 to all interested parties
 - Dec 18, 2019—Wrote small entity regulatory analysis
 - Dec 20, 2019—Wrote small entity impact statement
 - Dec 20, 2019—Submitted final rules to Attorney General for legal opinion
 - Jan 23, 2020—Received Attorney General's opinion that rules are legal
 - Jan 27, 2020—Filed rules with Legislative Council
 - Feb 11, 2020—Notified parties of ARC hearing & posted on web
 - Mar 4, 2020—Administrative Rules Committee hearing
 - Apr 1, 2020—Rules become effective
 - 217 days (7.1 months)—Agency approval to effective date of rules
4. **Oral and written comments:** Comments were received from 6 parties at the hearings and a total of 25 parties ultimately commented. The Consideration of Comments (pages 6-27) explains our rationale and action for either modifying the proposed rules, leaving them as proposed, or withdrawing them. Please note a digital .pdf copy of the Consideration of Comments was emailed to your .nd email account on March 3, 2020 due to the abhorrent size of the document attached herein.

The following rules received comments:

<u>NDAC Sec.</u>	<u>Description</u>	<u>Page</u>	<u>Change Made</u>
43-02-03-10	Authority to Cooperate with other Agencies	13	Leave as proposed
43-02-03-14.2	Oil and Gas Metering Systems	13	Modified
43-02-03-15	Bond and Transfer of Wells	16	Leave as proposed
43-02-03-16	Application for Permit to Drill & Recomplete	21	Leave as proposed
43-02-03-16.3	Recovery of a Risk Penalty	24	Modified
43-02-03-21	Casing, Tubing, and Cementing Requirements	26	Modified
43-02-03-23	Blowout Prevention	28	Modified
43-02-03-27.1	Hydraulic Fracture Stimulation	28	Leave as proposed
43-02-03-28	Safety Regulation	30	Modified
43-02-03-29.1	Oil & Prod Water Underground Pipelines	30	Modified
43-02-03-30	Notification of Fires, Leaks, Spills or Blowouts	39	Leave as proposed
43-02-03-31	Well Log, Completion, and Workover Reports	40	Modified
43-02-03-34.1	Reclamation of Surface	41	Leave as proposed
43-02-03-38.1	Preservation of Cores and Samples	42	Leave as proposed
43-02-03-48.1	Central Prod Facility—Commingling	43	Modified
43-02-03-51	Treating Plant	45	Leave as proposed
43-02-03-51.1	Treating Plant Permit Requirements	45	Leave as proposed
43-02-03-51.3	Treating Plant Construction and Operation	46	Leave as proposed
43-02-03-53.1	SHF Permit Requirements	48	Leave as proposed
43-02-03-53.3	SHF Construction & Operation Requirements	50	Leave as proposed
43-02-03-55	Temporary Abandonment of Wells and TPs	51	Leave as proposed
43-02-05-04	UIC—Permit Requirements	53	Modified
43-02-05-07	UIC—Mechanical Integrity	57	Leave as proposed
43-02-05-12	UIC—Reporting, Monitoring, and Operating	58	Modified
43-02-05-13	UIC—Access to Records	59	Leave as proposed
43-02-05-14	UIC—Area Permits	59	Leave as proposed
43-02-06-01	Royalty Owner Information Statement	64	Modified
43-02-06-01.1	Ownership Interest Information Statement	65	Leave as proposed

5. **Cost:** The approximate cost of giving public notice and holding a hearing on the rules was \$2,353. This does not include staff time for developing and adopting the rules.
6. **Explanation of the subject matter:** Please see the attached Full Notice (pages 28-32) for the specific explanation and purpose of each proposed rule. The rationale in the Consideration of Comments details the justification. The full notice also explains the subject matter of the rules and the reasons for adopting the rules. Find below additional justification on some key rule changes:

NDAC Sec. Description and Further Explanation

43-02-03-14.2 Oil and Gas Metering Systems (Supplement 376, Page 13): It is necessary for the Commission to receive failed meter tests, otherwise meters could remain in use although unable to accurately measure the oil at custody transfer. The section was modified after considering the comments and a 30-day submittal deadline, rather than 7-day deadline, was granted.

- 43-02-03-15 Bond and Transfer of Wells (Supplement 376, Page 16):** It is imperative that temporarily abandoned wells within unitized fields be subject to the additional bonding requirement for wells on TA status over 7 years. In 2015 the North Dakota Legislative Assembly amended NDCC Section 38-08-04 to allow a surface owner to request a hearing to review the TA status of a well on such status for more than 7 years. The Commission believes additional bonding should be considered after the 7-year threshold has been exceeded.
- 43-02-03-16.3 Recovery of a Risk Penalty (Supplement 376, Page 24):** Current rules state an owner electing to participate in a well is required to receive another invite if the well has not spud within ninety days, although an owner electing “not to participate” does not. This rule change requires new invites for both, and the Commission supports industry’s request to apply the modification to a unit expense.
- 43-02-03-21 Casing, Tubing, and Cementing (Supplement 376, Page 26):** The Commission found current casing pressure testing techniques can harm cement integrity unless certain guidelines are followed. Industry presented some very technical testimony that was key in crafting some excellent cementing guidelines that will prevent damage to the cement sheath when integrity testing casing strings.
- 43-02-03-23 Blowout Prevention (Supplement 376, Page 28):** The modification adopted will allow industry to efficiently proceed with batch drilling operations without having to perform unnecessary pressure testing of equipment.
- 43-02-03-28 Safety Regulation (Supplement 376, Page 30):** Current rules require an operator conducting any hydraulic fracture stimulation to give 7-10 days notice to all offsetting operators with wells in the same pool, although industry needs additional time to frac-protect wells on some multi-well locations. The Commission agrees with suggestions from industry and made further modifications to require 21-31 calendar days notification when conducting hydraulic fracture stimulations in the same or adjacent pool.
- 43-02-03-29.1 Oil and Produced Water Underground Gathering Systems (Supplement 376, Page 30):** The Commission made further modifications to clarify the Commission has jurisdiction over carbon capture facilities for the purpose of storage or enhanced oil recovery and clarified the rule is not applicable to piping located entirely within the well production site or facility.
- 43-02-03-38.1 Preservation of Core and Samples (Supplement 376, Page 42):** The Commission has been working with industry in the past to develop a plan to promote industry innovation, but yet obtain quality sample cuttings. NDGS studies have indicated some remote geologist staffing has deteriorated the number and quality of sample cuttings obtained while drilling oil and gas wells. With potential gas storage, slurry injection, and high volume saltwater disposal wells becoming more important for the development of the Williston Basin, the need for quality samples and logs is extremely important. The Commission believes it is necessary for qualified persons to

be obtaining quality samples and the high rates of penetration being reached today warrants the Commission's proposed amendment. The Commission notes this rule change only requires the geologist or mudlogger to be on location for the first well drilled on the pad.

43-02-03-48.1 Central Production Facility-Commingling of Production (Supplement 376, Page 43): The Commission made further modifications to clarify that it is considered common ownership when commingling production from wells drilled within the same spacing unit, even though some working interest owners may not be participating the same in all wells.

43-02-06-01 Royalty Owner Information Statement (Supplement 376, Page 64): The Commission agrees with industry that standardizing royalty statement information for all States is a common goal and in this attempt, the Commission further modified the rule to allow the owner's share of the total value of sales prior to taxes to be listed on the royalty statement, as long as it is indicated on the royalty statement or an attachment whether the value is calculated "before or after" removing the owner's deductions.

7. **Regulatory analysis:** A regulatory analysis was not requested by the Governor or an agency, although a regulatory analysis was done on the following rules that were expected to have an impact on the regulated community in excess of \$50,000 (pages 33-37):

<u>NDAC Sec.</u>	<u>Description</u>
43-02-03-15	Bond and Transfer of Wells
43-02-03-29.1	Crude oil and Produced Water Underground Gathering Systems
43-02-03-34.1	Reclamation of Surface
43-02-03-55	Abandonment of Wells, Treating Plants, Saltwater Facilities

8. **Small entity regulatory analysis and impact statement:** A small entity regulatory analysis (pages 38-48) was done on each proposed rule and an impact statement was done on the following rules since they will have an adverse impact on small entities (pages 49-57):

<u>NDAC Sec.</u>	<u>Description</u>
43-02-03-14.2	Oil and Gas Metering Systems
43-02-03-15	Bond and Transfer of Wells
43-02-03-29.1	Crude oil and Produced Water Underground Gathering Systems
43-02-03-53.1	Saltwater Handling Facility Permit Requirements
43-02-03-55	Abandonment of Wells, Treating Plants, Saltwater Facilities
43-02-05-04	Underground Injection Control—Permit Requirements
43-02-05-14	Underground Injection Control—Area Permits
43-02-06-01.1	Ownership Interest Information Statement

9. **Fiscal note:** The following rules will have a fiscal effect on state revenues and expenditures.

Yearly Fiscal Note for implementing rules:

I. COST TO AGENCY AND EFFECT ON STATE REVENUES—NDAC Section 43-02-03-15

It is anticipated that there will be negligible costs to the agency to implement and enforce the proposed amendments requiring additional bonding, therefore a negligible effect on State revenues.

<u>Agency Cost for increase in bonding</u>	
Clerical—Commercial SWD bonding-----	(1hr) x (\$15/hr) x (210 wells) = \$ 3,150
Clerical—TA bonding-----	(1hr) x (\$15/hr) x (7 bonds) = \$ 105
Clerical—AB bonding-----	(1hr) x (\$15/hr) x (65 bonds) = \$ <u>975</u>
Total Cost to Agency	= \$ 4,230

II. COST TO AGENCY AND EFFECT ON STATE REVENUES—NDAC Section 43-02-03-55

It is anticipated that there will be negligible costs to the agency to implement and enforce the proposed amendments requiring additional bonding, therefore a negligible effect on State revenues.

<u>Agency Cost for additional requirements</u>	
Clerical—Processing Plugging Procedure-----	(1hr) x (\$15/hr) x (47 wells) = \$ <u>3,150</u>
Total Cost to Agency-----	= \$ 3,150

III. COST TO AGENCY AND EFFECT ON STATE REVENUES—TOTAL ESTIMATE

<u>Costs to Agency</u>	
NDAC Section 43-02-03-15-----	\$ 4,230 / yr
NDAC Section 43-02-03-55-----	\$ <u>3,150 / yr</u>
Total-----	\$ 7,380 / yr

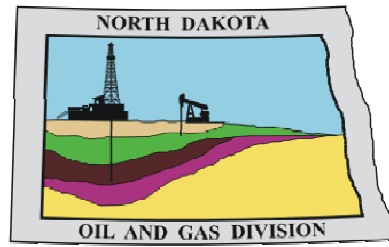
10. **Constitutional takings assessment:** A constitutional takings assessment was not required.

11. **Emergency rules:** None of the rule changes were emergency rules.

Thank you for consideration of the Oil and Gas Division’s rule changes.

Sincerely,

Bruce E. Hicks
Assistant Director



**NORTH DAKOTA INDUSTRIAL COMMISSION
DEPARTMENT OF MINERAL RESOURCES
OIL AND GAS DIVISION**

**CASE NO. 27828
SUMMARY OF PROPOSED 2020 RULES**

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN
43-02-03 GENERAL RULES								
General Comments				10/7/2019	Oral	Scott Skokos--Dakota Resource Council They plan to submit written comments before the comment period ends.	The Commission is not in receipt of any written comments from the Dakota Resource Council prior to the comment deadline of October 18, 2019.	The rules will not be amended to incorporate any suggested changes.
				10/16/2019	Written	Judith Helling--Alexander The NDIC along with the oil companies pushed a bill that took away the ownership of pore space under our land. Also the NDIC allows companies to sit on a well for years, making the land unusable for the landowner.	Concerns about legislation passed should be brought to the attention of the constituent's legislator.	
				10/18/2019	Written	Pat Grantier--Bismarck Supports written comments submitted by Lillian Crook of BCA. Also concerned about legislation allowing underground storage without reimbursement or permission for the landowner.		
				10/18/2019	Written	Amy Shelton--Northwest Landowners Association 43-02-03-19 (Site Construction) has no proposed amendments, but they suggest the Commission revisit the definition of topsoil since some areas have more than 12 inches. Also a practice known as "cement modification" was addressed and they believe the Commission should disallow this practice or consider strictly limiting it until it is proven that soils and subsoils that are cement modified can be reclaimed.	Comments addressing additional changes were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	
43-02-03-10	Authority to Cooperate with Agencies	1	Clarify the Commission can enter into agreements with tribal authorities	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Supports the proposed amendment, although questions remain regarding regulatory jurisdiction.	No response to the comment is necessary.	The Commission's proposed amendment will be adopted without any further modification.
				10/18/2019	Written	Ron Ness--North Dakota Petroleum Council Supports the proposed amendment.		
				10/18/2019	Written	Lillian Crook--Badlands Conservation Alliance Supports the proposed rule change.		
			General Comments	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council The US Bureau of Land Management is currently considering new revisions to its onshore order which include proposed rule changes to oil and gas measurement and they encourage the final version of the Commission's rules to appropriately acknowledge those pending revisions. Also, they suggest relaxing the proving frequency of common and diverse allocation meters utilized at central tank batteries.	Paragraph 14.2 (1) of this section states if the Commission rules differ from federal requirements on measurement of production from federal oil and gas wells, the federal rules take precedence. Comments addressing additional changes to proving frequency were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	The rules will not be amended to incorporate any suggested changes.
				10/18/2019	Written	Ron Ness--North Dakota Petroleum Council Comments were very similar to Brady Pelton's testimony offered at the hearing concerning new revisions to US Bureau of Land Management's onshore orders.		

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED						
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN		
43-02-03-14.2	Oil and Gas Metering Systems	3	Paragraph (6)(a) Clarify any meter failing a proving test must not be used until repaired & retested	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Clarification is needed that a failed allocation meter test requires the meter use to be discontinued, not shutting in the subject well.	The Commission believes the proposed language is very clear that the allocation meter must not be used until it is repaired or replaced and that the oil well could continue to be produced.	The Commission's proposed amendment will be adopted without any further modification.		
		4	Paragraph (6)(b) Outlines oil custody transfer meter factor requirements	10/15/2019	Oral+Written	Harry Etter--Kinder Morgan Oil custody transfer meter factor changes could be the direct result of a change in proving conditions and the meter should be allowed to remain in service if an investigation confirms the change was due to proving conditions. Also, in the case a volumetric correction is required due to a failed meter, the arithmetic average of the two successive meter factors should be applied to the production measured through the meter. Also, consideration should be given to meter factor linearization when operating flowrates or viscosities vary enough to influence the meter factor and he outlines the procedure.	Kinder Morgan lists a federal rule as one of the references to support their requests. The Commission notes paragraph 14.2 (1) states if the Commission rules differ from federal requirements on measurement of production from federal oil and gas wells, the federal rules take precedence. Comments addressing additional changes to proving frequency was not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	The Commission's proposed amendment will be adopted without any further modification.		
				10/18/2019	Written	Ron Ness--North Dakota Petroleum Council Supports the 0.25 percent change in meter factor, although consideration should be made for the condition changes in which the meter was tested since variables (like wide variations in air temperature of two provings) could be misinterpreted as a defective meter, therefore old meter factor data should be reviewed to see if this could explain a difference in meter factors before needlessly requiring replacement of a perfectly performing meter.	The Commission is aware of changes in meter factor caused by wide variations in air temperature of two provings and the Commission routinely grants variances to allow the meters to remain in service. The Commission notes paragraph 14.2 (7) allows a variance provided it does not affect measurement accuracy.			
				NO COMMENTS RECEIVED					No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		4	Paragraph (6)(e) Require well file/CTB number on proving reports, not lease name	NO COMMENTS RECEIVED					No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		5	Paragraph (6)(g) Require failed proving test to be submitted to Comm 7 days from fail date	9/6/2019	Written	Tommy Yates--Denbury Onshore, LLC It could take at least 7 days before the meter proving failure notification reaches the operator from the inspection contractor.	Failed "meter reports" referred to in the proposed language is the same "meter test report" referred to in the rule. The Commission believes failed meter test reports should be addressed by the operator as soon as possible although the Commission is willing to allow them to be submitted within thirty days.	The Commission's proposed amendment will be further modified to clarify that failed meter reports must be submitted within 30 days.		
				10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Submission of failed meter reports are overly burdensome and unnecessary. If they are required, a 15-day deadline should be given since it could be difficult to meet a 7-day deadline.				
				10/17/2019	Written	Shane Schulz--QEP Resources Submitting failed meter tests within 7 days can be difficult, especially if any of their measurement group is out sick or on vacation, therefore they propose 30 days for filing failed tests.				
				10/18/2019	Written	Ron Ness--North Dakota Petroleum Council Submission of failed meter reports are overly burdensome and unnecessary. If they are required, it should be clear that it is not in addition to the "meter test report" and a 15-day deadline should be given since industry contractors often take in excess of 7 days to send the meter proving failure notification to the operator.				

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN
43-02-03-15	Bond and Transfer of Wells		General Comments	10/7/2019	Oral	Scott Skokos--Dakota Resource Council They support increasing minimum bonds, limiting the number of TA wells allowed, the proposal on operator well transfer, but oppose self bonds. They plan to submit written comments before the comment period ends.	The Commission is not in receipt of any written comments from the Dakota Resource Council prior to the comment deadline of October 18, 2019. Comments concerning additional changes to self-bonding was not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	The rules will not be amended to incorporate any suggested changes.
				10/18/2019	Written	Amy Shelton--Northwest Landowners Association The rule should be amended so flow lines, injection pipelines, and pipelines operated by an enhanced recovery unit should be subject to the same bonding and reclamation requirements as other pipelines.	Comments addressing additional changes to proving frequency were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	
				10/18/2019	Written	Adam Peltz--Environmental Defense Fund Supports the proposed amendments.	No response to the comment is necessary.	
		6	Clarify bond required f/construction of TP, SWHF, well site and road access	10/18/2019	Written	Lillian Crook--Badlands Conservation Alliance Supports written comments submitted by the Dakota Resource Council.	No response to the comment is necessary. The Commission is not in receipt of any written comments from the Dakota Resource Council prior to the comment deadline of October 18, 2019.	The Commission's proposed amendment will be adopted without any further modification.
				10/18/2019	Written	Amy Shelton--Northwest Landowners Association The proposed rule should be further amended to clarify that a bond must be filed prior to commencing drilling operations on existing sites.	Typically additional wells on an existing site does not require increased bonding since nearly all wells on a multiwell pad are on the same operator's blanket bond.	
		6	Increases bond limits on commercial injection wells	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Doubling commercial injection bonds to \$100,000 is still not high enough and bonding for single oil wells and blanket bonds must also be increased since wells with insufficient bonding may become a liability for landowners if the operator is unable or unwilling to reclaim the well sites. Such bonds should be increased to the cost to reclaim, which will incentivize operators to minimize the size of locations. Also bonding for well sites utilizing cement modification should have a higher bond to account for increased costs to reclaim.	Many oil and gas companies that operate Bakken wells in North Dakota also have operations in other basins in the United States, therefore we must be cognizant of the fact we need to maintain a good business climate in the state to support a healthy oil and gas industry. Landowner liability is a non-issue since the Commission's Abandoned Well Site and Reclamation Fund can be used to mitigate issues if an operator goes bankrupt. Soil stabilization materials, liners, fabrics, and other materials to be used onsite, on access roads or associated facilities, must be reported on a sundry notice to the Director within 30 days after application and the reclamation plan for such material shall also be included.	The Commission's proposed amendment will be adopted without any further modification.
				10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Unit operations would be unduly hindered by restricting the number and duration of wells in an enhanced recovery unit that may be granted TA status, therefore they suggest waiving Unit wells from the proposed TA restriction.	Requiring additional bonding for wells remaining on a TA status over 7 years will provide the operator an incentive to utilize such wells.	

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN
		6	Consider wells on TA status > 7 years as liability on bond	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports counting TA wells in the aggregate allowed on a bond, but request wells on TA status more than 3 years be considered.	In 2015 the North Dakota Legislative Assembly amended NDCC Section 38-08-04 to allow a surface owner to request a hearing to review the TA status of a well on such status for more than 7 years. The Commission believes additional bonding should be considered after the 7 year threshold has been exceeded.	The Commission's proposed amendment will be adopted without any further modification.
		8	Require full single-well bond on any AB well prior to transfer	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Requests the transfer of wells in violation of Commission rules to be allowed only after notice and hearing.	The Commission believes a hearing is unnecessary if the transferee provides full bonding to cover costs of plugging and reclamation of an AB well.	The Commission's proposed amendment will be adopted without any further modification.
43-02-03-16	Application for Permit to Drill & Recomplete	12	Clarify Director approval needed to commence dirtwork on site or road access	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Permit approval should not be required prior to commencing well site construction or road access since it could cause substantial and unnecessary delays in advance of any drilling activity. Also they are concerned that denial of one application on a multi-well pad could halt construction of the road or pad for the other wells that receive a permit.	The proposed amendment is to clarify that the Commission currently does require the operator obtain a permit prior to constructing the well site or road access. Denial of one permit on a multiwell pad would not prohibit site and road access construction if any additional permit on the pad was approved.	The Commission's proposed amendment will be adopted without any further modification.
				10/17/2019	Written	Shane Schulz--QEP Resources Comments were nearly identical to Brady Pelton's testimony given at the hearing.		
				10/18/2019	Written	Lillian Crook--Badlands Conservation Alliance Supports the concept of replacing the commencement of operations with commencing site or road access. Also, wants a penalty proposed for any damage when not permitted to continue with operations.	The Legislature has addressed the Commission's ability to impose penalties under NDCC Section 38-08-16, which provides that any person who violates any rule of the Commission is subject to a penalty of up to \$12,500 per day for each violation.	
				10/18/2019	Written	Amy Shelton--Northwest Landowners Association The proposed rule should be further amended to clarify that prior to commencing drilling operations on existing sites, a permit must be issued by the Director.	The proposed amendment does prohibit pad expansion until the additional permit is approved on a multiwell pad.	
43-02-03-16.2	Revocation and Limitation of Drilling Permits	15	Clarify when a permit can be suspended or revoked	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
43-02-03-16.3	Recovery of a Risk Penalty	16	Election to decline an invitation binding only if spud within 90 days of election	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Supports the proposed amendment and suggests it also be added in paragraph 16.3 (2)(d) so it applies to a Unit expense as well.	The Commission agrees that any working interest owner should be offered another invitation to participate in a Unit expense if it has not commenced within 90 days of the election deadline.	The Commission's proposed amendment will be further modified to require a subsequent invitation to participate if the Unit expense has not commenced within 90 days of the election deadline.
43-02-03-19.3	Earthen Pits and Receptacles	18	Clarify earthen pits may be considered at TP	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
				10/17/2019	Written	Shane Schulz--QEP Resources Suggests changes in previously testing new or reconditioned pipe and minimum wait time to drill out after cement wait time,		

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN
43-02-03-21	Casing, Tubing, and Cementing Requirements		General Comments	10/18/2019	Written	Jacob Stokes--Bismarck Casing should be pressure tested periodically.	Comments addressing additional changes were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	The rules will not be amended to incorporate any suggested changes.
				10/18/2019	Written	Adam Peltz--Environmental Defense Fund Appreciates the proposed amendments, but suggests looking at certain requirements from EDF's 2019 Model Regulatory Framework, which is consistent with Texas Railroad Commission requirements, addressing cement sheath thickness, mix water quality and free fluid separation, and cement testing.		
				10/18/2019	Written	Lillian Crook--Badlands Conservation Alliance Supports oral comments made by Conoco Phillips.		
		20	Clarify cement blend must address strength regression due to excess temp	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		20	Allows press test on casing when tail cement achieves 500 psi compressive strength	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Requiring casing string testing after waiting for tail cement compressive strength to reach 500 psi could result in damaged cement sheaths across the Williston Basin since the lead cement sheath would be severely damaged due to the lead cement setting at a much slower pace and subjecting it to the 1500 psi pressure test. They suggest testing the casing while the cement is in a completely liquid state (immediately after bumping the plug).	The Commission agrees that casing strings should be pressure tested immediately after cementing, while the cement is in a liquid state, or the pressure test should occur only after all cement behind the casing has achieved a compressive strength of 500 psi.	The Commission's proposed amendment will be further modified to require casing strings to be pressure tested immediately after cementing, while the cement is in a liquid state, or the pressure test should occur only after all cement behind the casing has achieved a compressive strength of 500 psi.
10/7/2019	Oral	Dale Doherty--Conoco Phillips Basically the same testimony as Brady Pelton (NDPC): Requiring casing string testing after waiting for tail cement compressive strength to reach 500 psi could result in damaged cement sheaths across the Williston Basin since the lead cement sheath would be severely damaged due to the lead cement setting at a much slower pace and subjecting it to the 1500 psi pressure test. They suggest testing the casing while the cement is in a completely liquid state (immediately after bumping the plug). If you can't test the cement immediately after bumping the plug, then he recommends you allow your cement sheath to reach somewhere around ultimate compressive strength before testing the casing, but you need to make sure all cements have reached a minimum of 500 psi compressive strength to keep from creating a microannulus.						
20	Clarify 30-min press test w/10% loss is acceptable	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.		
				10/17/2019	Written	Shane Schulz--QEP Resources QEP indicates the rule currently refers to "new or reconditioned pipe that has been previously tested to 2000 psi" and they believe "new" pipe should be excluded from the rule. The Commission notes the phrase does not appear in the rule. QEP supports the NDPC comments on this proposed rule.	No response is necessary.	The rules will not be

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN
43-02-03-23	Blowout Prevention		General Comments	10/18/2019	Written	Adam Peltz--Environmental Defense Fund Appreciates the proposed amendments, but suggests looking at certain requirements from EDF's 2019 Model Regulatory Framework, which is consistent with Texas Railroad Commission requirements, addressing wellhead assembly specifications and testing, diverter system specification and testing, blowout prevention specs and testing protocols, well control drills, kick reporting, drilling fluid systems, managed pressure drilling, and accumulator systems.	Comments addressing additional changes were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	The rules will not be amended to incorporate any suggested changes.
		20	Require BOP on workover operations	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council They support the proposed amendment, but confusion exists due to the addition of workover operations in a paragraph that addresses drilling operations, therefore they would like the requirement addressed in a separate paragraph.	The Commission agrees that for clarification purposes, the BOP requirement for workover operations should be addressed in a separate paragraph.	The Commission's proposed amendment will be further modified to address the BOP requirement on workover operations in a separate paragraph.
		21	Eliminate full BOP test on each well being drilled on a pad	10/7/2019	Oral	Jeff Parker--Marathon Oil Company Supports the proposed rule change since testing only the broken connections reduces the need to do unnecessary tests and reduces the wear on blowout preventer equipment. He indicated the change corresponds with the API standard for well control equipment systems for drilling wells released in December 2018.	The Commission agrees with the API standard, but believes any component that appears to be damaged or compromised when moving the BOP to another well on the pad should be also pressure tested.	The Commission's proposed amendment will be further modified require any component to be pressure tested if it appears to be damaged or compromised when being moved to another drilling well on the pad.
		10/18/2019	Written	Zach Dailey--Marathon Oil Company Supports the proposed rule change and indicated the change corresponds with the API standard for well control equipment systems for drilling wells released in December 2018.				
43-02-03-27.1	Hydraulic Fracture Stimulation	21	Clarify re-frac requirements when stimulating through frac string or casing	10/17/2019	Written	Shane Schulz--QEP Resources If a frac string is being utilized to conduct a re-frac, then it seems unnecessary to run a casing evaluation tool to verify the wall thickness of the intermediate casing string. Also, need some clarity on paragraphs 27.1 (1)(b) and (2) concerning re-fracs.	The Commission is concerned the intermediate casing may have undergone substantial deterioration during the original hydraulic stimulation if fraced down the intermediate casing, therefore, if the original frac utilized a frac string the casing evaluation should not be required. The Commission notes paragraph (1) covers hydraulic stimulation utilizing a frac string, while paragraph 27.1 (2) covers hydraulic stimulation down the intermediate casing--both methods are proposed to apply to re-fracs and the Commission believes no further clarification is necessary.	The Commission's proposed amendment will be adopted without any further modification.
				10/18/2019	Written	Adam Peltz--Environmental Defense Fund Appreciates the proposed amendments for re-fracs, especially the intermediate casing evaluation requirement to assess well thickness prior to re-frac, but also believes the production casing should be under the same requirement.	Commission rules address two types of hydraulic fracture stimulation, performed through a frac string run inside the intermediate casing string and performed through an intermediate casing string. The intermediate casing string referred to in the Commission's rules, is also the same as the production casing string.	
		21	Clarify liner hanger must be located with cement behind casing	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		22	Clarify frac string not required when formations are properly cemented	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED							
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN			
43-02-03-28	Safety Regulation	23	Clarify flare must be 150' from well and oil tank	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports this proposed amendment.	No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.			
				9/6/2019	Written	Tommy Yates--Denbury Onshore, LLC "Any well stimulation" needs to be defined since an operator conducting a routine acid jobs should not be required to give notice to offset operators.	The Commission agrees that the notification requirement should only pertain to hydraulic fracture stimulation completions.	The Commission's proposed amendment will be further modified to require operator notification only when conducting a hydraulic fracture stimulation completion and a 21-31 day operator notice will be required when a hydraulic fracture stimulation within 2640 feet of another completion interval within the same or adjacent pool.			
		10/7/2019	Oral	Jeff Parker--Marathon Oil Company It is Marathon's experience, with the maturing Bakken and infill drilling, that well-to-well communication during the completion stage is more likely to occur and the proposed change to the notification process is needed. They support the additional modifications concerning a 21-31 day notice for any completion interval within 2640 feet of another completion interval within the same or adjacent pool. They also see a need to clarify that the notification requirement is only intended to pertain to hydraulic fracture stimulation completions.							
		24	Consider 25-30 day frac notice if offset well is 5280' away & in/adj to frac pool	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council They support the overall intent of the proposed changes but a 30-day notice may create significant issues with fluctuating frac schedules which could effectively place frac crews on standby until wells are isolated. Also, increasing the notice distance to one mile is excessive since communication between completion areas is seldom beyond 3000 feet. They recommend a 21-31 day notice for any completion interval within 2640 feet of another completion interval within the same or adjacent pool.	The Commission agrees that the notification requirement should only pertain to hydraulic fracture stimulation completions.				
				10/17/2019	Written	Roger Kelley--Continental Resources, Inc. 14-30 day frac notice should be required.					
				10/18/2019	Written	Zach Dailey--Marathon Oil Company Supports the proposed rule change although requests a modification to require a 21-31 day frac notice if within 2640 feet.					
				10/18/2019	Written	Adam Peltz--Environmental Defense Fund Supports the proposed amendments.			No response is necessary.		
						10/7/2019	Oral		Scott Skokos--Dakota Resource Council They support automatic shutoff valves and 24-hour emergency numbers for landowners. They plan to submit written comments before the comment period ends.	The Commission is not in receipt of any written comments from the Dakota Resource Council prior to the comment deadline of October 18, 2019. Comments concerning additional changes concerning automatic shutoff valves and 24-hr emergency numbers for landowners was not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	
						10/8/2019	Oral		Harry Etter--Kinder Morgan They are desirous of placing a nitrogen charge of approximately 20 psi inside steel pipe during pipeline abandonment which would prevent any hydrogen sulfide or lower explosive limits in any remaining crude oil to be suffocated by the inert gas and thus safer.	Commission rules currently require all pipelines to be purged with fresh water, air, or inert gas and although leaving a 20 psi charge on the pipeline is not specifically addressed, the Commission would consider it on a case-by-case basis.	
										The rules will not be	

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			General Comments	10/18/2019 after 5pm	Written	Steve and Patty Jensen--landowner The lack of regulation over flow lines, injection lines, and pipelines operated by an enhanced recovery unit is causing contamination and 43-02-03-29.1 should apply to all pipelines that go off a well pad.	COMMENTS REC'D AFTER DEADLINE Comments were received after the comment period deadline, therefore they cannot be considered. The Commission notes even if they had been timely received, comments addressing additional changes were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	amended to incorporate any suggested changes.
				10/18/2019	Written	Amy Shelton--Northwest Landowners Association Paragraph 29.1 (4)(j) has no proposed amendments, but they suggest requiring a minimum of 6 feet of cover depth on all pipelines. Paragraph 29.1 (5)(a) also has no proposed amendments, but they suggest the Commission revisit the definition of topsoil since some areas have more than 12 inches.	Comments addressing additional changes were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	
		24	29.1 (1) Require CO ₂ pipelines to comply w/43-02-03-29.1	9/6/2019	Written	Tommy Yates--Denbury Onshore, LLC Notification, testing, and inspection requirements have been misapplied to nonregulated EOR systems on occasion and this needs clarification.	The Commission needs additional information to adequately address potential issues.	
				10/4/2019	Written	Shannon Mikula--Minnkota Power Cooperative Strongly supports the NDIC as having jurisdiction over carbon dioxide pipelines, but suggests defining "underground gathering pipeline" and "production facility".	"Underground gathering pipeline" is defined by statute and a change in the definition could only be approved by the North Dakota Legislative Assembly. "Associated above ground equipment" is also defined by statute and defining "production facility" in the Administrative Code may be in conflict or cause confusion with above ground equipment associated with a pipeline. For clarification purposes, the rule should be clear that the Commission has jurisdiction over carbon dioxide transported from a carbon capture facility for the purpose of storage or enhanced oil recovery.	
				10/17/2019	Written	Roger Kelley--Continental Resources, Inc. Opposes this amendment and believes it conflicts with the following paragraph that states the section is not applicable to pipelines operated for enhanced recovery unit operations.	The Commission believes this rule applies to carbon dioxide pipelines used for the purpose of enhanced oil recovery (EOR) from the carbon dioxide source (i.e. a coal plant) to the EOR project, although the Commission does not have any intention of subjecting carbon dioxide pipelines to this rule if they are operated by an enhanced recovery unit for enhanced recovery unit operations.	
				10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports this proposed amendment, but believes clarification is necessary since the first paragraph indicates the section is applicable to pipelines transporting carbon dioxide and the second paragraph excludes them if operated by an enhanced recovery unit.		

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN
		25	29.1 (2)(b thru e) Define "new construction", "pipeline repair", "gathering system", and "in-service date"	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Paragraph 29.1 (2)(d) definition of "gathering system" needs clarification on the word "branch" and they suggest defining it as a group of connected pipelines that have been designated as a gathering system by the operator. Also, "in-service date" needs to be clarified so it does not include fluids injected during an integrity test. They suggest defining "in-service date" as the first date fluid was transported down the underground gathering pipeline for disposal, storage, or sale purposes after construction.	The Commission agrees with the NDPC's proposed changes to the definition of both "gathering system" and "in-service date".	The Commission's proposed amendment will be further modified to clarify the Commission has jurisdiction over carbon capture facilities for the purpose of storage or enhanced oil recovery, to incorporate additional verbage in the definitions of "gathering system" and "in-service date", and to clarify the rule is not applicable to piping located entirely within the well production site or facility.
			10/17/2019	Written	Roger Kelley--Continental Resources, Inc. Supports NDPC request seeking clarification that the definition of in-service date does not include integrity test fluids.			
			10/18/2019	Written	Amy Shelton--Northwest Landowners Association Requests more specific definitions so it can be discerned what the rules apply to.	The Commission believes paragraph 29.1 (1) clearly identifies what pipelines are under the jurisdiction of this rule.		
		25	29.1 (3)(a)(1)(b) Require verbal notice on new construction	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Requiring 48-hr notice prior to commencing construction is burdensome and duplicative since notice is already required at least 7 days prior to new construction.	The notice required at least 7 days prior to pipeline construction includes approximate construction date, GIS location, pipeline specs, fluid type, testing, depth, crossings, and sensitive areas. Such notice is received by the Commission weeks and months prior to the start of the construction and the construction date is often moved. The 48-hour notice the Commission proposes would simply require a verbal communication which is essential to assist in planning the Commission's schedule to inspect new projects.	The Commission's proposed amendment will be adopted without any further modification.
				10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports the amendment, but would like to see notification in writing.		
		26	29.1 (3)(a)(1)(d)(3) Clarify method of testing pipeline integrity includes the test procedure	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Requiring the testing procedure for pipeline integrity is unnecessary and burdensome. The testing procedure is standard for nearly every underground gathering pipeline owner.	The Commission agrees that it may be premature to include the pipeline integrity testing procedure in the pre-construction and it is more appropriate to require the procedure when giving 48-hour notice of the pipeline integrity test.	The Commission's proposed amendment will be withdrawn and the requirement will be addressed in paragraph 29.1 (13)(a) that addresses the 48-hour notice of a pressure integrity test.
				10/17/2019	Written	Roger Kelley--Continental Resources, Inc. Opposes including the pipeline integrity testing procedure since the final procedure is too dependent on actual conditions.		
		26	29.1 (3)(b) Acknowledge the Commission's database may eliminate certain forms	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		26	29.1 (3)(c) Clarify pipeline damage during operation and maintenance must be reported	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports the amendment, but would like to see notification in writing when reporting damage and certification of the corrective action taken.	The PSC's One Call regulations require notice upon striking an owner's pipeline. Any spill or leak occurring would also require Commission notification and remedial action.	The Commission's proposed amendment will be adopted without any further modification.
		26	29.1 (3)(d)	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Filing a sundry notice within 10 days reporting date of first service has little value and they suggest eliminating the requirement or lengthening the time to 30 days.	Deadlines to submit information to the Commission are based upon the in-service date, therefore it is very important for the owner to submit the in-service date. Notice of the in-service date will not be onerous to the owner	The Commission's proposed amendment will be further modified to require the in-

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN
43-02-03-29.1	Oil & Prod Water Underground Gathering Pipelines		Require notice of in-service date	10/18/2019	Written	Roger Kelley--Continental Resources, Inc. Opposes the submittal of a Sundry Notice to report in-service date since the requirement is excessive, impractical, and a remedy where there is no measureable cure.	since only the pipeline segment and date will have to be submitted, but the Commission is willing to allow such information to be submitted within 30 days.	service date to be reported within 30 days.
		26	29.1 (4) Clarify tie-ins to existing pipeline systems is considered newly constructed	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Clarification is needed to understand what a tie-in to an existing system includes.	The Commission considers a tie-in to be a length of pipeline constructed to connect a new or existing facility to an existing gathering system.	The Commission's proposed amendment will be adopted without any further modification.
				10/8/2019	Oral	Harry Etter--Kinder Morgan The rule states pipelines must be designed in a manner that allows for periodic line cleaning and they are seeking confirmation that temporary launchers and receivers can be used for pigging operations instead of a permanent installation.	The Commission believes paragraph 29.1 (4)(b) allows temporary launchers and receivers to be utilized during pigging operations as long as the system is designed for the installation of the temporary equipment. The Commission notes it has not proposed any changes to this portion of the design and construction requirements in the rule.	
				10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports the amendment, but would like more clarity if the requirements apply repair projects.	Paragraph 29.1 (14) requires pipelines used in repair projects to be installed pursuant to 43-02-03-29.1, therefore the Commission believes clarity exists in the rule.	
		28	29.1 (4)(l) Clarify clamping/squeezing any prod water lines requires Director approval	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Clamping or squeezing operations require prior approval of the Director, but an exception is necessary in case of an emergency.	Emergency procedure is covered in Pipeline Repair, paragraph 29.1 (14)(c), but is not deemed to be an emergency in this section since it is on new construction.	The Commission's proposed amendment will be adopted without any further modification.
				10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports the amendment, but does not believe clamping and squeezing is an appropriate practice and requests a written followup report should be required, detailing the process and the GIS coordinates.	The Commission currently requires a written followup report to be submitted including the GIS coordinates.	
		29	29.1 (6) Require 3rd party inspector independent of owner and contractor	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council They agree with the premise of the proposed amendment, but it is important to note that even third-party independent pipeline inspectors are nonetheless a representative of that pipeline owner/operator due to the contractual relationship between the parties.	The Commission realizes a relationship between the pipeline owner and the third-party inspector is unavoidable.	The Commission's proposed amendment will be adopted without any further modification.
				10/7/2019	Oral	Scott Skokos--Dakota Resource Council They support the proposed third-party inspection requirements. They plan to submit written comments before the comment period ends.	The Commission is not in receipt of any written comments from the Dakota Resource Council prior to the comment deadline of October 18, 2019.	
				10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports the amendment.	No response is necessary.	
				10/18/2019	Written	Lillian Crook--Badlands Conservation Alliance Adamantly objects to third party inspectors having a contractual relationship with the pipeline owner and recommends the Commission prepare legislation for the ND Legislature to create a system of independent inspectors.	BCA is welcomed to pursue legislation to create a system of independent inspectors, but it would likely be cost prohibitive.	

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
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		29	29.1 (8)(a) Allow pipeline data to be submitted other than by attribute table	10/18/2019	Written	Roger Kelley--Continental Resources, Inc. Opposes the amendment since the current method of using an attribute table is the the current method of submitting data.	The Commission is currently upgrading its data management system and it may not allow the data to be submitted in an attribute table.	The Commission's proposed amendment will be adopted without any further modification.
		30	29.1 (8)(a)(1) Clarify the 3rd party inspector must certify the pipeline complies w/43-02-03-29.1	10/18/2019	Written	Roger Kelley--Continental Resources, Inc. Opposes the change. Also clarification is needed regarding what a third-party certificate entails.	Paragraph 29.1 (13)(b)(10) clarifies what information must be included in the third party certification.	The Commission's proposed amendment will be adopted without any further modification.
		30	29.1 (8)(b) Remove duplicative requirements concerning pipelines exempted from submitting certain GIS information	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports the amendment, but would like the second paragraph of paragraph 29.1 (1) to be deleted as well.	This language is nearly identical to that contained in the second paragraph of paragraph 29.1 (1) which clearly states Section 43-02-03-29.1 is not applicable to flow lines and pipelines operated by an enhanced recovery unit. It is the intention of the Commission to remove duplicative language in the rules, although it may be necessary to include "located entirely within the boundary of a well site or production facility" at the end of paragraph 29.1 (1).	The Commission's proposed amendment will be further modified in paragraph 29.1 (1) to clarify piping to connect wells, tanks, treaters, flares, or other equipment "located entirely within the boundary of a well site or" production facility are not subject to Section 29.1.
				10/17/2019	Written	Roger Kelley--Continental Resources, Inc. Opposes this amendment and believes the proposed removal of language from paragraph 29.1 (8) will subsequently require the submittal of GIS information on flow lines and pipelines operated by an enhanced recovery unit.		
		32	29.1 (13)(a) Require 48-hr notice of any integrity press test	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports this proposed amendment.	No response is necessary.	The Commission's proposed amendment will be further modified to require the procedure when giving 48-hour notice of the pipeline integrity test due to comments received on proposed modification in paragraph 29.1 (3)(a)(1)(d)(3)
		32	29.1 (13)(b) Clarify who and what must be submitted subsequent to a pipeline integrity test	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports this proposed amendment.	No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		33	29.1 (13)(b)(7) Require digital log results in the integrity test submittal	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports this proposed amendment.	No response is necessary.	The Commission's proposed amendment will be further modified to allow either the chart recorder or the digital log results to be submitted to the Commission.
				10/17/2019	Written	Roger Kelley--Continental Resources, Inc. Change "and" digital log results to "and/or" so one or the other could be submitted.	The Commission agrees that either a copy of the chart recorder or digital log results would suffice.	
		33	29.1 (13)(b)(9) Require a copy of the test procedure used.	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports this proposed amendment.	No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		33	29.1 (13)(b)(10) Third party inspector certificate summarizing the pressure test and any issues	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports this proposed amendment.	No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
				10/17/2019	Written	Roger Kelley--Continental Resources, Inc. Opposes the amendment since their inspectors already sign the pressure test results and acknowledge any divergence from the testing procedure.	The third party certificate is already required to be submitted. This proposed language only clarifies what information must be included in the certification.	

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
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		34	29.1 (15)(a) Require 48-hr notice of any pipeline abandonment	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Verbal notification is unnecessary, duplicative, and burdensome since the same result is accomplished with the existing 180-day notice under paragraph 29.1 (15)(c).	Paragraph 29.1 (15)(c) requires information to be submitted to the Commission after completing final pipeline abandonment. The purpose of the proposed amendment is to allow the Commission's staff the opportunity to witness the abandonment procedure.	The Commission's proposed amendment will be adopted without any further modification.
				10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports the amendment, but would like to see notification in writing.	Upon abandoning an underground gathering pipeline the owner of the pipeline must submit certain information concerning the abandonment. The Commission will require follow-up if not in compliance with Commission rules.	
		35	29.1 (15)(b)(7) Require removal of pipeline at abandonment if buried < 3' final grade	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports the amendment, but requests removal of pipelines less than 6 feet unless agreed to by the landowner.	43-02-03-34.1 (Reclamation of Surface) requires flow lines to be removed if buried less than 3 feet below final contour and the Commission believes the requirement under 43-02-03-29.1 (15)(b)(7) should be consistent.	The Commission's proposed amendment will be adopted without any further modification.
43-02-03-30	Notification of Fires, Leaks, Spills, or Blowouts	35	Clarify pipeline above ground equipment is subject to the rule	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports this proposed amendment.	No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
43-02-03-31	Well Log, Completion, and Workover Reports	General Comments		9/6/2019	Written	Tommy Yates--Denbury Onshore, LLC Why is it necessary to file a Completion Report before you can transport oil or gas?	It is very important the Commission verifies a well is legally completed in the pool in which it was permitted and the Completion Report contains such information to make the determination. The Commission notes the question does not pertain to any rule change proposed by the Commission.	No change necessary.
		36	Acknowledge the Commission's database may eliminate certain forms	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		37	Reduce number of copies of certain reports to be submitted	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		37	Clarify the confidentiality period	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council The proposed language needs clarification that the confidentiality period starts when the operator's request is received by the Commission.	The Commission agrees the suggested clarification is necessary.	The Commission's proposed amendment will be further modified to clarify the confidential period starts when the operator's request is received.
43-02-03-34.1	Reclamation of Surface	39	Clarify all pipeline must be purged and abandoned pursuant to 43-02-03-29.1	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports the amendment as long as a flow line is considered a pipeline. Also requests removal of pipelines less than 6 feet unless agreed to by the landowner. Also requests the reclamation notice to landowners be provided 30 days in advance (rather than 10). Also requests any required site assessments to include baseline soils and water testing before construction of well sites.	The Commission considers a flow line to be a pipeline under the requirements of this section. Comments addressing additional changes were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	The Commission's proposed amendment will be adopted without any further modification.

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
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43-02-03-38.1	Preservation of Cores an Samples	39	Require geologist or mudlogger on 1st well f/samples+mudlog when pad drilling	10/8/2019 10/18/19	Oral Written	Dan Griffin--Neset Consulting Supports the proposed amendment. They believe it is imperative that a qualified geologist or mudlogger be on location to get accurate samples and cuttings on at least one well on the pad. Currently remote logging (when the geologist and mudlogger might be "watching" the well from a remote site) results in the lack of a geologist or mudlogger on location so other personal, like the solids control person, may be pulling the samples and rig workers with other priority duties are not a reliable means of catching samples at accurate intervals.	The Commission has been working with industry in the past to develop a plan to promote industry innovation, but yet obtain quality sample cuttings. NDGS studies have indicated some remote geologist staffing has deteriorated the number and quality of sample cuttings obtained while drilling oil and gas wells. With potential gas storage, slurry injection, and high volume saltwater disposal wells becoming more important for the development of the Williston Basin, the need for quality samples and logs is extremely important. The Commission believes it is necessary for qualified persons to be obtaining quality samples and the high rates of penetration being reached today warrants the Commission's proposed amendment. The Commission notes this proposal does not require the collect of samples and cuttings from "all" depths, but rather that determination remains the same since the rule currently requires the sample cuttings to be taken at intervals prescribed by the state geologist.	The Commission's proposed amendment will be adopted without any further modification.
				10/7/2019 10/7/2019	Oral Written--Hearing	Brady Pelton--North Dakota Petroleum Council Opposes the proposed amendment since operators are extremely diligent in collecting quality sample cuttings during well drilling and there is no need for a geologist or mudlogger to oversee the collection of sample cuttings.		
				10/17/2019	Written	Shane Schulz--QEP Resources The proposed language would require mudloggers on at least one well for all depths and they feel this is unnecessary and excessive, therefore want the proposed language removed.		
				10/18/2019	Written	Ron Ness--North Dakota Petroleum Council Opposes the proposed amendment since there is no need for a geologist or mudlogger to oversee the collection of sample cuttings.		
				10/18/2019	Written	Lillian Crook--Badlands Conservation Alliance Supports the proposed rule change and endorses the oral comments of Dan Griffin with Neset Consulting.		
43-02-03-40	Gas-Oil Ratio Test	40	Acknowledge the Commission's database may eliminate certain forms	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
43-02-03-48.1	Central Production Facility-Commingling of Prod	41	Allow Director to impose terms as necessary	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council The proposed language needs clarification to ensure the Director is requesting only "reasonable and appropriate" information "necessary to comply with applicable law".	The Commission believes the Director would not request "unreasonable or inappropriate" information, therefore the proposed amendment should not be further modified.	The Commission's proposed amendment will be adopted without any further modification.
				10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Supports the proposed amendment.	No response is necessary.	The Commission's proposed amendment will be further modified to remove the reference of "working interests, royalty interests, and overriding royalties" with respect to common ownership in paragraph 48.1 (2)(a).
		41	Define "common and diverse ownership" when considering commingling	10/18/2019	Written	Amy Shelton--Northwest Landowners Association The term "diverse ownership" in paragraph (2)(a) and the term "different mineral ownership" in paragraph 48.1 (2)(b) should be the same term if they are meant to be synonymous.	Paragraph 48.1 (2)(a) defines "common ownership" as not having "diverse ownership", therefore you would cause ambiguity in the definition if you defined "diverse ownership" as having different "common ownership". The Commission notes the two terms are not meant to be synonymous. Nevertheless, the Commission believes to clarify common ownership, "(working interests, royalty interests, and overriding royalties)" should be removed from paragraph 48.1 (2)(a).	
		43	Require perimeter berms to be maintained	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED						
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN		
43-02-03-49	Oil Production Equip, Dikes, and Seals	43	Require Director approval prior to removing perimeter berms	NO COMMENTS RECEIVED					No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
43-02-03-51	Treating Plant	43	Clarify Director approval needed to commence dirtwork on site or road access	10/18/2019	Written	Shelly Vensch--Landowner "Access Road" should be changed to "Road Access" since present language infers the Director will be approving construction specification, not the Township Boards.	It is not the intention of the Commission to approve the access road construction specifications, although pursuant to NDCC Section 38-08-04(1)(b)(5)(b) the Commission may consider the safety of the road access to saltwater disposal wells, treating plants, and all associated facilities. The proposed clarifies that construction of the access road to the facility can not commence until a permit for the facility is approved by the Director.	The Commission's proposed amendment will be adopted without any further modification.		
				10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports the amendment, but suggests requiring all buried or partially buried structures to be underlain with a liner.	It is the Commission practice to require the treating plant operator to include a liner (clay or synthetic) under the structures as part of their monitoring plans and leak detection.			
				10/18/2019	Written	Lillian Crook--Badlands Conservation Alliance Supports the concept of replacing the commencement of operations with commencing site or road access.	No response is necessary.			
43-02-03-51.1	Treating Plant Permit Requirements	44	Consider additional application requirements	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council The "other" information required by the Director is overly broad and parameters need to be added providing guidance to applicant operators on what may be expected to be included in a permit application.	Treating plant applications received by the Commission in the past have involved a myriad of operations and the Director needs flexibility to request any other information to evaluate the treating plant or site.	The Commission's proposed amendment will be adopted without any further modification.		
				10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports the amendment, but suggests also add the phrase "or on-site operations commenced", which would clarify that a treating plant permit would be required before commencing construction on an existing site.	The Commission believes the proposed language is very clear that any treating plant construction would require a permit from the Director and additional clarification is unnecessary.			
43-02-03-51.3	Treating Plant Construction and Operation Requirements	45	Consider additional application requirements	10/18/2019	Written	Shelly Vensch--Landowner "Access Road" should be changed to "Road Access" since present language infers the Director will be approving construction specification, not the Township Boards.	It is not the intention of the Commission to approve the access road construction specifications, although pursuant to NDCC Section 38-08-04(1)(b)(5)(b) the Commission may consider the safety of the road access to saltwater disposal wells, treating plants, and all associated facilities. The proposed clarifies that construction of the access road to the facility can not commence until a permit for the facility is approved by the Director.	The Commission's proposed amendment will be adopted without any further modification.		
				10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports the amendment, but believes open tanks should be allowed only in exceptional circumstances and must have sufficient freeboard to ensure they do not overflow during precipitation events. Also, if storage pits, waste pits, or other earthen storage areas are authorized, additional bonding should be required.	The Commission intends to impose stipulations on any open tanks allowed that would prevent overflows. Comments addressing additional changes were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	The Commission's proposed amendment will be adopted without any further modification.		

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN
43-02-03-53	Saltwater Handling Facilities	48	Clarify role of Director and Commission	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
43-02-03-53.1	Saltwater Handling Facilities Permit Requirements	48	Clarify Director approval needed to commence dirtwork on site or road access	10/18/2019	Written	Lillian Crook--Badlands Conservation Alliance Supports the concept of replacing the commencement of operations with commencing site or road access.	No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		49	Consider additional application requirements	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council The "other" information required by the Director is overly broad and parameters need to be added providing guidance to applicant operators on what may be expected to be included in a permit application.	If the Director is not allowed to require additional information to evaluate the proposed saltwater handling facility or site, the application could likely be denied, which the Commission considers to be a poor business practice.	The Commission's proposed amendment will be adopted without any further modification.
				10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports this proposed amendment.	No response is necessary.	
43-02-03-53.3	Saltwater Handling Facilities Construction and Operating Requirements	50	Clarify Director approval needed to commence dirtwork on site or road access	10/18/2019	Written	Lillian Crook--Badlands Conservation Alliance Supports the concept of replacing the commencement of operations with commencing site or road access.	No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		51	Clarify role of Director and Commission	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports this proposed amendment, although bonding requirements should be commensurate with the estimated costs of decommissioning and site reclamation.	Comments addressing additional changes were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	
43-02-03-55	TA and AB of Wells, TP, SWHF	52	Require future well plans when considering approval for TA	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		52	Future well plans must be contemplated within seven years	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports this proposed amendment, although the TA status should be granted for purposes related to the production of oil and gas within the next 3 or 5 years.	Many oil and gas companies that operate Bakken wells in North Dakota also have operations in other basins in the United States, therefore we must be cognizant of the fact we need to maintain a good business climate in the state to support a healthy oil and gas industry. In 2015 the North Dakota Legislative Assembly amended NDCC Section 38-08-04 to allow a surface owner to request a hearing to review the TA status of a well on such status for more than 7 years. The Commission believes allowing a company to "look ahead" for 7 years is consistent with the spirit of the legislature.	The Commission's proposed amendment will be adopted without any further modification.
43-02-03-66	Application for Allowable on New Oil Wells	53	Acknowledge the Commission's database may eliminate certain forms	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
43-02-05 UNDERGROUND INJECTION CONTROL								

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED					
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN	
General Comments				10/7/2019	Oral	Scott Skokos--Dakota Resource Council They have concerns about taking power away from the Industrial Commission and giving it to the Director.	The Commission notes the referenced changes from Industrial Commission to Director are for clarification purposes only since the Industrial Commission is erroneously referred to numerous times and Commission's proposed changes correct the error.	The rules will not be amended to incorporate any suggested changes.	
				10/18/2019	Written	Lillian Crook--Badlands Conservation Alliance Supports the proposed rule changes in the Underground Injection Control regulations.	No response is necessary.		
				10/19/2019	Written	Douglas Minter--USEPA Supports the proposed rule changes in the Underground Injection Control regulations. They request a brief statement from the ND Attorney General's office affirming the NDIC has the authority to enforce these revised regulations and upon receiving it, will sent a letter to the division Director approving the changes.	Pursuant to NDCC Section 28-32-14 (Administrative Agencies Practice Act-Attorney General review of rules), the Attorney General's office reviews all proposed rules and issues an opinion as to the agency's legality before final rule adoption and such opinion will be sent to the USEPA.		
	General Comments			10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports these proposed amendments, although suggests requiring data related to injection rate and capacity of receiving zone to assure such zone remains within a range of static pressure. Also the Commission should require estimates of truck traffic and consultation with local authorities to determine whether a plan designed to mitigate dust and road impacts is appropriate.	Comments addressing additional changes were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	The rules will not be amended to incorporate any suggested changes.	
					10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council Clarity is needed on what constitutes an "area of review".		The "area of review" is identified in paragraph 04 (1)(j) as one-quarter mile radius. The Commission notes there are no proposed amendments changing the area of review.
	54	Paragraph (1) Site and access road construction needs permit from Director.	10/18/2019	Written	Shelly Vensch--Landowner "Access Road" should be changed to "Road Access" since present language infers the Director will be approving construction specification, not the Township Boards.	It is not the intention of the Commission to approve the access road construction specifications, although pursuant to NDCC Section 38-08-04 (1)(b)(5)(b) the Commission may consider the safety of the road access to saltwater disposal wells, treating plants, and all associated facilities. The proposed clarifies that construction of the access road to the facility can not commence until a permit for the facility is approved by the Director.	The rules will not be amended to incorporate any suggested changes.		
			10/18/2019	Written	Lillian Crook--Badlands Conservation Alliance Supports the concept of replacing the commencement of operations with commencing site or road access.	No response is necessary.			
	54	Paragraph (1) Acknowledge the Commission's database may eliminate certain forms			NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
	54	Paragraph (1)(i) Require cement specifications			NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN
43-02-05-04	Permit Requirements	54	Paragraph (1)(j) Include water bodies, residences, and roads on maps	10/18/2019	Written	Ron Ness--North Dakota Petroleum Council Plat and map are synonymous, therefore clarification is necessary. Also, "residence" needs to be identified since it could include non-permanent residences. Suggests adding "permanent residences" and removing the depiction of faults.	The Commission believes a "plat" is usually drawn to scale, whereas a map is not necessarily. Pursuant to 43-02-03-01, "occupied dwelling" means a residence which is lived in by a person at least six months throughout a calendar year. The Commission believes replacing residence with occupied dwelling will protect correlative rights and there was no discussion to justify removing the depiction of faults on the map.	The rules will not be amended to incorporate any suggested changes.
				10/18/2019	Written	Shelly Vensch--Landowner Some residents use fresh water wells that are not registered with the State Water Commission, therefore there needs to be a better system to locate existing fresh water wells.	The Commission notes water wells are required to be on the plat and maps depicting the area of review. The Commission routinely asks for water well samples from the two closest wells and if it appears a possible water well was overlooked (i.e. a google search shows a residence nearby) the Commission will request additional followup. The Commission notes the proposed rules did not contain any modification to this water well requirement.	
		54	Paragraph (1)(k) Review surficial aquifers w/in 1 mile	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		55	Paragraph (1)(l) Include additional information on wells in area of review	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council The proposed language needs clarification to ensure the Director is requesting only "relevant" and "reasonable" information.	The Commission believes the Director would not request "irrelevant or unreasonable" information, therefore the proposed amendment should not be further modified.	The Commission's proposed amendment will be adopted without any further modification.
				10/18/2019	Written	Ron Ness--North Dakota Petroleum Council It could be perceived that an applicant would be responsible for bringing a third party's well into compliance if it was within the area of review. Also, clarification is needed to verify limiting injection into a "zone" does not prohibit movement between zones within the unitized interval of an enhanced recovery unit.	The Commission would not require the applicant to bring a third party's well into compliance, but it could result in denial of the applicant's permit if such remedial work was deemed necessary to protect the environment or protect correlative rights.	
		55	Paragraph (1)(m) Show faults on cross-section	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		55	Paragraph (1)(n) Include transportation method of injection fluid	10/18/2019	Written	Ron Ness--North Dakota Petroleum Council The method of transportation of fluids (via truck or pipeline) is not pertinent to the permitting process of the injection facility and is an irrelevant and unnecessary addition to the underground injection well permitting process, therefore they request the proposed amendment be withdrawn.	Pursuant to NDCC 38-08-04 (1)(b)(5)(b), the Commission may consider safety of the location and road access to saltwater disposal wells and all associated facilities, therefore it is essential to know the transportation method of the fluid. Also, nearby landowners often have safety concerns about increased truck traffic, which would be mitigated if pipeline transportation was utilized.	The Commission's proposed amendment will be adopted without any further modification.

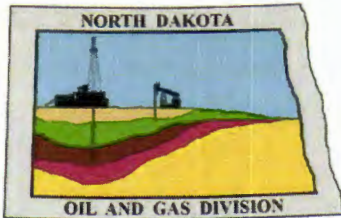
NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN
		55	Paragraph (1)(o) Include freshwater data on all wells within area of review	9/6/2019	Written	Tommy Yates--Denbury Onshore, LLC Some landowners do not want their water wells sampled, therefore need to amend rule to the two nearest "available" freshwater wells.	The Commission is aware some operators have declined to allow their water wells to be sampled. The existing language allows the Director to waive the requirement to analyze a water sample in certain instances.	The Commission's proposed amendment will be adopted without any further modification.
		55	Paragraph (1)(s) Submit proof of service for landowner and operator notice of hearing	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council An affidavit is considered proof of service under North Dakota's Rules of Civil Procedure and they recommend allowing landowner notice through an affidavit of mailing <u>or</u> hand-delivery, also a copy of the letter sent "or delivered" must be attached to the affidavit "or proof of service".	The Commission needs proof of landowner and operator notification and an affidavit of mailing only confirms the notice was placed in the mail, not necessarily that it reached its intended party.	The Commission's proposed amendment will be adopted without any further modification.
		56	Paragraph (1)(t) Requires notice to all owners or operators of any usable oil and gas well or permit within the area of review.	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council An affidavit is considered proof of service under North Dakota's Rules of Civil Procedure and they recommend allowing operator notice through an affidavit of mailing <u>or</u> hand-delivery, also a copy of the letter sent "or delivered" must be attached to the affidavit "or proof of service".	The Commission needs proof of landowner and operator notification and an affidavit of mailing only confirms the notice was placed in the mail, not necessarily that it reached its intended party.	The Commission's proposed amendment will be adopted without any further modification.
				10/18/2019	Written	Ron Ness--North Dakota Petroleum Council Requests clarification of the definition of "usable" and "related" wells. Also, since permits are confidential, they are unsure how compliance with the proposed amendment can be obtained.	The purpose of including "usable" oil and gas exploration and production wells was to assure operators of any unplugged well would receive notice. The purpose of including an oil and gas production "related" well was to assure operators of SWD and source well would receive notice.	The Commission's proposed amendment will be adopted without any further modification.
		57	Paragraph (1)(aa) Information to demonstrate injection will not migrate out of the injection zone	10/18/2019	Written	Ron Ness--North Dakota Petroleum Council Clarification is needed to verify limiting injection into a "zone" does not prohibit movement between zones within the unitized interval of an enhanced recovery unit.	The Commission believes it is clear that the injection zone means the unitized formation as described in the Unit Agreement and the confining zone is the zone with which fluids are contained in the unitized formation.	The Commission's proposed amendment will be adopted without any further modification.
		57	Paragraph (3) Outline all corrective action needed on wells within area of review	10/18/2019	Written	Ron Ness--North Dakota Petroleum Council It could be perceived that an applicant would be responsible for bringing a third party's well into compliance if it was within the area of review.	The Commission would not require the applicant to bring a third party's well into compliance, but it could result in denial of the applicant's permit if such remedial work was deemed necessary to protect the environment or protect correlative rights.	The Commission's proposed amendment will be adopted without any further modification.
		57	Paragraph (6) Clarify Director approval needed to commence dirtwork on site or road access	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
43-02-05-06	Construction Requirements	58	Paragraph (1)(a) Require casing set into injection zone	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		59	Paragraph (3) Set packer within 100 feet of top perforation	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		General Comments		10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports these proposed amendments, although suggests MITs should be annually on wells where the MIT fails. Also, "significant" in paragraphs 07 (1)(a) and (1)(b) should be removed or the meaning clarified.	Comments addressing additional changes were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	The rules will not be amended to incorporate any suggested changes.

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN
43-02-05-07	Mechanical Integrity	59	MIT requirements after completing remedial work	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		60	Director authorized to shut in injection well if fluids not contained in authorized zone	10/18/2019	Written	Lillian Crook--Badlands Conservation Alliance Supports the proposed rule change, but wants the Commission to allow comment on the five-year testing interval during the next rulemaking.	No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
43-02-05-08	Plugging of Injection Wells	60	Acknowledge the Commission's database may eliminate certain forms	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
43-02-05-09	Pressure Limitations	61	Clarify injection fluids must be contained within authorized zones	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
43-02-05-10	Corrective Action	61	Director can require remedial work if injection fluids move beyond authorized zones	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
43-02-05-12	Reporting, Monitoring, and Operating Requirements	61	Require documenting average and maximum injection pressure and rate	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		61	Acknowledge the Commission's database may eliminate certain forms	10/18/2019	Written	Amy Shelton--Northwest Landowners Association The "format provided by the Director" needs to be publically available and contain a written certification of its accuracy by the operator. Also noncompliance issues should be reported to the Director in writing.	Comments addressing additional changes were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time. The Commission notes the rule currently requires the noncompliance issues to be followed up in writing.	The Commission's proposed amendment will be adopted without any further modification.
		61	Clarify Director must be notified of first injection date verbally and in writing	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		62	Clarify all injection equipment must be continuously monitored to ensure surface and subsurface waters are protected.	10/7/2019	Oral+Written	Brady Pelton--North Dakota Petroleum Council They believe it is technically unfeasible given current technological capabilities to ensure surface and subsurface waters are protected, therefore the proposed language should be deleted.	The Commission realizes that verifying the integrity of the surface facility, gathering system, and injection well cannot "assure" that surface and subsurface waters are protected, although they are done to "protect" them.	The Commission's proposed amendment will be further modified to indicate the integrity of the surface facility, gathering system, and injection well is required to "protect" surface and subsurface waters.
		10/18/2019	Written	Lillian Crook--Badlands Conservation Alliance Supports the proposed rule change.	No response is necessary.			
43-02-05-13	Access to Records	63	Clarify the Director is an authorized agent of the Commission	10/18/2019	Written	Amy Shelton--Northwest Landowners Association This amendment appears to restrict access to records to Inly the Director, although field inspectors should also have authority to inspect.	43-02-03-02 (17) defines Director as the director of oil and gas, the assistant director of oil and gas, and their designated representatives, therefore field inspectors will have access to records.	The Commission's proposed amendment will be adopted without any further modification.

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN
43-02-05-14	Area Permits	63	Include water bodies, residences, and roads on maps	10/18/2019	Written	Shelly Vensch--Landowner "Access Road" should be changed to "Road Access" since present language infers the Director will be approving construction specification, not the Township Boards.	It is not the intention of the Commission to approve the access road construction specifications, although pursuant to NDCC Section 38-08-04(1)(b)(5)(b) the Commission may consider the safety of the road access to saltwater disposal wells, treating plants, and all associated facilities. The proposed clarifies that construction of the access road to the facility can not commence until a permit for the facility is approved by the Director.	The Commission's proposed amendment will be adopted without any further modification.
		64	Show faults on cross-section	10/18/2019	Written	Shelly Vensch--Landowner Some residents use fresh water wells that are not registered with the State Water Commission, therefore there needs to be a better system to locate existing fresh water wells.	The Commission notes water wells are required to be on the plat and maps depicting the area of review. The Commission routinely asks for water well samples from the two closest wells and if it appears a possible water well was overlooked (i.e. a google search shows a residence nearby) the Commission will request additional followup. The Commission notes the proposed rules did not contain any modification to this water well requirement.	The Commission's proposed amendment will be adopted without any further modification.
		64	Include transportation method of injection fluid	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		64	Submit proof of service for operator notice to landowner of hearing	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports these proposed amendments, although requests the operator's notification to landowners include either a weblink or copy of the materials referenced in paragraphs 14 (3)(f), (3)(i), and (3)(m) so that the notified parties can determine whether the proposed use may impact existing uses.	The Commission notes information is routinely sent to landowners upon request. Comments addressing additional changes were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	The Commission's proposed amendment will be adopted without any further modification.
		64	Clarify information required for the proposed injection well schematic	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		65	Require cement specifications	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		65	Include additional information on wells in area of review	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		65	Include freshwater data on all wells within area of review	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
		66	Traffic flow diagram of site	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN
		67	Outline all corrective action needed on wells within area of review	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
43-02-06 ROYALTY STATEMENTS								
43-02-06-01	Royalty Owner Information Statement	General Comments		9/16/2019	Written	<p>Martin Thompson--Landman Paragraph 01 (3) requires the operator to report "100% of the corrected volume of oil..." and he has received a statement showing an operator did not report 100% of the oil produced or sold for the month of May, 2019.</p> <p>Also proposes to amend paragraph (9) to require the owner's interest be identified as a decimal "in the spacing unit".</p>	<p>Paragraph 01 (3) does not require the operator to report 100% of the oil produced or sold, but rather requires 100% of the oil sold. The Commission will review the statement for compliance with present Commission rules.</p> <p>The Commission notes 43-02-06-01.1 requires the operator or payor to provide the mineral owner with a statement identifying the spacing unit for the well, the net mineral acres owned by the mineral owner, the gross mineral acres in the spacing unit, and the mineral owner's decimal interest that will be applied to the well, within 120 days after first sales of production from a well.</p> <p>The Commission also notes neither paragraph 01 (3) or (9) were proposed to be modified by the Commission, therefore comments addressing additional changes were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.</p>	The rules will not be amended to incorporate any suggested changes.
				10/8/2019	Written	<p>Bob Erdahl--MIO Requests the total dollar value of North Dakota State withholding tax be required on the royalty statement. Without the total printed on a monthly statement, the only way for owners to get that value is to go through each monthly statement, line-by-line.</p>	Comments addressing additional changes were not afforded since notice of the suggested changes were not given, therefore consideration should not be given at this time.	
				10/18/2019	Written	<p>Bob Skarphol--Mineral Owner Rule changes effective 7-1-2019 were not an improvement and neither are proposed rules. Legislature should create a uniform royalty statement.</p>		
				10/18/2019	Written	<p>Lillian Crook--Badlands Conservation Alliance Suggests the ND Tax Department be consulted in drafting amendments.</p>		
		69	Paragraph (4) Remove inappropriate language referring to owner's deductions	10/17/2019	Written	<p>Shane Schulz--QEP Resources The requirement to provide price after deductions varies by owner and is hacrd to calculate at an owner level.</p>	"Price" under paragraph 01 (4) refers to the producer's net price after producer deductions and is not a calculation for owner's price. The Commission notes	
69	Paragraph (6) Require producer's net value of total sales after deducts <u>& taxes</u>	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.		

NDAC CITE	RULE	pg	PROPOSED CHANGE	COMMENTS RECEIVED				
				DATE RECEIVED	ORAL OR WRITTEN	COMMENT	DISCUSSION	ACTION TAKEN
		69	Paragraph (7) Clarifies the amount and purpose of each "owner" deduction must be identified.	10/16/2019	Written	Judith Helling--Alexander The NDIC sides with oil companies on taking transportation, processing, compression or administrative deductions from mineral checks. The Commission notes identification of the four types of deductions was effective 7-1-2019 and no change in the four types was anticipated by the Commission.	The owner deductions allowed to be taken are dependent upon the lease the mineral owner signs with the mineral developer, not upon any decision made by the Commission. The Commission rules simply requires all owner deductions to be identified as transportation, processing, compression or administrative costs.	The Commission's proposed amendment will be adopted without any further modification.
		69	Paragraph (8) Clarify the amount and purpose of each "owner" adjustment or correction must be identified	10/17/2019	Written	Shane Schulz--QEP Resources "Correction" should be defined so operators have a better understanding of what should be included.	The Commission hesitates to define "correction" since there are a myriad of instances that could fall into this category, although the Commission expects most to be correcting the wrong price or volume of product sold.	The Commission's proposed amendment will be adopted without any further modification.
		70	Paragraph (10) Consider owner's value prior to removing taxes, but <u>after removing deducts</u>	10/17/2019	Written	Shane Schulz--QEP Resources Supports the NDPC comments.	No response is necessary.	The Commission's proposed amendment will be further modified to allow the owner's share of the total value of sales prior to taxes to be listed on the royalty statement, as long as it is indicated on the royalty statement or an attachment whether the value is calculated "before or after" removing the owner's deductions.
				10/18/2019	Written	Ron Ness--North Dakota Petroleum Council Calculating the owner's value after removing owner's deductions is in conflict with Oklahoma's regulations on royalty statements and to meet the regulatory requirements of both states, producers would be required to add another field to their royaltly owner information statement which would result in smaller font and further royalty owner confusion. Suggests further modification to allow the royalty statement to list the owner's share of the total value of sales prior to taxes and inform the owner if the value is "before or after" removing the owner's deductions, which agrees with the written comments suggested by Roger Kelley of Continental Resources.	The Commission believes State standardization of royalty statement information benefits all producers and the royalty owners, although complete standardization may not be easily accomplished if State regulations are modified. The Commission agrees that listing the owner's share of the total value of sales prior to taxes on the royalty statement is acceptable, as long as it is indicated on the royalty statement or an attachment whether the value is calculated "before or after" removing the owner's deductions.	
				10/17/2019	Written	Roger Kelley--Continental Resources, Inc. Suggests further modification to allow the royalty statement to list the owner's share of the total value of sales prior to taxes and inform the owner if the value is "before or after" removing the owner's deductions.		
		70	Paragraph (10) Consider owner's value of sales less deducts <u>and taxes</u>	NO COMMENTS RECEIVED			No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.
43-02-06-01.1	Ownership Interest Information Statement	70	Require statement when owner's decimal interest changes	10/18/2019	Written	Amy Shelton--Northwest Landowners Association Supports this proposed amendment.	No response is necessary.	The Commission's proposed amendment will be adopted without any further modification.



Oil and Gas Division

Lynn D. Helms - Director Bruce E. Hicks - Assistant Director

Department of Mineral Resources

Lynn D. Helms - Director

North Dakota Industrial Commission

www.oilgas.nd.gov

FULL NOTICE OF INTENT TO ADOPT AND AMEND ADMINISTRATIVE RULES

TAKE NOTICE that the North Dakota Industrial Commission, Department of Mineral Resources, Oil and Gas Division, will hold four public hearings to address proposed amendments and additions to the North Dakota Administrative Code (NDAC) Chapter 43-02-03 (Oil & Gas), Chapter 43-02-05 (Underground Injection Control), and Chapter 43-02-06 (Royalty Statements):

- October 7th, 2019 at 8 a.m. in the Conference Room of the Oil and Gas Division Building, 1000 E. Calgary Avenue, Bismarck, North Dakota
- October 7th, 2019 at 1 p.m. in the Conference Room of the Oil and Gas Division Dickinson Field Office, 926 East Industrial Drive, Dickinson, North Dakota
- October 8th, 2019 at 8:00 a.m. at Clarion Hotel and Suites, 1505 15th Street West, Williston, North Dakota
- October 8th, 2019 at 1:30 p.m. in the Conference Room of the Oil and Gas Division Minot Field Office, 7 Third Street SE, Suite 107, Minot, North Dakota

The proposals are summarized below:

The purpose of the proposed amendment to NDAC § 43-02-03-10 is to promote the relationship we have with tribal authorities so the Commission can enter into agreements. The proposed amendment clarifies the Commission can enter into agreements with tribal authorities relating to conservation of oil and gas. The proposed amendment will provide an economic benefit to the regulated community.

The purpose of the proposed amendments to NDAC § 43-02-03-14.2 is to ensure metering systems are accurately measuring crude oil volumes. The proposed amendments require the owner of metering equipment to discontinue use of a failed meter until it has been repaired, set oil custody transfer meter factors, require CTB name and number, and the report of failed meter tests. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-15 is to increase bonding amounts on commercial injection operations and certain wells with high liability. The proposed amendments clarify that a bond must be approved for the principle to commence construction of a site, appurtenance or road access, increases the amount of a commercial injection operations from \$50,000 to \$100,000, requires a well temporarily abandoned for more than seven years to be counted in the six-well limit on a blanket bond, authorizes the Director to refuse a transfer request if any well on the bond is in violation, and requires abandoned wells to be transferred to a bond in an amount equal to the cost of plugging and reclaiming the site. The proposed amendments are expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-16 is to clarify when site preparation can commence. The proposed amendment clarifies that well-site construction of a site, appurtenance, or road access, and commencement of recompletion operations requires Director approval. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-16.2 is to clarify when a permit can be suspended or revoked. The proposed amendment clarifies that a permit subject to the rule will not be suspended after operations have commenced, but can be revoked by the Commission after a hearing. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-16.3 is to require the owner, that intends to drill or recomplete a well, to give other working interest owners an opportunity to participate in a well that is not timely drilled. The proposed amendment deems an election to participate is only binding upon an owner declining to participate if operations are commenced within ninety days of the election deadline. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-19.3 is to alert the regulated community to exceptions to the rule. The proposed amendment states exceptions to the rule can be requested for 43-02-03-51.3 for treating plants. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-21 is to ensure strings of casing are properly cemented. The proposed amendments require cement additives to address compressive strength regression where high temperatures are encountered, require tail cement to reach five hundred pounds per square inch compressive strength prior conducting the required pressure test, and allow up to ten percent pressure drop during the required pressure test. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-23 is to assure adequate safety equipment on drilling and workover operations. The proposed amendments require the use of a blowout preventer on workover operations and require a pressure test on only pressure seals broken during pad drilling operations. The proposed amendment requiring the blowout preventer on workover operation is not expected to have an impact on the regulated community in excess of \$50,000 since most operators already utilize such equipment and some significant spills have occurred without the use of said equipment. The proposed amendment providing relief from pressure testing will provide an economic benefit to the regulated community.

The purpose of the proposed amendments to NDAC § 43-02-03-27.1 is to update hydraulic fracturing regulations so they address current industry practices being conducted. The proposed amendments outline procedure requirements for all re-fracs performed, clarify where the hanger/packer is allowed to be set, and clarify when a frac string must be utilized. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000 since most operators already follow the proposed procedures. The proposed amendment providing relief from pressure testing will provide an economic benefit to the regulated community.

The purpose of the proposed amendment to NDAC § 43-02-03-28 is to clarify the rule and ensure safety on drilling and producing locations. The proposed amendment clarifies that flares must be located no closer than one hundred fifty feet from a producing well or oil tank and requires additional notice be given prior to conducting any well stimulation. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-29.1 is to regulate carbon dioxide pipelines under the rule, define certain key phrases, clarify the role of the third-party inspectors, and address issues that have risen from the pipeline rules that were promulgated effective January 1, 2017. The proposed amendments require underground gathering pipelines designed for transporting carbon dioxide for storage or enhanced oil recovery to comply with this section, defines new construction, pipeline repair, gathering system, and in-service date, requires verbal notification prior to commencing certain procedures, clarifies that clamping and squeezing operations conducted on produced water pipelines need prior Director approval, requires the third party inspector to be independent from the pipeline owner or contractor, clarifies integrity test reporting, and requires removal of pipelines less than three feet in depth during pipeline abandonment. The proposed amendments are expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-30 is to clarify certain spills that must be reported to the Commission. The proposed amendment clarifies spills and leaks on pipeline associated above ground equipment must be reported to the Commission. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-31 is to clarify reporting and well confidentiality. The proposed amendment clarifies that a completion report, which currently is submitted on the Commission's Form 6, could be changed in the future (since the Commission will be migrating to "NorthSTAR" in the near future) and clarifies that the confidentiality period for a newly permitted wells. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-34.1 is to protect the environment. The proposed amendment requires all pipelines to be purged and abandoned pursuant to section 43-02-03-29.1, which are the crude oil and produced water underground gathering pipeline regulations. The proposed amendment is expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-38.1 is to assure quality samples will be collected while drilling wells. The proposed amendment requires a well site geologist or mudlogger on location for the first well drilled on a multi-well pad to collect sample cuttings so an accurate mudlog and geologic report can be created. The proposed amendment will provide an economic benefit to the regulated community.

The purpose of the proposed amendment to NDAC § 43-02-03-40 is to clarify reporting. The proposed amendment clarifies that a completion report, which currently is submitted on the Commission's Form 6, could be changed in the future (since the Commission will be migrating to "NorthSTAR" in the near future). The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-48.1 is to clarify information to be submitted to the Commission and define common and diverse ownership. The proposed amendments clarify the Director can request and impose such terms and conditions as deemed necessary, define common ownership as production from wells that do not have diverse ownership, and define diverse ownership as production from wells in different drilling/spacing units that have different mineral ownership. The proposed amendment relating to the Director's terms and conditions is not expected to have an impact on the regulated community in excess of \$50,000. The proposed amendment relating to the definitions of common and diverse ownership will provide an economic benefit to the regulated community.

The purpose of the proposed amendment to NDAC § 43-02-03-49 is to protect the environment. The proposed amendment requires berms to be maintained and Director approval to remove a berm. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-51 is to clarify when site preparation can commence. The proposed amendment clarifies that treating plant construction of a site, appurtenance, or road access requires Director approval. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-51.1 is to clarify information necessary for the Director to consider a treating plant application. The proposed amendments outline information currently requested to be submitted in the treating plant application, but not yet codified in a rule. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000 since the information is currently requested to complete a treating plant application.

The purpose of the proposed amendments to NDAC § 43-02-03-51.3 is to clarify when construction can commence and clarify the role of the Director/Commission. The proposed amendments clarify that construction of a treating plant site, appurtenance, or road access requires a bond, clarify open tanks can be approved by the Director, and clarify information to be sent to the Director. The proposed amendment relating to construction is not expected to have an impact on the regulated community in excess of \$50,000. The proposed amendment relating to the allowance of open tanks will provide an economic benefit to the regulated community.

The purpose of the proposed amendment to NDAC § 43-02-03-53 is to clarify the role of the Director/Commission. The proposed amendments clarify information to be sent to the Director. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-53.1 is to clarify when construction can commence, clarify information necessary for the Director to consider a saltwater handling facility application, and clarify the role of the Director/Commission. The proposed amendments clarify that construction of a saltwater handling facility, appurtenance, or road access requires Director approval and clarify information to be sent to the Director. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-53.3 is to clarify when construction can commence and clarify the role of the Director/Commission. The proposed amendments clarify that construction of a saltwater handling facility, appurtenance, or road access requires a bond, and clarify information to be sent to the Director. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-55 is to require justification to initially temporarily abandon a well. The proposed amendment allows Director consideration for temporary abandonment only for wells that are to be used for purposes related to the production of oil and gas within the next seven years. The proposed amendment is expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-66 is to clarify reporting. The proposed amendment clarifies that a completion report, which currently is submitted on the Commission's Form 6, could be changed in the future (since the Commission will be migrating to "NorthSTAR" in the near future). The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-05-04 is to clarify when construction can commence, clarify information necessary for the Director to consider an underground injection well application, and clarify the role of the Director/Commission. The proposed amendments clarify that construction of an underground injection well site, appurtenance, or road access requires Director approval, require proof of service for notices, and clarify information to be sent to the Director. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-05-06 is to clarify construction and reporting requirements, and clarify the role of the Director/Commission. The proposed amendments clarify that casing must be set into the injection zone, that the sundry notice, which currently is submitted on the Commission's Form 4, could be changed in the future (since the Commission will be migrating to "NorthSTAR" in the near future), and clarify the role of the Director. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-05-07 is to clarify the mechanical integrity regulations for an injection well. The proposed amendments clarify how to prove mechanical integrity and clarify injection well must cease injection if mechanical failure indicates fluids are not contained in the authorized injection zone. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-05-08 is to clarify reporting. The proposed amendment clarifies that a sundry notice, which currently is submitted on the Commission's Form 4, could be changed in the future (since the Commission will be migrating to "NorthSTAR" in the near future). The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-05-09 is to clarify injection well operating pressure limitations. The proposed amendment clarifies pressure maximum and permitted injection zone. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-05-10 is to clarify when corrective action is necessary and clarify the role of the Director/Commission. The proposed amendments clarify injection must not enter an unauthorized zone and clarify the role of the Director. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-05-12 is to clarify injection well operating and reporting requirements and clarify the role of the Director/Commission. The proposed amendments clarify reporting requirements, requires reporting of first date of injection, and clarify certain reporting forms could be changed in the future (since the Commission will be migrating to "NorthSTAR" in the near future). The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-05-13 is to clarify the role of the Director/Commission. The proposed amendment clarifies information is to be sent to the Director. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-05-14 is to clarify area permit requirements and clarify the role of the Director/Commission. The proposed amendments clarify that information needed to complete an area permit application, require proof of service for notices, and clarify information to be sent to the Director. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-06-01 is clarify information required on a royalty information statement. The proposed amendments clarify how to calculate producer's net value, clarify owner deductions, adjustments, and corrections must be identified, and how to calculate owner's share of total value of sales, and owner's share of sales. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-06-01.1 is to assure mineral owners are notified when their decimal interest changes. The proposed amendment requires an operator or payor to provide the mineral owner with an ownership interest information statement when the mineral owner's decimal interest changes. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The proposed rules may be reviewed at the office of the Oil and Gas Division at 1016 East Calgary Avenue, Bismarck, ND, or online at www.dmr.nd.gov/oilgas. A copy of the proposed rules and/or a regulatory analysis may be requested by writing the Oil and Gas Division, 600 E Boulevard Ave, Dept 405, Bismarck, ND 58505-0840 or calling (701) 328-8020. Written comments on the proposed rules, sent to the Oil and Gas Division, 600 E Boulevard Ave, Dept 405, Bismarck, ND 58505-0840 or emailed to brkadrmas@nd.gov and received by 5pm, October 18th, 2019, will be fully considered. Oral comments can be given at any public hearing listed above.

If you plan to attend a public hearing and will need special accommodations or assistance relating to a disability, please contact the North Dakota Industrial Commission at (701) 328-8020, or write the Oil and Gas Division, 600 E Boulevard Ave, Dept 405, Bismarck, ND 58505-0840, no later than September 23, 2019.

Dated this 30th day of August, 2019.

Bruce E. Hicks

Bruce E. Hicks
Assistant Director

Oil and Gas Division

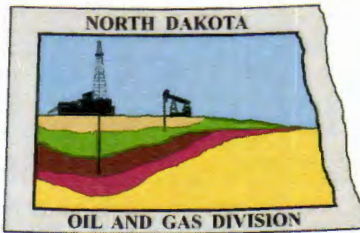
Lynn D. Helms - Director Bruce E. Hicks - Assistant Director

Department of Mineral Resources

Lynn D. Helms - Director

North Dakota Industrial Commission

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REGULATORY ANALYSIS PURSUANT TO

NORTH DAKOTA CENTURY CODE SECTION 28-32-08 FOR CHANGES IN NORTH DAKOTA ADMINISTRATIVE CODE SECTION 43-02-03-15 BOND AND TRANSFER OF WELLS

I. CLASS OF PERSONS AFFECTED BY THE AMENDMENT

The classes of persons who probably will be affected by the proposed amendment to the rule are individuals and companies who operate oil and gas wells and commercial injection wells, treating plants, and saltwater handling facilities in the State. The proposed amendments will require operators to increase bonding on commercial injection operations, along with additional bonding if abandoned and temporarily abandoned wells exist on their bond. The proposed amendment will benefit the State, landowners, the environment, engineering firms, and the Commission.

II. PROBABLE IMPACT

The probable impact of the proposed amendment will be that operators will have to increase bonding on commercial injection operations and additional bonding would be required if abandoned and temporarily abandoned wells exist on their bond. The following costs are anticipated:

Assumptions for commercial injection wells

- o 210 existing commercial injection wells
- o 5% yearly premium fee paid to surety company

Operator Cost for increase in commercial injection well bonding—from \$50,000 to \$100,000 per well

Clerical	(1hr) x (\$15/hr) x (210 wells)	= \$	3,150
Surety bond premium	(\$50,000 additional bond) x (5%) x (210 wells)	= \$	<u>525,000</u>
Sub Total		= \$	528,150

Assumptions for additional bonding for TA wells

- o Blanket bonds only allow six liabilities
- o 148 wells exist with TA status > 7 years
- o 7 bonds have > 6 TA wells on them—assumed no other liabilities on them
- o 5% yearly premium fee paid to surety company

Operator Cost for increase in bonding due to wells in TA status over 7 years

Clerical	(1hr) x (\$15/hr) x (7 bonds)	= \$	105
Surety bond premium	(\$100,000 additional bond) x (5%) x (7 bonds)	= \$	<u>35,000</u>
Sub Total		= \$	35,105

Assumptions for additional bonding for AB wells

- o 643 wells exist with AB status
- o Expect 10% transfer per year (643 x 10% = 65)
- o \$150,000 Full bonding to plug and reclaim per AB well
- o 5% yearly premium fee paid to surety company

Operator Cost for increase in bonding due to wells in AB status

Clerical	(1hr) x (\$15/hr) x (65 bonds)	= \$	975
Surety bond premium	(\$150,000 additional bond) x (5%) x (65 bonds)	= \$	<u>487,500</u>
Sub Total		= \$	488,475

Total Cost to Regulated Community = \$528,150 + \$35,105 + \$488,475 = \$1,051,730

It is anticipated that the total cost of the proposed rule to the regulated community may exceed \$50,000, but will be dependent upon the number of dry holes not properly plugged, sites not properly reclaimed, abandoned wells existing on the bond, and number of abandoned wells transferred.

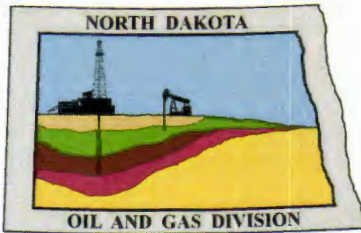
III. COST TO AGENCY AND EFFECT ON STATE REVENUES

It is anticipated that there will be negligible costs to the agency to implement and enforce the proposed amendments requiring additional bonding, therefore a negligible effect on State revenues.

<u>Agency Cost for increase in bonding</u>		
Clerical—Commercial SWD bonding-----	(1hr) x (\$15/hr) x (210 wells)	= \$ 3,150
Clerical—TA bonding-----	(1hr) x (\$15/hr) x (7 bonds)	= \$ 105
Clerical—AB bonding-----	(1hr) x (\$15/hr) x (65 bonds)	= \$ <u>975</u>
Total Cost to Agency		= \$ 4,230

IV. ALTERNATIVE METHODS

No alternate methods were seriously considered.



Oil and Gas Division

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Department of Mineral Resources

Lynn D. Helms - Director

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REGULATORY ANALYSIS PURSUANT TO

**NORTH DAKOTA CENTURY CODE SECTION 28-32-08
FOR CHANGES IN NORTH DAKOTA ADMINISTRATIVE CODE SECTION 43-02-03-29.1
REPORTING AND MONITORING REQUIREMENTS**

I. CLASS OF PERSONS AFFECTED BY THE AMENDMENT

The classes of persons who probably will be affected by the proposed amendment to the rule are owners of carbon dioxide, natural gas, crude oil and produced water pipelines in the State. The proposed amendment will subject owners of carbon dioxide pipelines to this rule and require owners to remove all pipelines during decommissioning if the final depth of the pipeline is less than three feet in depth. The proposed amendment will benefit the State, landowners, the environment, contractors, and the Commission.

II. PROBABLE IMPACT

The probable impact of the proposed amendment will be that some owners will have to remove some pipelines during decommissioning. No carbon dioxide pipelines currently exist in the State, but the Commission anticipates future pipelines in the near future and the proposed changes will require compliance with this rule. The following costs are anticipated:

Assumptions for pipeline removal

- o 10 miles of pipeline removal per year
- o \$1,000 per mile for removal and disposal

Owner Cost for pipeline removal

Clerical-----	(1 hr) x (\$15/hr) x (10 miles)	= \$	150
Removal + Disposal Costs-----	(\$1,000 / mile) x (10 miles)	= \$	<u>10,000</u>
Total Cost to Regulated Community-----		= \$	10,150

Assumptions for carbon dioxide regulation

- o Costs cannot be estimated at this time since no permits have been received

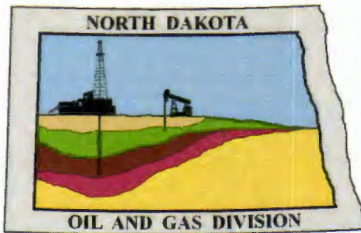
It is anticipated that the total cost of the proposed rule to the regulated community may exceed \$50,000.

III. COST TO AGENCY AND EFFECT ON STATE REVENUES

It is anticipated that there will be negligible costs to the agency to implement and enforce the proposed amendment requiring annual pressure tests to prove integrity of injection lines when the saltwater disposal well and injection pump are not located on the same facility pad.

IV. ALTERNATIVE METHODS

No alternate methods were seriously considered.



Oil and Gas Division

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REGULATORY ANALYSIS PURSUANT TO

NORTH DAKOTA CENTURY CODE SECTION 28-32-08 FOR CHANGES IN NORTH DAKOTA ADMINISTRATIVE CODE SECTION 43-02-03-34.1 RECLAMATION OF SURFACE

I. CLASS OF PERSONS AFFECTED BY THE AMENDMENT

The classes of persons who probably will be affected by the proposed amendment to the rule are owners of carbon dioxide and natural gas pipelines in the State. The proposed amendment will subject owners of carbon dioxide pipelines to this rule and require owners to purge and abandon pipelines during decommissioning pursuant to our pipeline regulations under 43-02-03-29.1. The proposed amendment will benefit the State, landowners, the environment, contractors, and the Commission.

II. PROBABLE IMPACT

The probable impact of the proposed amendment will be that owners of carbon dioxide and gas pipelines will have to purge and cap the ends of abandoned pipelines. The following costs are anticipated:

Assumptions

- 25 miles of pipeline decommissioned every year
- Cost to purge line = \$250 per mile
- Cost to dispose of fluid = \$4 per barrel (trucking plus disposal fees)
- Disposal volume of assumed 8" line = (0.062 barrels/ft) x (5280 ft/mile) x (25 miles) = 8184 barrels of fluid

Operator Cost for decommissioning abandoned pipelines

Clerical-----	(1hr) x (\$15/hr) x (10 pipelines)	= \$ 150
Purge pipelines-----	(\$250 / mile) x (25 miles pipeline)	= \$ 6,250
Disposal cost-----	(\$4 / bbl) x (8,184 bbls of fluid)	= \$ 32,736
Total Cost to Regulated Community-----		= \$ 38,986

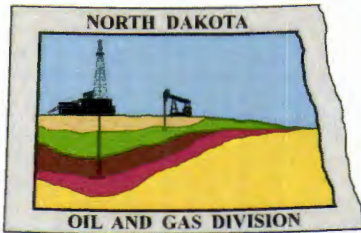
It is anticipated that the total cost of the proposed rule to the regulated community may exceed \$50,000, but will be dependent upon the number of pipelines being decommissioned each year.

III. COST TO AGENCY AND EFFECT ON STATE REVENUES

It is anticipated that there will be negligible costs to the agency to implement and enforce the proposed amendment requiring an environmental assessment.

IV. ALTERNATIVE METHODS

No alternate methods were seriously considered.



Oil and Gas Division

Lynn D. Helms - Director Bruce E. Hicks - Assistant Director

Department of Mineral Resources

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REGULATORY ANALYSIS PURSUANT TO

NORTH DAKOTA CENTURY CODE SECTION 28-32-08 FOR CHANGES IN NORTH DAKOTA ADMINISTRATIVE CODE SECTION 43-02-03-55 REPORTING AND MONITORING REQUIREMENTS

I. CLASS OF PERSONS AFFECTED BY THE AMENDMENT

The classes of persons who probably will be affected by the proposed amendment to the rule are individuals and companies who have wells on their bonds that have been temporarily abandoned (TA) for more than seven years. The proposed amendment will require operators to justify the TA request. The proposed amendment will benefit the State, landowners, the environment, contractors, and the Commission.

II. PROBABLE IMPACT

The probable impact of the proposed amendment will be that some operator requests for TA status will be denied resulting in the operating having to plug the well and reclaim the well site. The following costs are anticipated:

Assumptions for additional requirements for TA wells

- 465 wells exist with TA status
- Average TA has been on status for 7 years
- 10% of TA requests will be denied, which will require wells to be P&A (47 wells/yr)
- \$150,000 cost to plug and reclaim a TA well
 - 5% inflationary cost increase to plug and reclaim well in 7 years
 - cost in 7 years = $\$150,000 \times (1.05^7) = \$211,065$
- Time value of money (savings to operator since plugging will be delayed an avg of 7 yrs)
 - 10% annual discount
 - Present Worth of plugging & reclaim costs = $\$211,065 / (1.1)^7 = \$108,310$

Operator Cost for plugging well present day instead of 7 years from now

Clerical-----	(1hr) x (\$15/hr) x (47 wells)	= \$	705
Difference in Present Worth of costs-----	(\$150,000 - \$108,310 cost) x (47 wells)	= \$	1,959,430
Total Cost to Regulated Community-----		= \$	1,960,135

It is anticipated that the total cost of the proposed rule to the regulated community may exceed \$50,000.

III. COST TO AGENCY AND EFFECT ON STATE REVENUES

It is anticipated that there will be negligible costs to the agency to implement and enforce the proposed amendments requiring additional bonding, therefore a negligible effect on State revenues.

Agency Cost for additional requirements

Clerical—Processing Plugging Procedure-----	(1hr) x (\$15/hr) x (47 wells)	= \$	3,150
Total Cost to Agency-----		= \$	3,150

IV. ALTERNATIVE METHODS

No alternate methods were seriously considered.



**SMALL ENTITY REGULATORY ANALYSIS
PURSUANT TO NORTH DAKOTA CENTURY CODE SECTION 28-32-08.1**

None of the amendments or rules created under North Dakota Administrative Code Chapters 43-02-03, 43-02-05, or 43-02-06 were mandated by federal law.

SECTION 43-02-03-10. AUTHORITY TO COOPERATE WITH OTHER AGENCIES.

The amendment clarifies the Commission can enter into agreements with tribal authorities relating to conservation of oil and gas. This amendment will not have an adverse impact on small entities.

SECTION 43-02-03-14.2. OIL AND GAS METERING SYSTEMS.

The amendments require the owner of metering equipment to report failed meter tests and discontinue use of a failed meter until it has been repaired, sets oil custody transfer meter factors, and requires CTB name and number.

The following methods were considered for reducing impact on small entities:

1. Establishment of less stringent compliance or reporting requirements for small entities.

The amendment requires the owner of metering equipment to report failed meter tests and discontinue use of a failed meter until it has been repaired, sets oil custody transfer meter factors, and requires CTB name and number. To protect correlative rights it is necessary to make necessary repairs to faulty equipment and properly identify the location of the meters being tested. Also it is necessary to set meter factors to assure they are reading correctly, therefore small entities should not be exempted from the requirements.

2. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small entities.

The amendment does not impose any schedules or deadlines for compliance or reporting requirements.

3. Consolidation or simplification of compliance or reporting requirements for small entities.

The only reporting requirement is the failed meter test and well or central tank battery name and number and should not be waived for small entities.

4. Establishment of performance standards for small entities to replace design or operational standards required in the proposed rule.

Maintaining the meter factor of 0.25 percent is necessary to assure meter accuracy and protect correlative rights, therefore the standard should not be waived for small entities.

5. Exemption of small entities from all or any part of the requirements contained in the proposed rules.

The purpose of the rule is to ensure all allocation and custody transfer meters are accurate and properly identified, therefore small entities should not be exempt.

The adoption of the amendments could have an adverse economic impact on small entities, therefore, a Small Entities Economic Impact Statement was prepared.

SECTION 43-02-03-15. BOND AND TRANSFER OF WELLS.

The amendments clarify that a bond must be approved for the principle to commence construction of a site, appurtenance or road access, increases the bond amount for commercial injection operations from \$50,000 to \$100,000, requires a well temporarily abandoned for more than seven years to be counted in the six-well limit on a blanket bond, authorizes the Director to refuse a transfer request if any well on the bond is in violation, and requires abandoned wells to be transferred to a bond in an amount equal to the cost of plugging and reclaiming the site.

The following methods were considered for reducing impact on small entities:

1. Establishment of less stringent compliance or reporting requirements for small entities.

The amendments do not require any additional reporting requirements. Less stringent compliance would allow more liabilities on the bond, which might result in State funds being used for plugging and reclamation issues if the company was delinquent or bankrupt, therefore small entities should not be exempted from the bonding requirements.

2. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small entities.

The amendment does not impose any schedules or deadlines for compliance.

3. Consolidation or simplification of compliance or reporting requirements for small entities.

The amendment does not impose any reporting requirements.

4. Establishment of performance standards for small entities to replace design or operational standards required in the proposed rule.

The amendment does not impose any design or operational standards.

5. Exemption of small entities from all or any part of the requirements contained in the proposed rules.

The purpose of the amendments to NDAC § 43-02-03-15 is to increase bonding amounts on commercial injection operations and certain wells with high liability and exempting small entities from the proposed rules would increase liability on the State of North Dakota, therefore small entities should not be exempt.

The adoption of the amendments could have an adverse economic impact on small entities, therefore, a Small Entities Economic Impact Statement was prepared.

SECTION 43-02-03-16. APPLICATION FOR PERMIT TO DRILL AND RECOMPLETE.

This amendment does not impose any additional requirements, but rather only clarifies that construction of a site, appurtenance, or road access, and commencement of recompletion operations requires Director approval. This amendment will not have an adverse impact on small entities.

SECTION 43-02-03-16.2. REVOCATION AND LIMITATION OF DRILLING PERMITS.

This amendment does not impose any additional requirements, but rather only clarifies when a permit can be suspended or revoked. This amendment will not have an adverse impact on small entities.

SECTION 43-02-03-16.3. RECOVERY OF A RISK PENALTY.

This amendment requires the owner, that intends to drill or recomplete a well, to give other working interest owners an opportunity to participate in a well that is not timely drilled. This amendment will be a benefit to small entities, since they will likely be non-operating working interest owners. This amendment will not have an adverse impact on small entities.

SECTION 43-02-03-19.3. RECOVERY OF A RISK PENALTY.

This amendment does not impose any additional rules on the regulated community. The purpose of the amendment is to alert the regulated community that an earthen pits and receptacles could be allowed under 43-02-03-51.3 for treating plants. This amendment will not have an adverse impact on small entities.

SECTION 43-02-03-21. CASING, TUBING, AND CEMENTING REQUIREMENTS.

The amendments require cement additives to compensate for compressive strength regression where high temperatures are encountered, assure casing pressure tests are conducted in a manner that does not compromise the integrity of the cement, and allow up to ten percent pressure drop during the required pressure test.

The following methods were considered for reducing impact on small entities:

1. Establishment of less stringent compliance or reporting requirements for small entities.

The casing pressure test amendments will actually benefit industry, including small entities. The amendment requiring cement additives to compensate for compressive strength regression where high temperatures are encountered has been Commission policy for over 40 years and is not new to industry.

2. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small entities.

The amendment does not impose any schedules or deadlines for reporting requirements. The casing string pressure test is not onerous since it can be conducted while the cement is in a liquid state or tested after all cement compressive strengths have reached 500 psi, therefore small entities should not be exempt.

3. Consolidation or simplification of compliance or reporting requirements for small entities.

The amendment is already simplified, therefore small entities should not be exempt.

4. Establishment of performance standards for small entities to replace design or operational standards required in the proposed rule.

The amendment does not impose any design or operational standards.

5. Exemption of small entities from all or any part of the requirements contained in the proposed rules.

The purpose of the rule is to ensure the casing string has integrity, therefore small entities should not be exempt.

This amendment will not have an adverse impact on small entities.

SECTION 43-02-03-23. BLOWOUT PREVENTION.

The amendments require the use of a blowout preventer on workover operations and requiring pressure tests on only pressure seals broken during pad drilling operations.

The following methods were considered for reducing impact on small entities:

1. Establishment of less stringent compliance or reporting requirements for small entities.

Most operators, including small entities, utilize blowout preventers while conducting workover operations. Requiring blowout preventers is actually a benefit since leaks, spills, and blowouts, that might occur if the equipment was not used, are very expensive to remediate. The amendment requiring pressure tests on only pressure seals broken during pad drilling operations will benefit all operators, including small entities.

2. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small entities.

The amendments do not impose any schedules or deadlines for compliance or reporting requirements.

3. Consolidation or simplification of compliance or reporting requirements for small entities.

The amendments do not impose any schedules or deadlines for compliance or reporting requirements.

4. Establishment of performance standards for small entities to replace design or operational standards required in the proposed rule.

The amendment does not impose any design or operational standards.

5. Exemption of small entities from all or any part of the requirements contained in the proposed rules.

The purpose of the rule is to ensure the environment is protected during workovers, therefore small entities should not be exempt.

This amendment will not have an adverse impact on small entities.

SECTION 43-02-03-27.1. HYDRAULIC FRACTURE STIMULATION.

The amendments require a casing evaluation log to verify adequate wall thickness of the intermediate casing, requires the hanger/packer to be located in cemented casing, and requires a frac string if the casing is not properly cemented.

The following methods were considered for reducing impact on small entities:

1. Establishment of less stringent compliance or reporting requirements for small entities.

The amendment requires verification of adequate casing wall thickness of the intermediate casing when re-fracing through a frac string since the casing could have been compromised during the previous hydraulic fracture stimulation. Verifying casing integrity could prevent an economic disaster if the frac string lost integrity therefore the requirement should not be waived for small entities.

2. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small entities.

The amendments do not impose any schedules or deadlines for compliance or reporting requirements.

3. Consolidation or simplification of compliance or reporting requirements for small entities.

The amendments do not impose any schedules or deadlines for compliance or reporting requirements.

4. Establishment of performance standards for small entities to replace design or operational standards required in the proposed rule.

The amendment does not impose any design or operational standards.

5. Exemption of small entities from all or any part of the requirements contained in the proposed rules.

The purpose of the rule is to ensure the environment is protected during workovers, therefore small entities should not be exempt.

This amendment will not have an adverse impact on small entities. The Commission notes fifty operators of wells in North Dakota qualify for the definition of a small entity (annual sales of less than \$2,500,000 pursuant to NDCC 28-32-08.1) and it does not appear that any of the small entities performed hydraulic fracture stimulation during 2019.

SECTION 43-02-03-28. SAFETY REGULATION.

The amendments require the operator conducting any well hydraulic fracture stimulation to give the offsetting operator of a well completed in the same or adjacent pool to give additional prior notice and emergency contact information.

This amendment will not have an adverse impact on small entities. The Commission notes fifty operators of wells in North Dakota qualify for the definition of a small entity (annual sales of less than \$2,500,000 pursuant to NDCC 28-32-08.1) and it does not appear that any of the small entities performed hydraulic fracture stimulation during 2019.

SECTION 43-02-03-29.1. CRUDE OIL AND PRODUCED WATER UNDERGROUND GATHERING PIPELINES.

The amendments regulate carbon dioxide pipelines under the rule, define certain key phrases, clarify the role of the third-party inspectors, and address issues that have arisen from the pipeline rules that were promulgated effective January 1, 2017. The proposed amendments require underground gathering pipelines designed for transporting carbon dioxide for storage or enhanced oil recovery to comply with this section, defines new construction, pipeline repair, gathering system, and in-service date, requires verbal notification prior to commencing certain procedures, clarifies that clamping and squeezing operations conducted on produced water pipelines need prior Director approval, requires the third party inspector to be independent from the pipeline owner or contractor, clarifies integrity test reporting, and requires removal of pipelines less than three feet in depth during pipeline abandonment. The proposed amendments are expected to have an impact on the regulated community in excess of \$50,000.

The Commission does not believe any small entity will be operating any underground gathering pipelines designed for transporting carbon dioxide for storage or enhanced oil recovery, therefore no small entity regulatory analysis was conducted on the carbon dioxide amendment.

The following methods were considered for reducing impact on small entities:

1. Establishment of less stringent compliance or reporting requirements for small entities.

The amendment requires in-service date, verbal notification prior to commencing certain procedures, clarifies that clamping and squeezing operations conducted on produced water pipelines needs prior Director approval, requires the third party inspector to be independent from the pipeline owner or contractor, clarifies integrity test reporting, and requires removal of pipelines less than three feet in depth during pipeline abandonment. The amendments are necessary to assure integrity of pipeline systems, therefore the requirement should not be waived for small entities.

2. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small entities.

The amendments requiring notification deadlines is necessary for our agency to timely inspect the construction and repair of pipeline systems, therefore the requirement should not be waived for small entities.

3. Consolidation or simplification of compliance or reporting requirements for small entities.

The amendments do not impose any additional reporting requirements.

4. Establishment of performance standards for small entities to replace design or operational standards required in the proposed rule.

The amendment does not impose any design or operational standards.

5. Exemption of small entities from all or any part of the requirements contained in the proposed rules.

The purpose of the rule is to ensure the environment is protected during pipeline installation, operation, and removal, therefore small entities should not be exempt.

The adoption of certain amendments could have an adverse economic impact on small entities, therefore, a Small Entities Economic Impact Statement was prepared.

SECTION 43-02-03-30. NOTIFICATION OF FIRES, LEAKS, SPILLS, OR BLOWOUTS.

The proposed amendment clarifies spills and leaks on pipeline associated above ground equipment must be reported to the Commission. This amendment is for clarification purposes only, therefore will not have an adverse impact on small entities.

SECTION 43-02-03-31. WELL LOG, COMPLETION, AND WORKOVER REPORTS.

The proposed amendment clarifies that a completion report, which currently is submitted on the Commission's Form 6, could be changed in the future (since the Commission will be migrating to "NorthSTAR" in the near future) and clarifies that the confidentiality period for a newly permitted wells.. This amendment is for clarification purposes only, therefore will not have an adverse impact on small entities.

SECTION 43-02-03-34.1. RECLAMATION OF SURFACE.

The proposed amendment clarifies that all pipelines must be purged when abandoned.

This amendment will not have an adverse impact on small entities.

SECTION 43-02-03-38.1. PRESERVATION OF CORES AND SAMPLES.

The proposed amendment requires a well site geologist or mudlogger on location for the first well drilled on a multi-well pad to collect sample cuttings so an accurate mudlog and geologic report can be created. The proposed amendment will provide an economic benefit to the regulated community.

SECTION 43-02-03-40. GAS-OIL RATIO TEST.

The proposed amendment clarifies that a completion report, which currently is submitted on the Commission's Form 6, could be changed in the future (since the Commission will be migrating to "NorthSTAR" in the near future). This amendment will not have an adverse impact on small entities.

SECTION 43-02-03-48.1. CENTRAL PRODUCTION FACILITY – COMMINGING OF PRODUCTION.

The proposed amendments clarify the Director can request and impose such terms and conditions as deemed necessary to process a complete application, define common ownership as production from wells that do not have diverse ownership, and define diverse ownership as production from wells in different drilling/spacing units that have different mineral ownership. The proposed amendment relating to the Director's terms and conditions is necessary for a complete application to be considered. The proposed amendment relating to the definitions of common and diverse ownership will provide an economic benefit to the regulated community. This amendment will not have an adverse impact on small entities.

SECTION 43-02-03-49. OIL PRODUCTION EQUIPMENT, DIKES, AND SEALS.

The proposed amendment clarifies berms must be maintained and Director approval is required to remove a berm. This amendment is for clarification purposes only, therefore will not have an adverse impact on small entities.

SECTION 43-02-03-51. TREATING PLANT.

The proposed amendment clarifies that treating plant construction of a site, appurtenance, or road access requires Director approval. This amendment is for clarification purposes only, therefore will not have an adverse impact on small entities.

SECTION 43-02-03-51.1. TREATING PLANT PERMIT REQUIREMENTS.

The proposed amendments outline information currently requested by order of the Commission to be submitted in the treating plant application, but not yet codified in a rule, therefore will not have an adverse impact on small entities.

SECTION 43-02-03-51.3. TREATING PLANT CONSTRUCTION AND OPERATION REQUIREMENTS.

The proposed amendments clarify that construction of a treating plant site, appurtenance, or road access requires a bond and clarify open tanks can be approved by the Director. The proposed amendment relating to the allowance of open tanks will provide an economic benefit to the regulated community. The amendment will not have an adverse impact on small entities.

SECTION 43-02-03-53. SALTWATER HANDLING FACILITIES.

The proposed amendments clarify that information is to be sent to the Director, not the Commission. This amendment is for clarification purposes only, therefore will not have an adverse impact on small entities.

SECTION 43-02-03-53.1. SALTWATER HANDLING FACILITY PERMIT REQUIREMENTS.

The proposed amendments clarify that construction of a saltwater handling facility, appurtenance, or road access requires Director approval and clarify information to be sent to the Director.

The following methods were considered for reducing impact on small entities:

1. Establishment of less stringent compliance or reporting requirements for small entities.

The amendment requires a review of the surficial aquifers and any other information necessary to evaluate the proposed saltwater handling facility or site. Such information is necessary to properly evaluate the application, therefore the requirement should not be waived for small entities.

2. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small entities.

The amendments do not impose any schedules or deadlines for compliance or reporting requirements.

3. Consolidation or simplification of compliance or reporting requirements for small entities.

The amendments do not impose any schedules or deadlines for compliance or reporting requirements.

4. Establishment of performance standards for small entities to replace design or operational standards required in the proposed rule.

The amendment does not impose any design or operational standards.

5. Exemption of small entities from all or any part of the requirements contained in the proposed rules.

The purpose of the amendment is to ensure the saltwater handling facility will protect the environment, therefore small entities should not be exempt.

The adoption of certain amendments could have an adverse economic impact on small entities, therefore, a Small Entities Economic Impact Statement was prepared.

SECTION 43-02-03-53.3. SALTWATER HANDLING FACILITY CONSTRUCTION AND OPERATION REQUIREMENTS.

The proposed amendments clarify that construction of a saltwater handling facility, appurtenance, or road access requires a bond, and clarify information is to be sent to the Director, not the Commission. The amendment will not have an adverse impact on small entities.

SECTION 43-02-03-55. ABANDONMENT OF WELLS, TREATING PLANTS, OR SALTWATER HANDLING FACILITIES – SUSPENSION OF DRILLING.

The proposed amendment allows Director consideration for temporary abandonment only for wells that are to be used for purposes related to the production of oil and gas within the next seven years.

The following methods were considered for reducing impact on small entities:

1. Establishment of less stringent compliance or reporting requirements for small entities.

The proposed amendment requires the Director to consider request for temporary abandonment only for wells that are to be used for purposes related to the production of oil and gas within the next seven years. Such information is necessary to timely evaluate the application, therefore the requirement should not be waived for small entities.

2. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small entities.

The amendments do not impose any schedules or deadlines for compliance or reporting requirements.

3. Consolidation or simplification of compliance or reporting requirements for small entities.

The amendments do not impose any schedules or deadlines for compliance or reporting requirements.

4. Establishment of performance standards for small entities to replace design or operational standards required in the proposed rule.

The amendment does not impose any design or operational standards.

5. Exemption of small entities from all or any part of the requirements contained in the proposed rules.

The purpose of the amendment is to ensure operators are not placing wells on temporary abandonment status instead of plugging wells that they do not intend to utilize in the future, therefore small entities should not be exempt.

The adoption of certain amendments could have an adverse economic impact on small entities, therefore, a Small Entities Economic Impact Statement was prepared.

SECTION 43-02-03-66. APPLICATION FOR ALLOWABLE ON NEW OIL WELLS.

The proposed amendment clarifies that a completion report, which currently is submitted on the Commission's Form 6, could be changed in the future (since the Commission will be migrating to "NorthSTAR" in the near future). This amendment will not have an adverse impact on small entities.

SECTION 43-02-05-04. PERMIT REQUIREMENTS.

The proposed amendments clarify that construction of an underground injection well site, appurtenance, or road access requires Director approval, clarify information necessary to complete an injection permit application, require proof of service for notices, and clarify information is to be sent to the Director, not the Commission.

The following methods were considered for reducing impact on small entities:

1. Establishment of less stringent compliance or reporting requirements for small entities.

The amendment clarifies information necessary to complete an application and requires proof of service for notices, which is necessary to assure parties that are in the area of review have been properly noticed of upcoming hearings, therefore the requirement should not be waived for small entities.

2. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small entities.

The amendments do not impose any schedules or deadlines for compliance or reporting requirements.

3. Consolidation or simplification of compliance or reporting requirements for small entities.

The amendments do not impose any schedules or deadlines for compliance or reporting requirements.

4. Establishment of performance standards for small entities to replace design or operational standards required in the proposed rule.

The amendment does not impose any design or operational standards.

5. Exemption of small entities from all or any part of the requirements contained in the proposed rules.

The amendment clarifies information necessary to complete an application and requires proof of service for notices, which is necessary to assure parties that are in the area of review have been properly noticed of upcoming hearings, therefore the requirement should not be waived for small entities.

The proof of service for required notices could have an adverse economic impact on small entities, therefore, a Small Entities Economic Impact Statement was prepared.

SECTION 43-02-05-06 CONSTRUCTION REQUIREMENTS.

The proposed amendments clarify that casing must be set into the injection zone, that the sundry notice, which currently is submitted on the Commission's Form 4, could be changed in the future (since the Commission will be migrating to "NorthSTAR" in the near future), and clarify information is to be submitted to the Director, not the Commission.

This amendment will not have an adverse impact on small entities.

SECTION 43-02-05-07. MECHANICAL INTEGRITY.

The proposed amendments clarify how to prove mechanical integrity and clarify any injection well must cease injection if mechanical failure indicates fluids are not contained in the authorized injection zone.

These amendments are already contained within permit requirements when an injection permit is approved, therefore they will not have an adverse impact on small entities.

SECTION 43-02-05-08. PLUGGING OF INJECTION WELLS.

The proposed amendment clarifies that a sundry notice, which currently is submitted on the Commission's Form 4, could be changed in the future (since the Commission will be migrating to "NorthSTAR" in the near future). This amendment will not have an adverse impact on small entities.

SECTION 43-02-05-09. PRESSURE LIMITATIONS.

The proposed amendment clarifies pressure maximum and permitted injection zone and will not impose any additional requirements on injection wells. The adoption will not have an adverse impact on small entities.

SECTION 43-02-05-10. PLUGGING OF INJECTION WELLS.

The proposed amendments clarify injection must not enter an unauthorized zone and clarify the role of the Director. The adoption will not have an adverse impact on small entities.

SECTION 43-02-05-12. REPORTING, MONITORING, AND OPERATING REQUIREMENTS.

The proposed amendments clarify reporting requirements, including first date of injection, and clarify certain reporting forms could be changed in the future (since the Commission will be migrating to “NorthSTAR” in the near future). These amendments are already contained within permit requirements when an injection permit is approved, therefore the amendments will not impose any additional requirements on injection wells and the adoption will not have an adverse impact on small entities.

SECTION 43-02-05-13. ACCESS TO RECORDS.

The proposed amendment clarifies the Director has access to all records and information is to be sent to the Director, not the Commission. This amendment will not have an adverse impact on small entities.

SECTION 43-02-05-14. AREA PERMITS.

The proposed amendments clarify that construction of an underground injection well site, appurtenance, or road access requires Director approval, clarify information necessary to complete an injection permit application, require proof of service for notices, and clarify information is to be sent to the Director, not the Commission.

Section 43-02-05-14 of the Underground Injection Rules allow permits to be issued on an “area” basis since all wells would be very similar if located within the same field or Unit and the amendments are essentially the same as those found in Section 43-02-05-04, which are requirements for a single permit, therefore the following methods considered for reducing impact on small entities is essentially the same.

The following methods were considered for reducing impact on small entities:

1. Establishment of less stringent compliance or reporting requirements for small entities.

The amendment clarifies information necessary to complete an application and requires proof of service for notices, which is necessary to assure parties that are in the area of review have been properly noticed of upcoming hearings, therefore the requirement should not be waived for small entities.

2. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small entities.

The amendments do not impose any schedules or deadlines for compliance or reporting requirements.

3. Consolidation or simplification of compliance or reporting requirements for small entities.

The amendments do not impose any schedules or deadlines for compliance or reporting requirements.

4. Establishment of performance standards for small entities to replace design or operational standards required in the proposed rule.

The amendment does not impose any design or operational standards.

5. Exemption of small entities from all or any part of the requirements contained in the proposed rules.

The amendment clarifies information necessary to complete an application and requires proof of service for notices, which is necessary to assure parties that are in the area of review have been properly noticed of upcoming hearings, therefore the requirement should not be waived for small entities.

The proof of service for required notices could have an adverse economic impact on small entities, therefore, a Small Entities Economic Impact Statement was prepared.

SECTION 43-02-06-01. ROYALTY OWNER INFORMATION STATEMENT.

The proposed amendments clarify how to calculate producer's net value, clarify owner deductions, adjustments, and corrections must be identified, and how to calculate owner's share of total value of sales, and owner's share of sales.

The amendments were contemplated by the North Dakota Petroleum Council's workgroup on royalty statements and should not have an adverse impact on small entities.

SECTION 43-02-06-01.1. OWNERSHIP INTEREST INFORMATION STATEMENT.

The proposed amendment requires an operator or payor to provide the mineral owner with an ownership interest information statement when the mineral owner's decimal interest changes.

The following methods were considered for reducing impact on small entities:

1. Establishment of less stringent compliance or reporting requirements for small entities.

The amendment requires an information statement when the mineral owner's decimal interest changes and a less stringent reporting requirements is not applicable, therefore small entities should not be exempted from the requirement.

2. Establishment of less stringent schedules or deadlines for compliance or reporting requirements for small entities.

The amendment requires the information statement to be sent to the royalty owner within 120 days after a mineral owner's decimal interest changes. This deadline is not onerous and small entities should be required to comply with it.

3. Consolidation or simplification of compliance or reporting requirements for small entities.

The reporting requirement cannot be further simplified.

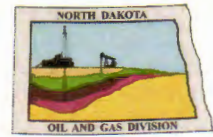
4. Establishment of performance standards for small entities to replace design or operational standards required in the proposed rule.

The amendment does not address design or operational standards.

5. Exemption of small entities from all or any part of the requirements contained in the proposed rules.

It is important that royalty owners are provided sufficient information that they can verify the decimal interest that appears on their division order. Small entities should not be exempted from such requirements.

The adoption of the rules could have an adverse economic impact on small entities, therefore, a Small Entities Economic Impact Statement was prepared.



**SMALL ENTITY IMPACT STATEMENT
 PURSUANT TO NORTH DAKOTA CENTURY CODE 28-32-08.1**

SECTION 43-02-03-14.2. OIL AND GAS METERING SYSTEMS.

1. The small entities subject to the proposed rule.

The small entities who probably will be affected by the proposed amendment to the rule are individuals and companies who utilize meters on their production facilities in the State of North Dakota.

2. The administrative and other costs required for compliance with the proposed rule.

Costs required for compliance will include man-hours in the field to relay the failed meter test to the office and administrative costs to complete paperwork.

<u>Costs per Meter Failure for Compliance</u>	
Administrative costs-----	.25hrs @ \$20/hr = \$ 5
Field paperwork costs-----	.25hrs @ \$50/hr = \$ 13
Total-----	= \$ 18

3. The probable cost and benefit to private persons and consumers who are affected by the proposed rule.

There is no cost to private persons and consumers affected by the amendment. The amendment will provide a benefit to the general public since the Commission will be able to track meter accuracy and dependability.

4. The probable effect of the proposed rule on state revenues.

There will be a minimal cost to the agency and a negligible effect on state revenues.

5. Any less intrusive or less costly alternative methods of achieving the purpose of the proposed rule.

The only less intrusive or less costly alternative would be to withdraw the proposed amendment. No alternate methods were seriously considered since the purpose is to provide the Commission with information to track failed meter tests.

SECTION 43-02-03-15. BOND AND TRANSFER OF WELLS.

1. The small entities subject to the proposed rule.

The small entities who probably will be affected by the proposed amendment to the rule are individuals and companies who operator or purchase existing wells from another company in the State of North Dakota.

2. The administrative and other costs required for compliance with the proposed rule.

Assumptions for commercial injection wells

- o 5% yearly premium fee paid to surety company

Operator yearly cost per well for increase in commercial injection well bonding—from \$50,000 to \$100,000 per well

Clerical-----	(1hr) x (\$15/hr)	= \$	15
Surety bond premium-----	(\$50,000 additional bond) x (5%)	= \$	2,500
Sub Total-----		= \$	2,515

Assumptions for additional bonding for TA wells

- o Blanket bonds only allow six liabilities
- o Calc below is for small entity with 6 wells on TA status > 7 years
- o 5% yearly premium fee paid to surety company

Operator yearly cost for increase in bonding due to 6 wells in TA status over 7 years

Clerical-----	(1hr) x (\$15/hr)	= \$	15
Surety bond premium-----	(\$100,000 additional bond) x (5%)	= \$	5,000
Sub Total-----		= \$	5,015

Assumptions for additional bonding for AB wells

- o \$150,000 Full bonding to plug and reclaim per AB well
- o 5% yearly premium fee paid to surety company

Operator Cost for increase in bonding due to wells in AB status

Clerical-----	(1hr) x (\$15/hr)	= \$	15
Surety bond premium-----	(\$150,000 additional bond) x (5%)	= \$	7,500
Sub Total-----		= \$	7,515

Total Cost to Regulated Community = \$2,515 + \$5,15 + \$7,515 = \$15,045

3. The probable cost and benefit to private persons and consumers who are affected by the proposed rule.

There is no cost to private persons and consumers affected by the amendment. The amendment will provide a benefit to the general public since the additional bonding will assure moneys are available to plug the well and restore the site if the transferee is unable to fulfill that obligation in the future.

4. The probable effect of the proposed rule on state revenues.

There will be a minimal cost to the agency and a negligible effect on state revenues.

5. Any less intrusive or less costly alternative methods of achieving the purpose of the proposed rule.

The only less intrusive or less costly alternative would be to withdraw the proposed amendment. No alternate methods were seriously considered since the purpose is to be assured the liability well will not be neglected in the future.

SECTION 43-02-03-29.1. CRUDE OIL AND PRODUCED WATER UNDERGROUND GATHERING PIPELINES.

1. The small entities subject to the proposed rule.

The Commission does not believe any small entity will be operating any underground gathering pipelines designed for transporting carbon dioxide for storage or enhanced oil recovery, therefore no small entity regulatory analysis was conducted on the carbon dioxide amendment. The small entities who probably will be affected by the proposed amendment to the rule are individuals and companies who abandon crude oil and produced water pipelines that are not buried at least 3 feet deep.

2. The administrative and other costs required for compliance with the proposed rule.

Costs required for compliance to remove pipelines less than 3 feet in depth.

Assumptions for pipeline removal

- o \$10,000 per mile for removal and disposal
- o Cost estimated to remove 1000 feet

Owner Cost for pipeline removal

Clerical-----	(1hr) x (\$15/hr)	= \$ 15
Removal + Disposal Costs-----	(\$10,000 / mile/5280) x (1000 feet)	= \$ 1894
Total Cost to Regulated Community-----		= \$ 1,909

3. The probable cost and benefit to private persons and consumers who are affected by the proposed rule.

There is no cost to private persons and consumers affected by the amendment. The amendment will provide a benefit to the landowner since the pipelines shallower than 3 feet could interfere with surface activities, such as agriculture and fence posts.

4. The probable effect of the proposed rule on state revenues.

There will be no cost to the agency and no effect on state revenues.

5. Any less intrusive or less costly alternative methods of achieving the purpose of the proposed rule.

The only less intrusive or less costly alternative would be to withdraw the proposed amendment. No alternate methods were seriously considered since the purpose is to prevent interference with landowner activities.

SECTION 43-02-03-53.1. SALTWATER HANDLING FACILITY PERMIT REQUIREMENTS.

1. The small entities subject to the proposed rule.

The small entities who probably will be affected by the proposed amendment to the rule are individuals and companies who request saltwater handling facility permits in the State of North Dakota.

2. The administrative and other costs required for compliance with the proposed rule.

Costs required for compliance will usually only be for administrative costs to complete paperwork.

<u>Costs per application for Compliance</u>	
Administrative costs-----1hrs @ \$20/hr = \$	20
Miscellaneous costs----- = \$	<u>50</u>
Total----- = \$	70

3. The probable cost and benefit to private persons and consumers who are affected by the proposed rule.

There is no cost to private persons and consumers affected by the amendment. The amendment will provide a benefit to the applicant and Commission since proper evaluation is necessary to consider issuing a permit.

4. The probable effect of the proposed rule on state revenues.

There will be a minimal cost to the agency and a negligible effect on state revenues.

5. Any less intrusive or less costly alternative methods of achieving the purpose of the proposed rule.

The only less intrusive or less costly alternative would be to withdraw the proposed amendment. No alternate methods were seriously considered since the purpose is to ensure that applications for saltwater handling facilities are complete before consideration is given to approve them.

SECTION 43-02-03-55. ABANDONMENT OF WELLS, TREATING PLANTS, OR SALTWATER HANDLING FACILITIES -- SUSPENSION OF DRILLING.

1. The small entities subject to the proposed rule.

The small entities who probably will be affected by the proposed amendment to the rule are individuals and companies who desire to temporarily abandon wells in the State of North Dakota.

2. The administrative and other costs required for compliance with the proposed rule.

Assumptions for additional requirements for TA wells

- o Average TA has been on status for 7 years
- o \$150,000 cost to plug and reclaim a TA well
 - 5% inflationary cost increase to plug and reclaim well in 7 years
 - cost in 7 years = \$150,000 x (1.05^7) = \$211,065
- o Time value of money (savings to operator since plugging will be delayed an avg of 7 yrs)
 - 10% annual discount
 - Present Worth of plugging & reclaim costs = \$211,065 / (1.1)^7 = \$108,310

Operator Cost for plugging well present day instead of 7 years from now

Clerical-----(1hr) x (\$20/hr)	= \$	20
Difference in Present Worth of costs-----(\$150,000 - \$108,310 cost)	= \$	<u>41,690</u>
Total Cost to Regulated Community-----	= \$	41,710

3. The probable cost and benefit to private persons and consumers who are affected by the proposed rule.

There is no cost to private persons and consumers affected by the amendment. The amendment will provide a benefit to surface owners and the Commission since only wells that have a legitimate use will be given temporarily abandonment status.

4. The probable effect of the proposed rule on state revenues.

It is anticipated that there will be negligible costs to the agency to implement and enforce the proposed amendments requiring additional bonding, therefore a negligible effect on State revenues.

Agency Cost for additional requirements

Clerical—Processing Plugging Procedure per well----- (1hr) x (\$15/hr)	= \$	<u>15</u>
Total Cost to Agency per well-----	= \$	15

5. Any less intrusive or less costly alternative methods of achieving the purpose of the proposed rule.

The only less intrusive or less costly alternative would be to withdraw the proposed amendment. No alternate methods were seriously considered since the purpose is to ensure that only legitimate wells will be given temporarily abandonment status.

SECTION 43-02-05-04. PERMIT REQUIREMENTS.

1. The small entities subject to the proposed rule.

The small entities who probably will be affected by the proposed amendment to the rule are individuals and companies who want to drill or convert an existing well to an injection well in an enhanced recovery unit or a saltwater disposal well in the State of North Dakota.

2. The administrative and other costs required for compliance with the proposed rule.

Costs required for compliance will include man-hours to complete paperwork and cost of personal service.

Costs per Well for Compliance

Administrative costs-----0.5 hrs @ \$20/hr = \$ 10
Registered mail costs \$6/person-----\$6 X 2 persons = \$ 12
Total----- = \$ 22

3. The probable cost and benefit to private persons and consumers who are affected by the proposed rule.

There is no cost to private persons and consumers affected by the amendment. The amendment will provide a benefit to the adjacent landowners within the area of review of an injection well since the Commission will have proof they were properly noticed of the application.

4. The probable effect of the proposed rule on state revenues.

There will be a minimal cost to the agency and a negligible effect on state revenues.

5. Any less intrusive or less costly alternative methods of achieving the purpose of the proposed rule.

The only less intrusive or less costly alternative would be to withdraw the proposed amendment. No alternate methods were seriously considered since the purpose is to ensure that the applicant has properly noticed all landowners within the area of review of their injection application.

SECTION 43-02-05-14. AREA PERMITS.

1. The small entities subject to the proposed rule.

The small entities who probably will be affected by the proposed amendment to the rule are individuals and companies who produce wells in the State of North Dakota.

2. The administrative and other costs required for compliance with the proposed rule.

Costs required for compliance will include man-hours to complete paperwork.

Costs per Well for Compliance

Administrative costs-----0.25 hrs @ \$20/hr = \$ 5
Total----- = \$ 5

3. The probable cost and benefit to private persons and consumers who are affected by the proposed rule.

There is no cost to private persons and consumers affected by the amendment. The amendment will provide a benefit to the royalty owners.

4. The probable effect of the proposed rule on state revenues.

There will be no cost to the agency and no effect on state revenues.

5. Any less intrusive or less costly alternative methods of achieving the purpose of the proposed rule.

The only less intrusive or less costly alternative would be to withdraw the proposed amendment. No alternate methods were seriously considered since the purpose is to ensure that royalty owners are provided sufficient information to verify their decimal interest on their division order.

SECTION 43-02-05-14. AREA PERMITS.

1. The small entities subject to the proposed rule.

The small entities who probably will be affected by the proposed amendment to the rule are individuals and companies who want to drill or convert an existing well to an injection well in an enhanced recovery unit or a saltwater disposal well within the same field, reservoir, project, or similar unit in the State of North Dakota.

2. The administrative and other costs required for compliance with the proposed rule.

Costs required for compliance will include man-hours to complete paperwork and cost of personal service.

<u>Costs per Well for Compliance</u>	
Administrative costs-----	0.5 hrs @ \$20/hr = \$ 10
Registered mail costs \$6/person-----	\$6 X 2 persons = \$ 12
Total-----	= \$ 22

3. The probable cost and benefit to private persons and consumers who are affected by the proposed rule.

There is no cost to private persons and consumers affected by the amendment. The amendment will provide a benefit to the adjacent landowners within the area of review of an injection well since the Commission will have proof they were properly noticed of the application.

4. The probable effect of the proposed rule on state revenues.

There will be a minimal cost to the agency and a negligible effect on state revenues.

5. Any less intrusive or less costly alternative methods of achieving the purpose of the proposed rule.

The only less intrusive or less costly alternative would be to withdraw the proposed amendment. No alternate methods were seriously considered since the purpose is to ensure that the applicant has properly noticed all landowners within the area of review of their injection application.

SECTION 43-02-06-01.1 OWNERSHIP INTEREST INFORMATION STATEMENT.

1. The small entities subject to the proposed rule.

The small entities who probably will be affected by the proposed amendment to the rule are individuals and companies who operate oil or gas producing wells in the State of North Dakota.

2. The administrative and other costs required for compliance with the proposed rule.

Costs required for compliance will include man-hours to review changes in decimal interest of owners and to prepare the ownership interest information statement.

<u>Cost per change in Owner's decimal interest for Compliance</u>	
Legal review costs-----	0.25 hrs @ \$150/hr = \$ 38
Administrative costs-----	0.25 hrs @ \$20/hr = \$ 5
Total-----	= \$ 43

3. The probable cost and benefit to private persons and consumers who are affected by the proposed rule.

There is no cost to private persons and consumers affected by the amendment. The amendment will provide a benefit to all mineral interest owners that own minerals in a producing spacing unit.

4. The probable effect of the proposed rule on state revenues.

There will be no cost to the agency and no effect on state revenues.

5. Any less intrusive or less costly alternative methods of achieving the purpose of the proposed rule.

The only less intrusive or less costly alternative would be to withdraw the proposed amendment. No alternate methods were seriously considered since the purpose is to ensure that royalty interests owners in North Dakota can determine if they are being properly paid by the producers of their minerals.