

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1511

2007 HOUSE NATURAL RESOURCES

HB 1511

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1511

House Natural Resources Committee

Check here for Conference Committee

Hearing Date: February 1, 2007

Recorder Job Number: 2558

Committee Clerk Signature

Shirley Osmund

Minutes:

Chairman Porter opened the hearing on HB 1511 and asked the clerk to read the title.

Representative Shirley Meyer came forward as a sponsor of this bill. This bill will make it more efficient to enforce the obligation that every oil company has already made to secure all of their wells. If the oil company drills a dry well, they have an obligation to take care of it. Under this bill they have one year to decide what to do with it. At the end of that year they must plug the well or if they want to keep it, put it back in production or temporarily abandon it or place a single well bond equal to the full cost of plugging and reclamation. If after one year in abandoned well status a well has not been returned to production, plugged or reclaimed, or properly temporarily abandoned, the bond for that well and title to all equipment and salable oil on the well site are immediately forfeited to the commission. She asked the Oil and Gas Commission how many wells are idol in North Dakota right now and there are 135 with an average of 31 months and one well has been idol for 10 years. 29 if these wells are considered high risk. This bill simplifies the process and makes it more efficient to enforce what every oil company is already obligated to do. See written testimony marked as Item #1.

Representative Keiser said that line 10 does not read correctly. Maybe he just doesn't understand that.

Representative Meyer said she thought it was a typographical error.

Representative Drovdal asked if there were amendments on this bill.

Representative Meyer said they were not her amendments and she said that whoever sponsored them would explain.

Mary Mitchell and she they were in support of this bill. They wanted to thank the legislators for sponsoring this bill. She read testimony from Cindy Klein marked as item #2. They are using a do pass on HB 1511.

Representative Keiser asked her if she had seen the amendments on this bill.

Ms. Mitchell said no.

Representative Onstad came forward in support of this bill. This bill is important as the oil fields develop and it becomes a much larger reason. The surface owner and the mineral owners are not the same. This becomes very important to the surface owner. They are paid money up front for this well. As the well is abandoned it becomes a problem to the surface owner. They are not adhering to the time period but this issue needs to be dealt with. There is a reasonable time that this should be done.

Mr. Bruce Hicks, Assistant Director of the Oil and Gas Division of the Industrial Commission came forward on this bill. He went through the fiscal note on this. The amendments came out of the attorney general's office. After reading the amendments he thinks there will be some amendments to the attorney generals office. See written testimony marked as Item #3. The attorney general offices thought a new subdivision should be created and stand alone on the issue of abandonment.

Chairman Porter asked if we do nothing with this bill, how does the Oil and Gas Division see what they are going to do in the next few years.

Mr. Hicks said they will continue operating the way they have. There will be a hearing process and basically it might be a little easier to go through the process but this bill will not really change the way we do business. We may have to plug some wells that we would not normally have to do.

Representative Keiser said that if this bill passes you have a lot of activity over the next two years that you have done up to now but you are going to do business as usual, what is the difference?

Mr. Hicks said he was referring to normal business if the other amendments are attached to this. If we are forced to go in and take over these wells and we are going to have a lot more staff working on this and less staff working on other things.

Representative Keiser said one of the other things is being attempted here and he would like the oil and gas division's position on this is the blanket bonding issue. We are giving you the authority to set the bonding appropriately. What is your position on blanket bonding?

Mr. Hicks said we have two funds that have approximately seven hundred thousand dollars in them. In the past the hundred thousand dollar bonds that have numerous wells on them have not been a problem. The most prudent operators are the ones that can obtain the surety bonds. If we had additional bonding it would be very advantageous to us to have that but we do have fees and administrative fees that go in from our cash bond funds. It is feeding itself and we are maintaining it for now.

Representative Keiser asked if we were playing games with fees rather than using bonding to bond risk appropriately. Is that what you are saying?

Mr. Hicks said not necessarily. Most of the time we try to work with operators that can take over wells and in a lot of cases we will bid out every thing with the equipment on it and in a lot

of cases it is a wash. A third party will come in and plug the well and sell the equipment and we are done. We may have to pay them a little bit and the bond usually covers that.

Representative Solberg asked what the present timeline was for an abandoned well before it is reclaimed with a bond.

Mr. Hicks said if a well is shutdown for one year and it hasn't produced, then it goes on an abandoned status. We then start with an operator to try to get them to do something.

Representative Meyer said the object of this bill was just to get the bond on the wells that fell into this and it goes back to the testimony on HB 1060. It was my understanding at that time that the state was going to have to cover 6.6 million dollars because of these wells or is that not correct.

Mr. Hicks said he thought the 6.6 million was all the wells on the list. This is 135 wells. We categorized them into a high, medium and low risk. The majority of these wells are a low risk and we don't feel that we are going to have to go in and plug those wells. When we did the fiscal note we wanted to take a realistic approach to it. A number of these wells are high risk operators where they don't want to go in and do anything. Those are the ones that we are concentrating on because the operators do not want their bonds revoked. If there bonds are revoked they cannot operate in ND. They diligently try to take care of the problems. We are concentrating on the 30 wells.

Representative Meyer said this bill was not intended to put a greater penalty on your division or on oil companies that are operating diligently. The intent was to make sure that they were at least bonded for the amount it would cost to reclaim that site. Do you think it accomplishes that?

Mr. Hicks said he believes that the bill has a lot of merit. We are actually neutral on this. It would be nice to have the extra bonding on it. We tried to increase the bonding in our rules a

year ago and we ran into some opposition. The prices of crude are up and a lot of wells have been returned to production. If we see a drastic drop in crude prices, we will probably get some of these wells back. You have to have an environment out there that is attractive to the industry.

Representative Meyer said you can get a bond for twenty thousand dollars on one well. Two to ten wells would be fifty thousand and over ten wells would be one hundred thousand. Is that correct?

Mr. Hicks said yes.

Chairman Porter asked him to explain what would happen if one of the larger wells was taken out of the pool of ten.

Mr. Hicks said if the well becomes abandoned on any of the blanket bonds the fifty thousand dollar bond can have up to ten wells on it. If it has two wells on it and one of them becomes abandoned, we do not allow any more wells on that bond because they are in violation and have an abandoned well. We then concentrate on bringing that well into compliance. There are some liabilities and we do have some checks and balances on the bonds.

Chairman Porter asked for testimony in opposition to HB 1511.

Mr. Ron Ness of the ND Petroleum Council came forward in opposition to HB 1511. He had some suggestions on the amendments by the attorney generals office. He wanted to removing plugged and reclaimed on line 4 and moving that down to line 5 after the word status and inserting thereafter or plugged and reclaimed in 6 months. The reason for this specific change is because we don't generally plug and reclaim wells in the winter months in North Dakota.

Line 5 after the word met "the industrial commission has the authority to require the well to be immediately placed on a single well" and that should work.

Representative Nottestad asked the intern to get a copy for everyone of this amendment.

Mr. Ness also said on line 11 which would be six lines up from the bottom of page 1 on the attorney general's amendments, it says after the well has been in the abandoned well status for eighteen months which gets us through the winter season. Actually I think we can scratch that one. I think we can remove this and move it up top. This bill with the changes is not going to impact the companies that I represent. Until we stop people from willing oil wells to someone who cannot operate them, that is where the commission needs to have the broad authority and these wells are left like this for a reason. That reason is that there is value there to reenter them. One of the concerns I have about this bill is that if right now someone does will a well to someone and we all know that he cannot post the bond and is not going to be able to get a bond anywhere, the reality he is going to walk away from that well and the state is going to own that property. There is an asset there than hopefully one else in the industry will come and purchase. We have 29 wells at high risk in this state. If other states only had 29 wells in this status they would be thrilled. We can fix this bill so that we that it doesn't really affect our people. Let the commission and the oil and gas division have the flexibility and don't tie their hands on valuable assets out there.

Representative Solberg asked if he would be in agreement with the bill if your suggested amendments were adopted.

Mr. Ness said no because I don't think it is really addressing the problem out there. Let the industry try to take care of those situations out there.

Representative Meyer asked what is the cost of a fifty thousand dollar bond.

Mr. Ness said that if you don't have financial backing I think it is fifty thousand dollars.

Representative Meyer asked what if you had financial backing.

Mr. Ness said thought it was about five hundred dollars per year.

Chairman Porter asked for further opposition. Seeing none the hearing was closed.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1511

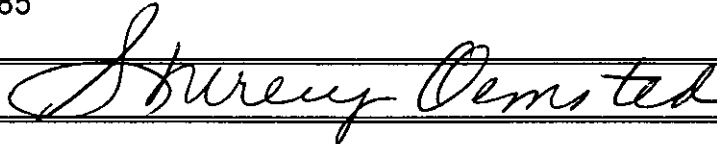
House Natural Resources Committee

Check here for Conference Committee

Hearing Date: February 1, 2007

Recorder Job Number: 2585

Committee Clerk Signature



Minutes:

Chairman Porter asked the committee to consider HB 1511. He asked if everyone got the proposed amendments that have been revised. He had asked the intern to put the recommendations from Mr. Hicks and Mr. Ness back in these amendments.

Representative Keiser moved to adopt the amendments.

Representative Hofstad seconded the motion.

Chairman Porter asked for discussion. Hearing none a voice vote was taken. The motion carried.

Representative Nottestad asked about the amendments from Mr. Hicks. Were they included?

Chairman Porter said it was his understanding that it did.

Representative Drovdal asked if this took care of the concerns of Representative Meyer.

Representative Meyer said if it passes that would be fine. I think we have a concern with this as we have to start addressing the situation as we get more and more of wells out there. The bonds are so incredibly low for this and we would not accept that on any highway or construction project. The fifty thousand dollar bond requirement or your blanket hundred thousand dollar bond for 43 wells and it costs fifty thousand each to reclaim these sites.

Taking it back to the bill we heard earlier in the session, it is a concern for everyone including the Oil and Gas Division.

Chairman Porter asked said the oil well compliance within this system only allows for so many abandoned wells before the bond is frozen so there are some safety guards in place that allows them to work with the industry and keep the costs low but yet still have a level of safety and concern for problem wells. I think it is working now.

Representative Keiser said this if you fail to meet one of the three conditions above the commission has the authority to require immediately a single bond to be issued so that you would have a little bit more leverage. It is not complete, but it will send a message. They should maybe utilize this section and we can revisit it two years from now. I think we want to have some flexibility in this.

Representative Drovdal made a motion for a **do pass as amended**.

Representative Meyer seconded the motion.

Chairman Porter asked for discussion. Hearing none, the clerk called the roll call. Let the record show 13 yes, 1 no, with all present. **Representative Drovdal** will carry the bill to the floor. The motion prevails.

FISCAL NOTE
 Requested by Legislative Council
 02/05/2007

Amendment to: HB 1511

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0		\$750,000		\$750,000
Expenditures	\$0	\$0		\$500,000		\$1,000,000
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Requires bonding or a return to production of idle wells. If not returned to production or plugged in one year, the bond and equipment are forfeited to the Industrial Commission.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The forfeiture of bonds are reflected as income and the expenditures reflect the costs of plugging and reclaiming abandoned wells.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

2007-2009 Special fund income reflects forfeited bonds on 1/2 of the high risk wells in mid-2008.

2009-2011 Special fund income reflects forfeited bonds on high risk wells.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

2007-2009 Special fund expenses reflects \$500,000 plugging and reclaiming of 10 wells in late 2008 and 2009.

2009-2011 Special fund expenses reflect \$1,000,000 for plugging and reclaiming of 10 wells each year.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Karlene K.Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	02/05/2007

FISCAL NOTE
 Requested by Legislative Council
 01/17/2007

Bill/Resolution No.: HB 1511

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0		\$750,000		\$750,000
Expenditures	\$0	\$0		\$500,000		\$1,000,000
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Requires bonding or a return to production of idle wells. If not returned to production or plugged in one year, the bond and equipment are forfeited to the Industrial Commission.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

The forfeiture of bonds are reflected as income and the expenditures reflect the costs of plugging and reclaiming abandoned wells.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

2007-2009 Special fund income reflects forfeited bonds on 1/2 of the high risk wells in mid-2008.

2009-2011 Special fund income reflects forfeited bonds on high risk wells.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

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2009-2011 Special fund expenses reflect \$1,000,000 for plugging and reclaiming of 10 wells each year.

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Karlene K. Fine	Agency:	Industrial Commission
Phone Number:	328-3722	Date Prepared:	01/30/2007

Date: 2-1-07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1511

House Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken MV Amendment

Motion Made By Keiser Seconded By Hofstad

Representatives	Yes	No	Representatives	Yes	No
Chairman - Rep. Porter			Rep. Hanson		
Vice-Chairman - Rep Damschen			Rep. Hunsakor		
Rep. Charging			Rep. Kelsh		
Rep. Clark			Rep. Meyer		
Rep. DeKrey			Rep. Solberg		
Rep. Drovdal					
Rep. Hofstad					
Rep. Keiser					
Rep. Nottestad					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 9-1-07
Roll Call Vote #: 2

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1571

House Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken To pass as amended

Motion Made By Drovdal Seconded By Meek

Representatives	Yes	No	Representatives	Yes	No
Chairman - Rep. Porter		✓	Rep. Hanson	✓	
Vice-Chairman - Rep Damschen	✓		Rep. Hunskor	✓	
Rep. Charging	✓		Rep. Kelsh	✓	
Rep. Clark	✓		Rep. Meyer	✓	
Rep. DeKrey	✓		Rep. Solberg	✓	
Rep. Drovdal	✓				
Rep. Hofstad	✓				
Rep. Keiser	✓				
Rep. Nottestad	✓				

Total Yes 13 No 1

Absent 0

Floor Assignment Drovdahl

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1511: Natural Resources Committee (Rep. Porter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1511 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "amend and reenact subdivision d of" with "create and enact a new subdivision to"

Page 1, line 4, replace "Subdivision d of" with "A new subdivision to"

Page 1, line 5, replace "amended and reenacted" with "created and enacted"

Page 1, replace lines 6 through 22 with:

"The placing of wells in abandoned-well status which have not produced oil or natural gas in paying quantities for one year. A well in abandoned-well status must be promptly returned to production in paying quantities, approved by the commission for temporarily abandoned status, or plugged and reclaimed within six months. If none of the three preceding conditions are met, the industrial commission may require the well to be placed immediately on a single-well bond in an amount equal to the cost of plugging the well and reclaiming the well site. In setting the bond amount, the commission shall use information from recent plugging and reclamation operations. After a well has been in abandoned-well status for one year, the well's equipment, all well-related equipment at the well site, and salable oil at the well site are subject to forfeiture by the commission. If the commission exercises this authority, section 38-08-04.9 applies. After a well has been in abandoned-well status for one year, the single-well bond referred to above, or any other bond covering the well if the single-well bond has not been obtained, is subject to forfeiture by the commission."

Renumber accordingly

2007 HOUSE APPROPRIATIONS

HB 1511

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1511**

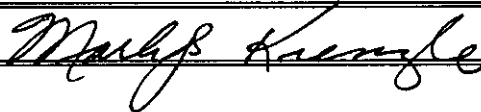
House Appropriations Committee

Check here for Conference Committee

Hearing Date: 2/08/07

Recorder Job Number: 3248

Committee Clerk Signature



Minutes:

Chairman Svedjan opened the hearing for HB 1511.

Rep Porter: From District 34 in Mandan. This bill is from Natural Resources again and if you would notice by the FN there really isn't a spending of any new money that FN reflects what would happen as the bonds are taken in and then spend out. It is a 1.5 million dollars in and 1.5 million dollars out through that 0911 biennium. What the bill basically does is takes high risk oil wells that have been deemed non-producing and unable to come back into production and it speeds up the process of vacating them. The bond is seized and when that happens, (They have multiple bonds out there. There are different levels of bonding, you can have up to 6 wells on a bond or 10 wells on a different type of bond) and a well is bad inside of that groups bond, then that bond is taken and they have to re-bond for the other wells that are left. According to the testimony, there are currently 29 high risk wells that are out there and those high risks wells are in need of re-plugging. If we don't do this they will get worked on in a period of time. By doing this we are expediting that process up a little bit on those 29 high risk wells.

There are numerous reasons out there and one of them happens to be the Bakken Field of why you would keep a well in a temporary status. As long as that casing is tested and is still holding they can keep them indefinite as non-operating wells. In today's technology they can

go back down into that well to the bottom and turn the bit and go horizontally into the Bakken and make it a producing well.

Oil and Gas Division came in and they supported the bill.

Chairman Svedjan: Why is it bonded? How you seize the bond and turn that into revenue?

How the expenses are generated.

Mr: Helms: I am Lynn Helms Director of the Department of Mineral Resource. The 29 wells that this bill really is addressing are on blanket bonds. Those bonds are designed for plugging and reclamation in the case the company is unable or unwilling to do that in the future. Blanket bonds usually are \$100,000 with a large number of other wells. It puts you into a situation that if you have a abandoned well out there for a good deal of time the only leverage you have with that company is to stop issuing permits on that bond or take that \$100,000 bond. If you do this you would end up with all of their wells being unbonded. This is designed to zero in on a specific well and say this well is a problem put it on a single well bond or temporarily abandoned it and at the end of 2 years time, if you have put it on a single well bond and haven't dealt with it, we'll take that bond and do the plugging and reclamation.

If the company is unable to take care of the well how are they going to be capable to posting a bond? In that case the commission would have to look at their whole financial situation and make the decision are we going to just seize everything they have or are we going seize the blanket bond that it is on or what approach are we going to take.

Chairman Svedjan: When you seize the bond, do you somehow redeem it.

Lynn Helm: The bond is with an insurance company or it cash deposit setting in the Bank of ND. To seize that we have to do a complaint, we have to have a public hearing with all the proper notices and we have to go through District Court.

Chairman Svedjan: So when that happens is you generate the revenue which you use to plug and reclaim.

Rep Wald: What we are basically doing is going to the original ag of the bond.

Lynn Helms: Just to give you some idea here, these 29 wells that we are concerned about, these are not companies that are members of the Petroleum Council or the Northern Alliance. These are folks that are long term problem and we are just trying to find a solution to that problem.

Rep Wald made a motion for a "Do pass as engrossed" and seconded by Rep Metcalf.

A Roll Call Vote was take 23 yes, 0 No and 1 absent.

The carrier was Rep Drovdal.

Date: 2/8/07
 Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 1511

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as expressed

Motion Made By Wald Seconded By Metcalf

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Representative Wald	✓		Representative Aarsvold	✓	
Representative Monson	✓		Representative Gulleon	✓	
Representative Hawken	✓				
Representative Klein	✓				
Representative Martinson	✓				
Representative Carlson	✓		Representative Glassheim	✓	
Representative Carlisle	✓		Representative Kroeber	✓	
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson	✓				
Representative Pollert	✓		Representative Ekstrom	✓	
Representative Bellew	✓		Representative Kerzman	✓	
Representative Kreidt	✓		Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland	✓				

Total (Yes) 23 No 0

Absent 1

Floor Assignment Approved

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
February 8, 2007 8:29 p.m.

Module No: HR-27-2630
Carrier: Drovdal
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1511, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman)
recommends **DO PASS** (23 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).
Engrossed HB 1511 was placed on the Eleventh order on the calendar.

2007 SENATE NATURAL RESOURCES

HB 1511

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1511

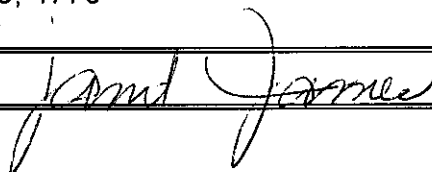
Senate Natural Resources Committee

Check here for Conference Committee

Hearing Date: March 9, 2007

Recorder Job Number: # 4765, 4770

Committee Clerk Signature



Minutes:

Senator Stanley Lyson, Chairman of the Senate Natural Resources Committee opened the hearing on HB 1511 relating to bonding requirements for idle oil and gas wells.

All members of the committee were present.

Representative Shirley Meyer of District 36 as cosponsor of HB 1511 introduced it as a simple bill (see attachment #1).

Don Nelson, a rancher and member of the Dakota Resource Council testified in support of HB 1511 (see attachment #2).

Senator Joel Heitkamp: what is the mind set – is there some kind of war going on?

Don Nelson: this does not affect a lot of people, just those involved with the oil and gas fields, so other people do not understand.

Senator Lyson: companies are trying to do good things, but there just is not enough contractors out there to do the work.

Don Nelson: those contractors are drilling new wells which will just make things even worse down the road.

Senator Herbert Urlacher: how many acres are involved?

Don Nelson: did not know, but each sight is 2-5 acres per sight.

Tom Irgens, a member of the Dakota Resource Council testified in support of HB 1511 (see attachment #3).

Senator Herbert Urlacher: you made some reference to reclamation, do they reclaim the road ways as well.

Tom Irgens: they can do that, but if they are on the section line, they probably don't have to, but they do on private property. A landowner could waive that if they so wish.

Mary Mitchell representing the Dakota Resource Council testified in support of HB 1511 stating there are more pictures available in the house sub-committee testimony.

Senator Lyson asked for testimony in opposition to HB 1511.

Ron Ness of the North Dakota Petroleum Council testified in opposition to HB 1511 stating the bill will not negatively impact one of the companies he associates with because they all have bonds or can afford single well bonds. My concern about the bill is that anyone can be an oil company. If someone is willed an old well, under this bill they have a choice. There is no insurance company that will write a bond for a well that is producing two barrels of oil a day and fifty barrels of water a day. Under this bill a single well bond is required or post a \$50,000 in cash or it will be turned back over to the state. That well is an asset and someone might buy it in its current form. There was a cap in HB 1060 that the industry pays. My concern is not so much for what it will do to the operators.

Senator Urlacher: is it possible to get a contractor to get the job done with all the old wells.

Ron Ness: there are wells that can be used for other things; there are many reasons why a well might be sitting there.

Senator Lyson asked for neutral testimony of HB 1511.

Bruce Hicks, Assistant director of the Oil and Gas Division of the Department of Mineral Resources of the North Dakota Industrial Commission testified in a neutral position on HB 1511 (see attachment # 4).

Senator Tollefson: would anyone buy these 29 high risk wells and rework them so they produce again.

Bruce Hicks: these wells are an asset to someone with many opportunities out there.

Senator Constance Triplett: what are the requirements to classify these wells as high risk?

Bruce Hicks: high risk well are those they have had problems with operators in the past, wells that have been shut in on their bonds, the field people were not excited with the companies working with them, if we have had to routinely contact before things get done are all things that classify them as such. Also companies that have trouble getting bonds.

Senator Triplett: so is more the attitude of the operators than something specific about the well itself.

Bruce Hicks: yes it is not the well itself that is the priority, but the bonded operator.

Senator Lyson closed the hearing on HB 1511, but stated he would leave the hearing open as there are others coming who would like to testify.

4770

Senator Stanley Lyson opened committee work on HB 1511.

Senator Herbert Urlacher made a motion for a Do Pass of HB 1511.

Senator Joel Heitkamp second the motion.

Discussion by the committee was held as the bill being doable or workable.

Ron Ness commented that if the state ends up with more abandoned wells because people can not get a bond on those wells, then he wanted to be on the record as saying, don't come back to me for more bonds because this is what we said would happen.

Senator Joel Heitkamp: two years from now would be a good gauge.

The motion is Do Pass and rereferred.

A roll call for a Do Pass and rereferred to Appropriations of HB 1511 was taken indicating 4 Yeas, 3 Nays and 0 absent or not voting.

Senator Herbert Urlacher will carry HB 1511.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1511

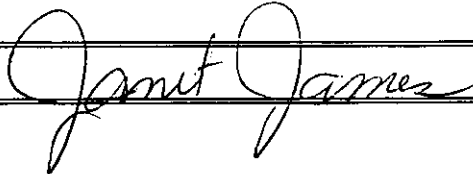
Senate Natural Resources Committee

Check here for Conference Committee

Hearing Date: March 12, 2007

Recorder Job Number: # 4826

Committee Clerk Signature



Minutes:

Senator Stanley Lyson, Chairman of the Senate Natural Resources Committee opened additional committee work on HB 1511.

All members of the committee were present except **Senator Herbert Urlacher**.

Senator Lyson: the bill was a Do Pass with a vote of 4-3. Senator Urlacher is carrying the bill on the floor and is about abandoned wells. We were asked to hold the bill over to see if the committee wanted to further discuss the bill.

Senator Constance Triplett: I thought Ron Ness stated this would not affect any of his people, that all the good operators would be unaffected by the bill and this only targets the bad operators.

Senator Lyson: that is true except if a young person wanted to get into the oil business and buy some of the marginal wells, they would have to get bonding for each well and there is no way

Senator Joel Heitkamp: I don't think we have the votes in the room to change it.

Senator Lyson: I do not think Senator Urlacher will change his mind and he lives in the area that is affected by this.

Senator Heitkamp: which is part of it for me, if Herb, who has always been conservative and oil friendly, than I am okay.

Senator Lyson: I am not going to ask anyone to bring it back on the floor. I did my best.

Senator Layton Freborg: this has to go today.

Senator Lyson: as Ron Ness said, that he is right that it does not affect people much but the large companies. If we are not going to bring the bill back for reconsideration, we will leave it the way it is.

Senator Lyson closed the consideration on HB 1511.

Date: 3-9

Roll Call Vote #: 17

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1511

Senate Natural Resources Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass + re-referred to Appr.

Motion Made By Ulacher Seconded By Heitkamp

Senators	Yes	No	Senators	Yes	No
Sen. Stanley Lyson, Chairman		✓	Sen. Joel Heitkamp	✓	
Sen. Ben Tollefson, ViceChairman		✓	Sen. Jim Pomeroy	✓	
Sen. Layton Freborg		✓	Sen. Constance Triplett	✓	
Sen. Herbert Ulacher	✓				

Total (Yes) 4 No 3

Absent 0

Floor Assignment Ulacher

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1511, as engrossed: Natural Resources Committee (Sen. Lyson, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (4 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1511 was rereferred to the Appropriations Committee.

2007 SENATE APPROPRIATIONS

HB 1511

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1511

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 03-14-07

Recorder Job Number: 5179

Committee Clerk Signature



Minutes:

Vice Chairman Bowman opened the hearing at 4:00 pm on March 15, 2007 on HB 1511 regarding bonding requirements for idle oil and gas wells.

Bruce Hicks, Assistant Director of the Oil and Gas Division of the North Dakota

Industrial Commission presented written testimony (1). He said his Department is neutral on this bill but did prepare the fiscal note which he explained in his oral testimony.

1. Any well that has not produced oil or gas in paying quantities for one year o be placed in abandonment status. If after one year the well has not been returned to production, plugged and reclaimed, or properly TA'd the bond and all equipment are subject to forfeiture by the Commission.
2. House amendments concerning forfeitures.
3. The assumptions of the Fiscal Note. Out of 135 SI wells, 20 considered high risk would eventually have to be plugged and gave the statistics concerning the expenditures and revenues.
4. Senate Natural Resources Committee has amend HB 1060 to remove the \$250,000 current cap on the Abandoned Oil and gas Fund, It is mandatory the cap remain removed to allow implementation of the provisions of engrossed HB 1511.

5. TA wells, not considered high risk, casing has been pressure tested and is a valuable asset.

Senator Bowman asked if they contract the people to come and dismantle a well. And when it is all done reclaiming is it put back to natural grass. He was informed they do contract that portion out and stated the department does oversee the reclamation programs.

Representative Shirley Meyer, District 36, Rural Counties in Dickinson area as sponsor of the bill gave oral testimony in support of HB 1511.

Senator Christmann asked her if she likes the bill after the amendments were put on and if it takes care of the problems. He was told that it's a compromise. We have 4 of these wells in my district and the property owners would like to see their property cleaned up. If we pass this bill the process would be much quicker to accomplish that.

There was no more testimony.

Vice Chairman Bowman closed the hearing on HB 1511.

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1511

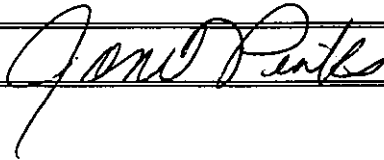
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 03-16-07

Recorder Job Number: 5206

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on HB 1511.

Senator Bowman moved a do pass on HB 1511, Senator Mathern seconded. No discussion followed. A roll call vote was taken resulting in 11 yes, 1 no, 2 absent. The motion passed.

Senator Urlacher will carry the bill.

Chairman Holmberg closed the hearing on HB 1511.

Date: 3/16
Roll Call Vote #:

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1511

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DP

Motion Made By Bowman Seconded By Mathern

Senators	Yes	No	Senators	Yes	No
Senator Ray Holmberg, Chrm	✓		Senator Aaron Krauter	✓	
Senator Bill Bowman, V Chrm	✓		Senator Elroy N. Lindaas	✓	
Senator Tony Grindberg, V Chrm			Senator Tim Mathern	✓	
Senator Randel Christmann	✓		Senator Larry J. Robinson	✓	
Senator Tom Fischer			Senator Tom Seymour	✓	
Senator Ralph L. Kilzer		✓	Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 11 No 1

Absent 2

Floor Assignment Ullrich Not Res

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
March 16, 2007 2:07 p.m.

Module No: SR-50-5598
Carrier: Urlacher
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1511, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO PASS** (11 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING).
Engrossed HB 1511 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

HB 1511

Item #1

**TESTIMONY ON HB 1511
SHIRLEY MEYER
DISTRICT 36**

*Some
testimony
given to
the Senate*

This is a simple bill that just makes it more efficient to enforce the obligation every oil company already has made to produce, plug, or secure all their wells. If the oil companies really plan to keep this commitment then this bill won't cost them one additional dollar.

If an oil company drills or buys a dry well they have an obligation to take care of it. Under this bill they have one year to decide what to do with it. At the end of that year they must plug the well, or if they want to keep it, put it back in production, temporarily abandon it, or post a bond to cover the estimated cost of plugging and reclaiming it. If they still haven't taken care of the well after one more year the state can take the well, bond, equipment, and oil on the site, pay to the royalty owners what is owed them, then plug and reclaim the well.

I requested information from the oil and gas division on how many wells there are in ND idle for one year or more. There are 135 wells that have been idle for an average of 31 months while oil prices have been at all-time highs; one well has been idle for 10 years. Those 135 idle wells represent a \$6,600,000 plugging and reclamation liability backed by \$5,645 in bonds, except that 130 of them are on blanket bonds of \$50,000 or \$100,000 with 3,489 other wells. The other 5 are on single well bonds for less than half the cost of plugging and reclaiming them. On top of that, 29 of the 130 wells are considered high risk.

I looked into what it takes to force one of these wells to be plugged and reclaimed. Usually many months go by while warning letters are written, a complaint filed, administrative hearings held, an administrative commission order signed, and a court order obtained. If the abandoned well is on a blanket bond, the only leverage the state has is to stop issuing

drilling permits on that bond, but if they take the bond then there is no other backing for the other wells on it.

In Wyoming they have been doing something similar. For several years any non-producing well in Wyoming has been required to post a single well bond of \$3/foot times the well's total depth.

This bill just simplifies that process and makes it more efficient to enforce what every oil company is already obligated to do.



"Watchdogs of the Prairie"
Organizing North Dakotans Since 1978

Dakota Resource Council • PO Box 1095 • Dickinson, ND 58602
Phone: 1-701 483-2851 • Fax: 1-701 483-2854

Stem #2

**Testimony in support of HB 1511
House Natural Resources Committee
February 1, 2007**

Cindy Klein
cindy@drcinfo.com
701-483-2851

Chairman Porter and members of the House Natural Resources Committee. Thank you for the opportunity to provide you with testimony in support of House Bill 1511.

Created in 1978, Dakota Resource Council forms citizen groups dedicated to protecting North Dakota's families and its air, water, land and natural resources.

We want to thank Representative Meyer and the other sponsors of this bill addressing bonding for recognizing that there are significant problems that exist in our state and this bill will address those problems.

In 2005, DRC and the Western Organization of Resource Councils released a report called "*Filling the Gaps*". This report is an in-depth look at bonding and reclamation in five western states, including North Dakota.

Currently, an oil production company can post a bond in several ways. Collateral bond, self-bond, cash, or any alternative form of security approved by the Industrial Commission. Surety companies typically charge only 2-5% of the total bond amount to guarantee bond. The amount the surety charges is a reflection of individual operator risk, just as auto insurance companies charge higher premiums to risky drivers.

A company can post a single well bond of \$20,000. For that, they can drill one well. They can also post a blanket bond of \$50,000 and drill between 2 and 10 wells. A blanket bond for over 10 wells is \$100,000.

Under the blanket bond of \$50,000, a company can have up to three of the following:

- A. A well that is a dry hole and is not properly plugged;
- B. A well that is plugged and the site is not properly reclaimed; and
- C. A well that is abandoned pursuant to section 43-02-03-55 and is not properly plugged and the site is not properly reclaimed.

Under a \$100,000 blanket bond, a company can have up to six of the previously mentioned problems. We feel that if a company cannot properly plug and reclaim a well site, they must be put on a single well bond for all of their wells. Any well that is not properly plugged or reclaimed has a negative effect on the landowner.

In the "Filling the Gaps" report, we found that the average cost to reclaim an acre of land that has been disrupted by oil and gas development in North Dakota is \$13, 874 per acre. In this study, we looked at 43 wells in a newer field near Alexander in McKenzie County. At that time, the disturbed surface was approximately 500 acres. The total amount to reclaim those acres back to their original condition is over \$7,000,000.00. The total amount of bond that is posted for those 43 wells \$250,000. A bond that is posted for the wells on federal lands is \$150,000 plus the \$100,000 bond for North Dakota. This leaves the total amount that the state of North Dakota and the taxpayers could be liable for at \$6.8 Million.

There are dozens of wells in McKenzie County that have been under a status of "temporarily abandoned" for years. Just to name a couple, well file # 1090 is for a well that was drilled in 1956. This well has not produced oil in paying quantities since September of 1981, when it produced just 24 barrels in one month. This well has been in temporarily abandoned status since August of 1985. When do we say enough? When should a well site be reclaimed and the land returned to its owner so that it can be put back to its intended use of agriculture? We say as soon as it does not produce oil in paying quantities. Another example of a temporarily abandoned well is # 1276. Drilled in 1957, this well has not produced oil since December of 1972, when it produced just 2 barrels of oil. In Township 151 Range 95, there are approximately 23 wells in temporarily abandoned status. That is almost one well per section. This is a problem for the landowners in this area. This is just in one area. The actual number of wells in temporarily abandonment status is now known to us. An email sent to Lynn Helms on Monday, January 29 asking for the total number of wells in temporarily abandonment status has not yet been answered.

To be clear, the administrative rules addressing temporarily abandoned wells allow for a well to be put on that status for one year. That year may be extended with the permission of the Department of Mineral Resources. We do not think that these rules were written to allow wells to be put on temporarily abandonment status for 30 years, sometimes even more.

This is why this situation must be addressed in our Century Code. We must insure that once a well has produced to its capacity, that well must be plugged and reclaimed and that land returned to its previous state.

One reason that we feel wells are left in abandoned status for such a long period is the cost of the plugging and reclamation but also, it keeps the mineral lease tied up. If a lease is in effect for a temporary abandoned well, the minerals cannot be re-leased. If a well is properly reclaimed, the lease is released, if the time frame of the lease allows. It is then that a mineral owner would have the choice to re-lease those minerals. This has a monetary impact to mineral owners, especially at a time when the oil industry is booming. Mineral owners are being tied to inactive leases and unable to lease during this boom cycle.

If the state of North Dakota has to reclaim the wells that have been left behind by Earl Schwartz, we are looking at a very large price tag. Who is to say that there will not be other Earls in the future or, for that matter, in the present? Our oil economy is booming and now is the time to address this problem, not after the boom has gone bust. Now when we are in the middle of heated development is the time to achieve positive change.

In 2005, the state of North Dakota advertised bids on two wells that needed to be plugged and reclaimed. Well files 6643 and 5086. Those wells each had a \$15,000 bond that was forfeited to the state. The actual cost, according the well files, for plugging those two wells was just over

\$60,000. The cost to reclaim the surface was \$58,000. Costs are going up and the cost of plugging and reclaiming wells is not going to decrease any time soon.

The United States Department of Interior has studied the bonding practices on federal lands three times in the last 20 years and each time has concluded that bonding is inadequate. On federal lands, Congress granted the Bureau of Land Management (BLM) the authority to set bond amounts. In fact, Congress required BLM to set bond levels sufficient to "ensure the complete and timely reclamation of the lease tract, and the restoration of any lands or surface waters adversely affected by lease operations." Congress also required that the "total cost of plugging existing wells and reclaiming lands (not) exceed the present bond amount" We can do the same in North Dakota and by doing so, we can do it right.

We do have a concern with the language in this bill. Twice, properly temporarily abandoned is mentioned. We feel that temporarily abandoned is part of the problem. We ask that temporarily abandoned in line 14 be stricken, to remove any possibility of wells being kept in that status for years. If that is not possible, then we must ask for a limit as to how long a well can be held in temporarily abandonment, without producing oil in paying quantities.

Other industries in our state must bond for actual costs of reclamation, such as strip mining, bonding for oil and gas development should reflect the actual cost to plug and reclaim a well.

We respectfully ask the committee for a "Do pass" recommendation on HB 1511.

Item #3

House Bill No. 1511
Natural Resources Committee – Pioneer Room

Testimony By
Bruce E. Hicks
Assistant Director
Oil and Gas Division
Department of Mineral Resources
North Dakota Industrial Commission

Chairman Porter and members of the Natural Resources Committee, my name is Bruce Hicks. I am the Assistant Director of the Oil and Gas Division of the North Dakota Industrial Commission.

We are neutral on this bill although we did prepare the Fiscal Note and we would offer the following:

1. HB1511 requires any well that has not produced oil or gas in paying quantities for one year, to be placed in AB status and either:
 - (a) return to production
 - (b) plugged and reclaimed
 - (c) properly TA'd
 - (d) or placed on a single well bond equal to the full cost of plugging and reclamation

If after one year the well has not been returned to production, plugged & reclaimed, or properly TA'd, the bond and title to all equipment are forfeited to the Commission.

2. The proposed amendment requires:
 - (a) forfeiture pursuant to 38-08-04.9 (Confiscation of Equipment) which requires an order of the Commission after notice and hearing
 - (b) requires the forfeiture of the current bond if the bond to cover full cost of plugging and reclamation was not obtained
3. The Fiscal Note was prepared by our office and the following assumptions were made:
 - (a) 135 SI wells—29 considered high risk—would eventually have to be plugged
 - (b) full plugging and reclamation costs = \$50,000/well
 - (c) Commission can only plug 10 wells/year
 - (d) '07-'09 biennium expenditures—plug 10 wells @ \$50,000/well = \$500,000
 - (e) '07-'09 biennium revenues—15 forfeitures @ \$50,000/well = \$750,000
 - (f) '09-'11 biennium expenditures—plug 20 wells @ \$50,000/well = \$1,000,000
 - (g) '09-'11 biennium revenues—15 forfeitures @ \$50,000/well = \$750,000
4. House Appropriations Committee has amended HB1060 to remove the \$250,000 current cap on the AB Oil & Gas Fund for 2 years. It is mandatory the cap remain removed to allow implementation of the provisions of HB1511.
5. TA wells—not considered high—casing has been pressure tested and is a valuable asset:
 - (a) Unit potential—7 new appl in last 6 months—Units produce 62% of State production
 - (b) RE operations—many have been re-entered for horizontal applications

Testimony House Bill 1511
Senate Natural Resources Committee
March 9, 2007

Chairman Lyson and members of the Senate Natural Resources Committee. My name is Don Nelson. I farm and ranch east of Keene in McKenzie County and I am a member of Dakota Resource Council but I am here today to present my own testimony in support of House Bill 1511.

My family has had oil and gas development on our land for many years.

This important bill will prevent the taxpayers of North Dakota from absorbing the costs involved in plugging and reclaiming idle wells in our state.

I would like to thank Representative Shirley Meyer and the other sponsors of this bill for fighting to protect North Dakota taxpayers.

House Bill 1511 may seem minor, but it is much more than that. It is an insurance policy that protects the Oil and Gas Division and protects North Dakotans.

At this time, there are nearly 100 wells in abandoned status in North Dakota. These wells have not produced oil or gas in paying quantities for at least one year, most, for much longer than that. This means that there has been no activity or movement to return the well to production or plug and reclaim the well in question.

There are 282 wells that are on Temporary Abandoned status. This means that they have not produced oil or gas in paying quantities for years at a time. There are also 220 wells that are "shut in." This means wells that have been inactive for more than three months but less than one year.

The number of wells that could potentially be covered under this bill is startling. The costs of plugging and reclaiming the wells previously mentioned could cost our state millions of dollars. I will break down these numbers for you during this testimony.

I will start with the wells that are "temporarily abandoned." Many are in McKenzie County in what is known as the Blue Buttes field and Antelope Creek Field. An example of a few of these wells are:

Well file 1737 was drilled in 1958; this well has been on temporarily abandoned status since 1985. Granted there is a mechanical integrity test done every five years, but it is only a matter of time until the test will fail. The cost to reclaim this well could be as much as \$50,000.

Well File 2480, as seen in the attached pictures, was drilled in 1959 and has not produced oil since October of 1985. In 1986 this well was placed in temporary abandoned status and there it remains today.

Well File 731 was drilled in 1955. This well is in temporary abandoned status and has not produced oil since 1959.

File 2372 was drilled in 1959 and has not produced any oil since 1977. Temporarily abandoned since July of 1985

What is temporary? Defined in Webster's Dictionary, it is a "limited time." I ask you, is 30 years temporary? I think not.

I could go on. In fact, I could go on to name almost 300 wells that are in this situation.

Let's move on to the wells that are in abandoned status (AB). There are almost 100 of these wells and with this bill these wells would be required to do the following:

Return the well to production of oil or gas in paying quantities, place the well in temporarily abandoned status, which as we previously stated is not really a solution, or place the well on a single well bond that covers the actual cost of plugging and reclaiming the well. These costs can be as much as \$50,000 per well.

The total potential cost to plug and reclaim the number of wells that are now in AB status is nearly \$5 million. These costs are astronomical and will only increase with time. In fact, if these wells had been reclaimed in a timely manner it would have been cheaper for the oil companies. Do we want the state of North Dakota to become solely responsible for that amount of money? I think not. The cost of plugging and reclamation has doubled in the last five years.

The Department of Mineral Resources became responsible for two wells that each had a \$15,000 bond. These bonds were revoked in 2004 and the total cost or reclamation for these two wells (Files 6643 and 5086) was over \$120,000. That leaves a price tag to the state of just over \$80,000.

We have to remember that most of these wells are on private property. Land that has been taken out of agricultural production for years, some for as long as 50 years. It is time that we allow for these lands to be returned to their owners and put back to the uses they were intended.

The other problem is that a well that is under any of these statuses prevent the mineral owner from re-leasing. This is unfair. A mineral owner who has minerals tied up this way should have the right to lease those inactive minerals to the company of their choice. If a well has not produced for over 30 years, don't you think that it is time to release those minerals back to the owner? With oil and gas activity and leasing at a level we have not

seen in years, it is only fair that the owner of those minerals be allowed to lease them to the company that will give them the best offer. Minerals tied up by inactivity are not in the best economic interest of the landowner, the mineral owner or the state.

The bonds for these wells that exist are, as a rule, blanket bonds. There can be a large number of wells under a \$100,000 blanket bond. The amount of this bond does not even touch the costs for plugging and reclaiming these wells. As we stated before, it can cost \$50,000 to reclaim just one well.

Examples of the number of wells that can be attached to blanket bonds are included in attachments to this testimony. As you can see, there are many wells covered under a bond posted to the bank of North Dakota. Potential reclamation costs for 53 wells could be over \$2 million. According to the Department of Mineral Resources this company has a total of 54 wells under one blanket bond of \$100,000.

The additional bonds that would be required under this bill are not actual cash bonds. They are comparable to insurance. Typically, the cost of a bond is 2% of the face value. For example, if the actual cost of plugging and reclamation for a well is \$50,000, the annual cost of the bond is \$1000 per year. That is a small amount to pay, considering the profits that the wells in question have made over their lifespan. That amount will protect the North Dakota Bond Reclamation Fund and the taxpayers of North Dakota.

Even with the increase that House Bill 1060 will provide to that fund, it is one bad operator away from bankruptcy.

The coal mining industry must post bonds that cover the actual reclamation costs. Why should the oil and gas industry be allowed to pay a minimal cost when other industries are paying hundreds of thousands more? The answer is, they should not.

There is bipartisan sponsorship and support for this bill. This bill will protect the state of North Dakota; protect those in the oil and gas industry that set good examples for others, and the taxpayers.

We ask that this bill be given a do pass recommendation. To not support this bill is actually supporting the bad behavior of a few companies and we must send a message to those bad actors that North Dakota will no longer tolerate wells sitting for years on end doing nothing.

North Dakota Abandoned Wells

AB 2/16/07	Well	Year	Date		Well Production and File Information
FileNo	Type	Drilled	Last Produced	Company	
236	WI	1952	May-05	Hess	75 bbls in 9-1960 last production
345	OG	1953	Nov-04	Hess	11/1/2004 5 bbls previous... 14 bbls 11-2004
453	OG	1953	Sep-81	Hess	9-1981 141 bbls last production
648	OG	1954	Feb-05	Hess	25-2005 176 bbls
690	OG	1954	Jul-05	Hess	693 BBLS in 2004 Last 66 bbls 7-2005
968	OG	1955	Sep-03	Ritchie Exploration	33 BBLS 9-2003
1013	OG	1955	Aug-00	Hess	4 bbls 8-2000
1075	OG	1956	Dec-98	Hess	6 bbls 12-1998
1125	OG	1956	Mar-95	Nance Petroleum	87 Bbls 3-1995
1542	GASC	1957	Jul-79	Hess	95 bbls July 1979
1812	WI	1958	Oct-72	Hess	382 bbls 10/1/1972
1848	OG	1958	Apr-04	Hess	88 bbls 6-2005 2004 bbls 4-2004 previous production 7-2003 15 bbls
1856	WI	1958	never	Hess	Dry never produced oil used for water injection
1857	WI	1958	Sep-78	Hess	9-1978 233 bbls last production
2007	WI	1958	Dec-64	Hess	12-1964 187 bbls
2020	OG	1958	Mar-04	Hess	48 bbls 3-2004
2028	SWD	1958	never	Hess	Salt water disposal
2129	OG	1958	Aug-02	Primewest Petroleum	2 bbls 8-2002 all of 2002 26 bbls, 104 bbls 2001
2173	OG	1959	Aug-04	Hess	552 bbls 2004 and 1970 bbls in 2003 5759 bbls in 2001
2193	OG	1959	Jul-96	Primewest Petroleum	184 bbls 7-1996
2363	OG	1959	Dec-04	Arsenal Energy	1 bbls 12-2004 all of 2004 7bbls 58 bbls all of 2002
2414	OG	1959	Jul-98	Primewest Petroleum	142bbls 7-1998
2420	OG	1959	Jun-04	Hess	5 bbls 6-20004
2998	OG	1961	Nov-04	Hess	62 bbls 11-2004 previous 12-2002 59 bbls
3053	SWD	1961		Zargon Oil	Salt water disposal
3090	OG	1962	Jun-86	Primewest Petroleum	27 bbls 6-1983
3337	OG	1963	Jan-02	Eagle Operating	2 bbls 1-2002
3477	OG	1963	Nov-04	Ominex International Corp	112 bbls 11-2004
3693	OG	1964	Oct-07	Ward Williston	5 bbls 10-03, 2003 total 156 2002 total 208...has not produced over 100 bbls a month since 4-1975
3778	OG	1965	Apr-00	Primewest Petroleum	414 bbls 4-2004 123 bbls in 10-1999
3850	WI	1965		Hess	History of spills in well file abandoned water injection well
4295	OG	1967	Dec-00	Kerr-McGee	6 bbls 12-2000 201 bbls in 1996
4397	OG	1968	Oct-98	Kerr-McGee	137 bbls 10-1998
4453	OG	1968	Nov-05	Ballantyne Oil	2 bbls 11-2005 previous production 26 bbls all of 2004 19 bbls 2003
4511	OG	1969	Oct-98	Primewest Petroleum	10 bbls 10-1998 previous production 58 bbls all of 1997

4636	OG	1974	Jan-05	Kerr-McGee	2 bbls 1-2005 previous production 114 bbls all of 2004 72 bbls 2003
4639	OG	1969	Oct-05	Arsenal Energy	4 bbls 10-2005 totla 2005 221 bbls
4816	OG	1969	Nov-04	Ritchie Exploration	11 bbls 11-2004
5366	WI	1973		Hess	Abandoned water injection
5743	OG	1975	Dec-04	Nance Petroleum	122 bbls 12-2004
5789	OG	1976	Aug-04	Nance Petroleum	24 bbls 9-2004 total 2004 478 bbls 2003 498 previous 287 bbls 2001
6134	OG	1977	Apr-01	Black Hawk Resources LL	4-2001 8 bbls total 2001 578 no prod. From 8-1997 to 5-2000 out of compliance
6135	OG	1977	Dec-96	Black Hawk Resources LL	out of complaince subject to fines
6318	OG	1977	Jul-02	Kerr-McGee	16 bbls total 2002 total 2001 100 bbls total 2000 84 bbls
6585	OG	1978	Nov-02	Kerr-McGee	1 bbl in 11-2002 78 bbls all 2002 236 all of 2001
6663	OG	1978	Dec-02	Black Hawk Resources LL	12-2002 14 bbls total 2002 77 bbls 1997-2000=0 Subject to fines for violations
6599	OG	1978	Oct-03	Kerr-McGee	2003 total production 121 bbls 2002 total 139 bbls 2001 total 111
6844	OG	1979	Nov-04	Whiting Petroleum	11-2004 23 bbls total for 2004 283 bbls 2003 production 191 bbls
7005	OG	1979	Aug-04	Hess	8-2004 2 bbls
7463	OG	1980	May-04	Kerr-McGee	5-2004 24 bbls
7606	OG	1980	Jan-00	Ritchie Exploration	1-2000 5 bbls total 1999 454 bbls
7730	OG	1980	Jun-04	Hess	6-2004 11 bbls total 2004 248 bbls
8083	OG	1980	Dec-95	Hess	12-1995 32 bbls failed mechanical integrity test
9088	OG	1981	Jul-82	Kerr-McGee	Total life production is 572 bbls
9712	OG	1982	Nov-05	Ward Williston	11-2005 47 bbls
10025	GASC	1946	Nov-04	BTA Producers	Never produced oil but did produce gas that was sold until 11-2004
10040	GASC	1949	Oct-02	BTA Producers	Never produced oil but did produce gas that was sold until 10-2002
10043	SWD	1969	Jan-70	Ritchie Exploration	Total life productin 232 bbls then converted to SWD then Abandoned
10152	OG	1983	Mar-04	Bill Barrett	total 2004 5 bbls total 2003 20 bbls total 2002 96 bbls
10227	OG	1983	May-05	Citation Oil and Gas	5-2005 2 bbls total 2005 21 bbls total 2004 26 bbls 2003 51 bbls
10307	OG	1984	Oct-04	Nance Petroleum	11 bbls in 10-2004 total 2004 253 bbls 2003=340 bbls
10715	AI	1984	Aug-02	Paul Rankin Inc	8-2002 11 bbls total 2002 233 bbls 2001=462 200/yr since 1997
10794	OG	1984	Jan-05	Ballantyne Oil	1-2005 7 bbls total 2005 7 2004 total =18 bbls 2003=0 2002=0
10845	OG	1984	Jul-97	Ballantyne Oil	Jul 1997 37 bbls total bbls for the life of well 12111
10879	AI	1984	Sep-04	Paul Rankin Inc	9-2004 33 bbls total 2004 198 bbls 2003=202 2002=284
10880	AI	1984	Apr-03	Paul Rankin Inc	4-2003 33 bbls total 2003=226
10900	OG	1984	Oct-00	Paul Rankin Inc	10-2000 227 bbls bas casing
10921	AI	1984	May-03	Paul Rankin Inc	5-2003 148 bbls all 2003 478 bbls 4-98 to 2-2000 0 production
10922	OG	1984	May-05	Paul Rankin Inc	5-2005 8 bbls total 2003 10 bbls 2004 157 2003 200
11003	SWD	1984		Nance Petroleum	SWD in violation possibly ready to plug
11159	GASD	1984		BTA Producers	Never produced in violation of rules
11364	AI	1985	Dec-03	Paul Rankin Inc	12-2003 202 bbls applied for TA

11787	SWD	1985	Dec-86	Murex Petroleum	No production since 12-1986 failed Mechanical Integrity Testing
12101	OG	1987	Aug-02	Arsenal Energy	8-2002 22 bbls plugged but not reclaimed in violation of rules
12491	OG	1988	Oct-07	Nance Petroleum	2 bbls 10-05 before that 479 bbls in 2000
12557	OG	1988	Aug-04	BTA Producers	8-2004 2 bbls all 2004 39 bbls before that nothing since 10-1995
12750	WI	1989		Chaparral Energy	never produced file states in violation of rules
12782	OG	1989	Nov-02	Dakota Crude	11-2002 2 bbls all 2002=4 bbls 2001=225
12818	OG	1990	May-00	Nance Petroleum	5-2000 1 bbls all 2000=1 1999=0 1998=341 1997=569 MIT fail 2007
13065	OG	1990	Jan-05	BTA Producers	1-2005 24 bbls total 2005=24 2004=635 2003=155 1994-2002=0
13073	OG	1983	Aug-92	Chandler & Associates	Plugged and abandoned no production since 1992 reclaimed
13202	OG	1991	Jul-05	Merit Energy	8-2005 11 bbls productin since 9-2003=366 bbls
13461	OG	1992	Oct-95	Landtech Eneterprises	10-1995 3 bbls total life 265 bbls dry hole possible conversion to SWD
13565	OG	1993	Jul-98	Ballantyne Oil	7-1998 160 bbls
13725	OG	1994	May-05	Primewest Petroleum	5-2005 7 bbls all 2005=237 5-2000 to 11-2004=0
13823	OG	1995	May-04	Bill Barrett	5-2004 53 bbls total 2004 644 bbls
14416	OG	1996	Jun-05	Bill Barrett	6-2005 4 bbls total 2005 19 bbls 2004=8 bbls 2003=35 bbls
14711	OG	1997	Oct-05	Kerr-McGee	10-2005 393 bbls total 2005 393 bbls prev 2002= 246
14748	OG	1997	Mar-05	Ward Williston	3-2005 34 bbls 2005 total 406 bbls
14869	WI	1998		Whiting Petroleum	Well is in violation of state rules
15016	OG	2000	Jul-05	BTA Producers	7-2005 7 bbls total 2005 176 bbls well has never prod. Over 31bbls/mo
15018	OG	2001	Aug-05	Whiting Petroleum	8-2005 18 bbls total 2005 211 well has never produced over 31 bbls/mo
15093	OG	2001	May-05	Whiting Petroleum	5-2005 13 bbls 121 well has never produced over 31 bbls/mo
15391	AI	2003	Sep-03	Continental Resources	Only produced a total of 7405 bbls in the life of the well. Out of compliance
15732	OG	2005	Jul-05	Mack Operating	Temp Abandoned total oil produced 778 bbls
50124				Ferrell Gas LLP	Well file has error, no info available
90051	SWD	1958		Hess	File states spare SWD well

Code Definations	
Code	Definations
AI	air injection
GACS	Gas Condensate
GASD	Dry Gas
GASN	Nitrogen Gas Well
OG	Oil & Gas
WI	Water Injection
SWD	Salt Water Disposal
TA	Temporarily Abandoned

Other Codes	
bbls	barrels of oil per day
AB	abandoned more the 1 yr
MIT	Mechanical Integrity Test

Prepared by Cindy Klein

SCHEDULE A

to a Notice of Transfer of Oil and Gas Wells - Form 15
Between Nexen Oil and Gas U.S.A. Inc. and Arsenal Energy U.S.A. Inc. (Receiving Operator)

Well File Number	Requested Official Well Name and Number	Location (Qtr-Qtr, S-T-R)	Assignment Date
10057	JOHNSON 34-2	SWSE 34-159-95	August 31, 2004
10071	JELLESED 1-3	SWNE 3-155-91	August 31, 2004
10131	GERMUNDSON RYE 3-2	NESE 3-158-95	August 31, 2004
10370	JELLESED 1-10	NENE 10-155-91	August 31, 2004
10388	PROBST FEDERAL 12-10	NWSW 10-163-92	August 31, 2004
11541	EARL SCHWARTZ 2	SWNW 27-162-91	August 31, 2004
11577	SCHAEFER 2-3	NESW 3-155-91	August 31, 2004
11985	LATTIN-REISTE 1-2	SWNW 2-155-91	August 31, 2004
13100	POMMIER 1-11	SWNW 11-161-92	August 31, 2004
13652	FEDERAL DARLING 6H	NENW 1-158-85	August 31, 2004
13913	WASCANA ESSEN 1H	NENW 29-162-92	August 31, 2004
15012	WASCANA JELLESED 2H	NENE 10-155-91	August 31, 2004
15037	WASCANA SCHAEFER 3H	SWSE 3-155-91	August 31, 2004
15103	BROTHEN 1	SWSE 20-161-93	August 31, 2004
15205	NEXEN OLSON 2H	SWNW 20-155-90	August 31, 2004
2221	MILDRED JORGENS 1	NWSW 27-162-91	August 31, 2004
2315	ANNA MONSON 1	NWSE 28-162-91	August 31, 2004
2333	KATHERINE JOHNSON 1	NWNW 33-162-91	August 31, 2004
2356	EARL SCHWARTZ 1	NENW 27-162-91	August 31, 2004
2363	ABBOTT BAILIFF 1	NWSW 34-162-91	August 31, 2004
3976	DAN JOHNSON 2	NWSE 33-162-91	August 31, 2004
4978	FELT "A" 1	NWNW 30-155-85	August 31, 2004
4996	MANN "A" SWD 1	SESW 13-155-86	August 31, 2004
5020	PEARSON 1	NWSW 19-155-85	August 31, 2004
5514	FEDERAL DARLING 1	NWSE 2-158-85	August 31, 2004
5720	RAY VENDSEL 1	NENW 11-158-85	August 31, 2004
5776	BUNTING 1	C NE 27-162-91	August 31, 2004
5827	FEDERAL DARLING 2	SWNW 1-158-85	August 31, 2004
5828	FEDERAL DARLING 3	SWSW 38-159-85	August 31, 2004
5843	FEDERAL DARLING 4	NWSW 1-158-85	August 31, 2004
6340	HOLTER 1	SWSW 1-161-93	August 31, 2004
6538	JELLESED-FEDERAL 1-14	NWNW 14-155-91	August 31, 2004
6849	STATE 13-32	SWNE 13-155-91	August 31, 2004
6974	STATE 19-43	NESE 19-155-90	August 31, 2004
7362	ARMOUR 13-23	NESW 13-155-91	August 31, 2004
7545	ARMOUR 13-43 (SWD)	NESE 13-155-91	August 31, 2004
7575	M.P. HELSETH 1	SWSW 2-161-93	August 31, 2004
7633	BERG 1	SWNW 12-161-93	August 31, 2004
7674	MONTGOMERY 1-12-4D	SWSW 12-155-91	August 31, 2004
7683	JOHNSON 35-1	SWSW 35-159-95	August 31, 2004
7851	ROGSTAD 1-11	NESE 11-155-91	August 31, 2004
8113	GERMUNDSON 1	NESW 2-158-95	August 31, 2004
8236	STRID 35-1	SWNW 35-159-95	August 31, 2004
8479	GERMUNDSON RYE 3-1	SWSE 3-158-95	August 31, 2004
8480	BLIKRE 2-1	NESE 2-158-95	August 31, 2004
8889	STRID 35-2	SWSE 35-159-95	August 31, 2004
8926	MERLIN R. JOHNSON 1	NENE 3-158-95	August 31, 2004
9026	C. BLIKRE 2	NENW 2-158-95	August 31, 2004
9128	JOHNSON 34-1	NESE 34-159-95	August 31, 2004
9155	KEITH BLIKRE 1	SWNE 2-158-95	August 31, 2004

SCHEDULE A
to a Notice of Transfer of Oil and Gas Wells - Form 15
Between Nexen Oil and Gas U.S.A. Inc. and Arsenal Energy U.S.A. Inc. (Receiving Operator)

Well File Number	Requested Official Well Name and Number	Location (Qtr-Qtr, S-T-R)	Assignment Date
9278	HOLTER 1-23	NENE 23-155-81	August 31, 2004
9365	BLIKRE 2-2A	SWSE 2-158-95	August 31, 2004
9866	SCHAEFER ET AL 1-3	NESE 3-155-91	August 31, 2004



NOTICE OF TRANSFER OF OIL AND GAS WELLS - FORM 15

INDUSTRIAL COMMISSION OF NORTH DAKOTA
OIL AND GAS DIVISION
600 EAST BOULEVARD DEPT 405
BISMARCK, ND 58505-0840
SFN 5782 (03-2000)

FOR STATE USE ONLY

NDIC Bond Number

PLEASE READ INSTRUCTIONS BEFORE FILLING OUT FORM. PLEASE SUBMIT THE ORIGINAL AND SIX COPIES.
THIS NOTICE ALONG WITH A FEE OF \$25.00 PER WELL SHALL BE FILED AT LEAST THIRTY DAYS BEFORE THE CLOSING DATE OF TRANSFER.

TRANSFERRING OPERATOR

Name of Operator Representative Margaret L. Hendriks			
Operator Transferring Oil and/or Gas Wells Nexen Oil and Gas U.S.A. Inc.			Telephone Number (403) 699-5840
Address P.O. Box 2727, Stn. "M"	City Calgary	State AB	Zip Code T2P 5C1
I, the above named representative, acknowledge the transfer of the oil and/or gas wells named below for the purpose of ownership and/or operation to the company named below.			
Signature <i>Margaret L. Hendriks</i>	Title (Must be an officer or power of attorney must be attached) Power of Attorney		Date AUG 31/04

Well File Number	Requested Official Well Name and Number	Location (Qtr-Qtr, S-T-R)	Assignment Date
	SEE ATTACHED SCHEDULE "A"		

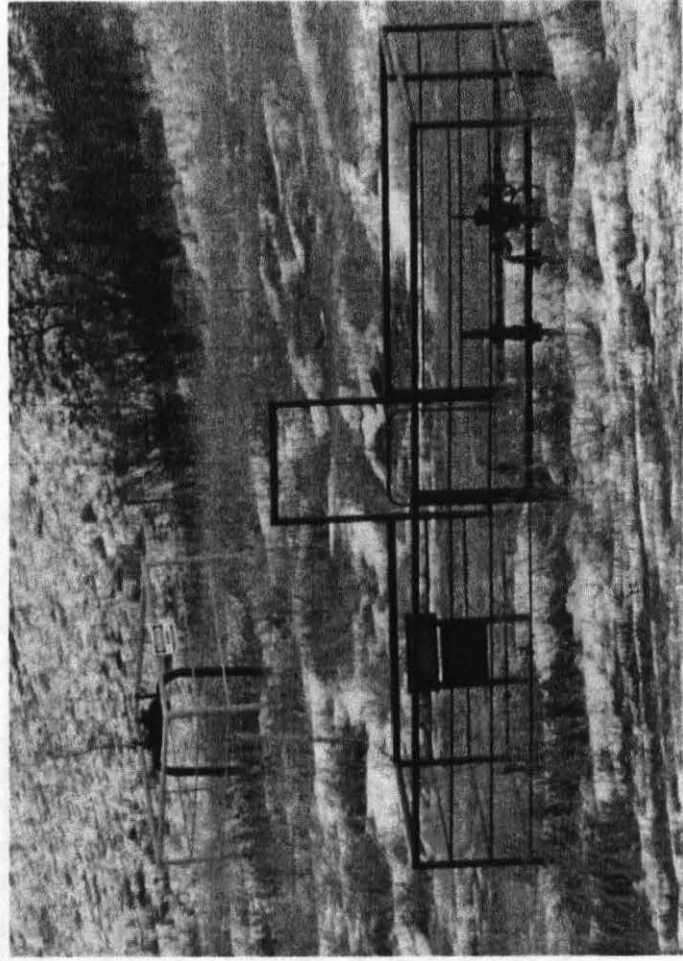
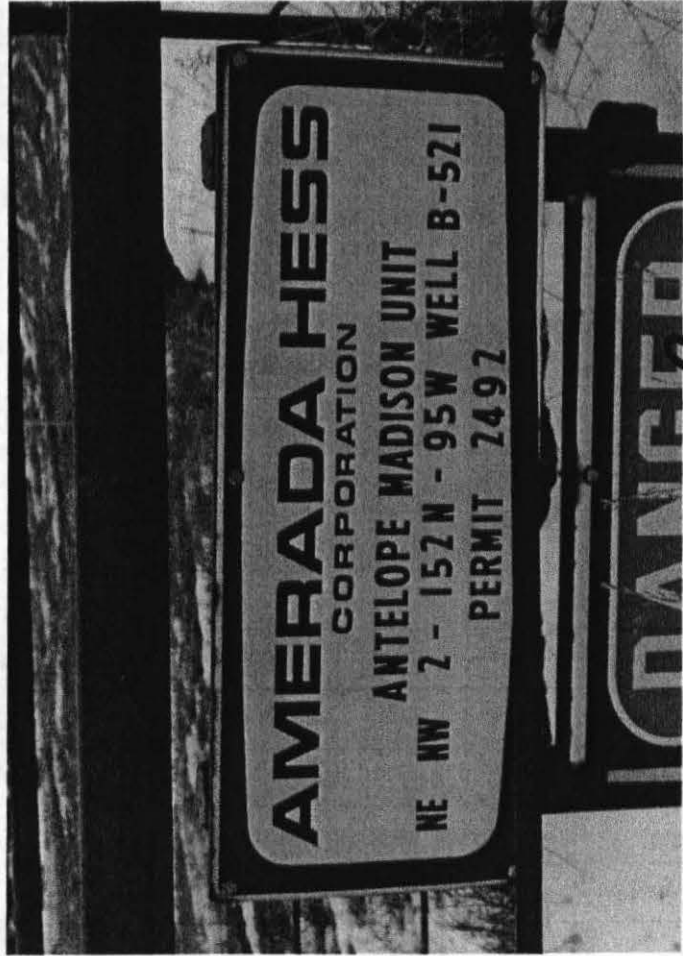
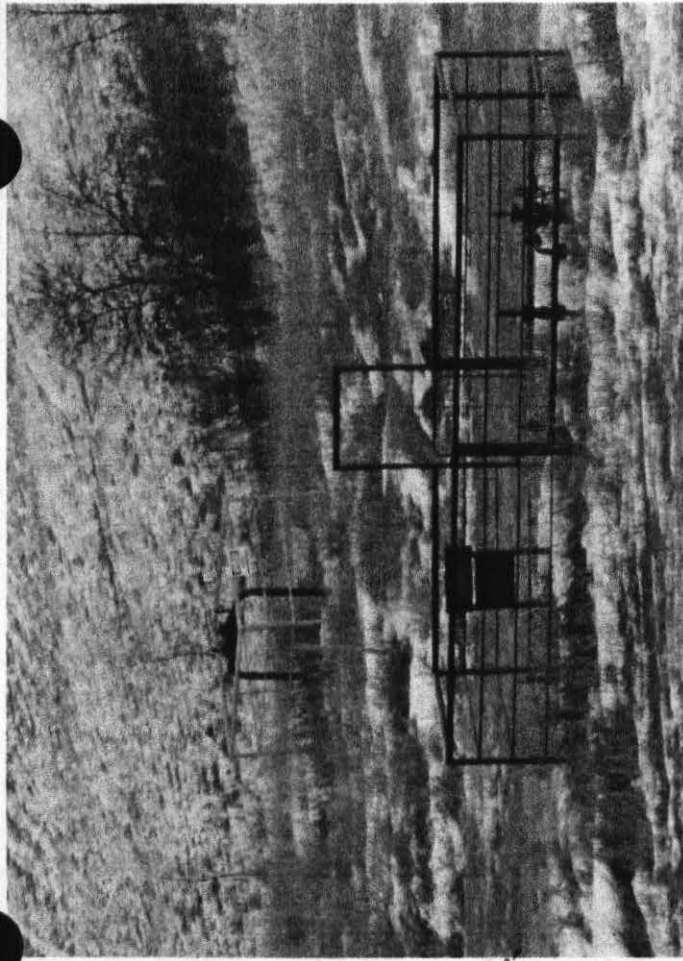
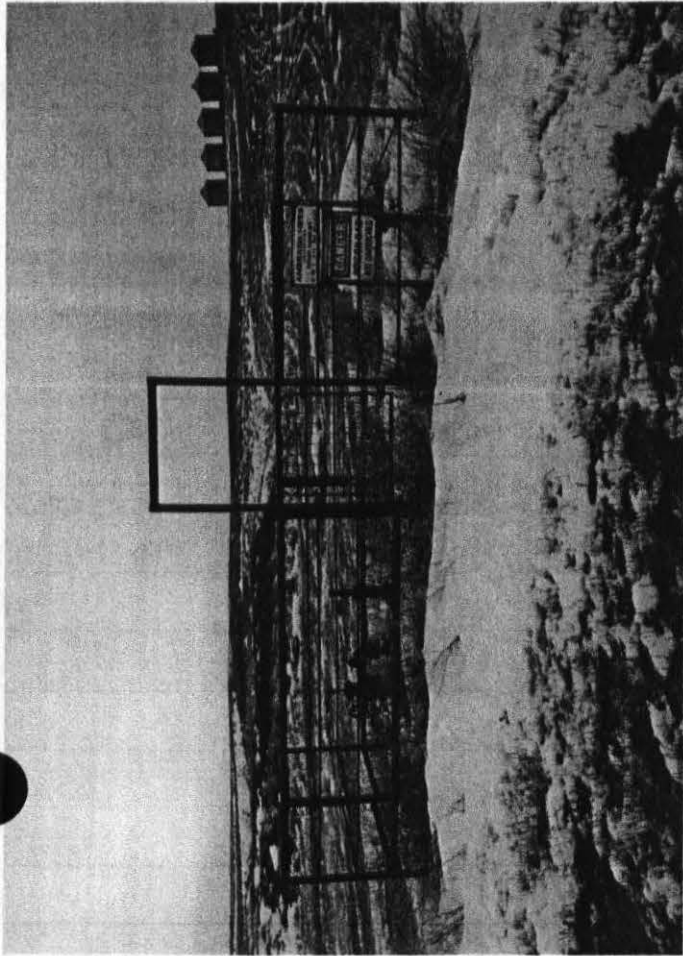
RECEIVING OPERATOR

Name of Operator Representative Michael S. Vandale			
Operator Receiving Oil and/or Gas Wells Arsenal Energy U.S.A. Inc.			Telephone Number (403) 262-4854
Address 1820, 330 - 5th Avenue S.W.	City Calgary	State AB	Zip Code T2P 0L4
I, the above named representative, have read the foregoing statement and accept such transfer, also the responsibility of ownership and/or operation of said well or wells, under the said company bond, said bond being tendered to or on file with the Industrial Commission of North Dakota.			
Signature <i>Michael S. Vandale</i>	Title (Must be an officer or power of attorney must be attached) President		Date AUGUST 31/04

SURETY COMPANY

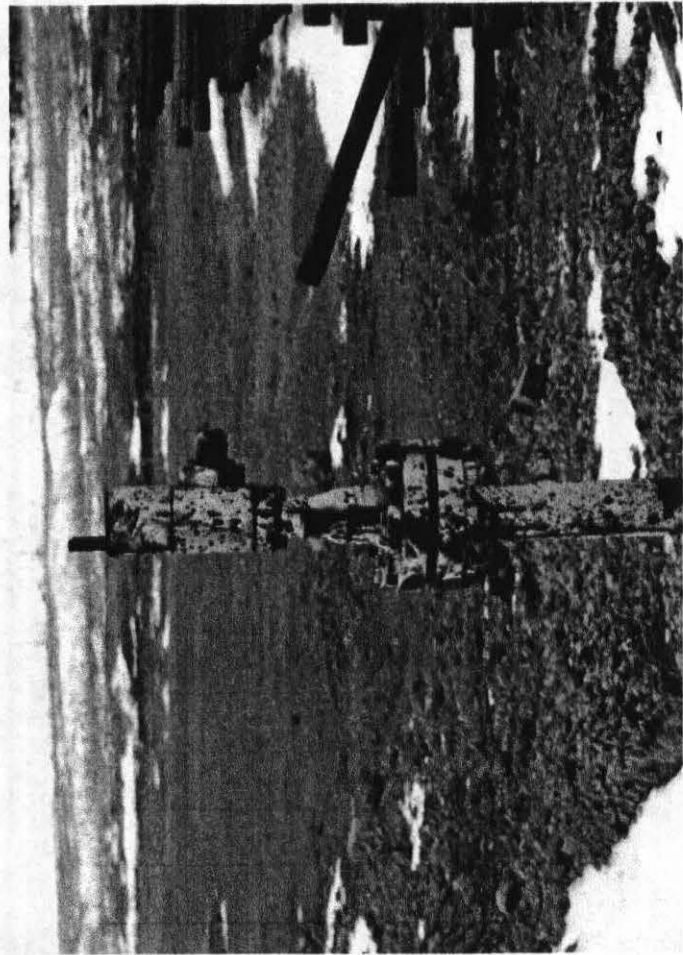
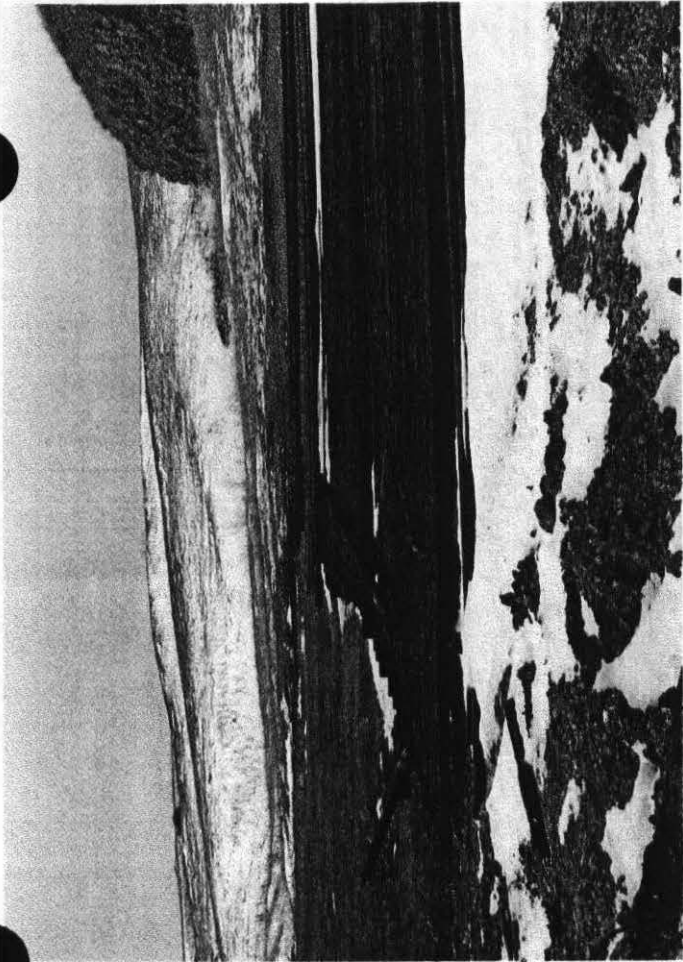
Surety N/A -- CASH BOND - BANK OF NORTH DAKOTA --			Telephone Number	Amount of Bond \$
Address	City	State	Zip Code	Bond Number
The above named SURETY agrees that such bond shall extend to compliance with Chapter 38-08 of North Dakota Century Code and amendments and the rules and regulations of the Industrial Commission of North Dakota prescribed to govern the production of oil and gas on government and private lands within the State of North Dakota, in relation to the above stated transfer; it being further agreed and understood that the bond sum or amount is not to be considered increased because of such extension.				
Signature	Title (Must be an officer or power of attorney must be attached)			Date
Printed Name	FOR STATE USE ONLY			

Date Approved OCT 11 2004
By ORIGINAL SIGNED BY
Title ACQUISITION DIRECTOR



Robert Brenne Ranch

1-15-07



No Well sign

Brenna Ranch

Senate Natural Resources Committee
House Bill 1511
Tom Irgens

Good Morning Chairman Lyson and members of the Natural Resources Committee. I am proud to be here this morning to present you with testimony in support of House Bill 1511.

My Name is Tom Irgens. I farm near Springbrook and I am a member of Dakota Resource Council's oil and gas task force.

I am here today to talk to you about the bonding of abandoned or idle wells.

I would like to thank Representative Shirley Meyer and the other sponsors of this bill for its introduction.

In 2005, DRC and the Western Organization of Resource Councils released a report called "*Filling the Gaps*". This report is an in-depth look at bonding and reclamation in five western states, including North Dakota.

Currently, an oil production company can post a bond in several ways. Collateral bond, self-bond, cash, or any alternative form of security approved by the Industrial Commission. Surety companies typically charge only about 2% of the total bond amount to guarantee bond. The amount the surety company charges is a reflection of individual operator risk, just as auto insurance companies charge higher premiums to risky drivers.

A company can post a single well bond of \$20,000. For that, they can drill one well. They can also post a blanket bond of \$50,000 and drill between 2 and 10 wells. A blanket bond for over 10 wells is \$100,000. This means that one bond can have dozens of wells for the small price of \$100,000.

In the "*Filling the Gaps*" report, we found that the average cost to reclaim an acre of land that has been disrupted by oil and gas development in North Dakota is \$13,874 per acre. The study looked at 43 wells in a newer field near Alexander in McKenzie County. At that time, the disturbed surface was approximately 500 acres. The total amount to reclaim those acres back to their original condition is over \$7,000,000.00. This amount includes the removal of all equipment, including buried pipelines and electrical lines. The total amount of bond that is posted for those 43 wells \$250,000. The bond that is posted for the wells in that area posted by the developer is \$150,000 for wells on federal lands and for the other wells there is a \$100,000 state bond. This leaves the total amount that the state of North Dakota and the taxpayers could be liable for at \$6.8 Million.

Costs for reclamation vary but it is estimated that the average cost to properly plug and reclaim a well is about \$50,000. That cost can rise depending on the terrain and the amount of developed roads. These costs have doubled in recent years and will only continue to increase.

The Department of Mineral Resources is familiar with bad operators. If the state of North Dakota has to reclaim the wells that were left behind by Earl Schwartz, we are looking at a very large price tag. Who is to say that there will not be other Earls in the future or, for that matter, in the present? Our oil economy is booming and now is the time to address this problem, not after the boom has gone bust, as booms always do. We need to insure that now when we are in the middle of heated development we work to achieve positive change.

The United States Department of Interior has studied the bonding practices on federal lands three times in the last 20 years and each time has concluded that bonding is inadequate. On federal lands, Congress granted the Bureau of Land Management (BLM) the authority to set bond amounts. In fact, Congress required BLM to set bond levels sufficient to "ensure the complete and timely reclamation of the lease tract, and the restoration of any lands or surface waters adversely affected by lease operations." We can do this in North Dakota and by doing so, we can do it right.

This bill will give the Department of Mineral Resources the authority to require an additional bond that will cover the actual costs of plugging and reclamation for those operators who allow wells to sit idle for longer than a year. Some companies have wells that have been sitting idle for years. In some cases, decades. Those companies will no longer be allowed to let this happen. They will have to start playing by the rules or they will have to pay the price. This will protect the Department of Mineral Resources and the taxpayer of North Dakota.

Surface owners in western North Dakota have tolerated oil and gas development on their lands for over 50 years. Some of the wells that were drilled during the initial development are sitting idle, not producing oil for many years. The operators of these wells should be required by statute to return the well to production or plug and reclaim the well and the surrounding area. This bill will see that this is done and that the disturbed lands are properly reclaimed and the land can be returned to its original state.

I ask that this committee consider this bill very carefully. Failure to vote in favor of this legislation is really support for the bad behavior of companies who have let wells that have outlived their use sit without being reclaimed.

I ask you for a DO PASS recommendation. Let's pass this bill in the Senate and send it on to the Governor for his signature.

Thank you.

Tom Irgens
Springbrook, ND

Engrossed House Bill No. 1511
Natural Resources Committee – Fort Lincoln Room

Testimony by
Bruce E. Hicks
Assistant Director
Oil and Gas Division
Department of Mineral Resources
North Dakota Industrial Commission

*Same
given to
Senate
appropriators*

Chairman Lyson and members of the Natural Resources Committee, my name is Bruce Hicks. I am the Assistant Director of the Oil and Gas Division of the North Dakota Industrial Commission.

We are neutral on this bill although we did prepare the Fiscal Note and we offer the following:

1. Engrossed HB1511 requires any well that has not produced oil or gas in paying quantities for one year, to be placed in AB status and either:
 - (a) return to production
 - (b) plugged and reclaimed
 - (c) properly TA'd
 - (d) or placed on a single well bond equal to the full cost of plugging and reclamation

If after one year the well has not been returned to production, plugged & reclaimed, or properly TA'd, the bond and all equipment are subject to forfeiture by the Commission.

2. The amendments previously engrossed into HB1511:
 - (a) forfeiture pursuant to 38-08-04.9 (Confiscation of Equipment) which requires an order of the Commission after notice and hearing
 - (b) allows the forfeiture of the current bond if the bond to cover full cost of plugging and reclamation was not obtained
 - (c) allows Commission discretion to require the additional bonding—will not be mandatory to require the additional bonding if an operator is cooperating
3. The Fiscal Note was prepared by our office and the following assumptions were made:
 - (a) 135 SI wells—29 considered high risk—would eventually have to be plugged
 - (b) full plugging and reclamation costs = \$50,000/well
 - (c) Commission can only plug 10 wells/year
 - (d) '07-'09 Biennium expenditures—plug 10 wells @ \$50,000/well = \$500,000
 - (e) '07-'09 Biennium revenues—15 forfeitures @ \$50,000/well = \$750,000
 - (f) '09-'11 Biennium expenditures—plug 20 wells @ \$50,000/well = \$1,000,000
 - (g) '09-'11 biennium revenues—15 forfeitures @ \$50,000/well = \$750,000
4. Senate Natural Resources Committee has amended HB1060 to remove the \$250,000 current cap on the AB Oil & Gas Fund—THANK YOU! It is mandatory the cap remain removed to allow implementation of the provisions of engrossed HB1511.
5. TA wells—not considered high risk—casing has been pressure tested and is a valuable asset:
 - (a) Unit potential—7 new appl in last 6 months—Units produce 62% of State production
 - (b) RE operations—many have been re-entered for horizontal applications