

Oil and Gas Division ^{SEP 16 2009}

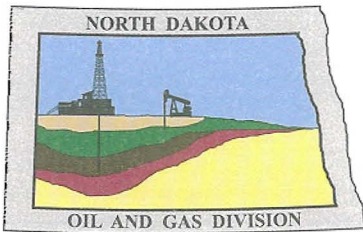
Lynn D. Helms - Director Bruce E. Hicks - Assistant Director

Department of Mineral Resources

Lynn D. Helms - Director

North Dakota Industrial Commission

www.dmr.nd.gov/oilgas



September 16, 2009

HAND-DELIVERED

Mr. John Walstad
Code Revisor
North Dakota Legislative Council
State Capitol
600 E. Boulevard, 2nd Floor
Bismarck, ND 58505-0360

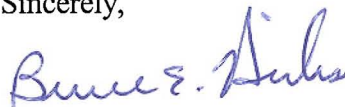
RE: **Amended Rules**

Dear Mr. Walstad:

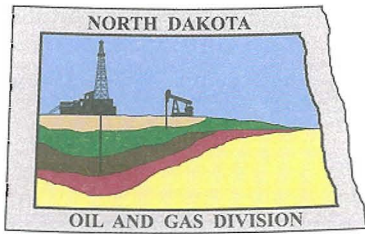
The Full Notice of Intent to Adopt and Amend Administrative Rules and a copy of the proposed rules are enclosed as required by North Dakota Century Code § 28-32-10.

If you have any questions or comments, do not hesitate to contact this office.

Sincerely,



Bruce E. Hicks
Assistant Director



Oil and Gas Division

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

Department of Mineral Resources

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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 a public hearing to address proposed amendments and additions to the North Dakota Administrative Code (NDAC) at 9am on October 15th, 2009 in the Conference Room of the Oil & Gas Division Building, 1016 E. Calgary Avenue, Bismarck, North Dakota. The proposals are summarized below:

The purpose of the proposed amendment to NDAC § 43-02-03-16 is to eliminate ambiguity in the rule. The proposed amendment clarifies the proposed pad layout, including cut and fill diagrams, must be submitted with the application for a permit to drill a well. 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 § 43-02-03-16.3 is to eliminate ambiguity in the rule. The proposed amendment eliminates the allowance of delivering the invitation less than thirty days in unusual circumstances. It also eliminates the allowance of delivery by facsimile transmission followed within one business day by mailing. It also clarifies an election to participate must be received by the owner giving the invitation within thirty days of the participating party's receipt of the invitation. The proposed amendment will provide an economic benefit to the regulated community.

The purpose of the proposed amendment to NDAC § 43-02-03-18 is to require public notice before a company can obtain a 320-acre drilling unit. The proposed amendment eliminates the Commission's ability to issue a 320-acre drilling unit administratively. The proposed adoption is expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-19 is to prevent the pollution of the drill site and to inform surface owners of proposed reclamation operations. The proposed amendments allow the Director to require the drill site to be sloped and diked to divert surface drainage, requires the operator to provide the surface owner at least ten days notice prior to commencing reclamation work, and requires the Commission to mail a copy of the approved reclamation notice to the surface owner. 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 eliminate ambiguity in the rule. The proposed amendment clarifies a temporary pit must be sufficiently impermeable to provide adequate temporary containment of fluids and requires saltwater, drilling mud, crude oil, waste oil, or other waste to be removed from the pit within twenty-four hours after being discovered. 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 § 43-02-03-21 is to provide guidelines for evaluating cement utilized during cementing operations of horizontal wells where a single-state cement job is performed on a long horizontal lateral. The proposed amendment requires the compressive strength of the filler cement to reach at least two hundred fifty pounds per square inch within forty-eight hours and at least five hundred pounds per square inch within ninety-six hours. The proposed amendment will provide an economic benefit to the regulated community.

The purpose of the proposed amendment to NDAC § 43-02-03-25 is to eliminate the need for survey contractors to submit a paper copy of directional surveys on directional wells and require such electronic surveys to be submitted timely. The proposed amendment eliminates the need for survey contractors to submit a paper copy of directional surveys on directional wells and requires such electronic surveys to be submitted within thirty days of reaching total depth in the well. The proposed amendment will provide an economic benefit to the regulated community.

The purpose of the proposed amendments to NDAC § 43-02-03-27 is to prevent the pollution of potable water due to casing leaks. The proposed amendments allow the Director to require the pre-treatment of casing and for the operator to notify the Director immediately upon causing damage to the casing or casing seat. 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 § 43-02-03-30 is to inform surface owners of leaks and spills that travel onto their land. The proposed amendment requires the operator to notify the surface owner of any incident that occurs or travels onto their land and requires the operator to provide a copy of any written report to the surface owner. 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 § 43-02-03-31 is to eliminate ambiguity in the rule. The proposed amendment clarifies that geologic reports must be submitted to the Commission if compiled. 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 § 43-02-03-49 is to eliminate ambiguity in the rule. The proposed amendment clarifies that the base material under the dike and the area within the dikes must be constructed of sufficiently impermeable material to provide emergency containment of fluids. 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 § 43-02-03-53 is to eliminate ambiguity in the rule. The proposed amendment clarifies that the base material under the dike and the area within the dikes must be constructed of sufficiently impermeable material to provide emergency containment of fluids. 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 § 43-02-03-55 is to eliminate ambiguity in the rule. The proposed amendment eliminates the need for the \$100 temporarily abandon renewal fee to actually accompany the request. The proposed amendment will provide an economic benefit to the regulated community.

The purpose of the proposed amendment to NDAC § 43-02-03-90.2 is to provide the Commission valuable horizontal well information when determining if correlative rights are being protected. The proposed amendment will include the certified directional surveys into the evidence of each case heard by the Commission, unless excluded by the hearing officer. The proposed amendment will provide an economic benefit to the regulated community.

The purpose of the adoption of NDAC Chapter 43-02-04.1 is to provide for rules and regulations pertaining to the geologic storage of carbon dioxide. The proposed rules provide for definitions, a scope of the chapter, site access, the transfer of carbon dioxide storage project permits, carbon dioxide project permits, amendments to project permits, subsurface rights of the operator, well permit applications, permit expiration, well operational standards, amendments to well permits, safety plans, leak detection and reporting, project requirements (including an administrative fee of \$0.01 and a liability fee of \$0.07 on each ton injected), reporting requirements, the project closure, and the determination of storage amounts. The proposed adoption is expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the adoption of NDAC § 43-02-12-01.1 is to outline the need for geophysical exploration requirements. The proposed addition clarifies that an exception to the rules can be granted after notice and hearing and also generally states the chapter contains general rules to govern geophysical exploration. The proposed adoption is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-12-05 is to provide an expiration for the geophysical exploration permit if it is not used. The proposed amendment provides that an exploration permit expires one year after the date it was issued, unless geophysical exploration activities have commenced. The proposed adoption is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-12-07 is to require a public hearing to prior to considering an operator's request to suspend a geophysical exploration project in which charges have been placed. The proposed amendment limits the Director's authority to suspend a project to ninety days unless all charges are detonated. The proposed adoption 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 & Gas Division at 1016 East Calgary Avenue, Bismarck, ND, or online at <https://www.dmr.nd.gov/oilgas/>. A copy of the proposed rules and/or a regulatory analysis may be requested by writing the above address or calling (701) 328-8038. Written and oral comments on the proposed rules sent to the above address and phone number and received by 5pm, October 26th, 2009, will be fully considered.

If you plan to attend the public hearing and will need special facilities or assistance relating to a disability, please contact the North Dakota Industrial Commission at (701) 328-8038, or write the Oil & Gas Division at the above address, no later than October 1, 2009.

Dated this 16th day of September, 2009.



Bruce E. Hicks
Assistant Director