

Oil and Gas Division

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

Department of Mineral Resources

Lynn D. Helms - Director

North Dakota Industrial Commission

www.dmr.nd.gov/oilgas

SEP 23 2011

September 23, 2011

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

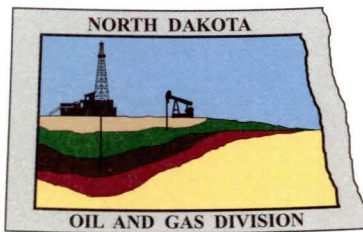
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FULL NOTICE OF INTENT TO

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 November 1st, 2011 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 § 43-02-03-05 is to move language to a more appropriate rule. The proposed amendment deletes language that more appropriately should be in our safety regulation under NDAC § 43-02-03-28. The proposed amendment will not have any impact on the regulated community.

The purpose of the proposed amendments to NDAC § 43-02-03-15 is to provide additional assurance that adequate bonding is required for operators of oil, gas, and commercial disposal wells. The proposed amendments increase the single well bond requirement from \$20,000 to \$50,000 and eliminate the ability to obtain a \$50,000 blanket bond. The proposed amendments are expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-16 is to avoid the recompletion of a well if such recompletion was likely to cause a serious threat of pollution or injury to the public health or safety. The proposed amendments would require the weight and grade of all casing currently installed in any well to be included in the application for permit to recomplete. The risk of casing embrittlement due to the presence of hydrogen sulfide gas would then be considered when reviewing the application for recompletion. The proposed amendments are expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-16.3 is to eliminate ambiguity in the rule. The proposed amendments clarify the invitation to participate in drilling a well must include only the approximate location of the well and also must include a description of the drilling or spacing. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-18 is to provide operators with additional time to develop a pool prior to considering the proper spacing. The proposed amendment continues the temporary spacing order of the Commission for a period of not more than three years instead of 18 months, at which time the proper spacing for the pool would be heard. The proposed amendment will provide an economic benefit to the regulated community.

The purpose of the proposed amendments to NDAC § 43-02-03-19 is to eliminate ambiguity in the rule by only addressing site construction operations. The proposed amendments remove all language that does not pertain to site construction and requires approval from the Director prior to using soil stabilization additives and materials. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-19.1 is to clarify the rule. The proposed amendments clarify when drilling and reserve pits must be fenced, screened, and netted. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-19.2 is to eliminate ambiguity in the rule and protect the environment. The proposed amendments clarify that waste material is that which is recovered from spills, leaks, and undesirable events and that such material must be disposed of immediately in an authorized facility. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-19.3 is to eliminate ambiguity in the rule and allow freshwater pits. The proposed amendments clarify that wells can be flowed back into a lined pit during the completion of a well. The amendments further allow the director to permit freshwater pits to be used in completion and well servicing operations. The proposed amendments will provide an economic benefit to the regulated community.

The purpose of the adoption of NDAC § 43-02-03-19.4 is to eliminate ambiguity in NDAC § 43-02-03-19 by addressing drilling pits in this new section. The proposed addition allows drill cuttings and solids, generated during well drilling and completion operations, to be buried in a pit as long as they are stabilized in a manner approved by the Director. The addition further allows the use of a small lined pit for trench water and rig wash, if reclaimed prior to the rig leaving the site. The proposed adoption is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the adoption of NDAC § 43-02-03-19.5 is to eliminate ambiguity in NDAC § 43-02-03-19 by addressing reserve pits in this new section and restricting the use of reserve pits. The proposed addition allows reserve pits for only wells drilled less than five thousand feet below the surface or above the top of the Rierdon Formation. 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 § 43-02-03-21 is to ensure remedial work on surface casing is adequate to properly protect all freshwater-bearing strata. The proposed amendments require a log to be run, prior to remedial work, to identify the presence of cement behind the surface casing when it is not adequately filled with cement, and also requires Director approval prior to performing such remedial work. The amendments further require the surface casing to be pressure tested to prove mechanical integrity of the casing string. The proposed amendments are expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-25 is to eliminate ambiguity in the rule. The proposed amendment clarifies that directional surveys must be in reference to true north. The proposed amendment will not have an impact on the regulated community in excess of \$50,000.

The purpose of the adoption of NDAC § 43-02-03-27.1 is to address hydraulic fracture stimulation procedures. The proposed addition outlines the requirements to perform a hydraulic fracture stimulation. 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 § 43-02-03-28 is to eliminate ambiguity in NDAC § 43-02-03-05 and to protect public health or safety. The proposed amendment requires remote operated or automatic shut-down equipment to be installed on any well that is likely to cause a serious threat of pollution or injury to the public health or safety and requires injection well equipment to be located at least five hundred feet from an occupied dwelling. The proposed amendments are expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the adoption of NDAC § 43-02-03-30.1 is to address leaks and spill cleanup. The proposed addition requires operators to respond with appropriate resources to contain and clean up spills. The proposed adoption is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-31 is to provide industry and the public with digital well log information and provide information to certain officials when deemed necessary to protect the public. The proposed amendment requires a digital TIFF copy, instead of the current paper copy, of all logs run. The amendments further require that, prior to completing a well, the cement bond log be run and that confidential completion and production data may be released to certain officials if deemed necessary to protect the public's

health, safety, and welfare. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the adoption of NDAC § 43-02-03-34.1 is to eliminate ambiguity in NDAC § 43-02-03-19 by addressing the reclamation of a well site in this new section. The proposed addition includes site reclamation requirements previously under NDAC § 43-02-03-19. The addition further requires stabilized soil to be remediated. 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 § 43-02-03-49 is to keep the footprint of a well site or production facility as small as possible. The proposed amendment requires unused tanks and production equipment to be removed from the site or placed into service. The proposed amendments also remove some language that will now be included under NDAC § 43-02-03-30.1. The proposed amendments are expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-51 is to provide additional assurance that adequate bonding is required for operators of treating plants. The proposed amendments increase the minimum amount of a bond from \$20,000 to \$50,000. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-53 is to keep the footprint of a saltwater handling facility as small as possible and to address oil recovered from such facilities. The proposed amendment requires unused tanks and injection equipment to be removed from the site or placed into service. The proposed amendments also remove some language that will now be included under NDAC § 43-02-03-30.1 and requires all crude oil recovered from the facility to be reported to the Commission. The proposed amendments are expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-54 is to allow a reasonable time-frame to complete investigations. The proposed amendments allow the Director a reasonable time to respond to a written complaint. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-55 is to eliminate ambiguity in the rule. The proposed amendments clarify that water source wells and stratigraphic test wells will be in abandonment status if unused for one year. The proposed amendments are not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendments to NDAC § 43-02-03-88.1 is to eliminate ambiguity in the rule, expedite the hearing process, and make more efficient use of man-hours. The proposed amendments allow testimony via affidavit and clarifies when written comments or objections must be received by the Commission. The proposed amendments will provide an economic benefit to the regulated community.

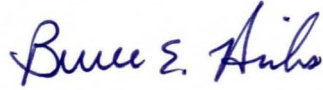
The purpose of the proposed amendment to NDAC § 43-02-03-90.2 is to eliminate ambiguity in the rule. The proposed amendment clarifies when written comments or objections must be received by the Commission. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-12-06 is to allow the Director to get periodic updates on large or suspended geophysical exploration projects. The proposed amendment allows the Director to require progress reports prior to the completion of a project. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The proposed rules may be reviewed at the office of the Oil & 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) 328-8020. Written comments on the proposed rules, sent to the above address, and received by 5pm, November 14th, 2011, will be fully considered. Oral comments can be given at the public hearing at 9am on November 1st, 2011.

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) 328-8020, or write the Oil & Gas Division at the above address, no later than October 18, 2011.

Dated this 23rd day of September, 2011.

A handwritten signature in blue ink that reads "Bruce E. Hicks". The signature is written in a cursive style with a large initial "B".

Bruce E. Hicks
Assistant Director