

## House Bill 1054 House Energy and Natural Resources Committee

January 15, 2021

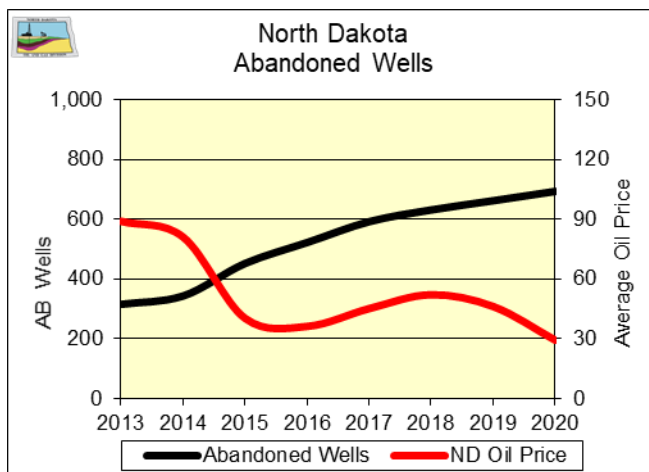
Testimony of Bruce E. Hicks, Assistant Director—NDIC—DMR—Oil and Gas Division

Chairman Porter and members of the House Energy and Natural Resources Committee, our department introduced this bill and we offer the following information in support:

North Dakota Century Code Section 38-08-04(1)(a)(12) currently allows the Commission to require an operator to place an abandoned well on a single-well bond in the amount equal to the cost of plugging the well and reclaiming the well site if the abandoned well is not returned to production in paying quantities, approved for temporarily abandoned status, or plugged and reclaimed within six months.

HB 1054 amends 38-08-04(1)(a)(12), making it mandatory for operators to obtain said single-well bond. Please take note of the following facts:

- The Commission has been requiring operators to file said bond whenever they fail to bring the well into compliance within six months, therefore the amendment would not affect Commission policy
- Only wells which have not produced oil or natural gas in paying quantities for one year are subject to this amendment
- Blanket bonds could continue to carry up to six abandoned wells not subject to 38-08-04(1)(a)(12)—such as injection wells



Oil prices have not rebounded sufficiently over the past seven years for operators to return abandoned wells to economic production. This has caused abandoned well counts to double over the same time period. The proposed amendment is necessary to strengthen the bond requirements and provide incentive for the operator to bring the abandoned well into compliance with Commission rules.