

# Director's Cut

## August 2019 Production

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### Oil Production

July	44,823,939 barrels = 1,445,934 barrels/day (Final)
August	45,799,226 barrels = 1,477,394 barrels/day (NEW all-time high) 1,423,816 barrels/day or 96% from Bakken and Three Forks 53,578 barrels/day or 4% from legacy conventional pools

### Gas Production

July	91,289,310 MCF = 2,944,816 MCF/day
August	93,403,559 MCF = 3,013,014 MCF/day (NEW all-time high)

### Producing Wells

July	15,954
August	15,942 (Preliminary)(All-time high was 15,954 July 2019) 14,383 wells or 90% are now unconventional Bakken – Three forks wells 1,559 wells or 10% produce from legacy conventional pools

### Permitting

July	141 drilling and 2 seismic
August	127 drilling and 0 seismic
September	92 drilling and 2 seismic (all-time high was 370 in 10/2012)

### Crude Price<sup>1</sup>

	North Dakota Light Sweet	WTI
July	\$43.10/barrel	\$57.54/barrel
August	\$44.58/barrel	\$54.84/barrel
September	\$46.88/barrel	\$57.02/barrel
Today	\$41.00/barrel	\$53.11/barrel
All-time High (7/3/08)	\$136.29/barrel	\$145.29/barrel

### Rig Count

July	57
August	62
September	61
Today	60 (All-time high was 218 on 5/29/2012)
The statewide rig count is down 72% from the high and in the five most active counties rig count is down as follows:	
Divide	-100% (High was 3/2013)
Dunn	-74% (High was 6/2012)
McKenzie	-75% (High was 1/2014)
Mountrail	-71% (High was 6/2011)
Williams	-69% (High was 10/2014)

<sup>1</sup> Pricing Source: Flint Hills Resources

## Fort Berthold Reservation Activity

	<b>Total</b>	<b>Fee Land</b>	<b>Trust Land</b>
Oil Production	335,475 barrels/day	101,777 barrels/day	233,698 barrels/day
Drilling Rigs	15	6	9
Active Wells	2,242	597	1,645
Waiting on completion	161		
Approved Drilling Permits	427	70	357
Potential Future Wells	4,310	1,167	3,143

## Drilling and Completions Activity

The drilling rig count was very stable in the mid-sixties for the first half of the year. Operators have shifted to incremental increases and decreases based on oil price, capital availability, and gas capture. Operators have implemented plans to use 2-5 fewer rigs second half of 2019 based on oil price, capital availability, and infrastructure constraints.

The number of well completions has become variable again due to oil price, gas capture, workforce, and weather:

June	123 (Final)
July	128 (Revised)
August	72 (Preliminary)

91% of drilling targets the Bakken and Three Forks formations.

From end of July to end of August:

- Estimated wells waiting on completion<sup>2</sup> is 916 (Down 14)
- Estimated inactive well count<sup>3</sup> is 1,613 (Down 62)

Lower crude oil price, gas capture, workforce, and competition with the Permian and Anadarko shale oil plays for capital continue to limit drilling rig count. Utilization rate for rigs capable of 20,000+ feet is 50-60% and for shallow well rigs (7,000 feet or less) 35-45%.

Drilling permit activity is normal. Operators continue to maintain a permit inventory that will accommodate varying oil prices for the next 12 months.

Rigs actively drilling on federal surface in the Dakota Prairie Grasslands is unchanged at two.

<sup>2</sup> The number of wells waiting on completions is an estimate on the part of the director based on idle well count and a typical five year average. Neither the State of North Dakota, nor any agency officer, or employee of the State of North Dakota warrants the accuracy or reliability of this product and shall not be held responsible for any losses caused by this product. Portions of the information may be incorrect or out of date. Any person or entity that relies on any information obtained from this product does so at his or her own risk.

<sup>3</sup> Includes all well types on IA and AB statuses: **IA** = Inactive shut in >3 months and <12 months;  
**AB** = Abandoned (Shut in >12 months)

## Seismic

Seismic activity is very slow.

Active Surveys	Recording	NDIC Reclamation Projects	Remediating	Suspended	Permitted
3	1	2	0	1	2

## Gas Capture

US natural gas storage decreased to the five-year average indicating little potential for price improvement in the future. North Dakota shallow gas exploration could be economic at future gas prices but is not at the current price.

The price of natural gas delivered to Northern Border at Watford City is up \$.15 at \$1.92/MCF. This results in a current oil to gas price ratio of 21 to 1. The statewide gas flared volume from July to August decreased 93,402 MCF to 577,259 MCF per day and percent flared decreased to 19% with a Bakken capture percentage of 81%.

The historical high flared percent was 36% in 09/2011.

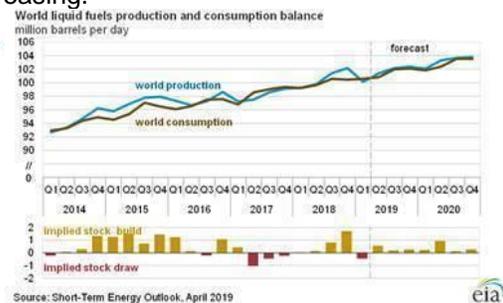
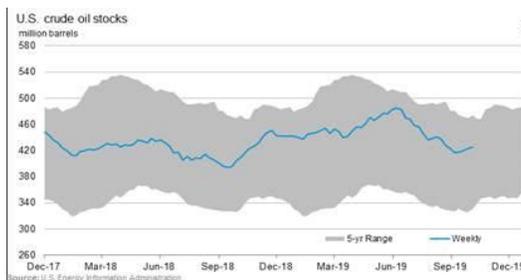
July captured	70,498,855 MCF = 2,274,157 MCF/day
August captured	75,508,546 MCF = 2,435,760 MCF/day (NEW All-time high)
Statewide.....	81%
Statewide Bakken.....	81%
Non-FBIR Bakken.....	83%
FBIR Bakken.....	75%
Trust FBIR Bakken...	75%
Fee FBIR.....	76%

The Commission has established the following gas capture goals:

74%	October 1, 2014 through December 31, 2014
77%	January 1, 2015 through March 31, 2016
80%	April 1, 2016 through October 31, 2016
85%	November 1, 2016 through October 31, 2018
88%	November 1, 2018 through October 31, 2020
91%	Beginning November 1, 2020

## Crude Oil Markets

OPEC and Russia have agreed to production restrictions needed to balance Venezuela's export collapse, US sanctions on Iran, and the slowing world economy. Futures markets and EIA continue to anticipate crude oil oversupply through year end 2020. US crude oil inventories are now well above the long term average and increasing.



Crude oil takeaway capacity including rail deliveries to coastal refineries is more than adequate, but Washington state Senate Bill 5579 threatens to disrupt 150,000-200,000 barrels per day.

## Agency Updates

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### Bureau of Indian Affairs

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**BIA** has published a new final rule to update the process for obtaining rights of way on Indian land. The rule was published 11/19/15 and became effective 12/21/15. The final rule can be found at <https://www.federalregister.gov/articles/2015/11/19/2015-28548/rights-of-way-on-indian-land>. On 3/11/16, the Western Energy Alliance filed a complaint and motion for a temporary restraining order and/or a preliminary injunction. On 4/19/16, the US District court for the District of North Dakota issued an order denying the motion for a preliminary injunction. New valuation requirements have resulted in increased delays since 1/1/19.

### Bureau of Land Management

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**BLM** published a new final rule 43 CFR Parts 3100, 3160 and 3170 to update and replace its regulations on venting and flaring of natural gas effective 1/17/16. The final rule can be viewed online at <https://www.blm.gov/programs/energy-and-minerals/oil-and-gas/operations-and-production/methane-and-waste-prevention-rule>. North Dakota, Wyoming, Montana, Western Energy Alliance, and IPAA filed for a preliminary injunction to prevent the rule going into effect until the case is settled. A hearing in Casper, Wyoming was held 1/6/17. On 1/16/17 the court denied all of the petitioners' motions for preliminary injunctions. **On 2/3/17 the US House of Representatives voted 221-191 to approve a Congressional Review Act resolution against the rule.** On 3/28/17 President Trump issued an executive order which in part directs "The Secretary of the Interior shall review the following final rules, and any rules and guidance issued pursuant to them, for consistency with the policy set forth in section 1 of this order and, if appropriate, shall, as soon as practicable, suspend, revise, or rescind the guidance, or publish for notice and comment proposed rules suspending, revising, or rescinding those rules." This rule is included in the list as item (iv). North Dakota plans to continue active participation in the litigation of this rule until the BLM takes final action eliminating the rule. **On 5/10/17 the Senate voted 51 to 49 against the CRA, allowing the rule to remain in effect.** On 6/27/17 U.S. D. Ct. Judge Skavdahl granted BLM's motion to extend the merits briefing schedule by 90 days, based on BLM's APA 705 stay and BLM's representations regarding its plans to reconsider the VF Rule. Opening briefs were filed 7/3/17. On 7/5/17 California and New Mexico sued BLM in the U.S. District Court for the Northern District of California, seeking a declaratory judgement that BLM's APA 705 stay was illegal and vacating the stay. The relief they request would vacate the stay of the January 2018 compliance et al deadlines, bringing them all back into force. BLM officials encouraged North Dakota to intervene. On 7/12/17 a group of NGOs including the Fort Berthold Protectors of Water and Earth Rights filed a separate suit against the BLM in federal court in the U.S. District Court for the Northern District of California, seeking a declaratory judgement that BLM's APA 705 stay was illegal and vacating the stay. California and New Mexico, along with various environmental groups, have challenged BLM's stay in the Northern District of California, and filed a motion for summary judgment on 7/26/17. On 8/24/17 North Dakota filed a response supporting BLM's motion, a motion to intervene, and a motion to change venue to Wyoming in an attempt to prevent all of the litigation regarding the timing of the Flaring Rule, including the future rulemakings further extending compliance deadlines that BLM has stated that it intends to publish, could end up in front of the magistrate judge in the Northern District of California instead of Judge Skavdahl in Wyoming. On 10/04/17 the federal magistrate judge in the Northern District of California granted the summary judgement motion by California, New Mexico, and several NGOs throwing out BLM's administrative and temporary postponement of several of the future rules compliance dates/obligations. On 10/05/17 the BLM issued a Federal Register Notice for a proposed rule that if finalized will delay certain requirements of the BLM Rule until January 17, 2019. North Dakota submitted comments to (1) support BLM's decision to delay certain compliance requirements and (2) continue to make the record that BLM exceeded its authority to promulgate the rule in the first place with particular emphasis on the specific/unique North Dakota considerations at issue. NDIC comments are available at <http://www.nd.gov/ndic/ic-press/dmr-blm-comments17-11.pdf>. BLM, the states of CA & NM, and the NGOs supporting the current final rule were granted an extension to file response briefs to December 11<sup>th</sup> in the WY court. Oral arguments are scheduled on December 18<sup>th</sup>. Judge

Skavdahl has indicated he wishes to decide the merits of this case before the major compliance requirements of the current final rule take effect in January of 2018. On 11/29/17 North Dakota filed a response to industry petitioner's motion for a preliminary injunction supporting a preliminary or permanent injunction. On 12/4/17 USDOJ petitioned the 9<sup>th</sup> US Judicial Circuit Court in San Francisco to review and overturn the Northern District of California court's November decision ordering the US Bureau of Land Management to make oil and gas producers comply with the methane emissions requirements while the rules are being reviewed. Briefs in favor of the industry preliminary injunction motion are due on 12/18/17 and briefs responding to BLM's motion to stay the litigation are due on 1/5/18. On 12/7/17 BLM published a rule in the Federal Register delaying the methane regulation until January 2019, saying the previous rule is overly burdensome to industry. Officials said the delay will allow the federal Bureau of Land Management time to review the earlier rule while avoiding tens of millions of dollars in compliance costs to industry that may turn out to be unnecessary. On 12/19/17 BLM was sued by California, New Mexico, and a large group of NGOs in the Northern District of California federal court over the 12/7/17 rule extending certain compliance dates in BLM's 2016 Rule. The complaint requests that BLM's extension rule be set aside and the provisions it relates to reinstated. On 12/26/17 BLM filed a motion seeking to stay the litigation in the U.S. District Court case in WY and to vacate the January 5 briefing deadline, a motion in which the industry trade associations and Montana and Wyoming joined. North Dakota and Texas filed a short response on 12/27/17 asking the Court to deny the motion or allow until 1/12/18 to fully respond to BLM's holiday week motion. On 12/29/17 the Wyoming district court granted BLM's motion to stay the 2016 Rule challenge litigation. On 2/22/18 BLM published a new rule proposal to revise the 2016 final Waste Prevention Rule (also known as the venting and flaring rule). The proposed rule would eliminate duplicative regulatory requirements and re-establish long-standing requirements that the 2016 final rule sought to replace. While the proposed rule is open for public comment generally, the Federal Register notice specifically requests comment on ways that the BLM can reduce the waste of gas by incentivizing the capture, reinjection, or beneficial use of the gas. Public comments on this proposed rule were due to the BLM on or before 4/23/18. NDIC comments can be viewed at <http://www.nd.gov/ndic/ic-press/blm%20comments%20180417.pdf>. On 2/22/18 Judge Orrick in the Northern District of California entered a preliminary injunction against the BLM's "Suspension Rule" which suspended for one year certain compliance deadlines in BLM's Venting and Fairing Rule. Judge Orrick also denied North Dakota's motion to transfer the case to the District of Wyoming where Judge Skavdahl had stayed the original rule on the grounds that parties were protected by the Suspension Rule. The immediate effect of this decision was to reinstate the BLM Venting and Fairing Rule in full, along with compliance deadlines that became effective January 17, 2018, and remove the protections relied upon by Judge Skavdahl the District of Wyoming case. On 3/7/18 U.S. District Court Judge Skavdahl granted the North Dakota/Texas Motion to lift the stay in the challenge to the BLM's Venting & Flaring Rule. The California Court explicitly adopted North Dakota's central position in intervention - stating that "I express no judgment whatsoever in this opinion on the merits of the [V&F] Rule," showing great deference to Judge Skavdahl and the existing case in his Court and rejecting the California, NM, and NGOs request to uphold the V&F Rule. Judge Skavdahl's Lift Stay Order gives BLM until March 14 to file its response to North Dakota/Texas, as well as to the motions filed by Wyoming/Montana and Industry, with reply briefs due March 21. Wyoming/Montana are seeking a partial stay of the VF Rule under Section 705, and Industry is seeking a partial Preliminary Injunction of the Rule. On 4/4/18 U.S. District Judge Skavdahl issued an order granting Wyoming's request for a partial stay of the Rule under Section 705 of the APA. The Court's limited Stay Order provides immediate relief to industry, but the balance of the Rule, including BLM's unlawful exercise of authority over State and private mineral interests through an over-inclusive application of communitization remains. The Court denied the North Dakota/Texas motion to move forward to complete briefing on the merits, and also denied industry's motion for a preliminary injunction. The Court expressed frustration with "the administrative dysfunction" reflected by this case as it ping-pongs between the District Courts of Wyoming and the N.D. of CA and BLM's various attempts to delay, rescind or replace the Rule, concluding that "going forward on the merits at this point remains a waste of judicial resources and disregards prudential ripeness concerns." On 4/5/18 15 NGOs filed a Notice of Appeal with the 10<sup>th</sup> Circuit. California & New Mexico followed suit on 4/5/18 and have now also filed an appeal with the 10<sup>th</sup> Circuit. On 9/12/18 North Dakota filed a brief in the 10<sup>th</sup> Circuit Court of Appeals urging the Court, if it

chooses to reverse the Wyoming district court's Stay Order, to remand the case back to the Wyoming district court with direction to finish this protracted legal process by promptly proceeding to a ruling on the merits. On 9/18/18 BLM issued their final rule revising the Obama-era Waste Prevention Rule, also referred to as the venting and flaring rule. The new rule will better align venting and flaring regulations with President Trump's priorities on energy development, job creation, and reduced compliance costs. These changes will also allow BLM to recognize existing state regulatory efforts and avoid duplicative requirements. In response to comments and after further consideration, the BLM made the following modifications to the proposed rule in this final rule: (1) Clarification that the 24-hour limit on royalty-free flaring during downhole well maintenance and liquids unloading in § 3179.104 applies "per event"; (2) Addition of a standard for "applicable rules, regulations, or orders" of a State regulatory agency or tribe in § 3179.201(a); and (3) Addition of a provision allowing for tribes to seek BLM approval to have tribal rules apply in place of any or all of the provisions of subpart 3179. The revised rule goes into effect on 11/27/18. On 9/28/18 a coalition of 17 conservation and tribal citizen groups filed a lawsuit challenging the decision to revise the Bureau of Land Management's Waste Prevention Rule, stating that the rule violates a number of existing federal policies. The states of New Mexico and California also filed a lawsuit challenging BLM's action. The BLM and NDIC have reached an impasse on negotiations for an agreement to implement section 3179.201, but continue to communicate regarding possible ways to resolve the disagreement.

**BLM** revised final regulations for hydraulic fracturing on federal and Indian lands were published in the CFR on 3/26/15 and they were scheduled to go into effect 6/24/15. North Dakota, Colorado, Utah, Wyoming, Western Energy Alliance, and IPAA filed for a preliminary injunction to prevent the rules going into effect until the case is settled. Following a lengthy hearing in Casper, Wyoming on 6/23/15, the court issued a stay on the rules. On 9/30/15 the court granted a preliminary injunction, preventing the rules from being enforced until litigation on the rule is final. The 10<sup>th</sup> Circuit Court of Appeals issued an order 3/10/16 denying the industry alternative motion for a stay. On 6/21/16 the court found the rule to be unlawful and ordered it set aside. The plaintiffs filed a motion with the US Court of Appeals for the Tenth Circuit to dismiss the appeal of the preliminary injunction. The Department of Justice on behalf of the BLM and the intervening environmental groups filed an appeal of the decision on the rule and oppose the motion to dismiss the appeal of the preliminary injunction. The North Dakota Response Brief to the US Court of Appeals for the Tenth Circuit was filed 9/15/16. NDIC comments on the rule can be found at <http://www.nd.gov/ndic/ic-press/BLM-comments-120625.pdf>. On 3/28/17 President Trump issued an executive order which in part directs "The Secretary of the Interior shall review the following final rules, and any rules and guidance issued pursuant to them, for consistency with the policy set forth in section 1 of this order and, if appropriate, shall, as soon as practicable, suspend, revise, or rescind the guidance, or publish for notice and comment proposed rules suspending, revising, or rescinding those rules". This rule is included in the list as item (i). On 5/4/2017 BLM filed a request asking the court to hold the appeal in abeyance as it will "soon" initiate a rulemaking process to revise or rescind the 2015 Rule, that it had the authority to issue the Rule, but conceding that the Rule does not reflect BLM's current priorities or policies, as reflected in certain recent Presidential Executive Orders. After the BLM submitted its filings the 10th Circuit Court Appeals immediately directed the petitioners (including North Dakota) and the intervenors to file briefs by 6/5/17 to respond to BLM's position. Two amicus groups that submitted merits briefs (the law school professors and former DOI officials) filed supplemental amicus briefs on the questions posed by the Court following the change of Administrations. The Court's Supplemental Order authorized the filing of these additional amicus briefs. Both briefs seek to capitalize on the BLM's continued insistence that it had the authority to issue the Rule (but concede that the 2015 HF Rule does not reflect BLM's current priorities or policies as reflected in certain recent Presidential Executive Orders). The two amicus groups solicit the Court to rule on the merits of the BLM and NGO appeals and to overturn the District Court decision, actually asking the Court to issue an advisory opinion on the BLM's authority. In addition to addressing the NGO arguments, North Dakota will respond to these two briefs in the context that all three parties are asking the Court to do what it is prohibited from doing by Article III of the U.S. Constitution. North Dakota filed a response brief 6/20/17 in support of the BLM action to put the rule in abeyance and take final action vacating the rule. Oral arguments before the 10<sup>th</sup> Circuit took place 7/27/17. A recording of the oral arguments is now available on the home page of the

court's website <http://www.ca10.uscourts.gov>. NDIC filed comments supporting BLM's rescission of the rule that can be found at <http://www.nd.gov/ndic/ic-press/dmr-blm-comment17-9.pdf>. On 09/21/17 the 10th Circuit issued a split (2-1) decision to dismiss the appeals as prudentially unripe, vacate the district court's judgment invalidating the rule, and remand with instructions to dismiss the underlying action without prejudice. Appellees State of North Dakota, State of Colorado, State of Utah, and State of Wyoming's filed a Petition for Panel Rehearing And/Or Request for En Banc Determination on 11/03/17. On 11/06/17 the court ordered the appellants to file a response to the Petition on or before 11/20/2017. The En Banc rehearing request was denied. The 10<sup>th</sup> circuit court has not yet issued its mandate ending the current round of litigation in the Wyoming District court. The Ute tribe filed a motion on 1/12/18 asking the court to dismiss the appeals as moot based on the publication of the rescission rule and leave the WY court decision to vacate the rule in place. The court ordered the DOJ and BLM to file a response by 1/22/18. On 12/29/17 BLM published a final rule rescinding the 2015 Hydraulic Fracturing rules with 2 exceptions 1) the rule does not restore language requiring pre-approval of non-routine hydraulic fracturing operations and 2) the rule does not rescind changes to 43 CFR 3160 due to other rules published between 3/26/15 and 12/29/17 (electronic filing and venting & flaring rules). On 2/7/18 North Dakota filed a reply in support of its motion to dismiss the original rule appeal as moot pursuant to Federal Rule of Appellate Procedure 27(a)(4), and request that the Court should not issue the mandate, nor vacate the District Court's judgment based on two new and important developments: (1) on December 29, 2017, the Bureau of Land Management (BLM) promulgated a final rule rescinding the Hydraulic Fracturing Rule ("HF Rule"), and (2) on January 24, 2018, the Citizen Group Intervenors challenged the repeal of the HF Rule ("HF Repeal Rule") in the U.S. District Court for the Northern District of California.

**BLM** On 8/9/17 the DOI Interior board of Land Appeals stayed drilling on the Slawson Torpedo wells. The MHA Nation appealed the BLM decision to grant drilling permits because the well pad is located 600 feet from Lake Sakakawea although a 2012 tribal law requires the wells be 2,640 feet from the lake. The spacing unit for the wells contains private, federal, and state minerals while the surface location is on private land within the boundaries of the Fort Berthold Reservation. On 8/15/17 U.S. District Court Judge Daniel Hovland granted Slawson's request to continue drilling and on 8/29/17 extended the order allowing drilling to continue until another hearing on the matter is held. On 6/21/18 the Mandan, Hidatsa and Arikara Nation sued the U.S. Department of the Interior challenging a decision from the agency's Office of Hearing and Appeals that the tribe said approved drilling near a lake within the boundaries of the nation's Fort Berthold Indian Reservation. Among other things, the nation asked for "an order setting aside and vacating the director's decision and holding that the eight [applications for permit to drill] must be denied because they are within 1,000 feet of Lake Sakakawea, the source of the MHA Nation's drinking water; or in the alternative reinstating the board's stay order and remanding the case back to the Department of the Interior for reconsideration." Slawson intervened in the case and moved to have the appeal transferred to the U.S. District Court in North Dakota. The court granted Slawson's motion and the appeal was transferred to the U.S. District Court in North Dakota, where it is currently pending.

## **Environmental Protection Agency**

**EPA** On 08/21/2018 the U.S. Environmental Protection Agency (EPA) proposed a new rule to reduce greenhouse gas (GHG) emissions from existing coal-fired electric utility generating units and power plants across the country. This proposal, entitled the Affordable Clean Energy (ACE) Rule, establishes emission guidelines for states to use when developing plans to limit GHGs at their power plants. The ACE Rule replaced the prior administration's Clean Power Plan (CPP) and instead empowers states, promotes energy independence, and facilitates economic growth and job creation. Pursuant to President Trump's Executive Order 13873, which directed Federal agencies to review burdensome regulations, the EPA undertook a review of the CPP. Many believed the CPP exceeded EPA's authority under the Clean Air Act, which is why 27 states, 24 trade associations, 37 rural electric co-ops, and three labor unions challenged the rule. The Supreme Court issued an unprecedented stay of the rule. The proposal was published in the Federal Register on 8/31/18 and EPA will take comment on the proposal for 60 days (until 10/30/18) and will hold a public hearing. More information is available at <https://www.epa.gov/stationary-sources-air-pollution/proposal-affordable-clean-energy-ace>

rule. On July 8, 2019, EPA issued the final Affordable Clean Energy rule (ACE) and repealed the Clean Power Plan. On the same day the American Lung Association and the American Public Health Association filed a challenge to the rules in the U.S. Court of Appeals for the District of Columbia. Since then, 22 states, the District of Columbia and six municipalities led by the state of New York lodged a challenge to the rules in the D.C. Circuit, followed closely by a third challenge brought by environmental groups. Numerous industry groups and power providers are seeking to intervene in the litigation in support of the ACE rule. The EPA has asked the court to expedite review of the challenges in the hope of achieving a resolution in the D.C. Circuit by summer of 2020.

**EPA** On 08/24/18 Trump administration officials at EPA announced they are phasing out the agency's enforcement focus on animal waste pollution and the oil and gas industry. Enforcement chief Susan Bodine said she wants to shift the focus away from oil and gas as a sector deserving of extra scrutiny and toward prioritizing broad environmental problems, such as air pollution.

**EPA** On 6/3/16 the final rule proposing a suite of changes to Clean Air Act permitting requirements for new and modified emissions sources in the oil and natural gas industry was published in the Federal Register. On 6/29/16 the NDIC decided to file a Petition for Review with the US Appeals Court for the District of Columbia to defend the state's sovereign jurisdiction over oil and gas regulation. Thirteen other states have joined this effort. North Dakota declined the standard offer to explore settlement through the court's mediation program.

The proposed actions and NDIC comments are as follows:

- o Proposed New Source Performance Standards – Docket ID number EPA-HQ-OAR-2010-0505. NDIC comments can be found at <http://www.nd.gov/ndic/ic-press/EPA-HQ-OAR-2010-0505.pdf>
- o Draft Control Techniques Guidelines – Docket ID number: EPA-HQ-OAR-2015-0216. NDIC comments can be found at <http://www.nd.gov/ndic/ic-press/EPA-HQ-OAR-2015-0216.pdf>
- o Proposed Source Determination Rule – Docket ID number: EPA-HQ-OAR-2013-0685. NDIC comments can be found at <http://www.nd.gov/ndic/ic-press/EPA-HQ-OAR-2013-0685.pdf>
- o Proposed Federal Implementation Plan for Implementing Minor New Source Review Permitting in Indian Country – Docket ID number: EPA-HQ-OAR-2014-0606. NDIC comments can be found at <http://www.nd.gov/ndic/ic-press/EPA-HQ-OAR-2014-0606.pdf>.

North Dakota et al. and EPA have filed motions to govern further proceedings and briefing schedules. On 3/28/17 President Trump issued an executive order which in part directs "The Administrator shall review the final rule entitled "Oil and Natural Gas Sector: Emission Standards for New, Reconstructed, and Modified Sources," 81 Fed. Reg. 35824 (November 3, 2016), and any rules and guidance issued pursuant to it, for consistency with the policy set forth in section 1 of this order and, if appropriate, shall, as soon as practicable, suspend, revise, or rescind the guidance, or publish for notice and comment proposed rules suspending, revising, or rescinding those rules." On 4/7/17 EPA filed a motion to hold the cases in abeyance. On 6/8/17 the NGO environmental groups challenged EPA's November 5th decision to issue a 90 day stay of the Rule's upcoming implementation dates. The NGOs argue that EPA's justifications for its stay (onerous implementation costs and excessive state administrative burdens) of the Rule were already raised and rejected by EPA during EPA's original rulemaking and that the requirements of a "judicial stay" are not met. The NGO's action is a new case, filed in the D.C. Circuit. They have also filed an emergency motion asking the Court to immediately vacate EPA's decision. On November 3 the DC Circuit court issued a 2:1 decision granting the NGO petition and vacating EPA's 90 day stay of the rule. North Dakota filed an amicus brief in support of the EPA stay. On 7/13/17 the same DC Circuit court granted an EPA motion to recall the mandate and granting 14 days for then EPA to seek reconsideration or review by the full court. API and WVA along with other states filed petitions for rehearing en banc, but on 8/10/17 the entire DC Circuit issued an order denying the API and WVA et al States petitions. EPA now proposes a 2-year stay of certain provision in the oil and gas NSPS. North Dakota filed comments on 8/9/17 in support of the proposed 2-year stay. On 11/8/17 EPA published a Federal Register notice request for supplemental comments relating to the current Administration's efforts to change course on the oil and gas sector methane regulations put in place by the Obama Administration. North Dakota did not submit additional comment to EPA because the North Dakota comments submitted on 8/9/17 correctly advocate that EPA's rationale for the two year stay also justifies outright repeal of the

original Rule, so it justifies a two year stay. On 9/11/18 EPA proposed targeted improvements to the 2016 New Source Performance Standards for the oil and gas industry that streamline implementation, reduce duplicative EPA and state requirements, and significantly decrease unnecessary burdens on domestic energy producers. This oil and gas targeted improvements package is expected to save up to approximately \$484 million in regulatory costs from 2019 – 2025 or \$75 million annually. More detailed information including how to comment can be found at [https://www.epa.gov/sites/production/files/2018-09/documents/oil\\_and\\_gas\\_technical\\_proposal\\_fact\\_sheet.9.11.18\\_0.pdf](https://www.epa.gov/sites/production/files/2018-09/documents/oil_and_gas_technical_proposal_fact_sheet.9.11.18_0.pdf).

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## Pipeline and Hazardous Materials Safety Administration

**PHMSA** Advance notice of proposed rulemaking (ANPRM) was announced 1/10/17. SUMMARY: PHMSA is considering revising the Hazardous Materials Regulations (HMR) to establish vapor pressure limits for unrefined petroleum-based products and potentially all Class 3 flammable liquid hazardous materials that would apply during the transportation of the products or materials by any mode. PHMSA is currently assessing the merits of a petition for rulemaking submitted by the Attorney General of the State of New York regarding vapor pressure standards for the transportation of crude oil. The petition requests that PHMSA implement a Reid Vapor Pressure (RVP) limit less than 9.0 pounds per square inch (psi) for crude oil transported by rail. This rule making could substantially interfere with NDIC oil conditioning regulations. You can read about the NDIC regulations at [https://www.dmr.nd.gov/oilgas/2014Permitting\(2\).asp](https://www.dmr.nd.gov/oilgas/2014Permitting(2).asp). NDIC submitted comments on 3/20/17 and the comment period closed on 5/19/17. On 6/6/2018 Senator Schumer wrote urging DOE and PHMSA to propose and quickly finalize a rule establishing federal volatility standards for the shipment of crude oil by rail in the United States. The NDIC submitted a letter on 6/28/18 to proactively correct several conclusions and statements in Senator Schumer's letter about NDIC oil conditioning regulations and provide the background and a better understanding of the state's oil conditioning standards for Bakken, Three Forks, and/or Sanish crude oil prior to market transport.

**PHMSA** On 5/9/19 Governor Inslee signed into law Washington State Engrossed Substitute Senate Bill 5579 "Crude Oil by Rail – Vapor Pressure" which became effective on 7/28/19. On 7/17/19 the North Dakota Attorney General and Montana Attorney General filed an application for preemption of the Washington Volatility Restrictions on Crude Oil Transported by Rail. The state of Washington requested a 30 day extension of the comment period to 9/23/19 which PHMSA granted. Response to comments deadline is 10/23/19. PHMSA then has up to 180 days to issue a decision (4/20/2020).

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## U.S. Forest Service

**USFS** published for comment on 11/2/18 draft supplemental environmental impact statement for oil and gas leasing on the Dakota Prairie Grasslands. The proposal documents can be found at <https://www.fs.usda.gov/project/?project=40652> and clicking on Analysis. Comments can be mailed, hand delivered between the hours of 8:00 a.m. and 4:30 p.m. Monday through Friday; or faxed to (701) 227-7801. To submit comments electronically, please send to: [comments-northern-dakota-prairie@fs.fed.us](mailto:comments-northern-dakota-prairie@fs.fed.us). Electronic comments must be submitted in rich text format (rtf), Word (.doc) or Word Perfect format. The subject line must contain the name of the project for which you are submitting comments. Comments are due by 4:30 p.m. on 12/17/18. The recommended alternative increases "No surface occupancy" 32,700 acres, decreases "Timing limitations or controlled surface use" 20,100 acres, and decreases "No added stipulations" 12,600 acres. On 2/1/19 the USFS extended the comment period to 2/20/19.