WILLISTON BASIN PETROLEUM CONFERENCE

Bismarck, ND – May 22, 2018

Bruce E. Hicks
Assistant Director
NDIC-DMR-OGD
Current drilling activity is focused in Mountrail, Dunn, McKenzie, and Williams Counties.
North Dakota Average Monthly Rig Count

2014 → 1 well / mth / rig
2018 → 2 wells / mth / rig

Rigs / Oil Price

Spuds per Month per Rig


Rig Count
ND Sweet Oil Price
Spuds / Month / Rig
BANKS—BAKKEN

WELLS

216
144
72
0
10M

Wells Producing

BBLs/MCF PER MONTH

1000000
100000
10000


YEARS

BBLs Oil  BBLs Water  MCF Gas
North Dakota Gas Capture Regulations

• ICO 24665—effective 7-1-2014
  – Policy Goals
    • Reduce the flared volume of gas
    • Reduce the number of wells flaring
    • Reduce the duration of flaring from wells

• Guidance f/ICO 24665
  – Original approved 4-3-15
  – Revised 10-22-15
  – Revised 4-17-18
The Oil and Gas Division regulates the drilling and production of oil and gas in North Dakota. Our mission is to encourage and promote the development, production, and utilization of oil and gas in the state in such a manner as will prevent waste, maximize economic recovery, and fully protect the correlative rights of all owners to the end that the landowners, the royalty owners, the producers, and the general public realize the greatest possible good from these vital natural resources.
Areas of Interest

• Areas of Interest (NDIC-PP 2.01 & 2.02)

Class VI Primacy

• Class VI Primacy Application for the authority to regulate the Geologic Storage of Carbon Dioxide

Diesel Fuel Guidance

• "Diesel fuel" in HF stimulation now requires UIC approval

Drilling Permit Review

• Drilling Permit Review Policies

Gas Capture

• Hearing Exhibit Gas Capture Letter
• APD Gas Capture Letter
• Order 24665
• Guidance Policy for Commission Order 24665

← Order 24665 + Guidance
Welcome to the North Dakota Industrial Commission, Department of Mineral Resources, Gas Division, home page.

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

Rules Approved by the Commission

Commission Guidance on Gas Capture effective 4-17-2018

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North Dakota Gas Capture Regulations

Guidance Changes Approved 4-17-2018

• Producers must
  – Provide Gas Prod Forecast to midstreamers
    • GCP not required at temp-proper-infill hearings
    • Maintain a GCP for future development plans
  – GCP w/APD if < goal in last 3 mths
  – Improvement meeting w/IC if < goal in 3/6 mths
North Dakota Gas Capture Regulations

Guidance Changes Approved 4-17-2018

• Stranded Gas Allowance
  – Must be outside Bak Core Area
  – Undrilled twp or < 60% capture in past 2 mths
  – Designate 6 new hor per twp
  – Prod MER & remove 12 mths from flare calc
Appr Extent of Bakken Core Area
North Dakota Gas Capture Regulations

Guidance Changes Approved 4-17-2018

• Currently 90-day MER f/new Bak/TF
  – 46 days >14-day flowback removed from calc
  • Midstreamers can’t build f/peak prod rates
North Dakota Gas Capture Regulations

Guidance Changes Approved 4-17-2018

• Gas Credits
  – Six-month rollover
  – Liquid Natural Gas (LNG) used in operations
  – Compressed Natural Gas (CNG) used
  – Gas above capture goals
North Dakota Gas Capture Regulations

Guidance Changes Approved 4-17-2018

- Temporary Exemptions—no hearing
  - Administrative approval
  - One year duration
  - Quarterly Report to IC will detail requests
North Dakota Gas Capture Regulations

FAQs

• Credit for Force Majeure gas—No
• Must report Force Majeure gas—Yes
• Must report “gas credit” gas—Yes
• Gas Credits—extenuating circumstances
  – ROW, down-time, fed delays, elec power, safety, res damage
• Future additions as warranted
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Gas Division, home page.

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possible good from these vital natural resources.
FAQs

**Question:** If an operator is granted a force majeure, can that volume be counted as a gas credit?
**Answer:** No, such gas cannot be counted as a capture credit because the gas was not physically flared.

**Question:** The policy states the operator is allowed to remove (from the total monthly volume calculation) gas volumes flared from wells affected by a force majeure event. If an operator’s application, for removal of such gas is granted, does that gas volume have to be reported to the Commission?
**Answer:** Yes, all gas must be reported and accounted for on the Gas Production Report – Form 5B.
The following fields appear in the Bakken Core Area. Referenced in the attached North Dakota Industrial Commission 4665 Policy/Guidance Version 041718:

Alger  Nancy Buttes  Sandrocks
Alkali Creek  Four Bears  Sanish
Antelope  Garden  Silverston
Arnegard  Grail  South Fork
Avoca  Grinnell  South Tobacco Garden
North Dakota Industrial Commission Order 24665
Policy/Guidance
Version 041718

Policy Goals:
1) reduce the flared volume of gas
2) reduce the number of wells flaring
3) reduce the duration of flaring

Action items:
1) require a Gas Capture Plan for increased density, temporary spacing, and
2) require Gas Capture Plan for all applications for a permit to drill filed by an operator who has failed to meet gas capture goals in any of the most recent three months
3) semi-annual meetings with midstream gas gathering companies
4) semi-annual Gas Capture Improvement Plan meetings with operators who have failed to meet
North Dakota Gas Capture Regulations

Gas Capture Goals

• 85% currently
• 88% Nov 1, 2018