

General Guidelines for Suspension of Drilling (SOD) Wells – Waiver

Policy Goal:

The North Dakota Industrial Commission (NDIC) is charged with "fostering, ... encouraging, and ... promoting the development, production, and utilization of the *state's* natural resources of oil and gas in the state in such a manner as will prevent waste." The Commission is promulgating this Policy to prevent waste.

North Dakota Administrative Code (NDAC) § 43-02-03-55 (4) authorizes the Director to approve the suspension of the drilling of a well, although when drilling has been suspended for thirty days, unless otherwise authorized by the Director, the well must be plugged and its site reclaimed pursuant to NDAC §§ 43-02-03-34 and 43-02-03-34.1.

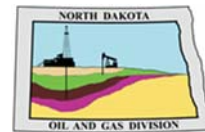
NDAC § 43-02-03-55 (3) allows the Director to give the operator of a Suspension of Drilling well additional time to resume drilling and completion operations or plug and reclaim the well.

Spud rigs have become commonplace in industry's quest to expediate drilling operations. The spud rig sets conductor and surface casing in preparation for a larger rig to move in and drill the well to total depth. To allow adequate time for an operator to bring in a larger rig, the NDIC is authorized to allow the Suspension of Drilling of a well.

Suspension of Drilling – (SOD) Status may only be given to wells that have met the following criteria.

1. Proposed SOD for setting Conductor / Surface Casing Approval Procedure

- A. The operator may request a SOD when they intend to utilize a spud rig to set and cement conductor and/or surface casing. A Sundry Notice must be submitted for approval on each well. Prior to approval, the Director may request a meeting to discuss the plan and usage of the operator's SOD program. The Sundry Notice request must include:
 1. The number of days requested for SOD.
 - a. The Director will not approve the initial SOD for more than 90 days.
 2. A general statement outlining the reason for the suspension.
 - a. Operator must indicate that the SOD is not intended to alter or extend the terms and conditions of, or suspend any obligation under, any oil and gas lease with acreage in or under the spacing or drilling unit.
 3. Documentation indicating the well will be secured to prevent any foreign matter from getting into the well.
 4. Surface casing will be set to a depth required by the NDIC and freshwater based mud will be used in the drilling and cementing operations.
 5. A statement that the operator understands the 6-month confidentiality period commences on the spud date, if applicable.
 6. If utilized, the cuttings pit will be fenced.



7. A statement indicating the operator understands the Director may require the well to be plugged if a rig capable of drilling the well to total depth has not been utilized before the SOD expires.

B. A file review and review of the field activity system must be performed.

2. **SOD Extension Requirements**

- A. After the expiration of the initial SOD, the operator may file a Sundry Notice request to waive, up to one year, the requirement to plug and abandon the SOD well if the necessity therefor can be demonstrated to the Director's satisfaction.
 1. A statement indicating the reason for the extension.
 2. A statement that indicates that the operator understands that the waiver extension begins at the time conductor or surface casing is set.
 3. Documentation indicating the well has been secured to prevent any foreign matter from getting into the well.
 4. The well is in full compliance with casing and cementing requirements pursuant to NDAC § 43-02-03-21.

3. **Revocation of SOD Status**

- A. The Director may revoke SOD status due to the following reasons:
 1. SOD is no longer valid.
 2. Consideration of mineral/landowner/NDIC concerns.
 3. Operator failed to comply with NDIC rules, orders, or directives.

Due to extremely low commodity prices resulting in financial hardship, some operators have opted to postpone moving in a large rig to continue drilling operations until oil prices rebound. The Director's guidelines contained herein allowing TASC, TAI, or TATD status, outline the procedure necessary to protect the environment and correlative rights and was authorized by the Commission on March 24, 2020. Any relief granted shall expire when crude oil prices exceed \$50 (WTI) per barrel for 90 days.

4. **Temporarily Abandoned Conductor / Surface Casing (TASC) Wells**

- A. A Sundry Notice may be filed by the operator requesting to waive the requirement to plug and abandon an expired SOD well that has conductor and/or surface casing set and cemented, but has not been drilled out. TASC procedure includes:
 1. A copy of all cementing reports must be included with the Sundry Notice showing compliance with casing and cementing requirements pursuant to NDAC § 43-02-03-21.
 2. Wells must be inspected by the operator at least quarterly and the Director must be immediately notified if any conditions are found that would compromise the well.



3. Documentation indicating the well has been secured to prevent any foreign matter from getting into the well.
4. If utilized, the cuttings pit will be fenced.
5. The Director may require the well to be plugged if a rig capable of drilling the well to total depth is not utilized before the TASC approval expires.
6. Approved TASC status expires after one year.

5. **TASC Extension Requirements**

- A. Approval to extend the TASC status may be requested on a Sundry Notice. TASC extension procedure includes:
 1. A \$100 fee.
 2. Wells must be inspected by the operator at least quarterly and the Director must be immediately notified if any conditions are found that would compromise the well. All inspection information must be included.
 3. Documentation indicating the well is still secured to prevent any foreign matter from getting into the well.
 4. A pressure test on the casing must be conducted and witnessed by a NDIC field inspector if deemed necessary by the Director.
 5. The Director may require the well to be plugged if a rig capable of drilling the well to total depth is not utilized before the TASC approval expires.
 6. Approved TASC extension status expires after one year.

6. **Temporarily Abandoned Production/Intermediate (TAI) Approval Procedure**

- A. A Sundry Notice may be filed by the operator requesting to waive the requirement to plug and abandon a well that has production or intermediate casing set and cemented, but the float shoe has not been drilled out. TAI procedure includes:
 1. The well is in full compliance with casing and cementing requirements pursuant to NDAC § 43-02-03-21.
 2. Wells must be inspected by the operator at least quarterly and the Director must be immediately notified if any conditions are found that would compromise the well.
 3. Documentation indicating the well has been secured to prevent any foreign matter from getting into the well.
 4. If utilized, a cuttings pit will be fenced.
 5. The Director may require the well to be plugged if a rig capable of drilling the well to total depth is not utilized before the TAI approval expires.
 6. Approved TAI status expires after one year.



7. TAI Extension Requirements

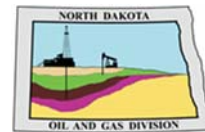
- A. Approval to extend the TAI status may be requested on a Sundry Notice. TAI extension procedure includes:
1. A \$100 fee.
 2. Wells must be inspected by the operator at least quarterly and the Director must be immediately notified if any conditions are found that would compromise the well. All inspection information must be included.
 3. Documentation indicating the well is still secured to prevent any foreign matter from getting into the well.
 4. A pressure test on the casing must be conducted and witnessed by a NDIC field inspector if deemed necessary by the Director.
 5. The Director may require the well to be plugged if a rig capable of drilling the well to total depth is not utilized before the TAI approval expires.
 6. Approved TAI extension status expires after one year.

8. Temporarily Abandoned Total Depth (TATD) Approval Procedure

- A. A Sundry Notice may be filed by the operator requesting to waive the requirement to plug and abandon a well that has been drilled to total depth, but not yet completed. TATD procedure includes:
1. The well is in full compliance with casing and cementing requirements pursuant to NDAC § 43-02-03-21.
 2. Wells must be inspected by the operator at least quarterly and the Director must be immediately notified if any conditions are found that would compromise the well.
 3. Documentation the well has been secured to prevent any foreign matter from getting into the well.
 4. If utilized, a cuttings pit will be fenced.
 5. The Director may require the well to be plugged if the well has not been completed before the TATD approval expires.
 6. Approved TATD status expires after one year.

9. TATD Extension Requirements

- A. Approval to extend the TATD status may be requested on a Sundry Notice. TATD extension procedure includes:
1. A \$100 fee.
 2. Wells must be inspected by the operator at least quarterly and the Director must be immediately notified if any conditions are found that would compromise the well. All inspection information must be included.
 3. Documentation indicating the well is still secured to prevent any foreign matter from getting into the well.
 4. A pressure test on the casing must be conducted and witnessed by a NDIC field inspector if deemed necessary by the Director.



5. The Director may require the well to be plugged if the well has not been completed before the TATD approval expires.
6. Approved TATD extension status expires after one year.

10. Mechanical Integrity Test (MIT) Requirement

- A. Standard pressure test requirement is 1000 psi with a maximum drop of 10% in 15 minutes. If the well does not pass the standard test, it must be repaired or plugged.
- B. Wells must be tested as required by the Director.

11. Access to Well Sites

Reasonable access to well sites must be maintained.

Note: The foregoing are guidelines only and may be altered for good cause to meet specific conditions.

Reference

Requirements of NDAC § 43-02-03-19 & 19.1

19: ...The reserve pit or site may be required to be fenced.

19.1: ...Reserve pits are required to be fenced and screened or netted if not reclaimed within ninety days after the completion of the operation.

Requirements of NDAC § 43-02-03-21

All wells drilled for oil, natural gas or injection shall be completed with strings of casing which shall be properly cemented at sufficient depths to adequately protect and isolate all formations containing water, oil or gas or any combination of these; protect the pipe through salt sections encountered; and isolate the uppermost sand of the Dakota group.

Drilling of the surface hole shall be with freshwater-based drilling mud... The surface casing shall be set and cemented at a point not less than 50' below the base of the Fox Hills formation (as indicated on the approved APD).

Requirements of NDAC § 43-02-03-31

...The six-month period shall commence on the date the well is completed or the date the written request is received... if the written request accompanies the application for permit to drill... the six-month period shall commence on the date the well is spudded.



Requirements of NDAC § 43-02-03-55

(2) ...the director may also waive the duty to plug and reclaim an abandoned well for any other good cause found by the director. If the director exercises this discretion, the director shall set a date or circumstance upon which the waiver expires.

(4) ...The director may approve suspension of the drilling of a well. If suspension is approved, a plug must be placed at the top of the casing to prevent any foreign matter from getting into the well. When drilling has been suspended for thirty days, the well, unless otherwise authorized by the director, must be plugged and its site reclaimed pursuant to sections 43-02-03-34 and 43-02-03-34.1.