

CHAPTER 38-11.2

SUBSURFACE EXPLORATION DAMAGES

38-11.2-01. Definitions.

In this chapter, unless the context or subject matter otherwise requires:

1. "Agricultural production" means the production of any grass or crop attached to the surface of the land, whether or not the grass or crop is to be sold commercially, and the production of any farm animals, whether or not the animals are to be sold commercially.
2. "Drilling operations" means the drilling of a subsurface mineral extraction well and the injection, production, and completion operations ensuing from the drilling which require entry upon the surface estate, and includes subsurface mineral exploration activities.
3. "Mineral developer" means the person who acquires the mineral estate or lease for the purpose of extracting or using the subsurface minerals for nonagricultural purposes.
4. "Mineral estate" means an estate in or ownership of all or part of the subsurface minerals underlying a specified tract of land.
5. "Subsurface mineral" means any naturally occurring element or compound recovered under the provisions of chapter 38-12, but for the purpose of this chapter excludes coal, oil and gas, sand and gravel, and rocks crushed for sand and gravel.
6. "Subsurface mineral exploration activities" means any method of obtaining information relative to locating and defining subsurface minerals that results in surface disturbance.
7. "Surface estate" means an estate in or ownership of the surface of a particular tract of land.
8. "Surface owner" means any person who holds record title to the surface of the land as an owner.

38-11.2-02. Inspection of well site.

Upon request of another state agency, the surface owner, or an adjacent landowner, the state department of health shall conduct a site visit and evaluate site-specific environmental data as necessary to ensure compliance with applicable environmental protection laws and regulations relating to air, water, and land management under the jurisdiction of the department.

38-11.2-03. Notice of drilling operations.

1. The mineral developer shall give the surface owner written notice of the drilling operations contemplated at least twenty days prior to the commencement of the operations, unless waived by agreement of both parties.
2. This notice must be given to the record surface owner at that person's address as shown by the records of the county recorder at the time the notice is given.
3. This notice must sufficiently disclose the plan of work and operations to enable the surface owner to evaluate the effect of drilling operations on the surface owner's use of the property. Included with this notice must be a copy of this chapter.
4. If a mineral developer fails to give notice as provided under this section, the surface owner may seek any appropriate relief in the court of proper jurisdiction and may receive punitive as well as actual damages.

38-11.2-04. Damage and disruption payments - Statute of limitations.

1. The mineral developer shall pay the surface owner a sum of money equal to the amount of damages sustained by the surface owner and the surface owner's tenant, if any, for loss of agricultural production and income, lost land value, lost use of and access to the surface owner's land, and lost value of improvements caused by drilling operations. The amount of damages may be determined by any formula agreeable between the surface owner and the mineral developer. When determining damages, consideration must be given to the period of time during which the loss occurs.

2. The surface owner may elect to be paid damages in annual installments over a period of time.
3. The surface owner must be compensated for harm caused by subsurface mineral exploration only by a single sum payment.
4. The payments contemplated by this section only cover land directly affected by drilling operations.
5. Payments under this section are intended to compensate the surface owner for damage and disruption. Any reservation or assignment of such compensation apart from the surface estate except to a tenant of the surface estate is prohibited. In the absence of an agreement between the surface owner and a tenant as to the division of compensation payable under this section, the tenant is entitled to recover from the surface owner that portion of the compensation attributable to the tenant's share of the damages sustained.
6. To receive compensation under this section, any person shall notify the mineral developer of the damages sustained by the person within two years after the injury occurs or would become apparent to a reasonable person.

38-11.2-05. Agreement - Offer of settlement.

Unless both parties provide otherwise by written agreement, the mineral developer shall make a written offer of settlement to the person seeking compensation for damages when the notice required by section 38-11.2-03 is presented. The person seeking compensation may accept or reject any offer so made.

38-11.2-06. Rejection - Legal action - Fees and costs.

If the person seeking compensation rejects the offer of the mineral developer, that person may bring an action for compensation in the court of proper jurisdiction. The court, in its discretion, may award the person seeking compensation reasonable attorney's fees, any costs assessed by the court, and interest on the amount of the final compensation awarded by the court from the day drilling operations are commenced. The rate of interest awarded must be the prime rate charged by the Bank of North Dakota on the date of the judgment.

38-11.2-07. Protection of surface and ground water - Other responsibilities of mineral developer.

1. The mineral developer shall conduct or have conducted an inventory of water wells located within one-half mile [804.67 meters] of where subsurface mineral exploration activities are conducted, if such exploration activities appear reasonably likely to encounter ground water, or within one mile [1.61 kilometers] of a subsurface mineral production site.
2. The mineral developer shall conduct or have conducted a certified water quality and quantity test within one year preceding the commencement of subsurface mineral production operations on each water well or water supply located on the involved real property and as identified by the surface owner of that real property.
3. If the domestic, livestock, or irrigation water supply of any person who owns an interest in real property within one-half mile [804.67 meters] of where subsurface mineral exploration activities are or have been conducted or within one mile [1.61 kilometers] of a subsurface mineral production site has been disrupted, or diminished in quality or quantity by the drilling operations, the person who owns an interest in real property is entitled to recover the cost of making such repairs, alterations, or construction that will ensure the delivery to the surface owner of that quality and quantity of water available to the surface owner prior to the commencement of drilling operations.
4. Any person who owns an interest in real property who obtains all or a part of that person's water supply for domestic, agricultural, industrial, or other beneficial use has a claim for relief against a mineral developer to recover damages for disruption or diminution in quality or quantity of that person's water supply proximately caused from drilling operations conducted by the mineral developer.

5. Prima facie evidence of injury under this section may be established by a showing that the mineral developer's drilling operations penetrated or disrupted an aquifer in such a manner as to cause a diminution in water quality or quantity within the distance limits imposed by this section.
6. An action brought under this section when not otherwise specifically provided by law must be brought within six years of the time the action has accrued. For purposes of this section, the claim for relief is deemed to have accrued at the time it is discovered or might have been discovered in the exercise of reasonable diligence.
7. A tract of land is not bound to receive water contaminated by drilling operations on another tract of land and the owner of a tract has a claim for relief against a mineral developer to recover the damages proximately resulting from natural drainage of waters contaminated by drilling operations.
8. The mineral developer is also responsible for all damages to person or property resulting from the lack of ordinary care by the mineral developer or resulting from a nuisance caused by drilling operations.
9. This section does not create a cause of action if an appropriator of water can reasonably acquire the water under the changed conditions and if the changed conditions are a result of the legal appropriation of water by the mineral developer.

38-11.2-08. Application of chapter.

The remedies provided by this chapter do not preclude any person from seeking other remedies allowed by law. This chapter does not apply to the operation, maintenance, or use of a motor vehicle upon the highways of this state as these terms are defined in section 39-01-01.

CHAPTER 38-12
REGULATION, DEVELOPMENT, AND PRODUCTION OF
SUBSURFACE MINERALS

38-12-01. Definitions.

As used in this chapter, unless the context otherwise requires:

1. "Commission" means the industrial commission of the state of North Dakota.
2. "Extraction facility" means any well or mine or other extractive process operated for the purpose of recovering subsurface minerals.
3. "Operator" means any person who, duly authorized, is in charge of the development of a lease or the operation of a producing property.
4. "Owner" means the person who has the right to explore for, develop, and produce subsurface minerals and to appropriate the subsurface minerals the owner produces either for the owner or for the owner and others.
5. "Person" means and includes any natural person, corporation, limited liability company, association, partnership, receiver, trustee, executor, administrator, guardian, fiduciary, or other representative of any kind, and includes any department, agency, or instrumentality of the state or of any governmental subdivision thereof; the masculine gender, in referring to a person, includes the feminine and the neuter genders.
6. "Producer" means the owner of an extraction facility which is or has been capable of producing subsurface minerals.
7. "Subsurface minerals" means all naturally occurring elements and their compounds, volcanic ash, precious metals, carbonates, and natural mineral salts of boron, bromine, calcium, fluorine, iodine, lithium, magnesium, phosphorus, potassium, sodium, thorium, uranium, and sulfur, and their compounds, but does not include sand and gravel and rocks crushed for sand and gravel.

38-12-02. Jurisdiction of commission.

The commission has jurisdiction and authority over all persons and property, public and private, necessary to enforce effectively the provisions of this chapter. Subject to the provisions of section 38-08-21, the director of mineral resources shall act as a supervisor charged with the duty of enforcing the regulations and orders of the commission applicable to the subsurface mineral resources of this state and the provisions of this chapter. The commission has authority to make such investigations as it deems proper to determine whether facts exist which justify action by the commission. The commission acting through the director of mineral resources has the authority:

1. To require:
 - a. The furnishing of a reasonable bond with good and sufficient surety, conditioned upon the full compliance with the provisions of this chapter, and the rules and orders of the commission prescribed to govern the exploration, development, and production of subsurface minerals on state and private lands within the state of North Dakota. The person required to furnish the bond may elect to deposit a collateral bond, self-bond, cash, or any alternative form of security approved by the commission, or combination thereof, by which a permittee assures faithful performance of all requirements of this chapter and the rules and orders of the industrial commission.
 - b. The delivery, free of charge, to the state geologist of the basic exploration data collected by the operator, within thirty days of field collection of such data. This data must include:
 - (1) Sample cuts, core chips, or whole cores.
 - (2) Sample logs, radioactivity logs, resistivity logs, or other types of electrical or mechanical logs.
 - (3) Elevation and location information on the data collection points.
 - (4) Other pertinent information as may be requested by the state geologist.

The data so submitted is confidential for a period of one year when so requested by the operator and such period may be further extended upon approval by the commission.

- c. The filing of monthly production reports in the manner prescribed by the commission and any other reports deemed necessary by the commission.
 - d. The conducting of all exploration, development, and production operations in such a manner as to prevent pollution of freshwater supplies, to provide for the protection of the environment and public safety, and to ensure the optimum recovery of the mineral resource.
 - e. The reclamation of all land disturbed by operations regulated by this chapter to a condition consistent with prior land use and productive capacity.
2. To regulate the drilling and abandonment of exploration test holes and producing wells and all other exploration, development, production, and reclamation operations.
 3. To promulgate and to enforce rules, regulations, and orders to effectuate the purposes and the intent of this chapter.
 4. To inspect all exploration, development, and production sites. For the purposes of this subsection, the director of mineral resources or the director's representative shall have access to all exploration, development, or production installations for purposes of inspection and shall have the authority to require the operator's aid if it is necessary and is requested.

38-12-03. Permit required.

It is unlawful to commence operations for the exploration, development, or production of subsurface minerals without first obtaining a permit from the director of mineral resources, under such rules and regulations as may be prescribed by the commission and paying to the commission a fee for each such permit in an amount to be prescribed by the commission.

38-12-04. Procedure.

The administrative procedure involved in the adopting of any rules or regulations or the issuance of any orders by the commission under the provisions of this chapter must be in accordance with the provisions of chapter 38-08 governing the procedure in the administration of the Oil and Gas Conservation Act; provided, however, that in the event an emergency is found to exist by the commission which in its judgment requires the making, revoking, changing, amending, modifying, altering, enlarging, renewal, or extension of a rule, regulation, or order without first having a hearing, such emergency rule, regulation, or order has the same validity as if a hearing with respect to the same had been held after due notice. The emergency rule, regulation, or order permitted by this section may remain in force no longer than fifteen days from its effective date, and in any event, it expires when the rule, regulation, or order made after due notice and hearing with respect to the subject matter of such emergency rule, regulation, or order becomes effective.

38-12-05. Penalty - Injunction - Provisions applicable.

The provisions of sections 38-08-16 and 38-08-17 are applicable to the provisions of this chapter and to the rules, regulations, and orders of the commission promulgated hereunder.