



Oil and Gas Division

Lynn D. Helms - Director

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Department of Mineral Resources

Lynn D. Helms - Director

North Dakota Industrial Commission

www.dmr.nd.gov/oilgas/

March 2, 2010

RE: Applications for Permit to Drill (APD)

To whom it may concern:

43-02-03-16 states in part "The director may impose such terms and conditions on the permits issued under this section as the director deems necessary."

The North Dakota Industrial Commission Oil and Gas Division (NDIC-OGD) is implementing the following terms and conditions on all APD's filed after March 2, 2010:

- 1) Operators shall not commence operations on a drill site until the 3rd business day following publication of the approved drilling permit on the NDIC - OGD Daily Activity Report. If circumstances require operations to commence before the 3rd business day following publication on the Daily Activity Report, the waiting period may be waived by the Director. Application for a waiver must be by sworn affidavit providing the information necessary to evaluate the extenuating circumstances, the factors of NDAC 43-02-03-16.2 (1), (a)-(f), and any other information that would allow the Director to conclude that in the event another owner seeks revocation of the drilling permit, the applicant should retain the permit.

This policy is intended to counter the rapidly increasing workload resulting from minority working interest owners submitting APD's as allowed under North Dakota law and commencing operations without notifying other working interest owners. Under these circumstances, the first opportunity for other working interest owners to learn about the approved drilling permit is when it appears on the NDIC - OGD website Daily Activity Report. The result is a rapidly increasing number of applications to suspend and revoke drilling permits with a change of operator after notice and hearing. In addition, these cases are introducing increasingly complex circumstances which must be evaluated by NDIC - OGD and Attorney General's Office staff.

- 2) Operators shall submit all APD's on multi-well pads together to ensure proper processing

In some instances wells drilled from multi-well pads introduce drilling permit suspension and revocation issues. In addition, there may be instances where one or more of the wells on the pad requires notice and hearing, correction of directional plans, or other extenuating circumstances that prevent approval. Finally, recently adopted multi-well pad APD stipulations regarding reserve pits, closed or semi-closed mud systems, and affidavits affirming surface owner approval to bury cuttings make it critical that NDIC - OGD staff know an APD is part of a multi-well pad drilling proposal.

Sincerely,

Lynn D. Helms, Director