

FULL NOTICE OF INTENT TO ADOPT AND AMEND ADMINISTRATIVE RULES

TAKE NOTICE that the North Dakota Industrial Commission, Oil and Gas Division, will hold a public hearing to address proposed amendments to the North Dakota Administrative Code (NDAC) at 9am on August 30th, 2005 in the Conference Room of the Oil & Gas Division Building, 1016 E. Calgary Avenue, Bismarck, North Dakota. The proposals are summarized below:

The purpose of the proposed amendment to NDAC § 43-02-03-15 is to increase the amount for a single well bond and decrease liability on blanket bonds. The proposed amendment increases the bond amount from \$15,000 to \$20,000 on single wells bonds and decreases the liability on blanket bonds by reducing the number of dry holes, plugged wells, and abandoned wells allowed on blanket bonds. The proposed amendment is expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-16.2 is to eliminate ambiguity in the rule. The proposed amendment clarifies the Commission may revoke a recompletion or re-entry permit provided operations have not commenced. The proposed amendment will provide an economic benefit to the regulated community.

The purpose of the proposed amendment to NDAC § 43-02-03-16.3 is to eliminate ambiguity in the rule. The proposed amendment clarifies that a risk penalty can be assessed against nonparticipating working interest owners for monthly operating expenses in a Unit, provided they are given an invitation to participate every five years. The proposed amendment will provide an economic benefit to the regulated community.

The purpose of the proposed amendment to NDAC § 43-02-03-18 is to allow greater flexibility to drill wells on a drilling unit without requiring a hearing. The proposed amendment eliminates 80-acre drilling units, allows the creation of 640-acre drilling units and reduces the drilling unit setback from 660 feet to 500 feet. The proposed amendment will provide an economic benefit to the regulated community.

The purpose of the proposed amendment to NDAC § 43-02-03-21 is to foster, encourage, and promote the development, production, and utilization of natural gas resources. The proposed amendment authorizes the Director to require a surface casing gauge when shallow gas migration into the well bore is suspected. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000 and may provide an economic benefit to the regulated community upon the discovery of commercial quantities of gas.

The purpose of the proposed amendment to NDAC § 43-02-03-25 is to eliminate industry's burden of running deviation tests on shallow gas wells. The proposed amendment authorizes the Director to waive the deviation test for shallow gas wells. The proposed amendment will provide an economic benefit to the regulated community.

The purpose of the proposed amendment to NDAC § 43-02-03-28 is to eliminate ambiguity in the rule. The proposed amendment clarifies that a treater must be located at least 150 feet from a producing well or oil tank. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-29 is make sure adequate lease equipment is installed. The proposed amendment requires lease equipment have a working pressure at least as high as the pressure that it will be subjected. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-31 is to allow more information to the legislature and general public on confidential wells that have spud. The proposed amendment provides that the spud

date and rig contractor is not subject to the six-month confidentiality period. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-33 is to eliminate ambiguity in the rule. The proposed amendment clarifies that an operator must obtain the Director's approval prior to starting plug-back operations. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-38.1 is to provide a deadline to file sample cuttings and provide additional time for an operator to submit cores to the State Geologist. The proposed amendment requires sample cuttings to be filed within thirty days and cores to be filed within ninety days, instead of thirty days. The proposed amendment will provide an economic benefit to the regulated community.

The purpose of the proposed amendment to NDAC § 43-02-03-39 is to prevent the waste of natural gas resources. The proposed amendment allows the Director to impose production restrictions on gas reservoirs to conserve reservoir energy. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-03-101 is to eliminate Commission's burden of returning improperly filed motions. The proposed amendment will eliminate the requirement for the Commission to return all prehearing motions filed without proof of service. The proposed amendment will not have any monetary impact on the regulated community.

The purpose of the proposed amendment to NDAC § 43-02-05-04 is to provide the operator flexibility in converting a well to underground injection. The proposed amendment will allow the Director to grant verbal approval for an operator to commence construction of an underground injection well. The proposed amendment will provide an economic benefit to the regulated community.

The purpose of the proposed amendment to NDAC § 43-02-05-06 is to eliminate ambiguity in the rule. The proposed amendment clarifies that all injection wells must be constructed to prevent the movement of fluids into an unauthorized zone. The proposed amendment is not expected to have an impact on the regulated community in excess of \$50,000.

The purpose of the proposed amendment to NDAC § 43-02-05-14 is to correct an error in the rule. The proposed amendment corrects language in the rule in reference to filing a plat and information on area permits and individual well permits. The proposed amendment will not have any monetary impact on the regulated community.

The purpose of the proposed amendment to NDAC 43-02-12-01 is to revise our rule due to a change in the statute. The proposed amendment deletes the definition of "Operator of the Land" since it is now defined in NDCC Chapter 38-08.1. The proposed amendment will not have any monetary impact on the regulated community.

The proposed rules may be reviewed at the office of the Oil & Gas Division at 1016 East Calgary Avenue, Bismarck, ND, or online at www.oilgas.nd.gov. A copy of the proposed rules and/or a regulatory analysis may be requested by writing the above address or calling (701) 328-8020. Written and oral comments on the proposed rules sent to the above address and phone number and received by 5pm, September 9th, 2005, will be fully considered.

If you plan to attend the public hearing and will need special facilities or assistance relating to a disability, please contact the North Dakota Industrial Commission at (701) 328-3722, or write the Oil & Gas Division at the above address, no later than August 16th, 2005.

Dated this 22nd day of July, 2005.

Bruce E. Hicks
Assistant Director