

General Guidelines for Not Completed - Waiver of Wells

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 Century Code § 38-08-04 (1) (1) and North Dakota Administrative Code (NDAC) § 43-02-03-55 (1) define what constitutes abandonment of a well and the operator's obligation to plug such a well and reclaim its site.

NDAC § 43-02-03-55 (2) allows the Director to give the operator of an abandoned well sufficient time either to restore production or plug and reclaim the well.

This Policy does nothing to change the existing text or application of NDAC § 43-02-03-55 (2) to a well which has previously produced oil or gas.

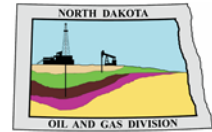
NDAC § 43-02-03-55 (3) allows the Director to eliminate the waste which would otherwise occur by application of NDAC § 43-02-03-55 (2) to horizontal Bakken wells for which completions have been deferred.

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

Not Completed - Waiver (NCW) Status may only be given to wells that have been drilled but whose casing has not yet been perforated (i.e. the well is incapable of producing oil or gas because completion operations have not yet been performed).

1. Proposed NCW Approval Procedure

- A. The operator must submit a Sundry Notice intent to request a waiver to plug and reclaim an abandoned well pursuant to NDAC § 43-02-03-55 (3). The request must include:
 1. A current well bore schematic that identifies the dimensions and depths of casing, tubing, liner(s) and frac string installed in the well; completion design for the well; type and density of all fluids in the well in the intermediate casing and frac string; and wellhead equipment.
 2. Documentation that a successful pressure test was performed which adequately tested the integrity of the intermediate casing and packer element utilized to isolate the intermediate casing-production liner annulus from the intermediate casing to a



minimum pressure of one thousand five hundred pounds per square inch [10,342 kilopascals] gauge. If a successful pressure test is unable to be performed, the subject well may be considered for TATD status pursuant to General Guidelines for Suspension of Drilling Wells.

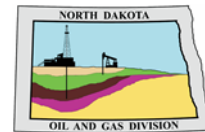
3. Documentation that a successful negative pressure test of the production liner was performed. The pressure must have been bled off and a flow check performed. If no flow was observed the integrity of the liner below the liner hanger will be considered proven.
 4. A cement evaluation log or the intermediate casing cementing job report. In addition, if a liner was run and cemented, the liner cement report must be filed.
 5. Statement that wellhead equipment complies with NDAC §§ 43-02-03-28 and 43-02-03-29.
 6. Proposed procedure to perform a NDIC witnessed surface pressure/flow test on the surface casing, the intermediate casing and frac string. Operator must notify the NDIC Field Inspector 48 hours prior to performing test. If pressure is present, the operator must relieve the pressure and install gauges. The operator must re-check the pressure gauges within 48 hours for pressure buildup.
- B. The NDIC Field Inspector should witness and document the initial surface pressure/flow test in the database and notify the Bismarck office via email of failed tests. The operator is required to file a sundry notice reporting the work done.
- C. A file review must be performed by the NDIC.

2. Subsequent Report of NCW Procedures

- A. The operator must submit for approval a subsequent report of the NCW procedures and request for a waiver to plug and reclaim an abandoned well pursuant to NDAC § 43-02-03-55 (3) being sure to include date and results of flow test.
- B. Ensure NDIC Field Inspector was properly notified of surface pressure/flow test.
- C. NCW status approved for one year. The director may extend a well's NCW status beyond one year.
- D. A file review must be performed.

3. NCW Extension Requirements

- A. The operator must submit for approval an annual request to extend the NCW status. The director may extend a well's NCW status beyond one year. An annual surface pressure/flow test should be witnessed by a NDIC Field Inspector. The operator must notify the NDIC Field Inspector 48 hours prior to performing test. If pressure is present, the operator must relieve the pressure and install gauges. The operator must re-check the pressure gauges within 48 hours for pressure buildup.
- B. The NDIC Field Inspector must witness and document the annual surface pressure/flow test in the database and notify the Bismarck office via email of failed tests.
- C. Documentation of quarterly inspections and surface pressure/flow tests with results. If no such tests were performed, that should be indicated also. Operator must provide the name of the NDIC Field Inspector and date notified of unwitnessed flow tests.
- D. A file review must be performed.



4. Inspections & Monitoring Requirements

- A. The NDIC Field Inspector must witness and document the initial surface pressure/flow test in the database and notify the Bismarck office via email of failed tests.
- B. Well must be inspected by the operator at least once per quarter for pressure or leakage on the surface casing, the intermediate casing and frac string and conduct additional monitoring during offset fracture operations. If pressure is present, the operator must notify the NDIC immediately, relieve the pressure and install gauges. The operator must re-check the pressure gauges within 48 hours for pressure buildup. If the NDIC Field Inspector is unable to witness the test, the operator must notify the NDIC Field Inspector of the results of the test and the NDIC Field Inspector will document the results in the database. If the NDIC Field Inspector witnesses the surface pressure/flow test, it should be documented in the database and the Bismarck office notified via email of failed tests. Note the operator must report the results and the respective inspection dates from the inspections and flow tests on any request to extend the NCW status.
- C. Operator must perform an annual NDIC witnessed surface pressure/flow test on the surface casing, the intermediate casing and frac string. Operator must notify the NDIC Field Inspector 48 hours prior to performing test. If pressure is present, the operator must relieve the pressure and install gauges. The operator must re-check the pressure gauges within 48 hours for pressure buildup.
- D. The NDIC Field Inspector must witness and document the annual surface pressure/flow test in the database and notify the Bismarck office via email of failed tests.
- E. Any pressure or leakage discovered by the operator must be reported to the NDIC immediately.

5. Revocation of NCW Status

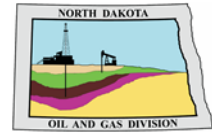
- A. Failure of surface pressure/flow test.
- B. Fails inspection and monitoring requirements in part 4 above.
- C. Reason for NCW no longer valid.
- D. Consideration of mineral/landowner/NDIC (including field inspector) concerns.

6. Access to Well Sites

Reasonable access to NCW well sites must be maintained.

7. Other

Upon notice from the NDIC that a well drilled on a multi-well pad has met the definition of what constitutes abandonment of the well, the operator may apply for additional time to obtain NCW or TATD status by documenting the date that each well drilled on the multi-well pad during continuous drilling operations reached total depth. The Commission may grant an extension of the Not Completed (NC) well status to one year following the date the last well drilled on the multi-well pad during continuous drilling operations reached total depth.



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

Reference

Requirements of NDAC § 43-02-03-55

1. *The removal of production equipment or the failure to produce oil or gas, or the removal of production equipment or the failure to produce water from a source well, for one year constitutes abandonment of the well. The removal of injection equipment or the failure to use an injection well for one year constitutes abandonment of the well. The failure to plug a stratigraphic test hole within one year of reaching total depth constitutes abandonment of the well. The removal of treating plant equipment or the failure to use a treating plant for one year constitutes abandonment of the treating plant. An abandoned well must be plugged and its site must be reclaimed and an abandoned treating plant must be removed and its site must be reclaimed, pursuant to sections 43-02-03-34 and 43-02-03-34. 1.*

3. *...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.*