

BEFORE THE INDUSTRIAL COMMISSION
OF THE STATE OF NORTH DAKOTA

CASE NO. 27125
ORDER NO. 29398

IN THE MATTER OF A HEARING CALLED ON
A MOTION OF THE COMMISSION TO AMEND
NDIC ORDER NO. 25417 PARAGRAPHS 2(D)
AND 5 IN CASE NO. 23084 REGARDING OIL
CONDITIONING STANDARDS FOR THE
BAKKEN, BAKKEN/THREE FORKS, THREE
FORKS, AND SANISH POOL FIELD RULES.

ORDER OF THE COMMISSION

THE COMMISSION FINDS:

(1) This cause came on for hearing at 9:00 a.m. on the 13th day of November, 2018.

(2) On or around September 18, 2018, the Commission published notice to amend Commission Order No. 25417 paragraphs 2(d) and 5 in Case No. 23084 regarding oil conditioning standards for the Bakken, Bakken/Three Forks, Three Forks, and Sanish Pool Field Rules. The following amendments were under consideration:

Paragraph (2) (d): Production facilities utilizing gas-liquid separator(s) and/or emulsion heater-treater(s) operating at pressures and temperatures other than those provided in (b) or (c) above shall be allowed only upon the operator demonstrating that the operating pressures and temperatures of the separator(s) and/or emulsion heater-treater(s) are producing crude oil with a Vapor Pressure of Crude Oil (VPCR_x) no greater than 13.7 psi or 1 psi less than the vapor pressure of stabilized crude oil as defined in the latest version of ANSI/API RP3000 whichever is lower. Such test must be performed by a person sufficiently trained to perform the test. All VPCR_x tests shall be performed in accordance with ~~the latest version of ASTM D6377~~ the most current ASTM testing standard and shall be conducted ~~quarterly~~ pursuant to Commission approved oil conditioning policy/guidance. Samples for testing must be collected in accordance with ~~ASTM D3700 or ASTM D5842~~ the most current ASTM or API sampling standard at the point of custody transfer. A Sundry Notice (Form 4) shall be submitted to the Director within 15 days of the test date which includes ~~a screen shot and/or printout of the VPCR_x test conducted and details the operating capacities, pressures, and temperatures of all well site conditioning equipment at the time of the test~~ required information pursuant to Commission approved oil conditioning policy/guidance; or

Paragraph (5) The Commission shall have continuing jurisdiction in this matter and specifically reserves the authority, upon its own motion or the motion of any interested party, to: (a) review such requirements outlined herein; (b) determine whether additional requirements are warranted;

(c) issue crude oil conditioning policy/guidance as necessary; and (d) make such further amendments or modifications as the Commission deems appropriate.

The Commission indicated it did not intend to hold a hearing, although written comments of technical nature or a request for a hearing must be received no later than 5:00 p.m., October 1, 2018.

The Commission received written comments from Ron Ness of the North Dakota Petroleum Council, Linda Weiss of Dakota Resource Council, Rob Benedict of American Fuel & Petrochemical Manufacturers, Tracey Fallang of Nine Point Energy, Jeff B. Hume of Continental Resources, Inc., Brent Lohnes of Hess Corporation, Chad A. Wocken of Energy & Environmental Research Center, and Phillip Archer of Whiting Petroleum Corporation.

The following concerned citizens submitted written comments: Larry J. Heilmann, Marvin Baker, Stephen Q. Shafer, Ron Schalow, and Dorothy Reil.

Some of the testimony and comments were relevant, but did not address the requested topics on which the Commission sought testimony and comments.

Several requests to hold a hearing in this matter were received and the Commission voted unanimously on October 25, 2018 to docket Case No. 27125 for hearing.

(3) Case No. 27125 is on a motion of the Commission to amend NDIC Order No. 25417 paragraphs 2(d) and 5 in Case No. 23084 regarding oil conditioning standards for the Bakken, Bakken/Three Forks, Three Forks, and Sanish Pool Field Rules. Written comments were accepted no later than 5:00 p.m. November 9, 2018.

Larry J. Heilmann, a concerned citizen, submitted written comments.

The Commission received testimony at the hearing from Scott Skokos of Dakota Resource Council, Kari Cutting of the North Dakota Petroleum Council, Jeff Hume of Continental Resources, Inc., and Ray Sheldon of Basin Transload.

(4) The record in this case was left open to allow Continental Resources, Inc. and the North Dakota Petroleum Council to supplement the record with certain documents. Such documents were received and on January 3, 2019 the record was closed.

(5) The hearing officer incorporated comments referenced in paragraph (2) above into this case.

(6) Having allowed all interested persons an opportunity to be heard and having heard, reviewed, and considered all testimony and evidence presented, the Commission makes the following conclusions.

IT IS THEREFORE ORDERED:

(1) No well shall be hereafter produced in a Bakken, Bakken/Three Forks, Three Forks, and/or Sanish Pool (the Bakken Petroleum System), except in conformity with the regulations below without special order of the Commission after due notice and hearing.

(2) All wells completed in the Bakken Petroleum System must be produced through equipment utilizing the following conditioning standards to improve the marketability and safe transportation of the crude oil:

- (a) A gas-liquid separator and/or emulsion heater-treater of ample capacity and in good working order that effectively separates the production into gaseous and liquid hydrocarbons, must be operated within manufacturer's recommended operating limits pursuant to the Commission's approved oil conditioning policy/guidance;
 - (b) Production facilities utilizing gas-liquid separator(s) and/or emulsion heater-treater(s) operating at pressures and temperatures other than those provided in the Commission's approved oil conditioning policy/guidance shall be allowed only upon the operator demonstrating that the operating pressures and temperatures of the separator(s) and/or emulsion heater-treater(s) are producing crude oil with a Vapor Pressure of Crude Oil (VPCR_x) pursuant to the Commission's approved oil conditioning policy/guidance. Such test must be performed by a person sufficiently trained to perform the test. All VPCR_x tests shall be performed in accordance with the most current ASTM testing standard and shall be conducted pursuant to the Commission's approved oil conditioning policy/guidance. Samples for testing must be collected at the point of custody transfer pursuant to the Commission's approved oil conditioning policy/guidance. A Sundry Notice (Form 4) shall be submitted to the Director within 15 days of the test date which includes required information pursuant to the Commission's approved oil conditioning policy/guidance; or
 - (c) Production facilities utilizing an alternative oil conditioning method other than a gas-liquid separator(s) and/or an emulsion heater-treater(s) will only be approved by the Commission after due notice and hearing, and must: (a) be capable of delivering crude oil with a VPCR_x no greater than 13.7 psi at custody transfer; or (b) provide safe transportation of marketable crude oil to a crude oil conditioning or stabilization plant.
 - (d) Commission personnel will periodically inspect production facilities and records to confirm operator compliance with the standards and requirements contained herein. Noncompliance could result in the Commission issuing civil and criminal penalties pursuant to North Dakota Century Code § 38-08-16.
- (3) The following practices are hereby prohibited:
- (a) Blending crude oil produced from the Bakken Petroleum System with liquids recovered from gas pipelines prior to custody transfer; and

(b) Blending crude oil produced from the Bakken Petroleum System with natural gas liquids (i.e. condensate, pentanes, butanes, or propane) prior to custody transfer.

(4) The operator of any transload rail facility shall notify the Director after discovering that any crude oil received from the Bakken Petroleum System violates federal crude oil safety standards. The notice shall indicate: (a) the federal standard violated and the date; (b) the probable source of such crude oil, if known; and (c) an outline on the final disposition of such crude oil and the process subsequently utilized to provide the safe transportation of such crude oil.

(5) The Commission shall have continuing jurisdiction in this matter and specifically reserves the authority, upon its own motion or the motion of any interested party, to: (a) review such requirements outlined herein; (b) determine whether additional requirements are warranted; (c) issue crude oil conditioning policy/guidance as necessary; and (d) make such further amendments or modifications as the Commission deems appropriate.

(6) This order is hereby effective January 1, 2019, shall cover all wells completed in the Bakken Petroleum System, and shall continue in full force and effect until further order of the Commission.

Dated this 18th day of January, 2019.

INDUSTRIAL COMMISSION
STATE OF NORTH DAKOTA

/s/ Doug Burgum, Governor

/s/ Wayne Stenehjem, Attorney General

/s/ Doug Goehring, Agriculture Commissioner