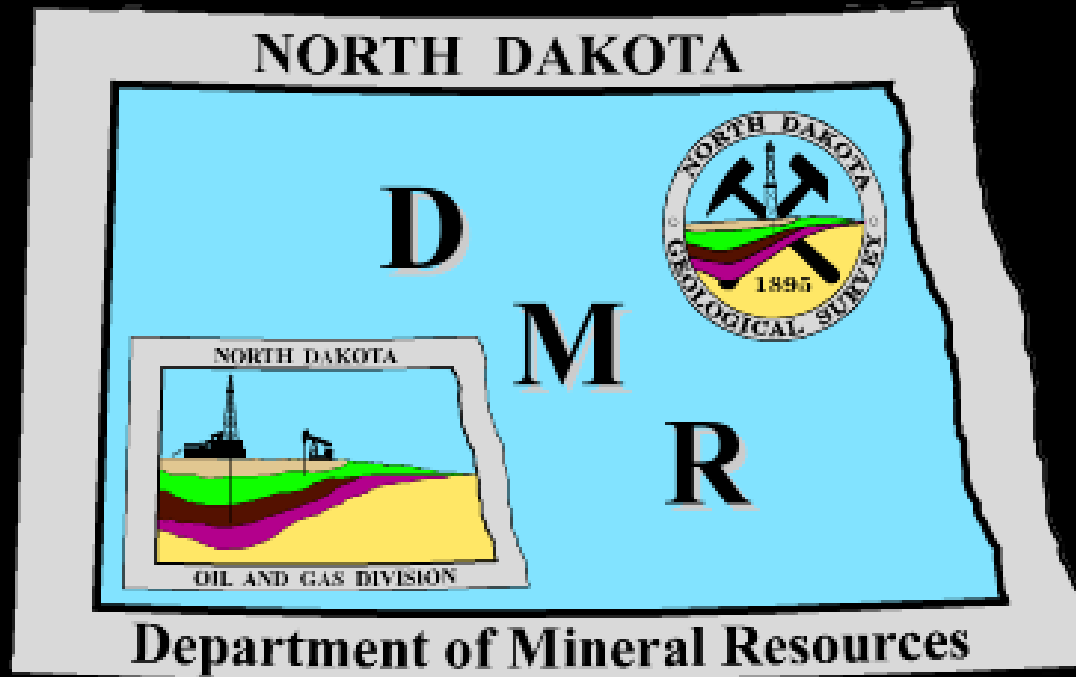


# North Dakota Department of Mineral Resources



<http://www.oilgas.nd.gov>

<http://www.state.nd.us/ndgs>

***600 East Boulevard Ave. - Dept 405***

***Bismarck, ND 58505-0840***

***(701) 328-8020      (701) 328-8000***

Wells

13,885 active

2,024 1,971 conventional

11,891 746 Bakken/Three Forks

1,458 inactive

+\$40 for 90 days

865 waiting on completion

+\$50 for 90 days

1,930 permitted

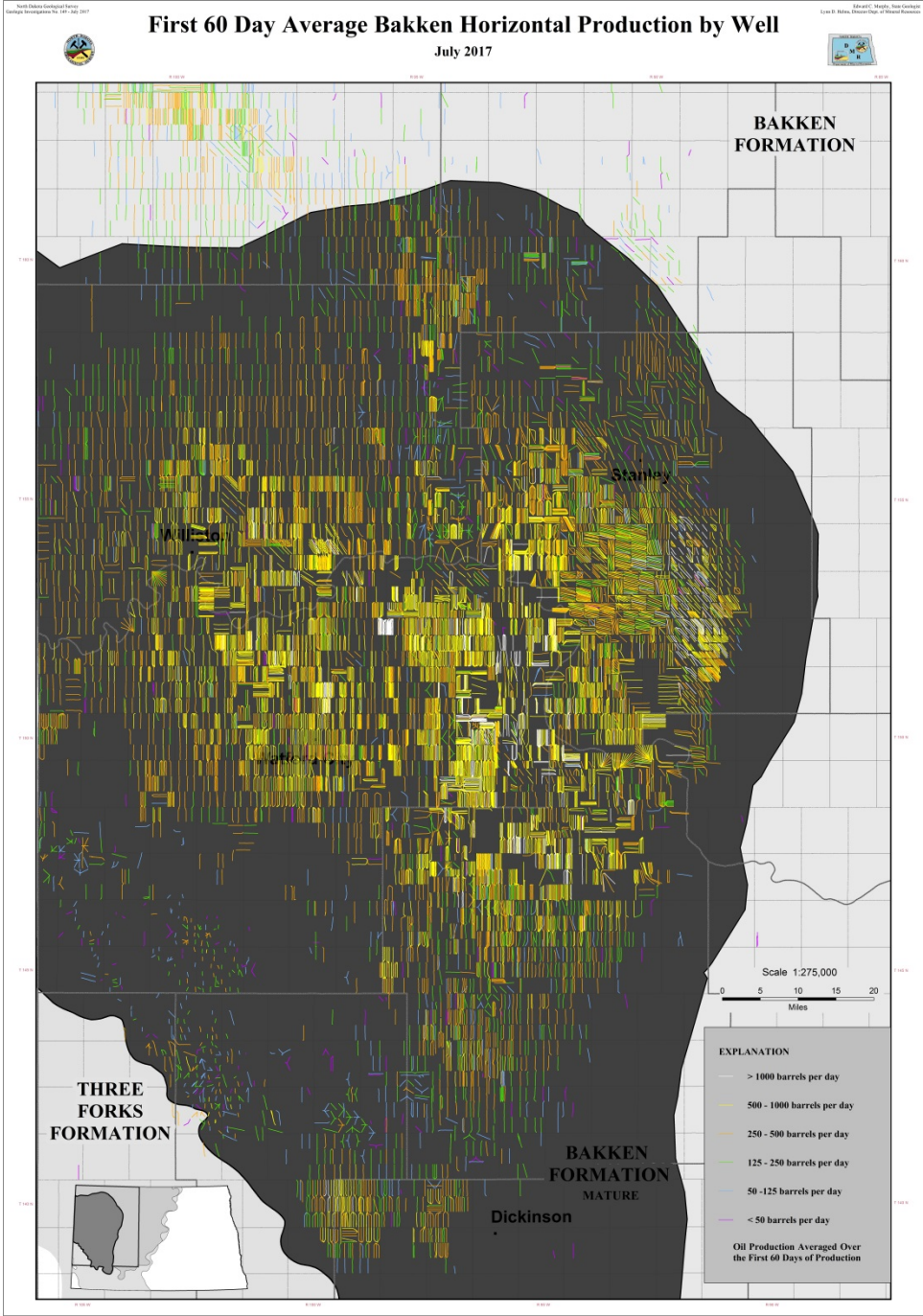
+\$60 for 90 days

NYMEX 2024+

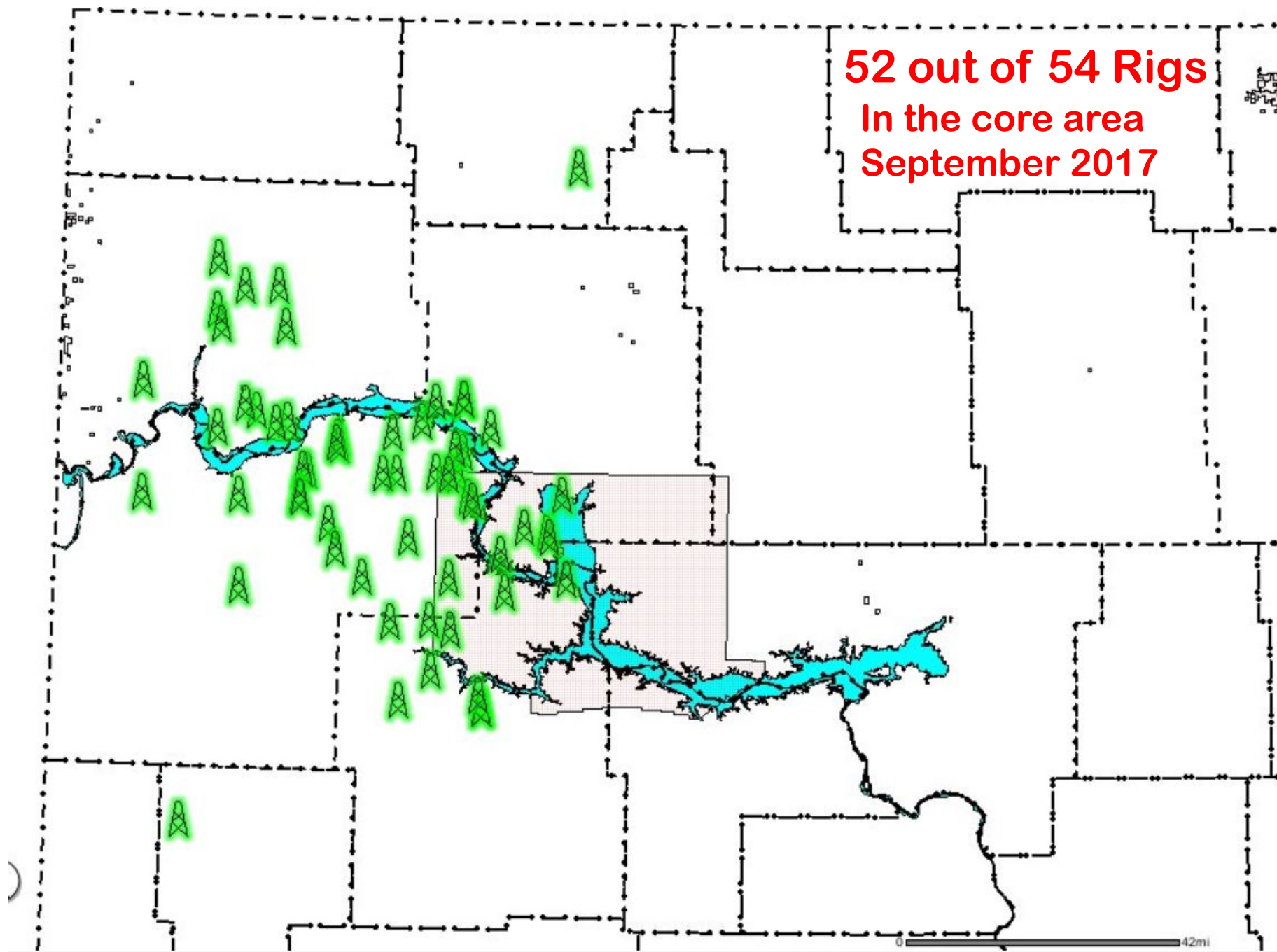
13,256 increased density approved 9/5/17

31,394 total

55,000-65,000 estimated final



**52 out of 54 Rigs  
In the core area  
September 2017**



# Impact

Wells drilled and completed - \$99.9 billion

Wells drilled not yet completed - \$8.8 billion

Natural Gas gathering and processing - \$13 billion

Rail and rail transportation facilities - \$1.25 billion

Crude Oil transmission pipelines - \$2 billion

Total estimate - \$125 billion

This does not include the investments in housing and infrastructure made by private firms and state-local-federal government.

# Coming Attractions

NDIC Rule Changes

EOR Field Tests

\$50/barrel & \$60/barrel

Missouri River Mineral Review

USGS Assessment

# Coming Attractions

## NDIC Rule Changes

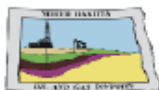
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# NORTH DAKOTA INDUSTRIAL COMMISSION

## DEPARTMENT OF MINERAL RESOURCES

### OIL AND GAS DIVISION

## SUMMARY OF PROPOSED 2018 RULES

NDAC CITE	RULE	PROPOSED CHANGE
<b>43-02-03 GENERAL RULES</b>		
43-02-03-01	Definitions	"Treating Plant" does not include treating tank bottoms at well site or facility
43-02-03-05	Enforcement of Laws, Rules, and Regs	Requires contractors know regs before conducting operations
43-02-03-14.2	Oil and Gas Metering Systems	Requires serial numbers of oil and gas meters to be submitted
43-02-03-15	Bond and Transfer of Wells	Requires principal to submit drawing identifying location of pipelines off site
43-02-03-17	Sign on Well or Facility	Clarifies signs must be on both the well and facility
43-02-03-22	Defective Casing or Cementing	Requires MIT if suspect defective casing or cementing
43-02-03-28	Safety Regulation	Requires subsequent MIT if casing integrity is questionable after remedial work
43-02-03-30	Fires, Leaks, Spills, or Blowouts <b>HB1151</b>	Clarifies ignition sources (not just boiler/generator) must be at a safe distance
43-02-03-30.1	Leak and Spill Cleanup	Leak/spill involving CO, PW, NGL notification NR if < 100bbls, stays on site built >9-01-2000
43-02-03-33	Notice of Intention to Plug Well	Requires Fm4 w/in 10 days of spill cleanup
43-02-03-34.1	Reclamation of Surface <b>SB2333</b>	Notice must include well bore diagram
43-02-03-49	Oil Production Equip, Dikes, and Seals	Requires reclamation to original condition per 38-08-04.12 (SB2333)
43-02-03-51.3	Treating Plant Construction and Operation	Authorizes Director to require an environmental assessment of the site
43-02-03-51.4	Treating Plant Abandonment & Reclamation	Requires dikes around production equipment at new production facility
43-02-03-53.3	SHF Construction & Operation Requirements	Synthetic liner required on dikes and within diked area
43-02-03-53.4	SHF Abandonment & Reclamation	Requires all discharged wastes to be promptly removed, not just accidentally spilled
43-02-03-55	Abandonment of Wells, TPs, & SHFs	Requires Fm4 w/in 30 days of TP construction/modification
43-02-03-58.1	Special Procedures	Clarifies that prior approval needed before modify TP
43-02-03-58.1	Special Procedures	Authorizes Director to shut-in TP operations if noncompliant
43-02-03-58.1	Special Procedures	Removes duplication in Adm Code--language appears under 43-02-03-34.1
43-02-03-58.1	Special Procedures	Requires Fm4 w/in 30 days of TP construction/modification
43-02-03-58.1	Special Procedures	Authorizes Director to shut-in TP operations if noncompliant
43-02-03-58.1	Special Procedures	Removes duplication in Adm Code--language appears under 43-02-03-34.1
43-02-03-58.1	Special Procedures	Clarifies Comm can require shut-in inj wells plugged after notice & hearing
43-02-03-58.1	Special Procedures	Clarifies Comm must receive comments by 5pm last business day prior to hearing
<b>43-02-05 UNDERGROUND INJECTION CONTROL</b>		
43-02-05-06	Construction Requirements	Requires all SWD wells to have surface casing set below Fox Hills Fm
43-02-05-09	Pressure Limitations (formerly Operating Regs)	Requires Director approval to perf after initial completion
43-02-05-12	Reporting, Monitoring, and Operating Regs	Clarifies surface facilities must be constructed pursuant to saltwater handling facilities rules
43-02-05-12	Reporting, Monitoring, and Operating Regs	Moves existing language to 43-02-05-12
43-02-05-12	Reporting, Monitoring, and Operating Regs	Identifies forms needed to report monthly injection
43-02-05-12	Reporting, Monitoring, and Operating Regs	Requires initial and annual press test of all inj lines leaving the pump house site
43-02-05-12	Reporting, Monitoring, and Operating Regs	Added annular injection prohibition currently residing in 43-02-05-09
<b>43-02-06 ROYALTY STATEMENTS</b>		
43-02-06-01	Royalty Owner Information Statement	Requires point of sale for oil and gas
43-02-06-01	Royalty Owner Information Statement	Requires weighted average price and point of sale for natural gas liquids
43-02-06-01	Royalty Owner Information Statement	Modifies rule to conform to existing statute--must clearly identify deductions
43-02-06-01	Royalty Owner Information Statement	Requires gross and net mineral acres in spacing unit
<b>43-02-11 CERTIFICATION OF HORIZONTAL, RE-ENTRY, AND TWO-YEAR INACTIVE WELLS</b>		
43-02-11-01	Definitions <b>HB1043</b>	Removes reference to tax incentives repealed by HB1043
43-02-11-02	Appl to Certify Hor, Hor RE, Two-Yr Inactive <b>HB1043</b>	Removes qualifying well certification for tax incentives repealed by HB1043
43-02-11-04	Appl for Tax Exempt for Hor Well <b>HB1043</b>	Removes tax incentives repealed by HB1043
43-02-11-05	Appl for Tax Exempt for Hor RE Well <b>HB1043</b>	Removes tax incentives repealed by HB1043
43-02-11-06	Appl for Tax Exempt for Two-Yr Inactive Well <b>HB1043</b>	Removes tax incentives repealed by HB1043
43-02-11-07	Books & Records--Substantial Reports <b>HB1043</b>	Removes reference to tax incentives repealed by HB1043
43-02-11-08	Appl for Tax Exempt for Shallow Gas Well	Removes requirement to notify all working interest owners and gas purchasers
<b>43-05-01 GEOLOGIC STORAGE OF CARBON DIOXIDE</b>		
43-05-01-19	Facility Closure <b>SB2333</b>	Requires reclamation to original condition per 38-08-04.12 (SB2333)

**ROYALTY STATEMENTS**  
**CHAPTER 43-02-06**

**43-02-06-01. ROYALTY OWNER INFORMATION STATEMENT.** Whenever payment is made for oil or gas production to an interest owner, whether pursuant to a division order, lease, servitude, or other agreement, all of the following information must be included on the check stub or on an attachment to the form of payment, unless the information is otherwise provided on a regular monthly basis:

1. The lease, property, or well name or any lease, property, or well identification number used to identify the lease, property, or well; provided, that if a lease, property, or well identification number is used the royalty owner must initially be provided with the lease, property, or well name to which the lease, property, or well name refers.
2. The month and year during which sales occurred for which payment is being made.
3. One hundred percent of the corrected volume of oil, regardless of ownership, which is sold measured in barrels, and one hundred percent of the volume of either wet or dry gas, regardless of ownership, which is sold or removed from the premises for the purpose of sale, or sale of its contents and residue, measured in thousand cubic feet.
4. Price.
  - a. Oil. ~~Weighted Point of sale and weighted~~ average price per barrel received by the producer for all oil sold during the period for which payment is made. The price would be the net price received by the producer after purchaser's deductions. The purchaser's deductions are to be explained pursuant to subsection 6.
  - b. Gas and natural gas liquids. ~~Weighted Point of sale and weighted~~ average price per thousand cubic feet [28.32 cubic meters] received by the producer for all gas sold during the period for which payment is made. Point of sale and weighted average price per gallon received by the producer for all natural gas liquids sold during the period for which payment is made. The price would be the net price received by the producer after purchaser's deductions. The purchaser's deductions are to be explained pursuant to subsection 6.
5. Total amount of state severance and other production taxes.
6. ~~Any other deductions or adjustments. Those not explained on the statement or in a separate mailing must be explained to the royalty owner upon inquiry to the disburser. The amount and purpose of each deduction or adjustment made, including transportation, processing, compression, utilities, and administrative costs.~~
7. Net value of total sales after deductions.



8.      Gross and net mineral acres in the spacing unit.
- ~~8.9.~~    Owner's interest in sales from the lease, property, or well expressed as a decimal.
- ~~9-10.~~   Owner's share of the total value of sales prior to any tax deductions.
- ~~10-11.~~   Owner's share of sales value less deductions.
- ~~11-12.~~   An address where additional information may be obtained and any questions answered. If information is requested by certified mail, the answer must be mailed by certified mail within thirty days of receipt of the request.

History: Effective November 1, 1983; amended effective April 1, 1984; November 1, 1987; May 1, 1992.

General Authority  
NDCC 38-08-06.3

Law Implemented  
NDCC 38-08-06.3

## TIMETABLE FOR ADOPTING OIL AND GAS RULES (tentative in RED FONT)

### 2017

- Jun 27: Requested ideas f/rule changes at Annual Inspector Meeting
- Jul 28: Received interoffice comments for proposed rules
- Aug 22: IC meeting—received approval to proceed with proposed rulemaking
- Aug 23: Sent legal ad to North Dakota Newspaper Association for rules notice  
File full notice + rules w/Leg Council (LC) via hand-delivery  
LC sends rules notice to interested parties w/in 15 business days after receiving them
- Aug 30: Write reg analysis f/rules impacting industry > \$50,000  
All papers (10 daily + 42 weekly) to publish proposed rules notice Aug 30 – Sep 5
- Oct 11: Rules hearing (Case 26062) @ 9 am, Oil and Gas Division Field Office, 1000 E Calgary Ave, Bismarck
- Oct 11: Rules hearing @ 1 pm, Oil and Gas Division Field Office, 926 E Industrial Drive, Dickinson
- Oct 12: Rules hearing @ 8:30 am, Home Place Lodge and Suites, 1505 15<sup>th</sup> Ave West, Williston
- Oct 12: Rules hearing @ 2 pm, Oil and Gas Division Field Office, 7 3<sup>rd</sup> St SE, Suite 107, Minot  
Minimum ten-day comment period starts (to receive input on proposed rules)
- Oct 23: Comment period ends—11 days from final hearing date
- Nov 27: Finalize responses to all comments rec'd (oral-hearing + written comments)  
Finalize appropriate amendments to rules
- Nov 28: IC approve rules w/ICO #\_\_\_\_\_ (Case 26062): Prepared Aff of mailing to all parties
- Nov 28: Write small entity reg analysis and small entity impact statement  
Complete small entity regulatory analysis required to minimize adverse impact on small entities  
Complete small entity impact statement required if has an adverse impact on small entities  
Submit final rules to Attorney General (AG) for legal opinion including:
- Dec 20: Receive opinion from AG's office  
File rules+AG opinion w/LC  
(Rules filed w/LC btn Nov 2-Feb 1 become effective Apr 1, 2018.)

### 2018

- Jan 17: Notify all interested parties (+ post on web) of Adm Rules Comm hearing after LC posts agenda
- Mar 14: Administrative Rules Committee Hearing (Notify all interested parties when LC posts agenda)
- Apr 1: Adopt final rules

# Coming Attractions

NDIC Rule Changes

**EOR Field Tests**

\$50/barrel & \$60/barrel

Missouri River Mineral Review

USGS Assessment

# Oil and Gas Subscription: ArcIMS Viewer

Legend / Layers

Overview Map

View Entire State

Previous View

Clear Selection

Search

Create PDF

Zoom In

Zoom Out

Pan

Rect Identify

Select Object

Buffer

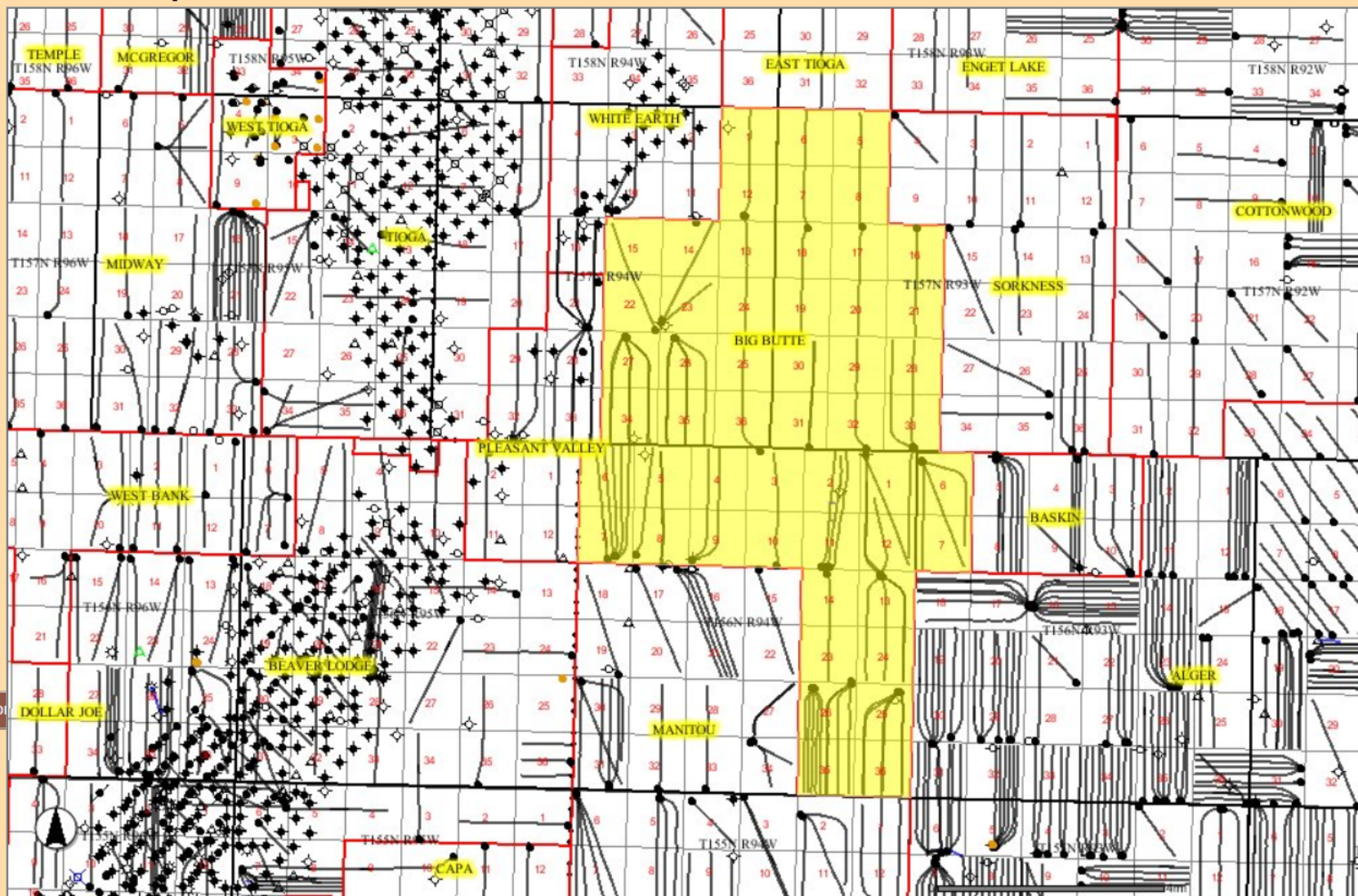
Distance

Find Well

Find Field / Unit

Find Section

Browser Settings Suggestion



## Oil Fields

Rec	Name	Type
1	BIG BUTTE	oilGas



# Oil and Gas Subscription: ArcIMS Viewer

Legend / Layers

Overview Map

View Entire State

Previous View

Clear Selection

Search

Create PDF

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Pan

Rect Identify

Select Object

Buffer

Distance

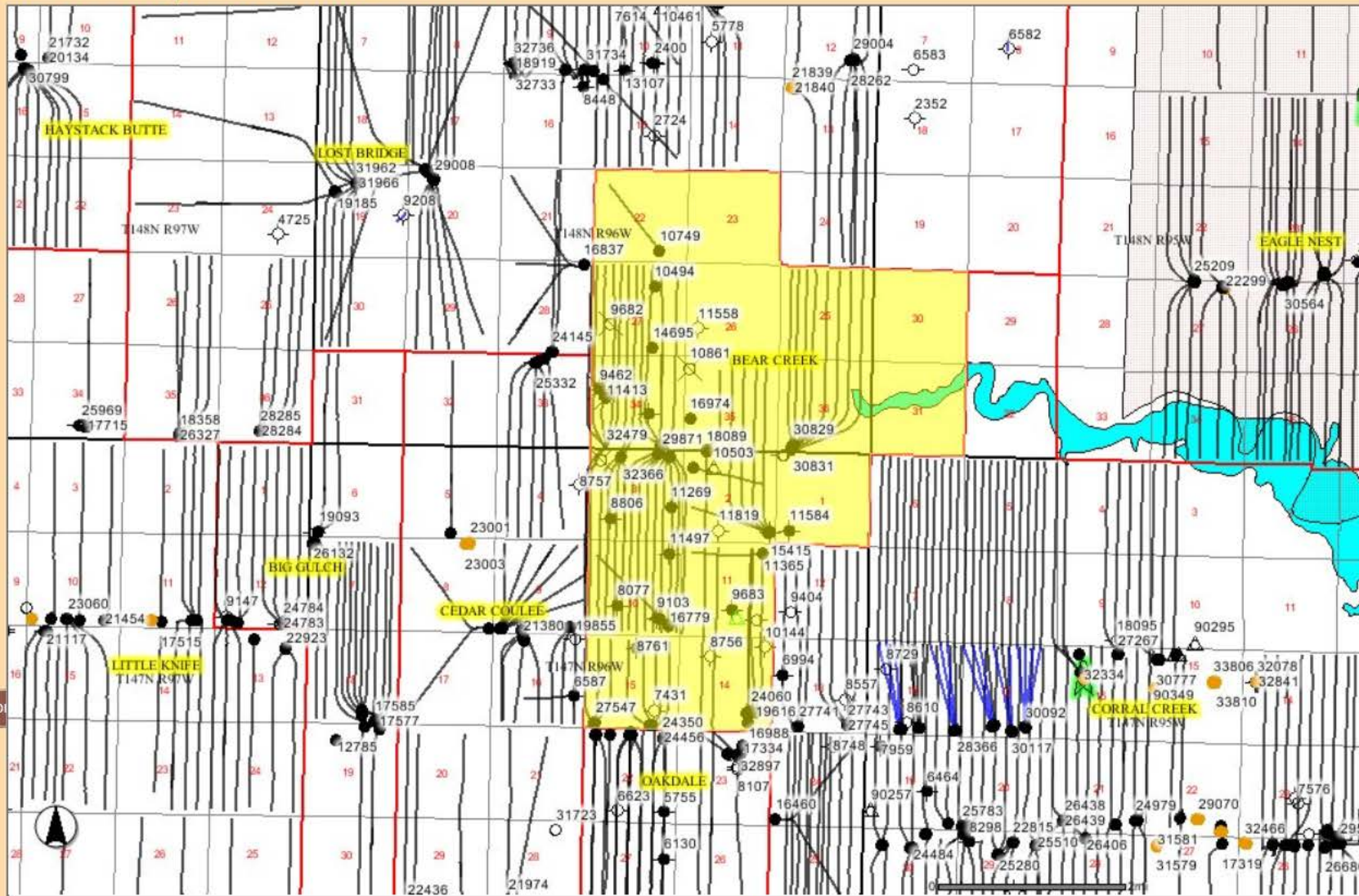
Find Well

Find Field / Unit

Find Section

Browser Settings Suggestion

Find



## Oil Fields

Rec	Name	Type
1	BEAR CREEK	oilGas



### Legend / Layers

## Overview Map

[View Entire State](#)[Previous View](#)

Clear Selection

Search

Create PDF

Zoom In

Zoom Out

Pan

## Rect Identify

## Select Object

Buffer

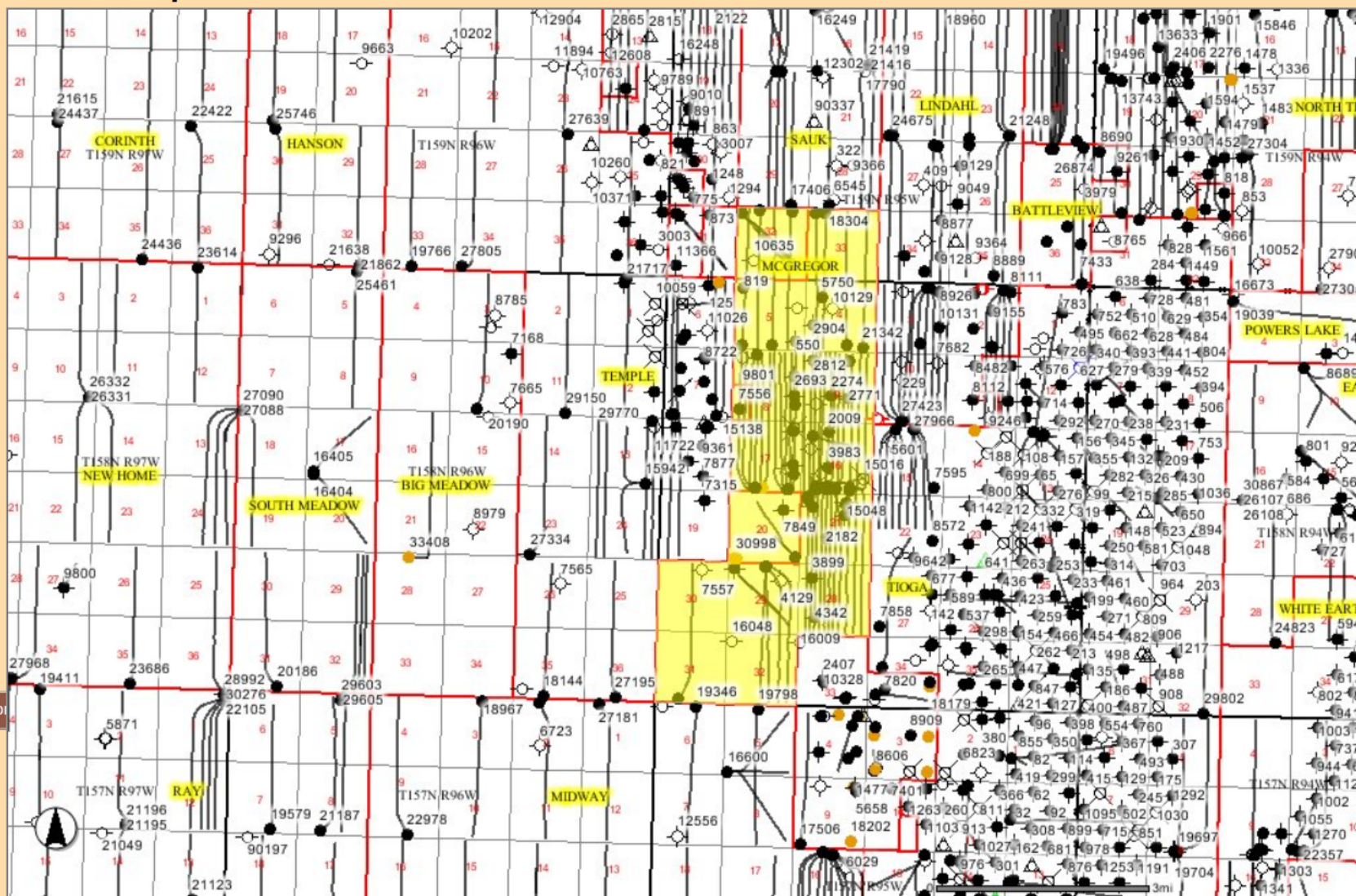
Distance

Find Well

Find Field / Unit

Find Section

## Browser Settings Suggestion



## Oil Fields

Rec	Name	Type
1	MCGREGOR	oilGas

### Select Rectangle

# Coming Attractions

NDIC Rule Changes

EOR Field Tests

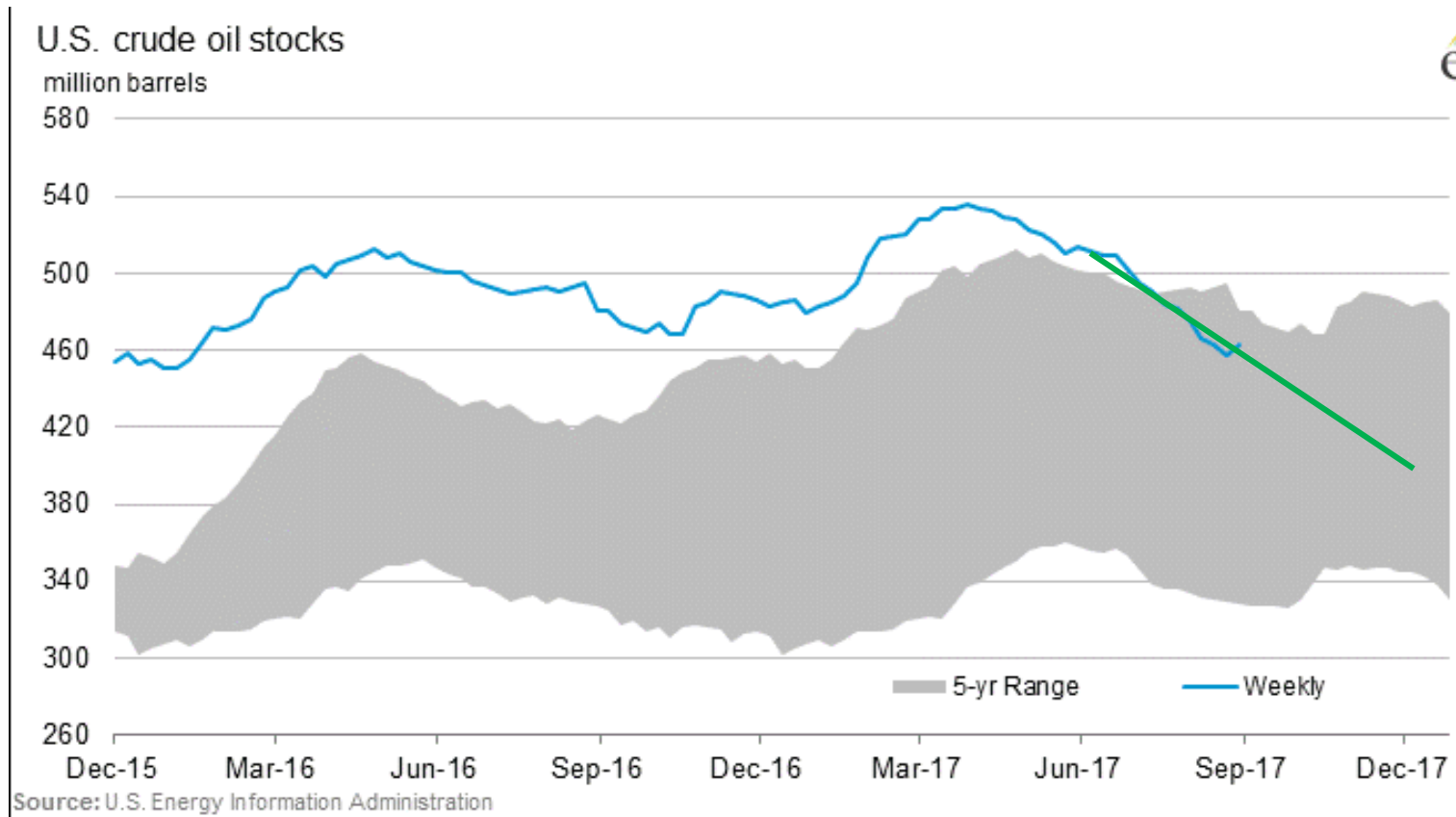
\$50/barrel & \$60/barrel

Missouri River Mineral Review

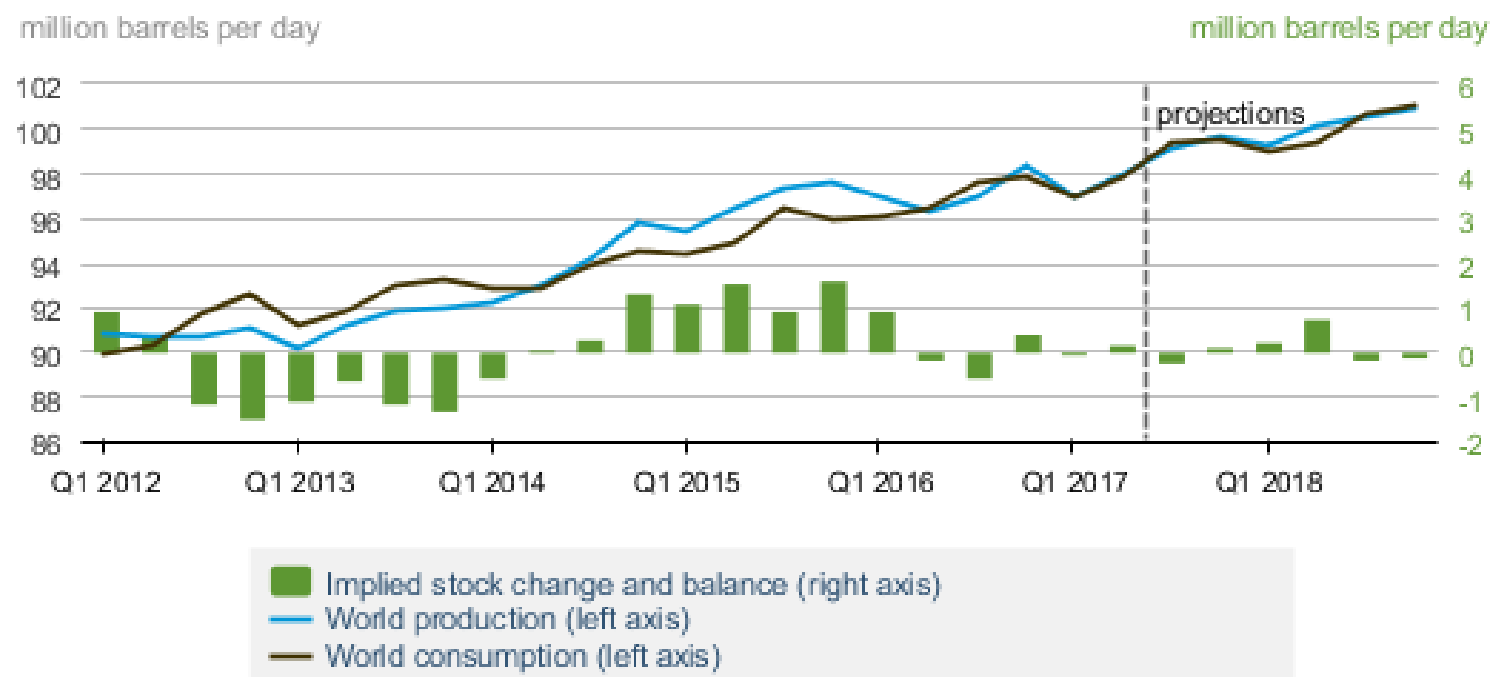
USGS Assessment

Storage      East Coast 18 of 20=90%  
Permian 84 of 120=70%  
Rockies 22 of 40=55%  
Total US 462 of 735=63%

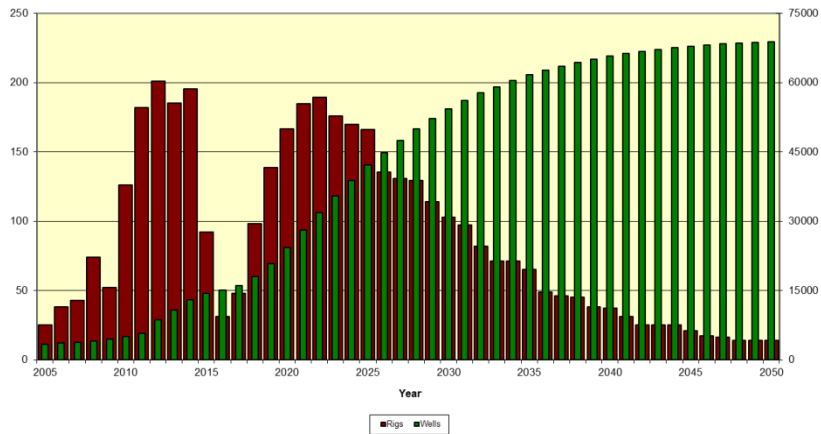
Cushing 58 of 70=83%  
Gulf Coast 232 of 395=59%  
West Coast 49 of 100=49%  
Normal 400 of 735=54%



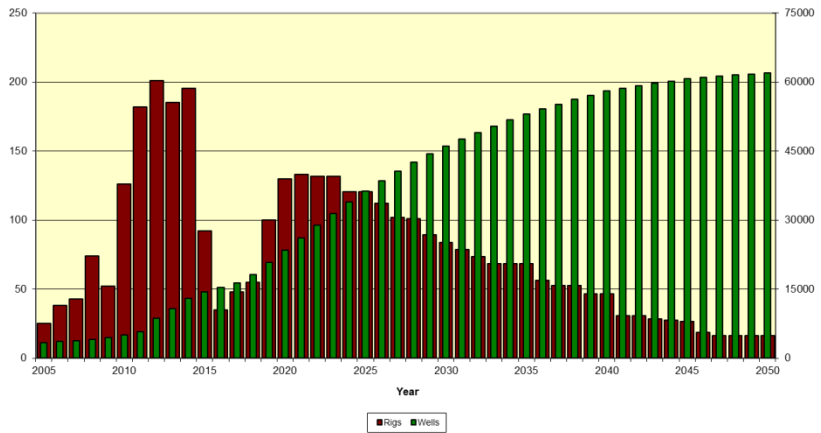
## World liquid fuels production and consumption balance



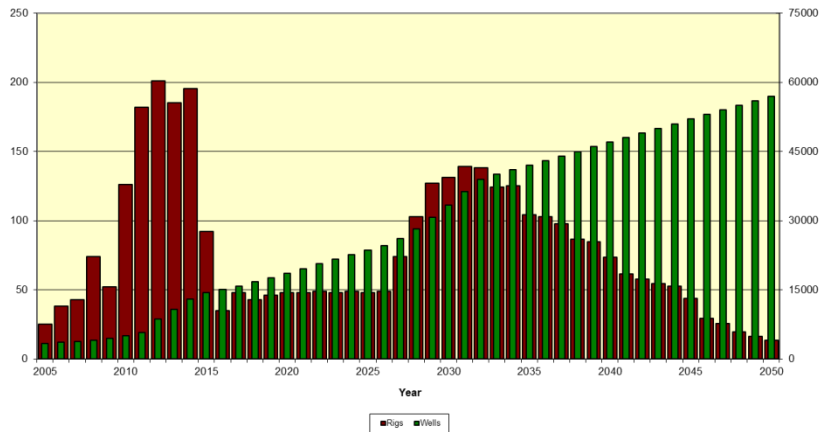
North Dakota Rigs and Wells



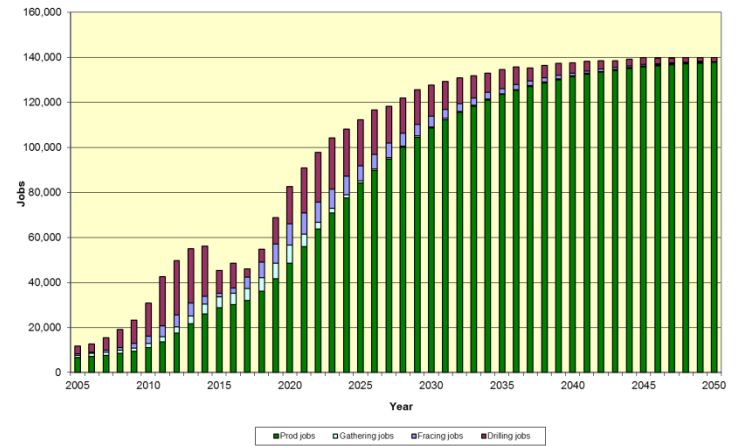
North Dakota Rigs and Wells



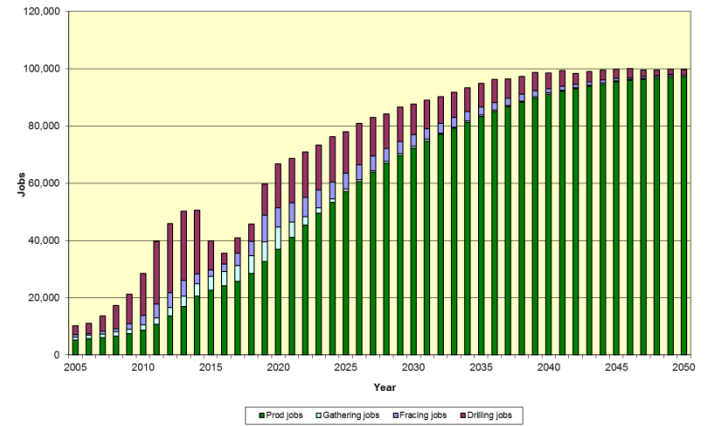
North Dakota Rigs and Wells



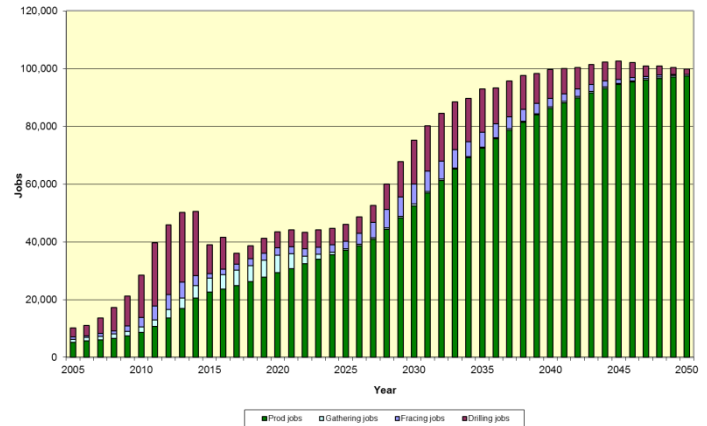
North Dakota Oil Industry Jobs



North Dakota Oil Industry Jobs



North Dakota Oil Industry Jobs





# Coming Attractions

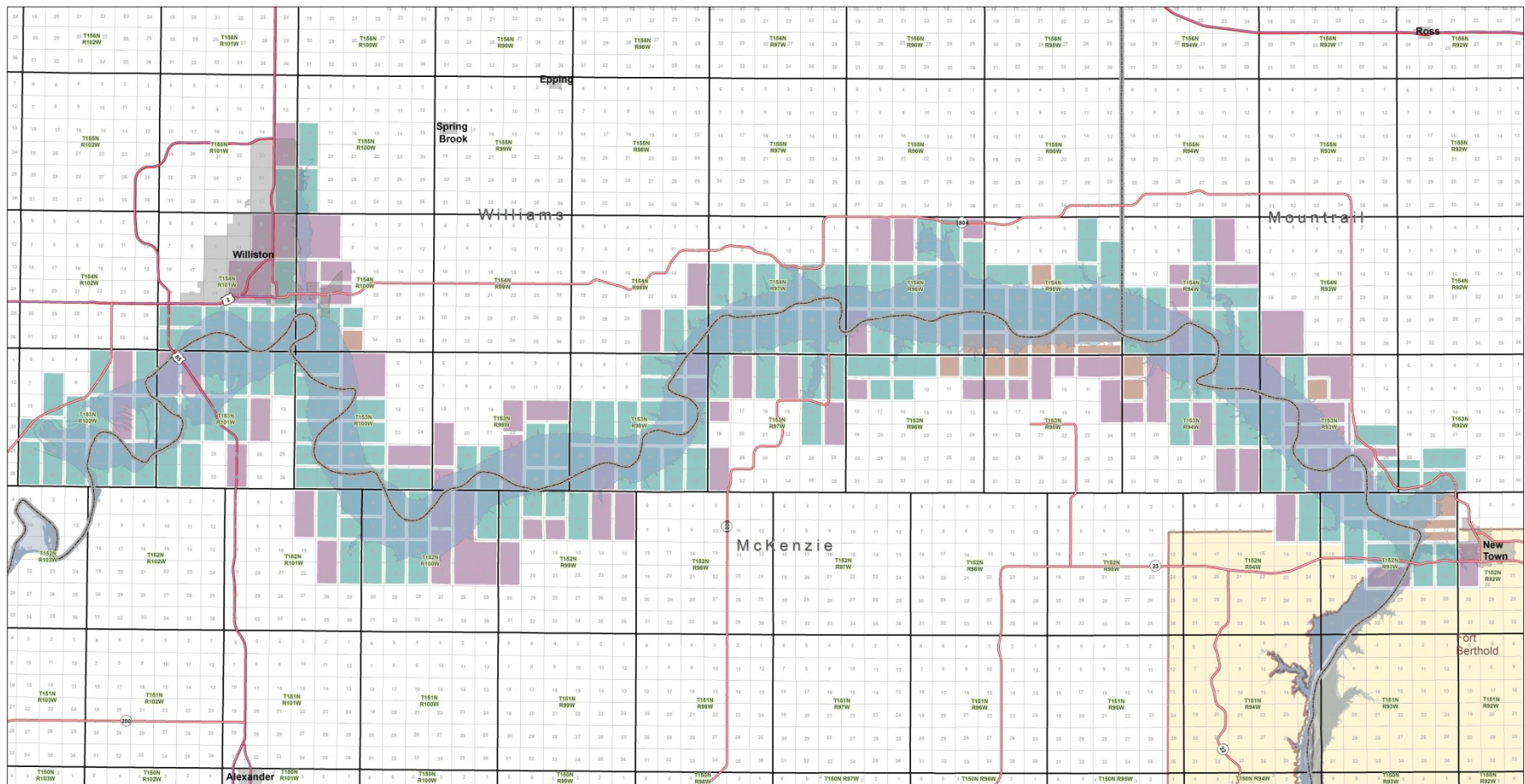
NDIC Rule Changes

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\$50/barrel & \$60/barrel

**Missouri River Mineral Review**

USGS Assessment



- State Highway
- U.S. Highway
- City Boundary
- Counties
- Townships
- Sections
- Reservation Boundary
- Lake Sakakawea

#### Affected Drilling and Spacing Units

- 640, SPC
- 1280, SPC
- All Other Units



Date: 9/14/2017  
Prepared by: N.D. C. Oil and Gas Division  
Disclaimer: Neither the State of North Dakota, nor any agency, officer, or employee of the State of North Dakota warrants the accuracy or reliability of this product and shall not be held responsible for any losses caused by reliance on this product. Portions of the information may be incorrect or out of date. Any person or entity that relies on any information obtained from this product does so at his or her own risk.

344 spacing units impacted = 1,300 – 2750 wells not drilled

## SB 2134

Effective Date of Bill	April 21, 2017	Emergency Clause	
Publication of Invitation by Department of Mineral Resources	May 25, 2017	Department of Mineral Resources to prepare Request for Proposals. This time line allows 6 weeks to prepare that RFP and determine method for distribution.	61-33.1-03 (2)
Proposal submittal deadline	June 27, 2017	Two qualifying proposals received	61-33.1-03 (2)
Selection of Firm	August 22, 2017	<b>Selection</b> must be done by August 28. (Must be done within 90 days from first <u>publication of invitation</u> .)	61-33.1-03 (2)
End of NDIC Order appeal period	September 21, 2017	Order appealable for 30 days	
Firm begins their review	September 22, 2017	This timeline assumes the firm, at the latest, will begin its work on September 1, 2017. This may be a little aggressive in that once a firm is selected there needs to be time allowed to negotiate and finalize a contract.	61-33.1-03 (3) (4) (5)
Firm provide findings and make recommendations on each segment of the river the firm reviewed.	March 21, 2018	The firm must complete their review within 6 months; Department may extend the time if deemed necessary.	61-33.1-03 (5)
Commission shall publish notice of the review findings	April 11, 2018	Could take up to 21 days to get notice in county papers.	61-33.1-03 (6)
Public Comment Period	June 11, 2018	60 days for comments	61-33.1-03 (6)
Public hearing (s)	June 13, 2018	Public Hearing to be held after the 60 days	61-33.1-03 (6)
Hearing Officer/Staff provides recommendation	July 13, 2018	Preparation of recommendations. This timeline estimates a minimum 30 days. This may require more time depending on the number of comments -- whether a transcript of the hearing needs to be prepared, etc.	61-33.1-03 (7)
Commission action	July 26, 2018	Commission may modify/Commission must take action on each finding. No specific deadline of when the Commission has to act. Have allowed 25 days to get it finalized.	61-33.1-03 (7)
Distribution of royalties on <b>non-contested</b> acreage	January 22, 2019	Within six months after the adoption of the final review findings by the industrial commission.	See 61-33.1-04 (1)
Distribution of lease bonus and royalty refunds and payment demands as may be necessary	July 27, 2020	Land Board and Operators must make payments within 2 years.	61-33.1-04 (2 a & b)

# Coming Attractions

NDIC Rule Changes

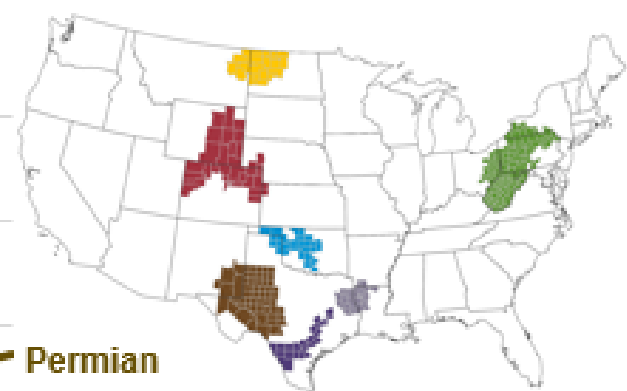
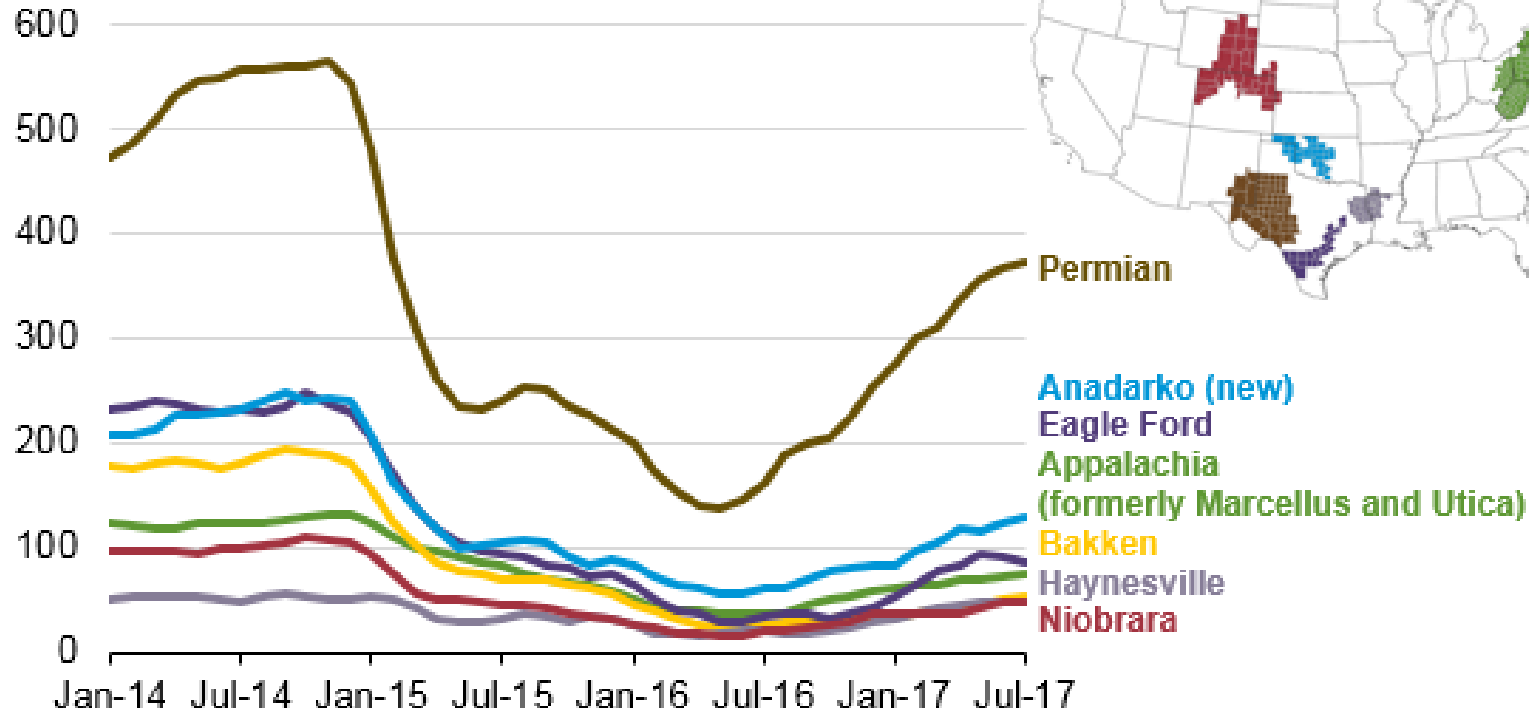
EOR Field Tests

\$50/barrel & \$60/barrel

Missouri River Mineral Review

**USGS Assessment**

**Rig count in EIA's *Drilling Productivity Report* regions**  
number of active drilling rigs



#### Taxes

Permian – 3.75% to 7.5%  
Anadarko – 7%  
Eagle Ford – 7.5%  
Appalachia – 0.2%  
Bakken – 10%  
Haynesville – 5% to 7.5%  
Niobrara – 3% to 6%

#### Federal & Tribal Lands

Permian – <2%  
Anadarko – <2%  
Eagle Ford – <2%  
Appalachia – <2%  
Bakken – 9% to 30%  
Haynesville – 2% to 9%  
Niobrara – 36% to 48%

#### 17 Potential unconventional resource Source Rock formations

Spearfish 1	Charles 2
Tyler 1	Mission Canyon 2
Lodgepole 1	Bakken 2
Birdbear 1	Duperow 1
Winnipegosis 1	Stony Mountain 1
Red River 2	Winnipeg 1
Deadwood 1	



