

HOUSE BILL NO. 1277

Introduced by

Representatives S. Meyer, Hunskor, Kempenich, Steiner

Senators Nodland, Wardner

1 A BILL for an Act to create and enact a new section to chapter 38-08 of the North Dakota
2 Century Code, relating to failure of an abandoned oil and gas well to hold a lease by production;
3 to amend and reenact subdivision I of subsection 1 of section 38-08-04 of the North Dakota
4 Century Code, relating to determination of abandoned-well status; and to provide for retroactive
5 application.

6 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

7 **SECTION 1. AMENDMENT.** Subdivision I of subsection 1 of section 38-08-04 of the North
8 Dakota Century Code is amended and reenacted as follows:

9 I. The placing of wells in abandoned-well status which have not produced oil or
10 natural gas in paying quantities for one year. A well in abandoned-well status
11 must be promptly returned to production in paying quantities, approved by the
12 commission for temporarily abandoned status, or plugged and reclaimed within
13 six months. If none of the three preceding conditions are met, the industrial
14 commission may require the well to be placed immediately on a single well bond
15 in an amount equal to the cost of plugging the well and reclaiming the well site. In
16 setting the bond amount, the commission shall use information from recent
17 plugging and reclamation operations. After a well has been in abandoned well
18 status for one year, the well's equipment, all well-related equipment at the well
19 site, and salable oil at the well site are subject to forfeiture by the commission. If
20 the commission exercises this authority, section 38-08-04.9 applies. After a well
21 has been in abandoned well status for one year, the single well bond referred to
22 above, or any other bond covering the well if the single well bond has not been
23 obtained, is subject to forfeiture by the commission.

1 **SECTION 2.** A new section to chapter 38-08 of the North Dakota Century Code is created
2 and enacted as follows:

3 **Determination of abandoned-well status - Abandoned well does not hold lease by**
4 **production.**

5 The industrial commission automatically shall place a well that has not produced oil or
6 natural gas in paying quantities for one year on abandoned-well status. As used in this section,
7 in paying quantities means whether under all relevant circumstances a reasonably prudent
8 operator, for the purpose of making a profit of at least twenty percent, would continue to operate
9 the well. Placement of a well on abandoned-well status after the primary term of the lease has
10 expired automatically terminates the lease.

11 **SECTION 3. RETROACTIVE APPLICATION.** This Act is retroactive in application.