

Sixty-seventh
Legislative Assembly
of North Dakota

ENGROSSED SENATE BILL NO. 2065

Introduced by

Energy and Natural Resources Committee

(At the request of the Industrial Commission)

1 A BILL for an Act to create and enact section 15-05-09.1 and chapter 38-25 of the North Dakota
2 Century Code, relating to the authority of the board of university and school lands to lease lands
3 under its control for the underground storage of oil or gas and the jurisdiction of the industrial
4 commission to regulate the permitting and amalgamation of the underground storage of oil or
5 gas.

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

7 **SECTION 1.** Section 15-05-09.1 of the North Dakota Century Code is created and enacted
8 as follows:

9 **15-05-09.1. Authorization to lease for the underground storage of oil or gas.**

10 The board of university and school lands may lease any lands under the board's control for
11 the underground storage of oil, natural gas, including hydrogen, and any other liquid
12 hydrocarbons and may establish any rules and regulations necessary concerning the leasing of
13 such rights.

14 **SECTION 2.** Chapter 38-25 of the North Dakota Century Code is created and enacted as
15 follows:

16 **38-25-01. Definitions.**

17 As used in this section:

- 18 1. "Commission" mean the industrial commission.
- 19 2. "Gas" includes all natural gas, including hydrogen, and all other fluid hydrocarbons not
20 defined as oil.
- 21 3. "Geological storage" means the underground storage of oil or gas in a storage
22 reservoir or salt cavern.
- 23 4. "Oil" includes crude petroleum oil and other hydrocarbons regardless of gravity which
24 are produced at the wellhead in liquid form and the liquid hydrocarbons known as

1 distillate or condensate recovered or extracted from gas, other than gas produced in
2 association with oil and commonly known as casinghead gas.

3 5. "Permit" means a permit issued by the commission allowing a person to operate an
4 underground storage facility.

5 6. "Pore space" has the same meaning as in section 47-31-02.

6 7. "Reservoir" means a subsurface sedimentary stratum, formation, aquifer, or void,
7 whether natural or artificially created, including oil and gas reservoirs and saline
8 formations suitable for or capable of being made suitable for injecting, storing, and
9 withdrawing oil or gas. The term does not include salt caverns.

10 8. "Salt cavern" means a natural occurring cavity contained within a salt formation or a
11 cavity created in a salt formation by solution mining, suitable for injecting, storing, and
12 withdrawing oil or gas.

13 9. "Solution mining" means the process of injecting fluid into a well to dissolve rock salt
14 or other readily soluble rock to create a salt cavern for underground storage of oil or
15 gas.

16 10. "Storage facility" means the reservoir, salt cavern, underground equipment, and
17 surface facilities and equipment used or proposed to be used in an underground
18 storage operation. The term does not include a pipeline used to transport oil or gas to
19 the storage facility.

20 11. "Storage operator" means a person holding or applying for a permit.

21 **38-25-02. Commission authority.**

22 The commission has authority:

23 1. Over all persons and property necessary to administer and enforce this chapter.

24 2. To regulate activities relating to an underground storage facility, including construction,
25 solution mining to create salt caverns, operation, and closure.

26 3. To enter an underground storage facility at a reasonable time and manner to inspect
27 equipment and facilities, to observe, monitor, and investigate operations, and to
28 inspect records required to be maintained at the facility.

29 4. To require storage operators provide financial assurance, including bonds, to ensure
30 money is available to fulfill the storage operator's duties.

1 5. To exercise continuing jurisdiction over storage operators and storage facilities,
2 including the authority to amend or revoke a permit after notice and hearing.

3 6. After notice and hearing, to dissolve or change the boundaries of any commission
4 established oil or gas field or unit within or near a storage reservoir's or salt cavern's
5 boundaries.

6 7. After notice and hearing, to adopt reasonable rules and issue reasonable orders to
7 implement the policies of this chapter.

8 8. After notice and hearing, to grant exceptions to this chapter's requirements and
9 implementing rules for good cause.

10 **38-25-03. Permit required - Permit transfer.**

11 Geologic storage is allowed if permitted by the commission. A permit may be transferred if
12 the commission consents.

13 **38-25-04. Permit hearing - Hearing notice.**

14 1. The commission shall hold a public hearing before issuing any storage permit.

15 2. Notice of the hearing must be published for two consecutive weeks in the official
16 newspaper of the county or counties where the storage reservoir or salt cavern is
17 proposed to be located and in any other newspaper the commission requires.
18 Publication deadlines must comply with commission requirements.

19 3. Notice of hearing must be given to each surface owner of land overlying the storage
20 reservoir or salt cavern and within one-half mile [0.80 kilometer] of the reservoir's or
21 salt cavern's boundaries.

22 4. If the proposed storage facility contemplates storage of oil or gas in an oil and gas
23 reservoir, notice of the hearing also must be given to each mineral lessee, mineral
24 owner, and pore space owner within the storage reservoir and within one-half mile
25 [0.80 kilometer] of the storage reservoir's boundaries.

26 5. If the proposed storage facility contemplates storage of oil or gas in a salt cavern,
27 notice of the hearing must be given to each salt mineral lessee, salt mineral owner,
28 and pore space owner within the salt cavern outer boundaries and within one-half mile
29 [0.80 kilometer] of the outer boundaries of the salt cavern, or as otherwise may be
30 required by the commission.

1 6. If the storage facility contemplates storage of oil or gas in a saline formation or aquifer,
2 notice of hearing must be given to each pore space owner within the storage reservoir
3 and within one-half mile [0.80 kilometer] of the storage reservoir's boundaries.

4 7. Hearing notices required by this section must comply with the deadlines set by the
5 commission and must contain the information the commission requires.

6 **38-25-05. Permit requirements - Storage in oil and gas reservoir.**

7 Before issuing a permit for storage in an oil and gas reservoir, the commission shall find:

8 1. The storage operator has or will obtain the consent by lease, purchase, or other
9 agreement from all surface owners where surface disturbance activities are necessary
10 and surface facilities will be located.

11 2. The storage operator has complied with all requirements set by the commission.

12 3. The storage facility is suitable and feasible for the injection, storage, and withdrawal of
13 oil or gas.

14 4. The storage operator has made a good-faith effort to get the consent of all persons
15 that own the storage reservoir's pore space.

16 5. The storage operator has made a good-faith effort to obtain the consent of all persons
17 that own oil and gas minerals and oil and gas leases.

18 6. The storage operator has obtained the consent of persons that own at least fifty-five
19 percent of the storage reservoir's pore space.

20 7. The storage operator has obtained the consent of persons that own at least fifty-five
21 percent of the storage reservoir's oil and gas minerals and oil and gas leases.

22 8. Whether the storage reservoir contains any commercially valuable oil, gas, or other
23 minerals and, if it does, a permit may be issued only if the commission is satisfied the
24 interests of the mineral owners or mineral lessees will not be affected adversely or
25 have been addressed in an arrangement entered by the mineral owners or mineral
26 lessees and the storage operator.

27 9. The proposed storage facility will not affect adversely surface waters or formations
28 containing fresh water.

29 10. The injected oil or gas will not escape from the storage reservoir.

30 11. The storage facility will not endanger health or unduly endanger the environment.

31 12. The storage facility is in the public interest.

1 13. The vertical boundaries of the storage reservoir are defined to include any necessary
2 or reasonable buffer zones for the purpose of ensuring the safe operations of the
3 storage facility and to protect the storage facility against pollution, invasion, and
4 escape or migration of oil or gas therefrom.

5 14. The horizontal extent of the injected gas within the storage reservoir, as estimated by
6 reasonable means and confirmed through appropriate monitoring methods, are
7 defined to include any necessary or reasonable buffer zones for the purpose of
8 ensuring the safe operations of the storage facility and to protect the storage facility
9 against pollution, invasion, and escape or migration of oil or gas therefrom.

10 15. The storage operator will establish monitoring facilities and protocols to assess the
11 location and migration of oil and gas, if any, injected for storage and to ensure
12 compliance with all permit, statutory, and administrative requirements.

13 16. All nonconsenting owners are or will be compensated equitably.

14 **38-25-06. Permit requirements - Storage in saline reservoir or aquifer.**

15 Before issuing a permit for storage in a saline reservoir or aquifer, the commission shall
16 find:

17 1. The storage operator has or will obtain the consent by lease, purchase, or other
18 agreement from all surface owners where surface disturbance activities are necessary
19 and surface facilities will be located.

20 2. The storage operator has complied with all requirements set by the commission.

21 3. The storage facility is suitable and feasible for the injection, storage, and withdrawal of
22 oil or gas.

23 4. The storage operator has made a good-faith effort to obtain the consent of all persons
24 that own the storage reservoir's pore space.

25 5. The storage operator has obtained the consent of persons that own at least fifty-five
26 percent of the storage reservoir's pore space.

27 6. The proposed storage facility will not affect adversely surface waters or formations
28 containing fresh water.

29 7. The injected oil or gas will not escape from the storage reservoir.

30 8. The storage facility will not endanger health or unduly endanger the environment.

31 9. The storage facility is in the public interest.

1 10. The vertical boundaries of the storage reservoir are defined to include any necessary
2 or reasonable buffer zones for the purpose of ensuring the safe operations of the
3 storage facility and to protect the storage facility against pollution, invasion, and
4 escape or migration of oil or gas therefrom.

5 11. The horizontal extent of the injected gas within the storage reservoir, as estimated by
6 reasonable means and confirmed through appropriate monitoring methods, are
7 defined to include any necessary or reasonable buffer zones for the purpose of
8 ensuring the safe operations of the storage facility and to protect the storage facility
9 against pollution, invasion, and escape or migration of oil or gas therefrom.

10 12. The storage operator will establish monitoring facilities and protocols to assess the
11 location and migration of oil and gas, if any, injected for storage and to ensure
12 compliance with all permit, statutory, and administrative requirements.

13 13. All nonconsenting pore space owners are or will be compensated equitably.

14 **38-25-07. Permit requirements - Storage in salt cavern.**

15 Before issuing a permit for storage in a salt cavern, the commission shall find:

16 1. The storage operator has or will obtain the consent by lease, purchase, or other
17 agreement from all surface owners where surface disturbance activities are necessary
18 and surface facilities will be located.

19 2. The storage operator has complied with all requirements set by the commission,
20 including all necessary permits to conduct solution mining, if applicable.

21 3. The storage facility is suitable and feasible for the injection, storage, and withdrawal of
22 oil or gas.

23 4. The storage operator has made a good-faith effort to obtain the consent of all persons
24 that own the salt cavern's pore space.

25 5. The storage operator has made a good-faith effort to obtain the consent of all persons
26 that own the salt cavern's salt minerals and salt leases.

27 6. The storage operator has obtained the consent of persons that own at least fifty-five
28 percent of the salt cavern's pore space.

29 7. The storage operator has obtained the consent of persons that own at least fifty-five
30 percent of the salt cavern's salt minerals and salt leases.

1 8. The proposed storage facility will not affect adversely surface waters or formations
2 containing fresh water.

3 9. The injected oil or gas will not escape from the salt cavern.

4 10. The storage facility will not endanger health or unduly endanger the environment.

5 11. The storage facility is in the public interest.

6 12. The horizontal and vertical boundaries of the salt cavern are defined to include a
7 buffer zone from the outer walls of the cavern for the purpose of ensuring the safe
8 operation of the storage facility and to protect the storage facility against pollution,
9 invasion, and escape or migration of gas therefrom.

10 13. The storage operator will establish monitoring facilities and protocols to assess the
11 location and migration of oil and gas, if any, injected for storage and to ensure
12 compliance with all permit, statutory, and administrative requirements.

13 14. That all nonconsenting owners are or will be equitably compensated.

14 **38-25-08. Amalgamating property interests.**

15 If a storage operator does not obtain the consent of all persons owning a pore space and of
16 mineral interest owners when required by this chapter, the commission may require the interest
17 owned by the nonconsenting owners be included in an approved storage facility and subject to
18 geologic storage.

19 **38-25-09. Ownership of oil and gas.**

20 All oil or gas previously reduced to possession and subsequently injected into underground
21 storage facilities must be deemed the property of the storage operator subject to the obligation
22 to pay royalties as set forth in section 38-25-10.

23 **38-25-10. Injection of produced gas - When royalties owed.**

24 1. Unless otherwise expressly agreed by the storage operator, mineral owners, and lease
25 owners, royalties on gas produced but not sold and which is injected into a storage
26 facility instead of flaring or for lack of market, are not due on the produced and stored
27 gas until gas volumes actually are withdrawn from the storage facility, sold, and
28 proceeds received from the sale.

29 2. Prior to gas being withdrawn and sold from a storage facility under this section, the
30 storage operator, after notice and hearing, shall obtain approval from the commission
31 evidencing a reasonable and equitable method of allocation of the stored gas sale

1 proceeds to the rightful mineral, royalty, and leasehold owners of the gas injected into
2 storage. The commission may adopt such rules and orders as necessary to implement
3 the purposes of this section.

4 **38-25-11. Application.**

5 This chapter does not apply to applications filed with the commission which propose to use
6 produced gas for an enhanced oil or gas recovery project. Those applications must be
7 processed under chapter 38-08.