

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

20999

2001 SENATE NATURAL RESOURCES

SB 2099

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2099

Senate Natural Resources Committee

Conference Committee

Hearing Date 1-19-01

Tape Number	Side A	Side B	Meter #
1	X		0-19.7, 37.8-41.3
Committee Clerk Signature <i>Jane Garm</i>			

Minutes:

SENATOR FISCHER opened the Committee meeting.

Attendance was taken with all Committee members present.

SENATOR FISCHER: opened the hearing on SB 2099: A BILL RELATING TO ABANDONED OIL AND GAS WELL PLUGGING AND SITE RECLAMATION FUND, CONTROL OF GAS AND OIL RESOURCES, AND SUBSURFACE MINERAL REGULATION.

LYNN HELMS, director of the Oil & Gas Division of the North Dakota Industrial Commission, presented testimony in support of the bill. (See attached testimony).

SENATOR TRAYNOR: asked what kind of examination is made of the fiscal responsibility of the operators prior to allowing them to become oil & gas operators.

LYNN HELMS: no examination is made but the operators are required to post either a surety bond with an insurance company or a cash bond in the form of a certificate of deposit with the Bank of North Dakota.

SENATOR FISCHER: asked how do you determine the operator is teetering on defaulting on a bond.

LYNN HELMS: by the checking the number of abandoned wells in the operator's inventory.

SENATOR KELSH: questioned by the increase from \$50,000.00 to \$250,000.00.

LYNN HELM: because the maximum amount in the fund is so low and taking on the plugging liability, they had to drag out the plugging over a four year period because the funds were not available. This is very upsetting to the property owners when it takes years to plug and reclaim well because there is not enough in the fund. It takes \$25,000.00 to reclaim a well and felt having enough funds to reclaim 10 wells at any given time would be ideal.

SENATOR FREBORG: asked what were the bonding requirements.

LYNN HELM: the state requires a \$100,000.00 blanket bond which is already higher than other states and increasing the bond amount could make the state noncompetitive with neighboring states. Using this fund as opposed to increasing bonding requirements and discouraging oil & gas development in the state and punishing the responsible companies.

SENATOR TOLLEFSON, Committee Vice Chairman took over the hearing.

ED MURPHY, a geologist representing the the North Dakota Geological Survey testified in support of Bill 2099. (See attached testimony).

RON NESS, representing the North Dakota Petroleum Council and the "good operators" testified in support of the bill.

SENATOR TOLLEFSON closed the hearing on SB 2099.

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Senate Natural Resources Committee

Bill/Resolution Number SB 2099

Hearing Date 1-19-01

Discussion was called on the bill.

SENATOR TRAYNOR: made a motion for "DO PASS" of SB 2099.

SENATOR EVERY: second the motion.

SENATOR KELSH: felt that the math did not add up, why do we need \$250,000.00; the fees do not go to the general fund anyway; and some money will be recovered by the bonds.

SENATOR FISCHER: asked for the roll vote. Vote indicated 7 YAYS, 0 NAYS, 0 ABSENT OR NOT VOTING.

SENATOR CHRISTMANN will carry SB 2099.

Bill 2099 will be rereferred to the Appropriations Committee.

FISCAL NOTE
 Requested by Legislative Council
 02/09/2001

Bill/Resolution No.:

Amendment to: SB 2099

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues					(\$60,000)	
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Oil and gas fees are expected to generate approximately \$90,000 per biennium.

Currently approximately \$20,000-40,000 of the fees is deposited in the Plugging and Reclamation Fund and \$50,000-70,000 is deposited in the General Fund.

There are currently 2 orphan wells and an additional 74 potential orphan wells in North Dakota that will require plugging and reclamation at a cost of approximately \$90,000 each biennium for the next 10 bienniums. The current fund limit could result in the need for a General Fund appropriation of \$70,000-80,000 for oil well plugging and reclamation each biennium.

An alternative to increasing the fund limit is to increase oil well bond requirements. This action would severely reduce already weak oil drilling activity by conscientious operators, while less than 1% of operators default on their obligation to plug and reclaim the wells they operate.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Oil and gas fee revenues each biennium are as follows:

Drilling permit fees \$30,000; Operator change fees \$40,000; Recompletion permit fees \$15,000; Seismic

permit fees \$5,000.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The NDIC Oil & Gas Division is responsible for plugging and reclaiming orphan oil and gas wells (wells for which no responsible party with sufficient assets can be identified).

Historical expenditures have been \$20,000-40,000 per biennium.

There are 2 current and 74 potential orphan wells that could require plugging and reclamation expenditures of \$90,000 in each of the next 10 bienniums.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Approval of this change in the Plugging and Reclamation Fund maximum will eliminate the need to appropriate \$70,000-80,000 each biennium for plugging and reclaiming orphan wells.

Potential orphan well plugging and reclamation costs are expected to exceed the current fund maximum.

Name:	Lynn D. Helms	Agency:	NDIC Oil & Gas Division
Phone Number:	328-8025	Date Prepared:	02/09/2001

FISCAL NOTE
 Requested by Legislative Council
 12/22/2000

Bill/Resolution No.: SB 2099

Amendment to:

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$60,000)		(\$60,000)	
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. Narrative: *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Oil and gas fees are expected to generate approximately \$90,000 per biennium.

Currently approximately \$50,000 - \$70,000 is deposited in the general fund and \$20,000 - \$40,000 in the Plugging & Reclamation Fund each biennium.

There are currently 2 orphan wells and an additional 74 potential orphan wells in North Dakota that will require plugging and reclamation at a cost of approximately \$90,000 for each of the next 10 bienniums. The current fund limit could result in the need for a general fund appropriation of \$70,000 - \$80,000 for oil well plugging and reclamation each biennium.

An alternative to increasing the fund limit is to increase oil well bond requirements. This action will severely reduce already weak oil drilling activity by conscientious operators.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Plugging and reclamation fund revenues each biennium are as follows:

Drilling permit fees \$30,000, Operator change fees \$40,000, Recompletion permit fees \$15,000, Seismic permit fees \$5,000

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

The NDIC Oil and Gas Division is responsible for plugging and reclaiming orphan oil and gas wells (wells for which no responsible party with sufficient assets can be identified).

Historical expenditures have been \$20,000 - \$40,000 per biennium.

There are 2 current and 74 potential orphan wells that could require plugging and reclamation expenditures of \$90,000 in each of the next 10 bienniums.

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

Approval of this change in the Plugging and Reclamation Fund maximum will eliminate the need to appropriate \$70,000 - \$80,000 for plugging and reclamation of orphan wells.

Potential orphan well plugging and reclamation costs are expected to exceed the current fund maximum.

Name:	Lynn D. Helms	Agency:	NDIC Oil & Gas Division
Phone Number:	(701) 328-8020	Date Prepared:	01/12/2001

Date: 1-19-01
Roll Call Vote #: /

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL RESOLUTION NO. 2099

Senate NATURAL RESOURCES Committee

Subcommittee on _____
or
 Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Traynor Seconded By Every

Senators	Yes	No	Senators	Yes	No
Sen. Thomas Fischer, Chairman	✓		Sen. Michael A. Every	✓	
Sen. Ben Tollefson, Vice Chair.	✓		Sen. Jerome Kelsh	✓	
Sen. Randel Christmann	✓				
Sen. Layton Freborg	✓				
Sen. John T. Traynor	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Christmann

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)
January 19, 2001 10:50 a.m.

Module No: SR-09-1277
Carrier: Christmann
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2099: Natural Resources Committee (Sen. Fischer, Chairman) recommends DO PASS and BE REFERRED to the Appropriations Committee (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2099 was rereferred to the Appropriations Committee.

2001 SENATE APPROPRIATIONS

SB 2099

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2099

Senate Appropriations Committee

Conference Committee

Hearing Date January 31, 2001

Tape Number	Side A	Side B	Meter #
Tape #1	x		0.0 - 18.6
Committee Clerk Signature <i>Connie Peters</i>			

Minutes:

Senator Nething opened the hearing on SB2099.

Lynn Helms, Director of the Oil and Gas Division of the North Dakota Industrial Commission (NDIC). A copy of his written testimony is attached.

Senator Nething: How do people qualify, when they do not have the resources to finish?

Lynn Helms: The department does not do a financial background; the rule is if the company is in good standing with the Office of the Secretary of State -- and if they are able to secure bonding; surety company okays them, we accept the transfer or allow them to begin digging. There have been times when the company is sound; management misuses funds - spends to zero and then the company walks away.

Senator Nething: What does the bonding cost?

Lynn Helms: Surety bonding if 10% of loan; a hundred thousand dollars would have a premium of 10 thousand per year.

