Industry: New Oil Rules Could Curb Drilling

JAMES MacPHERSON,Associated Press

BISMARCK, N.D. (AP) — New North Dakota oil regulations that raise bond amounts and aim to limit liquid waste pits at well sites will cost companies up to $400 million annually and could discourage drilling, an industry representative says.

The Legislature's Administrative Rules Committee on Wednesday approved the new rules that also require companies to disclose the recipe for fluids pumped underground for hydraulic fracturing, a process that uses pressurized fluid and chemicals to break open oil-bearing rock.

The new regulations take effect April 1.

Ron Ness, president of the North Dakota Petroleum Council, said industry backed many of the rule changes, including the disclosure of fluids used in hydraulic fracturing. But he said North Dakota's regulations overall are now overly burdensome and among the most stringent and costly in the nation.

"They are the most onerous regulatory changes we've ever seen," said Ness, whose group represents more than 200 companies working in the state's oil patch. "I'm a bit concerned about the cost of doing business in the state and that it could begin to discourage activity."

North Dakota surpassed California in January to become the nation's third-largest oil producer. North Dakota is pumping about 550,000 barrels daily at present from some 6,600 wells. State officials say the state could quadruple the number of wells in the next several years.

The new rules boost the bond requirements for oil wells from $20,000 to $50,000. Commercial wells used for the disposal of salt water, a byproduct of oil production, also were increased by the same amount.

Dumping liquid drilling wastes into an open pit also is banned under the new rules, unless the well is less than 5,000 feet deep. The liquid wastes now would have to be disposed of at authorized sites or stored in tanks.

The so-called reserve pits came under scrutiny last year when heavy spring flooding swamped some 30 of them, despite warnings from regulators to shore them up. Regulators later levied $3 million in fines against 19 companies that failed to protect oilfield waste pits from spring flooding.

The waste pits, which can contain oil, diesel, drilling muds and chemicals, are about the size of a large swimming pool, and attract birds.

The new rules require that existing waste pits be emptied and reclaimed within a

year.

Ness said it costs more than $10 million to drill a well in western North Dakota and the additional bond requirements and the ban against dumping liquids would increase the cost by up to $400,000 per well.

Bruce Hicks, assistant director of the state Department of Mineral Resources, said the rule changes are the most extensive in at least 30 years and were needed to address burgeoning production. Hicks said the state is on pace to have more than 2,000 new oil wells this year, mostly aimed at the rich Bakken and Three Forks formations in the western part of the state.

"We are not trying to push industry out of our state," Hicks said. "It's not our goal to be the most onerous — we want to have a good business environment that is going to protect the environment."

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