North Dakota Oil Patch Company Fined $1.5M

BISMARCK, N.D. (AP) — North Dakota regulators have levied a record $1.5 million civil fine against an oil and gas company for allegedly endangering a drinking water source for a county in the southwest of the state.

The Industrial Commission issued its fine against Halek Operating ND LLC on Tuesday, although it announced its intention to punish the company last year, according to The Forum and The Bismarck Tribune.

"It is the largest civil penalty that you, as a commission, have ever levied," State Mineral Resources Director Lynn Helms told the group. "This was a very serious crime. It sends a strong signal to companies and operators that come into the state."

Gov. Jack Dalrymple, Attorney General Wayne Stenehjem and Agriculture Commissioner Doug Goehring sit on the Industrial Commission, which regulates the oil and gas industry in the state.

Halek Operating was of accused injecting saltwater into a disposal well in Stark County that was not up to state standards. Saltwater is a byproduct of oil production. Administrative Law Judge Allen Hoberg said no water sources have been contaminated, but that there is still a risk.

Halek admitted the allegations in court records but said the company had transferred ownership and was not in control of the well when the most egregious infractions occurred, according to The Forum. Company attorneys said in a statement Tuesday that Halek would consider its options when it receives the formal order from the state.

The injections occurred between December 2011 and February 2012. Attorneys for Halek said in court briefs that the company sold ownership of the well on Jan. 23, 2012, to a company called Executive Drilling. Hoberg said Halek knew the transfer of ownership had not been approved, and that Halek was the bonded operator of the well at the time and was responsible for the well until the transfer was approved.

"It should never be cheaper to cut corners than it is to abide by the rules, and this fine will assure that's exactly what happens," Stenehjem said.

Helms has called the case the state's most significant environmental case involving an oil and gas operator to date. It also was the first time the commission pursued criminal charges against an operator.

Executive Drilling President Nathan Garber is accused of directing Halek to modify the well site to mislead state inspectors. He is scheduled for an early September

jury trial on a felony charge that carries a maximum punishment of five years in prison upon conviction.

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