

Board of Minerals and Environment  
Notice of Public Hearing to Adopt Rules  
Oil and Gas Conservation

A public hearing will be held in the Matthew Environmental Education and Training Center, Joe Foss Building, 523 East Capitol Avenue, Pierre, South Dakota, on November 16, 2011, at 10:15 a.m. (CST), to consider the adoption of proposed rules numbered

74:12 Oil and Gas Conservation

The proposed article will replace the existing oil and gas conservation article, ARSD 74:10. The proposed article includes the same substantive requirements as ARSD 74:10 in a clearer, simpler format with updated citations.

In addition to general clarifications and updates, the proposed article involves changes that streamline the regulatory approval processes associated with oil and gas operations. The effects of proposed changes to regulatory approval processes include allowing approval of aquifer exemptions under the notice of recommendation process, as well as allowing administrative approval of commingling oil from separate pools, completing producing wells in multiple zones, dissolving abandoned oil and gas fields, and drilling wells without a blowout preventer. Another effect of the proposed article involves expediting regulatory approval under the notice of recommendation process by allowing an operator to set a hearing date for cases that may or may not require a contested case hearing prior to determination of whether or not a hearing is actually required.

The proposed article also excludes outdated, unnecessary and duplicative requirements present within the existing article. Effects of the proposed article involve excluding a duplicative requirement for monthly reporting of water production, an unnecessary requirement for annual submission of pipeline maps, duplicative requirements pertaining to directional wells, duplicative requirements regarding pits that are hazardous to birds or other species, an outdated rule pertaining to production of carbon dioxide and steam, and an unnecessary requirement for annual inspections of all oil and gas wells.

The overall effect of the rules will be substantially the same as that of the existing article: to identify comprehensive requirements for oil and gas operations under state law (SDCL 45-9), as follows:

§74:12:01 – revision and addition of definitions regarding oil and gas exploration and production terminology;

§§74:12:02:01 to 74:12:02:18, inclusive – requirements for drilling oil and gas wells, including permit applications, drilling directional and horizontal wells, minimum spacing of wells, dissolution of abandoned fields, approval of exception locations, pit construction and reclamation, sealing of certain strata, procedures for setting surface and production casing, sealing or plugging wells with defective casings or cement, blowout prevention equipment, vertical deviation tests, and reports and information to be filed with the secretary;

§§74:12:03:01 to 74:12:03:06, inclusive – requirements for abandonment and plugging of wells, including, notification and coordination of approval, temporary abandonment of wells, and surface reclamation of abandoned well sites;

§§74:12:04 to 74:12:04:18, inclusive – requirements for oil production operations, including, gas-oil ratio tests, subsurface pressure tests, commingling of oil from separate pools, segregation of production sources, production measurement and reporting, production storage, emergency notification, remediation of contaminated soils, disposal of produced water, wildlife protection, and transfer of ownership;

§§74:12:05 to 74:12:05, inclusive – requirements for gas production operations, including, production testing and measurement, and gas waste prohibition;

§74:12:06:01 – requirements pertaining to applications for unit operations;

§§74:12:07:01 to 74:12:07:24, inclusive – requirements for enhanced recovery and underground injection, including permit applications and modifications, notification procedures, transfer and termination of permits, major and minor permit modifications, casing and cementing injection wells, monitoring and recordkeeping, reporting, mechanical integrity tests, correction of adverse effects, maximum injection pressures and volumes, injection well drilling, and designation of exempted aquifers;

§§74:12:08:01 to 74:12:08:04, inclusive – requirements regarding recordkeeping and inspections.

§§74:12:09:01 to 74:12:09:05, inclusive – requirements pertaining to the notice of recommendation procedure; and

§§74:12:10:01 to 74:12:10:06, inclusive – requirements for risk compensation in compulsory pooling and unitization orders.

The reasons for the proposed rules are to prevent waste of oil and gas, and to protect correlative rights, water resources, the environment, and human health. The specific reasons for repealing Administrative Rules of South Dakota, Article 74:10, and replacing it with the proposed article is to clean up, clarify, and update the oil and gas conservation rules, streamline the regulatory approval process, and eliminate duplicative and unnecessary rules.

Persons interested in presenting data, opinions, and arguments for or against the proposed rules may do so by appearing in person at the hearing or by sending them to the South Dakota Department of Environment and Natural Resources, 523 East Capitol Avenue, Pierre, South Dakota 57501. Material sent by mail must reach the Department of Environment and Natural Resources by November 9, 2011, to be considered.

After the hearing, the board will consider all written and oral comments it receives on the proposed rules. The board may modify or amend a proposed rule at that time to include or exclude matters that are described in this notice.

Notice is further given to individuals with disabilities that this hearing is being held in a physically accessible place. Please notify the Department of Environment and Natural Resources at least 48 hours before the public hearing if you have special needs for which special arrangements must be made. The telephone number for making special arrangements is (605) 773-4201.

An electronic version of the rules is available on the department's web site at <http://www.state.sd.us/denr/des/og/rulesreg.aspx> or copies of the proposed rules may be obtained without charge from the

Minerals and Mining Program  
South Dakota Department of Environment and Natural Resources  
Joe Foss Building  
523 East Capitol Avenue  
Pierre, South Dakota 57501  
Phone: (605) 773-4201

A handwritten signature in black ink, appearing to read 'S. Pirner', with a horizontal line extending to the right.

Steven M. Pirner  
Secretary of the Department of Environment and Natural Resources