



INDUSTRIAL COMMISSION OF NORTH DAKOTA

Jack Dalrymple
Governor

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Attorney General

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Industrial Commission Advances Working Draft of New Standards to Improve Oil Transportation Safety

Bismarck- The North Dakota Industrial Commission today moved forward on plans to adopt new conditioning standards to improve the safety of Bakken crude oil for transport.

The three-member commission agreed to reopen the record for public comment until 5 p.m., Wednesday Nov. 19, to specifically address technical corrections within the draft order.

The proposed order sets operating standards for conditioning equipment to properly separate production fluids into gas and liquid. The order includes parameters for temperatures and pressures under which the equipment must operate to ensure that light hydrocarbons are removed before oil is shipped to market.

The working draft of Order No. 25417 requires operators to condition crude oil to a Reid Vapor Pressure of no more than 13.7 pounds per square inch (psi). National standards identify crude oil to be stable at a Reid Vapor Pressure of 14.7 psi. Under the new standards, no Bakken crude oil produced in North Dakota is exempt. The order requires operators to separate light hydrocarbons from all Bakken crude oil to be transported and prohibits the blending of light hydrocarbons back into oil supplies prior to shipment.

Once the commission's Oil and Gas Division considers any additional public comment, the commission will hold a special meeting in November to consider approving the draft order.

Industrial Commission members said they support the adoption of new standards that improve the safety of oil transport, but asked for the order to include information about how the state will oversee the order's enforcement and information about possible penalties for violations. The Industrial Commission consists of Gov. Jack Dalrymple, Attorney General Wayne Stenehjem and Agriculture Commissioner Doug Goehring.

"The North Dakota Industrial Commission recognizes the importance of making Bakken crude oil as safe as possible for transportation," the Industrial Commission members said in a joint statement following today's meeting. "These new standards will create a consistent barrel of Bakken crude and improve the safety of oil for transport. When completed, we believe this order will give operators the flexibility they

need to meet the new standards while also improving the safety of oil that is transported through communities.”

Lynn Helms, director of the state’s Department of Mineral Resources, said the order also will be revised to include details about how the state will enforce the order. Helms said once the order is approved and takes effect, staff from the Department of Mineral Resources Oil and Gas Division will begin conducting field inspections to enforce compliance. He said oil companies that do not comply could face a fine of up to \$12,500 for every day in violation.

The Industrial Commission plans to finalize the order and set an effective date of Feb. 1, 2015, allowing time for producers who may want to utilize alternative conditioning or stabilization methods to request a hearing.

The Industrial Commission developed the new oil conditioning standards following a public hearing held Sept. 23. In considering new standards, the Industrial Commission heard from a wide range of stakeholders including North Dakota residents, representatives from the energy industry and recent crude oil quality and safety studies including the federal government study conducted by PHMSA.

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