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**AGENCY OVERVIEW****405 Industrial Commission****Date:** 12/23/2014**Time:** 12:49:16

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**Statutory Authority**

North Dakota Century Code 4-36, 6-09.4, 17-05, 23-29-07.6, 28-32-02, 38-08, 38-08.1, 38-11.2, 38-12, 38-12.1, 38-14.1, 38-15, 38-19, 38-22, 49-24, 54-17, 54-17.2, 54-17.3, 54-17.6, 54-17.7, 54-17-34, 54-17-38, 54-63, 57-61-01.5, 61-40-10 and 61-40.11.

**Agency Description**

The Industrial Commission (IC or Commission) budget is comprised of three agencies including the Administrative Office, the Public Finance Authority (PFA), and the Department of Mineral Resources (DMR), which includes the Oil and Gas Division (OGD) and the Geological Survey (GS).

The Administrative Office coordinates the Commission's oversight of the agencies or entities that report to the IC. The office is the contracting office for the Lignite, Oil and Gas, and Renewable Energy Research Programs and the Outdoor Heritage Fund. The Administrative Office also provides the oversight on the disbursement of revenues from the Western Area Water Supply Authority industrial sales. This office is also the primary contact for the Building Authority.

The DMR is the primary source of information regarding the geology of ND and is responsible for regulating all facets of petroleum production through enforcement of statutes, rules and regulations of the IC with regards to geophysical exploration, permitting of wells, establishing well spacing for producing reservoirs, inspection of facilities, approving enhanced oil recovery operations, ensuring proper plugging and site reclamation of all wells, and conducting hearings on oil and gas matters in a manner that will be most beneficial to the producer, royalty owner and all citizens of the state. The DMR maintains the state's core and sample library in Grand Forks, coordinates the State Fossil and State Mineral Collection, and disseminates geological information via the internet, maps, publications, presentations, tours and field trips. The DMR has statutory regulatory responsibilities for subsurface minerals, underground fluid injection, carbon dioxide underground storage, oil well cores and drilling samples, coal exploration drilling, geothermal and paleontological resources. The DMR determines the geologic suitability of all proposed landfills, reviews a variety of highway improvement projects as well as pipeline and transmission line corridors, and coordinates the State Fossil and State Mineral collections.

The PFA provides market and below market loans to political subdivisions through the purchase and holding of eligible securities and provides financial services in connection with the administration and management of the State Revolving Fund Program as the financial agent for the State Health Department. Beginning in 2011, the PFA offered disaster loan assistance to political subdivisions through its Capital Finance Program.

**Agency Mission Statement**

- Through the Administrative Office, serve as the central contact for the activities and programs overseen by the North Dakota Industrial Commission and serve as secretary for the Commission.
- Through the Administrative Office, facilitate the operations of the Oil and Gas Research Program which has the mission to promote the growth of the oil and gas industry through research and education.
- Through the Administrative Office (which serves as the contracting officer for the Lignite Research, Development, Education and Marketing Program), promote economic, efficient and clean uses of lignite and products derived from lignite in order to maintain and enhance development of North Dakota lignite and its products; preserve and create jobs involved in the production and utilization of North Dakota lignite; ensure economic stability, growth and opportunity in the lignite industry; and maintain a stable and competitive tax base for our state's lignite industry for the general welfare of North Dakota. The development of North Dakota's lignite resources must be conducted in an environmentally sound manner that protects our state's air, water and soil resources as specified by applicable federal and state law.
- Through the Transmission Authority (activities coordinated by the Administrative Office) with funding made available from the Lignite Research Program, assist with the removal of electrical transmission export constraints and assist with the upgrading and expansion of the region's electrical transmission grid to provide reliable electricity to our citizens and industries and for export to the regions' consumers.
- Through the Administrative Office acting as the North Dakota Building Authority, access the national capital markets for low-cost financing of capital projects approved by the Legislature.
- Through the Pipeline Authority (activities assisted by the Administrative Office and the Department of Mineral Resources), facilitate development of pipeline facilities to support the production, transportation, and utilization of North Dakota energy-related commodities.

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- Through the Administrative Office, in coordination with the Department of Commerce, facilitate the operations of the Renewable Energy Development Program which has the mission to promote the growth of North Dakota's renewable energy industries through research, development and education.
- Through the Administrative Office as the authorized officer for the North Dakota Student Loan Trust, oversee funds held in the Student Loan Trust and provide funds, in coordination with the North Dakota Student Loan Guarantee Agency, to enhance student loans administered by the Bank of North Dakota.
- Through the Administrative Office facilitate the operations of the Outdoor Heritage Fund which has the mission to provide access to private and public lands for sportsmen, create fish and wildlife habitats, support stewardship for farming and ranching, enhance water quality, plant diversity, soil conditions and conserve natural areas for recreation through the establishment and development of parks and other recreation areas.
- Through the Administrative Office provide oversight of the disbursement from the Western Area Water Supply Authority industrial sales revenues.
- Through the Department of Mineral Resources, encourage and promote the development, production and utilization of oil and gas in the state in such a manner as will prevent waste, maximize economic recovery, assure that appropriate drilling and plugging operations are utilized that prevent the pollution of freshwater supplies by oil, gas, or saltwater and prevent blowouts, and fully protect the correlative rights of all owners to the end that the landowners, the royalty owners, the producers, and the general public realize the greatest possible good from these vital natural resources.
- Through the Department of Mineral Resources, investigate and report the geology of North Dakota emphasizing the state's energy resources and stressing applied research, public service, dissemination of information, advisory work and regulatory duties leading to the economic benefits or quality of life improvements for residents of the state, industry and other state, federal and local government agencies.
- Through the Department of Mineral Resources, maintaining the valuable oil and gas cores and coordinating the State's Fossil Collection for the benefit of the State's citizens.
- Through the Public Finance Authority, assist with the development of rural and urban North Dakota by providing political subdivisions and other qualifying entities access to flexible and competitive financing option for their local qualifying projects.
- Through the Public Finance Authority, assist small issue manufacturers in obtaining loans through tax-exempt financing.

**Agency Performance Measures**

Performance measures are addressed under each of the individual programs.

**Major Accomplishments**

1. Issued over 5,600 well permits, heard over 4,100 cases, wrote orders disposing of the cases, and permitted approximately 15 seismic projects, due to record oil and gas production and activity. Continued to enhance royalty owner access and co-sponsored the 2014 Williston Basin Petroleum Conference & Expo in Bismarck that drew a record over 4,200 attendees from 48 states and 9 countries.
2. Published 46 articles, maps, and reports and gave 62 presentations on various aspects of North Dakota geology, including the Bakken, Three Forks, Red River, Tyler, and Spearfish Formations; issued 124 geothermal, coal exploration, and subsurface mineral permits; prepared exhibits for the opening of the Geologic Time Gallery in the Heritage Center; reboxed 15,135 core and sample boxes in an effort to better preserve the rock and extend the life of the core and sample library; responded to more than 3,800 inquiries; and lifted more than 643 tons of rock core off of the shelves in the core and sample library. During the first half of the biennium, NDGS scientists reviewed the geologic suitability of 14 pre-applications for oil field wastes and evaluated the paleontology on 649 Trust Land tracts.
3. Provided ongoing information on current pipeline construction activities through quarterly newsletters, reports, monthly webinars and numerous presentations. Assisted with the annual Governor's Pipeline Summits. The Pipeline Authority Director chaired the North Dakota Pipeline Technology Working Group established by the Governor to research technological solutions and provide recommendations to improve the monitoring and control of pipeline systems.
4. Provided funding for litigation initiated by the Attorney General's Office against the State of Minnesota, which limits the ability of our citizens to export electricity to Minnesota.
5. Participated in the ongoing work of the EmPower Commission.
6. Leveraged over \$3.7 million of state dollars with matching funds of approximately \$13.7 million for research and educational projects.
7. Provided 32 loans totaling \$189.5 million as of October 1, 2014 under its Clean Water and Drinking Water Program and Capital Finance Program.
8. Assisted the City of Fargo in reducing borrowing costs and maximizing their sales tax revenues by issuing approximately \$51.4 million revenue bonds in 2013 and over \$32.8 million in 2014, under the Capital Financing Program.

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9. Developed and implemented the process for the Outdoor Heritage Fund program. Awarded 48 grants totaling \$14.1 million since inception of the fund on August 1, 2013.
10. Developed and implemented the process for the Commission's oversight of the Western Area Water.
11. Supply Authority disbursements from industrial sales revenues.

**Future Critical Issues**

- The need for additional staffing in the Department of Mineral Resources along with competitive salaries to retain skilled and experienced personnel.
- Increasing environmental and reclamation workload on the Department of Mineral Resources as a result of federal and state legislation with no additional funding provided.
- Increasing demands for detailed surface mapping and outreach demands throughout the state with lack of staff to meet demands and manage the geothermal program increases.
- Equipment and temporary salary needs for electronic storage and dissemination of oil and gas information to county governmental agencies, landowners, and all citizens of the State.
- Regulations that would remove the state from primacy of oil and gas development and specifically federal regulations that would ban fracking.
- Regulations that would inhibit the state's ability to continue policy implementing the current gas capture goals.
- Lack of space for storage of cores at the Core Library in Grand Forks.
- Transmission (electrical) and Transportation (pipeline) constraints that limit the State's energy industries from moving energy both in and out of North Dakota.
- The lignite energy industry is facing an unknown future as a result of laws, regulations and court rulings, the lack of a national energy policy, and specifically proposed regulation from the Environmental Protection Agency. In addition to providing funding for the development of new technology, North Dakota must be prepared to address and litigate, if necessary, regulations that could place oversight of various aspects of lignite mining and electric generation at the federal rather than the state level.
- An increasing demand for renewable energy without sufficient time to develop technology and identification of the best possible sources.

**REQUEST SUMMARY**

405 Industrial Commission

Bill#: HB1014

Date: 12/23/2014

Biennium: 2015-2017

Time: 12:49:16

Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
<b>By Major Program</b>					
Administration	33,127,232	39,972,686	(24,111,843)	15,860,843	52,000
Office of Mineral Resources	14,912,076	22,968,301	(1,590,056)	21,378,245	27,941,484
Public Finance Authority	411,352	706,930	65,444	772,374	0
<b>Total Major Program</b>	<b>48,450,660</b>	<b>63,647,917</b>	<b>(25,636,455)</b>	<b>38,011,462</b>	<b>27,993,484</b>
<b>By Line Item</b>					
Salaries and Wages	12,338,539	18,030,932	533,626	18,564,558	5,714,804
Accrued Leave Payments	0	347,696	(347,696)	0	0
Operating Expenses	3,432,742	5,953,520	(1,547,445)	4,406,075	6,225,238
Capital Assets	0	5,800	(5,800)	0	16,053,442
Grants	5,559,595	19,500,000	(19,500,000)	0	0
Carbon Dioxide Storage Administration	532,000	0	0	0	0
Bond Payments	25,087,784	19,809,969	(4,769,140)	15,040,829	0
Renewable Energy Dev	1,500,000	0	0	0	0
<b>Total Line Items</b>	<b>48,450,660</b>	<b>63,647,917</b>	<b>(25,636,455)</b>	<b>38,011,462</b>	<b>27,993,484</b>
<b>By Funding Source</b>					
General Fund	16,687,087	22,674,125	(1,594,779)	21,079,346	27,941,484
Federal Funds	256,989	294,176	4,723	298,899	0
Special Funds	31,506,584	40,679,616	(24,046,399)	16,633,217	52,000
<b>Total Funding Source</b>	<b>48,450,660</b>	<b>63,647,917</b>	<b>(25,636,455)</b>	<b>38,011,462</b>	<b>27,993,484</b>
<b>Total FTE</b>	<b>75.06</b>	<b>99.75</b>	<b>0.00</b>	<b>99.75</b>	<b>28.00</b>

**REQUEST DETAIL**405 Industrial Commission  
Biennium: 2015-2017

Bill#: HB1014

Date: 12/23/2014

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
<b>Salaries and Wages</b>					
Salaries - Permanent	9,250,175	13,148,782	89,915	13,238,697	3,123,792
Salary Budget Adjustment	0	0	0	0	60,900
Salaries - Other	0	0	0	0	1,223,743
Temporary Salaries	163,915	296,240	37,352	333,592	4,545
Fringe Benefits	2,924,449	4,585,910	406,359	4,992,269	1,301,824
<b>Total</b>	<b>12,338,539</b>	<b>18,030,932</b>	<b>533,626</b>	<b>18,564,558</b>	<b>5,714,804</b>
<b>Salaries and Wages</b>					
General Fund	11,419,729	16,746,037	313,075	17,059,112	5,709,804
Federal Funds	256,989	294,176	4,723	298,899	0
Special Funds	661,821	990,719	215,828	1,206,547	5,000
<b>Total</b>	<b>12,338,539</b>	<b>18,030,932</b>	<b>533,626</b>	<b>18,564,558</b>	<b>5,714,804</b>
<b>Accrued Leave Payments</b>					
Salaries - Permanent	0	347,696	(347,696)	0	0
<b>Total</b>	<b>0</b>	<b>347,696</b>	<b>(347,696)</b>	<b>0</b>	<b>0</b>
<b>Accrued Leave Payments</b>					
General Fund	0	329,963	(329,963)	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	17,733	(17,733)	0	0
<b>Total</b>	<b>0</b>	<b>347,696</b>	<b>(347,696)</b>	<b>0</b>	<b>0</b>
<b>Operating Expenses</b>					
Travel	1,075,502	2,048,553	(525,242)	1,523,311	2,195,620
Supplies - IT Software	54,190	94,875	0	94,875	44,800
Supply/Material-Professional	47,601	72,300	(8,000)	64,300	104,143
Food and Clothing	11,293	13,250	6,450	19,700	8,500
Bldg, Ground, Maintenance	21,879	18,282	17,800	36,082	7,500
Miscellaneous Supplies	28,866	53,500	(12,250)	41,250	25,500
Office Supplies	104,259	53,676	33,000	86,676	1,300
Postage	34,479	45,250	275	45,525	0
Printing	24,498	36,725	3,850	40,575	0
IT Equip Under \$5,000	188,701	207,332	3,430	210,762	70,000
Other Equip Under \$5,000	73,416	50,980	(1,380)	49,600	56,000
Office Equip & Furn Supplies	76,258	61,994	(12,671)	49,323	75,740
Utilities	12,975	13,197	7,900	21,097	0
Insurance	9,397	15,550	(2,777)	12,773	5,500

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
Rentals/Leases-Equip & Other	4,749	5,630	(3,000)	2,630	0
Rentals/Leases - Bldg/Land	741,561	1,101,606	103,627	1,205,233	0
Repairs	57,062	52,950	13,368	66,318	7,500
IT - Data Processing	214,144	265,484	(30,591)	234,893	52,315
IT - Communications	119,511	174,436	21,362	195,798	46,130
IT Contractual Srvcs and Rprs	2,965	16,685	0	16,685	250,000
Professional Development	78,426	126,171	1,245	127,416	49,690
Operating Fees and Services	150,546	130,548	(16,350)	114,198	0
Fees - Professional Services	299,682	1,289,255	(1,147,200)	142,055	3,225,000
Medical, Dental and Optical	782	5,291	(291)	5,000	0
<b>Total</b>	<b>3,432,742</b>	<b>5,953,520</b>	<b>(1,547,445)</b>	<b>4,406,075</b>	<b>6,225,238</b>
<b>Operating Expenses</b>					
General Fund	3,235,358	5,592,325	(1,572,091)	4,020,234	6,178,238
Federal Funds	0	0	0	0	0
Special Funds	197,384	361,195	24,646	385,841	47,000
<b>Total</b>	<b>3,432,742</b>	<b>5,953,520</b>	<b>(1,547,445)</b>	<b>4,406,075</b>	<b>6,225,238</b>
<b>Capital Assets</b>					
Land and Buildings	0	0	0	0	16,013,442
Equipment Over \$5000	0	5,800	(5,800)	0	18,000
Motor Vehicles	0	0	0	0	22,000
<b>Total</b>	<b>0</b>	<b>5,800</b>	<b>(5,800)</b>	<b>0</b>	<b>16,053,442</b>
<b>Capital Assets</b>					
General Fund	0	5,800	(5,800)	0	16,053,442
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>5,800</b>	<b>(5,800)</b>	<b>0</b>	<b>16,053,442</b>
<b>Grants</b>					
Grants, Benefits & Claims	5,559,595	19,500,000	(19,500,000)	0	0
<b>Total</b>	<b>5,559,595</b>	<b>19,500,000</b>	<b>(19,500,000)</b>	<b>0</b>	<b>0</b>
<b>Grants</b>					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	5,559,595	19,500,000	(19,500,000)	0	0
<b>Total</b>	<b>5,559,595</b>	<b>19,500,000</b>	<b>(19,500,000)</b>	<b>0</b>	<b>0</b>

**REQUEST DETAIL**405 Industrial Commission  
Biennium: 2015-2017

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
<b>Carbon Dioxide Storage Administration</b>					
Transfers Out	532,000	0	0	0	0
<b>Total</b>	<b>532,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Carbon Dioxide Storage Administration</b>					
General Fund	532,000	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
<b>Total</b>	<b>532,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Bond Payments</b>					
Transfers Out	25,087,784	19,809,969	(4,769,140)	15,040,829	0
<b>Total</b>	<b>25,087,784</b>	<b>19,809,969</b>	<b>(4,769,140)</b>	<b>15,040,829</b>	<b>0</b>
<b>Bond Payments</b>					
General Fund	0	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	25,087,784	19,809,969	(4,769,140)	15,040,829	0
<b>Total</b>	<b>25,087,784</b>	<b>19,809,969</b>	<b>(4,769,140)</b>	<b>15,040,829</b>	<b>0</b>
<b>Renewable Energy Dev</b>					
Transfers Out	1,500,000	0	0	0	0
<b>Total</b>	<b>1,500,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Renewable Energy Dev</b>					
General Fund	1,500,000	0	0	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
<b>Total</b>	<b>1,500,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Funding Sources</b>					
General Fund	16,687,087	22,674,125	(1,594,779)	21,079,346	27,941,484
Federal Funds	256,989	294,176	4,723	298,899	0
Special Funds	31,506,584	40,679,616	(24,046,399)	16,633,217	52,000
<b>Total Funding Sources</b>	<b>48,450,660</b>	<b>63,647,917</b>	<b>(25,636,455)</b>	<b>38,011,462</b>	<b>27,993,484</b>

**CHANGE PACKAGE SUMMARY**

405 Industrial Commission  
Biennium: 2015-2017

Bill#: HB1014

Date: 12/23/2014

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Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
<b>Base Budget Changes</b>						
<b>One Time Budget Changes</b>						
A-E 1 Remove one-time funding		0.00	(1,177,944)	0	0	(1,177,944)
<b>Total One Time Budget Changes</b>		<b>0.00</b>	<b>(1,177,944)</b>	<b>0</b>	<b>0</b>	<b>(1,177,944)</b>
<b>Ongoing Budget Changes</b>						
A-A 3 Base Budget Changes		0.00	(394,147)	0	(24,244,494)	(24,638,641)
A-F 2 Remove capital asset funding		0.00	(5,800)	0	0	(5,800)
Base Payroll Change		0.00	(16,888)	4,723	198,095	185,930
<b>Total Ongoing Budget Changes</b>		<b>0.00</b>	<b>(416,835)</b>	<b>4,723</b>	<b>(24,046,399)</b>	<b>(24,458,511)</b>
<b>Total Base Budget Changes</b>		<b>0.00</b>	<b>(1,594,779)</b>	<b>4,723</b>	<b>(24,046,399)</b>	<b>(25,636,455)</b>

**Optional Budget Changes**

**One Time Optional Changes**

A-D 5 Possible Litigation Costs EPA & BLM	2	0.00	3,000,000	0	0	3,000,000
A-D 7 Wilson M. Laird Core & Sample Library Expansion	4	0.00	16,033,942	0	0	16,033,942
A-D 100 Energy Impact Funding - Housing Allowance & Di	5	0.00	1,187,903	0	0	1,187,903
A-D 9 (2) ATV - Pipeline Inspection	7	0.00	41,500	0	0	41,500
A-D 20 Aerial Photography	18	0.00	104,143	0	0	104,143
A-D 21 Contract Drilling/Coring & Sedimentological Ana	19	0.00	125,000	0	0	125,000
A-D 22 Paleontology Equipment	20	0.00	12,500	0	0	12,500
A-D 23 Digital Conversion of 2D Seismic Profiles	21	0.00	100,000	0	0	100,000
A-D 26 RBDMS.net GWPC Assistance	24	0.00	250,000	0	0	250,000
<b>Total One Time Optional Changes</b>		<b>0.00</b>	<b>20,854,988</b>	<b>0</b>	<b>0</b>	<b>20,854,988</b>

**Ongoing Optional Changes**

A-C 4 Inflation/Restoration	1	0.00	627,272	0	0	627,272
A-C 100 Market Equity	3	0.00	800,000	0	0	800,000
A-C 8 (9) FTE Eng Tech Field Facilities Inspection	6	9.00	1,945,537	0	0	1,945,537
A-C 10 (1) FTE Eng Tech GIS Pipelines	8	1.00	162,018	0	0	162,018

**CHANGE PACKAGE SUMMARY**

405 Industrial Commission  
Biennium: 2015-2017

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Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
A-C 11 (1) FTE PE Bot Cty Drill Rig Inspector	9	1.00	222,508	0	0	222,508
A-C 12 (3) FTE Safety Offic/Acct Bdgt Spec/HR Tech	10	3.00	501,616	0	0	501,616
A-C 13 (1) FTE PE Reclamation Specialist	11	1.00	230,911	0	0	230,911
A-C 14 (2) FTE Surface Geologists	12	2.00	488,384	0	0	488,384
A-C 15 (4) FTE ET Logs/Surveys	13	4.00	647,538	0	0	647,538
A-C 16 (1) FTE ET Treating Plant Inspector	14	1.00	215,611	0	0	215,611
A-C 17 (1) FTE PE Geology Analyst	15	1.00	211,920	0	0	211,920
A-C 18 (2) FTE ET APDs	16	2.00	323,769	0	0	323,769
A-C 19 Funding Changes	17	0.00	60,900	0	0	60,900
A-C 24 Contingency (3) FTE ET Field Facilities Inspect	22	3.00	648,512	0	0	648,512
A-C 25 I.C. Administration Increases	23	0.00	0	0	52,000	52,000
<b>Total Ongoing Optional Changes</b>		<b>28.00</b>	<b>7,086,496</b>	<b>0</b>	<b>52,000</b>	<b>7,138,496</b>
<b>Total Optional Budget Changes</b>		<b>28.00</b>	<b>27,941,484</b>	<b>0</b>	<b>52,000</b>	<b>27,993,484</b>

**BUDGET CHANGES NARRATIVE**

405 Industrial Commission

Bill#: HB1014

Date: 12/23/2014

Time: 12:49:16

<b>Change Group:</b> A	<b>Change Type:</b> A	<b>Change No:</b> 3	<b>Priority:</b>
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Base Budget Changes

DEPT MINERAL RESOURCES

In order to absorb office and warehouse rent increases, advertising, postage, and IT Communications increases and meet the 100% budget guidelines we had to make the following adjustments.

SALARIES AND BENEFITS

During the 2013-2015 biennium we experienced a significant increase in workload due to elevated rig count and record oil production. This increased workload resulted in a 1000+ drilling permit back log and an order back log of approximately 1100 cases. To deal with that back log the Department contracted for services just to deal with that aspect of the increased workload. Current staffing levels are adequate to keep up with about 190 rigs. Rig count has stabilized around 190 for the past year, although a Spearfish play has recently been proven commercial and increased drilling activity in Bottineau County warrants the addition of an inspector. Even with the additional staffing being requested in this budget, temporary staffing will be crucial to meeting our mission both in the field and in the central office and flexibility is needed so that the personnel can be assigned to meet the most critical need. Increased interest in oil and gas and other minerals found in North Dakota is also resulting in an increased workload with the Geological Survey staff and temporary staffing is needed in order for the agency to have the flexibility to hire staffing as needed to meet our mission.

The Department also continues to face difficulties in hiring experienced oil and gas and geological staff and recruitment bonuses may be needed to find qualified personnel (See Budget Change A-C-6). Additional temporary salaries have been requested in order for the Department to have the flexibility to hire staff where it is most needed—either in the field or in the office—and to recruit experienced personnel.

TRAVEL

DOT motor pool rates have decreased from the 2013-2015 biennium although total mileage driven has significantly risen, resulting in an increase in travel expenses of \$120,449 for the Oil and Gas Division. Additional inflationary increases are hitting In-State Lodging. To offset the necessary reductions, the number of field inspections will have to be reduced at a time when industry has a large number of inexperienced personnel who need guidance and supervision. This may result in inadequate protection of potable waters and correlative rights. (See Change Package A-C-4)

LEASE/RENT BLDG/LAND

Oil and Gas Division rent is increasing \$91,950 in our Bismarck, Dickinson, Minot, and Williston office buildings. These offices currently provide a location for efficient synchronization of inspector data to our main database, contact between the general public and local Oil and Gas Division employees, and for inspectors to complete written correspondence.

ADMINISTRATIVE OFFICE

The 2013 Legislature in Senate Bill 2233 directed that the Industrial Commission take on additional responsibilities related to the Western Area Water Supply Authority. In the bill, it authorized \$150,000 be paid to the Industrial Commission to help with the costs related to these additional responsibilities and approved an additional full-time employee (FTE). However, that funding was not included in the Commission's appropriation bill. We are, therefore, increasing the Industrial Commission Administrative proposed budget to include the \$150,000 of funding. The costs have been broken down to include salary and related expenses for an employee for a total of \$150,000.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 4	<b>Priority:</b> 1
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Inflation/Restoration

**BUDGET CHANGES NARRATIVE**

**405 Industrial Commission**

**Bill#: HB1014**

**Date:** 12/23/2014

**Time:** 12:49:16

**OIL & GAS: TRAVEL**

Meeting budget guidelines required a decrease of \$541,141 in travel which will result in reducing our field inspections by 37.5%. Restoring operating expenses and adjusting for cost inflation will allow the Department of Mineral resources to continue the service levels provided to the public and the oil and gas industry in 2014.

**GEO SURV: TRAVEL**

This line item was reduced by \$86,131 to bring our budget to the 100% mark. Inflationary increases are due to travel, rent, and IT increases in our operating budget. This reduction will make it difficult for us to perform field inspections for our regulatory programs as well as fieldwork for numerous investigative projects that we are involved with across North Dakota.

RESTORE  
100% BASE  
BUDGET CUTS

Oil & Gas	\$541,141
Geo Survey	<u>\$ 86,131</u>
TOTAL	\$627,272

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 8	<b>Priority:</b> 6
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(9) FTE Eng Tech Field Facilities Inspection

Oil & Gas Division

(9) FTE UNCLASSIFIED ENGINEERING TECH FIELD INSPECTORS \$1,945,537

This optional adjustment of \$1,376,449 salaries and \$569,088 operating is for nine FTE Engineering Tech field inspector positions. Due to the rapidly increasing workload placed on Petroleum Engineering positions by drilling activity it will be more efficient to provide lower education level technical assistance in making routine producing well, injection well, facility, and pipeline inspections.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 10	<b>Priority:</b> 8
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(1) FTE Eng Tech GIS Pipelines

Oil & Gas Division

(1) FTE UNCLASSIFIED ENGINEERING TECHNICIAN POSITION \$162,018

This optional adjustment of \$152,379 salaries plus \$9,639 operating is for one additional Engineering Tech position in the Bismarck office. Due to increased permitting requirements resulting from the implementation of gas capture plans and potential oil conditioning requirements along with increased information technology requirements of permitting within Areas of Interest. These additional requirements have resulted in significant workload increases and requires an additional engineering tech to properly process the additional permit and plan documents and spatial queries that ensure compliance.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 11	<b>Priority:</b> 9
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**BUDGET CHANGES NARRATIVE****405 Industrial Commission****Bill#: HB1014****Date:** 12/23/2014**Time:** 12:49:16

(1) FTE PE Bot Cty Drill Rig Inspector

Oil & Gas Division

(1) FTE UNCLASSIFIED PETROLEUM ENGINEER POSITION \$222,508

This optional adjustment of \$168,105 salaries plus \$54,403 operating is for one FTE Petroleum Engineer Position. In order to inspect the growing number of drilling rigs operating in the Bottineau County area as a result of the emerging development of the Spearfish play an additional inspector with a four-year degree is necessary to assure compliance with regulations. The number of drilling rigs is expected to increase to 5 in the 2015-2017 biennium and 10 for the 2017-2030 time period.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 12	<b>Priority:</b> 10
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(3) FTE Safety Offic/Acct Bdgt Spec/HR Tech

Oil & Gas Division

(1) FTE SAFETY OFFICER/FACILITIES SPECIALIST \$187,717

This optional adjustment of \$178,078 in salaries plus \$9,639 in operating is for one FTE in the Bismarck office. Continued increases in field personnel, in expanded district offices in Williston, Dickinson, and Minot, and the increasing oilfield health and safety concerns for these personnel, in addition to increased facilities management responsibilities of Department facilities located across the state require the addition of a Safety Officer/Facilities Specialist.

(1) FTE ACCOUNTING/BUDGET SPECIALIST \$174,518

This optional adjustment of \$164,879 salaries plus \$9,639 operating is for one FTE Accounting/Budget Specialist. The increased daily fiscal and accounting functions resulting from the increasing number of FTEs in the DMR and additional inventory and audit requirements greatly exceed the ability of our current accounting and fiscal staff. The additional accounting/budget specialist is necessary to ensure that required fixed asset inventories, fraud risk assessments, and fiscal reconciliations are completed in a timely manner.

(1) FTE HR TECHNICIAN \$139,380

This optional adjustment of \$129,741 salaries plus \$9,639 operating is for one additional office support position in the Bismarck office. Due to the expansion of the Department in response to the increasing levels of oil and gas activity in the state, an increase of organizational support services is needed. Increasing employee counts and demands for personnel resources and administration require an HR Tech to ensure that proper human resource requirements are being effectively met and managed.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 13	<b>Priority:</b> 11
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(1) FTE PE Reclamation Specialist

Oil & Gas Division

(1) FTE UNCLASSIFIED PETROLEUM ENGINEER RECLAMATION SPECIALIST \$230,911

**BUDGET CHANGES NARRATIVE**

405 Industrial Commission

Bill#: HB1014

Date: 12/23/2014

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This optional adjustment of \$167,679 salaries plus \$63,232 operating is for one Petroleum Engineer Reclamation Specialist. Due to increasing requirements to respond to environmental incidents associated with illegal dumping of oil and gas wastes along with the associated program requirements of the Abandoned Oil and Gas Well Plugging and Site Reclamation Fund we need a second reclamation specialist with a four-year technical degree to properly supervise the reclamation of sites and ensure compliance with program requirements.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 14	<b>Priority:</b> 12
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(2) FTE Surface Geologists

Geological Survey

(2) FTE UNCLASSIFIED SURFACE GEOLOGISTS \$488,384

This optional adjustment of \$360,902 salaries plus \$127,482 operating is for two Surface Geologists. The rapid infrastructure growth in western North Dakota has generated numerous requests for information regarding sand and gravel, clinker (scoria), and other shallow minerals, as well as solid waste disposal site and geologic hazard evaluations in this portion of the state. We currently have only one geologist that devoted full time to this program, the primary responsibility of the other two current positions is to manage regulatory/advisory programs that take up a substantial amount of their time. The addition of 2 positions to the surface geology program would enable us to split the state into thirds and focus two geologists on surface issues in the most active area with other geologists helping out when available.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 15	<b>Priority:</b> 13
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(4) FTE ET Logs/Surveys

Oil & Gas Division

(4) FTE UNCLASSIFIED ENGINEERING TECH IV POSITIONS \$647,538

This optional adjustment of \$608,982 salaries plus \$38,556 operating is for four additional Engineering Tech positions in the Bismarck office. Due to record activity levels in permitting, drilling, completion of wells, and production, we are not able to timely process data submitted to assure compliance with regulations. This has resulted in a significant increase in workload and additional engineering techs are necessary to properly process such data.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 16	<b>Priority:</b> 14
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(1) FTE ET Treating Plant Inspector

Oil & Gas Division

(1) FTE UNCLASSIFIED ENGINEERING TECHNICIAN POSITION \$215,611

This optional adjustment of \$152,379 salaries plus \$63,232 operating is for an additional Engineering Tech position in the Bismarck office. Due to increased permitting and field inspection requirements of regulating waste treatment plants an additional engineering tech is necessary to properly process the additional permit documentation and ensure compliance in the field.

**BUDGET CHANGES NARRATIVE**

405 Industrial Commission

Bill#: HB1014

Date: 12/23/2014

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<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 17	<b>Priority:</b> 15
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(1) FTE PE Geology Analyst

Oil & Gas Division

(1) FTE UNCLASSIFIED PETROLEUM GEOLOGY ANALYST POSITION \$211,920

This optional adjustment of \$202,281 salaries plus \$9,639 operating is for one FTE Geology Analyst position. Due to the rapidly increasing number of completed wells workload has continued to exceed our current ability to ensure that all well logs are accurately and timely processed and entered into our database. The additional geology analyst is necessary to ensure accurate formation tops are picked so that the safety and environmental considerations of well construction are not compromised.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 18	<b>Priority:</b> 16
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(2) FTE ET APDs

Oil & Gas Division

(2) FTE UNCLASSIFIED ENGINEERING TECH POSITIONS \$323,769

This optional adjustment of \$304,491 salaries plus \$19,278 operating is for two additional Engineering Tech positions in the Bismarck office. Due to record activity levels in processing applications for permits to drill (APDs) we are not able to timely process APDs submitted to assure compliance with regulations. This has resulted in a significant increase in workload and additional engineering techs are necessary to properly process the increased permit activity.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 19	<b>Priority:</b> 17
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Funding Changes

Geological Survey

FEDERAL FUNDS RESTORATION \$60,900

Due to the increasing difficulty of consistently obtaining federal funding, the Geological Survey is requesting the federal appropriation line item be reduced from \$58,000 to \$28,000 and the resulting \$30,000 difference be made up with appropriated funds.

Due to the error of not checking the increase indicator for salaries last session, all calculated salary increases included federal increases as well. Because our Federal funding is based on fixed grant amounts and not payments per project, an adjustment is needed to reduce the increased Federal amounts of \$30,900.

The positions affected and total Federal decreases are as follows:

00028900	\$553.00
00004939	\$8,281.00
00004938	\$8,489.00

**BUDGET CHANGES NARRATIVE**

**405 Industrial Commission**

**Bill#: HB1014**

**Date:** 12/23/2014

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00004950	\$8,420.00
00004935	\$1,990.00
00004962	\$3,427.00
00004970	\$8,003.00
00004972	\$6,972.00
00004959	<u>\$14,765.00</u>
Total	\$60,900.00

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 24	<b>Priority:</b> 22
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Contingency (3) FTE ET Field Facilities Inspection

Oil & Gas Division

(3) CONTINGENCY UNCLASSIFIED ENGINEERING TECH FIELD INSPECTORS \$648,512

This optional adjustment consists of \$458,816 salaries plus \$189,696 operating expenses for three contingency Engineering Tech Field Inspectors if the total number of wells capable of production and injection in the state exceeds 20,000. The number of drilling rigs is expected to remain near 195 for 15 to 20 years resulting in a steady increase in the number of production and injection wells. However, an unexpected increase in oil price, decrease in well cost, or technology breakthrough could result in a much higher rate of increase in well numbers. This would rapidly increase the associated well and facility inspections needed to assure regulatory compliance during the biennium.

<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 25	<b>Priority:</b> 23
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I.C. Administration Increases

**SALARIES & BENEFITS - \$5,000:**

Additional funding of \$5,000 has been requested for temporary employees. At times the Industrial Commission Administrative Office needs temporary assistance for special projects. The debt service on the outstanding debt of the North Dakota Building Authority is decreasing as bonds mature and so for the 2015-2017 biennium there is a decrease of \$4,769,141 in bond payments. The other significant change is the removal of the Lignite Research Program from the Industrial Commission administrative budget request. The Lignite Research Program has a continuing appropriation so the request is to remove it from the appropriation similar to the other research programs.

**OPERATING - \$47,000:**

Additional costs have been identified for the Administrative Office related primarily to the increased dues for the Interstate Oil and Gas Compact Commission. Dues to this organization are based on oil production and since North Dakota is now the #2 state for oil production the dues have increased to \$35,000 a year. We had anticipated some of this growth during the 2013-2015 biennium but did not realize they would increase to this level -- in essence more than doubling what had been proposed for the 2013-2015 biennium. The amount being requested is \$39,000. The remaining additional costs relate to increased travel needs for the Commission and staff and legal costs.

**BUDGET CHANGES NARRATIVE**

405 Industrial Commission

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<b>Change Group:</b> A	<b>Change Type:</b> C	<b>Change No:</b> 100	<b>Priority:</b> 3
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Market Equity

Department of Mineral Resources

EQUITY INCREASES \$800,000

There is an ongoing need to pay competitive salaries for experienced personnel. There continues to be a tremendous difference between the salaries our agency is able to pay and those paid by the private sector. We have recently "lost" two employees to the private sector and have lost three during the hiring process that accepted "better offers". It is crucial that we pay competitive salaries to retain our remaining experienced personnel. Oil and Gas Division Engineers and Survey geologists are paid 80-85% of what they can make in the private sector and support staff pay is approximately 95% of private sector for equivalent work. To keep these valuable experienced employees on staff during unprecedented mineral industry activity we request equity funding of \$800,000.

<b>Change Group:</b> A	<b>Change Type:</b> D	<b>Change No:</b> 5	<b>Priority:</b> 2
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Possible Litigation Costs EPA &amp; BLM

Department of Mineral Resources

ONE-TIME LITIGATION COSTS \$3,000,000

The Sixty-Second Legislative Assembly during special session appropriated \$1,000,000 from the general fund to the Industrial Commission for the purpose of defraying expenses associated with possible litigation and other administrative proceedings involving the United States Environmental Protection Agency's efforts to regulate hydraulic fracturing. None of the appropriated funds have been expended at this time. Monies not spent must be cancelled within thirty days after the close of the '13-15 biennium. North Dakota must remain prepared to lead an effort in the courts to protect our state Underground Injection Control primacy and jurisdiction over hydraulic fracturing regulation if EPA does not explicitly exempt states that have adopted hydraulic fracturing rules that include chemical disclosure, well construction, and well bore pressure testing; or the definition of diesel remains too broad. Other federal agencies including the Bureau of Land Management, United States Geological Survey, and Department of Energy have now begun investigating hydraulic fracturing under a presidential executive order. Recently, gas capture and flaring reduction have also been identified as a possible cause for litigation. This has caused us to increase the amount requested an additional \$2,000,000 for this biennium in order to be able to respond to litigation with the Department of Interior on hydraulic fracturing and flaring reduction if needed. The 64<sup>th</sup> legislative assembly should consider a contingency appropriation of the sum of \$3,000,000, or so much of the sum as may be necessary, to the industrial commission for the purpose of defraying expenses associated with possible litigation and other administrative proceedings involving any federal agency's effort to regulate hydraulic fracturing or flaring reduction.

<b>Change Group:</b> A	<b>Change Type:</b> D	<b>Change No:</b> 7	<b>Priority:</b> 4
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Wilson M. Laird Core &amp; Sample Library Expansion

Geological Survey

EXPANSION OF WILSON M. LAIRD CORE AND SAMPLE LIBRARY \$16,033,942

**BUDGET CHANGES NARRATIVE**

405 Industrial Commission

Bill#: HB1014

Date: 12/23/2014

Time: 12:49:16

The Wilson M. Laird Core and Sample Library is quickly filling to capacity due to the record level of oil and gas drilling occurring in western North Dakota. Although we have implemented a number of space savings programs, the building may be totally full in 2017. We had a series of meetings this biennium with an architectural firm so that we are able to bring a shovel-ready-plan to the legislature in 2015. Implementing the expansion would require \$16,013,442 in capital assets along with increases of \$7,500 in janitorial, \$7,500 in maintenance, and \$5,500 in insurance costs.

<b>Change Group:</b> A	<b>Change Type:</b> D	<b>Change No:</b> 9	<b>Priority:</b> 7
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(2) ATV - Pipeline Inspection

Oil & Gas Division

(2) ATVs FOR PIPELINE INSPECTION \$41,500

This optional adjustment of \$22,000 includes \$11,000 each for two additional All-Terrain Vehicles (ATV) and \$6,000 for three enclosed trailers to house the three ATVs (note we currently possess one ATV). Due to the added pipeline inspection responsibilities it is necessary to utilize an ATV in each district office when making routine pipeline inspections. Having ready access to pipeline inspection routes with limited vehicular impact will require the use of ATVs.

<b>Change Group:</b> A	<b>Change Type:</b> D	<b>Change No:</b> 20	<b>Priority:</b> 18
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Aerial Photography

Geological Survey

AERIAL PHOTOGRAPHIC IMAGERY \$104,143

The Geological Survey houses more than 50,000 aerial photographs of North Dakota. These photographs are in stereo pairs which means we can look at them in three dimensions using stereoscopes. There are two sets of photos (1:20,000 and 1:50,000) and most photos were taken between 1957-1962. These photos provide a good historic perspective when surface mapping or investigating the impact of activity in a given part of the state. There are 8,011 photographs missing from these two sets. The federal agency in charge of these photographs will no longer make prints once they run out of their current stock of paper.

<b>Change Group:</b> A	<b>Change Type:</b> D	<b>Change No:</b> 21	<b>Priority:</b> 19
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Contract Drilling/Coring &amp; Sedimentological Analyses

Geological Survey

CONTRACT DRILLING/CORING AND SEDIMENTOLOGICAL ANALYSES \$125,000

The Geological Survey has a truck-mounted Giddings probe that has the capability of drilling or coring to a depth of 10-20 feet. When we need to obtain deeper geologic information for a project we must contract out that capability. Sedimentological analysis of till enables us to separate various glacial lobes that have different mineralogies and differing engineering properties.

**BUDGET CHANGES NARRATIVE**

405 Industrial Commission

Bill#: HB1014

Date: 12/23/2014

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<b>Change Group:</b> A	<b>Change Type:</b> D	<b>Change No:</b> 22	<b>Priority:</b> 20
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Paleontology Equipment

Geological Survey

PALEONTOLOGY EQUIPMENT \$12,500

This optional adjustment is to replace lab tables and purchase additional plastic pallets for storage and movement of collected fossils within the paleontology program.

<b>Change Group:</b> A	<b>Change Type:</b> D	<b>Change No:</b> 23	<b>Priority:</b> 21
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Digital Conversion of 2D Seismic Profiles

Geological Survey

DIGITAL CONVERSION OF 2D SEISMIC PROFILES \$100,000

A number of years ago Chevron Oil donated a number of 2D seismic lines to the Geological Survey. We have digitally converted and interpreted some of those lines and need the remaining data converted to a digital format and interpreted by a geophysicist (independent contractor). This information would be very useful to us in interpreting the structural geology of northwestern North Dakota.

<b>Change Group:</b> A	<b>Change Type:</b> D	<b>Change No:</b> 26	<b>Priority:</b> 24
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RBDMS.net GWPC Assistance

Oil & Gas Division

IT COSTS FOR MIGRATION TO RBDMS.NET \$250,000

Department of Mineral Resources

Ground Water Protection Council (GWPC) has upgraded the Risk Based Data Management System (RBDMS) to a .net platform. Many enhancements have been made to RBDMS including security, electronic commerce, field inspection, and the automatic linking of data between FracFocus and state completion reports. Total cost of the upgrade will be approximately \$500,000, although it is expected that approximately 50% of the costs will be funded through the United States Department of Energy.

<b>Change Group:</b> A	<b>Change Type:</b> D	<b>Change No:</b> 100	<b>Priority:</b> 5
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Energy Impact Funding - Housing Allowance &amp; Differential Pay

Oil & Gas Division

**BUDGET CHANGES NARRATIVE**

405 Industrial Commission

Bill#: HB1014

Date: 12/23/2014

Time: 12:49:16

ONE-TIME HOUSING ALLOWANCE \$1,187,903

DMR continues to experience difficulty hiring qualified field inspectors in the Williston, Dickinson, and Minot offices due to the competitive pressure and higher cost of rental housing within areas of the state affected by oil and gas activity. The allowances would be made available only to full time employees working in affected areas and are not intended to enhance an employee's current standard of living unless they are now in temporary housing.

<b>Change Group:</b> A	<b>Change Type:</b> E	<b>Change No:</b> 1	<b>Priority:</b>
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Remove one-time funding

The 63rd legislative assembly allowed for one-time funding consisting of the following operating expenses:

Possible Litigation with the EPA - \$1,000,000

Energy Impact Pool Funding - \$180,000

Early Hire Funding- \$61,751

Architect Services for Core Library - \$25,000

Oil-bearing Rock &amp; Temperature Profile Studies - \$130,000

Adjustments were made to remove the one-time funding amounts.

<b>Change Group:</b> A	<b>Change Type:</b> F	<b>Change No:</b> 2	<b>Priority:</b>
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Remove capital asset funding

The 63rd legislative assembly allowed for one-time funding consisting of the following capital assets:

Wide-bed Plotter - \$5,800

Adjustments were made to remove the one-time funding amounts.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 1	<b>Priority:</b>
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inflation/restoration

Provides funding to restore travel that was reduced to meet the hold even budget due to inflationary increases in other areas of the budget.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 2	<b>Priority:</b>
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9 FTE eng tech field inspections

**BUDGET CHANGES NARRATIVE**

405 Industrial Commission

Bill#: HB1014

Date: 12/23/2014

Time: 12:49:16

Provides funding of \$1,376,449 for salaries and \$569,088 for operating for 9.00 FTE Engineering Tech field inspector positions due to the rapidly increasing workload placed on Petroleum Engineering positions by drilling activity it will be more efficient to provide lower education level technical assistance in making routine producing well, injection well, facility, and pipeline inspections.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 3	<b>Priority:</b>
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1 FTE eng tech GIS pipelines

Provides funding of \$152,379 for salaries plus \$9,639 for operating for one additional Engineering Tech position in the Bismarck office due to increased permitting requirements resulting from the implementation of gas capture plans and potential oil conditioning requirements along with increased information technology requirements of permitting within Areas of Interest.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 4	<b>Priority:</b>
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1 FTE petr eng Bottineau

Provides funding of \$168,105 for salaries plus \$54,403 for operating for one FTE Petroleum Engineer Position to assist with inspection of the growing number of drilling rigs operating in the Bottineau County area.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 5	<b>Priority:</b>
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3 FTE Bismarck safety hr acct

Provides funding for 1.00 FTE safety officer/facility specialist, 1 human resources technician, and 1 account budget specialist in the Bismarck office.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 6	<b>Priority:</b>
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1 FTE petr eng reclamation

Provides funding of \$167,679 for salaries plus \$63,232 for operating for one Petroleum Engineer Reclamation Specialist due to increasing requirements to respond to environmental incidents associated with illegal dumping of oil and gas wastes along with the associated program requirements of the Abandoned Oil and Gas Well Plugging and Site Reclamation Fund.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 7	<b>Priority:</b>
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2 FTE surface geologist

Provides funding of \$360,902 for salaries plus \$127,482 for operating for two Surface Geologists to assist with increased requests for information regarding sand and gravel, clinker (scoria), and other shallow minerals, as well as solid waste disposal site and geologic hazard evaluations in this portion of the state.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 8	<b>Priority:</b>
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2 FTE eng tech survey

**BUDGET CHANGES NARRATIVE**

405 Industrial Commission

Bill#: HB1014

Date: 12/23/2014

Time: 12:49:16

Provides funding of \$608,982 for salaries plus \$38,556 for operating for four additional Engineering Tech positions in the Bismarck office to assist with timely processing of data submitted to assure compliance with regulations.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 9	<b>Priority:</b>
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Funding changes

Provides funding from the general fund to replace federal funds that are no longer available and to provide compensation increases from the general fund for federal grants that have fixed amounts.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 10	<b>Priority:</b>
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3 FTE contingency

Provides funding of \$458,816 for salaries plus \$189,696 for operating expenses for three contingency Engineering Tech Field Inspectors if the total number of wells capable of production and injection in the state exceeds 20,000.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 11	<b>Priority:</b>
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IC admin increases

Provides additional funding of \$5,000 uested for temporary employees and \$39,000 for increased operating costs for the Industrial Commission administrative office.

<b>Change Group:</b> R	<b>Change Type:</b> A	<b>Change No:</b> 100	<b>Priority:</b>
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Executive compensation adjustment package

This budget change provides funding for recommended 2015-17 compensation adjustments.

<b>Change Group:</b> R	<b>Change Type:</b> B	<b>Change No:</b> 1	<b>Priority:</b>
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Possible litigation costs

Provides \$3 million for possible litigation costs relating to hydraulic fracturing, gas capture, and flaring reduction

<b>Change Group:</b> R	<b>Change Type:</b> B	<b>Change No:</b> 2	<b>Priority:</b>
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Core library expansion

Provides funding for expansion of the Wilson M. Laird Core and Sample Library.

<b>Change Group:</b> R	<b>Change Type:</b> B	<b>Change No:</b> 3	<b>Priority:</b>
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Aerial photography

**BUDGET CHANGES NARRATIVE**

405 Industrial Commission

Bill#: HB1014

Date: 12/23/2014

Time: 12:49:16

Provides funding for aerial photography to replace photos missing from the collection.

<b>Change Group:</b> R	<b>Change Type:</b> B	<b>Change No:</b> 4	<b>Priority:</b>
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Contract drilling analysis

Provides funding for a contract drilling/coring and sedimentology analysis project.

<b>Change Group:</b> R	<b>Change Type:</b> B	<b>Change No:</b> 5	<b>Priority:</b>
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Digital conversion

Provides funding for digital conversion of 2D seismic profiles.

<b>Change Group:</b> R	<b>Change Type:</b> B	<b>Change No:</b> 6	<b>Priority:</b>
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Migration to RBDMS

Provides funding for migration of the risk based management system (RBDMS) to a .net platform.