

BEFORE THE BOARD OF OIL AND GAS CONSERVATION AND
THE DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION OF THE STATE OF MONTANA

In the matter of the adoption of New)
Rules I through V regarding oil and gas)
well stimulation)

NOTICE OF PUBLIC HEARING
ON PROPOSED ADOPTION

To: All Concerned Persons

1. On June 15, 2011, at 10:00 a.m., the Department of Natural Resources and Conservation will hold a public hearing in the Richland County Fairgrounds Commercial Building, 2118 West Holly Street, Sidney, Montana, to consider the proposed adoption of the above-stated rules.

2. The department will make reasonable accommodations for persons with disabilities who wish to participate in this rulemaking process or need an alternative accessible format of this notice. If you require an accommodation, contact the department no later than 5:00 p.m. on June 8, 2011, to advise us of the nature of the accommodation that you need. Please contact Tom Richmond, Board of Oil and Gas Conservation, 2535 St. Johns Avenue, Billings, MT 59102; telephone (406) 656-0040; fax (406) 655-6015; e-mail FracComments@mt.gov.

3. The rules proposed to be adopted provide as follows:

NEW RULE I WELL STIMULATION ACTIVITIES COVERED BY DRILLING PERMIT (1) Well completions which include hydraulic fracturing, acidizing, or other chemical stimulation done to complete a well are considered permitted activities under the drilling permit for that well only if the processes, anticipated volumes, and types of materials planned for use are expressly described in the permit application for that well.

(2) For wildcat or exploratory wells or when the operator is unable to determine that hydraulic fracturing, acidizing, or other chemical treatment will be done to complete the well, the operator must obtain prior written approval of such activities from the board's staff at any time prior to commencing such activities provided that:

(a) the written information describing the fracturing, acidizing, or other chemical treatment must be provided to the board's staff at least 24 hours before commencement of well stimulation activities.

(3) For the purpose of this section, an adequate description of the proposed well stimulation includes:

- (a) the estimated total volume of treatment to be used;
- (b) the trade name or generic name;
- (c) amount or volume of the principle components such as viscosifiers, acids, or gelling agents;

(d) the weight or volume of inert substances such as proppants and other substances injected to aid in well cleanup, either for each stage of a multistage job or for the total job; and

(e) the anticipated surface treating pressure and the maximum anticipated treating pressure. The owner, operator, or service company may provide:

(i) a copy of a final design of well treatment actually used for similar wells and which reflects the likely design for the well to be permitted; or

(ii) a prefiled generic design submitted for specific geologic formations, geographic areas, or well types likely to be used in a particular well.

AUTH: 82-11-111, MCA

IMP: 82-11-111, 82-11-122, MCA

NEW RULE II DISCLOSURE OF WELL STIMULATION FLUIDS

(1) The owner or operator of a well shall provide the board, on its Form No. 4 for a new well or Form No. 2 for an existing well:

(a) a description of the interval(s) or formation treated;

(b) the type of treatment pumped (acid, chemical, fracture stimulation); and

(c) the amount and type(s) of material pumped and the rates and maximum pressure during treatment.

(2) For hydraulic fracturing treatments the amount and type of material used must include:

(a) a description of the stimulation fluid identified by additive type (e.g. acid, biocide, breaker, brine, corrosion inhibitor, crosslinker, demulsifier, friction reducer, gel, iron control, oxygen scavenger, pH adjusting agent, proppant, scale inhibitor, surfactant); and

(b) the chemical compound name and the Chemical Abstracts Service (CAS) Registry number, as published by the Chemical Abstracts Service, a division of the American Chemical Society (www.cas.org), for each constituent of the additive used. The rate or concentration for each additive shall be provided in appropriate measurement units (pounds per gallon, gallons per thousand gallons, percent by weight or percent by volume, or parts per million).

(3) The owner or operator may submit the service contractor's job log, final treatment report (without any cost/pricing data), or an owner or operator representative's well treatment job log or other report providing the above required information.

(4) The administrator may waive all or a portion of (2) or (3) of this rule if:

(a) the owner or operator demonstrates that it has provided information to the Interstate Oil and Gas Compact Commission/Groundwater Protection Council hydraulic fracturing web site; or

(b) other Internet information repositories that can be accessed by the public.

AUTH: 82-11-111, MCA

IMP: 82-11-111, MCA

NEW RULE III PROPRIETARY CHEMICALS AND TRADE SECRETS

(1) As provided in 82-11-117, MCA, where the use or composition of a chemical product is unique to the owner or operator or service contractor and would, if disclosed, reveal methods or processes entitled to protection as trade secrets such a chemical need not be disclosed to the board or staff. The owner, operator, or service contractor may identify the trade secret chemical or product by trade name, inventory name, or other unique name and the quantity of such constituent(s) used.

(2) If necessary to respond to a spill or release of a trade secret product the owner, operator, or service contractor must provide to the board or staff, upon request, a list of the chemical constituents contained in a trade secret product. The administrator may request information be provided orally or be provided directly to a laboratory or other third party performing analysis for the board.

(3) The owner, operator, or service contractor must also provide the chemical constituents of a trade secret product to a health professional who provides a written statement that knowledge of the chemical constituents of such product is needed for purposes of diagnosis or treatment of an individual and the individual being diagnosed or treated may have been exposed to the chemical concerned. The health professional may not use the information for purposes other than the health needs asserted in the statement of need, and may be required to execute a nondisclosure agreement.

(4) Where a health professional determines that a medical emergency exists and the chemical constituents of a trade secret product are necessary for emergency treatment, the owner, operator, or service contractor shall immediately disclose the chemical constituents of a product to that health professional upon a verbal acknowledgement by the health professional that such information shall not be used for purposes other than the health needs asserted and that the health professional shall otherwise maintain the information as confidential. The owner or operator or service contractor may request a written statement of need, and a confidentiality agreement from a health professional as soon as circumstances permit.

AUTH: 82-11-111, MCA

IMP: 82-11-111, MCA

NEW RULE IV SAFETY AND WELL CONTROL REQUIREMENTS –
HYDRAULIC FRACTURING (1) New and existing wells which will be stimulated by hydraulic fracturing must demonstrate mechanical integrity.

(2) Prior to initiation of fracture stimulation, production casing or intermediate casing must be tested to the maximum anticipated treating pressure in the unsupported (uncemented) portion of the casing exposed to treating pressure. If the casing fails the pressure test it must be repaired or the operator must use a temporary casing string (fracturing string).

(a) A fracturing string must be stung into a liner or run on a packer set not less than 100 feet below the cement top of the production or intermediate casing and must be tested to not less than maximum anticipated treating pressure minus the annulus pressure applied between the fracturing string and the production or immediate casing.

(3) A casing pressure test will be considered successful if the pressure applied has been held for 15 minutes with no more than five percent pressure loss.

(4) A pressure relief valve(s) must be installed on the treating lines between pumps and wellhead to limit the line pressure to the test pressure determined above.

(5) The surface casing valve must remain open while hydraulic fracturing operations are in progress; the annular space between the fracturing string and the intermediate or production casing must be monitored and may be pressurized to a pressure not to exceed the pressure rating of the lowest rated component that would be exposed to pressure should the fracturing string fail.

AUTH: 82-11-111, MCA

IMP: 82-11-111, MCA

NEW RULE V WORK-OVER, RECOMPLETION, WELL STIMULATION –

NOTICE AND APPROVAL (1) No well may be reperfored, recompleted, reworked, chemically stimulated, or hydraulically fractured without first notifying the board on Form No. 2 and receiving approval from the administrator or other authorized representative of the board. Within 30 days following completion of the well work, a subsequent report of the actual work performed must be submitted on Form No. 2.

(2) Well repairs, including tubing, pump, sucker rod replacement or repair, repairs and reconfiguration of well equipment which do not substantially change the mechanical configuration of the well bore or casing do not require prior approval or a subsequent report. Acid and chemical treatments of less than 5000 gallons, hot oil treatments, and similar treatments intended to clean perforations, remove scale or paraffin, or remedy near-well bore damage do not require prior approval.

AUTH: 82-11-111, MCA

IMP: 82-11-111, MCA

REASONABLE NECESSITY: New Rules I through V are reasonably necessary in order to address safety issues associated with techniques used for oil and gas well completions. These techniques include hydraulic fracturing, which has become more prevalent throughout the United States in recent years. The implementation of these rules will allow the Board of Oil and Gas Conservation to specifically address reporting regulations that will be applied to well completion methods in conjunction with other oil and gas rules.

4. Concerned persons may submit their data, views, or arguments, either orally or in writing, at the hearing. Written data, views, or arguments may also be submitted to Tom Richmond, Department of Natural Resources and Conservation, 2535 St. Johns Avenue, Billings, MT 59102; telephone (406) 656-0040; fax (406) 655-6015; e-mail FracComments@mt.gov, and must be received no later than 5:00 p.m. on June 23, 2011.

5. Norman Peterson, Department of Justice Agency Legal Services, has been designated to preside over and conduct the public hearing.

6. An electronic copy of this Notice of Public Hearing on Proposed Adoption is available through the department's web site at <http://www.dnrc.mt.gov>. The department strives to make the electronic copy of this Notice of Public Hearing on Proposed Adoption conform to the official version of the notice, as printed in the Montana Administrative Register, but advises all concerned persons that in the event of a discrepancy between the official printed text of the notice and the electronic version of the notice, only the official printed text will be considered.

7. The department maintains a list of interested persons who wish to receive notices of rulemaking actions proposed by this agency. Persons who wish to have their name added to the list shall make a written request that includes the name, e-mail, and mailing address of the person to receive notices and specifies that the person wishes to receive notices regarding conservation districts and resource development, forestry, oil and gas conservation, trust land management, water resources, or a combination thereof. Notices will be sent by e-mail unless a mailing preference is noted in the request. Such written request may be sent or delivered to the contact person in 4 above or may be made by completing a request form at any rules hearing held by the department.

8. The bill sponsor contact requirements of 2-4-302, MCA, do not apply.

DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION

/s/ Mary Sexton
MARY SEXTON
Director
Natural Resources and Conservation

/s/ Tommy Butler
TOMMY BUTLER
Rule Reviewer

/s/ Terri Perrigo
TERRI PERRIGO
Executive Secretary
Board of Oil and Gas Conservation

Certified to the Secretary of State on May 16, 2011.