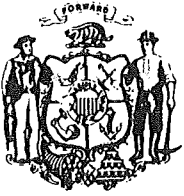


CR 84-238



State of Wisconsin

DEPARTMENT OF NATURAL RESOURCES

Carroll D. Besadny
Secretary

BOX 7921
MADISON, WISCONSIN 53707

RECEIVED

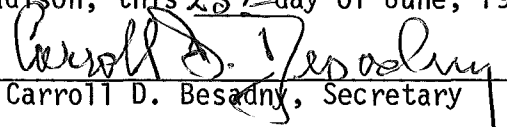
STATE OF WISCONSIN)
DEPARTMENT OF NATURAL RESOURCES) ss

AUG 1 1985
9:15 am
Revisor of Statutes
Bureau

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETINGS:

I, Carroll D. Besadny, Secretary of the Department of Natural Resources and custodian of the official records of said Department, do hereby certify that the annexed copy of Natural Resources Board Order No. SW-71-84 was duly approved and adopted by this Department on May 22, 1985. I further certify that said copy has been compared by me with the original on file in this Department and that the same is a true copy thereof, and of the whole of such original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed the official seal of the Department at General Executive Facility #2 in the City of Madison, this 23rd day of June, 1985.


Carroll D. Besadny, Secretary

(SEAL)

7084H

11-1-85

ORDER OF THE STATE OF WISCONSIN NATURAL RESOURCES BOARD

CREATING RULES

.....
IN THE MATTER of creating Chapter NR 134 .
of the Wisconsin Administrative Code . SW-71-84
pertaining to oil and gas exploration .
.....

Analysis Prepared by Department of Natural Resources

In the past year, considerable activity related to oil and gas exploration has taken place in northern Wisconsin and actual exploration drilling will likely occur in the next year. Section 144.025, Stats., directs the department to serve as the central unit of state government to protect, maintain and improve the quality and management of the waters of the state. Oil and gas exploration poses a potential threat to the water resources of the state and as such, proposed Chapter NR 134 has been prepared in an effort to ensure that oil and gas exploration is conducted in an environmentally sound manner.

The proposed code specifies that no person may engage in oil and gas exploration without first securing an exploration license. A complete application includes the appropriate fee, a \$50,000 performance bond, and a certificate of insurance.

Once licensed, an explorer must obtain written approval of drillhole construction plans for each drillhole. The construction plan must include such information as the proposed location of the drillhole, a description of site preparation and access, proposed drillhole construction and abandonment methods, methods of containment of any oil and gas encountered, methods of containment and eventual disposal of groundwater brought to the surface during drilling and proposed drilling site reclamation activities. The department will review the plan and within 20 business days after receipt of the complete plan either issue an approval, issue an approval with conditions, or deny the approval.

Following approval of drillhole construction plans, the notification and recordkeeping requirements contained in proposed Chapter NR 134 are essentially the same as those specified in Chapter NR 130, Metallic Mineral Exploration. Specifically, an explorer must notify the department prior to the start of drilling, before permanently abandoning a drillhole, and following termination of a drilling site and must submit an abandonment report accompanied by the appropriate fee within 10 days after completing abandonment of a drillhole.

Pursuant to the authority vested in the State of Wisconsin Natural Resources Board by ss. 144.025 and 227.014(2)(a), Stats., the State of Wisconsin Natural Resources Board hereby creates rules interpreting s. 144.025, Stats., as follows:

DEPARTMENT OF NATURAL RESOURCES

Chapter NR 134

OIL AND GAS EXPLORATION

NR 134.01	Purpose	NR 134.06	Renewals
NR 134.02	Applicability	NR 134.07	License revocation or suspension
NR 134.03	Definitions	NR 134.08	Denials
NR 134.04	Application for an exploration license	NR 134.09	Application for approval
NR 134.05	Issuance	NR 134.10	Notice procedures
		NR 134.11	Reports
		NR 134.12	Inspections

(Section 144.025 and chapter 227, Stats.)

NR 134.01 PURPOSE. The purpose of this chapter is to establish a licensing procedure and minimum standards for oil and gas exploration in this state for the specific protection of waters of the state, both surface and ground, as provided in s. 144.025, Stats.

NR 134.02 APPLICABILITY. The provisions of this chapter are applicable to all oil and gas exploration as defined in s. NR 134.03.

NR 134.03 DEFINITIONS. In this chapter:

- (1) "Abandonment" means filling or sealing a drillhole in accordance with the procedures specified in s. NR 134.05.
- (2) "Department" means department of natural resources.
- (3) "Driller" means a person who performs core, rotary, percussion or other drilling involved in exploration for oil and gas.
- (4) "Drilling site" means the area disturbed by exploration including the drillhole.
- (5) "Explorer" means any person who engages in exploration or who contracts for the services of drillers for the purpose of exploration.

(6) "Exploration" means the onsite geologic examination from the surface of an area by core, rotary, percussion or other drilling for the purpose of searching for oil and gas or establishing the nature and extent of a known oil and gas deposit and includes associated activities such as clearing and preparing sites or constructing roads for drilling. For the purposes of the definition of exploration, geologic examination does not include drillholes constructed for the purpose of collecting soil samples or for determining geologic information by seismic methods.

(7) "Exploration license" means the license required by this chapter, as a condition of engaging in exploration.

(8) "License year" means the period of time commencing on July 1 of any year and ending on the following June 30.

(9) "Oil and gas" means material occurring naturally in the earth composed predominantly of mixtures of chemical components of carbon and hydrogen, including, if present, other nonmetallic elements such as sulfur, hydrogen, oxygen, or nitrogen. Such material may occur in the gaseous, liquid, or solid state.

(10) "Parcel" means a section, fractional section or government lot.

(11) "Termination" means permanent abandonment of drillholes and reclamation and revegetation of drilling sites.

NR 134.04 APPLICATION FOR AN EXPLORATION LICENSE. (1) No explorer may engage in exploration in this state without securing an exploration license.

(2) Any explorer wishing to engage in exploration in this state shall file an application for an exploration license with the department on forms prepared and furnished by the department. The application shall be accompanied by the following:

(a) A fee of \$300 for the exploration license.

(b) A bond payable to the department in the amount of \$50,000 conditioned on faithful performance of the provisions of this chapter.

1. The bond shall be issued by a surety company licensed to do business in Wisconsin. If the surety company's license to do business is revoked or suspended, the explorer, within 30 days after receiving written notice from the department, shall substitute surety underwritten by a surety company licensed to do business in Wisconsin. Upon failure of the explorer to make a substitution of surety, the department shall suspend the explorer's exploration license until substitution has been made.

2. Each bond shall provide that the bond may not be cancelled by the surety, except after 90 days written notice to the department by registered or certified mail. Not less than 30 days prior to the expiration of the 90 day notice of cancellation, the explorer shall deliver to the department a replacement bond in the absence of which all exploration conducted in this state by the explorer shall cease.

3. The department may require that the amount of the bond be increased at any time, if the department determines that the explorer's current level of activity makes it likely that the bond may be inadequate to fund the termination of all holes drilled for which the explorer is responsible.

4. One year after the issuance of the last certificate of completion, and provided that the explorer is not holding an exploration license, the department shall release the bond if the department determines that the explorer has complied with provisions of this chapter.

(c) A certificate of insurance certifying that the explorer has in force a liability insurance policy issued by an insurance company authorized to do business in this state covering all exploration of the explorer in this state and affording personal injury and property damage protection in a total amount deemed adequate by the department but not less than \$50,000.

(d) A copy of the applicant's most recent annual report and Form 10K as filed with the Securities and Exchange Commission. If these are not available, the applicant shall submit a report of the applicant's current assets and liabilities and other necessary data to establish that the applicant is competent to conduct exploration in this state.

NR 134.05 ISSUANCE. Upon satisfactory completion of all conditions contained in this chapter, the department shall issue an exploration license to the explorer. Licenses shall be issued within 10 business days after the department receives a complete application unless the application is for the immediately forthcoming license year. If the application is for the immediately forthcoming license year, the license shall be issued either within 10 business days after the department receives a complete application or on the following July 1, whichever is later. The issuance of an exploration license is subject to the following conditions:

(1) No oil and gas exploration drillhole may be constructed unless the explorer receives prior written approval from the department, pursuant to s. NR 134.09.

(2) Oil and gas exploration drillholes shall be abandoned as follows:

(a) Permanent abandonment. 1. All oil, gas, brine, and fresh water shall be confined to the strata in which they occur by the use of mud-laden fluid, cement, other suitable material, or combination thereof. The amount, type, and kind of material and the method of placement shall be approved by the department. If a drillhole penetrates an aquifer under artesian pressure such that groundwater flows at the ground surface, the explorer shall contact the department immediately to obtain approval to implement the approved method of containment of such flow.

2. No person may begin permanent abandonment of any drillhole before first notifying and receiving approval from the department's office in Rhineland. The explorer's notification shall include the date abandonment is to be commenced, by whom the drillhole is to be abandoned, and the equipment to be used in abandoning the drillhole. It shall also include the present condition of the drillhole, such as the sizes and lengths of all casing strings, the depths to the top of all principal formations, the depths where oil, gas, and water were encountered, and the proposed method of abandonment. The proposed method of abandonment shall specify the type and amount of material to be used, the depths at which bridges are to be set, the depths and lengths of cement plugs, and any special requirements which may be necessary for the proper abandonment of the drillhole.

3. The department's office in Rhineland shall respond within 5 days of receipt of explorer's notification either:

- a. Granting approval for the proposed abandonment procedure,
- b. Prescribing a modified abandonment procedure, or
- c. Requesting additional pertinent information.

4. Surface or drive pipe may not be pulled at any location unless it is determined by the department to be necessary.

5. A surface pipe or drive pipe abandoned with the hole shall be cut off at a point 4 feet below ground level and a cement plug, welded plate, or other seal approved by the department shall be placed at or near the top of the pipe.

6. The explorer shall be allowed to recover uncemented casing below surface pipe, which does not directly protect ground waters.

(b) Temporary abandonment. If the explorer wants to retain a drillhole for further exploration and/or production, the casing shall be left in place, and the upper terminal of the casing shall be sealed by utilizing practices and methods approved by the department. The department may require temporary cement or bridge plugs in the drillhole, if necessary to protect aquifers or for safety reasons. All drillholes shall be permanently abandoned within 2 years after expiration of an exploration license.

(2) The fee for drilling the first 20 drillholes or less in any license year shall be \$200 per drillhole and the fee for drilling each subsequent drillhole in that same license year shall be \$100 per drillhole. All fees shall be paid to the department upon submission of the temporary abandonment report, if temporary abandonment occurs, or the permanent abandonment report, if temporary abandonment does not occur. For the purpose of determining the appropriate fee, drillholes shall be assigned to the license year in which drilling on that particular hole ceases and the drillhole is initially abandoned.

(3) Other conditions which the department deems necessary to safeguard the natural resources of this state during and after exploration.

NR 134.06 RENEWALS. (1) An explorer may renew an exploration license by filing an annual renewal application with the department upon forms prepared and furnished by the department.

The renewal application shall be accompanied by the following:

- (a) A fee of \$150.00.
- (b) A bond in accordance with s. NR 134.04(2)(b).
- (c) A certificate of insurance in accordance with s. NR 134.04(2)(c).
- (d) A copy of the applicant's most recent annual report and Form 10K as filed with the Securities and Exchange Commission. If these are not available, the applicant shall submit a report of the applicant's current assets and liabilities and other necessary data to establish that the applicant is competent to conduct exploration in this state.

(2) Renewal licenses shall be for a period commencing on the date of issuance and terminating on the following June 30th. Renewal applications shall be reviewed and licenses issued under the same time limitations specified in s. NR 134.05.

NR 134.07 LICENSE REVOCATION OR SUSPENSION. After a due process hearing, the department may revoke or suspend an exploration license if it is determined that:

- (1) Statutes or rules of the department or any condition in the exploration license or approval for drillhole construction have not been complied with; or
- (2) The explorer has failed to increase bond amounts to adequate levels as provided in s. NR 134.04(2)(b)3.

NR 134.08 DENIALS. (1) The department shall deny an exploration license if the department finds the explorer is in violation of any provision of this chapter.

(2) Within 10 business days from the date of application, the department shall furnish the explorer in writing the reasons for the denial.

NR 134.09 APPLICATION FOR APPROVAL. (1) At least 30 days prior to the proposed date of commencement of drillhole construction, the explorer shall submit an application for drillhole construction approval to the department. The application shall be submitted as an original, in reproducible form, and 5 copies. The explorer shall, at the same time, submit one copy of the application to the county clerk of the county in which the drilling is proposed to occur. The application shall contain the following information:

(a) Location of proposed drillhole.

(b) Proposed date of commencement of drilling.

(c) Proposed method of drilling including details on site preparation and access, drilling water source and possible drilling additives.

(d) Proposed drillhole construction, including drillhole inclination, azimuth and diameters; type, diameter and depth of casing and liners; lithologic units expected to be penetrated, including the expected thickness of each; and proposed cementing materials and methods of casing cementing.

(e) Proposed method of containment of any oil and gas that might be encountered.

(f) Proposed method of containment and eventual disposal of any groundwater which may flow to or is otherwise brought to the ground surface.

(g) Proposed method of drillhole abandonment and drilling site reclamation.

(2) If the department finds that the proposed drillhole location, construction, abandonment and site reclamation will adequately protect the waters of the state, it shall grant the approval. If it finds that the exploration as proposed will not provide such protection, the department may grant an approval subject to such conditions as it deems necessary to provide such protection, or it may deny the approval if it determines that such protection cannot be provided. Written approvals of drillhole construction plans shall be issued, issued with conditions or denied within 20 business days after the department receives a complete

application as described in par. (a). If it is determined, pursuant to ch. NR 150 that an environmental assessment or an environmental impact statement is required to comply with s. 1.11, Stats., this time limit shall be extended. Approval of drillhole construction plans shall terminate one year after date of issuance, if such construction has not commenced.

NR 134.10 NOTICE PROCEDURES. (1)(a) The explorer shall notify the department of the explorer's intent to drill on a parcel by registered or certified mail at least 10 days in advance of the commencement of drilling. Notice shall be considered as given upon the date of receipt by the department of the notice. The notice of intent to drill shall state the number of drillholes expected to be drilled, the legal description of the affected parcel, and the date of the written approval by the department.

The explorer shall submit a copy of each notice of intent to the county clerk of the county in which the drilling is proposed. Such copy shall be submitted by registered or certified mail and must be received by the county clerk's office at least 10 days prior to commencement of drilling.

(b) A notice of intent to drill shall remain in effect for one year commencing on the date of receipt by the department of the notice. One year after the receipt of the notice, the explorer shall resubmit a notice of intent to drill on that parcel to the department and the county clerk if the explorer wishes to continue exploration on the parcel.

(2) The explorer shall notify the department prior to the actual commencement of drilling each drillhole on the parcel. This notice may be oral or written to the department's district office in Rhineland.

(3) The explorer shall give the department at least 24 hours advance notice of the explorer's intent to permanently abandon a drillhole for which abandonment approval has been granted pursuant to s. NR 134.05. The 24-hour requirement may be reduced by the department. This notice may be oral or written and to the department's district office in Rhineland.

Note: The 10-day notice of Intent to drill shall be sent to the Mine Reclamation Section,
P.O. Box 7921, Madison, WI 53707.

NR 134.11 REPORTS. (1) Within 30 days after completion of temporary or permanent abandonment of a drillhole, the explorer shall file an exploration abandonment report with the department on forms supplied by the department and signed by an authorized representative of the explorer attesting to the accuracy of the information.

(2) All abandonment reports shall be submitted to the department's district office in Rhineland.

(3) Following permanent abandonment of the drillhole, and revegetation and regrading of the drilling site, the explorer shall notify the department of completion of termination of each drilling site. This notification shall be made in writing and sent to the department's district office in Rhineland.

(4) The department shall notify the explorer in writing of the satisfactory or unsatisfactory completion of termination. If termination is unsatisfactory, the department shall inform the explorer of all necessary corrective measures. Following implementation of corrective measures, the explorer shall file written notice with the department's district office in Rhineland specifying what measures were taken and stating that termination is complete. Failure of the explorer to comply with the department's corrective measures may result in license revocation or suspension in accordance with s. NR 134.07. Upon satisfactory completion of termination of a drilling site, the department shall issue a certificate of completion. No drilling site will receive a certificate of completion until permanently abandoned in accordance with the provisions of this chapter.

NR 134.12 INSPECTIONS. (1) Any duly authorized officer, employe or representative of the department may enter and inspect any property, premises or place on or at which any exploration is being performed at any reasonable time for the purpose of ascertaining the state of compliance with this chapter.

(2) No explorer may refuse entry or access to any authorized representative of the department who requests entry for purposes of inspection and who presents appropriate credentials.

(3) No person may obstruct, hamper or interfere with any such inspection.

NR 134.13 CONFIDENTIALITY. Pursuant to s. NR 2.19, the explorer may request confidentiality on a generic basis in lieu of a site specific basis, of all documents and data that will be submitted to or requested by the department under the provisions of this chapter.

The foregoing rules were approved and adopted by the State of Wisconsin Natural Resources Board on May 22, 1985.

The rules contained herein shall take effect as provided in s. 227.026(1)(Intro.), Stats.

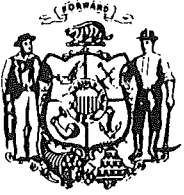
Dated at Madison, Wisconsin

July 23, 1985
STATE OF WISCONSIN DEPARTMENT OF NATURAL RESOURCES

By Carroll D. Besadny
Carroll D. Besadny, Secretary

(SEAL)

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State of Wisconsin

DEPARTMENT OF NATURAL RESOURCES

Carroll D. Besadny
Secretary

BOX 7921
MADISON, WISCONSIN 53707

July 23, 1985

IN REPLY REFER TO: 1020

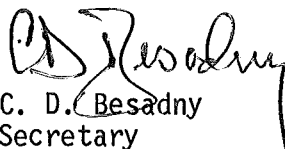
Mr. Orlan L. Prestegard
Revisor of Statutes
411 West
C A P I T O L

Dear Mr. Prestegard:

Enclosed are two copies, including one certified copy, of State of Wisconsin Natural Resources Board Order No. SW-71-84. These rules were reviewed by the Assembly Committee on Environmental Resources and the Senate Committee on Energy and Environmental Resources pursuant to s. 227.018, Stats. Summaries of the final regulatory flexibility analysis and comments of the legislative review committees is also enclosed.

You will note that this order takes effect following publication. Kindly publish it in the Administrative Code accordingly.

Sincerely,


C. D. Besadny
Secretary

Enc.

7084H