

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1494

Page 1, line 3, after "reenact" insert "subdivision c of subsection 3 of section 38-08-08, subdivision c of subsection 3 of section 38-08-09.4, and"

Page 1, line 4, after the first "to" insert "nonparticipating owners in the development of oil and gas interests in spacing units and plans of unitization and"

Page 1, after line 6, insert:

"SECTION 1. AMENDMENT. Subdivision c of subsection 3 of section 38-08-08 of the North Dakota Century Code is amended and reenacted as follows:

- c. The owner paying for the nonparticipating owner's share of the drilling and operation of a well may recover from the nonparticipating owner a risk penalty for the risk involved in drilling and completing the well only if the paying owner has made an unsuccessful, good-faith attempt to have the unleased nonparticipating owner execute a lease or to have the leased nonparticipating owner join in and participate in the risk and cost of drilling the well. Before a risk penalty may be imposed, the paying owner must notify the nonparticipating owner with proof of service that the paying owner intends to impose a risk penalty and that the nonparticipating owner may object to the risk penalty by either responding in opposition to the petition for a risk penalty or if no such petition has been filed, by filing an application or request for hearing with the industrial commission. Bonuses, rental payments, royalties, and other payments offered or made to a trustee or unlocatable owner under chapter 38-13 may not be considered in determining whether an attempt to have the unleased nonparticipating owner execute a lease or to have the leased nonparticipating owner join in and participate in the risk and cost of drilling the well under this subdivision is in good faith or is reasonable.

SECTION 2. AMENDMENT. Subdivision c of subsection 3 of section 38-08-09.4 of the North Dakota Century Code is amended and reenacted as follows:

- c. The owner paying for the nonparticipating owner's share of the unit expense may recover from the nonparticipating owner a risk penalty for the risk involved in the unit expense only if the paying owner has made an unsuccessful, good-faith attempt to have the unleased nonparticipating owner execute a lease or to have the leased nonparticipating owner join in and participate in the risk of the unit expense. Before a risk penalty may be imposed, the paying owner must notify the nonparticipating owner with proof of service that the paying owner intends to impose a risk penalty and that the nonparticipating owner may object to the risk penalty by either responding in opposition to the petition for a risk penalty or if no such petition has been filed, by filing an application or request for hearing with the industrial commission. Bonuses, rental payments, royalties, and other payments offered or made to a trustee or unlocatable owner under chapter 38-13 may not be considered in determining whether an attempt to have the unleased nonparticipating owner execute a lease or to have the leased nonparticipating owner join in and

participate in the risk and cost of drilling the well under this subdivision is in good faith or is reasonable."

Page 1, line 17, after the underscored period insert "The board may charge and deduct from earnings a reasonable fee for services provided under this chapter."

Page 1, line 19, replace "The" with "Those funds and the"

Page 1, line 24, remove "At the end of a period of twenty"

Page 2, remove lines 1 through 3

Page 2, line 23, remove "that has been in existence for"

Page 2, line 24, remove "twenty years" and remove "at the expiration"

Page 2, line 25, remove "of the twenty-year period the mineral interest", after "is" insert "not", and remove "not"

Renumber accordingly