

Sixtieth  
Legislative Assembly  
of North Dakota

## REENGROSSED SENATE BILL NO. 2419

Introduced by

Senator Stenehjem

Representative Berg

(Approved by the Delayed Bills Committee)

1 A BILL for an Act to create and enact chapter 57-51.2 of the North Dakota Century Code,  
2 relating to agreements with Indian tribes to share revenue from state taxes on mineral  
3 production from Indian reservations; to amend and reenact subsection 8 of section 57-51.1-03  
4 of the North Dakota Century Code, relating to an oil extraction tax exemption on production  
5 from wells on Indian reservations, Indian trust land, and land owned by an Indian tribe; to  
6 provide a continuing appropriation; to provide an effective date; to provide an expiration date;  
7 and to declare an emergency.

8 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

9 **SECTION 1. AMENDMENT.** Subsection 8 of section 57-51.1-03 of the North Dakota  
10 Century Code is amended and reenacted as follows:

11 8. The initial production of oil from a well is exempt from any taxes imposed under  
12 this chapter for a period of sixty months if:

- 13 a. The well is located within the boundaries of an Indian reservation;  
14 b. The well is drilled and completed on lands held in trust by the United States  
15 for an Indian tribe or individual Indian; or  
16 c. The well is drilled and completed on lands held by an Indian tribe if the  
17 interest is in existence on August 1, 1997.

18 The exemption provided in this subsection is inapplicable to production from a well  
19 within the boundaries of an Indian reservation subject to an agreement entered  
20 under chapter 57-51.2.

21 **SECTION 2.** Chapter 57-51.2 of the North Dakota Century Code is created and  
22 enacted as follows:

23 **57-51.2-01. Authority to enter agreements.** The governor, in consultation with the  
24 tax commissioner, may enter into agreements with the Three Affiliated Tribes to share tax

1 revenue levied and collected under chapters 57-51 and 57-51.1 from wells within the  
2 boundaries of the Fort Berthold Reservation.

3 **57-51.2-02. Agreement requirements.** An agreement under this chapter is subject to  
4 the following:

- 5 1. The only taxes subject to agreement are oil and gas gross production taxes and oil  
6 extraction taxes attributable to production from wells located within the exterior  
7 boundaries of the Fort Berthold Reservation.
- 8 2. No more than fifty percent of the tax revenue calculated for apportionment to the  
9 state general fund may be allocated to the tribe.
- 10 3. An administrative fee to compensate the tax commissioner for costs in collecting  
11 the taxes and administering the agreement must be deducted from the share  
12 allocated to the tribe.
- 13 4. To address situations in which the tax commissioner refunds taxes to a taxpayer,  
14 the agreement must allow the tax commissioner to either recover from the tribe  
15 payments already made to it or to offset future distributions to the tribe.
- 16 5. The tax commissioner must retain authority to administer and enforce chapters  
17 57-51 and 57-51.1 as applied to wells subject to any agreement authorized by this  
18 chapter.
- 19 6. The agreement must address the regulatory regime governing the oil and gas  
20 industry's on-reservation activities to provide the industry with an acceptable level  
21 of regulatory consistency and certainty.

22 **57-51.2-03. Statutory inconsistencies superseded.** The terms in an agreement  
23 entered under this chapter supersede any inconsistent provisions in chapters 57-51 and  
24 57-51.1 relating to the distribution and use of taxes collected under those chapters. An  
25 agreement entered under this chapter is subject to the provisions of chapter 54-40.2 except for  
26 section 54-40.2-08.

27 **SECTION 3. CONTINUING APPROPRIATION.** The amounts necessary to fund an  
28 agreement entered under chapter 57-51.2 are appropriated out of any moneys in the general  
29 fund in the state treasury, not otherwise appropriated, as a standing and continuing  
30 appropriation to the state treasurer, to be disbursed upon direction of the governor.

1           **SECTION 4. EFFECTIVE DATE - EXPIRATION DATE.** This Act is effective for oil  
2 production after June 30, 2007. This Act is ineffective after June 30, 2009, unless by that date  
3 the governor notifies the tax commissioner and the legislative council that an agreement has  
4 been entered with an Indian tribe under chapter 57-51.2.

5           **SECTION 5. EMERGENCY.** This Act is declared to be an emergency measure.