

HOUSE BILL NO. 1279

Introduced by

Representatives Kempenich, Headland, Solberg, Weiler

Senators Krauter, Wanzek

1 A BILL for an Act to amend and reenact sections 57-51-01 and 57-51-02.4 of the North Dakota
2 Century Code, relating to eliminating the expiration date of the shallow gas gross production tax
3 exemption; and to provide an effective date.

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

5 **SECTION 1. AMENDMENT.** Section 57-51-01 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **57-51-01. (~~Effective through June 30, 2007~~) Definitions.** As used in this chapter:

8 1. "Barrel of oil" means forty-two United States gallons of two hundred thirty-one
9 cubic inches per gallon computed at a temperature of sixty degrees Fahrenheit
10 [158.99 liters computed at a temperature of 15.56 degrees Celsius].

11 2. "Commissioner" means the state tax commissioner.

12 3. "Field" means the geographic area underlaid by one or more pools, as defined by
13 the industrial commission.

14 4. "Gas" means natural gas and casinghead gas.

15 5. "Oil" means petroleum, crude oil, mineral oil, and casinghead gasoline.

16 6. "Person" includes partnership, corporation, limited liability company, association,
17 fiduciary, trustee, and any combination of individuals.

18 7. "Posted price" means the price specified in publicly available posted price bulletins
19 or other public notices, net of any adjustments for quality and location.

20 8. "Shallow gas" means gas produced from a gas well completed in or producing from
21 a shallow gas zone, as certified to the tax commissioner by the industrial
22 commission.

23 9. "Shallow gas zone" means a strata or formation, including lignite or coal strata or
24 seam, located above the depth of five thousand feet [1524 meters] below the

- 1 surface, or located more than five thousand feet [1524 meters] below the surface
2 but above the top of the Rierdon formation, from which gas is or may be produced.
- 3 10. "Transportation costs" means the costs incurred for transporting oil established in
4 accordance with the first applicable of the following methods:
- 5 a. Actual costs incurred under the arm's-length contract between the producer
6 and the transporter of oil.
- 7 b. An applicable common carrier rate established and filed with the North Dakota
8 public service commission, or the appropriate federal jurisdictional agency.
- 9 c. When no common carrier rate would be applicable, the transportation costs
10 are those reasonable costs associated with the actual operating and
11 maintenance expenses, overhead costs directly attributable and allocable to
12 the operation and maintenance, and either depreciation and a return on
13 undepreciated capital investment, or a cost equal to a return on the
14 investment in the transportation system, as determined by the commissioner.

15 **(Effective after June 30, 2007) Definitions.** As used in this chapter:

- 16 1. ~~"Barrel of oil" means forty two United States gallons of two hundred thirty one~~
17 ~~cubic inches per gallon computed at a temperature of sixty degrees Fahrenheit~~
18 ~~[158.99 liters computed at a temperature of 15.56 degrees Celsius].~~
- 19 2. ~~"Commissioner" means the state tax commissioner.~~
- 20 3. ~~"Field" means the geographic area underlaid by one or more pools, as defined by~~
21 ~~the industrial commission.~~
- 22 4. ~~"Gas" means natural gas and casinghead gas.~~
- 23 5. ~~"Oil" means petroleum, crude oil, mineral oil, and casinghead gasoline.~~
- 24 6. ~~"Person" includes partnership, corporation, limited liability company, association,~~
25 ~~fiduciary, trustee, and any combination of individuals.~~
- 26 7. ~~"Posted price" means the price specified in publicly available posted price bulletins~~
27 ~~or other public notices, net of any adjustments for quality and location.~~
- 28 8. ~~"Transportation costs" means the costs incurred for transporting oil established in~~
29 ~~accordance with the first applicable of the following methods:~~
- 30 a. ~~Actual costs incurred under the arm's-length contract between the producer~~
31 ~~and the transporter of oil.~~

- 1 b. ~~An applicable common carrier rate established and filed with the North Dakota~~
2 ~~public service commission, or the appropriate federal jurisdictional agency.~~
- 3 e. ~~When no common carrier rate would be applicable, the transportation costs~~
4 ~~are those reasonable costs associated with the actual operating and~~
5 ~~maintenance expenses, overhead costs directly attributable and allocable to~~
6 ~~the operation and maintenance, and either depreciation and a return on~~
7 ~~undepreciated capital investment, or a cost equal to a return on the~~
8 ~~investment in the transportation system, as determined by the commissioner.~~

9 **SECTION 2. AMENDMENT.** Section 57-51-02.4 of the North Dakota Century Code is
10 amended and reenacted as follows:

11 **57-51-02.4. ~~(Effective through June 30, 2007)~~ Shallow gas - Gross production tax**
12 **exemption.** Shallow gas produced during the first twenty-four months of production from and
13 after the date of first sales of gas from a well completed or recompleted in a shallow gas zone
14 after June 30, 2003, is exempted from the gross production tax levied under section 57-51-02.2.
15 Gas produced from such a well during testing prior to well completion or connection to a
16 pipeline is also exempt from the gross production tax.

17 **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable events occurring after
18 June 30, 2007.