Sixtieth Legislative Assembly of North Dakota

SENATE BILL NO. 2397

Introduced by

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Senators Wardner, Lyson, O'Connell

Representatives Belter, Onstad, Wieland

- 1 A BILL for an Act to amend and reenact section 57-51.1-02 of the North Dakota Century Code,
- 2 relating to oil extraction tax rates; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

- SECTION 1. AMENDMENT. Section 57-51.1-02 of the North Dakota Century Code is amended and reenacted as follows:
 - **57-51.1-02. Imposition of oil extraction tax.** There is hereby imposed an excise tax, to be known as the "oil extraction tax", upon the activity in this state of extracting oil from the earth, and every owner, including any royalty owner, of any part of the oil extracted is deemed for the purposes of this chapter to be engaged in the activity of extracting that oil.
 - The For oil produced from wells drilled and completed before January 1, 2008, the rate of tax is six and one-half percent of the gross value at the well of the oil extracted, except that the rate of tax is four percent of the gross value at the well of the oil extracted in the following situations: that meets one of the requirements of subsection 4.
 - 2. For oil produced from wells drilled and completed from January 1, 2008, through December 31, 2008, the rate of tax is five and one-half percent of the gross value at the well of the oil extracted, except that the rate of tax is four percent of the gross value at the well of the oil extracted that meets one of the requirements of subsection 4.
 - 3. For oil produced from wells drilled and completed after December 31, 2008, the rate of tax is four percent of the gross value at the well of the oil extracted, including the oil extracted that meets one of the requirements of subsection 4.

1 1. 4. a. For oil produced from wells drilled and completed after April 27, 1987, 2 commonly referred to as new wells, and not otherwise exempt under section 3 57-51.1-03; 4 2. <u>b.</u> For oil produced from a secondary or tertiary recovery project that was 5 certified as qualifying by the industrial commission before July 1, 1991; 6 For oil that does not qualify as incremental oil but is produced from a 3. с. 7 secondary or tertiary recovery project that is certified as qualifying by the 8 industrial commission after June 30, 1991; 9 For incremental oil produced from a secondary or tertiary recovery project that 4. d. 10 is certified as qualifying by the industrial commission after June 30, 1991, and 11 which production is not otherwise exempt under section 57-51.1-03; or 12 5. e. For oil produced from a well that receives an exemption pursuant to 13 subsection 4 of section 57-51.1-03 after June 30, 1993, and which production 14 is not otherwise exempt under section 57-51.1-03. However, if the average price of a barrel of crude oil exceeds the trigger price for 15 5. 16 each month in any consecutive five-month period, then the rate of tax on oil 17 extracted from all taxable wells is six and one-half percent for wells subject to 18 subsection 1, five and one-half percent for wells subject to subsection 2, and four 19 percent for wells subject to subsection 3, as a percentage of the gross value at the 20 well of the oil extracted until the average price of a barrel of crude oil is less than 21 the trigger price for each month in any consecutive five-month period, in which 22 case the rate of tax reverts to four percent of the gross value at the well of the oil 23 extracted for any wells subject to a reduced rate under subsections 1 24 subdivisions a through $\frac{5}{2}$ e of subsection 4. 25 **SECTION 2. EFFECTIVE DATE.** This Act is effective for oil extracted after June 30, 26 2007.