

Sixty-first
Legislative Assembly
of North Dakota

SENATE BILL NO.

Introduced by

Senator Wardner

1 A BILL for an Act to create and enact a new subsection to section 57-39.2-04 of the North
2 Dakota Century Code, relating to a sales and use tax exemption for equipment to generate
3 electricity from waste heat or flared gas; to amend and reenact section 38-08-06.4 of the North
4 Dakota Century Code, relating to flaring of gas; and to provide an effective date.

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

6 **SECTION 1. AMENDMENT.** Section 38-08-06.4 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **38-08-06.4. Flaring of gas restricted - Imposition of tax - Payment of royalties -**
9 **Industrial commission authority.** As permitted under rules of the industrial commission, gas
10 produced with crude oil from an oil well may be flared during a one-year period from the date of
11 first production from the well, or until June 30, 1986, for wells in production prior to July 1, 1985.
12 Thereafter, flaring of gas from the well must cease and the well must either be capped or
13 connected to a gas gathering line. For a well operated in violation of this section, the producer
14 shall pay royalties to royalty owners upon the value of the flared gas and shall also pay gross
15 production tax on the flared gas at the rate imposed under section 57-51-02.2. The industrial
16 commission may enforce this section and, for each well operator found to be in violation of this
17 section, may determine the value of flared gas for purposes of payment of royalties under this
18 section and its determination is final. A producer may obtain an exemption from this section
19 from the industrial commission upon application and a showing that connection of the well to a
20 natural gas gathering line is economically infeasible at the time of the application or in the
21 foreseeable future or that a market for the gas is not available.

22 **SECTION 2.** A new subsection to section 57-39.2-04 of the North Dakota Century Code
23 is created and enacted as follows:

1 Gross receipts from the sale of machinery and attachment units directly and
2 exclusively used in the generation of electrical energy from waste heat or natural
3 gas that would otherwise be flared.

4 **SECTION 3. EFFECTIVE DATE.** This Act is effective for taxable events occurring after
5 June 30, 2009.