

Sixty-second  
Legislative Assembly  
of North Dakota

**SENATE BILL NO. 2355**

Introduced by

Senators Klein, Nodland, Wardner, Triplett

Representatives Skarphol, Sukut

1 A BILL ~~for an Act to provide an appropriation for defraying the expenses of the industrial~~  
2 ~~commission; to create and enact a new section to chapter 54-17 and a new section to chapter~~  
3 ~~57-51 of the North Dakota Century Code, relating to establishing a grant program for recovery~~  
4 ~~of flared gas and tax exemption for captured gas; to provide an effective date; and to provide an~~  
5 ~~expiration date.~~ for an Act to provide for a legislative management study of reduction of the  
6 flaring of natural gas.

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

8 ~~— **SECTION 1.** A new section to chapter 54-17 of the North Dakota Century Code is created~~  
9 ~~and enacted as follows:~~

10 ~~— **Flared gas reduction and energy conservation infrastructure grant.**~~

11 ~~— 1. The industrial commission shall provide a grant for the purpose of facilitating a~~  
12 ~~fieldwide gas capture, transport, and discharge system to minimize Bakken flare gas~~  
13 ~~volume in the state. The industrial commission shall use up to six million six hundred~~  
14 ~~thousand dollars of the funding appropriated in section 3 of this Act for the grant~~  
15 ~~program to purchase and install up to twenty-two compressed natural gas discharge~~  
16 ~~stations consisting of a skidded compressor and a meter run connected to a gas~~  
17 ~~gathering system. Once completed, the system will conserve energy and minimize~~  
18 ~~waste from gas that would otherwise be flared in association with oil development in~~  
19 ~~the state.~~

20 ~~— 2. Before making a grant from the program established by this section, the industrial~~  
21 ~~commission shall obtain the recommendation of the director of the department of~~  
22 ~~mineral resources that the application is likely to reduce flared gas in the state.~~

23 ~~— 3. The industrial commission may require periodic reporting by a grant recipient of project~~  
24 ~~progress. The industrial commission shall require as a condition of a grant award that,~~

~~upon completion of the grant project, the recipient provide a report of the outcome of  
the project to the industrial commission.~~

~~— **SECTION 2.** A new section to chapter 57-51 of the North Dakota Century Code is created  
and enacted as follows:~~

~~— **Captured gas exempt.**~~

~~— Any gas captured and compressed at a well site, or at a multiwell gathering point, and  
transported to a suitable discharge station under the flared gas reduction and energy  
conservation program in chapter 54-17 and that otherwise would have been flared is exempt  
from the tax imposed in this chapter for twenty-four months from the first month the gas is  
captured as certified to the tax commissioner by the operator of the well, or until such time as  
capture and compression of the gas terminates, whichever occurs first.~~

~~— **SECTION 3. APPROPRIATION.** There is appropriated out of any moneys in the resources-  
trust fund in the state treasury, not otherwise appropriated, the sum of \$6,600,000, or so much  
of the sum as may be necessary, to the industrial commission for the purpose of a flared gas-  
reduction and energy conservation grant program, for the biennium beginning July 1, 2011, and  
ending June 30, 2013.~~

~~— **SECTION 4. EFFECTIVE DATE - EXPIRATION DATE.** Section 2 of this Act is effective for  
taxable events occurring after June 30, 2011. Section 1 of this Act is effective through June 30,  
2013, and is thereafter ineffective.~~

**SECTION 1. LEGISLATIVE MANAGEMENT STUDY - REDUCTION OF FLARING OF  
NATURAL GAS.** During the 2011-12 interim, the legislative management shall study methods  
to encourage reduction or restrict allowance of flaring of natural gas. The legislative  
management shall obtain opinions from the tax department, oil and gas division of the industrial  
commission, state department of health, petroleum industry representatives, and interested  
members of the public and representatives of political subdivisions to identify and implement the  
optimum method of reducing flaring of natural gas, including improved methods for capturing or  
using the natural gas. The interim committee to which this study is assigned shall meet as often  
as necessary before November 2011 to determine if it is feasible and desirable to seek  
introduction of legislation to implement any preliminary recommendation of the interim  
committee during the November 2011 special legislative session. The interim committee shall  
include in its deliberations an examination of each legislative proposal to reduce flaring of

- 1 natural gas considered by the sixty-second legislative assembly. The legislative management
- 2 shall report its findings and recommendations, together with any legislation required to
- 3 implement the recommendations, to the sixty-third legislative assembly.