Sixty-sixth Legislative Assembly of North Dakota

SENATE BILL NO. 2332

Introduced by

Senators Mathern, Dotzenrod, Heckaman, Oban

Representatives Boschee, Jones

- 1 A BILL for an Act to amend and reenact section 38-08-06.4 of the North Dakota Century Code,
- 2 relating to restricting the flaring of gas.

3 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

4 SECTION 1. AMENDMENT. Section 38-08-06.4 of the North Dakota Century Code is

- 5 amended and reenacted as follows:
- 6 38-08-06.4. Flaring of gas restricted Imposition of tax Payment of royalties -
- 7 Industrial commission authority.
- 8 1. As permitted under rules of the industrial commission, gas produced with crude oil
- 9 from an oil well may be flared during a one-year period from the date of first production10 from the well.
- 2. After the time period in subsection 1, flaring of gas from the well must cease and thewell must be:
- 13 a. Capped;
- b. Connected to a gas gathering line;
- c. Equipped with an electrical generator that consumes at least seventy-five percent
 of the gas from the well;
- d. Equipped with a system that intakes at least seventy-five percent of the gas and
 natural gas liquids volume from the well for beneficial consumption by means of
 compression to liquid for use as fuel, transport to a processing facility, production
 of petrochemicals or fertilizer, conversion to liquid fuels, separating and collecting
 over fifty percent of the propane and heavier hydrocarbons; or
- e. Equipped with other value-added processes as approved by the industrial
 commission which reduce the volume or intensity of the flare by more than sixty
 percent.

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- An electrical generator and its attachment units to produce electricity from gas and a
 collection system described in subdivision d of subsection 2 must be considered to be
 personal property for all purposes.
 For a well operated in violation of this section, the producer shall pay royalties to
- royalty owners upon the value of the flared gas and shall also pay gross production tax
 on the flared gas at the rate imposed under section 57-51-02.2.
- The industrial commission mayshall enforce this section and, for each well operator
 found to be in violation of this section, mayshall determine the value of flared gas for
 purposes of payment of royalties under this section and its determination is final.
- A producer may obtain an exemption from this section from the industrial commission
 upon application that shows to the satisfaction of the industrial commission that
- 12 connection of the well to a natural gas gathering line is economically infeasible at the-
- 13 time of the application or in the foreseeable future or that a market for the gas is not
- 14 available and that equipping the well with an electrical generator to produce electricity-
- 15 from gas or employing a collection system described in subdivision d of subsection 2-
- 16 is economically infeasible to continue flaring beyond one year, but the producer shall
- 17 pay royalties and gross production tax on the flared gas at the rate imposed under
- 18 section 57-51-02.2 on the value of flared gas at the current market value of raw natural
- 19 gas as determined by the industrial commission.