CHAPTER 57-51.1
OIL EXTRACTION TAX

57-51.1-01. Definitions for oil extraction tax.

For the purposes of this chapter:

1. "Average daily production" of a well means the qualified maximum total production of oil from the well during a calendar month period divided by the number of calendar days in that period, and "qualified maximum total production" of a well means that the well must have been maintained at the maximum efficient rate of production as defined and determined by rule adopted by the industrial commission in furtherance of its authority under chapter 38-08.
2. "Horizontal well" means a well with a horizontal displacement of the well bore drilled at an angle of at least eighty degrees within the productive formation of at least three hundred feet [91.44 meters].
3. "Oil" means petroleum, crude oil, mineral oil, casinghead gasoline, and all liquid hydrocarbons that are recovered from gas on the lease incidental to the production of the gas.
4. "Property" means the right which arises from a lease or fee interest, as a whole or any designated portion thereof, to produce oil. A producer shall treat as a separate property each separate and distinct producing reservoir subject to the same right to produce crude oil; provided, that such reservoir is recognized by the industrial commission as a producing formation that is separate and distinct from, and not in communication with, any other producing formation.
5. "Qualifying secondary recovery project" means a project employing water flooding. To be eligible for the tax exemption provided under section 57-51.1-03, a secondary recovery project must be certified as qualifying by the industrial commission and the project operator must have obtained incremental production as defined in subsection 3 of section 57-51.1-03.
6. "Qualifying tertiary recovery project" means a project for enhancing recovery of oil which meets the requirements of section 4993(c), Internal Revenue Code of 1954, as amended through December 31, 1986, and includes the following methods for recovery:
    a. Miscible fluid displacement.
    b. Steam drive injection.
    c. Microemulsion.
    d. In situ combustion.
    e. Polymer augmented water flooding.
    f. Cyclic steam injection.
    g. Alkaline flooding.
    h. Carbonated water flooding.
    i. Immiscible carbon dioxide displacement.
    j. New tertiary recovery methods certified by the industrial commission.

    It does not include water flooding, unless the water flooding is used as an element of one of the qualifying tertiary recovery techniques described in this subsection, or immiscible natural gas injection. To be eligible for the tax exemption provided under section 57-51.1-03, a tertiary recovery project must be certified as qualifying by the industrial commission, the project operator must continue to operate the unit as a qualifying tertiary recovery project, and the project operator must have obtained incremental production as defined in subsection 3 of section 57-51.1-03.
7. "Restimulation well" means a previously completed oil or gas well that, following completion and production of oil, has been treated with an application of fluid under pressure for the purpose of initiating or propagating fractures in a target geologic formation to enhance production of oil. The term does not include a well that:
    a. Has less than sixty months of production or is producing more than one hundred and twenty-five barrels of oil per day reported to the industrial commission before completion of the restimulation treatment;

b. Is part of a qualifying secondary recovery project, qualifying tertiary recovery project, or stripper well or stripper well property as defined under this section; or
c. Is drilled but not completed and does not have a record of oil production reported to the industrial commission.

8. "Royalty owner" means an owner of what is commonly known as the royalty interest and shall not include the owner of any overriding royalty or other payment carved out of the working interest.
9. "Stripper well" means a well drilled and completed, or re-entered and recompleted as a horizontal well, after June 30, 2013, whose average daily production of oil during any preceding consecutive twelve-month period, excluding condensate recovered in nonassociated production, per well did not exceed ten barrels per day for wells of a depth of six thousand feet [1828.80 meters] or less, fifteen barrels per day for wells of a depth of more than six thousand feet [1828.80 meters] but not more than ten thousand feet [3048 meters], and thirty barrels per day for wells of a depth of more than ten thousand feet [3048 meters] outside the Bakken and Three Forks formations, and thirty-five barrels per day for wells of a depth of more than ten thousand feet [3048 meters] in the Bakken or Three Forks formation.
10. "Stripper well property" means wells drilled and completed, or a well re-entered and recompleted as a horizontal well, before July 1, 2013, on a "property" whose average daily production of oil, excluding condensate recovered in nonassociated production, per well did not exceed ten barrels per day for wells of a depth of six thousand feet [1828.80 meters] or less, fifteen barrels per day for wells of a depth of more than six thousand feet [1828.80 meters] but not more than ten thousand feet [3048 meters], and thirty barrels per day for wells of a depth of more than ten thousand feet [3048 meters] during any preceding consecutive twelve-month period. Wells which did not actually yield or produce oil during the qualifying twelve-month period, including disposal wells, dry wells, spent wells, and shut-in wells, are not production wells for the purpose of determining whether the stripper well property exemption applies.

57-51.1-02. Imposition of oil extraction tax.

1. 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 rate of tax is five percent of the gross value at the well of the oil extracted.
2. Subject to subsection 3, for a well located within the exterior boundaries of a reservation, a well located on trust properties outside reservation boundaries as defined in section 57-51.2-02, or a straddle well located on reservation trust land as defined in section 57-51.1-07.10, if the average price of a barrel of crude oil exceeds the trigger price of ninety dollars for each month in any consecutive three-month period, then the rate of tax on oil extracted from all taxable wells is six percent of the gross value at the well of the oil extracted until the average price of a barrel of crude oil is less than the trigger price of ninety dollars for each month in any consecutive three-month period, in which case the rate of tax reverts to five percent of the gross value at the well of the oil extracted. By December thirty-first of each year, the tax commissioner shall determine an indexed trigger price under this section by applying to the current trigger price an adjustment equal to the percentage rate of change of the producer price index for industrial commodities as calculated and published by the United States department of labor, bureau of labor statistics, for the twelve months ending June thirtieth of that year and the indexed trigger price so determined is the trigger price for the following calendar year. For purposes of this subsection, "average price" of a barrel of crude oil means the monthly average of the daily closing price for a barrel of west Texas intermediate cushing crude oil, as those prices appear in the Wall Street Journal, midwest edition. When computing the monthly average price, the most recent previous daily closing price must be considered the daily closing price for the days on which the market is closed.

3. A tribe may make an irrevocable election to opt-out of the increased rate of tax provided in subsection 2 by providing written notice to the tax commissioner. If a tribe provides notice under this subsection, the rate of tax on oil extracted from taxable wells is equal to the rate of tax provided in subsection 1, beginning in the month of production after notice under this subsection is received by the tax commissioner.

57-51.1-02.1. Temporary exemption for oil and gas wells employing a system to avoid flaring.

Liquids produced from a collection system described in subdivision d of subsection 2 of section 38-08-06.4 utilizing absorption, adsorption, or refrigeration are exempt from the tax under section 57-51.1-02 for a period of two years and thirty days from the time of first production.

57-51.1-02.2. Temporary exemption - Oil extraction tax credit for gas flaring mitigation.

Expired under S.L. 2021, ch. 481, § 3.

57-51.1-03. Exemptions from oil extraction tax.

The following activities are specifically exempted from the oil extraction tax:

1. The activity of extracting from the earth any oil that is exempt from the gross production tax imposed by chapter 57-51.
2. The activity of extracting from the earth any oil from a stripper well property or individual stripper well.
3. a. The incremental production from a secondary recovery project which has been certified as a qualified project by the industrial commission after July 1, 1991, is exempt from any taxes imposed under this chapter for a period of five years from the date the incremental production begins.
   b. The incremental production from a tertiary recovery project which has been certified as a qualified project by the industrial commission is exempt from any taxes imposed under this chapter for a period of ten years from the date the incremental production begins. Incremental production from a tertiary recovery project from a horizontal well drilled and completed within the Bakken and Three Forks formations which has been certified as a qualified project by the industrial commission is not exempt from July 1, 2015, through June 30, 2017, and is thereafter exempt from any taxes imposed under this chapter for a period of five years from July 1, 2017, or the date the incremental production begins, whichever is later.
   c. The incremental production from a tertiary recovery project that injects more than fifty percent carbon dioxide produced from coal and has been certified as a qualified project by the industrial commission is exempt from any taxes imposed under this chapter for a period of twenty years from the date the incremental production begins or from the date the project is certified by the industrial commission as meeting the fifty percent or more carbon dioxide produced from coal injection requirement, whichever is later. To qualify for the exemption under this subsection, the project must be located outside the Bakken or Three Forks formations and must use carbon dioxide produced from coal. The incremental production that has been certified by the industrial commission under this section must be used to calculate the exemption under this subdivision.
   d. The incremental production from a tertiary recovery project that injects more than fifty percent carbon dioxide produced from coal and has been certified as a qualified project by the industrial commission is exempt from any taxes imposed under this chapter for a period of ten years from the date the incremental production begins or from the date the project is certified by the industrial commission as meeting the fifty percent or more carbon dioxide produced from coal injection requirement, whichever is later. To qualify for the exemption under

this subsection, the project must be located within the Bakken or Three Forks formations and must use carbon dioxide produced from coal. The incremental production that has been certified by the industrial commission under this section must be used to calculate the exemption under this subdivision.

e. For purposes of this subsection, incremental production is defined in the following manner:

(1) For purposes of determining the exemption provided for in subdivision a and with respect to a unit where there has not been a secondary recovery project, incremental production means the difference between the total amount of oil produced from the unit during the secondary recovery project and the amount of primary production from the unit. For purposes of this paragraph, primary production means the amount of oil which would have been produced from the unit if the secondary recovery project had not been commenced. The industrial commission shall determine the amount of primary production in a manner which conforms to the practice and procedure used by the commission at the time the project is certified.

(2) For purposes of determining the exemption provided for in subdivision a and with respect to a unit where a secondary recovery project was in existence prior to July 1, 1991, and where the industrial commission cannot establish an accurate production decline curve, incremental production means the difference between the total amount of oil produced from the unit during a new secondary recovery project and the amount of production which would be equivalent to the average monthly production from the unit during the most recent twelve months of normal production reduced by a production decline rate of ten percent for each year. The industrial commission shall determine the average monthly production from the unit during the most recent twelve months of normal production and must upon request or upon its own motion hold a hearing to make this determination. For purposes of this paragraph, when determining the most recent twelve months of normal production the industrial commission is not required to use twelve consecutive months. In addition, the production decline rate of ten percent must be applied from the last month in the twelve-month period of time.

(3) For purposes of determining the exemption provided for in subdivision a and with respect to a unit where a secondary recovery project was in existence before July 1, 1991, and where the industrial commission can establish an accurate production decline curve, incremental production means the difference between the total amount of oil produced from the unit during the new secondary recovery project and the total amount of oil that would have been produced from the unit if the new secondary recovery project had not been commenced. For purposes of this paragraph, the total amount of oil that would have been produced from the unit if the new secondary recovery project had not been commenced includes both primary production and production that occurred as a result of the secondary recovery project that was in existence before July 1, 1991. The industrial commission shall determine the amount of oil that would have been produced from the unit if the new secondary recovery project had not been commenced in a manner that conforms to the practice and procedure used by the commission at the time the new secondary recovery project is certified.

(4) For purposes of determining the exemption provided for in subdivision b and with respect to a unit where there has not been a secondary recovery project, incremental production means the difference between the total amount of oil produced from the unit during the tertiary recovery project and the amount of primary production from the unit. For purposes of this paragraph, primary production means the amount of oil which would have been produced from the unit if the tertiary recovery project had not been commenced. The industrial commission shall determine the amount of

primary production in a manner which conforms to the practice and procedure used by the commission at the time the project is certified.

(5) For purposes of determining the exemption provided for in subdivision b and with respect to a unit where there is or has been a secondary recovery project, incremental production means the difference between the total amount of oil produced during the tertiary recovery project and the amount of production which would be equivalent to the average monthly production from the unit during the most recent twelve months of normal production reduced by a production decline rate of ten percent for each year. The industrial commission shall determine the average monthly production from the unit during the most recent twelve months of normal production and must upon request or upon its own motion hold a hearing to make this determination. For purposes of this paragraph, when determining the most recent twelve months of normal production the industrial commission is not required to use twelve consecutive months. In addition, the production decline rate of ten percent must be applied from the last month in the twelve-month period of time.

(6) For purposes of determining the exemption provided for in subdivision b and with respect to a unit where there is or has been a secondary recovery project and where the industrial commission can establish an accurate production decline curve, incremental production means the difference between the total amount of oil produced from the unit during the tertiary recovery project and the total amount of oil that would have been produced from the unit if the tertiary recovery project had not been commenced. For purposes of this paragraph, the total amount of oil that would have been produced from the unit if the tertiary recovery project had not been commenced includes both primary production and production that occurred as a result of any secondary recovery project. The industrial commission shall determine the amount of oil that would have been produced from the unit if the tertiary recovery project had not been commenced in a manner that conforms to the practice and procedure used by the commission at the time the tertiary recovery project is certified.

(7) For purposes of determining the exemption provided for in subdivisions c and d, and with respect to a unit where a tertiary recovery project was in existence, and where the industrial commission cannot establish an accurate production decline curve, incremental production means the difference between the total amount of oil produced from the unit during a new tertiary recovery project and the amount of production which would be equivalent to the average monthly production from the unit during the most recent twelve months of normal production reduced by a production decline rate of ten percent for each year. The industrial commission shall determine the average monthly production from the unit during the most recent twelve months of normal production and shall upon request or upon its own motion hold a hearing to make this determination. For purposes of this paragraph, in determining the most recent twelve months of normal production the industrial commission is not required to use twelve consecutive months. In addition, the production decline rate of ten percent must be applied from the last month in the twelve-month period of time.

(8) For purposes of determining the exemption provided for in subdivisions c and d, and with respect to a unit where a tertiary recovery project was in existence, and where the industrial commission can establish an accurate production decline curve, incremental production means the difference between the total amount of oil produced from the unit during the new tertiary recovery project and the total amount of oil that would have been produced from the unit if the new tertiary recovery project had not been commenced. For purposes of this paragraph, the total amount of oil that

would have been produced from the unit if the new tertiary recovery project had not been commenced includes both primary production and production that occurred as a result of the tertiary recovery project that was previously in existence. The industrial commission shall determine the amount of oil that would have been produced from the unit if the new tertiary recovery project had not been commenced in a manner that conforms to the practice and procedure used by the commission at the time the new tertiary recovery project is certified.

f. The industrial commission shall adopt rules relating to this exemption which must include procedures for determining incremental production as defined in subdivision e.

4. The first seventy-five thousand barrels of oil produced during the first eighteen months after completion, from a well drilled and completed outside the Bakken and Three Forks formations, and ten miles [16.10 kilometers] or more outside an established field in which the industrial commission has defined the pool to include the Bakken or Three Forks formation, is subject to a reduced tax rate of two percent of the gross value at the well of the oil extracted under this chapter.

5. The production from a restimulation well that has been certified as a qualified well by the industrial commission after August 1, 2023, is subject to a reduced tax rate of two percent of the gross value at the well of the oil extracted under this chapter for the first seventy-five thousand barrels of production or for a period of eighteen months after the month in which oil was first produced from the restimulation well, whichever occurs first. The tax rate reduction under this subsection does not apply to a well located within the exterior boundaries of a reservation, a well located on trust properties outside reservation boundaries as defined in section 57-51.2-02, or a straddle well located on reservation trust land as defined in section 57-51.1-07.10, unless a tribe makes an irrevocable election to opt-in to the tax rate reduction by providing written notice to the tax commissioner. If a tribe provides notice of its election to opt-in to the tax rate reduction, the tax commissioner shall apply the tax rate reduction beginning in the month of production after the notice is received by the tax commissioner. The industrial commission shall certify whether the well qualifies as a restimulation well under section 57-51.1-01 in a manner that conforms to the practice and procedure used by the commission at the time the restimulation well is certified.

57-51.1-03.1. Stripper well, new well, secondary or tertiary project, and restimulation well certification for tax exemption or rate reduction - Filing requirement.

1. To receive the benefits of a tax exemption or tax rate reduction, a certification of qualifying well status prepared by the industrial commission must be submitted to the tax commissioner as follows:
   a. To receive, from the first day of eligibility, a tax exemption on production from a stripper well property or individual stripper well under subsection 2 of section 57-51.1-03, the industrial commission's certification must be submitted to the tax commissioner within eighteen months after the end of the stripper well property's or stripper well's qualification period.
   b. To receive, from the first day of eligibility, a tax exemption under subsection 3 of section 57-51.1-03 on production from a secondary or tertiary project, the industrial commission's certification must be submitted to the tax commissioner within eighteen months after the month in which the first incremental oil was produced.
   c. To receive, from the first day of eligibility, a tax exemption or the reduction on production for which any other tax exemption or rate reduction may apply, the industrial commission's certification must be submitted to the tax commissioner within eighteen months of the completion, recompletion, or other qualifying date.
   d. To receive, from the first day of eligibility, a tax rate reduction under subsection 5 of section 57-51.1-03 on production from a restimulation well, the industrial

commission's certification must be submitted to the tax commissioner within six months after the month in which the first oil was produced.

2. If the industrial commission's certification is not submitted to the tax commissioner within the eighteen-month period provided in this section, then the exemption or rate reduction does not apply for the production periods in which the certification is not on file with the tax commissioner. When the industrial commission's certification is submitted to the tax commissioner after the eighteen-month period, the tax exemption or rate reduction applies to prospective production periods only and the exemption or rate reduction is effective the first day of the month in which the certification is received by the tax commissioner.

57-51.1-04. Authority of tax commissioner to accept production reports computed on a property basis.

Repealed by S.L. 1989, ch. 732, § 5.

57-51.1-05. Administration of oil extraction tax.

For the purposes of administering the tax imposed by section 57-51.1-02, the provisions of chapter 57-51 pertaining to the administration of the oil and gas gross production tax law not in conflict with the provisions of this chapter, including but not limited to the provisions of that chapter relating to the filing of returns, deduction of the tax by the purchaser or producer in making settlement with any owner of the oil, payment of the tax and interest and penalties thereon, refunds, attachment of liens for failure to pay the tax, and civil and criminal penalties for failure to comply with the provisions of that chapter, govern the administration of the tax imposed by section 57-51.1-02.

57-51.1-06. Oil extraction tax development fund established.

The tax imposed by section 57-51.1-02 must be paid to the state treasurer when collected by the state tax commissioner and must be credited to a special fund in the state treasury, to be known as the oil extraction tax development fund. The moneys accumulated in such fund must be allocated as provided in this chapter and the legislative assembly shall make any appropriation of money that may be necessary to accomplish the purposes of this chapter. For purposes of distributions and allocations made by the state treasurer under this chapter and chapters 57-51 and 57-51.2, all revenue collected by the commissioner under this chapter must be considered revenue collections for the period in which the revenue was received by the commissioner.

57-51.1-07. Allocation of moneys in oil extraction tax development fund.

Moneys deposited in the oil extraction tax development fund from revenue collected under section 57-51.1-02 and oil extraction tax revenue allocated to the state under the terms of an agreement entered pursuant to chapter 57-51.2 must be transferred monthly by the state treasurer as follows:

1. Twenty percent must be allocated to the sinking fund established for payment of the state of North Dakota water development bonds, southwest pipeline series, and any moneys in excess of the sum necessary to maintain the accounts within the sinking fund and for the payment of principal and interest on the bonds must be credited to a special trust fund, to be known as the resources trust fund. The resources trust fund must be established in the state treasury and the funds therein must be deposited and invested as are other state funds to earn the maximum amount permitted by law which income must be deposited in the resources trust fund. Three percent of the amount credited to the resources trust fund must be transferred no less than quarterly into the renewable energy development fund, not to exceed three million dollars per biennium. One-half of one percent of the amount credited to the resources trust fund must be transferred no less than quarterly into the energy conservation grant fund not to exceed one million two hundred thousand dollars per biennium. The principal and

income of the resources trust fund may be expended only pursuant to legislative appropriation and are available to:

a. The state water commission for planning for and construction of water-related projects, including rural water systems. These water-related projects must be those which the state water commission has the authority to undertake and construct pursuant to chapter 61-02; and
b. The industrial commission for the funding of programs for development of renewable energy sources; for studies for development of cogeneration systems that increase the capacity of a system to produce more than one kind of energy from the same fuel; for studies for development of waste products utilization; and for the making of grants and loans in connection therewith.
c. The department of commerce for the funding of programs for development of energy conservation and for the making of grants and loans relating to energy conservation.

2. One-half of one percent must be allocated to the resources trust fund beginning with allocations made by the state treasurer in August 2019 and continuing until the combined allocations under this subsection total one hundred twenty-eight million seven hundred forty thousand dollars, after which the state treasurer shall discontinue making allocations under this subsection.
3. Twenty percent must be allocated to the common schools trust fund and foundation aid stabilization fund as provided in section 24 of article X of the Constitution of North Dakota.
4. Thirty percent must be allocated to the legacy fund as provided in section 26 of article X of the Constitution of North Dakota.
5. The remainder must be allocated to the state's general fund.

57-51.1-07.1. Resources trust fund - Procedure for review of applications for financial assistance for water-related projects.

1. A political subdivision or rural water system seeking loans, grants, or other financial assistance by legislative appropriation from the resources trust fund for a water-related project or study must submit the proposed water-related project or study to the state water commission for review. The commission may require the political subdivision or rural water system to supply information as it considers necessary to review the request. After consideration and review of the proposed water-related project or study, the state water commission may conduct or it may require the project sponsor to conduct a preliminary study for the proposed project or study. The preliminary study must be conducted in accordance with criteria established pursuant to subsection 3.
2. Every legislative bill appropriating moneys from the resources trust fund pursuant to subsection 1 must be accompanied by a state water commission report, which must include:
   a. A summary of the engineering feasibility study of the proposed water project.
   b. Statements concerning the proposed water project as it relates to the comprehensive state water plan of the state water commission.
   c. The need for the proposed water project, including any alternative projects which would satisfy such need.
   d. The availability of other sources of funding or financial assistance for such water project.
   e. A recommendation as to whether or not the proposed water project should receive financial assistance through legislative appropriation from the resources trust fund.
   f. Other items as deemed necessary or appropriate by the state water commission.
3. The state water commission shall adopt rules for governing the review and recommendation of proposed water projects for which financial assistance by legislative appropriation from the resources trust fund is being sought under this section. The rules must consider project revenues, local cost sharing, and ability to

pay. The rules may provide for repayment of a portion of funds allocated from the resources trust fund.

57-51.1-07.2. Permanent oil tax trust fund - Deposits - Interest - Adjustment of distribution formula.

Repealed by S.L. 2011, ch. 483, § 11.

57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.

There is established a special fund in the state treasury to be known as the oil and gas research fund. Before depositing oil and gas gross production tax and oil extraction tax revenues under section 57-51.1-07.5, two percent of the revenues must be deposited monthly into the oil and gas research fund, up to ten million dollars per biennium. All moneys deposited in the oil and gas research fund and interest on all such moneys are appropriated as a continuing appropriation to the council to be used for purposes stated in chapter 54-17.6.

57-51.1-07.4. Separate allocation of state share of collections from reservation development.

Repealed by S.L. 2011, ch. 483, § 11.

57-51.1-07.5. State share of oil and gas taxes - Deposits.

From the revenues designated for deposit in the state general fund under chapters 57-51 and 57-51.1, the state treasurer shall deposit the revenues received each biennium in the following order:

1. The first two hundred thirty million dollars into the state general fund;
2. The next two hundred fifty million dollars into the social service fund;
3. The next seventy-five million dollars into the budget stabilization fund, but not in an amount that would bring the balance in the fund to more than the limit in section 54-27.2-01;
4. The next two hundred thirty million dollars into the state general fund;
5. The next ten million dollars into the lignite research fund;
6. The next twenty million dollars into the state disaster relief fund, but not in an amount that would bring the unobligated balance in the fund to more than twenty million dollars;
7. The next four hundred million dollars into the strategic investment and improvements fund;
8. The next sixty-five million dollars to the public employees retirement fund for the main system plan;
9. The next fifty-nine million seven hundred fifty thousand dollars, or the amount necessary to provide for twice the amount of the distributions under subsection 2 of section 57-51.1-07.7, into the funds designated for infrastructure development in non-oil-producing counties under sections 57-51.1-07.7 and 57-51.1-07.8 with fifty percent deposited into the municipal infrastructure fund and fifty percent deposited into the county and township infrastructure fund;
10. The next one hundred seventy million two hundred fifty thousand dollars or the amount necessary to provide a total of two hundred thirty million dollars into the funds designated for infrastructure development in non-oil-producing counties under sections 57-51.1-07.7 and 57-51.1-07.8 with fifty percent deposited into the municipal infrastructure fund and fifty percent deposited into the county and township infrastructure fund;
11. The next twenty million dollars into the airport infrastructure fund; and
12. Any additional revenues into the strategic investment and improvements fund.

57-51.1-07.6. Political subdivision allocation fund.

Repealed by S.L. 2017, ch. 38, §19.

57-51.1-07.7. Municipal infrastructure fund - Continuing appropriation - State treasurer - Reports.

There is created in the state treasury the municipal infrastructure fund. The fund consists of all moneys deposited in the fund under section 57-51.1-07.5. All moneys in the fund are appropriated to the state treasurer on a continuing basis for the purpose of providing grants to cities located in non-oil-producing counties. The grant funding may be distributed only to cities located in non-oil-producing counties, excluding hub cities, and may be used only for essential infrastructure projects.

1. By November thirtieth of each even-numbered year, starting in 2022, a city that receives a grant from the fund shall provide a report to the state treasurer on the use of the funding. The state treasurer shall notify cities of the reporting requirement by November first of each even-numbered year, starting in 2022. Upon request, the state treasurer may provide an extension of up to fifteen days for a city to submit the report. The state treasurer shall determine the format of the report. The report must include the amount of grant funding received and spent by the city and a description of the infrastructure projects completed in part or in whole with the grant funding. The state treasurer shall make the reports available to the public on the state treasurer's website. A city that does not provide the report in a timely manner or in the correct format is not eligible to receive a grant from the fund for a period of two years starting from the date the report was due. If a city uses the funding in a manner inconsistent with the requirements of this section as identified in any financial audits conducted by the state auditor or an independent accounting firm, the state treasurer shall reduce any future grants to that city by the amount spent that was inconsistent with the requirements.
2. Within forty days after the fund balance is greater than or equal to the amount needed for the grants under this subsection or by September thirtieth of each odd-numbered year, whichever is earlier, the state treasurer shall distribute moneys in the fund as grants to cities for essential infrastructure projects. The state treasurer shall distribute the grants only if the fund balance is at least ten percent of the amount needed for distributions under this subsection based on the following:
    a. Two million five hundred thousand dollars to each city with a population of at least five thousand;
    b. Five hundred thousand dollars to each city with a population of at least two thousand but less than five thousand; and
    c. One hundred twenty-five thousand dollars to each city with a population of at least one thousand but less than two thousand.
    d. If, at the time of the distributions, the moneys in the fund are less than the amount needed for the grants under this subsection, the state treasurer shall distribute the grants under this subsection on a pro rata basis.
    e. For the purposes of determining the city's population under this subsection, the state treasurer shall use the most recent actual or estimated census data published by the United States census bureau.
3. Within sixty days after the fund receives its statutory limit of oil and gas tax allocations under section 57-51.1-07.5 or by September thirtieth of each odd-numbered year, whichever is earlier, the state treasurer shall distribute the moneys in the fund as grants to cities for essential infrastructure projects. The state treasurer shall distribute the grants only if the fund balance is at least ten percent of the amount needed for distributions under this subsection based on the following:
    a. One hundred fifty dollars per person of the city's population.
    b. In addition to the amounts in subdivision a, for a city with a positive average of the annual percentage increase in population from three years prior, a dollar amount equal to the product of the following:
        (1) The amount calculated in subdivision a; and
        (2) The average of the annual percentage increase in population from three years prior, multiplied by ten.

c. In addition to the amounts in subdivisions a and b, for a city with a positive average of the annual percentage increase in taxable property values from three years prior, a dollar amount equal to the average of the annual property valuation percentage increase for the three most recent years, multiplied by twenty-five thousandths.

d. Grants may be distributed under this subdivision only if the grant distributions under subsection 2 are completed. If the moneys in the fund are insufficient to provide for the grants, the state treasurer shall distribute the grants under this subsection on a pro rata basis. If any moneys remain in the fund after the distribution of grants under this subsection, the state treasurer shall distribute any remaining moneys in the fund in proportion to the combined total distributed to each city under this section relative to the combined total distributed to all the cities under this section.

e. For the purposes of determining the city's population under this subsection, the state treasurer shall use the most recent actual or estimated census data published by the United States census bureau.

f. For the purposes of determining taxable property values, the state treasurer shall use the most recent data published by the tax commissioner in the tax levy report.

4. For purposes of this section:

a. "Essential infrastructure projects" means capital construction projects to construct new infrastructure or to replace existing infrastructure, which provide the fixed installations necessary for the function of a city. Capital construction projects exclude debt repayments and routine maintenance and repair projects, but include the following:

(1) Water treatment plants;
(2) Wastewater treatment plants;
(3) Sewer lines and water lines, including lift stations and pumping systems;
(4) Water storage systems, including dams, water tanks, and water towers;
(5) Storm water infrastructure, including curb and gutter construction;
(6) Road and bridge infrastructure, including paved and unpaved roads and bridges;
(7) Airport infrastructure;
(8) Electricity transmission infrastructure;
(9) Natural gas transmission infrastructure; and
(10) Communications infrastructure, excluding fiber optic infrastructure.

b. "Fiscal year" means the period beginning September first and ending August thirty-first of the following calendar year.

c. "Non-oil-producing county" means a county that received no allocation of funding or a total allocation of less than five million dollars under subsection 2 of section 57-51-15 in the most recently completed even-numbered fiscal year before the start of each biennium.

57-51.1-07.8. County and township infrastructure fund - Continuing appropriation - State treasurer - Reports.

There is created in the state treasury the county and township infrastructure fund. The fund consists of all moneys deposited in the fund under section 57-51.1-07.5. All moneys in the fund are appropriated to the state treasurer on a continuing basis for the purpose of providing grants to non-oil-producing counties and townships located in non-oil-producing counties. The grant funding may be distributed only to non-oil-producing counties and townships located in non-oil-producing counties and may be used only for road and bridge infrastructure projects.

1. By November thirtieth of each even-numbered year, starting in 2022, a county that receives a grant from the fund shall provide a report to the state treasurer on the use of the funding. The state treasurer shall notify counties of the reporting requirement by November first of each even-numbered year, starting in 2022. Upon request, the state treasurer may provide an extension of up to fifteen days for a county to submit the

report. The state treasurer shall determine the format of the report. The report must include the amount of grant funding received and spent by the county and a description of the road and bridge infrastructure projects completed in part or in whole with the grant funding. The state treasurer shall make the reports available to the public on the state treasurer's website. A county that does not provide the report in a timely manner or in the correct format is not eligible to receive a grant from the fund for a period of two years starting from the date the report was due. If a county uses the funding in a manner inconsistent with the requirements of this section as identified in any financial audits conducted by the state auditor or an independent accounting firm, the state treasurer shall reduce any future grants to that county by the amount spent that was inconsistent with the requirements.

2. Within sixty days after the fund receives its statutory limit of oil and gas tax allocations under section 57-51.1-07.5 or by September thirtieth of each odd-numbered year, whichever is earlier, the state treasurer shall distribute moneys in the fund as grants to counties for road and bridge infrastructure projects. The state treasurer shall distribute the grants only if the fund balance is at least ten percent of the amount needed for distributions under this section.
3. The state treasurer shall distribute the lesser of thirteen percent of the balance of the fund or sixteen million one hundred thousand dollars to non-oil-producing counties for the benefit of the organized and unorganized townships within each non-oil-producing county. The distribution to each non-oil-producing county must provide for an equal allocation to each organized and unorganized township. The amount allocated to organized townships under this section must be paid by the county treasurer to each organized township. The amount allocated to unorganized townships under this section must be credited by the county treasurer to a special fund for unorganized township roads. A township is not eligible for an allocation of funds under this section if the township does not maintain any township roads.
4. After the distributions in subsection 3, the state treasurer shall distribute the remaining money in the fund to non-oil-producing counties based on the most recent data compiled by the upper great plains transportation institute regarding North Dakota's county, township, and tribal road and bridge infrastructure needs. The distribution to each non-oil-producing county must be proportional to each non-oil-producing county's total estimated road and bridge investment needs relative to the combined total estimated road and bridge investment needs of all the non-oil-producing counties. The total estimated road and bridge investment needs for each county is the twenty-year estimate for unpaved and paved road and bridge needs as identified by the upper great plains transportation institute. If the data compiled by the upper great plains transportation institute includes more than one twenty-year estimate for the total needs of each county, the state treasurer shall use an average of the twenty-year estimates for each county.
5. If the moneys in the fund are insufficient to provide for the grants under this section, the state treasurer shall distribute the grants on a pro rata basis.
6. For purposes of this section:
    a. "Fiscal year" means the period beginning September first and ending August thirty-first of the following calendar year.
    b. "Non-oil-producing county" means a county that received no allocation of funding or a total allocation of less than five million dollars under subsection 2 of section 57-51-15 in the most recently completed even-numbered fiscal year before the start of each biennium.
    c. "Road and bridge infrastructure projects" means the projects associated with the construction of new unpaved and paved road and bridge infrastructure or associated with the maintenance, repair, or replacement of existing unpaved and paved road and bridge infrastructure.

57-51.1-07.9. State energy research center fund - Continuing appropriation. (Effective through June 30, 2029)

The state energy research center fund is a special fund in the state treasury. Before depositing oil and gas gross production tax and oil extraction tax revenues under section 57-51.1-07.5, one percent of the revenues must be deposited monthly into the state energy research center fund, up to seven million five hundred thousand dollars per biennium. All moneys deposited in the state energy research center fund and interest on all such moneys are appropriated on a continuing basis to the industrial commission for distribution to the state energy research center. The state energy research center shall use the funds in accordance with section 15-11-40.

57-51.1-07.10. Straddle well distribution.

1. By August 1, 2021, and on or before April thirtieth of each subsequent fiscal year, the industrial commission shall certify to the tax commissioner the on-reservation trust lands acreage ratio and the on-reservation nontrust lands acreage ratio for each reservation with on-reservation spacing unit acreage. For each reservation, the on-reservation trust lands acreage ratio is calculated by dividing the on-reservation spacing unit acreage consisting of trust lands by the total spacing unit acreage. For each reservation, the on-reservation nontrust lands acreage ratio is calculated by dividing the on-reservation spacing unit acreage consisting of nontrust lands by the total spacing unit acreage. The on-reservation acreage ratios for each reservation are effective for taxable production each fiscal year beginning July first. By August 1, 2021, and on or before June first of each subsequent fiscal year, the tax commissioner shall publish the on-reservation acreage ratios for each reservation.
2. The tax commissioner shall certify to the state treasurer the total oil and gas gross production and oil extraction taxes attributable to production from straddle wells drilled before July 1, 2019, by reservation, and the total oil and gas gross production and oil extraction taxes attributable to production from straddle wells drilled on or after July 1, 2019, by reservation. Before allocation of the state's share of oil and gas tax revenues under section 57-51.1-07.5, the state treasurer shall allocate monthly to the governing body of a tribe associated with a reservation that has on-reservation spacing unit acreage, an amount equal to:
   a. Fifty percent of the taxes certified under this section for wells drilled before July 1, 2019, multiplied by the on-reservation trust lands acreage ratio calculated under subsection 1 for that reservation;
   b. Fifty percent of the taxes certified under this section for wells drilled before July 1, 2019, multiplied by the on-reservation nontrust lands acreage ratio calculated under subsection 1 for that reservation;
   c. Eighty percent of the taxes certified under this section for wells drilled on or after July 1, 2019, multiplied by the on-reservation trust lands acreage ratio calculated under subsection 1 for that reservation; and
   d. Twenty percent of the taxes certified under this section for wells drilled on or after July 1, 2019, multiplied by the on-reservation nontrust lands acreage ratio calculated under subsection 1 for that reservation.
3. For purposes of this section:
   a. "On-reservation spacing unit acreage" means the mineral acreage located within the exterior boundaries of a reservation in this state from all spacing units with one or more straddle wells.
   b. "Straddle well" means an oil and gas well located outside the exterior boundaries of a reservation which has one or more laterals penetrating a reservation boundary.
   c. "Total spacing unit acreage" means the total mineral acreage from all spacing units with one or more straddle wells.
4. Upon accepting a payment under this section, if a tribe assesses any tax or fee or imposes any regulation on any current or future straddle well, or assesses an additional tax on any well subject to an agreement under chapter 57-51.2, the

agreement under chapter 57-51.2 is void and the state treasurer may not distribute any funds to the tribe under this section or chapter 57-51.2.

57-51.1-08. Intent.

It is the intent of the electors of the state of North Dakota and the legislative assembly to fund public elementary and secondary education in North Dakota at the level of seventy percent of the educational cost per student, as determined under the provisions of chapter 15.1-27, to provide funds for the life skills and transition center, and to provide for water development and utilization and energy conservation and development programs by enactment of an excise tax to be known as the "oil extraction tax" and enactment of an income tax credit.

The legislative assembly has determined that many areas within the state of North Dakota do not have adequate water supplies for municipal, domestic, livestock, light industrial, and other uses. However, adequate water supplies are essential for the social and economic stability of municipalities and rural areas. It is, therefore, declared to be in the best interest of the people of the state of North Dakota to establish a resources trust fund to be used to construct, or assist in the construction of, multiple-use water supply facilities. The legislative assembly also recognizes that appropriate planning to meet current and long-range water needs for the benefit of all of the citizens of the state of North Dakota is a matter of concern and high priority. The legislative assembly further intends that revenues generated by use of any facilities constructed, in whole or in part, with financing from the resources trust fund shall be deposited in the resources trust fund.