

HOUSE BILL NO. 1210

Introduced by

Representatives Weiler, F. Klein, Meier, Onstad

Senators Nichols, Urlacher

1 A BILL for an Act to create and enact a new subsection to section 57-51.1-03.1 of the North
2 Dakota Century Code, relating to eligibility of a two-year inactive well for exemption from the oil
3 extraction tax; and to amend and reenact subsection 12 of section 57-51.1-01 and subsection 4
4 of section 57-51.1-03 of the North Dakota Century Code, relating to the definition of a two-year
5 inactive well and eligibility of a work-over project for exemption from the oil extraction tax.

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

7 **SECTION 1.** A new subsection to section 57-51.1-03.1 of the North Dakota Century
8 Code is created and enacted as follows:

9 To receive, from the first day of eligibility, a tax exemption under subsection 6 of
10 section 57-51.1-03 on production from a two-year inactive well, the industrial
11 commission's certification must be submitted to the tax commissioner within
12 eighteen months after the end of the two-year inactive well's qualification period.

13 **SECTION 2. AMENDMENT.** Subsection 12 of section 57-51.1-01 of the North Dakota
14 Century Code is amended and reenacted as follows:

15 12. "Two-year inactive well" means any well certified by the industrial commission that
16 has did not produced produce oil in more than one month in the two years any
17 consecutive twenty-four month period before the date of application to the
18 industrial commission for certification as a two-year inactive well being
19 recompleted or otherwise returned to production. A well that has never produced
20 oil, a dry hole, and a plugged and abandoned well are eligible for status as a
21 two-year inactive well.

22 **SECTION 3. AMENDMENT.** Subsection 4 of section 57-51.1-03 of the North Dakota
23 Century Code is amended and reenacted as follows:

1 4. The production of oil from a qualifying well that was worked over is exempt from
2 any taxes imposed under this chapter for a period of twelve months, beginning with
3 the first day of the third calendar month after the completion of the work-over
4 project. The exemption provided by this subsection is only effective if the well
5 operator ~~files a notice of intention to begin a work-over project with the industrial~~
6 ~~commission prior to commencement of the project and~~ establishes to the
7 satisfaction of the industrial commission upon completion of the project that the
8 cost of the project exceeded sixty-five thousand dollars or production is increased
9 at least fifty percent during the first two months after completion of the project. A
10 qualifying well under this subsection is a well with an average daily production of
11 no more than fifty barrels of oil during the latest six calendar months of continuous
12 production ~~prior to the filing of the notice required by this subsection.~~ A work-over
13 project under this subsection means the continuous employment of a work-over rig,
14 including recompletions and reentries. The exemption provided by this subsection
15 becomes ineffective if the average price of a barrel of crude oil exceeds the trigger
16 price for each month in any consecutive five-month period. However, the
17 exemption is reinstated if, after the trigger provision becomes effective, the
18 average price of a barrel of crude oil is less than the trigger price for each month in
19 any consecutive five-month period.