

March 22, 2011

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1241

In lieu of the amendments adopted by the Senate as printed on page 772 and 773 of the Senate Journal, Engrossed House Bill No. 1241 is amended as follows:

Page 1, line 1, replace the second "and" with a comma

Page 1, line 1, after "38-11.1-04.1" insert ", and a new section to chapter 47-16"

Page 1, line 2, replace the second "and" with a comma

Page 1, line 3, after the second "production" insert ", and definition of drilling"

Page 1, line 4, remove the first "and"

Page 1, line 4, after "sections" insert "38-11.1-02,"

Page 1, line 4, after "38-11.1-04" insert ", 38-11.1-08,"

Page 1, line 6, after "production" insert ", agreement with offer of settlement,"

Page 1, line 6, after "royalties" insert "; to repeal section 38-11.1-05 of the North Dakota Century Code, relating to notice of oil and gas drilling operations; and to provide an effective date"

Page 1, after line 8, insert:

**"SECTION 1. AMENDMENT.** Section 38-11.1-02 of the North Dakota Century Code is amended and reenacted as follows:

**38-11.1-02. Purpose and interpretation.**

It is the purpose of this chapter to provide the maximum amount of constitutionally permissible protection to surface owners and other persons from the undesirable effects of development of minerals. This chapter is to be interpreted in light of the legislative intent expressed herein. Sections 38-11.1-04 and ~~38-11.1-05~~38-11.1-04.1 must be interpreted to benefit surface owners, regardless of whether the mineral estate was separated from the surface estate and regardless of who executed the document which gave the mineral developer the right to conduct drilling operations on the land. Sections 38-11.1-06 through 38-11.1-10 must be interpreted to benefit all persons."

Page 3, after line 9, insert:

**"SECTION 4. AMENDMENT.** Section 38-11.1-08 of the North Dakota Century Code is amended and reenacted as follows:

**38-11.1-08. Agreement - Offer of settlement.**

Unless both parties provide otherwise by written agreement, at the time the notice required by ~~section 38-11.1-05~~subsection 2 of section 38-11.1-04.1 is given, the mineral developer shall make a written offer of settlement to the person seeking compensation for damages when the notice required by ~~section-~~

~~38-11.1-05~~ subsection 2 of section 38-11.1-04.1 is given. The person seeking compensation may accept or reject any offer so made."

Page 4, line 8, overstrike "from initial" and insert immediately thereafter "after"

Page 4, line 8, after "production" insert "is marketed"

Page 4, line 9, after "operator" insert "thereafter"

Page 4, after line 24, insert:

**"SECTION 7.** A new section to chapter 47-16 of the North Dakota Century Code is created and enacted as follows:

**Drilling - Definition for oil and gas lease purposes.**

Notwithstanding any provision in an oil and gas lease to the contrary, in any clause of an oil and gas lease which permits extension of the primary term of the lease, drilling means that an actual drilling rig, capable of drilling the well to the total proposed depth, whether total vertical depth in a vertical well or total measured depth in a horizontal well, is on location and actively drilling before the expiration of the primary term of the lease. The spud date of the well must be listed on the department of mineral resources rig list as being before the expiration of the primary term of the lease to extend the lease.

**SECTION 8. REPEAL.** Section 38-11.1-05 of the North Dakota Century Code is repealed.

**SECTION 9. EFFECTIVE DATE.** Sections 2 and 5 of this Act become effective for drilling operations commenced after July 31, 2011."

Renumber accordingly