

Sixty-seventh
Legislative Assembly
of North Dakota

REENGROSSED SENATE BILL NO. 2319

Introduced by

Senator Kannianen

1 A BILL ~~for an Act to amend and reenact subsection 1 of section 57-51.2-02 and subdivision c of~~
2 ~~subsection 5 of section 57-51.2-02 of the North Dakota Century Code, relating to oil and gas~~
3 ~~agreements; to provide for application; and to provide a contingent effective date.~~for an Act to
4 create and enact a new section to chapter 57-51.1 of the North Dakota Century Code, relating
5 to distribution of revenue from wells located outside reservation boundaries; and to provide for
6 application.

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

8 **SECTION 1. AMENDMENT.** ~~Subsection 1 of section 57-51.2-02 of the North Dakota~~
9 ~~Century Code is amended and reenacted as follows:~~

10 ~~1. The only taxes subject to agreement are the state's oil and gas gross production and~~
11 ~~oil extraction taxes attributable to production from wells located within the exterior~~
12 ~~boundaries of the reservation and wells located on trust properties outside reservation~~
13 ~~boundaries. For purposes of this chapter, "trust:~~

14 ~~a. "Trust properties outside reservation boundaries" means land in this state located~~
15 ~~outside the exterior boundaries of a reservation which are held in trust by the~~
16 ~~United States for any Indian tribe or owned by an Indian tribe or tribal member~~
17 ~~subject to a restriction against alienation imposed by the United States.~~

18 ~~b. "Wells located within the exterior boundaries of the reservation" includes wells~~
19 ~~located in a county with a population of less than ten thousand but greater than~~
20 ~~twelve thousand at the time an agreement is entered pursuant to this chapter.~~
21 ~~based on the most recent actual or estimated census data published by the~~
22 ~~United States census bureau, with one or more horizontal laterals that penetrate~~
23 ~~the reservation.~~

1 ~~— **SECTION 2. AMENDMENT.** Subdivision c of subsection 5 of section 57-51.2-02 of the~~
2 ~~North Dakota Century Code is amended and reenacted as follows:~~

3 ~~— c. The state's share of the oil and gas gross production tax revenue as divided in~~
4 ~~subdivisions a and b is subject to distribution among political subdivisions as~~
5 ~~provided in chapter 57-51. The definition of "wells located within the exterior~~
6 ~~boundaries of the reservation" in subsection 1 may not be construed as altering~~
7 ~~the physical location of a wellhead for purposes of revenue allocations among~~
8 ~~political subdivisions as provided in chapter 57-51.~~

9 ~~— **SECTION 3. APPLICATION.** This Act applies to agreements entered after June 30, 2023.~~

10 ~~— **SECTION 4. CONTINGENT EFFECTIVE DATE.** This Act becomes effective on July 1,~~
11 ~~2023, if by that date the tax commissioner notifies the legislative council that at least one new~~
12 ~~oil and gas well on which drilling commences after July 31, 2021, situated within the exterior~~
13 ~~boundaries of the reservation, has a horizontal lateral that extends to federal minerals located~~
14 ~~outside the exterior boundaries of the reservation.~~

15 **SECTION 1.** A new section to chapter 57-51.1 of the North Dakota Century Code is created
16 and enacted as follows:

17 **Straddle well distribution.**

18 1. By August 1, 2021, and on or before April thirtieth of each subsequent fiscal year, the
19 industrial commission shall certify to the tax commissioner the on-reservation acreage
20 ratio for each reservation with on-reservation spacing unit acreage. For each
21 reservation, the on-reservation acreage ratio is calculated by dividing the
22 on-reservation spacing unit acreage by the total spacing unit acreage. The
23 on-reservation acreage ratio for each reservation is effective for taxable production
24 each fiscal year beginning July first. By August 1, 2021, and on or before June first of
25 each subsequent fiscal year, the tax commissioner shall publish the on-reservation
26 acreage ratio for each reservation.

27 2. The tax commissioner shall certify to the state treasurer the total oil and gas gross
28 production and oil extraction taxes attributable to production from straddle wells.
29 Before allocation of the state's share of oil and gas tax revenues under section
30 57-51.1-07.5, the state treasurer shall allocate monthly to the governing body of a tribe
31 associated with a reservation that has on-reservation spacing unit acreage, an amount

1 equal to fifty percent of the taxes certified under this section multiplied by the
2 on-reservation acreage ratio calculated under subsection 1 for that reservation.

3 3. For purposes of this section:

4 a. "On-reservation spacing unit acreage" means the surface acreage located within
5 the exterior boundaries of a reservation in this state from all spacing units with
6 one or more straddle wells.

7 b. "Straddle well" means an oil and gas well located outside the exterior boundaries
8 of a reservation which has one or more laterals penetrating a reservation
9 boundary.

10 c. "Total spacing unit acreage" means the total surface acreage from all spacing
11 units with one or more straddle wells.

12 **SECTION 2. APPLICATION.** This Act applies to oil and gas tax revenue collections
13 allocated by the state treasurer after September 1, 2021.