

Introduced by

Finance and Taxation Committee

(At the request of the Department of Mineral Resources)

1 A BILL ~~for an Act to amend and reenact section 57-51.1-02.2 of the North Dakota Century~~
2 ~~Code, relating to the oil extraction tax credit for gas flaring mitigation.~~ for an Act to create and
3 enact sections 54-17.6-06.1 and 54-17.6-06.2 of the North Dakota Century Code, relating to
4 clean natural gas capture and emissions reduction; to provide an appropriation; and to provide
5 a continuing appropriation.

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

7 ~~— **SECTION 1. AMENDMENT.** Section 57-51.1-02.2 of the North Dakota Century Code is~~
8 ~~amended and reenacted as follows:~~

9 ~~— **57-51.1-02.2. Temporary exemption – Oil extraction tax credit for gas flaring**~~
10 ~~**mitigation. (Expired effective July 1, 2023)**~~

11 ~~— 1. As used in this section:~~

12 ~~— a. "Flare mitigation" means the quantity in millions of British thermal units of heat~~
13 ~~content of gas used by an onsite flare mitigation system. The term does not~~
14 ~~include the heat content of any gas flared before, during, or after intake by a flare~~
15 ~~mitigation system.~~

16 ~~— b. "Onsite flare mitigation system" means a system at a well site which intakes gas~~
17 ~~and natural gas liquids from a well, separating and collecting or utilizing over fifty~~
18 ~~percent of the propane and heavier hydrocarbons, to achieve a reduction of~~
19 ~~flared thermal intensity through beneficial consumption use by:~~

20 ~~— (1) Compressing or liquifying gas for artificial lift, use as fuel, or for nonpipeline~~
21 ~~transport to a processing facility;~~

22 ~~— (2) Production of petrochemicals or fertilizer;~~

23 ~~— (3) Conversion to liquid fuels;~~

24 ~~— (4) Conversion to electricity for onsite use or supply to the electrical grid;~~

- 1 ~~————— (5) — Conversion to computational power;~~
- 2 ~~————— (6) — Collection of tank vapors for beneficial use or transport to a processing~~
- 3 ~~facility; or~~
- 4 ~~————— (6)(7) — Other value-added processes as approved by the industrial commission.~~
- 5 ~~————— c. — "Qualifying well" means a well on which:~~
- 6 ~~————— (1) — If a well site already is connected to a pipeline and pipeline capacity is~~
- 7 ~~unavailable on the existing pipeline, the producer and the pipeline operator~~
- 8 ~~jointly have filed a sundry with the industrial commission attesting to the lack~~
- 9 ~~of existing pipeline takeaway capacity;~~
- 10 ~~————— (2) — If the producer's well is not connected to an existing pipeline but the~~
- 11 ~~producer's lands, leases, wells, or gas are dedicated contractually to a~~
- 12 ~~pipeline operator, the producer and the pipeline operator to which the lands,~~
- 13 ~~leases, wells, or gas are dedicated jointly have filed a sundry with the~~
- 14 ~~industrial commission attesting it is either technically or commercially~~
- 15 ~~unfeasible to connect a pipeline to the producer's well; or~~
- 16 ~~————— (3) — If the producer's well is not already connected to an existing pipeline and~~
- 17 ~~the producer's lands, leases, wells, or gas are not dedicated contractually,~~
- 18 ~~the producer unilaterally has filed a sundry with the industrial commission~~
- 19 ~~attesting to these facts.~~
- 20 ~~————— 2. — A system that otherwise meets the definition of onsite flare mitigation system as~~
- 21 ~~defined in this section is not an "onsite flare mitigation system" if it is:~~
- 22 ~~————— a. — Installed on a stripper well as defined by subsection 8 of section 57-51.1-01.~~
- 23 ~~————— b. — Installed before July 1, 2021.~~
- 24 ~~————— c. — Installed on a well connected to or is technically and commercially feasible to~~
- 25 ~~connect to a gas pipeline with capacity.~~
- 26 ~~————— d. — A system that supports the normal production operations of a well, consumes gas~~
- 27 ~~as part of the routine oil and gas production process, such as a heater treater,~~
- 28 ~~separator, or electrical dissipation through a load bank, or any system or~~
- 29 ~~application traditionally considered as on-pad use.~~
- 30 ~~————— 3. — A producer is entitled to a credit against the tax liability determined under chapter~~
- 31 ~~57-51.1 equal to seventy-five cents per one million British thermal units of flare~~

mitigation resulting from the operation of an onsite flare mitigation system on a qualifying well.

~~4. The credit may be claimed for up to twelve months per well and may not exceed six thousand dollars per well per month.~~

~~5. To qualify for the credit:~~

~~a. The industrial commission shall certify the well of a producer as a qualifying well and the producer shall submit a copy of the certification to the tax commissioner.~~

~~b. On or before the fifteenth day of the month succeeding the month of production, the owner or operator of the onsite flare mitigation system shall file a monthly report with the tax commissioner and the producer certifying the amount of flare mitigation per qualifying well during the month of production.~~

~~c. The credit for flare mitigation must be claimed by the producer against the oil extraction tax due on a per well basis for the production month following the month in which the mitigation occurred.~~

~~d. The producer shall file the return required under this chapter for the duration of the credit and pay any oil taxes due. After the exemption period ends, the purchaser shall pay the oil taxes due.~~

~~6. The tax commissioner may audit the records of the producer and operator of the onsite flare mitigation system to administer this section. The credit allowed may not exceed the liability of the tax under this section.~~

SECTION 1. Section 54-17.6-06.1 of the North Dakota Century Code is created and enacted as follows:

54-17.6-06.1. Clean natural gas capture and emissions reduction program.

1. The clean natural gas capture and emissions reduction program shall provide an incentive for onsite natural gas capture and utilization systems which collect or utilizes over fifty percent of propane and heavier hydrocarbons from an oil and gas well site for beneficial use by:

a. Compressing or liquefying gas for artificial lift, uses as fuel, or for nonpipeline transport to a processing facility;

b. Conversion to liquid fuels;

c. Conversion to electricity for onsite use or supply to the electrical grid;

1 d. Conversion to computational power;

2 e. Collection of tank vapors for beneficial use or transport to a processing facility;

3 f. Temporary gas injection into producing wells in lieu of flaring or shutting in wells;

4 or

5 g. Other value-added processes as approved by the industrial commission.

6 2. The commission is granted all the powers necessary and appropriate to effectuate the
7 provisions of this chapter.

8 3. The commission:

9 a. May make grants or loans or provide other forms of financial assistance as
10 necessary or appropriate to qualified entities for activities under subsection 1;

11 b. Shall keep accurate records of all financial transactions performed under this
12 chapter;

13 c. May accept donations, grants, federal funds, contributions, and gifts from any
14 public or private source and deposit such in the natural gas capture and
15 utilization incentive fund;

16 d. May make and explore orders, rules, and policies necessary to effectuate the
17 purpose of this chapter; and

18 e. Shall consult with the council in matters of policy affecting the administration of
19 the clean natural gas capture and emissions reduction program.

20 **SECTION 2.** Section 54-17.6-06.2 of the North Dakota Century Code is created and
21 enacted as follows:

22 **54-17.6-06.2. Clean natural gas capture and emissions reduction fund - Continuing**
23 **appropriation.**

24 The clean natural gas capture and emissions reduction fund is hereby created as a special
25 fund in the state treasury. All funds in the clean natural gas capture and emissions reduction
26 fund are appropriated to the industrial commission on a continuing basis to effectuate the
27 purposes of this chapter. All interest earned by the fund must be credited to the fund.

28 **SECTION 3. APPROPRIATION - CLEAN NATURAL GAS CAPTURE AND EMISSIONS**
29 **REDUCTION FUND.** There is appropriated out of any moneys in the general fund in the state
30 treasury, not otherwise appropriated, the sum of \$15,000,000, or so much of the sum as may be
31 necessary, to the clean natural gas capture and emissions reduction fund for the purpose of

- 1 providing grants under section 54-17.6-06.1, for the biennium beginning July 1, 2023, and
- 2 ending June 30, 2025.