

**SENATE BILL NO. 2302**

Introduced by

Senators Patten, Beard, Kessel

Representatives Hagert, Novak, Porter

1 A BILL for an Act to create and enact a new section to chapter 38-09 of the North Dakota  
2 Century Code, relating to qualifications for applications for oil and gas leases on state lands or  
3 state school lands; and to provide a penalty.

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

5 **SECTION 1.** A new section to chapter 38-09 of the North Dakota Century Code is created  
6 and enacted as follows:

7 **Oil and gas lease sales - Permissibility - Penalty.**

- 8 1. The industrial commission shall adopt and issue rules establishing if an applicant for  
9 an oil and gas lease on state lands or state school lands is considered a qualified oil  
10 and gas lease applicant. Before issuing a lease of any state lands or state school  
11 lands for oil and gas production under this chapter or chapter 15-05, the commissioner  
12 of university and school lands, subject to criteria established by the industrial  
13 commission, shall review the highest bid offered by an applicant to determine if the  
14 applicant is a qualified oil and gas lease applicant.
- 15 2. If the highest bidder is not a qualified bidder, the commissioner of university and  
16 school lands shall consider the second highest bidder to determine if that bidder is a  
17 qualified applicant, to which the commissioner of university and school lands may  
18 issue the lease if the applicant agrees to lease the lands for the highest amount bid  
19 before the disqualified applicant entered the lease auction or process or for the  
20 amount the second highest bidder bid, whichever is lower.
- 21 3. An applicant whose bid is rejected under this section because the applicant is not a  
22 qualified oil and gas lease applicant is subject to a civil penalty in the amount of the  
23 applicant's highest bid. The attorney general may bring an action in a court of  
24 competent jurisdiction to recover the penalty specified in this subsection.