

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

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 for an Act to amend and reenact sections 15-01-02~~
4 ~~and 15-05-09 of the North Dakota Century Code, relating to the powers of the board of~~
5 ~~university and school lands and leases on state lands.~~

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

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

9 ~~Oil and gas lease sales - Permissibility - Penalty.~~

10 ~~1. The industrial commission shall adopt and issue rules establishing if an applicant for~~
11 ~~an oil and gas lease on state lands or state school lands is considered a qualified oil-~~
12 ~~and gas lease applicant. Before issuing a lease of any state lands or state school~~
13 ~~lands for oil and gas production under this chapter or chapter 15-05, the commissioner~~
14 ~~of university and school lands, subject to criteria established by the industrial~~
15 ~~commission, shall review the highest bid offered by an applicant to determine if the~~
16 ~~applicant is a qualified oil and gas lease applicant.~~

17 ~~2. If the highest bidder is not a qualified bidder, the commissioner of university and~~
18 ~~school lands shall consider the second highest bidder to determine if that bidder is a~~
19 ~~qualified applicant, to which the commissioner of university and school lands may~~
20 ~~issue the lease if the applicant agrees to lease the lands for the highest amount bid~~

~~before the disqualified applicant entered the lease auction or process or for the amount the second highest bidder bid, whichever is lower.~~

~~3. An applicant whose bid is rejected under this section because the applicant is not a qualified oil and gas lease applicant is subject to a civil penalty in the amount of the applicant's highest bid. The attorney general may bring an action in a court of competent jurisdiction to recover the penalty specified in this subsection.~~

SECTION 1. AMENDMENT. Section 15-01-02 of the North Dakota Century Code is amended and reenacted as follows:

15-01-02. Powers - Control of public lands and permanent funds.

The board has:

1. Full control of the selection, appraisal, rental, sale, disposal, and management of:
 - a. Lands donated or granted by or received from the United States or from any other source for the support and maintenance of the common schools.
 - b. All lands which fall to the state by escheat.
 - c. All lands donated or granted by or received from the United States or from any other source for the maintenance of the educational, penal, or charitable institutions.
 - d. All lands acquired by the state through the investment of the permanent school funds of the state as the result of mortgage foreclosure or otherwise.
2. Full control of the investment of the permanent funds derived from the sale of any of the lands described in subsection 1.
3. Full control of such percent of the proceeds of any sale of public lands as may be granted to the state by the United States on such sale.
4. Full control of the proceeds of any property that fall to the state by escheat and of the proceeds of all gifts and donations to the state for the support or maintenance of the common schools, and of all other property otherwise acquired by the state for the maintenance of the common schools. Any gift to the state not specifically appropriated to any other purpose must be considered as a gift for the support and maintenance of the common schools.
5. Authority to expend moneys for the purpose of making refunds in cases in which an error has been made by the board, or a person dealing with the board, with regard to

1 any of the lands, minerals, funds, proceeds, or any other kind of property managed by
2 the board. Moneys expended to make refunds must come from the same fund or
3 account into which the money to be refunded was originally placed.

4 6. Authority to award and distribute energy infrastructure and impact grants from moneys
5 deposited in the oil and gas impact grant fund, except that grants awarded annually
6 may not exceed sixty percent of the biennial appropriation for energy infrastructure
7 and impact grants. The board may create an advisory committee to assist the board in
8 making its grant award determinations.

9 7. Authority to adopt policies and rules necessary to carry out the responsibilities of the
10 board in conformity with any statute administered or enforced by the board.

11 **SECTION 2. AMENDMENT.** Section 15-05-09 of the North Dakota Century Code is
12 amended and reenacted as follows:

13 **15-05-09. Leases for oil, gas, and other products.**

14 The board of university and school lands may ~~lease~~:

15 1. Lease any lands under its control believed to contain resources, including oil, gas,
16 coal, cement materials, sodium sulfate, sand and gravel, road material, building stone,
17 chemical substances, metallic ores, critical minerals, rare earth elements, colloidal or
18 other clays, or other naturally occurring elements and their compounds, ~~and may~~
19 ~~make~~;

20 2. Cancel a lease if it is discovered that a lessee intends to hinder or block development
21 of the resources; and

22 3. Make and establish rules and regulations for development, drilling, and mining
23 operations.