

PROPOSED AMENDMENTS TO

HOUSE BILL NO. 1459

Introduced by

Representatives D. Anderson, Berg, Bosch, Mitskog, Novak, O'Brien, J. Olson, Porter, Lefor
Senators Hogue, Marcellais, Patten

1 A BILL for an Act to create and enact a new chapter to title 38 of the North Dakota Century
2 Code, relating to regulations, development, and production of critical minerals and rare earth
3 elements; to amend and reenact ~~section~~sections 38-12-02 and 47-10-24 of the North Dakota
4 Century Code, relating to the authority of the industrial commission and descriptions and
5 definitions of minerals in leases and conveyances; and to provide a penalty.

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

7 **SECTION 1.** A new chapter to title 38 of the North Dakota Century Code is created and
8 enacted as follows:

9 **Definitions.**

10 As used in this chapter:

- 11 1. "Commission" means the ~~public service~~ industrial commission.
- 12 2. "Critical minerals" means a nonfuel mineral or mineral material essential to the
13 economic or national security of the United States and which has a supply chain
14 vulnerable to disruption. The term includes aluminum, antimony, arsenic, barite,
15 bauxite, beryllium, bismuth, cesium, chromium, cobalt, fluorspar, gallium, germanium,
16 graphite, hafnium, helium, indium, lithium, magnesium, manganese, niobium, platinum
17 group metals, potash, the rare earth elements group, rhenium, rubidium, scandium,
18 strontium, tantalum, tellurium, tin, titanium, tungsten, uranium, vanadium, and
19 zirconium, which are embedded, commingled, included, contained within, or in any
20 way associated with any coal seam or coal deposit.

- 1 3. ~~"Extraction facility process" means any well or mine or other extractive process~~
2 ~~operated with the purpose or intent of recovering critical minerals or rare earth~~
3 ~~elements~~ the process in which critical minerals or rare earth elements are extracted
4 ~~from coal produced in conjunction with coal mining operations which cannot otherwise~~
5 ~~be extracted without mining a coal seam or coal deposit.~~
- 6 4. "Operator" means any person that ~~is in charge of the development of a lease or the~~
7 ~~operation of a producing property, or is the owner of an extraction~~ a processing facility
8 that is or has been capable of producing critical minerals or rare earth elements
9 ~~embedded, commingled, included, contained within, or in any way associated with a~~
10 ~~coal seam or coal deposit.~~
- 11 ~~4-5.~~ "Owner" means the person who owns the critical minerals or rare earth elements.
- 12 ~~5-6.~~ "Person" means and includes any natural person, corporation, limited liability
13 company, association, partnership, receiver, trustee, executor, administrator, guardian,
14 fiduciary, or other representative of any kind, and includes any department, agency, or
15 instrumentality of the state or of any governmental subdivision thereof; the masculine
16 gender, in referring to a person, includes the feminine and the neuter genders.
- 17 7. "Processing facility" means any equipment, processing plant, or other facility operated
18 with the purpose or intent of extracting critical minerals or rare earth elements
19 ~~embedded, commingled, included, contained within, or in any way associated with a~~
20 ~~coal seam or coal deposit.~~
- 21 8. "Rare earth elements" means any of a series of metallic elements of which the oxides
22 are classed as rare earths and which include the elements of the lanthanide series,
23 yttrium and scandium, which are embedded, commingled, included, contained within,
24 or in any way associated with any coal seam or deposit.

25 Public policy.

26 It is hereby declared to be in the public interest to foster, encourage, and promote the
27 development, production and utilization of critical minerals and rare earth elements in a manner
28 that will prevent waste and allow a greater ultimate recovery of these natural resources, and to
29 protect the rights of all owners so that the greatest possible economic recovery of these
30 resources be obtained in the state, to the end that landowners, producers, and the general
31 public realize and enjoy the greatest possible good from these vital natural resources. Critical

1 minerals and rare earth elements are fundamental to the economy, competitiveness, and
2 security of the United States. Many critical minerals and rare earth elements are broadly
3 disseminated and can only be recovered when produced as part of another extractive activity of
4 a host mineral which for purposes of this chapter is coal. To the maximum extent practicable,
5 the critical minerals and rare earth elements needs of the United States should be satisfied by
6 the vital natural resources responsibly produced in the United States. The legislative assembly
7 finds it necessary to declare that the mining of coal in this state, and a lease of coal in this state
8 whenever granted must include the right to mine all critical minerals and rare earth elements,
9 unless specifically excluded by the lease.

10 **Jurisdiction of commission.**

11 The commission has jurisdiction and authority necessary to enforce this chapter. This
12 section does not apply to a surface coal mining operation providing coal to a processing facility
13 under the jurisdiction and authority of the public service commission under chapter 38-14.1. The
14 commission may conduct investigations to determine whether facts exist which justify action by
15 the commission. The commission may:

16 1. Require an operator to:

- 17 a. Furnish a reasonable bond with good and sufficient surety, conditioned upon the
18 full compliance with this chapter, and the rules and orders of the commission
19 governing the exploration, development, and production of critical minerals or
20 rare earth elements on state and private lands within the state. The person
21 required to furnish the bond may elect to deposit a collateral bond, self-bond,
22 cash, or any alternative form of security approved by the commission, by which a
23 permittee assures faithful performance of all requirements of this chapter and the
24 rules and orders of the industrial commission. If a permit is issued for the
25 extraction of critical minerals or rare earth elements, in conjunction with a surface
26 coal mining permit issued under chapter 38-14.1, the bond for the surface coal
27 mining permit may be used to satisfy the bond required under this chapter.
- 28 b. File production reports in the manner prescribed by the commission.
- 29 c. Conduct ~~all exploration, development, and production operations~~an extraction
30 process in a manner as to prevent pollution of freshwater supplies, and to provide

- 1 for the protection of the environment and public safety, ~~and to ensure the~~
2 optimum recovery of the mineral resource.
- 3 ~~d. Reclaim all land distributed by operations required by this chapter to a condition~~
4 ~~consistent with prior land use and productive capacity.~~
- 5 2. ~~Regulate the the drilling and abandonment of exploration test holes and producing~~
6 ~~wells and all other exploration, development, production, and reclamation operations.~~
- 7 ~~3.~~ Adopt and enforce rules and orders to effectuate this chapter, including rules requiring
8 an operator under permit with the commission to provide to the state geologist
9 reasonable amounts of data collected during the extraction process for critical
10 minerals or rare earth elements, and data necessary to evaluate the ongoing attributes
11 of critical mineral or rare earth extraction in the state.
- 12 4.3. ~~Inspect all exploration, development, and production sites~~processing facilities. The
13 commission must have access to all exploration, development, or production
14 ~~installations~~processing facilities for purposes of inspection and may require the
15 operator's aid if necessary and requested.
- 16 5. At the request of an operator, approve the commingling of production for any
17 ~~extraction facility~~processing facility on land with diverse ownership. The commission
18 shall establish a method to measure production from each parcel of land with diverse
19 ownership.
- 20 **Permit required.**
- 21 1. A person may not commence an operation for the exploration, development, or
22 production of critical minerals or rare earth elements without first obtaining a permit
23 from the commission and paying the permit fee set by the commission.
- 24 2. ~~An operator may obtain a permit in conjunction with a~~A surface coal mining permit
25 issued under chapter 38-14.1 is sufficient to meet the permit requirements under this
26 section.
- 27 3. An operator shall pay any applicable owners, according to each owner's respective
28 undivided ownership within the applicable permit area, a royalty of two and one-half
29 percent of the net profits from all critical minerals and rare earth elements mined,
30 removed, and sold during a coal mining operationthe extraction process. For purposes
31 of this section, "net profits" means the gross receipts received by an operator from any

1 sale of critical minerals or rare earth elements less costs incurred or expenditures
2 attributed, including any expenditures related to the extraction, processing, milling,
3 smelting, refining, and transportation of the critical minerals or rare earth elements.

4 ~~4. This section does not apply to any net profits, costs incurred, or expenditures relating~~
5 ~~the extraction, processing, milling, smelting, refining, and transportation of coal.~~

6 **Procedure.**

7 1. The adoption of rules or or the issuance of orders by the commission under this
8 chapter must be in accordance with the provisions of chapter 49-2238-08 governing
9 the procedure in the ~~siting of energy conversion and transmission~~
10 facilities administration of the Oil and Gas Conservation Act.

11 2. ~~An operator may elect to use the administrative procedures under chapter 38-14.1 for~~
12 ~~the purpose of obtaining a permit under this chapter in conjunction with a surface coal~~
13 ~~mining permit~~A surface coal mine permit must be issued under chapter 38-14.1.

14 3. If an emergency is found to exist by the commission which in the judgment of the
15 commission requires the making, revoking, changing, amending, modifying, altering,
16 enlarging, renewal, or extension of a rule or order without first having a hearing, an
17 emergency rule or order has the same validity as if a hearing had been held after due
18 notice.

19 4. An emergency rule or order permitted by this section may remain in force no longer
20 than fifteen days from its effective date, or when the rule or order made after due
21 notice and hearing with respect to the subject matter of the emergency rule or order
22 becomes effective, whichever occurs first.

23 **Penalty - Revocation - Provisions applicable.**

24 Sections 49-22-2038-08-16 and 49-22-2138-08-17 are applicable to the provisions of this
25 chapter and to the rules and orders of the commission adopted under this chapter.

26 **SECTION 2. AMENDMENT.** Section 38-12-02 of the North Dakota Century Code is
27 amended and reenacted as follows:

28 **38-12-02. Jurisdiction of commission.**

29 The commission has jurisdiction and authority over all persons and property, public and
30 private, necessary to enforce effectively the provisions of this chapter. Subject to the provisions
31 of section 38-08-21, the director of mineral resources shall act as a supervisor charged with the

1 duty of enforcing the regulations and orders of the commission applicable to the subsurface
2 mineral resources of this state and the provisions of this chapter. The commission has authority
3 to make such investigations as it deems proper to determine whether facts exist which justify
4 action by the commission. The commission acting through the director of mineral resources has
5 the authority:

6 1. To require:

- 7 a. The furnishing of a reasonable bond with good and sufficient surety, conditioned
8 upon the full compliance with the provisions of this chapter, and the rules and
9 orders of the commission prescribed to govern the exploration, development, and
10 production of subsurface minerals on state and private lands within the state of
11 North Dakota. The person required to furnish the bond may elect to deposit a
12 collateral bond, self-bond, cash, or any alternative form of security approved by
13 the commission, or combination thereof, by which a permittee assures faithful
14 performance of all requirements of this chapter and the rules and orders of the
15 industrial commission.
- 16 b. The delivery, free of charge, to the state geologist of the basic exploration data
17 collected by the operator, within thirty days of field collection of such data. This
18 data must include:
- 19 (1) Sample cuts, core chips, or whole cores.
 - 20 (2) Sample logs, radioactivity logs, resistivity logs, or other types of electrical or
21 mechanical logs.
 - 22 (3) Elevation and location information on the data collection points.
 - 23 (4) Other pertinent information as may be requested by the state geologist.
- 24 The data so submitted is confidential for a period of one year when so requested
25 by the operator and such period may be further extended upon approval by the
26 commission.
- 27 c. The filing of monthly production reports in the manner prescribed by the
28 commission and any other reports deemed necessary by the commission.
- 29 d. The conducting of all exploration, development, and production operations in
30 such a manner as to prevent pollution of freshwater supplies, to provide for the

- 1 protection of the environment and public safety, and to ensure the optimum
2 recovery of the mineral resource.
- 3 e. The reclamation of all land disturbed by operations regulated by this chapter to a
4 condition consistent with prior land use and productive capacity.
- 5 2. To regulate the drilling and abandonment of exploration test holes and producing wells
6 and all other exploration, development, production, and reclamation operations.
- 7 3. To promulgate and to enforce rules, regulations, and orders to effectuate the purposes
8 and the intent of this chapter.
- 9 4. To inspect all exploration, development, and production sites. For the purposes of this
10 subsection, the director of mineral resources or the director's representative shall have
11 access to all exploration, development, or production installations for purposes of
12 inspection and shall have the authority to require the operator's aid if it is necessary
13 and is requested.
- 14 5. To regulate the exploration of critical minerals embedded, commingled, included,
15 contained within, or in any way associated with a coal seam or coal deposit located
16 outside of any surface coal mine permit boundary approved by the public service
17 commission.

18 **SECTION 3. AMENDMENT.** Section 47-10-24 of the North Dakota Century Code is
19 amended and reenacted as follows:

20 **47-10-24. Description and definition of minerals in leases and conveyances.**

- 21 1. All conveyances of mineral rights or royalties in real property in this state, excluding
22 leases, ~~shall~~must be construed to grant or convey to the grantee thereof all minerals of
23 any nature ~~whatsoever~~ except those minerals specifically excluded by name in the
24 deed, grant, or conveyance, and their compounds and byproducts, but ~~shall~~may not
25 be construed to grant or convey to the grantee any interest in any gravel, clay, or
26 scoria unless specifically included by name in the deed, grant, or conveyance.
- 27 ~~No~~2. Except as provided in subsection 3 regarding a lease for coal, a lease of mineral rights
28 in this state ~~shall~~may not be construed as passing any interest to any minerals except
29 those minerals specifically included and set forth by name in the lease. For the
30 purposes of this ~~paragraph~~section, the naming of either a specific metalliferous
31 element, or nonmetalliferous element, and if so stated in lease, ~~shall be~~is deemed to

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1 include all of its compounds and byproducts, and in the case of oil and gas, all
2 associated hydrocarbons produced in a liquid or gaseous form so named ~~shall~~must be
3 deemed to be included in the mineral named. ~~The~~Except as provided in subsection 3
4 regarding a lease for coal, the use of the words "all other minerals" or similar words of
5 an all-inclusive nature in any lease ~~shall~~may not be construed as leasing any minerals
6 except those minerals specifically named in the lease and their compounds and
7 byproducts.

8 3. As provided under section 1 of this Act, a lease of coal in this state when granted is
9 deemed to include all critical minerals and rare earth elements embedded,
10 commingled, included, contained within, or in any way associated with any coal seam
11 or deposit, unless specifically excluded from the lease of coal.