

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2014

Page 1, line 2, after "to" insert "create and enact a new section to chapter 38-08 and a new subsection to section 54-09-02 of the North Dakota Century Code, relating to duties of the director of mineral resources and secretary of state; to"

Page 1, line 3, replace "section" with "sections 47-16-39.1 and" and after "to" insert "remedies for nonpayment of oil and gas royalties and"

Page 7, after line 3, insert:

**"SECTION 11.** A new section to chapter 38-08 of the North Dakota Century Code is created and enacted as follows:

**Failure to pay oil and gas royalties.** The director of mineral resources may recommend that the secretary of state revoke or suspend the privilege of a person to do business in this state for the failure to pay oil and gas royalties as required by section 47-16-39.1.

**SECTION 12. AMENDMENT.** Section 47-16-39.1 of the North Dakota Century Code is amended and reenacted as follows:

**47-16-39.1. Obligation to pay royalties - Breach.** The obligation arising under an oil and gas lease to pay oil or gas royalties to the mineral owner or the mineral owner's assignee, or to deliver oil or gas to a purchaser to the credit of the mineral owner or the mineral owner's assignee, or to pay the market value thereof is of the essence in the lease contract, and breach of the obligation may constitute grounds for the cancellation of the lease in cases where it is determined by the court that the equities of the case require cancellation or require revocation or suspension of the operator's privilege to do business in this state. If the operator under an oil and gas lease fails to pay oil or gas royalties to the mineral owner or the mineral owner's assignee within one hundred fifty days after oil or gas produced under the lease is marketed and cancellation of the lease is not sought, the operator shall pay interest on the unpaid royalties at the rate of eighteen percent per annum until paid and the director of mineral resources may recommend that the secretary of state revoke or suspend the privilege of the operator to do business in this state, except that the commissioner of university and school lands may negotiate a rate to be no less than the prime rate as established by the Bank of North Dakota plus four percent per annum with a maximum of eighteen percent per annum, for unpaid royalties on minerals owned or managed by the board of university and school lands. Provided, that the operator may remit semiannually to a person entitled to royalties the aggregate of six months' monthly royalties where the aggregate amount is less than fifty dollars. The district court for the county in which the oil or gas well is located has jurisdiction over all proceedings brought pursuant to this section. The prevailing party in any proceeding brought pursuant to this section is entitled to recover any court costs and reasonable attorney's fees. This section does not apply when mineral owners or their assignees elect to take their proportionate share of production in kind or in the event of a dispute of title existing that would affect distribution of royalty payments; however, the operator shall make royalty payments to those mineral owners whose title and ownership interest is not in dispute.

**SECTION 13.** A new subsection to section 54-09-02 of the North Dakota Century Code is created and enacted as follows:

Upon recommendation of the director of mineral resources, suspend or revoke the privilege of a person to do business in this state."

Renumber accordingly