

**SECOND ENGROSSMENT
with Senate Amendments**

Sixty-first
Legislative Assembly
of North Dakota

REENGROSSED HOUSE BILL NO. 1235

Introduced by

Representatives Skarphol, Froseth, Wald

Senators Bowman, O'Connell, Wardner

1 A BILL for an Act to amend and reenact subsection 9 of section 57-51.1-03 of the North Dakota
2 Century Code, relating to an oil extraction tax rate reduction for horizontal wells; to provide an
3 effective date; to provide an expiration date; and to declare an emergency.

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

5 **SECTION 1. AMENDMENT.** Subsection 9 of section 57-51.1-03 of the North Dakota
6 Century Code is amended and reenacted as follows:

7 9. The first seventy-five thousand barrels or the first four million five hundred
8 thousand dollars of gross value at the well, whichever is less, of oil produced
9 during the first eighteen months after completion, from a horizontal well drilled and
10 completed ~~in the Bakken formation after June 30, 2007, and before July 1, 2008~~
11 April 30, 2009, is subject to a reduced tax rate of two percent of the gross value at
12 the well of the oil extracted under this chapter. A well eligible for a reduced tax
13 rate under this subsection is eligible for the exemption for horizontal wells under
14 subsection 3, if the exemption under subsection 3 is effective during all or part of
15 the first twenty-four months after completion. The rate reduction under this
16 subsection becomes effective on the first day of the month following a month for
17 which the average price of a barrel of crude oil is less than fifty-five dollars. The
18 rate reduction under this subsection becomes ineffective on the first day of the
19 month following a month in which the average price of a barrel of crude oil exceeds
20 seventy dollars. If the rate reduction under this subsection is effective on the date
21 of completion of a well, the rate reduction applies to production from that well for
22 up to eighteen months after completion, subject to the other limitations of this
23 subsection. If the rate reduction under this subsection is ineffective on the date of

1 completion of a well, the rate reduction under this subsection does not apply to
2 production from that well at any time.

3 **SECTION 2. EFFECTIVE DATE - EXPIRATION DATE.** This Act is effective for wells
4 drilled and completed after April 30, 2009. However, if on May 1, 2009, the exemptions under
5 subsection 3 of section 57-51.1-03 have been reinstated, this Act does not become effective
6 until the first day of the month when the exemptions under subsection 3 of section 57-51.1-03
7 become ineffective, by operation of the trigger price provision in subsection 3 of section
8 57-51.1-03. This Act is effective for taxable events occurring through June 30, 2012, and is
9 thereafter ineffective.

10 **SECTION 3. EMERGENCY.** This Act is declared to be an emergency measure.