

Introduced by

Representatives Drovdal, Kempenich

Senator Andrist

1 A BILL for an Act to amend and reenact section 15-05-10, subsection 4 of section 38-08-04,
2 subsection 10 of section 57-51.1-01, subsection 2 of section 57-51.1-03, and subsection 1 of
3 section 57-51.1-03.1 of the North Dakota Century Code, relating to the oil extraction tax
4 exemption for stripper wells; and to provide an effective date.

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

6 **SECTION 1. AMENDMENT.** Section 15-05-10 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **15-05-10. Royalties from oil leases - Rents from other leases - Rules.**

9 Oil leases must be made by the board of university and school lands at such annual
10 minimum payments as are determined by the board, but the royalty shall be not less than
11 twelve and one-half percent of the gross output of oil from the lands leased. Oil leases made by
12 the board may authorize a royalty of less than twelve and one-half percent for production from
13 stripper ~~well properties~~wells and qualifying secondary recovery and qualifying tertiary recovery
14 projects as defined in section 57-51.1-01. Leases for gas, coal, cement materials, sodium
15 sulfate, sand and gravel, road material, building stone, chemical substances, metallic ores, or
16 colloidal or other clays must be made by the board in such annual payments as are determined
17 by the board. The board may adopt rules regarding annual payments and royalties under this
18 section.

19 **SECTION 2. AMENDMENT.** Subsection 4 of section 38-08-04 of the North Dakota Century
20 Code is amended and reenacted as follows:

21 4. To classify wells as oil or gas wells for purposes material to the interpretation or
22 enforcement of this chapter, to classify and determine the status and depth of wells
23 that are stripper ~~well property~~wells as defined in ~~subsection 8 of~~ section 57-51.1-01, to
24 certify to the tax commissioner which wells are stripper wells and the depth of those

1 wells, and to certify to the tax commissioner which wells involve secondary or tertiary
2 recovery operations under section 57-51.1-01, and the date of qualification for the
3 reduced rate of oil extraction tax for secondary and tertiary recovery operations.

4 **SECTION 3. AMENDMENT.** Subsection 10 of section 57-51.1-01 of the North Dakota
5 Century Code is amended and reenacted as follows:

6 10. "Stripper well ~~property~~" means a "property well" whose average daily production of oil,
7 excluding condensate recovered in nonassociated production, ~~per well~~ did not exceed
8 ten barrels per day for wells of a depth of six thousand feet [1828.80 meters] or less,
9 fifteen barrels per day for wells of a depth of more than six thousand feet [1828.80
10 meters] but not more than ten thousand feet [3048 meters], and thirty barrels per day
11 for wells of a depth of more than ten thousand feet [3048 meters] during any
12 preceding consecutive twelve-month period. ~~Wells which did not actually yield or~~
13 ~~produce oil during the qualifying twelve-month period, including disposal wells, dry-~~
14 ~~wells, spent wells, and shut-in wells, are not production wells for the purpose of~~
15 ~~determining whether the stripper well property exemption applies.~~

16 **SECTION 4. AMENDMENT.** Subsection 2 of section 57-51.1-03 of the North Dakota
17 Century Code is amended and reenacted as follows:

18 2. The activity of extracting from the earth any oil from a stripper well ~~property~~.

19 **SECTION 5. AMENDMENT.** Subsection 1 of section 57-51.1-03.1 of the North Dakota
20 Century Code is amended and reenacted as follows:

21 1. To receive, from the first day of eligibility, a tax exemption on production from a
22 stripper well ~~property~~ under subsection 2 of section 57-51.1-03, the industrial
23 commission's certification must be submitted to the tax commissioner within eighteen
24 months after the end of the stripper well ~~property's~~well's qualification period.

25 **SECTION 6. EFFECTIVE DATE.** This Act is effective for taxable events occurring after
26 June 30, 2013.