

**SENATE BILL NO. 2309**

Introduced by

Senators Lyson, Andrist

Representative Sukut

1 A BILL for an Act to create and enact subsection 10 to section 57-51.1-03 of the North Dakota  
2 Century Code, relating to an exemption from the oil extraction tax; and to provide an effective  
3 date.

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

5 **SECTION 1.** Subsection 10 to section 57-51.1-03 of the North Dakota Century Code is  
6 created and enacted as follows:

7 10. a. The activity of extracting from the earth before January 1, 2026, any oil that is  
8 transported from the point of production to a refinery by truck or gathering line, if  
9 in the month it is refined the trigger crack spread exceeds the average crack  
10 spread. The exemption provided by this subsection is ineffective if in the month  
11 oil is refined the average crack spread exceeds the trigger crack spread.

12 b. For purposes of this subsection:

13 (1) "Average crack spread" means the difference between the cost of oil to the  
14 refinery and the value of products after refinement divided by the volume of  
15 oil refined in that month.

16 (2) "Cost of oil to the refinery" means the volume of oil refined in a calendar  
17 month times the average price for west Texas intermediate at Cushing,  
18 Oklahoma, for the month less both the average difference between the per  
19 barrel price of west Texas intermediate and Bakken sweet light crude  
20 exchanged at Clearbrook, Minnesota, for that month and the estimated  
21 transportation cost of four dollars per barrel.

22 (3) "Trigger crack spread" means eleven dollars.

23 (4) "Value of products after refinement" means the value of products in a  
24 calendar month yielded from atmospheric distillation of oil less any

1 estimated transportation costs, where the value of products and the  
2 estimated transportation costs are determined for different products as  
3 follows:

4 (a) The value of atmospheric tower bottoms is the volume of such  
5 products produced by refinement in a calendar month times the  
6 average benchmark price of residual fuel oil at the Gulf of Mexico for  
7 that month less the estimated transportation cost of sixteen dollars  
8 fifty cents per barrel.

9 (b) The value of diesel is the volume of such products produced by  
10 refinement in a calendar month times the wholesale average price of  
11 distillates for that month as measured by evenly weighing the blended  
12 price at racks located at Minot and Mandan, North Dakota, and  
13 Glendive, Montana, assuming a ratio of eighty percent number two  
14 diesel and twenty percent number one diesel.

15 (c) The value of naphtha is the volume of such products produced by  
16 refinement in a calendar month times the average price for west Texas  
17 intermediate at Cushing, Oklahoma, for that month plus eight dollars,  
18 less the prevailing estimated transportation cost from the Bakken  
19 region by manifest rail to the Enbridge diluent pool.

20 (d) The value of any other refined product and estimated transportation  
21 cost must be established consistent with this subdivision by rules  
22 adopted by the industrial commission.

23 c. The industrial commission shall adopt rules relating to this exemption that must  
24 include procedures for determining the average crack spread as defined in  
25 subdivision b.

26 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable events after June 30,  
27 2013.