

HOUSE BILL NO. 1530

Introduced by

Representatives Berg, Drovdal, Kempenich, Norland, Rennerfeldt, Skarphol

(Approved by the Delayed Bills Committee)

1 A BILL for an Act to create and enact a new subsection to section 57-51.1-01 and a new
2 subsection to section 57-51.1-03 of the North Dakota Century Code, relating to an oil extraction
3 tax exemption for oil from new horizontal or wildcat wells; to amend and reenact section
4 57-51.1-02 of the North Dakota Century Code, relating to an oil extraction tax rate reduction for
5 oil from new horizontal or wildcat wells; to provide an effective date; to provide an expiration
6 date; and to declare an emergency.

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

8 **SECTION 1.** A new subsection to section 57-51.1-01 of the North Dakota Century Code
9 is created and enacted as follows:

10 "Wildcat well" means a well drilled more than one mile [1.61 kilometers] outside the
11 boundaries of an established oilfield.

12 **SECTION 2. AMENDMENT.** Section 57-51.1-02 of the North Dakota Century Code is
13 amended and reenacted as follows:

14 **57-51.1-02. Imposition of oil extraction tax.** There is hereby imposed an excise tax,
15 to be known as the "oil extraction tax", upon the activity in this state of extracting oil from the
16 earth, and every owner, including any royalty owner, of any part of the oil extracted is deemed
17 for the purposes of this chapter to be engaged in the activity of extracting that oil.

18 The rate of tax is six and one-half percent of the gross value at the well of the oil
19 extracted, except that the rate of tax is four percent of the gross value at the well of the oil
20 extracted in the following situations:

- 21 1. For oil produced from wells drilled and completed after April 27, 1987, commonly
22 referred to as new wells, ~~and~~ not otherwise exempt under subsection 3 of section
23 57-51.1-03 and for which the election under section 3 of this Act does not apply;

- 1 2. For oil produced from a secondary or tertiary recovery project that was certified as
- 2 qualifying by the industrial commission before July 1, 1991;
- 3 3. For oil that does not qualify as incremental oil but is produced from a secondary or
- 4 tertiary recovery project that is certified as qualifying by the industrial commission
- 5 after June 30, 1991;
- 6 4. For incremental oil produced from a secondary or tertiary recovery project that is
- 7 certified as qualifying by the industrial commission after June 30, 1991, and which
- 8 production is not otherwise exempt under section 57-51.1-03; or
- 9 5. For oil produced from a well that receives an exemption pursuant to subsection 4
- 10 of section 57-51.1-03 after June 30, 1993, and which production is not otherwise
- 11 exempt under section 57-51.1-03.

12 However, if the average price of a barrel of crude oil exceeds the trigger price for each month in
13 any consecutive five-month period, then the rate of tax on oil extracted from all taxable wells is
14 six and one-half percent of the gross value at the well of the oil extracted until the average price
15 of a barrel of crude oil is less than the trigger price for each month in any consecutive
16 five-month period, in which case the rate of tax reverts to four percent of the gross value at the
17 well of the oil extracted for any wells subject to a reduced rate under subsections 1 through 5.

18 **SECTION 3.** A new subsection to section 57-51.1-03 of the North Dakota Century Code
19 is created and enacted as follows:

20 If an election to apply the exemption under this subsection is filed by the well
21 operator with the application on or after the effective date of this Act for a permit or
22 renewal of a permit to drill for a horizontal or wildcat well under section 38-08-05,
23 the initial production of one hundred thousand barrels of oil from that horizontal or
24 wildcat well is exempt from taxes imposed under this chapter. An election under
25 this subsection is revocable until the well is spudded but after spudding this
26 election is irrevocable. The industrial commission shall notify the tax commissioner
27 of wells that have been spudded and for which the election under this subsection is
28 in effect.

29 **SECTION 4. EFFECTIVE DATE - EXPIRATION DATE.** This Act is effective for oil
30 produced from horizontal or wildcat wells for which a permit is granted or renewed under
31 section 38-08-05 on or after the effective date of this Act and before July 1, 2009, and is

1 thereafter ineffective except that an election under section 3 of this Act made before July 1,
2 2009, continues to apply for the duration of production from the well.

3 **SECTION 5. EMERGENCY.** This Act is declared to be an emergency measure.