

**BILL NO.**

Introduced by

Legislative Management

(Energy Development and Transmission Committee)

1 A BILL for an Act to create and enact chapter 23-48, a new subsection to section 57-51.1-01,  
2 and a new subsection to section 57-51.1-03 of the North Dakota Century Code, relating to  
3 licensing of commercial drill cuttings recyclers and an oil extraction tax reduction for delivery of  
4 drill cuttings to a licensed commercial drill cuttings recycler; to amend and reenact subsection 4  
5 of section 38-08-04 of the North Dakota Century Code, relating to definitions; to provide an  
6 effective date; and to provide an expiration date.

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

8 **SECTION 1.** Chapter 23-48 of the North Dakota Century Code is created and enacted as  
9 follows:

10 **23-48-01. Licensing of commercial drill cuttings recyclers - Fees.**

11 The state department of health shall license commercial drill cuttings recyclers and  
12 recycling facilities and may charge a license fee established by rule commensurate with the  
13 cost to the department of licensing and facility inspections.

14 **23-48-02. Rules.**

15 The state department of health shall adopt rules under chapter 28-32 effective not later than  
16 October 1, 2015, governing operations of commercial drill cuttings recyclers and recycling  
17 facilities. The rules must be adopted to assure compliance with federal and state laws and rules  
18 for protection of the state's water and air and public health in the handling and subsequent use  
19 of drill cuttings.

20 **23-48-03. Examination of records and property.**

21 Upon presentation of official credentials, an employee authorized by the state department of  
22 health may:

- 23 1. Examine the premises and facilities and copy books, papers, records, memoranda, or  
24 data of a commercial drill cuttings recycler.

1       2. Enter upon public or private property for the purpose of taking action authorized by this  
2           chapter and rules adopted under this chapter, including obtaining information from any  
3           person, conducting surveys and investigations, and taking corrective action.

4       **23-48-04. Responsibility for cost.**

5       The owner or operator of a commercial drill cuttings recycling facility is liable for the cost of  
6       any inspection and corrective action required by the state department of health.

7       **23-48-05. Causes of action restricted.**

8       Upon delivery of drill cuttings to a licensed commercial drill cuttings recycler or recycling  
9       facility and acceptance of the drill cuttings by the recycler or recycling facility, the well operator  
10       is not liable for any subsequent disposal or reuse of the drill cuttings or any material contained  
11       in the drill cuttings. This chapter does not create any new cause of action for damages on behalf  
12       of third parties for any subsequent disposal or reuse of the drill cuttings or any material  
13       contained in the drill cuttings.

14       **23-48-06. Commercial drill cuttings recycler bond.**

15       As a condition of licensure, the state department of health may require that a commercial  
16       drill cuttings recycler must post a bond payable to the state in a sufficient amount for  
17       remediation of any release or disposal of materials in violation of the rules adopted by the  
18       department.

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 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  
25       wells, to recertify stripper wells that are reentered and recompleted as horizontal wells,  
26       and to certify to the tax commissioner which wells involve secondary or tertiary  
27       recovery operations under section 57-51.1-01, and the date of qualification for the  
28       reduced rate of oil extraction tax for secondary and tertiary recovery operations.

29       **SECTION 3.** A new subsection to section 57-51.1-01 of the North Dakota Century Code is  
30       created and enacted as follows:

1           "Drill cuttings" means earth and rock extracted from the wellbore during oil and gas  
2           drilling operations but does not include drilling fluids injected into the wellbore.

3           **SECTION 4.** A new subsection to section 57-51.1-03 of the North Dakota Century Code is  
4 created and enacted as follows:

5           If the well operator causes seventy-five percent or more of the drill cuttings from a well  
6           drilled and completed after June 30, 2015, to be delivered to a licensed commercial  
7           drill cuttings recycler or recycling facility before completion of the well, the first fifty  
8           thousand barrels of oil produced during the first eighteen months after completion is  
9           subject to a reduced tax rate of five percent of the gross value at the well of the oil  
10           extracted under this chapter. If the well operator causes seventy-five percent or more  
11           of the drill cuttings from a well drilled and completed after June 30, 2015, to be  
12           delivered to a licensed commercial drill cuttings recycler or recycling facility before  
13           completion of the well and none of the remaining drill cuttings are deposited in a  
14           reserve pit near the well site, the first fifty thousand barrels of oil produced during the  
15           first eighteen months after completion is subject to a reduced tax rate of four percent  
16           of the gross value at the well of the oil extracted under this chapter. A well eligible for a  
17           reduced tax rate under this subsection is eligible for the exemption for horizontal wells  
18           under subsection 3, if the exemption under subsection 3 is effective during all or part  
19           of the first twenty-four months after completion.

20           **SECTION 5. EFFECTIVE - EXPIRATION DATE.** Section 4 of this Act is effective for taxable  
21 events occurring after June 30, 2015, and before July 1, 2019, and is thereafter ineffective.