

2023 SENATE FINANCE AND TAXATION

SB 2089

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2089
1/4/2023

A BILL relating to the oil extraction tax credit for gas flaring mitigation.

11:01 AM Chairman Kannianen opened the hearing. Members present: Senators Kannianen, Weber, Magrum, Rummel, Piepkorn and Patten.

Discussion Topics:

- Benefits and drawbacks of flaring

Lynn Helms, Director of North Dakota Mineral Resources testified in opposition and submitted testimony #12284.

Ron Ness, President of North Dakota Petroleum Council testified in favor and submitted testimony #12362.

11:27 AM Chairman Kannianen closed the hearing.

Danielle Butler, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2089
1/16/2023

Relating to the oil extraction tax credit for gas flaring mitigation.

10:47 AM Chairman Kannianen opened meeting.

Senators Present: **Kannianen, Weber, Magrum, Patten, Rummel, Piepkorn**

Discussion Topics:

- Oil well production
- Tax break
- Amendment
- New technologies
- Flaring costs
- State revenue
- Implementation plan
- Well shutdown

10:51 AM Lynn Helms Director of Department of Mineral Resources, testified in favor.
#12284

11:14 AM Senator Patten moved to adopt amendment. LC 23.8076.01002, #16450

11:14 AM Senator Rummel seconded. Voice vote was taken. Motion passed.

11:16 AM Senator Patten moved DO PASS ad Amended.

11:17 AM Senator Rummel seconded.

Senators	Vote
Senator Kannianen	Y
Senator Weber	Y
Senator Patten	Y
Senator Rummel	Y
Senator Piepkorn	N
Senator Magrum	Y

Motion passed 5-1-0.

11:18 AM Senator Patten will carry SB 2089.

11:20 AM Chairman Kannianen closed meeting.

*Nathan Liesen, Committee Clerk
(motioned to reconsider on 01/17/2023)*

January 17, 2023

DR
1/17/2023
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PROPOSED AMENDMENTS TO SENATE BILL NO. 2089

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact sections 54-17.6-06.1 and 54-17.6-06.2 of the North Dakota Century Code, relating to clean natural gas capture and emissions reduction; to provide an appropriation; and to provide a continuing appropriation.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 54-17.6-06.1 of the North Dakota Century Code is created and enacted as follows:

54-17.6-06.1. Clean natural gas capture and emissions reduction program.

1. The clean natural gas capture and emissions reduction program shall provide an incentive for onsite natural gas capture and utilization systems which collect or utilizes over fifty percent of propane and heavier hydrocarbons from an oil and gas well site for beneficial use by:
 - a. Compressing or liquefying gas for artificial lift, uses as fuel, or for nonpipeline transport to a processing facility;
 - b. Conversion to liquid fuels;
 - c. Conversion to electricity for onsite use or supply to the electrical grid;
 - d. Conversion to computational power;
 - e. Collection of tank vapors for beneficial use or transport to a processing facility;
 - f. Temporary gas injection into producing wells in lieu of flaring or shutting in wells; or
 - g. Other value-added processes as approved by the industrial commission.
2. The commission is granted all the powers necessary and appropriate to effectuate the provisions of this chapter.
3. The commission:
 - a. May make grants or loans or provide other forms of financial assistance as necessary or appropriate to qualified entities for activities under subsection 1;
 - b. Shall keep accurate records of all financial transactions performed under this chapter;

- c. May accept donations, grants, federal funds, contributions, and gifts from any public or private source and deposit such in the natural gas capture and utilization incentive fund;
- d. May make and explore orders, rules, and policies necessary to effectuate the purpose of this chapter; and
- e. Shall consult with the council in matters of policy affecting the administration of the clean natural gas capture and emissions reduction program.

DR
1/17/2023
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SECTION 2. Section 54-17.6-06.2 of the North Dakota Century Code is created and enacted as follows:

54-17.6-06.2. Clean natural gas capture and emissions reduction fund - Continuing appropriation.

The clean natural gas capture and emissions reduction fund is hereby created as a special fund in the state treasury. All funds in the clean natural gas capture and emissions reduction fund are appropriated to the industrial commission on a continuing basis to effectuate the purposes of this chapter. All interest earned by the fund must be credited to the fund.

SECTION 3. APPROPRIATION - CLEAN NATURAL GAS CAPTURE AND EMISSIONS REDUCTION FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$15,000,000, or so much of the sum as may be necessary, to the clean natural gas capture and emissions reduction fund for the purpose of providing grants under section 54-17.6-06.1, for the biennium beginning July 1, 2023, and ending June 30, 2025."

Renumber accordingly

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2089
1/17/2023

Relating to the oil extraction tax credit for gas flaring mitigation.

10:32 Chairman Kannianen opens hearing.

Senators Present: **Kannianen, Weber, Magrum, Patten, Rummel, Piepkorn.**

Discussion Topics:

- Reconsideration
- Bill Action

Senator Kannianen explains the need to reconsider actions to re-refer to appropriations.

Senator Patten moves to reconsider previous actions. **Senator Weber** seconded.

Senators	Vote
Senator Jordan Kannianen	Y
Senator Mark F. Weber	Y
Senator Jeffery J. Magrum	Y
Senator Dale Patten	Y
Senator Merrill Piepkorn	Y
Senator Dean Rummel	AB

Motion Passes 5-0-1

10:31 Senator Patten moves DO PASS as Amended and rerefer to appropriations (amendment passed on 01/16/23).

10:32 Senator Weber seconded.

Senators	Vote
Senator Jordan Kannianen	Y
Senator Mark F. Weber	Y
Senator Jeffery J. Magrum	Y
Senator Dale Patten	Y
Senator Merrill Piepkorn	N
Senator Dean Rummel	AB

Motion Passes 4-1-1

10:34 Chairman Kannianen holds the vote open for Senator Rummel.

11:34 Senator Rummel votes Yes on SB 2089 Do Pass as Amended and Re-refer to Appropriations. Motion now passes 5-1-0.

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Page 2

Senator Patten will carry the bill.

11:34 Chairman Kannianen adjourns meeting.

Nathan Liesen, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2089: Finance and Taxation Committee (Sen. Kannianen, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (5 YEARS, 1 NAY, 0 ABSENT AND NOT VOTING). SB 2089 was placed on the Sixth order on the calendar. This bill affects workforce development.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact sections 54-17.6-06.1 and 54-17.6-06.2 of the North Dakota Century Code, relating to clean natural gas capture and emissions reduction; to provide an appropriation; and to provide a continuing appropriation.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 54-17.6-06.1 of the North Dakota Century Code is created and enacted as follows:

54-17.6-06.1. Clean natural gas capture and emissions reduction program.

1. The clean natural gas capture and emissions reduction program shall provide an incentive for onsite natural gas capture and utilization systems which collect or utilizes over fifty percent of propane and heavier hydrocarbons from an oil and gas well site for beneficial use by:
 - a. Compressing or liquefying gas for artificial lift, uses as fuel, or for nonpipeline transport to a processing facility;
 - b. Conversion to liquid fuels;
 - c. Conversion to electricity for onsite use or supply to the electrical grid;
 - d. Conversion to computational power;
 - e. Collection of tank vapors for beneficial use or transport to a processing facility;
 - f. Temporary gas injection into producing wells in lieu of flaring or shutting in wells; or
 - g. Other value-added processes as approved by the industrial commission.
2. The commission is granted all the powers necessary and appropriate to effectuate the provisions of this chapter.
3. The commission:
 - a. May make grants or loans or provide other forms of financial assistance as necessary or appropriate to qualified entities for activities under subsection 1;
 - b. Shall keep accurate records of all financial transactions performed under this chapter;
 - c. May accept donations, grants, federal funds, contributions, and gifts from any public or private source and deposit such in the natural gas capture and utilization incentive fund;
 - d. May make and explore orders, rules, and policies necessary to effectuate the purpose of this chapter; and

- e. Shall consult with the council in matters of policy affecting the administration of the clean natural gas capture and emissions reduction program.

SECTION 2. Section 54-17.6-06.2 of the North Dakota Century Code is created and enacted as follows:

54-17.6-06.2. Clean natural gas capture and emissions reduction fund - Continuing appropriation.

The clean natural gas capture and emissions reduction fund is hereby created as a special fund in the state treasury. All funds in the clean natural gas capture and emissions reduction fund are appropriated to the industrial commission on a continuing basis to effectuate the purposes of this chapter. All interest earned by the fund must be credited to the fund.

SECTION 3. APPROPRIATION - CLEAN NATURAL GAS CAPTURE AND EMISSIONS REDUCTION FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$15,000,000, or so much of the sum as may be necessary, to the clean natural gas capture and emissions reduction fund for the purpose of providing grants under section 54-17.6-06.1, for the biennium beginning July 1, 2023, and ending June 30, 2025."

Renumber accordingly

2023 SENATE APPROPRIATIONS

SB 2089

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

SB 2089
2/1/2023

A BILL for an Act relating to clean natural gas capture and emissions reduction; to provide an appropriation; and to provide a continuing appropriation.
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10:04 AM Chairman Bekkedahl opened the hearing on SB 2089.

Members present: Senators Bekkedahl, Krebsbach, Burckhard, Davison, Dever, Dwyer, Erbele, Kreun, Meyer, Roers, Schaible, Sorvaag, Vedaa, Wanzek, Rust, and Mathern.

Discussion Topics:

- Clean natural gas emissions
- Tank vapors
- Implementation grants
- Gas capture
- Tank batteries
- Environment, social & governance (ESG) rules

10:04 AM Lynn Helms, Director of Department of Mineral Resources, introduced the bill, #18485.

10:28 AM Ron Ness, North Dakota Petroleum Council, testified in favor, #18494.

10:39 AM Reese Haas, Industrial Commission, responded to committee questions, no written testimony.

Chairman Bekkedahl assigned this bill to the Education and Environment Division.

10:41 AM Chairman Bekkedahl closed the hearing.

Kathleen Hall, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations - Education and Environment Division Sakakawea Room, State Capitol

SB 2089
2/7/2023

A BILL for an Act relating to clean natural gas capture and emissions reduction; to provide an appropriation; and to provide a continuing appropriation.

11:39 AM Chairman Sorvaag opened the meeting for SB 2089.

Members present: Senators Sorvaag, Krebsbach, Rust, Schaible, and Meyer

Discussion Topics:

- Natural Gas Capture
- Committee discussion

11:39 AM Senator Schaible introduced the bill and amendment LC 23.8076.02001, testimony # 27858.

11:41 AM Senator Schaible moved to adopt amendment 23.8076.02001. Senator Meyer seconded the motion.

Senators	Vote
Senator Ronald Sorvaag	Y
Senator Karen K. Krebsbach	Y
Senator Scott Meyer	Y
Senator David S. Rust	Y
Senator Donald Schaible	Y

Motion passed 5-0-0.

11:42 AM Senator Schaible moved DO PASS AS AMENDED. Senator Krebsbach seconded the motion.

Senators	Vote
Senator Ronald Sorvaag	Y
Senator Karen K. Krebsbach	Y
Senator Scott Meyer	Y
Senator David S. Rust	Y
Senator Donald Schaible	Y

Motion passed 5-0-0.

Senator Schaible will carry the bill to the full committee.

11:44 AM Chairman Sorvaag closed the meeting.

Kathleen Hall, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

SB 2089
2/9/2023

Relating to clean natural gas capture and emissions reduction; to provide for a transfer; and to provide a continuing appropriation

10:31 AM Chairman Bekkedahl opened the meeting.

Senators Present: **Senators Bekkedahl, Krebsbach, Burckhard, Davison, Dever, Roers, Eberle, Kreun, Meyer, Schaible, Sorvaag, Vedaa, Wanzek, Rust, and Mathern.**
Senators Absent: **Senator Dwyer**

Discussion Topics:

- Committee Action

10:33 AM Senator Schaible introduced amendment LC 23.8076.02001, testimony # 27858.

10:33 AM Senator Schaible moved to adopt AMENDMENT 23.8076.02001.

10:33 AM Senator Rust seconded the motion.

10:35 AM Roll call vote

Senators	Vote
Senator Brad Bekkedahl	Y
Senator Karen K. Krebsbach	Y
Senator Randy A. Burckhard	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	A
Senator Robert Erbele	Y
Senator Curt Kreun	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Jim P. Roers	Y
Senator Donald Schaible	Y
Senator Ronald Sorvaag	Y
Senator Shawn Vedaa	Y
Senator Terry M. Wanzek	Y
Senator Rust	Y

Motion passed 15-0-1

No further action taken.

10:35 Senator Bekkedahl closed the meeting.

Kathleen Hall, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

SB 2089
2/10/2023

A BILL for an Act to provide an appropriation to the department of public instruction for the paraprofessional-to-teacher program.

10:59 AM Chairman Bekkedahl opened the meeting.

Members present: **Senators Bekkedahl, Krebsbach, Burckhard, Davison, Dever, Dwyer, Kreun, Meyer, Schaible, Sorvaag, Vedaa, Wanzek, Rust, and Mathern.**

Members absent: **Senator Erbele, Roers.**

Discussion Topics:

- Committee Action

10:59 AM Senator Schaible introduced Amendment LC 23.8076.02004

11:00 AM Senator Schaible moved to adopt Amendment 23.8076.02004.

11:00 AM Senator Rust seconded the motion.

11:01 AM Roll call vote

Senators	Vote
Senator Brad Bekkedahl	Y
Senator Karen K. Krebsbach	Y
Senator Randy A. Burckhard	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	A
Senator Curt Kreun	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Jim P. Roers	A
Senator Donald Schaible	Y
Senator Ronald Sorvaag	Y
Senator Shawn Vedaa	Y
Senator Terry M. Wanzek	Y
Senator Rust	Y

Amendment passed 14-0-2

11:02 AM Senator Schaible moved DO PASS AS AMENDED.

11:03 AM Senator Sorvaag seconded the motion.

11:02 AM Roll call vote

Senators	Vote
Senator Brad Bekkedahl	Y
Senator Karen K. Krebsbach	Y
Senator Randy A. Burckhard	Y
Senator Kyle Davison	Y
Senator Dick Dever	Y
Senator Michael Dwyer	Y
Senator Robert Erbele	A
Senator Curt Kreun	Y
Senator Tim Mathern	Y
Senator Scott Meyer	Y
Senator Jim P. Roers	Y
Senator Donald Schaible	Y
Senator Ronald Sorvaag	Y
Senator Shawn Vedaa	Y
Senator Terry M. Wanzek	Y
Senator Rust	Y

Motion Passed 15-0-1

Senator Schaible will carry the bill.

11:03 AM Senator Bekkedahl closed the meeting.

Kathleen Hall, Committee Clerk

DR
171
2-13-23

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2089

Page 1, line 3, replace "an appropriation" with "for a transfer"

Page 1, line 9, remove "onsite"

Page 1, line 9, after "systems" insert "on an oil or gas well site or gathering pipeline facility"

Page 2, line 20, replace "**APPROPRIATION -**" with "**TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO**"

Page 2, line 21, remove "There is appropriated out of any moneys in the general fund in the state"

Page 2, remove line 22

Page 2, line 23, replace "necessary," with "The office of management and budget shall transfer the sum of \$7,500,000 from the strategic investment and improvements fund"

Page 2, line 23, remove "for the purpose of"

Page 2, line 24, remove "providing grants"

Page 2, line 24, replace "for" with "during"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment:

- Expands the allowable uses for incentives related to capturing or using natural gas to include oil and gas well sites and gathering pipeline facilities.
- Replaces an appropriation of \$15 million from the general fund with a transfer of \$7.5 million from the strategic investment and improvements fund.

REPORT OF STANDING COMMITTEE

SB 2089, as engrossed: Appropriations Committee (Sen. Bekkedahl, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2089 was placed on the Sixth order on the calendar. This bill affects workforce development.

Page 1, line 3, replace "an appropriation" with "for a transfer"

Page 1, line 9, remove "onsite"

Page 1, line 9, after "systems" insert "on an oil or gas well site or gathering pipeline facility"

Page 2, line 20, replace "**APPROPRIATION -**" with "**TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO**"

Page 2, line 21, remove "There is appropriated out of any moneys in the general fund in the state"

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Page 2, line 24, remove "providing grants"

Page 2, line 24, replace "for" with "during"

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment:

- Expands the allowable uses for incentives related to capturing or using natural gas to include oil and gas well sites and gathering pipeline facilities.
- Replaces an appropriation of \$15 million from the general fund with a transfer of \$7.5 million from the strategic investment and improvements fund.

2023 HOUSE FINANCE AND TAXATION

SB 2089

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

SB 2089
3/8/2023

A bill relating to clean natural gas capture and emissions reduction.

Vice Chairman Hagert opened the hearing at 9:02AM.

Members present: Vice Chairman Hagert, Representative Anderson, Representative Bosch, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, Representative Finley-DeVillie, and Representative Ista. **Members absent:** Chairman Headland.

Discussion Topics:

- Gas capture
- Cost share grant program
- Midstream natural gas capture
- Industry incentivization

Lynn Helms, Director of Mineral Resources with North Dakota Industrial Commission, introduced the bill in support (#22892).

Brady Pelton, representing the North Dakota Petroleum Council, testified in support (#22897).

Vice Chairman Hagert closed the hearing at 9:24AM.

Mary Brucker, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

SB 2089
3/15/2023

A bill relating to clean natural gas capture and emissions reduction.

Chairman Headland opened the meeting at 2:47PM.

Members present: Chairman Headland, Vice Chairman Hagert, Representative Anderson, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, and Representative Ista. **Members absent:** Representative Bosch, Representative Toman, and Representative Finley-DeVille.

Discussion Topics:

- Proposed amendment 23.8076.03001
- Committee vote

Chairman Headland distributed a proposed amendment 23.8076.03001 (#25328).

Representative Dockter moved amendment **23.8076.03001**.

Representative Olson seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	AB
Representative Jason Dockter	Y
Representative Lisa Finley-DeVille	AB
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	AB

Motion carried 11-0-3

Representative Olson moved a **Do Pass as Amended and Rerefer to Appropriations**.

Representative Anderson seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	Y
Representative Jared Hagert	Y
Representative Dick Anderson	Y
Representative Glenn Bosch	AB
Representative Jason Dockter	Y
Representative Lisa Finley-DeVill	AB
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	AB

Motion carried 11-0-3

Representative Anderson is the bill carrier.

Chairman Headland adjourned at 2:52PM.

Mary Brucker, Committee Clerk

DR
171
3-15-23

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2089

Page 1, line 1, replace "sections" with "section"

Page 1, line 1, remove "and 54-17.6-06.2"

Page 1, line 2, after the semicolon insert "and"

Page 1, line 3, remove "; and to provide a continuing appropriation"

Page 2, remove lines 12 through 19

Page 2, line 21, replace "**CLEAN NATURAL GAS CAPTURE AND EMISSIONS REDUCTION**"
with "**OIL AND GAS RESEARCH**"

Page 2, line 22, replace "\$7,500,000" with "\$1,000,000"

Page 2, line 23, replace "clean natural gas capture and emissions reduction" with "oil and gas
research"

Page 2, line 24, replace "54-17.6-06.1" with "57-51.1-07.3"

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2089, as reengrossed: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). Reengrossed SB 2089 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "sections" with "section"

Page 1, line 1, remove "and 54-17.6-06.2"

Page 1, line 2, after the semicolon insert "and"

Page 1, line 3, remove "; and to provide a continuing appropriation"

Page 2, remove lines 12 through 19

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Page 2, line 22, replace "\$7,500,000" with "\$1,000,000"

Page 2, line 23, replace "clean natural gas capture and emissions reduction" with "oil and gas research"

Page 2, line 24, replace "54-17.6-06.1" with "57-51.1-07.3"

Renumber accordingly

2023 HOUSE APPROPRIATIONS

SB 2089

2023 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Brynhild Haugland Room, State Capitol

SB 2089
3/30/2023

Relating to clean natural gas capture and emissions reduction; and to provide for a transfer
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9:18 AM Chairman Vigesaa Called the meeting to order and roll call was taken-

All Members Present; Chairman Vigesaa, Representative Kempenich, Representative B. Anderson, Representative Bellew, Representative Brandenburg, Representative Hanson, Representative Kreidt, Representative Martinson, Representative Mitskog, Representative Meier, Representative Mock, Representative Monson, Representative Nathe, Representative J. Nelson, Representative O'Brien, Representative Pyle, Representative Richter, Representative Sanford, Representative Schatz, Representative Schobinger, Representative Strinden, Representative G. Stemen and Representative Swiontek.

Discussion Topics:

- Oil Production
- Decreased Funds

Representative Bosch- Introduces the bill and its purpose.

Reice Haas- Deputy Director, ND Industrial Commission- Clarifies some information for the committee.

Representative Kempenich- Move to amend by removing section 2 and do some bill clean up in section 1 page 2

Representative Monson Seconds the motion.

Committee discussion Roll call vote;

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	Y
Representative Mike Brandenburg	A
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	N
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	Y
Representative David Monson	Y

Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y
Representative David Richter	N
Representative Mark Sanford	N
Representative Mike Schatz	Y
Representative Randy A. Schobinger	Y
Representative Greg Stemen	Y
Representative Michelle Strinden	Y
Representative Steve Swiontek	N

Motion 18-4-1

Representative Kempenich- Move for a Do Pass as Amended

Representative Meier- Seconds the motion.

Committee Discussion- Roll call vote

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	Y
Representative Bert Anderson	Y
Representative Larry Bellew	Y
Representative Mike Brandenburg	Y
Representative Karla Rose Hanson	Y
Representative Gary Kreidt	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	Y
Representative Corey Mock	Y
Representative David Monson	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy Pyle	Y
Representative David Richter	N
Representative Mark Sanford	Y
Representative Mike Schatz	Y
Representative Schobinger	Y
Representative Greg Stemen	Y
Representative Michelle Strinden	Y
Representative Steve Swiontek	Y

Motion Carries 22-1-0 Representative Kempenich will carry the bill.

9:37 AM Chairman Vigesaa Closed the meeting for SB 2089

Risa Berube, Committee Clerk

AGS
3-30-23
(1-1)

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2089

In lieu of the amendments adopted by the House as printed on page 1266 of the House Journal, Reengrosseed Senate Bill No. 2089 is amended as follows:

Page 1, line 1, replace "sections" with "section"

Page 1, line 1, remove "and 54-17.6-06.2"

Page 1, line 2, remove "; to provide"

Page 1, line 3, remove "for a transfer; and to provide a continuing appropriation"

Page 1, line 22, replace "chapter" with "section"

Page 2, line 4, replace "chapter" with "section"

Page 2, line 6, remove "natural gas capture and"

Page 2, line 7, replace "utilization incentive" with "oil and gas research"

Page 2, line 9, replace "chapter" with "section"

Page 2, remove lines 12 through 24

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes a transfer from the strategic investment and improvements fund to the oil and gas research fund for the clean natural gas capture and emissions reduction program.

REPORT OF STANDING COMMITTEE

SB 2089, as reengrossed and amended: Appropriations Committee (Rep. Vigesaa, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (22 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). Reengrossed SB 2089, as amended, was placed on the Sixth order on the calendar.

In lieu of the amendments adopted by the House as printed on page 1266 of the House Journal, Reengrossed Senate Bill No. 2089 is amended as follows:

Page 1, line 1, replace "sections" with "section"

Page 1, line 1, remove "and 54-17.6-06.2"

Page 1, line 2, remove "; to provide"

Page 1, line 3, remove "for a transfer; and to provide a continuing appropriation"

Page 1, line 22, replace "chapter" with "section"

Page 2, line 4, replace "chapter" with "section"

Page 2, line 6, remove "natural gas capture and"

Page 2, line 7, replace "utilization incentive" with "oil and gas research"

Page 2, line 9, replace "chapter" with "section"

Page 2, remove lines 12 through 24

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment removes a transfer from the strategic investment and improvements fund to the oil and gas research fund for the clean natural gas capture and emissions reduction program.

2023 CONFERENCE COMMITTEE

SB 2089

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2089
4/20/2023
Conference Committee

Relating to the oil extraction tax credit for gas flaring mitigation.

4:36 PM Chairman Kannianen opened hearing.

Present: **Senator Kannianen, Senator Patten, Senator Piepkorn, Representative Bosch, Representative Anderson, Representative Meier**

Discussion Topics:

- Oil production
- Funding

4:41 PM Lynn Helms, Director for the Department of Mineral Resources, provided verbal information.

5:04 PM Chairman Kannianen adjourned meeting.

Nathan Liesen, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2089
4/21/2023
Conference Committee

Relating to the oil extraction tax credit for gas flaring mitigation.

3:30 PM Chairman Patten opened hearing.

Present: **Senator Kannianen, Senator Patten, Senator Piepkorn, Representative Bosch, Representative Anderson, Representative Meier**

Discussion Topics:

- Committee action

3:30 PM Lynn Helms, Director for ND Department of Mineral Resources, provided additional information verbally.

3:34 PM Recess

3:54 PM Representative Anderson moved DO PASS.

3:54 PM Representative Meier seconded.

3:55 PM Representative Anderson withdrew the motion.

3:55 PM Representative Meier withdrew the second.

3:55 PM Representative Anderson moved House to recede amendments and amend with LC 23.8076.03003.

3:55 PM Representative Meier seconded.

3:56 PM Motion passed 5-1-0.

3:56 PM Senator Kannianen will carry for Senate.
Representative Anderson will carry for House.

3:56 PM Chairman Patten adjourned meeting.

Nathan Liesen, Committee Clerk

April 21, 2023

AG
4-21-23
(1-1)

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2089

That the House recede from its amendments as printed on page 1328 of the Senate Journal and pages 1496 and 1497 of the House Journal and that Reengrossed Senate Bill No. 2089 be amended as follows:

Page 1, line 1, replace "sections" with "section"

Page 1, line 1, remove "and 54-17.6-06.2"

Page 1, line 2, remove "to provide"

Page 1, line 3, replace "for a transfer; and to provide a continuing appropriation" with "and to designate funding from the oil and gas research fund"

Page 1, line 22, replace "chapter" with "section"

Page 2, line 4, replace "chapter" with "section"

Page 2, line 6, remove "natural gas capture and"

Page 2, line 7, replace "utilization incentive" with "oil and gas research"

Page 2, line 9, replace "chapter" with "section"

Page 2, replace lines 12 through 24 with:

"SECTION 2. OIL AND GAS RESEARCH FUND - CLEAN NATURAL GAS CAPTURE AND EMISSIONS REDUCTION PROGRAM - ONE TIME FUNDING.

Pursuant to the continuing appropriation under section 57-51.1-07.3, the industrial commission shall use up to \$3,000,000 from the oil and gas research fund for the clean natural gas capture and emissions reduction program under section 54-17.6-06.1 for the biennium beginning July 1, 2023, and ending June 30, 2025. The designation under this section is considered a one-time funding item."

Re-number accordingly

**2023 SENATE CONFERENCE COMMITTEE
 ROLL CALL VOTES**

BILL/RESOLUTION NO. SB 2089 as (re) engrossed

Senate "Enter committee name" Committee

- Action Taken**
- SENATE accede to House Amendments**
 - SENATE accede to House Amendments and further amend**
 - HOUSE recede from House amendments**
 - HOUSE recede from House amendments and amend as follows**

 - Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Anderson D. Seconded by: Meier

Senators	4/20	4/21		Yes	No	Representatives	4/20	4/21		Yes	No
Patten, Dale (R) (Chair)	X	x		X		Bosch, Glenn (R)	x	X		x	
Kannianen, Jordan L. (R)	X	X		X		Anderson, Dick (R)	X	X		X	
Piepkorn, Merrill (D)	x	X			x	Meier, Lisa (R)	X	x		X	
Total Senate Vote				2	1	Total Rep. Vote				3	

Vote Count Yes: 5 No: 1 Absent: 0

Senate Carrier Kannianen House Carrier Anderson

LC Number 23.8076 . 03003 of amendment

LC Number 23.8076 . 06000 of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Insert LC: 23.8076.03003
Senate Carrier: Kannianen
House Carrier: D. Anderson

REPORT OF CONFERENCE COMMITTEE

SB 2089, as reengrossed: Your conference committee (Sens. Patten, Kannianen, Piepkorn and Reps. Bosch, D. Anderson, Meier) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ page 1328, adopt amendments as follows, and place SB 2089 on the Seventh order:

That the House recede from its amendments as printed on page 1328 of the Senate Journal and pages 1496 and 1497 of the House Journal and that Reengrossed Senate Bill No. 2089 be amended as follows:

Page 1, line 1, replace "sections" with "section"

Page 1, line 1, remove "and 54-17.6-06.2"

Page 1, line 2, remove "to provide"

Page 1, line 3, replace "for a transfer; and to provide a continuing appropriation" with "and to designate funding from the oil and gas research fund"

Page 1, line 22, replace "chapter" with "section"

Page 2, line 4, replace "chapter" with "section"

Page 2, line 6, remove "natural gas capture and"

Page 2, line 7, replace "utilization incentive" with "oil and gas research"

Page 2, line 9, replace "chapter" with "section"

Page 2, replace lines 12 through 24 with:

"SECTION 2. OIL AND GAS RESEARCH FUND - CLEAN NATURAL GAS CAPTURE AND EMISSIONS REDUCTION PROGRAM - ONE TIME FUNDING.

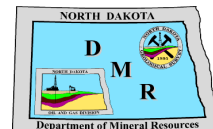
Pursuant to the continuing appropriation under section 57-51.1-07.3, the industrial commission shall use up to \$3,000,000 from the oil and gas research fund for the clean natural gas capture and emissions reduction program under section 54-17.6-06.1 for the biennium beginning July 1, 2023, and ending June 30, 2025. The designation under this section is considered a one-time funding item."

Renumber accordingly

Reengrossed SB 2089 was placed on the Seventh order of business on the calendar.

TESTIMONY

SB 2089



Testimony of Lynn D. Helms
Director, North Dakota Industrial Commission Department of Mineral Resources
January 4, 2023
Senate Finance and Taxation Committee
SB 2089

The North Dakota Industrial Commission (NDIC) Department of Mineral Resources (DMR) and NDIC Administration both pre-filed the proposed legislation, DMR as SB 2089 and NDIC Administration as Section 9 of HB1062.

The NDIC respectfully requests that you give SB 2089 a DO NOT PASS, allow the House to work on Section 9 of HB 1062 which you will see after crossover.

The NDIC will work with the Tax Department and others to address any concerns and to prepare an informed fiscal note.

Thank you for your time and consideration,

Lynn D Helms (handwritten signature)

Lynn D. Helms, PhD
Director

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Bruce E. Hicks
ASSISTANT DIRECTOR
OIL AND GAS DIVISION

Lynn D. Helms
DIRECTOR
DEPT. OF MINERAL RESOURCES

Edward C. Murphy
STATE GEOLOGIST
GEOLOGICAL SURVEY



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Senate Bill 2089
Testimony of Ron Ness
Senate Finance and Taxation Committee
January 4, 2023

Chairman Kannianen and members of the Committee, my name is Ron Ness, president of the North Dakota Petroleum Council (“NDPC”). The North Dakota Petroleum Council represents more than 600 companies in all aspects of the oil and gas industry, including oil and gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oilfield service activities in North Dakota. I appear before you today in general support of Senate Bill 2089.

Senate Bill 2089 is a strong message from the State of North Dakota in support of continued efforts to reduce flaring with innovation and technology. The Bakken is, first and foremost, an oil play. The abundant rich natural gas that is produced along with the oil has been a challenge for producers since the first big Bakken well was drilled in Parshall field in late 2006. We lacked the infrastructure necessary to capture the gas and our location, in the middle of the continent and far from the marketplace, made for challenging economics in managing the gas we were producing.

On top of that, the North Dakota Industrial Commission took steps to require oil operators to capture a specified percentage of their gas or face production restrictions. This was an additional challenge for operators and midstream developers, now with a deadline attached, to not only build processing plants but also get easements and pipelines built to every well site.

Seventeen years and over \$20 billion dollars later, industry has finally built the infrastructure to now capture about 95% of the natural gas produced each day. This is a huge achievement given the stubborn trend of low natural gas prices and the huge investments required to build the complex infrastructure related to handling and processing the Bakken’s rich natural gas. Frankly, it’s an amazing accomplishment and an applaudable solution to a highly publicized and controversial issue.

Two years ago, the 67th Legislative Assembly approved a flare mitigation tax credit designed to incentivize the capture an even greater percentage of the natural gas that might be stranded, either waiting for the pipeline to arrive or another plant to be expanded. Multiple operators chose to pursue that tax credit and utilize developing remote well site gas capture technologies. The flare mitigation tax credit legislation included a sunset, allowing the 68th Legislative Assembly to review and potentially make the tax credit permanent. Since passage in 2021, the gas capture challenge before us has changed. Today, the majority of instances where natural gas is not captured or otherwise utilized exist within well locations that are connected to a gas-gathering pipeline network. We believe the tax credit should similarly be adjusted to focus on a new goal of maximum gas capture rather than simple flare mitigation.

The North Dakota Petroleum Council supports continuing this important tax credit and expanding the language in Senate Bill 2089 to encourage even greater rates of natural gas capture in the state. Though the current bill contains some of this expansion language, we respectfully request additional time before Senate Finance and Taxation Committee action on this bill to allow for industry collaboration with the North Dakota Tax Commissioners Office, the North Dakota Department of Mineral Resources, research entities, and other supporting partners. This collaboration will allow for the most appropriate amendment language to be introduced to this Committee for consideration, with the goal of maximizing gas capture throughout the oil-producing region of North Dakota.

We thank you for your consideration of this approach. I would be happy to answer any questions.

23.8076.01002
Title.02000

Adopted by the Senate Finance and Taxation
Committee

January 17, 2023

PROPOSED AMENDMENTS TO SENATE BILL NO. 2089

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact sections 54-17.6-06.1 and 54-17.6-06.2 of the North Dakota Century Code, relating to clean natural gas capture and emissions reduction; to provide an appropriation; and to provide a continuing appropriation.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Section 54-17.6-06.1 of the North Dakota Century Code is created and enacted as follows:

54-17.6-06.1. Clean natural gas capture and emissions reduction program.

1. The clean natural gas capture and emissions reduction program shall provide an incentive for onsite natural gas capture and utilization systems which collect or utilizes over fifty percent of propane and heavier hydrocarbons from an oil and gas well site for beneficial use by:
 - a. Compressing or liquefying gas for artificial lift, uses as fuel, or for nonpipeline transport to a processing facility;
 - b. Conversion to liquid fuels;
 - c. Conversion to electricity for onsite use or supply to the electrical grid;
 - d. Conversion to computational power;
 - e. Collection of tank vapors for beneficial use or transport to a processing facility;
 - f. Temporary gas injection into producing wells in lieu of flaring or shutting in wells; or
 - g. Other value-added processes as approved by the industrial commission.
2. The commission is granted all the powers necessary and appropriate to effectuate the provisions of this chapter.
3. The commission:
 - a. May make grants or loans or provide other forms of financial assistance as necessary or appropriate to qualified entities for activities under subsection 1;
 - b. Shall keep accurate records of all financial transactions performed under this chapter;

- c. May accept donations, grants, federal funds, contributions, and gifts from any public or private source and deposit such in the natural gas capture and utilization incentive fund;
- d. May make and explore orders, rules, and policies necessary to effectuate the purpose of this chapter; and
- e. Shall consult with the council in matters of policy affecting the administration of the clean natural gas capture and emissions reduction program.

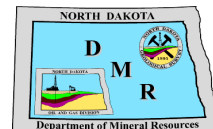
SECTION 2. Section 54-17.6-06.2 of the North Dakota Century Code is created and enacted as follows:

54-17.6-06.2. Clean natural gas capture and emissions reduction fund - Continuing appropriation.

The clean natural gas capture and emissions reduction fund is hereby created as a special fund in the state treasury. All funds in the clean natural gas capture and emissions reduction fund are appropriated to the industrial commission on a continuing basis to effectuate the purposes of this chapter. All interest earned by the fund must be credited to the fund.

SECTION 3. APPROPRIATION - CLEAN NATURAL GAS CAPTURE AND EMISSIONS REDUCTION FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$15,000,000, or so much of the sum as may be necessary, to the clean natural gas capture and emissions reduction fund for the purpose of providing grants under section 54-17.6-06.1, for the biennium beginning July 1, 2023, and ending June 30, 2025."

Renumber accordingly



Testimony of Lynn D. Helms
Director, North Dakota Industrial Commission Department of Mineral Resources
January 4, 2023
Senate Finance and Taxation Committee
SB 2089

The North Dakota Industrial Commission (NDIC) Department of Mineral Resources (DMR) and NDIC Administration both pre-filed the proposed legislation, DMR as SB 2089 and NDIC Administration as Section 9 of HB1062.

The NDIC respectfully requests that you give SB 2089 a DO NOT PASS, allow the House to work on Section 9 of HB 1062 which you will see after crossover.

The NDIC will work with the Tax Department and others to address any concerns and to prepare an informed fiscal note.

Thank you for your time and consideration,

Lynn D Helms (handwritten signature)

Lynn D. Helms, PhD
Director

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Senate Bill 2089
Testimony of Ron Ness
Senate Finance and Taxation Committee
January 4, 2023

Chairman Kannianen and members of the Committee, my name is Ron Ness, president of the North Dakota Petroleum Council (“NDPC”). The North Dakota Petroleum Council represents more than 600 companies in all aspects of the oil and gas industry, including oil and gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oilfield service activities in North Dakota. I appear before you today in general support of Senate Bill 2089.

Senate Bill 2089 is a strong message from the State of North Dakota in support of continued efforts to reduce flaring with innovation and technology. The Bakken is, first and foremost, an oil play. The abundant rich natural gas that is produced along with the oil has been a challenge for producers since the first big Bakken well was drilled in Parshall field in late 2006. We lacked the infrastructure necessary to capture the gas and our location, in the middle of the continent and far from the marketplace, made for challenging economics in managing the gas we were producing.

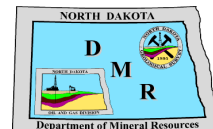
On top of that, the North Dakota Industrial Commission took steps to require oil operators to capture a specified percentage of their gas or face production restrictions. This was an additional challenge for operators and midstream developers, now with a deadline attached, to not only build processing plants but also get easements and pipelines built to every well site.

Seventeen years and over \$20 billion dollars later, industry has finally built the infrastructure to now capture about 95% of the natural gas produced each day. This is a huge achievement given the stubborn trend of low natural gas prices and the huge investments required to build the complex infrastructure related to handling and processing the Bakken’s rich natural gas. Frankly, it’s an amazing accomplishment and an applaudable solution to a highly publicized and controversial issue.

Two years ago, the 67th Legislative Assembly approved a flare mitigation tax credit designed to incentivize the capture an even greater percentage of the natural gas that might be stranded, either waiting for the pipeline to arrive or another plant to be expanded. Multiple operators chose to pursue that tax credit and utilize developing remote well site gas capture technologies. The flare mitigation tax credit legislation included a sunset, allowing the 68th Legislative Assembly to review and potentially make the tax credit permanent. Since passage in 2021, the gas capture challenge before us has changed. Today, the majority of instances where natural gas is not captured or otherwise utilized exist within well locations that are connected to a gas-gathering pipeline network. We believe the tax credit should similarly be adjusted to focus on a new goal of maximum gas capture rather than simple flare mitigation.

The North Dakota Petroleum Council supports continuing this important tax credit and expanding the language in Senate Bill 2089 to encourage even greater rates of natural gas capture in the state. Though the current bill contains some of this expansion language, we respectfully request additional time before Senate Finance and Taxation Committee action on this bill to allow for industry collaboration with the North Dakota Tax Commissioners Office, the North Dakota Department of Mineral Resources, research entities, and other supporting partners. This collaboration will allow for the most appropriate amendment language to be introduced to this Committee for consideration, with the goal of maximizing gas capture throughout the oil-producing region of North Dakota.

We thank you for your consideration of this approach. I would be happy to answer any questions.



**Testimony of Lynn D. Helms
Director, North Dakota Industrial Commission Department of Mineral Resources
March 8, 2023
House Finance and Taxation Committee
SB 2089**

The North Dakota Industrial Commission (NDIC) Department of Mineral Resources (DMR) respectfully requests that you amend SB 2089 and give it a DO PASS.

The 2021 version of this statute achieved only approximately 10% of the expected results due to the complexity of implementing the Oil Extraction Tax (OET) reduction and the limits placed on applications of the incentive. The amended version you have before you removes the sunset, changes the incentive to a cost share grant program, and expands the application of the incentive to midstream operators and new technologies.

North Dakota gas capture has been stable at 94-96% for approximately 18 months. Funding this program at \$15 million during the 2023-2025 biennium is expected to incentive flare mitigation investment at 200 facilities resulting in at least a 1% increase in gas capture rates.

Increased gas capture of just 1% statewide would result in 10.79 billion cubic feet and 2,307,988 barrels increased taxable volumes during the biennium. At \$62.50 per barrel oil price and \$0.0905 per thousand cubic feet gross production tax (GPT) additional revenue of \$15,401,453 GPT and OET would result.

Thank you for your time and consideration,

A handwritten signature in blue ink that reads "Lynn D Helms".

Lynn D. Helms, PhD
Director

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Senate Bill 2089
Testimony of Brady Pelton
House Finance and Taxation Committee
March 8, 2023

Chairman Headland and members of the Committee, my name is Brady Pelton, Vice President of the North Dakota Petroleum Council (“NDPC”). The North Dakota Petroleum Council represents more than 600 companies involved in all aspects of the oil and gas industry, including oil and gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oilfield service activities in North Dakota. I appear before you today in support of Senate Bill 2089.

Senate Bill 2089 is a strong message from the State of North Dakota in support of continued efforts to maximize clean energy production through technology and innovation. The Bakken is, first and foremost, an oil play. The abundant rich natural gas that is produced along with the oil has been a challenge for producers since the first big Bakken well was drilled in Parshall field in late 2006. We lacked the infrastructure necessary to capture the gas and the location of our state in the middle of the continent and far from the marketplace made for challenging economics in managing the gas our industry was producing.

In addition, the North Dakota Industrial Commission took steps to require oil operators to capture a specified percentage of their gas or face production restrictions. This was an added challenge for operators and midstream developers to not only build processing plants, but also get easements and pipelines built to every well site – all with a deadline attached.

Seventeen years and over \$20 billion dollars in gas capture and processing investments later, industry has built the infrastructure to now capture about 95 percent of the natural gas produced in North Dakota each day. This is a huge achievement given the stubborn trend of low natural gas prices and the staggering investments required to build the complex infrastructure related to handling and processing the Bakken’s rich

natural gas. Frankly, it's an amazing accomplishment and an applaudable solution to a highly publicized and controversial issue.

Two years ago, the 67th Legislative Assembly approved a flare mitigation tax credit designed to incentivize the capture an even greater percentage of the natural gas that might be stranded, either waiting for the pipeline to arrive or another plant to be expanded. Multiple operators chose to pursue that tax credit and utilize developing remote well site gas capture technologies. The flare mitigation tax credit legislation included a sunset, allowing the 68th Legislative Assembly to review and potentially make the tax credit permanent. Since passage in 2021, the gas capture challenge before us has changed. Today, the majority of instances where natural gas is not captured or otherwise utilized exist within well locations that are connected to a gas-gathering pipeline network. We believe the gas capture incentive created in 2021 should similarly be adjusted to focus on a new goal of maximum gas capture rather than simple flare mitigation.

The North Dakota Petroleum Council supports the amendments made to Senate Bill 2089 before it crossed over that changed this important incentive from a tax credit to a grant program. Through grant dollars awarded by the technical experts of the Oil and Gas Research Council and approved by the North Dakota Industrial Commission, producers and midstream operators will have the economic leverage they need to make additional investments in gas capture and utilization technology, ultimately resulting in an even higher rate of natural gas capture in the state and the continuation of North Dakota producing the cleanest barrel of oil in the world.

NDPC urges your support for the innovation needed to take North Dakota oil production to an even cleaner level with a **Do Pass recommendation** on Senate Bill 2089. I would be happy to answer any questions.

23.8076.03001
Title.

Prepared by the Legislative Council staff for
Representative Headland
March 15, 2023

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2089

Page 1, line 1, replace "sections" with "section"

Page 1, line 1, remove "and 54-17.6-06.2"

Page 1, line 2, after the semicolon insert "and"

Page 1, line 3, remove "; and to provide a continuing appropriation"

Page 2, remove lines 12 through 19

Page 2, line 21, replace "**CLEAN NATURAL GAS CAPTURE AND EMISSIONS REDUCTION**"
with "**OIL AND GAS RESEARCH**"

Page 2, line 22, replace "\$7,500,000" with "\$1,000,000"

Page 2, line 23, replace "clean natural gas capture and emissions reduction" with "oil and gas
research"

Page 2, line 24, replace "54-17.6-06.1" with "57-51.1-07.3"

Renumber accordingly

Sixty-eighth
Legislative Assembly
of North Dakota

REENGROSSED SENATE BILL NO. 2089

Introduced by

Finance and Taxation Committee

(At the request of the Department of Mineral Resources)

1 A BILL for an Act to create and enact ~~sections~~section 54-17.6-06.1 ~~and 54-17.6-06.2~~ of the
2 North Dakota Century Code, relating to clean natural gas capture and emissions reduction; and
3 to provide for a transfer; ~~and to provide a continuing appropriation.~~

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

5 **SECTION 1.** Section 54-17.6-06.1 of the North Dakota Century Code is created and
6 enacted as follows:

7 **54-17.6-06.1. Clean natural gas capture and emissions reduction program.**

8 1. The clean natural gas capture and emissions reduction program shall provide an
9 incentive for natural gas capture and utilization systems on an oil or gas well site or
10 gathering pipeline facility which collect or utilizes over fifty percent of propane and
11 heavier hydrocarbons from an oil and gas well site for beneficial use by:

12 a. Compressing or liquefying gas for artificial lift, uses as fuel, or for nonpipeline
13 transport to a processing facility;

14 b. Conversion to liquid fuels;

15 c. Conversion to electricity for onsite use or supply to the electrical grid;

16 d. Conversion to computational power;

17 e. Collection of tank vapors for beneficial use or transport to a processing facility;

18 f. Temporary gas injection into producing wells in lieu of flaring or shutting in wells;
19 or

20 g. Other value-added processes as approved by the industrial commission.

21 2. The commission is granted all the powers necessary and appropriate to effectuate the
22 provisions of this chapter.

23 3. The commission:

- 1 a. May make grants or loans or provide other forms of financial assistance as
2 necessary or appropriate to qualified entities for activities under subsection 1;
3 b. Shall keep accurate records of all financial transactions performed under this
4 chapter;
5 c. May accept donations, grants, federal funds, contributions, and gifts from any
6 public or private source and deposit such in the natural gas capture and
7 utilization incentive fund;
8 d. May make and explore orders, rules, and policies necessary to effectuate the
9 purpose of this chapter; and
10 e. Shall consult with the council in matters of policy affecting the administration of
11 the clean natural gas capture and emissions reduction program.

12 ~~SECTION 2. Section 54-17.6-06.2 of the North Dakota Century Code is created and~~
13 ~~enacted as follows:~~

14 ~~54-17.6-06.2. Clean natural gas capture and emissions reduction fund – Continuing~~
15 ~~appropriation.~~

16 ~~The clean natural gas capture and emissions reduction fund is hereby created as a special~~
17 ~~fund in the state treasury. All funds in the clean natural gas capture and emissions reduction~~
18 ~~fund are appropriated to the industrial commission on a continuing basis to effectuate the~~
19 ~~purposes of this chapter. All interest earned by the fund must be credited to the fund.~~

20 **SECTION 2. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO**
21 ~~**CLEAN NATURAL GAS CAPTURE AND EMISSIONS REDUCTION**~~**OIL AND GAS**

22 **RESEARCH FUND.** The office of management and budget shall transfer the sum of
23 ~~\$7,500,000~~**\$1,000,000** from the strategic investment and improvements fund to the ~~clean~~
24 ~~natural gas capture and emissions reduction~~**oil and gas research** fund under section
25 ~~54-17.6-06.157-51.1-07.3~~, during the biennium beginning July 1, 2023, and ending June 30,
26 2025.

23.8076.02001
Title.

Prepared by the Legislative Council staff for
Senator Schaible
February 6, 2023

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2089

Page 1, line 9, remove "onsite"

Page 1, line 9, after "systems" insert "on an oil or gas well site or gathering pipeline facility"

Renumber accordingly

23.8076.03003
Title.06000

Adopted by the Conference Committee

April 21, 2023

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2089

That the House recede from its amendments as printed on page 1328 of the Senate Journal and pages 1496 and 1497 of the House Journal and that Reengrossed Senate Bill No. 2089 be amended as follows:

Page 1, line 1, replace "sections" with "section"

Page 1, line 1, remove "and 54-17.6-06.2"

Page 1, line 2, remove "to provide"

Page 1, line 3, replace "for a transfer; and to provide a continuing appropriation" with "and to designate funding from the oil and gas research fund"

Page 1, line 22, replace "chapter" with "section"

Page 2, line 4, replace "chapter" with "section"

Page 2, line 6, remove "natural gas capture and"

Page 2, line 7, replace "utilization incentive" with "oil and gas research"

Page 2, line 9, replace "chapter" with "section"

Page 2, replace lines 12 through 24 with:

**"SECTION 2. OIL AND GAS RESEARCH FUND - CLEAN NATURAL GAS
CAPTURE AND EMISSIONS REDUCTION PROGRAM - ONE TIME FUNDING.**

Pursuant to the continuing appropriation under section 57-51.1-07.3, the industrial commission shall use up to \$3,000,000 from the oil and gas research fund for the clean natural gas capture and emissions reduction program under section 54-17.6-06.1 for the biennium beginning July 1, 2023, and ending June 30, 2025. The designation under this section is considered a one-time funding item."

Re-number accordingly