

**FIRST ENGROSSMENT
with House Amendments
ENGROSSED SENATE BILL NO. 2212**

Introduced by

Senators Bekkedahl, Patten, Unruh

Representatives Hatlestad, Jones, Steiner

1 A BILL for an Act to amend and reenact section 47-16-39.2 of the North Dakota Century Code,
2 relating to the inspection of production and royalty payment records by the board of university
3 and school lands; and to provide a penalty.

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

5 **SECTION 1. AMENDMENT.** Section 47-16-39.2 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **47-16-39.2. Inspection of production and royalty payment records - Penalty.**

8 1. A royalty owner, a royalty owner's assignee, or a designated representative, upon
9 written notice, is entitled to inspect and copy the oil and gas production and royalty
10 payment records for the lease of the person obligated to pay royalties under the lease
11 or division order. The person obligated to pay royalties under the lease shall make that
12 person's oil and gas royalty payment and production records available for inspection
13 and copying at that person's usual and customary place of business within the United
14 States. A royalty owner may bring an action to compel the person obligated to pay
15 royalties to allow inspection and copying of oil and gas production royalty payment
16 records. In order for the royalty owner to prevail in such an action, the royalty owner
17 must establish that:

18 1. a. The royalty owner or the royalty owner's assignee complied with notice
19 requirements of this section;

20 2. b. The notice specified the lease involved, the time period under review and the
21 records requested;

22 3. c. The royalty owner notified the person obligated to pay royalties at the address
23 printed on the information statement as prescribed by rules adopted by the
24 industrial commission pursuant to section 38-08-06.3; and

- 1 4. d. The person obligated to pay royalties denied inspection of the records or failed to
2 respond within thirty days of service of notice.
- 3 2. The district court for the county in which the oil or gas well is located has jurisdiction
4 over all proceedings brought pursuant to this section. If the royalty owner or the royalty
5 owner's assignee is successful in any proceeding brought pursuant to this section, the
6 district court shall allow the royalty owner or the royalty owner's assignee to recover
7 court costs; reasonable costs, fees, disbursements, and expenses incurred by the
8 royalty owner or the royalty owner's assignee or a designated representative in
9 inspecting and copying the oil and gas production and royalty payment records of the
10 person obligated to pay royalties under the lease; and reasonable attorney's fees.
- 11 3. If a royalty owner, a royalty owner's assignee, or a designated representative is the
12 board of university and school lands:
- 13 a. The records in subsection 1 must be sent electronically, or in a manner
14 acceptable to the board, to a location designated by the board.
- 15 b. Notwithstanding subsection 2, at the discretion of the board, a proceeding
16 brought under this section may be brought in the district court of Burleigh County
17 or in the county in which the oil or gas well is located.
- 18 4. If the board of university and school lands is successful in any proceeding brought
19 under this section, the district court shall allow the board to recover court costs;
20 reasonable costs, fees, disbursements, and expenses incurred by the board in
21 inspecting the copying the oil and gas production and royalty payment records of the
22 person obligated to pay royalties under the lease; and reasonable attorney's fees.
- 23 a. The district court also shall assess a civil penalty of two thousand dollars per day
24 for each day the person obligated to pay royalties under the lease failed to send
25 the oil and gas royalty payment and production records to the board in
26 accordance with subsection 1.
- 27 b. The civil penalty under subdivision a ceases to accrue on the date the
28 proceedings are initiated under subsection 1.