

**THIRD ENGROSSMENT
with Conference Committee Amendments
REENGROSSED SENATE BILL NO. 2319**

Introduced by

Senator Kannianen

1 A BILL for an Act to create and enact a new section to chapter 57-51.1 of the North Dakota
2 Century Code, relating to distribution of revenue from wells located outside reservation
3 boundaries; and to provide for application.

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

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

7 **Straddle well distribution.**

- 8 1. By August 1, 2021, and on or before April thirtieth of each subsequent fiscal year, the
9 industrial commission shall certify to the tax commissioner the on-reservation trust
10 lands acreage ratio and the on-reservation nontrust lands acreage ratio for each
11 reservation with on-reservation spacing unit acreage. For each reservation, the
12 on-reservation trust lands acreage ratio is calculated by dividing the on-reservation
13 spacing unit acreage consisting of trust lands by the total spacing unit acreage. For
14 each reservation, the on-reservation nontrust lands acreage ratio is calculated by
15 dividing the on-reservation spacing unit acreage consisting of nontrust lands by the
16 total spacing unit acreage. The on-reservation acreage ratios for each reservation are
17 effective for taxable production each fiscal year beginning July first. By August 1,
18 2021, and on or before June first of each subsequent fiscal year, the tax commissioner
19 shall publish the on-reservation acreage ratios for each reservation.
- 20 2. The tax commissioner shall certify to the state treasurer the total oil and gas gross
21 production and oil extraction taxes attributable to production from straddle wells drilled
22 before July 1, 2019, by reservation, and the total oil and gas gross production and oil
23 extraction taxes attributable to production from straddle wells drilled on or after July 1,
24 2019, by reservation. Before allocation of the state's share of oil and gas tax revenues

1 under section 57-51.1-07.5, the state treasurer shall allocate monthly to the governing
2 body of a tribe associated with a reservation that has on-reservation spacing unit
3 acreage, an amount equal to:

4 a. Fifty percent of the taxes certified under this section for wells drilled before July 1,
5 2019, multiplied by the on-reservation trust lands acreage ratio calculated under
6 subsection 1 for that reservation;

7 b. Fifty percent of the taxes certified under this section for wells drilled before July 1,
8 2019, multiplied by the on-reservation nontrust lands acreage ratio calculated
9 under subsection 1 for that reservation;

10 c. Eighty percent of the taxes certified under this section for wells drilled on or after
11 July 1, 2019, multiplied by the on-reservation trust lands acreage ratio calculated
12 under subsection 1 for that reservation; and

13 d. Twenty percent of the taxes certified under this section for wells drilled on or after
14 July 1, 2019, multiplied by the on-reservation nontrust lands acreage ratio
15 calculated under subsection 1 for that reservation.

16 3. For purposes of this section:

17 a. "On-reservation spacing unit acreage" means the mineral acreage located within
18 the exterior boundaries of a reservation in this state from all spacing units with
19 one or more straddle wells.

20 b. "Straddle well" means an oil and gas well located outside the exterior boundaries
21 of a reservation which has one or more laterals penetrating a reservation
22 boundary.

23 c. "Total spacing unit acreage" means the total mineral acreage from all spacing
24 units with one or more straddle wells.

25 4. Upon accepting a payment under this section, if a tribe assesses any tax or fee or
26 imposes any regulation on any current or future straddle well, or assesses an
27 additional tax on any well subject to an agreement under chapter 57-51.2, the
28 agreement under chapter 57-51.2 is void and the state treasurer may not distribute
29 any funds to the tribe under this section or chapter 57-51.2.

30 **SECTION 2. APPLICATION.** This Act applies to oil and gas tax revenue collections
31 allocated by the state treasurer after September 1, 2021.