

Introduced by

Senators Mathern, Dotzenrod, Heckaman, Oban

Representatives Boschee, Jones

1 A BILL for an Act to amend and reenact section 38-08-06.4 of the North Dakota Century Code,
2 relating to restricting the flaring of gas.

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

4 **SECTION 1. AMENDMENT.** Section 38-08-06.4 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **38-08-06.4. Flaring of gas restricted - Imposition of tax - Payment of royalties -**
7 **Industrial commission authority.**

- 8 1. As permitted under rules of the industrial commission, gas produced with crude oil
9 from an oil well may be flared during a one-year period from the date of first production
10 from the well.
- 11 2. After the time period in subsection 1, flaring of gas from the well must cease and the
12 well must be:
- 13 a. Capped;
 - 14 b. Connected to a gas gathering line;
 - 15 c. Equipped with an electrical generator that consumes at least seventy-five percent
16 of the gas from the well;
 - 17 d. Equipped with a system that intakes at least seventy-five percent of the gas and
18 natural gas liquids volume from the well for beneficial consumption by means of
19 compression to liquid for use as fuel, transport to a processing facility, production
20 of petrochemicals or fertilizer, conversion to liquid fuels, separating and collecting
21 over fifty percent of the propane and heavier hydrocarbons; or
 - 22 e. Equipped with other value-added processes as approved by the industrial
23 commission which reduce the volume or intensity of the flare by more than sixty
24 percent.

- 1 3. An electrical generator and its attachment units to produce electricity from gas and a
2 collection system described in subdivision d of subsection 2 must be considered to be
3 personal property for all purposes.
- 4 4. For a well operated in violation of this section, the producer shall pay royalties to
5 royalty owners upon the value of the flared gas and shall also pay gross production tax
6 on the flared gas at the rate imposed under section 57-51-02.2.
- 7 5. The industrial commission ~~may~~shall enforce this section and, for each well operator
8 found to be in violation of this section, ~~may~~shall determine the value of flared gas for
9 purposes of payment of royalties under this section and its determination is final.
- 10 6. A producer may obtain an exemption from this section from the industrial commission
11 ~~upon application that shows to the satisfaction of the industrial commission that~~
12 ~~connection of the well to a natural gas gathering line is economically infeasible at the~~
13 ~~time of the application or in the foreseeable future or that a market for the gas is not~~
14 ~~available and that equipping the well with an electrical generator to produce electricity~~
15 ~~from gas or employing a collection system described in subdivision d of subsection 2~~
16 ~~is economically infeasible~~to continue flaring beyond one year, but the producer shall
17 pay royalties and gross production tax on the flared gas at the rate imposed under
18 section 57-51-02.2 on the value of flared gas at the current market value of raw natural
19 gas as determined by the industrial commission.