Adopted by the Finance and Taxation Committee
March 31, 2005

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1530

Page 1, line 3, remove "horizontal or wildcat"

Page 1, line 4, after "57-51.1-02" insert "and subsection 3 of section 57-51.1-03" and after "reduction" insert "and exemption"

Page 1, line 5, remove "horizontal or wildcat", after the first semicolon insert "and", and replace "; to provide an expiration" with a period

Page 1, remove line 6

Page 1, line 23, after "57-51.1-03" insert "<u>, not subject to subsection 6,</u>"

Page 2, line 8, overstrike "or"

Page 2, line 11, overstrike the period and insert immediately thereafter "<u>; or</u>

<u>6.</u> <u>For oil produced from wells spudded after June 30, 2005, and not otherwise exempt under section 57-51.1-03, oil extracted is subject to a reduced rate of five percent of the gross value at the well under this section for production through June 30, 2006, and a reduced rate of four percent for production after June 30, 2006. If a well taxed at the rate under this section spudded before July 1, 2007, becomes eligible for exemption under subsection 3 of section 57-51.1-03, the exemption does not apply to production from that well until three additional months of production from that well is taxed under this subsection after the exemption would otherwise have applied.</u>"

Page 2, line 13, overstrike "all taxable" and insert immediately thereafter "<u>those</u>" and after "wells" insert "<u>identified in subsections 1 through 5 and not otherwise exempt under section 57-51.1-03</u>"

Page 2, after line 17, insert:

"**SECTION 3. AMENDMENT.** Subsection 3 of section 57-51.1-03 of the North Dakota Century Code is amended and reenacted as follows:

3. For a well drilled and completed as a vertical well, the initial production of oil from the well is exempt from any taxes imposed under this chapter for a period of fifteen months, except that oil produced from any well drilled and completed as a horizontal well is exempt from any taxes imposed under this chapter for a period of twenty-four months. <u>The exemption under this subsection for a well spudded after June 30, 2005, and before July 1, 2007, applies to only the first one hundred ten thousand barrels of oil produced from the well or to the time period specified in this subsection, whichever is reached first.</u> Oil recovered during testing prior to well completion is exempt from the oil extraction tax. The exemption under this subsection becomes ineffective if the average price of a barrel of crude oil exceeds the trigger price for each month in any consecutive five-month period. However, the exemption is reinstated if, after the trigger provision becomes

effective, the average price of a barrel of crude oil is less than the trigger price for each month in any consecutive five-month period."

Page 2, line 22, remove "horizontal or"

Page 2, line 23, remove "horizontal or"

Page 2, line 29, remove "**- EXPIRATION DATE**"

Page 2, line 30, remove "horizontal or wildcat" and replace "for which a permit is granted or renewed under" with "that are spudded"

Page 2, line 31, remove "section 38-08-05" and replace "and before July 1, 2009, and is" with a period

Page 3, remove lines 1 through 3

Renumber accordingly