

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.