

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.~~ for an Act to provide for a legislative management study
3 of flaring rates and the flaring of gas.

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

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

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

9 ~~—~~ 1. ~~As permitted under rules of the industrial commission, gas produced with crude oil~~
10 ~~from an oil well may be flared during a one-year period from the date of first production~~
11 ~~from the well.~~

12 ~~—~~ 2. ~~After the time period in subsection 1, flaring of gas from the well must cease and the~~
13 ~~well must be:~~

14 ~~—~~ a. ~~Capped;~~

15 ~~—~~ b. ~~Connected to a gas-gathering line;~~

16 ~~—~~ c. ~~Equipped with an electrical generator that consumes at least seventy-five percent~~
17 ~~of the gas from the well;~~

18 ~~—~~ d. ~~Equipped with a system that intakes at least seventy-five percent of the gas and~~
19 ~~natural gas liquids volume from the well for beneficial consumption by means of~~
20 ~~compression to liquid for use as fuel, transport to a processing facility, production~~
21 ~~of petrochemicals or fertilizer, conversion to liquid fuels, separating and collecting~~
22 ~~over fifty percent of the propane and heavier hydrocarbons; or~~

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

23 **SECTION 1. LEGISLATIVE MANAGEMENT STUDY - FLARING RATES.** During the
24 2019-20 interim, the legislative management shall consider studying flaring rates and the flaring
25 of gas. The study must include a comprehensive comparison of flaring rates in all oil and
26 gas-producing states in the United States, flaring rates on federal and tribal lands, and flaring
27 rates in foreign countries producing oil and gas. The study must include an overview and an
28 evaluation of public policies within states, the federal government, tribal nations, and foreign
29 governments aimed at reducing flaring and methane emissions to provide guidance on how the
30 North Dakota industrial commission could improve the 2014 North Dakota Industrial
31 Commission Order 24665 Policy Version 041718, in an effort to capture more gas in the future.

Sixty-sixth
Legislative Assembly

- 1 The legislative management shall report its findings and recommendations, together with any
- 2 legislation required to implement the recommendations, to the sixty-seventh legislative
- 3 assembly.