



## **S.F. No. 2530 – Gas Development Permitting and Regulation (1<sup>st</sup> Engrossment)**

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### **ARTICLE 1 – NATURAL RESOURCES**

**Section 1 [Investment of Financial Assurance Money]** allows the State Board of Investment to invest financial assurance money collected by the commissioner of natural resources (DNR) during the gas resource development permit application process.

**Section 2 [Subsurface Development of Gas Resources in State Wilderness Areas]** allows commercial development of gas resources in state wilderness areas so long as the surface of the land is not disturbed.

**Section 3 [Repeal of Moratorium on Issuance of Gas and Oil Permits]** repeals a moratorium on the issuance of permits for the production of gas or oil. Makes a conforming change (but note that Article 2, section 13 of the bill prohibits exploring, prospecting, or constructing oil wells).

**Section 4 [Movement of Rulemaking Authority]** moves rulemaking authority of the Department of Health from the mining statutes to the health statutes and modifies that authority. This language can be seen in Article 2, section 11 of the bill.

**Section 5 [Conforming Change]** makes a conforming change to reflect the addition of the new statutory subdivision created by section 6.

**Section 6 [Disposition of Payments]** requires all payments for gas or oil exploration and production on state-owned land to be paid to the DNR and credited in accordance with MS § 93.22, which credits the money to the minerals management account in the natural

resources fund, the general fund, and in various other ways depending on what interests exist in the land in question.

**Section 7 [Declaration of Policy]** declares that it is the policy of this state to provide for the beneficial and orderly development of the state's gas resources through laws and policies that avoid the drilling of unnecessary wells, prevent waste, protect correlative rights, provide for responsible reclamation, encourage planning for future land use, and recognize the beneficial aspects of gas development.

**Section 8 [Definitions]** defines various terms that are used in this article, including:

**Subd. 9 [Gas Resource Development Facility]** means equipment or improvements used or installed for exploring, producing, withdrawing, treating, or processing gas resources.

**Subd. 10 [Gas Resource Development Location]** means a definable area where an operator has disturbed or intends to disturb the land surface to locate a gas resource development facility.

**Subd. 11 [Gas Resources Development Operations]** means exploring for gas resources by drilling exploratory borings; siting, drilling, deepening, recompleting, reworking, or abandoning a gas well; producing operations related to any gas well, including installing flow lines; generating, transporting, storing, treating, or disposing of exploration and production wastes; and any construction, site preparation, or reclamation activities associated with such operations.

**Subd. 17 [Operator]** means an owner or lessee of mineral rights engaged in or preparing to engage in gas resource development operations.

**Subd. 18 [Permittee]** means a person who holds a gas resources development permit.

**Subd. 21 [Spacing Order]** means the act by the commissioner of allocating lands to a spacing unit.

**Subd. 22 [Spacing Unit or Unit]** means lands allocated by the commissioner to a single gas well or multiple gas wells for developing gas resources under a spacing order.

## **Section 9 [Spacing Unit]**

**Subd. 1 [Spacing Unit]** requires an operator to propose a new spacing unit for each gas well or set of gas wells the operator plans to drill. The spacing unit must include the maximum area that can be efficiently and effectively drained by the well or set of wells.

**Subd. 2 [Spacing Unit Application]** requires an application for a spacing unit to include proof of the ownership or lease of land within the proposed unit; certification that operations will be conducted in a manner that protects public health, safety, welfare, the environment, and wildlife resources; a description of the unit boundary and setbacks between wells; geologic and operational data used by the operator to establish unit boundaries; the total number of wells proposed for the unit; the gas resource development locations; and identification of the associated gas resource development permit application. These requirements may be modified by subsequently adopted rules.

**Subd. 3 [Establishment of Spacing Unit]** authorizes the DNR to issue a spacing order establishing spacing units after notice and a public meeting. In considering a spacing unit application, the DNR must consider whether the proposed unit prevents waste of gas resources, avoids drilling unnecessary wells, and protects the rights of other owners in the pool of gas resources. These requirements may be modified by subsequently adopted rules.

**Subd. 4 [Amending Established Spacing Unit]** authorizes DNR to modify a spacing unit.

**Subd. 5 [Temporary Exploratory Spacing Unit]** authorizes the DNR to establish an exploratory spacing unit to obtain evidence as to the existence of a pool of gas resources and the appropriate size and shape of the spacing unit to be applied to the pool where sufficient evidence is lacking.

**Subd. 6 [Appeals]** authorizes appeals of spacing order determinations.

## **Section 10 [Pooling]**

**Subd. 1 [Voluntary Pooling]** authorizes two or more separately owned tracks embraced within a spacing unit to voluntarily pool their interests for developing and operating the spacing unit.

**Subd. 2 [Involuntary Pooling]** authorizes a person who owns or leases at least 50 percent of the mineral interests to be pooled to apply to the DNR for issuance of an order pooling all interests in the spacing unit, including those interests of nonconsenting owners, for developing and operating the spacing unit. After notice and a public hearing, the DNR must issue a draft pooling order that ensures that all owners receive a just and equitable share. The draft pooling order must be served on all owners. Owners and other interested parties may challenge the pooling through a request for a contested case hearing.

**Subd. 3 [Pooling Order]** requires an application for a pooling order to include proof that the applicant controls at least 50 percent of the mineral interests to be pooled; a map showing the location of ownership interests within the spacing unit; identification of mineral interests within the spacing unit that are not owned by the applicant and the name and address of all other owners; and an affidavit stating that the applicant made

a good faith effort to lease the mineral interests of these other owners. These requirements may be modified by subsequently adopted rules.

**Subd. 4 [Drilling and Extraction Prohibited Before Pooling Interest Issued]** prohibits drilling before a pooling order has been issued if the spacing unit contains the mineral interests of any unleased mineral interest owner who has rejected an offer to lease.

**Subd. 5 [Lands Excluded from Pooling Order]** prohibits pooling of the mineral interests of an unleased mineral interest owner if the owner is the federal government, an Indian Tribe or Band, or a Tribal member and the land is located within that Tribe's reservation or community.

**Subd. 6 [Pooling Orders]** provides that all operations and production that occur on any portion of a spacing unit covered by a pooling order are deemed to have occurred on each separately owned tract. Requires pooling orders to provide for proportionate sharing of the costs, risks, and production of drilling and operating wells between owners, including nonconsenting owners (once the share of nonconsenting owners' costs have been recovered by consenting owners); specify that nonconsenting owners are immune from liability for costs arising from spills, damages, etc.; and prohibit operators from using the surface owned by a nonconsenting owner without permission.

**Subd. 7 [Costs and Royalties for Nonconsenting Owners]** provides that nonconsenting owners are entitled to 18.75% of the owner's proportionate share of production. The remaining 81.25% is allocated to reimburse consenting owners' costs until fully reimbursed, at which point the nonconsenting owner is entitled to 100%.

**Subd. 8 [Good Faith Effort to Lease to Nonconsenting Owners]** prohibits the DNR from issuing a pooling order that pools an unleased, nonconsenting mineral interest owner unless the nonconsenting owner has been provided an estimate of costs and offered a good faith reasonable offer to participate and pay their proportionate share of those costs.

**Subd. 9 [Disputes Between Owners and Operators]** prohibits the DNR from adjudicating disputes challenging the reasonableness of costs attributed to a nonconsenting owner and provides that such disputes may be filed in district court. Prohibits the DNR from adjudicating disputes regarding the ownership of mineral interests contained within spacing units.

**Subd. 10 [Duty of Operator to Nonconsenting Owners]** requires operators of gas wells to provide nonconsenting owners with monthly statements of costs incurred, gas produced, and proceeds realized from the sale of production.

**Section 11 [Duties and Authority of Commissioner]** requires the DNR to administer and enforce this article and authorizes the DNR to conduct investigations and inspections; enter any gas resource development location after providing notice, conduct research or enter into

contracts, and allocate surplus wetland credits that are approved by the commissioner under a gas resource development permit that are not otherwise deposited in a state wetland bank.

**Section 12 [Variance]** authorizes the DNR to modify or permit variance from rules adopted under this article if the modification or variance is consistent with the general welfare.

### **Section 13 [Gas Resource Development Permit]**

**Subd. 1 [Permit Required; Application]** prohibits a person from engaging in gas resource development operations at gas resource development locations within the state, including drilling gas wells or extracting gas resources, unless the person has a gas resource development permit.

Requires applicants for a permit to provide an application fee of \$10,000; proof of adequate insurance; a map that identifies the location of spacing units, gas resource development locations, gas resource development facilities, access roads, etc.; construction plans; operation plans and timeline; reclamation plans and timeline; waste characterization and storage plans; financial assurance; and other materials.

**Subd. 2 [Permits Issued During Rulemaking]** provides that permits issued prior to completion of rulemaking do not expire once those rules have been adopted.

**Subd. 3 [Commissioner's Review; Hearing]** requires the DNR to grant a permit (with or without modifications or conditions) or deny the permit. The DNR may grant a permit only where it finds that the reclamation or restoration planned is lawful, technologically feasible, and workable. Authorizes the DNR to hold public meetings on the application.

**Subd. 4 [Term of Permit; Amendment]** authorizes the DNR to determine the permit term. Authorizes a permit to be amended upon written application to the commissioner.

**Subd. 5 [Revocation; Modification; Suspension]** authorizes the DNR to revoke a permit if construction of gas resource development facilities or production have not commenced within 36 months of permit issuance; to cancel a permit at the request of a permittee; or to modify or revoke a permit if the permittee breaches the permit terms or conditions, violates laws related to the permit, where necessary to protect public health or safety; or to protect natural resources or persons or property from injury.

**Subd. 6 [Assignment]** Prohibits assignment or transfer of a permit without written approval of the DNR.

**Subd. 7 [Gas Resource Administration Account]** creates an account in the natural resources fund and provides that fees charged under this article must be credited to the account. Money in the account is statutorily appropriated to the commissioner to cover the commissioner's costs of administering this article.

**Subd. 8 [Temporary Regulatory Framework]** Establishes certain limitations and requirements on siting, permitting, and reclamation that are to remain in place until DNR adopts rules governing these matters.

## **Section 14 [Fees]**

**Subd. 1 [Annual Gas Resource Development Permit Fee]** requires all holders of a gas resource development permit to pay the commissioner an annual fee of \$25,000.

**Subd. 2 [Supplemental Application Fee]** requires the DNR to assess a supplemental application fee to a person applying for a gas resource development permit in an amount sufficient to cover the reasonable costs of reviewing the application and preparing the permit. This fee is in addition to the application fee.

## **Section 15 [Contested Case]**

**Subd. 1 [Petition for Contested Case Hearing]** allows any person owning property that will be affected by proposed gas resource development operations or any federal, state, or local government having responsibilities affected by the proposed operations to file a contested case hearing.

**Subd. 2 [Petition Contents]** requires a petition for a contested case to include certain elements.

**Subd. 3 [Commissioner's Decision to Hold Hearing]** requires the DNR to grant a contested case petition if the DNR makes certain findings.

**Subd. 4 [Hearings Upon Request of Applicant]** authorizes applicants to request contested case hearings and requires the DNR to grant such a petition.

**Subd. 5 [Scope of Hearing]** governs the scope of a contested case hearing.

## **Section 16 [Work with Tribal Governments and Respect for Human Burial Grounds]**

requires that the statutes enacted by this article be implemented in a manner that is consistent with Minnesota Statutes sections 10.65 and 307.08.

**Section 17 [Financial Assurance of Operator]** requires the DNR mandate that a permittee acquire adequate financial assurance and requires an annual review of the adequacy of the financial assurance. Sets requirements for the financial assurance that are to remain in place until the DNR has completed a rulemaking on the subject.

**Section 18 [Appeal]** authorizes any person aggrieved by a final order, ruling, or decision of the commissioner to obtain judicial review.

## **Section 19 [Penalties for Violation]**

**Subd. 1 [Civil Penalty]** imposes a \$10,000 per day civil penalty for any violation of this article or rules adopted under it once 15 days have elapsed since notice of the failure was provided or after the expiration of the time provided by the DNR for corrective action provided has expired.

**Subd. 2 [Criminal Penalty; Injunctive Relief]** makes it a gross misdemeanor to knowingly and willfully violate or refuse to comply with any rule, decision, order, or ruling of the DNR under this article. Authorizes the DNR to request that the Attorney General institute a civil action seeking a restraining order or injunction or other appropriate remedy to prevent or preclude future violations.

**Section 20 [Technical Change]** makes a technical change to ensure that an existing limitation on mining also applies to gas extraction.

### **Section 21 [Appropriations]**

**Subd. 1 [General Fund]** appropriates \$660,000 in fiscal year 2026 and \$660,000 in fiscal year 2027 from the general fund to the DNR to use as provided under Minnesota Statutes, chapter 93, for mineral resource management, including permitting activities associated with gas resource development.

Subd. 2 [Minerals Management Account] appropriates \$330,000 in fiscal year 2026 and \$330,000 in fiscal year 2027 from the minerals management account in the natural resources fund to the DNR for uses allowed under section 93.2236, including activities associated with leasing for gas exploration and development.

## **ARTICLE 2 – HEALTH**

**Section 1 [Legislative Intent]** amends the legislative intent of Chapter 103I, Wells, Borings, and Underground Uses, by removing that the intent of the chapter includes providing a means for the development of groundwater.

**Sections 2-7 [Definitions]** define terms used in the wells, borings, and underground uses statutes, including:

- **Exploratory boring** – surface drilling done to explore for gas and minerals, not including oil, natural gas, or petroleum.
- **Gas** – includes both hydrocarbon and nonhydrocarbon gases.
- **Gas well** – an excavation that is constructed to locate, extract, or produce gas.
- **Gas well contractor** – a person with a gas well contractor's license issued by the commissioner of health.
- **Well** – an excavation that is drilled or otherwise constructed and intended for the location of groundwater, but does not include, among other things, an excavation made to obtain or prospect for gas, and does not include gas and oil wells.

- **Gas exploratory boring** – an exploratory boring encountering gas for at least 24 hours and in which gas has not dissipated prior to sealing.

**Section 8 [Borings Encountering Gas]** provides requirements for gas exploratory borings, including: an explorer (a person with an explorer's license issued by the commissioner of health) must notify the commissioner of natural resources within 24 hours of drilling a gas exploratory boring and prior to beginning permanent sealing of a gas exploratory boring; an explorer must begin permanent sealing of a gas exploratory boring within ten days of encountering gas; and a person must not use an exploratory boring to extract gas for production.

**Section 9 [Conversion of a Gas Well Prohibited]** prohibits a person from converting a gas well into any other type of well or boring.

**Section 10 [Conversion of a Well or Boring to a Gas Well]** prohibits a person from converting a well or boring to a gas well, but provides certain construction standards that, if met, make this type of conversion permissible.

## **Section 11 [Gas Wells]**

**Subd. 1 [Rulemaking Authority]** requires the commissioner of health to adopt rules for gas wells using an expedited procedure provided in the rules.

**Subd. 2 [Fees]** outlines amounts of various license, certification, and registration fees related to gas wells.

**Subd. 3 [Rig Registration]** provides requirements for rigs used to drill, maintain, repair, or seal a gas well.

**Subd. 4 [Gas Well Contractor's License]** requires a person to possess a gas well contractor's license before constructing, repairing, or sealing a gas well and outlines requirements related to licensing. This subdivision also requires a gas well contractor to designate a certified representative to supervise and oversee regulated work on gas wells.

**Subd. 5 [Construction Notification]** requires a gas well contractor to obtain a gas resource development permit from the commissioner of natural resources prior to drilling or constructing a gas well, and to notify the commissioner of health before beginning drilling or construction.

**Subd. 6 [Access to Drill Sites]** allows the commissioner of health access to drill sites to inspect gas wells.

**Subd. 7 [Emergency Notification]** requires a person drilling or constructing a gas well to promptly take specific actions in the event of an occurrence during the construction, repair, or sealing of a gas well that has potentially significant adverse public health or environmental effects.

**Subd. 8 [Sealing Notification]** requires a gas well to be sealed by a gas well contractor, and requires the contractor to file a notification and fee prior to sealing.

**Subd. 9 [Report of Work]** requires a gas well contractor to submit a verified report to the commissioner of health within 60 days after sealing a gas well.

## **Section 12 [Gas Well Notification and Construction]**

**Subd. 1 [Definitions]** defines terms used in the section on gas well notification and construction. Many definitions relate to materials used in gas well construction, such as: “casing,” “drilling fluid additive,” “neat cement grout,” “surface casing,” and “tremie pipe.”

**Subd. 2 [Gas Well Contractor’s License Qualification]** requires a person supervising and overseeing regulated work on gas wells to hold a gas well contractor’s license.

**Subd. 3 [Gas Well Construction Notification Requirements]** requires a gas well contractor to file a gas well notification and fee. This subdivision also requires a gas well contractor to notify the commissioner of health at least 24 hours before beginning gas well construction, setting casing, and placing grout.

**Subd. 4 [Injection Prohibited]** prohibits using a gas well to inject or dispose of surface water, groundwater, or any other liquid, gas, or chemical. Injection of approved drilling fluids is permissible.

**Subd. 5 [Hydraulic Fracturing Treatment Prohibited]** prohibits hydraulic fracturing treatment (applying fluid under pressure that is expressly intended to initiate or propagate fractures in a targeted geological formation) in a gas well.

**Subd. 6 [Disposal of Material]** requires drilling fluid, cuttings, treatment chemicals, and discharge water to be containerized and disposed.

**Subd. 7 [Drilling Fluids]** provides that drilling fluids used in gas wells must be water or air based.

**Subd. 8 [Casing and Grout]** specifies casing and grout requirements for new gas well construction.

**Subd. 9 [Isolation Distance]** prohibits a gas well located less than 500 feet from a residential building or water supply well, and less than 2,000 feet from a school facility or childcare center.

**Subd. 10 [Groundwater Protection]** requires gas wells to be constructed and maintained to: prevent introducing surface contaminants into the well; prevent water passing from one aquifer to another; and prevent vandalism and entry of debris into

the well. This section also prohibits a gas well from being constructed to interconnect aquifers separated by a confining layer (geological material that restricts water movement relative to an aquifer).

**Subd. 11 [Sealing Gas Wells]** provides requirements when sealing a gas well, including the specific materials required to seal the gas well and notification requirements.

**Subd. 12 [Rules]** requires a person requesting to construct a gas well to comply with this section until permanent rules are adopted.

**Subd. 13 [Expiration]** provides that the section on gas wells expires on December 31 of the year that permanent rules are adopted.

**Section 13 [Oil Wells Prohibited]** prohibits exploring, prospecting, or constructing an oil well.

#### **Section 14 [Appropriation; Gas Well Construction and Sealing Notification]**

**Subd. 1 [Programs; Registration; Licensing; Rulemaking]** appropriates \$863,000 in fiscal year 2026 from the general fund to develop a gas well program in Minnesota. This is onetime funding that is available until December 31, 2027.

**Subd. 2 [Staffing]** appropriates \$395,000 in fiscal year 2026 and \$395,000 in fiscal year 2027 from the general fund to hire staff to inspect, enforce, and manage the gas well program in Minnesota. This section also provides an open base appropriation in fiscal year 2028 and thereafter.

**Section 15 [Effective Date]** provides that Article 2 is effective the day following final enactment.

### **ARTICLE 3 – TAXATION**

**Section 1. Data and information on mind value of ore and well value of oil and gas.** Specifies that data collected from taxpayers and maintained by the commissioner of revenue on the well value of oil and gas is nonpublic data. This would provide the same treatment as for data collected on the mine value of ore as in current law. Effective the day following final enactment.

**Section 2. Property used in business of mining subject to gross proceeds tax.** Expands the property tax exemption for property used in business of mining subject to the gross proceeds tax to include deposits of gas and oil, and real and personal property used in mining, quarrying, or refining gas and oil. Effective for assessment year 2025 and thereafter.

**Section 3. Real property.** Provides that real property does not include mine shafts, tunnels, and other underground openings used to extract metals, gas, or oil. Effective for assessment year 2025 and thereafter.

**Section 4. Assessment of real property.** Provides that metals, gas, and oil which are subject to the gross proceeds tax shall not be recognized in the assessing of real property. Effective for assessment year 2025 and thereafter.

**Section 5. [273.1343] Helium Relief Areas.** This section defines “helium relief area” and requires the commissioner of revenue to annually establish helium relief areas.

**Subdivision 1. Definitions.** Defines the following terms: city, commissioner, county, gas, oil, producing, structure or building, and town. Defines “helium relief area” as a geographic area within the state of Minnesota that falls within the boundaries of any school district that has a boundary within 15 miles of a well, mine, structure, or building, in Minnesota used for gas or oil production that was subject to the tax under section 298.015 and 298.016 during the preceding calendar year.

**Subdivision 2. Establishment.** Requires the commissioner of revenue to annually establish helium relief areas by August 1, and to make publicly available specific information about established helium relief areas by September 1. Provides that a helium relief area that is overlapping or contiguous with an existing helium relief area is added to the existing helium relief area. Helium relief areas that are non-contiguous and non-overlapping are established as separate helium relief areas. Effective following final enactment.

**Section 6. Helium homestead credit.** Establishes a helium homestead property tax credit for residential homestead property located within a helium relief area. Requires the county auditor to determine the tax reductions and certify the amounts to the commissioner of revenue. Requires the commissioners of education and revenue to reimburse school districts and other local taxing jurisdictions for the tax reductions resulting from the credit. Annually appropriates a sufficient amount from the helium property tax relief account to the commissioners of education and revenue to make the payments to taxing jurisdictions. Effective beginning with taxes payable in 2027.

**Section 7. Helium property tax relief account.** Establishes the helium property tax relief account in the special revenue fund. Funds from this account is used to reimburse taxing jurisdictions related to the helium homestead property tax credit. Effective the day following final enactment.

**Sections 8 through 10. Helium homestead credit; payment; computation of net taxes; tax statements.** Adds the helium homestead property tax to the list of credits used to calculate a property's net tax as well as the property tax statement. Effective beginning with taxes payable in 2027.

**Section 11. Mining company.** Expands the definition of ‘mining company’ to include a person engaged in the business of mining or producing minerals, metals, gas, or oil. Effective for taxable years beginning after December 31, 2024.

**Section 12. Informational report by mining companies.** Requires mining companies that are subject to the gross proceeds tax to file an annual informational report with the commissioner of revenue that contains information on sales used to compute gross proceeds, the location of the mine or well where the ore, mineral, metal, gas, or oil product is mined, extracted, refined, or produced, and other information necessary to collect the gross proceeds tax. The report must be filed on or before May 1. An extension of time is not permitted. Effective for annual informational reports due after December 31, 2024.

**Section 13. Corporate franchise and mining company taxes.** Provides that if a mining company does not file the required annual information report by May 1<sup>st</sup> following the close of the calendar year, the mining company shall not receive an extension to file its annual tax return. Effective for annual information reports due after December 31, 2024.

**Section 14. Exempt mining and production income.** Includes income or gains from the production of gas or oil in the exemption from corporate franchise taxes. Under current law, income or gains from the business of mining are exempt. Effective for taxable years beginning after December 31, 2024.

**Section 15. Basis modifications affecting gain or loss on disposition of property.** Adds a reference to assets used in producing minerals, metals, gas, or oil that were placed in service before January 1, 1987, to the requirement that taxpayers must use the occupation tax basis of property used in that business. Effective for taxable years beginning after December 31, 2024.

**Section 16. Exempt entities.** Adds entities engaged in the business of producing gas or oil from the income and corporate franchise tax chapter and provides that royalties from the business of mining, producing, or refining other ores, metals, and minerals, or producing gas or oil are not considered income. Effective for taxable years beginning after December 31, 2024.

**Section 17. Definition.** Modifies the definition of “royalty” to include amounts received for the right to explore, mine, take out, and remove mineral, metal, gas, or oil from the land. Effective for taxable years beginning after December 31, 2024.

**Section 18. Capital equipment.** Adds metal, gas or oil to the definition of “integrated production process” for purposes of the sales tax exemption for capital equipment. Provides a cross reference for the definitions of “gas” and “oil” established in later sections. Effective retroactively for sales and purchases made after December 31, 2024.

**Section 19. Mineral production facilities.** Adds ore, metal, gas, or oil to the type of processing plant for which building materials are exempt from sales tax under current law. Effective retroactively for sales and purchases made after December 31, 2024.

**Section 20. Producer.** Modifies the definition of 'producer' used in mining tax statutes to include a person engaged in the business of mining or producing minerals, metals, gas, or oil. Effective for taxable years beginning after December 31, 2024.

**Section 21. Producing.** Defines 'producing' in the mining tax statutes as the producing of gas or oil products, the drilling, extracting separating, or beneficiating of which are subject to the gross proceeds tax and are carried out by an entity or affiliated entity that drilled, extracted, separated, or beneficiated the gas or oil product. Effective for taxable years beginning after December 31, 2024.

**Section 22. Gas.** Defines 'gas' in the mining tax statutes as all gases, both hydrocarbon and nonhydrocarbon, that occur naturally beneath the ground surface in Minnesota. Gas includes, but is not limited to, natural gas, hydrogen, carbon dioxide, nitrogen, hydrogen sulfide, helium, methane and a mixture of some or all of these gases. Effective for taxable years beginning after December 31, 2024.

**Section 23. Oil.** Defines 'oil' in the mining tax statutes as all oils that occur naturally beneath the ground surface in Minnesota. Oil includes, but is not limited to, petroleum, crude oil, condensate, casinghead gasoline, or other mineral oils and a mixture or some or all of these oils. Effective beginning after December 31, 2024.

**Section 24. Gas or oil production.** Defines 'gas or oil production,' 'the production of gas or oil,' and 'producing gas or oil' in the mining tax statutes as the action of taking gas or oil, in its natural state, out from beneath the ground surface in Minnesota and includes drilling, extracting, separating or beneficiating that gas or oil in Minnesota. Effective for taxable years beginning after December 31, 2024.

**Section 25. Occupation tax; other ores; gas and oil.** Incorporates gas and oil producers into the occupation tax paid by persons engaged in the business of mining, refining, or producing ores, metals, or minerals, except iron ore or taconite. Effective for taxable years beginning after December 31, 2024.

**Section 26. Gross income; occupation tax.** Provides that refining or producing ores, metals, or gas or oil shall be included in determining the amount of gross income used to calculate the occupation tax. Effective for taxable years beginning after December 31, 2024.

**Section 27. Deductions; occupation tax.** Provides that expenses necessary to convert metals, minerals, gas or oil to marketable quality shall be allowed as deductions for purposing of calculating the occupation tax. Effective for taxable years beginning after December 31, 2024.

**Section 28. Gross income; occupation tax; taconite.** Clarifies that when gas or oil is mined or produced at the same mine as iron ore or taconite, gross income for each must be separately determined. Effective for taxable years beginning after December 31, 2024.

**Section 29. Deductions; occupation tax; taconite.** Provides that deductions allowed from a mine, well, or plant that mines or produces iron ore or taconite, and gas or oil, must be determined separately. Effective for taxable years beginning after December 31, 2024.

**Section 30. If declared unconstitutional.** Provides that if changes to the occupation tax are held unconstitutional, persons engaged in the business of mining shall pay the occupation tax as imposed in 1986. Effective for taxable years beginning after December 31, 2024.

**Section 31. Deductions applicable to mining both taconite and other ores, gas, or oil; ratio applied.** Provides how the value of a mine and the amount of gross proceeds shall be calculated if mining or production of taconite, other ores, minerals, metals, gas, or oil occurs at the same mine or facility, Effective for taxable years beginning after December 31, 2024.

**Section 32. Tax imposed; gross proceeds tax.** Sets a gross proceeds tax for carbon dioxide products, helium products, and hydrogen products. For the first twenty-four months from the month in which the oil or gas was first extracted, a gross proceeds tax of seven percent of the gross proceeds shall be applied. After the first twenty-four months, a gross proceeds tax equal to nine percent of the gross proceeds shall be applied. Effective for taxable years beginning after December 31, 2024.

**Section 33. Computation; arm's length transactions; gross proceeds tax.** Provides that when a gas or oil product is sold in an arm's length transaction, the gross proceeds are equal to the proceeds from the sale of the product. Effective for taxable years beginning after December 31, 2024.

**Section 34. Other transactions; gross proceeds tax.** Provides that when a gas or oil product is used disposed of in a non-arm's length transaction, the gross proceeds must be determined using the alternative computation in section 298.016, subdivision 3. Effective for taxable years beginning after December 31, 2024.

**Section 35. Alternative computation; gross proceeds.** Provides an alternative computation of gross proceeds for gas and oil products disposed of in a non-arm's length transaction. Effective for taxable years beginning after December 31, 2024.

**Section 36. Metal, mineral, gas, or oil products; definitions; gross proceeds.** Adds "gas or oil" to the list of nonferrous products within the definition section for the gross proceeds tax. Effective for taxable years beginning after December 31, 2024.

**Section 37. Gas or oil products; definition.** Adds a definition of "gas or oil products" as a separate definition for purposes of the gross proceeds tax. Effective for taxable years beginning after December 31, 2024.

**Section 38. Within taconite assistance area.** Modifies law that distributes gross proceeds tax proceeds within the taconite assistance area to specify that it applies to proceeds paid on ores, metals, or minerals mined or extracted within the taconite assistance area. Effective for taxable years beginning after December 31, 2024.

**Section 39. Distribution date.** Applies the December 15 gross proceeds tax proceeds distribution date under current law to distributions of proceeds of tax paid on oil or gas produced within the taconite assistance area during the preceding year, and to distributions of proceeds of tax paid on oil or gas produced within a helium relief area. Effective for taxable years beginning after December 31, 2024.

**Section 40. Gas or oil produced within taconite assistance area.** Allocates ten percent of gross proceeds tax paid on gas or oil produced within the taconite assistance area during the preceding calendar year to the commissioner of Iron Range Resources and Rehabilitation. Effective for taxable years beginning after December 31, 2024.

**Section 41. Within a helium relief area.** Provides that the gross proceeds tax proceeds paid on gas or oil produced within a helium relief area, and that are not allocated to the commissioner of Iron Range Resources and Rehabilitation, are allocated to:

- School districts (25%) located entirely within the helium relief area, distributed to each district in proportion to the district's total pupil units relative to the total pupil units for all districts in the helium relief area. If Lake County is within the helium relief area, 8.33% is allocated to school districts within Lake County, and 16.67% is allocated to school districts within the helium relief area.
- Counties (4.25%), cities (2.875%), and towns (1.375%) that have a boundary within the helium relief area, distributed in equal amounts among each county, city, or town.
- Counties (8.25%) in which gas or oil products subject to the gross proceeds tax in the preceding year were produced within the helium relief area. Proceeds are distributed to eligible counties based on the types of production processes that occurs within the helium relief area in each county, and the relative extent of operations performed within the helium relief area in each county.
- Cities (5.875%), and towns (2.375%) that have a boundary within 25 miles of where oil or gas products subject to the gross proceeds tax in the preceding year were produced in the helium relief area. Proceeds are distributed to each eligible city or town based on the type of production processes that occur within 25 miles of the boundaries of eligible cities or towns, and the relative extent of operations performed within 25 miles of the boundaries of eligible cities and towns.
- (50%) to the helium property tax relief account under section 273.1362.

Provides instructions for reallocation of funds if a distribution has no eligible recipients. Effective for taxable years beginning after December 31, 2024.

**Section 42. Occupation taxes to be apportioned.** Excludes proceeds of occupation tax paid on oil or gas from the paragraph of this section that appropriates the portion of occupation tax proceeds that are allocated to the general fund. Establishes allocations of proceeds of occupation tax paid on oil or gas that are apportioned to the general fund as follows: 50 percent is distributed in equal amounts to counties that have a boundary within a helium relief area; and 50 percent is distributed in equal amounts to any of the 11 federally

recognized Indian Tribes in Minnesota with ceded tribal lands that have a boundary within a helium relief area. Effective for taxable years beginning after December 31, 2024.



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