



STATE OF NORTH DAKOTA  
OFFICE OF STATE TAX COMMISSIONER  
Cory Fong, Commissioner

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**NORTH DAKOTA  
OIL EXTRACTION TAX INCENTIVE SUMMARY**

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**New Well Incentives**

- EN A new vertical well is eligible for a 15-month oil extraction tax exemption. (Suspended)
- HE A new horizontal well is eligible for a 24-month oil extraction tax exemption. (Suspended)
- FE A new well drilled and completed on Indian land is eligible for a 60-month oil extraction tax exemption.
- NW A new well is eligible for a reduced oil extraction tax rate of 4%. (Suspended)
- BN A new well drilled and completed in the Bakken formation, between July 1, 2007 and June 30, 2008, is eligible for a reduced oil extraction tax rate of 2% for the earlier of 18 months or 75,000 barrels.
- HN A new well drilled and completed after April 30, 2009 and completed before July 1, 2012 may be eligible for an oil extraction tax rate of 2% for the earliest of the following: 18 months, 75,000 barrels, or \$4.5 million of gross oil revenues. To receive this incentive a well must be completed during a month in which the incentive was active. Active months currently include May 2009 through October 2009. The incentive is inactive for completions made November 1, 2009 or later.

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**Horizontal Re-Entry Incentive (Suspended)**

- HR A horizontal reentry well, which is a vertical well bore reentered and recompleted horizontally, is eligible for a 9-month oil extraction tax exemption for each reentry.

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**Inactive Well Incentive (Suspended)**

- IE A well that has been inactive for two-years is eligible for a 10-year oil extraction tax exemption.

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**Workover Incentives (Suspended)**

- WP A work-over project well is eligible for a 12-month oil extraction tax exemption starting from the first day of the third month after completion of the work-over.
- W4 A work-over project, completed on a well originally reported with a WW well code is eligible for a reduced oil extraction tax rate of 4% after the 12-month exempt period.

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### Enhanced Recovery Incentives

#### *Rate Reduction*

- SR A secondary recovery project well eligible for a reduced oil extraction tax rate of 4%.  
(Suspended)
- TR A tertiary recovery project well eligible for a reduced oil extraction tax rate of 4%.  
(Suspended)

#### *Incremental Exemption*

- R1 Used by producers for qualified enhanced recovery reporting of production subject to 5% gross production and 0% oil extraction tax.
- R2 Used by producers for qualified enhanced recovery reporting of production subject to 5% gross production and 4% oil extraction tax. (Suspended)
- R3 Used by producers for qualified enhanced recovery reporting of production subject to 5% gross production and 6.5% oil extraction tax.

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### Stripper Well Incentives

- S1 A stripper well/property, with average daily production of oil not exceeding 10 barrels per day during a 12 month qualifying period, from a depth of 6,000 feet or less, is exempt from oil extraction tax.
- S2 A stripper well/property, with average daily production of oil not exceeding 15 barrels per day during a 12 month qualifying period, from a depth of more than 6,000 feet, but not more than 10,000 feet, is exempt from oil extraction tax.
- S3 A stripper well/property, with average daily production of oil not exceeding 30 barrels per day during a 12 month qualifying period, from a depth of more than 10,000 feet, is exempt from oil extraction tax.

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### Full Rate

- WW A well not eligible for an oil extraction tax exemption or rate reduction.
- PT A well eligible for an oil extraction tax exemption or rate reduction that has been suspended, returning the oil extraction tax rate to the full 6.5%.
- TT A well located on the Fort Berthold Indian Reservation that is subject to the Tribal Oil and Gas Agreement and produces from a Trust interest is subject to 5% gross production and 6.5% oil extraction tax.