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State of Minnesota

HOUSE OF REPRESENTATIVES

NINETY-FOURTH SESSION

H. F. No. 2447

03/17/2025

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The bill was read for the first time and referred to the Committee on Environment and Natural Resources Finance and Policy

1.1A bill for an act

1.2relating to natural resources; facilitating the orderly and environmentally responsible

1.3development of the state's gas resources; requiring rulemaking; appropriating

1.4money; providing criminal penalties; amending Minnesota Statutes 2024, sections

1.511A.236; 86A.05, subdivision 6; 93.513, subdivision 1; 93.514; 93.516, subdivision

1.63, by adding a subdivision; 93.55, subdivision 1a; 103I.001; 103I.005, subdivisions

1.79, 21, by adding subdivisions; 103I.601, subdivision 1, by adding subdivisions;

1.8272.02, subdivision 97; 272.03, subdivision 1; 273.12; 289A.02, subdivision 6;

1.9289A.12, by adding a subdivision; 289A.19, subdivision 2; 290.0134, subdivision

1.109; 290.0135; 290.05, subdivision 1; 290.923, subdivision 1; 297A.68, subdivision

1.115; 297A.71, subdivision 14; 298.001, subdivision 3a, by adding subdivisions;

1.12298.01, subdivisions 3, 3a, 3b, 4a, 4b, 5, 6; 298.015, subdivision 1; 298.016,

1.13subdivisions 1, 2, 3, 4, by adding a subdivision; 298.018, subdivisions 1, 1a, 2, by

1.14adding a subdivision; 298.17; proposing coding for new law in Minnesota Statutes,

1.15chapters 93; 103I; repealing Minnesota Statutes 2024, section 93.513, subdivision

1.162.

1.17BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.18ARTICLE 1

1.19NATURAL RESOURCES

1.20Section 1. Minnesota Statutes 2024, section 11A.236, is amended to read:

1.2111A.236 ACCOUNT TO INVEST FINANCIAL ASSURANCE MONEY FROM

1.22PERMITS TO MINE AND GAS RESOURCE DEVELOPMENT PERMITS.

1.23Subdivision 1. **Establishment; appropriation.** (a) The State Board of Investment, when

1.24requested by the commissioner of natural resources, may invest money collected by the

1.25commissioner as part of financial assurance provided under a permit to mine or gas resource

1.26development permit issued under chapter 93. The State Board of Investment may establish

1.27one or more accounts into which money may be deposited for the purposes of this section,

1.28subject to the policies and procedures of the State Board of Investment. Use of any money

in the account is restricted to the financial assurance purposes identified in sections 93.46 to ~~93.51~~ 93.5182 and rules adopted thereunder and as authorized under any trust fund agreements or other conditions established under a permit to mine or gas resource development permit.

(b) Money in an account established under paragraph (a) is appropriated to the commissioner of natural resources for the purposes for which the account is established under this section.

Subd. 2. **Account maintenance and investment.** (a) The commissioner of natural resources may deposit money in the appropriate account and may withdraw money from the appropriate account for the financial assurance purposes identified in sections 93.46 to ~~93.51~~ 93.5182 and rules adopted thereunder and as authorized under any trust fund agreements or other conditions established under the permit to mine or gas resource development permit for which the financial assurance is provided, subject to the policies and procedures of the State Board of Investment.

(b) Investment strategies related to an account established under this section must be determined jointly by the commissioner of natural resources and the executive director of the State Board of Investment. The authorized investments for an account are the investments authorized under section 11A.24 that are made available for investment by the State Board of Investment.

(c) Investment transactions must be at a time and in a manner determined by the executive director of the State Board of Investment. Decisions to withdraw money from the account must be determined by the commissioner of natural resources, subject to the policies and procedures of the State Board of Investment. Investment earnings must be credited to the appropriate account for financial assurance under the identified permit to mine or gas resource development permit.

(d) The commissioner of natural resources may terminate an account at any time, so long as the termination is in accordance with applicable statutes, rules, trust fund agreements, or other conditions established under the permit to mine or gas resource development permit, subject to the policies and procedures of the State Board of Investment.

Sec. 2. Minnesota Statutes 2024, section 86A.05, subdivision 6, is amended to read:

Subd. 6. **State wilderness area; purpose; resource and site qualifications; administration.** (a) A state wilderness area shall be established to preserve, in a natural

3.1 wild and undeveloped condition, areas which offer outstanding opportunities for solitude
3.2 and primitive types of outdoor recreation.

3.3 (b) No unit shall be authorized as a state wilderness area unless its proposed location
3.4 substantially satisfies the following criteria: appears to have been primarily affected by the
3.5 forces of nature, with the evidence of humanity being substantially unnoticeable or where
3.6 the evidence of humanity may be eliminated by restoration.

3.7 (c) State wilderness areas shall be administered by the commissioner of natural resources
3.8 in a manner which is consistent with the purposes of this subdivision, and shall be managed
3.9 only to the extent necessary to control fire, insects, and disease, and to preserve existing
3.10 wilderness or reestablish wilderness conditions. There shall be no development of public
3.11 roads, permanent dwellings, or recreational facilities except trails for nonmotorized traffic.
3.12 Motorized traffic shall not be allowed. No commercial utilization of timber or minerals
3.13 shall be allowed, except for gas resources that are commercially developed without disturbing
3.14 the surface. Facilities existing at the time of establishment shall be removed.

3.15 Sec. 3. Minnesota Statutes 2024, section 93.513, subdivision 1, is amended to read:

3.16 Subdivision 1. **Permit required.** Except as provided in section 103I.681, a person must
3.17 not engage in or carry out production of gas or oil from consolidated or unconsolidated
3.18 formations in the state unless the person has first obtained a permit for the production of
3.19 gas or oil from the commissioner of natural resources. Any permit under this section must
3.20 be protective of natural resources and ~~require a demonstration of control of the extraction~~
3.21 ~~area through ownership, lease, or agreement~~ must not be issued until the requirements in
3.22 sections 93.517 to 93.5182 are met. For purposes of this section, "gas" includes both
3.23 hydrocarbon and nonhydrocarbon gases. For purposes of this section, "production" includes
3.24 extraction and beneficiation of gas or oil.

3.25 Sec. 4. Minnesota Statutes 2024, section 93.514, is amended to read:

3.26 **93.514 GAS AND OIL PRODUCTION RULEMAKING.**

3.27 (a) The following agencies may adopt rules governing gas and oil exploration or
3.28 production, as applicable:

3.29 (1) the commissioner of the Pollution Control Agency may adopt or amend rules
3.30 regulating air emissions; water discharges, including stormwater management; and storage
3.31 tanks as they pertain to gas and oil production;

~~(2) the commissioner of health may adopt or amend rules on groundwater and surface water protection, exploratory boring construction, drilling registration and licensure, and inspections as they pertain to the exploration and appraisal of gas and oil resources;~~

~~(3)~~ (2) the Environmental Quality Board may adopt or amend rules to establish mandatory categories for environmental review as they pertain to gas and oil production;

~~(4)~~ (3) the commissioner of natural resources must adopt or amend rules pertaining to ~~the conversion of an exploratory boring to a production well, pooling, spacing, unitization, well abandonment, siting, financial assurance, and reclamation,~~ and leasing state mineral interests for the production of gas and oil; and

~~(5)~~ (4) the commissioner of labor and industry may adopt or amend rules to protect workers from exposure and other potential hazards from gas and oil production.

(b) An agency adopting rules under this section must use the expedited procedure in section 14.389. Rules adopted or amended under this authority are exempt from the 18-month time limit under section 14.125. The agency must publish notice of intent to adopt expedited rules within 24 months of May 22, 2024.

(c) For purposes of this section, "gas" includes both hydrocarbon and nonhydrocarbon gases. "Production" includes extraction and beneficiation of gas or oil from consolidated or unconsolidated formations in the state.

(d) Any grant of rulemaking authority in this section is in addition to existing rulemaking authority and does not replace, impair, or interfere with any existing rulemaking authority.

Sec. 5. Minnesota Statutes 2024, section 93.516, subdivision 3, is amended to read:

Subd. 3. **Lease terms.** The commissioner must negotiate the terms of each lease entered into under this section on a case-by-case basis, taking into account the unique geological and environmental aspects of each proposal, control of adjacent lands, and the best interests of the state. A lease entered into under this section must be consistent with the following:

(1) the primary term of the lease may not exceed five years plus the unexpired portion of the calendar year in which the lease is issued. The commissioner and applicant may negotiate the conditions by which the lease may be extended beyond the primary term, in whole or in part;

(2) a bonus consideration of not less than \$15 per acre must be paid by the applicant to the Department of Natural Resources before the lease is executed;

(3) the commissioner of natural resources may require an applicant to provide financial assurance to ensure payment of any damages resulting from the production of gas or oil;

(4) the rental rates must not be less than \$5 per acre per year for the unexpired portion of the calendar year in which the lease is issued and in years thereafter; and

(5) on gas and oil produced and sold by the lessee from the lease area, the lessee must pay a production royalty to the Department of Natural Resources of not less than 18.75 percent of the gross sales price of the product sold free on board at the delivery point, ~~and the royalty must be credited as provided in section 93.22.~~ For purposes of this section, "gross sales price" means the total consideration paid by the first purchaser that is not an affiliate of the lessee for gas or oil produced from the leased premises.

Sec. 6. Minnesota Statutes 2024, section 93.516, is amended by adding a subdivision to read:

Subd. 4. **Disposition of payments.** Payments made under this section as a bonus consideration, rental, or royalty must be made to the Department of Natural Resources and must be credited as provided in section 93.22.

Sec. 7. **[93.517] DECLARATION OF POLICY.**

It is the policy of the state to provide for the beneficial and orderly development of the state's gas resources through laws and policies that:

(1) avoid drilling unnecessary wells by establishing spacing units that regulate the density of drilling, pooling units that combine tracts and mineral interests, and implementing rules for utilizing gas reservoirs;

(2) prevent waste;

(3) protect correlative rights;

(4) provide for reclamation of gas resource development locations in a manner that controls adverse environmental effects and preserves the state's natural resources, both in the interest of the general welfare and as an exercise of the police power of the state;

(5) encourage planning for future land utilization; and

(6) recognize the beneficial aspects of gas resource development.

6.1 Sec. 8. **[93.5171] DEFINITIONS.**

6.2 **Subdivision 1. Applicability.** The definitions in this section apply to sections 93.517 to
6.3 93.5182.

6.4 **Subd. 2. Commissioner.** "Commissioner" means the commissioner of natural resources.

6.5 **Subd. 3. Contingency reclamation plan.** "Contingency reclamation plan" means a plan
6.6 that:

6.7 (1) identifies reclamation activities, including closure and postclosure maintenance work,
6.8 to be implemented by the permittee if operations cease or if producing gas wells are idled
6.9 for more than 36 months; and

6.10 (2) includes the methods, sequence, and schedule of reclamation activities, maps and
6.11 cross sections that depict gas resource development locations both before and after
6.12 reclamation activities are completed, and cost estimates necessary to implement the
6.13 contingency reclamation plan.

6.14 **Subd. 4. Corrective action.** "Corrective action" means the immediate action that must
6.15 be taken to correct an observed violation of the gas resource development permit. Corrective
6.16 action may consist of immediately curing the violation or submitting within two weeks a
6.17 corrective action plan for approval before the permittee implements actions to correct an
6.18 observed violation.

6.19 **Subd. 5. Correlative rights.** "Correlative rights" means the right of each owner and
6.20 producer in a common pool or source of supply of gas resources to an equal opportunity to
6.21 obtain and produce the owner's or producer's just and equitable share of the gas resources
6.22 underlying the pool or source of supply.

6.23 **Subd. 6. Department.** "Department" means the Department of Natural Resources.

6.24 **Subd. 7. Exploration and production waste.** "Exploration and production waste" means
6.25 waste that is associated with operations to locate or remove gas resources from the ground
6.26 or to remove impurities from such substances and that is uniquely associated with and
6.27 intrinsic to gas exploration, development, or production operations that are exempt from
6.28 regulation under Subtitle C of the Resource Conservation and Recovery Act, United States
6.29 Code, title 42, section 6921, et seq.

6.30 **Subd. 8. Gas.** "Gas" means both hydrocarbon and nonhydrocarbon gas.

7.1 Subd. 9. **Gas resource development facility.** "Gas resource development facility" means
7.2 equipment or improvements used or installed for exploring, producing, withdrawing, treating,
7.3 or processing gas resources.

7.4 Subd. 10. **Gas resource development location.** "Gas resource development location"
7.5 means a definable area where an operator has disturbed or intends to disturb the land surface
7.6 to locate a gas resource development facility.

7.7 Subd. 11. **Gas resource development operations.** "Gas resource development
7.8 operations" means exploring for gas resources by drilling exploratory borings; siting, drilling,
7.9 deepening, recompleting, reworking, or abandoning a gas well; producing operations related
7.10 to any gas well, including installing flow lines; generating, transporting, storing, treating,
7.11 or disposing of exploration and production wastes; and any construction, site preparation,
7.12 or reclamation activities associated with such operations.

7.13 Subd. 12. **Gas resource development plan.** "Gas resource development plan" means
7.14 a plan to develop gas resources at one or more gas resource development locations.

7.15 Subd. 13. **Gas well.** "Gas well" means a gas well, as defined in section 103I.005,
7.16 subdivision 10b, that is sited at a gas resource development location.

7.17 Subd. 14. **Interested party.** "Interested party" means a person with an ownership or
7.18 leasehold interest in real property or in severed mineral rights.

7.19 Subd. 15. **Natural resources.** "Natural resources" has the meaning given in section
7.20 116B.02, subdivision 4.

7.21 Subd. 16. **Notice.** "Notice" means publishing the information required by the
7.22 commissioner at least once in each of the following at least 60 days but not more than 180
7.23 days before a public meeting:

7.24 (1) the State Register;

7.25 (2) the EQB Monitor;

7.26 (3) the department's website; and

7.27 (4) one of the following:

7.28 (i) a qualified newspaper as defined in chapter 331A that has its known office of issue
7.29 in the county seat of the county where the lands at issue are located; or

7.30 (ii) if no qualified newspaper has its known office of issue in the county seat of a
7.31 particular county, the qualified newspaper designated as the publisher of the official
7.32 proceedings of the county board of that county.

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

8.3 Subd. 18. **Permittee.** "Permittee" means a person who holds a gas resource development
8.4 permit.

8.5 Subd. 19. **Person.** "Person" includes firms, partnerships, corporations, and other groups.

8.6 Subd. 20. **Reclamation.** "Reclamation" means the actions required to comply with
8.7 sections 93.517 to 93.5182 regarding decommissioning a gas resource development facility
8.8 and restoring any associated gas resource development locations.

8.9 Subd. 21. **Spacing order.** "Spacing order" means the act by the commissioner of
8.10 allocating lands to a spacing unit.

8.11 Subd. 22. **Spacing unit or unit.** "Spacing unit" or "unit" means lands allocated by the
8.12 commissioner to a single gas well or multiple gas wells for developing gas resources under
8.13 a spacing order.

8.14 Sec. 9. **[93.5172] SPACING UNIT.**

8.15 Subdivision 1. **Spacing unit.** An operator must propose to the commissioner a new
8.16 spacing unit for each gas well or set of gas wells that the operator plans to drill at a gas
8.17 resource development location. A spacing unit must include the maximum area that can be
8.18 efficiently and effectively drained by the operator's well or set of wells. The minimum area
8.19 of a proposed spacing unit is a quarter-quarter section of land.

8.20 Subd. 2. **Spacing unit application.** An operator must apply to the commissioner for a
8.21 spacing unit under this section. An operator must submit with the application a certified
8.22 check, cashier's check, or bank money order payable to the Department of Natural Resources
8.23 in the sum of \$100 as a fee for filing the application. The application fee must not be refunded
8.24 under any circumstances. The state reserves the right to reject any or all applications for a
8.25 spacing unit. The commissioner must prescribe the information to be included in a spacing
8.26 unit application. Until the commissioner adopts rules regarding spacing, a spacing unit
8.27 application must include but is not limited to:

8.28 (1) for at least one portion of a mineral tract within the proposed unit, documentation
8.29 showing the applicant's status as an owner or lessee within the unit. Acceptable forms of
8.30 documentation include but are not limited to:

8.31 (i) a mineral deed;

8.32 (ii) a mineral lease or memorandum of lease;

9.1 (iii) any other agreement confirming the applicant's right to drill into and produce from
9.2 a pool or a memorandum of such agreement; or

9.3 (iv) for federal minerals, certification that the applicant will comply with any applicable
9.4 federal unit agreement or communitization agreement requirements;

9.5 (2) certification that the operations in the spacing unit will be conducted in a reasonable
9.6 manner to protect and minimize adverse impacts to public health, safety, and welfare; the
9.7 environment; and wildlife resources;

9.8 (3) a description of the unit boundary and, if proposing more than one well within a
9.9 spacing unit, the setback distances between each well;

9.10 (4) geologic and operational data used by the operator to establish the boundaries of a
9.11 spacing unit;

9.12 (5) the total number of wells within the proposed unit;

9.13 (6) the gas resource development locations that are proposed for the unit; and

9.14 (7) identification of the associated gas resource development permit application. If the
9.15 proposed spacing unit and drilling operations are tied to an existing gas resource development
9.16 plan, the operator must identify both the approved plan and associated application for a
9.17 permit amendment.

9.18 Subd. 3. **Establishing spacing unit.** (a) After notice and a public meeting in the county
9.19 or counties where the proposed spacing unit is located, the commissioner may establish
9.20 spacing units by issuing a spacing order. The commissioner may modify the size or shape
9.21 of the spacing unit proposed in the application.

9.22 (b) Until the commissioner adopts rules regarding spacing, in determining whether to
9.23 approve, approve with modifications, or deny a proposed spacing unit, the commissioner
9.24 must consider whether the proposed spacing unit:

9.25 (1) prevents waste of gas resources;

9.26 (2) avoids drilling unnecessary wells; and

9.27 (3) protects correlative rights.

9.28 Subd. 4. **Amending established spacing unit.** (a) The commissioner may amend or
9.29 modify a spacing unit established under a spacing order upon application or upon the
9.30 commissioner's own initiative. The size of the established spacing unit may be decreased
9.31 or increased or additional wells permitted to be drilled within the established unit to prevent

10.1 or assist in preventing waste, to avoid drilling unnecessary wells, or to protect correlative
10.2 rights.

10.3 (b) An operator or interested party may file an application to amend an established
10.4 spacing unit with the commissioner.

10.5 Subd. 5. **Temporary exploratory spacing unit.** If the commissioner is unable to
10.6 determine, based on information in the spacing unit application or presented at the public
10.7 meeting, the existence of a pool, the appropriate acreage to be included within a spacing
10.8 unit, or the shape of the spacing unit, the commissioner may establish an exploratory spacing
10.9 unit to obtain evidence as to the existence of a pool and the appropriate size and shape of
10.10 the spacing unit to be applied to the pool. In establishing the size and shape of the exploratory
10.11 spacing unit, the commissioner may consider, but is not limited to considering, the size and
10.12 shape of spacing units previously established by the commissioner for the same gas-bearing
10.13 rock units in other areas of the same geologic rock formation.

10.14 Subd. 6. **Appeals.** Spacing orders issued by the commissioner may be appealed according
10.15 to section 93.5181.

10.16 Sec. 10. **[93.5173] POOLING.**

10.17 Subdivision 1. **Voluntary pooling.** When two or more separately owned tracts, including
10.18 any state-owned tracts, are embraced within a spacing unit or when there are separately
10.19 owned interests in all or a part of a spacing unit, the persons owning the interests may pool
10.20 their interests for developing and operating the spacing unit.

10.21 Subd. 2. **Involuntary pooling.** In the absence of voluntary pooling, the commissioner,
10.22 upon the application of a person that owns or leases at least 50 percent of the mineral interests
10.23 to be pooled, may issue an order pooling all interests in the spacing unit, including those
10.24 interests of nonconsenting owners, for developing and operating the spacing unit. The
10.25 commissioner must issue a draft pooling order after notice and a public meeting in the
10.26 county or counties where the pooling area is located. The order must be upon terms and
10.27 conditions that protect all owners' correlative rights and that afford to the owner of each
10.28 tract or interest in the spacing unit the opportunity to recover or receive, without unnecessary
10.29 expense, a just and equitable share. The goal of a pooling order is to allow for equitable and
10.30 efficient development of gas resources while minimizing waste and the drilling of
10.31 unnecessary wells. The commissioner must serve a copy of a draft pooling order by certified
10.32 mail on all owners listed in the affidavit provided under subdivision 3. The applicant, any
10.33 party served with the order, or any interested party within the spacing unit may demand a
10.34 contested case hearing within 30 days of the date of mailing. The contested case hearing

11.1 must be conducted according to chapter 14. After the contested case hearing, if any, the
11.2 commissioner must issue a final order.

11.3 Subd. 3. **Pooling order application.** (a) An operator must submit an application for a
11.4 pooling order under this section to the commissioner. An operator must submit with the
11.5 application a certified check, cashier's check, or bank money order payable to the Department
11.6 of Natural Resources in the sum of \$100 as a fee for filing the application. The application
11.7 fee must not be refunded under any circumstances. The state reserves the right to reject any
11.8 or all applications for a pooling order. The commissioner must prescribe the information
11.9 to be included in a pooling order application.

11.10 (b) An application for a pooling order must include:

11.11 (1) proof that the applicant controls at least 50 percent of the mineral interests to be
11.12 pooled;

11.13 (2) a map showing the location of ownership interests within the spacing unit;

11.14 (3) identification of mineral interests within the spacing unit that the applicant does not
11.15 own or lease and the location of and owner's name and address for all such interests; and

11.16 (4) an affidavit by the applicant that the applicant made a good faith effort to lease the
11.17 mineral interests identified in clause (3) within the spacing unit, which must contain
11.18 information as to any lease offer made to a mineral interest owner or efforts to contact a
11.19 mineral interest owner.

11.20 Subd. 4. **Drilling and extraction prohibited before pooling order issued.** If a spacing
11.21 unit contains the mineral interests of any unleased mineral interest owner who has rejected
11.22 an offer to lease, an operator must not drill or extract gas resources from the spacing unit
11.23 before the commissioner issues a pooling order.

11.24 Subd. 5. **Lands excluded from pooling order.** (a) Notwithstanding any provision in
11.25 this section to the contrary, the commissioner must not issue a pooling order that pools the
11.26 mineral interests of an unleased mineral interest owner if the owner is:

11.27 (1) the federal government;

11.28 (2) an American Indian Tribe or Band; or

11.29 (3) a Tribal member and the land is located within that Tribe's reservation or community.

11.30 (b) If a pooling order application proposes to pool mineral interests described in paragraph
11.31 (a), the commissioner must deny the application unless the applicant amends the application
11.32 to no longer request the pooling of the unleased mineral interests described in paragraph

12.1 (a). Nothing in this subdivision affects, limits, or expands the authority of the federal
12.2 government or an American Indian Tribe or Band to lease, refuse to lease, voluntarily pool,
12.3 or otherwise dispose of their unleased mineral interests.

12.4 Subd. 6. **Pooling orders.** (a) On any portion of a spacing unit covered by a pooling
12.5 order, all operations incident to well drilling are deemed to be the conduct of operations on
12.6 each separately owned tract by the several owners of each separately owned tract. Any
12.7 portion of production allocated or applicable to each tract included in a spacing unit covered
12.8 by a pooling order is deemed to have been produced from the tract by a well drilled on the
12.9 tract.

12.10 (b) Each pooling order must:

12.11 (1) provide for drilling one or more wells, if not already drilled, within the spacing unit
12.12 in such a manner as to prevent waste;

12.13 (2) provide for payment of the reasonable actual cost of the wells, including drilling and
12.14 operating the wells, and a reasonable charge for supervision and storage;

12.15 (3) provide for the proportionate share of the costs and risks of drilling and operating
12.16 wells for each owner, including each nonconsenting owner, as follows:

12.17 (i) except as provided in subdivision 7, as to each nonconsenting owner who refuses to
12.18 bear a proportionate share of the costs and risks of drilling and operating the wells, the
12.19 pooling order must provide for reimbursement to consenting owners to be paid out of, and
12.20 only out of, production from the unit representing the nonconsenting owner's interest;

12.21 (ii) such reimbursement must exclude any royalty or other interest not obligated to pay
12.22 any part of the costs of drilling and operating the wells if, and to the extent that, the royalty
12.23 is consistent with the lease terms prevailing in the area and is not designed to avoid the
12.24 recovery of costs provided for in paragraph (c); and

12.25 (iii) in the event of any dispute as to the allocation of any costs of drilling and operating
12.26 the wells, the commissioner must determine the allocation of costs as specified in paragraph
12.27 (c);

12.28 (4) determine the interest of each owner in the spacing unit and provide that each
12.29 consenting owner is entitled to receive a share of the production from the wells applicable
12.30 to the owner's interest in the wells, subject to royalty or similar obligations;

12.31 (5) provide that each consenting owner is entitled to receive a proportionate part of any
12.32 nonconsenting owner's share of the production until costs are recovered;

13.1 (6) provide that each nonconsenting owner is entitled to own and receive that share of
13.2 the production applicable to the nonconsenting owner's interest in the spacing unit after all
13.3 consenting owners have recovered the nonconsenting owner's share of the costs out of
13.4 production;

13.5 (7) specify that any nonconsenting owner is immune from liability for costs arising from
13.6 spills, releases, damage, or injury resulting from gas resource development operations on
13.7 the spacing unit, to the extent that such liability is not the fault of the nonconsenting owner;
13.8 and

13.9 (8) prohibit operators from using the surface owned by a nonconsenting owner without
13.10 express permission from the nonconsenting owner.

13.11 (c) The commissioner must determine proper costs recoverable by the consenting owners
13.12 of a spacing unit from the nonconsenting owner's share of production from the unit as
13.13 follows:

13.14 (1) 100 percent of the nonconsenting owner's share of the cost of surface equipment
13.15 beyond the wellhead connections, including stock tanks, separators, treaters, pumping
13.16 equipment, and piping, plus 100 percent of the nonconsenting owner's share of the cost of
13.17 operating the well or wells beginning with first production and continuing until the consenting
13.18 owners have recovered such costs. Any nonconsenting owner's share of the costs of
13.19 equipment and operation is that interest that would have been chargeable to the nonconsenting
13.20 owner had the owner initially agreed to pay the owner's share of the costs of the well or
13.21 wells from the beginning of the operation; and

13.22 (2) 200 percent of that portion of the costs and expenses of permitting, environmental
13.23 review, surveying, well site preparation, obtaining rights-of-way, rigging up, drilling,
13.24 reworking, deepening or plugging back, testing, and completing the well, after deducting
13.25 any cash contributions received by the consenting owners, and 200 percent of that portion
13.26 of the cost of equipment in the well, including the wellhead connections.

13.27 Subd. 7. **Costs and royalties for nonconsenting owners.** A nonconsenting owner of a
13.28 tract within a spacing unit that is not subject to any lease or other contract for gas
13.29 development is entitled to a landowner's proportionate royalty of 18.75 percent until the
13.30 consenting owners recover the costs specified in subdivision 6, paragraph (c). Until costs
13.31 are recovered, the remaining 81.25 percent of the nonconsenting owner's proportionate
13.32 share is allocated to reimburse costs to the consenting owners, as described in subdivision
13.33 6, paragraph (b), clause (3). After recovery of costs, the nonconsenting owner is deemed to

14.1 own their full proportionate share of the wells, surface facilities, and production and is then
14.2 liable for any further costs as if the nonconsenting owner had been a consenting owner.

14.3 Subd. 8. **Good faith effort of lease offer to nonconsenting owners.** (a) The
14.4 commissioner must not enter an order pooling an unleased, nonconsenting mineral interest
14.5 owner under this section over the protest of the owner unless the commissioner receives
14.6 evidence that the unleased mineral interest owner has been:

14.7 (1) tendered, no less than 60 days before the hearing, a reasonable offer, made in good
14.8 faith, to participate and pay their proportionate share of costs or to lease upon terms no less
14.9 favorable than those currently prevailing in the area at the time application for the order is
14.10 made; and

14.11 (2) furnished, in writing, the owner's share of the estimated drilling and completion cost
14.12 of the gas wells, the location and objective depth of the gas wells, and the estimated spud
14.13 date for the gas wells or range of time within which spudding is to occur.

14.14 (b) The offer to participate or lease must include a copy of or link to a brochure supplied
14.15 by the commissioner that clearly and concisely describes the pooling procedures specified
14.16 in this section and the mineral interest owner's options under those procedures.

14.17 Subd. 9. **Disputes between owners and operators.** (a) During the period of cost recovery
14.18 provided for under this section, the commissioner does not have jurisdiction to determine
14.19 the reasonableness of costs of operating the wells attributable to the interest of the
14.20 nonconsenting owner. Any owners, consenting or nonconsenting, may file actions in district
14.21 court, against the operators or each other, to challenge the reasonableness of costs.

14.22 (b) The commissioner does not have jurisdiction to resolve disputes among owners or
14.23 operators regarding the ownership of mineral interests contained within spacing units.

14.24 Subd. 10. **Duty of operator to nonconsenting owners.** The operator of gas wells under
14.25 a pooling order in which there is a nonconsenting owner must furnish the nonconsenting
14.26 owner with a monthly statement of all costs incurred, together with the quantity of gas
14.27 produced, and the amount of proceeds realized from the sale of production during the
14.28 preceding month. If the consenting owners recover the costs specified in subdivision 6, the
14.29 nonconsenting owner must own the same interest in the wells and the production from the
14.30 wells and be liable for the further costs of the operation as if the nonconsenting owner had
14.31 participated in the initial drilling operations.

15.1 Sec. 11. **[93.5174] DUTIES AND AUTHORITY OF COMMISSIONER.**

15.2 The commissioner must administer and enforce sections 93.517 to 93.5182 and the rules
15.3 adopted thereunder and authorized by section 93.514. In so doing, the commissioner may:

15.4 (1) conduct investigations and inspections that the commissioner deems necessary for
15.5 the proper administration of sections 93.517 to 93.5182;

15.6 (2) enter upon any part of a gas resource development location in connection with an
15.7 investigation and inspection without liability to the operator or landowner, provided the
15.8 commissioner gives the operator or landowner reasonable prior notice of the intent to do
15.9 so;

15.10 (3) conduct research or enter into contracts related to gas resource development locations
15.11 and the reclamation of gas resources that the commissioner deems necessary to implement
15.12 sections 93.517 to 93.5182; and

15.13 (4) allocate surplus wetland credits that are approved by the commissioner under a gas
15.14 resource development permit and that are not otherwise deposited in a state wetland bank.

15.15 Sec. 12. **[93.5175] VARIANCE.**

15.16 The commissioner may, upon application by an operator, modify or permit variance
15.17 from the rules adopted under sections 93.514 and 93.517 to 93.5182 if the commissioner
15.18 determines that the modification or variance is consistent with the general welfare.

15.19 Sec. 13. **[93.5176] GAS RESOURCE DEVELOPMENT PERMIT.**

15.20 Subdivision 1. **Permit required; application.** A person must not engage in or carry out
15.21 gas resource development operations at gas resource development locations within the state,
15.22 including drilling gas wells or extracting gas resources, unless the person has first obtained
15.23 a gas resource development permit from the commissioner. All persons engaged in the
15.24 operation must jointly hold the permit, including all parent companies of persons involved
15.25 in the operation. A person applying to the commissioner for a gas resource development
15.26 permit must submit information required by the commissioner, including but not limited
15.27 to:

15.28 (1) an application fee of \$10,000;

15.29 (2) a certificate issued by an insurance company authorized to do business in the United
15.30 States certifying that the applicant has a public liability insurance policy in force for the
15.31 development of gas resources for which the permit is sought, or evidence that the applicant

16.1 has satisfied other state or federal self-insurance requirements, to provide personal injury
16.2 and property damage protection in an amount adequate to compensate any persons who
16.3 might be damaged as a result of the gas resource development operations or any reclamation
16.4 or restoration operations connected with gas resource development locations;

16.5 (3) a map that identifies the location of established or applicant-proposed spacing units
16.6 and the location and extent of all proposed gas resource development locations, access roads,
16.7 gas wells and setback distances between each gas well, and areas with special land uses
16.8 within the proposed spacing unit;

16.9 (4) a plan map that shows the planned locations of gas resource development facilities
16.10 on all gas resource development locations, including drill pads, gas enrichment facilities,
16.11 storage tanks, and flow lines;

16.12 (5) a proposed plan for constructing gas resource development facilities, including but
16.13 not limited to gas wells, processing or gas enrichment plants, and connecting flow lines;

16.14 (6) a proposed plan for gas resource development operations, including but not limited
16.15 to the duration of the project; processes and procedures for gas extraction, enrichment,
16.16 storage, and gas transport to market; and the isolation and management of noncommercial
16.17 gases extracted from gas wells;

16.18 (7) a proposed plan, including a timeline, for the reclamation or restoration, or both, of
16.19 any gas resource development location affected by operations to be conducted on and after
16.20 the date on which permits are required for the development of gas resources under this
16.21 section;

16.22 (8) characterization of any exploration and production waste to be stored temporarily
16.23 or permanently at a gas resource development location;

16.24 (9) plans for financial assurance instruments addressing the cost to close all gas resource
16.25 development facilities and reclaim all gas resource development locations; and

16.26 (10) a copy of the applicant's advertisement of the ownership, location, and boundaries
16.27 of the proposed gas resource development locations, which advertisement must be published
16.28 in a legal newspaper in the locality of the proposed site at least once a week for four
16.29 successive weeks before the application is filed.

16.30 Subd. 2. **Permits issued during rulemaking.** A gas resource development permit issued
16.31 during the pendency of expedited rulemaking authorized under section 93.514 does not
16.32 expire once the rules are adopted if the person holding the permit continues to operate under

17.1 permitted conditions. If a person holding such a permit applies for a permit amendment
17.2 after rules are adopted:

17.3 (1) the adopted rules apply to operations covered by both the amendment and the original
17.4 permit; and

17.5 (2) the application for a permit amendment must include information for the entire project
17.6 that is required under subdivision 1 and the adopted rules.

17.7 Subd. 3. **Commissioner's review; hearing.** After receiving an application that the
17.8 commissioner has deemed complete and filed, the commissioner must grant the permit
17.9 applied for, with or without modifications or conditions, or deny the application unless a
17.10 contested case hearing is requested or ordered under section 93.5178. The commissioner's
17.11 decision to grant the permit, with or without modifications or conditions, or deny the
17.12 application is a final order for purposes of section 93.5181. The commissioner, in granting
17.13 a permit with or without modifications or conditions, must determine that the reclamation
17.14 or restoration planned for the operation complies with lawful requirements and can be
17.15 accomplished under available technology and that a proposed reclamation or restoration
17.16 technique is practical and workable under available technology. The commissioner may
17.17 hold public meetings on the application.

17.18 Subd. 4. **Term of permit; amendment.** (a) A permit issued by the commissioner under
17.19 this section must be granted for the term determined necessary by the commissioner for
17.20 completing the proposed gas resource development plan, including reclamation or restoration.

17.21 (b) A permit may be amended upon written application to the commissioner. A permit
17.22 amendment application fee must be submitted with the written application. The permit
17.23 amendment application fee is ten percent of the amount provided for in subdivision 1, clause
17.24 (1), for an application for a gas resource development permit. If the commissioner determines
17.25 that the proposed amendment constitutes a substantial change to the permit, the applicant
17.26 must publish notice in the same manner as for a new permit. The commissioner may grant
17.27 an amendment if the commissioner determines that lawful requirements have been met.

17.28 Subd. 5. **Revocation; modification; suspension.** (a) A permit is irrevocable during its
17.29 term except that the commissioner may:

17.30 (1) revoke the permit if the permittee has not commenced substantial construction of
17.31 gas resource development facilities or actual production and reclamation or restoration
17.32 operations covered by the permit within 36 months of permit issuance;

(2) cancel a permit at the request of or with the consent of the permittee upon such conditions as the commissioner determines necessary to protect the public interests;

(3) subject to paragraph (b), modify or revoke the permit:

(i) in case of any breach of the permit terms or conditions;

(ii) in case of a violation of law pertaining to the permit by the permittee or agents of the permittee;

(iii) when the commissioner finds that the modification or revocation is necessary to protect the public health or safety;

(iv) to protect the public interests in lands or waters against injury resulting in any manner or to any extent not expressly authorized by the permit; or

(v) to prevent injury to persons or property resulting in any manner or to any extent not authorized by the permit; and

(4) by written order to the permittee, suspend operations under a permit if the commissioner finds it necessary in an emergency to protect the public health or safety; to protect public interests in lands or waters against imminent danger of substantial injury in any manner or to any extent not expressly authorized by the permit; or to protect persons or property against such danger, and the commissioner may require the permittee to take any measures necessary to prevent or remedy such injury. No suspension order under this clause may be in effect more than 30 days after the date of the order without giving the permittee at least ten days' written notice of the order and an opportunity to be heard on the matter.

(b) Modification or revocation under paragraph (a), clause (3), is subject to the rights of the permittee to contest the commissioner's actions under sections 14.57 to 14.59 and related sections. The commissioner must give 30 days' written notice to the permittee, stating the grounds of the proposed modification or revocation or providing a reasonable time of not less than 15 days in which to take corrective action.

Subd. 6. **Assignment.** A permit may not be assigned or otherwise transferred without the written approval of the commissioner. A permit assignment application fee must be submitted with the written application. The permit assignment application fee is ten percent of the amount provided for in subdivision 1, clause (1). A permit assignment application may be combined with a permit.

Subd. 7. **Gas resource administration account.** The gas resource administration account is established as an account in the natural resources fund. Fees charged to owners, operators,

or managers of operations under sections 93.515 to 93.5182 must be credited to the gas resource administration account and are appropriated to the commissioner to cover the costs of providing and monitoring gas resource development permits. Earnings accruing from investment of the account remain with the account.

Subd. 8. **Temporary regulatory framework.** (a) To support a temporary regulatory framework for permitting gas production projects during rulemaking, this subdivision applies until rules are adopted for siting, permitting, and reclamation requirements for gas production projects, as required under section 93.514.

(b) All gas resource development locations must incorporate setbacks or separations that are needed to comply with air, water, and noise pollution standards; local land use regulations; and the requirements of other applicable jurisdictions. Nothing in this section is intended to supersede any more restrictive siting or setback requirements that may exist in state or federal laws for the specific land designations listed in this subdivision. Gas resource development operations at gas resource development locations must not modify or alter the gas resources of certain areas, except in the event of a national emergency declared by Congress.

(c) A gas resource development location must not be located within or alter the gas resources of:

(1) the Boundary Waters Canoe Area Wilderness, as legally described in the Federal Register, volume 45, number 67 (April 4, 1980), with state restrictions specified in section 84.523, subdivision 3;

(2) Voyageurs National Park, with state restrictions specified in section 84B.03, subdivision 1; or

(3) the federal Agassiz and Tamarac Wilderness areas and Pipestone and Grand Portage National Monuments.

(d) Passive subsurface gas resource development activities are allowed, but gas resource development locations and subsurface directional drilling are prohibited in:

(1) state wilderness areas;

(2) state scientific and natural areas;

(3) within state peatland scientific and natural areas where directional drilling would significantly modify or alter the peatland water levels or flows, peatland water chemistry, plant or animal species or communities, or natural features of the peatland scientific and natural areas, except in the event of a national emergency declared by Congress;

- 20.1 (4) calcareous fens identified under section 103G.223;
- 20.2 (5) a state park, except that gas resource development operations must be allowed if the
20.3 park has been established as a result of its association with mining; and
- 20.4 (6) designated trout streams and lakes.
- 20.5 (e) Subsurface gas resource development activities, including subsurface directional
20.6 drilling, are allowed, but gas resource development locations are prohibited:
- 20.7 (1) in the Boundary Waters Canoe Area Wilderness Mineral Management Corridor,
20.8 identified on the Department of Natural Resources map entitled Minnesota Department of
20.9 Natural Resources B.W.C.A.W. Mineral Management Corridor (February 1991);
- 20.10 (2) within 0.25 miles of Voyageurs National Park;
- 20.11 (3) within 0.25 miles of a state wilderness area;
- 20.12 (4) within 0.25 miles of the federal Agassiz and Tamarac Wilderness areas and Pipestone
20.13 and Grand Portage National Monuments;
- 20.14 (5) within 0.25 miles of a state scientific and natural area;
- 20.15 (6) within 0.25 miles of a state park, except surface and subsurface disturbances must
20.16 be allowed if the park has been established as a result of its association with mining;
- 20.17 (7) within 0.25 miles of a calcareous fen identified under section 103G.223;
- 20.18 (8) on sites designated in the National Register of Historic Places, except that gas resource
20.19 development operations must be allowed if the sites have been established as a result of
20.20 their association with mining;
- 20.21 (9) on sites designated in the registry of state historic sites, except gas resource
20.22 development operations must be allowed if the sites have been established as a result of
20.23 their association with mining;
- 20.24 (10) within national wild, scenic, or recreational river districts of a national wild, scenic,
20.25 or recreational river and within the areas identified by the document entitled A Management
20.26 Plan for the Upper Mississippi River, produced by the Mississippi Headwaters Board
20.27 (January 1981);
- 20.28 (11) within designated state land use districts of a state wild, scenic, or recreational river;
- 20.29 (12) within the area adjacent to the north shore of Lake Superior identified in the
20.30 document entitled North Shore Management Plan, produced by the North Shore Management
20.31 Board (December 1988); and

21.1 (13) in the following areas, provided they were in existence before a gas resource
21.2 development permit was issued:

21.3 (i) within 500 feet of an occupied dwelling, public school, church, public institution, or
21.4 county or municipal park, unless allowed by the owner; or

21.5 (ii) within 100 feet of a cemetery or the outside right-of-way line of a public roadway.

21.6 (f) Gas resource development locations must be allowed in the following areas only if
21.7 the commissioner determines that there is no prudent and feasible siting alternative:

21.8 (1) in a national wildlife refuge, a national waterfowl protection area, or on a national
21.9 trail;

21.10 (2) in a state wildlife management area or on a state-designated trail either listed in
21.11 section 85.015 or acquired under the authority of section 84.029, subdivision 2;

21.12 (3) in peatlands identified as peatland watershed protection areas in the Department of
21.13 Natural Resources report entitled Protection of Ecologically Significant Peatlands in
21.14 Minnesota (November 1984); and

21.15 (4) in waters identified in the public waters inventory under section 103G.201 that have
21.16 not been created or substantially altered in size by human activities or in the adjoining
21.17 shorelands, as defined in section 103F.205, subdivision 4, of the unaltered waters.

21.18 (g) A gas resource development permit must include as a permit condition a requirement
21.19 that a permittee submit to the commissioner a preproduction report at least 60 days before
21.20 the commercial extraction of gas resources from gas wells drilled at gas resource development
21.21 locations. The report must include data and test results from completed gas wells that can
21.22 be used to evaluate the production rates and extraction areas that were incorporated by the
21.23 permittee into their permit application before drilling the gas wells. The commissioner must
21.24 identify the specific types of data and other report components in the associated gas resource
21.25 development permit.

21.26 (h) A permittee must submit an annual report to the commissioner by March 31 each
21.27 year that describes actual gas production and reclamation completed during the past year,
21.28 gas production and reclamation activities planned for the upcoming year, and a contingency
21.29 reclamation plan to be implemented if operations cease or gas wells are idled for more than
21.30 36 months. The annual report must include at a minimum:

21.31 (1) reporting for the previous calendar year and projections for the upcoming calendar
21.32 year on the volume and average composition of raw gas extracted from each gas well covered
21.33 by the gas resource development plan;

- 22.1 (2) quantities and final grades of commercial gas products transported to market;
- 22.2 (3) any changes in the production or gas enrichment processes;
- 22.3 (4) a description of reclamation activities and corrective actions;
- 22.4 (5) evidence of continued liability insurance; and
- 22.5 (6) a discussion of any changes in ownership and organization structure of the permittee.

22.6 Sec. 14. **[93.5177] FEES.**

22.7 Subdivision 1. **Annual gas resource development permit fee.** The commissioner must

22.8 charge every person holding a gas resource development permit an annual permit fee of

22.9 \$25,000. The fee is payable to the Department of Natural Resources by June 30 each year,

22.10 beginning in 2025. If a temporary permit is issued after June 30 of any year, the permittee

22.11 must pay the annual fee within 60 days of permit issuance.

22.12 Subd. 2. **Supplemental application fee.** (a) In addition to the application fee specified

22.13 in section 93.5176, the commissioner must assess a person submitting an application for a

22.14 gas resource development permit the reasonable costs for reviewing the application and

22.15 preparing the permit. The commissioner must also assess reasonable costs for monitoring

22.16 construction of the gas resource development facilities.

22.17 (b) The commissioner must give the applicant an estimate of the supplemental application

22.18 fee under this subdivision. The estimate must include a brief description of the tasks to be

22.19 performed and the estimated cost of each task. The application fee under section 93.5176

22.20 must be subtracted from the estimate of costs to determine the supplemental application

22.21 fee.

22.22 (c) The applicant and the commissioner must enter into a written agreement to cover

22.23 the estimated costs to be incurred by the commissioner.

22.24 (d) The commissioner must not issue the gas resource development permit until the

22.25 applicant has paid all fees in full. Upon completion of construction of all gas resource

22.26 development facilities, the commissioner must refund the unobligated balance of the

22.27 supplemental application fee revenue.

22.28 Sec. 15. **[93.5178] CONTESTED CASE.**

22.29 Subdivision 1. **Petition for contested case hearing.** Any person owning property that

22.30 will be affected by the proposed gas resource development operations or any federal, state,

22.31 or local government having responsibilities affected by the proposed operation identified

23.1 in an application for a gas resource development permit under section 93.5176 may file a
23.2 petition with the commissioner to hold a contested case hearing on the completed application.
23.3 To be considered by the commissioner, a petition must be submitted in writing, must contain
23.4 the information specified in subdivision 2, and must be submitted to the commissioner
23.5 within 30 days after the application is deemed complete and filed. The commissioner may,
23.6 on the commissioner's own motion, order a contested case hearing on the completed
23.7 application.

23.8 Subd. 2. **Petition contents.** (a) A petition for a contested case hearing must include:

23.9 (1) a statement of reasons or proposed findings supporting the commissioner's decision
23.10 to hold a contested case hearing according to the criteria in subdivision 3; and

23.11 (2) a statement of the issues proposed to be addressed by a contested case hearing and
23.12 the specific relief requested or resolution of the matter.

23.13 (b) To the extent known by the petitioner, a petition for a contested case hearing may
23.14 also include:

23.15 (1) a proposed list of prospective witnesses to be called, including experts, with a brief
23.16 description of the proposed testimony or a summary of evidence to be presented at a contested
23.17 case hearing;

23.18 (2) a proposed list of publications, references, or studies to be introduced and relied
23.19 upon at a contested case hearing; and

23.20 (3) an estimate of time required for the petitioner to present the matter at a contested
23.21 case hearing.

23.22 (c) A petitioner is not bound or limited to the witnesses, materials, or estimated time
23.23 identified in the petition if the commissioner grants the request for a contested case hearing.

23.24 (d) Any person may serve timely responses to a petition for a contested case hearing.
23.25 The commissioner must establish deadlines for responses to be submitted.

23.26 Subd. 3. **Commissioner's decision to hold hearing.** (a) The commissioner must grant
23.27 a petition to hold a contested case hearing or order upon the commissioner's own motion
23.28 that a contested case hearing be held if the commissioner finds that:

23.29 (1) there is a material issue of fact in dispute concerning the completed application before
23.30 the commissioner;

23.31 (2) the commissioner has jurisdiction to make a determination on the disputed material
23.32 issue of fact; and

(3) there is a reasonable basis underlying a disputed material issue of fact so that a contested case hearing would allow the introduction of information that would aid the commissioner in resolving the disputed facts in order to make a final decision on the completed application.

(b) The commissioner must make the determination of whether to grant a petition or otherwise order a contested case hearing within 120 days after the commissioner deems the application complete and filed.

Subd. 4. **Hearing upon request of applicant.** The applicant may, within 30 days after the application is deemed complete and filed, submit a request for a contested case hearing. Within 30 days of the applicant's request, the commissioner must grant the petition and initiate the contested case hearing process.

Subd. 5. **Scope of hearing.** If the commissioner decides to hold a contested case hearing, the commissioner must identify the issues to be resolved and limit the scope and conduct of the hearing in accordance with applicable law, due process, and fundamental fairness. The commissioner may, before granting or ordering a contested case hearing, develop a proposed permit or permit conditions to inform the contested case. The contested case hearing must be conducted according to sections 14.57 to 14.62. The final decision by the commissioner to grant, with or without modifications or conditions, or deny the application after a contested case hearing is a final order for purposes of section 93.5181.

Sec. 16. [93.5180] FINANCIAL ASSURANCE OF OPERATOR.

Subdivision 1. **Requirement for financial assurance.** The commissioner must require from a permittee a bond, another security, or other financial assurance satisfactory to the commissioner. The commissioner must review at least annually the extent of each operator's financial assurance under this section.

Subd. 2. **Temporary regulatory framework.** (a) To support a temporary regulatory framework for permitting gas production projects during rulemaking, this subdivision applies until rules are adopted under section 93.514 for financial assurance requirements for gas production projects.

(b) Financial assurance for reclamation and for corrective action must ensure that:

(1) funds will be available to cover the costs estimated in paragraph (c);

(2) funds will be made payable to the commissioner when needed;

(3) funds will be fully valid, binding, and enforceable under state and federal law;

25.1 (4) funds will not be dischargeable through bankruptcy;

25.2 (5) funds will not include any corporate guarantees unless a guarantee is deemed
25.3 necessary by the commissioner as an additional layer of assurance beyond the use of bonds,
25.4 other securities, or other financial assurance mechanisms under clauses (1) to (4) and (6),
25.5 and in no case may a corporate guarantee be approved as a standalone financial assurance;
25.6 and

25.7 (6) all terms and conditions of the financial assurance are approved by the commissioner.

25.8 (c) A person intending to develop gas resources must submit, as part of an application
25.9 for a gas resource development permit, a documented estimate of costs necessary for the
25.10 reclamation or restoration, or both, of any gas resource development locations upon which
25.11 the person proposes to conduct gas resource development operations. The commissioner
25.12 must determine the procedures for completing the cost estimate and its required elements.

25.13 (d) If a corrective action is required during implementation of the gas resource
25.14 development plan to minimize waste and protect human health or the environment, the
25.15 permittee must submit to the commissioner a cost estimate for completing the required
25.16 actions. The commissioner must determine the procedures and required elements for
25.17 completing this corrective action cost estimate.

25.18 (e) The commissioner must ensure that submitted cost estimates and cost estimate
25.19 adjustments are evaluated by individuals with documented experience in material handling
25.20 and reclamation or restoration of gas resource development locations. The applicant must
25.21 pay the costs incurred by the commissioner to hire third parties to perform the evaluation.

25.22 (f) Financial assurance in the amount equal to the contingency reclamation cost estimate
25.23 must be submitted to the commissioner for approval before issuance of a gas resource
25.24 development permit and before granting an amendment to the permit, must be continuously
25.25 maintained by the permittee, and must be annually adjusted based on the new cost estimate.

25.26 (g) Financial assurance in the amount equal to the corrective action cost estimate under
25.27 paragraph (d) must be submitted to the commissioner for approval as part of the corrective
25.28 action cost estimate, must be continuously maintained by the permittee until the commissioner
25.29 determines it is no longer necessary, and must be annually adjusted based on the new cost
25.30 estimate.

25.31 (h) Financial assurance may be canceled by the permittee, upon approval by the
25.32 commissioner, only after the financial assurance is replaced by an alternate mechanism or

26.1 after the permittee is released from financial assurance once the commissioner determines,
26.2 through inspection of the permitted gas resource development locations, that:

26.3 (1) all reclamation activities have been completed according to the gas resource
26.4 development permit;

26.5 (2) any conditions necessitating postclosure maintenance no longer exist and are not
26.6 likely to recur; and

26.7 (3) any corrective actions have been successfully accomplished.

26.8 (i) The permittee must ensure that the provider of financial assurance gives the
26.9 commissioner 120 days' notice before cancellation of the financial assurance mechanism.
26.10 Upon receipt of the notice, the commissioner must initiate a proceeding to access the financial
26.11 assurance.

26.12 (j) If the gas resource development permit is assigned, the new permittee must be in
26.13 compliance with sections 93.517 to 93.5182 before the commissioner approves the
26.14 assignment. On the assignee's demonstration of compliance, the former permittee must be
26.15 released from the compliance requirements.

26.16 (k) Financial assurance must be made available to the commissioner when the operator
26.17 is not in compliance with either a contingency reclamation plan or a corrective action plan.

26.18 (l) The commissioner may deny, suspend, revoke, or modify a gas resource development
26.19 permit or assess civil penalties if the permittee fails to comply with sections 93.517 to
26.20 93.5182.

26.21 **Sec. 17. [93.5181] APPEAL.**

26.22 Any person aggrieved by a final order, ruling, or decision of the commissioner may
26.23 obtain judicial review of the order, ruling, or decision under sections 14.63 to 14.69.

26.24 **Sec. 18. [93.5182] PENALTIES FOR VIOLATION.**

26.25 Subdivision 1. **Civil penalty.** If a person fails to comply with sections 93.517 to 93.5180,
26.26 any rules adopted thereunder, or any permit condition required under sections 93.517 to
26.27 93.5180 or rules adopted thereunder, then for 15 days after notice of the failure or after the
26.28 expiration of time for corrective action as provided for in section 93.5176, subdivision 5,
26.29 the person is liable for a civil penalty of not more than \$10,000 per day per violation for
26.30 each day that the failure continues. The commissioner may assess and collect any penalty
26.31 for deposit in the gas resource administration account.

27.1 Subd. 2. **Criminal penalty; injunctive relief.** A person who knowingly and willfully
27.2 violates or refuses to comply with any rule, decision, order, or ruling of the commissioner
27.3 under sections 93.517 to 93.5180 is, upon conviction, guilty of a gross misdemeanor. At
27.4 the request of the commissioner, the attorney general may institute a civil action in a district
27.5 court of the state for a restraining order or injunction or other appropriate remedy to prevent
27.6 or preclude a violation of the terms and conditions of any rules adopted under sections
27.7 93.517 to 93.5180. The district court of the state of Minnesota in which district the affected
27.8 extraction operation is conducted has jurisdiction to issue such order or injunction or to
27.9 provide other appropriate remedies.

27.10 Sec. 19. Minnesota Statutes 2024, section 93.55, subdivision 1a, is amended to read:

27.11 Subd. 1a. **Lease of forfeited interest.** If the owner of a severed mineral interest fails to
27.12 record the verified statement required by section 93.52 before the dates specified in
27.13 subdivision 1, the commissioner of natural resources may lease the mineral interest as
27.14 provided in this subdivision and subdivision 3 before completing the procedures set forth
27.15 in subdivision 2. In any lease issued under this subdivision, the commissioner shall cite, as
27.16 authority for issuing the lease, this subdivision, subdivision 3, and the United States Supreme
27.17 Court decision in *Texaco, Inc., et al. v. Short, et al.*, 454 U.S. 516 (1982), where the Supreme
27.18 Court determined, under Amendment XIV to the Constitution of the United States, that
27.19 enactment of a state law requiring an owner of severed mineral interests to timely record a
27.20 statement of claim to the mineral interests was constitutional, without individual advance
27.21 notice of operation of the law, before the owner loses the mineral interests for failing to
27.22 timely record the statement of claim. A lessee holding a lease issued under this subdivision
27.23 may not mine or extract gas or other mineral resources under the lease until the commissioner
27.24 completes the procedures set forth in subdivision 2 and a court has adjudged the forfeiture
27.25 of the mineral interest to be absolute. "Mine" for the purposes of this subdivision is defined
27.26 to exclude exploration activities, exploratory boring, trenching, test pitting, test shafts and
27.27 drifts, and related activities.

27.28 Sec. 20. **APPROPRIATIONS; GAS EXPLORATION AND PRODUCTION**
27.29 **PERMITTING PROGRAM.**

27.30 (a) \$660,000 in fiscal year 2026 and \$660,000 in fiscal year 2027 are appropriated from
27.31 the general fund to the commissioner of natural resources for use as provided under
27.32 Minnesota Statutes, chapter 93, for mineral resource management, including permitting
27.33 activities associated with gas resource development.

28.1 (b) \$330,000 in fiscal year 2026 and \$330,000 in fiscal year 2027 are appropriated from
28.2 the minerals management account in the natural resources fund to the commissioner of
28.3 natural resources for uses allowed under Minnesota Statutes, section 93.2236, paragraph
28.4 (c), including activities associated with leasing for gas exploration and development.

28.5 Sec. 21. **REPEALER.**

28.6 Minnesota Statutes 2024, section 93.513, subdivision 2, is repealed.

28.7 **ARTICLE 2**
28.8 **HEALTH**

28.9 Section 1. Minnesota Statutes 2024, section 103I.001, is amended to read:

28.10 **103I.001 LEGISLATIVE INTENT.**

28.11 This chapter is intended to protect the health and general welfare by providing a means
28.12 for the ~~development and~~ protection of the natural resource of groundwater in an orderly,
28.13 healthful, and reasonable manner.

28.14 Sec. 2. Minnesota Statutes 2024, section 103I.005, subdivision 9, is amended to read:

28.15 Subd. 9. **Exploratory boring.** "Exploratory boring" means a surface drilling done to
28.16 explore or prospect for ~~oil, natural gas, apatite, diamonds, graphite, gemstones, kaolin clay,~~
28.17 ~~and metallic minerals, including iron, copper, zinc, lead, gold, silver, titanium, vanadium,~~
28.18 ~~nickel, cadmium, molybdenum, chromium, manganese, cobalt, zirconium, beryllium,~~
28.19 ~~thorium, uranium, aluminum, platinum, palladium, radium, tantalum, tin, and niobium, and~~
28.20 ~~a drilling or boring for petroleum.~~

28.21 Sec. 3. Minnesota Statutes 2024, section 103I.005, is amended by adding a subdivision
28.22 to read:

28.23 Subd. 10a. **Gas.** "Gas" includes both hydrocarbon and nonhydrocarbon gases.

28.24 Sec. 4. Minnesota Statutes 2024, section 103I.005, is amended by adding a subdivision
28.25 to read:

28.26 Subd. 10b. **Gas well.** "Gas well" means an excavation that is constructed to locate,
28.27 extract, or produce gas.

29.1 Sec. 5. Minnesota Statutes 2024, section 103I.005, is amended by adding a subdivision
29.2 to read:

29.3 Subd. 10c. **Gas well contractor.** "Gas well contractor" means a person with a gas well
29.4 contractor's license issued by the commissioner.

29.5 Sec. 6. Minnesota Statutes 2024, section 103I.005, subdivision 21, is amended to read:

29.6 Subd. 21. **Well.** "Well" means an excavation that is drilled, cored, bored, washed, driven,
29.7 dug, jetted, or otherwise constructed if the excavation is intended for the location, diversion,
29.8 artificial recharge, monitoring, testing, remediation, or acquisition of groundwater. Well
29.9 includes environmental wells, drive point wells, and dewatering wells. "Well" does not
29.10 include:

29.11 (1) an excavation by backhoe, or otherwise for temporary dewatering of groundwater
29.12 for nonpotable use during construction, if the depth of the excavation is 25 feet or less;

29.13 (2) an excavation made to obtain or prospect for oil, ~~natural~~ gas, minerals, or products
29.14 of mining or quarrying;

29.15 (3) an excavation to insert media to repressure oil or ~~natural~~ gas bearing formations or
29.16 to store petroleum, ~~natural~~ gas, or other products;

29.17 (4) an excavation for nonpotable use for wildfire suppression activities; ~~or~~

29.18 (5) borings; or

29.19 (6) gas and oil wells.

29.20 Sec. 7. Minnesota Statutes 2024, section 103I.601, subdivision 1, is amended to read:

29.21 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following words
29.22 have the meanings given them.

29.23 (b) "Data" includes samples and factual noninterpreted data obtained from exploratory
29.24 borings and samples including analytical results.

29.25 (c) "Parcel" means a government section, fractional section, or government lot.

29.26 (d) "Samples" means at least a one-quarter portion of all samples from exploratory
29.27 borings that are customarily collected by the explorer. When the exploratory borings are
29.28 being done to explore or prospect for kaolin clay, "samples" means a representative sample
29.29 of at least two cubic inches of material per foot from exploratory borings of the material
29.30 that is customarily collected by the explorer.

30.1 (e) "Gas exploratory boring" means an exploratory boring encountering gas for at least
30.2 24 hours and in which gas has not dissipated prior to sealing.

30.3 Sec. 8. Minnesota Statutes 2024, section 103I.601, is amended by adding a subdivision
30.4 to read:

30.5 Subd. 10. **Borings encountering gas.** (a) Requirements in this subdivision apply only
30.6 for gas exploratory borings.

30.7 (b) An explorer must notify the commissioners of health and natural resources:

30.8 (1) within 24 hours of drilling a gas exploratory boring; and

30.9 (2) prior to beginning a permanent sealing of a gas exploratory boring.

30.10 (c) An explorer must submit a permanent sealing notification and fee of \$125 to the
30.11 commissioner prior to permanently sealing a gas exploratory boring.

30.12 (d) An explorer must begin permanently sealing a gas exploratory boring within ten
30.13 days of encountering gas.

30.14 (e) A gas exploratory boring is exempt from paragraph (d) if the boring is constructed
30.15 to prevent movement of gas and water from one formation to another. The boring must be
30.16 permanently sealed within 30 days after the completion of drilling unless gas is no longer
30.17 present in the boring.

30.18 (f) A gas exploratory boring must be permanently sealed from the bottom of the boring
30.19 to within two feet of the established ground surface.

30.20 (g) A permanent sealing report as required by subdivision 9 must also contain information
30.21 indicating gas was encountered during construction and at what depth it was encountered.

30.22 (h) A person must not use an exploratory boring to extract gas for production.

30.23 Sec. 9. Minnesota Statutes 2024, section 103I.601, is amended by adding a subdivision
30.24 to read:

30.25 Subd. 11. **Conversion of a gas well prohibited.** A person must not convert a gas well
30.26 to any other type of well or boring.

30.27 Sec. 10. Minnesota Statutes 2024, section 103I.601, is amended by adding a subdivision
30.28 to read:

30.29 Subd. 12. **Conversion of a well or boring to a gas well.** A person must not convert a
30.30 well or boring to a gas well, except that an exploratory boring constructed before enactment

31.1 of section 103I.707 may be converted to a gas well if constructed in accordance with
31.2 provisions of section 103I.707, except that the outermost casing may be:

31.3 (1) ASTM Standard A53;

31.4 (2) ASTM Standard A589, Types I, II, and III;

31.5 (3) API Specification 5L; or

31.6 (4) API Specification 5CT.

31.7 **Sec. 11. [103I.706] GAS WELLS.**

31.8 Subdivision 1. **Rulemaking authority.** The commissioner of health must adopt rules
31.9 for gas wells. In adopting rules under this section, the commissioner must use the expedited
31.10 procedure in section 14.389. The commissioner must publish notice of intent to adopt
31.11 expedited rules within 24 months after May 22, 2024.

31.12 Subd. 2. **Fees.** (a) License, certification, and registration renewals are not prorated and
31.13 expire on December 31 of each year.

31.14 (b) An applicant must meet the gas well contractor license requirements and fee
31.15 requirements to construct, repair, or seal a gas well. The fee for a gas well contractor license
31.16 is \$300. The annual renewal fee for a gas well contractor license is \$300.

31.17 (c) A gas well contractor must designate a certified representative. The certified
31.18 representative must meet the application and fee requirements. The application fee for a
31.19 certified representative is \$100. The annual renewal fee for a certified representative is
31.20 \$100.

31.21 (d) A gas well contractor must meet the registration and fee requirements for rigs used
31.22 to construct, repair, service, or seal a gas well. The fee to register gas well rigs is \$125. The
31.23 annual renewal fee for gas well rig registration is \$125.

31.24 (e) If a gas well contractor or certified representative under paragraphs (b) and (c) fails
31.25 to submit all information required for renewal or submits the application and information
31.26 after the required renewal date:

31.27 (1) the gas well contractor or certified representative must include a late fee of \$75; and

31.28 (2) the gas well contractor or certified representative may not conduct activities authorized
31.29 by the gas well contractor's license or certified representative's certification until the renewal
31.30 application, renewal application fee, and all other information required is submitted.

32.1 (f) A gas well contractor must submit a notification for construction of a proposed gas
32.2 well on a form prescribed by the commissioner, with a fee of \$10,000.

32.3 (g) A gas well contractor must submit a notification for sealing a gas well on a form
32.4 prescribed by the commissioner, with a fee of \$7,500.

32.5 Subd. 3. **Rig registration.** (a) Rigs used to drill, maintain, repair, or seal a gas well,
32.6 including drilling rigs and workover rigs, must be registered with the commissioner.

32.7 (b) A person must file an application to register a rig on a form provided by the
32.8 commissioner with the fee under subdivision 2, paragraph (d), with the commissioner.

32.9 (c) A registration is valid until the date prescribed by the commissioner in the registration.

32.10 (d) A person must file an application with the fee under subdivision 2, paragraph (d), to
32.11 renew the registration by the date prescribed by the commissioner in the registration.

32.12 Subd. 4. **Gas well contractor's license.** (a) A person must not construct, repair, or seal
32.13 a gas well without a gas well contractor's license issued by the commissioner.

32.14 (b) A person must file a complete application for a gas well contractor's license on a
32.15 form provided by the commissioner with the fee under subdivision 2, paragraph (b), with
32.16 the commissioner. The person applying must meet the qualifications for a gas well contractor
32.17 license.

32.18 (c) A gas well contractor's license is valid until the date prescribed by the commissioner
32.19 in the license.

32.20 (d) A gas well contractor must file a complete application with the fee under subdivision
32.21 2, paragraph (b), to renew the license by the date prescribed by the commissioner in the
32.22 license. A person must not construct, repair, or seal a gas well until a gas well contractor's
32.23 license is renewed. The commissioner may not renew a license until the renewal fee is paid.

32.24 (e) A gas well contractor must include information at the time of renewal that the
32.25 applicant has met the continuing education requirements established by the commissioner
32.26 for gas wells.

32.27 (f) A gas well contractor must designate a certified representative to supervise and
32.28 oversee regulated work on gas wells.

32.29 (g) A person must file a complete application on a form provided by the commissioner
32.30 with the fee under subdivision 2, paragraph (c), to qualify as a certified representative.

32.31 (h) A certified representative must file an application with the fee under subdivision 2,
32.32 paragraph (c), to renew the certification by the expiration date prescribed by the commissioner

33.1 on the certification. A certified representative may not supervise or oversee regulated work
33.2 on a gas well until the renewal application and application fee are submitted. The
33.3 commissioner may not review a certification until the renewal fee is paid.

33.4 (i) A certified representative must include information at the time of renewal that the
33.5 applicant has met the continuing education requirements established by the commissioner
33.6 for gas wells.

33.7 (j) The commissioner of natural resources may require a bond, security, or other assurance
33.8 from a gas well contractor if the commissioner of natural resources has reasonable doubts
33.9 about the person's financial ability to comply with the requirements of law relating to
33.10 reclamation of a gas well and the process to restore the land disturbed by a gas well drilling
33.11 and production operations back to the condition of original state.

33.12 (k) The commissioner may suspend or revoke a licensee's license according to section
33.13 144.99.

33.14 Subd. 5. **Construction notification.** (a) A gas well contractor must not begin drilling
33.15 or constructing a gas well unless it is included in a valid gas resource development permit
33.16 issued by the commissioner of natural resources.

33.17 (b) The contractor must submit a notification to the commissioner to construct a gas
33.18 well after receiving permit approval from the commissioner of natural resources and prior
33.19 to drilling or constructing a gas well. A gas well contractor must file the gas well notification
33.20 with the fee under subdivision 2, paragraph (f), with the commissioner.

33.21 Subd. 6. **Access to drill sites.** (a) The commissioner of health shall have access to gas
33.22 well sites to inspect gas wells, including the drilling, construction, and sealing of gas wells.

33.23 (b) The commissioner of health has enforcement authority according to section 144.99.

33.24 Subd. 7. **Emergency notification.** In the event of an occurrence during construction,
33.25 repair, or sealing of a gas well that has a potential for significant adverse public health or
33.26 environmental effects, the person drilling or constructing a gas or well must promptly:

33.27 (1) take reasonable action to minimize the adverse effects; and

33.28 (2) notify the commissioners of health, natural resources, and the Pollution Control
33.29 Agency immediately by informing the Minnesota Duty Officer.

33.30 Subd. 8. **Sealing notification.** (a) A gas well, including an unsuccessful gas well, that
33.31 is not in use must be sealed by a gas well contractor.

34.1 (b) A gas well contractor must file a notification and fee with the commissioner prior
34.2 to sealing a gas well.

34.3 Subd. 9. **Report of work.** Within 60 days after completion or sealing of a gas well, the
34.4 gas well contractor must submit a verified report to the commissioner on a form prescribed
34.5 by the commissioner or in a format approved by the commissioner.

34.6 Sec. 12. **[103L.707] GAS WELL NOTIFICATION AND CONSTRUCTION.**

34.7 Subdivision 1. **Definitions.** (a) For the purposes of this section, the following terms have
34.8 the meanings given.

34.9 (b) "Casing" means an impervious durable pipe placed in a well to prevent the walls
34.10 from caving in and to seal off surface drainage or undesirable water, gas, or other fluids to
34.11 prevent entering the well and the groundwater.

34.12 (c) "Confining layer" means a geological material that restricts water movement relative
34.13 to an aquifer. A confining layer includes:

34.14 (1) a stratum of unconsolidated materials or bedrock ten feet or more in vertical thickness
34.15 that has a vertical hydraulic conductivity of [10-6] centimeters per second or less;

34.16 (2) a stratum of clay, sandy clay, or silty clay ten feet or more in vertical thickness, as
34.17 defined in the Soil Survey Manual, United States Department of Agriculture Handbook; or

34.18 (3) any portion of the Decorah, Glenwood, St. Lawrence, or Eau Claire sedimentary
34.19 bedrock formations as described in George Austin, "Paleozoic Lithostratigraphy of
34.20 Southeastern Minnesota," in Geology of Minnesota: A Centennial Volume.

34.21 (d) "Drilling fluid additive" is a substance added to the air or water used in the fluid
34.22 system of drilling a gas well.

34.23 (e) "Hydraulic Fracturing Treatment" means all stages of the treatment of a well by the
34.24 application of fluid under pressure that is expressly intended to initiate or propagate fractures
34.25 in a target geologic formation to enhance production of oil and gas.

34.26 (f) "Neat cement grout" means a mixture in the proportion of 94 pounds of Portland
34.27 cement and not more than six gallons of clean water. Bentonite up to five percent by weight
34.28 of cement (4.7 pounds of bentonite per 94 pounds of Portland cement) may be used to reduce
34.29 shrinkage. Admixtures meeting the standard specifications of ASTM Standard C494 may
34.30 be used to reduce permeability or control time of set.

34.31 (g) "Production" includes extraction and beneficiation of gas from consolidated or
34.32 unconsolidated formations in the state.

(h) "Surface casing" means a string of casing set and cemented in a gas well to prevent lost circulation while drilling deeper and to protect strata known or reasonably expected to serve as a source of drinking water for human consumption.

(i) "Tremie pipe" means a pipe or hose used to insert grout into an annular space or to seal a gas well.

Subd. 2. Gas well contractor's license qualifications. (a) A person must have a gas well contractor's license to supervise and oversee regulated work on gas wells.

(b) A certified representative must be a professional engineer or geoscientist licensed under sections 326.02 to 326.15 or a professional geologist certified by the American Institute of Professional Geologists.

Subd. 3. Gas well construction notification requirements. (a) A gas well contractor must file a gas well notification, under section 103I.706, subdivision 5, with the fee under section 103I.706, subdivision 2, paragraph (f).

(b) A gas well construction notification is valid for 18 months.

(c) A new notification must be filed with the commissioner:

(1) if a gas well contractor other than the one listed on the original notification will be constructing the gas well;

(2) if the gas well is completed on a property other than that listed in the original notification; and

(3) before a gas well is deepened or before a casing is installed or removed below the frost line.

(d) A gas well contractor intending to construct a gas well must notify the commissioner at least 24 hours prior to:

(1) beginning gas well construction;

(2) setting casing; and

(3) placing grout.

Subd. 4. Injection prohibited. A gas well must not be used to inject or dispose surface water, groundwater, or any other liquid, gas, or chemical. This does not prohibit the injection:

(1) of approved drilling fluids as provided in subdivision 7; or

(2) if a class 2 injection well permit is obtained for a gas well, as authorized by the Environmental Protection Agency.

36.1 Subd. 5. **Hydraulic fracturing treatment prohibited.** Hydraulic fracturing treatment
36.2 is prohibited in a gas well until the commissioner adopts rules under section 103I.706. The
36.3 commissioner must consider authorization of hydraulic fracturing during rulemaking.

36.4 Subd. 6. **Disposal of material.** Drilling fluid, cuttings, treatment chemicals, and discharge
36.5 water must be:

36.6 (1) containerized;

36.7 (2) disposed of off site or a class 2 injection well permit obtained and authorized by the
36.8 Environmental Protection Agency; and

36.9 (3) disposed of according to federal, state, and local requirements.

36.10 Subd. 7. **Drilling fluids.** (a) Drilling fluids used for a gas well must be water or air based.
36.11 Water must come from a potable water system and contain a free chlorine residual at all
36.12 times.

36.13 (b) Drilling fluid additives must meet the requirements of ANSI/NSF Standard 60.

36.14 Subd. 8. **Casing and grout.** (a) Casing for a gas well must be steel casing that meets
36.15 API Specification 5CT and is of appropriate grade for the pressures and conditions. Casing
36.16 installed for the construction of a gas well must be new casing. Casing must be marked by
36.17 the manufacturer according to API Specification 5CT.

36.18 (b) Centralizers must be installed at a minimum of 20-foot intervals on the casing.

36.19 (c) A blowout preventer that is appropriate for the gas pressures expected must be
36.20 installed on the casing during all drilling after a surface casing has been installed.

36.21 (d) Casing offsets are prohibited.

36.22 (e) Casing must not be driven.

36.23 (f) The diameter of the drilled hole in which surface casing will be set must be least 1.5
36.24 inches greater than the nominal outside diameter of the casing that will be installed. All
36.25 other casings must have at least 0.84 inches between the nominal outside diameter of the
36.26 casing being cemented and the previously set casing's inside nominal diameter.

36.27 (g) A gas well must be cased and grouted from the bottom of the casing up to the
36.28 established surface area with neat cement to prevent interconnection of different locations
36.29 within the uncased portion of the well encountering:

36.30 (1) gas and water; and

36.31 (2) water.

37.1 (h) Neat cement grout must be used for all grouting.

37.2 (i) Grouting must start immediately on completion of drilling.

37.3 (j) Grout must be pumped into the annular space from the bottom up through the casing,
37.4 drill rods, or a tremie pipe. Neat cement grout must be allowed to set a minimum of 24
37.5 hours. Rapid setting cement must be allowed to set a minimum of 12 hours. Drilling is
37.6 prohibited during the time the cement is setting.

37.7 (k) The annular space between an inner casing and an outer casing must be grouted for
37.8 its entire length by pumping neat cement grout through a tremie pipe, a drill rod, or the
37.9 casing. Neat cement grout must be allowed to set a minimum of 24 hours. Rapid setting
37.10 cement must be allowed to set a minimum of 12 hours. Drilling is prohibited during the
37.11 time the cement is setting.

37.12 (l) The casing or inner casing of a multi-cased gas well must extend vertically at least
37.13 one foot above the established ground surface and at least five feet above the regional flood
37.14 level. The established ground surface immediately adjacent to the casing must be graded
37.15 to divert water away from the casing. Termination of the top of the casing below the
37.16 established ground surface, such as in a vault or pit, is prohibited. Outer casings must
37.17 terminate no less than four feet below the established ground surface.

37.18 (m) The casing of a gas well must be covered with a threaded or bolted and flanged gas
37.19 tight cover equivalent to the casing in weight and strength.

37.20 (n) The casing of a gas well must be protected by placing three posts at least four inches
37.21 square or four inches in diameter around the boring at equal distances from each other and
37.22 two feet from the gas well. The posts must extend two feet above the established ground
37.23 surface and four feet below the established ground surface, or to a depth of two feet if each
37.24 post is set in concrete to a depth of two feet. The posts must be made of reinforced concrete,
37.25 decay-resistant wood, or schedule 40 steel pipe. Steel pipe must be covered with an
37.26 overlapping, threaded, or welded steel or iron cap or be filled with concrete or cement.

37.27 Subd. 9. **Isolation distance.** A person must not place, construct, or install a gas well
37.28 less than 500 feet from a residential building, 500 feet from a water supply well, or 2,000
37.29 feet from a school facility or child care center.

37.30 Subd. 10. **Groundwater protection.** (a) During the drilling and sealing process, the gas
37.31 well must be constructed and maintained to prevent the introduction of surface contaminants
37.32 into the well and to prevent the passage of water from one aquifer to another and covered
37.33 and protected to prevent vandalism or entry of debris into the well.

38.1 (b) A gas well must not be constructed to interconnect aquifers separated by a confining
38.2 layer.

38.3 Subd. 11. **Sealing gas wells.** (a) A gas well contractor must file a notification under
38.4 section 103I.706, subdivision 8, with the fee under section 103I.706, subdivision 2, to the
38.5 commissioner.

38.6 (b) A gas well sealing notification is valid for 18 months.

38.7 (c) A new sealing notification must be filed with the commissioner if a gas well contractor
38.8 other than the one listed on the original notification will seal the gas well.

38.9 (d) The gas well contractor must notify the commissioner of health:

38.10 (1) after receiving authorization from the department of natural resources to decommission
38.11 a gas well; and

38.12 (2) at least 24 hours prior to the start of sealing the gas well.

38.13 (e) Materials, debris, and obstructions that may interfere with sealing must be removed
38.14 from the gas well.

38.15 (f) A gas well must be sealed by filling the gas well, including any open annular space,
38.16 with neat cement grout. The grout must be pumped through a tremie pipe or the casing from
38.17 the bottom of the gas well or annular space upward to within two feet of the established
38.18 ground surface. The bottom of the tremie pipe must remain submerged in grout while
38.19 grouting.

38.20 (g) Open annular space surrounding a casing must be grouted by:

38.21 (1) filling the annular space with grout according to clause (3);

38.22 (2) removing the casing and filling the well with grout. If casing is to be removed from
38.23 a collapsing formation, grout must be inserted so the bottom of the casing remains submerged
38.24 in grout;

38.25 (3) perforating the casing with a minimum of one 1/2-square-inch hole in each foot of
38.26 casing and forcing grout through the perforations; or

38.27 (4) ripping a minimum of five feet of casing for every 20 feet of casing and forcing grout
38.28 through the ripped casing, except that casing must be ripped through the entire length of a
38.29 confining layer.

38.30 (h) The gas resource development permittee must have a licensed gas well contractor
38.31 seal a gas well if:

39.1 (1) the gas well contributes to the spread of contamination;

39.2 (2) the gas well was attempted to be sealed but was not sealed according to the provisions
39.3 of this chapter; or

39.4 (3) the gas well is located, constructed, or maintained in a manner that its continued use
39.5 or existence endangers groundwater quality or is a safety or health hazard.

39.6 (i) The licensed gas well contractor must seal the gas well consistent with provisions of
39.7 this chapter.

39.8 Subd. 12. **Rules.** A person requesting to construct a gas well must comply with this
39.9 section until permanent rules for gas wells adopted by the commissioner are published in
39.10 the State Register.

39.11 Subd. 13. **Expiration.** This section expires on December 31 of the year that the permanent
39.12 rules are adopted pursuant to section 103I.706.

39.13 Sec. 13. **[103I.708] OIL WELLS.**

39.14 A person shall not explore, prospect, or construct an oil well until an environmental
39.15 review has been completed and a production permit has been obtained from the commissioner
39.16 of natural resources.

39.17 Sec. 14. **APPROPRIATION; GAS WELL CONSTRUCTION AND SEALING**
39.18 **NOTIFICATION.**

39.19 Subdivision 1. **Programs; registration; licensing; rulemaking.** \$863,000 in fiscal year
39.20 2026 is appropriated from the general fund to the commissioner of health for the development
39.21 of a legislatively authorized gas well and sealing notification program, rig registration,
39.22 licensing program, inspection program, rulemaking, credentialing in an information
39.23 technology system for the electronic submission of gas well records, licensure, and
39.24 registration that accepts online fee payments, issues unique identifiers, has the ability to
39.25 retrieve records, and contains a searchable database. This is a onetime appropriation that is
39.26 available until December 31, 2027.

39.27 Subd. 2. **Staffing.** \$395,000 in fiscal year 2026 and \$395,000 in fiscal year 2027 are
39.28 appropriated from the general fund to the commissioner of health to hire staff who will
39.29 inspect, enforce, and manage oversight of a legislatively authorized gas well and sealing
39.30 notification, licensing, and inspection program in Minnesota. Staff will serve as subject
39.31 matter experts in gas well construction and sealing of Minnesota's newly discovered gas

40.1 reserves. The base appropriation for this subdivision in fiscal year 2028 and thereafter shall
40.2 be \$.....

40.3 Sec. 15. **EFFECTIVE DATE.**

40.4 This article is effective the day following final enactment.

40.5 **ARTICLE 3**

40.6 **TAXATION**

40.7 Section 1. Minnesota Statutes 2024, section 272.02, subdivision 97, is amended to read:

40.8 Subd. 97. **Property used in business of mining subject to gross proceeds tax.** The
40.9 following property used in the business of mining that is subject to the gross proceeds tax
40.10 under section 298.015 is exempt:

40.11 (1) deposits of ores, metals, ~~and~~ minerals, gas, and oil, and the lands in which they are
40.12 contained;

40.13 (2) all real and personal property used in mining, quarrying, producing, or refining ores,
40.14 minerals, ~~or~~ metals, gas, or oil, including lands occupied by or used in connection with the
40.15 mining, quarrying, production, or ore refining facilities; and

40.16 (3) concentrate.

40.17 This exemption applies for each year that a person subject to tax under section 298.015
40.18 uses the property for mining, quarrying, producing, or refining ores, metals, ~~or~~ minerals,
40.19 gas, or oil.

40.20 **EFFECTIVE DATE.** This section is effective for assessment year 2025 and thereafter.

40.21 Sec. 2. Minnesota Statutes 2024, section 272.03, subdivision 1, is amended to read:

40.22 Subdivision 1. **Real property.** (a) For the purposes of taxation, but not for chapter 297A,
40.23 "real property" includes the land itself, rails, ties, and other track materials annexed to the
40.24 land, and all buildings, structures, and improvements or other fixtures on it, bridges of bridge
40.25 companies, and all rights and privileges belonging or appertaining to the land, and all mines,
40.26 iron ore and taconite minerals not otherwise exempt, quarries, fossils, and trees on or under
40.27 it.

40.28 (b) A building or structure shall include the building or structure itself, together with all
40.29 improvements or fixtures annexed to the building or structure, which are integrated with
40.30 and of permanent benefit to the building or structure, regardless of the present use of the

41.1 building, and which cannot be removed without substantial damage to itself or to the building
41.2 or structure.

41.3 (c)(i) Real property does not include tools, implements, machinery, and equipment
41.4 attached to or installed in real property for use in the business or production activity
41.5 conducted thereon, regardless of size, weight or method of attachment, and mine shafts,
41.6 tunnels, and other underground openings used to extract ores ~~and~~, minerals, metals, gas, or
41.7 oil taxed under chapter 298 together with steel, concrete, and other materials used to support
41.8 such openings.

41.9 (ii) The exclusion provided in clause (i) shall not apply to machinery and equipment
41.10 includable as real estate by paragraphs (a) and (b) even though such machinery and equipment
41.11 is used in the business or production activity conducted on the real property if and to the
41.12 extent such business or production activity consists of furnishing services or products to
41.13 other buildings or structures which are subject to taxation under this chapter.

41.14 (iii) The exclusion provided in clause (i) does not apply to the exterior shell of a structure
41.15 which constitutes walls, ceilings, roofs, or floors if the shell of the structure has structural,
41.16 insulation, or temperature control functions or provides protection from the elements, unless
41.17 the structure is primarily used in the production of biofuels, wine, beer, distilled beverages,
41.18 or dairy products. Such an exterior shell is included in the definition of real property even
41.19 if it also has special functions distinct from that of a building, or if such an exterior shell is
41.20 primarily used for the storage of ingredients or materials used in the production of biofuels,
41.21 wine, beer, distilled beverages, or dairy products, or for the storage of finished biofuels,
41.22 wine, beer, distilled beverages, or dairy products.

41.23 (d) The term real property does not include tools, implements, machinery, equipment,
41.24 poles, lines, cables, wires, conduit, and station connections which are part of a telephone
41.25 communications system, regardless of attachment to or installation in real property and
41.26 regardless of size, weight, or method of attachment or installation.

41.27 **EFFECTIVE DATE.** This section is effective for assessment year 2025 and thereafter.

41.28 Sec. 3. Minnesota Statutes 2024, section 273.12, is amended to read:

41.29 **273.12 ASSESSMENT OF REAL PROPERTY.**

41.30 It shall be the duty of every assessor and board, in estimating and determining the value
41.31 of lands for the purpose of taxation, to consider and give due weight to every element and
41.32 factor affecting the market value thereof, including its location with reference to roads and
41.33 streets and the location of roads and streets thereon or over the same, and to take into

consideration a reduction in the acreage of each tract or lot sufficient to cover the amount of land actually used for any improved public highway and the reduction in area of land caused thereby. It shall be the duty of every assessor and board, in estimating and determining the value of lands for the purpose of taxation, to consider and give due weight to lands which are comparable in character, quality, and location, to the end that all lands similarly located and improved will be assessed upon a uniform basis and without discrimination and, for agricultural lands, to consider and give recognition to its earning potential as measured by its free market rental rate.

When mineral, clay, or gravel deposits exist on a property, and their extent, quality, and costs of extraction are sufficiently well known so as to influence market value, such deposits shall be recognized in valuing the property; except for mineral and energy-resource deposits, metals, gas, and oil, which are subject to taxation under section 298.015, and except for taconite and iron-sulphide deposits which are exempt from the general property tax under section 298.25.

EFFECTIVE DATE. This section is effective for assessment year 2025 and thereafter.

Sec. 4. Minnesota Statutes 2024, section 289A.02, subdivision 6, is amended to read:

Subd. 6. **Mining company.** "Mining company" means a person engaged in the business of mining or producing ores, minerals, metals, gas, or oil in Minnesota subject to the taxes imposed by section 298.01 or 298.015.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 5. Minnesota Statutes 2024, section 289A.12, is amended by adding a subdivision to read:

Subd. 19. **Informational report by mining companies.** (a) A mining company required to file an annual tax return under section 289A.08, subdivision 15, for the payment of taxes imposed under section 298.015, must also file an annual informational report with the commissioner that contains the following information:

(1) sales used to compute gross proceeds under section 298.016;

(2) the location of the mine or well where the ore, mineral, metal, gas, or oil product is mined, extracted, refined or produced that is used to compute gross proceeds under section 298.016; and

43.1 (3) other information necessary to collect tax under section 298.015 and to distribute
43.2 the tax proceeds under section 298.018.

43.3 (b) The commissioner must prescribe the format and manner of the annual informational
43.4 report. A mining company must file the report on or before May 1 following the close of
43.5 the calendar year.

43.6 (c) The extension of time provided in section 289A.19, subdivision 2, for the filing of
43.7 the annual tax return required under section 289A.08, subdivision 15, does not apply to the
43.8 filing of the annual informational report.

43.9 **EFFECTIVE DATE.** This section is effective for annual informational reports due
43.10 after December 31, 2024.

43.11 Sec. 6. Minnesota Statutes 2024, section 289A.19, subdivision 2, is amended to read:

43.12 Subd. 2. **Corporate franchise and mining company taxes.** (a) Except as provided in
43.13 paragraph (b), corporations or mining companies shall receive an extension of seven months
43.14 or the amount of time granted by the Internal Revenue Service, whichever is longer, for
43.15 filing the return of a corporation subject to tax under chapter 290 or for filing the return of
43.16 a mining company subject to tax under sections 298.01 and 298.015. Interest on any balance
43.17 of tax not paid when the regularly required return is due must be paid at the rate specified
43.18 in section 270C.40, from the date such payment should have been made if no extension was
43.19 granted, until the date of payment of such tax.

43.20 If a corporation or mining company does not:

43.21 (1) pay at least 90 percent of the amount of tax shown on the return on or before the
43.22 regular due date of the return, the penalty prescribed by section 289A.60, subdivision 1,
43.23 shall be imposed on the unpaid balance of tax; or

43.24 (2) pay the balance due shown on the regularly required return on or before the extended
43.25 due date of the return, the penalty prescribed by section 289A.60, subdivision 1, shall be
43.26 imposed on the unpaid balance of tax from the original due date of the return.

43.27 (b) If a mining company does not file the annual informational report required under
43.28 section 289A.12, subdivision 19, by May 1 following the close of the calendar year, then
43.29 the mining company subject to tax under section 298.015 must not receive the extension of
43.30 time for filing its annual tax return.

43.31 **EFFECTIVE DATE.** This section is effective for annual informational reports due
43.32 after December 31, 2024.

Sec. 7. Minnesota Statutes 2024, section 290.0134, subdivision 9, is amended to read:

Subd. 9. **Exempt mining and production income.** Income or gains from the business of mining or the production of gas or oil as defined in section 290.05, subdivision 1, clause (a), that are not subject to Minnesota franchise tax are a subtraction.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 8. Minnesota Statutes 2024, section 290.0135, is amended to read:

290.0135 BASIS MODIFICATIONS AFFECTING GAIN OR LOSS ON DISPOSITION OF PROPERTY.

(a) For individuals, estates, and trusts, the basis of property is its adjusted basis for federal income tax purposes except as set forth in paragraphs (e) and (f). For corporations, the basis of property is its adjusted basis for federal income tax purposes, without regard to the time when the property became subject to tax under this chapter or to whether out-of-state losses or items of tax preference with respect to the property were not deductible under this chapter, except that the modifications to the basis for federal income tax purposes set forth in paragraphs (b) to (i) are allowed to corporations, and the resulting modifications to federal taxable income must be made in the year in which gain or loss on the sale or other disposition of property is recognized.

(b) The basis of property shall not be reduced to reflect federal investment tax credit.

(c) For property acquired before January 1, 1933, the basis for computing a gain is the fair market value of the property as of that date. The basis for determining a loss is the cost of the property to the taxpayer less any depreciation, amortization, or depletion, actually sustained before that date. If the adjusted cost exceeds the fair market value of the property, then the basis is the adjusted cost regardless of whether there is a gain or loss.

(d) The basis is reduced by the allowance for amortization of bond premium if an election to amortize was made pursuant to Minnesota Statutes 1986, section 290.09, subdivision 13, and the allowance could have been deducted by the taxpayer under this chapter during the period of the taxpayer's ownership of the property.

(e) For assets placed in service before January 1, 1987, corporations, partnerships, or individuals engaged in the business of mining or producing minerals, metals, gas, oil, or ores other than iron ore or taconite concentrates subject to the occupation tax under chapter 298 must use the occupation tax basis of property used in that business.

(f) For assets placed in service before January 1, 1990, corporations, partnerships, or individuals engaged in the business of mining iron ore or taconite concentrates subject to the occupation tax under chapter 298 must use the occupation tax basis of property used in that business.

(g) In applying the provisions of sections 301(c)(3)(B), 312(f) and (g), and 316(a)(1) of the Internal Revenue Code, the dates December 31, 1932, and January 1, 1933, shall be substituted for February 28, 1913, and March 1, 1913, respectively.

(h) In applying the provisions of section 362(a) and (c) of the Internal Revenue Code, the date December 31, 1956, shall be substituted for June 22, 1954.

(i) The basis of property shall be increased by the amount of intangible drilling costs not previously allowed due to differences between this chapter and the Internal Revenue Code.

(j) The adjusted basis of any corporate partner's interest in a partnership is the same as the adjusted basis for federal income tax purposes modified as required to reflect the basis modifications set forth in paragraphs (b) to (i). The adjusted basis of a partnership in which the partner is an individual, estate, or trust is the same as the adjusted basis for federal income tax purposes modified as required to reflect the basis modifications set forth in paragraphs (e) and (f).

(k) The modifications contained in paragraphs (b) to (i) also apply to the basis of property that is determined by reference to the basis of the same property in the hands of a different taxpayer or by reference to the basis of different property.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 9. Minnesota Statutes 2024, section 290.05, subdivision 1, is amended to read:

Subdivision 1. **Exempt entities.** The following corporations, individuals, estates, trusts, and organizations shall be exempted from taxation under this chapter, provided that every such person or corporation claiming exemption under this chapter, in whole or in part, must establish to the satisfaction of the commissioner the taxable status of any income or activity:

(a) corporations, individuals, estates, and trusts engaged in the business of mining or producing iron ore ~~and~~ mining, producing, or refining other ores, metals, and minerals; or producing gas or oil, the mining, production, or refining of which is subject to the occupation tax imposed by section 298.01; but if any such corporation, individual, estate, or trust engages in any other business or activity or has income from any property not used in such

business it shall be subject to this tax computed on the net income from such property or such other business or activity. Royalty shall not be considered as income from the business of mining or producing iron ore; mining, producing, or refining other ores, metals, and minerals; or producing gas or oil, within the meaning of this section;

(b) the United States of America, the state of Minnesota or any political subdivision of either agencies or instrumentalities, whether engaged in the discharge of governmental or proprietary functions; and

(c) any insurance company, other than a disqualified captive insurance company.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 10. Minnesota Statutes 2024, section 290.923, subdivision 1, is amended to read:

Subdivision 1. **Definition.** In this section, "royalty" means the amount in money or value of property received by any person having any right, title, or interest in any tract of land in this state for permission to explore, mine, take out, and remove ore, mineral, metal, gas, or oil from the land.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 11. Minnesota Statutes 2024, section 297A.68, subdivision 5, is amended to read:

Subd. 5. **Capital equipment.** (a) Capital equipment is exempt.

"Capital equipment" means machinery and equipment purchased or leased, and used in this state by the purchaser or lessee primarily for manufacturing, fabricating, mining, or refining tangible personal property to be sold ultimately at retail if the machinery and equipment are essential to the integrated production process of manufacturing, fabricating, mining, or refining. Capital equipment also includes machinery and equipment used primarily to electronically transmit results retrieved by a customer of an online computerized data retrieval system.

(b) Capital equipment includes, but is not limited to:

(1) machinery and equipment used to operate, control, or regulate the production equipment;

(2) machinery and equipment used for research and development, design, quality control, and testing activities;

47.1 (3) environmental control devices that are used to maintain conditions such as
47.2 temperature, humidity, light, or air pressure when those conditions are essential to and are
47.3 part of the production process;

47.4 (4) materials and supplies used to construct and install machinery or equipment;

47.5 (5) repair and replacement parts, including accessories, whether purchased as spare parts,
47.6 repair parts, or as upgrades or modifications to machinery or equipment;

47.7 (6) materials used for foundations that support machinery or equipment;

47.8 (7) materials used to construct and install special purpose buildings used in the production
47.9 process;

47.10 (8) ready-mixed concrete equipment in which the ready-mixed concrete is mixed as part
47.11 of the delivery process regardless if mounted on a chassis, repair parts for ready-mixed
47.12 concrete trucks, and leases of ready-mixed concrete trucks; and

47.13 (9) machinery or equipment used for research, development, design, or production of
47.14 computer software.

47.15 (c) Capital equipment does not include the following:

47.16 (1) motor vehicles taxed under chapter 297B;

47.17 (2) machinery or equipment used to receive or store raw materials;

47.18 (3) building materials, except for materials included in paragraph (b), clauses (6) and
47.19 (7);

47.20 (4) machinery or equipment used for nonproduction purposes, including, but not limited
47.21 to, the following: plant security, fire prevention, first aid, and hospital stations; support
47.22 operations or administration; pollution control; and plant cleaning, disposal of scrap and
47.23 waste, plant communications, space heating, cooling, lighting, or safety;

47.24 (5) farm machinery and aquaculture production equipment as defined by section 297A.61,
47.25 subdivisions 12 and 13;

47.26 (6) machinery or equipment purchased and installed by a contractor as part of an
47.27 improvement to real property;

47.28 (7) machinery and equipment used by restaurants in the furnishing, preparing, or serving
47.29 of prepared foods as defined in section 297A.61, subdivision 31;

47.30 (8) machinery and equipment used to furnish the services listed in section 297A.61,
47.31 subdivision 3, paragraph (g), clause (6), items (i) to (vi) and (viii);

(9) machinery or equipment used in the transportation, transmission, or distribution of petroleum, liquefied gas, natural gas, water, or steam, in, by, or through pipes, lines, tanks, mains, or other means of transporting those products. This clause does not apply to machinery or equipment used to blend petroleum or biodiesel fuel as defined in section 239.77; or

(10) any other item that is not essential to the integrated process of manufacturing, fabricating, mining, or refining.

(d) For purposes of this subdivision:

(1) "Equipment" means independent devices or tools separate from machinery but essential to an integrated production process, including computers and computer software, used in operating, controlling, or regulating machinery and equipment; and any subunit or assembly comprising a component of any machinery or accessory or attachment parts of machinery, such as tools, dies, jigs, patterns, and molds.

(2) "Fabricating" means to make, build, create, produce, or assemble components or property to work in a new or different manner.

(3) "Integrated production process" means a process or series of operations through which tangible personal property is manufactured, fabricated, mined, or refined. For purposes of this clause, (i) manufacturing begins with the removal of raw materials from inventory and ends when the last process prior to loading for shipment has been completed; (ii) fabricating begins with the removal from storage or inventory of the property to be assembled, processed, altered, or modified and ends with the creation or production of the new or changed product; (iii) mining begins with the removal of overburden from the site of the ores, minerals, stone, peat deposit, metals, gas, oil, or surface materials and ends when the last process before stockpiling is completed; and (iv) refining begins with the removal from inventory or storage of a natural resource and ends with the conversion of the item to its completed form.

(4) "Machinery" means mechanical, electronic, or electrical devices, including computers and computer software, that are purchased or constructed to be used for the activities set forth in paragraph (a), beginning with the removal of raw materials from inventory through completion of the product, including packaging of the product.

(5) "Machinery and equipment used for pollution control" means machinery and equipment used solely to eliminate, prevent, or reduce pollution resulting from an activity described in paragraph (a).

(6) "Manufacturing" means an operation or series of operations where raw materials are changed in form, composition, or condition by machinery and equipment and which results in the production of a new article of tangible personal property. For purposes of this subdivision, "manufacturing" includes the generation of electricity or steam to be sold at retail.

(7) "Mining" means the extraction of minerals, ores, stone, ~~or~~ peat, metals, gas, or oil. "Gas and oil" have the meaning given to those terms in section 298.001, subdivisions 14 and 15.

(8) "Online data retrieval system" means a system whose cumulation of information is equally available and accessible to all its customers.

(9) "Primarily" means machinery and equipment used 50 percent or more of the time in an activity described in paragraph (a).

(10) "Refining" means the process of converting a natural resource to an intermediate or finished product, including the treatment of water to be sold at retail.

(11) This subdivision does not apply to telecommunications equipment as provided in subdivision 35a, and does not apply to wire, cable, or poles for telecommunications services.

EFFECTIVE DATE. This section is effective for sales and purchases made after December 31, 2025.

Sec. 12. Minnesota Statutes 2024, section 297A.71, subdivision 14, is amended to read:

Subd. 14. **Mineral production facilities.** Building materials, equipment, and supplies used for the construction of the following mineral production facilities are exempt.

The mineral production facilities that qualify for this exemption are:

(1) a value added iron products plant, which may be either a new plant or a facility incorporated into an existing plant that produces iron upgraded to a minimum of 75 percent iron content or any iron alloy with a total minimum metallic content of 90 percent;

(2) a facility used for the manufacture of fluxed taconite pellets as defined in section 298.24;

(3) a new capital project that has a total cost of over \$40,000,000 that is directly related to production, cost, or quality at an existing taconite facility that does not qualify under clause (1) or (2); and

50.1 (4) a new mine or minerals processing plant for any mineral, ore, metal, gas, or oil subject
50.2 to the gross proceeds tax imposed under section 298.015.

50.3 The tax must be imposed and collected as if the rate under section 297A.62, subdivision
50.4 1, applied, and then refunded in the manner provided in section 297A.75.

50.5 **EFFECTIVE DATE.** This section is effective for sales and purchases made after
50.6 December 31, 2025.

50.7 Sec. 13. Minnesota Statutes 2024, section 298.001, subdivision 3a, is amended to read:

50.8 Subd. 3a. **Producer.** "Producer" means a person engaged in the business of mining or
50.9 producing iron ore, taconite concentrate, ~~or~~ direct reduced ore, other ore, minerals, metals,
50.10 gas, or oil in this state.

50.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
50.12 31, 2024.

50.13 Sec. 14. Minnesota Statutes 2024, section 298.001, is amended by adding a subdivision
50.14 to read:

50.15 Subd. 10a. **Producing.** "Producing" means and is limited to producing:

50.16 (1) gas or oil products, the drilling, extracting, separating, or beneficiating of which are
50.17 subject to tax under section 298.015; and

50.18 (2) carried out by the entity, or affiliated entity, that drilled, extracted, separated, or
50.19 beneficiated the gas or oil products.

50.20 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
50.21 31, 2024.

50.22 Sec. 15. Minnesota Statutes 2024, section 298.001, is amended by adding a subdivision
50.23 to read:

50.24 Subd. 14. **Gas.** "Gas" means all gases, both hydrocarbon and nonhydrocarbon, that occur
50.25 naturally beneath the ground surface in Minnesota. Gas includes, but is not limited to, natural
50.26 gas, hydrogen, carbon dioxide, nitrogen, hydrogen sulfide, helium, methane and a mixture
50.27 of some or all of these gases.

50.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
50.29 31, 2024.

51.1 Sec. 16. Minnesota Statutes 2024, section 298.001, is amended by adding a subdivision
51.2 to read:

51.3 Subd. 15. **Oil.** "Oil" means all oils that occur naturally beneath the ground surface in
51.4 Minnesota. Oil includes, but is not limited to, petroleum, crude oil, condensate, casinghead
51.5 gasoline, or other mineral oils and a mixture of some or all of these oils.

51.6 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
51.7 31, 2024.

51.8 Sec. 17. Minnesota Statutes 2024, section 298.001, is amended by adding a subdivision
51.9 to read:

51.10 Subd. 16. **Gas or oil production.** "Gas or oil production," "the production of gas or oil,"
51.11 and "producing gas or oil" mean the action of taking gas or oil, in its natural state, out from
51.12 beneath the ground surface in Minnesota and includes drilling, extracting, separating or
51.13 beneficiating that gas or oil in Minnesota.

51.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
51.15 31, 2024.

51.16 Sec. 18. Minnesota Statutes 2024, section 298.01, subdivision 3, is amended to read:

51.17 Subd. 3. **Occupation tax; other ores; gas and oil.** Every person engaged in the business
51.18 of mining, refining, or producing ores, metals, or minerals, or producing gas or oil, in this
51.19 state, when these resources are extracted in their natural state from beneath the ground
51.20 surface in Minnesota, except iron ore or taconite concentrates, shall pay an occupation tax
51.21 to the state of Minnesota as provided in this subdivision. For purposes of this subdivision,
51.22 mining includes the application of hydrometallurgical processes. Hydrometallurgical
51.23 processes are processes that extract the ores, metals, or minerals, by use of aqueous solutions
51.24 that leach, concentrate, and recover the ore, metal, or mineral. The tax is determined in the
51.25 same manner as the tax imposed by section 290.02, except that sections 290.05, subdivision
51.26 1, clause (a), 290.17, subdivision 4, and 290.191, subdivision 2, do not apply, and the
51.27 occupation tax must be computed by applying to taxable income the rate of 2.45 percent.

51.28 The tax is in addition to all other taxes.

51.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
51.30 31, 2024.

52.1 Sec. 19. Minnesota Statutes 2024, section 298.01, subdivision 3a, is amended to read:

52.2 Subd. 3a. **Gross income.** (a) For purposes of determining a person's taxable income
52.3 under subdivision 3, gross income is determined by the amount of gross proceeds from
52.4 mining, refining, or producing ores, metals, or minerals or producing gas or oil in this state
52.5 Minnesota under section 298.016 and includes any gain or loss recognized from the sale or
52.6 disposition of assets used in the business in this state. If more than one ore, mineral, ~~or~~
52.7 metal, gas, or oil referred to in section 298.016 is mined ~~and processed~~ or produced at the
52.8 same mine, well, and plant, a gross income for each ore, mineral, ~~or~~ metal, gas, and oil must
52.9 be determined separately. The gross incomes may be combined on one occupation tax return
52.10 to arrive at the gross income of all production.

52.11 (b) In applying section 290.191, subdivision 5, transfers of ores, metals, ~~or~~ minerals,
52.12 gas, or oil that are subject to tax under this chapter are deemed to be sales in this state.

52.13 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
52.14 31, 2024.

52.15 Sec. 20. Minnesota Statutes 2024, section 298.01, subdivision 3b, is amended to read:

52.16 Subd. 3b. **Deductions.** (a) For purposes of determining taxable income under subdivision
52.17 3, the deductions from gross income include only those expenses necessary to convert raw
52.18 ores, metals, minerals, gas, or oil to marketable quality. Such expenses include costs
52.19 associated with refinement but do not include expenses such as transportation, stockpiling,
52.20 marketing, or marine insurance that are incurred after marketable ores, metals, minerals,
52.21 gas, or oil are produced, unless the expenses are included in gross income. The allowable
52.22 deductions from a mine, well, or plant that mines and produces more than one ore, mineral,
52.23 metal, ~~or~~ energy resource, gas, or oil must be determined separately for the purposes of
52.24 computing the deduction in section 290.0133, subdivision 9. These deductions may be
52.25 combined on one occupation tax return to arrive at the deduction from gross income for all
52.26 production.

52.27 (b) The provisions of sections 290.0133, subdivisions 7 and 9, and 290.0134, subdivisions
52.28 7 and 9, are not used to determine taxable income.

52.29 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
52.30 31, 2024.

53.1 Sec. 21. Minnesota Statutes 2024, section 298.01, subdivision 4a, is amended to read:

53.2 Subd. 4a. **Gross income.** (a) For purposes of determining a person's taxable income
53.3 under subdivision 4, gross income is determined by the mine value of the ore mined in
53.4 Minnesota and includes any gain or loss recognized from the sale or disposition of assets
53.5 used in the business in this state.

53.6 (b) Mine value is the value, or selling price, of iron ore or taconite concentrates, f.o.b.
53.7 mine. The mine value is calculated by multiplying the iron unit price for the period, as
53.8 determined by the commissioner, by the tons produced and the weighted average analysis.

53.9 (c) In applying section 290.191, subdivision 5, transfers of iron ore and taconite
53.10 concentrates are deemed to be sales in this state.

53.11 (d) If iron ore ~~or~~, taconite and a any other ore, mineral, metal, ~~or~~ energy resource, gas,
53.12 or oil referred to in section 298.016 is mined ~~and processed~~ or produced at the same mine,
53.13 well, and plant, a gross income for each other ore, mineral, metal, ~~or~~ energy resource, gas,
53.14 or oil must be determined separately from the mine value for the iron ore or taconite. The
53.15 gross income may be combined on one occupation tax return to arrive at the gross income
53.16 from all production.

53.17 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
53.18 31, 2024.

53.19 Sec. 22. Minnesota Statutes 2024, section 298.01, subdivision 4b, is amended to read:

53.20 Subd. 4b. **Deductions.** For purposes of determining taxable income under subdivision
53.21 4, the deductions from gross income include only those expenses necessary to convert raw
53.22 iron ore or taconite concentrates to marketable quality. Such expenses include costs associated
53.23 with beneficiation and refinement but do not include expenses such as transportation,
53.24 stockpiling, marketing, or marine insurance that are incurred after marketable iron ore or
53.25 taconite pellets are produced. The allowable deductions from a mine, well, or plant that
53.26 mines and produces iron ore or taconite and one or more mineral ~~or~~, metal, gas, or oil referred
53.27 to in section 298.016 must be determined separately for the purposes of computing the
53.28 deduction in section 290.0133, subdivision 9. These deductions may be combined on one
53.29 occupation tax return to arrive at the deduction from gross income for all production.

53.30 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
53.31 31, 2024.

54.1 Sec. 23. Minnesota Statutes 2024, section 298.01, subdivision 5, is amended to read:

54.2 Subd. 5. **If declared unconstitutional.** If the taxes imposed in subdivisions 3 and 4 are
54.3 found unconstitutional by any court of last resort, then persons engaged in the business of
54.4 mining or producing iron ore or other ores, metals, minerals, gas, or oil shall pay the
54.5 occupation taxes imposed in Minnesota Statutes 1986, chapter 298. For purposes of applying
54.6 Minnesota Statutes 1986, chapter 298, the term "other ores" as used in that chapter includes
54.7 ores other than iron ore as well as minerals, metals, gas, or oil.

54.8 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
54.9 31, 2024.

54.10 Sec. 24. Minnesota Statutes 2024, section 298.01, subdivision 6, is amended to read:

54.11 Subd. 6. **Deductions applicable to mining both taconite and other ores, gas, or oil;**
54.12 **ratio applied.** If a person is engaged in the business of mining or producing both iron ores,
54.13 taconite concentrates, or direct reduced ore, and other ores, minerals, metals, gas, or oil
54.14 from the same mine or facility, that person must separately determine the mine value of (1)
54.15 the iron ore, taconite concentrates, and direct reduced ore, and (2) the amount of gross
54.16 proceeds from mining other ores, minerals, metals, gas, or oil in Minnesota. The ratio of
54.17 mine value from iron ore, taconite concentrates, and direct reduced ore to gross proceeds
54.18 from mining other ores, minerals, metals, gas, or oil must be applied to deductions common
54.19 to both processes to determine taxable income for tax paid pursuant to subdivisions 3 and
54.20 4.

54.21 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
54.22 31, 2024.

54.23 Sec. 25. Minnesota Statutes 2024, section 298.015, subdivision 1, is amended to read:

54.24 Subdivision 1. **Tax imposed.** (a) Except as provided in paragraph (b), a person engaged
54.25 in the business of mining shall pay to the state of Minnesota for distribution as provided in
54.26 section 298.018 a gross proceeds tax equal to 0.4 percent of the gross proceeds from mining
54.27 in Minnesota. The tax applies to all ores, metals, ~~and~~ minerals, gas, or oil mined, extracted,
54.28 produced, or refined within the state of Minnesota, when these resources are extracted in
54.29 their natural state from beneath the ground surface in Minnesota, except for sand, silica
54.30 sand, gravel, building stone, crushed rock, limestone, granite, dimension granite, dimension
54.31 stone, horticultural peat, clay, soil, iron ore, and taconite concentrates. The tax is in addition
54.32 to all other taxes provided for by law.

55.1 (b) The following tax rates apply to the gas products listed:

55.2 (1) ... percent of the gross proceeds for carbon dioxide products;

55.3 (2) ... percent of the gross proceeds for helium products; and

55.4 (3) ... percent of the gross proceeds for hydrogen products.

55.5 (c) A person engaged in the business of producing gas or oil in this state is not subject
55.6 to the minimum payment under subdivision 3.

55.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
55.8 31, 2024.

55.9 Sec. 26. Minnesota Statutes 2024, section 298.016, subdivision 1, is amended to read:

55.10 Subdivision 1. **Computation; arm's-length transactions.** When a metal ~~or~~₂ mineral,
55.11 gas, or oil product is sold by the producer in an arm's-length transaction, the gross proceeds
55.12 are equal to the proceeds from the sale of the product. This subdivision applies to sales
55.13 realized on all metal ~~or~~₂ mineral, gas, or oil products produced from mining or production,
55.14 including reduction, beneficiation, or any treatment or process used by a producer to obtain
55.15 a metal ~~or~~₂ mineral, gas, or oil product which is commercially marketable.

55.16 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
55.17 31, 2024.

55.18 Sec. 27. Minnesota Statutes 2024, section 298.016, subdivision 2, is amended to read:

55.19 Subd. 2. **Other transactions.** When a metal ~~or~~₂ mineral, gas, or oil product is used by
55.20 the producer or disposed of in a non-arm's-length transaction, the gross proceeds must be
55.21 determined using the alternative computation in subdivision 3. Transactions subject to this
55.22 subdivision include, but are not limited to, shipments to a wholly owned smelter, transactions
55.23 with associated or affiliated companies, and any other transactions which are not at arm's
55.24 length.

55.25 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
55.26 31, 2024.

55.27 Sec. 28. Minnesota Statutes 2024, section 298.016, subdivision 3, is amended to read:

55.28 Subd. 3. **Alternative computation.** (a) Except as provided in paragraphs (c) and (d),
55.29 the commissioner of revenue shall determine the alternative computation of gross proceeds
55.30 using the following procedure:

(1) Metal and mineral prices shall be determined by using the average annual market price as published in the Engineering and Mining Journal;

(2) For metals or mineral products with a monthly or weekly price quotation in the Engineering and Mining Journal, but for which no average annual price has been published, an arithmetic average of the monthly or weekly prices published in the Engineering and Mining Journal shall be used; and

(3) If the price of a particular metal or mineral product is not published in the Engineering and Mining Journal, another recognized published price, as established by the commissioner of revenue will be used.

(b) The quantity of each particular metal or mineral product recovered and paid or credited for by the smelter will be multiplied by the average annual market price as determined in ~~clause~~ paragraph (a). Special smelter charges for particular metals will be allowed as a deduction from this price. The resulting amount will be the gross proceeds for calculating the tax in section 298.015.

(c) A recognized published price, as established by the commissioner of revenue, must be used to determine the alternative computation of gross proceeds for gas or oil products.

(d) If a recognized published price is not currently available, the commissioner must use either a recognized price published historically or an arm's length transaction price paid by other parties for gas or oil products of like quantity to determine the greatest market value of the gas or oil product. If the commissioner uses a historical published price, it must be adjusted for inflation, as provided in section 270C.22, using the year in which the most recent historical price is published as the statutory year. If the commissioner uses an arm's length transaction price, the commissioner may adjust the arm's length transaction price to account for differences in quality, recency, inflation, terms and conditions, and other relevant circumstances under which the arm's length transaction price was paid in relation to the non-arm's-length transaction price computed under this subdivision.

EFFECTIVE DATE. This section is effective for taxable years beginning after December 31, 2024.

Sec. 29. Minnesota Statutes 2024, section 298.016, subdivision 4, is amended to read:

Subd. 4. **Metal ~~or~~, mineral, gas, or oil products; definition.** For the purposes of this section, "metal ~~or~~, mineral, gas, or oil products" means all those ores, metals, ~~and~~ minerals, gases, or oils subject to the tax provided in section 298.015.

57.1 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
57.2 31, 2024.

57.3 Sec. 30. Minnesota Statutes 2024, section 298.016, is amended by adding a subdivision
57.4 to read:

57.5 **Subd. 4a. Gas or oil products; definition.** For purposes of this section, "gas or oil
57.6 products" mean all gases and oils subject to the tax imposed in section 298.015.

57.7 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
57.8 31, 2024.

57.9 Sec. 31. Minnesota Statutes 2024, section 298.018, subdivision 1, is amended to read:

57.10 Subdivision 1. **Within taconite assistance area.** (a) Except as provided in subdivision
57.11 1b, the proceeds of the tax paid under sections 298.015 and 298.016 on ores, metals, or
57.12 minerals mined or extracted within the taconite assistance area defined in section 273.1341,
57.13 shall be allocated as follows:

57.14 (1) except as provided under paragraph (b), five percent to the city or town within which
57.15 the ores, metals, minerals, or energy resources are mined or extracted, or within which the
57.16 concentrate was produced. If the mining and concentration, or different steps in either
57.17 process, are carried on in more than one taxing district, the commissioner shall apportion
57.18 equitably the proceeds among the cities and towns by attributing 50 percent of the proceeds
57.19 of the tax to the operation of mining or extraction, and the remainder to the production plant
57.20 or concentrating plant and to the processes of production and concentration, and with respect
57.21 to each thereof giving due consideration to the relative extent of the respective operations
57.22 performed in each taxing district;

57.23 (2) ten percent to the taconite municipal aid account to be distributed as provided in
57.24 section 298.282, subdivisions 1 and 2, on the dates provided under this section;

57.25 (3) ten percent to the school district within which the ores, metals, minerals, or energy
57.26 resources are mined or extracted, or within which the concentrate was produced. If the
57.27 mining, production, and concentration, or different steps in ~~either process~~ those processes,
57.28 are carried on in more than one school district, distribution among the school districts must
57.29 be based on the apportionment formula prescribed in clause (1);

57.30 (4) 20 percent to a group of school districts comprised of those school districts wherein
57.31 the ore, metal, mineral, or energy resource was mined or extracted or in which there is a
57.32 qualifying municipality as defined by section 273.134, paragraph (b), in direct proportion

to school district indexes as follows: for each school district, its pupil units determined under section 126C.05 for the prior school year shall be multiplied by the ratio of the average adjusted net tax capacity per pupil unit for school districts receiving aid under this clause as calculated pursuant to chapters 122A, 126C, and 127A for the school year ending prior to distribution to the adjusted net tax capacity per pupil unit of the district. Each district shall receive that portion of the distribution which its index bears to the sum of the indices for all school districts that receive the distributions;

(5) ten percent to the county within which the ores, metals, minerals or, energy resources, oils, or gases are mined or extracted, or within which the concentrate was produced. If the mining, production, and concentration, or different steps in ~~either process~~ those processes, are carried on in more than one county, distribution among the counties must be based on the apportionment formula prescribed in clause (1), provided that any county receiving distributions under this clause shall pay one percent of its proceeds to the Range Association of Municipalities and Schools;

(6) five percent to St. Louis County acting as the counties' fiscal agent to be distributed as provided in sections 273.134 to 273.136;

(7) 20 percent to the commissioner of Iron Range resources and rehabilitation for the purposes of section 298.22;

(8) three percent to the Douglas J. Johnson economic protection trust fund;

(9) seven percent to the taconite environmental protection fund; and

(10) ten percent to the commissioner of Iron Range resources and rehabilitation for capital improvements to Giants Ridge Recreation Area.

(b) If the ~~materials~~ ores, metals, minerals, or energy resources are mined, extracted, or concentrated in School District No. 2711, Mesabi East, then the amount under paragraph (a), clause (1), must instead be distributed pursuant to this paragraph. The cities of Aurora, Babbitt, Ely, and Hoyt Lakes must each receive 20 percent of the amount. The city of Biwabik and Embarrass Township must each receive ten percent of the amount.

(c) For the first five years that tax paid under section 298.015, subdivisions 1 and 2, is distributed under this subdivision, ten percent of the total proceeds distributed in each year must first be distributed pursuant to this paragraph. The remaining 90 percent of the total proceeds distributed in each of those years must be distributed as outlined in paragraph (a). Of the amount available under this paragraph, the cities of Aurora, Babbitt, Ely, and Hoyt Lakes must each receive 20 percent. Of the amount available under this paragraph, the city

59.1 of Biwabik and Embarrass Township must each receive ten percent. This paragraph applies
59.2 only to tax paid by a person engaged in the business of mining within the area described in
59.3 section 273.1341, clauses (1) and (2).

59.4 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
59.5 31, 2024.

59.6 Sec. 32. Minnesota Statutes 2024, section 298.018, subdivision 1a, is amended to read:

59.7 Subd. 1a. **Distribution date.** The proceeds of the tax allocated under ~~subdivision~~
59.8 subdivisions 1 and 2 shall be distributed on December 15 each year. Any payment of proceeds
59.9 received after December 15 shall be distributed on the next gross proceeds tax distribution
59.10 date.

59.11 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
59.12 31, 2024.

59.13 Sec. 33. Minnesota Statutes 2024, section 298.018, is amended by adding a subdivision
59.14 to read:

59.15 Subd. 1b. **Gas and oil distributions.** The proceeds of the tax paid under sections 298.015
59.16 and 298.016 on gas or oil produced within the taconite assistance area defined in section
59.17 273.1341, must be allocated as follows:

59.18 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
59.19 31, 2024.

59.20 Sec. 34. Minnesota Statutes 2024, section 298.018, subdivision 2, is amended to read:

59.21 Subd. 2. **Outside taconite assistance area.** (a) Except as provided in paragraph (b), the
59.22 proceeds of the tax paid under sections 298.015 and 298.016 on ores, metals, or minerals
59.23 mined or extracted outside of the taconite assistance area defined in section 273.1341, shall
59.24 be deposited in the general fund.

59.25 (b) The proceeds of the tax paid under sections 298.015 and 298.016 on gas or oil
59.26 produced outside the taconite assistance area defined in section 273.1341, must be allocated
59.27 as follows:

59.28 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
59.29 31, 2024.

Sec. 35. Minnesota Statutes 2024, section 298.17, is amended to read:

298.17 OCCUPATION TAXES TO BE APPORTIONED.

(a) All occupation taxes paid by persons, copartnerships, companies, joint stock companies, corporations, and associations, however or for whatever purpose organized, engaged in the business of mining or producing iron ore ~~or~~ other ores, metals, minerals, gases, or oils, when collected shall be apportioned and distributed in accordance with the Constitution of the state of Minnesota, article X, section 3, in the manner following: 90 percent shall be deposited in the state treasury and credited to the general fund of which four-ninths shall be used for the support of elementary and secondary schools; and ten percent of the proceeds of the tax imposed by this section shall be deposited in the state treasury and credited to the general fund for the general support of the university.

(b) Except as provided in paragraph (e), of the money apportioned to the general fund by this section: (1) there is annually appropriated and credited to the mining environmental and regulatory account in the special revenue fund an amount equal to that which would have been generated by a 2-1/2 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year. Money in the mining environmental and regulatory account is appropriated annually to the commissioner of natural resources to fund agency staff to work on environmental issues and provide regulatory services for ferrous and nonferrous mining and production operations in this state. Payment to the mining environmental and regulatory account shall be made by July 1 annually. The commissioner of natural resources shall execute an interagency agreement with the Pollution Control Agency to assist with the provision of environmental regulatory services such as monitoring and permitting required for ferrous and nonferrous mining and production operations; (2) there is annually appropriated and credited to the Iron Range resources and rehabilitation account in the special revenue fund an amount equal to that which would have been generated by a 1.5 cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year, to be expended for the purposes of section 298.22; and (3) there is annually appropriated and credited to the Iron Range resources and rehabilitation account in the special revenue fund for transfer to the Iron Range schools and community development account under section 298.28, subdivision 7a, an amount equal to that which would have been generated by a six cent tax imposed by section 298.24 on each taxable ton produced in the preceding calendar year. Payment to the Iron Range resources and rehabilitation account shall be made by May 15 annually.

(c) The money appropriated pursuant to paragraph (b), clause (2), shall be used (i) to provide environmental development grants to local governments located within any county

61.1 in region 3 as defined in governor's executive order number 60, issued on June 12, 1970,
61.2 which does not contain a municipality qualifying pursuant to section 273.134, paragraph
61.3 (b), or (ii) to provide economic development loans or grants to businesses located within
61.4 any such county, provided that the county board or an advisory group appointed by the
61.5 county board to provide recommendations on economic development shall make
61.6 recommendations to the commissioner of Iron Range resources and rehabilitation regarding
61.7 the loans. Payment to the Iron Range resources and rehabilitation account shall be made by
61.8 May 15 annually.

61.9 (d) Of the money allocated to Koochiching County, one-third must be paid to the
61.10 Koochiching County Economic Development Commission.

61.11 (e) Of the money apportioned to the general fund under this section, the proceeds of the
61.12 tax paid under section 298.01, subdivision 3, on gas or oil produced must be allocated as
61.13 follows:

61.14 **EFFECTIVE DATE.** This section is effective for taxable years beginning after December
61.15 31, 2024.

APPENDIX
Article locations for 25-04622

ARTICLE 1 NATURAL RESOURCES..... Page.Ln 1.18

ARTICLE 2 HEALTH..... Page.Ln 28.7

ARTICLE 3 TAXATION..... Page.Ln 40.5

APPENDIX
Repealed Minnesota Statutes: 25-04622

93.513 PROHIBITION ON PRODUCTION OF GAS OR OIL WITHOUT PERMIT.

Subd. 2. **Moratorium.** Until rules are adopted under section 93.514, the commissioner may not grant a permit for the production of gas or oil unless the legislature approves a temporary permit framework that allows issuance of temporary permits.