

Regulatory Framework for Gas Resource Development in Minnesota

December 2024



Background

In Lake County, helium was recently discovered on a parcel of private property that is surrounded on three sides by state-managed lands. The company that drilled a helium appraisal well in northeast Minnesota is planning to deepen that well and drill a second gas well in early 2025. They have also stated that their project could potentially be ready for production by fall 2025 if permits were granted.

In February 2024, the U.S. Department of Energy (DOE) announced that 16 projects across 8 states would receive \$20 million to accelerate the production of naturally-occurring geologic hydrogen.

Exploration companies have identified drilling targets for geologic hydrogen in Nebraska, Kansas and Iowa, along a geologic formation known as the Midcontinent Rift System. This formation extends northwards into Minnesota, from the Iowa border up to Lake Superior. The United State Geological Survey considers the Midcontinent Rift System to be one of the most prospective regions for geologic hydrogen production in the United States.

Minnesota has potential for both geologic hydrogen and helium resources. With no history of gas production in the state, Minnesota lacks a regulatory framework for these emergent industries that would properly protect natural resources and human health, develop a fair royalty structure on state-managed lands and protect the interests of Minnesota's landowners.

[Legislation enacted in May 2024](#) included amendments to existing statutes and new laws that support the creation of a regulatory framework for gas resource development in Minnesota and allows the Department of Natural Resources (DNR) to lease state-managed lands for gas exploration and production. The DNR was also given permitting authority over all such projects in the State, and no production is allowed without a permit. Expedited rulemaking by the DNR and other state agencies must be completed by May 2026.

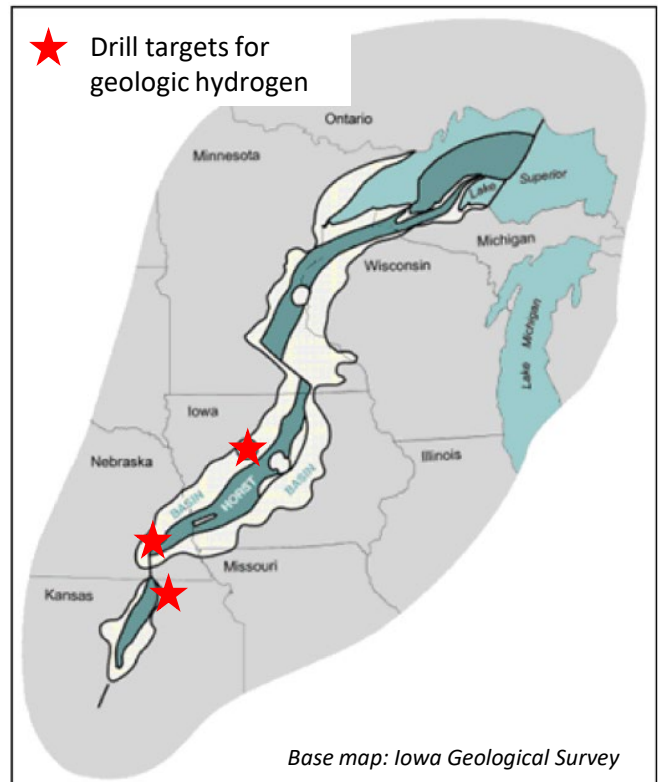
A Minnesota Gas Resources Technical Advisory Committee (GTAC) was created to develop recommendations to guide the creation of a temporary regulatory framework that could govern the regulation of gas development projects during the rulemaking process. This multi-agency committee, led by DNR, is charged with submitting recommendations to the State Legislature by January 15, 2025. GTAC must consider input from Tribal Nations in Minnesota and interested parties and hold at least one public meeting on the topic prior to finalizing its recommendations. To go into effect, the temporary regulatory framework must be enacted by the legislature.

Enacted Legislation

The enacted legislation for creating a regulatory framework for gas production in Minnesota includes the following elements:

- Allows the DNR to lease state-managed lands to prospect for gas resources. Leases must be approved by the Executive Council. This will allow both royalty disbursements and rental payments to state and local governments under MS 93.22.
- Requires the DNR to amend and adopt certain rules pertaining to oil and gas production and allows other state agencies to adopt or amend rules for oil and gas production. Rulemaking must be completed within 24 months of enactment under expedited procedures.
- Prohibits oil and gas production in the state without a permit from the DNR. Prohibits issuance of these permits until rules are adopted, unless the temporary regulatory framework has been approved by the legislature.
- Directs the DNR to create a multi-agency committee (GTAC) to make recommendations to the DNR commissioner that would guide the creation of a temporary regulatory framework to govern, after legislative approval, regulation of gas production projects during the rulemaking process.
- Directs the DNR commissioner to submit recommendations and statutory language to the State Legislature by January 2025.

[Laws of Minnesota 2024, Ch. 116, Art. 3, Secs. 21-25](#) included appropriations to support the identified work. That includes, upon enactment, a one-time appropriation of \$768,000 to fund GTAC. A second appropriation of \$2,406,000 was made available on July 1, 2024, for the development of a regulatory framework for gas production and for rulemaking over the ensuing twenty-four months.



Active drilling targets for geologic hydrogen in southern end of the Midcontinent Rift System, which extends through Minnesota.

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Or visit the [State's GTAC website](#).



This information can be made available in alternative formats such as large print, braille, or audio tape by emailing info.dnr@state.mn.us or calling 651-259-5016.