

2021 Regular Session

HOUSE BILL NO. 662

BY REPRESENTATIVES COUSSAN AND BRYANT

TAX/SEVERANCE-EXEMPTION: Exempts oil production of certain orphaned wells from severance tax

1 AN ACT

2 To enact R.S. 47:633(7)(e), relative to certain severance tax exemptions; to provide for a tax  
3 exemption on oil produced from certain orphaned wells; to provide for the amount  
4 of the exemption; to provide for applicability; to provide for definitions; to provide  
5 for effectiveness; to provide for certain requirements and limitations; to provide for  
6 an effective date; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 47:633(7)(e) is hereby enacted to read as follows:

9 §633. Rates of tax

10 The taxes on natural resources severed from the soil or water levied by R.S.  
11 47:631 shall be predicated on the quantity or value of the products or resources  
12 severed and shall be paid at the following rates:

13 \* \* \*

14 (7)

15 \* \* \*

16 (e)(i) There shall be an exemption from the severance tax levied in this Part  
17 on oil production from orphaned wells when production commences on or after  
18 January 1, 2022, and on or before December 31, 2024.

19 (ii)(aa) The exemption for an orphaned well shall last for a period of twenty-  
20 four months or until payout of the well cost is achieved, whichever occurs first.

1           (bb) For purposes of this Subparagraph, the exemption period shall begin the  
2           first day of the month after the operator notifies the Department of Revenue that  
3           production has commenced. Notification shall be in a form approved by the  
4           secretary of the Department of Revenue.

5           (iii) There shall be no more than one exemption authorized pursuant to this  
6           Subparagraph for any wellhead.

7           (iv) No later than March 1, 2024, the Department of Revenue shall report the  
8           number and cost of exemptions claimed pursuant to this Subparagraph and the  
9           Department of Natural Resources, office of conservation, shall report the number of  
10           orphaned wells plugged to the House Committee on Ways and Means and the Senate  
11           Committee on Revenue and Fiscal Affairs.

12           (v) An operator that has been found to be in violation of Statewide Order 29-  
13           B, Subpart 1 of Part XIX of Title 43 of the Louisiana Administrative Code, shall not  
14           be eligible for the exemption authorized pursuant to this Subparagraph if the office  
15           of conservation is authorized to withhold a permit application from the operator  
16           pursuant to R.S. 30:94.

17           (vi)(aa) Payout of the well cost occurs when gross revenue from the well,  
18           less royalties and operating costs directly attributable to the well, equals the well  
19           cost.

20           (bb) For the purposes of this Subparagraph, well costs shall equal the cost  
21           of completing the well to the commencement of production or the cost of well  
22           enhancements, as determined by the Department of Natural Resources.

23           (cc) For the purposes of this Subparagraph, operating costs shall be limited  
24           to those costs directly attributable to the operation of the exempt well, including but  
25           not limited to direct materials, supplies, fuel, direct labor, contract labor or services,  
26           repairs, maintenance, property taxes, insurance, depreciation, and any other costs that  
27           can be directly attributed to the operation of the well. Where applicable, the  
28           calculation of such costs shall begin from the date that production is established.



Proposed law prohibits an operator in violation of Statewide Order 29-B from being eligible for the exemption if the office of conservation is authorized to withhold a permit application from the operator pursuant to present law.

Proposed law defines "well costs" as the cost of completing the well to the commencement of production or the cost of well enhancements, as determined by the Dept. of Natural Resources.

Proposed law defines "operating costs" as costs directly attributable to the operation of the exempt well, including but not limited to direct materials, supplies, fuel, direct labor, contract labor or services, repairs, maintenance, property taxes, insurance, depreciation, and any other costs that could be directly attributed to the well.

Proposed law provides that the calculation of operating costs begins from the date the enhancement was completed and production was established. Operating costs exclude costs included in the well cost.

Proposed law requires the interest on a refund of severance tax to an operator whose well qualified for this exemption be paid in accordance with present law (R.S. 47:1624(A)(2)).

Effective upon signature of governor or lapse of time for gubernatorial action.

(Adds R.S. 47:633(7)(e))

#### Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Remove language that provides that the calculation of operating costs begins from the date that the Dept. of Natural Resources permitted operation completed.