

2023 Regular Session

HOUSE BILL NO. 634

BY REPRESENTATIVE MCFARLAND

TAX/SEVERANCE TAX: Provides relative to a severance tax exemption for deep-well oil and gas production

1 AN ACT

2 To amend and reenact R.S. 47:633(9)(d)(v), relative to severance tax; to provide with
3 respect to a severance tax exemption for production of oil and gas from wells drilled
4 to a certain depth; to provide for eligibility for the exemption; to provide with respect
5 to certain applications for well status determination filed with the Department of
6 Natural Resources; to provide for the application of certain laws; to provide an
7 effective date; and to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 47:633(9)(d)(v) is hereby amended and reenacted to read as follows:

10 §633. Rates of tax

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

14 * * *

15 (9)

16 * * *

17 (d)

18 * * *

19 (v) Production of natural gas, gas condensate, and oil from any well drilled
20 to a true vertical depth of more than fifteen thousand feet, where production

1 commences after July 31, 1994, shall be exempt from severance tax, from the date
 2 commercial production begins, for twenty-four months or until payout of the well
 3 cost, whichever comes first. For the purpose of this exemption, the date commercial
 4 production begins shall be the first day the well produces into the permanent
 5 production equipment and the facilities have been constructed to process and deliver
 6 natural gas, gas condensate, or oil to a sales point. The date of a drill-stem test,
 7 production test, or any other related production shall not be considered, construed,
 8 or deemed the date commercial production begins regardless of whether such
 9 activities are classified as active production by the office of conservation of the
 10 Department of Natural Resources. The date commercial production begins may be
 11 a date subsequent to the well completion date.

12 * * *

13 Section 2. The provisions of this Act shall apply to each Application for Well Status
 14 Determination (Deep Well) filed with the office of conservation of the Department of
 15 Natural Resources on or after January 1, 2023. Each applicant who filed such an application
 16 on or after January 1, 2023, and prior to the effective date of this Act shall be permitted to
 17 amend its application to conform with the provisions of this Act.

18 Section 3. The provisions of this Act are procedural and interpretive.

19 Section 4. This Act shall become effective on July 1, 2023; if vetoed by the governor
 20 and subsequently approved by the legislature, this Act shall become effective on July 1,
 21 2023, or on the day following such approval by the legislature, whichever is later.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 634 Engrossed

2023 Regular Session

McFarland

Abstract: Provides for eligibility for a severance tax exemption for production of natural gas, gas condensate, and oil from any well drilled to a depth of more than 15,000 feet.

Present law, pursuant to the authority of present constitution, levies severance taxes on all natural resources severed from the soil or water, including all forms of timber, including pulp woods, turpentine, and other forest products; minerals such as oil, gas, natural gasoline,

distillate, condensate, casinghead gasoline, sulphur, salt, coal, lignite, and ores; marble, stone, sand, shells, and other natural deposits; and the salt content in brine.

Present law provides that production of natural gas, gas condensate, and oil from any well drilled to a true vertical depth of more than 15,000 feet shall be exempt from severance tax, from the date production begins, for 24 months or until payout of the well cost, whichever comes first.

Proposed law amends present law to specify that the 24-month severance tax exemption period commences with the date commercial production begins.

Proposed law provides that for purposes of eligibility for the exemption, the date commercial production begins shall be the first day the well produces into the permanent production equipment and the facilities have been constructed to process and deliver oil or gas to a sales point. Stipulates that the date of a drill-stem test, production test, or any other related production shall not be considered, construed, or deemed the date commercial production begins regardless of whether such activities are classified as active production by the Dept. of Natural Resources. Provides further that the date commercial production begins may be a date subsequent to the well completion date.

Proposed law stipulates that its provisions shall apply to each Application for Well Status Determination (Deep Well) filed with the office of conservation of the Dept. of Natural Resources on or after Jan. 1, 2023. Provides that each applicant who filed such an application on or after Jan. 1, 2023, and prior to the effective date of proposed law shall be permitted to amend its application to conform with the provisions of proposed law.

Proposed law establishes that its provisions are procedural and interpretive.

Effective July 1, 2023.

(Amends R.S. 47:633(9)(d)(v))

Summary of Amendments Adopted by House

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

1. Specify that the type of production to which present law and proposed law apply is commercial production.
2. Revise proposed law relative to establishment of the date production begins to stipulate all of the following:
 - a. The date commercial production begins shall be the first day the well produces into the permanent production equipment and the facilities have been constructed to process and deliver oil or gas to a sales point.
 - b. The date of a drill-stem test, production test, or any other related production shall not be considered, construed, or deemed the date commercial production begins regardless of whether such activities are classified as active production by the Dept. of Natural Resources.