

ACT No. 695

2024 Regular Session

HOUSE BILL NO. 418

BY REPRESENTATIVES BEAULLIEU, JACOB LANDRY, AND WILDER

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(c)(iv), relative to severance tax; to reduce the rates of
3 severance tax on oil and gas produced from wells with inactive or orphan well status;
4 to provide for limitations with respect to the reduced rates; to provide for an effective
5 date; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:633(7)(c)(iv) is hereby amended and reenacted to read as follows:

8 §633. Rates of tax

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

12 * * *

13 (7)

14 * * *

15 (c)

16 * * *

17 (iv)(aa) Production from an oil or gas well subsequent to the well's having
18 been inactive for two or more years or having thirty days or less of production during
19 the past two years shall be subject to a severance tax rate equal to ~~fifty~~ twenty-five
20 percent of the rate imposed under this Paragraph or Paragraph (9) of this Section for
21 a period of ten years: if the production commences before October 1, 2028.

1 Production from an oil or gas well subsequent to the well's having been designated
 2 as an orphan well for longer than sixty months shall be subject to a severance tax rate
 3 equal to ~~twenty-five~~ twelve and one half percent of the rate imposed under this
 4 Paragraph or Paragraph (9) of this Section for a period of ten years if the production
 5 commences before October 1, 2028.

6 (bb) Production from an oil or gas well subsequent to the well's having been
 7 inactive for two or more years or having thirty days or less of production during the
 8 past two years shall be subject to a severance tax rate equal to fifty percent of the rate
 9 imposed under this Paragraph or Paragraph (9) of this Section for a period of ten
 10 years if the production commences on or after October 1, 2028. Production from an
 11 oil or gas well subsequent to the well's having been designated as an orphan well for
 12 longer than sixty months shall be subject to a severance tax rate equal to twenty-five
 13 percent of the rate imposed under this Paragraph or Paragraph (9) of this Section for
 14 a period of ten years if the production commences on or after October 1, 2028.

15 (cc) To qualify for ~~the~~ a reduced inactive or orphan well severance tax rate
 16 provided for in Subitem (aa) or (bb) of this Item, the oil or gas production must be
 17 produced from the same perforated producing interval or from one hundred feet
 18 above and one hundred feet below the perforated producing interval for lease wells,
 19 and within the correlative defined interval for unitized reservoirs, that the formerly
 20 inactive or orphaned well produced from before being inactive or designated as an
 21 orphan well. The exemption shall be extended by the length of any inactivity of a
 22 well that has commenced production when such inactivity is caused by a force
 23 majeure.

24 ~~(aa)~~ (dd) To qualify for inactive or orphan well status for purposes of the
 25 ~~special rate referenced~~ rates provided for in this Item, an application for inactive or
 26 orphan well certification shall be made to the Department of Energy and Natural
 27 Resources during the period beginning July 1, 2018, and ending June 30, ~~2023~~ 2028.
 28 Upon certification that a well is inactive or orphan, production shall be subject to the
 29 special rate as provided in this Item from the date production begins or ninety days

1 from the date of the application, whichever occurs first. If, in any one fiscal year,
 2 the secretary of the Department of Revenue estimates that the severance tax paid
 3 under the provisions of this Item will be in excess of fifteen million dollars, the
 4 secretary shall notify the commissioner of conservation who shall not certify inactive
 5 or orphan well status for any other wells for the remainder of that fiscal year. Such
 6 certifications may begin again after the beginning of the next fiscal year.

7 ~~(bb)~~ (ee) If the severance tax is paid at the full rate provided by this Section
 8 before the Department of Energy and Natural Resources approves an application for
 9 inactive or orphan well status, the operator is entitled to a credit against taxes
 10 imposed by this Section in an amount equal to the tax paid. To receive a credit, the
 11 operator must apply to the secretary of the Department of Revenue for the credit not
 12 later than the first anniversary after the date the Department of Energy and Natural
 13 Resources certifies that the well is an inactive or orphan well.

14 ~~(cc)~~ (ff) Notwithstanding any provision of law to the contrary, oil production
 15 from any orphan well as defined by R.S. 30:88.2(A) that is undergoing or has
 16 undergone well enhancements that required a Department of Energy and Natural
 17 Resources permit, including but not limited to re-entries, workovers, or plugbacks,
 18 from which production commences on or after October 1, 2021, and before June 30,
 19 2031, shall be exempt from the severance tax. To qualify for the exemption, an
 20 application for certification shall be made to the Department of Energy and Natural
 21 Resources. Upon certification that a well qualifies for the exemption, the operator
 22 shall retain an amount equal to the severance tax otherwise due for the initial three
 23 months of the exemption. Beginning in the fourth month following certification, the
 24 operator shall report, on forms prescribed by the secretary, and remit to the
 25 Department of Revenue an amount equal to the severance tax applicable to the well
 26 pursuant to this Paragraph, which shall be credited to the associated site-specific trust
 27 account provided for in R.S. 30:88.2 and shall be subject to all due date, interest, and
 28 penalty provisions applicable to the oil severance tax.

29 * * *

1 Section 2. The provisions of this Act shall be applicable to taxable periods beginning
2 on or after October 1, 2024.

3 Section 3. This Act shall become effective on October 1, 2024.

SPEAKER OF THE HOUSE OF REPRESENTATIVES

PRESIDENT OF THE SENATE

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____