

ACT No. 421

2017 Regular Session

HOUSE BILL NO. 461

BY REPRESENTATIVES BISHOP, AMEDEE, BACALA, BAGLEY, BARRAS, BROADWATER, CHAD BROWN, TERRY BROWN, CONNICK, COUSSAN, CREWS, DAVIS, DEVILLIER, DWIGHT, EDMONDS, GISCLAIR, GUINN, HENSGENS, HORTON, JONES, NANCY LANDRY, MAGEE, MIGUEZ, JIM MORRIS, PIERRE, REYNOLDS, RICHARD, SCHEXNAYDER, SCHRODER, STAGNI, STEFANSKI, TALBOT, THIBAUT, AND ZERINGUE AND SENATORS CHABERT, CORTEZ, AND HEWITT

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(c)(iv), relative to state severance taxes on oil and gas;
3 to provide with respect to incentives relating to inactive and orphan wells; to provide
4 for eligibility and the extent of certain special rate provisions; to provide for
5 requirements and limitations; to provide for effectiveness; and to provide for related
6 matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 47:633(7)(c)(iv) is hereby amended and reenacted 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 (c)

17 * * *

18 (iv) Production from an oil and or gas wells shall be exempt from severance
19 tax for a period of five years when returned to service after being well subsequent

1 to the well's having been inactive for two or more years or having thirty days or less
 2 of production during the past two years shall be subject to a severance tax rate equal
 3 to fifty percent of the rate imposed under this Paragraph or Paragraph (9) of this
 4 Section for a period of ten years. Production from an oil or gas wells subsequent to
 5 the well's having been designated as an orphan well for longer than sixty months
 6 shall be subject to a severance tax rate equal to twenty-five percent of the rate
 7 imposed under this Paragraph or Paragraph (9) of this Section for a period of ten
 8 years. To qualify for the reduced inactive or orphan well severance tax rate, the oil
 9 or gas production must be produced from the same perforated producing interval or
 10 from one hundred feet above and one hundred feet below the perforated producing
 11 interval for lease wells, and within the correlative defined interval for unitized
 12 reservoirs, that the formerly inactive or orphaned well produced from before being
 13 inactive or designated as an orphan well. The exemption shall be extended by the
 14 length of any inactivity of a well that has commenced production when such
 15 inactivity is caused by a force majeure.

16 (aa) To qualify for inactive or orphan well status for purposes of the special
 17 rate referenced in this Item, an application for a ~~two-year~~ inactive or orphan well
 18 certification shall be made to the Department of Natural Resources, ~~before~~
 19 ~~commencement of production~~, during the period beginning ~~July 31, 1994 and ending~~
 20 ~~June 30, 2000, for the period beginning July 1, 2002 and ending June 30, 2006, and~~
 21 ~~for the period beginning July 1, 2006 and ending June 30, 2010~~ July 1, 2018, and
 22 ending June 30, 2023. Upon certification that a well is inactive or orphan, ~~all~~
 23 production is shall be exempt from severance tax subject to the special rate for a
 24 ~~period of five years as provided in this Item~~ from the date production begins or
 25 ninety days from the date of the application, whichever occurs first. If, in any one
 26 fiscal year, the secretary of the Department of Revenue estimates that the severance
 27 tax paid under the provisions of this Item will be in excess of fifteen million dollars,
 28 the secretary shall notify the commissioner of conservation who shall not certify
 29 inactive or orphan well status for any other wells for the remainder of that fiscal
 30 year. Such certifications may begin again after the beginning of the next fiscal year.

