DIGEST

HB 29 Original 2020 Second Extraordinary Session DeVillier

Abstract: Suspends severance taxes on oil production from newly drilled wells or from a completed well undergoing well enhancements including but not limited to re-entries, workovers, or plug backs under certain circumstances.

Present law imposes a tax on natural resources severed from the soil or water based upon quantity or value of the products or resources severed.

Present law establishes a severance tax on oil at a rate of 12.5% of its value at the time and place of severance. The value is the higher of: (1) gross receipts received from the first purchaser, less charges for trucking, barging and pipeline fees, or (2) the posted field price.

Proposed law provides beginning Oct. 1, 2020 through Dec. 31, 2025, oil produced from any newly drilled well or from a completed well undergoing well enhancements that require a Dept. of Natural Resources permit such as re-entries, workovers or plug backs shall be exempt from severance tax, when production occurs on or after Oct. 1, 2020.

Proposed law provides the exemption shall last for a period of twenty-four months or until payout of the well cost is achieved, whichever occurs first.

Proposed law further establishes that the payout of well cost shall be the cost of completing the well to the commencement of production as determined by the Dept. of Natural Resources.

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

(Amends R.S. 47:631)