
DIGEST

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HB 29 Engrossed

2020 Second Extraordinary Session

DeVillier

Abstract: Suspends severance taxes on oil production from newly drilled wells or from a completed well that is undergoing or has undergone 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 that is undergoing or has undergone well enhancements that required 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 24 months or until payout of the well cost is achieved, whichever occurs first.

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 can be directly attributed to the well.

Proposed law further provides calculation of operating costs shall begin from the date that the Dept. of Natural Resources permitted operation or enhancement is complete and production is established. Operating costs shall not include costs included in the well cost.

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

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

(Amends R.S. 47:631)

Summary of Amendments Adopted by House

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

1. Make changes to the title.
2. Add provisions defining the terms "well cost" and "operating costs".
3. Add provisions relative to payment of interest on a refund of severance tax to an operator whose well qualifies for the exemption.
4. Make technical changes.