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## DIGEST

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HB 57 Original

2021 Regular Session

Coussan

**Abstract:** Exempts oil produced from orphaned wells, newly drilled wells, or newly completed wells that are undergoing or have undergone well enhancements including but not limited to re-entries, workovers, or plugbacks from certain severance taxes 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 creates an exemption for oil produced from any orphaned well, newly drilled well, or newly completed well that is undergoing or has undergone well enhancements that require a Dept. of Natural Resources permit such as re-entries, workovers or plugbacks, when production occurs on or after Jan. 1, 2022, and on or before Dec. 31, 2024.

Proposed law provides that the exemption for an orphaned well lasts for a period of 24 months or until payout is achieved, whichever occurs first.

Proposed law provides that the exemption for a newly drilled well lasts for a period of 12 months or until payout is achieved, whichever occurs first.

Proposed law provides that the exemption for a newly completed well that is undergoing or has undergone well enhancements lasts for a period of six months or until payout is achieved, whichever occurs first.

Proposed law provides the exemption period begins the first day of the month after the operator notifies the Dept. of Revenue that new or post enhancement production has commenced. Proposed law also provides that there may be no more than one exemption per wellhead.

Proposed law requires, no later than March 1, 2024, the Dept. of Revenue to report the number and cost of exemptions claimed by well category and the Dept. of Natural Resources to report the number of orphan wells plugged to the House Committee on Ways and Means and the Senate Committee on Revenue and Fiscal Affairs.

Proposed law prohibits an operator in violation of Statewide Order 29-B from being eligible for the exemption if the office of conservation is authorized to withhold a permit application from the operator pursuant to present law.

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 could be directly attributed to the well.

Proposed law provides that the calculation of operating costs begins from the date that the Dept. of Natural Resources permitted operation or the date the enhancement was completed and production was established. Operating costs exclude costs included in the well cost.

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

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

(Adds R.S. 47:633(7)(e))