

2021 Regular Session

HOUSE BILL NO. 658

BY REPRESENTATIVES COUSSAN AND BRYANT

TAX/SEVERANCE-EXEMPTION: Exempts oil production of newly completed wells that are undergoing or have undergone certain well enhancements

1 AN ACT

2 To enact R.S. 47:633(7)(e), relative to certain severance tax exemptions; to provide for a tax
3 exemption on oil produced from certain newly completed wells undergoing
4 enhancements; to provide for the amount of the exemption; to provide for
5 applicability; to provide for definitions; to provide for effectiveness; to provide for
6 certain requirements and limitations; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 47:633(7)(e) is hereby enacted 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 (e)(i) There shall be an exemption from the severance tax levied in this Part
17 on oil production from any newly completed well that is undergoing or has
18 undergone well enhancements that required a Department of Natural Resources
19 permit, including but not limited to re-entries, workovers, sidetracks, or plug backs,

1 when production commences on or after January 1, 2022, and on or before December
2 31, 2024.

3 (ii) The exemption for a newly completed well that is undergoing or has
4 undergone well enhancements shall be for the first five thousand barrels produced
5 following the completion of the enhancement.

6 (iii) There shall be no more than one exemption authorized pursuant to this
7 Subparagraph for any wellhead.

8 (iv) No later than March 1, 2024, the Department of Revenue shall report the
9 number and cost of exemptions claimed pursuant to this Subparagraph to the House
10 Committee on Ways and Means and the Senate Committee on Revenue and Fiscal
11 Affairs.

12 (v) An operator that has been found to be in violation of Statewide Order 29-
13 B, Subpart 1 of Part XIX of Title 43 of the Louisiana Administrative Code, shall not
14 be eligible for the exemption authorized pursuant to this Subparagraph if the office
15 of conservation is authorized to withhold a permit application from the operator
16 pursuant to R.S. 30:94.

17 (vi) Interest on a refund of severance tax to an operator whose well qualifies
18 for the exemption provided in this Subparagraph shall be paid in accordance with
19 R.S. 47:1624(A)(2).

20 * * *

21 Section 2. This Act shall become effective upon signature by the governor or, if not
22 signed by the governor, upon expiration of the time for bills to become law without signature
23 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
24 vetoed by the governor and subsequently approved by the legislature, this Act shall become
25 effective on the day following such approval.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HB 658 Original

2021 Regular Session

Coussan

Abstract: Exempts from severance tax oil produced from newly completed wells that are undergoing or have undergone well enhancements including but not limited to re-entries, workovers, sidetracks, or plugbacks 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 a newly completed well that is undergoing or has undergone well enhancements that require a Dept. of Natural Resources permit such as re-entries, workovers, sidetracks, 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 a newly completed well that is undergoing or has undergone well enhancements shall be for the first five thousand barrels produced following the completion of the enhancement.

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 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 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))