

2021 Regular Session

SENATE BILL NO. 171

BY SENATOR ALLAIN

TAX EXEMPTIONS. Provides for severance tax exemptions and site-specific trust funds for certain orphan wells. (gov sig)

1 AN ACT
2 To enact R.S. 30:88.2 and R.S. 47:633(7)(c)(iv)(cc), relative to an exemption from
3 severance tax on oil production from certain orphaned wells; to provide for payments
4 into site-specific trust accounts in an amount equal to the severance tax that would
5 otherwise be due; to provide for reimbursement of certain oilfield site restoration
6 costs; to provide for certain requirements and limitations; and to provide for related
7 matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 30:88.2 is hereby enacted to read as follows:

10 **§88.2. Orphan well rework program**

11 **A. Orphan wells. (1) For purposes of this Section, an orphan well shall**
12 **mean an oil well that is designated as part of an orphaned oilfield site and that**
13 **has had no reported production for a period of greater than twelve months**
14 **immediately prior to the production of oil to which this Section applies.**

15 **(2) The monies paid to the state treasury in accordance with R.S.**
16 **47:633(7)(c)(iv)(cc) derived from oil produced from an orphaned well as defined**
17 **in this Section shall be credited to the associated site-specific trust account.**

1 **B. New production. In the event of new production from a formerly**
2 **orphaned well meeting the requirements of Paragraph (A)(1) of this Section, a**
3 **site-specific trust account shall be established to separately account for each**
4 **such site for the purpose of providing a source of funds for future site**
5 **restoration of that oilfield site when restoration of the oilfield site is required.**
6 **Once established, the site-specific trust account shall remain in effect until**
7 **completion of site restoration of the associated oilfield site.**

8 **C. Trust account monitoring. The assistant secretary shall monitor each**
9 **trust account to assure that it is being properly funded. The funds in each trust**
10 **account shall remain the property of the commission. If the site-specific trust**
11 **account is not funded through the payment of amounts equal to the severance**
12 **tax that would otherwise be due the state for a period of greater than six months**
13 **from the date of first production following designation of the well as part of an**
14 **orphaned oilfield site, the assistant secretary shall require financial security in**
15 **accordance with the office of conservation's rules and regulations.**

16 **D. Transfers of oilfield sites. When transfers of oilfield sites occur**
17 **subsequent to the formation of site-specific trust accounts pursuant to this**
18 **Section but before the end of the oilfield site's economic life, the balance of any**
19 **site-specific trust account at the time of transfer shall remain associated with**
20 **the oilfield site.**

21 **E. Unusable oilfield sites. For unusable oilfield sites, after site restoration**
22 **has been completed and approved by the assistant secretary, funds from a**
23 **site-specific trust account shall be disbursed as follows:**

24 **(1) If the site restoration has been completed by the operator of record**
25 **on file with the assistant secretary, the balance of the funds existing in the**
26 **site-specific trust account shall be remitted to that operator of record.**

27 **(2) If the site restoration has been completed using monies from the**
28 **Oilfield Site Restoration Fund and monies from the site-specific trust account,**
29 **any balance in the site-specific trust account shall be transferred into the**

1 **Oilfield Site Restoration Fund for use on any oilfield site in accordance with this**
2 **Chapter.**

3 **(3) The site-specific trust account shall thereafter be closed.**

4 **F. Rules, regulations, and orders. The assistant secretary shall**
5 **promulgate, after notice and public hearings as provided in this Chapter, any**
6 **reasonable rules, regulations, and orders that are necessary to implement this**
7 **Section.**

8 Section 2. R.S. 47:633(7)(c)(iv)(cc) 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	(c)	*	*	*
16	(iv)	*	*	*

17 **(cc) Notwithstanding any provision of law to the contrary, oil production**
18 **from a well eligible for the special rates provided for in this Item from any**
19 **orphan well that is undergoing or has undergone well enhancements that**
20 **required a Department of Natural Resources permit, including but not limited**
21 **to re-entries, workovers, or plugbacks, from which production commences on**
22 **or after October 1, 2021, shall be exempt from the severance tax. The operator**
23 **shall remit to the Department of Revenue an amount equal to the severance tax**
24 **applicable to the well pursuant to this Item, which shall be credited to the**
25 **associated site-specific trust account provided for in R.S. 30:88.2 and shall be**
26 **subject to all due date, interest, and penalty provisions applicable to the oil**
27 **severance tax. For purposes of this Subitem, an orphan well shall mean an oil**
28 **well that is designated as part of an orphaned oilfield site by the Department of**
29 **Natural Resources.**

* * *

Section 3. This Act shall become effective upon signature by the governor or, if not signed by the governor, upon expiration of the time for bills to become law without signature by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If vetoed by the governor and subsequently approved by the legislature, this Act shall become effective on the day following such approval.

The original instrument was prepared by Prepared by Leonore Heavey. The following digest, which does not constitute a part of the legislative instrument, was prepared by Prepared by Curry J. Lann.

DIGEST

SB 171 Engrossed

2021 Regular Session

Allain

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.

Present law provides for reduced rates of oil severance tax for inactive wells at the rates of six percent for wells that have been inactive for 24 or more months and 3% for wells that have been inactive for 60 months or more.

Proposed law provides beginning Oct. 1, 2020, oil produced from any inactive well that has been certified as an orphaned well that's undergoing or has undergone well enhancements that required a Dept. of Natural Resources permit such as a re-entry, workover, or plug back, shall be exempt from severance tax, when production occurs on or after Oct. 1, 2020.

Proposed law defines "orphan well" as an oil well that is designated as part of an orphaned oilfield site and that has had no reported production for a period of greater than twelve months immediately prior to the production of oil to which proposed law applies.

Proposed law requires the operator to remit an amount equal to the severance tax that would otherwise be due on the well to the Dept. of Revenue, which shall be credited to the associated site-specific trust account provided for in proposed law.

Proposed law establishes site-specific trust accounts to separately account for each such site for the purpose of providing a source of funds for site restoration of that oilfield site.

Proposed law requires the Dept. of Natural Resources to monitor each trust account to assure that it is funded, and authorizes the secretary to require security if an account is not funded through the payment of amounts equal to the severance tax that would otherwise be due the state for a period of greater than six months.

Proposed law provides that the site-specific trust fund will remain associated with the site if the site is transferred after the formation of a site-specific trust account.

Proposed law provides that after site restoration has been completed and approved, if the only source of funds used in the site restoration was the site-specific trust account, that any funds remaining in the account will be transferred to the operator.

Proposed law provides that after site restoration has been completed and approved, if the site restoration was completed using funds from the Oilfield Site Restoration Fund and the site-specific trust account that any funds remaining in the account will be transferred to the Oilfield Site Restoration Fund.

Proposed law requires a site-specific trust fund to be closed after the site restoration is completed and monies from the account are disbursed.

Proposed law authorizes the Dept. of Natural Resources to promulgate rules considered necessary for the administration of proposed law.

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

(Adds R.S. 30:88.2 and R.S. 47:633(7)(c)(iv)(cc))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the original bill

1. Provides for changes to the definition of orphan well.
2. Provides for collection of deposits by the Department of Revenue.