CONFERENCE COMMITTEE REPORT

SB 171 **2021 Regular Session** **Allain**
June 8, 2021

To the Honorable President and Members of the Senate and to the Honorable Speaker and Members of the House of Representatives.

Ladies and Gentlemen:

We, the conferees appointed to confer over the disagreement between the two houses concerning Senate Bill No. 171 by Senator Allain, recommend the following concerning the Reengrossed bill:

1. That all House Floor Amendments proposed by Representative Coussan and adopted by the House of Representatives on May 19, 2021, be adopted.

2. That all House Committee Amendments proposed by the House Committee on Ways and Means and adopted by the House of Representatives on May 13, 2021, be rejected.

3. That the following amendments to the reengrossed bill be adopted:

AMENDMENT NO. 1

On page 2, delete line 15 and insert "**accordance with this Subtitle and the rules and regulations adopted pursuant to this Subtitle including the exceptions provided in R.S. 30:4(R).**"

AMENDMENT NO. 2

On page 3, line 21, after "**2021,**" insert "**and before June 30, 2031,**"

AMENDMENT NO. 3

On page 3, line 24, after "**shall**" insert "**retain an amount equal to the severance tax otherwise due for the initial three months of the exemption. Beginning in the fourth month following certification, the operator shall report, on forms prescribed by the secretary, and**"

Respectfully submitted,

Senators:	Representatives:
Senator R. L. Bret Allain II	Representative Stuart J. Bishop
Senator Mike Reese	Representative Jean-Paul P. Coussan
Senator J. Rogers Pope	Representative Ryan Joseph Bourriaque

The legislative instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Tyler S. McCloud.

CONFERENCE COMMITTEE REPORT DIGEST

SB 171 **2021 Regular Session** **Allain**

Keyword and summary of the bill as proposed by the Conference Committee

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

Report adopts House amendments to:

1. Make technical amendments.

Report rejects House amendments which would have:

1. Repeal provisions of proposed law effective June 30, 2031.

Report amends the bill to:

1. Provide that the operator of the orphan well retain an amount equal to the severance tax for the initial 3 months of the exemption and beginning the 4th month, remit the amount of the tax into the site-specific trust fund.

2. Provide that when financial security is required by proposed law, the financial security is in accordance with present law including the existing exemption for orphaned wells.

2. Limit proposed law to orphan wells from which production commences on or after Oct. 1, 2021, and before Jun. 30, 2031.

3. Require operators to report to the Dept. of Revenue on forms prescribed by the secretary.

Digest of the bill as proposed by the Conference Committee

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 well that has been certified as an orphaned well, has been orphaned for 12 months or more, and that is 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 begins on or after Oct. 1, 2020 and before Jun. 30, 2031.

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 an operator to submit an application for the exemption to the Dept. of Natural Resources and further provides that the exemption does not begin until the well is certified.

Proposed law provides that the operator of the orphan well retain the amount equal to the severance tax for the initial three months of the exemption. and beginning the fourth month, remit an amount equal to the tax into the site-specific trust fund.

Proposed law requires beginning the fourth month of the exemption that the operator report and 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 further provides that security required is in accordance with present law and rules and regulations adopted pursuant to present law including existing exemption for orphaned wells.

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))