RÉSUMÉ DIGEST

ACT 391 (SB 171) **2021 Regular Session** **Allain**

Prior law imposed a tax on natural resources severed from the soil or water based upon quantity or value of the products or resources severed.

Prior law established 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.

Prior law provided 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.

New 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 June 30, 2031.

New 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 new law applies.

New 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.

New 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.

New 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 new law.

New 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.

New 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. New law further provides that security required is in accordance with prior law and rules and regulations adopted pursuant to prior law including existing exemption for orphaned wells.

New 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.

New 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.

New 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.

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

New law authorizes the Dept. of Natural Resources to promulgate rules considered necessary for the administration of new law.

Effective upon signature of governor (June 16, 2021).

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