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## DIGEST

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HB 634 Engrossed

2023 Regular Session

McFarland

**Abstract:** Provides for eligibility for a severance tax exemption for production of natural gas, gas condensate, and oil from any well drilled to a depth of more than 15,000 feet.

Present law, pursuant to the authority of present constitution, levies severance taxes on all natural resources severed from the soil or water, including all forms of timber, including pulp woods, turpentine, and other forest products; minerals such as oil, gas, natural gasoline, distillate, condensate, casinghead gasoline, sulphur, salt, coal, lignite, and ores; marble, stone, sand, shells, and other natural deposits; and the salt content in brine.

Present law provides that production of natural gas, gas condensate, and oil from any well drilled to a true vertical depth of more than 15,000 feet shall be exempt from severance tax, from the date production begins, for 24 months or until payout of the well cost, whichever comes first.

Proposed law amends present law to specify that the 24-month severance tax exemption period commences with the date commercial production begins.

Proposed law provides that for purposes of eligibility for the exemption, the date commercial production begins shall be the first day the well produces into the permanent production equipment and the facilities have been constructed to process and deliver oil or gas to a sales point. Stipulates that the date of a drill-stem test, production test, or any other related production shall not be considered, construed, or deemed the date commercial production begins regardless of whether such activities are classified as active production by the Dept. of Natural Resources. Provides further that the date commercial production begins may be a date subsequent to the well completion date.

Proposed law stipulates that its provisions shall apply to each Application for Well Status Determination (Deep Well) filed with the office of conservation of the Dept. of Natural Resources on or after Jan. 1, 2023. Provides that each applicant who filed such an application on or after Jan. 1, 2023, and prior to the effective date of proposed law shall be permitted to amend its application to conform with the provisions of proposed law.

Proposed law establishes that its provisions are procedural and interpretive.

Effective July 1, 2023.

(Amends R.S. 47:633(9)(d)(v))

## Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Ways and Means to the original bill:

1. Specify that the type of production to which present law and proposed law apply is commercial production.
2. Revise proposed law relative to establishment of the date production begins to stipulate all of the following:
  - a. The date commercial production begins shall be the first day the well produces into the permanent production equipment and the facilities have been constructed to process and deliver oil or gas to a sales point.
  - b. The date of a drill-stem test, production test, or any other related production shall not be considered, construed, or deemed the date commercial production begins regardless of whether such activities are classified as active production by the Dept. of Natural Resources.