

Regular Session, 2013

HOUSE BILL NO. 370

BY REPRESENTATIVE JAMES

TAX/SEVERANCE-EXEMPTION: Provides relative to the severance tax exemption for horizontal drilling of oil and gas wells

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(c)(iii)(introductory paragraph), relative to severance  
3 tax; to provide with respect to the exemption for horizontal drilling; to provide for  
4 the duration of exempt production; and to provide for related matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 47:633(7)(c)(iii)(introductory paragraph) is hereby amended and  
7 reenacted to read as follows:

8 §633. Rates of tax

9 The taxes on natural resources severed from the soil or water levied by R.S.  
10 47:631 shall be predicated on the quantity or value of the products or resources  
11 severed and shall be paid at the following rates:

12 \* \* \*

13 (7)

14 \* \* \*

15 (c)

16 \* \* \*

17 (iii) All severance tax shall be suspended, for a period of twenty-four months  
18 or until achievement of a fifty percent payout of the well cost ~~is achieved~~, whichever  
19 comes first, on any horizontally drilled well, or, on any horizontally drilled  
20 recompletion well, from which production commences after July 31, 1994.

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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)]

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James

HB No. 370

**Abstract:** For the severance tax horizontal well exemption, changes the limit on exempt production based on payout of the well cost from 100% to 50%.

Present law authorizes an exemption from severance tax for any horizontally drilled well, or, any horizontally drilled recompletion well from which production commences after July 31, 1994. Production is exempt from tax for either 24 months or until the achievement of payout of the well cost, whichever comes first. "Payout" refers to the point in time at which the cost of the well has been covered by the proceeds from production.

Proposed law changes present law by limiting the exemption threshold based on the payout of well cost from a 100% payout of the well cost to a 50% payout of the well cost.

(Amends R.S. 47:633(7)(c)(iii)(intro. para.))