

Regular Session, 2014

HOUSE BILL NO. 713

BY REPRESENTATIVE GREENE

TAX/SEVERANCE TAX: Provides that severance taxes do not have to be paid during the period of a suspension or exemption from severance tax under certain circumstances

1 AN ACT

2 To amend and reenact R.S. 47:633(9)(d)(v) and to enact R.S. 633(7)(c)(iii)(cc), relative to
3 severance tax; to provide with respect to the payment of severance tax by certain
4 well operators; to provide for certain requirements; to provide for applicability; to
5 provide for an effective date; and to provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:633(9)(d)(v) is hereby amended and reenacted and R.S.
8 633(7)(c)(iii)(cc) is hereby enacted to read as follows:

9 §633. Rates of tax

10 * * *

11 (7)

12 * * *

13 (c)

14 * * *

15 (iii)

16 * * *

17 (cc) Severance tax shall not be required to be paid from the date production
18 begins from horizontal wells if the well operator files, prior to first production, a
19 preliminary application for well status determination along with a directional survey
20 demonstrating that the well meets the requirements of a horizontal well with the

1 Louisiana Department of Natural Resources, office of conservation, and the office
2 of conservation certifies that the well meets the horizontal well requirements.
3 Additionally, within two hundred seventy days of first production, the well operator
4 shall complete and file an amended application for well status determination with the
5 office of conservation which shall include the date the well commenced production
6 and the detailed itemized well cost statement in order for severance tax obligations
7 to be suspended from the date production begins from qualified horizontal wells.
8 Well operators shall continue to file severance tax returns with the corresponding
9 lease detail reports for these wells during the severance tax suspension period. When
10 filing the lease detail reports, the operator shall insert the well serial code in place
11 of the lease code. If production from the well is attributable to a state lease, the
12 operator shall be required to pay royalty to the state throughout the severance tax
13 suspension period. Failure to file an amended application for well status
14 determination with the office of conservation within two hundred seventy days of
15 first production shall not affect the qualified well's suspension status provided that
16 the amended application is received within twenty-four months or until payout of the
17 well is achieved, whichever comes first.

* * *

(9)

* * *

(d)

* * *

(v) Production of natural gas, gas condensate, and oil from any well drilled to a true vertical depth of more than fifteen thousand feet, where production commences after July 31, 1994, shall be exempt from severance tax, from the date production begins, for twenty-four months or until payout of the well cost, whichever comes first. Severance tax shall not be required to be paid from the date production begins from deep wells if the well operator files, prior to first production, a preliminary application for well status determination, along with a directional survey

1 demonstrating that the well meets the requirements of a deep well with the Louisiana
2 Department of Natural Resources, office of conservation, and the office of
3 conservation certifies that the well meets the deep well requirements. Additionally,
4 within two hundred seventy days of first production, the well operator shall complete
5 and file an amended application for well status determination with the office of
6 conservation which shall include the date the well commenced production and the
7 detailed itemized well cost statement in order for severance tax obligations to be
8 suspended from the date production begins from qualified deep wells. Well
9 operators shall continue to file severance tax returns with the corresponding lease
10 detail reports for these wells during the severance tax suspension period. When
11 filing the lease detail reports, the operator shall insert the well serial code in place
12 of the lease code. If production from the well is attributable to a state lease, the
13 operator shall be required to pay royalty to the state throughout the severance tax
14 suspension period. Failure to file an amended application for well status
15 determination with the office of conservation within two hundred seventy days of
16 first production shall not affect the qualified well's suspension status provided that
17 the amended application is received within twenty-four months or until payout of the
18 well is achieved, whichever comes first.

* * *

20 Section 2. This Act shall become effective January 1, 2015, and shall be applicable
21 to any claim of refund filed with a return due on or after January 1, 2015.

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)]

Greene

HB No. 713

Abstract: Provides that severance taxes from horizontal wells or deep wells do not have to be paid during the suspension period if the well operator files, prior to first production, a preliminary application for well status determination along with a directional survey demonstrating that the well meets the requirements of a horizontal well or deep well with the office of conservation.

Present law provides for the levy of a tax for natural resources severed from the soil or water predicated on the quantity of the value of the products or resources severed. The rate of the tax varies based on the natural resource.

Present law provides for a suspension on the collection of severance taxes for 24 months or until payout of the well cost is achieved, whichever comes first, on any horizontally drilled well or any horizontally drilled well recompletion well from which production commences after July 1, 1994. Payout of the well cost shall be the cost of completing the well to commencement of productions determined by the Dept. of Natural Resources (DNR).

Present law provides for a suspension on the collection of severance taxes for 24 months or until payout of the well, which ever comes first, for production of natural gas, gas condensate, and oil from any well drilled to a true vertical depth of more than 15,000 feet, where production commences after July 31, 1994.

Proposed law retains present law but specifies that the severance tax shall not be required to be paid from horizontal wells or deep wells from the date production begins if the well operator files, prior to first production, a preliminary application for well status determination along with a directional survey demonstrating that the well meets the requirements of a horizontal well or deep well with the office of conservation. Further requires the office of conservation to certify that the well meets the horizontal well or deep well requirements.

Proposed law additionally requires, within 270 days of first production, the well operator to complete and file an amended application for well status determination with the office of conservation which shall include the date the well commenced production and the detailed itemized well cost statement in order for severance tax obligations to be suspended from the date production begins from qualified horizontal wells or deep wells. Failure to file an amended application for well status determination within 270 days of first production shall not affect the qualified well's suspension status provided that the amended application is received within 24 months or until payout of the well is achieved, whichever comes first.

Proposed law requires well operators to continue to file severance tax returns with the corresponding lease detail reports for these wells during the severance tax suspension period and to continue to pay royalty to the state throughout the severance tax suspension period if production from the well is attributable to a state lease.

Effective Jan. 1, 2015, and shall be applicable to any claim of refund filed with a return due on or after Jan. 1, 2015.

(Amends R.S. 47:633(9)(d)(v); Adds R.S. 633(7)(c)(iii)(cc))

Summary of Amendments Adopted by House

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

1. Changed the requirement that in order for a horizontal well or deep well operator to be suspended from the payment of severance taxes from a requirement that the well operator hold a certificate of good standing issued by the Dept. of Revenue and DNR to a requirement that the well operator file, prior to first production, a preliminary application for well status determination along with a directional survey demonstrating that the well meets the requirements of a horizontal well or deep well with the office of conservation. Further requires the office of conservation to certify that the well meets the horizontal well or deep well requirements.

2. Added requirements relative to the completion and filing of amended applications for well status determinations including the date the well commenced production and the detailed itemized well cost statement in order for severance tax obligations to be suspended from the date production begins from qualified wells.
3. Added provisions relative to the failure of an operator to file an amended application for well status determination within 270 days of first production.
4. Added requirement that well operators continue to file severance tax returns with lease detail reports during the severance tax suspension period and to continue to pay royalty to the state throughout the severance tax suspension period if production from the well is attributable to a state lease.
5. Changed the effective date from upon signature of governor to Jan. 1, 2015, and adds applicability to any claim of refund filed with a return due on or after Jan. 1, 2015.