

---

## 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.