

HOUSE SUMMARY OF SENATE AMENDMENTS**HB 549****2015 Regular Session****Thibaut**

TAX/SEVERANCE-EXEMPTION: Modifies exemptions, suspensions, and special rates from July 1, 2015 to June 30, 2017

Synopsis of Senate Amendments

1. Change the basis for the determination of the prices of oil and gas from those published by the Energy Information Administration in the Annual Energy Outlook to the amount determined by the secretary of the Dept. of Natural Resources based on the average New York Mercantile Exchange prices from the previous 12 months.
2. Technical changes.

Digest of Bill as Finally Passed by Senate

Present law imposes a tax on natural resources severed from the soil or water based upon quantity or value of the products or resources severed. The severance tax rate for oil is 12.5% of value. The severance tax rate for natural gas is a minimum of 7¢ per 1,000 cubic feet but is subject to an annual rate adjustment based on the prior year's price of natural gas.

Present law suspends the levy of 100% of the severance tax on production from a horizontally drilled well or horizontally drilled recompletion well for a period of 24 months or until payout of the well cost is achieved, whichever comes first.

Proposed law, for purposes of the suspension of the severance tax on oil and natural gas, defines "horizontal drilling" as high angle directional drilling of bore holes with 50 to 3,000 plus feet of lateral penetration through productive reservoirs and "horizontal recompletion" shall mean horizontal drilling in an existing well bore.

Proposed law changes present law for the severance tax exemption on oil production occurring from horizontally drilled wells and recompletion wells commenced on or after July 1, 2015, by changing the amount of the exemption from 100% to varying amounts based on the price of oil as determined by the secretary of the Dept. of Natural Resources on July 1st of each year for the ensuing 12 months based on the average New York Mercantile Exchange prices per barrel from the previous 12 months. The amount of the exemption for a horizontal well that produces oil shall be as follows:

- (1) No severance tax if the price of oil is at or below \$70 per barrel.
- (2) The exemption shall be 80% if the price is above \$70 and at or below \$80 per barrel.
- (3) The exemption shall be 60% if the price is above \$80 and at or below \$90 dollars per barrel.
- (4) The exemption shall be 40% if the price is above \$90 and at or below \$100 per barrel.
- (5) The exemption shall be 20% if the price is above \$100 and at or below \$110 per barrel.
- (6) There shall be no exemption if the price of oil exceeds \$110 per barrel.

Proposed law changes present law for the suspension of severance taxes on natural gas production occurring from horizontally drilled wells and recompletion wells commenced on or after July 1, 2015, by changing the amount of the exemption from 100% to varying amounts based on the price of natural gas as determined by the secretary of the Dept. of Natural Resources on July 1st of each year for the ensuing 12 months based on the average New York Mercantile Exchange prices per million BTU per month from the previous 12 months. The amount of the exemption for a horizontal well that produces gas shall be as follows:

- (1) No severance tax if the price of natural gas is at or below \$4.50 per million BTU.
- (2) The exemption shall be 80% if the price is above \$4.50 per million BTU and at or below \$5.50 per million BTU.
- (3) The exemption shall be 60% if the price is above \$5.50 per million BTU and at or below \$6.00 per million BTU.
- (4) The exemption shall be 40% if the price is above \$6.00 per million BTU and at or below \$6.50 per million BTU.
- (5) The exemption shall be 20% if the price is above \$6.50 per million BTU and at or below \$7.00 per million BTU.
- (6) There shall be no exemption if the price of natural gas exceeds \$7.00 per million BTU.

Applicable to production occurring on and after July 1, 2015.

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