RÉSUMÉ DIGEST

ACT 120 (HB 549) **2015 Regular Session** **Thibaut**

Existing 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.

Prior law authorized a total suspension of the tax on oil or natural gas production from a horizontally drilled well or horizontally drilled recompletion well from which production commenced after July 31, 1994. The period for the suspension was 24 months or until payout of the well cost is achieved, whichever came first.

New law retains prior law only for wells which commence production on or before June 30, 2015.

New law establishes an exemption from severance tax for oil production from a horizontally drilled well or horizontally drilled recompletion well that commences production on or after July 1, 2015. The amount of the exemption is based upon 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 horizontally drilled well or recompletion well that produces oil shall be as follows:

(1) 100% if the price of oil is at or below $70 per barrel.

(2) 80% if the price is above $70 and at or below $80 per barrel.

(3) 60% if the price is above $80 and at or below $90 dollars per barrel.

(4) 40% if the price is above $90 and at or below $100 per barrel.

(5) 20% if the price is above $100 and at or below $110 per barrel.

(6) No exemption if the price of oil exceeds $110 per barrel.

New law establishes an exemption from severance tax for natural gas production from a horizontally drilled well or horizontally drilled recompletion well that commences production on or after July 1, 2015. The amount of the exemption is based upon 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 horizontally drilled well or recompletion well that produces natural gas shall be as follows:

(1) 100% if the price of natural gas is at or below $4.50 per million BTU.

(2) 80% if the price is above $4.50 per million BTU and at or below $5.50 per million BTU.

(3) 60% if the price is above $5.50 per million BTU and at or below $6.00 per million BTU.

(4) 40% if the price is above $6.00 per million BTU and at or below $6.50 per million BTU.

(5) 20% if the price is above $6.50 per million BTU and at or below $7.00 per million BTU.

(6) No exemption if the price of natural gas exceeds $7.00 per million BTU.

New law is applicable to production occurring on and after July 1, 2015.

Effective July 1, 2015.

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