

2025 Regular Session

HOUSE BILL NO. 518

BY REPRESENTATIVE GEYMANN

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

TAX/SEVERANCE TAX: Provides relative to rates, computation, and administration of severance tax on oil, gas, and other natural resources

## 1 AN ACT

2 To amend and reenact R.S. 47:633, relative to severance tax; to provide with respect to  
3 severance tax rates; to provide for computation of amounts of severance tax imposed  
4 on particular natural resources; to provide relative to severance tax exemptions for  
5 oil and gas; to provide relative to severance tax administration; to make technical  
6 changes and corrections; and to provide for related matters.

7 Be it enacted by the Legislature of Louisiana:

8 Section 1. R.S. 47:633 is hereby amended and reenacted to read as follows:

9 §633. ~~Rates of tax~~ Severance tax; rates; administration

10 A. The taxes on natural resources severed from the soil or water levied by  
11 R.S. 47:631 shall be predicated on the quantity or value of the products or resources  
12 severed, ~~and shall be computed in accordance with the provisions of this Section, and~~  
13 paid at the following rates:

14 (1) On trees and timber, except pulpwood, two and one-quarter percent of  
15 the then-current average stumpage market value of such timber, to be determined  
16 annually in December by the Louisiana Forestry Commission, such value to be  
17 effective on the first day of January in the following year and continuing until the  
18 next succeeding January. The Louisiana Tax Commission may assist in determining  
19 the value. The average stumpage market value shall be applied to the weight or scale  
20 of trees and timber as determined pursuant to the provisions of R.S. 3:4641 and 4642

1 at the first time the trees and timber are scaled prior to undergoing the first  
2 processing after severance.

3 (2) On pulpwood, five percent of the then-current average stumpage market  
4 value of such pulpwood, to be determined annually in December by the Louisiana  
5 Forestry Commission, such value to be effective on the first day of January in the  
6 following year and continuing until the next succeeding January. The Louisiana Tax  
7 Commission may assist in determining the value. The average stumpage market  
8 value shall be applied to the weight or scale of pulpwood as determined pursuant to  
9 the provisions of R.S. 3:4641 and 4642 at the first time the pulpwood is scaled prior  
10 to undergoing the first processing after severance.

11 ~~(3) The Louisiana Forestry Commission may base its determination of the~~  
12 ~~market value of trees, timber, and pulpwood as provided in Paragraphs (1) and (2)~~  
13 ~~of this Section with consideration of sales of timber as reported to the Department~~  
14 ~~of Revenue and as published in the "Quarterly Report of Forest Products" by the~~  
15 ~~Department of Agriculture and Forestry, as well as other information considered by~~  
16 ~~the Louisiana Forestry Commission.~~

17 ~~(7)(a)~~ (3)(a) On oil, twelve and one-half ~~percentum~~ percent of its value at the  
18 time and place of severance. ~~Such~~ The value shall be the higher of ~~(1)~~ the gross  
19 receipts received from the first purchaser, less charges for trucking, barging, and  
20 pipeline fees; ~~or (2)~~ the posted field price. In the absence of an arms length  
21 transaction or a posted field price, the value shall be the severer's gross income from  
22 the property as determined by R.S. 47:158(C).

23 (b) On oil produced from a well classified by the commissioner of  
24 conservation as an oil well, and determined by the collector of revenue ~~that such well~~  
25 is to be incapable of producing an average of more than twenty-five barrels of oil per  
26 producing day during the entire taxable month, and which also produces at least fifty  
27 percent salt water per day, the tax rate applicable to the oil severed from ~~such~~ the  
28 well shall be one-half of the rate set forth in Subparagraph (a) of this Paragraph and  
29 ~~such~~ the well shall be defined, for severance tax purposes, as an incapable well,

1 provided that ~~such~~ the well has been certified by the Department of Revenue as  
2 incapable of such production on or before the twenty-fifth day of the second month  
3 following the month of production. Oil severed from a ~~multiple well~~ multiple-well  
4 lease or property is not subject to the reduced rate of tax provided for ~~herein~~, in this  
5 Subparagraph unless all ~~such~~ wells on the lease or property are certified as incapable.

6 (c)(i)(aa) On oil produced from a well classified by the commissioner of  
7 conservation as an oil well, and certified by the Department of Revenue ~~that such~~  
8 ~~well is~~ as incapable of producing an average of more than ten barrels of oil per  
9 producing day during the entire taxable month, the tax rate applicable to the oil  
10 severed from ~~such~~ the well shall be one-quarter of the rate set forth in Subparagraph  
11 (a) of this Paragraph and ~~such~~ the well shall be defined, for severance tax purposes,  
12 as a stripper well, provided that ~~such~~ the well has been certified by the Department  
13 of Revenue as a stripper well on or before the twenty-fifth day of the second month  
14 following the month of production. Once a well has been certified and determined  
15 to be incapable of producing an average of more than ten barrels of oil per producing  
16 day during an entire month, ~~such stripper that~~ well shall remain certified as a stripper  
17 well until ~~the well~~ it produces an average of more than ten barrels of oil per day  
18 during an entire calendar month.

19 (bb) Crude oil produced from certified stripper wells shall be exempt from  
20 severance tax in any month in which the average value set forth in Subparagraph (a)  
21 of this Paragraph is less than twenty dollars per barrel.

22 (ii)(aa) On oil produced from a well in a stripper field classified by the  
23 commissioner of conservation as a mining and horizontal drilling project which  
24 utilizes gravity drainage to a collection point in a downhole operations room, the tax  
25 rate applicable to the oil severed from ~~such~~ the well shall be one-quarter of the rate  
26 set forth in Subparagraph (a) of this Paragraph ~~(7)~~; provided that ~~such~~ the well has  
27 been classified by the commissioner as a mining and horizontal drilling project  
28 before the lower rate is claimed on a tax return.

1 (bb) For purposes of this Paragraph, a "stripper field" means those geological  
2 formations as designated by rules and regulations of the secretary which have been  
3 historically recognized as being "stripper fields" and as utilizing stripper wells for  
4 oil production.

5 (cc) The tax rate provided in ~~Paragraph (ii)(aa)~~ Subitem (aa) of this Item  
6 shall ~~be applicable~~ apply only to the working interest and shall only apply until the  
7 cumulative value of hydrocarbon production from the mining and horizontal drilling  
8 project is equal to two and one-third times the total private investment, invested by  
9 the working interest owners, in the project.

10 (dd) For purposes of this ~~Section~~ Item, "private investment" shall mean those  
11 costs associated with project design, fabrication, installation of equipment, drilling  
12 and completion cost of wells, and any other costs directly associated with ~~said~~ the  
13 project. A "working interest owner" shall mean the owner of a mineral right who is  
14 under an obligation to share in the costs of drilling and completing a mining and  
15 horizontal drilling project. A person who does not invest and take a financial or  
16 economic risk in the drilling for and actual production of oil shall not be a working  
17 interest owner ~~under~~ pursuant to the provisions of this ~~Section~~ Item.

18 (iii) ~~All severance tax shall be suspended, for a period of twenty-four months~~  
19 ~~or until payout of the well cost is achieved, whichever comes first, on any~~  
20 ~~horizontally drilled well, or, on any horizontally drilled recompletion well, from~~  
21 ~~which production commences after July 31, 1994, and on or before June 30, 2015.~~  
22 ~~Beginning July 1, 2015, and thereafter, the amount of the exemption for any well that~~  
23 ~~commences production on or after July 1, 2015, shall be the amount set forth in~~  
24 ~~Subparagraph (d) of this Paragraph.~~

25 (aa) ~~For the purposes of this Section "horizontal drilling" shall mean high~~  
26 ~~angle directional drilling of bore holes with fifty to three thousand plus feet of lateral~~  
27 ~~penetration through productive reservoirs and "horizontal recompletion" shall mean~~  
28 ~~horizontal drilling in an existing well bore.~~

1           ~~(bb) Payout of well cost shall be the cost of completing the well to the~~  
2           ~~commencement of production as determined by the Department of Energy and~~  
3           ~~Natural Resources.~~

4           ~~(iv)(aa)~~ (iii)(aa) Production from an oil or gas well subsequent to the ~~well's~~  
5           well having been inactive for two or more years or having thirty days or less of  
6           production during the past two years shall be subject to a severance tax rate equal to  
7           twenty-five percent of the rate imposed ~~under~~ by Subparagraph (a) of this Paragraph  
8           ~~or Paragraph (9) by Paragraph (5) of this Section Subsection~~ for a period of ten years  
9           if the production commences before October 1, 2028. Production from an oil or gas  
10          well subsequent to the ~~well's~~ well having been designated as an orphan well for  
11          longer than sixty months shall be subject to a severance tax rate equal to twelve and  
12          one half percent of the rate imposed ~~under~~ by Subparagraph (a) of this Paragraph or  
13          ~~Paragraph (9) by Paragraph (5) of this Section Subsection~~ for a period of ten years  
14          if the production commences before October 1, 2028.

15          (bb) Production from an oil or gas well subsequent to the ~~well's~~ well having  
16          been inactive for two or more years or having thirty days or less of production during  
17          the past two years shall be subject to a severance tax rate equal to fifty percent of the  
18          rate imposed ~~under~~ by Subparagraph (a) of this Paragraph or Paragraph (9) by  
19          Paragraph (5) of this Section Subsection for a period of ten years if the production  
20          commences on or after October 1, 2028. Production from an oil or gas well  
21          subsequent to the ~~well's~~ well having been designated as an orphan well for longer  
22          than sixty months shall be subject to a severance tax rate equal to twenty-five percent  
23          of the rate imposed ~~under~~ by Subparagraph (a) of this Paragraph or Paragraph (9) by  
24          Paragraph (5) of this Section Subsection for a period of ten years if the production  
25          commences on or after October 1, 2028.

26          (cc) To qualify for a reduced inactive or orphan well severance tax rate on  
27          oil or gas provided for in Subitem (aa) or (bb) of this Item, the oil or gas ~~production~~  
28          must be produced from the same perforated producing interval or from one hundred  
29          feet above and one hundred feet below the perforated producing interval for lease

1 wells, and within the correlative defined interval for unitized reservoirs, that the  
2 formerly inactive or orphaned well produced from before being inactive or  
3 designated as an orphan well. The exemption shall be extended by the length of any  
4 inactivity of a well that has commenced production when such inactivity is caused  
5 by a force majeure.

6 (dd) To qualify for inactive or orphan well status for purposes of the special  
7 rates provided for in this Item, an application for inactive or orphan well certification  
8 shall be made to the Department of Energy and Natural Resources during the period  
9 beginning July 1, 2018, and ending June 30, 2028. Upon certification that a well is  
10 inactive or orphan, production shall be subject to the special rate as provided in this  
11 Item from the date that production begins or ninety days from the date that of the  
12 application, whichever occurs first. If, in any one fiscal year, the secretary of the  
13 Department of Revenue estimates that the severance tax to be paid under pursuant  
14 to the provisions of this Item will be in excess of fifteen million dollars, the secretary  
15 shall notify the commissioner of conservation who shall not certify inactive or  
16 orphan well status for any other wells for the remainder of that fiscal year. ~~Such~~  
17 ~~certifications~~ Certification of wells as inactive or orphan wells may begin again ~~after~~  
18 ~~the beginning of~~ in the next fiscal year.

19 (ee) If the severance tax on oil or gas is paid at the full rate provided by this  
20 Section before the Department of Energy and Natural Resources approves an  
21 application for inactive or orphan well status, the operator ~~is~~ shall be entitled to a  
22 credit against taxes imposed by this Section in an amount equal to the tax paid. To  
23 receive a credit, the operator must apply to the secretary of the Department of  
24 Revenue for the credit not later than the first anniversary after the date that the  
25 Department of Energy and Natural Resources certifies that the well is an inactive or  
26 orphan well.

27 (ff) Notwithstanding any provision of law to the contrary, oil production  
28 from any orphan well as defined by R.S. 30:88.2(A) that is undergoing or has  
29 undergone well enhancements that required a Department of Energy and Natural

Resources permit, including but not limited to re-entries, workovers, or plugbacks, from which production commences on or after October 1, 2021, and before June 30, 2031, shall be exempt from ~~the~~ severance tax. To qualify for the exemption, an application for certification shall be made to the Department of Energy and Natural Resources. Upon certification that a well qualifies for the exemption, the operator shall retain an amount equal to the severance tax otherwise due for the initial three months of the exemption. Beginning in the fourth month following certification, the operator shall report, on forms prescribed by the secretary, and remit to the Department of Revenue an amount equal to the severance tax applicable to the well pursuant to this Paragraph, which shall be credited to the associated site-specific trust account provided for in R.S. 30:88.2 and shall be subject to all due date, interest, and penalty provisions applicable to the oil severance tax.

(d)(i) ~~There~~ Subject to the requirements and limitations of this Subparagraph, ~~there~~ shall be an exemption from severance tax ~~as provided in this Subparagraph~~ for production from any horizontally drilled well, or, on any horizontally drilled recompletion well, from which production occurs on or after July 1, 2015. The exemption shall last for a period of twenty-four months or until payout of the well cost is achieved, whichever comes first. For ~~the~~ purposes of this ~~Section~~ Paragraph, "horizontal drilling" shall mean high angle directional drilling of bore holes with fifty to three thousand plus feet of lateral penetration through productive reservoirs, and "horizontal recompletion" shall mean horizontal drilling in an existing well bore. Payout of well cost shall be the cost of completing the well to the commencement of production as determined by the Department of Energy and Natural Resources.

(~~†~~) (ii) The secretary shall determine the oil price upon which the exemption for a horizontal well that produces oil shall be based on July ~~First~~ first of each year for the ensuing twelve months based upon the average New York Mercantile Exchange Price per barrel of crude oil per month ~~on~~ at the close of business ~~on~~ on June ~~Thirtieth~~ thirtieth for the prior twelve months. The amount of the exemption for a horizontal well that produces oil shall be as follows:

1 (aa) The exemption shall be one hundred percent if the price of oil is at or  
2 below seventy dollars per barrel.

3 (bb) The exemption shall be eighty percent if the price of oil is above  
4 seventy dollars and at or below eighty dollars per barrel.

5 (cc) The exemption shall be sixty percent if the price of oil is above eighty  
6 dollars and at or below ninety dollars per barrel.

7 (dd) The exemption shall be forty percent if the price of oil is above ninety  
8 dollars and at or below one hundred dollars per barrel.

9 (ee) The exemption shall be twenty percent if the price of oil is above one  
10 hundred dollars and at or below one hundred ten dollars per barrel.

11 (ff) There shall be no exemption in effect if the price of oil exceeds one  
12 hundred ten dollars per barrel.

13 (ii) (iii) The secretary shall determine the natural gas price upon which the  
14 exemption for a horizontal well that produces natural gas shall be based on July ~~First~~  
15 first of each year for the ensuing twelve months based upon the average New York  
16 Mercantile Exchange Price per million BTU per month ~~on~~ at the close of business  
17 on June Thirtieth ~~thirtieth~~ for the prior twelve months. The amount of the exemption  
18 for a horizontal well that produces natural gas shall be as follows:

19 (aa) The exemption shall be one hundred percent if the price of natural gas  
20 is at or below four dollars and fifty cents per million BTU.

21 (bb) The exemption shall be ~~by~~ eighty percent if the price of natural gas is  
22 above four dollars and fifty cents per million BTU and at or below five dollars and  
23 fifty cents per million BTU.

24 (cc) The exemption shall be sixty percent if the price of natural gas is above  
25 five dollars and fifty cents per million BTU and at or below six dollars per million  
26 BTU.

27 (dd) The exemption shall be forty percent if the price of natural gas is above  
28 six dollars per million BTU and at or below six dollars and fifty cents per million  
29 BTU.



1           (ee) The exemption shall be twenty percent if the price of natural gas is  
2           above six dollars and fifty cents per million BTU and at or below seven dollars per  
3           million BTU.

4           (ff) There shall be no exemption in effect if the price of natural gas exceeds  
5           seven dollars per million BTU.

6           (e) For purposes of this Paragraph, the following terms shall have the  
7           ~~following definitions~~ meaning ascribed in this Subparagraph:

8           (i) "Payout of well cost" shall be the cost of completing the well to the  
9           commencement of production as reflected in the well cost statement submitted to the  
10          Department of Energy and Natural Resources.

11          (ii) "Qualified accountant" means a certified public accountant (~~"CPA"~~) who  
12          meets all of the following qualifications:

13          (aa) Maintains an active unrestricted original certified public accountant  
14          license.

15          (bb) Maintains a current Louisiana certified public accountant firm permit.

16          (cc) Actively participates in a Peer Review Program approved by the State  
17          Board of Certified Public Accountants of Louisiana.

18          (iii) "Well cost statement" means a statement issued by a qualified  
19          accountant who is unrelated to the operator and that is a report of the qualified  
20          accountant's verification of the costs of completing the well to the commencement  
21          of production. The well cost statement shall contain an opinion from the qualified  
22          accountant that the well cost statement presents fairly, in all material aspects, the  
23          costs expended to complete the well. The well cost statement shall:

24          (aa) Be performed in accordance with the accounting standards generally  
25          accepted in the United States.

26          (bb) Be addressed to the party which has engaged the qualified accountant,  
27          with a copy addressed to the operator.

28          (cc) Contain the qualified accountant's name, address, and telephone number.

1 (dd) Contain a certification that the qualified accountant is unrelated to the  
2 operator.

3 (ee) Be dated as of the date of completion of the qualified accountant's field  
4 work.

5 (ff) Contain a statement of acknowledgment by the qualified accountant that  
6 the state is relying on the well cost statement in the allowance of an exemption under  
7 the provisions of this ~~Section~~ Subparagraph.

8 ~~(8)~~ (4) On distillate, condensate, or similar natural resources severed from  
9 the soil or water either with oil or gas, twelve and one-half ~~percentum~~ percent of  
10 gross value at the time and place of severance. For the levy of this tax, gross value  
11 shall be ~~as defined by R.S. 47:633(7)(a)~~ determined in accordance with the  
12 provisions of Subparagraph (3)(a) of this Subsection. However, natural gasoline,  
13 casinghead gasoline and other natural gas liquids, including but not limited to ethane,  
14 methane, butane<sub>2</sub>, or propane, all of which occur naturally or which are recovered  
15 through processing gas after separation of oil, distillate, condensate, or similar  
16 natural resources shall not be subject to the levy provided for in this Paragraph, but  
17 rather shall be subject to the levy provided for in ~~R.S. 47:633(9)~~ Paragraph (5) of this  
18 Subsection.

19 ~~(9)(a)(i)~~ (5)(a)(i) Subject to adjustment as provided in Subparagraph (d)  
20 ~~below~~ of this Paragraph, on natural gas and, based on equivalent gas volumes,  
21 natural gasoline, casinghead gasoline, and other natural gas liquids, including but not  
22 limited to ethane, methane, butane, or propane, ten cents per thousand cubic feet  
23 measured at a base pressure of 15.025 pounds per square inch absolute and at the  
24 temperature base of sixty degrees Fahrenheit; provided that whenever the conditions  
25 of pressure and temperature differ from the ~~above~~ foregoing bases, conversion of the  
26 volume from these conditions to the ~~above~~ foregoing bases shall be made in  
27 accordance with the Ideal Gas Laws with correction for deviation from Boyle's Law,  
28 which correction must be made unless the pressure at the point of measurement is  
29 two hundred pounds per square inch gauge, or less, all in accordance with methods

1 and tables generally recognized by and commonly used in the natural gas industry.

2 For all purposes of computing standard cubic feet of gas ~~under this Section~~ pursuant  
3 to this Paragraph, the barometric pressure shall be assumed to be 14.7 pounds per  
4 square inch absolute at the place of measurement.

5 (ii) The rate as set forth in Item (i) of this Subparagraph shall be in effect  
6 until June 30, 1992. Effective July 1, 1992 the rate shall be seven cents per thousand  
7 cubic feet, and this rate shall also be subject to the annual rate adjustment as  
8 provided in Item (d)(i) of this Paragraph.

9 (b) In the case of gas produced from ~~an oil~~ a well designated as ~~such~~ an oil  
10 well by the office of conservation, which has been determined by the secretary to  
11 have a wellhead pressure of fifty pounds per square inch gauge or less under  
12 operating conditions, or, in the case of gas rising in a vaporous state through the  
13 annular space between the casing and tubing of ~~such~~ the oil well and released  
14 through lines connected with the casinghead gas which has been determined by the  
15 secretary to have a casinghead pressure of fifty pounds per square inch gauge or less  
16 under operating conditions, the rate shall be three cents per thousand cubic feet. For  
17 purposes of applying this reduced rate, an oil well being produced by the method  
18 commonly known as gas lift shall be presumed, in the absence of a determination to  
19 the contrary by the secretary, to have a wellhead pressure of fifty pounds per square  
20 inch or less under operating conditions. To qualify for the reduced rate, an oil well  
21 must have a casinghead pressure of fifty pounds or less per square inch for the entire  
22 taxable month.

23 (c) In the case of gas produced from a ~~gas~~ well designated as ~~such~~ a gas well  
24 by the office of conservation, ~~which has been~~ and determined by the secretary to be  
25 incapable of producing an average of 250,000 cubic feet of gas per day, the tax rate  
26 applicable to the gas severed from ~~such~~ the well shall be one and three-tenths cents  
27 per thousand cubic feet. To qualify for the reduced rate, a gas well must be  
28 incapable of producing 250,000 cubic feet of gas per day during the entire taxable  
29 month.

1           (d)(i) The gas tax rate provided in Subparagraph (a) of this Paragraph shall  
2           be adjusted annually on July first for the ensuing twelve calendar months as  
3           ~~hereinafter~~ set forth hereafter in this Subparagraph but shall never be less than seven  
4           cents per thousand cubic feet. On or before April 30, 1991, and annually thereafter,  
5           the secretary shall determine, using the "gas base rate adjustment" ~~as hereinafter~~  
6           provided for in this Subparagraph, the new gas tax rate for the twelve calendar  
7           months beginning July 1, 1991, and respectively for each twelve-month period  
8           beginning annually thereafter. The new gas tax rate shall be the rate provided in  
9           Subparagraph (a) of this Paragraph multiplied by the gas base rate adjustment. The  
10          "gas base rate adjustment" shall be determined by the secretary of the Department  
11          of Energy and Natural Resources. The "gas base rate adjustment" for the applicable  
12          twelve-month period is a fraction, the numerator of which shall be the average of the  
13          New York Mercantile Exchange (NYMEX) Henry Hub settled price on the last  
14          trading day for the month, as reported in the Wall Street Journal for the previous  
15          twelve-month period ending on March thirty-first, and the denominator of which  
16          shall be the average of the monthly average spot market prices of gas fuels delivered  
17          into the pipelines in Louisiana as reported by the Natural Gas Clearing House for the  
18          twelve-month period ending March 31, 1990 (1.7446 \$/MMBTU). For the  
19          twelve-month period ending March 31, 2003, the monthly average gas prices used  
20          in making the numerator of the "gas base rate adjustment", the average gas prices for  
21          the months April, 2002 through September, 2002 shall be the monthly average spot  
22          market price of gas fuels delivered into the pipelines into Louisiana as reported in  
23          the Natural Gas Clearing House, and the average gas prices for the months October,  
24          2002 through March, 2003 shall be the New York Mercantile Exchange (NYMEX)  
25          Henry Hub settled price on the last trading day for the month, as reported in the Wall  
26          Street Journal. The secretary of the Department of Revenue shall publish the "gas  
27          base rate adjustment" and the "gas tax rate", as determined ~~under~~ in accordance with  
28          this Subparagraph, in the official journal of the state of Louisiana by May first of  
29          each year and shall provide the "gas base rate adjustment" and the "gas tax rate" to

1 affected producers by written notice mailed sixty days prior to the effective date  
2 thereof; ~~but, however,~~ failure to ~~make such publication~~ publish the information or  
3 ~~to give such notice~~ thereof as required by this Item shall not be a condition for the  
4 new gas tax rate which shall nevertheless be effective.

5 (ii) If publication of the NYMEX Henry Hub average monthly gas price data  
6 is discontinued, the "gas tax rate" shall remain ~~that the last rate~~ established under  
7 pursuant to this Subparagraph until a comparable method for determining the "gas  
8 tax rate" is adopted by the legislature.

9 (iii) If the base data of the NYMEX Henry Hub average monthly gas price  
10 is substantially revised, the secretary of the Department of Energy and Natural  
11 Resources shall make appropriate adjustment to ensure that the "gas base rate  
12 adjustment" is reasonably consistent with the result which would have been attained  
13 had ~~such substantial~~ that revision not been made. If the secretary is unable to make  
14 reasonable changes sufficient to ensure a consistent result, the "gas tax rate" shall  
15 remain ~~that the last rate~~ established under pursuant to this Subparagraph until a  
16 comparable method for determining the "gas tax rate" is adopted by the legislature.

17 (iv) The provisions of this Subparagraph ~~(d)~~ shall affect only the  
18 determination of the rate of the tax on the severance of a quantity of natural gas.  
19 They are not intended, nor shall they be construed, to affect any other determination  
20 whatsoever including but not limited to the determination of any royalty due under  
21 mineral leases.

22 (v) Production of natural gas, gas condensate, and oil from any well drilled  
23 to a true vertical depth of more than fifteen thousand feet, where production  
24 commences after July 31, 1994, shall, from the date commercial production begins,  
25 be exempt from severance tax, ~~from the date commercial production begins,~~ for  
26 twenty-four months or until payout of the well cost, whichever comes first. For the  
27 purpose of this exemption, the date commercial production begins shall be the first  
28 day the well produces into the permanent production equipment and the facilities  
29 have been constructed to process and deliver natural gas, gas condensate, or oil to a

1 sales point. The date of a drill-stem test, production test, or any other related  
2 production shall not be considered, construed, or deemed the date commercial  
3 production begins regardless of whether such activities are classified as active  
4 production by the office of conservation ~~of the Department of Energy and Natural~~  
5 ~~Resources~~. The date commercial production begins may be a date subsequent to the  
6 well completion date.

7 (e)(i) The gas severance tax shall not accrue on the severance of gas any of  
8 the following:

9 ~~(i) Which~~ (aa) Gas which is subsequently injected into a formation in the  
10 state of Louisiana for the purpose of storing by the producer. Gas injected into a  
11 formation in the state of Louisiana for the purpose of recycling, repressuring, or  
12 pressure maintenance, or for any other purpose which increases the ultimate recovery  
13 of oil or other hydrocarbons, shall be taxable at the time of initial severance, but the  
14 taxpayer injecting ~~such the~~ gas, regardless of whether he ~~be~~ is the initial severer ~~or~~  
15 ~~not~~, shall be allowed a credit against any tax otherwise currently due at the current  
16 tax rate for the volume ~~so of gas~~ injected. If gas ~~on for~~ for which an exemption or credit  
17 as provided ~~for~~ in this ~~Item (i)~~ Subitem has been allowed is subsequently severed  
18 from the earth, the tax ~~herein provided~~ imposed by this Paragraph shall ~~thereupon~~  
19 accrue on that gas unless otherwise excluded.

20 ~~(ii) Originally~~ (bb) Gas originally produced without the state of Louisiana  
21 which has been injected into the earth within the state of Louisiana for the purpose  
22 set forth in Item (i) above of this Subparagraph.

23 ~~(iii) When~~ (cc) Gas produced from oil wells and vented or flared directly  
24 into the atmosphere, ~~provided such~~ if that gas is not otherwise sold.

25 ~~(iv) Used~~ (dd) Gas used for drilling fuel in the field where produced,  
26 whether used as drilling fuel by the producer of the gas, ~~by~~ the operator of a lease,  
27 or ~~by~~ another person, and gas used by the operator as described in R.S. 47:640 on  
28 leases operated by ~~such the~~ operator for fuel in connection with the operation and  
29 development for or production of oil and gas in the field where produced. Gas used

1 for fuel by an operator shall include gas used for heating, separating, producing,  
2 dehydrating, compressing, and pumping of oil and gas in the field where the gas is  
3 produced ~~provided such~~ if that gas is not otherwise sold. Gas used for drilling fuel  
4 in the field where the gas is produced shall include gas used by the operator or by  
5 any other person engaged in drilling in the field where the gas is produced.

6 ~~(v) Consumed~~ (ee) Gas consumed in the production of natural resources in  
7 the state of Louisiana.

8 ~~(vi) When~~ (ff) Gas produced from gas wells and vented or flared directly  
9 into the atmosphere, ~~provided such~~ if that gas is not otherwise sold.

10 ~~(vii) Used~~ (gg) Gas used in the manufacture of carbon black.

11 ~~(ii) Provided that gas~~ Gas injected into an oil well to be used in lifting oil by  
12 the method commonly known as gas lift shall not be deemed to be produced from the  
13 gas lift well, but ~~such the~~ gas shall not be taxable unless it is subsequently used for  
14 purposes not exempt ~~under by any provisions of this Section~~ Subsection.

15 ~~(10) (6)~~ (6) On sulphur, one dollar and three cents per long ton of two thousand,  
16 two hundred forty pounds.

17 ~~(11) (7)~~ (7) On salt, six cents per ton of two thousand pounds.

18 ~~(12) (8)~~ (8) On coal, ten cents per ton of two thousand pounds.

19 ~~(13) (9)~~ (9) On lignite, twelve cents per ton of two thousand pounds.

20 ~~(14) (10)~~ (10) On ores, ten cents per ton of two thousand pounds.

21 ~~(15) (11)~~ (11) On marble, twenty cents per ton of two thousand pounds.

22 ~~(16) (12)~~ (12) On stone, three cents per ton of two thousand pounds.

23 ~~(18) (13)~~ (13) On sand, six cents per ton of two thousand pounds.

24 ~~(19) (14)~~ (14) On shells, six cents per ton of two thousand pounds.

25 ~~(20) (15)~~ (15) On salt content in brine extracted or produced in solution from the  
26 soil or water, when ~~the same is~~ used in the manufacture of other products and ~~is~~ not  
27 marketed as salt, one-half cent per ton of two thousand pounds.

28 B. The Louisiana Forestry Commission may base its determination of the  
29 market value of trees, timber, and pulpwood as provided in Paragraphs (A)(1) and

1        (2) of this Section with consideration of sales of timber as reported to the  
2        Department of Revenue and in the "Quarterly Report of Forest Products" published  
3        by the Department of Agriculture and Forestry, and with consideration of any other  
4        information as the commission deems appropriate.

---

#### 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)]

---

HB 518 Engrossed

2025 Regular Session

Geymann

**Abstract:** Provides relative to rates, computation, and administration of severance tax on natural resources.

Present law provides for the levy of a tax, known as severance tax, on natural resources severed from the soil or water. Provides that the rate of the severance tax is predicated on the quantity or value of the products or resources severed. Proposed law retains and makes technical corrections in present law.

Present law establishes rates of severance tax that apply to the various natural resources that are subject to the tax. Proposed law retains and makes technical corrections in present law.

Present law authorizes special severance tax rates and exemptions from severance tax for oil and gas. Provides for conditions and requirements relative to these special rates and exemptions. Proposed law retains and makes technical corrections in present law.

Present law provides relative to severance tax administration. Proposed law retains and makes technical corrections in present law.

(Amends R.S. 47:633)