

Regular Session, 2013

HOUSE BILL NO. 474

BY REPRESENTATIVE STUART BISHOP

ENERGY/DRILLING: Provides relative to the exemption from severance tax for inactive wells

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(c)(iv) and (aa), relative to severance tax on oil and  
3 gas; to provide relative to a reduced tax rate on oil produced from a well classified  
4 as inactive; and to provide for related matters.

5 Be it enacted by the Legislature of Louisiana:

6 Section 1. R.S. 47:633(7)(c)(iv) and (aa) are hereby amended and reenacted to read  
7 as follows:

8 §633. Rates of tax

9 The taxes on natural resources severed from the soil or water levied by R.S.  
10 47:631 shall be predicated on the quantity or value of the products or resources  
11 severed and shall be paid at the following rates:

12 \* \* \*

13 (7)

14 \* \* \*

15 (c)

16 \* \* \*

17 (iv) Production from oil and gas wells which have been returned to service  
18 after being inactive for two or more years or having thirty days or less of production  
19 during the past two years shall be ~~exempt from~~ subject to a severance tax of six and  
20 one-fourth percent of its value for a period of ~~five~~ ten years ~~when returned to service~~

1 after being inactive for two or more years or having thirty days or less of production  
 2 during the past two years. The exemption time period for the reduced tax rate shall  
 3 be extended by the length of any inactivity of a well that has commenced production  
 4 when such inactivity is caused by a force majeure.

5 (aa) To qualify for inactive well status, an application for a two-year inactive  
 6 well certification shall be made to the Department of Natural Resources, before  
 7 commencement of production, ~~during the period beginning July 31, 1994 and ending~~  
 8 ~~June 30, 2000, for the period beginning July 1, 2002 and ending June 30, 2006, and~~  
 9 ~~for the period beginning July 1, 2006 and ending June 30, 2010.~~ Upon certification  
 10 that a well is inactive, ~~all production is exempt from~~ severance tax shall be levied at  
 11 the rate provided in this Paragraph for a period of ~~five~~ ten years from the date  
 12 production begins or ninety days from the date of the application, whichever occurs  
 13 first.

14 \* \* \*

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#### 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)]

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Stuart Bishop

HB No. 474

**Abstract:** Provide for a severance tax rate of 6.25% for ten years on oil produced from a well classified as inactive.

Present law levies a severance tax of 12.5% on oil produced in the state. Provides for a 5-year exemption from such tax for oil produced from wells classified as inactive by the commissioner of conservation.

Proposed law provides for a reduced rate of 6.25% for ten years on oil produced from wells classified as inactive.

(Amends R.S. 47:633(7)(c)(iv) and (aa))