The original instrument was prepared by Prepared by Leonore Heavey. The following digest, which does not constitute a part of the legislative instrument, was prepared by Prepared by Curry J. Lann.

DIGEST

SB 171 Engrossed

2021 Regular Session

Allain

<u>Present law</u> imposes a tax on natural resources severed from the soil or water based upon quantity or value of the products or resources severed.

<u>Present law</u> establishes a severance tax on oil at a rate of 12.5% of its value at the time and place of severance. The value is the higher of: (1) gross receipts received from the first purchaser, less charges for trucking, barging and pipeline fees, or (2) the posted field price.

<u>Present law</u> provides for reduced rates of oil severance tax for inactive wells at the rates of six percent for wells that have been inactive for 24 or more months and 3% for wells that have been inactive for 60 months or more.

<u>Proposed law</u> provides beginning Oct. 1, 2020, oil produced from any inactive well that has been certified as an orphaned well that's undergoing or has undergone well enhancements that required a Dept. of Natural Resources permit such as a re-entry, workover, or plug back, shall be exempt from severance tax, when production occurs on or after Oct. 1, 2020.

<u>Proposed law</u> defines "orphan well" as an oil well that is designated as part of an orphaned oilfield site and that has had no reported production for a period of greater than twelve months immediately prior to the production of oil to which <u>proposed law</u> applies.

<u>Proposed law</u> requires the operator to remit an amount equal to the severance tax that would otherwise be due on the well to the Dept. of Revenue, which shall be credited to the associated site-specific trust account provided for in <u>proposed law</u>.

<u>Proposed law</u> establishes site-specific trust accounts to separately account for each such site for the purpose of providing a source of funds for site restoration of that oilfield site.

<u>Proposed law</u> requires the Dept. of Natural Resources to monitor each trust account to assure that it is funded, and authorizes the secretary to require security if an account is not funded through the payment of amounts equal to the severance tax that would otherwise be due the state for a period of greater than six months.

<u>Proposed law</u> provides that the site-specific trust fund will remain associated with the site if the site is transferred after the formation of a site-specific trust account.

<u>Proposed law</u> provides that after site restoration has been completed and approved, if the only source of funds used in the site restoration was the site-specific trust account, that any funds remaining in

the account will be transferred to the operator.

<u>Proposed law</u> provides that after site restoration has been completed and approved, if the site restoration was completed using funds from the Oilfield Site Restoration Fund and the site-specific trust account that any funds remaining in the account will be transferred to the Oilfield Site Restoration Fund.

<u>Proposed law</u> requires a site-specific trust fund to be closed after the site restoration is completed and monies from the account are disbursed.

<u>Proposed law</u> authorizes the Dept. of Natural Resources to promulgate rules considered necessary for the administration of <u>proposed law</u>.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Adds R.S. 30:88.2 and R.S. 47:633(7)(c)(iv)(cc))

Summary of Amendments Adopted by Senate

Committee Amendments Proposed by Senate Committee on Revenue and Fiscal Affairs to the original bill

- 1. Provides for changes to the definition of orphan well.
- 2. Provides for collection of deposits by the Department of Revenue.