

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 to repeal R.S. 47:633(9)(e)(vii), relative to
3 severance tax on oil and gas; to provide relative to a reduced tax rate on oil and gas
4 produced from a well classified as inactive; to provide for effectiveness; and to
5 provide for related matters.

6 Be it enacted by the Legislature of Louisiana:

7 Section 1. R.S. 47:633(7)(c)(iv) is hereby amended and reenacted to read 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 severance tax ~~for a period of five~~
20 years as provided in this Item.

1 (aa) The provisions of this Subitem apply to a well for which an application
2 was submitted before July 1, 2010, for purposes of the five year exemption
3 application period which ended on June 30, 2010, hereinafter referred to in this
4 Subitem as "initial exemption period". Beginning July 1, 2013, and for the period
5 of time remaining in the initial exemption period, oil production shall be subject to
6 a severance tax equal to three and one eighth percent of its value and gas production
7 shall be subject to a severance tax equal to twenty-five percent of the rate established
8 in Paragraph (9) of this Section. Upon expiration of an initial exemption period, an
9 additional five year exemption period shall be allowed during which time oil
10 production shall be subject to a severance tax of six and one quarter percent of its
11 value and gas production shall be subject to a severance tax equal to fifty percent of
12 the rate established in Paragraph (9) of this Section. The exemption shall be
13 extended by the length of any inactivity of a well that has commenced production
14 when such inactivity is caused by a force majeure.

15 (bb) Beginning July 1, 2015, application may be made for certification of an
16 inactive well for a ten year period in which oil production shall be subject to a
17 severance tax of six and one quarter percent of its value and gas production shall be
18 subject to a severance tax equal to fifty percent of the rate established in Paragraph
19 (9) of this Section. ~~for a period of five years when returned to service after being~~
20 ~~inactive for two or more years or having thirty days or less of production during the~~
21 ~~past two years.~~ The exemption shall be extended by the length of any inactivity of
22 a well that has commenced production when such inactivity is caused by a force
23 majeure.

24 ~~(aa)~~(cc) To qualify for inactive well status for purposes of eligibility for a
25 reduced severance tax rate as provided for in this Item, an application for ~~a two-year~~
26 inactive well certification shall be made to the Department of Natural Resources,
27 before commencement of production, ~~during the period beginning July 31, 1994 and~~
28 ~~ending June 30, 2000, for the period beginning July 1, 2002 and ending June 30,~~
29 ~~2006, and for the period beginning July 1, 2006 and ending June 30, 2010.~~ Upon

"gas base rate adjustment" which is determined by the secretary of the Dept. of Natural Resources.

Present law provides for a 5-year exemption period during which oil and gas produced from wells classified as inactive by the commissioner of conservation are exempt from severance tax (hereinafter "initial exemption period").

Proposed law provides for a period of reduced severance tax rates for those inactive wells which applied for inactive well status before July 1, 2010 and which are operating within an initial exemption period. Beginning July 1, 2013 and for the period of time remaining in a well's initial exemption period, the severance tax on oil shall be 3.125% of production value and the tax on gas shall be 25% of the rate established by present law.

Proposed law provides that upon the expiration of an inactive well's initial exemption period, there shall be an additional 5-year period during which time the severance tax on oil produced from such wells shall be 3.125% of production value and the tax on gas shall be 25% of the rate established by present law.

Proposed law provides that after July 1, 2015, application may be made for certification of an inactive well for a 10-year period in which oil production shall be subject to a severance tax of 6.25% of its value and gas production shall be subject to a severance tax equal to 50% of the rate established in present law.

Present law requires that inactive wells be certified by the Dept. of Natural Resources, and that application for certification be made before commencement of production.

Proposed law retains present law.

Effective if the proposed amendments of the Const. of La. contained in the Joint Resolutions which originated as HB Nos. 434, 435, and 436 of the 2013 R.S. are concurred in by both houses of the legislature and HB Nos 1, 437, 456, 571, 620, 653, and 696 of the 2013 R.S. are enacted into law.

Effective July 1, 2013.

(Amends R.S. 47:633(7)(c)(iv); Repeals R.S. 47:633(9)(e)(vii))

Summary of Amendments Adopted by House

House Floor Amendments to the original bill.

1. Deletes provisions for a 10-year severance tax exemption for oil production from an inactive well.
2. Adds provisions for periods of reduced severance tax rates for those inactive wells producing either oil or gas for which an application for inactive well certification was submitted to the Dept. of Natural Resources before July 1, 2010.
3. Adds provisions for a 10-year period of reduced severance tax rates for inactive wells producing oil or gas beginning July 1, 2015.
4. Adds effectiveness provisions, including contingencies regarding other legislation.