

2015 Regular Session

HOUSE BILL NO. 631

BY REPRESENTATIVE HARRIS

TAX/SEVERANCE-EXEMPTION: Changes the amount and duration of the severance tax exemption for certain horizontally drilled wells

1 AN ACT

2 To amend and reenact R.S. 47:633(7)(c)(iii)(introductory paragraph), and to enact R.S.
3 47:633(7)(d), relative to severance tax; to provide with respect to the tax on
4 production from certain horizontally drilled wells; to provide for the amount and
5 duration of the exemption for certain horizontally drilled wells; to provide with
6 respect to the determination of the price of oil and natural gas for purposes of the
7 exemption; to provide for duties of the secretary of the Department of Natural
8 Resources; to provide for applicability of the exemption; to provide for effectiveness;
9 and to provide for related matters.

10 Be it enacted by the Legislature of Louisiana:

11 Section 1. R.S. 47:633(7)(c)(iii)(introductory paragraph) is hereby amended and
12 reenacted, and R.S. 47:633(7)(d) is hereby enacted to read as follows:

13 §633. Rates of tax

14 The taxes on natural resources severed from the soil or water levied by R.S.
15 47:631 shall be predicated on the quantity or value of the products or resources
16 severed and shall be paid at the following rates:

17 * * *

18 (7)

19 * * *

20 (c)

1 * * *

2 (iii) All severance tax shall be suspended, for a period of twenty-four months
3 or until payout of the well cost is achieved, whichever comes first, on any
4 horizontally drilled well, or, on any horizontally drilled recompletion well, from
5 which production commences after July 31, 1994 and on or before December 31,
6 2015.

7 * * *

8 (d) There shall be an exemption from severance tax as provided in this
9 Subparagraph for production from any horizontally drilled well, or, on any
10 horizontally drilled recompletion well, from which production commences on or
11 after January 1, 2016. The exemption shall last for a period of forty-eight months
12 or until payout of the well cost is achieved, whichever comes first. For the purposes
13 of this Section "horizontal drilling" shall mean high angle directional drilling of bore
14 holes with fifty to three thousand plus feet of lateral penetration through productive
15 reservoirs and "horizontal recompletion" shall mean horizontal drilling in an existing
16 well bore. Payout of well cost shall be the cost of completing the well to the
17 commencement of production as determined by the Department of Natural
18 Resources.

19 (i) The amount of the exemption for a well that produces oil shall be based
20 upon the price of oil as established annually by the secretary of the department on
21 the first day of July for the ensuing twelve calendar months, as follows:

22 (aa) There shall be no tax if the price of oil is at or below eighty dollars per
23 barrel.

24 (bb) The tax rate shall be reduced by eighty percent if the price of oil is
25 above eighty dollars and at or below ninety dollars per barrel.

26 (cc) The tax rate shall be reduced by sixty percent if the price of oil is above
27 ninety dollars and at or below one hundred dollars per barrel.

28 (dd) The tax rate shall be reduced by forty percent if the price of oil is above
29 one hundred dollars and at or below one-hundred ten dollars per barrel.

1 (ee) The tax rate shall be reduced by twenty percent if the price of oil is
2 above one hundred ten dollars and at or below one hundred twenty dollars per barrel.

3 (ff) There shall be no exemption in effect if the price of oil exceeds one
4 hundred and twenty dollars per barrel.

5 (ii) The amount of the exemption for a well that produces natural gas shall
6 be based upon the price of natural gas as established annually by the secretary of the
7 department on the first day of July for the ensuing twelve calendar months, as
8 follows:

9 (aa) There shall be no tax if the price of natural gas is at or below four
10 dollars and fifty cents per mcf.

11 (bb) The tax rate shall be reduced by eighty percent if the price of natural gas
12 is above four dollars and fifty cents per mcf and at or below five dollars and fifty
13 cents per mcf.

14 (cc) The tax rate shall be reduced by sixty percent if the price of natural gas
15 is above five dollars and fifty cents per mcf and at or below six dollars per mcf.

16 (dd) The tax rate shall be reduced by forty percent if the price of natural gas
17 is above six dollars per mcf and at or below six dollars and fifty cents per mcf.

18 (ee) The tax rate shall be reduced by twenty percent if the price of natural
19 gas is above six dollars and fifty cents per mcf and at or below seven dollars per mcf.

20 (ff) There shall be no exemption in effect if the price of natural gas exceeds
21 seven dollars per mcf.

22 Section 2. The provisions of this Act shall become effective on July 1, 2015; if
23 vetoed by the governor and subsequently approved by the legislature, this Act shall become
24 effective on July 1, 2015, or on the day following such approval by the legislature,
25 whichever is later.

1 DIGEST

2 The digest printed below was prepared by House Legislative Services. It constitutes no part
3 of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute
4 part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

5 HB 631 Original 2015 Regular Session Harris

6 **Abstract:** Changes the severance tax "exemption" for production of oil and natural gas
7 from horizontally drilled wells and horizontally drilled recompletion wells by
8 changing the duration from 2 to 4 years and by changing the amount of the
9 exemption from 100% to a certain amount based on the price of oil and natural gas.

10 Present law imposes a tax on natural resources severed from the soil or water based upon
11 quantity or value of the products or resources severed.

12 Present law establishes a severance tax rate for oil at 12.5% of value.

13 Present law establishes a severance tax rate for natural gas at a minimum of 7¢ per 1,000
14 cubic feet, which rate is subject to an annual rate adjustment based on the prior year's price
15 of natural gas.

16 Present law suspends the levy of 100% of the severance tax on production from a
17 horizontally drilled well or horizontally drilled recompletion well for a period of 24 months
18 or until payout of the well cost is achieved, whichever comes first.

19 Proposed law changes present law by extending the duration of the exemption period from
20 24 to 48 months.

21 Proposed law changes present law for the suspension of severance taxes on *oil production*
22 from horizontally drilled wells and recompletion wells commencing on or after Jan. 1, 2016,
23 by changing the amount of the exemption from 100% to amounts varying from 0 to 100%
24 based on the price of oil, as such price is established annually by the secretary of the Dept.
25 of Natural Resources for the ensuing calendar year.

26 Proposed law changes present law for the suspension of severance taxes on *natural gas*
27 *production* from horizontally drilled wells and recompletion wells commencing on or after
28 Jan. 1, 2016, by changing the amount of the exemption from 100% to amounts varying from
29 0 to 100% based on the price of natural gas, as such price is established annually by the
30 secretary of the Dept. of Natural Resources for the ensuing calendar year.

31 Effective July 1, 2015.

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