

2020 Second Extraordinary Session

HOUSE BILL NO. 29

BY REPRESENTATIVES DEVILLIER, AMEDEE, BAGLEY, BISHOP, BUTLER,
COUSSAN, COX, CREWS, DAVIS, EDMONDS, EMERSON, FARNUM,
FIRMMENT, GAROFALO, MIKE JOHNSON, TRAVIS JOHNSON, MCCORMICK,
MCFARLAND, MCMAHEN, MIGUEZ, ORGERON, CHARLES OWEN,
ROMERO, SCHAMERHORN, ST. BLANC, STEFANSKI, THOMPSON, VILLIO,
AND WRIGHT

AN ACT

To amend and reenact R.S. 30:86(C) and to enact R.S. 47:633(7)(e), relative to suspending certain severance taxes; to provide for a suspension on oil production from certain orphaned, newly drilled, and newly enhanced wells; to provide for the amount of the suspension in the form of an exemption; to increase the cap on the Oilfield Site Restoration Fund; to provide for applicability; to provide for definitions; to provide for effectiveness; to provide for certain requirements and limitations; to provide for reimbursement of certain costs; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. R.S. 30:86(C) is hereby amended and reenacted to read as follows:

§86. Oilfield Site Restoration Fund

* * *

C. The treasurer of the state of Louisiana shall certify, to the secretary of the Department of Revenue, the date on which the balance in the fund equals or exceeds ~~fourteen~~ twenty-five million dollars. The oilfield site restoration fees on oil and gas provided for in R.S. 30:87 shall not be collected or required to be paid on or after the first day of the second month following the certification, except that the secretary of the Department of Revenue shall resume collecting the fees on receipt of a certification from the treasurer that, based on the expenditures or commitments to

expend monies, the fund has fallen below ten million dollars. The secretary of the Department of Revenue shall continue collecting the fees until collections are again suspended in the manner provided by this Section. The sums in the site-specific trust accounts within the fund, the sums collected from financial security instruments required by rules and regulations adopted by the assistant secretary pursuant to R.S. 30:4(R) and 4.3, and sums generated from the issuance of bonds pursuant to R.S. 30:83.1 shall not be counted to determine the balance of the fund for the purposes of this Subsection.

* * *

Section 2. R.S. 47:633(7)(e) is hereby enacted to read as follows:

§633. Rates of tax

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

* * *

(7)

* * *

(e)(i) There shall be an exemption from the severance tax levied in this Part on oil production from an orphaned, newly drilled, or newly completed well that is undergoing or has undergone well enhancements that required a Department of Natural Resources permit, including but not limited to re-entries, workovers, or plugbacks, from which production commences on or after January 1, 2021, and on or before December 31, 2023.

(aa) The exemption for wells that have undergone well enhancements shall last for a period of six months or until payout of the well cost is achieved, whichever occurs first.

(bb) The exemption for new wells shall last for a period of twelve months or
until payout of the well cost is achieved, whichever occurs first.

(cc) The exemption for orphaned wells shall last for a period of twenty-four
months or until payout of the well cost is achieved, whichever occurs first.

1 (dd) The exemption period shall begin the first day of the month after the
2 operator notifies the Department of Revenue that new or post enhancement
3 production has commenced. Notification shall be in a form approved by the secretary
4 of the Department of Revenue.

5 (ee) There shall be no more than one exemption authorized pursuant to this
6 Subparagraph for any wellhead.

7 (ff) No later than March 1, 2023, the Department of Revenue shall report the
8 number and cost of exemptions claimed pursuant to this Subparagraph by well
9 category and the Department of Natural Resources, office of conservation, shall
10 report the number of orphan wells plugged and the cost of reimbursement pursuant
11 to Item (iv) of this Subparagraph to the House Committee on Ways and Means and
12 the Senate Committee on Revenue and Fiscal Affairs.

13 (gg) Operators that have been found to be in violation of Statewide Order 29-
14 B shall not be eligible for the exemption authorized pursuant to this Subparagraph
15 provided that the office of conservation is authorized to withhold a permit
16 application from the operator pursuant to R.S. 30:94.

17 (ii)(aa) Payout of well cost occurs when gross revenue from the well, less
18 royalties and operating costs directly attributable to the well, equals the well cost.

19 (bb) For the purposes of this Subparagraph, well costs shall equal the cost of
20 completing the well to the commencement of production or the cost of well
21 enhancements, as determined by the Department of Natural Resources.

22 (cc) For the purposes of this Subparagraph, operating costs shall be limited
23 to those costs directly attributable to the operation of the exempt well, including but
24 not limited to direct materials, supplies, fuel, direct labor, contract labor or services,
25 repairs, maintenance, property taxes, insurance, depreciation, and any other costs that
26 can be directly attributed to the operation of the well. Where applicable, the
27 calculation of such costs shall begin from the date that the Department of Natural
28 Resources permitted operation or enhancement is complete and production is
29 established. Operating costs shall not include any costs that were included in the well
30 cost approved by the office of conservation.

1 (iii) Interest on a refund of severance tax to an operator whose well qualifies
2 for the exemption provided in this Subparagraph shall be paid in accordance with
3 R.S. 47:1624(A)(2).

4 (iv) If an orphaned well is unable to produce in paying quantities, the
5 operator may be reimbursed reasonable costs paid or incurred to plug and abandon
6 the orphaned well from the Oilfield Site Restoration Fund with the approval of the
7 secretary of the Department of Natural Resources following certification of proper
8 plugging and abandonment by the office of conservation. The secretary may approve
9 or deny the reimbursement in whole or in part. The Department of Natural
10 Resources, in consultation with the office of conservation, shall promulgate any rules
11 necessary to implement this Subparagraph including rules setting forth the guidelines
12 for determining rates of reimbursement and procedures for notifying the office of
13 conservation of the commencement of plugging and abandonment by the operator.

14 (v) Notwithstanding any provision of law to the contrary, R.S. 30:87(F)(1)
15 shall apply to production from wells receiving an exemption pursuant to this
16 Subparagraph during the applicable exemption period.

17 Section 3. This Act shall become effective upon signature by the governor or, if not
18 signed by the governor, upon expiration of the time for bills to become law without signature
19 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
20 vetoed by the governor and subsequently approved by the legislature, this Act shall become
21 effective on the day following such approval.

SPEAKER OF THE HOUSE OF REPRESENTATIVES

PRESIDENT OF THE SENATE

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____