

Revenue Information Bulletin No. 20-017

July 23, 2020

Severance Tax

Prices Applicable to Oil and Gas for Horizontal Wells

For horizontal wells commencing production on or after July 1, 2015, the severance tax exemption is dependent on the average price of oil or gas for the prior year. Pursuant to LA R.S. 47:633(7)(d), the Secretary of the Department of Revenue is required to determine the price of oil and gas upon which the exemption will be based on July 1st of each year based on the average monthly New York Mercantile Exchange price for the prior twelve months.

For the fiscal year beginning July 1, 2020 and ending June 30, 2021, the secretary has determined the prices applicable to the horizontal severance tax exemption to be \$46.86 per barrel of oil and \$2.10 per million BTU of natural gas. Since these amounts are below the \$70 threshold for oil and \$4.50 threshold for gas, production from horizontal wells will remain exempt through June 30, 2021. This exemption is limited to twenty-four months or until payout of the well is achieved, whichever comes first.

Questions concerning these severance tax values and rates should be directed to the Louisiana Department of Revenue's Taxpayer Compliance-Severance Tax Division at 855-307-3893, option 2, then 1.

Kimberly Lewis Robinson
Secretary