

Revenue Information Bulletin No. 16-035
July 18, 2016
Severance Tax

Prices Applicable to Oil and Gas for Horizontal Wells

Act 120 of the 2015 Legislative Session amended R.S. 47:633(7) concerning the suspension of severance taxes on horizontally drilled 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. Act 120 requires the secretary 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, 2016 and ending June 30, 2017, the secretary has determined the prices applicable to the horizontal severance tax exemption to be **\$41.91** per barrel of oil and **\$2.30** 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, 2017. 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 Division at 225-219-7656, option 2, then 1.

Kimberly L. Robinson
Secretary