



Revenue Information Bulletin No. 24-013
July 26, 2024

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, 2024 and ending June 30, 2025 (FY 25), the Secretary has determined the prices applicable to the horizontal well severance tax exemption to be \$79.50 per barrel of oil and \$2.50 per million BTU of natural gas. Therefore, for FY 25, the exemption for oil is 80% since the price of oil is above \$70 and at or below \$80 per barrel and taxpayers must pay the severance tax due on the 20% not exempt from the tax.

The exemption for gas is 100% since the price of natural gas is at or below \$4.50 per million BTU. The exemption is limited to twenty-four months or until payout of the well is achieved, whichever comes first.

Taxpayers who, pursuant to Revenue Information Bulletin 12-018, elect not to pay severance tax on production from a horizontal well for which final approval is pending from the Office of Conservation on the Application for Well State Determination are still required to pay the tax due on the non-exempt production. For example, if a taxpayer is awaiting final approval for a horizontal oil well, the taxpayer must pay the severance tax due on the 20% not subject to the exemption.

Questions concerning these severance tax values and rates should be directed to the Louisiana Department of Revenue's Taxpayer Compliance, SES Division, Severance Tax Unit at 855-307-3893, option 2 then 1 or via email at Severance.Inquiries@LA.gov.

Richard Nelson
Secretary