Revenue Information Bulletin No. 26-014
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Severance Tax

Prices Applicable to Oil and Gas for Horizontal Wells

July 1, 2026 – June 30, 2027

Applicable Oil and Natural Gas Prices

For horizontal wells commencing production on or after July 1, 2015, the severance tax exemption is based on the average price of oil or natural gas during the preceding twelve-month period. Pursuant to La. R.S. 47:633(A)(3)(d)(ii), the Secretary of the Department of Revenue determines the applicable oil and natural gas prices each year on July 1st based on the average monthly New York Mercantile Exchange Price for the prior twelve months.

For July 1, 2026 – June 30, 2027 (FY 27), the Secretary has determined the applicable prices are:

- Oil: $73.28 per barrel
- Natural gas: $3.63 per million BTU

Oil Exemption

Because the FY 27 average oil price is above $70 and at or below $80 per barrel, the severance tax exemption for horizontal oil wells is 80%. Therefore taxpayers must pay severance tax on the remaining 20% of production.

Pursuant to La. R.S. 47:633(A)(3)(a), the severance tax rate for oil produced from a well completed on or after July 1, 2025, is 6.5%. The rate for oil produced from a well completed before July 1, 2025, remains 12.5%.

The oil exemption is limited to 24 months or until payout of the well is achieved, whichever occurs first.

Natural Gas Exemption

Because the FY 27 average natural gas price is at or below $4.50 per million BTU, the severance tax exemption for horizontal gas wells is 100%.

For gas wells completed before July 1, 2025, the exemption is limited to 24 months or until payout of the well is achieved, whichever occurs first.

For gas wells completed on or after July 1, 2025, the exemption is limited to 18 months or until payout of the well is achieved, whichever occurs first.

Payment Pending Department of Conservation and Energy Approval

Pursuant to Revenue Information Bulletin 12-018, taxpayers who elect not to pay severance tax on production from a horizontal well while awaiting final approval from the Louisiana Department of Conservation and Energy on the Application for Well State Determination are still required to pay the tax due on the non-exempt production.

For example:

- Horizontal oil well**:** Because the FY 27 exemption is 80%, a taxpayer awaiting final approval must pay severance tax on the 20% of production that is not exempt.
- Horizontal gas well**:** Because the FY 27 exemption is 100%, a taxpayer awaiting final approval does not owe severance tax on the production, assuming all other requirements for the exemption are satisfied.

Questions concerning these severance tax values and rates should be directed to Severance.Inquiries@LA.gov.

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Secretary