



Revenue Information Bulletin No. 22-014
July 18, 2022
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, 2022 and ending June 30, 2023 (FY 23), the Secretary has determined the prices applicable to the horizontal well severance tax exemption to be \$87.66 per barrel of oil and \$5.32 per million BTU of natural gas. Therefore, for FY 23, the exemption for oil is 60% since the price of oil is above \$80 and below \$90 per barrel. Taxpayers must pay the severance tax due on the 40% not exempt from the tax. The exemption for gas is 80% since the price of natural gas is above \$4.50 and below \$5.50 per million BTU. Taxpayers must pay the severance tax due on the 20% not exempt from the tax. 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 Status 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 40% not subject to the exemption. Similarly, a taxpayer awaiting final approval for a horizontal gas well 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-Severance Tax Division at 855-307-3893, option 2, then 1.

Kevin J. Richard, CPA
Secretary