



INACTIVE WELL SEVERANCE TAX EXEMPTION SET TO EXPIRE

JUNE 30, 2010

Louisiana Revised Statute § 47:633 currently provides a five-year exemption from Louisiana General Severance Tax on production from oil and gas wells when the wells are returned to service after either being inactive for two or more years or having thirty days or less of production during the last two years. La. R.S. 47:633(7)(c)(iv). This exemption applies to all oil and gas exploration, whether onshore or offshore, that is subject to the Louisiana General Severance Tax. However, this available five-year severance tax exemption is set to **expire on June 30, 2010**.

[House Bill 790](#) was introduced during the current Louisiana Legislative Session to extend the inactive well exemption from its current June 30, 2010 sunset to June 30, 2015. See HB 790, 2010 Regular Session. Due to the State's budgetary constraints, this legislation has been postponed until next year's legislative session.

In order to qualify for inactive well status and receive the available tax exemption before its expiration, taxpayers must submit an application for a two-year inactive well certification to the Department of Natural Resources **before June 30, 2010**. Upon certification that a well is inactive, all production is exempt from severance tax for a period of five years from the date production begins, or ninety days from the date of the application, whichever comes first. La. R.S. 47:633(7)(c)(iv)(aa). For taxpayers that may have any oil or gas well projects qualifying for this severance tax exemption, we recommend that you submit your inactive well certification application to the Department of Natural Resources as soon as possible. The appropriate application form can be found [here](#).

If you have any questions or would like additional information about the expiration of this severance tax exemption, please feel free to contact [Jesse R. Adams, III](#), [William M. Backstrom, Jr.](#), [Andre B. Burvant](#), [Kimberly Lewis Robinson](#), or any other member of the Jones Walker State & Local Tax team.



Remember that these legal principles may change and vary widely in their application to specific factual circumstances. You should consult with counsel about your individual circumstances. For further information regarding these issues, contact:

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