



JOHN BEL EDWARDS
GOVERNOR

State of Louisiana
DEPARTMENT OF NATURAL RESOURCES
OFFICE OF CONSERVATION

THOMAS F. HARRIS
SECRETARY

RICHARD P. IEYOUB
COMMISSIONER OF CONSERVATION

MEMORANDUM

May 4, 2018

To: ALL CONCERNED

From: RICHARD IEYOUB, COMMISSIONER OF CONSERVATION

Subject: INACTIVE WELL INCENTIVE PROGRAM
PURSUANT TO ACT 421 OF THE 2017 REGULAR SESSION
(R.S.47:633 ET SEQ.)

Act 421 of the 2017 Regular Session of the Legislature has reenacted and amended the severance tax incentive program for inactive and orphaned wells. Act 421 allows for the reduction of severance taxes due on all well production for a period of 10 years for two qualifying types. The exemption period shall be extended by the length of any inactivity of a well that has commenced production when such inactivity is caused by force majeure. The purpose of this memorandum is to provide guidelines for filing and processing applications for the new qualifying well types.

- I) **Qualified Inactive Well** – Any well that did not produce in a two year period ending between August 1, 2017 and June 30, 2023 or any well that produced no more than 30 days in the same two year period.
- A. **Incentive** - Production from a qualifying well is eligible for a fifty percent (50%) reduction in severance tax for a period of ten years.
- B. **Requirements**
- **Lease wells**: production must be from the same or within 100' of the top or bottom perforation of the last producing interval.
 - **Unit wells**: production must be from the defined interval of the latest perforated producing interval.
 - File Form STRP-IA. The Form is available on our website: www.dnr.la.gov/strp
 - Well must be in the name of the applicant.
 - Application fee as established by Statewide Order No. 29-R per wellbore.

II) **Qualified Orphaned Well** – Any well that has been designated an orphaned well continuously for a period of five years or more ending between August 1, 2017 and June 30, 2023.

A. **Incentive** - Production from a qualifying well is eligible for a seventy-five percent (75%) reduction in severance tax for a period of ten years.

B. **Requirements**

- Lease wells: production must be from the same or within 100' of the top or bottom perforation of the last producing interval.
- Unit wells: production must be from the defined interval of the latest perforated producing interval.
- File Form STRP-OW. The Form is available on our website: www.dnr.la.gov/strp
- Well must be in the name of the applicant.
- Application fee as established by Statewide Order No. 29-R per wellbore.

Other Clarifications:

- The exemption period will begin on the date of first production after the qualifying period or 90 days after the application is received in our office, whichever comes first.
- The entire wellbore is considered in the application evaluation. Any production from dual, triple, etc. completions would count against the qualifying period.
- Wells that never produced will not qualify.
- Redrills will not qualify- a well has to be an unplugged status to qualify.
- Sidetracks will not qualify.
- The well does not have to be inactive two years in the same perforations, but the incentive will be applicable to the latest perforated producing interval.