

# THE LOUISIANA SEVERANCE TAX RELIEF PROGRAM COST STATEMENT

## GENERAL INSTRUCTIONS

A well cost statement must accompany every STRP application for the Deep Well, Horizontal Well and New Discovery categories. This cost statement must include the actual costs to *drill*, *complete*, and *equip* the well for production. No AFE or estimated costs are allowed. Applicants are encouraged to hold the filing of applications until a firm cost figure has been obtained. Single eligible expenditures that fit multiple categories listed below may be split and apportioned as appropriate; however, duplicating single eligible expenditures among multiple categories is prohibited.

Costs such as building a board road, preparing the location, logging, cement, drill bits, pipe, labor, 3-D seismic, etc., may be included. New facility construction and any new equipment needed to hook the well up to the facility may be included, however, the cost of an existing facility is not eligible and a newly constructed facility's cost must be prorated to the number of wells it is designed to serve.

Lease-related costs, legal fees, hearing costs, saltwater disposal wells, title searches, etc. are examples of costs that are not allowed on the cost statement. E&P waste disposal and site restoration costs associated with a well control incident or spill are to be excluded from the cost statement.

The applicant shall retain invoices, statements, and other applicable supporting documentation which substantiate the figures reported on this cost statement and such documentation shall be kept on file by the applicant to be made available for inspection by any agent of the Office of Conservation for a period of not less than three years.

The informal guidance provided herein, is solely to assist you in completing this form for well cost determination by LDNR pursuant to the requirements of La. R.S. 47:633 (9)(d)(v), La. R.S. 47:633(7)(c)(iii), and/or La. R.S. 47:648.1 et seq. Nothing herein shall be deemed to constitute legal or tax advice of any sort.

## ELIGIBLE DRILLING AND COMPLETION EXPENDITURES:

### PRE-DRILL COSTS

<b>Permit to Drill</b>	Permit fees, Agent/Consultant fee
<b>Site Construction</b>	Labor, materials for road construction, drilling pad, cellar, rental equipment, etc.; Reserve Pit: Construction, liner, services, etc., Conductor pipe and associated equipment and services.
<b>Insurance</b>	The cost of Insurance that covers Rigs & Equipment, Workers Compensation and Well Control.
<b>3-D Seismic Cost</b>	Cost of 3-D Seismic Survey prorated to this well. Cost is prorated to all wells, existing and planned. Form STRP-3D with required items must be attached.
<b>Water Well</b>	Cost of drilling water well for source water, mud, washing, etc. The cost of a water well utilized for multiple wells shall be proportionally distributed between the number of wells serviced.
<b>Survey</b>	Location survey and/or environmental survey, pre-drill site assessment.

### DRILLING COSTS

<b>Drilling Rig</b>	All general costs associated with normal drilling rig operations including mobilization and demobilization.
<b>Labor &amp; Supervision</b>	Company and contract labor during drilling operations, drilling consultants, direct supervision of drilling activity and operations.
<b>Fuel, Water, and Power</b>	Fuel, water, and power used or consumed on wellsite location during well drilling and completion activity.
<b>Mud &amp; Additives</b>	Materials used to maintain mud system including weighting materials, lost circulation materials, crude oil, diesel oil, etc.
<b>Mud Logging</b>	Labor, materials, and services for mud logging.
<b>Drill Bits</b>	Cost of bits used to drill from surface to total depth.
<b>Rental Equipment</b>	Blow out preventers, drill pipe, drill collars, bottom hole assemblies, mud motors, shale shakers, degassers, desanders, desilters and centrifuges, pumps, heavy tractor equipment, crane, etc.
<b>Directional Drilling</b>	Special bottom hole assemblies, Dynadrills, Turbodrills, measurement while drilling assemblies, jet deflecting stabilizers, reamers, hole openers and any materials that influence the directional tendencies of a wellbore. Cost may include consulting and directional drilling supervision.
<b>Wireline Services</b>	Open hole services, logging, formation tests, core sampling, inclination and directional surveys, etc.
<b>Well Testing</b>	Rental materials, services, labor, etc. to test the sands and the well potential.
<b>Fluid Disposal</b>	Disposal cost of oil-based and water-based mud, cuttings, and wash water. Disposal costs associated with a well control incident or spill are not eligible expenses.
<b>Transportation/Hauling</b>	Costs associated with hauling equipment, materials, and supplies to the well site during drilling operations.
<b>Site Maintenance</b>	Labor, supplies, and services for maintenance of location/drillpad.
<b>Casing</b>	Casing, liners, float shoes, float collars, centralizers, and associated equipment.
<b>Cement &amp; Services</b>	Cost of cement, additives, and pumping charges for cementing operations and all plugs.
<b>Support Services</b>	Costs that are not specifically chargeable to other more specific drilling operations/criteria.

### COMPLETION COSTS

<b>Completion Rig</b>	All general costs associated with completion rig operations including mobilization and demobilization. If the drilling rig is used for completion operations, the costs must be separated.
<b>Labor &amp; Supervision</b>	Company and contract labor used after drilling operations have ceased and direct supervision of completion operations.
<b>Wireline Services</b>	Operations performed in cased hole, including logging, perforating, and setting tools on wireline.
<b>Stimulation &amp; Sand Control</b>	Water, equipment, supplies, services, labor, acidizing, rental equipment, hydraulic fracturing materials and services, etc.
<b>Completion Fluids</b>	Costs of any fluids used in the wellbore (except fluids used during stimulation) during well operations from the time production casing is cemented until the well is turned to sales.
<b>Tubing</b>	Downhole equipment including tubing, packers, bridge plugs, anchors, etc.
<b>Wellhead</b>	Any equipment installed on the wellhead, including the wellhead itself.
<b>Rental Equipment</b>	Other equipment rentals associated with completion operations.
<b>Transportation &amp; Hauling</b>	Costs associated with hauling equipment, materials, and supplies to the well site during completion operations.
<b>Production/Facility Equip.</b>	All new equipment installed from the wing valve to the sales meter that is necessary to produce the well including storage tanks, flowlines (upstream of sales), separators, compressors, dehy, meters, chemical treatment, etc. The cost of equipment servicing multiple wells shall be proportionally distributed between the number of wells serviced. Facility infrastructure existing prior to the drilling of a well is not an eligible expense.
<b>Instrumentation</b>	Equipment to measure and monitor the well and/or measure its production.
<b>Site Restoration</b>	Repair of well location, fencing, lighting, road repair, etc. Restoration costs associated with a well control incident or spill are not eligible expenses.
<b>Fluid Disposal</b>	Disposal cost of completion and workover fluids, sand, salt water, wash water, and flow-back associated with completion activity.
<b>Support Services</b>	Costs that are not specifically chargeable to other more specific completion operations/criteria.