

SENATE BILL NO. 182

BY SENATOR DUPRE AND REPRESENTATIVES ALARIO, ALEXANDER, ARNOLD, BALDONE, BEARD, K. CARTER, R. CARTER, CAZAYOUX, CURTIS, DAMICO, DANIEL, DARTEZ, DEWITT, DORSEY, DOVE, DURAND, FAUCHEUX, FRITH, GRAY, HEATON, HEBERT, HONEY, HUTTER, JACKSON, JEFFERSON, KENNARD, KENNEY, LAFLEUR, LAFONTA, LAMBERT, MONTGOMERY, MORRELL, PIERRE, PINAC, PITRE, M. POWELL, T. POWELL, QUEZAIRE, RITCHIE, ROMERO, SALTER, SCALISE, GARY SMITH, JACK SMITH, JANE SMITH, STRAIN, THOMPSON, TOWNSEND, TRAHAN, WALKER AND WOOTON

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

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AN ACT

To enact Subpart A-3 of Part II of Chapter 2 of Subtitle 1 of Title 30 of the Louisiana Revised Statutes of 1950, to be comprised of R.S. 30:150, relative to mineral leases; to provide relative to mineral leases on state lands; to provide certain drilling incentives; to provide relative to royalties; to create the Louisiana Royalty Relief Dry Hole Credit Program; to provide certain terms, conditions, procedures, and requirements; and to provide for related matters.

Be it enacted by the Legislature of Louisiana:

Section 1. Subpart A-3 of Part II of Chapter 2 of Subtitle 1 of Title 30 of the Louisiana Revised Statutes of 1950, to be comprised of R.S. 30:150, is hereby enacted to read as follows:

SUBPART A-3. LOUISIANA ROYALTY RELIEF

DRY HOLE CREDIT PROGRAM

§150. Louisiana Royalty Relief Dry Hole Credit Program; requirements; conditions; limitations; expiration

A. Notwithstanding any other provision of law to the contrary, the Department of Natural Resources may by rule provide a dry hole credit program as set forth in this Section for certain drilling in mineral leases on state-owned lands or state-owned water bottoms in the coastal zone, as defined in R.S. 49:214.24.

B. The requirements for the royalty relief dry hole credit are as follows:

(1) Drilling of a well qualified to earn a dry hole credit must have started on or after July 1, 2005.

(2) The well must be drilled on state-owned lands or state-owned water bottoms in the coastal zone, as defined in R.S. 49:214.24, pursuant to a mineral lease with the state.

(3) The well must be drilled to a depth of greater than 19,999 feet true vertical depth.

(4) The well must reach the target qualifying depth, be logged by suitable geophysical techniques for presentation to and verification by the office of mineral resources, and not be commercially productive of oil or gas.

(5) The geophysical well information for the dry hole is released to the office of mineral resources for public use.

(6) Other than state income tax credit, a state tax credit or royalty modification is not otherwise available or is not claimed for the well, or is surrendered and canceled retroactively to the beginning of such credit or royalty modification if a dry hole credit is claimed.

(7) The dry hole well records and reports shall at all times be open to inspection and audit by the Department of Natural Resources.

(8) The royalty relief dry hole credit is available and taken subject to, and in compliance with, the provisions of this Section.

(9) The royalty relief dry hole credit is applied for and obtained prior to June 30, 2009.

C.(1) The royalty relief dry hole credit shall be in the form of a deduction from future royalty payments due to the state on production derived from depths of greater than 19,999 feet true vertical depth from any new well drilled on state-owned lands or state-owned water bottoms in the coastal zone, as defined in R.S. 49:214.24, subsequent to the dry hole for which drilling commences on or after July 1, 2005. The deduction shall be the lesser of: (a) five billion cubic feet of natural gas production, or (b) fifty percent of the cost of the

1 dry hole well. The cost of the dry hole well shall be calculated and determined
2 in accordance with rules, methods and procedures adopted by the State Mineral
3 Board. The royalty relief shall be prorated over a thirty-six month period,
4 provided that the net royalty payments to the state shall not be less than the
5 minimum required by R.S. 30:127. If application of the credit would result in
6 payments less than that required by R.S. 30:127, the office of mineral resources
7 may extend the royalty relief credit for an additional period of up to twenty-
8 four months to allow full use of the credit, up to a total of sixty months.

9 (2) The dry hole shall be proportional to the state percentage of the unit
10 of the producing well.

11 (3) If the dry hole was drilled on mixed interest property, the Mineral
12 Board shall determine the proportion of the dry hole credit to be given.

13 D. If a dry hole credit is offered as provided in this Section, the
14 Department of Natural Resources, office of mineral resources, shall certify
15 qualification for the royalty relief dry hole credit, and provide forms and
16 procedures relative to such certification. Application and obtaining certification
17 as a well qualified to receive the royalty relief dry hole credit must be completed
18 prior to drilling of the qualifying well.

19 E. No more than a maximum total of twenty wells shall be certified by
20 the department under the program as qualifying for royalty relief dry hole
21 credit. On and after June 30, 2009, no well shall be eligible or certified by the
22 department as qualifying for royalty relief dry hole credit.

23 F. To utilize the royalty relief dry hole credit:

24 (1) Application shall be made to the office of mineral resources for
25 approval to utilize the credit and designate the royalty obligation to which the
26 credit will be applied.

27 (2) The applicant shall agree to fully compensate for the adverse impacts
28 to coastal wetlands in an amount equal to at least one hundred twenty-five
29 percent of the habitat value of the affected wetlands, calculated in accordance
30 with an evaluation method adopted by the Department of Natural Resources.

1 **(3) The royalty relief dry hole credit must be utilized within four years**
2 **from the date the credit is issued by the office of mineral resources , except for**
3 **extensions of the credit as authorized in Subsection C herein.**

4 **G. Regardless of when obtained, all royalty relief dry hole credits**
5 **authorized by this Section shall expire on June 30, 2013.**

6 **H. The Department of Natural Resources shall promulgate and adopt**
7 **rules in accordance with the Administrative Procedure Act to implement the**
8 **provisions of this Section if a dry hole credit program is established.**

9 **I. The provisions of this Section shall expire and terminate on June 30,**
10 **2013.**

11 **J. The provisions of this Subpart shall be known and may be cited as the**
12 **Developed Resources In Louisiana (DRIL) Act of 2005.**

13 Section 2. This Act shall become effective upon signature by the governor or, if not
14 signed by the governor, upon expiration of the time for bills to become law without signature
15 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
16 vetoed by the governor and subsequently approved by the legislature, this Act shall become
17 effective on the day following such approval.

PRESIDENT OF THE SENATE

SPEAKER OF THE HOUSE OF REPRESENTATIVES

GOVERNOR OF THE STATE OF LOUISIANA

APPROVED: _____