State of Louisiana

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COMMISSIONER OF CONSERVATION

DEPARTMENT OF NATURAL RESOURCES
OFFICE OF CONSERVATION

MEMORANDUM

December 7, 2005

To: ALL CONCERNED

From: JAMES H. WELSH, COMMISSIONER OF CONSERVATION

Subject: **INACTIVE WELL DETERMINATION PURSUANT TO ACT NO. 492 OF THE 2005 REGULAR SESSION (R.S. 47:633 et seq.)**

Act 492 of the 2005 Regular Session of the Legislature has amended and extended the severance tax incentive program for inactive wells. Act 492 allows for the suspension of severance taxes on all well production for a period of five years for qualifying wells. 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 a force majeure (act of God). The purpose of this memorandum is to provide guidelines for filing and processing applications for the Inactive Well Determination. Some guidelines have been established by previous office memorandums, but new guidelines are necessary to clarify questions that have arisen and to incorporate changes brought about by the new legislation.

1) **Qualified Well** - Any well that has been off production or has produced 30 days or less in a two-year period ending between July 1, 2002 and June 30, 2010 may qualify, unless it had prior approval, which is addressed below. The provisions of Act 492 shall apply to any certification granted on or after January 1, 2005. Please note that the entire wellbore is considered in the application evaluation. Any production from dual, triple, etc., completions would count against the two year qualifying period.

2) **Previously Approved Well** - A well previously approved under Acts 2, 16, 7, or 74 guidelines may re-qualify **if** the previous incentive period has expired, **and** the well meets the current guidelines. In addition, a well may re-qualify if the previous exemption period has not lapsed if said well never produced and sold oil or gas. In each case the applicant must file a new application for well status determination to obtain a new approval.

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3) **Beginning Date** - The exemption period will begin on the date of first production or 90 days after the application is received in our office, whichever comes first.

4) **Filing Requirements** - Applicant must file FORM STRP-IW. The form can be obtained at our web site or by calling the Office of Conservation. There is no fee required for this application. The web site address is:
www.dnr.state.la.us/CONS/CONSEREN/Permits/severancetax.ssi

5) **Miscellaneous** - Failure to apply for certification prior to commencement of production or within 30 days of commencement of production following a two year period of inactivity that falls within the time frame mandated will not disqualify the well. However, applicants are cautioned that the exemption in such cases, if approved, begins ninety days after the application is received or the date of first production, whichever comes first. Also, any well that meets the criteria relating to the inactivity as mandated on which drilling operations, i.e., re-entering, deepening, sidetracking, etc., are conducted to restore such well to production will be certified under this category upon proper application. This includes both wells which have been shut-in/temporarily abandoned and wells which have been plugged and abandoned (for two years) but are re-entered to restore production through the same wellbore at the surface.