



of the marketing costs and the price differential on gas can cut the proceeds by a significant amount, historically as much as 50%. In this fact pattern, the effective rate would go up to 8% or more in some cases. You illustrate the rate going to 6% on July 1, 2023, so the tax rate could get in the 12% range. This has happened in recent years with the existing tax.

Finally, another significant key component to consider is that gathering, processing and transportation costs are fixed, meaning they do not go down with pricing. Thus, the tax rate under your proposal would increase as a percentage of revenue as prices go down.

We believe there are also some inaccuracies about property taxes and sales taxes. You mention that mineral reserves are not subject to property tax in Louisiana. This is not true. The assessors have found a way to tax reserves under the current law through the taxation of the cost to drill and equip a well. Furthermore, the industry worked with the assessors to try to amend the LA Constitution to allow the taxation of the income approach to value for property tax purposes. This was done because the existing system provided terrible results as the wells matured, with the declines falling faster than the decreases in property taxes. With respect to sales taxes, the total rates in OK and TX (state and county) are in the 5% to 6.75% range, as compared to total rates in the 8.5% to almost 10%

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