BOBBY JINDAL
GOVERNOR

SCOTT A. ANGELLE
SECRETARY

State of Louisiana

DEPARTMENT OF NATURAL RESOURCES
OFFICE OF THE SECRETARY

March 21, 2011

The Honorable Cynthia Bridges
Secretary
Department of Revenue
Post Office Box 3863
Baton Rouge, Louisiana 70821-3863

Dear Secretary Bridges:

I have determined the natural gas severance tax *base rate adjustment* for fiscal year July 1, 2011 through June 30, 2012 to be 2.3468. Use of this *base rate adjustment* on a base tax rate of $0.07 per MCF (thousand cubic feet) produces a tax rate of **$0.164 per MCF** for the fiscal year beginning July 1, 2011.

La R.S. 47:633 specifies that effective July 1, 1992, the base natural gas severance tax rate shall be $0.07 per MCF, to be adjusted annually thereafter by a *gas base rate adjustment*. R.S. 47:633 also provides that the tax rate shall never be less than $0.07 per MCF. R.S. 47:633(9)(d)(i) directs the secretary of the Department of Natural Resources to determine the *gas base rate adjustment* for the 12-month period beginning July 1 of each year as follows:

> The *gas base rate adjustment* for the applicable 12-month period is a fraction, the numerator of which shall be the average of the New York Mercantile Exchange (NYMEX) Henry Hub settled price on the last trading day for the month, as reported in the Wall Street Journal for the previous 12-month period ending on March 31, and the denominator of which shall be the average of the monthly average spot market prices of gas fuels delivered into the pipelines in Louisiana as reported by the Natural Gas Clearinghouse for the 12-month period ending March 31, 1990 (1.7446 $/MMBTU).

This *gas base rate adjustment* is then to be used by the secretary of the Department of Revenue to adjust the annual gas tax rate for the next fiscal year beginning on July 1 by multiplying the base tax rate by the *gas base rate adjustment*.

As shown on the attached table, the numerator for the 12-month period ending on March 31, 2011 is 4.0943 $/MMBTU (dollars per million British Thermal Units). The attached table also provides all of the NYMEX Henry Hub data employed to calculate the preceding values.

If you have any questions, please contact Bill Delmar of our Technology Assessment Division at 342-5053.

Very truly yours,

Scott A. Angelle
Secretary

SAA:WJD:wjd
Enclosure

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Natural Gas Severance Tax Computation

As specified in R.S. 47:633(9)(d)(i)

BASE YEAR

Base year price for use in denominator is 1.7446 $/MMBTU as specified by Act 387 of 1990 and Act 1 of 2003, Regular Sessions of the Legislature.

PRESENT YEAR

Present year price for use in numerator is the average of the New York Mercantile Exchange (NYMEX) Henry Hub settled price on the last trading day for the month, as reported in the Wall Street Journal for the previous twelve-month period starting April 1 of the previous year and ending March 31 of the present year.

YEAR	MONTH	SETTLE	
2010	April	3.842	$/MMBTU
2010	May	4.271	$/MMBTU
2010	June	4.155	$/MMBTU
2010	July	4.717	$/MMBTU
2010	August	4.774	$/MMBTU
2010	September	3.651	$/MMBTU
2010	October	3.837	$/MMBTU
2010	November	3.292	$/MMBTU
2010	December	4.267	$/MMBTU
2011	January	4.216	$/MMBTU
2011	February	4.316	$/MMBTU
2011	March	3.793	$/MMBTU
2010/11 Year Average		**4.0943**	**$/MMBTU**

PRESENT YEAR (P.Y.) - Year 2010/11	4.0943 $/MMBTU
BASE YEAR (B.Y.)	1.7446 $/MMBTU
CALCULATED 2011/2012 Fiscal Year	
NATURAL GAS BASE RATE ADJUSTMENT	
P.Y. ÷ B.Y.	2.3468
or	234.68 %