

BOBBY JINDAL  
GOVERNOR



STEPHEN CHUSTZ  
SECRETARY

State of Louisiana  
DEPARTMENT OF NATURAL RESOURCES  
OFFICE OF THE SECRETARY

March 9, 2015

Tim Barfield, Secretary  
Department of Revenue  
P.O. Box 201  
Baton Rouge, Louisiana 70821

Dear Mr. Barfield:

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*...

The numerator for the 12-month average settle price through March 2015 is 3.9255 \$/MMBTU (dollars per million British Thermal Units), Attachment 1. The attachment also provides all of the NYMEX Henry Hub data employed to calculate the preceding values. Based on this information, I have determined the natural gas severance tax *base rate adjustment* for fiscal year July 1, 2015 through June 30, 2016 to be 2.2501. Use of this *base rate adjustment* on a base tax rate of \$0.07 per MCF (thousand cubic feet) produces a tax rate of **\$0.158 per MCF** for the fiscal year beginning July 1, 2015. As a point of reference the base tax rate for Fiscal Year 2015 was calculated to be \$0.163 per MCF.

If you have any questions, please contact Tom Harris of our Technology Assessment Division at (225) 342-1275.

Sincerely,

Stephen Chustz  
Secretary

SC:WJD:mll  
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         |                 |
|---------------------|-----------|----------------|-----------------|
| 2014                | April     | \$4.584        | \$/MMBTU        |
| 2014                | May       | \$4.795        | \$/MMBTU        |
| 2014                | June      | \$4.619        | \$/MMBTU        |
| 2014                | July      | \$4.400        | \$/MMBTU        |
| 2014                | August    | \$3.808        | \$/MMBTU        |
| 2014                | September | \$3.957        | \$/MMBTU        |
| 2014                | October   | \$3.984        | \$/MMBTU        |
| 2014                | November  | \$3.728        | \$/MMBTU        |
| 2014                | December  | \$4.282        | \$/MMBTU        |
| 2015                | January   | \$3.189        | \$/MMBTU        |
| 2015                | February  | \$2.866        | \$/MMBTU        |
| 2015                | March     | \$2.894        | \$/MMBTU        |
| <b>2014/15 Year</b> |           |                |                 |
| <b>Average</b>      |           | <b>\$3.926</b> | <b>\$/MMBTU</b> |

|   |          |          |
|---|----------|----------|
| Present Year (PY) Price - Year 2014/15    | \$3.9255 | \$/MMBTU |
| Base Year (BY) Price                      | \$1.7446 | \$/MMBTU |
| Base natural gas severance tax rate (BST) | \$0.07   | per MCF  |

**FISCAL YEAR 2015/16**

**NATURAL GAS BASE RATE ADJUSTMENT (GBRA)**

$$\text{GBRA} = \text{PY} \div \text{BY} = 3.9255 / 1.7446 = \mathbf{2.2501}$$

**NEW ANNUAL GAS TAX RATE (AGTR)**

$$\text{AGTR} = \text{BST} \times \text{GBRA} = 2.2501 * \$0.07 = \mathbf{\$0.1575}$$

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**Fiscal Year 2015/16 ANNUAL GAS TAX RATE = \$0.158 per MCF**