

JONATHAN DISMANG

SENATOR
29TH DISTRICT
CELL: 501-766-8220

POST OFFICE BOX 475
BEEBE, ARKANSAS 72012



THE SENATE
STATE OF ARKANSAS

MEMBER:
JOINT BUDGET
JOINT AUDIT
JOINT ENERGY
JOINT PERFORMANCE REVIEW
PUBLIC HEALTH, WELFARE & LABOR
CITY, COUNTY & LOCAL AFFAIRS

June 18, 2012

Dear Legislative Colleagues:

The attached letter to the Arkansas Municipal League was presented to the Committee in our January 2012 meeting. Since that time, new information has become available and this addendum will update Members to new and relevant data.

Please make note of the following new information:

- The previous letter stated the University of Arkansas had released a study in 2008 that projected, for the period 2008-2012, the Fayetteville Shale would create 11,000 jobs and have a \$17.9 billion economic impact on our state. Earlier this month, the University of Arkansas released a new study that shows job creation to be 22,000 and the economic impact to be \$18.5 billion. **Considering the Fayetteville Shale exceeded expectations in both job creation and economic impact, this industry is critical to the economic stability of our state.**
- The previous letter stated the current drop in price of natural gas impacts the producer, the royalty owner and the state's severance tax collections. From 2008 until now, we have seen a significant reduction in the price of natural gas. According to the U.S. Energy Information Agency, the price of natural gas fell from \$4.75/mcf (June 13, 2011) to \$2.18/mcf (June 13, 2012). **That is a drop of more than 50% and is a significant development that continues to handicap the industry.**
- **Senator Steve Harrelson** has requested to join the previous letter in support.

Sincerely,

Jonathan Dismang
State Senator
District 29

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**THE SENATE
STATE OF ARKANSAS**

January 11, 2012

Arkansas Municipal League
301 West Second Street
North Little Rock, Arkansas 72214

Dear Arkansas Municipal League Members and Affiliates:

The purpose of this letter is to inform you that the undersigned Members of the Arkansas General Assembly oppose The Natural Gas Severance Tax Act of 2012 and believe it would be harmful economic policy. If enacted, this Act will result in a loss of jobs, reduce state and local government general revenues, and will discourage expansion and growth by the independent energy producers doing business in our state.

When the development of the Fayetteville Shale was in its infancy in 2005, it was one of only a very few non-conventional shale plays being explored. There are now several existing and emerging natural gas shale fields in the United States, and each field competes for the immense capital outlays required to produce its natural gas. It is important that Arkansas maintain the competitive position we have on natural gas exploration and production so we can protect the jobs that power our local communities. In 2008, the Arkansas General Assembly dramatically increased the severance tax rate to 5% on natural gas, paid by both producers and citizens who own the mineral rights, and provided some short-term incentives. This rate was negotiated and agreed upon, in good faith, between the Governor, the Legislature, and the natural gas industry. The mutually agreed upon tax increase went into effect in 2009, when natural gas prices were around \$9 per unit (mcf). Today, with the increased rate in effect for barely three years, natural gas prices have fallen to around \$3.00 per unit. Obviously, a 2/3 drop in price impacts the producer, the royalty owner, and the state's severance tax collections.

The Natural Gas Severance Tax Act of 2012 would levy a 7% severance tax on the gross sales of natural gas, resulting in one of the highest severance tax rates in the country. A 7% severance tax, with no short-term incentives, makes investing production dollars in other states much more attractive and threatens Arkansas's ability to compete for natural gas drilling capital investments and the resulting jobs and economic impact.

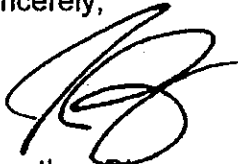
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Arkansas Municipal League - January 11, 2012
Senator Jonathan Dismang

There is no debate; the development of the Fayetteville Shale has had a tremendous impact on the Arkansas economy. A University of Arkansas study projected for the period of 2008-2012, operations within the Fayetteville Shale would create 11,000 jobs and have a \$17.9 billion economic impact on our state. As you know, those jobs power local economies and if you visit with those living within the Fayetteville Shale, as well as those in the traditional Arkoma production area of western Arkansas, you will quickly see that the natural gas industry is a valuable economic partner for Arkansas and our local communities. The current 5% natural gas severance tax rate, with our short-term incentive rates, allows Arkansas to be competitive and encourage that capital investment.

Listed below are the names of several members of the Senate and House City, County & Local Affairs Committees who are in agreement with the opposition of any effort to raise the severance tax on natural gas. Therefore, we encourage members of the Arkansas Municipal League to oppose any effort as well. In these tough economic times, protecting Arkansas jobs, and our local economies, should be a priority for all of us. Thank you for your attention to this matter.

Sincerely,



Jonathan Dismang
State Senator
District 29

Senator Michael Lamoureux
Senator Bill Sample
Senator Jerry Taylor
Senator Eddie Joe Williams
Representative Denny Altes
Representative Nate Bell
Representative David L. Branscum
Representative Davy Carter
Representative Linda Collins-Smith
Representative Jane English
Representative Jon S. Eubanks
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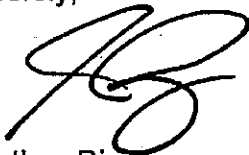
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