**LOGA Prepared Statement to the Louisiana House Ways & Means Subcommittee on State Tax Structure**

Wednesday, January 11, 2023

My name is Tanner Watson, here on behalf of the Louisiana Oil & Gas Association and our President, Mike Moncla.

Mike couldn't be here due to a scheduling conflict, but asked me to read a statement into the record on his behalf. If you have any questions, Mike asks that you reach out to him directly.

The oil and gas market in Louisiana is still very fragile. North Louisiana's Haynesville Shale is the only busy segment of Louisiana's four geographic areas that has any stability. South Louisiana has no viable shale play to attract investment dollars for new drilling, the inland waters market has been decimated by Coastal Erosion Lawsuits, and the offshore segment is at war with the Biden administration.

From 2015 to 2021, there were over 1,000 oil and gas bankruptcies. It is hard enough surviving through the unpredictability of the OPEC-controlled commodity prices. But having to deal with more state tax woes would be another dagger to Louisiana's oil and gas industry. However, over the past two years, an upswing began and many wells that were shut in due to economics have now been worked over and new wells have come on line, which has increased Louisiana's severance tax intake.

On the natural gas side, Louisiana is the 3rd ranked state in the US. Due to the proximity to the LNG facilities in Cameron Parish as well as transfer stations in Calcasieu Parish, production from the Haynesville has been the solution to Europe's renewable centric woes. To incentivize Haynesville and other horizontal drilling in Louisiana, a two-year severance tax exemption was passed in 2015 from House Bill 549, now Act 120. However, a sliding scale was also put into place so that the severance tax would be reactivated if natural gas prices remained over $7 per million BTUs. That $7 was triggered this year. So, the Haynesville players are currently paying full severance taxes on day one of production.

Louisiana has fallen to the 10th-ranked state in oil production for the United States. Louisiana also has the highest severance tax in the country, at 12.5 %. The severance taxes in our competitive bordering states are as follows: Texas 4.6%, Arkansas 5%, and Mississippi 6%. When investors are prospecting deals and see that bottom line profit margins on day one, would start 8 percentage points behind Texas, it is no surprise they choose to invest there, over Louisiana. If anything, we need to get more competitive with other states' taxes instead of adding taxes here in Louisiana.

The decline in Louisiana's intake on oil & gas severance taxes is a double-edged sword. On one side, you've got production and on the other, you've got the commodity prices. As commodity prices increase, so do Louisiana's severance taxes. We don't need to be taxed more; we just need stability in our industry. Since June of 2020 — that marks the end of the downturn and where oil began rising from $26 dollars — Louisiana's intake began increasing. Oil & gas severance tax revenues for Louisiana in 2020 were $327 million, then $349 million in 2021, and through July of 2022 were $342 million, that's on pace to $572 million for the year. That is a 164% increase of oil & gas severance taxes in just one year. A difference of $223 million. The point is, when commodity prices are high, oil & gas payments are high. We don't need further taxation.

Thank you.