

**Illustration of Potential Effective Tax Rate on Gas Production Under Different Tax Systems**  
**Potential New Field Development**

	Administration's 20/20			Senate Finance 22.5/25 With Gas Revenue Reduction To 1/3 of Actual Value			Current Elf System		
Gross Volume (MCF)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Royalty Volume (12.5% Royalty)	-0.125	-0.125	-0.125	-0.125	-0.125	-0.125	-0.125	-0.125	-0.125
Taxable Volume	0.875	0.875	0.875	0.875	0.875	0.875	0.875	0.875	0.875
Downstream Value (\$/MCF)	\$ 4.000	\$ 6.000	\$ 8.000	\$ 4.000	\$ 6.000	\$ 8.000	\$ 4.000	\$ 6.000	\$ 8.000
Cost to Downstream Market	\$ (2.650)	\$ (2.650)	\$ (2.650)	\$ (2.650)	\$ (2.650)	\$ (2.650)	\$ (2.650)	\$ (2.650)	\$ (2.650)
Wellhead Value	\$ 1.350	\$ 3.350	\$ 5.350	\$ 1.350	\$ 3.350	\$ 5.350	\$ 1.350	\$ 3.350	\$ 5.350
<b>Taxable Wellhead Value</b>	<b>\$ 1.350</b>	<b>\$ 3.350</b>	<b>\$ 5.350</b>	<b>\$ 0.450</b>	<b>\$ 1.117</b>	<b>\$ 1.783</b>	<b>\$ 1.350</b>	<b>\$ 3.350</b>	<b>\$ 5.350</b>
Production Costs (\$ Per Taxable MCF)									
Prop Tax	\$ (0.023)	\$ (0.023)	\$ (0.023)	\$ (0.023)	\$ (0.023)	\$ (0.023)	\$ (0.023)	\$ (0.023)	\$ (0.023)
OPEX	\$ (0.229)	\$ (0.229)	\$ (0.229)	\$ (0.229)	\$ (0.229)	\$ (0.229)	\$ (0.229)	\$ (0.229)	\$ (0.229)
CAPEX	\$ (0.343)	\$ (0.343)	\$ (0.343)	\$ (0.343)	\$ (0.343)	\$ (0.343)	\$ (0.343)	\$ (0.343)	\$ (0.343)
Net "Profit" Per Taxable MCF	\$ 0.756	\$ 2.756	\$ 4.756	\$ 0.756	\$ 2.756	\$ 4.756	\$ 0.756	\$ 2.756	\$ 4.756
Taxable Value	\$ 0.756	\$ 2.756	\$ 4.756	\$ (0.144)	\$ 0.522	\$ 1.189	\$ 1.350	\$ 3.350	\$ 5.350
PPT Tax (20% or 22.5%)	\$ 0.151	\$ 0.551	\$ 0.951	\$ (0.032)	\$ 0.118	\$ 0.268	N/A	N/A	N/A
Current Elf System (10%, 0.7 ELF)	N/A	N/A	N/A	N/A	N/A	N/A	\$ 0.095	\$ 0.235	\$ 0.375
Less Capital Credit (20% or 25%)	\$ (0.069)	\$ (0.069)	\$ (0.069)	\$ (0.086)	\$ (0.086)	\$ (0.086)	N/A	N/A	N/A
<b>Total Tax (\$ Per Taxable MCF)</b>	<b>\$ 0.083</b>	<b>\$ 0.483</b>	<b>\$ 0.883</b>	<b>\$ (0.118)</b>	<b>\$ 0.032</b>	<b>\$ 0.182</b>	<b>\$ 0.095</b>	<b>\$ 0.235</b>	<b>\$ 0.375</b>
<b>Tax as % of Wellhead Value</b>	<b>6.1%</b>	<b>14.4%</b>	<b>16.5%</b>	<b>-8.8%</b>	<b>0.9%</b>	<b>3.4%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>

Note: Assumes total capital costs of \$0.30/mcf; operating costs of \$0.20/mcf; property taxes of \$0.02/gross mcf of production; ELF = 0.7; royalty rate of 12.5%;

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Royalty Volume (12.5% Royalty)	-0.125	-0.125	-0.125	-0.125	-0.125	-0.125	-0.125	-0.125	-0.125
Taxable Volume	0.875	0.875	0.875	0.875	0.875	0.875	0.875	0.875	0.875
Downstream Value (\$/MCF)	\$ 4.000	\$ 6.000	\$ 8.000	\$ 4.000	\$ 6.000	\$ 8.000	\$ 4.000	\$ 6.000	\$ 8.000
Cost to Downstream Market	\$ (2.650)	\$ (2.650)	\$ (2.650)	\$ (2.650)	\$ (2.650)	\$ (2.650)	\$ (2.650)	\$ (2.650)	\$ (2.650)
Wellhead Value	\$ 1.350	\$ 3.350	\$ 5.350	\$ 1.350	\$ 3.350	\$ 5.350	\$ 1.350	\$ 3.350	\$ 5.350
<b>Taxable Wellhead Value</b>	<b>\$ 1.350</b>	<b>\$ 3.350</b>	<b>\$ 5.350</b>	<b>\$ 0.900</b>	<b>\$ 2.233</b>	<b>\$ 3.567</b>	<b>\$ 1.350</b>	<b>\$ 3.350</b>	<b>\$ 5.350</b>
Production Costs (\$ Per Taxable MCF)									
Prop Tax	\$ (0.023)	\$ (0.023)	\$ (0.023)	\$ (0.023)	\$ (0.023)	\$ (0.023)	\$ (0.023)	\$ (0.023)	\$ (0.023)
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CAPEX	\$ (0.343)	\$ (0.343)	\$ (0.343)	\$ (0.343)	\$ (0.343)	\$ (0.343)	\$ (0.343)	\$ (0.343)	\$ (0.343)
Net "Profit" Per Taxable MCF	\$ 0.756	\$ 2.756	\$ 4.756	\$ 0.756	\$ 2.756	\$ 4.756	\$ 0.756	\$ 2.756	\$ 4.756
Taxable Value	\$ 0.756	\$ 2.756	\$ 4.756	\$ 0.306	\$ 1.639	\$ 2.972	\$ 1.350	\$ 3.350	\$ 5.350
PPT Tax (20% or 22.5%)	\$ 0.151	\$ 0.551	\$ 0.951	\$ 0.069	\$ 0.369	\$ 0.669	N/A	N/A	N/A
Current Elf System (10%, 0.7 ELF)	N/A	N/A	N/A	N/A	N/A	N/A	\$ 0.095	\$ 0.235	\$ 0.375
Less Capital Credit (20% or 25%)	\$ (0.069)	\$ (0.069)	\$ (0.069)	\$ (0.086)	\$ (0.086)	\$ (0.086)	N/A	N/A	N/A
<b>Total Tax (\$ Per Taxable MCF)</b>	<b>\$ 0.083</b>	<b>\$ 0.483</b>	<b>\$ 0.883</b>	<b>\$ (0.017)</b>	<b>\$ 0.283</b>	<b>\$ 0.583</b>	<b>\$ 0.095</b>	<b>\$ 0.235</b>	<b>\$ 0.375</b>
<b>Tax as % of Wellhead Value</b>	<b>6.1%</b>	<b>14.4%</b>	<b>16.5%</b>	<b>-1.3%</b>	<b>8.4%</b>	<b>10.9%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>

Note: Assumes total capital costs of \$0.30/mcf; operating costs of \$0.20/mcf; property taxes of \$0.02/gross mcf of production; ELF = 0.7; royalty rate of 12.5%;

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Wellhead Value	\$ 1.350	\$ 3.350	\$ 5.350	\$ 1.350	\$ 3.350	\$ 5.350	\$ 1.350	\$ 3.350	\$ 5.350
<b>Taxable Wellhead Value</b>	<b>\$ 1.350</b>	<b>\$ 3.350</b>	<b>\$ 5.350</b>	<b>\$ 0.900</b>	<b>\$ 2.233</b>	<b>\$ 3.567</b>	<b>\$ 1.350</b>	<b>\$ 3.350</b>	<b>\$ 5.350</b>
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Net "Profit" Per Taxable MCF	\$ 0.756	\$ 2.756	\$ 4.756	\$ 0.756	\$ 2.756	\$ 4.756	\$ 0.756	\$ 2.756	\$ 4.756
Taxable Value	\$ 0.756	\$ 2.756	\$ 4.756	\$ 0.306	\$ 1.639	\$ 2.972	\$ 1.350	\$ 3.350	\$ 5.350
PPT Tax (20%)	\$ 0.151	\$ 0.551	\$ 0.951	\$ 0.061	\$ 0.328	\$ 0.594	N/A	N/A	N/A
Current Elf System (10%, 0.7 ELF)	N/A	N/A	N/A	N/A	N/A	N/A	\$ 0.095	\$ 0.235	\$ 0.375
Less Capital Credit (20%)	\$ (0.069)	\$ (0.069)	\$ (0.069)	\$ (0.069)	\$ (0.069)	\$ (0.069)	N/A	N/A	N/A
<b>Total Tax (\$ Per Taxable MCF)</b>	<b>\$ 0.083</b>	<b>\$ 0.483</b>	<b>\$ 0.883</b>	<b>\$ (0.007)</b>	<b>\$ 0.259</b>	<b>\$ 0.526</b>	<b>\$ 0.095</b>	<b>\$ 0.235</b>	<b>\$ 0.375</b>
<b>Tax as % of Wellhead Value</b>	<b>6.1%</b>	<b>14.4%</b>	<b>16.5%</b>	<b>-0.6%</b>	<b>7.7%</b>	<b>9.8%</b>	<b>7.0%</b>	<b>7.0%</b>	<b>7.0%</b>

Note: Assumes total capital costs of \$0.30/mcf; operating costs of \$0.20/mcf; property taxes of \$0.02/gross mcf of production; ELF = 0.7; royalty rate of 12.5%;