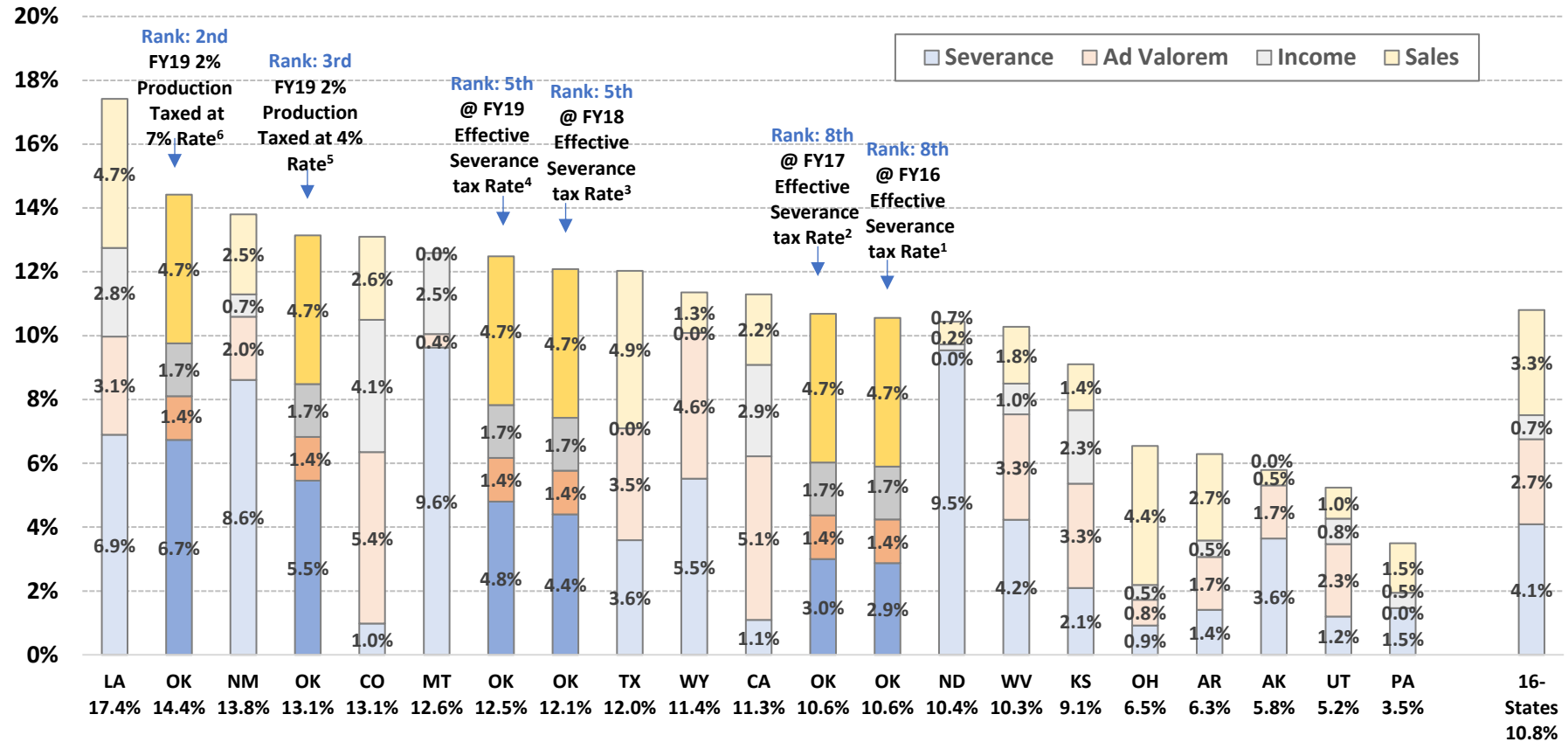


**Overall Effective Tax Rate on Oil and Gas Production - Alternative Severance Tax Rate Scenarios\* (16 Largest Oil & Gas Producing States)**



Notes: Measures the overall effective tax rate on oil and gas production based on four major tax sources - severance, ad valorem, personal income, and sales tax. The overall effective tax rate is calculated as total tax payments divided by the value of oil and gas production. Severance and ad valorem taxes are as reported by state reporting agencies. Personal income tax is measured as household earnings derived from the oil and gas sector times the average state personal income tax rate (as a share of household earnings). Sales tax is measured as total state and local sales tax multiplied by the share of state gross domestic product derived in the oil and gas sector. All tax and production values are reported on a fiscal year basis by state. The base year is FY2016 for severance tax; FY2016 for ad valorem tax (subject to state reporting variation); FY2016 for personal income tax; and FY2016 for state sales tax and FY2015 for local sales tax (the most recently available years).

\*Severance Tax Rate Scenarios: Assumes the base case FY2016 scenario with alternative assumptions for the severance tax rate. Tax policy remains constant in the other producing states.

1. Base case: FY2016 effective severance, ad valorem, personal income, and sales tax rates. FY2016 actual severance taxes are \$330.7 million.
2. Base case with actual FY2017 effective severance tax rate. FY2017 actual severance taxes are \$424.8 million.
3. Base case with projected FY2018 effective severance tax rate based on Oklahoma Tax Commission projections under current tax code. FY2018 projected severance taxes are \$638.7 million.
4. Base case with projected FY2019 effective severance tax rate based on Oklahoma Tax Commission projections under current tax code. FY2019 projected severance taxes are \$722.0 million.
5. Base case with projected FY2019 production in the 2% severance tax rate bracket taxed at 4%. FY2019 projected severance taxes are \$855.3 million.
6. Base case with projected FY2019 production in the 2% severance tax rate bracket taxed at 7%. FY2019 projected severance taxes are \$1,055.4 million.