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Oil and Gas Operators Oppose Yet Another Tax on Natural Gas Production

This additional tax is premature and duplicative.

Albany, N.Y. – The Independent Oil & Gas Association of New York today voiced opposition to a proposal by the Paterson Administration to impose a “severance tax” on oil and natural gas production in New York State.

In his just-released Executive Budget for 2010-11, Governor Paterson has proposed a 3-percent severance tax on the market value of natural gas harvested – or severed – from a gas pool in the Marcellus or Utica Shale formations. The tax would apply to horizontal wells, which have the potential to produce greater volumes of natural gas. There is already a production tax on the existing 14,000 wells in New York that are producing natural gas – through a real property tax assessment – which primarily stays in local communities, so an additional tax is unnecessary.

Brad Gill, IOGA of NY executive director, said the tax is poorly timed, as New York has not yet authorized horizontal drilling in the Marcellus Shale. The formation extends from the Southern Tier east to the Western Catskills.

“During this time of economic crisis, we all can appreciate the financial struggle the state now faces, but let’s not drive out an industry that can help Upstate New York get through this time of hardship,” Gill said. “We don’t believe New York should tax an industry that has not yet begun operating in the Marcellus Shale. It’s a case of putting the cart before the horse.”

Gill added: New York should consider modeling Pennsylvania, where Governor Edward Rendell allowed the oil and gas industry to mature before recommending a severance tax. “Consider that philosophy’s positive effects on Pennsylvania and its residents,” Gill said. “The state is thriving with tens of thousands of jobs and tremendous economic vitality.”

IOGA-NY was founded in 1980 to protect, foster and advance the common interests of oil and gas producers, as well as professionals and related industries in the State of New York. To send a message to Albany in support of natural gas exploration, visit marcellusfacts.com.