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Dear Arkansas Municipal League Members and Affiliates:

I was very surprised and disappointed to read the letter that Senator Jonathan Dismang distributed to you yesterday. He either intentionally misled you in his letter or he simply does not know what he is talking about. He has publicly aligned himself with the multi-billion dollar natural gas companies, along with a number of other legislators, to the point of saying he is defending them, so you can draw your own conclusions. I have rested under the apparent misimpression that legislators are elected to represent and defend the people who elect them, not the gigantic, wealthy corporations.

To state that the Arkansas General Assembly "increased the severance tax rate to 5% on natural gas" in 2008, without noting that the vast majority of natural gas is actually priced at 1.25% and 1.5%, is designed to mislead you. The actual severance tax rate for the last fiscal year, and the preceding year, was 1.5%, not the 5% touted by Senator Dismang. The fact is that the severance tax rate will never reach 5%, or anything close to it, under the current laws. Because of a special provision created to help the gas companies, the highest severance tax rate they will currently pay is 4.35%, not 5%, and again that higher rate will be applied very rarely. Less than 5% of all gas being produced in the Fayetteville Shale is priced at the higher rate.

He also notes that "some short-term incentives" were provided. It would be interesting to hear his explanation of this statement. Supposedly, what was to happen was a lower rate would be applied for a specified period of months until a well was totally paid for, and then go to 5%. What has actually happened is that by the time the short-term incentive was supposed to expire, the production rate has dropped off to the point that another low rate kicks in and applies for the remaining life of the well.

Apparently Senator Dismang did not read the comments Mike Yeager, BHP Billiton's Houston-based petroleum division chief executive, made recently to investors. He stated as follows:

"These are some of the cheapest wells in the United States at only three and a half million to drill and frac. And right now, at today's forward strip at the prices that were out there, we make 16 per cent rate of return on the investments on these wells at today's very, very depressed circumstances. Why? Shallow brittle and lower cost are clearly an advantage situation. So if you are going to be in the gas business in the U.S., even during these times, being in the good part of the Fayetteville is a really, really good place to be and I hope you can see that."

Page 2

Those are comments by the person in charge of the second largest lease-holder in the Fayetteville Shale, which happens to be the company that paid Chesapeake Energy \$4.75 billion for their holdings. He also stressed that BHP Billiton will increase the number of rigs they have drilling from 9 to 20 in 2012, in spite of the current \$3.00, plus, per mcf price for natural gas. Does this sound like someone who will be closing down jobs and leaving Arkansas? This totally refutes the false information being disseminated by others.

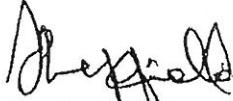
What Senator Dismang and his cohorts need to understand is that they have joined the Arkansas State Chamber of Commerce in fighting what could be a major job program for communities and counties of Arkansas, including those they were elected to serve. Thousands of jobs could be created throughout the state as the hundreds of millions of dollars resulting from the increased severance tax revenues, if the 7% tax rate is approved, flow into the system. The cities, counties and state could start addressing the extensive damage being done to the streets, roads and highways of Arkansas by those huge companies.

Unless we are successful in getting the multi-billion natural gas companies to pay for their damages through passage of the Natural Gas Severance Tax Act of 2012, we will wake up one day and they will be gone, leaving us holding the bag full of debts for us, our children and grandchildren to pay. We have already seen this play out to a degree by Chesapeake Energy selling their Arkansas interests to BHP Billiton for \$4.75 billion, and leaving us whatever problems they created in the process.

I apologize for the length of this epistle, but I felt that the letter from Senator Dismang was so misleading that it required a thorough response.

If you will stick with me and get the signatures necessary to place the severance tax issue on the ballot, the people of Arkansas will state loud and clear on November 6, 2012 who they feel should pay for the tremendous damage these multi-billion dollar carpetbaggers are inflicting on our beautiful state.

Sincerely,



Sheffield Nelson