



STATE OF NORTH DAKOTA
OFFICE OF STATE TAX COMMISSIONER

Cory Fong, Commissioner

ANNUAL OIL TRIGGER PRICE ADJUSTMENT

TO: North Dakota Oil Producers and Purchasers
FROM: Office of State Tax Commissioner
SUBJECT: Notification of Oil Trigger Price Adjustment for Calendar Year 2012
DATE: December 31, 2011

In keeping with the provisions of North Dakota Century Code (N.D.C.C.) § 57-51.1-01, the Tax Commissioner has determined that the oil trigger price for the calendar year January 1, 2012, through December 31, 2012, is \$50.07.

For your information, the following steps determined the trigger price for calendar year 2012:

STEP 1 - The annual average of the industrial commodities producer price index, commodity code 03 thru 15, as published by the U.S. Department of Labor, Bureau of Labor Statistics, for fiscal year 2011 was computed from the data shown below.

Table with 3 columns: Month, Year, and Price Index. Rows include months from July 2010 to June 2011, and an Annual Average row.

STEP 2 - A base rate adjustment of 1.41051 was computed by dividing the 2011 fiscal year average price index of 194.65 by the base rate index of 138.0, which was determined using the 2001 fiscal year average (i.e., 194.65 / 138.0 = 1.41051).

STEP 3 - The effective trigger price of \$50.07 for calendar year 2012 was computed by multiplying \$35.50 times the base rate adjustment of 1.41051 (i.e., \$35.50 X 1.41051 = \$50.07).

In accordance with N.D.C.C. § 57-51.1, if the average price of a barrel of crude oil (i.e., monthly average daily closing price for a barrel of west Texas intermediate Cushing crude oil minus two dollars and fifty cents) exceeds the trigger price for each month in any consecutive five-month period, certain exemptions and rate reductions become ineffective. Subsequently, the exemptions and rate reductions are reinstated if the average price is less than the trigger price for each month in any consecutive five-month period.

The trigger price adjustment is published on the Office of State Tax Commissioner's web site located at: www.nd.gov/tax. If you have any questions regarding this notification, please contact the Oil and Gas Tax Section at 701.328.3657 or by email at oiltax@nd.gov.