

April 25, 2002

The scheduled meeting of the Cleveland County Equalization Board was called to order this 25th day of April, 2002, in the conference room of the County Office Building by Chairman Walter Morris. Roll was called by Dorinda Harvey, County Clerk/Secretary and those present were:

Walter Morris, Chairman
Pat Thompson, Vice-Chairman
Pat Ross, Member
Dorinda Harvey, Secretary

Others present were: Denise Heavner, David Tinsley, and Gary Mask.

After the reading of the minutes of the meeting of April 1, 2002, and there being no additions or corrections, Pat Ross moved that the minutes be approved. Pat Thompson seconded the motion.

The vote was: Walter Morris, yes; Pat Thompson, yes; Pat Ross, yes.
Motion carried.

Pat Ross moved, seconded by Pat Thompson, to approve the Homestead Exemption Applications.

The vote was: Walter Morris, yes; Pat Thompson, yes; Pat Ross, yes.
Motion carried.

Chairman Morris called for Discussion, Consideration, and/or Action on the following Letters of Protest.

Richard & Betty Montgomery, 3500 S. Telephone Rd., Moore, OK 73160, for MC2 10 3W 35013, part of NW/4 35-10-3W. Mr. Montgomery gave the Board several documents that he refers to in his presentation and stated he was a builder and this was the first time he had ever protested that he has more facts than the municipal government does or County Assessor. He asked to come before this Board because of the appraised value on his property of \$378,752.00. When he had his informal the Assessor's Office gave him a document that indicted which property was used as a comparison. The property was at 1500 S. W. 38th Street with a square foot figure of \$93.63. He had given the Board the appraisal of that piece of property and stated he was the one who built that house and sold the house. It sold for \$299,900.00 and he also had a copy of the contract. The figures he came up with per square foot was \$81.98 and this house has all of the amities.

Pat Thompson asked Mr. Montgomery if he is talking about 1500 S. W. 38th with the appraisal of \$266,000.00 and Mr. Montgomery stated that was the property that the Assessor's Office is comparing with his house and his house was appraised at \$378,752.00. Pat Thompson asked Denise Heavner, County Assessor, if he was corrected about this property being \$266,000.00 and David Tinsley, Deputy Assessor, stated that it was on for \$292,887.00.

Mr. Montgomery showed the Board the settlement document and stated that stamps were affixed when filed showing what the selling price was. Mr. Montgomery stated that the square footage was wrong and asked what David Tinsley showed as square footage. Mr. Tinsley replied that the Assessor's Office is showing the square footage to be 3194. Mr. Montgomery stated that on the documents he presented to the Board that the appraised value was on 3650 square feet and that is why he was saying that the numbers are wrong. With the numbers being wrong and using that figure to apply to his new home that he built and he has cost figures, cancelled checks, everything that it actually cost to build the house, there is an \$11.73 a square foot price difference between what the Assessor attached the value of \$75.09 on his, verses \$93.63. Mr. Montgomery continued stating the real value of the house that the Assessor is using as a comparison is \$81.98 which is eleven dollars and some change difference.

Walter Morris asked about the house at 1500 S. W. 38th and asked what that equates to per square foot and he was told \$80.00. Mr. Morris asked if the Assessor disagrees with the square footage at that house and David Tinsley stated he would like to get it re-measured. David Tinsley said unless something was added those figures were either measured or given to the Assessor and he stated it looks like those were interior measurements.

Mr. Morris asked if the house at 1500 S. W. 38th had a bonus room or something upstairs? He showed the Board the floor plans and stated that the bonus room was finished when he built the house.

Denise Heavner, County Assessor, stated the house needed to be re-measured.

Mr. Morris continued saying the house at 1500 S. W. 38th sold for \$299,900.00 and it is assessed at \$292,887.00.

Mr. Montgomery stated that what he is getting at is that somehow or another the Assessor came up with a number (on one of the pieces of paper that had been presented) on the subject property that he is talking about at \$75.09 but the Assessor is using for the comparison the house across the street for \$93.63 which clearly the computations that was given earlier were in the \$80.00 range.

Mr. Morris asked what his house was being assessed at and Mr. Montgomery stated \$75.09 and Mr. Montgomery stated he disagreed with the \$75.09.

Pat Thompson asked Mr. Montgomery if he thought the \$80.00 a square foot was the proper amount for 1500 S. W. 38th and Mr. Montgomery stated yes.

Mr. Montgomery stated that his house is in agricultural zoned land and the house that is being compared to his is in an addition. Mr. Montgomery stated he has livestock and commercial construction around his property and gave the Board pictures. He continued saying that you can only determine the true value of a house when it is sold.

Pat Thompson stated that he thinks too much time is being spent on stuff that this Board has no concern about and this is an Equalization Board and Mr. Montgomery stated that he thinks the Board needs this information to make the right decision. Pat Thompson stated that at 1500 S. W. 38th it is on for \$80.00 a square foot and asked Mr. Montgomery if his house should be \$80.00 and Mr. Montgomery replied that it cost him \$56.48 a square foot to build it. Pat Thompson stated that had no bearing on this Board and asked what Mr. Montgomery's should, be equal to the house that it is being compared to.

Mr. Montgomery thinks the point spread is not there. The point spread of \$11.00 and taking it off of the \$75.00 and get in the \$60.00 range is where he thinks it should be, knowing that his hard cost is \$56.48.

Walter Morris asked Mr. Montgomery if he knew what the law was pertaining to how the Assessor's Office has to assess and Mr. Montgomery replied not fully. Mr. Morris continued stating the Assessor has to look at a like property in a quadrant area of this county and assess them at the same cost per square foot. Mr. Morris asked Mr. Montgomery if he would sell his house today for \$56.00 a square foot and Mr. Montgomery replied he would. Mr. Morris stated that Mr. Montgomery was comparing apples to apples because he is a commercial builder, he is comparing his cost in it, but he sold the other home even at his numbers at \$75.00 a square foot. Mr. Morris asked how his house was less inferior then the one at 1500 S. W. 38th that would make his \$20.00 difference in value. Mr. Montgomery gave some examples.

Mr. Montgomery stated he knew the cost involved when he built the first house and when he built the second one. Mr. Montgomery said he footage is not 5040 but instead of addressing the issues of the numbers of square feet he would address the value that was assessed verses the one across the street.

Mr. Morris stated that even with the numbers he sold the house across the street at \$299,900.00, the Assessor only has it assessed at \$292,887.00. It is assessed lower than what the true market was and the comparison figures is \$75.09 a square foot and if the Assessor had him assessed higher then \$75.09 a square foot then Mr. Montgomery would have an argument that he was not being treated equal to his neighbor.

Mr. Montgomery restated that his property is agricultural and talked again about his surroundings. Mr. Montgomery bought five (5) acres for \$35,000.00 and sold the lot next door to his daughter and son-in-law for \$20,000.00 leaving him three (3) acres costing \$15,000.00 basically. He also spent \$6,000.00 in building ponds to get rid of a water problem on the property. He only has electricity and water as the City of Moore does not provide sewer for that area. Mr. Montgomery's land is on for \$25,000.00. The property Mr. Montgomery sold to his daughter was the best lot and it did a percolation test where his property would not. In order for him to get a sewer he had a lot of lateral fields put in and a lot of crushed rock. Mr. Montgomery is living at this site by choice. He stated he paid \$284,701.00 to build the house, which would be \$56.48 a square foot.

Walter Morris had questions about some of the documents Mr. Montgomery presented and asked the Assessor what Mr. Montgomery's house was assessed and David Tinsley replied \$75.09.

Mr. Montgomery went over again about the house at 1500 S. W. 38th in comparison to his. Denise Heavner stated that the law says property has to be priced at what it would bring at a voluntary sale, a market price, not at what Mr. Montgomery put in to it.

David Tinsley explained to the Board and Mr. Montgomery about how the Assessor finds what the market value would be is by pulling property around Mr. Montgomery's that was comparable. Mr. Tinsley stated the house at 1505 S. W. 38th is on for \$76.44 a square foot and the house at 1500 S. W. 35th is on for \$66.28 a square foot, which is not really comparable according to Mr. Tinsley and the house at 1501 S. W. 35th is on for \$69.71 a square foot.

Pat Thompson requested more time to look into some of the figures that Mr. Montgomery had presented and that he has concerns over the land and moved to table until the next meeting. Pat Ross seconded the motion.

The vote was: Walter Morris, yes; Pat Thompson, yes; Pat Ross, yes.

Motion carried.

Mr. Montgomery stated that at the time he filed out the application he put down what he thought his property was worth \$258,000.00, but if he did his calculation right when he got through with his hard cost and the land it is now \$299,000.00 and that is what he thinks it should be on the tax rolls as being fair.

Continental Resources, Inc., represented by Donna Henthorn, P. O. Box 1032, Enid, OK 73702 for 5-9N-2W, Heitz Saltwater Disposal, 1998, 1999, 2000, 2001. Donna Henthorn said she is here to protest the omitted property assessment on the Heitz Saltwater Disposal. It was purchased in 1996 and at that time a list of the assets purchased and allocation of the purchase price was filed with the Assessor. Ms. Henthorn gave the Board a copy and stated it allocates the purchase price of a business that was purchased and on the last page it listed saltwater disposal and the price of \$12,500.00, which was the allocation of the cost. Each year a rendition was filed which reported the cost of \$12,500.00 and therefore she does not see how it could be omitted property.

Walter Morris asked if this was an active well that is being used continually for disposal and Ms. Henthorn stated it was a saltwater disposal that was plugged in January, 2001, and it's not there anymore. She doesn't see how the Assessor can go back and say it was worth more in those years, it was reported so it was not omitted and in their opinion the assessment was a fair value, that was the value they thought it was worth when purchased. After a few years it was abandoned because it was not profitable it was a liability and \$130,000.00 was spent to plug it.

Walter Morris stated that this was purchased in 1996 and 1998, 1999, 2000, and 2001 is what is being looked at and that is what the Assessor is going back on.

Denise Heavner replied yes and stated it was turned in but felt the value was incorrect.

Mr. Morris asked what it was assessed for at that time and Ms. Heavner stated at the value it was turned in \$12,500.00. Mr. Morris stated that they have paid taxes based on the \$12,500.00 for the years 1996 through 2000 and Ms. Heavner stated that was correct.

Mr. Morris asked about the year 2001 and Ms. Heavner stated it was plugged January 10, 2001. 2001 is questionable whether it should be assessed but technically the law says if it's there January 1st you are supposed to assess it for that year. The reason it is called omitted property is the Assessor doesn't feel like it was assessed properly and that would make it omitted even though a rendition. Omitted can be property that was just not put on at all or property that was put on at too low of a value.

The reason the Assessor is only going back to 1998 is because legally that is as far back as she can go. This was held over because it was done at the time of year that the Board had adjourned for the year even though the forms were sent out the Assessor knew she had to wait until the protest period to let it go through the process.

Gary Mask, with VLS (Visual Leasing Services), stated that typically they render all of the assets that are on the saltwater disposal well, which is all of the down-hole equipment, well head, packer, etc. anything that is on the site. Mr. Mask stated that when property is discovered like this, the property has been rendered a value and when he comes in and list all of this property there are pieces of that value that are missing. This is what they are saying that there has been a value rendered and there are pieces of that value missing on this property. Call it undervalued or call it omitted property it wasn't done correctly.

Mr. Morris asked what were the pieces on the property that were missing and Mr. Mask stated it could have been tubing that was laying out on the site, that could have been the \$12,000.00 and there was some casing, not necessarily the saltwater disposal site itself. Pat Thompson asked Mr. Mask if the saltwater site itself was worth a lot more than \$12,500.00 and Mr. Mask replied it was. Mr. Thompson asked how it got bought for \$12,500.00.

Mr. Mask stated they didn't say it was bought for \$12,500.00 they purchased a bunch of property and then put a value on it.

The well is 6700 feet deep and has been used as a disposal well from 1996 to 2000.

Mr. Mask stated that typically a disposal well runs between \$50,000.00 and \$180,000.00. It was originally drilled in 1989 as an oil and gas well and then it was turned into a disposal well in 1994.

Mr. Morris asked Ms. Henthorn why she thinks a well that was active only cost \$12,000.00 and he understands that when you buy you assess revenues or value to various parts of assets that you purchase and asked if she would be willing to submit to a revenue assessment?

Ms. Henthorn stated she did not know and Mr. Morris said he would certainly doubt it.

Mr. Morris continued saying during the years 1996 through 1999 there was probably considerable amount of revenue coming in from that disposal well.

Ms. Henthorn doesn't think there was or they would not have plugged it in the later years.

They have an accounting program that has an inception to date feature and the inception to date profit or loss on that was a \$300,000.00 loss, which a \$130,000.00 of that was for the plugging operation so the rest of the years was a \$150,000.00 loss.

Pat Thompson asked if the Assessor thinks the value should be \$26,000.00 and Denise Heavner stated that the value changes each year.

Ms. Henthorn stated they are required to report the cost and that is what was reported and they are not required to try and put a value on it themselves.

Mr. Morris stated that what they have done is correct, but that doesn't mean from the way the law is setup that that is the true fair market value of that piece. It was purchased as part of an asset sale and assigned a cost. The Assessor by law has to assess it fairly and asked if there were any other disposal wells in Cleveland County.

David Tinsley stated that is why the Assessor's Office has VLS.

Mr. Mask stated that they are still out in the field and he will have an answer for the Board in about two (2) to three (3) weeks when they put all of the information together, but in the other fifteen (15) counties that they work in, this is the way they do everything on the saltwater disposal wells. Some much for the tubing, well head, etc. everything that is involved in it.

Denise Heavner stated that the \$26,000.00 is for all four (4) years. If you add all four (4) years of assessed value you will get \$26,000.00. Ms. Heavner stated that she had not problem with taking off the 2001.

Mr. Morris says the law states that you are to be treated equal with other like properties in the county or area and the Board should know (at a later time) if there are other disposal wells and if they are of similar depth then the well should have similar equipment as to how they are going to be handled. He thinks it is unfair to single out one unless this is the only disposal well that is in the county and he doubts that.

Mr. Mask stated he could have that information to the Board by their next meeting.

Mr. Morris continued saying that Ms. Henthorn is entitled to be treated fairly and right now the Board doesn't have the information to treat her fairly one way or the other and asked for a motion to table.

Pat Thompson moved, seconded by Pat Ross, to table until the next meeting.

The vote was: Walter Morris, yes; Pat Thompson, yes; Pat Ross, yes.

Motion carried.

Mr. Morris told Ms. Henthorn she would be welcome at the next meeting on May 10, but what they are going to base the assessment on is what was down the hole as far as the assets and if there are like disposal wells. If this is the only one then basically the Board will have to do something based on the recommendations that appear to be fair to all concerned to the best of the Boards knowledge.

Ms. Henthorn thought that you could go back three (3) years if there was omitted property that wasn't reported, but she didn't know that you could go back and revalue.

Pat Thompson stated that if it has been too low then it could be done.

Denise Heavner stated that the contingent is that everything was not reported.

Walter Morris stated, in fairness how do you say they are not reporting everything if there is an asset buy and assign a 100% of the asset to various properties, and asked if this property was on the tax rolls prior to them making the purchase. This well was drilled prior to them buying it and asked if it was not on the tax rolls as some number.

Denise Heavner stated that it was possible that it was on the tax rolls all these years but at a lower number.

Mr. Morris continued saying if the Assessor has it on the tax rolls for "X" amount and they buy it and tell you they are assessing it at \$12,500.00 and you have it on the rolls at \$10,000.00, then how is it in fairness to them, omitted property of greater value.

Denise Heavner explained that personal property is difference from real estate. On real estate it is the Assessor's Office responsibility to find and on personal property it is the owners responsibility to turn it in, but there is an auditing process to go through.

More discussion took place as to personal property and Mr. Morris asked that the Assessor bring to the next meeting the statutes were they could go back and pickup prior years on assessing.

There being no further discussion to come before the Board, Pat Thompson moved that the meeting be adjourned. Pat Ross seconded the motion.

The vote was: Walter Morris, yes; Pat Thompson, yes; Pat Ross, yes.

Motion carried.