

April 1, 2003

The scheduled meeting of the Cleveland County Equalization Board was called to order this 1st day of April, 2003, in the conference room of the County Office Building by Chairman Waldo Blanton. Roll was called by Dorinda Harvey, County Clerk/Secretary and those present were:

Waldo Blanton, Chairman
Pat Ross, Vice-Chairman
Charles Thompson, Member
Dorinda Harvey, Secretary

Others present were: Linda Whittington and Jerry Wisdom.

After the reading of the minutes of the meeting of March 4, 2003, and there being no additions or corrections Pat Ross moved that the minutes be approved. Charles Thompson seconded the motion.

The vote was: Waldo Blanton, yes; Pat Ross, yes; Charles Thompson, yes.
Motion carried.

Chairman Blanton called for discussion, consideration, and/or action on the following Letter of Protest from Corner Energy, L.L.C., represented by Linda Whittington, manager, P. O. Box 20548, Oklahoma City, OK 73156 for NE/4 Sec. 8-10N-3W.

Linda Whittington asked if the Board had received the paperwork she had mailed and the Board answered in the affirmative. Ms. Whittington stated that her premise is that a flow line is not taxable pursuant to Title 68, Subsection 1001.1(3). A flow line is entirely different from a pipeline and she thinks that is the sticking point from her meetings with Denise Heavner, County Assessor, and Jerry Wisdom (Mrs. Heavner's advisor). They believe that the flow line is a pipeline. In the oil and gas business sometimes pipelines will not run to the well to pick up the gas and to produce the gas and sell it you have to be able to run a flow line to the actual purchasers pipeline. The well is not commercial until the gas is sold. It is her flow line that flows gas from her well to the pipeline that is owned by the purchaser. It's not the same type of equipment and she thinks that is one of the things that Mr. Wisdom had indicated was that he thought her flow line acted the same and worked the same as a pipeline and that is not true. She is the only person that flows gas into her flow line and it is simply a point to get the gas to a sells point. This well was completed in 1966 and it has never been assessed and the flow line has been there that long. It is very common practice in this industry that those items on your lease that you need to produce your gas are exempt. She can't imagine how all of the sudden this is an assessable item and she thinks that state statute proves that. One of the things that Mr. Wisdom told Ms. Whittington is that she could get an opinion from DeWayne Williams at the Oklahoma Tax Commission. She did speak with Mr. Williams extensively and he is not the person that can make that decision and he referred her to their legal office. Mr. Williams stated to Ms. Whittington that in his opinion she was correct but he can't make that statement on behalf of the Oklahoma Tax Commission. Their legal staff has been shortened up and they were unable to provide any additional help at this time because of budget shortfalls.

Denise Heavner explained that there are many pieces of property that they have found that were not assessed for some time and in her opinion it is taxable.

Jerry Wisdom stated that he is with Visual Aid Services the consultant firm that has been hired by the County to go out and find these properties. Mr. Wisdom gave the Board a couple of letters one from the Oklahoma Tax Commission in 1991 stating about compression and gathering systems whether they are taxable or not taxable and it clearly states that it is taxable. The other letter stated on page 6 (in Ms. Whittington's reference about flow lines and pipelines) that this particular line in this letter is considered marketing facilities included but not limited to flow lines or gathering systems from the separator to the purchasers transmission lines. This line goes from her separator to the purchasers tie in or the purchasers connect. On page 3 it says what's deductible from her gross production taxes is ad valorem taxes paid on facilities if those facilities are exempt there would be no ad valorem taxes and there would be no form for this so it clearly states that ad valorem taxes should be collected. It's not necessary production, the well is already produced once the gas leaves the separator and at that time it is capable of being measured and tested for quantity and quality according to statutes. It is a two (2") inch line and there are other lines that were valued the same as he had all of the other pipelines within the county to be equal among all operators. Ms. Whittington stated that she did not have a marketing facility it is an oil and gas lease that has a well on it she does not have a facility that is defined as such. Duke Energy owns the actual pipeline, but the flow line of 2100 feet is hers and she has the easements for this flow line.

Waldo Blanton asked why the gas metered at the 2100 feet point and not at the well?

Ms. Whittington stated it was because that is where the pipeline is, it doesn't run to her well. She stated that there are times when the purchaser is willing to run lines from the pipeline to the well directly but it doesn't happen in every instance.

Chairman Blanton asked if Ms. Whittington agreed that the gas is produced out of the ground and after the dehydrator and the separator when it goes into the line to transport it to the metering point.

Ms. Whittington believes her gas is produced then but its not in commercial quantities, because it is not sold.

Chairman Blanton stated that he pulled a case off of the internet (gave Board members copies and Ms. Whittington) and the bottom line of it is exactly on point (Chairman Blanton read excerpts from the case) and the final ruling says the exemption from ad valorem taxation by payment of gross production taxes does not extend to companies pipeline which transports gas production from the dehydrator to the trunk line where sold. Chairman Blanton stated that Ms. Whittington point is that she sells it when it get there and Chairman Blanton said that was the point in this particular case law. Chairman Blanton asked Ms. Whittington to take a moment and look at the case.

Ms. Whittington stated that the first thing she see is that it is being called a pipeline and that is not what this would be referred to in industry standards it is simply a flow line.

Chairman Blanton stated that is what this case is all about what it was called and they tried to do the same thing but the ruling was the Equalization Board denying the protest and it takes the position that it is taxable.

Charles Thompson asked if all of the wells in the county that the Assessor knows of are the lines taxed and Mr. Wisdom answered yes and explained how it was being taxed and stated that each well has to be looked at on a case by case basis and this line is being valued on two

(2”) inch polly. The tax would be around \$32.00 per year in taxes and that is with penalty. The polly line was put in, in 1990. More discussion took place on what is taxable and not taxable on wells.

It is very interesting to Ms. Whittington that for many, many years all of these things have been exempt and held to be exempt by the industry and if you look around there are several people who do not pay.

Charles Thompson stated that is why the County has people hired to find these things.

Mr. Wisdom stated that a lot of the operators don’t know that they have a tax and this is educating the industry and the assessors and finding the property that is taxable and the ones that are exempt. We can’t treat Ms. Whittington’s property any different than other people. Chairman Blanton moved, seconded by Pat Ross, to deny the request for an adjustment to the assessment on Corner Energy, L.L.C. represented by Linda Whittington.

The vote was: Waldo Blanton, yes; Pat Ross, yes; Charles Thompson, yes.

Motion carried.

After an explanation from Denise Heavner about homestead exemption Pat Ross moved, seconded by Charles Thompson, to approve Homestead Exemption Applications.

The vote was: Waldo Blanton, yes; Pat Ross, yes; Charles Thompson, yes.

Motion carried.

A brief miscellaneous discussion took place.

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

The vote was: Waldo Blanton, yes; Pat Ross, yes; Charles Thompson, yes.

Motion carried.