

May 29, 2003

The scheduled meeting of the Cleveland County Equalization Board was called to order this 29<sup>th</sup> day of May, 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: Denise Heavner, Jerry Wisdom, and Will Presson.

After the reading of the minutes of the meeting of May 22, 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 Letter of Protest from Cimmarron Transportation, represented by Will Presson, P. O. Box 170, Gainesville, TX 76241 for Miscellaneous Pipelines in Cleveland County GEO Numbers 111076, 111074, 121479, and 119719.

Will Presson with Cimmarron Transportation acquired several pipeline systems in Cleveland County. There are 125.7 miles of inactive pipe. There was 64.5 miles acquired from Eott in a sell of 1835 miles of pipeline and a half a million dollars was paid. The actual price of the pipe was \$272.00 a mile. The other is 61.2 miles. All of this is inactive. Historically the lines were used for crude but his company can't use them for that, their property rights have been severed on these pipelines.

Chairman Blanton wanted to know how the rights got severed.

Mr. Presson said it was severed in the purchase/sell agreements and it's a no compete and stated that they couldn't use the lines for transportation of crude. His company's plan is to use the lines for natural gas gathering. Mr. Presson opinion is that because of the severed rights the value has been diminished. The lines have all been used for oil and the fiber optic right has also been severed. The right-of-way can't be used for fiber optics. In January 2002, his company acquired the first 64.5 miles and included in that was 158 acres of real property, some old stations with some tank batters and tank farms. The seconded was 807 miles of pipe in October of 2002 for \$115,000.00 at \$142.50 per mile of pipe. Currently it is being assessed at \$592,979.00, which is \$4,717.00 per mile and this is the two combined. There have been six different acquisitions from six different companies and the purchase price ranged from \$142.00 to \$272.00 per mile. Right now it is inactive but his company is in the process of trying to get a couple of pieces of it to buy some gas contracts and use for a low pressure gas gathering system. The main focus is not in Cleveland County his company is in 27 counties in Oklahoma. Stevens County is where his company is actually trying to pursue some operators and trying to buy some gas to put in this line. Mr. Presson stated that the

Supreme Court of Oklahoma says that the best evidence of a fair cash value is a sale and he has two sales.

Denise Heavner explained about the corrected informal. Ms. Heavner stated that when the original informal was done she pulled information and they talked about splitting the difference basically and the valuation at that time was down to salvage (5% salvage) and then she realized about two days later that there were two companies that Mr. Presson's company had purchased one being Spectrum and the other Eott and that the Assessor's Office should have combined the two and then half them.

Chairman Blanton asked the Assessor what they started with if they came up with \$592,979.00 figure and Ms. Heavner stated it was a million and something.

Jerry Wisdom stated that all natural gas pipelines in the county at idle and this is what Mr. Presson's intends to use as the pipelines for is idle or at a 10% floor schedule. So all other idle pipelines throughout the county are at a 10% floor. Mr. Wisdom and the Assessor felt like the circumstances that Mr. Presson had was that he's probably not going to convert all of them to natural gas and he has the capability of salvaging part of it so they took the recommendation of Marshal/Swift and took it to a 5% floor. Floor is as far as it will depreciate down you can't go down to "0" you have to have some value. The schedules that are used are cost driven schedules/replacement cost new, which is accepted across the state. He works in 24 different counties across the state valuing pipelines. Basically when you have an inactive or idle pipeline the Assessor's have taken them to a 10% floor, which is what Marshal/Swift also says for idle pipelines. Mr. Wisdom showed the Board pictures of areas in Marshal County where Mr. Presson's company (the Eott purchase) is actually salvaging pipeline. Mr. Wisdom showed pictures of 4" pipe and some 8" pipe that have been taken out, but according to Mr. Presson on this site they aren't taking this pipe up. In order for Mr. Presson's company to get this pipeline the system that they wanted they had to buy everything, so what they have done is allocate five cents to each foot of pipe. Pictures show 2, 3, 4, 6 and 10 inch pipe and the way the Assessors value it, they take each individual pipe and value it on that size. Mr. Presson is saying 2" pipe is worth the same as 10" pipe. Reclaimers from Canadian County has told Mr. Wisdom and the Assessor that they pay anywhere from \$2.50 to \$4.00 a foot for 10" pipe and Mr. Presson's company has over 1015 feet of 4" pipe, so at \$4.00 foot that's over a half million dollars just in 4" pipe.

Chairman Blanton wanted to know what it cost to get the pipe out of the ground and Mr. Wisdom replied that is what the reclaimers pay to get the pipe they have to go and get it. Mr. Wisdom continued saying that 2, 3, and 4 inch pipe is probably not going to have the value to go and get but obviously they are digging 4 inch pipe up so they are reclaiming some of it. Mr. Presson stated that the pictures Mr. Wisdom is showing the Board is a tank farm. None of the pipeline system was located in Marshal County, that was a tank farm and he called it a Cumberland station. The pipe in the picture was a pipe that connected three 55 thousand barrel oil tank batteries together. His company has seven of these sites that they are taking down. That actual pipeline is not going to be salvaged.

Mr. Wisdom stated that at salvage cost, what the pipe is currently on for, for 2" pipe \$47.50 per foot and 3" pipe is \$76.00. Mr. Wisdom is talking about two different things, the salvage of pipe and a pipeline system. He is saying that the price that the Assessor has it on for at salvage is the floor that all Assessor's are willing to go to according to Marshal/Swift which is an appraisal that the Oklahoma Tax Commission requires. He is not saying that they can salvage this and get that amount, the only value that the Assessor can come up with is down

to that but what his is getting at is that is a far cry from 1.3 cent per foot. There is over 115,000 feet of 10" pipe.

Chairman Blanton understand that Mr. Presson doesn't want to abandon the pipe and he continued stating what all the Corporation Commission requires being done for different things to pipelines.

Mr. Presson stated that it is going to have to be tested and make sure it works and that's the process his companies doing in Stevens County. That is why he is referring to it inactive pipe it has not been abandon. Mr. Presson is asking for his rendered acquisition cost and that value is \$272,500.00.

Mr. Wisdom stated that throughout the county and gathering systems are being talked about, all idle pipeline in the county are at a 10% floor currently and that is twice the amount that this pipe is on for currently.

Mr. Thompson asked about the \$4717.00 per foot and Mr. Wisdom stated that is based on all footage of pipe.

Mr. Wisdom stated that he couldn't go just by mileage he has to be specific by the size of the pipe.

Ms. Heavner and Mr. Wisdom stated that they took it below inactive at 10% Floor to 5% Floor of replacement cost new.

The Oklahoma Tax Commission's guideline is what the Assessor uses and for inactive for 2 years or more it would be taken to a 10% floor and the Assessor is at 5% on this one for a total of \$592,979.00.

Mr. Presson stated he wants it at \$272.00 times 125.7 miles for \$34,190.00. Mr. Presson stated again about the Supreme Court ruling that the property should be valued at its fair cash value. He gave the Board copies of what he had rendered to the Assessor, which was the sizes per foot basis, and per school district. He mentioned again his company has pipelines in 26 counties and in 18 of those counties have agreed, not necessarily at the purchase price, to settle at \$1,000.00 a mile. It was tried in Court, in Kay County and the Judge agreed with Mr. Presson that the sale was an arms length transaction.

Jerry Wisdom stated that there were environmental issues that went along with this and stated so.

Mr. Presson stated that there was no evidence to support the statement that Mr. Wisdom said. Mr. Presson went over the sale transaction of Eott with his company and stated that the reason oil is not going to be put into this line is because of the liability.

Chairman Blanton asked why does the Board care if it is oil pipeline or gas pipeline and isn't the pipe worth so much?

Mr. Presson again stated that the bundle of rights have been severed and has diminished value because of the restrictions against it. Mr. Presson went over all of the purchases his company had made. Mr. Presson stated that last year the Assessor's used his rendition of \$272.00 per mile for the Eott line.

Ms. Heavner stated that last year it was her error it was found in a stack of business personal and it was not found in time to go through the protest or something different would have been done last year.

Mr. Wisdom stated that there are a lot of other agreements that goes with all of this that add value you can't just look at the sale. It was discussed again about the percentage of the floor. More discussion took place on the cost, environmental, etc.

Mr. Wisdom stated that the Assessor's Office has to treat everybody the same, and stated that it was very hard to defend the Kay County case. But this pipeline system is a natural gas gathering and was classified with the same assets and valued the property the same and gave it additional functions because of that and Mr. Presson has already stated that he wants it as a natural gas pipeline, inactive or not and Mr. Presson has stated that he had to buy this to get the others. Mr. Wisdom stated what other counties have agreed to do.

Mr. Thompson stated to Mr. Presson that he has agreed to do a \$1,000.00 which would be \$125,000.00 and Mr. Presson stated that he has settled for this amount in other counties and stated that it doesn't make sense for him to go to the next level if he can come to an agreement because hopefully at sometime he is not going to be back here, when you can value an income stream and there is product in it obviously it is going to have more value in it at that time.

Mr. Wisdom stated it would be very difficult to value an income stream on a pipeline that has been tested and tried in court cases too because you have so many other entities income. For an active it would be raised from a 10% floor to a 20% floor.

Mr. Thompson stated that is 20% of what it would cost to put the line in new today.

Mr. Wisdom stated that is the way all of the other pipelines are done.

More discussion took place as far as price per foot on different amounts and the range of \$.20 per foot and \$.90 per foot.

Denise Heavner, County Assessor, stated that she is treating it the same as any other similar situation and she does have that obligation to try to be the same with everyone.

Mr. Blanton stated that this Board does also.

The Board discussed splitting the difference between the \$.20 per foot and the \$.90 per foot and reaching a value of \$.55 per foot.

Mr. Presson stated that he paid 1.3 cents per foot and has agreed to pay \$.20 per foot, which is 10 times more than what his company paid for it.

Charles Thompson moved, seconded by Pat Ross, to split the \$592,979.00 to \$296,489.00.

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

Motion carried.

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

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

Motion carried.