

July 14, 2005

The scheduled meeting of the Cleveland County Equalization Board was called to order this 14th day of July, 2005, in the conference room of the Cleveland County Fairgrounds, 605 E. Robinson, Norman, Oklahoma, by Chairman Waldo Blanton. Roll was called by Dorinda Harvey, County Clerk/Secretary and those present were:

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

Others present were: Christine Brannon, Denise Heavner, Nancy Beckett, Jerry Wisdom, Byron Linkous and Kent Baker.

After the reading of the minutes of the meeting of June 16, 2005, 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; Charles Thompson, yes; Pat Ross, yes.
Motion carried.

Chairman Blanton called for discussion, consideration, and/or action on the following Letters of Protest:

- a. KAL Drilling, Inc., Represented by Byron K. Linkous, 201 Robert S. Kerr Ave., Suite 1600, Oklahoma City, OK 73102 for Personal Property Located in Parcel #OCC2 10 4W 11002, for 2002 Omitted Property.
- b. KAL Drilling, Inc., Represented by Byron K. Linkous, 201 Robert S. Kerr Ave., Suite 1600, Oklahoma City, OK 73102 for Personal Property Located in Parcel #OCC2 10 4W 11002, for 2003 Omitted Property.
- c. KAL Drilling, Inc., Represented by Byron K. Linkous, 201 Robert S. Kerr Ave., Suite 1600, Oklahoma City, OK 73102 for Personal Property Located in Parcel #OCC2 10 4W 11002, for 2004 Omitted Property.
- d. KAL Drilling, Inc., Represented by Byron K. Linkous, 201 Robert S. Kerr Ave., Suite 1600, Oklahoma City, OK 73102 for Personal Property Located in Parcel #OCC2 10 4W 11002, for 2005 Omitted Property.

Byron K. Linkous gave members of the Board a letter on behalf of KAL Drilling authorizing him to represent them. Mr. Linkous stated the problem is the personal property that is being assessed was not in the county in the tax years in question, was primarily not in the county. Mr. Linkous stated that Mr. Kent Baker, President of KAL Drilling, meet personally with the County Assessor and tried to cover these issues. Mr. Linkous gave the Board amendments to the appeals submitted earlier and he would like to address all four of these tax years together at least in terms of principle discussion. Mr. Linkous stated they had submitted previously for each of the four tax years in question the appeals that the Board had already received and after further consultation with his client Mr. Baker, Mr. Linkous received some clarity.

There are three rigs in question, and they are referred to as Rig #3, Rig #4 and Rig #5. The county (Assessor's Office) had originally under omitted property assessment assessed all

three of the rigs at full value and he can't tell exactly how they came up with those values. Testimony was given by Mr. Baker that Rig #4 was never in Cleveland County, and after the original assessment and getting that information the county (Assessor's Office) correctly removed Rig #4 in value, so there is no dispute as to Rig #4. Parts of Rig #3 and/or Rig #5 were in the County during portions of....As the Board is aware January 1 of each particular tax year is the only date that matters for personal property tax assessment. These rigs were stacked rigs, they were not working rigs and in fact they were partial rigs. Mr. Baker is here to testify that on page two of each of the documents that were just submitted is listed the partial rigs that were not complete in terms of being located in Cleveland County. The only parts that were in Cleveland County for any of the tax years in question are as listed under Rig #3 and Rig #5 were drawworks, substructures and derricks. Mr. Linkous thinks that the first primary problem is that the county (Assessor's Office) has assessed the value of these as complete rigs despite the fact that only a very small part of the rigs were in Cleveland County.

Chairman Blanton stated Mr. Linkous' position is that you have a rig that is in Cleveland County and you moved it December 31, to Canadian County except for a part of it and you are not liable for taxes.

Mr. Linkous stated that would be his position but that is not what happened, it was just not present. It wasn't as if these rigs were moved on December 31.

Chairman Blanton, stated no but same difference, Mr. Linkous is stating that we are talking about January 1 but the county that the rigs are sitting in, Chairman Blanton doubts very serious that anyone tells that county that the rigs are there either.

Mr. Linkous doesn't think there is any question, that if the property is not in Cleveland County it can't be assessed in Cleveland County. If it's in another county than that county can assess it. Today they are here to address Cleveland County assessment. The new amended returns or appeals that were given to the Board list values, as they should have been and Mr. Linkous is referring to exhibit "A" of each of those. Mr. Baker has taken the time to go through auctions that he has obtained for comparable parts that have been sold at auction and it is Mr. Linkous' understanding that these parts are as good or better then the parts that were actually in Cleveland County at the time. So these values would represent a fair market value of these parts. The Board can see by the sell dates that the first three parts were in 2004 and the others were 2001 and 2002, so they should be very close to what fair market value would be for those replacements parts. Mr. Linkous referred to exhibit "A" again stating that a comparable part or a better part sold at auction on that date and those are the values that they are using. Quite simply all they are saying, these are all of the parts that were in Cleveland County for the tax years in question and these are comparable values for them and based on that, that is how the property should be assessed.

Mr. Kent Baker, President of KAL Drilling, stated that the first figures on exhibit "A" the complete rig package was purchased by the company in 1986 and 1988 at public auction. He has probably fifty auctions that he had attended over the last five or six years to try to keep components pieces together. Over the eight or ten year period between 1992 to present a lot of these rigs were not worked, just because it didn't make ends meet and so we took parts from one and put on another and just kept the ball rolling. What he has done is try to go back for lack of any better mechanism to put on these pieces and took actual documents from actual catalogs where he bought the pieces at auction. Each of these three (rigs) have one of

these items in them, which he can leave the Board of copy. He also has an affidavit from the auction company saying it is true and correct. He thinks from talking with Jerry Wisdom, (with Visual Lease Services) and Denies Heavner, (County Assessor), that their appraisal was on a complete rig and that information he understands from Mr. Wisdom came from a listing in a periodical that is put together in Houston, about Mr. Kent's company. Mr. Kent does have component pieces of Rig #3 and Rig #5 and has had in Cleveland County for the years in question, but they were never complete rigs. He has a farm in Wynnewood where he keeps a lot of the bigger component pieces and as he told the Assessor in the first meeting through that eight or ten year period it was pretty much considered scrap iron. He sold a lot of the drill pipe and stuff to farmers to build cattle guards with. The question is, what is the value of the pieces he had in his yard in Cleveland County and what they arrive with, with Mr. Wisdom and his appraisal to meet with what Mr. Baker knows he actually paid for all of the pieces, some of them being in Garvin County and some being in Cleveland County.

Jerry Wisdom, with Visual Lease Services, stated that most of what Mr. Linkous and Mr. Baker has presented is correct, an informal hearing was held and they did go over some things, but he has a little bit different version of what transpired. One exhibit that Mr. Wisdom had was received May 11 after the initial contact with Mr. Baker and Mr. Wisdom requested that Mr. Baker send a signed affidavit telling the Assessor's Office where the rigs were. (Copy of the affidavit given to Board.) This is a signed affidavit telling the Assessor's Office where these rigs were stacked and that is what the County went off of. So if these other components are not there and Mr. Baker did not give any other information, the Assessor's Office is solely taking Mr. Baker signed affidavit as being a true and correct statement. Prior to that Mr. Wisdom had faxed to Mr. Baker a copy of the statutes that Mr. Wisdom was referring to when the rigs were initially found. (Copy given to Board) Mr. Wisdom stated that these are the statutes that are applicable in this process and Mr. Wisdom read the statutes. Title 68, Section 2843.a "...to ascertain and estimate from, the best information obtainable, the amount and value of such property, and shall list and assess the same in the name of the owner there if such owner be known"...Also there were some issues about some property that was in his yard. Section b. "If any person, firm, association or corporation has any property belonging to others under his control or charge or in his possession, as warehouseman, factor, bailee, agent, employee or otherwise, he shall, upon written request of the county assessor or county board of equalization, make report, under oath, of the amount and ownership of such property, and upon refusal, neglect or failure to make such report, such person, firm, association or corporation shall be personally liable for the taxes..." and Mr. Wisdom had explained that to Mr. Baker. Now a letter hasn't been written to Mr. Baker and maybe the Board perhaps would issue him a letter requesting the information of the three rigs that is in his yard because there are three other rigs that are in his yard and the Assessor hasn't made that written request as the statutes say they have merely asked Mr. Baker to do that and he has refused to give the Assessor's Office the information as to what the ownership of the other property is. The last statute 68-240.1 is about false fraudulent statements made under oath. They have been trying to get the information from Mr. Baker and he has not been providing it in a timely manner so the Assessor's Office could make adjustments and now he comes today before the Board and wants to say that some of the items are at a farm in Wynnewood and some were here. The Assessor's Office is merely going by a signed affidavit saying where the property was located. Mr. Wisdom also

represents Garvin County and he can tell the Board today that none of the property in Garvin County has been put on the tax rolls. So if the property is not here but there, the property can be divided up and split it, but Mr. Wisdom has seen no evidence to state other than the signed affidavit as to where this property is. This started December 1, 1999 with a letter that was sent to the Cleveland County Assessor talking about their 1999 tax bill that KAL Drilling had received. The letter talked about some of the property had been scraped out and Mr. Wisdom read from the letter.... "I have completed an amended Business Property Rendition. A copy of the corporations' depreciation schedule is also enclosed. Vehicles, land, building and rig equipment are not taxed by your county so that information is not necessary to complete your report..." That is a false statement, they were taxable and Mr. Baker didn't render them in 1999. So wherever this equipment was in 1999 it wasn't taxed. It wasn't taxed in 2000 and it wasn't taxed in 2001. There is nothing that the Assessor can do about those prior years. The Assessor can only go back current plus three years for omitted property. So those rigs were not turned in nor the components. Also in the letter "Please note that I did not know the equipment was very old and was junked,..." So Mr. Wisdom thinks Mr. Baker is talking about the rigs at that particular time, but it is really unclear, because it is on machinery and equipment but Mr. Baker just talked about them scraping out a lot of the parts. The next document that Mr. Wisdom presented to the Board was the depreciation schedule. The depreciation schedule that was attached to the rendition that indicated that these rigs and Mr. Wisdom only highlighted Rigs #3, #4, and #5 as these are the rigs being talked about initially and as stated before Rig #4 is not an issue in this appeal because of the affidavit that is not here. So Rig #3 Mr. Baker showed a cost of \$220,002.00 and Rig #5 \$165,000.00 and on the other paper he said he bought the complete rig package in 1986 for \$388,000.00. These numbers are not matching up to the numbers Mr. Baker turned in to the Assessor's Office. If it was the cost of the rig or the total cost of the property it would be on his depreciation schedule. It is clear from the evidence that Mr. Baker provided today of his cost of the rig in 1986 and he has the acquisition cost of rig #3 on 4-1-85 and on this document Mr. Baker says he bought it in 1986. It doesn't match up. On rig #5 Mr. Baker stated he bought it in 1988 and on another document he says he bought it in 1989. The Assessor's Office has some controversy with the accounting methods of the documents Mr. Baker has provided. Mr. Wisdom stated that Mr. Baker has asked him how he found these particular rigs and one of the ways was through a directory called "RIGS & DRILLERS" and on the seconded page it shows KAL Drilling Company and give the address and the presidents name. On the last page is the rig drillers data for all U.S. land based rigs and it shows rig #3 a 13,000 foot , 1000 hp and rig #5 an oilwell 860, 19,000 feet and those are the rigs that are in question. Mr. Wisdom has a database all the way back to 1995 and Mr. Baker is correct these rigs have been stacked for several years and haven't worked. When the property was valued that was taken into consideration and a factor was put on. Another way the rigs were found was that the Assessor's Office and Mr. Wisdom was doing field audits and they say rigs in the yard and a lot of other components. So they asserted from the best information obtainable and sent Mr. Baker a notice. Mr. Wisdom gave the Board documentation from the Oklahoma Tax Commission on omitted and underassessed property that are guidelines for the Assessor's to follow. Mr. Wisdom read from that document.... "The property is appraised, assessed and taxed for the year(s) it was omitted. The appropriate prior year(s) pricing schedule, assessment rate(s) and tax rate(s) are used." For example, if the property was omitted from the 1999 tax roll then the 1999 pricing schedule, assessment rate and tax rates

would be used. The point is Mr. Wisdom couldn't value those rigs at today's market for 2002 prices. They have valued those properties as of 1-1 of each of the years. The reason there is a variance of the pricing schedule is that rigs have gone up over the years. If you notice on Mr. Baker's schedule none of the prices have changed. On the next document from the Tax Commission is Title 68-2844, which shows the last three years as to personal property and the current year and that is the reason the Board has four year before them. The next exhibits are the rig schedule prices that the Assessor had used for each of the years and it is the drilling rig scheduled used on all other property in Cleveland County. Each rig is adjusted based on the information and facts that the Assessor's Office has concerning that individual property. If it was stacked it gets a factor, and if it was stacked longer than one year it gets a fifty percent factor if its just recently it's a seventy-five percent factor. Mr. Baker's rigs have been stacked several years so the adjustment was fifty percent and that has been taken a little further. Another document Mr. Wisdom gave to the Board was the history of the cost. If the Board would look down at the bottom highlighted in yellow for rig #5 for 2002 it was revised to \$1,238,800.00, for 2003 \$2,159,160.00, for rig #3 for 2004 \$922,792.00 and for rig #3 for 2005 \$1,081,600.00. The stack factor on the right side of the document shows forty percent in this particular case and after visiting with Mr. Baker he said he had sold off a lot of the drill pipe and Mr. Wisdom wants the Board to understand that these rig components are schedules with drill pipes so he gave an additional ten percent and that is the reason the initial factor changed from fifty percent down to forty percent. Mr. Wisdom's next document was the oil and gas contact sheet that Mr. Baker had called in on 5-9-05 and that is when the process started. On May 21, after finding that the rigs weren't in the county at that particular time Mr. Wisdom had Mr. Baker's depreciation schedule sent to him. Mr. Baker's accountant sent it to Mr. Wisdom to give him the depreciated book value or what they booked because they said they added parts to the rigs and made them operational and this was as of 5-26-04. Again showing rigs #3, #4, and #5 at that particular time with the book value, which still coincides with the initial book values. None of the book values had changed so from the time they purchased the rigs until 5-26-04 no capital expenditures had been spent on these particular rigs. It shows the acquisition dates, which coincides with his documents. What had been asked for was the current capital investment under statute 68-2839 of showing the total capital investment for each property, plant and equipment. Mr. Baker had instructed his accountant to contact Mr. Wisdom and on May 23, Mr. Hunter (Mr. Baker's accountant) had sent a letter to Mr. Wisdom and Mr. Wisdom read in part, "...This is the 4-30-5 depreciation schedule. We have capitalized \$344,133.00 on the rigs this year. Labor cost of company personnel doing assembly work where expensed as incurred. Please give me a call if you have any additional information..." Mr. Wisdom highlighted on page 2 rig #3 where it shows \$220,000.00 which coincides with the initial booking and rig #5 and the three other lines highlighted in green are the additional equipment was put to rig #3. Rigs #4 and #5 went operational they started drilling in 2005 so for rig #5 the equipment, Mr. Baker spent \$175,852.00 to get that rig operational from the initial investment. It is drilling and it is operational now. Obviously there was not a lot of equipment that was missing from that rig. It went from scrap to an operational rig for \$175,000.00. In a minute Mr. Wisdom will show the Board the difference in the valuations that are being talked about and that is a key issue. So on the document that is in color it shows the capital investment as of 6-1-2004 of \$175,000.00 and now Mr. Baker has a total of \$341,000.00 and he said for the prior years rig #5 for 2004 was \$450,000.00. Mr. Baker

spent \$175,000.00 a little after the year but it is only worth \$450,000.00. On rig #3 Mr. Baker spent \$77,000.00 and to Mr. Wisdom's knowledge it is not operational and Mr. Wisdom doesn't know what the money was spent on. The next document is from the informal hearing and this is where Mr. Baker said that he bought these rigs and he got them at auctions in 1988 and components. The date of this auction was 1988 and if the Board would look back on the depreciation schedule for rig #5 it wasn't booked until 1989 at the purchase date or acquisition date. It doesn't match his auction where he bought it. There is something wrong with the original cost or the depreciation schedule. If you look at rig #4 Mr. Wisdom is just pointing this out, rig #4 was booked almost a year before it was bought. So there are some problems with the depreciation schedule and the information that has been provided. This is indicative of auction prices in 1988 and probably in 1988 the way the market was that may be a good reflection of what the value was then. Auction prices today aren't going to be indicative, because the only time rigs were selling in 1988 really was at auctions people were liquidating and getting out. Today market, especially since 2000-2001 is a lot better than it was in 1988. Remember we are talking about fair market value for each rig in question for each year. Mr. Wisdom had charts from a book that had fifteen years of history about oil field pricing and he went back to 1988 to find out what rigs were selling for and the all average was \$540,900.00 also on the document it showed the depth. Mr. Wisdom stated that goes along with his depth charts. We are talking about whole components and Mr. Wisdom knows that Mr. Baker had issues that some of these components are not here, we don't know what components are here, which ones are here, we asked Mr. Baker to provide that for us. Again if the components are there we are going to have to split it, if the Board wants to and divide it up between the two counties, but we are still going to talk about a whole rig, because we are not going to get into individual components and try to break this down. In today market some of the individual components can be worth far more than the whole rig and he has information and sales to back that statement up. So this is 1988 rigs and Mr. Wisdom had more charts and stated the importance of that is, that rig #3 at 12,000 to 15,000 foot range and remember the rigs are being valued based on a footage (that depth) and by quarter, so in 1988 that rig was worth \$600,000.00 as a whole component. In today's market and every sense 2002 it has been well over \$2,500,000.00 for rig #3. For 2004 it is around \$3,000,000.00 for a whole rig and the Assessor as it on with a valuation of only \$922,000.00. For 2005 it is pushing the \$3,500,000.00 mark. Mr. Wisdom went over the factors again being fifty and seventy-five percent when these rigs were not running. Rig #5 was purchased or some of the components were purchased in 1988 and in 1988 it was worth \$800,000.00 or parts of the components were worth \$400,000.00 and in today's market or in 2002 it was worth close to \$6,000,000.00 as a whole rig operational. And again this was not an operational rig so the Assessor's Office has given it the adjustments. The same has been done on other properties.

Part of the reason the rigs are worth more is supply and demand and Mr. Wisdom had a chart that showed the utilization rate made by a company that tracks all of the active rigs in the U. S. and tells the utilization rate. If you have a fair surplus of rigs the values are going to be lower and if there is not a demand to run those rigs. This utilization rate goes all the way back to 1988. If you look back between 2000 and 2002 the rate was ninety percent. We are talking about a rig that in 2002 was operational and Mr. Baker clearly didn't have it operational then but again the Assessor's didn't value it as operational. But the Board can see the demand goes up and this is how the fair market value of the property goes up as well.

Mr. Wisdom's last exhibit is all of the years revised from the original assessment these are the valuations how the Assessor arrived at the fair market value for each of the rigs for each of the years. For 2002 rig #5 is a 19,000-foot rig and if it was being valued, as a whole would be \$3,097,000.00 the factor is given because it was stacked and Mr. Baker was given another ten percent because he told Mr. Wisdom that he sold the drill pipe. \$1,238,800.00 is the fair market value that was derived for the property. If the property was not all here than that is something else, issues that we would have to address. Mr. Wisdom thinks there is evidence through a signed affidavit that states that it was here. So unless there is other information and it wasn't rendered in Garvin County, which Mr. Wisdom has checked, so none of the other assets were rendered there, so he can't tell the Board what was here. He is only going by the signed affidavit. For 2003 rig #5 the value is \$5,397,000.00. The factor again was \$2,159,160.00 and for 2004 rig #5 was the same price, that is because the rig schedule was not changed from 2003 to 2004, even though the indications show that the rigs were worth more. The reason that was not done was they thought it was a spike and they didn't know if it was going to continue. The actual fair market value indication from sales and other data would justify raising this value, but the Assessor can not raise that value because she has to value this property the same way that others was done and the same schedule has to be used. Rig #3 is a 13,000 foot rig (for 2004) \$922,792.00 and for the last year 2005 on rig #3 \$1,081,600.00. That is the process through the whole thing we have tried to make adjustments as soon as we know if we are wrong, but we have to know we are wrong and they have to give us information.

Mr. Linkous asked Mr. Wisdom some questions the first one was is Mr. Wisdom employed by the county and Mr. Wisdom told Mr. Linkous that he was contracted by the county. Mr. Linkous wanted to know what that relationship was in general and Mr. Wisdom stated that he values all of the oil and gas property and discover list, he values pipelines any oil field related equipment.

Mr. Linkous wanted to know if Mr. Wisdom got some sort of commission for this and Mr. Wisdom told Mr. Linkous that was illegal in Oklahoma.

Mr. Linkous wanted to know if Mr. Wisdom was paid a salary and Mr. Wisdom told him it was contract fee basis and there is a copy of the contract on record in the Clerk's Office.

Mr. Linkous asked if Mr. Wisdom had visited that property in south Oklahoma City owned by KAL Drilling and Mr. Wisdom stated they had been by the site.

Mr. Linkous wanted to know if Mr. Wisdom had been inside the property and Mr. Wisdom stated they had not.

Mr. Linkous wanted to know if he was correct from what Mr. Wisdom had said today that the values that the property has been assessed at as to all four years in question are for complete rigs as and Mr. Wisdom stated yes with the factor given to each. The rigs have been valued as if they are complete rigs located in Cleveland County and Mr. Wisdom stated according to Mr. Baker's affidavit yes.

Mr. Linkous asked about the RIGS & DRILLERS Magazine that Mr. Wisdom had given Mr. Linkous a copy of in this case is it correct to say this is where you initially received information about the location of these rigs? Mr. Wisdom stated it wasn't, the initially deal is when they went by the yard and saw the rigs in the yard.

Mr. Linkous wanted to know if that is what prompted Mr. Wisdom to go to a source like the magazine.

Mr. Wisdom stated one and to look at the history of the drilling, he has other drilling history reports of movement of rigs from county to county. The initial one was when they saw the rigs in the yard with the Deputy Assessors. Mr. Linkous still looking at the rigs in the magazine and on the last page of that it listed rigs #3, #4 and #5 and does it state where those rigs are located?

Mr. Wisdom stated it didn't, the way they got the statement was from Mr. Baker signed affidavit.

Mr. Linkous would like Mr. Baker to explain the difference between the affidavit and what he is hearing testified to.

Mr. Baker stated that he referred to those large component pieces as derricks, drawworks and substructures as those particular rigs and if you ask him what rig #3 is it is a 700 superior so that is where that ...came from and the derrick and sub which is listed with that are the major pieces that you start building to and that is how you reference most rigs.

Mr. Linkous stated it is not a complete rig and Mr. Baker agreed.

Mr. Baker stated it's got pieces there and here, but the pieces were on his yard in Cleveland County were the major ...pieces. They reference that so that operators pick that up and see that those machines are available in this particular area and they can move them more cost effectively to a particular location in Oklahoma. It's stratographic that is a re-locator rig data and RIGS AND DRILLERS have a map where they spot locate all rigs and it is a tool for them to try to show the operators where they have machinery that might work for their benefit.

Mr. Linkous asked Mr. Baker that by signing the affidavit it should not have been taken as a ...that the complete rig was located in Cleveland County and Mr. Baker stated he erred in stating that it was a rig it should have stated drawworks, derricks and substructures in Cleveland County.

Mr. Linkous asked Mr. Baker again so it is clear that he is the President of KAL Drilling, Inc., and he would testify under oath if the Board would like to put Mr. Baker under oath today that the components that he listed here are the only components on rigs #3 and #5 that were present in Cleveland County on the tax years in question and Mr. Baker stated he would.

The last thing Mr. Linkous would like to point out in terms of valuation issues is Mr. Wisdom has talked about differentiating between the years and he talked about in some length additions that were made to rig #5 in 2004 and rig #5 was assessed in 2005 in Grady where it is located and even with the improvement that were made to rig #5 that value is barely over \$2,000,000.00 and Mr. Linkous thinks for 2004 that the county is presently at over \$3,000,000.00 before those improvements were made. We have listed a comparable sale date at a public auction as to all the parts to rig #3 that comparable sale date was February, 2004, which is a pretty late date as compared to where we are now.... As to rig #5 those sale dates were a little earlier and we don't have a comparable sale but it doesn't justify in his view taking the value that the county has listed.

Charles Thompson asked Mr. Linkous and Mr. Baker if they have had the opportunity to look at most of the exhibits that they received today?

Mr. Baker stated he also had a copy of the current Hadco Oil Appraiser and he doesn't know how Mr. Wisdom arrived at his numbers. It lists several classes of drilling rigs, all depths, just like Mr. Wisdom has described but it goes from fair, good, very good, excellent and all average. Mr. Wisdom is taking numbers off of this publication and Mr. Baker appreciates

getting this but he brought current auction items which is where he bought the most if not all of his equipment . Mr. Baker is not an expert to say whether it is fair, good, very good or excellent, he would say excellent would have to be near new and none of it is that. This equipment is all twenty plus years old, so it has to be somewhere within the bottom half of that and not average of all, but that is a whole other discussion. We have brought evidence as current as February, 2004, for identical equipment sold in Oklahoma City for these values that were written here.

Mr. Linkous stated that another thing he wanted to point out was that the valuation wasn't \$3,000,000.00 for rig #5 it was \$2,159,000.00 he believes. If you take the \$2,159,000.00 and the \$175,000.00 that it took to get it operational that makes a value of \$2,333,000.00 and he doesn't know what they did in Grady County, but that show you that it is in the realm of value just based on that testimony alone.

Charles Thompson stated that it seems like both parties have stated that there is a negotiation point here and Mr. Baker stated they would like to get this behind them.

Charles Thompson stated that Mr. Wisdom mentioned that they need the affidavits or something to go by and the Board is obligated to go by the law.

Mr. Wisdom stated that if Mr. Linkous and Mr. Baker wants to tell the Assessor's Office the major components that are here and to the valuation that the Assessors has and subtract that and render that as property in Garvin County, because Mr. Wisdom represents Garvin County also.

Charles Thompson stated that Garvin County is no problem of his or this Board that is their business.

Mr. Wisdom is just saying this is the only information that he has in front of him and it states that the equipment was here and he doesn't want to get into Garvin County and he put the balance of this value there and we have another argument. We are looking at the value as a whole.

Charles Thompson stated that an affidavit would clear that up.

Chairman Blanton stated that part of the situation is whether it was here or in Garvin County and the end result is going to end up in Garvin County if we don't....

Mr. Linkous stated he doesn't have any problem with it being properly assessed.

Unfortunately the issue here is the assessment is Cleveland County.

Chairman Blanton stated that with what this Board has it goes with Cleveland County and if the Board splits it because of what Mr. Linkous says then Mr. Wisdom is going to Garvin County anyway and Chairman Blanton realizes that is not the issue here, but the Board is going to resolve this issue if there is some realm for you all to do it. Chairman Blanton asked if the Board takes a fifteen-minute break and they talk about this would it do any good or is the Board just going to rule on this.

Charles Thompson doesn't think they can decide in fifteen minutes.

Mr. Linkous thinks it would be hard pressed and Mr. Baker stated that he doesn't understand Mr. Wisdom's valuation and he has explained it rapidly and Mr. Baker does understand that periodical and where Mr. Wisdom got the initial information for depths but he showed the information in their first meeting with the Assessor that rig #2 by the manufacturers own certificate which he had brought and submitted to Mr. Wisdom is a 9,000 foot rig. Because Mr. Wisdom had suggested that it might go to 12,500 or 15,000 is another issue. If you drive your car 100 miles per hour the manufacturer doesn't recommend that. And because they stretch capacities doesn't make that particular tool fit for that purpose, it is something they do

occasionally for oil companies asking them to do that. It doesn't make the rigs bigger than it is.

Mr. Wisdom stated they are talking about rig #2 and not rig #3 and #5. You have to have some sort of standard to go by and that standard is a publication that is a nationally publication and they look at the depth. Mr. Wisdom stated he can make adjustments because his schedules were derived with drill pipe and if you only have a 9,000 foot rig and you are drilling 12,500 you obviously have another 3,000 foot of drill pipe that you are going to have to add value for so you have to adjust the schedules to reflect that.

Mr. Wisdom had a recommendation that if they wanted to take these valuation difference changed and put the balance and agree with it that's the value we will do that, other wise we will have to leave the value at whole and go to court and then get it passed that point if we have to, but just because he doesn't have any trucking invoices showing when the drawworks was removed nor any other renditions of the property. Mr. Wisdom doesn't know if the parts are here or not and that is the valuations based on a stacked rig and if Mr. Baker wants to take the difference and make an affidavit that says thats the value balance down there he thinks that is what needs to be done.

Discussion took place as to both parties getting together prior to the Board adjourning on July 29, and the Board Members stated they needed a couple days before the 29th.

If the Assessor's Office, Mr. Linkous and Mr. Baker could reach an agreement prior to the next Board meeting than Mr. Linkous and Mr. Baker's would withdraw their protest.

It was discussed that another Board meeting would take place July 22, 2005, at 8:30 A.M. if the parties can not reach a decision.

Dorinda Harvey, County Clerk, also asked the Board to set a meeting time for their adjournment on the 29th of July and that time will be 8:30 A.M. also.

Pat Ross moved, seconded by Charles Thompson, to table discussion, consideration, and/or action on the following Letters of Protest until July 22, 2005, at 8:30 A.M.

- a. KAL Drilling, Inc., Represented by Byron K. Linkous, 201 Robert S. Kerr Ave., Suite 1600, Oklahoma City, OK 73102 for Personal Property Located in Parcel #OCC2 10 4W 11002, for 2002 Omitted Property.
- b. KAL Drilling, Inc., Represented by Byron K. Linkous, 201 Robert S. Kerr Ave., Suite 1600, Oklahoma City, OK 73102 for Personal Property Located in Parcel #OCC2 10 4W 11002, for 2003 Omitted Property.
- c. KAL Drilling, Inc., Represented by Byron K. Linkous, 201 Robert S. Kerr Ave., Suite 1600, Oklahoma City, OK 73102 for Personal Property Located in Parcel #OCC2 10 4W 11002, for 2004 Omitted Property.
- d. KAL Drilling, Inc., Represented by Byron K. Linkous, 201 Robert S. Kerr Ave., Suite 1600, Oklahoma City, OK 73102 for Personal Property Located in Parcel #OCC2 10 4W 11002, for 2005 Omitted Property.

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

Motion carried.

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; Charles Thompson, yes; Pat Ross, yes.

Motion carried.