



## MINUTES

**THURSDAY, MAY 30, 2019**

The scheduled **special** meeting of the Cleveland County Equalization Board was called to order this 30th day of May 2019 at 10:00 a.m., in the conference room of the Cleveland County Office Building by Chairman Larry Heikkila. Tammy Belinson, County Clerk/Secretary, called roll and those present were:

Larry Heikkila, Chairman  
Charles Thompson, Vice-Chairman  
Bobby Cleveland, Member  
Tammy Belinson, Secretary

Others present were: Assistant District Attorney Abby Nathan, Kayleigh Chance, Denise Ellison, Linda Atkins, Mike Weddle, Ben Hunley, Jerry Wisdom, Mary Anne Kennedy, Commissioner Harold Haralson, Donna Morgan, and Douglas Warr.

After the reading of the minutes of the **Special Meeting of May 16, 2019**, and there being no additions or corrections, Bobby Cleveland moved, seconded by Charles Thompson, that the minutes be **approved**.

The vote was: Larry Heikkila, yes; Charles Thompson, yes; Bobby Cleveland, yes.  
Motion carried.

### **A. Items of Business:**

1. Following a brief discussion, Larry Heikkila moved, seconded by Charles Thompson, to **table** discussion, consideration and/or action until a later date regarding the **Homestead Exemption Applications**.  
The vote was: Larry Heikkila, yes; Charles Thompson, yes; Bobby Cleveland, yes.  
Motion carried.
2. Following a brief discussion, Larry Heikkila moved, seconded by Charles Thompson, to **table** discussion, consideration and/or action until a later date regarding the **Applications for Five-Year Ad Valorem Tax Exemption**.  
The vote was: Larry Heikkila, yes; Charles Thompson, yes; Bobby Cleveland, yes.  
Motion carried.
3. Chairman Heikkila called for **discussion, Consideration, and/or Action** on the following Letter of Protest:

- a. Jaden Randall, Industrial Valuation Services, Representing National Oilwell DHT, LP (L521), 1500 S Dairy Ashford, Ste 190, Houston, TX, 77077; email address: [jrandall@indval.com](mailto:jrandall@indval.com); Account Number: 1019920; Protested Property Address: 9525 Pole Road, Moore, OK 73160.

Tammy Belinson, County Clerk, facilitated the Conference Call: 281-858-3290

Griff Thomas, Industrial Valuation Services, began his telephone conference presentation by saying that National Oilwell DHT, LP, reported all of the assets at 9525 Pole Road. He said that the County has the rental tools on for a depreciable fifteen year life. In the return that they filed, it was broken down into three categories: Downhole Tools; Data Communications; and Drill Bits. It will give one a sense of where their opinion of value differs from the county's opinion of value. They believe an eight year life for the rental tools provides information data as well. He said the Drill Bits do not last for fifteen years that the county places on these assets and that is the basis for his protest in summary. He said that the county should take this into account. When they talk about the fair cash value it should be placed at the top of the value, so that is one issue. He brought out the bullets on the next page and they will provide inclination data up to surface it is a large component of the cost on these tools that are electronic in nature and with that they have to be replaced. That's primarily the rationale for using that category for eight year life. The next session is the data communication, those are the tele direct tools, it is a flow drift, that provides that inclination data and are computerized and there are monitors, tablets that are associated with that to provide that real time data. Also, to speak to those, that is something important to not in a sense, that it gives one the sense that they are an electronic piece of equipment. Finally, the drill bits on a three year life for those, due to the fact that those bits do wear and they don't last the fifteen years that the county has put on the assets. In summation, it is their rationale for these tools and where they feel that these lines to fifteen years being used, that the value difference from what they return and what the county has put on the rental tools, they have a value of \$664,000 as a market value, as a taxable value rather. The county has put on the rental tools \$1,597,000. Speaking to the lives of the tools which would be the flow drift tools, one would surmise the rental tools do not last longer than that. Likewise, on the communication category, 90% of the costs of those assets are associated in last four years; so again, those speak to the life of that. Bobby Cleveland asked, "Give me the number you said again, that the state has it valued at?"

Griff Thomas said, "The state has it valued at and they put all three of those categories in at a value a \$1,597,700 and then our value based on those breaking out the life would \$664,000."

Bobby Cleveland said, "This is Bobby Cleveland, again, I want to ask you another question, is that ok, Mr. Chairman?"

Chairman Heikkila answered affirmatively.

Bobby Cleveland said, "When you visited with the Assessor, what did he say? Did he tell you why he did it the way he did it, or what was the conversation?"

Griff Thomas said, “This is the conversation with Jerry Wisdom at TASC and he just said that he uses fifteen year old life and that is it. There wasn’t much discussion beyond that, you know. I am not going...”

Chairman Heikkila said, “So this is Larry Heikkila, on your data communication tools the tele drift tools... What do you think the life is on those?”

Griff Thomas said, “We have those placed at a three year life and the reason for that, we have it on, when I say the fleet, I mean the tools themselves associated with laptops, monitors and controls that are at the surface. They are all included at that category.”

Chairman Heikkila said, “Understood, thank you sir. Do you have any questions?”

Bobby Cleveland said, “I have. Where do you come up with the life of your tools? Is this an overall opinion of some organization from the oil business or is this just what you’re talking about?”

Griff Thomas said, “No, this is speaking with NOV and their people internally. In thinking to IRN and maintenance folks, the tools come out of the maintenance schedule of the equipment from our own which also corresponds with the life they typically associate with these tools as well.”

Bobby Cleveland said, “This is Bobby Cleveland. Again, I am going to ask the Assessor a question.”

Douglas Warr said, “I would like on the Oil & Gas evaluations...”

Bobby Cleveland said, “I have a question for you. Maybe, you can on the wrong line, because I show \$1,942,281 and he says its \$664,000 and now its \$1,587,000....”

Jerry Wisdom said, “The total is if I can speak, Mr. Chairman. The total is \$2.9 million...”

Bobby Cleveland said, “State your name.”

Jerry Wisdom said, “I am Jerry Wisdom with TASC.”

Chairman Heikkila said, “Wait on that and I will ask you the questions.”

Jerry Wisdom said, “I was just going to tell him where the numbers come from.”

Chairman Heikkila said, “Okay.”

Douglas Warr said, “I will just clear that up right now, the County Assessor on evaluating Oil & Gas assets, we don’t have all the expertise to do the job that I feel to be fair to the owners of those assets in our counties; so what we do in a lot of counties, we do, they hire a third party firm to come in and value all of the assets and gas companies and then, when you have an informal hearing, one of the gentlemen from that company, they will actually do the hearing with TASC or the other gentlemen and we can introduce them now or in just a minute.”

Bobby Cleveland said, “I am a little confused on the numbers, because the numbers that I have here, I don’t have \$1,597,000. Where is that at?”

Douglas Warr said, “The total value of their assets right now is the \$2,936,406, which is on OTC976, here is a copy on the 976. The total value is close to three million, but the disputed amount is, they are not disputing that total value.”

Jerry Wisdom said that Mr. Thomas is saying total value is \$1,943,281 and has only talked about one portion of his protest.

Mr. Thomas said, “Yes, I apologize. That was more than just the (inaudible) tool category. So, I apologize if I am confusing things.”

Larry Heikkila said, “All right. Well sir, we are going to ask Mr. Wisdom who is here in the hearing to state his opinion.”

Mr. Wisdom introduced himself to the Board, “I am the personal property specialist. I work in forty-two counties in Oklahoma Oil & Gas Evaluations, so Cleveland County is not the only one. I have been doing this for over twenty-one years. Prior to that, I worked in Oil Field Supply Company for over fifteen years and in nineteen years, I have rented tools. So there are a couple of different issues. This is an issue about fair cash value at the end of the day and how we arrived at that. Some of the points that they are making about the life of these rental tools concern the fixed assets of the company. So they build these assets and rent the tools out, if you will turn over to Page No. 7 of my exhibits, all of these and they alluded to this too, this is a typical rental agreement for terms and conditions for oil field equipment. This specifically works for downhole equipment right here by, I do not have a copy of their rental agreements, but these are all similar in all occasions. If you look at the third highlight, upon completion of the lease it is the responsibility of the lessee to have all pipe inspected to API RP7G specifications, plus magnetic particle inspection. All inspections and repair charges will be charged to the lessee so after each time, he alluded to that too. Every time these go out and come back they get rebuilt. They remanufacture those every time and he said that twice in his conversation. Gentlemen, that makes the effective age at zero. There is no depreciation every time they come back, because they rebuild them. Any charges that they repair them for are charged to the cost of the ownership. If you will flip over to Page No. 9 of my exhibits, this is the level of trade that the Assessor has to value this property at. This property is at value on used fixed asset. At the top, it is highlighted, at the bottom of the food chain. When you think about it, they have finished raw goods and they build it up, they sell that to a wholesale distributor company and then to a retailer and then to a consumer. NOV is the manufacture of these items. The cost basis according to the Assessor is at the bottom level here. So, we have to take that into account when we talk about the fair cash value, it should be placed at the top of the value, that’s one issue. I brought out the bullets on the next page and we will talk about the whole issues and why we use a 15 year life for rental tools. No. 1 – typically, the owner is reporting its MFG cost of the item not the fixed Asset listing. They also sell this, they have inventory and they sell these others to distributors out there. Rental equipment is a fixed asset valued at a retail consumer trade level. Rental equipment, after each rental is repaired refurbished/rebuilt to new standards, it is like there is no depreciation, because there really isn’t; you just can’t completely do away with that. The costs to refurbish are billed to the customer and not capitalized into the fixed asset. Typical sales prices of rental equipment are 75% - 100% of new retail price when sold. They are all sold at the replacement cost, the full replacement cost. Typical residual values of rental equipment are 50%, the depreciation table we use are down to 20% - we use a 3 year life and then it being a 20% residual is wrong, it would have to be at 50%. There are no tables that calculate the 50%. The 15 year life is utilized to account for all of the above characteristics of the equipment. So, therefore; that’s why we believe from equipment value, if you will go the next page, you will find the 2019 depreciation chart showing the differential 3 years down to the 15 years. If you look at the rate on their 50% residual, it takes it well below 9 years, but the fact that they rebuild these each time and if it gets damaged it comes off the tax rolls and it’s gone and it moves on. So that’s how we account for that and that’s my point about how we account for that. My point about his valuation, if

you go to the last page, it gives a summary of three different categories; we have inventory of \$1,073,272. So that was part of his \$1.9 million protest and then you have machinery and equipment \$265,000; that's the work benches and tables all of the other fixed assets; the tools that they rebuild these on; and the \$1,597,700, Mr. Cleveland, was our value. We ask the Board to affirm the fair market value of \$2,936,405 based upon that information."

Bobby Cleveland said, "When you figure your income tax, federal income tax, on your assets, how do you figure them on your assets when you fill out your form?"

Jerry Wisdom said, "On income tax, it is different than an appraisal, income tax would be the cost basis put to the value themselves. Income tax is different from market value tax."

Douglas Warr said, "Income tax, you are typically looking at a book value or market value."

Jerry Wisdom said, "Cost recovery, but each time when these are sold they take them off and they are rotating these items as it goes through the process."

Bobby Cleveland said, "So, you are the expert in the field. Would that be correct?"

What you are saying today is the same thing you would say in any county and how it is figured."

Jerry Wisdom said, "Absolutely. Yes, I have been saying it for years and experienced it enough."

Bobby Cleveland said, "Do you have other counties figured this way as our Assessor has figured it?"

Jerry Wisdom said that he works in forty-two counties and it's done the same way.

Douglas Warr said that it is done the same.

Griff Thomas asked for a chance to respond, "First of all, the exhibits Mr. Wisdom was referring to, we didn't receive copies of those, so I can't speak to those. But a couple of points, as he was alluding to his experience in the industry, I would like to mention as well, that for twenty years, I was at Baker Hughes and I ran a property tax group there. So far as familiarity with this equipment, I feel very familiar with the mechanics of the items that he spoke to, it is important to point out that when repairs are being made, they are being repaired. There is a component in the repair process whether it is a tool being remanufactured and put back in service and I will use drill bits as an example. Yes, those are repaired and those go back into service, but there is a point because of stress and the environment that the tools are working in, they are not able to continue on. I disagree with the point that these tools can go on in perpetuity and there is a point that they cannot continue on; there is a point where they are worn out. You can fix it a couple of times and then that is it. As far as the tools specifically, that we are talking about here, as it relates to the communication and the inclination and the technical aspect of the equipment, if you set aside the actual life of the electronic components and again just set that aside for a bit, there is a technological evolution that also occurs where they become obsolete. So they wouldn't carry value because they are not operating. The demand for the tools begins to degrade as technology develops and there are better tools out there. So, I would disagree with that point as well. So it is just those points to consider. There is on those oilfield equipment services, there is a component that is (inaudible) iron that does not wear out as quickly because of the environment that it is in. There are sections on the drill pipe and speaking to the NOV

folks about that, it becomes a point to where even the drill collapses and they have to scrape it. Again, you can't bring it to new condition just because of what it does."

Larry Heikkila said, "Understood and that's why you are coming up with eight years and three years versus fifteen years. Is that correct?"

Mr. Thomas said, "Yes, sir."

Chairman Heikkila said, "Thank you, sir. All right."

Jerry wisdom said, "One other thing that I would just like to say is that I didn't just say let's use fifteen years. We discussed about rebuilding the tools and this is the first year that they have actually had this account. We did this several years ago with National on the prior ownership and we made those agreements to do that in the evaluations, so I didn't just say that was it, you know, we've had these other conversations, but again, if that got scraped and it's not on this evaluation, because it is gone, so these things are rotated. We are talking about the assets. Thank you very much."

Griff Thomas said, "That is a good point. That's why on the asset listing for the downhole tools the assets are within eight years, because beyond eight years they are gone. It just substantiates the life of the tools by nature that tools over eight years are gone."

Chairman Heikkila asked if there were any further comments or discussions.

Charles Thompson said, "I don't know how to justify lowering it. Do you think the years and moving it back a few years, that wouldn't be the thing to do?"

Jerry Wisdom said, "In all fairness and equity to the other companies inside Cleveland County, we did this the same way; there are some other companies here and that's done that way too. So we wouldn't have equity if we change."

Douglas Warr said, "It is also done the same in all the other counties that you represent. They are done the same way, also."

Jerry Wisdom said there are possibly \$120 million dollars of Rental Tools in Oklahoma; this represents only 1% of the total value.

Griff Thomas commented about equity. He said to lump everything into one category would be misleading. Not all of this equipment does the same thing and is his reason for breaking everything down into categories.

Douglas Warr said that the County Board of Equalization's main function is to make sure every property owner is treated fairly or similar. One of its main functions is to make sure that every oil field company or others are treated the same way and that is what they've done in this instance. They are using the exact same methodology, same everything. One can vary a little bit, but the exact same methods are applied to other similar companies.

Charles Thompson said that the name is the Board of Equalization and that is where they need to be.

Bobby Cleveland said that they are saying everyone is treated the same, but what if they are wrong.

Jerry Wisdom said, "You would have everybody else in here, sir."

Bobby Cleveland asked Mr. Wisdom to repeat his statement.

Jerry Wisdom said, "You would have other tax protesters in here."

Douglas Warr explained that the appraisal is an opinion of value.

Charles Thompson said, "Appraising houses, it is going to vary."

Chairman Heikkila said, "Any further discussion?"

Bobby Cleveland stated that the problem is they placed all the tools into one category and Mr. Thomas is doing the tools separately and asked if that is correct.

Jerry Wisdom said, “These get repaired and rebuilt every time they come back. He is claiming depreciation, but it is being rebuilt every time it comes back. There is some there on supply info on how much they sold the tool for, how much it cost and again remember the cost basis is a manufactured cost basis to start with and not the actual retail basis on fixed assets.”

Charles Thompson said, “For us to go out and change something on the inventory in the use of every tool is unreasonable.”

Bobby Cleveland said, “Did you hear everybody’s conversation there?”

Griff Thomas said, “Somewhat, yes.”

Bobby Cleveland asked, “What part do you disagree with?”

Griff Thomas said, “The part about that the effective age is new, because they are being re-worked. I think it is false. It is going to be replaced, but there is a life to the tools. To say that it is remanufactured doesn’t take away the fact it may be 2 or 3 years old and it only has a year or two on its life. You know the parts of the equipment could be repaired, yes and replaced, but you are still going to have a finite line and it is certainly short of the 15 years. Breaking the tools out was just our way of noting again the different functionality of these tools and how they last on a practical basis. So consideration given to that and to the fact that regardless of how many times they are manufactured again, when you get to that corpus, no (inaudible) piece, it is not going to last. And then the technology piece when there is no demand because it moved into new technology that’s out there. It equates to what is the demand for a VCR, when you have DVD’s now. It still works, but there is not a demand. In that case, I think that it really needs to be considered.”

Larry Heikkila said, “Okay, any other thoughts or questions?”

Bobby Cleveland asked the Assessor to elaborate on what he just said.

Jerry Wisdom said, “The technological advantage that he is talking about and the tools that we have, we don’t have the complete description here, I mean that is their classifications and their breakouts of what to talk about, but again, I am talking about the assets. How much would they sell that asset for today? That is what we are talking about? I believe that in the way we valued it, if they were going to sell those assets that were on their shelf, our value is reflective of what that would bring, rather than their number.”

Griff Thomas said, “If I could just speak to that, a lot of the equipment for the most part is not sold. Simply because it is a piece of equipment that is used on a rig, the producer is not going spend a lot of money buying a specific tool to do a specific task at a specific OD diameter to run on a (inaudible). They use it once and don’t need it again or whatever the case may be. The business is to use these as rental that is what the market demands. So embedded in that is all of the intellectual cost or the value in the technology in the tool that is not on the market. You know that you don’t buy inclination tools out on the market. So the county is getting beyond the task here which is what is the value, the cost and the depreciation is. So, we look at the depreciation and talk about the function of life, as we talk about life this is short life that we are seeing for these tools.”

Jerry Wisdom said, “To that point, these are not sold specifically to producers, but other parties that work for National Oilwell started their own company, they are buying these tools from there. They do sell these tools. I know individuals that buy these tools and then rent them out on the side. The whole market, that’s what I am talking about. The producer himself is not going to buy this. So in the food chain but another company like me I am a consultant if I was in that business I would start my own and now I am going to buy it from him because he’s a manufacture remember again they manufacture them so that trade level builds up to this other trade level. That is what I am talking about. That is what I am saying, they do sell these tools and rebuild and repair and so on. So that is what I was alluding to.”

Larry Heikkila said, “Thank you, sir. Any questions or thoughts?”

Charles Thompson said, “I don’t have any.”

Bobby Cleveland indicated that he had no questions.

Larry Heikkila said his thought is and not to disagree with Mr. Wisdom, but if they took the difference between the two evaluations and divided by two, they would come up with \$2,226,702; \$669,702 less than Mr. Wisdom’s value, which allows for the deterioration of the tools.

Charles Thompson said, “Yes.”

Bobby Cleveland said, “I have a concern with this; is this, what is this going to do with everybody else? Because, we are going to be changing the way we assess.”

Douglas Warr said, “The Board is supposed to look at our methodology and ask did we treat each individual just like everyone else, because like you said, we try to get fair market value. It is a difference of opinion, the Board’s main function is to see that we treat this person the same. It’s in the statutes that the assessor is correct, unless proven different. We treat everyone just like every other Oil & Gas, the same in my opinion. You would be going against the main function of the Board should you not affirm our value.”

After a brief discussion, Larry Heikkila moved to lower to \$2,226,702 fair cash value for Jaden Randall, Industrial Valuation Services, Representing National Oilwell DHT, LP (L521), 1500 S Dairy Ashford, Ste 190, Houston, TX, 77077.

Charles Thompson seconded the motion.

The vote was: Larry Heikkila, yes; Charles Thompson, yes; Bobby Cleveland, yes.  
Motion carried.

Tammy Belinson said, “We will be sending you a sheet from the Board.”


- B. No. Board Members** discussions regarding County Business.
- C. No Public Comments** were made from the floor.



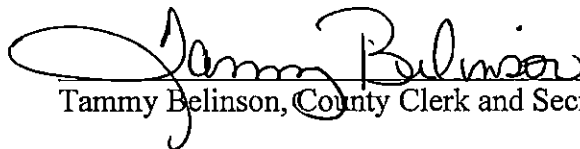
- D. There being no further business to come before the Board, Charles Thompson moved, seconded by Bobby Cleveland, to **adjourn** the meeting at 10:56 am.  
The vote was: Larry Heikkila, yes; Charles Thompson, yes; Bobby Cleveland, yes.  
Motion carried.


(Clerk's Note: Agenda was posted on May 22, 2019 @ 9:38 AM.)

**CLEVELAND COUNTY EQUALIZATION BOARD  
CLEVELAND COUNTY, OKLAHOMA**

  
\_\_\_\_\_  
Larry Heikkila, Chairman

**ATTEST:**

  
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Tammy Belinson, County Clerk and Secretary to the Board

Minutes Prepared by:   
\_\_\_\_\_  
Deputy County Clerk

