

## Gas Assessment Guidelines

The following steps and examples explain how to calculate the gas property tax assessment values. Assessments are calculated only for active leases.

**Step 1** Determine the total dollar value (less Severance Tax) paid for the natural gas produced from your lease/well for the twelve months prior to the January 1 assessment date.

**Step 2** Determine your correct decimal interest of ownership in the lease/well.

**Step 3** Select your appropriate departmental gas property assessment factor. The current gas assessment factors are:

Total dollar value (less Severance Tax) for lease/well gas production = \$6,500 or less:

Working Interest Factor	= 1.68
Royalty & Overriding Interest Factor	= 2.35

Total dollar value (less Severance Tax) for lease/well gas production = \$6,501 or more:

Working Interest Factor	= 3.08
Royalty & Overriding Interest Factor	= 4.34

**Step 4** Determine any appropriate allowance credit to be used in the gas assessment formula. The allowance credits are as follows:

First year gas production	= .33
Second year gas production	= .67
All other conditions	= 1.00

**Step 5** Compute the assessment value for a lease/well by using the following formula:

<u>Total \$ Value</u> <u>of Gas Prod.</u>	X	<u>Decimal Int.</u> <u>of Ownership</u>	x	<u>Dept.</u> <u>Factor</u>	x	<u>Allow.</u> <u>Credit</u>	=	<u>Assessment</u> <u>Value</u>
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### Example A

Total dollar value (less Severance Tax) for lease/well gas production	= \$8,000
Interest owned as of January 1 Year of production	= .875 working = 5th

Based on these assumptions, the working interest assessment value is computed as fol-

lows:

<u>Total \$ Value of Gas Prod.</u> x	<u>Decimal Int. of Ownership</u> x	<u>Dept. Factor</u> x	<u>Allow. Credit</u> =	<u>Assessment Value</u>
\$8,000 x	.875 x	3.08 x	1.0 =	\$21,560

### Example B

Total dollar value (less Severance Tax) for lease/well gas production	= \$75,000
Interest owned as of January 1	= .875 working
Year of production	= 1st

Based on these assumptions, the working interest assessment value is computed as follows:

<u>Total \$ Value of Gas Prod.</u> x	<u>Decimal Int. of Ownership</u> x	<u>Dept. Factor</u> x	<u>Allow. Credit</u> =	<u>Assessment Value</u>
\$75,500 x	.875 x	3.08 x	.33 =	\$66,701

Note: The credit for a second year well is 0.66.

### Example C

Total dollar value (less Severance Tax) for lease/well gas production	= \$6,500
Interest owned as of January 1	= .875 working
Year of production	= 15th

Based on these assumptions, the working interest assessment value is computed as follows:

<u>Total \$ Value of Gas Prod.</u> x	<u>Decimal Int. of Ownership</u> x	<u>Dept. Factor</u> x	<u>Allow. Credit</u> =	<u>Assessment Value</u>
\$6,500 x	.875 x	1.68 x	1.0 =	\$9,555

### Example D

Total dollar value (less Severance Tax) for lease/well gas production	= \$22,000
Interest owned as of January 1	= 1.00 total
Year of production	= 9th

Based on these assumptions, the working interest assessment value is computed as follows:

<u>Total \$ Value</u> <u>of Gas Prod.</u>	x	<u>Decimal Int.</u> <u>of Ownership</u>	x	<u>Dept.</u> <u>Factor</u>	x	<u>Allow.</u> <u>Credit</u>	=	<u>Assessment</u> <u>Value</u>
\$22,000	x	.875	x	3.08	x	1.0	=	\$59,290
\$22,000	x	.125	x	4.34	x	1.0	=	<u>\$11,935</u>
Total Assessment							=	\$71,225

**NOTE: Example D indicates that if a producer/operator owns all interest (working and royalty) in a property, the assessment will be based on the industry standard of .875 working and .125 royalty.**