Oil Assessment Guidelines

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

Step 1 Determine the total dollar value (less Severance Tax) paid for the oil 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 oil property assessment factor. The current oil property tax assessment factors are as follows:

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

Working Interest Factor	= 0.95
Royalty & Overriding Interest Factor	= 1.70

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

Working Interest Factor	= 1.74
Royalty & Overriding Interest Factor	= 3.12

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

First year oil production	= .33
Second year oil production	= .67
Waterflood oil production	= .60
All other conditions	= 1.00

NOTE: The waterflood allowance is granted to working interest owners only.

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

Total $ Value of Oil Prod.	x	Decimal Int. of Ownership	x	Dept. Factor	x	Allow. Credit	=	Assessment Value

Example A

Total dollar value (less Severance Tax) for lease/well oil production	= $10,000
Interest owned as of January 1	=.875 working
Year of production	= 5th
Waterflood	= Yes

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

Total $ Value of Oil Prod.	x	Decimal Int. of Ownership	x	Dept. Factor	x	Allow. Credit	=	Assessment Value
$10,000	x	875	x	1.74	x	.60	=	$9,135

Example B

Total dollar value (less Severance Tax) for lease/well oil production	= $100,000
Interest owned as of January 1	=.875 working
Year of production	= 1st
Waterflood	= No

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

Total $ Value of Oil Prod.	X	Decimal Int. of Ownership	x	Dept. Factor	x	Allow. Credit	=	Assessment Value
$100,000	x	.875	x	1.74	x	.33	=	$50,242

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

Example C

Total dollar value (less Severance Tax) for lease/well oil production	= $6,500
Interest owned as of January 1	=.875 working
Year of production	= 7th year
Waterflood	= No

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

Total $ Value of Oil Prod.	X	Decimal Int. of Ownership	x	Dept. Factor	x	Allow. Credit	=	Assessment Value
$6,500	x	.875	x	.95	x	1.0	=	$5,403

Example D

Total dollar value (less Severance Tax) for lease/well oil production	= $75,000
Interest owned as of January 1	=1.00 total
Year of production	= 5th year
Waterflood	= No

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

Total $ Value of Oil Prod.	x	Decimal Int. of Ownership	x	Dept. Factor	x	Allow. Credit	=	Assessment Value
$75,000	x	.875	x	1.74	x	1.0	=	$114,188
$75,000	x	.125	x	3.12	x	1.0	=	$ 29,250
				Total Assessment			=	$143,438

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.