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:

\[
\text{Assessment} = \frac{\text{Decimal Int. of Ownership} \times \text{Working Interest Factor} \times \text{Credit}}{\text{Value}}
\]

**Example A**

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

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

<table>
<thead>
<tr>
<th>Total $ Value of Gas Prod.</th>
<th>Decimal Int. of Ownership</th>
<th>Dept. Factor</th>
<th>Allow. Credit</th>
<th>Assessment Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$75,500</td>
<td>.875</td>
<td>3.08</td>
<td>.33</td>
<td>$66,701</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Total $ Value of Gas Prod.</th>
<th>Decimal Int. of Ownership</th>
<th>Dept. Factor</th>
<th>Allow. Credit</th>
<th>Assessment Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$6,500</td>
<td>.875</td>
<td>1.68</td>
<td>1.0</td>
<td>$9,555</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Total $ Value of Gas Prod.</th>
<th>Decimal Int. of Ownership</th>
<th>Dept. Factor</th>
<th>Allow. Credit</th>
<th>Assessment Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>$22,000</td>
<td>.875</td>
<td>3.08</td>
<td>1.0</td>
<td>$59,290</td>
</tr>
<tr>
<td>$22,000</td>
<td>.125</td>
<td>4.34</td>
<td>1.0</td>
<td>$11,935</td>
</tr>
</tbody>
</table>

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.