



Testimony of the Kansas Association of Counties
to the House Tax Committee on March 3, 2016
Supporting House Bill 2701 (Valuation of Oil and Gas)

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to testify in support of HB 2701, a bill that clarifies the process for determining fair-market value on oil-and-gas wells. The legislation addresses a concern over the information used to establish the fair-market value for a well on January 1, as is the Kansas statutory requirement¹. Kansas uses information filed in renditions (*see page 2 for KDOR's form*) to list taxpayer information, the property's location, well data, and production data, along with additional valuation information. The renditions—filed annually by April 1²—provide historical data, which the State uses to estimate future production. The change in HB 2701 will ensure a consistent and uniform approach to valuation by disallowing new data in tax appeals that should be used for future valuation. This will prevent abuses of the tax-appeals system and better ensure accurate appraisals across the State.

Currently, some taxpayers are using post-appraisal data to reduce their taxes for past valuation periods. This backwards-looking approach allows some individuals to game the system by appealing and subsequently paying less for previous years after production has declined. HB 2701 sets a clear line for well valuation, and our member counties support this measure. We ask the House Committee on Taxation to similarly support HB 2701.

Respectfully,

Nathan Eberline
Legal Counsel

¹ K.S.A. 79-301.

² K.S.A. 79-332a.

Addendum | KDOR Form for Gas Assessment Rendition (reflecting K.S.A. 9-329 through 79-333)**GAS ASSESSMENT RENDITION**

Schedule 2 (Class 2B) (Rev. 12/12)

SHALL BE FILED WITH THE COUNTY APPRAISER BY APRIL 1

County, Kansas

Tax Year

Statement of

Operator ID#

P.O. Address

City

State

Zip

Name of Property

County ID#

KDOR ID#(s)

Well API#(s)

Section I-Location of Property (required)		Section VII-Abstract Value (for county use only)			
Description		Appraised	Assessed	Penalty	Total
	Total Working Interest (Sec. VI. Line 10)				
Lot Sec. Adn. Twp.	Royalty & ORRI Interest (Sec. VI. Line 1)			XXXXXXXXXX	
Blk Rng. Twp. City	Itemized Equipment (Sec. VI. Line 9)				
Tax Unit School Dist	Total				

Section II-Well Data (required)							
Producing Well: Pump	Flow	Non-Producing Well: Shut-In	SWD	TA	Bbls Water per Day	Ave Prod Depth	SWD Depth
Producing Field Name		BTU Content		Spud Date: Mo/Yr(new prod)		Comp Date: Mo/Yr(new prod)	
() Infill () Commingled () CBM () Horizontal		Total Depth Horizontal		Lease Name/Number Tie (See Notation Pg 2)		Total WI Decimal	
() Infill () Commingled () CBM () Horizontal		Total Depth Horizontal		Lease Name/Number Tie (See Notation Pg 2)		Total RI&ORRI Dec	
Water Disposal: Hauler/System/Well Name				() SWD System		Prior Yr Gross Weighted Ave \$/Mcf (Adjusted for BTU Content)	
Address		Phone		Less Allowable Deductions \$/Mcf (Gathering, Transportation, etc...)			
Gatherer Name				Effective Jan 1 Net Price \$/Mcf (Prior Yr Net Weighted Ave Price \$/Mcf)			
Address		Phone		Effective Jan 1 Net Price \$/Mcf to Royalty Owner			

Section IV-Production Data (required)				Notation	
Year		Cond(Bbls)	Gas(Mcf)	Decline Rate:	%
2008	Annual Production				
2009	Annual Production				
2010	Annual Production				
2011	Annual Production				
2012	Annual Production				
Total Production (5 yr cumulative)					
Annual Production (Prior Yr)					
Condensate (Converted to Mcf)		XXXXXXXXXX			
Total Annual Production (Mcf+ condensate conversion)					
Condensate Production Data (conversion calculation)					
_____ X _____ = _____ / _____ = _____					
Prod (Bbls) X Net \$/Bbl Oil = Income / Net \$/Mcf Gas = Total Mcf (cond conv)					

Section V-Gross Reserve Calculation (Total 8/8ths Interest)			Schedule (A)	Owner (B)	Appraiser (C)
1. Annual Production - Mcf (Total Annual Prod Sec IV)					
2. Effective Jan 1 Net Price \$/Mcf (Sec II)					
3. Estimated Gross Income Stream (Multiply Line 1 X Line 2)					
4. Present Worth Factor (Based on Decline Rate-Apply Appropriate Table PWF)					
5. Estimated Gross Reserve Value (Total 8/8ths - Multiply Line 3 X Line 4 - Transfer Total to Section VI, Lines 1 & 2)					

Section VI-Gross Reserve Value X Decimal Interest			Schedule (A)	Owner (B)	Appraiser (C)
1. Royalty & Overriding Royalty Interest Valuation (Total Sec V, Line 5 X Total RI & ORRI Interest)					
2. Working Interest Valuation (Total Sec V, Line 5 X Total WI Interest)					
3. Deduct Operating Cost Allowance for Producing Well (Allowance per Tbl)					
4a. Deduct Wellhead Compression (Annual Compression Expense)					
4b. Deduct Water Expense Allowance (Tbl A Annual Exp, Tbl B Annual Exp if Actual)					
4c. Deduct Water Expense Allowance Table C per SWD Well (Deduct SWD Expense for each Prod Well if SWD System)					
5. Working Interest Subtotal (Sec VI, Line 2 minus Lines 3, 4a, 4b & 4c)					
6. Working Interest Minimum Lease Value (Sec VI, Line 2)					
7. Copy Value from Sec VI, Line 5 or Line 6 (Whichever Line is Greater)					
8a. Add Prescribed Equipment Value for Producing Well (Flowing \$/Well)					
8b. Add Prescribed Equipment Value for Non-Producing Well (Shut-In, TA, SWD-Add SWD Equip Value for each Prod Well if SWD System)					
8c. Add Pres Equip Value for Additional Equipment (Compressors, Gathering Lines, etc...)					
9. Add Itemized Equipment (Section III - Attached Schedule)					
10. Working Interest Total Market Value (Add Sec VI, Lines 7, 8a, 8b, 8c, & 9)					
11. Working Interest Total Assessed Value (Multiply Sec VI, Line 10 X 30%, Unless Lease Qualifies for 25% Rate)					

Current Division Order with Name, Address, Interest of Royalty Owners, and Well/Lease Identifier is a Required Attachment to Rendition

Certification: I do hereby certify that this schedule contains a full and true list of all personal property owned or held by me subject to personal property taxation under the laws of the State of Kansas pursuant to K.S.A. 79-329 through 79-333.

Owner	Date	Tax Rendition Preparer	Date
Rendition Information: Contact Phone () - Contact Email @			

Lease Code

County Code

Lease Name

Prescribed by Kansas Department of Revenue, Division of Property Valuation