



One of the Nation's Top 100 CPA Firms

Oil and Gas Property Tax Valuation in West Virginia

Joint Select Committee
on Tax Reform

June 29, 2015

Donald B. Nestor, CPA

I. Types of Property

- A. Non-Producing Property
- B. Producing Oil and Gas Wells
- C. Oil and Gas Operating Equipment

II. Non-Producing Property

- A. Valued Annually Per Acre By State Tax Department
- B. Values Vary by County (Exhibit A)

III. Producing Wells Taxed as Chattels Real Property

- A. Includes Values from Well to Point of Sale
- B. Valuation Process
 1. Producer Operator Returns Due to State Tax Department by August 1 Based on Prior Calendar Year Gross Well Income
 2. Projected Future Income Decline Rates Utilized Based on Geologic Formations by Region (Exhibit B)
 3. Operating Cost Factors Established Annually by State Tax Department (Exhibit C)
 4. Values Determined by State Tax Department Per
Tax Calendar (Exhibit D)

IV. Issues and Concerns

- A. Gross Well Revenue
 - 1. Revenue for First Year is Annualized if Under 12 Months Production
 - 2. 3-Year Weighted Average of Income Impacts Early “Flush” Production Values
- B. Royalty Owner Values Determined by Operator Values Leave Few Appeal Options for Royalty Owner Adjustments
- C. Operating Cost Models Needed for Horizontal Wells Other than Marcellus Formation

IV. Issues and Concerns

- D. Confusion Concerning Recording of Mineral Interest as Real Property Versus Recording as Personal Property for Chattels Real for Well Working Interests and Overriding Royalty Interests
- E. Few Adjustments of Values by Board of Review and Equalization
- F. Determining Location and Proper Taxation of Operating Equipment on July 1 Annually

V. Oil and Gas Property Tax Valuation in West Virginia

- The Oil and Gas Industry Continues to Look Forward to Working Closely with State and Local Government Officials Concerning Property Taxation

QUESTIONS?

Donald B. Nestor, CPA

Partner | Oil and Gas Services

voice: 304.472-5550 | 800.924.0729

fax: 304.472-5577

www.actcpas.com

e-mail: don.nestor@actcpas.com