

Oil and Gas Assessment

- ORPS responsibilities: Collecting and analyzing information from producers, and determining and certifying the appropriate unit of production values for each region (gas) or well type (oil) for use in assessment of oil and gas rights.
- Currently there are 7 regions for gas, 3 well types for oil.
- Oil: Value is a dollar amount per barrel produced
- Gas: Value is a dollar amount per 1,000 cubic feet (mcf) produced.
- Oil and Gas economic units are assessed in the name of the producer and are listed on a separate subsection of the taxable roll.

Economic Units

- Oil and Gas rights are assessed as an economic unit. The economic unit is defined as follows:
- “Economic unit means all the real property subject to taxation and assessed...including the unextracted oil and gas, oil and gas rights and any and all equipment, fixtures and pipeline, regardless of size, length or pressure rating necessary to drill, mine, operate, develop, extract, produce, collect, deliver or sell the oil or gas to a point of sale to a commercial purchaser or the pipeline equipment of a user, including wells, well-head equipment, pipes, compressor stations, related equipment and buildings used to store equipment. Each economic unit may include either a single well and the associated property, or a group of wells and the associated property under common ownership and operated as a unit. No economic unit shall extend beyond the point of sale or where the gas or oil is delivered to the pipe or equipment of a user...”

Economic Units continued

- The economic unit encompasses everything it takes to extract gas or oil and deliver it to a point of sale or use.
- If there is a separate transport pipeline in your municipality, it is not included. These could be special franchise or private. Special franchise property is also assessed by ORPS.

Getting the information

- No less than sixty days before taxable status date, the assessor mails a notice to all known producers in their municipality requesting a report of production for the previous calendar year.
- Producers must report forty – five days before tentative roll date.
- DEC also sends to County Directors a report of all production in the County, and the County Directors forward this information to the assessors.

How ORPS makes UOP Values

- We start by compiling all of the producers' information for each region.
- Using weighted averages for each region, we do the following computation:

Gross income

- Operating expenses
- Royalty payments
- Capital investment
- Depletion
- Depreciation
- Other expenses

= Net cash flow

Net cash flow/discount rate = UOP value

- UOP values are averaged over 5 years

Computing the Assessment

- ORPS will deliver tentative UOP values 45 days before tentative roll, and finals 15 days before tentative roll.
- The assessor simply has to perform the following calculation:
UOP Value x production x equalization rate = assessed value
- There is also a provision in the law for minimum assessments on new gas wells for two years, based on production of 2400 MCF's

Oil & Gas Assessment Timeline

- April 30
 - Producers file with ORPS Economic Profiles Data
- January
 - ORPS Establishes Tentative Unit of Production Values & Sets Hearing Date
 - Assessor Requests Production Data from Producers
- February
 - ORPS Holds Hearings on Tentative Unit of Production Values, Reviews Comments, Revises if Necessary
- March 15
 - ORPS State Board Certifies Final Unit of Production Values
- April 1
 - NYS DEC Distributes Production and Well Permit Data
- May 1
 - Assessor Calculates Assessment for Each Economic Unit and Places on Tentative Roll

Oil and Gas Assessment Information Sources

- Real Property Tax Law Title 5 Section 590 – 597
<http://public.leginfo.state.ny.us/menugetf.cgi>
- ORPS Rules for Real Property Tax Administration Part 196.1-196.3
ORPS web site www.ORPS.state.ny.us look under legal topics
- Overview Manual for Valuation and Assessment of Oil & Gas Producing Property in NYS
http://www.orps.state.ny.us/sas/oil_gas/index.htm