

Fairview Republican
Staff Writer

Pipeline companies in Major County and County assessor, Ralph Wilson, have been feuding for the past three years. Not just on one issue, but over several different issues. Both have drawn lines in the dirt and are ready to continue the fight in Major County Districts Court.

Not just Wilson, but other county assessors statewide have been in a war with pipeline companies since 1996. Both sides have claimed victories on the battle confrontations, but neither has claimed victory in the war.

Round One

Before 1996, pipeline companies were centrally assessed by the State of Oklahoma. When pipeline companies were centrally assessed, they paid an astronomically high assessment ratio of 22.85 percent.

11 percent was and still is the going assessment ratio for personal property in Major County. Being assessed at 22.85 percent, was more than double the rate that other taxpayers were paying in Major County.

Seven pipeline companies petitioned courts and the Oklahoma State Supreme Court found that this central assessment rate was unconstitutional. The courts ruled that pipelines could move their assessments to the county level and be assessed at the lower county ratio rate.

Wilson said he had no problem with the Supreme Court ruling. "Everybody needs to be treated the same when paying taxes, but that was a tax savings of half or better for them," said Wilson .

Wilson saw Major County's central assessment figures decline \$7 million in 1997 due to pipelines being assessed locally.

Major County's central assessments was \$17 million in 1996, which included all utility companies and pipeline companies.

Today, Major County's central assessment figures have dropped to \$6 million.

Round Two

In 1998, pipeline companies and the county assessors squared off again, which is one of the many lawsuits that will be tried here in Major County

District Court.

The discrepancy is over how county assessors rendered, (Rendered – assessed locally at the county ratio), these pipelines on a 30 year depreciation schedule.

Two companies, GPM Gas and Continental Gas, have protested their taxes and have sued Major County. They are upset over and protesting the 30 year depreciation schedule that assessors are using.

\$100,502.83 is being protested by GPM and Continental Gas has protested \$17,860.44. The protested money has been paid and is being held in the escrow account.

Winners of the lawsuit will get the protested money. Losers will have to pay the winners interest on the protested money while it was in the escrow account.

“The real losers are our schools. They receive 80 percent of ad valorem taxes and when a company protests, it is the schools that suffer,” said Wilson.

Why the disagreement over 30 years depreciation?

Pipeline companies want to depreciate the life of the line as quick as possible. When a pipeline reaches the end of its depreciation schedule, Wilson will then base its value at a flat rate of 20 percent of its estimated fair market value.

“The quicker they can move the depreciation date up, the less personal property tax they will have to pay, and it'll make a big difference on the amount they have to pay,” said Wilson.

If they're on a 25 year depreciation schedule, a pipeline that is 15 years old will see a substantial savings.

How much? Half or better says Wilson. The majority of the lines in Major County are 15 years old or older, with several lines still in use today that are fifty years old or older.

GPM has voiced on additional discrepancy on how Wilson valued its right-of-way. GPM's taxes doubled in 1999.

Wilson puts a basis of \$2 a foot on all pipeline right-of-way. GPM thinks that they have the right to depreciate the value of the right-of-way. Wilson

doesn't think so, which resulted in their doubling of taxes.

Round Three

For 1999, the war has moved to another battle front. Pipeline companies are upset on how assessors have calculated fair market value on their pipelines and the equipment they have in the county.

Parent and subsidiary companies that have filed suit in district court are: GPM Gas, GPM Anadarko, Continental Gas, Western and Western Gas.

Wilson and other assessors around the state have hired a gunslinger to help them with the fight.

Win, lose or draw in the district court fight, Wilson thinks he can chalk a victory up for his side, and will come out ahead in the long run.

The hired gun has been doing a physical inventory on pipelines and related oil field companies in the county. Wilson said that the companies haven't been exactly very honest about rendering their personal property in the county.

The hired gun, Visual Lease Services, Inc. (VLS) has also been hired by seven other Oklahoma county assessors in the state.

To have VLS join in on the fight will cost Major County a total of \$198,500. Terms of the contract are: \$20,000 up front and \$44,625 in four equal installments over the next 2 two years.

County schools will help pay for VLS from their revaluation monies. Wilson said that schools have previously budgeted their revaluation money, which he administers.

VLS contract with Major County is to inventory and appraise all locally taxable oil and gas properties.

VLS uses the latest technology in Global Position Systems, (GPS) combined with Geographic Information Systems and attached databases to accurately locate and map all locally taxable oil and gas properties.

The first phase of this process is already complete as all road intersections and pipeline crossings have been mapped, providing a basis for further detailed property inventory and assessments.

"VLS has gotten a list of wells drilled in the county and visually inspected

those sites and we have found some omitted property that companies haven't rendered centrally or locally. We'll be in contact with them in the near future," said Wilson.

GPM Gas and its subsidiaries have filed renditions in 22 Oklahoma Counties. Currently GPM has approximately eight lawsuits filed against various county assessors in the state, said Gary Mask of VLS.

GPM lost its first case in Roger Mills County. That makes Wilson feel pretty good about his chances in district court. Roger Mills County was utilizing the same schedule and methodology in personal property assessment that Wilson is using in Major County.

Possible Round Four

Wilson anticipates another fight with companies protesting their taxes on what the fair market value he has put on their equipment.

Wilson said that his office has no other concern, than to find the fair market value of all property within the county, whether it is real or personal property.

"We are not out to get the oil companies, because they are a big asset to our county. We want to assess all taxable equipment, just like we do on farmers, ranchers, individuals and other commercial businesses in the county- at a fair market value," said Wilson.

A couple of the pipeline companies have voiced an opinion that they want to change the way they are assessed. Moving away from the flat ratio basis to an income basis of how much money that line makes.

Wilson is not the favor of taxable based on income. "Our office is not capable of doing it. We don't have the man power to sit down and go through profit and loss statements, tax returns and what's to keep a company from cooking the books a little.

Another reason why Wilson said he was not in favor was that he wants his office to be fair to everybody, even though there is wants to pay taxes.

Wilson felt if he did taxation based on income for one tax payer, he would have to do it for everyone. "I would be opening up a can of worms; I don't want to look at everyone's cash flow, tax returns and profit and loss sheets. I want it to be fair for everyone."

Of the 36 separate oil field companies rendering personal property in

Major County, all but three have accepted the assessed values and methodology used by Wilson.

Pipeline companies doing business in Major County that have paid their 1999 taxes and not joined in on the lawsuits are: Ringwood Gathering, Reliant Field Services, Carmen Field Services, Cherokee Gas Gathering, Panhandle Field Services, Dynegy Energy and its subsidiaries, Dynegy Mid Stream and Dynegy Okeene Gathering.

Wilson said he has not been picking just on the oil companies; he has been picking on everyone.

Wilson and his staff office has completed a reevaluation of all real property (agricultural, residential, and commercial).

Wilson said that this is an attempt to insure that all personal property is being treated fairly and equitably on comparison to real property assessments, which have been evaluated at market value for years.

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