

Consultant finds \$21 million in omitted taxable property in cursory exam;

Commissioners sold on idea, want OK from other entities before signing contracts

By: Russ Mabry

To be one of the nation's most prolific natural gas producers, Latimer County regularly finds itself financially embarrassed, at least within the government entities funded by ad valorem tax collections.

Jerry Wisdom of Visual Lease Services, Inc. (VLS), of Holdenville, says his organization can change things for the better, as it has for 28 other oil and gas producing counties in Oklahoma .

At issue is the value of property and equipment in Latimer County owed by natural gas producers and their vendors. Wisdom said that a cursory examination of his company's extensive database revealed several drilling rigs, with multi-million dollar market values, which are in Latimer County Assessor Linda Jordan's office.

The taxes the county has been shorted on those properties, said Wisdom, total over \$209,000. The prime beneficiaries of recovering the taxes owing include the county's school districts, its hospital, Emergency Medical Services, and library.

As three of the county's school superintendents listened, Wisdom described his company's multi-faceted approach to inventorying and valuing property and equipment, utilizing decades of expertise and industry connections, which county assessors simply don't have the time or expertise to acquire, in addition to their other tasks.

Wisdom has proposed to inventory the oil and gas properties, from the sales of producing wells to pipelines, which connect them to the downstream markets, and to fix a current fair-market value on them for purposes of tax assessment.

Part of VLS' services includes recording global positioning system (GPS) readings and pipeline road crossings, as well as surface equipment associated with natural gas and oil wells.

He also told the board of commissioners at their Monday meeting that his organization would stand behind the values his group attributed to taxable properties, appearing as expert witnesses if and when needed in court as part of their anticipated two-year deal with the county.

Alluding to a project which proved disappointing to the county's coffers in recent years, Wisdom explained that his firm was involved in a hands-on way with the identification and valuation of the subject properties, as he related specific experiences VLS has had in the past in several of the other counties with which

they have contracted since 1996.

Without naming names, Wisdom said that some companies operating in Latimer County have demonstrated history of either misrepresenting the values of their properties or failing, altogether, to render them to the assessor's office in order to for them to be taxed.

Wisdom described Latimer County as a "hot spot" for drilling, noting that over the past four years the county has had 260 new wells drilled within its 728 square miles. The drilling rigs used to bore those wells, he said, are taxable within the county at their fair market value.

While some companies report rig and other equipment values at below the true market values, Wisdom said his company's extensive database and industry connections, along with government and private petroleum data, make both tracking and valuing equipment routine work.

While accurately assessing the value of underground pipelines is difficult for county employees, Wisdom said his group has many years of experience doing so and can also determine the length, age and fair market value of those resources.

Further, he said that drilling rigs typically stay stacked at their last location until they are moved to a new prospect and that even though they may not be in operation – and, thus, more easily spotted – his company does the legwork to keep track of rigs, which records can then be compared to lists submitted to the assessor's office in order to determine whether or not equipment is being fairly and accurately reported.

Additionally, he noted, gas compressors, which are valued for tax purposes by horsepower and age, are very difficult for local assessors to appraise. Wisdom said his group is able to evaluate the units as to both age and horsepower, noting that one area compressor company had demonstrated, statewide, a tendency to grossly misreport the value of its units.

On a related note, the board of commissioners were to have met during the week to discuss what steps should be taken to recoup thousands of dollars in unpaid sales tax for oilfield tubular goods which have been delivered to and used in Latimer County.

Wisdom told the board that during his eighteen years in oilfield supply business, sales tax was payable at the point of delivery.

He also stated that both private and Corporation Commission records could be obtained to accurately reflect the side quantity of casing, tubing and other like materials which are liable for sales tax payments, and that he could assist the county in obtaining that information.