

July 16, 2019

The regular meeting of the Texas County Equalization Board was called to order by Gary Davison, Chairman. Charles Butler member and Wendy Johnson, County Clerk were present. Judyth Campbell, Jerry Wisdom, James Eberts, Freida Burgess was also present. Kim Humbard was absent

The agenda was filed July 15, 2019 at 10:00 a.m. in compliance with the open meetings act.

Davison verified we were in compliance with the Open Meeting Act with two board members present.

Motion by Butler, second by Davison to approve the minutes of the previous meeting as written. Aye: Butler, Davison. Nay: none.

Affidavits were collected from Charles Butler, Gary Davison, Judyth Campbell, Wendy Johnson, Jerry Wisdom, James Eberts and Freida Burgess saying they have not communicated with another person in violation of subsection E of § 2877 of Title 68 of the Oklahoma Statutes.

11:00 a.m.

Nolan Williams with Pantera was not present but was in contact with Jerry Wisdom about everything so Wisdom talked about the situation with them.

I'm **Jerry Wisdom** with Total Assessment Solutions. On Pantera this has actually been in court for the last couple of years. Remember they sold this property approximately three years ago, they gave us an allocation to the value of like \$600,000.00 and we didn't accept that value. This was a former Texaco pipeline system that we had found several years ago to be omitted and we historically valued \$5 million. Though the court filings we did receive documentation of the purchase price of the total \$40,000,000.00 purchase price for all the property, approximately \$8.3 million was allocated to Texas County. This included mineral, well site equipment and the pipeline system, historically we had the pipeline system at \$5 million. We also had some wells that were shut in wells that were indicated to us that had not produced that had produced a \$900 thousand valuation so it made the total \$5.9 through discovery and discussions with Pantera we agreed to settle on a value for the prior two years and then this year. In this manner this was a steel pipeline system and that was installed in 1950 and it's been out there for all those years. If they were going to replace that pipe they would replace it with plastic pipe and plastic pipe is roughly half the value of steel pipes and we made an agreement with them to value the system as if they were going to replace it. The valuation we have in front of you here now for this year 2019

\$2,457,414.00, it's highlighted at the bottom. Now these are in school district D-80 Straight, I-8 Guymon and D-9 Optima, so for the record you will see the value to be broken out at D-80 the fair market value would be \$253,758.00, I8 would be \$2,189,586.00 and D-9 would be \$14,070.00 so that being said we ask the board to affirm that value and we are going to have a journal entry made for the other two years. The other two years settled for a little bit more than those others because of depreciation but the important part is that we have a bases to moving forward with Panera in valuing these properties so we can resolve the issues that we have with them. So we ask you to except the valuations we have with them.

Butler: You don't think they will protest next year?

Wisdom: No sure, they were concerned that we would change the method and we are going to go out and confirm all of the other shut in wells that they had that we don't believe that are shut in. We will do all the leg work on that so I think we have reached an agreement.

Motion by Butler, second by Davison to approve the 2,457,414.00 valuation as recommended by Jerry Wisdom. Aye: Butler, Davison. Nay: none.

Affidavits were collected from Charles Butler, Gary Davison, Judyth Campbell, Wendy Johnson, Jerry Wisdom, James Eberts and Freida Burgess and Scott Crisler saying they have not communicated with another person in violation of subsection E of § 2877 of Title 68 of the Oklahoma Statutes.

11:30 a.m.

Crisler: Ok I think I am ready to roll, I appreciate your patience.

Davison: Scott, hi I am Gary Davison and I am the Chairman Excise/Equalization Board and we are ready to hear what you have say about this.

Crisler: Ok fair enough, thank you. Well I appreciate everyone's time this morning and coordinating the teleconference. From DCPs perspective we have quite a bit of pipe up in Texas County some of it is idled and hasn't had flow for quite a few years so we think there should be some reduction in value for that. The boosters there are quite a few of them about half of them 50%+/- are currently not active they are in various stages, they are either deactivate, idol or preserved. Right now there are no plants up there, the Baker plant, I have been here for quite a few years and I had to look it up to see if there was even a plant there or not. It's been shut down longer than I have known. There is still a pretty good value on that \$8 million, we think it should be quite a bit less but that is the negotiation part. Part of our concern is there is quite a bid of data issues that we have given Jerry and the TASC folks some of that information. We will

work through it. It may include some idiosyncratic pipe that they either do or don't have, meters and pipe that may have been disposed in prior years that are still showing up kind of a reconciliation of the meters, the status and the horsepower etcetera. Honestly with the short time frame that we all have is either the tax payer or the tax roll as the consultant there is not enough time to go through thousands of lines of data. Not just in Texas County but all the counties so we will work through that and will probably make some of the difference. I do just want to point out that part of what we look through when we come up with values is performance of the assets is key to staying in business. So what I have done is kind of traded Texas County over from the peak of 2014, 2015 with commodity prices quite a bit higher than they were January 1, 2019 and the assessment date in looking at that trending we are down 57% in revenue and another 44% on margins before operating costs and volumes are down in that range as well so when we look at the overall assessed value while it's come down it doesn't mirror what we believe is what we are talking about here is kind of the income approach to valuation and looking at the income that these assets generate, like I just said they are down about 57-50%. We also look at the rate of return of these assets in looking at the replacement costs that TASC has on these is up about \$600 million. The margin again is not a net operating income at this point it is just margin which is higher than what NOI would be with a return of about 1.5% on these assets. DOTC said Midstream companies are earning about 10.5% so it's quite a difference with where we should be that results in obsolescence kind of whether you like it or not, I mean it's a measurement of it and so by looking at that we say that there is some obsolescence built in and I don't agree, we just don't think it's enough based on what you see pertaining to these assets, another measure is utilization the boosters are right at 50% and have been for quite a few years and probably won't get any better than that, well they might but the only way the utilization in the county will increase is if we keep shutting down boosters like I said half of them are shut down currently if we shut them down we reduce the capacity and therefore the utilization will increase but it's not for adding new flow or whatnot basically by limiting capacity that we have overall. One of the other things that we kind of look at is we have got litigation Beaver county and had an expert report that the county has done one and our expert has done one. The values range from 40-56% I think even the asset mix in Texas County is certainly not a 1-1 but it's pretty darn similar. I think if we had expert reports we would see a similar number pop up on these expert reports if you apply even the midpoint of that range to the assessed value then you get a lot closer to our rendered value than what the assessed value is. Again 2018 in under a law suit and we will have to pull an expert report there we may just do the same with 2019 and see how it shakes out. That's just my view of Texas County and some of the reasons why we have protested. Our rendered value is \$52,866,445.00, I will be glad to answer any question if you have any.

Davison: Ok, Thank You

Wisdom: Ok thank you Scott. Can you hear me ok?

Crisler: Yep, I can hear you fine, thank you.

Wisdom: I agree on some of the points that Scott made about the issues of some of the idol pipelines and the meters and that data base needs to be cleaned up and we are getting some of that information through the discovery process the problem with that is that is kind of lingers behind where we are at in the current values. As Scott said there is not a lot of time to shake this out from March 15 till now, not just Texas County but the others as well. We are looking to get together more in the fall and to get some of that but I think overall in the grand scheme of things it's not that big but some of the issues we have is pipe that they say is deleted is not necessarily deleted, it may be idled or it may be abandoned but historically they have been reported as deletions and it wasn't. In 2018 they added 1996 pipeline, how do you add 1996 pipeline in 2018? Well you deleted it in 2010 and so those are part of the issues, and the Baker plant that Scott mentioned that was one of the questions that I had because it's limited, Scott I show that you installed a meter at the Baker helium discharge in 2018. If the plant is shut down why are we installing meters but the meter you were installing was a 2016. I think maybe we need to have a plant inspection, I know some of the compressors and stuff have moved out so maybe it's just tying another line or rerouting the gas. That being said in 2014 as Scott mentioned we were roughly \$168 million and the current market value that we have now is \$100 million now so we are down almost 60% of the value but he says his margin are down almost 54% and 40% but yet his value is down 30% so those are not adding up with the \$59 million. We reached settlement negotiation in the 2015, 2016, 2017 case moving forward and we thought we have a basis to move forward on that is didn't. I think there is a little bit of frustration on both ends certainly the Counties issues and from DCP's perspective. We are trying to meet with them and trying to get this resolved from there. DCP overall their total net income from 2017-2018 was up 206%. They had a net income of \$265 million in 2017 and \$134 million in 2018 given that we haven't had a new well drilled in Texas County so probably those margins are not coming from here but they are coming from there low volume fees coming from the operators and they are charging them more rates for that. One of the things that we don't get to see is the income analyses that Scott is talking about in proving that and I hope maybe in the future starting next year or something Scott can start distributing that and we can look at it county by county basis because we don't want to continue the law suites but if we have to then that is what we have to do. We certainly want to get some kind of resolve for that. With that all being said we have over 65 thousand horse power compressors some of those are idol and some of them are used but of those compressors are already at a residual value so they can rarely move them off so it's not like you have an extraordinary amount of value. The total value of the \$100 million we only have \$15 million in the compressors witch are pretty much at the residual value so I

don't think there is a big issue there. I think there probably is some room on this Baker Plant to look at that and that is something that we can look at but it is certainly not going to be \$42 million he is at \$58 million and we are at \$100 million so I think those are issues we are going to have to do but if they want to come to the table and do that then we are certainly willing to go out and look. We are going to try to go out and confirm this year that these actual meters they deleted, we are going to go to every single one of them and see if they are removed then we will have a better idea and that is not Scott's fault, they are just taking what they report up to him. We got boots on the ground to make sure we are confirming this information and again it's not a big value but if you get the asset right then we can start arguing about the values. Then we are going to get to the income part, so how much of the income is coming from these compressors that's boosting the gas that's there. That's a big issue that's coming from other counties as well that may not necessarily contribute coming straight from Texas County. With that being said with the pages I have on the summary I would ask the board to affirm the \$99,999,667.00 across all of the school districts for this year. As Scott said we certainly want to look at that, we have some other settlement conferences coming up for the others and we are going to get some guys out here to look at this other stuff and maybe we can reach an amical agreement. We want to have something moving forward that everybody can wrap their arms around and embrace. That is all I have.

Davison: Ok, is there any other discussion?

Wisdom: Scott do you have anything else?

Crisler: No I don't think so, its 6 of 1 or ½ dozen of another but you bring up the results of DCP, and yeah there are areas that are doing pretty well those are not is Oklahoma. You guys don't know how we are structured if you will but we call the midcontinent most of Oklahoma. If you all know what distributed cash flow is, it's negative in Oklahoma or the midcon regain meaning that that regain can't even pay its bills. I don't disagree that I have not shared the 2018 income or revenue numbers but through discovery there is enough data out there from 2015-2016, 2017-2018 you can see the trend downward. I'm not saying anything that's not already out there, maybe specific to Texas County for just this one year but I'm quoting trends not accrual year over year. We will see how this all shakes out. We at DCP would certainly get to a point where we don't have to file law suits every year but at the end of the day if that is what it takes we will do what we need to, we keep letting people go because we can't meet our costs and we can't generate the revenue so at the end of the day you go to bat for the company and try to save as much money as you can through these processes that are made available in order to keep the doors open and lights on at all of the facilities we have. A little bit of a soap box there I apologize but we will work with Jerry's folks and get to the right answer and hopefully avoid some of this nonsense moving forward.

Davison: Anyone else have anything to say? Ok, I guess motion.

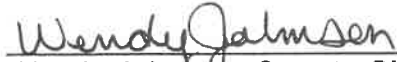
Butler: Sounds like everyone is ready to go to court so my recommendation is to take Jerry Wisdoms recommendation and go from there.

Davison: Ok

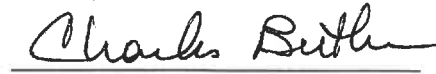
Motion by Butler, second by Davison to take Jerry's recommendation of \$99,999,667.00. Aye: Butler, Davison. Nay: none.

There was no new business.

Adjourn.


Wendy Johnson, County Clerk


Gary Davison, Chairman


Charles Butler, Member