

June 9, 2020

The regular meeting of the Texas County Equalization Board was called to order by Kim Humbard, Chairman. Charles Butler, Gary Davison members and Wendy Johnson, County Clerk were present. Judyth Campbell, Assessor and Debby Kneeland was also present. Benjamin Hunley with TASC and Scott Crisler, Attorney for DCP were present by phone.

The agenda was filed June 8, 2020 at 10:00 a.m. in compliance with the open meetings act.

Humbard verified we were in compliance with the Open Meeting Act with all board members present.

Campbell: Ben would you like to start presenting the exhibits?

Hunley: Yes, that would be fine. I want to thank everyone for being here. These assets that have been in the county for a long time that we are very familiar with. If you will turn in my packet to exhibit 2 down at the bottom of that page, I have got it highlighted Texas County. The 2019 county values for all school district combined we were at \$99,999,667 as a settled value from last year. This year's values are at just a little bit more at \$100,000,126. Now you look at the next Colum its DCPs 2019 values at \$52,866,445 and this year with the same assets value at \$22,657,022 its about 43% of what their opinion of asset value from last year. We didn't see anything in the market to make to warrant that decrease at all. If you will go to page 8 in the exhibit, that just shows you a summary of all the valuations for all the school districts with a grand total fair market value of \$99,999,667. If you just flip through the pages going to page 14 that is how we came up with the fair market value to 2020, \$100,000,126.

Campbell: That's the number of everything that they rendered and ran through the calculations correct?

Hunley: That is correct.

Campbell: was there any new acquisitions that would go on for 2020?

Hunley: Not to my knowledge.

Campbell: Ok, there wasn't to mine either just checking calculations.

Hunley: So, the fair market value is \$100,000,126 and that is the value that we would ask the board to confirm for this year and if anyone has any question, I will be glad to answer.

Campbell: Scott we are ready to hear you evidence now.

Crisler: Ben does bring up a point about values. There appears to be nothing that would increase the value. I would point out that most of the Assessors in Oklahoma received a cover letter from us with the renditions and on there it pointed out that we did have a substantially lower value and it was just a heads up. Some of the things that did affect the value is there were asset sales just South of Texas County and the Texas Panhandle. It was quite a few miles of pipe, several plants and busters and meters etc. There was no material capital spent during the year and there was no price decline and this decline was 26% in value reductions pretty much across the board as well as Texas County. This was just a heads up and we were not just decreasing values on a whim, we have affecting factors that we experienced during 2019. The one thing we didn't do we didn't incorporate any value for COVID, additional price declines, all the production cuts we are seeing, all of the financial impact we are seeing as far as any additional impacts to the market. Those we didn't factor in because if came after the assessment date. We will catch them up in the 2020 valuations and it will probably be worse then it is this year I think if you are an interest owner in any well, then probably what I'm saying to you is not a surprise because you have seen your check decrease over the last couple of years but definitely in the past few months as well. I don't know if this is anything that the board member would want to side with DCPs rendered value. We do have litigations pending with Texas County still but given that the value that we rendered makes more sense then what the Counties value is that was wacked the last year. Basically, we look at the value of our assets just like the Oklahoma Tax Commission describes, we look at any comparable sales that occur, the income that is generated, the cost of the assets, and apply different factors that they say we should apply. Taking that into account any comparable sales, we had sales just across the state line and in East Oklahoma and all of this is comparable because it is similar equipment, it's all DCP assists so we are not looking at competitors assists telling what terms the sales were and we know what the assists were and they connect to the same pipeline that is in Texas County. What we did find was that those sales are approximate 75% less then the historical assessed value. It's eye opening but when you look at a comparable sale there is not a lot to look at to see what a fair market value would be on an assessed right across the state line. Given that we didn't have a lot of activity in Texas County. When you have a sale, you look at what you have left and extrapolate the sales of those assets. That's a lot of what drove down the value for this year. From a cost perspective we should see another year of depreciation. TASC uses about a 13% higher cost schedule for pipeline then the Oklahoma Tax Commission. Some of the idol pipeline should be at a steeper discount than they are allowing for the life of their pipeline is longer than the Tax Commissions and we need to be applying obsolescence. TASCs Obsolescence is not close to correct in Texas County. Using TASCs margins to ours we only made 1%. OTC caps it and we show making 11% so we are missing 10% of our return compared to the accrual. Looking at the income the revenues have declined another 10%, volumes are down 5% and the

price for natural gas is down 29% so you have to say if I'm not making as much with these assets, they have to be declining in value. In fact, during the peak of the commodity pricing we made about 57% more back then, then we do now and yet our assets have only gone down 17% over that same period of time so we are paying more in taxes every year to earn less revenues. So, to show that facts that our fair market value reflects the sales are about 75% over values. We see a continuing decline in these assets as evidence in the increase in volume revenue and the continuing weakness in the industries Pricing. The assessed value is clearly not a fair cash value. That's kind of what I had. I will be glad to answer any questions as well.

Campbell: Ok, Thank you Scott. Ben do you have any rebuttals for Scott?

Hunley: I just have question. He talked about a couple of sales. We are not in Texas; we are in Oklahoma but we never got any information on the sales and what happened. To understand it all we would have to look at all of that and we have not had the opportunity to look at it. My next question is, if things were so bad why didn't they just sell it all if they had a buyer and stuff for sale, why didn't they just sell all of it? Those are just some of the things I would think about. I would also like to say that there are approximately 12 other Midstream pipelines that are operating in Texas County and this is the only company that comes in front of a board for valuations and we value those companies' assets with the same methodology that we value DCPs assets with. He also talked about volumes and when we look at volumes we look at in general, where are these assets and DCPs are all midcontinent assets. On another valuation issue that we had we did take a good look at the volumes in the mid-continent regions and only seen a 4% decrease in volume. DCP did add some historical data in volume to Jerry Wisdom last week. Looking at them we didn't see a 20% decrease, we only seen about a 15% decrease. That being said I feel comfortable with the methodology that we use to value these assets; we don't take on only one company they are all valued the same. If you have 1,000 miles of 6" pipe it's all going to be valued the same. A little note on the small increase that they had. I know they had some discussions on past years in informal discussion about these assets that we had put some adjustment factors on some of their assets and that during mediation last year and with some of the other counties, not Texas County because I was not in those discussions but Jerry Wisdom was, he was instructed that if it was idol pipe or anything like that we were to apply a 50% adjustment factor to it and take all of the other adjustments off and so that is what he did and so that's my account for just the small increase that we came up with from last year to this year. If you look at the handouts, I gave you and look at page 8 and 14 you can see that the increase. On page 8 the Replacement Cost New for 2019 was \$602,612,888 and the Replacement Cost New for 2020 is \$643,215,519. We are in litigation for prior years so it would probably be a good idea to just add this one to it. I would still ask the board to consider the \$100,000,126 valuations.

Campbell: Ok Thank you Ben

Crisler: Can I have an opportunity to respond to that?

Campbell: Sure Scott

Crisler: I get that we are crossing from Texas to Oklahoma the problem is they are so close together and the assets connect in Texas County so I think it is pretty relevant to talk about that sale because it was so big. I agree that we have not provided those assets to Jerry but it was not done until February 4 and it takes quite a while to do all the paperwork. We are waiting for a copy of that, the buyers have a confidentiality issue with that and so it is taking a while and hoping it is this week and before the next stage of the appeal process. Why didn't we sell it all? I don't know. Why the others don't set before a board and go through the process, I have no idea. I think it is your due diligence to challenge the values then you are probably overpaying in taxes. Volumes? Ok so Ben says that my volumes are sitting at 15% so why are mine setting the same as last year if there is a decrease in values and revenues shouldn't there be some kind of adjustment there? It's all in the Oklahoma Tax Commission Guide that is available to the public and all Assessors that they discount ambulant pipe down to 20%. I'm just restating the facts that are already out there. Since Ben brought up the litigation or settlement in the past. The one point that I will bring up is that we are talking about the 2020 value but I know it can't be \$100,000,000 because in the 2018 tax year the counties own expert valued these assets at \$90,000,000. We have not added pipe, we lost revenues so there is no way that it can be more than \$90,000,000 and I'm guessing that if the experts valued these assets for 2019-2020 it would be much less than \$90,000,000 but there is no way that it can be more than \$90,000,000 because these aren't appreciating assets they are depreciating assets. This is based on the age and the resources being developed around them. So, I just wanted to do a rebuttal of Ben's comments. I don't know if that makes much difference in the board eyes but I felt it should be said. Thank you.

Butler: Scott, who did the Texas stuff sell to?

Crisler: That was a company called ICX.

Butler: Not a related company? Independent?

Crisler: Yes, sir all of our sales in 2019 were to different buyers. They are all at arm's length. A lot of people are saying that they were fire sales but it took two plus years to sell those assets. We turned down a lot of bids and a lot of buyers during that time. To me everyone has a different opinion and different definitions. But in a distressed sale you will sell in within 30-60 or 90 days or you just give it away and that was not the case.

Hunley: I would like to make one comment about the assets they appreciate or depreciate and I have been in oil and gas for 35 years. Look these assets do appreciate and we just didn't see the amount of volume that was in the mid continuant region to support that argument. I think oil and gas assets do appreciate in value they also decrease in value during time but when we are talking about the year 2019 that was a pretty active year or the mid continuant. I work in a lot of areas in the mid continuant areas and I'm not saying that there is any one little segment that may not have seen the big boom but there was a lot of activity in the mid continuant region in 2019.

Campbell: I would like to add that there are no deals cut either under or above the table in this county our goal and my job is for equalization and that is treating everyone equally not on how good someone is at arguing or persuasion. We go by the facts here and we do diligently try to ascertain what's true and what the assets are truly worth at a fair cash value and so I would like to add that. There are no deals cut and so you can't say that other people did not appeal simply because they got a better deal. They didn't, this is the numbers.

Hunley: I second that

Crisler: I appreciate that because obviously as a tax payer you don't know what happens so coming from the Assessor I appreciate the clarification or confirmation of that fact.

Campbell: Well I have fought a lot of fights because I will not make deals. We are striving because if we make deal with one company than that isn't fare to the other companies and at the times that I have gone through appeals and I found errors and they are fixed and they are fixed across the board for every tax payer. You don't get a break just because you were the one who complained.

Crisler: Protested not complained

Campbell: Same thing, anyhow. But here it's not the squeaky wheel gets the grease in this county.

Crisler: And that is all that we ask for is that the facts be considered and not just dismissed. Just a fair shake that we can have all the facts heard and evaluated.

Campbell: Does the board feel like they have heard enough to make any decisions or is there any other information that you need?

Butler: No

Campbell: Well then I'm going to move that we stand by the evaluation that we arrived at with TASC that we have not received any other information that would change

our assessment that has presented any type of facts that we can change the assessment on that are valid so I move that we stand by the assessment.

Motion by Butler, second by Davison the stand by the valuation presented by TASC at \$100,000,126. Aye: Butler, Davison, Humbard. Nay: none.

Adjourn.

Kim Humbard
Kim Humbard, Chairman

Charles Butler
Charles Butler, Vice Chairman

Gary Davison
Gary Davison, Member

Wendy Johnson
Wendy Johnson, County Clerk
Secretary to the Equalization Board