Ohio Department of
TAXATION
Office of the Tax Commissioner
30 E. Broad St., 22nd Floor • Columbus, OH 43215

Administrative Journal Entry

Date: APR - 5 2016

In the matter of adopting a uniform formula for the valuation of oil and gas deposits in the 88 counties in the State for tax year 2016)

Entry number: 16-03-0079

Ohio Revised Code Section ("R.C.") 5713.051 sets forth the various components used in the income approach for valuation of oil and gas deposits. By law, the average royalty expense is set at 15% of annual gross revenue, the average operating expense is set at 40% of annual gross revenue, the average capital recovery expense is set at 30% of annual gross revenue, the discount rate is set at 13% plus the rate determined under R.C. 5703.47(B), the discount period is set at 10 years, the net present value for stripper oil wells (those producing less than one barrel a day) is set at 60% of the net present value of wells producing more than one barrel a day, and the net present value for stripper gas wells (those producing less than 8 MCFs a day) is set at 50% of the net present value of wells producing more than 8 MCFs a day.

The Tax Commissioner hereby determines the average daily production of oil and gas for tax year 2016 be valued according to the following schedule:

All Grades of Oil		Taxable Value
Average Daily Production:	one barrel or more	\$5,310 per barrel
Average Daily Production:	less than one barrel	\$3,190 per barrel
Natural Gas		**Taxable Value**
Average Daily Production:	eight MCF or more	\$220 per MCF
Average Daily Production:	less than eight MCF	\$110 per MCF

The Tax Commissioner further finds the values to represent only the working interest as income allocable to the royalty interest has been subtracted from gross income as an expense and that interest is, therefore, not subject to taxation. These multipliers will be certified to the Ohio Department of Natural Resources for use in preparing the taxable values of oil and gas deposits for tax year 2016, and said values will be returned to county auditors for use in preparation of the tax list. These valuations will be accepted as prima facie correct.

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The above schedule and information from the returns are used as criteria for determining value and the resulting tax is not to be considered as either a production or severance tax. Under provisions of Revised Code sections 5713.05 and 5713.06, oil and natural gas wells or the value of any right to such minerals are assessed and taxed as real property.

It is ordered that a copy of this entry be sent to each county auditor in the state and to the Ohio Department of Natural Resources.

I CERTIFY THAT THIS IS A TRUE AND ACCURATE COPY OF THE ENTRY RECORDED IN THE TAX COMMISSIONER'S JOURNAL

JOSEPH W. TESTA
TAX COMMISSIONER

/s/ Joseph W. Testa

Joseph W. Testa
Tax Commissioner

SW/SS/cmz