

20-1423



UTAH STATE TAX COMMISSION
PROPERTY TAX DIVISION
CENTRALLY ASSESSED PROPERTY
VALUATION APPEAL FORM

ASSESSMENT
YEAR
2020
REV. 01/2020

TAXPAYER INFORMATION

[a] UTAH TAX ACCOUNT NAME ELK OPERATING SERVICES, LLC			[b] UTAH TAX ACCOUNT ID 14584239-002-PCA		
[c] INDUSTRY TYPE					
<input type="checkbox"/> Coal	<input type="checkbox"/> Coal Load-out	<input type="checkbox"/> Land-Only	<input type="checkbox"/> Non-Metalliferous Mining	<input type="checkbox"/> Metalliferous Mining	
<input type="checkbox"/> Oil & Gas Gathering	<input checked="" type="checkbox"/> Oil & Gas Production	<input type="checkbox"/> Oil & Gas Water Disposal	<input type="checkbox"/> Sand & Gravel	<input type="checkbox"/> Uranium	
<input type="checkbox"/> Air Carrier	<input type="checkbox"/> Electric Generation	<input type="checkbox"/> Electric Rural	<input type="checkbox"/> Electric Utility	<input type="checkbox"/> Gas Pipeline	
<input type="checkbox"/> Gas Utility	<input type="checkbox"/> Ground Access	<input type="checkbox"/> Liquid Pipeline	<input type="checkbox"/> Railroad	<input type="checkbox"/> Telecommunications	
<input type="checkbox"/> Railcar					
[d] NAME OF TAXPAYER COMPANY CONTACT MONICA BRISNEHAN			COMPANY POSITION CFO		
TAXPAYER ADDRESS (LINE 1) 1700 LINCOLN, SUITE 2550			E-MAIL ADDRESS mbrisnehan@elkga.com		
TAXPAYER ADDRESS (LINE 2)			TELEPHONE NUMBER 303-861-6255		
CITY DENVER	STATE CO	ZIP CODE 80203	FAX NUMBER		

TAXPAYER REPRESENTATIVE/PETITIONER'S INFORMATION

[e] PETITIONER'S NAME DAMIEN LARSON		PETITIONER'S EMPLOYER STANCIL PROPERTY TAX, LLC			
PETITIONER'S ADDRESS (LINE 1) PO Box 968		E-MAIL ADDRESS damiem.larson@gmail.com			
PETITIONER'S ADDRESS (LINE 2)		TELEPHONE NUMBER 281-341-5454			
CITY KATY	STATE TX	ZIP CODE 77492	FAX NUMBER		

VALUATION INFORMATION

[f] STATE TAX COMMISSION VALUE \$107,909,198	[g] PETITIONER'S ESTIMATE OF FAIR MARKET VALUE ~ \$90,000,000	DIFFERENCE IN VALUE \$17,909,198
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AFFECTED COUNTIES (PLEASE CHECK ALL THAT APPLY)

<input type="checkbox"/> BEAVER	<input type="checkbox"/> DUCHESNE	<input type="checkbox"/> KANE	<input checked="" type="checkbox"/> SAN JUAN	<input type="checkbox"/> UTAH
<input type="checkbox"/> BOX ELDER	<input type="checkbox"/> EMERY	<input type="checkbox"/> MILLARD	<input type="checkbox"/> SANPETE	<input type="checkbox"/> WASATCH
<input type="checkbox"/> CACHE	<input type="checkbox"/> GARFIELD	<input type="checkbox"/> MORGAN	<input type="checkbox"/> SEVIER	<input type="checkbox"/> WASHINGTON
<input type="checkbox"/> CARBON	<input type="checkbox"/> GRAND	<input type="checkbox"/> PIUTE	<input type="checkbox"/> SUMMIT	<input type="checkbox"/> WAYNE
<input type="checkbox"/> DAGGETT	<input type="checkbox"/> IRON	<input type="checkbox"/> RICH	<input type="checkbox"/> TOOELE	<input type="checkbox"/> WEBER
<input type="checkbox"/> DAVIS	<input type="checkbox"/> JUAB	<input type="checkbox"/> SALT LAKE	<input type="checkbox"/> UINTAH	

ADDITIONAL INFORMATION

[h] PLEASE STATE THE REASON FOR RELIEF INCLUDING THE STATEMENT OF FACTS, SUMMARY OF ARGUMENTS, AND AUTHORITIES RELIED ON:
(ATTACH ADDITIONAL SHEETS AS NEEDED)

ATTACHED

[m] SIGNATURE

DATE

7/29/20

20-14584
STANCIL PROPERTY TAX, LLC
P.O. Box 968
KATY, TX 77492

TELEPHONE: (281) 341-5454
TELECOPY: (281) 341-6015

July 28, 2020

Utah State Tax Commission
Property Tax Division
Centrally Assessed Property
Attn: Appeals Unit

Re: Appeal for Elk Operating Services, LLC

The Valuation Appeal Form has been completed and supplied to the Utah State Tax Commission to initiate the process for appeal of the 2020 Assessment for Elk Operating Services, LLC (Account #14584239-002-PCA).

The basis of the appeal is specifically the natural gas production valuation in the McElmo Creek Unit. As shown in the attached document (2019 Monthly Gross Production and Sales by Unit), the natural gas production was 1,650,450 MCF but only 487 MCF was sold as residue gas. The difference was either processed into NGL's, Flared or Re-injected to the Unit as part of a continued long-term pressure maintenance project to enhance crude oil production.

The second attachment to review is the data from the Utah State Tax Commission's economic summary of reserves. This shows the natural gas projections used to calculate the 'After Tax Value'. The Qi Rate (163,174 MCF/month) is the initial rate of natural gas production and although that number is accurate the amount sold as natural gas is much less. As mentioned in the prior paragraph, most of the natural gas produced is recycled and injected back into the Unit. A correct assumption to be used in the USTC economics would be to use a much smaller volume of natural gas as a Qi Rate.

The 2020 Notice of Assessment currently values the Units at \$107,909,198. With the adjustment in natural gas production back to what is actually sold the expected value will be approximately \$90,000,000.

The 2020 Notice of Assessment is attached to this appeal package.

Please contact me directly with any questions, comments or scheduling options. I look forward to resolving this issue in a timely manner and expect that we will be able to come to an agreement very soon on this matter. Thank you,

Sincerely,

Damien Larson

STANCIL PROPERTY TAX, LLC