

79-331. Same; determination of value; changes in determination of value of production; limitations on information used to establish fair market value. (a) Except as otherwise provided in subsection (b), in determining the value of oil and gas leases or properties the appraiser shall take into consideration the age of the wells, the quality of oil or gas being produced therefrom, the nearness of the wells to market, the cost of operation, the character, extent and permanency of the market, the probable life of the wells, the quantity of oil or gas produced from the lease or property, the number of wells being operated, and such other facts as may be known by the appraiser to affect the value of the lease or property.

Whenever a change in any of the factors or figures used in determining the 8/8ths valuation of the production for any oil or gas lease or property is made pursuant to the tax equalization, tax protest or tax grievance proceedings, such change shall apply to the working interest, royalty interest, overriding royalty interest and production payments and, if applicable, a refund of taxes shall be made in the manner prescribed by K.S.A. 79-2005(l)(1), and amendments thereto.

(b) The valuation of the working interest and royalty interest, except valuation of equipment, of any original base lease or property producing oil or gas for the first time in economic quantities on and after July 1 of the calendar year preceding the year in which such property is first assessed shall be determined for the year in which such property is first assessed by determining the quantity of oil or gas such property would have produced during the entire year preceding the year in which such property is first assessed upon the basis of the actual production in such year and by multiplying the income and expenses that would have been attributable to such property at such production level, excluding equipment valuation thereof, if it had actually produced said entire year preceding the year in which such property is first assessed by 60%.

(c) The provisions of subsection (b) shall not apply in the case of any production from any direct offset well or any subsequent well on the same lease.

(d) (1) In order to clarify and express the intent of the legislature regarding the methodology utilized in the determination of fair market value of producing oil and gas leases for property tax purposes, it is hereby declared that the primary and predominant consideration in such determination is, has been and shall be the actual value of oil and gas production severed from the earth.

(2) Information used to establish the fair market value of producing oil and gas leases which commence production during the preceding calendar year shall be limited to any information regarding production prior to April 1 of the calendar year in which such property is assessed. Information used to establish the fair market value of any base lease or property producing oil and gas for the first time in economic quantities on and after October 1 of the calendar year preceding the year in which such property is first assessed shall be limited to any information regarding production prior to July 1 of the calendar year in which such property is assessed.

(e) The provisions of this act shall apply to all tax years commencing on and after December 31, 2016.

History: L. 1917, ch. 323, § 3; R.S. 1923, 79-331; L. 1969, ch. 432, § 1; L. 1979, ch. 310, § 1; L. 2000, ch. 47, § 1; L. 2005, ch. 204, § 1; L. 2016, ch. 112, § 7; July 1.