



Official Minutes of PAYNE COUNTY BOARD OF EQUALIZATION

The Payne County Equalization Board met in a Special meeting of the Board in Suite 200, Gloria Hesser Commission hearing room, on **July 31st, 2019 at 9:30 a.m.** at the Payne County Administration Building located in Stillwater, Oklahoma.

Chairman called the meeting to order:

Chairman Wedel called the meeting to order at 9:30 a.m.

The following members were present:

Randy Wedel-Chairman, David Sasser-Vice Chairman, Becky Teague- Member, Glenna Craig-County Clerk. Also, in attendance James Cowan, Assessor, several attorneys and representatives for the taxpayer.

Approval of minutes of the previous meeting of the board:

Clerk's office presented the minutes of the previous meeting for approval. Motion by Sasser to approve the minutes with correction, second by Teague. Roll: Call Vote: Sasser- Yes, Teague- Yes, Wedel-Yes.

Hear protests field with the Clerk for discussion and possible action:

Chairman Wedel started the meeting by discussing with all present how the hearing will be conducted, and what the duty of the board is.

Plains Marketing, LP: Craig presented to the board the protest filed by Plains Marketing LP account 600086934. Paul Brandon, and Bill Elias presented for Plains Marketing. They are here to protest the freeport exemption denial. Assessor's value \$14,586,230. protestor's value \$4,667,594. Mr. Brandon discussed with the board the 901-F filed, their inventory, and the transfer of the Oklahoma inventory. 477 million in sales in Oklahoma. 1.1 billion is shipped out of state. They are moving the oil out within 3 days of sale. They are still paying taxes on some of the inventory in the state. Brandon feels oil in Oklahoma is taxable, this comes down to the average. Brandon stated they have pipelines coming from many areas, Cushing is the area used to transport the oil to the refineries. He took a snapshot of January 2018, and addressed the information, and how it is classified, and what is in and out of state on deliveries and tied back to original system. Brandon addressed and reviewed with the board the in state and out of state oil for delivery, and receipt by pipeline, and inline transfer. If there is any question on where the oil is coming from, they always report it as in state. 6 million out of state, in state 4 mill, total of 10 million for January 2018 for receipts. Bill Elias showed the board the locations of the Oklahoma refineries and anything identified in those refineries were considered in state and taxable. Brandon continued to point out to the board where they have tracked the in and out of state oil and the tracking of the sales, and transport in and out of the state by station. Sasser asked is this the way you have been rendering for several years, Brandon stated yes. Wedel asked Cowan if these calculations are correct, was it the same methodology as 2018, Cowan stated yes. Brandon and Elias stated that they are going to pay taxes on what is reported in Oklahoma. Exhibit 6 has the details of the transfers that goes with Exhibit 4 the receipts. Brandon shows on both exhibits the in and out of the oil. Brandon directed the board to Exhibit 3 showing information for deliveries which tie back to Exhibit 4. This shows inline transfers. Wedel stated so the \$4,667,594 is your percentage of Oklahoma oil, Brandon stated yes. Wedel asked so there is no way some of that oil is sitting in the storage, he stated not to his knowledge.

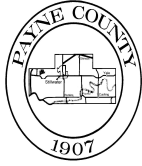
Assessor Cowan addressed the board. He said on Exhibit 4 in line transfers out as being out of state, he listed companies that all have agreements with several companies for storage, so all that oil is being sold from Plains to those entities, with the believe that it is not necessarily being moved, the oil is staying in the tanks, even when it wa sold to another entity. That is then Oklahoma oil. Wedel said we don't know for sure, Cowan



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stated we don't, the only way to know for sure is to see tickets, he has asked for them, they did not supply him with that information. Cowan knows they have storage agreements with tank farms to hold the oil. Cowan stated when you figure the freeport, and you have a larger percent sold in Oklahoma, then it should be thrown out because you don't have an accurate application. Wedel stated the conflict is physical oil, and is it coming and going, or being stored and trading hands, but being stored in the same tank, and never moves. Wedel asked the Assessor is that his assumption. Cowan stated yes. Cowan presented one month of trading to the board presented to him. On page 1 of 14, 16 lines down there is a sale to Plains marketing for 2,000 barrels, and then go down, you have on Nov. 8, 2018, MVP bought 2,000 same day from Plains. This shows companies moving product back and forth on paper, but did it move out of the storage facility? Cowan believes this shows it never left the storage unit. Cowan continues to state the back and forth of the trading and storage that he believes never leaves the storage tank between companies. Wedel asked Bill Elias to explain this? Bill Elias asked Paul Brandon to address the question. Cowan stated that companies need to pay based on their average month inventory. Cowan addressed the Exhibit 4 and said that the board could look at all of the companies, and they all have storage agreements with the tank farms, and Plains does not know if it is being shipped out or traded. This will decrease the amount of exemption they will have. Cowan stated that going back to the Missouri Gas Energy case, he believes it is taxable. Teague was questioning the method the Assessor used to get his numbers. Wedel asked Mr. Brandon a business practice question, is it common business practice for Plains to sale for example companies AB and C, X owns the tank farm. A sales to B, it is stored in X tank farm, both ABC have storage contracts with X, it never moves, B trades with C, never moves, they all have storage agreements, etc They are all going to pay the same amount of storage a day, and never moves from X's tank. Wedel believes this is what the Assessor is saying. The oil in question never moves, it just switches inventory on paper. Wedel stated if all 14 million is subject to tax, then the oil is taxable to all. Cowan stated no, it is the average of the oil at the end of month. Each will have their inventory at the end of the month, not coming in. This is not listed on Freeport Exemption. Teague stated that we don't have any information on if it was in or out, etc. Cowan stated that is an Oklahoma Case that went to the U.S. Supreme Court, it is intermingled oil. Cowan is stating it is the same as any other business that has inventory. Base assessment on end of the month inventory. Sasser and Wedel stated that the numbers presented by Plains is easy to track, but they are in conflict with what the Assessor has presented. Elias stated that this tax payer has been a responsible taxpayer and has been a good steward to the county he asks that this application be approved. Cowan disagreed. They have sales showing out of state that are in state. Motion by Sasser to uphold the requested appealed amount of \$4,667,594, second by Teague. Roll Call Vote: Sasser-Yes, Teague-Yes, Wedel-Yes.

Mercuria Energy Trading, Inc. Account 600083202. Payne County Assessor was present along with Brandon Westlake, Veronica Parker, and Williams Elias for Mercuria. Assessor value \$68,956,864, and Mercuria \$291,400.00, Mercuria states that the amount on their 976 is incorrect, and the amount of the OTC 901 should be used for their value. Brandon Westlake presented to the board. Mr. Westlake stated the first page and letter states that they are following the methodology agreed, and the OTC 901. Westlake stated they are addressing Oklahoma purchases and inventory. If they have a presence in Oklahoma, they are rendering it as an Oklahoma asset, and in state sale. This covers the gap for if it is, or is not. Wedel wants to address the trading in tank issue. Parker stated that as a trading company you are not just going to sale in the same facility, not to move product, it does not make good business practice. They sale and move it. Wedel stated you are a market maker, they stated yes. Parker said they are moving oil from the storage facilities here in Oklahoma to the Gulf Coast. Westlake believes they have been more than fair in their assessment. Ms. Parker and Mr. Westlake addressed the board for the sales, inventory, and when it comes to Cushing it goes into storage and they report those numbers in their monthly statements. Parker said as a trading company they use pipeline to deliver to the Gulf Coast out of Cushing. Parker stated each company only has so much



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line on the pipeline, they will buy line space from someone else that has capacity from the pipe because they are not moving at that time to move their product out. It may appear to be a sale, but they are buying it back in Texas, they show a buy and sale, but that is because they are buying line space. Wedel wants to address the information the Assessor provided showing sales, Westlake stated that was not oil transfer, but they are buying the space on the pipeline, so those are not sales, that's why it is zero.

Assessor Cowan stated that this point he thinks the board should approve the freeport exemptions, and he will follow through with District Court to get discovery of the facts, and further information. Motion by Teague to amend the fair market value to \$2,556,144, second by Sasser. Roll Call Vote: Sasser-Yes, Teague-Yes, Wedel-Yes.

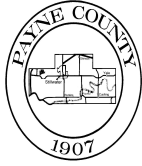
Suncor Energy: Suncor \$11,078,504, Suncor value \$2,991,204. USA Marketing Inc. Account 600087803. William Elias stated that the Assessor has William Elias stated that they believe they are entitled to the freeport exemption, Assessor Cowan stated he disagrees. Motion Teague to amend the Fair Market value to \$2,991,204.00, second by Sasser. Roll Call Vote: Sasser-Yes, Teague-Yes, Wedel-Yes.

Citigroup Energy: Account 600098313. Assessor value 5,403,943.00, Citigroup \$0 and account 600087488 Assessor Value \$112,965,211.00, Citigroup \$0 Scott Wright presented for Citigroup. Mr. Wright stated the Citigroup holds two different types of grades of crude oil. Wright addressed the different tables. He has been working with the Assessor to follow the methodology to assess the value of the oil, grade, etc. Mr. Wright says this all shows the inventory balance in barrels and the value by month, as well as the inventory moving in and out. This information shows the physical movement of the oil. Mr. Wright would like to have the same treatment of Citigroup as others present today, and have the board uphold the protested value. Wright addressed the two facilities BKEP and Enbridge. Wedel asked if Blue Knight rendered any other facilities or services? Wright stated this is not the oil they are addressing today, they do not own Blue Knight. Cowan is in disagreement with Blue Knight, they dump into the facilities. Wright stated they are not counter parts; they do not buy oil from Blue Knight. Wedel asked if Citigroup had other storage agreements other than the ones listed, Wright stated no just Blue Knight and Enbridge.

Assessor Cowan stated he has a hard time believing there are no Oklahoma sales or purchases, and he said regardless they will end up in court and have discovery. Cowan stated this information has been requested. Motion by Teague to adjust Citigroup Energy Enbridge and BKEP facilities to the requested protested value to \$0 on both, second by Sasser. Roll Call Vote: Sasser-Yes, Teague-Yes, Wedel-Yes.

Marathon Petroleum Company LP: Account 60070916 Assessor value \$15,300,511.00 and Marathon stated that they believe the value is \$921,091. Mr. William Elias presented for Marathon and wishes for them to be treated as all others and to uphold the value presented. Assessor Cowan still disagrees with the value. Motion by Teague to adjust the fair market value to the amount of \$921,091.00. as requested by the protestor, second by Sasser. Roll Call Vote: Sasser-Yes, Teague-Yes, Wedel-Yes.

Tidal Energy Marketing, LLC: Account 600086852 Assessor value \$140,704,312.00. Cowan stated that they have property, and they say they just have freeport exemption. Their 901-F says 0 sales in Oklahoma, they are part of Enbridge, and the Assessor has a hard time believing there is no transactions in Oklahoma, and the information on their 901-P does not match the 901-F. Tidal shows a value on the 976 of \$218,206.00. Bill Elias and Wyatt Swinford presented. Cowan stated they also had trading with everyone that has presented today. Mr. Swinford stated that the representative on this account had presented an affidavit to the board, the board reviewed that affidavit. Elias and Swinford stated that the amount on the 976 is the amount for the equipment, they are requesting 0 for the freeport exemption. This is an appeal to a notice of value.



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Assessor Cowan finds it hard to believe there are no transactions associated in Oklahoma. Motion by Sasser to adjust the fair market value to 1,931,340.00 as requested by the protestor, second Teague. Roll Call Vote: Sasser-Yes, Teague-Yes, Wedel-Yes.

MV Purchasing: Account 600084511. Assessor valuation \$24,708,398.00 MV Purchasing value is \$5,256,973.00. The board called Jeff Miller for a teleconference as requested. MV Purchasing adjusted their number to \$7,743,020. Mr. Miller presented for MV Purchasing. Motion by Sasser to lift the tabled protest of MV Purchasing for discussion, second by Teague. Roll Call Vote: Sasser-Yes, Teague-Yes, Wedel-Yes.

Wedel discussed with Mr. Miller that the board during discussion with other taxpayers has addressed the freeport exemption. Mr. Miller addressed the information presented to the board that was sent for review. Mr. Miller discussed purchases in and out of Oklahoma. Mr. Miller is asking to adjust to the 7,743,020.00

Cowan again finds it hard to believe there are no sales in Oklahoma reported. Some gets sold and traded in Oklahoma. Mr. Miller says this is what we have.

Motion by Sasser to adjust the fair market value to \$7,743,020.00 as requested by the protestor MV Purchasing, second by Teague. Roll Call Vote: Sasser-Yes, Teague-Yes, Wedel-Yes.

Final Adjournment:

Motion by Sasser to adjourn, second by Teague. Roll Call Vote: Sasser-Yes, Teague-Yes, Wedel-Yes.

Minutes of the Board attested to

By _____
Glenna Craig, Payne County Clerk
Seal of office

Approved by the Excise Board

On the _____ day of _____ 2019

Chairman _____

Vice-Chairman _____

Member _____