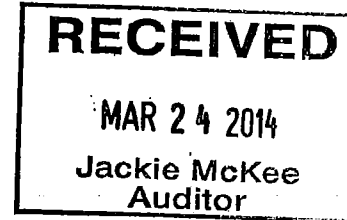


Administrative Journal Entry

Date: **MAR 18 2014**

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 2014)
)



Entry number: 14-03-0126

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 2014 be valued according to the following schedule:

All Grades of Oil	Taxable Value
Average Daily Production: one barrel or more	\$5,490 per barrel
Average Daily Production: less than one barrel	\$3,290 per barrel
Natural Gas	Taxable Value
Average Daily Production: eight MCF or more	\$260 per MCF
Average Daily Production less than eight MCF	\$130 per MCF

The Tax Commissioner further finds the values to be the same for both the working interest and the royalty interest.

COMMONLY-METERED WELLS

When two or more wells share the same meter, those wells are considered commonly metered. The actual production of each individual well is not known since all the wells share the same meter and one form is filed for all the wells. Therefore, average daily production (line 11 on Forms 6 and 6A) includes the production of all the wells on the shared meter. To choose the appropriate multiplier from this entry, divide line 11 by the number of commonly metered wells to determine if average daily production is less than 1 barrel of oil or 8 MCF of natural gas per

well. However, the assessed value is calculated using the total average daily production on line 11 times the appropriate multiplier.

For example, assume there are two natural gas wells sharing one meter and the combined average daily production (line 11) of those two wells is 10 MCF. Divide the 10 MCF by 2 (the number of commonly metered wells) to determine the correct multiplier. Since the answer is 5 MCF, the correct multiplier is \$130 per MCF. The correct assessed value is then the **combined** average daily production times that multiplier (10 MCF x \$130 = \$1,300).

FLUSH PRODUCTION

The actual production of an individual well within the first twelve calendar months after production begins shall be granted a forty-two and one half percent (42.5%) deduction in figuring the tax valuation, and such deduction shall be confined within two consecutive tax years.

SECONDARY RECOVERY

Production obtained through secondary recovery methods shall be granted a fifty percent (50%) deduction for tax assessment valuations only as long as this method of production is used, excepting that period in which a deduction in tax valuation for flush production is claimed and in effect.

AVERAGE DAILY PRODUCTION

The average daily production of a well for the year in which it is completed shall be calculated by dividing the total production in barrels of oil and thousand cubic feet of gas, after allowable deductions, by the number of days from the day the well is put in production to and including the 31st day of December ending that year.

The average daily production of wells one year or older shall be calculated by dividing the total production in barrels of oil or thousand cubic feet of gas, after allowable deductions, by 365 days.

Acting under the provisions of section 5715.01 and related sections of the Revised Code, each county auditor in the state is hereby notified that the methods of valuation as outlined herein are approved by the Department of Taxation, and the valuations made by county auditors in conformance with this entry will be accepted by the Department of Taxation as prima facie correct valuations.

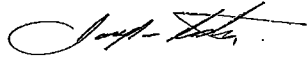
DTE Form No. 6, "Return of Oil and Gas Properties" or alternate DTE Form No. 6A, "Return of Oil and Gas Properties – All Taxes to be Paid by Operator" shall be used in reporting the production of oil and gas properties on a calendar year basis (calendar year 2013). The above schedule and information 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.

MAR 18 2014

These returns for oil and gas properties shall be filed with the county auditor not later than June 30, 2014. Upon receipt, the county auditor shall prepare a list of all such property for tax year 2014.

It is ordered that a copy of this entry be sent to each county auditor in the state.

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