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By: Randy Ellis

At a time when Oklahoma schools are begging for money, a Holdenville consulting company and several county assessors say they have uncovered hundreds of millions of dollars worth of oil-field equipment that has been going untaxed.

In Stephens County, the company discovered a 60 million cubic feet per day gas plant, 214 miles of pipeline and compression units owned by Duke Energy Field Services that weren't on the tax rolls. Their value? About $10.4 million.

In Garfield County, Exxon reported having a relatively small amount of pipeline that it valued at $885,999 . But Visual Lease Services did a survey and found an extensive Exxon pipeline system that the county assessor ultimately valued at more than $23 million.

And in Canadian County, surveyors found that 28 of 45 oil-field companies operating in the county were not reporting property to the assessor.

"People just shake their heads when I tell them how much money is involved," said Gary Mask, one of the owners of Visual Lease Services, a consulting company that several county assessors have hired to help locate and assign market values to oil-field equipment in their counties.

Billion-dollar issue Mask estimates between $1 billion and $10 billion in unreported or underreported oil and gas equipment is in Oklahoma . Collecting taxes on that equipment would raise $10 million to $100 million a year.

Mark Andrews, president of K.E. Andrews & Co., argues that Mask's estimates are exaggerated.

Andrews' Texas-based tax consulting company handles tax matters for many of the Oklahoma oil-field companies caught up in the controversy.

"Have they found property that should have been on the tax rolls? Absolutely. There's no question about that," Andrews said. "But that's not where the thrust of this is coming."

Andrews contends much of the increased tax money that Visual Lease Services claims it can help assessors obtain comes from assigning excessive market values to oil-field equipment.

Visual Lease Services uses a combination of Global Positioning System satellite technology and old-fashioned leg work to assist county assessors in identifying and assigning values to oil-field equipment that had been omitted from the tax rolls.

Mask said his 28 employees have a wealth of experience in the appraisal and oil and gas business. Jerry Wisdom, another part-owner of the company, said he once sold oil-field equipment, so he knows what equipment is worth.

By law, oil and gas companies are supposed to annually provide county assessors with lists of oil and gas equipment in each assessor's jurisdiction. Many haven't. Assessors say others have listed property at a fraction of its market value.

Visual Lease Services only started doing oil-field appraisal work for counties six years ago, but its reputation for finding unreported and undervalued equipment already has become almost legendary among assessors.

As Visual Lease Services' reputation has grown, so has the number of county assessors willing to hire the company. The list is up to 20. The company's impact on tax rolls has been particularly evident in western Oklahoma counties where oil and gas is big business.

In Texas County, alone, Visual Lease Services and the county assessor have succeeded in getting about $81 million worth of omitted oil-field equipment added to the tax rolls over the past four years, Mask said.

"That could be the value of a whole town," he said.

Or, city dwellers might prefer this comparison: $81 million is the market value the Oklahoma County assessor has assigned to Penn Square Mall.

Texas County Assessor Thyra Grounds said Texaco and J.W. Operating both had large amounts of equipment that had been omitted from tax rolls. Putting omitted oil-field equipment on the tax rolls for the past four years has boosted tax revenue by $786,000 , she said.

In addition to omitted property, a lot of undervalued property was found in Texas County. Equipment that companies had declared to be worth $141.9 million ultimately was valued by the assessor at more than $195.2 million.

A similar situation was found in Woods County. Oil and gas companies there submitted lists of equipment they said was worth $47.9 million in 2002. County Assessor Monica Schmidt, working with Visual Lease Services, concluded the equipment should have been valued at more than $130.7 million. An additional $45.9 million worth of unreported property was found and placed on the tax rolls in Woods County. The omitted property, alone, produced $496,637 in tax revenue.

Hundreds of untaxed compressors, dozens of untaxed oil rigs and thousands of miles of untaxed pipelines have been identified in counties throughout western Oklahoma , Mask said.

Industry skeptical the enthusiasm with which county assessors have been greeting Visual Lease Services is matched only by the disdain with which the company is regarded by many members of the oil and gas industry.

"It's our opinion that VLS grossly overvalues taxable property. It uses improper valuation methods, it advocates taxing property that's not legally taxable and it's not properly qualified to offer professional opinions on property valuation," said Brian Alford, spokesman for OGE Energy Corp.

OGE Energy Corp. is the parent company of Enogex, which acquired Transok a few years ago. Transok is one of several companies that have filed protests and gone to court over some of the market values Visual Lease Services has helped set.

One dispute in Custer County involved a multi-county pipeline system that originally belonged to Transok.

For taxation purposes, the company reported the pipeline had a market value of about $10.3 million, Mask said. Visual Lease Services claimed it was worth $43 million. The judge ultimately set the value at $30 million.

Andrews, the tax consultant for oil-field companies, argues that assessors and Mask's company are trying to put some equipment on the tax rolls that is rightfully tax exempt Â— particularly wellhead compressors.

Andrews and Mask agree that some compressors are taxable and some tax-exempt Â— depending on the purpose for which they are being used. They often disagree, however, on which compressors are being used to get gas out of the ground and which are being used to boost the flow of natural gas through pipelines. The former are exempt while the latter are taxable.

Andrews said oil companies are in a tough position if they attempt to fight what they believe are unfair assessments.

"School superintendents need money, and nobody disagrees with that," Andrews said. "So it's a very popular thing."

Denise Heavner, Cleveland County assessor, said some oil-field companies try to portray the stepped-up enforcement as a situation where assessors are "out to get somebody."

"It's not that way at all," she said. "We're just concerned that everybody pays their share."

When oil-field companies don't pay their share, it hurts schools. Other property owners also have to pay more on bond issues, assessors said.

Intentions unclear Mask and assessors say they're not sure how much of the oil companies' omission and undervaluing of property is deliberate tax avoidance and how much is just paperwork getting lost in the shuffle.

Tom Long, spokesman for Duke Energy Field Services, said that company's failure to pay taxes on its Stephens County gas plant in recent years was just a mistake.

"It was an inadvertent deletion out of our asset base," Long said. "I don't know how it got dropped."

Canadian County Assessor Ron Funk said acquisitions, name changes and complex lease agreements have created confusion in the oil and gas industry about what companies are responsible for paying taxes on specific pieces of equipment.

A lot of the untaxed items that are being discovered used to be centrally assessed by the state at 22.85 percent, Mask said. Texaco Exploration and Production Inc. filed a lawsuit and in 1997 and won the right for pipeline companies to be locally assessed. County assessment ratios for business personal property range from 10 percent to 15 percent, officials said.

When the switch to local assessment was made, many oil and gas companies quit paying property taxes on their equipment, Mask said.

"We're trying to change that," he said.