

I had the pleasure of sitting down last week and discussed mineral appraisals for 2022 with our new judge-elect Michael Ybarra. He has been working very hard to learn everything he can about how counties work before he takes office next month. It was from my discussions with Michael and listening to questions and comments that that were voiced during the primary that I realized we had not done a very good job of informing the public how our county works. I hope to answer some of those questions in a series of articles that I will share with our two newspapers in the county and will also place them on the county website.

This week I would like to discuss mineral appraisals and how they will affect our tax rates. Appraisals are set by TY Pickett. They are an appraisal company that specializes in setting values for minerals and businesses such as Mustang Station and our CO2 and gas plants. They compile the values and submit them to the Yoakum County Appraisal District. They in turn send them to the County Tax Assessor and she collects the taxes according to the tax rates that are set by each taxing entity in the county. Mineral appraisals make up 80% to 92% of the total value of property in Yoakum County in any given year.

Appraisals are calculated by using three main components. They are price, production, and lift costs (cost of getting oil to the top of the ground). Production is the easy component. It is simply the production of each individual well for the previous year. Lift costs are turned in by oil producers for each individual well and validated by TY Pickett. Price is the wild card. It is a projected price for West Texas Crude (WTI) determined by the Energy Information Agency (EIA). They undervalued the price of oil for 2021 by over 50%. It is a difficult task to predict the price of oil for the coming year, but inaccuracies such as last year's projection make it hard to produce a budget and manage a volatile tax rate. The EIA'S projection for WTI for 2022 is \$71.32 and production is slightly up. Therefore, TY Pickett is estimating an increase in appraised values of over 40%. Although this is early in the process, an increase of this magnitude will significantly lower the tax rate for the county next year.

Thank you for your time,

Tim Addison Commissioner Pct. 4

806-456-7777