

**Dave Hardy**  
Secretary of Revenue



**Dale W. Steager**  
State Tax Commissioner

**STATE TAX DEPARTMENT**

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**ADMINISTRATIVE NOTICE 2021-08**

**PROPERTY TAX  
STATE TAX COMMISSIONER'S STATEMENT  
FOR THE DETERMINATION OF OIL AND GAS OPERATING  
EXPENSES FOR PROPERTY TAX PURPOSES FOR TAX YEAR 2021,  
PURSUANT TO § 110 CSR 1J-4.3**

The Legislative Rule for the appraisal of oil and gas properties (See §§ 110 CSR 1J-1, *et seq.*) became effective June 1, 2005. This notice will address one of the valuation variables referenced in the Rule, oil and gas operating expenses, setting forth procedures used in developing these expenses and their application against receipts for the working interest of oil and gas producing properties.

**DISCUSSION**

In 2019 the Tax Department reviewed data supplied in various court cases. This information involved the average annual operating expenses for many West Virginia wells under present economic conditions. The Tax Department has developed the following criteria for the direct ordinary operating expenses as a result of this review. Direct ordinary operating expenses will be estimated to be \$5,000 for a conventional gas producing well, \$5,750 for an oil producing well and \$9,000 for a vertical coalbed methane gas producing well or enhanced recovery oil well producing well. In instances where the well is producing both oil and gas, \$5,750 will be distributed depending on the percentage of gas versus oil receipts involved for conventional wells and \$9,000 will be distributed for vertical coal methane and enhanced recovery oil depending on the percentage of gas versus oil receipts. For Marcellus/Utica vertical wells, the operating expense allowed is \$15,000 for a gas producing well. For Marcellus/Utica horizontal wells, the operating expense allowed is \$125,000 for a gas producing well. For horizontal other than Marcellus/Utica/Coalbed methane, the operating expense allowed is \$20,000 for a gas producing well.

For Marcellus/Utica vertical wells in which the well is producing both oil and gas production, the \$15,000 will be distributed depending on the percentage of gas versus oil receipts involved well. For Marcellus horizontal wells the allowable operating expense is \$5,750 for the oil and \$125,000 for the gas. For horizontal, other than Marcellus/Utica/Coalbed Methane, the \$20,000 will be distributed depending upon the percentage of gas versus oil receipts involved. As required in the amended Rule, the Tax Department will review such rates every five years.

For additional information concerning oil and gas annual operating expenses see § 110 CSR 1J-1 et seq. or call the State Tax Department at (304) 558-3940.

**Notice of this determination will be filed in the West Virginia Register.**

Issued: January 29, 2021



Dale W. Steager  
State Tax Commissioner

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Operator on Duty 8:00 am - 5:00 pm  
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