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Ritchie County Circuit Clerk
Melanie Wilson

EXHIBIT
A

RITCHIE COUNTY COMMISSION

TRACIE D. MCDONALD, CLERK

115 E MAIN STREET, ROOM 201

HARRISVILLE, WV 26362

STATE OF WEST VIRGINIA

COUNTY OF RITCHIE, TO-WIT:

I, Tracie D. McDonald, Clerk of the County Commission of Ritchie County, in the State of West Virginia, and as such Clerk do hereby certify that the foregoing is a true and accurate copy of the Board of Assessment Appeals for Antero Resources Corporation.

In Testimony Whereof, I have hereunto

Set my hand and affixed the seal of said Commission

At the City of Harrisville, in said County and State,

This 10th, day of December, 2021

Clerk of the County Commission of

Ritchie County, West Virginia

The County Commission of Ritchie County
RITCHIE COUNTY COURT HOUSE
115 East Main Street, Room 201
Harrisville, West Virginia
Phone (304) 643-2164
Fax (304) 643-2906

MEMBERS:
SAMUEL C. ROGERS
STEPHEN C. WORDEN
RANDALL E. RIGGS

TRACIE D. MCDONALD
CLERK

November 12th, 2021

John Meadows
Legal Counsel for Antero Resources Corporation

Re: Antero Resources Corporation

Mr. Meadows:

The Ritchie County Commission met as the Board of Appeals on October 1th, 2021. A motion to deny the request from Antero Resources Corporation to reevaluate the property tax assessment, for the year 2021 was made and passed by the commission.

Respectfully,

Stephen C. Worden
Commission President

IN THE COUNTY COMMISSION OF RITCHIE COUNTY, WEST VIRGINIA

SITTING AS THE BOARD OF ASSESSMENTS APPEALS

RE: ANTERO RESOURCES CORPORATION'S TAX YEAR 2021 NOTICE OF PROTEST AND ELECTION TO HAVE MATTER HEARD BY THE BOARD OF ASSESSMENT APPEALS

Above-captioned hearing under the West Virginia Rules of Civil Procedure in the above-entitled action, pursuant to notice, before Teresa Reedy, a Registered Professional Reporter, at the Ritchie County Courthouse, 115 Main Street, Harrisville, West Virginia, on the 14th day of October, 2021.

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APPEARANCES:

APPEARING FOR ANTERO RESOURCES:

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STEPTOE & JOHNSON
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Lawrence D. Rosenberg, Esquire
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Washington, DC 20001-2113

APPEARING FOR THE STATE OF WEST VIRGINIA:

Jan Mudrinich, Esquire
STATE OF WEST VIRGINIA
P.O. Box 2389
Charleston, WV 25301

ALSO PRESENT:

Stephen Worden, county commissioner
Sam Rogers, county commissioner
Randall Boggs, county commissioner

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MR. WORDEN: Go ahead and call this board of appeals meeting to order. Our 10:00 appointment is Antero Resources Corporation. State your name for the minutes and -- well, the recorder and we'll go from there. We do have some good news for you gentlemen. The 10:15 and 10:30 appointments canceled, so you have until 10:45 and then we can recess if you need to come back.

MR. MEADOWS: We appreciate the additional time. Good morning, Commissioners. My name is John Meadows. I'm from the law firm of Steptoe & Johnson in Charleston. I thank you for hearing us this morning. I'm here on behalf of Antero Resources.

We have an administerial act to happen before we begin this morning, so I want to introduce my friend, Larry Rosenberg. Mr. Rosenberg's an attorney practicing from out of state. We have moved his admission Pro Hac Vice pursuant to the rules of the state bar. We've paid the fees with Anita Casey at the state bar and have in all respects met the qualifications. But technically before he begins speaking today, I need for the commission upon report of written motion to grant his admission Pro Hac Vice pursuant to the state bar rules.

MR. WORDEN: So will do.

MR. MEADOWS: Thank you very much. With that being said, my friend Larry Rosenberg is going to give his presentation and I'm going to circulate some binders for the group.

MR. ROSENBERG: So our presentation is going to consist of two parts. The first is I'm going to go through primarily Exhibit 2 in this binder which is a slide deck and I'll do it pretty quickly so it'll be efficient, and I'm just going to highlight a few things in here.

And then, secondly, we have two witnesses. We have Kevin Ellis from Antero, and we have Elizabeth Burg from Altus who is an accounting expert and we're going to have some brief testimony from both of them if that's okay.

So I would like to start with the presentations so we can understand everything. If everyone can turn to Exhibit 2 in the binder. This is the sly deck, and I just start with a summary which is slide 2 here. I want to emphasis that Antero believes that it is a partner with Ritchie County and wants to be a valued partner with the county and has no problems paying its fair share of taxes ad valorem and otherwise expects to do that.

However, the concern which brought us here today is that Antero is paying unfair share of taxes. One that is grossly inflated and that is contrary to law. And there are a couple of key legal points that we're going to be discussing.

One of them is constitutional that because Antero primarily sells its gas out of state, it incurs very significant expenses in getting that gas from the wellhead to the point of sale. And those expenses have not been able to be netted out of gross receipts or otherwise deducted by the state and by Ritchie County, and that, therefore, discriminates against Antero both under the commerce clause because it's selling its product primarily out of state and under the equal protection clause because it's being treated differently from its competitors in the State of West Virginia.

The second issue or cluster of issues has to do with the State Administrative Procedures Act and the due process clause. And this relates to guidance that was issued in June of 2020 by the state which specifically told folks like Antero that for this tax year we're talking about today, tax year 2021, that they should be able and should, in fact, net out their production expenses from gross receipts before reporting those gross receipts.

That guidance, however, was not followed by the state, and then the state tried to withdraw it in October of 2020 and we believe that that withdrawal is ultra vires and illegal. And just so you get the time frame because it's important, the June guidance came out and then in August Antero submitted its values to the state using that guidance. And then those values were disallowed and then the state tried to withdraw the guidance.

We believe that this violates the State Administrative Procedures Act and also violates the due process clause of the United States and West Virginia constitutions. So I want to go through some of this quickly.

First, if you turn to slide 3, we want to emphasize that Antero makes significant contributions to Ritchie County. There's a very significant amount of royalties that are paid. This is from 2018 to 2020. We're talking about over $300 million in royalties that have been paid based on wells and mineral owners living in Ritchie County.

There has also been very significant amount of property tax. Antero has been involved in road upgrades. The witnesses are going to testify about both of these issues, Mr. Ellis in particular.

If you turn to slide 4, Antero's community partnership, there are a number of ways in which Antero -- and this has not just been through its tax dollars, but through other additional charitable works has been a community partner with Ritchie County, has supported a number of events, activities, and important projects in Ritchie County; and, again, Mr. Ellis is going to talk about these.

Slide 6 there's some pictures from Ritchie County opening day 2017 and Pennsboro train depot in 2016.

And then we move to the next slide which we get to a little bit of a legal discussion. We have a little bit of both federal and state constitutional provisions here that talk about Antero having to be treated the same as its competitors. As its similarly situated competitors. That's what the protection clauses require, and in many ways that's what the negative commerce clause requires as well.

If we turn to slide 7, we have some

quotations from the United States Supreme Court. I direct your attention to the second bullet. A state may not tax a transaction or incident more heavily when it crosses state lines than when it occurs entirely within the state. And that's exactly what is happening. Because Antero primarily sells its gas out of state, it's paying these much higher expenses, but it is unable to deduct them.

And in-state sellers or primarily in-state sellers don't incur those expenses, they don't have -- they're not taxed to the value of those expenses and they, therefore, are much better off in the tax respect than is Antero.

Slide 8, the ad valorem tax violates these foundational constitutional principles. Again, because Antero not only chooses to but needs to sell its gas out of state -- Mr. Ellis is going to testify that if Antero simply sold all of its gas in state that would flood the West Virginia gas market and, put basically, collapse the West Virginia gas market. It sells way too much gas to sell it all in state. There had been some things in previous years where the state had suggested all Antero has to do is sell in state. That simply is not a realistic option. The demand for this gas is out of state and the supplies is way more than West Virginia would be able to handle.

Take a look at slide 9 if you will. This is something that Mr. Ellis is going to testify to. This is the diversity of product and destination. What this chart basically shows is that the gas that Antero sells goes all over the country. There is transportation to places such as Texas, Louisiana, places such as Illinois. Places such as Pennsylvania with a lot of the gas is loaded up and sold overseas. So Antero is selling an awful lot of its project in far-away destinations and other states.

If we take a look at the next slide, slide 10, this is a graph that shows some of the expenses that Antero incurs in getting its gas from the wellhead to the point of sale. So you have gathering and compression costs, you have processing and fractionation costs, and you have transportation costs. And these are all very significant and these are expenses which Antero bears in very significant proportion to the locations where it is ultimately selling the gas, which as I say are out of state and far away.

If you take a look at the next slide,

slide 11, this is a comparison where it looks at the costs that Antero incurs on an average per well. And for West Virginia as a whole, the top little chart here on slide 11, it's about 1.6 million per well. And these are costs that have been disallowed by the state. These are not costs that are allowed or otherwise deducted. These are disallowed costs. And for Ritchie County it's even higher because there are some significant processing costs and transportation costs incurred with its product in Ritchie County. It's about 2.1 million.

And this, as we'll look at another slide, when compared to the standard deduction the state allows on 125,000 per well, this is way, way higher than that.

If you take a look at slide 12, Ms. Burg has done a comparison of how Antero's tax burden compares with those of its competitors. Here we talk about the well assessment multiple per MCF. And for every level of production, for less than 500,000 MCF through over a million MCF in all wells, Antero, blue here, is paying a much higher multiple than its competitors.

Slide 13 is a very interesting graphic

that Mr. Ellis put together. I want to direct your attention -- this compares two wells that are less than a mile apart. One well is an EQT well and the other is an Antero well, and the taxes multiple for the EQT well is 1.04. The tax multiple for Antero is 3.13, and these are two wells that have similar production volumes. As you can see from the information -- it's a little small there, but the comparison shows that Antero's paying triple as far as taxed on multiple, it's triple that of EQT for two wells that are 3,000 feet apart and produce very similar amounts of gas.

Take a look at slide 14. This, again, is sort of showing this is what the average cost per well in West Virginia versus the deductible amount. Again, we're talking about 1.6 million versus 125,000 where is Doddridge over 2 million and you're talking about between 10 and 20 times the amount of the standard allowed deduction are the expenses that Antero incurs per well.

So I want to talk a little bit about what all this means legally. So if you look at slide 15, because Antero is taxed at a much higher rate than in-state sellers, this violates the constitution. It violates equal prediction. It violates the commerce law. In fact, in prior parallel litigation, the business court recognized that the tax scheme disparately taxes well owners for no plausible reason.

If you look at slide 18, basically because Antero has invoked a privilege of engaging in interstate commerce, it is being taxed at a much higher level. In fact, the state has admitted this in hearings back in 2019 I believe in really all the counties where there were hearings, the state simply suggested, well, Antero can avoid all of this simply by selling at the wellhead, but that is simply not feasible or realistic for Antero based on the markets that we have.

Again, Antero can't get this gas, can't sell it at the wellhead and get it to the places where the demand is and it's over 3 billion MCF per day. there's no way West Virginia could absorb that amount of gas. That's not a plausible option. I think it shows a little bit of the understanding by the state that this is discriminating against Antero because it does primarily sell out of state.

If you take a look at slide 17, the June 2020 guidance is a very significant aspect of this and we're going to talk about that now. And that is a guidance document. That guidance document -- by the way, the full document is at tab 3 of your binders. We cut out pieces of it that I'll talk about here, but the full tax of the June 2020 guidance and the October 2020 withdrawal are tab 3 of the binder.

In that June 2020 guidance, the state accepted the very argument that Antero has been making before and makes here that by taxing Antero disproportionately because it sells out of state it incurs these expenses. I think it's overtaxing Antero.

If you take a look at slide 18, there's language from the June 2020 guidance, and it talks about the definition of gross receipts. And then below it says, When sale of the natural gas or oil produced from wells is not sellable in a field line sales transaction, then the gross proceeds of sales derived from the sales transaction needs to be adjusted to approximate the gross receipts you would have received had the sale been a fuel line sales transaction.

So this was instructions telling people like Antero, telling companies like Antero when you report your gross receipts, you should be netting out the costs of getting the product from the wellhead to the point of sale.

If you look at slide 19, the guidance continues and says, We recognize that due to the deregulation of the natural gas industry not all gas is sold today in field line sales transactions. To avoid having your well overvalued for property tax purposes, it is important that you appropriately adjust actual gross proceeds of sales to properly reflect the gross receipts you would have received had the sales transaction been a field line point of sale.

And then the guidance cites these two diagrams on pages 20 and 21, slides 20 and 21, that have been diagrams that have been on the state's website for years and years.

And so it is Antero's understanding and position that that June 2020 guidance was clarifying existing law. It never said it was changing anything. It was citing the diagrams that were on the state's website for years and was saying, look, when you report those gross receipts, you should be netting out your cost for getting the product from the wellhead to the point of sale.

This also corresponds -- if you look at slide 22 -- with what the West Virginia Supreme Court actually said and held in the Steeter versus Consol decision. In that decision the Supreme Court said, look, we're not saying that the way the state does its ad valorem taxes is necessarily illegal. The state has discretion to come up with a formula that represents the true and actual value of the property, but the state exercised that discretion in the June 2020 guidance and by exercising that discretion, it had force of law.

If we turn to slide 23, I mentioned this before. Antero precisely tried to follow that June 2020 guidance. It reported its values in August of 2020 pursuant to that guidance only to have the state reject it down the road.

And that happened with this October 2020 withdrawal, which we have at slide 24, and the bottom of that is really the key. It simply says, After further consideration, it is my determination that the 2021 TY notice was issued without legal authority, was void as ineffective. It is also my determination that it must be withdrawn. The only reason -- the only reason that the state gave for withdrawing that was that the June 2020 guidance hadn't gone through notice and comment rule making.

But it is critical to note that the

state's position prior to the June 2020 guidance never went through notice and comment rule making. It was a litigation decision. The state simply said in litigation that we're not allowing you to deduct these expenses getting your product from the wellhead to the point of sale, and it did so by interpreting the definition of operating expenses, a below-the-line deduction if you will. And, again, the Supreme Court in Consol says that interpretation is within the state's discretion.

But that was never anything that went through a notice and comment ruling. It was never anything that was formally issued as a rule. It was simply a litigating decision. So then taking the view that this June 2020 guidance that then interprets the term gross receipts, which is an above-the-line term, and saying gross receipts should be calculated by netting out these expenses. There's simply no basis to say that that had to go through notice and comment rule making. Other than that distinction and references to the Consol decision, there's simply no justification for this October 2020 withdrawal, and we believe it is illegally and ultra vires.

Take a look if you would at slide 25.

Here we talk about the importance of the June 2020 guidance saying that if you didn't net out these expenses you are really going to be overvalued. And there's no substantive analysis in the October 2020 withdrawal for why suddenly your wells won't be overvalued if we withdraw the guidance.

The guidance made it very clear that they were going to be overvalued if these expenses weren't subtracted. And there's no reversal or explanation that somehow that was wrong as a matter of fact or a matter of policy. And that is the definition we believe of arbitrary and capricious action under the West Virginia Administrative Procedures Act.

We believe the withdrawal actually confirms the position. And let me make it very clear. Antero relied heavily on this June 2020 guidance. It submitted its volume. It did its budgeting. It planned for this tax year based on the understanding that it would be able to net out those expenses, and it also engaged in the litigation strategy with prior tax years based on that guidance. So Antero relied entirely on that guidance only to have, if you will, the rug pulled out from under it with this October 2020 withdrawal that itself didn't meet the criteria that the state says something like that would need to meet.

All right. We already talked about the Steeter versus Consol decision and how this is consistent with that because, again, the Steeter versus Consol addressed the operating expense definition and the state's discretion to determine whether something is an operating expense. This June 2020 guidance clarified that the term gross receipts should have from it netted out the expenses getting from the wellhead to the point of sale, which is a different term. It's an above-the-line deduction, if you will, versus a below-the-line deduction.

I want to just point out slide 27 for a minute. At the bottom of that slide, we have a bullet that is a very important quotation. It says, It is black letter law that agencies cannot flip-flop as they please. An agency will not be permitted to flip serendipitously from case to case like a bee buzzing from flower to flower making up its rules and policies as it goes along. And that from the West Virginia Supreme Court.

That is pretty much what the state did here. It issued the June 2020 guidance, it took a look at what Antero was going to be able to deduct and it said, you know what? That's too much. We're going to withdraw this. It did so without any kind of formal process either and did so in a way that completely under mind the reliance interests of Antero and others in the industry who relied on this June 2020 guidance.

If you look at slide 28, another quote I will draw the board's attention to is the top from the Motor Vehicle Manufacturers Association. Says, An agency changing its course by rescinding a rule is obligated to supply a reasoned analysis for the change meaning that it must examine the relevant data and articulate a satisfactory explanation for its action including a rational connection between the facts found and the choice made.

But the state didn't do that here. The state simply said there's a legal technicality, so we're going to withdraw it. There is no policy reasons. There's no factual analysis. None of the appropriate administrative law analysis that an agency needs to do to change or rescind a rule was followed here.

I also want to note that the state claimed the June 2020 guidance was actually a substantive change in the law and that's why it had to go through notice of common rule making. No, it doesn't. It didn't change any definition in the statute or regulation. It simply clarified what the term "gross receipts" should mean. Just as the state had previously clarified what expenses should mean, which, again, wasn't done through notice and comment rule making.

Therefore, the June 2020 guidance should be given at least as much deference, probably more deference than the prior litigating position that the West Virginia Supreme Court upheld in Consol versus Steeter.

If we turn to slide 30, this slide explains, again, the difference between the operating expense term and the gross receipts term. Operating expenses was looked at in the Consol case, but the June 2020 guidance looks at a different term gross receipts, and the same discretion that the court said the state should have with respect to operating expenses plainly it should also have with respect to gross receipts.

If you look at slide 31, if the state's argument were correct that the June 2020 guidance had to go through notice and comment rule making, then it is absolutely plain that the October withdrawal is invalid because the October withdrawal didn't go through any of the procedures that the state said is necessary to promulgate a substantive rule. And certainly the October withdrawal -- it was -- is a far more substantive rule than the June 2020 guidance because it's withdrawing something that people have already relied on.

The withdrawal wasn't promulgated with the secretary of revenue's written consent. It didn't include comment of rule making. There was no place for public comment. There was no consideration of public comment. And there was no adoption of the withdrawal in the state register. So none of the procedures that the state claims are necessary for things of these type were used for the October withdrawal and, therefore, it is plainly invalid.

We're almost finished. On slide 32 here we talk about reliance interests. There was no consideration in the October withdrawal or anywhere else by the state of the reliance that Antero and others had placed on that June 2020 guidance, and for this reason as well, the October withdrawal is invalid.

So slide 33 is the final one. Just to sum up here, the state, number one, has been perpetuating a tax regime that impermissibly discriminates against Antero under the Gora Commerce Clause under the equal protection clause. Just constitutionally the way Antero is being taxed is illegal.

But, secondly, the June 2020 guidance makes abundantly clear as a matter of administrative law that the tax regime that the state wishes to have and claims in the October withdrawal it does have is unfair. It overvalues wells. It overtaxes companies like Antero, and it is illegal.

So for all of these reasons we believe that the state's methodology is incorrect and that Antero is entitled to a much lower tax burden in Ritchie County for tax year 2021.

And I don't know if there are any questions. I'm happy to answer questions. Otherwise we have our witnesses ready to go.

MR. ROGERS: I guess comment in regard to is that Ritchie County felt the same way as you're saying that Antero felt as far as the rug pulled out from underneath from this legality that are the legislature finding that they changed the tax code for us, so, therefore, we changed our tax values of what we come to depend on as far as in revenue in Ritchie County. And then turn around the legislature changes that in which most of that change would affect the local counties, not actually the State of West Virginia. So they were taking money from us, not themselves. So it was easy for them to make that legislature change.

We felt the same way as far as the rug being pulled out from underneath us. You know, of course, the legality is that's typically is what lawyers do. They look for those little, legal things that -- to get somebody out of a case or to change something. That's the only two comments that I have to make, so we'll move on.

MR. WORDEN: If you have $1,000 value of gas at the wellhead, what is the value at the end point of the sale?

MR. ROSENBERG: The value end or --

MR. WORDEN: By the time you deduct all the expenses on that $1,000 of wellhead gas, what is the value at the point that it would -- you're wanting it to be taxed?

MR. ROSENBERG: What we are saying is if it was $1,000 value at the wellhead, it should be taxed on that $1,000, and if Antero spends another $1,000 getting it to the point of sale, it shouldn't be taxed on $2,000. It should be taxed on $1,000. That's what they're saying.

It's pretty -- so whatever the expense is that should be, you know, deducted so that it's taxed on what its actual value would be at the wellhead. And that may be a slight oversimplification because we're not trying to say that the value that -- if it actually sold locally what would the value be. It's if it were able to sell that gas to the customer we're selling to, which might be at a higher price, how should it be taxed.

So if -- let's say you had gas and they sold at the wellhead to a local purchaser that would be $1,000, but somebody in Texas is willing to pay $1,500, but to get the gas to Texas you have an extra $1,000 in expenses. I think what Antero is saying is it would be taxable to $1,500, not the $2,500. And the way it works now is it's basically taxed on the $2,500. It's taxed on whatever it sells for including all of the incurred expenses that lead up to that sale.

And they believe that's unfair because that's not the way local West Virginia sellers are taxed. And, in fact, even competitors that sell somewhat out of state are not necessarily taxed that way, but Antero is taxed that way.

And so its position is that that's unfair. It's an inflated tax burden. Again, when you look at the numbers compared to its competitors, particularly its primarily in-state competitors, it's just paying a way, way higher tax burden.

MR. BOGGS: Talking about unfair, I hear it all the time is let's say when you approach the landowner on drilling on their property, you-all try to pay them after the fact instead of at the wellhead unless they really know what they're doing and they talk you into paying them at the wellhead. So is that being fair? This guy down here don't know what -- you know, that he can get paid at the wellhead. This person does. Fairness versus unfairness. How come we're not being fair with every landowner and paying every one of them at the wellhead?

MR. ROSENBERG: well, I will probably defer that question to Mr. Ellis, but I will just say that I think the way royalties are paid it's a different kind of formula. It's a different analysis.

MR. BOGGS: Right. What I'm saying is

being fair, you know, this man gets paid different and it should be the same set of rules when you go in and sign somebody up, you know, to purchase their gas, it ought to be either you-all buy it at the wellhead or you buy it after the fact.

MR. ROSENBERG: Right. I think the difference there is -- to some extent is those are all based on individual contracts. Like royalties are contracts between, you know, the people who own the royalties and the royalty payer. What we're talking about here isn't a contract. We're

[CROSSTALK]

MR. ROSENBERG: I hear what you're saying. But, again, Mr. Ellis may be able to address that a little more completely than I can, but I think here what we're talking about is the legal regime.

MR. WORDEN: No other questions.

MR. ROSENBERG: Okay.

MR. WORDEN: Go ahead with your presentation, though.

MR. ROSENBERG: I would call Kevin Ellis.

K E V I N E L L I S

was called as a witness having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. ROSENBERG:

Q. Mr. Ellis, could you please introduce yourself to the tribunal?

A. Yes, my name is Kevin Ellis. I'm a regional vice-president for Antero. I work in the Bridgeport office. 20-year resident of Morgantown. Graduated from West Virginia University College of Law and, in fact, some of you may know this. I at one time worked of course here in Ellenboro, Ritchie County, for awhile worked at Caltrell and again also with Antero back in those times as well.

Q. Okay. What is Antero and what does it do?

A. So Antero Resources is a company that explores, develops and produces natural gas, natural gas that includes oil, in the Appalachian basin, so West Virginia and Ohio.

Q. Why is Antero here requesting relief from the board?

A. So there's really a couple of reasons. One, although Antero makes up usually the largest amount of production for a particular county we're working, particularly in Ritchie County and Doddridge, and, again, we pay our tax on the amount of production we have. The problem is that our tax burden has been calculated in a way that results in an unconstitutional and unfair treatment of us relative to our peer companies for the same molecules that come out of the same ground in the same county.

So, therefore, we're treated differently than our peers simply because we engage in interstate commerce in order to seek out a better return on the price that we receive for the production that we make.

Q. Give you one of the binders.

A. Thank you.

Q. I want to talk about a couple of the slides in here. Why don't you start with slide 3. My question is: What, if anything, does Antero contribute to Ritchie County?

A. So we kept just a little bit of data for us to talk about today. For the past three years between 2018 to 2020, see there, royalties contributing to the wells that we drilled in Ritchie County have created about 258 million, almost 260 million in royalty total. So all of the well production for Antero. And then for the mineral owners, people who have, you know, zip codes in Ritchie County, right, have received $63 million of that royalty. So a pretty good ratio of local people getting paid for those royalties from the local wells.

Property tax-wise just as a summary, we've contributed about $23 and a half million in the last three years in ad valorem property taxes just to Ritchie County. And then we'll talk about roads and roads oftentimes -- you know, when I talk about them, I'm thinking about widening. I'm thinking about improvements. I'm thinking about maintenance, snow removal, those kind of things; and that's all the secondary roads because we don't have the right to go do work on 74, for example, unless the state tells us we can.

And so just in the last three years Ritchie County has put about 4 million -- in a bigger picture since 2013, we spent over $200 million on road upgrades and improvements. Now, I concede that we do that because we need to makes roads bigger or wider so we can get our heavy haul equipment up there to set the rig up or to do sand delivery, so we understand that, but what we try to do and hopefully do this is we try to leave it better than the way we found it.

So there's always those impacts that happen, right, during the time we try to set a rig or frack wells, but what we hope to do is when we leave it, it's a much better road than ever existed before so that everybody has the benefit of having usage of that road. Were we successful? Sometimes. We understand how that works, but we try to make it better than the way we found it.

In the bigger context, Antero Resources paid about $105 million in 2020 in severance tax and property tax, sales tax, et cetera, to the state, corporate income tax, debt income tax. So among the largest of taxpayers in the State of West Virginia.

Q. If you turn to slide 4, maybe you can just talk for a minute about Antero's community partnership with Ritchie County.

A. Yeah, I won't go through each of these projects. What we just wanted to be able to do is say we have historically -- I've been responsible for trying to help our people get out there and do these volunteer projects. Have the contributions that are made by our charitable foundation from the company. We want to be -- we should be a good supporting community.

We've got people who live here. People who work and whose kids go to school here. We want to be here.

These are just some examples of some of those things we try to engage in on an annual basis. We just went back and did -- 2020 was a difficult year because of COVID. We weren't able to get out there and do some of the things we ordinarily do. We did have a team come do some work there at the gym in Ellenboro in 2021.

Q. If you could turn to slide 9 maybe for us.

A. (Deponent complies.)

Q. This is the chart that shows Antero's product and where it goes. Maybe you could just briefly describe that.

A. So Antero Resources sells its gas that's produced in West Virginia to meet the growing energy needs across the U.S. and really internationally. So our buyers, if you will, of product that we produce range across the globe. For example, in the United States we sell to buyers in places like Texas and Indiana, Alabama, Pennsylvania, Ohio, Virginia; and then we also sell -- deliver a lot of our natural gas as feed stock for L&G Exports to support the energy demand needs in, for example, Europe and in Asia. So we do that -- and the gulf coast as you can see from some of the arrows and also some deliveries to Cove Point in Maryland.

Q. Okay. Take a look at slide 10. That shows some of the expenses. If you could just briefly describe those.

A. So what this diagram depicts is kind of the value chain for our product from the ground all the way to an end user. As you can see from the wellhead, you've got a couple things going on. One is you have low and high-pressure gathering. Low-pressure gathering being kind of dependent on the end side of the compressor station. High pressure will be on the discharge side.

You then have processing charges to get the gas and pipeline specifications to be able to transport it across state lines and interstate commerce through the interstate pipelines.

From that point you also have what we transportation costs, firm transportation. So, in other words, we subscribe to and pay demand fees to be able to move our gas on pipelines that are owned by third parties. Usually interstate pipeline operators. The gas is then transported ultimately to the end users where the prior diagram shows those places could be the midwest, could be the gulf coast, east coast, et cetera.

So those costs make up kind of the cost that it takes for us to move gas from the wellhead to the an end point of sale.

Q. Are these expenses deductible under the state's current position?

A. No, they are not.

Q. Okay. Take a look at slide 11. This is something that Ms. Burg prepared. I just want to ask you. How significant are the expenses that Antero incurs in getting its gas from the well to the point of sale?

A. They're very significant.

Q. Okay. And if you take a look at slide 12, this compares Antero's burden to its competitors. What does that mean to you?

A. Well, what that means to me is that on kind of a per unit basis of production, an MCF, that we're paying -- we're being assessed and, therefore, paying a rate of tax on the obligation which is higher than our peer companies for the same unit of production. For the same unit of production.

Q. And perhaps referring to slide 13, maybe you can explain this document a little bit? I know it's a little hard to read, but --

A. It's a little hard to read.

Q. What is this describing?

A. What we tried to do is try to -- the prior graph we just looked at kind of shows what we refer as the tax assessment multiple, and I think our other consultant witness will be talking about what that really means. What this graphic is intended to capture is the disparity in the way in which our assessments have been arrived at because of the disallowance of our cost and how there's really no other reason other than discrimination against Antero because of this interstate commerce business.

These two wells were completed in the same -- drilled in the same year, completed in the same year, began initial production in the same year. Although production volume varies a little bit, that's not really important here, but what you can see is the length of the well boar is approximately the same. The date of production -- the initial production approximately the same, the date it was first completed approximately the same, and then the distance from each other is less than a mile, so 3,740 feet approximately. Yet those two wells based on, of course, the public data that's out there for property taxes reflect that our well production on a per unit basis was taxed at a much higher rate than the production that came from this well that's literally right beside our well.

Q. Okay. Let me ask you this question. Besides ad valorem tax, what other revenue-based taxes does Antero pay to West Virginia?

A. So obviously we pay our part of the severance tax to the state. We pay, again, property taxes in a number of counties: Harrison County, Doddridge County, Tyler County, Ritchie County, Wetzel and Monongalia. We also pay corporate income tax and also sales tax.

Q. Does Antero pay revenue-based taxes in other states as well?

A. Yes. The other revenue-based tax that we pay, for example, is a revenue tax on gross receipts in Texas. So when we deliver our product to a buyer in Texas, we are assessed a portion amount of those relates and we have to pay a gross receipts tax in Texas. Pay gross receipts tax here as well, so that's the issue.

Q. Does Antero believe it's been overcharged for its ad valorem tax for tax year 2021 in Ritchie County?

A. Yes, we do.

Q. About how much does Antero believe it's been overcharged?

A. We believe that as a result of the erroneous valuation that our tax liability is over by $4.6 million for tax year 2021.

Q. If Antero didn't have to pay that $4.6 million, how would it use that money?

A. Well, we use all of the monies in funds that we generate in our business as well as the taxes that we feel we've overpaid in supporting our employees through salary compensation, retaining and recruiting new employees, which is even more of a challenge these days with respect to the pandemic; continue to make investments in our business looking for new business opportunities that would create more value for our employees and our stakeholders, and we also use those dollars -- would use those dollars for continued efforts to support local charitable causes that we've always tried to be supportive of.

Q. Is there anything else you want to tell the commission?

A. We ask the commission for a fair review of our request today. We hope that the information we provided demonstrates that we're being treated differently. The principle issue we're being treated differently that doesn't meet constitutional standards and that just can't be fair as a taxpayer.

Q. Okay. Thank you. Does the --

CROSS-EXAMINATION

BY MR. MUDRINICH:

Q. You mentioned you overpaid $4.6 million; correct?

A. We think that our tax liability for tax year '21 will be over 4.6 million.

Q. Out of what was the total tax liability?

A. I believe it was a little north -- the state determined to be north of 8.

Q. So approximately 50-percent reduction?

A. Approximately, yes.

MR. MUDRINICH: Okay. That's all I have. Thank you, Kevin.

EXAMINATION

BY MR. ROGERS:

Q. We want to thank Antero as far as roads. I drove on several of the roads that Antero has come back -- after they're pretty well done come back in and blacktopped them and made them a lot better than they used to be they. You know, I've seen that happen and they do a good job of it.

The question I have is that does the majority of the people who are selling their gas -- selling their gas to like Marquest or which you guys probably -- or most of your guys' gas goes to the Marquest plant before it gets transported to other facilities; right?

A. Well, we don't sell gas to Marquest.

Q. Okay.

A. Or NPLS now is the name. We don't sell gas to them. they are -- we have contractual arrangements with them to process our gas. We sell our gas to end users in places beyond the borders of West Virginia.

Q. Of course, you guys own a portion of that facility, too, don't you?

A. No, we do not.

Q. Okay.

A. We have a partnership with Marquest on the processing side of gas, but we don't own the facility. We don't operate it. We have --

Q. -- don't operate it, but I heard at one point that you guys invested into that facility.

A. Uh-huh.
Q. To a certain degree on some of the expansions. You run your gas through them; you just don't sell to them?
A. That's correct.
Q. Do you know if any other users do sell theirs to them and then they turn around and sell it to the end user?
A. I don't believe there's any other gas going through the Sherwood plant other than ours. It's all our gas. We -- it's -- just for your knowledge, Sherwood is actually the largest rescue gas plant in North America, so more gas is -- and it's all ours that goes through that plant than anywhere else in North America.
Q. Okay.
A. To my knowledge there's third-party gas through there. It's all ours.
Q. Okay.

RECROSS EXAMINATION

BY MR. MUDRINICH:
Q. Slide 9, turn your attention to slide 9.
A. (Deponent complies.)
THE COURT: Before you begin.

(A discussion was had off the record after which the proceedings continued as follows:)

BY MR. MUDRINICH:

Q. Mr. Ellis, slide 9, this shows what you say where you sell. How much does the -- what you're claiming is sold out of state -- what amount is that in comparison to what is sold outside of the Sherwood facility? Because I've done this for several years and numerous contracts were introduced and it showed possession of the gas to the purchaser. They assumed responsibility for at the Sherwood facility when it came out through the gas. Is that not -- no longer the business model?

A. I can't speak to what you've seen before.

Q. That's not the business model? You don't sell anything to the Sherwood facility?

A. We don't sell anything to Marquest slash NPLS.

Q. Isn't there a -- what is the interstate pipeline relationship to Sherwood facility?

A. There were a couple of FERC-regulated lines that we get them out of Sherwood, so I don't know if all of them ET Rover will be there.

Q. If Antero were another purchaser -- or another producer, excuse me, sold outside the Sherwood facility or sold right at the point that it hit these FERC-regulated pipelines, that sale would occur in West Virginia, would it not?

A. I think it would depend on where the title transfer, yes.

Q. Assume the title transferred there, it would be sold in West Virginia, but that doesn't mean there will be an end user of that in West Virginia. Once it hits that interstate pipeline, it's metered to know how much came in and where it goes and who get paid for it, what company gets paid for it and what amount?

A. I may need you to rephrase the question. There's a couple in there that I didn't understand.

Q. Once it's sold at the point of entry into the interstate pipeline, would the purchaser -- the purchaser would be the one who's assuming the cost to get it to them?

A. I don't know what the purchaser is assuming relative to their cost. Our cost would be what it takes to get it from the wellhead to the point where title custody of the gas changes hands and that's what we're talking about today.

Q. So we no longer have title changing hands at Sherwood facility?

A. I can't speak about anything in the past.

Q. And the term firm transportation that you used, best of my recollection that's the first time I've heard that term with respect to the Antero wells. Would you explain what that is?

A. Yes, firm transportation is transportation rights -- priority rights you would buy on a pipeline, space on a pipeline to ensure you could move your product.

Q. That would be on a FERC-regulated pipeline?

A. Yes.

Q. Could a purchaser who wants to pay title of it in West Virginia also pay firm transportation to the pipeline?

A. They could, yes.

Q. Okay. Let's go to slide 12.

A. (Deponent complies.)

Q. This is the comparison that was made and briefly explain what this is again for the --

A. I will. My understanding and I will defer to Ms. Burg may be providing you other explanation --

Q. That's right. She created this. I'll pass on that. I'll ask her those questions.

A. Thank you.

Q. Slide 13. You have the -- of course, you don't know what EQT's costs were that are -- what their gross proceeds were for this gas production in 2019 for EQT well? You don't know how much they sold those MCFs for, how many they received in gross proceeds?

A. No, we do not. We only see the assessed value.

Q. So they may have sold it for less than Antero sells their product?

A. I don't know what they sold it for.

Q. And we also don't know -- the yield cap model used by the state takes into account previous year's production. To come up with a current year's value, it's not going to be solely dependent on the production from 2019. You look at a three-year average, you look at the decline rates, a lot of other things to come up with that value, so that has not been examined?

A. We haven't examined any of EQT's internal submissions to the state.

Q. And obviously EQT does not get their -- if it's wet gas -- what I like to term as wet gas, it's not being processed by the same people processing your wet gas I would assume.

A. I don't know who is processing their gas.

Q. It's not Marquest?
A. It's not Sherwood.
Q. So they would have to have a large gathering line go somewhere else to get processed, EQT?
A. Hypothetical, that's true, yes.
MR. MUDRINICH: No further questions.
MR. WORDEN: Do you have questions for the witness?
MR. ROSENBERG: Could I do about 30 seconds in redirect?
MR. WORDEN: Yes, sir.

RE-DIRECT EXAMINATION

BY MR. ROSENBERG:
Q. On this slide 13, do you have any reason to think that the EQT gas would be significantly different in terms of BTU content that the Antero gas?
A. No.
Q. Okay. And just to be clear, the expenses you're talking about today are expenses that Antero incurred in getting its product from the wellhead to the point of sale; is that correct?
A. Yes.
MR. ROSENBERG: Okay. No further questions.

MR. WORDEN: Thank you.

(A discussion was had off the record after which the proceedings continued as follows:)

MR. ROSENBERG: I call the next witness, Elizabeth Burg.

E L I Z A B E T H B U R G

was called as a witness having been first duly sworn, testified as follows:

EXAMINATION

BY MR. ROSENBERG:

Q. Mrs. Burg, could you please introduce yourself to the tribunal?

A. My name is Elizabeth Burg. I'm the director at Altus Group. We do property tax consulting for various industries including oil and gas. I also worked in the oil and gas industry for approximately 17 years, and I'm currently the tax co-chair for the West Virginia Industry Trade Organization.

Q. What's your educational background?

A. I have a bachelor's degree in accounting.

Q. And do you have any certifications?

A. I am a CPA.

Q. Okay. What analysis did you do for Antero that we're talking about today?

A. Altus Group is Antero's property tax adviser. We prepare the producer/operator return for the wells. We consult and estimate on their property taxes for their wells for tax year '21. We analyze the property tax based on the return that was filed. We analyze the property taxes assessments received by the state tax department, and we computed the appeal values for purposes of Antero's appeal for tax year '21.

Q. Okay. And what did Ritchie County and the tax commissioner believe Antero owes in taxes to Ritchie County for tax year 2021?

A. Antero has paid approximately 8.9 million About half of that they paid the first half this September and the second half will be March.

Q. Okay. And what doe Antero contend that it actually does owe for tax year 2021?

A. Antero contends it owes 4.3 million.

Q. So what is the amount in controversy then?

A. The amount in controversy for tax year '21 is 4.6 million.

Q. And how did you calculate what Antero should actually owe Ritchie County for tax year 2021?

A. We started with the discounted cash flow model that's published on the state's website and we adjusted

Antero's gross receipts to reflect that field line point of sale comparable to peers selling in the State of West Virginia. We then applied the working interest percent to those adjusted receipts to run through the discounted cash flow model. No other inputs were changed in the state's model. The decline rate and the capitalization rate remained same.

Q. Did the state provide any guidance suggesting the methodology used?

A. Yes, the June 2020 guidance that the state published indicated that when there isn't a sale of gas in the State of West Virginia the gross receipts should be adjusted to reflect the field line sale.

Q. So did you actually follow that guidance in submitting values to the state?

A. Yes, for the tax year '21 the field values, we adjusted the gross receipts to reflect the field line sales.

Q. When did you submit those values?

A. We submitted them with the return August, and the state tax department then -- when we received the values back they disallowed those -- the submission and the return according to that and that's why we're here today.

Q. I want to talk about a few of these slides. If we take a look at slide 11, this is tab 2 of the binder, slide 11. Did you prepare this slide?
A. Yeah, we took Antero's data and then compiled it and summarized it on this slide.
Q. Okay. What does the slide show?
A. So it's representing all of the costs that are incurred after the gas is extracted at the wellhead. So the first gallon of compression followed by processing and transportation. And then for the entire State of West Virginia for 2019, which is the basis -- part of the basis of the tax year '21 values, Antero had incurred 1.5 billion or on average 1.6 million per well in West Virginia. And then Ritchie County, those total costs were 330 million or 2.1 million per well.
Q. It looks like from the chart that the largest difference between Ritchie County and West Virginia as a whole is the processing expenses are higher and transportation expense are somewhat higher?
A. That's correct.
Q. Okay. If you'd take a look at the next slide, slide 12.
A. (Deponent complies.)
Q. Is this a slide that you also prepared?

A. Yes.
Q. And if you could describe what this slide shows.
A. We pulled the property taxes assessment information from the website for tax year '21 for horizontal Marcellus wells in Ritchie County, and we married that -- the assessment by account to the individual well data for production from the West Virginia Department of Environmental Protection for 2019. We took by well -- we took the total assessment divided by the total production to come up with a assessment multiple per MCF.
By computing the assessment on this same metric which is production MCF, we are demonstrating how the assessments compare between Antero and their peers in Ritchie County.
Q. What does that assessment show?
A. So the charts demonstrated that Antero is being assessed significantly higher than their peers. You know, approximately two times greater than their peers.
Q. Okay. And if you take a look at slide 13, did you play some role in the preparation of this?
A. Yes.

Q. Could you just explain again what this is showing?

A. So we thought we could isolate, you know, a little bit further from the prior slide, you know, two side-by-side wells. Both these wells as Kevin previously indicated, they both were completed in 2016. So, you know, the production period is important when you're talking about the value, the assessment, corresponding assessment as well as the total lateral length of which these wells were drilled also play into the total production and, hence, the total assessment.

So both of these are very comparable wells in that they started producing in 2016. They have approximately a 10,000-foot lateral length. However, you know, the production did vary for this example. EQT's production was 1.5 million MCF and Antero was 620,000 MCF but yet EQT's assessment was 1.6 million for this well and the Antero's was 1.9 million.

So when you comport that into that assessment multiple per MCF, EQT's well was assessed at a multiple of 1.04 and Antero's was assessed at a multiple of 3.1. So even where EQT's well produced more this year, they were assessed less for tax year '21.

Q. About three times less?

A. Correct.

Q. Okay. If you'd take a quick look at slide 14.

A. (Deponent complies.)

Q. What was the gross weighted of average deduction for this tax year that the state allowed?

A. The allowable deduction for expenses 125,000 for Marcellus wells.

Q. And this chart, it shows that at least for all of West Virginia that Antero's average expenses were much higher than that?

A. Yeah, previously indicated they're approximately 1.6 million per well in West Virginia.

Q. And for Ritchie County it's even higher?

A. Correct.

Q. Okay. I want to turn your attention for just a minute to Tab 1 of this binder.

A. (Deponent complies.)

Q. Could you briefly explain what's in Tab 1?

A. So this was the submission of the appeal for Antero for tax year 2021 and the detailed schedules that follow the letter were prepared by Altus and it's summarizing for all of the assessment accounts for the wells, horizontal wells in Ritchie County for Antero;

the state-appraised value is what the state issued; and then the taxpayer value is Antero's -- what they believe the value should have been based on a gross receipts basis based on the field line sale on West Virginia, and then the difference is the value in controversy.

Q. Okay. If you could turn to tab 4 of this binder.

A. (Deponent complies.)

Q. Which has a three-page chart and then several checks.

A. Uh-huh.

Q. Could you explain what this exhibit is?

A. So the summary pages of the data is comparable to the supporting detail for the appeals schedule we just referenced. We did layer in how much tax based on each of these accounts for the first half that Antero has actually paid and then the supporting checks behind that.

Q. Okay. All right. Do you have anything else that you want to add?

A. I do not.

MR. ROSENBERG: I have no further questions.

CROSS-EXAMINATION

BY MR. MUDRINICH:

Q. Just a couple. Slide 12. Can you briefly explain again what this you view attempts to show?

A. So we're demonstrating -- we're providing a common denominator here of all the assessments of the same type of well in Ritchie County which are Marcellus horizontal wells. So we compiled all of the assessments for those wells in Ritchie County for tax year '21 and we divided each well's assessment by 2019 production to compute an assessment multiple per MCF.

Q. We don't know the price the competitor actually received per MCF that led to those values; correct?

A. No.

Q. So Antero may have just been a better businessman and got more money for their gas than the competitors?

A. I can't opine to that.

MR. MUDRINICH: I don't have anything further.

MR. ROSENBERG: I don't have any further questions.

EXAMINATION

BY MR. ROGERS:

Q. Along the same lines the questioning is the cost for Ritchie County. I think it was on Number 11 is the possibility that the cost for Ritchie County compared to West Virginia that Ritchie County wells could be -- are farther than the Sherwood facility and the majority of the other wells or weather which change that number?

A. So the total West Virginia are those four counties in that total, so Ritchie, Tyler, Doddridge and Harrison. Harrison they do not produce the wet gas, so they don't have as much processing costs. They do have some.

Q. Right.

A. So that is going to drive your overall West Virginia value or average down compared to Ritchie County.

Q. The gas coming from Doddridge and Tyler and some Ritchie County?

A. The wet gas is from those three counties.

MR. ROGERS: Okay. That's all I have.

MR. WORDEN: Nothing.

MR. ROSENBERG: No more questions.

MR. MUDRINICH: I just like to have some

housekeeping before we close. A few exhibits.

MR. ROSENBERG: Yeah, we'd like to move the four exhibits in the binder into evidence. All move that have been testified to.

MR. MUDRINICH: No objection.

MR. WORDEN: Certainly.

MR. MUDRINICH: The first exhibit I have is the legislative rule that we used as a basis to compute our appraisals.

And State Exhibit Number 2 I've got a copy of the applicable tax year 2021 variables authorized by the rule on what the average expenses for Marcellus, what the decline rates are and all that. So I would like these marked --

MR. ROSENBERG: No objection.

MR. MUDRINICH: -- 1 and 2.

(State's Exhibit Nos. 1 and 2 marked.)

MR. MUDRINICH: As Exhibit Number 2 the yield cap models that went to all the appraisals.

THE COURT REPORTER: Would that be 3?

MR. MUDRINICH: 3. Excuse me. 3.

MR. ROSENBERG: No objection.

(State's Exhibit No. 3 marked.)

MR. MUDRINICH: I move those be admitted

into the record.

MR. ROSENBERG: No objection.

MR. WORDEN: So moved.

MR. MUDRINICH: I have no other evidence.

MR. ROGERS: Did you guys have --

MR. ROSENBERG: You want to go first?

MR. MUDRINICH: You have the burden of proof.

MR. ROSENBERG: I'll just very briefly close. I think that the point we're making here today is, again, that Antero has no problem and fully expects to pay its fair share, but what else happened here is something that's unconstitutional and violates administrative law as the June 2020 guidance shows and so that's why we're here. That's why we're protesting this.

This is a situation where the state obviously has created the regime and it affects Ritchie County the way it affects Ritchie County, but it's just improper as a matter of law and it really is unfair. Particularly given the other ways in which Antero contributes to Ritchie County while this isn't a significant amount of money, it's a small part of what Antero ultimately contributes to the county.

Antero fully intends to be a partner with Ritchie County for, you know, the indefinite future and is here simply because this is really something that it believes is illegal, that's unconstitutional and for that reason it's also unfair. Thank you.

MR. MUDRINICH: My brief closing will be in conducting those appraisals we complied with the Consol decision giving every well in the horizontal a $125,000 expense deduction which is the average expense deduction approved by the supreme court. This is for Antero and all competitors. So we believe we constitutionally applied our rule and the various authorized rules.

Now there's other constitutional arguments being made here today regarding the important notice or letters or the subsequent revocation. There's parallel litigation going on in the business court regarding what is the legal affect of these letters and the constitutional ramifications. I've been of the opinion that the board assessment appeals although they are very knowledgeable, very good deciders of the issue, have no ability to rule on the constitutionality of statutes, rules, et cetera. That vests with the circuit courts and the supreme courts.

So I'll let our attorneys at the AG's office who will be arguing this case on appeal deal with all the constitutional questions they brought forth today. With that I have nothing further.

MR. ROSENBERG: Could I respond for just a sec?

To be clear, the current litigation in the business Court is not about tax year 2021. It's about different tax years, and I don't think that that whatever business court rules on those matters will necessarily affect tax year 2021.

But the second point is with respect I believe this board does have the authority to rule on the constitutional and administrative law matters and we urge the tribunal here to do that. While it's certainly true that these issues will likely be addressed on appeal as well, we believe it's within your authority to rule on this issues.

And given the presentations here today, I think you are fully capable and have the evidence and materials in front of you to make such a ruling. Thank you.

(Off-the-record discussion.)

MR. ROGERS: I'll make a motion that we

deny Antero's request for a re-evaluation and confirm the State of West Virginia's assessment.

MR. BOGGS: I second that motion.

MR. WORDEN: We have a motion and second on the floor to deny Antero Resources' request and confirm the West Virginia state tax assessment. All those in favor say aye. All those opposed? Motion passed. Now we are adjourned.

(Concluded at 11:18 a.m.)

STATE OF WEST VIRGINIA,

COUNTY OF WOOD, to wit;

I, Teresa Reedy, a Notary Public within and for the County and State aforesaid, duly commissioned and qualified, do hereby certify that the foregoing proceeding was duly taken by me and before me at the time and place and for the purpose specified in the caption hereof.

I further certify that the attached transcript meets the requirements set forth within Article 27, Chapter 47 of the West Virginia Code to the best of my ability.

I do further certify that the said deposition was correctly taken by me in shorthand notes, and that the same were accurately written out in full and reduced to typewriting and that the witness did request to read her transcript.

I further certify that I am neither attorney or counsel for, nor related to or employed by, any of the parties to the action in which this deposition is taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties or financially interested in the action and that the attached transcript meets the requirements set forth within article twenty-seven, chapter forty-seven of the West Virginia Code.

My commission expires March 13, 2023. Given under my hand this 18th day of October, 2021.

T Reedy

Teresa L. Reedy, RPR

OFFICIAL SEAL - NOTARY PUBLIC
State of West Virginia
TERI L. NOCE-REEDY
2809 18th Avenue
Vienna, WV 26105
My Commission Expires 3/13/2023

TITLE 110
LEGISLATIVE RULE
STATE TAX DEPARTMENT

SERIES 1J
VALUATION OF PRODUCING AND RESERVE OIL AND NATURAL GAS FOR AD VALOREM PROPERTY TAX PURPOSES

§110-1J-1. General.

1.1. Scope. -- This rule provides the methodology the State Tax Commissioner shall use to determine the appraised value of producing and reserve oil and natural gas properties for ad valorem tax purposes.

1.2. Authority. -- W. Va. Code §§11-1C-5(b), 11-1C-5a, and 11-1C-10(d).

1.3. Filing date. -- May 5, 2005.

1.4. Effective date. -- June 1, 2005 This rule applies to tax years beginning on or after January 1, 2006.

§110-1J-2. Introduction.

Oil or natural gas is one of the several estates in real property which may be owned either separately or in conjunction with other estates. If oil or natural gas is owned as a separate estate, either absolute, as a leasehold, or in conjunction with other estates, West Virginia property tax law requires that ownership be listed, valued and taxed in proportion to its value to be ascertained as directed by law. If oil or natural gas is owned in conjunction with other estates, the value of the oil or natural gas shall be included in the value of the other estate. Oil or natural gas may be owned without being produced. Oil or natural gas title may exist where no oil or natural gas is known to be present, or where the oil or natural gas is unproducible or depleted.

2.1. Categories for valuing oil and/or natural gas properties. -- Parcels of property bearing or having the potential to bear oil and/or natural gas or having the oil and/or natural gas mineral interest separated from the fee of the property shall be categorized as:

2.1.1. producing property (to include home use/industrial on-property consumption);

2.1.2. non-producing property;

2.1.3. barren property; or

2.1.4. plugged and/or abandoned property.

§110-1J-3. Definitions.

As used in this rule and unless the context clearly requires a different meaning, the following terms have the meaning ascribed in this section.

3.1. "Bands of investment discount component" means a discount rate derived by assigning rates to various debt and equity investment financing tiers and summing these rates, weighted by their respective percentages of total financing.

3.2. "Barren oil and natural gas property" means those fee and mineral parcels in West Virginia where data suggests that the presence of oil and natural gas is very unlikely.

3.3. "Capitalization rate" means a rate used to convert an estimate of income to an estimate of market value. Subsection 4.5 of this rule further explains this term.

3.4. "Commissioner" or "Tax Commissioner" means the Tax Commissioner of the State of West Virginia, or his or her delegate.

3.5. "Discount component" means a rate reflecting a provision for returning to an investor a sum of money equal to the aggregate of the anticipated return-on-investment over the economic life of an investment.

3.6. "Flat Rate royalty" means a royalty rate in which the amount paid per year (e.g. $100 per year) is set within a lease and is not dependant on the production or income derived from the well.

3.7. "Flush production" means the production of oil and/or natural gas from any well on an oil and/or natural gas property with an initial production date that is two (2) calendar years or less prior to the July 1st assessment date. Production beginning after December 31st and prior to the July 1st assessment date must be reported.

3.8. "Gross receipts" means total income received from production on any well, at the field line point of sale, during a calendar year before subtraction of any royalties and/or expenses.

3.9. "Management rate" means a rate reflecting a return to an investor for the management of similar investment portfolios.

3.10. "Natural gas producing property" means the property from which natural gas has been produced or extracted at any time during the calendar year preceding the July 1 assessment date. Natural gas producing property includes the interest or interests underlying an area of up to one hundred twenty-five (125) acres of surface per well for property with active wells on the parcel. All acreage of a natural gas producing property in excess of one hundred twenty-five (125) acres per well, shall be valued at the non-producing rate per acre referenced in section 4. of this rule.

3.11. "Nonliquidity rate" means a rate reflecting a return to an investor representing the loss of interest on an investment arising from the time required to sell the investment.

3.12. "Non-Producing or Shut-in Well" means a well, which due to the producer's decisions, market reasons and/or product performance, was non-productive during the entire most recent calendar year preceding the July 1st assessment date.

3.13. "Oil and/or natural gas, non-producing property" means properties that were not engaged in production during the previous assessment year period of July 1st through June 30th. This category includes any acreage that has been shut-in for the entire year.

3.14. "Oil and/or natural gas plugged and abandoned property" means plugged and abandoned oil and/or natural gas wells.

3.15. "Oil producing property" means property from which oil has been produced or extracted at any time during the calendar year preceding the July 1 assessment date. Oil producing property includes the interest or interests underlying an area of up to forty (40) acres of surface per well with one (1) or more active well(s) on the parcel. All acreage of an oil producing property in excess of forty (40) acres per well, shall be valued at the non-producing rate per acre referenced in Section 4 of this rule.

3.16. "Operating expenses" means only those ordinary expenses which are directly related to the maintenance and production of natural gas and/or oil. These expenses do not include extraordinary expenses, depreciation, ad valorem taxes, capital expenditures or expenditures relating to vehicles or other tangible personal property not permanently used in the production of natural gas or oil.

3.17. "Overriding royalty" means the fractional interest in the gross production payable to a person who is neither the producer nor the owner of the oil and natural gas estate and who is not required to bear a share of the development or operating costs of the well.

3.18. "Personal property" used in oil or natural gas production means machinery and equipment in and about the well and all other tangible personal property used in oil and/or natural gas production from the well to the fieldline point of sale. It shall not include vehicles or other tangible personal property not permanently used in production.

3.19. "Producer/operator" means any person or persons, corporation, partnership, joint venture or other enterprise which proposes to or does locate, drill, produce, manage, or abandon any well.

3.20. "Property tax component" means a rate reflecting a provision for returning to an investor a sum of money equal to property taxes paid over the economic life of an investment.

3.21. "Recapture component" means a rate reflecting a provision for returning to an investor a sum of money equal to his or her investment.

3.22. "Risk rate" means a rate reflecting a return to an investor necessary to attract capital to an investment containing a possible loss of principal and/or interest.

3.23. "Royalty interest" means the fractional interest in oil and/or natural gas production that is not subject to development costs or operating expenses and extends undiminished over the life of the property. Typically, it is retained by the oil and/or natural gas rights owner or lessor.

3.24. "Safe rate" means a rate reflecting a return to an investor on an investment which has little, if any, likelihood of loss of principal or of loss in anticipated return on investment.

3.25. "Settled production" means the production of oil and/or natural gas from all wells on a property with an initial production date that is more than two (2) calendar years prior to the July 1st assessment date.

3.26. "Storage wells" means drilled and completed wells on any property used for the artificial injection or storage of natural gas into a natural reservoir strata.

3.27. "Sum of the Years digit" means the weighted average that will be used in the calculations. For a 3 year weighted average, the sum of the years digit method places the first year at 50%, the second year at 33.33% and the third year at 16.67%.

3.28. "Summation discount component" means a discount rate expressed as the aggregate of a safe rate, risk rate, nonliquidity rate, and management rate, adjusted for inflation.

3.29. "Well" means any shaft or hole sunk, drilled, bored or dug into the earth or into underground strata for the extraction of oil or gas.

3.30. "Working interest" means the fractional interest in oil and/or natural gas production subject to development and operating expenses and owned by the leaseholder and/ or operator.

§110-1J-4. Methods of Valuation.

4.1. General. -- Oil and/or natural gas producing property value shall be determined through the process of applying a yield capitalization model to the net receipts (gross receipts less royalties paid less operating expenses) for the working interest and a yield capitalization model applied to the gross royalty payments for the royalty interest. Where ownership is split through a lease or royalty arrangement, different values shall be determined for the working interest and the royalty interest. If the well produced for less than twelve (12) months during the first calendar year of production, or during the first calendar year of production after being shut-in during the previous calendar year, the gross receipts and royalties paid shall be annualized prior to the process of applying a yield capitalization rate. Each term in this valuation is discussed below.

4.2. Percentage interest in oil and/or natural gas. -- Where the ownership of oil and/or natural gas in place is divided through a lease or other arrangement, the compensation to the owner of the property is derived by designating a percentage (generally one-eighth) of the production income to be the royalty payment to the owner. The remainder (generally seven-eighths) is the working interest. The Tax Commissioner shall annually determine working and royalty percentage interests on a per well or lease basis, through a review of oil and natural gas producer/operator annual property tax returns. These percentages shall be determined annually by dividing the total royalty paid by the reported gross income.

4.3. Average industry operating expenses. -- The Tax Commissioner shall every five (5) years, determine the average annual industry operating expenses per well. The average annual industry operating expenses shall be deducted from working interest gross receipts to develop an income stream for application of a yield capitalization procedure.

4.4. Average industry production decline rates. -- The Tax Commissioner shall every five (5) years derive and report the average industry production decline rates by reviewing well production records of various State agencies along with data provided by companies and individuals.

4.5. Capitalization rate. -- A single statewide capitalization rate for oil and natural gas shall be determined annually by the Tax Commissioner through the use of generally accepted methods. The rate shall be based on the assumption of a declining-terminal, non-inflating income series. The capitalization rate used to value oil and natural gas shall be developed through consideration of: (1) a discount rate determined by the summation technique, and (2) a property tax component.

4.5.1. Discount component.

The summation technique shall be used in developing a discount component of the capitalization rate. The five subcomponents of the discount rate are;

4.5.1.a. Safe rate. -- The "safe rate" shall reflect a rate of return that an investor could expect on an investment of minimal risk. It shall be developed through review of interest rates offered on thirteen (13) week United States Constant Maturity Treasury Yields for a period of three (3) calendar years immediately prior to the July 1st assessment date. A weighted average (sum of years digits) will be used in order to arrive at a Safe Rate.

4.5.1.b. Risk rate -- The relative degree of risk of an investment in oil and natural gas property is difficult to determine from published interest rates. Interest rates required on loans for acquisition and/or development of oil and natural gas properties shall be calculated by adding two percent (2%) to the Prime Interest Rate Charged By banks as published in the Economic Indicators Prepared By The Council Of Economic Advisors For The Joint Economic Committee for the three (3) calendar years immediately prior to the July 1 assessment date. The loan rate shall be compared to quarterly interest rates offered on thirteen (13) week United States Constant Maturity Treasury Yields for the same three (3) calendar years period. The weighted average (sum of years digits) difference between the two, combined with bands-of-investment analysis, shall be used as a basis to estimate the risk rate;

4.5.1.c. Nonliquidity rate. -- The "nonliquidity rate" shall be developed through an annual survey to determine a reasonable estimate of time that oil and natural gas properties, when exposed to the market for sale, remain on the market. The time determined in this manner shall be used to identify United States Constant Maturity Treasury Yields with similar time differentials in excess of thirteen (13) week United States Constant Maturity Treasury Yields. The interest differential between these securities shall be used to represent the nonliquidity rate. For example, if it is determined that oil and natural gas property remains on the market for an average of nine months (39 weeks) before being sold, the nonliquidity rate shall be derived by taking the rate on one (1) year United States Constant Maturity Treasury Yields minus the rate on 13-week United States Constant Maturity Treasury Yields; The rate used will be a weighted average (sum of years digits) of the data from the three (3) calendar year periods prior to the July 1 assessment date.

4.5.1.d. Management rate. -- The "management rate" represents the cost of managing the investment, not the cost of managing the oil and natural gas property. Because the management rate has historically been one-half of one percent (0.5%) of the value of investment portfolios, for purposes of determining the discount component the management rate shall be one-half of one percent (0.5%); and

4.5.1.e. Inflation rate (negative). -- Nominal interest rates, including the "safe rate" mentioned in paragraph 4.5.1.a of this subdivision, are higher than real rates by an amount representing expectation of future inflation; however, net annual income from oil and natural gas property is to be estimated assuming level future royalties (no inflation). The capitalization rate shall be a real rate, net of expectation of inflation. The inflation rate shall be estimated through analysis of the most recent calendar year's urban consumer price index as determined by the U.S. Department of Labor, Bureau of Labor Statistics. The weighted average (sum of years digits) rate will be used from the data of the three (3) calendar year periods prior to the July 1 assessment date.

4.5.2. In determining the discount component of the capitalization rate, the Tax Commissioner shall deduct the inflation rate from the sum of the safe rate, the risk rate, the nonliquidity rate and the management rate.

4.5.3. Property tax component. -- This component shall be estimated by multiplying the assessment rate by the prior tax year's statewide average for Class III property. At the present time, research indicates that royalty rates on oil and natural gas include a component for property tax, with no additional compensation from the producer. As a result, the property tax component shall be used in the capitalization rate; however, if this described general practice changes and property taxes are paid as additional compensation, the use of this component shall be deleted. The rate used will be a weighted average (sum of years digits) of the data from the three (3) tax year periods prior to the July 1 assessment date.

4.5.4. Results of capitalization rate survey -- A review of economic data for development of components referenced in Subdivision 4.5.1 of this rule shall be conducted annually and results filed by the Tax Commissioner in the State Register on or before July 1st of each year. Public comment on the published results shall be accepted until August 1st of each year with final results filed in the State Register on or before September 1st of each year.

4.6. Yield capitalization model. -- A yield capitalization model shall be developed for each producing property. The model shall use as a beginning point and include for each producing well, the gross receipts (both working interest and royalty interest) and production amounts based on those gross receipts from the most recent consecutive three (3) full production calendar years preceding the July 1 assessment date. These amounts will be weighted average (sum of years digits) and then adjusted for production decline to reflect the income available to the property owner beginning with the July 1st assessment date to June 30 next succeeding the assessment date. Gross receipts and production amounts shall be proportionately reduced by application of the appropriate production decline rate, referenced in Subsection 4.4 of this rule, to yield a declining terminal income series typical of the producing area and strata. The income series shall be apportioned to the working interest and to the royalty interest based upon percentage interests referenced in Subsection 4.2 of this rule. Where the well did not produce during the entire calendar year, the gross receipts and royalties paid will be annualized prior to the process of applying a yield capitalization procedure.

4.6.1. Working interest model. -- The working interest weighted average (sum of years digits) gross receipts income series referenced in Subsection 4.6 of this rule shall be reduced by the annual operating expenses referenced in Subsection 4.3 of this rule to yield a net working interest income series. The net working interest income series shall be discounted by applying, on an annual basis, a mid-year life Inwood factor reflecting the capitalization rate referenced in Subsection 4.5 of this rule. The summation of the annual discounted income streams shall be the market value estimate for the working interest of the producing oil and/or natural gas well including personal property as defined by Section 3 of this rule. The minimum appraised value for any producing well will not be less than the machinery and equipment value discussed in Section 4.16 of this rule. This minimum rate will not apply to home-use only wells.

4.6.2. Royalty interest model. -- The royalty interest weighted average (sum of years digits) gross receipts income series referenced in Subsection 4.6 of this rule shall be discounted by applying, on an annual basis, a mid-year life Inwood factor reflecting the capitalization rate referenced in Subsection 4.5 of this rule. This amount will then be proportionally distributed to each royalty owner based on the royalty percentage received during the most recent calendar year to the July 1 assessment date. The summation of the annual discounted income streams shall be the market value estimate for the royalty interest of the producing oil and/or natural gas well for an area of up to one hundred twenty-five (125) acres per producing natural gas wells and up to forty (40) acres per producing oil wells.

4.6.3. Valuation of home-use only wells. -- The appraised value of wells used for home-use only will be an annual appraised value of $500.00 resulting in an assessed value of $300.00. If the home-use well owner has ownership in the mineral rights, the assessed value will be added to the real property assessment. However, if the home-use well owner only has rights in the surface, the assessed value will be added to the personal property assessment.

4.6.4. Valuation of industrial use wells. -- The appraised value of wells used for industrial purposes only will be based on the actual most recent calendar year preceding the July 1 appraisal date MCF usage times the average West Virginia spot price for that calendar year determined by the "Natural Gas Monthly," published by the U.S. Department of Energy, Energy Information Administration.

4.7. Valuation of non-producing acreage. -- The value per acre of non-producing acreage, which includes shut-in wells, shall equal the discounted annual lease payment per acre. A valuation schedule for non-producing properties shall be determined annually by the Tax Commissioner for each district within a county, where data is available. The Tax Commissioner shall annually conduct a review of oil and/or natural gas lease agreements transacted at arms-length in all fifty-five (55) counties to determine the average annual delay rental lease payment per acre, and lease term. The per-acre value for non-producing property shall be the sum of the projected annual income stream from delay rental during the lease term discounted in each year by a capitalization rate. A valuation of $1.00 per acre shall be used where property is located in those areas of the State where drilling activity/production have not been established and the property is presumed to be barren.

4.8. Valuation of plugged and abandoned acreage. -- Plugged and abandoned acreage shall be valued to the oil or gas owner at the nominal rate of one dollar ($1.00) per acre. This category includes any plugged and abandoned acreage of up to one hundred twenty- five (125) acres per natural gas well and up to forty (40) acres per oil well.

4.9. Valuation of barren oil and natural gas areas. -- These oil and natural gas areas (fee accounts) shall be valued at $1.00 per deed acre.

4.10. Valuation of wells that produce both oil and natural gas. -- The valuation of wells that produce both oil and natural gas shall be determined by use of the methods described in this rule. These values shall then be summed to result in the overall value of the oil and/or natural gas producing acreage.

4.11. Valuation of storage well areas. – The valuation of storage well areas shall equal the discounted annual lease payment per acre that is applied to the reserve oil and gas acreage within the county. The minimum value applied to the areas will not be less than $5.00 per deed acre. The value shall not include inventories stored within. Natural gas storage inventories shall be assessed to the inventory owner.

4.12. Annual reports. -- The Tax Commissioner shall on or before July 1st of each year publish and file in the State Register an annual summary of the variables to be considered in arriving at the value of the specific oil and/or natural gas related property. Public comments shall be accepted until August 1st of each year with the final results filed in the State Register on or before September 1st of each year.

4.13. Farm properties. -- The oil and gas rights, that are part of a "fee" estate where the use of the surface has qualified for farm use appraisal, shall be valued as described in the Tax Commission's rule, Valuation of Farmland and Structures Situated Thereon For Ad Valorem Property Tax Purposes, 110 C.S.R. 1A.

4.14. Property reports. -- On or before August 1st of each year the producer shall file the West Virginia Oil and Gas Producer/Operator Return with the State Tax

Commission, with acknowledgement to the county assessors in the counties where the oil and natural gas property is located. This Return form shall be designed by the State Tax Commissioner so that information pertinent to the valuation of the producing property, and plugged and abandoned property shall be reported properly by the oil and gas producer.

4.15. Confidentiality -- All information provided by or on behalf of a natural resources property owner or by or on behalf of an owner of an interest in natural resources property to any state or county representative for use in the valuation or assessment of natural resources property or for use in the development or maintenance of a legislatively funded mineral mapping or geologic information system is confidential. The information is exempt from disclosure under the provisions of West Virginia Code § 29B-1-4, and shall be kept, held, and maintained confidential except to the extent the information is needed by the state tax commissioner to defend an appraisal challenged by the owner or lessee of the natural resources property subject to the appraisal: Provided, That this section may not be construed to prohibit publication or release of information generated as part of the minerals mapping or geologic information system, whether in the form of aggregated statistics, maps, articles, reports, professional talks, or otherwise presented in accordance with generally accepted practices and in a manner so as to preclude the identification or determination of information about particular property owners.

4.16. Valuation of the Producer's Personal Property at Non-Producing or Shut-In wells—The valuation of the producer's personal property that is part of a non-producing or shut-in well's appraisal will be assigned to the producer at the same value applied to home use only wells.

4.17. Valuation of Pre-Production/Permit Leaseholds----Chattel real accounts (personal property) for pre-production/permit leaseholds will be valued by the county assessor.

4.18. Valuation of Producing Flat-Rate Royalty accounts ---- The appraised value of a producing flat-rate royalty will be valued using a level terminal income series rather than the declining terminal income series as discussed in Subsection 4.6 of this rule.

EXHIBIT

2

PENGAD 800-631-6989

Dave Hardy
Secretary of Revenue

STATE TAX DEPARTMENT

Dale W. Steager
State Tax Commissioner

FILED

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OFFICE WEST VIRGINIA
SECRETARY OF STATE

August 31, 2020

The Honorable Mac Warner
Secretary of State
Building 1, Suite 157-K
State Capitol
Charleston, West Virginia 25305

Dear Secretary Warner:

Attached for filing in the State Register are final natural resource property valuation variables for the 2021 Tax Year that have been developed by the State Tax Department for use in determining the appraised value of coal, oil, natural gas, managed timberland and other natural resource properties for ad valorem tax purposes.

In accordance with the requirements of §110CSR1-I, 1-J and 1-K, tentative variables were made available for public comments on June 29, 2020. The department received zero comments on the tentative valuation variables. Additionally, changed were made for the coal, oil and gas, other mined mineral, and managed timberland royalty rates and prices based upon information that was unavailable on June 29, 2020

Sincerely,

Dale W. Steager
State Tax Commissioner

DWS/lb/t

Attachment

Property Tax Division
P.O. Box 2389
Charleston, WV 25328-2389
Phone 304-558-3940 FAX 304-558-1843

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OFFICE ... VIRGINIA
SECRETARY OF STATE

OIL AND GAS PROPERTIES ANALYSIS

Tax Year 2021

Dale W. Steager
State Tax Commissioner
Department of Revenue

OIL AND GAS **TY 2021**

Capitalization Rate Analysis and Results:

In developing a capitalization rate for use in valuing specificincome-producing properties consideration is given to the three approaches generally employed in estimating a discount rate. As a matter of practicality, the Bands-of -Investment and Summation Technique approaches are utilized in establishing discount rates for producing oil and gas properties. Data for analysis has been derived in accordance with current Legislative Rule Title 110, Series 1J.

Safe Rate (3-Month Constant Maturity Interest Rates)

January	December	2019	**2.104%**
January	December	2018	1.973%
January	December	2017	0.947%

Risk Rate (Interest differential between Loan Rate and 3-Month Constant Maturity Interest Rates)

Loan Rate*		Risk Rate
2019	7.280%	5.176%
2018	6.900%	4.927%
2017	6.100%	5.153%

*Prime plus 2%

Equity (Differential between Equity Rates and 3-Month Constant Maturity Interest Rates)

Equity Rate**		Risk Rate
2019	13.0%/(1-0.26)-1.55	16.018%
2018	13.0%/(1-0.26)-1.55	15.595%
2017	13.0%/(1-0.275)-1.55	16.621%

** *DQYDJ.COM*

Composite Risk Rate Loan and Equity Rates weighted by industry estimated capital structure.

	Equity Rate	Debt Rate		Composite Risk		
2019	10.4114%	1.817%		**12.871%**	***	
2018	10.1365%	1.724%		**12.485%**		
2017	10.8034%	1.804%		**13.270%**		
Note: Debt equity Ratio		Debt	35%	Equity		65%
*** Effective severance tax adjustment			0.95			

Non Liquidity Rate Interest differential between 3-month Constant Maturity Interest Rates and a 1 year Constant Maturity Interest Rates which reflects a reasonable time necessary to sell active property.

			1yr T Bill	90 day T Bill	Non Liquidity Rate
January	December	2019	2.050%	1.550%	**0.500%**
January	December	2018	2.332%	1.973%	**0.359%**
January	December	2017	1.201%	0.947%	**0.254%**

Management Rate Charges for the management of investment portfolios.

Fixed Rate (by Rule) **0.500%**

Property Tax Rate Sixty percent (60%) of State average Class III property tax rate.

2019	60% of 2.17	**1.320%**

Inflation Rate

January	December	2019	**1.810%**
January	December	2018	**1.910%**
January	December	2017	**2.110%**

Capitalization Rate Since the valuation of oil and gas property is predicated on a three year production , the capitalization rate will be considered in a similar manner.

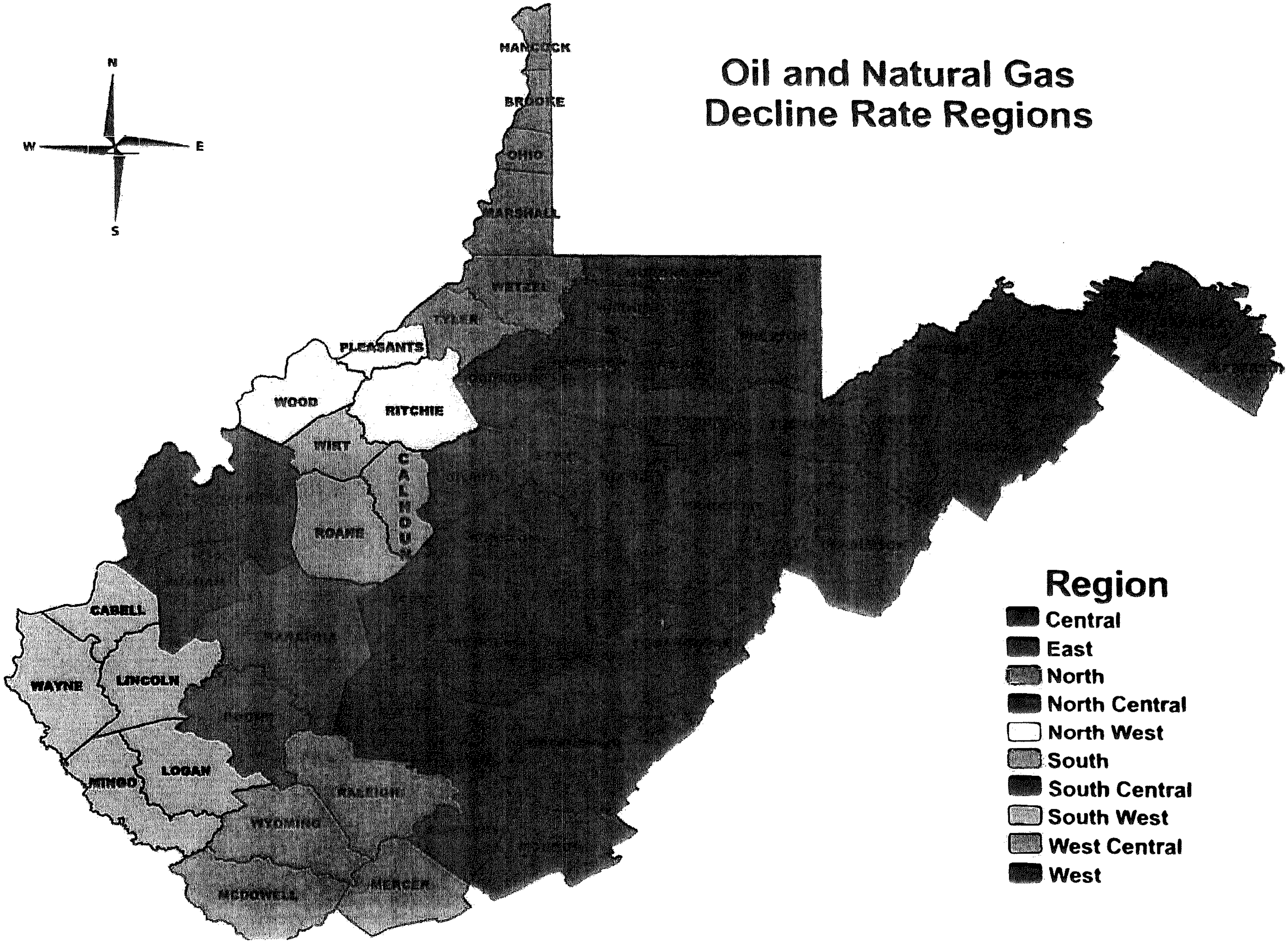
	2019	2018	2017	
Inflation Rate	-1.810%	-1.910%	-2.110%	
Safe Rate	2.104%	1.973%	0.947%	
Composite Risk Rate	12.871%	12.485%	13.270%	
Non Liquidity Rate	0.500%	0.359%	0.254%	
Management Rate	0.500%	0.500%	0.500%	
Property Tax Rate	1.320%	1.302%	1.308%	
Total	15.485%	14.709%	14.169%	
	50.000%	33.333%	16.667%	
	7.743%	**4.903%**	**2.362%**	**15.007%**

Capitalization Rate Rounded to: **15.01%**

MULTIPLIERS FOR 14.6% MID-YEAR LIFE (ANNUALLY)

YEAR		YEAR	
1	0.932475	21	0.056901
2	0.810796	22	0.049476
3	0.704995	23	0.043020
4	0.612999	24	0.037406
5	0.533009	25	0.032525
6	0.463456	26	0.028281
7	0.402979	27	0.024591
8	0.350394	28	0.021382
9	0.304671	29	0.018592
10	0.264915	30	0.016166
11	0.230346	31	0.014056
12	0.200288	32	0.012222
13	0.174152	33	0.010627
14	0.151427	34	0.009240
15	0.131667	35	0.008035
16	0.114486	36	0.006986
17	0.099546	37	0.006075
18	0.086557	38	0.005282
19	0.075262	39	0.004593
20	0.065441	40	0.003993

Oil and Natural Gas Decline Rate Regions



Decline Rates for Natural Gas and Oil Formations: Central				
Central:Braxton, Clay, Fayette, Nicholas, Webster				
Code	**Formation**	**Year 1**	**Year 2**	**Year 3 +**
12	Alexander, Benson	-0.31	-0.20	-0.10
14	Benson	-0.48	-0.08	-0.08
16	Benson, Balltown+	-0.45	-0.16	-0.12
17	Gordon +	-0.30	-0.07	-0.07
18	Big Injun	-0.34	-0.13	-0.13
19	Big Injun, Big Lime	-0.36	-0.13	-0.13
22	Big Lime	-0.34	-0.34	-0.13
26	Ravencliff	-0.40	-0.40	-0.25
93	4th Sand	-0.42	-0.32	-0.08
94	50 Foot	-0.34	-0.26	-0.07
95	Injun/Weir	-0.51	-0.26	-0.09
96	Maxton	-0.70	-0.27	-0.08
109	Trenton/Deeper *	-0.41	-0.22	-0.09
110	Marcellus *	-0.41	-0.22	-0.09
9	Exception (Median)	-0.41	-0.22	-0.09
10	Non-Filer	-0.30	-0.07	-0.07

* New Formation(s) involved in recent production. These will be valued with the Exception Rates until decline information is available.

Decline Rates for Natural Gas and Oil Formations: East				
East: Berkeley, Grant, Greenbrier, Hampshire, Hardy, Jefferson, Mineral, Monroe, Morgan, Pendleton, Pocahontas, Preston, Randolph, Summers, Tucker				
Code	Formation	Year 1	Year 2	Year 3 +
1	Oriskany	-0.30	-0.30	-0.19
14	Benson	-0.31	-0.17	-0.12
20	Benson +	-0.44	-0.20	-0.08
21	Benson, Fifth	-0.29	-0.28	-0.09
32	Brallier +	-0.48	-0.20	-0.05
33	Elk, Benson	-0.39	-0.21	-0.08
34	Elk, Benson, Riley	-0.53	-0.19	-0.05
35	Elk, Benson, Riley +	-0.36	-0.19	-0.11
36	Elk, Benson, Balltown	-0.34	-0.18	-0.11
37	Elk, Alexander,Benson	-0.50	-0.07	-0.07
38	Elk, Alexander,Benson +	-0.40	-0.16	-0.16
39	Hunterville	-0.31	-0.31	-0.14
40	Fox, Haverty	-0.36	-0.21	-0.15
93	4th Sand	-0.42	-0.32	-0.08
94	50 Foot	-0.34	-0.26	-0.07
95	Injun/Weir	-0.51	-0.26	-0.09
96	Maxton	-0.70	-0.27	-0.08
110	Marcellus	-0.59	-0.22	-0.17
9	Exception (Median)	-0.41	-0.22	-0.10
10	Non-Filer	-0.29	-0.07	-0.05

Decline Rates for Natural Gas and Oil Formations: South				
South: McDowell, Mercer, Raleigh, Wyoming				
Code	**Formation**	**Year 1**	**Year 2**	**Year 3 +**
8	Berea	-0.34	-0.15	-0.15
22	Big Lime	-0.31	-0.19	-0.07
23	Big Lime, Maxton	-0.31	-0.19	-0.07
24	Big Lime, Ravencliff	-0.29	-0.29	-0.17
25	Berea +	-0.37	-0.12	-0.08
26	Ravencliff	-0.40	-0.08	-0.07
28	Weir	-0.44	-0.20	-0.10
29	Weir +	-0.28	-0.21	-0.08
30	Weir, Big Lime	-0.37	-0.19	-0.13
42	Maxton, Ravencliff	-0.40	-0.08	-0.07
93	4th Sand	-0.42	-0.32	-0.08
94	50 Foot	-0.34	-0.26	-0.07
95	Injun/Weir	-0.51	-0.26	-0.09
96	Maxton	-0.27	-0.13	-0.09
97	Coalbed Methane (Vertical)	0.03	0.10	-0.05
98	Coalbed Methane (Horizontal)	-0.05	-0.05	-0.32
110	Marcellus *	-0.36	-0.19	-0.09
9	Exception (Median)	-0.36	-0.19	-0.09
10	Non-Filer	-0.23	-0.08	-0.05

* New Formation(s) involved in recent production. These will be valued with the Exception Rates until decline information is available.

Decline Rates for Natural Gas and Oil Formations: South West				
South West: Cabell, Lincoln, Logan, Mingo, Wayne				
Code	**Formation**	**Year 1**	**Year 2**	**Year 3 +**
3	Devonian Shale	-0.31	-0.15	-0.04
8	Berea	-0.36	-0.11	-0.11
18	Big Injun	-0.38	-0.22	-0.04
22	Big Lime	-0.19	-0.19	-0.19
43	Berea, Big Lime	-0.18	-0.18	-0.18
93	4th Sand	-0.42	-0.32	-0.08
94	50 Foot	-0.34	-0.26	-0.07
95	Injun/Weir	-0.51	-0.26	-0.09
96	Maxton	-0.70	-0.27	-0.08
109	Trenton/Deeper *	-0.38	-0.22	-0.10
110	Marcellus *	-0.38	-0.22	-0.10
9	Exception (Median)	-0.38	-0.22	-0.10
10	Non-Filer	-0.18	-0.11	-0.04

* New Formation(s) involved in recent production. These will be valued with the Exception Rates until decline information is available.

Decline Rates for Natural Gas and Oil Formations: South Central				
South Central: Boone, Kanawha				
Code	Formation	Year 1	Year 2	Year 3 +
3	Devonian Shale	-0.23	-0.08	-0.05
4	Huron	-0.31	-0.15	-0.04
8	Berea	-0.23	-0.14	-0.09
18	Big Injun	-0.29	-0.25	-0.12
27	Huron, Shales above Huron	-0.21	-0.08	-0.05
28	Weir	-0.30	-0.21	-0.14
29	Weir +	-0.31	-0.25	-0.09
31	Devonian Shales +	-0.27	-0.07	-0.05
86	Big Injun-Oil	-0.19	-0.18	-0.10
93	4th Sand	-0.42	-0.32	-0.08
94	50 Foot	-0.34	-0.26	-0.07
95	Injun/Weir	-0.51	-0.26	-0.09
96	Maxton	-0.70	-0.27	-0.08
109	Trenton/Deeper *	-0.33	-0.19	-0.08
110	Marcellus *	-0.33	-0.19	-0.08
9	Exception (Median)	-0.33	-0.19	-0.08
10	Non-Filer	-0.19	-0.07	-0.04

* New Formation(s) involved in recent production. These will be valued with the Exception Rates until decline information is available.

Decline Rates for Natural Gas and Oil Formations: North				
North: Brooke, Hancock, Marshall, Ohio, Tyler, Wetzel				
Code	**Formation**	**Year 1**	**Year 2**	**Year 3 +**
11	Gordon	-0.47	-0.31	-0.09
13	Alexander, Benson, Riley	-0.26	-0.16	-0.15
15	Benson, Riley	-0.18	-0.16	-0.06
93	4th Sand	-0.42	-0.32	-0.08
94	50 Foot	-0.34	-0.26	-0.07
95	Injun/Weir	-0.51	-0.26	-0.09
96	Maxton	-0.70	-0.27	-0.08
97	Coalbed Methane (Vertical)	-0.23	-0.08	-0.05
110	Marcellus	-0.52	-0.23	-0.18
9	Exception (Median)	-0.39	-0.23	-0.08
10	Non-Filer	-0.18	-0.16	-0.06

North West: Pleasants, Ritchie, Wood				
Code	**Formation**	**Year 1**	**Year 2**	**Year 3 +**
2	Huron, Rhinestreet	-0.41	-0.26	-0.07
4	Huron	-0.42	-0.24	-0.14
5	Huron, Shales above Huron	-0.39	-0.25	-0.14
8	Berea	-0.31	-0.15	-0.15
11	Gordon	-0.38	-0.10	-0.10
12	Alexander, Benson (No Riley)	-0.34	-0.23	-0.10
13	Alexander, Benson, Riley	-0.32	-0.20	-0.10
14	Benson	-0.19	-0.19	-0.10
44	Rhinestreet, Huron, Shallow Shale	-0.43	-0.28	-0.11
47	Alexander, Riley, (No Benson)	-0.41	-0.05	-0.05
48	Rhinestreet, Alexander, Benson, Riley	-0.31	-0.24	-0.10
49	Weir, Squaw, Big Injun	-0.27	-0.17	-0.07
50	Rhinestreet	-0.40	-0.27	-0.27
51	Rhinestreet +	-0.36	-0.21	-0.10
52	All Upper Devonian (Undiv)	-0.48	-0.33	-0.19
53	Huron, Chemung	-0.35	-0.11	-0.09
54	Huron, Hampshire, Pocono	-0.12	-0.12	-0.11
55	Upper Devonian (Above Huron)	-0.46	-0.33	-0.23
56	Chemung Sands= Riley, Bradford, Balltown, Speechley, Warren (No Benson or Alexander)	-0.28	-0.18	-0.10
83	Huron Oil	-0.74	-0.44	-0.40
93	4th Sand	-0.42	-0.32	-0.08
94	50 Foot	-0.34	-0.26	-0.07
95	Injun/Weir	-0.51	-0.26	-0.09
96	Maxton	-0.70	-0.27	-0.08
109	Trenton/Deeper *	-0.39	-0.23	-0.23
110	Marcellus	-0.46	-0.29	-0.23
111	Utica *	-0.46	-0.29	-0.23
9	Exception (Median)	-0.39	-0.23	-0.13
10	Non-Filer	-0.12	-0.05	-0.05

* New Formation(s) involved in recent production These will be valued with the Exception Rates until decline information is available.

North Central: Barbour, Doddridge, Gilmer, Harrison, Lewis, Marion, Monongalia, Taylor, Upshur				
Code	**Formation**	**Year 1**	**Year 2**	**Year 3 +**
11	Gordon	-0.41	-0.14	-0.12
12	Alexander, Benson	-0.37	-0.19	-0.11
13	Alexander, Benson, Riley	-0.40	-0.28	-0.05
14	Benson	-0.31	-0.17	-0.12
15	Benson, Riley	-0.34	-0.17	-0.14
18	Big Injun	-0.36	-0.16	-0.13
21	Benson, Fifth	-0.31	-0.20	-0.14
28	Weir	-0.34	-0.34	-0.07
29	Weir +	-0.28	-0.28	-0.23
33	Elk, Benson	-0.34	-0.16	-0.11
34	Elk, Benson, Riley	-0.42	-0.27	-0.08
37	Elk, Alexander,Benson	-0.49	-0.23	-0.08
38	Elk, Alexander,Benson +	-0.38	-0.20	-0.12
40	Fox, Haverty	-0.46	-0.16	-0.08
50	Rhinestreet	-0.28	-0.03	-0.03
57	Alexander, Benson, Balltown	-0.39	-0.26	-0.08
58	Alexander	-0.35	-0.20	-0.10
59	Alexander +	-0.39	-0.22	-0.10
60	Alexander, Benson, Riley +	-0.39	-0.35	-0.12
61	Balltown	-0.35	-0.20	-0.10
62	Balltown, Speechley	-0.28	-0.22	-0.10
63	Balltown, Speechley +	-0.30	-0.13	-0.10
64	Benson, Balltown, Speechley	-0.28	-0.22	-0.09
65	Benson, Bradford	-0.37	-0.20	-0.10
66	Benson, Balltown	-0.29	-0.23	-0.11
67	Benson, Riley +	-0.38	-0.14	-0.10
68	Benson, Speechley	-0.30	-0.22	-0.14
69	Brallier, Elk	-0.42	-0.20	-0.13
70	Brallier	-0.40	-0.22	-0.15
71	Deeper/Onondaga or Oriskany/Helderberg	-0.24	-0.24	-0.03
72	Elk, Alexander	-0.42	-0.22	-0.09
73	Elk Benson +	-0.38	-0.20	-0.12
74	Elk	-0.43	-0.12	-0.10
75	Elk, Riley	-0.60	-0.35	-0.17
76	Fox +	-0.46	-0.18	-0.09
77	Haverty, Elk, Benson (No Alexander)	-0.35	-0.16	-0.16
78	Haverty	-0.45	-0.15	-0.15
79	Riley	-0.44	-0.22	-0.10
80	Speechley	-0.30	-0.18	-0.09
81	Alexander, Benson, Speechley	-0.39	-0.24	-0.10
82	Haverty, Elk, Alexander	-0.47	-0.14	-0.14
85	Fifth, Oil	-0.45	-0.25	-0.22
87	Bayard All	-0.30	-0.20	-0.05
88	Fifth	-0.29	-0.18	-0.12
89	Fifth +	-0.25	-0.15	-0.13
90	Gordon, Injun All	-0.41	-0.23	-0.23
91	Squaw	-0.37	-0.31	-0.06
92	Injun +	-0.34	-0.22	-0.22
93	4th Sand	-0.42	-0.32	-0.08
94	50 Foot	-0.34	-0.26	-0.07
95	Injun/Weir	-0.51	-0.26	-0.09
96	Maxton	-0.70	-0.27	-0.08
97	Coalbed Methane (Vertical)	-0.23	-0.08	-0.05
98	Coalbed Methane (Horizontal)	-0.05	-0.05	-0.32
109	Trenton/Deeper *	-0.38	-0.21	-0.11
110	Marcellus	-0.59	-0.29	-0.23
9	Exception (Median)	-0.38	-0.21	-0.11
10	Non-Filer	-0.23	-0.03	-0.03

* New Formation(s) involved in recent production. These will be valued with the Exception Rates until decline information is available.

Decline Rates for Natural Gas and Oil Formations: West				
West: Jackson, Mason, Putnam				
Code	Formation	Year 1	Year 2	Year 3 +
1	Oriskany	-0.40	-0.40	-0.29
2	Huron, Rhinestreet	-0.13	-0.12	-0.03
3	Devonian Shale	-0.31	-0.15	-0.04
4	Huron	-0.29	-0.14	-0.05
5	Huron, Shales above Huron	-0.38	-0.15	-0.06
6	Huron, Berea	-0.29	-0.08	-0.08
7	Berea, Devonian Shale	-0.08	-0.08	-0.08
8	Berea	-0.36	-0.16	-0.16
93	4th Sand	-0.42	-0.32	-0.08
94	50 Foot	-0.34	-0.26	-0.07
95	Injun/Weir	-0.51	-0.26	-0.09
96	Maxton	-0.70	-0.27	-0.08
109	Trenton/Deeper *	-0.35	-0.20	-0.09
110	Marcellus *	-0.35	-0.20	-0.09
9	Exception (Median)	-0.35	-0.20	-0.09
10	Non-Filer	-0.08	-0.08	-0.03

* New Formation(s) involved in recent production. These will be valued with the Exception Rates until decline information is available.

Decline Rates for Natural Gas and Oil Formations: West Central				
West Central: Calhoun, Roane, Wirt				
Code	**Formation**	**Year 1**	**Year 2**	**Year 3 +**
2	Huron, Rhinestreet	-0.49	-0.11	-0.06
4	Huron	-0.33	-0.22	-0.14
27	Huron, Shales above Huron	-0.42	-0.23	-0.12
44	Rhinestreet, Huron, Shallow Shale	-0.51	-0.14	-0.11
45	Devonian Shale, Pocono	-0.25	-0.17	-0.12
46	Pocono	-0.29	-0.25	-0.12
84	Big Injun, Oil	-0.41	-0.41	-0.11
93	4th Sand	-0.42	-0.32	-0.08
94	50 Foot	-0.34	-0.26	-0.07
95	Injun/Weir	-0.51	-0.26	-0.09
96	Maxton	-0.70	-0.27	-0.08
109	Trenton/Deeper *	-0.42	-0.24	-0.10
110	Marcellus *	-0.42	-0.24	-0.10
9	Exception (Median)	-0.42	-0.24	-0.10
10	Non-Filer	-0.25	-0.11	-0.06

* New Formation(s) involved in recent production. These will be valued with the Exception Rates until decline information is available.

Average Industry Operating Expense Results

CONVENTIONAL GAS

- Average Operating Expenses	=	$5,000
- Coal Bed Methane, Vertical Wells Expenses	=	$9,000

OIL

- Average Operating Expenses	=	$5,750
- Average Enhanced Operating Expenses	=	$9,000

MARCELLUS/UTICA

- Vertical Producing Well		
- Average Operating Expenses	=	$15,000
- Horizontal Producing Well		
- Average Operating Expenses	=	$125,000

HORIZONTAL WELLS (OTHER THAN MARCELLUS/UTICA AND COAL BED METHANE)

- Horizontal Producing Well		
- Average Operating Expenses	=	$20,000

Minimum Working Interest Appraisal = $500 per well

Flat Rate Royalty Multiplier = 5.75

Home Use Only Wells:	Appraised at $500 per well
Industrial Use Only Wells:*	MCF usage X $2.56/MCF BBL usage X $56.99/BBL

*(Also includes Department of Environmental Protection reported wells.)

Non-Filer Valuations

Working Interest	=	150% of previous year's appraisal
Royalty Interest	=	90% of previous year's appraisal

Valuation

The previously discussed variables are used to establish a future income stream converted to present worth through application of a capitalization rate. The sum of the discounted future net income per year represents a reasonable estimate of market value.

Lease Rate/Term Survey and Results

The non-producing property value for each county is determined by multiplying the average delay rental by a factor, which represents the average lease term under present economic conditions.

As a result of higher lease terms being inversely proportional to the value of oil and gas (thus counties with little leasing or production activities reflect inflated values) and with the volatile nature of county activity, necessary adjustments in the review have been made.

A compilation of lease terms produced a statewide average of 5 years. This term (5 years) was applied to all county lease rates and compared to the appraisal rates derived from calculations using individual county data as well as regional data. The resulting calculations were reviewed and considered in the assignment of an appraisal rate per acre.

The appraisal rate/acre amounts shown on the next page are preliminary figures, which may change if additional lease data is received. These rates have been applied to all county magisterial districts with either producing wells, lease activity within the past 5 years or both. Tax districts void of activity within the past 5 years have been assigned the minimum value per acre.

OIL & GAS RESERVE RATES FOR TY 2021

COUNTY	CO #	DISTRICT #	TY2021 $/AC
BARBOUR	1	1	$55.00
		2	$1.00
		3	$55.00
		4	$55.00
		5	$55.00
		6	$1.00
		7	$55.00
		8	$55.00
		9	$55.00
		10	$55.00
		11	$55.00
BERKELEY	2	1	$1.00
		2	$1.00
		3	$1.00
		4	$1.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$1.00
BOONE	3	1	$20.00
		2	$1.00
		3	$1.00
		4	$20.00
		5	$20.00
		6	$20.00
		7	$1.00
		8	$20.00
		9	$1.00
BRAXTON	4	1	$20.00
		2	$1.00
		3	$1.00
		4	$1.00
		5	$20.00
		6	$20.00
		7	$20.00
		8	$1.00
BROOKE	5	1	$1.00
		2	$1.00
		3	$105.00
		4	$105.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$1.00

OIL & GAS RESERVE RATES FOR TY 2021			
COUNTY	CO #	DISTRICT #	TY2021 $/AC
CABELL	6	1	$25.00
		2	$1.00
		3	$25.00
		4	$25.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$25.00
		9	$1.00
		10	$25.00
CALHOUN	7	1	$30.00
		2	$1.00
		3	$30.00
		4	$30.00
		5	$30.00
		6	$30.00
CLAY	8	1	$20.00
		2	$1.00
		3	$20.00
		4	$20.00
		5	$20.00
		6	$20.00
DODDRIDGE	9	1	$100.00
		2	$100.00
		3	$100.00
		4	$100.00
		5	$100.00
		6	$100.00
		7	$100.00
		8	$100.00
		9	$1.00
FAYETTE	10	1	$20.00
		2	$20.00
		3	$20.00
		4	$1.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$1.00
		9	$1.00
		10	$1.00
		11	$1.00
		12	$1.00
		13	$1.00

OIL & GAS RESERVE RATES FOR TY 2021			
COUNTY	CO #	DISTRICT #	TY2021 $/AC
GILMER	11	1	$25.00
		2	$25.00
		3	$25.00
		4	$1.00
		5	$1.00
		6	$25.00
GRANT	12	1	$1.00
		2	$1.00
		3	$1.00
		4	$1.00
		5	$1.00
GREENBRIER	13	1	$1.00
		2	$1.00
		3	$1.00
		4	$1.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$1.00
		9	$1.00
		10	$1.00
		11	$1.00
		12	$1.00
		13	$1.00
		14	$1.00
		15	$1.00
		16	$1.00
		17	$1.00
		18	$1.00
HAMPSHIRE	14	1	$1.00
		2	$1.00
		3	$1.00
		4	$1.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$1.00
		9	$1.00
		10	$1.00
HANCOCK	15	1	$25.00
		2	$1.00
		3	$25.00
		4	$25.00
		5	$1.00
		6	$1.00

OIL & GAS RESERVE RATES FOR TY 2021			
COUNTY	CO #	DISTRICT #	TY2021 $/AC
HARDY	16	1	$1.00
		2	$1.00
		3	$1.00
		4	$1.00
		5	$1.00
		6	$1.00
HARRISON	17	1	$90.00
		2	$1.00
		3	$1.00
		4	$1.00
		5	$90.00
		6	$1.00
		7	$90.00
		8	$1.00
		9	$90.00
		10	$1.00
		11	$90.00
		12	$90.00
		13	$1.00
		14	$90.00
		15	$90.00
		16	$1.00
		17	$1.00
		18	$90.00
		19	$1.00
		20	$90.00
		21	$1.00
JACKSON	18	1	$40.00
		2	$40.00
		3	$1.00
		4	$40.00
		5	$1.00
		6	$40.00
		7	$40.00
JEFFERSON	19	1	$1.00
		2	$1.00
		3	$1.00
		4	$1.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$1.00
		9	$1.00
		10	$1.00

OIL & GAS RESERVE RATES FOR TY 2021 COUNTY	CO #	DISTRICT #	TY2021 $/AC
KANAWHA	20	1	$30.00
		2	$1.00
		3	$30.00
		4	$1.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$1.00
		9	$1.00
		10	$1.00
		11	$1.00
		12	$1.00
		13	$1.00
		14	$1.00
		15	$30.00
		16	$30.00
		17	$1.00
		18	$1.00
		19	$30.00
		20	$1.00
		21	$1.00
		22	$1.00
		23	$30.00
		24	$30.00
		25	$30.00
		26	$1.00
		27	$1.00
		28	$30.00
		29	$1.00
		30	$1.00
		31	$1.00
LEWIS	21	1	$35.00
		2	$35.00
		3	$35.00
		4	$35.00
		5	$1.00
		6	$35.00
		7	$1.00
		8	$1.00
		9	$1.00
LINCOLN	22	1	$25.00
		2	$25.00
		3	$1.00
		4	$25.00
		5	$25.00
		6	$25.00
		7	$25.00
		8	$25.00
		9	$25.00
		10	$1.00

OIL & GAS RESERVE RATES FOR TY 2021			
COUNTY	CO #	DISTRICT #	TY2021 $/AC
LOGAN	23	1	$15.00
		2	$15.00
		3	$15.00
		4	$15.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$15.00
		9	$1.00
MARION	24	1	$1.00
		2	$90.00
		3	$1.00
		4	$1.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$1.00
		9	$90.00
		10	$1.00
		11	$90.00
		12	$90.00
		13	$1.00
		14	$1.00
		15	$1.00
		16	$90.00
		17	$1.00
		18	$90.00
		19	$90.00
		20	$1.00
		21	$1.00
		22	$1.00
MARSHALL	25	1	$1.00
		2	$1.00
		3	$105.00
		4	$105.00
		5	$105.00
		6	$1.00
		7	$105.00
		8	$1.00
		9	$105.00
		10	$1.00
		11	$1.00
		12	$105.00
		13	$105.00
		14	$105.00
		15	$105.00
		16	$1.00

OIL & GAS RESERVE RATES FOR TY 2021 COUNTY	CO #	DISTRICT #	TY2021 $/AC
MASON	26	1	$1.00
		2	$25.00
		3	$25.00
		4	$25.00
		5	$25.00
		6	$25.00
		7	$1.00
		8	$1.00
		9	$1.00
		10	$25.00
		11	$1.00
		12	$1.00
		13	$1.00
		14	$25.00
		15	$25.00
		16	$25.00
MC DOWELL	27	1	$20.00
		2	$1.00
		3	$20.00
		4	$20.00
		5	$1.00
		6	$20.00
		7	$1.00
		8	$1.00
		9	$1.00
		10	$1.00
		11	$20.00
		12	$1.00
		13	$20.00
		14	$1.00
		15	$1.00
		16	$1.00
MERCER	28	1	$1.00
		2	$15.00
		3	$1.00
		4	$1.00
		5	$1.00
		6	$15.00
		7	$1.00
		8	$1.00
		9	$15.00
		10	$1.00
		11	$15.00

OIL & GAS RESERVE RATES FOR TY 2021 COUNTY	CO #	DISTRICT #	TY2021 $/AC
MINERAL	29	1	$1.00
		2	$1.00
		3	$1.00
		4	$1.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$1.00
		9	$1.00
		10	$1.00
		11	$1.00
MINGO	30	1	$1.00
		2	$1.00
		3	$20.00
		4	$20.00
		5	$20.00
		6	$20.00
		7	$20.00
		8	$1.00
		9	$20.00
		10	$20.00
		11	$20.00
		12	$1.00
MONONGALIA	31	1	$35.00
		2	$1.00
		3	$35.00
		4	$35.00
		5	$35.00
		6	$1.00
		7	$35.00
		8	$35.00
		9	$1.00
		10	$1.00
		11	$1.00
		12	$1.00
		13	$1.00
		14	$1.00
		15	$1.00
		16	$1.00
		17	$1.00
		18	$1.00
		19	$35.00
			$1.00

OIL & GAS RESERVE RATES FOR TY 2021 COUNTY	CO #	DISTRICT #	TY2021 $/AC
MONROE	32	1	$1.00
		2	$1.00
		3	$1.00
		4	$1.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$1.00
		9	$1.00
MORGAN	33	1	$1.00
		2	$1.00
		3	$1.00
		4	$1.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$1.00
NICHOLAS	34	1	$1.00
		2	$15.00
		3	$15.00
		4	$15.00
		5	$1.00
		6	$1.00
		7	$15.00
		8	$1.00
		9	$1.00
OHIO	35	1	$1.00
		2	$1.00
		3	$105.00
		4	$105.00
		5	$1.00
		6	$105.00
		7	$1.00
		8	$1.00
		9	$1.00
		10	$1.00
PENDLETON	36	1	$1.00
		2	$10.00
		3	$1.00
		4	$1.00
		5	$1.00
		6	$1.00
		7	$10.00

OIL & GAS RESERVE RATES FOR TY 2021 COUNTY	CO #	DISTRICT #	TY2021 $/AC
PLEASANTS	37	1	$40.00
		2	$40.00
		3	$40.00
		4	$40.00
		5	$40.00
		6	$1.00
		7	$40.00
		8	$40.00
POCAHONTAS	38	1	$1.00
		2	$1.00
		3	$1.00
		4	$1.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$1.00
PRESTON	39	1	$30.00
		2	$30.00
		3	$30.00
		4	$30.00
		5	$30.00
		6	$30.00
		7	$1.00
		8	$30.00
		9	$1.00
		10	$30.00
		11	$1.00
		12	$1.00
		13	$1.00
		14	$1.00
		15	$1.00
		16	$1.00
		17	$1.00
		18	$1.00
		19	$1.00
		20	$1.00
PUTNAM	40	1	$25.00
		2	$25.00
		3	$1.00
		4	$25.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$25.00
		9	$1.00
		10	$25.00
		11	$25.00
		12	$25.00
		13	$1.00

OIL & GAS RESERVE RATES FOR TY 2021			
COUNTY	CO #	DISTRICT #	TY2021 $/AC
RALEIGH	41	1	$20.00
		2	$20.00
		3	$1.00
		4	$1.00
		5	$20.00
		6	$1.00
		7	$20.00
		8	$20.00
		9	$20.00
		10	$1.00
		11	$20.00
		12	$20.00
RANDOLPH	42	1	$20.00
		2	$20.00
		3	$1.00
		4	$20.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$1.00
		9	$1.00
		10	$20.00
		11	$20.00
		12	$1.00
		13	$1.00
		14	$1.00
		15	$1.00
		16	$20.00
		17	$1.00
		18	$1.00
RITCHIE	43	1	$80.00
		2	$1.00
		3	$80.00
		4	$1.00
		5	$80.00
		6	$1.00
		7	$80.00
		8	$1.00
		9	$1.00
		10	$80.00

OIL & GAS RESERVE RATES FOR TY 2021			
COUNTY	CO #	DISTRICT #	TY2021 $/AC
ROANE	44	1	$35.00
		2	$35.00
		3	$35.00
		4	$35.00
		5	$1.00
		6	$35.00
		7	$35.00
		8	$1.00
		9	$35.00
SUMMERS	45	1	$1.00
		2	$1.00
		3	$1.00
		4	$1.00
		5	$5.00
		6	$1.00
		7	$1.00
TAYLOR	46	1	$1.00
		2	$1.00
		3	$90.00
		4	$90.00
		5	$90.00
		6	$90.00
		7	$90.00
TUCKER	47	1	$15.00
		2	$15.00
		3	$1.00
		4	$1.00
		5	$15.00
		6	$1.00
		7	$1.00
		8	$1.00
		9	$15.00
		10	$1.00
		11	$15.00
		12	$1.00

OIL & GAS RESERVE RATES FOR TY 2021

COUNTY	CO #	DISTRICT #	TY2021 $/AC
TYLER	48	1	$100.00
		2	$100.00
		3	$1.00
		4	$100.00
		5	$100.00
		6	$100.00
		7	$1.00
		8	$1.00
		9	$1.00
		10	$100.00
UPSHUR	49	1	$70.00
		2	$70.00
		3	$1.00
		4	$70.00
		5	$70.00
		6	$70.00
		7	$70.00
WAYNE	50	1	$20.00
		2	$20.00
		3	$1.00
		4	$1.00
		5	$1.00
		6	$1.00
		7	$1.00
		8	$20.00
		9	$20.00
		10	$20.00
		11	$1.00
		12	$20.00
WEBSTER	51	1	$1.00
		2	$1.00
		3	$1.00
		4	$15.00
		5	$15.00
		6	$15.00
		7	$1.00

OIL & GAS RESERVE RATES FOR TY 2021 COUNTY	CO #	DISTRICT #	TY2021 $/AC
WETZEL	52	1	$100.00
		2	$100.00
		3	$100.00
		4	$100.00
		5	$100.00
		6	$1.00
		7	$1.00
		8	$100.00
		9	$1.00
		10	$1.00
		11	$1.00
		12	$100.00
		13	$1.00
WIRT	53	1	$35.00
		2	$35.00
		3	$35.00
		4	$1.00
		5	$35.00
		6	$35.00
		7	$35.00
		8	$35.00
WOOD	54	1	$35.00
		2	$35.00
		3	$35.00
		4	$35.00
		5	$1.00
		6	$35.00
		7	$35.00
		8	$35.00
		9	$35.00
		10	$1.00
		11	$35.00
		12	$35.00
		13	$1.00
		14	$1.00
WYOMING	55	1	$20.00
		2	$20.00
		3	$20.00
		4	$20.00
		5	$20.00
		6	$1.00
		7	$20.00
		8	$1.00
		9	$1.00
		10	$20.00

IN THE COUNTY COMMISSION OF RITCHIE COUNTY, WEST VIRGINIA
SITTING AS THE BOARD OF ASSESSMENT APPEALS

RE: ANTERO RESOURCES CORPORATION'S TAX YEAR 2021 NOTICE OF PROTEST AND ELECTION TO HAVE MATTER HEARD BY THE BOARD OF ASSESSMENT APPEALS

ANTERO'S EXHIBITS FOR HEARING ON OCTOBER 14, 2021

1. Antero Resources Corporation's Tax Year 2021 Notice of Protest and Election to Have Matter Heard by the Board of Assessment Appeals
2. Slideshow Presentation
3. "Important Notice to Producers of Natural Gas and Oil for Property Tax Year 2021," dated June 30, 2020; and

   "Notice of Withdraw [sic] of *Important Notice to Producers of Natural Gas and Oil for Property Tax Year 2021*," dated October 9, 2020
4. Proof of Payment for Tax Year 2021

STEPTOE & JOHNSON PLLC
ATTORNEYS AT LAW

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Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoe-johnson.com

Writer's Contact Information

(304) 353-8154
John.meadows@steptoe-johnson.com

February 19, 2021

VIA FACSIMILE/CERTIFIED MAIL TO FOLLOW
Tracie D. McDonald
Ritchie County Clerk
115 East Main Street, Room 201
Harrisville, WV 26326

Re: Antero Resources Corporation
Notice of Protest and Election to have matter heard by the Board of Assessment Appeals

Dear Ms. McDonald:

This firm serves as West Virginia tax counsel to Antero Resources Corporation. Attached for filing on behalf of Antero Resources Corporation please find the company's Tax Year 2021 Notice of Protest and Election to have matter heard by the Board of Assessment Appeals. Please contact me if you have any questions regarding this matter or if any further information or actions is required to lodge this appeal and secure a hearing date in October.

A copy of this filing is also being provided to the Assessor and to the Tax Commissioner as indicated below.

Thank you for your assistance.

Very truly yours,
Steptoe & Johnson PLLC
John Meadows ps
John Meadows

cc: Arlene Mossor
Matt Irby
Leroy Barker
Kirsten Evans

February 19, 2021

VIA FACSIMILE/CERTIFIED MAIL TO FOLLOW
Tracie D. McDonald
Ritchie County Clerk
115 East Main Street, Room 201
Harrisville, WV 26326

Re: Antero Resources Corporation
Notice of Protest and Election to have matter
heard by the Board of Assessment Appeals

Dear Ms. McDonald:

In accordance with W.Va. Code §§ 11-3-23a, 11-3-24 and 11-3-24b, Antero Resources Corporation hereby protests the assessment of its property identified on the attached spreadsheet.

Generally stated, the primary reason for Antero Resources Corporation filing of this notice of protest is that the assessments of the properties at issue do not reflect the true and actual value of the properties.

Antero Resources Corporation reserves the right to raise additional grounds during the appeal process, including, but not limited to, the following: (1) the assessment of the properties at issue are not based on the fair market value of the properties; (2) the State's *ad valorem* tax regime disallowing deductions for actual expenses benefits in-state natural gas sellers at the expense of out-of-state natural gas sellers and thus violates dormant Commerce Clause principles; (3) the State's *ad valorem* tax regime disallowing deductions for actual expenses overvalues, for tax purposes, the wells of out-of-state sellers while undervaluing the comparable wells of in-state sellers and thus violates state and federal equal protection principles; and (4) the State's refusal to apply to pending tax disputes, and purported October 2020 Withdrawal of, its June 2020 Guidance allowing these deductions constitutes arbitrary and capricious agency decision-making that violates the State Administrate Procedures Act and state and federal due process principles . Please note that with respect to each property identified on the attached spreadsheet, the State Appraised Value, the Taxpayer's Value and the Value the Taxpayer Believes to be in Controversy are all indicated.

Furthermore, please be advised that Antero Resources Corporation elects to have this matter heard in October of 2021 when the County Commission sits as the Board of Assessment Appeals.

Antero Resources Corporation acknowledges that it will timely pay first and second half installment payments of taxes levied for the current tax year on or before the due date, unless it seeks and obtains a final order from a court of competent jurisdiction that would enjoin such payment requirements during the pendency of this protest. Any reduction in assessed value that is administratively or judicially determined in a decision that becomes final will result in a credit being established against taxes that become due for a subsequent tax year(s), except as otherwise stated in the decision or as provided in Chapter 11, Article 3 of the West Virginia Code.

A copy of this letter is also being provided to the County Assessor and State Tax Commissioner.

Best regards,
Antero Resources Corporation
Sheri L. Pearce
Sheri L. Pearce
Chief Accounting Officer & VP Accounting

cc: Arlene Mossor
Matt Irby
Leroy Barker
Kirsten Evans

Antero Resources Corporation
Tax Year 7/1/20-6/30/21
Ritchie County, WV

CY	Account #	# of Wells	API #	API # for Second Well (if applicable)	Property Description	State Appraised Value	Taxpayer Value	Value the Taxpayer Believes to be in Controversy
43	320150036	1	4708510036		Blanche Unit 1H (10758.1)	1,777,911	885,198	892,713
43	320159963	1	4708509963		Anna Unit 2H (10223.1)	903,941	375,347	528,594
43	320160027	1	4708510027		Belle Unit 1H (10351.1)	2,104,314	1,095,139	1,009,175
43	320160028	1	4708510028		Belle Unit 2H (10526.1)	1,889,087	951,562	937,525
43	320160029	1	4708510029		Belle Unit 3H (10440.1)	2,664,807	1,410,947	1,253,860
43	320160060	1	4708510060		Hendershot Unit 1H (10524	2,069,538	1,054,802	1,014,736
43	320160062	1	4708510062		Hornet Unit 1H (10942.1)	2,758,875	1,343,235	1,415,640
43	320160063	1	4708510063		Hornet Unit 2H (10937.1)	3,029,289	1,498,606	1,530,683
43	320160088	1	4708510088		Hendershot Unit 2H (10525	2,441,358	1,249,230	1,192,128
43	320170015	1	4708510015		Cairo-Anna Unit 3HRB (105	2,679,905	1,447,502	1,232,403
43	320170041	1	4708510041		Blanche Unit 3H (10442.1)	2,598,346	1,383,208	1,215,138
43	320170042	1	4708510042		Schmidle Unit 1H (10683.1	2,193,175	1,129,474	1,063,701
43	320170057	1	4708510057		Chandos Unit 2H (10523.1)	2,976,172	1,598,278	1,377,894
43	320170078	1	4708510078		Miracle Unit 1H (10939.1)	2,369,534	1,209,830	1,159,704
43	320170079	1	4708510079		Moats Unit 1H (10940.1)	2,754,905	1,396,734	1,358,171
43	320170080	1	4708510080		Moats Unit 2H (10941.1)	2,230,985	1,126,814	1,104,171
43	320170082	1	4708510082		Myrtle Unit 2H (10938.1)	2,753,314	1,443,163	1,310,151
43	320170089	1	4708510089		Miracle Unit 2H (10567.1)	3,361,385	1,798,478	1,562,907
43	320170105	1	4708510105		Mulvay Unit 1H (10636.1)	2,720,664	1,456,446	1,264,218
43	320170106	1	4708510106		Mulvay Unit 2H (10637.1)	2,853,539	1,543,102	1,310,437
43	320170140	1	4708510140		Miracle Unit 3H (10568.1)	3,238,119	1,731,411	1,506,708
43	320170141	1	4708510141		Moats Unit 3H (10657.1)	2,446,834	1,231,621	1,215,213
43	320170143	1	4708510143		Ericson Unit 2H (10694.1)	5,937,635	3,389,570	2,548,065
43	320170144	1	4708510144		Ericson Unit 3H (10695.1)	2,849,858	1,538,851	1,311,007
43	320170146	1	4708510146		Bow Unit 1H (11418.1)	1,673,713	806,265	867,448
43	320170157	1	4708510157		Bow Unit 2H (10670.1)	2,660,592	1,386,995	1,273,597
43	320170163	1	4708510163		Musgrave Unit 1H (10686.1	3,305,244	1,790,243	1,515,001
43	320170164	1	4708510164		Noland Unit 1H (10687.1)	2,080,365	1,069,953	1,010,412
43	320170165	1	4708510165		Paige Unit 1H (10669.1)	2,208,040	1,113,665	1,094,375
43	320170191	1	4708510191		Musgrave Unit 2H (10689.1	3,748,859	2,065,748	1,683,111
43	320179962	1	4708509962		Cairo-Anna Unit 1H (10588	2,257,991	1,185,110	1,072,881
43	320180098	1	4708510098		Knoll Unit 1H (10690.1)	2,878,064	1,609,873	1,268,191
43	320180099	1	4708510099		Penns Park Unit 1H (10692	2,601,827	1,442,779	1,159,048
43	320180100	1	4708510100		Penns Park Unit 2H (10693	2,500,524	1,381,023	1,119,501
43	320180154	1	4708510154		Caldwell Unit 1H (10656.1	3,824,693	2,123,589	1,701,104
43	320180155	1	4708510155		Greenback Unit 1H (10653.	4,470,397	2,566,411	1,903,986
43	320180156	1	4708510156		Greenback Unit 2H (10679.	4,899,721	2,823,633	2,076,088
43	320180178	1	4708510178		Jackknife Unit 1H (11513.	4,897,068	2,891,363	2,005,705
43	320180179	1	4708510179		Jackknife Unit 2H (11514.	5,411,316	3,185,481	2,225,835
43	320180180	1	4708510180		Manos Unit 1H (11512.1)	4,793,701	2,888,648	1,905,053
43	320180181	1	4708510181		Knoll Unit 2H (10691.1)	3,205,987	1,815,381	1,390,606
43	320180185	1	4708510185		Brook Unit 1H (11459.1)	4,183,378	2,372,714	1,810,664
43	320180190	1	4708510190		Caldwell Unit 2H (10680.1	5,061,748	2,936,670	2,125,078
43	320180196	1	4708510196		McNabb West Unit 1H (1070	7,125,584	4,234,717	2,890,867
43	320180197	1	4708510197		McNabb West Unit 2H (1070	5,711,293	3,410,528	2,300,765
43	320180198	1	4708510198		McNabb East Unit 3H (1070	5,162,791	3,086,780	2,076,011
43	320180199	1	4708510199		McNabb East Unit 4H (1071	7,825,298	4,678,602	3,146,696
43	320180213	1	4708510213		Bow Unit 3H (11476.1)	5,322,846	3,201,558	2,121,288
43	320180221	1	4708510221		Eppard Unit 1H (11479.1)	2,785,194	1,602,947	1,182,247
43	320180244	1	4708510244		Charleston Unit 3H (11521	6,201,527	3,687,222	2,514,305
43	320180268	1	4708510268		Charleston Unit 2H (11524	5,782,168	3,498,356	2,283,812
43	320180269	1	4708510269		Deem Unit 2H (11523.1)	6,486,712	3,661,705	2,825,007
43	320190161	1	4708510161		DUCHENE UNIT 1H (11628.1)	2,687,992	1,260,594	1,427,398
43	320190162	1	4708510162		DUCHENE UNIT 3H (11629.1)	1,964,661	865,198	1,099,463
43	320190168	1	4708510168		DUCHENE UNIT 4H (11630.1)	2,312,780	1,052,299	1,260,481

Antero Resources Corporation
Tax Year 7/1/20-6/30/21
Ritchie County, WV

CY	Account #	# of Wells	API #	API # for Second Well (if applicable)	Property Description	State Appraised Value	Taxpayer Value	Value the Taxpayer Believes to be in Controversy
43	320190169	1	4708510169		NORMA UNIT 1H (11542.1)	3,004,503	1,447,535	1,556,968
43	320190170	1	4708510170		NORMA UNIT 2H (11543.1)	2,683,709	1,267,843	1,415,866
43	320190171	1	4708510171		PIEDMONT UNIT 1H (11544.1	2,724,572	1,312,562	1,412,010
43	320190193	1	4708510193		AUBIE UNIT 1H (11625.1)	3,469,478	1,707,179	1,762,299
43	320190194	1	4708510194		AUBIE UNIT 2H (11626.1)	2,717,788	1,303,937	1,413,851
43	320190233	1	4708510233		AUBIE UNIT 3H (11627.1)	2,230,594	1,032,896	1,197,698
43	320190273	1	4708510273		EARNEST UNIT 1H (11540.1)	3,212,426	1,574,929	1,637,497
43	320190274	1	4708510274		ALLIANCE UNIT 1H (11538.1	3,677,391	1,924,922	1,752,469
43	320190275	1	4708510275		ALLIANCE UNIT 2H (11539.1	3,035,651	1,462,909	1,572,742
43	320190276	1	4708510276		EARNEST UNIT 2H (11541.1)	4,125,675	2,150,423	1,975,252
43	320190281	1	4708510281		KEROGEN UNIT 2H (11580.1)	1,606,291	733,026	873,265
43	320190291	1	4708510291		PIPER UNIT 1H (11623.1)	3,536,454	1,755,657	1,780,797
43	320190292	1	4708510292		PIPER UNIT 2H (11624.1)	2,336,268	1,110,866	1,225,402
43	320190293	1	4708510293		WESTERN UNIT 1H (11621.1)	5,702,284	2,978,684	2,723,600
43	320190294	1	4708510294		WESTERN UNIT 2H (11622.1)	3,836,618	1,920,337	1,916,281
43	320190295	1	4708510295		WESTERN UNIT 3HST (11710.	4,626,702	2,355,225	2,271,477
43	320190296	1	4708510296		PIPER UNIT 3H (11631.1)	2,491,728	1,177,794	1,313,934
43	320200201	1	4708510201		STRONSNIDER UNIT 1H (1187	6,432,129	3,555,401	2,876,728
43	320200202	1	4708510202		STRONSNIDER UNIT 2H (1188	6,340,794	3,523,840	2,816,954
43	320200203	1	4708510203		STRONSNIDER UNIT 3H (1188	6,761,410	3,789,968	2,971,442
43	320200250	1	4708510250		NILEY UNIT 1H (11876.1)	5,375,597	2,980,667	2,394,930
43	320200251	1	4708510251		NILEY UNIT 2H (11877.1)	4,700,880	2,541,326	2,159,554
43	320200252	1	4708510252		NILEY UNIT 3HST (11878.1)	5,427,668	2,989,120	2,438,548
43	320200298	1	4708510298		PENNY UNIT 1H (11884.1)	7,691,518	4,218,281	3,473,237
43	320200299	1	4708510299		PENNY UNIT 2H (11885.1)	6,942,692	3,786,352	3,156,340
43	320200300	1	4708510300		PENNY UNIT 3H (11886.1)	5,974,206	3,213,878	2,760,328
43	320200301	1	4708510301		TRUST UNIT 1H (11882.1)	8,666,085	4,836,616	3,829,469
43	320200302	1	4708510302		TRUST UNIT 2H (11883.1)	7,924,383	4,374,468	3,549,915
43	320200310	1	4708510310		ANDERSON UNIT 2H (11969.1	5,917,975	3,131,869	2,786,106
43	320200311	1	4708510311		RAINES UNIT 1H (11706.1)	5,202,125	2,807,092	2,395,033
43	320200313	1	4708510313		RAINES UNIT 3H (11708.1)	6,088,793	3,242,673	2,846,120
43	320200352	1	4708510352		VERNON UNIT 1H (12141.1)	10,885,533	6,272,889	4,612,644
43	320200367	1	4708510367		BARR UNIT 1H (12564.1)	10,065,558	5,718,846	4,346,712
43	320200368	1	4708510368		BARR UNIT 2H (12565.1)	7,716,352	4,349,265	3,367,087
43	320210240	1	4708510240		AR BILL UNIT 1HST	4,113,721	1,661,613	2,452,108
43	320210241	1	4708510241		AR BILL UNIT 2H	4,362,250	1,781,100	2,581,150
43	320210243	1	4708510243		AR BUFFALO UNIT 2H	4,318,339	1,700,859	2,617,480
43	320210249	1	4708510249		AR BUFFALO UNIT 1H	3,048,058	1,156,497	1,891,561
43	320210257	1	4708510257		AR BILL UNIT 3H	4,191,870	1,708,295	2,483,575
43	320210320	1	4708510320		AR GOLIAD UNIT 1H	6,496,786	2,459,020	4,037,766
43	320210322	1	4708510322		AR MASTER UNIT 2H	6,362,601	2,171,510	4,191,091
43	320210330	1	4708510330		AR GRIFF UNIT 2H	8,494,273	3,997,155	4,497,118
43	320210331	1	4708510331		AR GRIFF UNIT 3H	8,688,090	4,084,899	4,603,191
43	320210332	1	4708510332		AR HEX UNIT 1H	8,207,641	3,798,961	4,408,680
43	320210333	1	4708510333		AR HEX UNIT 3H	8,856,533	4,127,063	4,729,470
43	320210334	1	4708510334		AR GRABEN UNIT 1H	4,494,002	1,945,483	2,548,519
43	320210336	1	4708510336		AR GRABEN UNIT 3H	3,799,681	1,620,435	2,179,246
43	320210338	1	4708510338		AR CENTERVILLE UNIT 2H	7,693,194	3,468,361	4,224,833
43	320210339	1	4708510339		AR SHORT RUN UNIT 1H	7,184,966	3,191,694	3,993,272
43	320210340	1	4708510340		AR SHORT RUN UNIT 2H	7,404,609	3,289,872	4,114,737
43	320210341	1	4708510341		AR CINQMARS UNIT 1H	5,386,624	2,013,551	3,373,073
43	320210342	1	4708510342		AR CINQMARS UNIT 2H	5,688,073	2,115,108	3,572,965
43	320210345	1	4708510345		AR GOLIAD UNIT 2H	5,765,387	2,146,214	3,619,173
43	320210346	1	4708510346		AR RAY UNIT 1H	3,631,021	1,199,539	2,431,482
43	320210347	1	4708510347		AR RAY UNIT 2H	4,269,297	1,460,394	2,808,903

Antero Resources Corporation
Tax Year 7/1/20-6/30/21
Ritchie County, WV

CY	Account #	# of Wells	API #	API # for Second Well (if applicable)	Property Description	State Appraised Value	Taxpayer Value	Value the Taxpayer Believes to be in Controversy
43	320210348	1	4708510348		AR RAY UNIT 3H	3,893,465	1,328,923	2,564,542
43	320210349	1	4708510349		AR SWARTZMILLER UNIT 1H	3,781,087	1,339,915	2,441,172
43	320210350	1	4708510350		AR SWARTZMILLER UNIT 2H	3,508,477	1,193,404	2,315,073
43	320210353	1	4708510353		AR WALDO UNIT 1H	5,577,123	2,285,761	3,291,362
43	320210354	1	4708510354		AR WACO UNIT 1H	6,418,488	2,647,546	3,770,942
43	320210355	1	4708510355		AR WALDO UNIT 2H	6,337,744	2,642,264	3,695,480
43	320210356	1	4708510356		AR WACO UNIT 2H	6,187,273	2,546,937	3,640,336
43	320210357	1	4708510357		AR CHRISTOPHER UNIT 1H	6,853,179	2,592,647	4,260,532
43	320210358	1	4708510358		AR CHRISTOPHER UNIT 2H	5,961,434	2,226,713	3,734,721
43	320210360	1	4708510360		AR MASTER UNIT 1H	5,884,960	1,960,495	3,924,465
43	320210361	1	4708510361		AR MASTER UNIT 3H	5,985,520	2,037,492	3,948,028
43	320210363	1	4708510363		AR LEEROY UNIT 2H	6,056,226	2,429,661	3,626,565
43	320210364	1	4708510364		AR LEEROY UNIT 3H	6,022,168	2,427,417	3,594,751
43	320210365	1	4708510365		AR HAYES UNIT 1H	5,985,846	2,662,650	3,323,196
43	320210366	1	4708510366		AR HAYES UNIT 2H	8,626,573	3,813,655	4,812,918
43	320210376	1	4708510376		AR HAYHURST UNIT 1H	4,161,798	1,302,229	2,859,569
43	320210377	1	4708510377		AR HAYHURST UNIT 2H	4,065,931	1,262,660	2,803,271
43	320210378	1	4708510378		AR EVERLY UNIT 1H	2,895,320	808,019	2,087,301
43	1020149960	1	4708509960		Nicholson Unit 2H (10207.	1,026,880	449,641	577,239
43	1020150002	1	4708510002		Kuhn Unit 1H (10724.1)	790,180	349,060	441,120
43	1020150023	1	4708510023		Constable Unit 1H (10326.	2,010,724	975,222	1,035,502
43	1020159961	1	4708509961		Nicholson Unit 1H (10267.	749,730	303,967	445,763
43	1020159964	1	4708509964		O'Neil Unit 1H (10275.1)	1,636,605	778,531	858,074
43	1020159966	1	4708509966		O'Neil Unit 2H (10276.1)	1,176,727	534,199	642,528
43	1020159970	1	4708509970		Prunty Unit 1H (10288.1)	2,147,913	1,117,036	1,030,877
43	1020159978	1	4708509978		Pullman Unit 2H (10261.1)	751,463	317,520	433,943
43	1020160005	1	4708510005		Ireland Unit 1H (10738.1)	3,552,453	1,740,461	1,811,992
43	1020160017	1	4708510017		Allstate Unit 2H (10424.1	2,021,408	1,135,462	885,946
43	1020160019	1	4708510019		McCabe Unit 3H (10423.1)	2,382,554	1,254,238	1,128,316
43	1020160045	1	4708510045		Langford Unit 2H (10566.1	2,834,794	1,427,637	1,407,157
43	1020160046	1	4708510046		Rufus Unit 1H (10398.1)	3,963,304	2,071,202	1,892,102
43	1020169996	1	4708509996		Snodgrass Unit 2H (10535.	2,046,872	1,005,836	1,041,036
43	1020169999	1	4708509999		Deberry Unit 1H (10296.1)	3,591,581	1,894,661	1,696,920
43	1020170044	1	4708510044		Langford Unit 1H (10397.1	3,504,704	1,771,120	1,733,584
43	1020170102	1	4708510102		Duckworth Unit 1H (10528.	2,661,993	1,346,956	1,315,037
43	1020170103	1	4708510103		Duckworth Unit 3H (10529.	1,874,282	935,732	938,550
43	1020170138	1	4708510138		Stalnaker Unit 3H (10530.	1,910,173	615,684	1,294,489
43	1020170139	1	4708510139		Stalnaker Unit 1H (10531.	1,374,366	863,535	510,831
43	1020180204	1	4708510204		Left Fork Unit 1H (10280.	5,255,152	2,969,418	2,285,734
43	1020180205	1	4708510205		Left Fork Unit 3H (10532.	4,334,861	2,464,605	1,870,256
43	1020180206	1	4708510206		Left Fork Unit 4H (10533.	5,281,409	2,983,119	2,298,290
43	1020210214	1	4708510214		AR HUGHES RIVER UNIT 2H	5,649,206	1,652,765	3,996,441
43	1020210215	1	4708510215		AR KAREN UNIT 1H	6,373,249	1,739,348	4,633,901
43	1020210216	1	4708510216		AR KAREN UNIT 3H	5,333,953	1,419,717	3,914,236
43	1020210265	1	4708510265		AR HUGHES RIVER UNIT 3H	6,641,153	1,959,659	4,681,494
43	1020210323	1	4708510323		AR PRITCHARD UNIT 2H	6,469,031	2,004,037	4,464,994
43	1020210369	1	4708510369		AR HUGHES RIVER UNIT 1H	5,267,434	1,519,795	3,747,639
43	1020210370	1	4708510370		AR KAREN UNIT 2H	5,537,231	1,494,503	4,042,728
						681,578,407	**327,234,547**	**354,343,860**

RITCHIE COUNTY TAX APPEAL HEARING

JONES DAY

SUMMARY

Antero wants to be a responsible and supportive partner with Ritchie County and expects to pay its fair share of taxes to support the County. But Antero cannot pay an unfairly inflated amount of taxes that violates the law. The current tax assessment made by Ritchie County and the Tax Department severely overcharged Antero for several reasons.

- By treating Antero differently from its peers simply because Antero sells natural gas out of state, the County violates both the Equal Protection and Dormant Commerce Clauses.
- The *ad valorem* tax imposed by the county is arbitrary and capricious, as the Tax Department's own June 2020 Guidance confirmed.
- The State's attempt to withdraw unilaterally the June 2020 Guidance in October 2020 was itself arbitrary and capricious and thus violated the West Virginia Administrative Procedures Act and the Due Process Clauses of the Federal and West Virginia Constitutions.

ANTERO MAKES SIGNIFICANT CONTRIBUTIONS TO RITCHIE COUNTY

- **Royalties*:**
  - Royalties attributable to wells located in Ritchie County: **$258MM**
  - Royalties paid to mineral owners living in Ritchie County: **$63MM**

  *Data is a total from 2018-2020

- **Property Tax Revenues: $23.4MM** paid in property taxes to Ritchie County over the last three years.
- **Road Upgrades: $4.1MM** spent on road improvements in Ritchie County over the last three years.

ANTERO'S COMMUNITY PARTNERSHIP

Support local fairs and festivals: Country Roads Festival, Ritchie County Fair, etc.	2021 – Completions Team upgraded Ellenboro community gymnasium, donating 40 community service hours
Ritchie County Fair – Annual $k donation since 2013	Support Ritchie County High School Athletics
Thousands donated in support of Ritchie County Livestock Sales	Thousands donated in support of local food pantries in Ritchie County
Support Ritchie County Youth Athletics	2016 – Pennsboro Train Depot Rehabilitation Project

RITCHIE COUNTY OPENING DAY 2017 & PENNSBORO TRAIN DEPOT 2016

THE FEDERAL AND STATE CONSTITUTIONS REQUIRE THAT ANTERO BE TREATED THE SAME AS IN-STATE GAS SELLERS

- The Fourteenth Amendment to the U.S. Constitution provides that "[n]o State shall … deny to any person with its jurisdiction the equal protection of the laws." U.S. Const. amend. XIV, § 2.
- The West Virginia Constitution likewise mandates that "taxation shall be equal and uniform throughout the state …." W. Va. Const. art. X, § 1.
- Each of these Clauses bars state action that "selects [particular persons] out for discriminatory treatment by subjecting [them] to taxes not imposed on others of the same class." *E.g.*, *Allegheny Pittsburgh Coal Co. v. Webster Cty. Comm'n*, 488 U.S. 336, 342-46 (1989)

THE FEDERAL CONSTITUTION LIKEWISE PROHIBITS THE STATE FROM DISCRIMINATING AGAINST ANTERO FOR DOING BUSINESS OUT OF STATE

- As the U.S. Supreme Court has explained, "[i]n its negative aspect, the Commerce Clause prohibits economic protectionism—that is, regulatory measures designed to benefit in-state economic interests by burdening out-of-state competitors." *Fulton Corp. v. Faulkner*, 516 U.S. 325, 330 (1996).
- "That is, a State may not tax a transaction or incident more heavily when it crosses state lines than when it occurs entirely within the State." *Armco Inc. v. Hardesty*, 467 U.S. 638, 642, 104 S. Ct. 2620, 2622, 81 L. Ed. 2d 540 (1984).
- Thus, when a tax "discriminate[s] against interstate commerce," *S. Dakota v. Wayfair, Inc.*, 138 S. Ct. 2080, 2091 (2018), or subjects a party to the "risk of a multiple [tax] burden," *Gwin, White & Prince, Inc. v. Henneford*, 305 U.S. 434, 439 (1939), it is unconstitutional.

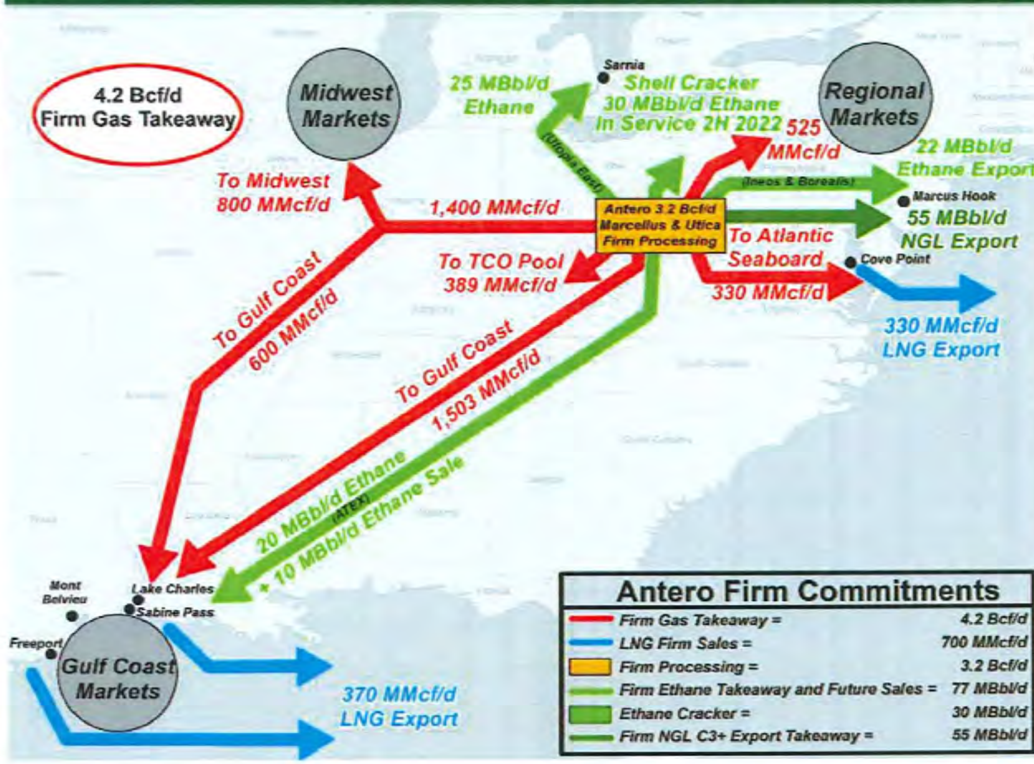
THE *AD VALORUM* TAX REGIME VIOLATES BOTH OF THOSE FOUNDATIONAL CONSTITUTIONAL PRINCIPLES

- Antero sells the same product as its local competitors: natural gas produced in West Virginia.
- But because Antero chooses to sell its gas out of state—and thus incurs higher postproduction expenses than local competitors, which the state deems non-deductible—the taxable value of Antero's property is artificially inflated.
- A review of the taxes assessed on Antero's wells in Ritchie County as compared to those of its competitors for Tax Year 2021 confirms this disparity.

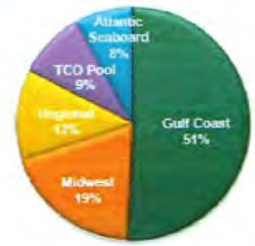
3 Diversity of Product & Destination

Antero's liquids-rich strategy and diversified firm transportation portfolio allows it to capture commodity price upside both domestically and internationally

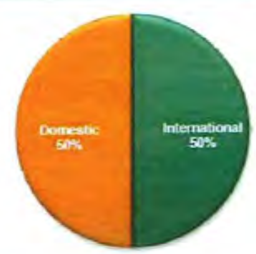
AR Commodity Mix & Destination Diversity

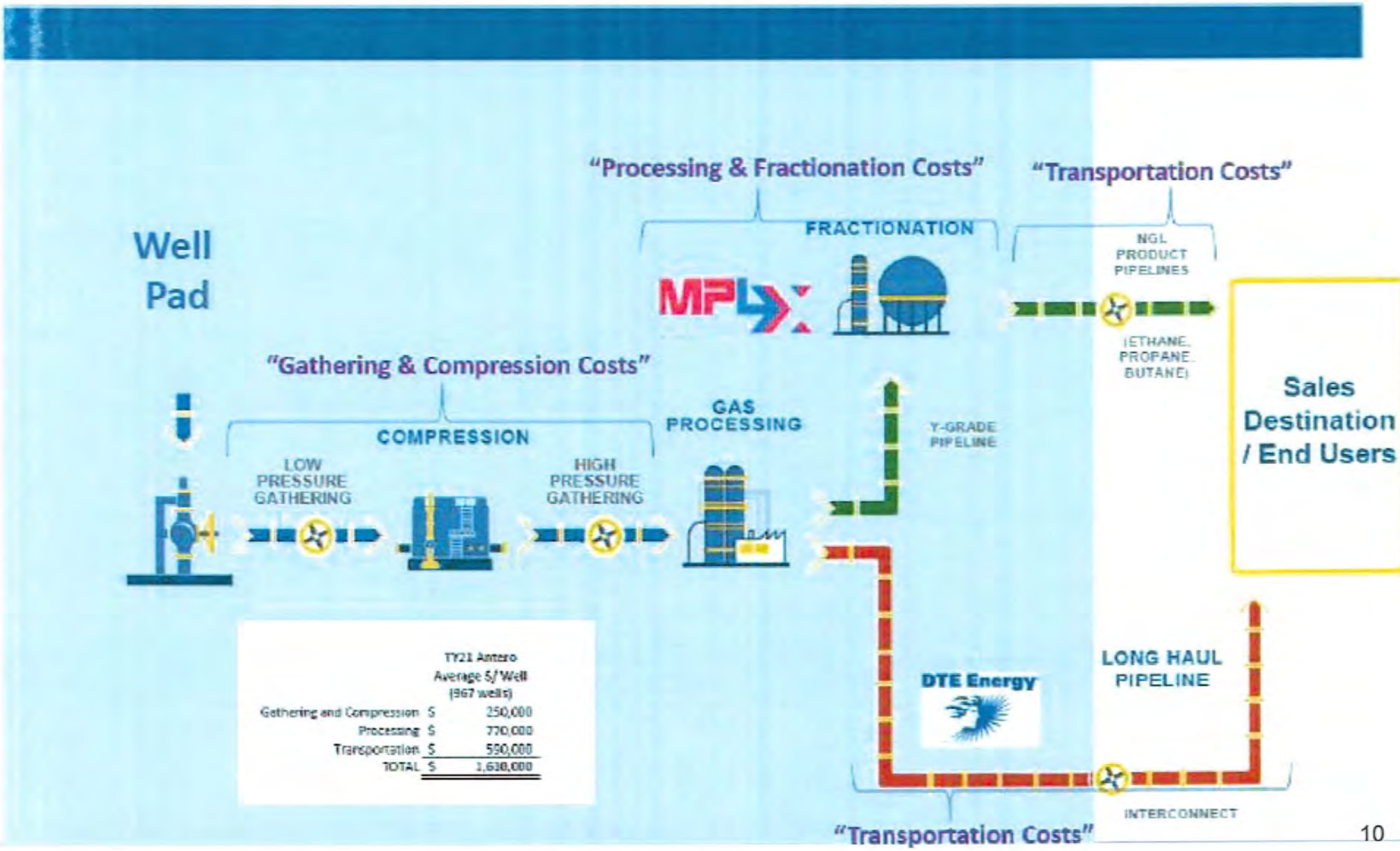


Natural Gas Sales By Destination



C3+ NGL Sales by Destination





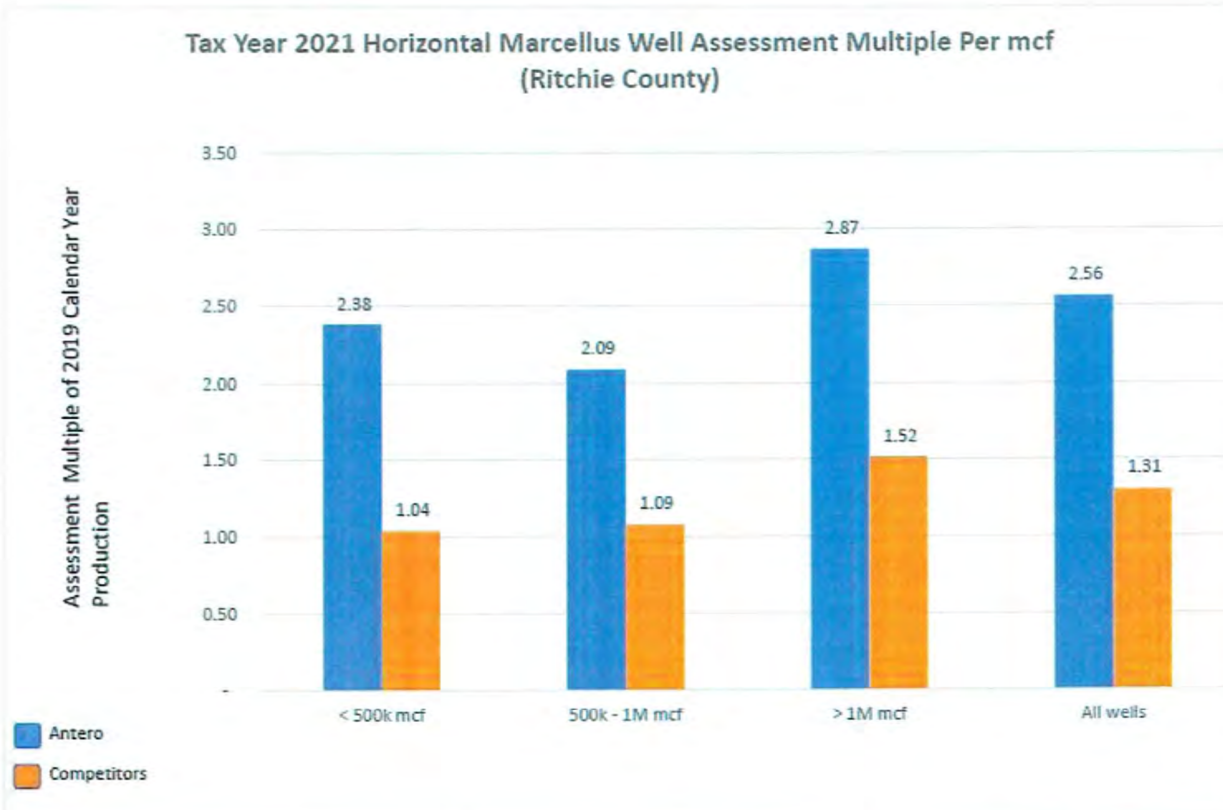
		TY21 Antero Average $/ Well (967 wells)
Gathering and Compression	$	250,000
Processing	$	770,000
Transportation	$	590,000
TOTAL	$	1,610,000

JONES DAY

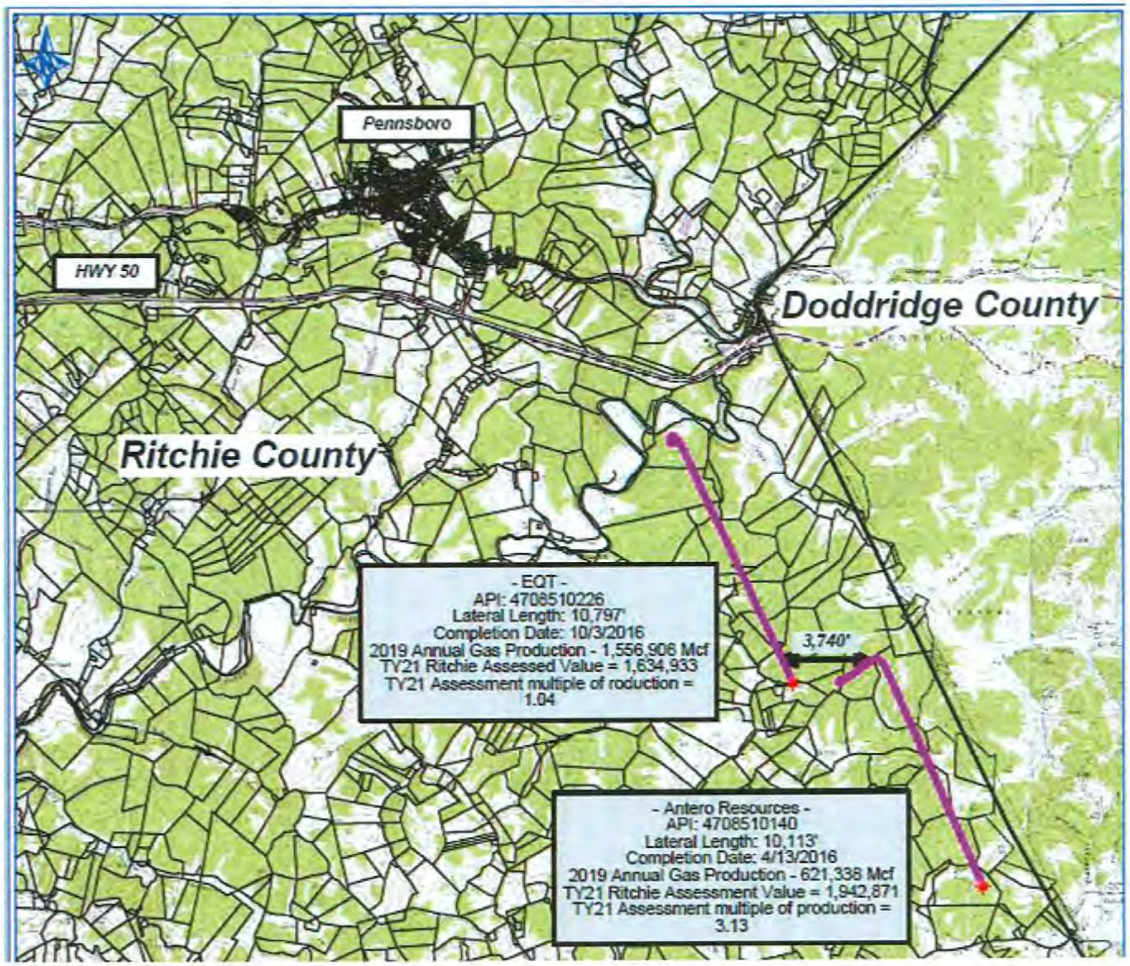
ANTERO RESOURCES CORPORATION
TY21 WEST VIRGINIA AVERAGE $ PER WELL

	WEST VIRGIINIA	
	TOTAL	Average $/ Well (967 wells)
Gathering and Compression	$ 239,000,000	$ 250,000
Processing	$ 742,660,000	$ 770,000
Transportation	$ 570,090,000	$ 590,000
TOTAL	**$ 1,551,750,000**	**$ 1,610,000**

	RITCHIE	
	TOTAL	Average $ / Well (158 wells)
Gathering and Compression	$ 42,790,000	$ 270,000
Processing	$ 166,920,000	$ 1,060,000
Transportation	$ 123,370,000	$ 780,000
TOTAL	**$ 333,080,000**	**$ 2,110,000**



Well Count	< 500k mcf	500k - 1M mcf	> 1M mcf	Total
Antero	18	33	61	112
Competitors	25	8	40	73


Pennsboro
HWY 50
Doddridge County
Ritchie County
- EQT -
API: 4708510226
Lateral Length: 10,797'
Completion Date: 10/3/2016
2019 Annual Gas Production - 1,556,906 Mcf
TY21 Ritchie Assessed Value = 1,634,933
TY21 Assessment multiple of roduction =
1.04
3,740'
- Antero Resources -
API: 4708510140
Lateral Length: 10,113'
Completion Date: 4/13/2016
2019 Annual Gas Production - 621,338 Mcf
TY21 Ritchie Assessment Value = 1,942,871
TY21 Assessment multiple of production =
3.13

ANTERO'S EXPENSES ARE MORE THAN TEN TIMES THE GROSS WEIGHTED AVERAGE DEDUCTION

A TAX REGIME THAT TREATS ANTERO DIFFERENTLY BECAUSE IT SELLS GAS OUT OF STATE IS UNCONSTITUTIONAL

- By significantly and artificially inflating the taxable value of Antero's wells in Richie County simply because Antero sells gas out of state, the *ad valorem* tax regime denies Antero "equal protection of the law." *Allegheny*, 488 U.S. at 346.
  - Indeed, the Circuit Court of Doddridge County held in a parallel litigation that the tax regime "disparately" taxed well owners with vastly different actual expenses for no "plausible" reason and thus violated state and federal equal protection principles. Circuit Court of Doddridge County, Business Court Division, Case Nos. 17-AA-1 & 17-AA-3, January 17, 2018, Order Re: Doddridge (Wilkes, J.).

A TAX REGIME THAT TREATS ANTERO DIFFERENTLY BECAUSE IT SELLS GAS OUT OF STATE IS UNCONSTITUTIONAL (CONTINUED)

- Similarly, by taxing Antero for the "'privilege' of engaging in interstate commerce," the *ad valorem* tax regime presents a textbook violation of the Dormant Commerce Clause. *See Nw. States Portland Cement Co. v. Minnesota*, 358 U.S. 450, 458 (1959).
  - In fact, the State has conceded that the tax regime's purpose is to discriminate against interstate commerce, as they have instructed Antero to "sell [its] gas at the wellhead" in West Virginia if it wants to "pay less taxes." Tr. of Oct. 8. 2019 Hrg. Before Doddridge Cty. Comm'n at 27; Tr. of Oct. 10, 2019, Hrg. Before Harrison Cty. Comm'n at 33.

EVEN THE STATE RECOGNIZES THAT THE *AD VALOREM* TAX REGIME IS UNCONSTITUTIONAL

- Recognizing that the *ad valorem* tax regime unconstitutionally discriminates against out-of-state sellers of natural gas like Antero, the Tax Department issued new guidance in June 2020 regarding how to calculate "gross receipts" when calculating the taxable value of gas wells.
- That June 2020 Guidance confirmed that existing law *does,* in fact, permit gas sellers like Antero to net out production costs from gross receipts when determining taxable value, because the prior approach illegally "overvalued" wells for tax purposes.
- In other words, *the State accepted the very argument that Antero has advanced since 2017*.

JUNE 2020 GUIDANCE

Please note that the return requires you to provide the gross receipts from **field line** sales of natural gas and oil. W. Va. C.S.R. § 110-IJ-3.8 reads:

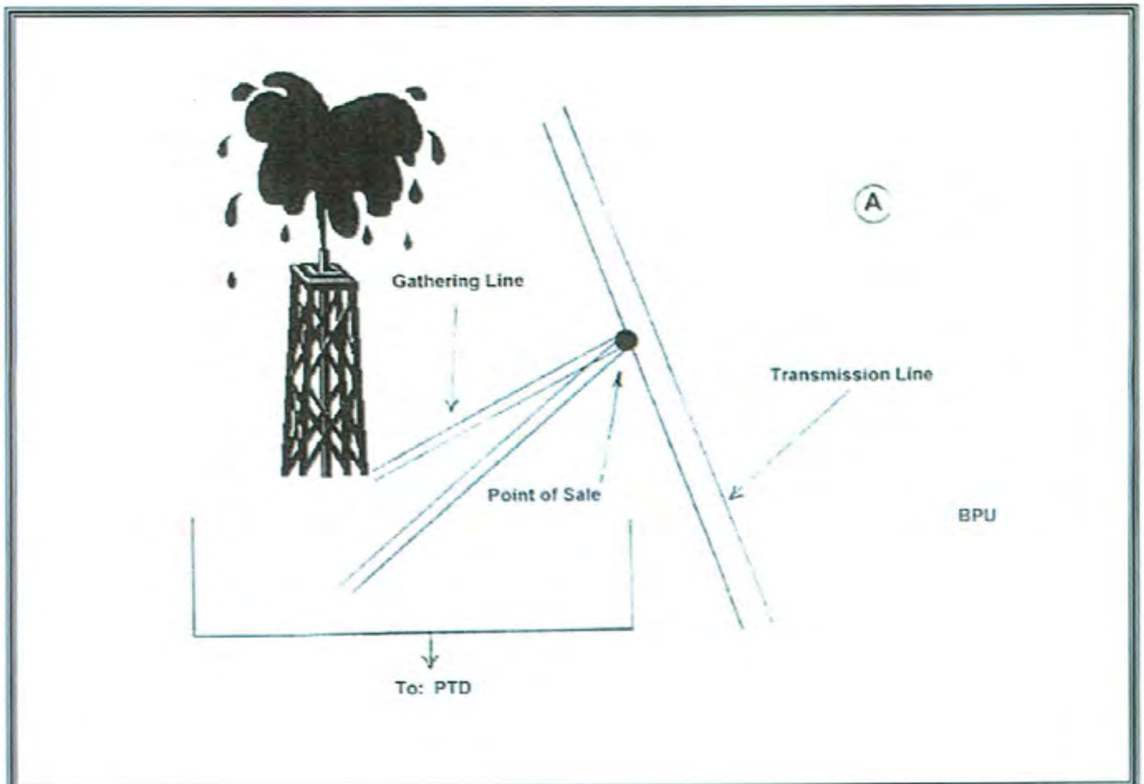
> "Gross receipts" means total income received from production on any well, at the field line point of sale, during a calendar year before subtraction of any royalties and/or expenses.

When sale of the natural gas or oil produced from a well is not sold in a field line sales transaction, then the gross proceeds of sales derived from the sales transaction needs to be adjusted to approximate the gross receipts you would have received had the sale been a field line sales transaction.

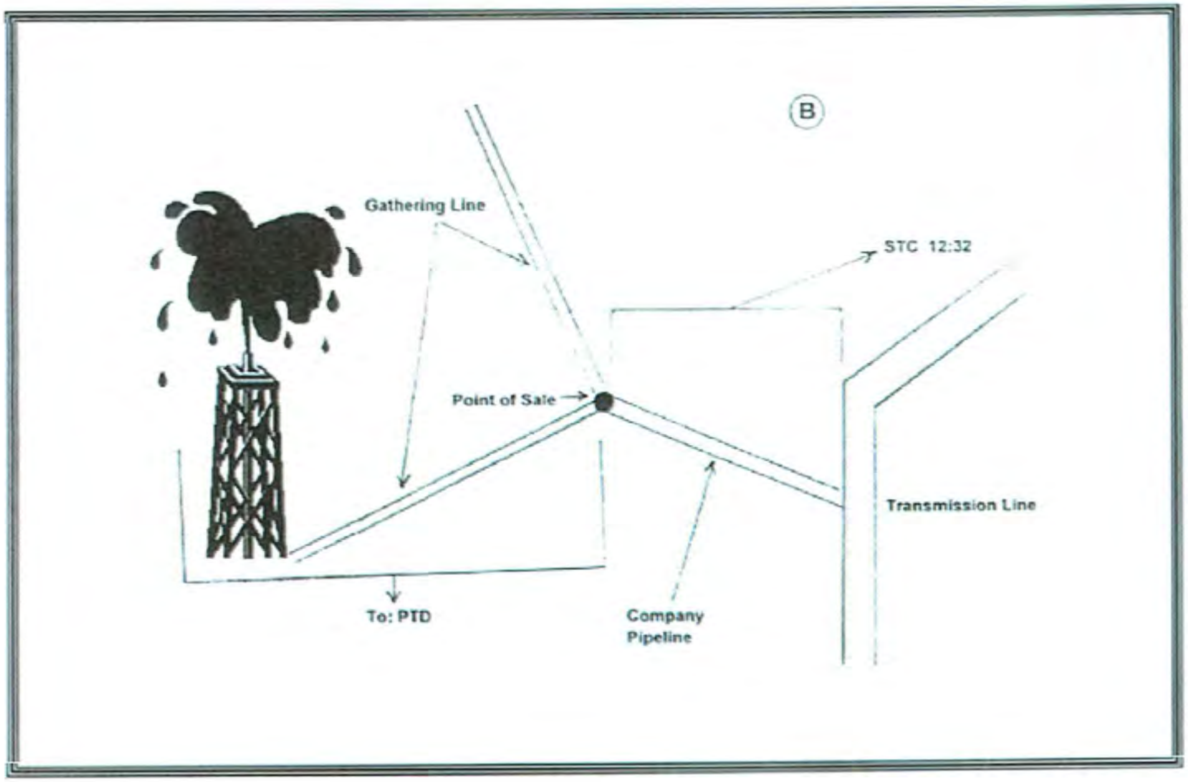
JUNE 2020 GUIDANCE (CONTINUED)

"We recognize that due to deregulation of the natural gas industry not all gas is sold today in field line sales transactions. To avoid having your well overvalued for property tax purposes, it is important that you appropriately adjust actual gross proceeds of sale to properly reflect the gross receipts you would have received had the sales transaction been a field line point of sale."

JUNE 2020 GUIDANCE (CONTINUED)



JUNE 2020 GUIDANCE (CONTINUED)



THE JUNE 2020 GUIDANCE ALSO CORRESPONDED WITH THE RULINGS OF THE WEST VIRGINIA SUPREME COURT

- By finally acknowledging that the *ad valorem* tax scheme discriminated against out-of-state sellers like Antero, the Tax Department also echoed the ruling of the West Virginia Supreme Court in *Steager v. Consol Energy, Inc.*, 242 W. Va. 209 (2019).
- As the West Virginia Supreme Court recognized in that case, by barring natural gas well owners from netting out their production costs from gross receipts, the *ad valorem* tax scheme disparately taxed well owners for no lawful reason.

THE STATE ATTEMPTS TO BACKTRACK FROM THE JUNE 2020 GUIDANCE

- Antero attempted to follow the June 2020 Guidance by capturing the field line point of sale, but that calculation was rejected by the State.

- In fact, once the State recognized the implications of its June 2020 Guidance, it attempted to reverse course in October 2020 by purporting to withdraw that June 2020 Guidance.

OCTOBER 2020 WITHDRAWAL

NOTICE OF WITHDRAW OF *IMPORTANT NOTICE TO PRODUCERS OF NATURAL GAS AND OIL FOR PROPERTY TAX YEAR 2021*

"On or around June 30, 2020, the West Virginia State Tax Department published an *Important Notice to Producers of Natural Gas and Oil for Property Tax Year 2021* (hereinafter, the "*2021 TY Notice*"). The *2021 TY Notice* purported to allow such producers to adjust the gross receipts reported in their upcoming ad valorem property tax returns to approximate the gross receipts the producers would have incurred if they sold oil and gas at the field line point of sale.

After further consideration, it is my determination that the *2021 TY Notice* was issued without legal authority, was void, and is ineffective. It is also my determination that it must be withdrawn."

THE STATE'S REFUSAL TO PERMIT ANTERO TO NET OUT ITS PRODUCTION COSTS FROM GROSS RECEIPTS WHEN CALCULATING ITS 2021 TAX LIABILITY IS ILLEGAL

- As the June 2020 Guidance admits, the *ad valorem* tax "overvalue[s] for property tax purposes" the value of Antero's gas wells far beyond their statutory required "true and actual value."
- In fact, by issuing the June 2020 Guidance, the State conceded that its prior position—in which it claimed that out-of-state sellers like Antero could *not* net out their production costs from gross receipts—had no rational basis and was instead "arbitrary or capricious."
- That is the definition of a violation of the West Virginia Administrative Procedures Act.

THE STATE'S PURPORTED "WITHDRAWAL" OF THE JUNE 2020 GUIDANCE IN OCTOBER 2020 CONFIRMS ANTERO'S POSITION.

- By trying to withdraw the June 2020 Guidance in October 2020, the State *confirmed* that the June 2020 Guidance completely undermined its prior claim that Antero could not net out its production costs from gross receipts.
- The West Virginia's decision in *Consol Energy* further reinforces that conclusion.
  - There, the Court held that the applicable tax statutes and legislative rules are "silent" and "ambigu[ous]" on the question of whether entities could net out their production costs for gross receipts.
  - By issuing the June 2020 Guidance, the State thus clarified the existing law, as it applies to Antero's 2021 Tax Liability.

THE OCTOBER 2020 WITHDRAWAL IS ALSO ILLEGAL

- Besides confirming that Antero's arguments regarding the June 2020 Guidance are correct, the State's attempted withdrawal of that guidance itself violated the West Virginia Administrative Procedures Act and Antero's Due Process rights.
- It is blackletter law that agencies cannot flip-flop positions as they please. "[A]n agency will not be permitted to [flit] serendipitously from case to case, like a bee buzzing from flower to flower, making up its rules and policies as it goes along." *State ex rel. Hoover v. Berger*, 199 W. Va. 12, 19, 483 S.E.2d 12, 19 (1996).

THE OCTOBER 2020 WITHDRAWAL IS ALSO ILLEGAL (CONTINUED)

- Rather, "an agency changing its course by rescinding a rule is obligated to supply a reasoned analysis for the change," meaning that it "must examine the relevant data and articulate a satisfactory explanation for [its] action *including a rational connection between the facts found and the choice made.*" *Motor Vehicles Manufacturers Ass'n v. State Farm Mutual Automobile Ins. Co.*, 463 U.S. 29, 42 (1983).
- That did not happen here, as the only reason offered by the State in support of the October 2020 Withdrawal was that the June 2020 Guidance effectuated a "substantive change."

BUT THE JUNE 2020 GUIDANCE WAS *NOT* A "SUBSTANTIVE CHANGE" IN THE LAW.

- Nothing in the June 2020 Guidance changed West Virginia's laws.
  - As before, "natural resources property" (including natural gas wells) must be taxed according to its "true and actual value."
  - And as before, "operating expenses" are defined as "only those ordinary expenses which are directly related to the maintenance and production of natural gas and/or oil."
- Instead, the June 2020 Guidance simply changed a prior agency interpretation of the definition of "gross receipts," as the Tax Department was free to do following the West Virginia Supreme Court's ruling in *Steager*.

THE STATE IS ALSO WRONG WHEN IT CLAIMS THAT THE JUNE 2020 GUIDANCE DISPLACED A "LONGSTANDING AND REASONABLE" CONSTRUCTION OF THE LAW

- The State invokes the West Virginia's decision in *Consol* to argue that June 2020 Guidance displaced a "longstanding and reasonable" construction of the law that required the State to go through the "mandatory procedures" of the Administrative Procedures Act when issuing that guidance.
- But *Consol* recognized that the State has *discretion* to determine a tax formula. And in any event, *Consol* analyzed a different provision than the one clarified by the June 2020 Guidance.
  - *Consol* analyzed the State's interpretation of the word "operating expenses" in W. Va. C.S.R. § 110-1J-3.16; i.e., the "below the line" operating expense deduction.
  - But the June 2020 Guidance clarifies W. Va. C.S.R. § 110-1J-3.8, the rule defining "gross receipts … at the field line point of sale"; i.e., an "above-the-line" calculation.

UNDER THE STATE'S OWN REASONING, THE OCTOBER 2020 WITHDRAWAL IS INEFFECTIVE AND VOID BECAUSE IT DID NOT GO THROUGH THE APA'S "MANDATORY PROCEDURES"

- Under the State's own argument that substantive rules must adhere to the APA's "mandatory procedures," the October 2020 Withdrawal is invalid. For instance:
  - The October 2020 Withdrawal was not "promulgated with the Secretary of Revenue's 'written consent' as required by West Virginia Code § 5F-2-2(a)(13)," as only Commissioner Steager signed the Withdrawal.
  - "Mr. Steager did not file a notice of rulemaking or the text of the" October 2020 Withdrawal "in the State Register," as required by West Virginia Code § 29A-3-5.49
  - The Tax Commissioner did not "'fix a date, time, and place for the receipt of public comment' on the [October 2020 Withdrawal] as required by West Virginia Code § 29A-3-5.".
  - Nor did the Tax Commissioner "wait for the close of public comments to consider the [October 2020 Withdrawal] for final adoption as required by West Virginia Code § 29A-3-8(a)," as the agency never called for public comments.
  - "And" finally, "the Tax Commissioner never 'file[d] the text of the' [October 2020 Withdrawal] with 'its notice of adoption in the State Register' as required by West Virginia Code § 29A-3-8(b)."

JONES DAY

THE OCTOBER 2020 WITHDRAWAL OTHERWISE FAILED TO CONSIDER "RELIANCE INTERESTS" OF THE PUBLIC

- It is well settled that "[w]hen an agency changes course … it must be cognizant that longstanding policies may have engendered serious reliance interests that must be taken into account." *Department of Homeland Security v. Regents of Univ. of Cal.*, 140 S. Ct. 1891, 1913 (2020). A State's failure to do so renders its change in position "arbitrary and capricious." *Id.*
- Yet nowhere does the October 2020 Withdrawal even mention the reliance interests of Antero and others, let alone offer a "reasoned explanation" for why the policy change is nonetheless proper.

PERMITTING THE STATE TO DISAVOW ITS OWN POSITION FROM THE JUNE 2020 GUIDANCE WOULD THEREFORE BE ILLEGAL

- For all of these reasons, permitting the State to distance itself from the June 2020 Guidance simply because it purported to withdraw it in October 2020 would amount to a violation of the West Virginia Administrative Procedures Act.
- It would also violate Antero's federal and state constitutional guarantees of Due Process. After all, it is axiomatic that due process "guarantees against arbitrary [government action], demanding that it shall not be unreasonable, arbitrary or capricious and that the requirements therein shall have a real and substantial relation to the purpose of the [action]." *O'Neil v. City of Parkersburg*, 160 W.Va. 694, 699, 237 S.E.2d 504, 509 (1977).
- As the West Virginia Supreme Court put it: "Arbitrary and irrational" state action "violate[s] the federal and state constitutional guarantees of due process." *Thomas v. Rutledge*, 280 S.E.2d 123, 128 (W. Va. 1981)

3

Dave Hardy
Secretary of Revenue

STATE TAX DEPARTMENT

Dale W. Steager
State Tax Commissioner

IMPORTANT NOTICE TO PRODUCERS OF NATURAL GAS AND OIL FOR PROPERTY TAX YEAR 2021

Your natural gas and oil property tax return for the 2021 property tax year is due Monday, August 3, 2020. This is because the statutory return due date, August 1, 2020, falls on a Saturday this year, which automatically extends the due date to August 3, 2020.

The format and content of the return is like the returns you filed in prior years, except the dates in the form have been updated.

Please note that the return requires you to provide the gross receipts from **field line** sales of natural gas and oil. W. Va. C.S.R. § 110-lJ-3.8 reads:

> "Gross receipts" means total income received from production on any well, at the field line point of sale, during a calendar year before subtraction of any royalties and/or expenses.

When sale of the natural gas or oil produced from a well is not sold in a field line sales transaction, then the gross proceeds of sales derived from the sales transaction needs to be adjusted to approximate the gross receipts you would have received had the sale been a field line sales transaction.

For many years, an attachment has been posted at the Property Tax webpage illustrating the field line point of sale concept. A copy of this attachment is attached.

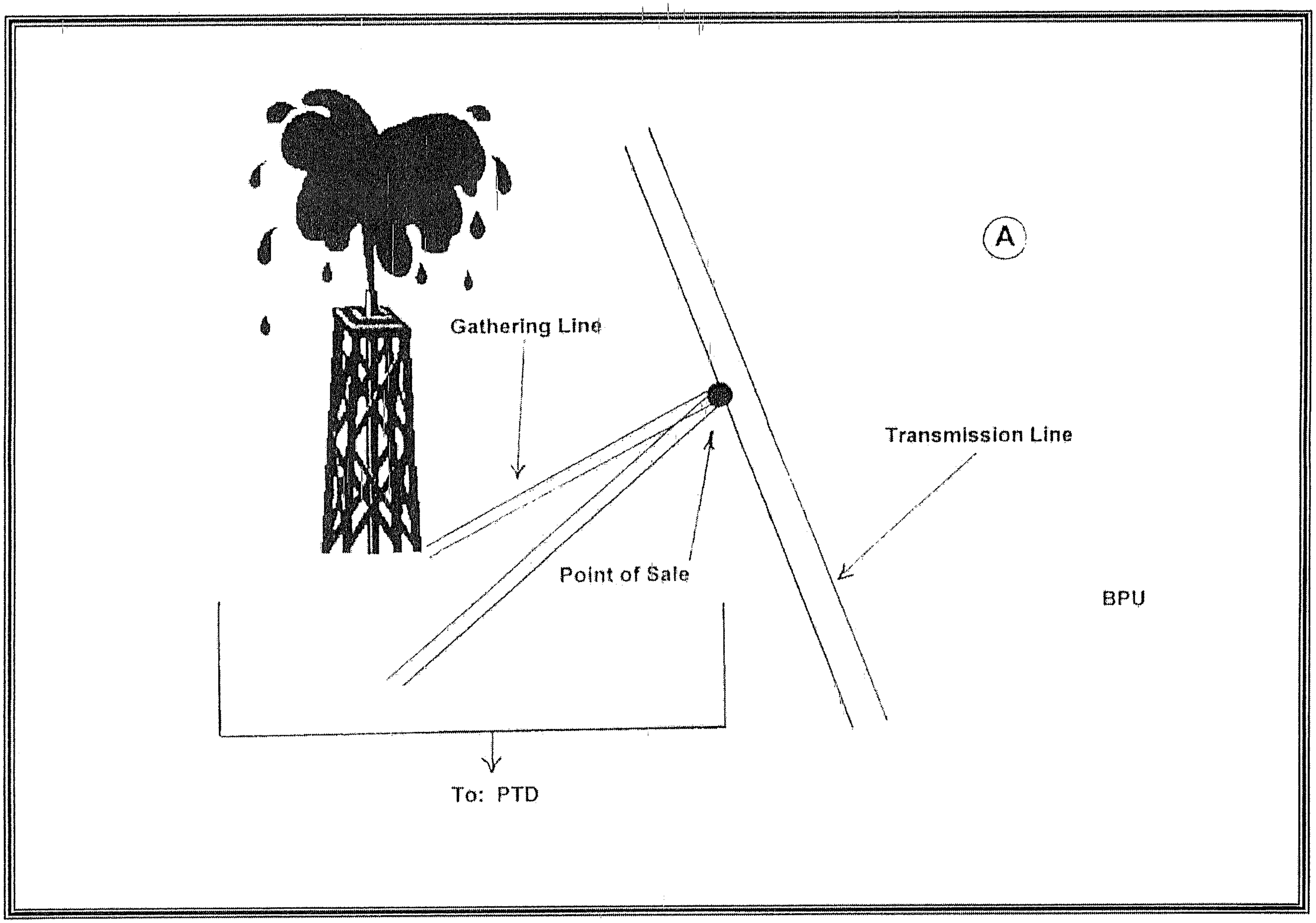
We recognize that due to deregulation of the natural gas industry not all gas is sold today in field line sales transactions. To avoid having your well overvalued for property tax purposes, it is important that you appropriately adjust actual gross proceeds of sale to properly reflect the gross receipts you would have received had the sales transaction been a field line point of sale.

Sincerely yours,

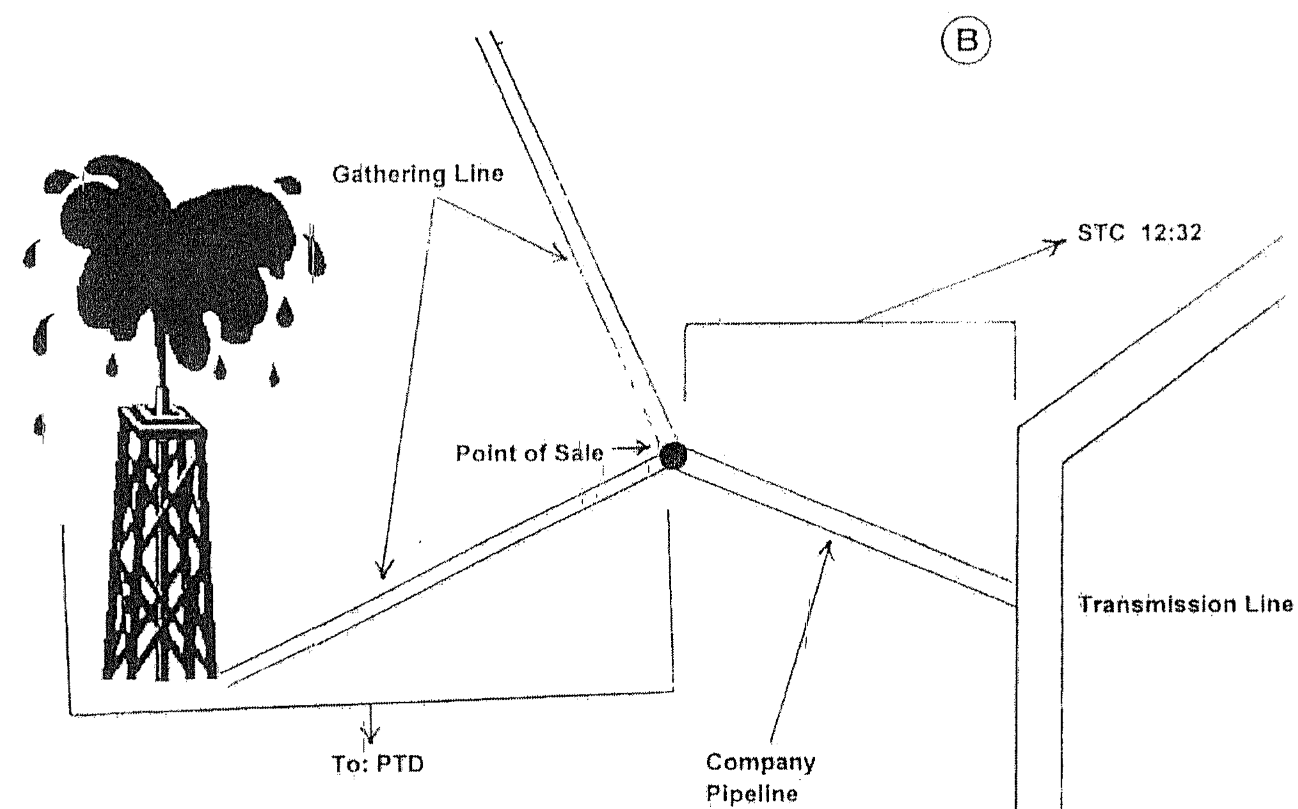
Dale W. Steager

Dale W. Steager
State Tax Commissioner
June 30, 2020

Tax Commissioner's Office, 1001 Lee Street East, P.O. Box 11771, Charleston, WV 25339-1771
Telephone 304-558-0751
Fax 304-558-8999



A
Gathering Line
Point of Sale
Transmission Line
BPU
To: PTD


B
Gathering Line
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Point of Sale
Transmission Line
To: PTD
Company
Pipeline

Dave Hardy
Secretary of Revenue

STATE TAX DEPARTMENT

Dale W. Steager
State Tax Commissioner

NOTICE OF WITHDRAW OF *IMPORTANT NOTICE TO PRODUCERS OF NATURAL GAS AND OIL FOR PROPERTY TAX YEAR 2021*

On or around June 30, 2020, the West Virginia State Tax Department published an *Important Notice to Producers of Natural Gas and Oil for Property Tax Year 2021* (hereinafter, the "*2021 TY Notice*"). The *2021 TY Notice* purported to allow such producers to adjust the gross receipts reported in their upcoming ad valorem property tax returns to approximate the gross receipts the producers would have incurred if they sold oil and gas at the field line point of sale.

After further consideration, it is my determination that the *2021 TY Notice* was issued without legal authority, was void, and is ineffective. It is also my determination that it must be withdrawn.

The *2021 TY Notice* constitutes a material and substantive change of the application of the Tax Department's legislative rules. Notably, the Supreme Court of Appeals of West Virginia recently concluded that the "average annual industry operating expense" deduction available for oil and gas producers must be calculated using "a singular monetary average." Syl. Pt. 12, *Steager v. Consol Energy*, 242 W. Va. 209, 213, 832 S.E.2d 135, 137 (2019). It further found that the Tax Department excluded "gathering, compressing, processing, and transportation expenses" from the calculation of this singular monetary average, *id.* at 221, 832 S.E.2d at 147, and that this was "a reasonable construction of the" applicable "regulations." *Id.* at 223, 832 S.E.2d at 149.

The Tax Department's *2021 TY Notice* materially changed the longstanding and reasonable construction *Consol Energy* affirmed by purporting to allow producers to reduce their gross receipt reporting as if their sales occurred at the field line. Application of the *2021 TY Notice* would also substantively and materially affect private and public interests including those of the oil and gas producers, the counties, and the State as a whole.

While certain policy decisions are vested with the Tax Department, material changes to those policies must be implemented by rule-making or by statute. W. Va. Code § 29A-1-2(j), *id.* § 11-3-33 (2020). A rule" is defined by statute to include:

> [E]very rule, standard or statement of policy or interpretation of general application and future effect, including the amendment or repeal of the rule, affecting constitutional, statutory or common law rights, privileges or interests, or the procedures available to the public, adopted by an agency

to implement, extend, apply, interpret or make specific the law enforced or administered by it.

Id. § 29A-1-2(j).

All rules must "be promulgated . . . only in accordance with" Article 3 of Chapter 29A of the Code, *see id.* § 29A-3-1, which requires appropriate notice in the State Register, *id.* § 29A-3-4(a), an opportunity for public comment, *id.* § 29A-3-5, and the written consent of the cabinet secretary under which an agency is incorporated. *Id.* § 5F-2-2(a)(13). Substantive changes—like those in the *2021 TY Notice*—must be implemented by legislative rule or by statute because only these have the "force of law." *Appalachian Power Co. v. State Tax Dep't of W. Va.*, 195 W. Va. 573, 583, 466 S.E.2d 424, 434 (1995). Both avenues demand a robust process designed to involve public input on material and substantive changes in policy. Additionally, both legislative rules and statutes require the approval of the Legislature and Governor before they become effective. W. Va. Const. art. VII, § 14; W. Va. Code §§ 29A-3-12, 29A-3-13.

The *2021 TY Notice* did not comply with these requirements. Neither legislative rule-making nor statutory procedures were utilized to issue the *2021 TY Notice*. Even the less-robust notice and comment requirements for other rules were not followed. The *2021 TY Notice* is, therefore, "void and ineffective." *Coordinating Council for Indep. Living, Inc. v. Palmer*, 209 W. Va. 274, 284, 546 S.E.2d 454, 464 (2001). The *2021 TY Notice* was issued without legal authority; and therefore, it must be withdrawn.

Of course, the methodology for calculating oil and gas producers' ad valorem property tax valuation is subject to the directives of the Legislature. The Tax Department's longstanding interpretations of applicable regulations may be modified by either a proper legislative rule or by statute. But until such time, the average annual industry operating expense deduction available in West Virginia Code of State Rules §§ 110-1J-4.1 and 110-1J-4.3 (2005) must be calculated in accordance with precedent of the Supreme Court of Appeals of West Virginia. *Consol Energy*, 242 W. Va. at 223-24, 832 S.E.2d at 149-50. According to this precedent, post-production expenses—like "gathering, compressing, processing, and transportation" expenses—are not "directly related" to the "maintenance and production" of oil and gas and therefore, are not included in the average annual industry operating expense deduction. *Id.* at 223, 832 S.E.2d at 149. Inasmuch as *Consol Energy* affirmed the Tax Department's refusal to allow deductions for post-production expenses, the continued denial of these deductions does not over-value the oil and gas wells in this State.

The *Important Notice to Producers of Natural Gas and Oil for Property Tax Year 2021* issued on or around June 30, 2020, is hereby withdrawn as non-compliant with mandatory rule-making or statutory procedures. It is therefore, void and has no legal effect.

As a result, when determining the value of an oil and gas well for the 2021 Tax Year, the Tax Department will review both the information submitted on the *STC-1235 West Virginia Oil and Gas Producer/Operator Return* for the 2021 Tax Year along with other sources of data available to the agency. This will include a review of the best information available to determine whether a taxpayer took an impermissible deduction from gross proceeds outside of that allowed for the "average annual industry operating expense." To that end, the Tax Department will also accept any additional information provided by a producer to determine the actual appraised value of a given oil and gas well.

Sincerely yours,

Dale W. Steager
State Tax Commissioner
October 9, 2020

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Antero Resources Corporation
Tax Year 7/1/20-6/30/21
Ritchie County, WV
Payment of TY21 Tax Bills

CY	Account #	TY21 Tax Ticket #	Check #	# of Wells	API #	API # for Second Well (if applicable)	Property Description	State Appraised Value	Taxpayer Value	Value the Taxpayer Believes to be in Controversy	First Half Tax paid on WI value owned by Antero
43	320180244	300301	4000223	1	4708510244		Charleston Unit 3H (11521	6,201,527	3,687,222	2,514,305	41,034.27
43	320180268	300301	4000223	1	4708510268		Charleston Unit 2H (11524	5,782,168	3,498,356	2,283,812	38,259.46
43	320170143	300306	4000223	1	4708510143		Ericson Unit 2H (10694.1)	5,937,635	3,389,570	2,548,065	39,288.17
43	320170144	300306	4000223	1	4708510144		Ericson Unit 3H (10695.1)	2,849,858	1,538,851	1,311,007	18,856.91
43	320170146	300307	4000223	1	4708510146		Bow Unit 1H (11418.1)	1,673,713	806,265	867,448	11,074.61
43	320170157	300307	4000223	1	4708510157		Bow Unit 2H (10670.1)	2,660,592	1,386,995	1,273,597	17,604.62
43	320180213	300307	4000223	1	4708510213		Bow Unit 3H (11476.1)	5,322,846	3,201,558	2,121,288	35,220.22
43	320170163	300308	4000223	1	4708510163		Musgrave Unit 1H (10686.1	3,305,244	1,790,243	1,515,001	21,870.12
43	320170191	300308	4000223	1	4708510191		Musgrave Unit 2H (10689.1	3,748,859	2,065,748	1,683,111	24,805.47
43	320179962	300311	4000223	1	4708509962		Cairo-Anna Unit 1H (10588	2,257,991	1,185,110	1,072,881	14,940.68
43	320170015	300311	4000223	1	4708510015		Cairo-Anna Unit 3HRB (105	2,679,905	1,447,502	1,232,403	17,732.40
43	320190291	300325	4000223	1	4708510291		PIPER UNIT 1H (11623.1)	3,536,454	1,755,657	1,780,797	22,694.30
43	320190292	300326	4000223	1	4708510292		PIPER UNIT 2H (11624.1)	2,336,268	1,110,866	1,225,402	14,992.42
43	320180099	300332	4000223	1	4708510099		Penns Park Unit 1H (10692	2,601,827	1,442,779	1,159,048	17,215.76
43	320180100	300332	4000223	1	4708510100		Penns Park Unit 2H (10693	2,500,524	1,381,023	1,119,501	16,545.48
43	320180178	300336	4000223	1	4708510178		Jackknife Unit 1H (11513.	4,897,068	2,891,363	2,005,705	32,402.93
43	320180179	300336	4000223	1	4708510179		Jackknife Unit 2H (11514.	5,411,316	3,185,481	2,225,835	35,805.58
43	320180196	300341	4000223	1	4708510196		McNabb West Unit 1H (1070	7,125,584	4,234,717	2,890,867	46,613.82
43	320180197	300341	4000223	1	4708510197		McNabb West Unit 2H (1070	5,711,293	3,410,528	2,300,765	37,361.76
43	320180198	300341	4000223	1	4708510198		McNabb East Unit 3H (1070	5,162,791	3,086,780	2,076,011	34,544.14
43	320180199	300341	4000223	1	4708510199		McNabb East Unit 4H (1071	7,825,298	4,678,602	3,146,696	52,358.91
43	1020180205	310382	4000228	1	4708510205		Left Fork Unit 3H (10532.	4,334,861	2,464,605	1,870,256	27,965.85
43	1020180204	310383	4000228	1	4708510204		Left Fork Unit 1H (10280.	5,255,152	2,969,418	2,285,734	33,902.98
43	1020170138	310384	4000228	1	4708510138		Stalnaker Unit 3H (10530.	1,910,173	615,684	1,294,489	21,230.30
43	1020170139	310384	4000228	1	4708510139		Stalnaker Unit 1H (10531.	1,374,366	863,535	510,831	21,230.30
43	1020170102	310385	4000228	1	4708510102		Duckworth Unit 1H (10528.	2,661,993	1,346,956	1,315,037	17,613.90
43	1020170103	310385	4000228	1	4708510103		Duckworth Unit 3H (10529.	1,874,282	935,732	938,550	12,401.73
43	1020180206	310397	4000228	1	4708510206		Left Fork Unit 4H (10533.	5,281,409	2,983,119	2,298,290	34,072.38
43	320180180	300337	4000229	1	4708510180		Manos Unit 1H (11512.1)	4,793,701	2,888,648	1,905,053	30,930.80
43	320180181	300338	4000229	1	4708510181		Knoll Unit 2H (10691.1)	3,205,987	1,815,381	1,390,606	20,683.05
43	320180185	300339	4000229	1	4708510185		Brook Unit 1H (11459.1)	4,183,378	2,372,714	1,810,664	26,988.57
43	320170078	300344	4000229	1	4708510078		Miracle Unit 1H (10939.1)	2,369,534	1,209,830	1,159,704	15,286.76
43	320200203	300353	4000229	1	4708510203		STRONSNIDER UNIT 3H (1188	6,761,410	3,789,968	2,971,442	43,620.43
43	320190170	300255	4000230	1	4708510170		NORMA UNIT 2H (11543.1)	2,683,709	1,267,843	1,415,866	17,313.62
43	320190171	300256	4000230	1	4708510171		PIEDMONT UNIT 1H (11544.1	2,724,572	1,312,562	1,412,010	17,577.25
43	320200299	300275	4000230	1	4708510299		PENNY UNIT 2H (11885.1)	6,942,692	3,786,352	3,156,340	44,789.94
43	320200300	300276	4000230	1	4708510300		PENNY UNIT 3H (11886.1)	5,974,206	3,213,878	2,760,328	38,541.88
43	320190169	300297	4000230	1	4708510169		NORMA UNIT 1H (11542.1)	3,004,503	1,447,535	1,556,968	19,383.19
43	320170165	300310	4000230	1	4708510165		Paige Unit 1H (10669.1)	2,208,040	1,113,665	1,094,375	14,244.91
43	320190296	300330	4000230	1	4708510296		PIPER UNIT 3H (11631.1)	2,491,728	1,177,794	1,313,934	15,990.05
43	320200298	300357	4000230	1	4708510298		PENNY UNIT 1H (11884.1)	7,691,518	4,218,281	3,473,237	49,620.91
43	320200311	300361	4000230	1	4708510311		RAINES UNIT 1H (11706.1)	5,202,125	2,807,092	2,395,033	33,560.88
43	320200313	300362	4000230	1	4708510313		RAINES UNIT 3H (11708.1)	6,088,793	3,242,673	2,846,120	39,281.12
43	1020159978	310372	4000230	1	4708509978		Pullman Unit 2H (10261.1)	751,463	317,520	433,943	4,847.98
43	1020159966	310373	4000230	1	4708509966		O'Neil Unit 2H (10276.1)	1,176,727	534,199	642,528	7,591.52
43	1020159970	310374	4000230	1	4708509970		Prunty Unit 1H (10288.1)	2,147,913	1,117,036	1,030,877	13,857.01
43	1020159964	310393	4000230	1	4708509964		O'Neil Unit 1H (10275.1)	1,636,605	778,531	858,074	10,558.36
43	320190162	300295	4000231	1	4708510162		DUCHENE UNIT 3H (11629.1)	1,964,661	865,198	1,099,463	12,674.79
43	320190168	300296	4000231	1	4708510168		DUCHENE UNIT 4H (11630.1)	2,312,780	1,052,299	1,260,481	14,920.63
43	320190161	300298	4000231	1	4708510161		DUCHENE UNIT 1H (11628.1)	2,687,992	1,260,594	1,427,398	17,341.26
43	320190273	300300	4000231	1	4708510273		EARNEST UNIT 1H (11540.1)	3,212,426	1,574,929	1,637,497	20,724.59
43	320160060	300316	4000231	1	4708510060		Hendershot Unit 1H (10524	2,069,538	1,054,802	1,014,736	13,351.38
43	320160062	300317	4000231	1	4708510062		Hornet Unit 1H (10942.1)	2,758,875	1,343,235	1,415,640	17,798.56
43	320160063	300318	4000231	1	4708510063		Hornet Unit 2H (10937.1)	3,029,289	1,498,606	1,530,683	19,543.09
43	320160088	300320	4000231	1	4708510088		Hendershot Unit 2H (10525	2,441,358	1,249,230	1,192,128	15,750.13
43	320190276	300323	4000231	1	4708510276		EARNEST UNIT 2H (11541.1)	4,125,675	2,150,423	1,975,252	26,616.30
43	320190281	300324	4000231	1	4708510281		KEROGEN UNIT 2H (11580.1)	1,606,291	733,026	873,265	10,362.80
43	320180155	300334	4000231	1	4708510155		Greenback Unit 1H (10653.	4,470,397	2,566,411	1,903,986	28,840.23
43	320180156	300335	4000231	1	4708510156		Greenback Unit 2H (10679.	4,899,721	2,823,633	2,076,088	31,609.97
43	320180221	300342	4000231	1	4708510221		Eppard Unit 1H (11479.1)	2,785,194	1,602,947	1,182,247	17,968.34
43	320180269	300343	4000231	1	4708510269		Deem Unit 2H (11523.1)	6,486,712	3,661,705	2,825,007	41,848.25
43	1020160005	310390	4000231	1	4708510005		Ireland Unit 1H (10738.1)	3,552,453	1,740,461	1,811,992	22,807.27
43	320150036	300243	4000232	1	4708510036		Blanche Unit 1H (10758.1)	1,777,911	885,198	892,713	11,469.99
43	320160027	300244	4000232	1	4708510027		Belle Unit 1H (10351.1)	2,104,314	1,095,139	1,009,175	13,575.72
43	320210348	300251	4000232	1	4708510348		AR RAY UNIT 3H	3,893,465	1,328,923	2,564,542	25,118.22
43	320190194	300257	4000232	1	4708510194		AUBIE UNIT 2H (11626.1)	2,717,788	1,303,937	1,413,851	17,533.48
43	320190233	300258	4000232	1	4708510233		AUBIE UNIT 3H (11627.1)	2,230,594	1,032,896	1,197,698	14,390.41
43	320210353	300259	4000232	1	4708510353		AR WALDO UNIT 1H	5,577,123	2,285,761	3,291,362	35,980.14
43	320210354	300260	4000232	1	4708510354		AR WACO UNIT 1H	6,418,488	2,647,546	3,770,942	41,408.11
43	320210355	300261	4000232	1	4708510355		AR WALDO UNIT 2H	6,337,744	2,642,264	3,695,480	40,887.19
43	320210339	300289	4000232	1	4708510339		AR SHORT RUN UNIT 1H	7,184,966	3,191,694	3,993,272	46,352.95
43	320210340	300290	4000232	1	4708510340		AR SHORT RUN UNIT 2H	7,404,609	3,289,872	4,114,737	47,769.94