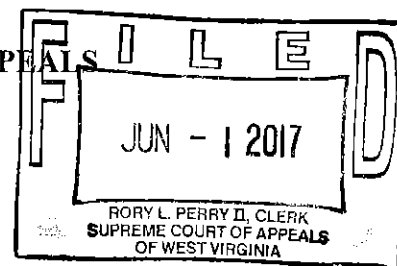


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BEFORE THE WEST VIRGINIA SUPREME COURT OF APPEALS



**ANTERO RESOURCES CORPORATION,**  
Petitioner,

v.

**Circuit Court Of Doddridge County**  
**Civil Action No. 17-AA-3**  
**JUDGE SWEENEY**

**THE HONORABLE DALE W. STEAGER,**  
West Virginia State Tax Commissioner,  
**THE HONORABLE DAVID SPONAUGLE,**  
Assessor of Doddridge County, and  
**THE COUNTY COMMISSION OF DODDRIDGE COUNTY,**  
Respondents.

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**OBJECTION OF**  
**WEST VIRGINIA STATE TAX DEPARTMENT**  
**AND THE HONORABLE DAVID SPONAUGLE**  
**TO ANTERO RESOURCES'**  
**MOTION TO REFER TAX APPEAL TO BUSINESS COURT DIVISION**

---

Respectfully Submitted By:

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*Counsel for the Respondent*

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OBJECTION OF  
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COME NOW Dale W. Steager, State Tax Commissioner, and the Honorable David Sponaugle, Assessor of Doddridge County, by counsel, in order to Object to the *Motion to Refer to the Business Court Division* filed by Antero Resources Corporation in the above-referenced appeal. The State Tax Commissioner and Assessor Sponaugle (collectively hereinafter, sometimes Tax Department or Tax Commissioner) state as follows.

**PROCEDURAL BACKGROUND**

Antero Resources protested the valuation of its mineral interests in numerous producing gas wells located in Doddridge County, West Virginia, as calculated by the Property Tax Division of the State Tax Department for the 2016 TY and the 2017 TY. Antero Resources has similarly challenged the valuations in Ritchie County, Tyler County and Harrison County, for

both tax years. Civil Action No. 17-AA-3 in the Circuit Court of Doddridge County, which is the subject of the current motion before the Supreme Court, only challenges the valuation for the 2017 TY. In a separate motion, Antero Resources also seeks to refer the Doddridge County appeal for the 2016 TY to the Business Court Division. In addition, Antero Resources has filed separate motions to refer the *ad valorem* property tax appeals in the other three counties to the Business Court Division.

The State Tax Department and Assessor Sponaugle valued Antero's gas wells located in Doddridge County for the 2017 TY for a total of value of \$514.3 million under the legislative rule. *See Antero's Complaint* at Paragraphs 16 & 21. The Property Tax Division conducts a survey of operating expenses as reported by the producers of oil and gas wells every five years as required by the legislative rule. The Property Tax Division calculates the "average annual industry operating expenses per well". According to the legislative rule, the "average annual industry operating expenses per well" must be deducted from the working interest gross receipts of the individual gas well in order to value the well under the Yield Capitalization Model. *See* W. Va. Code St. R. § 110-1J-4.3. The legislative rules do not authorize the Property Tax Division to utilize any substitute value based on an individual taxpayer's request in calculating the value of operating gas wells in this State for *ad valorem* property tax purposes.

Antero Resources argued that it should be allowed to use a substitute value for the expense deduction in calculating the value of its interest in the gas wells; Antero wants to deduct its allocated operating expenses to calculate the value of Antero's gas wells in Doddridge County and throughout the State. Antero has objected to the use of the "average annual industry operating expenses per well" which is the value used by the Property Tax Division to value every operating gas well in this State.

Based on Antero's alternative expense deduction, Antero argued that the true and actual value of its property should be \$279 million for the 2017 TY in Doddridge County. In addition, Antero Resources hired Hein and Associates to appraise the value of Antero's Doddridge County wells for the 2017 TY. Hein and Associates argued that the true and actual value of Antero's property should be \$202.7 million for the 2017 TY. *See Antero's Complaint* at Paragraphs 16 & 21. However, according to the prayer for relief in the Circuit Court *Complaint*, Antero argues that the property should be \$421 for the 2017 TY in Doddridge County as a "compromise value". *See Antero's Complaint* at Paragraph 21 & Prayer for Relief.

**OBJECTION 1**  
**THE CASE IS NOT A "COMPLEX TAX APPEAL"**

The Trial Court Rules authorize the Supreme Court to refer a case to the Business Court Division in "complex tax appeals...." *See* Trial Court Rules at Rule 29.04(a)(3). The *ad valorem* property tax appeal filed by Antero Resources is not a complex tax appeal.

The appeal to the Circuit Court of Doddridge County presents routine legal questions. While operating a Marcellus gas well may be a complex matter, the legal issues are really quite simple. Did the Tax Department properly apply the applicable legislative rule? Can an individual taxpayer demand that its allocated expenses be used to value the mineral interest in the gas well when the legislative rule mandates that the "average annual industry operating expenses per well" must be used to calculate value? Can an individual taxpayer demand that its property be valued differently from all other producing gas wells in this State for *ad valorem* property tax purposes? Can an individual taxpayer proffer two different "true and actual values" for the same property and still demand a "compromise value" for its property? Do the legislative rules authorize the use of a "compromise value" for *ad valorem* property tax purposes?

**OBJECTION 2**  
**JUDICIAL ECONOMY WILL BE ACHIEVED WITHOUT**  
**A REFERRAL TO THE BUSINESS COURTS DIVISION**

While the Tax Department has filed motions to dismiss for failure to timely perfect the appeal in four of the seven Antero Resources tax appeals, three of the tax appeals will need to be decided by the circuit courts. The Tax Department has not filed a motion to dismiss in the two Doddridge County cases and in Civil Action No. 17-AA-1 in Ritchie County since those three records have been certified by the county clerks. All three of the remaining circuit court cases have been assigned to the Honorable Judge Sweeney of the third judicial circuit.

Therefore, Antero's claims that a referral to the Business Court Division of the circuit courts would achieve judicial economy are overstated. The benefits of judicial economy could be achieved much easier by simply consolidating the three remaining cases with Judge Sweeney in either Doddridge County or Ritchie County.

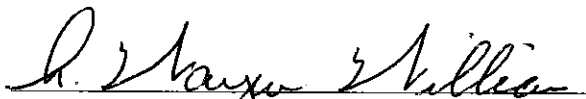
Since the instant *Motion to Refer to Business Court Division* does not present a complex tax matter and judicial economy can be achieved through the circuit courts, Antero Resources' motion to refer the case to the Business Court Division should be denied.

Respectfully submitted,

DALE W. STEAGER,  
STATE TAX COMMISSIONER  
OF WEST VIRGINIA, THE HONORABLE  
DAVID SPONAUGLE, ASSESSOR OF  
DODDRIDGE COUNTY

By counsel,

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CERTIFICATE OF SERVICE

I, L. Wayne Williams, Assistant Attorney General, do hereby certify that the foregoing *Objection Of West Virginia State Tax Department And The Honorable David Sponaugle To Antero Resources' Motion To Refer Tax Appeal To Business Court Division* was served upon the following by depositing a copy of the same in the United States Mail, via first-class postage prepaid, this 1<sup>st</sup> day of June, 2017, addressed as follows:

Craig A. Griffith, Esq.  
John J. Meadows, Esq.  
Steptoe & Johnson, PLLC  
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*Counsel for Petitioner*

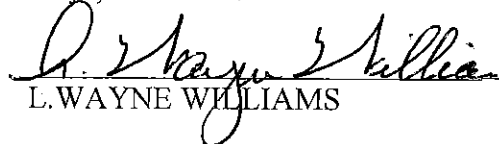
Honorable Timothy L. Sweeney, Judge  
Pleasants County Courthouse  
301 Court Lane, Suite 202  
St. Marys, WV 26170

Michelle Britton, Circuit Clerk  
Doddridge County Circuit Clerk's Office  
108 Court Street,  
West Union, WV 26456

County Commission of Doddridge County  
108 Court Street, Room 102  
West Union, WV 26456

The General Office of the  
Business Court Division  
Berkeley County Judicial Center  
380 W South Street, Suite 2100  
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