By Robert Osborne **February 2017**

Property taxes are a concern of just about everyone in the oil and gas industry.

We recently heard about a new twist regarding the reclassification of land classified as open-space land that now has oil and gas activity.

Current law requires an additional tax be assessed when land formerly in agricultural production or classified timberland is changed to a different use. That additional tax under current law is an amount equal to five years of the tax saved plus 7% interest.

It is our understanding that the law was particularly designed to address the conversion of ag land/timberland into subdivisions or strip malls, or suburban acreage which was only minimally used for livestock or farming.

However, as it was reported, some South Texas counties have been using aircraft to view current use of farm and/or ranch land to survey acreage that has been converted to drilling pads, compressor sites, pipeline easements and oilfield access roads. Armed with this information, the county is assessing the landowner with the additional tax for the changed use of the open space land.

Some believe that the surface owner, who does not own the minerals, should not be assessed the additional tax, but the owner/operator and mineral owner should be responsible for the increase.

Operators should be aware and always protect themselves with surface use agreements with these landowners and the landowners should be aware of the potential of additional tax assessments.

There have been at least a half a dozen bills filed so far this legislative session to address the question. However, most are not addressing the root problem of what constitutes a change. They do however reduce the five year look back to two or three years or reduce/eliminate the interest rate that is charged.