

## Challenging Ad Valorem Tax Appraisals of Oil & Gas Assets: Part II - Protesting Appraised Value

*In Part I of this series, I addressed the statutory limitations imposed on the appraisal of oil and gas interests for ad valorem tax purposes.*

A taxpayer should not accept an appraisal district's valuation of any property at face value. Especially with oil and gas interests, which, as outlined in Part I of this series, must be appraised based on a strict formula containing carefully prescribed variables, the taxpayer should scrutinize each step of the appraisal. Taking the time and care to do so, and to understand and hold the appraisal districts to § 23.175, can yield significant tax savings.

Understanding the proper computation of appraised value is only the beginning. A taxpayer must formally "protest" an appraisal and must do so in compliance with the strict, multi-step process set forth in the Tax Code. Generally, this protest follows several steps:

- **Timely protest filing:** The taxpayer must formally and timely contest the valuation by filing documents with the Appraisal Review Board. The taxpayer must—likely before it has the data to do so confidently—identify the grounds upon which it protests appraised value. Without proper guidance, a taxpayer might inadvertently waive arguments useful for achieving a successful outcome.

*Critically, failure to file the formal protest described above within each county's statutory deadline waives the taxpayer's right to protest.*

- **Data gathering:** The Tax Code provides a statutory mechanism for obtaining critical data; failure to correctly utilize this data request can hamstring a taxpayer's ability to challenge the appraisal. In addition, data may be gathered informally. The taxpayer must obtain and utilize all available data to prepare for their hearing.
- **Hearing/Negotiation:** After filing its protest and receiving data, the taxpayer will be in the best position to negotiate a reduced value or, if necessary, appeal to the Appraisal Review Board (ARB) by hearing. Rules govern the presentation and exclusion of evidence before the ARB. The taxing entity technically has the burden of proof, but an unprepared taxpayer will have an uphill battle.
- **Appeal to District Court:** A taxpayer unsatisfied with the ARB's decision may appeal to District Court. As with the initial protest, strict timelines govern the taxpayer's next steps, failure to do so may inadvertently waive the right to appeal.

Challenging the appraised values of oil and gas interests can yield significant cost savings—as explained in Part I, nearly 30% of an oil and gas entity's state tax dollars goes to local property tax. However, a taxpayer must analyze appraised value against the governing statute, utilize the statute to discover relevant data, timely and adequately raise grounds of protest, and navigate the hearing and appeal process. Any misstep can have grave consequences, but a diligent and informed taxpayer can improve the bottom line.



**Brandy Manning** has been representing oil and gas clients in West Texas and New Mexico since graduating from The University of Texas Law School in 2000. A native and resident of Coahoma, Texas (and 3rd generation West Texan) Brandy is a founding partner of Long-Weaver & Manning, LLP. She is board-certified in Civil Appellate Law by the Texas Board of Legal Specialization. Brandy represents clients in trial and appellate courts across the state, with a substantive focus on business and oil and gas matters. In addition, Brandy represents taxpayers in ad valorem tax matters.

Contact Brandy by email at [bmanning@lwmattys.com](mailto:bmanning@lwmattys.com) or by phone at 432-219-4383.