



STATE BOARD OF EQUALIZATION
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No. 2005/027

May 2, 2005

TO COUNTY ASSESSORS:

PROPERTY TAX RULE 27,
VALUATION OF POSSESSORY INTERESTS FOR THE
PRODUCTION OF HYDROCARBONS

Enclosed is a copy of recently amended Property Tax Rule 27, *Valuation of Possessory Interests for the Production of Hydrocarbons*.

Rule 27 was amended to delete the references to sections 25 and 26 (Property Tax Rules 25 and 26) which were repealed effective July 11, 2002. The information formerly contained in Rules 25 and 26 was amended into Rule 21, *Taxable Possessory Interests—Valuation*.

Sincerely,

/s/ David J. Gau

David J. Gau
Deputy Director
Property and Special Taxes Department

DJG:sk
Enclosure

State of California
BOARD OF EQUALIZATION
PROPERTY TAX RULES

Chapter 1. State Board of Equalization – Property Tax
Subchapter 1. Valuation Principles and Procedures

RULE 27. VALUATION OF POSSESSORY INTERESTS FOR THE PRODUCTION OF HYDROCARBONS.

Authority Cited: Section 15606, Government Code.

Reference: Sections 107, 107.2 and 107.3, Revenue and Taxation Code.

(a) The taxable value of all possessory interests for the production of gas, petroleum, and other hydrocarbon substances from beneath the surface of the earth shall be determined by application of the comparative sales or income approach in the manner prescribed in subsections (e)(1) or (e)(3) of Regulation 21, except as provided in subsection (b) of this regulation.

(b) The taxable value of a possessory interest for the production of hydrocarbon substances from beneath the surface of the earth shall be determined by application of the comparative sales or income approach in the manner prescribed in subsections (f)(1) or (f)(3) of Regulation 21 if:

(1) the interest was created or last extended or renewed on or before July 26, 1963, and the rate of royalties or other right to share in production was not reduced because of an increase in the assessed value of such interest; or

(2) the interest was created on or before July 26, 1963, and has been extended or renewed thereafter pursuant to authority which prohibits reduction of the rate of royalty or other right to share in production because of an increase in the assessed value of such interest.

History: Adopted January 6, 1971, effective February 18, 1971.
Amended November 4, 2004, effective March 18, 2005.