

State of California  
BOARD OF EQUALIZATION  
PROPERTY TAX RULES

Division 1. State Board of Equalization-Property Tax  
Chapter 1. Valuation Principles and Procedures

**Rule 27. Valuation of Possessory Interests for the Production of Hydrocarbons.**

*Authority:* 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.