



# Oil and Gas 2023 Property Tax Outlook and Forecast

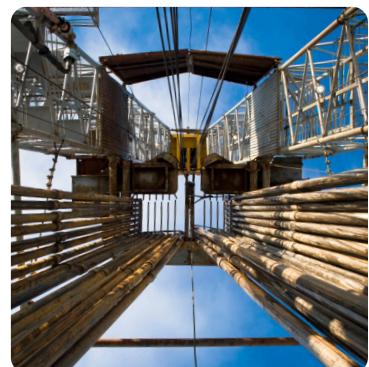
Rising oil and gas prices dominated 2022, and it looks like 2023 will be no different. Inflation and supply chain issues have increased operating expenses across the oil and gas industry. Everything from labor, materials, and services costs upstream operators more, and there is no sign these rising costs will ease anytime soon. These increased operating costs will place downward pressure on upcoming valuations.

## Pricing

The West Texas Intermediate (WTI) averaged \$94.91/BBL in 2022, up 39% from the 2021 average WTI spot price of \$68.21/BBL. The Henry Hub (HH) average natural gas price for 2022 was \$6.42/MCF, up 64% from the 2021 average HH price of \$3.91/MCF. Valuations for the 2023 tax year will be determined using the 2022 average price received per each lease being valued. Based on the average WTI and HH spot prices in 2022, the initial oil price being used for valuations in 2023 will increase roughly 39% from the 2022 tax year and roughly 64% for gas prices.

Per Section 23.175 of the Texas Property Tax Code, a price adjustment factor (PAF) is applied to previous years' average price received. The PAF is determined by the Energy Information Administration's (EIA's) annual energy outlook (AEO). If the AEO is not published by March 1, the January short-term energy outlook (STEO) is used to compute PAF. For the 2023 tax year, the PAF is based on the January STEO as a result of the AEO being released after March 1.

Based on the EIA January STEO, the EIA is forecasting WTI to average \$77.18/BBL in 2023 and the HH natural gas price to average \$4.90/MCF. The PAF for 2023 will be .813 for the oil price and .763 for the gas price.



## Production Volumes

EIA is predicting that U.S. crude production will rise 4.63% in 2023 and natural gas production will rise 2.36%.

PETROLEUM PRODUCTS	2021	2022	2023	2024	NATURAL GAS	2021	2022	2023	2024
WTI spot average (dollars per barrel)	68.21	94.91	77.18	71.57	Natural gas price at Henry Hub (dollars per million Btu)	3.91	6.42	4.90	4.80
U.S. crude oil production (million barrels per day)	11.25	11.86	12.41	12.81	U.S. dry natural gas production (billion cubic feet per day)	94.57	98.02	100.34	102.29
U.S. liquid fuels consumption (million barrels per day)	19.89	20.27	20.44	20.63	U.S. natural gas consumption (billion cubic feet per day)	83.90	88.72	86.74	85.79

## Tax Minimization Can Help Refuel Your Bottom Line

Understanding and applying industry metrics and trends are essential to managing the burden of complex property taxes. We know the highly volatile and ever-changing market demands faced by oil and gas companies as well as any changes in tax law as a result of tax reform. Our professionals are the most respected in the industry, having earned Certified Member of the Institute (CMI), Accredited Senior Appraiser (ASA), and Member Appraisal Institute (MAI) designations backed by many years of experience as former assessors, attorneys, appraisers, economists, engineers, and more.

### Award-Winning Tax Services

For additional information

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