

470.0000 GAS

470.0001 Gas in Storage. Gas that is extracted from the ground and then stored in a dry well is personal property. However, "cushion gas", i.e., gas not available for recapture from underground storage, may be classified as land. C 4/30/79.

470.0005 Production Of Methane Gas. To the extent that a landfill site or an area within a landfill site becomes suitable for resource development by the addition of refuse, a new property interest is created. The right to extract or produce the gas, whether held by the landfill owner or by an operator who purchases the right, constitutes property not previously taxed that must be appraised and when found to have value, it shall be added to the assessment roll. When an operator purchases the right, that change-in-ownership of the right provides an additional basis, under the provisions of article XIII A of the California Constitution and Revenue and Taxation Code section 61 for establishing a base year value. Likewise, the development by the owner of the landfill site for methane production would constitute an alteration converting the property to a different use under Revenue and Taxation Code section 70(a)(2).

The most appropriate method of valuing a production interest in a landfill gas property is similar to that employed in valuing an oil or gas property, i.e., the income approach to value.

The income approach, of course, should include anticipated future gross income and expenses. This approach yields a property value which includes the value of improvements associated with the production of landfill methane and the right to produce. If the royalties paid are deemed to be economic, the royalty approach would also be a valid technique for valuing the right to produce. This approach is a form of the income approach and yields a direct value for the right to produce exclusive of the value of associated improvements.

The right to extract or produce landfill gas is usually granted for a period of from 10 to 20 years, depending on the anticipated active gas generating cycle of the fill. Therefore, for all intents and purposes, the producer is the beneficial owner of the right to produce all the gas and should be the assessee. LTA 5/15/84 (No. 84/44).