

May 23, 2007

## **MINERAL RIGHTS INFORMATION BULLETIN 2007-03**

### **SUBJECT: April 26, 2007 Alberta Energy Information Exchange**

This event was sponsored by the Department of Energy (DOE), the Canadian Association of Petroleum Landmen (CAPL) and the Canadian Association of Petroleum Land Administration (CAPLA).

Dear Session Participants:

Thank you to everyone who participated in the April 26, 2007 Information Exchange. You can view the presentation and the detailed feedback on the DOE's website at [www.energy.gov.ab.ca](http://www.energy.gov.ab.ca) under Our Business→Tenure→News→Public Consultations/Conferences. Please note: this information will only be available on the website for two years.

Approximately 400 individuals registered for the session. Following are some of the questions received in the feedback:

#### **E-FREEHOLD MINERAL TAX**

1. *Which groups or individuals were included in the development of the automation of the Freehold Mineral Tax (FMT) System?*
  - In 2004, the DOE formed the Freehold Mineral Tax Business Design Group. The members included representatives from the DOE and from each of the industry associations: CAPLA, CAPL, Canadian Association of Petroleum Producers, Canadian Association of Petroleum Production Accounting, and Small Explorers and Producers Association. It also included freehold owner representatives from the Freehold Owners Association on behalf of individual owners and from several large corporate freehold owners.
  
2. *When a new lessee is linked, will this new lessee receive a statement?*
  - The DOE assesses freehold mineral tax to each title owner on their title ownership proportion of freehold oil and gas production. FMT is not calculated on the production entity as a whole. Each title owner receives a tax exemption of \$1,600 on gas FMT and oil FMT. The DOE only distributes statements with a net FMT payable after the exemption. All lessees with a declared interest in the title receive a copy of the annual tax statement.

3. *If the lessor is an individual and our corporation is to pay the title, how will we get that changed to us?*
- In the new FMT Industry Interface System, the role of payor will always be an (oil and gas) industry corporation. If the title is owned by an individual, the lessee will be the payor identified to remit the FMT to the DOE. The payor role can be transferred to any other industry company.
4. *Who will need to agree to transfers for lessee and payor?*
- A company in one or more roles of Production Entity (PE) Administrator, lessee, or payor can transfer one or all roles to another industry corporation. The new company must accept the role before the transfer can be completed.
5. *What is a Production Entity? Please give an example. Where do you find the ID numbers?*
- A PE is an identifier (name and number) for the producing area of a well or wells. Industry uses the identifier to report production and allocations on the Petroleum Registry of Alberta for use by the DOE. Industry also uses the identifier to report unit values for FMT.
  - A Single Well Production Entity is a well producing from the area of a drilling spacing unit. The PE number is the well ID, AB WI 100-15-31-052-07-W4/02.
  - A Multiple Well Production Entity is a grouping of wells to collectively report and allocate production. In a unit, the PE number is a five digit number assigned for royalty and FMT purposes. For example, the Alderson Gas Unit is AB UN 01787.
6. *What are Unit Values?*
- Approximately what per cent of the total unit values submissions use the Crown reference unit price in the industry?*
- A Unit Value is the average annual market value of a production unit of oil or gas (less gathering, compressing and processing costs) netback to the wellhead.
  - The DOE publishes an annual default unit value for the calculation of tax. A lessee can have the default unit value used in lieu of reporting calculated net values for his share of revenue and allowable expenses at each freehold well.
  - In 2006, the DOE's default unit value was used for 60 per cent of lessees.
  - Unit value guidelines are on the DOE's website under Our Business→ Tenure→Freehold Mineral Tax→Guides→Freehold Mineral Tax Unit Value Guide.pdf

#### e-Freehold Mineral Tax Automation Schedule

May 2007 - conversion data reports sent to industry for confirmation

Fall 2007 - WEB interface will be available

February 2008 - the 2007 FMT on a new system

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## **TRAINING**

### e-FMT

Industry training is scheduled for September 20 to November 29. The Freehold Mineral Tax Communication Committee will publish the registration procedures in industry association publications. Sign-up procedures will also be available on the DOE's website.

### Electronic Transfer System (ETS)

On-line training for e-bidding is available on the DOE's website under the ETS link. Look for "On-line Training".



## **SPACING UNIT ORDERS AND HOLDINGS**

Based on the feedback received at this year's Information Exchange, the DOE will consider asking the Alberta Energy and Utilities Board (EUB) to include a presentation on spacing unit orders and holdings for the 2008 Information Exchange.

Spacing unit orders are created and maintained by the EUB. The DOE applies well spacing units to all land tenure. Holdings are also created and maintained by the EUB; however, the DOE does not consider holdings in the administration of land tenure.

If you have an ETS account, special spacing is available through the Query by Map function of Posting Request or Bid Request. The spacing information on ETS does not include holdings or changes to the target area.

## **ETS PASSWORDS**

The ETS password protocol will be strengthened in the near future. You will be notified of the effective date on the ETS Bulletin. When implemented your password:

- will require 8 characters including upper and lower case letters and one number or special character
- must be unique from previous password
- must not include any portion of your EN account
- will have a dictionary check to exclude common items (such as spring, summer, Happy Easter, Merry Christmas)

One way to make changing passwords easier is to change letters to special characters, such as using @ for a, or ! for l, or 5 for s. And if you find passwords difficult to remember, then use a song lyric or phrase, such as I4get!t (I forget it). Security through passwords is yours to maintain: ***don't share your password.***

## **ZONE DESIGNATION (ZD) AND DEEPER RIGHTS REVERSION ZONE DESIGNATION (DRRZD)**

Our overall objective of the ZD and DRRZD presentation was to draw attention to these two agreement zone descriptions and to illustrate how they are different and how their incorrect usage can impact industry.

The DOE published Information Letter 1998-14 on April 29, 1998. This IL explains the differences between ZDs and DRRZDs and their significance in the administration of petroleum and natural gas agreements. The IL is available on the DOE's website under Information Letters→1998-14.

Additional information about ZDs and DRRZDs may be obtained from the Resource Land Access page on the DOE's website under Our Business→Resource Land Access→Publications and Maps→Maps→DRRZD Legend and Map Directory

We sincerely appreciate your attendance and your feedback. Thanks again to our co-hosts at CAPL and CAPLA for helping make this another successful event.

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