

Department of Energy
e-Freehold Mineral Tax Project

The Department of Energy initiated the e-Freehold Mineral Tax (e-FMT) project in 2003 to streamline and automate business processes that will benefit both the department and industry. With the implementation of e-FMT in September 2007, clients will see the manual filing and reporting of the Freehold Mineral Tax (FMT) replaced by a new, electronic web-based system. Accessible from the department's Electronic Transfer System (ETS), e-FMT will allow industry to access information online about producing freehold properties where they have an interest.

A FMT Business Design Group, representing industry, owners and associations, developed business rules, common processing practices and recommended the supporting automation based on current legislation. FMT clients will see a conversion of Lessee Linkages, Unit Values and Payments to a web-based electronic system.

The components of calculating freehold mineral tax include freehold land tracts, mineral title, mineral substance, mineral owner, wells, production entities, production, product, tax rate and the net value of a unit of production. The department will provide the freehold production entity (PE) and associated mineral titles and owners information. Industry supplies the net unit value and the tax payment. Currently, there are approximately 36,000 titles related to 50,000 wells producing freehold minerals.

There have been three roles identified for each title: the PE administrator, the lessee, and the payor. The PE administrator is the unit operator or the well licensee and is also the initial lessee. The PE administrator will be able to transfer the role of lessee to another company and add additional lessees to the title. With concurrence, any lessee will be able to transfer the lessee role to another company.

The payor will be the title owner in the case of titles owned by 'industry producer corporations' but will default to the PE administrator in the case of titles owned by individuals. The payor will be able to transfer the role of payor to another corporation. The payor will invoice his working interest partners or lessors based on tax cost sharing agreements. The identification of a single payor for each title will be one of the greatest benefits of the changes. This will reduce the millions of dollars in duplicate tax payments received by the department each year from multiple lessees. It will also reduce the administration required to refund these payments.

The department calculates the Freehold Mineral Tax using several parameters including unit values. The department sets a default unit value for freehold gas production at 80% of the annual average Alberta Reference Price. The 2006 gas default unit value will be published on the Energy website in mid-November 2006. Alternatively, a lessee will still be able to report an actual unit value on titles through the new FMT Industry WEB

Interface commencing with the 2007 tax year. Amendments to a unit value will also be submitted through the WEB.

Annual tax statements and amendments will be distributed electronically to payors, lessees and corporate owners. Individual owners will continue to receive a paper copy of the tax statement.

Projected Timelines

- January 2006 – Created a Communications Group to communicate the project to a broader industry and owner audience
- 2006-2007 – Detailed design and development of a new FMT system
- June 2006 – FMT Working Group approved new WEB interface design
- September 2006 – FMT Working Group to review new tax statements and amendment process
- April 2007 – Confirm lessee and payor data for conversion to new system
- August-October 2007 – Industry training on new FMT WEB Interface
- September 2007 – Implement automated Industry WEB Interface system
- February 2008 – Calculate 2007 tax on new system

Project information including the detailed design specifications for the FMT Industry WEB Interface is updated regularly on the Energy website, www.energy.gov.ab.ca. Please contact Brenda Curle, Manager Freehold Mineral Tax (780-427-8956) if you have any questions.

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