

## **Freehold Mineral Tax Business Process Streamlining**

The Department of Energy (DOE) initiated a review of the freehold mineral tax (FMT) business processes in October 2003. The purpose of the review is to streamline FMT processes and practices to reduce excessive work loads for both the DOE and industry.

A FMT Business Design Group, representing industry, owners, lessees and associations, examined current business interactions and made recommendations for improved processes and information exchange including automated solutions to support the defined business rules.

The FMT Business Design Group has developed the following business rules:

- DOE will continue to record freehold titles, petroleum and natural gas minerals, and owners from the Alberta Land Titles SPIN II system. Titles and owners of producing properties will be available to the title lessee and payor.
- The well licensee will be the initial default administrator of a title. The default administrator will also be the initial default lessee. The default administrator can identify a different lessee and transfer the lessee. Changes to the lessee will be done by industry. Concurrence is required.
- Where a freehold title is owned by a producer corporation, that corporation will be default payor of FMT to the DOE. The payor will invoice his lessees or other working interest owners for any private tax cost sharing agreements. Where a freehold mineral title is owned by an individual, the lessee will be the default payor of FMT to DOE and will make adjustments with the owners for any tax cost sharing agreements. A payor can transfer the payor role to another corporation.
- Industry requires timely title and well information to assist in keeping the FMT lessee and payor records complete and current.
- Tax statements will be sent electronically in PDF format to corporate owners and lessees. Individual owners may request PDF format.
- A documented amendment process will be developed to eliminate the need for industry to file a formal appeal when an adjustment for updated information should be calculated. Amendments of a material nature will be automatically generated by DOE on an annual basis.

DOE and the Business Design Group are reviewing methodologies to calculate a value representative of wellhead production, based on volume, revenue and facility cost information that industry has already supplied to the department. The goal is to eliminate the current requirement for industry to report 853,000 rows of production values.

## Project Next Steps

- October 2005 - The FMT Business Design Group endorsed the business rules and the eight process models which represent the future business and process interactions between FMT and industry/owners.
- November 2005 to June 2006 – DOE will meet with industry to determine a methodology for Crown calculated unit values and analyze impacts and discrepancies.
- January 2006 - Create a Communications Working Group to communicate the project to a broader industry and owner audience.
- 2006 – 2007 - Detailed design and development of a new FMT system.
- 2008 - Implement automated changes.

Please contact Brenda Curle, Manager Freehold Mineral Tax (780-427-8956) if you have any questions.