

Freehold Mineral Tax
Enhanced Oil Recovery
Program Guidelines

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Introduction

The Government of Alberta encourages the use of enhanced oil recovery (EOR) methods to optimize the province's petroleum resources. EOR recovery methods that use the injection of fluids such as hydrocarbons, carbon dioxide, nitrogen, chemicals or other approved substances allow for the recovery of additional oil.

These guidelines are issued to explain the administration of the Freehold Mineral Tax (FMT) EOR program under the Freehold Mineral Rights Tax Regulation (AR167/2015) ("the regulation"). The guidelines explain this process for submitting an application for tax reduction based on an EOR approved scheme(s).

In the event of any conflict, the *Freehold Mineral Rights Tax Act* and the regulation shall take precedence over these guidelines.

Inquiries can be directed to:

Manager, Wells, Offsets and Freehold Mineral Tax
Resource Revenue and Operations
Alberta Energy
9th Floor, North Petroleum Plaza
9945 - 108 Street
Edmonton, Alberta T5K 2G6
Email: Mintax.Energy@gov.ab.ca

Program Overview

The Minister may allow for reduction of tax payable under Section 7 of the regulation where freehold lands comprise all or part of an EOR scheme approved by the Alberta Energy Regulator (AER). The freehold mineral tax reduction may be calculated yearly based on the calendar year taxation.

Application Process

Required Application Information

An operator of an AER approved EOR scheme may apply in writing to Alberta Energy for entry into the FMT EOR program. The application requirements include, but may not be limited to:

- A copy of the active AER scheme approval and the reservoir, technical, operational, and financial details;

- A declaration document stating all related mineral owners' approvals have been obtained and are active; and
- A list of land and production entity details included with the Certificates of Title requested for reduction.

After the initial application and approval, the operator does not need to re-apply annually. However, each year, the active operator will need to supply operational details and annual costs not previously submitted or otherwise requested.

If an approved FMT EOR scheme operator changes, the new operator may apply in writing to Alberta Energy for entry into the FMT EOR program. The application requirements are the same as for an initial application.

Administration of Applications

Approval

Alberta Energy will evaluate each application including the technical information. A recommendation will be made to the Minister, and Alberta Energy will notify the applicant of the Minister's decision. The notification will contain any related timeframes, approval details as well as conditions to the approval.

Alberta Energy will notify the applicant regarding any changes to the approval.

FMT EOR Annual Cost Submission

The operator must submit allowable cost information for each taxation year. All submissions must be complete and contain all the data to be considered. Cost or other related submissions of data will not be cross-referenced between schemes, applications or annual cost submissions unless specifically requested in writing by the applicant.

Tax Reduction Methodology

The net oil tax calculated and paid for a taxation year is multiplied by the T-factor previously determined.

A tax rate is determined by using the oil production volumes from the production entity and the unit value used in the calculation of the tax. Using this tax rate, the total freehold production value of the scheme is calculated.

The freehold portion of the allowed EOR costs is multiplied by the tax rate.

The FMT EOR reduction is the lesser of the freehold portion of the EOR allowed costs or the T-factor calculation.

Audit Requirements

All reduction calculations and recalculations with respect to tax are subject to audit by Alberta Energy's Compliance and Assurance Branch. Records of the production, revenue and costs of Freehold production entities can be reviewed.

Alberta Energy may request a copy of the mineral owners' approval or any other related documents and revise the original tax, or the resulting reduction calculation.

Disputes

The operator of a scheme may dispute decisions of Alberta Energy in accordance with the Regulation and section 4 of the Act.

Inquiries can be directed to:

Executive Director, Tenure
Resource Revenue and Operations
Alberta Energy
11th Floor, North Petroleum Plaza
9945 - 108 Street
Edmonton, Alberta T5K 2G6

Appendix-Acronyms

AER – Alberta Energy Regulator
EOR – Enhanced Oil Recovery
FMT – Freehold Mineral Tax
T-Factor – Tertiary Factor