

# LEMAC – Freehold Mineral Tax Round Table

## March 26, 2025

### Introductory Remarks

- This session has had a tremendous amount of interest – there are close to 90 registered.
- The interest in the session is kind of telling what a mystery Freehold Mineral Tax is to industry.
- The intent of this session is to hear from industry about Mineral Land’s involvement and considerations around FMT.
- Will start with some general information about FMT, some Crown information and follow up with some additional considerations that we have learned over the years that are not set out in the Crown’s information guides.

### What is FMT and What Governs It?

- Freehold Mineral Tax or FMT is an annual tax levied against fee title owners based on production from wells or from units on the freehold lands. The Crown first started levying the tax in 1938, so it has been around for some time.
- The freehold lease governs how FMT is allocated between lessor and lessee. [\(See screenshots on page 6\)](#)
  - Typically the lessor and lessee share the responsibility for FMT based on their interest in production. So, if the lessor is receiving a 15% lessor royalty, they pay 15% of the FMT and the lessee pays 85%.
  - We do see some freehold leases where the lessee is responsible for 100% of the FMT, regardless of their interest in production.
  - CAPL lease forms contemplate that the lessor pays the FMT and the lessee reimburses lessor. However, in practice, though, the corporate lessee pays the entire FMT amount and then deducts the lessor’s share from royalties owing.

### Crown’s FMT Process & ETS

- In the latter part of March the Crown issues:
  - **FMT Invoices** to the Payor on record; and
  - **FMT Statements** to Lessees on record.
- “On record” means that invoices and statements are sent to parties reflected in the Payor and Lessee roles in ETS **at tax time**.

➤ There are FOUR FMT roles in ETS:

- **OWNER** – Registered Owner of the Mineral Title
- **PAYOR** – Entity responsible for remitting payment to the Crown.
  - Typically the lease payor of a freehold lease, but not always.
  - Important to note that there can only be one Payor assigned to a title.
  - So, if your company has a shallow lease and another company has a deep lease, both with the same lessor, same title, it should be discussed between the two companies who should be Payor.
  - It would typically make sense for the company who generates the highest amount of FMT to be Payor and then invoice the other lessee with the shallow lease.
    - This is an interesting point that was raised by Lynn Gregory in her May 2009 *Negotiator* article regarding FMT.
- **LESSEE**
  - A party who has declared an interest in the title by virtue of a working interest as a beneficiary under a trust agreement and wishes to receive an FMT statement for their records.
- **PRODUCTION ENTITY ADMINISTRATOR OR “PE ADMIN”**
  - Wells and units are called a “Production Entities” or “PE” in ETS.
  - Typically, the well licensee or unit operator is assigned as PE Admin.
  - The PE Admin is responsible for administering roles within a Production Entity and concurring to role transfers
  - PE Admins can see all roles.

➤ Everything about FMT is managed in ETS – companies can:

- Query to see what roles are assigned to them in a title or PEID
- Transfer roles to another company
- Add or delete their company as a Lessee (as long as there is another Lessee on record)
- Concur to transfer requests

➤ **Exemptions & Invoice Thresholds**

- There is a \$1600 exemption on each of gas and oil on each title
- Invoices will not be generated for amounts less than \$100

➤ **ETS FMT Module:**

- Not the most user friendly
- There are often glitches; and
- The Training Guides within the module are out of date. The concepts are likely still valid, but the screen shots are not current.
- HOWEVER, having said all that, the Energy Mineral Tax group is very helpful. They have a dedicated email, and I find when I send in a query, they are pretty quick to respond and pretty helpful.
- FMT QUERIES & TROUBLESHOOTING:
  - NO SEARCH RESULTS?
    - If you run a query and no results are found, that is likely either because the title has been cancelled or because your company has no roles associated with the title or PEID.
    - You can add your company as a lessee at this point and then you will be able to see the results for a query.
  - PEID FORMAT – Wells are prefixed with “**ABWI**” in front of the UWI and Units have “**ABUN**” followed by the AER Unit Code. The query screen pre-populates “**AB**”, you do need to enter “**WI**” and the UWI or “**UN**” and the AER Unit Code. (See screenshot on page 7)
  - QUERY BY TITLE – if you are querying by an older title that has a dot or period in the title number, you need to include the period. The FMT system requires 12 characters in the titles with dots/periods. So in the example on the screen, you would enter the 6 digits, then 5 spaces and then a period. (See screenshot on page 8).
  - Otherwise, you enter normal title numbers as you would when searching a title in SPIN – no spaces and entering a zero or zeros in place of a “+”. (See screenshot on page 8).

➤ **[A Few More Land Considerations](#)**

- **Hybrid Accountability:**
  - Many companies have a dedicated FMT Accountant. It’s beneficial but not necessary if they also have a land background.
  - FMT Accountant likely has a financial program (*ie.* EDI) to internally manage the financial side of FMT.
  - And, on the Mineral Land side, it’s important to set out the FMT provisions in your land system for easy reference by the FMT Accountant.
    - Some land systems have a Mineral Tax field
    - FMT Remark Types are useful

- Or you can take it a step further and enter a Client Defined Field specific to your company.
- **FMT Role Assignment emails:**
  - These emails are sent to your company's ETS Site Administrator for FMT when a new role is assigned to your company.
  - The Crown assigns roles based on its process, but these assignments may not always be correct according to the business.
  - It's important for Mineral Land to review these notifications to ensure they are accurate.
- **NCC Poolings:**
  - FMT responsibility is based on the pre-pooled interests.
  - So, the partner who contributed a freehold lease to the pooling is typically responsible for paying lessor royalties and FMT under that lease or title.
  - However, if the Crown assigns the Payor role for a title to your company because it operates the well, but your company did not contribute the lease under that title to the pooling, you should ensure the payor role is transferred to the partner who did contribute that lease.
  - If your company is designated as the Payor for titles whereby it does not pay the lessor royalties, your company will not be able to recover the lessor's share of FMT.
- **Differing FMT Allocations for the Same Title:** Be aware if your company holds 2 leases with the same lessor and title for a well but the leases have different FMT allocations between the lessor and lessee.
- **Payor Role Cannot be Deleted only Transferred:**
  - An FMT Payor will remain on record even when all wells are abandoned, and all leases have gone down.
  - This could be problematic in the event a new well is drilled by another company and starts generating FMT. Will the last Payor be sent the tax bill or will the Crown assign Payor role to the new well licensee?
- **Non-Payment of FMT:**
  - Keeping in mind that the mineral rights owner is ultimately responsible for FMT.
  - And if FMT goes unpaid, it could result in forfeiture of the mineral title, and the mineral rights would vest to the Crown.
  - However, it sounds like this is a rare and lengthy process.
  - We did have a situation just last year where a defunct corporate FMT Payor failed to pay the tax bill. The mineral rights owner received notice from the Crown and the mineral rights owner reached out to our company knowing we have a lease, and we ended up paying the

invoice and getting the Payor role transferred as all tax was generated on our company's production.

- **A&D:** Transferring FMT roles should be a step in your company's A&D process when wells and freehold leases are involved to ensure the correct party will be invoiced in the future.
- **Effective Date of Roles Transfers:**
  - When transferring roles in ETS, we typically choose an effective date that aligns with Jan 1 of the year or maybe align it with an effective date of a sale.
  - However, this does not mean the gov't will invoice companies proportionately based on the effective date of the role change.
  - They invoice the party who is in the Payor role at the time the tax invoices are issued.
  - It is up to parties in a sale transaction to settle the FMT in their Statements of Adjustment.

## SCREENSHOTS

### FREEHOLD LEASE TAX CLAUSES

#### CAPL 91 – FMT Share based on Interest in Production

##### **4. ROYALTIES**

(a) The Lessee shall pay the Lessor a royalty in an amount equal to the current market value at the wellhead as and when produced of Seventeen percent (17.00%) of all the leased substances produced, saved and sold, or used by the Lessee for a purpose other than that described in subclause (b) hereof, from the said lands; provided that in computing the current market value at the wellhead of all the leased substances produced, saved and sold, or used by the Lessee for a purpose other than that described in subclause (b) hereof, the Lessee may deduct any reasonable expense incurred by the Lessee (including a reasonable rate of return on

##### **6. TAXES PAYABLE BY THE LESSOR**

The Lessor shall promptly pay all taxes, rates and assessments that may be assessed or levied, directly or indirectly, against the Lessor by reason of the Lessor's interest in production of leased substances obtained from the said lands, or the Lessor's ownership of the leased substances.

##### **7. TAXES PAYABLE BY THE LESSEE**

The Lessee shall pay all taxes, rates and assessments that may be assessed or levied in respect of the operations of the Lessee on, in, over or under the said lands, and shall further pay all taxes, rates and assessments that may be assessed or levied directly or indirectly against the Lessee by reason of the Lessee's interest in production of leased substances from the said lands. The Lessee shall on the written request of the Lessor, accompanied by such tax receipts, statements or tax notices as the Lessee may require, reimburse the Lessor for Eighty-three percent (83.00%) of any taxes assessed or imposed on the Lessor while this Lease remains in force by reason of the Lessor being the registered owner of the leased substances or being entitled to become such owner; provided that the Lessee shall, at the written request of the Lessor, pay the Lessor's said percentage of said tax and be reimbursed from any sums payable to the Lessor under this Lease.

#### CAPL 91 – 100% of FMT Paid by Lessee

##### **6. TAXES PAYABLE BY THE LESSOR**

The Lessor shall promptly pay all taxes, rates and assessments that may be assessed or levied, directly or indirectly, against the Lessor by reason of the Lessor's interest in production of leased substances obtained from the said lands, or the Lessor's ownership of the leased substances.

##### **7. TAXES PAYABLE BY THE LESSEE**

The Lessee shall pay all taxes, rates and assessments that may be assessed or levied in respect of the operations of the Lessee on, in, over or under the said lands, and shall further pay all taxes, rates and assessments that may be assessed or levied directly or indirectly against the Lessee by reason of the Lessee's interest in production of leased substances from the said lands. The Lessee shall on the written request of the Lessor, accompanied by such tax receipts, statements or tax notices as the Lessee may require, reimburse the Lessor for one hundred percent (100%) of any taxes assessed or imposed on the Lessor while this Lease remains in force by reason of the Lessor being the registered owner of the leased substances or being entitled to become such owner; provided that the Lessee shall, at the written request of the Lessor, pay the Lessor's said percentage of said tax and be reimbursed from any sums payable to the Lessor under this Lease.

#### CAPL 91 – FMT Share based on Production Rates (Step Scale)

##### **6 TAXES PAYABLE BY THE LESSOR**

The Lessor shall promptly pay all taxes, rates and assessments that may be assessed or levied, directly or indirectly, against the Lessor by reason of the Lessor's interest in production of leased substances obtained from the said lands, or the Lessor's ownership of the leased substances.

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The Lessee shall pay all taxes, rates and assessments that may be assessed or levied in respect of the operations of the Lessee, on, in, over or under the said lands, and shall further pay all taxes, rates and assessments that may be assessed or levied directly or indirectly against the Lessee by reason of the Lessee's interest in production of leased substances from the said lands. The Lessee shall on the written request of the Lessor, accompanied by such tax receipts, statements or tax notices as the Lessee may require, reimburse the Lessor for "see addendum attached" of any taxes assessed or imposed on the Lessor while this Lease remains in force by reason of the Lessor being the registered owner of the leased substances or being entitled to become such owner; provided that the Lessee shall, at the written request of the Lessor, pay the Lessor's said percentage of said tax and be reimbursed from any sums payable to the Lessor under this Lease

## ADDENDUM TO NATURAL GAS LEASE

### DETERMINATION OF ROYALTY AND TAXES PAYABLE BY LESSEE

1) A gas production royalty rate schedule as detailed below:

GAS PRODUCTION RATE Averaged on a Monthly basis	ROYALTY RATE Clause 4(a)	TAXES PAYABLE BY THE LESSEE Clause 7
less than 30 mcf/day	6.00 %	94.00 %
greater than 30 and less than 50 mcf/day	8.00 %	92.00 %
greater than 50 and less than 75 mcf/day	10.00 %	90.00 %
greater than 75 and less than 100 mcf/day	11.00 %	89.00 %
greater than 100 and less than 150 mcf/day	14.00 %	86.00 %
greater than 150 and less than 200 mcf/day	16.00 %	84.00 %
Greater than 200 mcf/day	18.00 %	82.00 %

## PEID FORMATS IN FMT QUERY

ELECTRONIC TRANSFER SYSTEM  
**QUERY FMT - Group by PE**  
 REQUEST NUMBER 04780733

Page: 1  
 Mar 13, 2025 8:18:09 AM

Creation Date: 2025-03-13 8:18:09 AM

Created By: EN2300\_BAS

<b>PE ID :</b> ABWI100051702526W400	<b>Name :</b> EMBER ENTICE 5-17-25-26	<b>Product :</b> GAS
<b>PE Administrator</b> PRAIRIESKY ROYALTY LTD. (1011699)	<b>Effective Date</b> Aug 1 2014	<b>Termination Date</b>
<b>Title</b> 141187082	<b>Land Key</b> 4 26 025 17	<b>Mineral Rights</b> PNG
<b>Effective Date</b> Jul 22 2014	<b>Termination Date</b>	
<b>Owners</b> A6TR PRAIRIESKY ROYALTY LTD. (1011699)	<b>Owners % in Title</b> 100.0000000	
<b>Lessee</b> A1H9 EMBER RESOURCES INC. (8080321)	<b>Effective Date</b> Jan 1 2017	<b>Termination Date</b>
<b>Payor</b> A6TR PRAIRIESKY ROYALTY LTD. (1011699)	<b>Effective Date</b> Jul 22 2014	<b>Termination Date</b>
<b>PE/Title Assoc %</b> 0.0000000	<b>Oil Percentage</b> 0.0000000	<b>Gas Percentage</b> 100.0000000
<b>Effective Date</b> Jul 1 2014	<b>Termination Date</b>	

<b>PE ID :</b> ABUN97317	<b>Name :</b> WOOD RIVER BASAL QUARTZ UNIT NO. 1	<b>Product :</b> PNG
<b>PE Administrator</b> EMBER RESOURCES INC. (8080321)	<b>Effective Date</b> Nov 7 2019	<b>Termination Date</b>

### Search Production Entities (Query FMT)

<p style="text-align: center; margin: 0;"><b>PE Id</b></p> <p>AB <input style="width: 100%;" type="text" value="WI100051702526W400"/></p> <p>AB <input style="width: 100%;" type="text" value="UN97317"/></p> <p>AB <input style="width: 100%;" type="text"/></p> <p>AB <input style="width: 100%;" type="text"/></p>	<p style="text-align: center; margin: 0;"><b>Land</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td></td> <td style="text-align: center;">M</td> <td style="text-align: center;">RGE</td> <td style="text-align: center;">TWP</td> <td style="text-align: center;">SEC</td> <td style="text-align: center;">QS</td> </tr> <tr> <td>From:</td> <td><input style="width: 30px; height: 20px;" type="text"/></td> <td><input style="width: 30px; height: 20px;" type="text"/></td> <td><input style="width: 30px; height: 20px;" type="text"/></td> <td><input style="width: 30px; height: 20px;" type="text"/></td> <td><input style="width: 30px; height: 20px;" type="text"/></td> </tr> <tr> <td>To:</td> <td><input style="width: 30px; height: 20px;" type="text"/></td> <td><input style="width: 30px; height: 20px;" type="text"/></td> <td><input style="width: 30px; height: 20px;" type="text"/></td> <td><input style="width: 30px; height: 20px;" type="text"/></td> <td><input style="width: 30px; height: 20px;" type="text"/></td> </tr> </table> <p style="text-align: center; margin: 0;"><b>Well Id</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">LE</td> <td style="text-align: center;">LSD</td> <td style="text-align: center;">SEC</td> <td style="text-align: center;">TWP</td> <td style="text-align: center;">RGE</td> <td style="text-align: center;">M</td> <td style="text-align: center;">ES</td> </tr> </table>		M	RGE	TWP	SEC	QS	From:	<input style="width: 30px; height: 20px;" type="text"/>	<input style="width: 30px; height: 20px;" type="text"/>	<input style="width: 30px; height: 20px;" type="text"/>	<input style="width: 30px; height: 20px;" type="text"/>	<input style="width: 30px; height: 20px;" type="text"/>	To:	<input style="width: 30px; height: 20px;" type="text"/>	<input style="width: 30px; height: 20px;" type="text"/>	<input style="width: 30px; height: 20px;" type="text"/>	<input style="width: 30px; height: 20px;" type="text"/>	<input style="width: 30px; height: 20px;" type="text"/>	LE	LSD	SEC	TWP	RGE	M	ES
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**TITLE FORMAT EXAMPLE**



LAND TITLE CERTIFICATE

M	LINC	SHORT LEGAL	TITLE NUMBER
	0021 659 826	4;27;28;19;NW	46I118 .
	0021 659 834	4;27;28;19;NE	
	0021 659 842	4;27;28;19;SW	
	0021 659 850	4;27;28;19;SE	

**Search Production Entities (Query FMT)**

PE Id		Land						
AB	<input type="text"/>	M	RGE	TWP	SEC	QS		
AB	<input type="text"/>	From:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>		
AB	<input type="text"/>	To:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>		
AB	<input type="text"/>	Well Id						
AB	<input type="text"/>	LE	LSD	SEC	TWP	RGE	M	ES
AB	<input type="text"/>	<input type="text"/>	/	<input type="text"/>	-	<input type="text"/>	-	<input type="text"/>
AB	<input type="text"/>	<input type="text"/>		<input type="text"/>	-	<input type="text"/>	W	<input type="text"/>
AB	<input type="text"/>	<input type="text"/>		<input type="text"/>		<input type="text"/>		<input type="text"/>
AB	<input type="text"/>	Client Id		Title Id				
AB	<input type="text"/>	<input type="text"/>	...	<input type="text"/>	46I118 .	<input type="text"/>		



LAND TITLE CERTIFICATE

M	LINC	SHORT LEGAL	TITLE NUMBER
	0024 051 550	4;23;35;1;SW	142 199 235 +20
	0024 051 567	4;23;35;1;SE	

**Search Production Entities (Query FMT)**

PE Id		Land						
AB	<input type="text"/>	M	RGE	TWP	SEC	QS		
AB	<input type="text"/>	From:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>		
AB	<input type="text"/>	To:	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>		
AB	<input type="text"/>	Well Id						
AB	<input type="text"/>	LE	LSD	SEC	TWP	RGE	M	ES
AB	<input type="text"/>	<input type="text"/>	/	<input type="text"/>	-	<input type="text"/>	-	<input type="text"/>
AB	<input type="text"/>	<input type="text"/>		<input type="text"/>	-	<input type="text"/>	W	<input type="text"/>
AB	<input type="text"/>	<input type="text"/>		<input type="text"/>		<input type="text"/>		<input type="text"/>
AB	<input type="text"/>	Client Id		Title Id				
AB	<input type="text"/>	<input type="text"/>	...	<input type="text"/>	142199235020	<input type="text"/>		
AB	<input type="text"/>	<input type="text"/>	...	<input type="text"/>				
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## **FMT RESOURCES**

- ETS Training Modules: [ETS FMT Training Modules](#)
- Energy Mineral Tax Group: [Mintax.Energy@gov.ab.ca](mailto:Mintax.Energy@gov.ab.ca)
- Freehold Mineral Tax Website: <https://www.alberta.ca/freehold-mineral-tax>
- AB Gov't Published Guides – 2019 & 2024