

Freehold Mineral Rights Tax Unit Value

Submission Guide

General Information

Freehold Mineral Rights Tax (FMT) is an annual tax calculated on the previous calendar year's petroleum and natural gas wellhead production. This guide describes the calculation of a Unit Value (UV) using the revenue and allowable costs of the production entity.

The UV submission document can be downloaded through the Electronic Transfer System (ETS).

All new FMT clients are assigned the default UV methodology. The method of calculating a UV for Freehold Mineral Rights Tax must be consistent for all properties and all years.

You may submit your own calculated UV, but an approval is required. To request this approval or make changes to your current UV methodology, email Mintax.Energy@gov.ab.ca. Only one request per company is permitted.

Only designated lessees who have declared an interest in the production entities/titles can submit a UV. Before you submit the documents, ensure your lessee roles in ETS are up to date.

If no UV is submitted for a production entity/product, default values will be applied to calculate tax payable.

Leave the UV field on the document blank if you have no interest in the production entity. Instead, transfer the lessee role to the correct company

When reporting a working interest ownership percentage (WIO%), use the same percentage to determine revenue, costs and production. Any costs exceeding gross revenues cannot be carried forward to a future reporting period.

[Click here](#) for information on how to download the UV document, submitting a UV document or any other ETS functions for FMT.

Calculation of Unit Values for Field Gas or Solution Gas

Standard Gas UV Calculation Method A: Using Crown Gas Royalty Information

Method A is the preferred method for calculating a gas and/or solution gas UV using:

- Processed volumes (quantity/heat) from the Crown gas royalty invoice from the previous calendar year
- Valuation pricing from the Crown gas royalty monthly invoices
- Allocated operating costs
- Allocated custom processing fees
- Allocated capital costs
- Wellhead production volumes

For more information, refer to the [Alberta Modernized Royalty Framework Guidelines](#).

For gas and solution gas UV calculations, production entities should be grouped by processing facility.

Revenues, costs and production should be grouped at the same facility. All data must pertain to the previous production year (e.g., 2025 tax is levied on 2024 production data).

$$\text{Unit Value (\$)} = \frac{\text{Revenues (2A)} - \text{Allowable Costs (3A)}}{\text{Gas or Solution Gas Wellhead Production (4A)}}$$

Revenues (A):

Determine revenues (\$) for the production of gas and/or solution gas using the Crown Gas Royalty Detail invoice valuation prices from the previous calendar year.

Valuation prices are multiplied by the Client Volumetric Totals processed (quantity/heat) for all product types (e.g., gas, ethane, propane, butane, pentanes and sulfur) from the production entity at each facility.

Valuation prices already incorporate gas in-stream Facility Average Prices (FAP) and raw gas sales.

Allowable Costs (A):

Allowable costs for processing, gathering and compressing natural gas are actual allocated operating costs, capital costs and custom processing fees.

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Raw gas sold prior to processing and before delivery to a sales pipeline is valued at 80% of the gas reference price. Costs cannot be claimed for such raw gas sales.

Raw gas sold and delivered to a sales pipeline without processing at a gas plant is valued at the Facility Average Price.

Allowable Costs Options:

1. Alberta Energy Regulator (AER) groups production entities by processing facility to avoid the complexity of allocating costs at the well level. A UV for the group is calculated using total revenues, costs and production for all of the streams in the group. Costs associated with the gathering, compression and processing of non-Alberta volumes and volumes purchased from a third party are not eligible. Costs incurred in the fractionation of proprietary NGL mix products from other gas plants into specification products are also not eligible.
2. Costs allocation using the percentage of gas equivalent volumes (GEV) of the stream compared to the total GEV processed at the plant. Facilities that have out-of-province volumes exclusively are not eligible for costs.
3. The company's WIO% share of allocated capital costs, not the total facility capital costs.

Production (A):

Determine total gas or solution gas production (10^3m^3) at the wellhead using the previous calendar year for all wells that contributed to calculated revenues (2). The volumes are those reported to the AER through Petrinex.

1. To calculate the UV, deduct allowable costs (3), if any, from total revenues (2) and divide by gas and/or solution gas wellhead production (4).
2. Record the UV of the GAS or SOL for production entities on the UV submission spreadsheet.

Standard Gas UV Calculation Method B: Actual Gross Revenues minus Crown Allowable Costs and Rates

Unit Value (\$) =

$$\frac{\text{Actual Gross Revenues (2B)} - \text{Crown Allowable Costs (3A)}}{\text{Field Gas or Solution Gas Production (4A)}}$$

Actual Gross Revenues:

Determine the actual gross revenues (\$) on the sale of gas or solution gas from each production entity for the previous calendar year production. Include revenues from all by-products (e.g., gas, ethane, propane, butane, pentanes and sulfur).

Gas Valuation: Where freehold gas is commingled with other sources (e.g., Crown volumes, third-party purchases, out-of-province volumes or other non-Crown volumes) before it is sold, the gross revenues attributable to freehold gas and byproduct sales must be valued using the pooling concept. The revenue realized from the sale of all sources should be distributed proportionately to the ratio of volumes in the sales pool.

Crown Allowable Costs:

Use the actual allocated costs for capital, operating and custom fees as in Standard Method A.

C. Alternate Gas UV Calculation Method C: Actual Gross Revenues minus Actual Allowable Costs

Unit Value (\$) =

$$\frac{\text{Actual Gross Revenues (2C)} - \text{Actual Allowable Costs (3C)}}{\text{Field Gas or Solution Gas Production (4A)}}$$

Actual Revenues:

Determine gross revenues (\$) on the sale of gas or solution gas from each production entity for the previous calendar year.

Include revenues from all byproducts (e.g., gas, ethane, propane, butane, pentanes and sulfur). **Gas Valuation criteria applies.** See *Gas Valuation in above "Actual Gross Revenues" section.*

Actual Allowable Costs:

Determine allowable costs of the production (\$) using the previous calendar year.

For more information, refer to the [Alberta Modernized Royalty Framework Guidelines](#).

Allocate actual capital costs by tracking the actual flow for each well/unit and prorate the costs in each facility by throughput volume. Detailed schematic records must be kept.

Flared or Lease Fuel

1. Calculating a Gas UV for flared or lease fuel gas is done in the same manner as field or solution gas.
2. The UV will be \$0.00 when the total volume of the gas produced in the previous calendar year has been flared or used as lease fuel and there are no revenues or deemed sales.
3. When only a portion of the gas produced was flared or used as lease fuel, and the remaining portion was sold, the sales portion revenues are used in the UV

calculation. Dividing the revenues by the total production results in a lower UV, compensating for the portion of the gas flared or used as lease fuel.

- Record the UV for the production entities on the submission document.

Injected Gas

A UV is required for production entities when all or part of its taxable gas/products were injected.

All operating and capital costs for gathering, compressing and processing of the production, whether sold or re-injected, are considered allowable costs.

Allowable costs are recognized before any Crown Enhanced Oil Recovery (EOR) recapture adjustments. For companies that extract capital and custom processing costs from the “capital cost recapture summary” and “custom processing fee recapture summary portion” of the Crown Gas Royalty Invoice, the costs prior to EOR – Recapture should be used.

- If all gas and liquids from the production entity are injected into the same field and pool where they were originally produced, there is no change in ownership and no revenue is recognized. The resulting UV is \$0.00.
- If gas and liquids are injected into a field or pool other than where they were originally produced, the gas and products injected are considered to undergo a change in ownership. These are deemed sold and are taxable. Revenue is determined similar to actual sales transactions.
- When part of the gas and liquids production is sold and part is injected into the same field and pool, revenue is recognized only on the gas and liquids sold.

When part of the gas and liquids production is injected into the same field and pool and part is injected into a different field or pool, the latter volumes are deemed to be sold and revenue is recognized.

To ensure revenue for products injected into the same field and pool is not recognized, companies using invoice client volumes in revenue calculations should reduce the relevant Crown Royalty (CR) charge type volumes by the related Injection Credit (IC) charge type volumes. Companies should retain documentation to substantiate the sources of the Injection Credit (IC) charge type volumes

- When part of the gas and liquids production is sold and part is injected into a different field or pool, revenue is recognized on all of the gas and liquids, whether sold or injected.

New Wells, Significant Production or Capital Changes

UV should be calculated over the balance of the reporting period when a new well starts production during the reporting period. Use the same calculation method as in Gas UV Calculation Method (revenue and allowable costs).

For example: A UV for a new well placed on production in July 2025 would use the following information (Method A):

- For the reporting period use July 2025 – December 2025 (6 months instead of 12)
- For the revenue use the Valuation price, by product, using Client Volumetric Totals (Quantity/Heat).
- For allowable costs use an estimated portion of current year’s allowable capital and operating costs for the reporting period and/or
- Actual custom fees for July 2025 – December 2025 for volumes.
- Use production volumes for July 2025 –December 2025.

To calculate a UV for wells that start production during the taxation year, use the actual production volumes and estimated revenue and allowable cost estimates for the balance of the taxation year.

The next year’s UV calculation will follow the standard reporting period and methodology used by your company. Some of the same information will be reused in the next year’s UV calculations.

Capital costs corresponding to the reporting period should be used when significant production or capital changes occur (e.g., new well, sales of properties, shut-in or major capital additions). This may involve the use of a portion of the previous year’s actual capital costs and an estimated portion of the current year’s capital costs.

The estimate can be adjusted to actual in the following year. The previous year’s capital costs should be used in the following year (i.e., the same capital costs would be used in two consecutive years).

Prior Period UV Adjustments, Amendments and Audits

Adjustments for Prior Period UV submissions

Production, revenue, operating cost, capital cost and custom processing fee changes identified after a tax year UV filing deadline can be included as adjustments to subsequent years’ UV filings as prior year adjustments (PPA).

Include PPA for all non-statute barred years in your next UV submission (e.g., include any changes of the components of your original 2023 or 2024 tax year UV calculation in the calculation of your 2025 UV).

Identify each PPA year and component separately. Detailed documentation of any prior period adjustments must be kept for audit purposes. For material adjustments, approval must be obtained from the department.

For more information see [Freehold Mineral Tax Rights](#) Tax or FMT in online learning in ETS

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Amendments

To add or make changes to your information, contact Freehold Mineral Rights Tax. Amendments can be filed for all non-statute barred tax years.

Notice of Objection

A notice of objection to the tax assessment for the 2025 tax year may be submitted. You will be required to include a written notification and copies of all supporting information must be submitted to the Minister as follows:

- an objection to tax payable on a tax statement, other than a new corrected statement, shall be made on August 15th in the year following the taxation year of which the objection is made, or
- an objection to tax payable on a new statement or a corrected statement may be made within 90 days after the date of issue shown on the new or corrected tax statement.

Audits

All unit tax calculations are subject to audit by the Audit branch at Tax and Revenue Administration. Records of the production, revenue and costs of Freehold production entities can be reviewed until the tax year is statute barred and must be made available within 30 days of request. The department may revise the original tax or may recommend an adjustment to the next year's UV calculation.