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Understanding CRA's Tax Classification of Drilling and Completion Expenses – the Distinction between CEE and CDE

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Summary

There is a high degree of misconception in the industry as to the tax treatment of expenses related to exploration and development activities.

This presentation is intended to provide an outline of how expenses (primarily drilling and completion of oil and gas wells) are classified as either Canadian Exploration Expense (CEE) or Canadian Development Expense (CDE).

Various operational scenarios and the position taken by Canada Revenue Agency as to the tax classification of associated expenses will be reviewed.

Problems with applying the rules in consideration of recent changes in pooling assignments by the provincial regulators will be discussed.

This information will be of interest to senior technical management of large and small companies, as well as tax management and financial personnel, and of special concern to companies with Flow-Through Share offerings.

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