



# Report

## TITLE: 2024 CANCELLATION OF PENALTIES – POKER CHIP EXPLORATIONS LTD.

Meeting: Council Meeting

Meeting Date: March 12, 2025

### Background

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Poker Chip Explorations Ltd. entered into a farm-in agreement with Pismo Energy Ltd. in 2022, as per the attached letter they were unaware that Pismo Energy had neglected to pay the property taxes on the roll properties that were part of this agreement.

Poker Chip Explorations Ltd. has submitted application to AER asking that the licenses associated with these properties be transferred to Poker Chip. AER has conditionally approved this transaction and Poker Chip is willing to accept liability for the tax arrears less the accumulated penalties.

The current tax arrears are from 2017 – 2024. The six properties included in this request are Roll Numbers 804060, 804150, 809600, 811020, 811590, and 811930 which are based on the license information provided to Flagstaff County. The total amount owing is as follows:

- Total Tax Levy - \$ 55,290.88
- Total Penalty - \$146,286.55
- Total Outstanding - \$201,577.43

Poker Chip Explorations is prepared to pay the principal tax levy in the amount of \$55,290.88 within 30 days and is requesting that Council agrees to waive the penalties in the amount of \$146,286.55.

The County has the authority to defer, cancel or reduce taxes and penalties if Council considers it equitable to do so (MGA, s.347). This includes outstanding taxes, tax arrears and any penalties.

The use of the term “equitable” suggests that Council must apply some measure of fairness in its decision as whether to defer, cancel or reduce taxes and penalties. This requirement of equity and fairness applies to the taxpayer that owes the taxes - Council must consider whether the taxes and penalties owed are fair in the circumstances.

Council is encouraged to consider the following information:

- This request is similar to previous requests from other oil and gas companies.
- They have agreed to pay all outstanding tax levies from 2017-2024 which includes years prior to their farm-in agreement which they entered with Pismo in 2022.
- This transfer of licenses to a solvent company continues to provide future tax revenue to the county.
- Flagstaff County has previously cancelled penalty for oil companies upon payment of the outstanding tax levies.

## **Alignment with the Strategic Plan**

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Fiscal Leadership – Flagstaff County will balance the servicing and program needs of the community with consistent, prudent and transparent financial management.

## **Alternatives/Options**

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1. THAT Council respectfully denies the request from Poker Chip Explorations Ltd. regarding the payment of outstanding tax levies and the waiver of penalties.
2. THAT Council approve the request from Poker Chip Explorations Ltd. for the subject properties Roll Numbers 804060, 804150, 809600, 811020, 811590, and 811930, to cancel penalties in the amount of \$146,286.55 subject to the condition of receipt of full payment of the 2017-2024 tax levies in the amount of \$55,290.88

## **Recommendation**

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THAT Council approve the request from Poker Chip Explorations Ltd. for the subject properties Roll Numbers 804060, 804150, 809600, 811020, 811590, and 811930, to cancel penalties in the amount of \$146,286.55 subject to the condition of receipt of full payment of the 2017-2024 tax levies in the amount of \$55,290.88.