

April 23, 2009

OIL SANDS OPERATIONS INFORMATION BULLETIN 2009-06

SUBJECT: Application for Oil Sands Royalty Projects (New or Amendments) under the *Oil Sands Royalty Regulations, 2009*

Effective January 1, 2009, the Oil Sands Operations Division has updated the application form for Oil Sands Royalty Projects (New or Amendments) to conform to the *Oil Sands Royalty Regulations, 2009*.

Applications for an Oil Sands Royalty Project must follow the format specified by the Department.

The updated "Application for Royalty Terms under the *Oil Sands Royalty Regulation, 2009* (AR223/2008)" form (see Attachment 1) can be downloaded from the Department's website (<http://www.energy.alberta.ca/>).

Please navigate to Our Business-> Oil Sands -> Forms and Reporting -> Forms (Royalty).

Questions about this Information Bulletin may be directed to:

Manfred Pade
Director – Project Engineering and Approvals
Oil Sands Operations
(780) 644-1567
Manfred.Pade@gov.ab.ca

Sincerely,

Anne Denman
Executive Director
Oil Sands Operations

**APPLICATION FOR ROYALTY TERMS UNDER THE
OIL SANDS ROYALTY REGULATION, 2009 (AR 223/2008)**

PROJECT STATUS

- New Project
- Project Amendment (indicate type)
- Project Expansion
- Project Amalgamation
- Other (explain)
- Application in the Alternative

Note: This form is a general application intended to capture fundamental information for a majority of the project applications anticipated by the Department. However, there will be some situations when additional information would be required by the Department. It is not possible to identify all these cases nor would it be reasonable to request such information from all applicants. The additional information requested may include details on assets, technologies, project operations description, financial positions, and economic details. Applicants should be prepared to respond to further requests for information and to provide their material in an expeditious manner.

DEFINITIONS

The “**Regulation**” refers to the *Oil Sands Royalty Regulation, 2009* (AR 223/2008) (OSRR’09). Section references (s.) refer to the regulation.

The “**Department**” refers to the Alberta Department of Energy.

A **new project** is an oil sands project that has not commenced production or a project for which royalty is currently calculated under the *Petroleum Royalty Regulations 2009* or Section 26 and/or Section 27 as described in the OSRR’09.

A **project amendment** is an amendment to a currently approved oil sands royalty project.

- Project **expansions** add lands or facilities, usually from a new or amended Energy Resources Conservation Board (ERCB) approval.
- Project **amalgamations** combine two or more projects into one project for the purposes of the regulation.
- **Other** amendments include the Department-sanctioned removal of lands or facilities, or other significant changes to the initial project description issued when the project was approved.

An **application in the alternative** means that the Department will initially treat the application as a project amendment application but if, after reviewing the amendment, it cannot be approved the application will be reviewed as an application for a new project.

A “**lessee**” means, in relation to a Project, a lessee of an agreement, the location of which includes the whole or a part of the development area of a Project.

An “**operator**” means the person who from time to time is shown in the records of the Department as the operator of a Project or proposed Project or if no such person is shown in the records of the Department, the person who is shown in those records as the lessee of the Project, or proposed Project respectively.

PROJECT OWNERSHIP

s. 10

Lessee(s)

Identify and provide contact information for all project lessees.

When there is more than one lessee, identify each lessee's equity percentage, and include a copy of the operating agreement.

If the operator is not the sole lessee, attach a copy of the operating agreement to validate the operator's legal authority to represent the project lessees.

If the application is made by the project lessee's designee, documentation authorizing the designee to apply must be submitted together with the application. A letter from each project lessee clearly authorizing or consenting to the application being made by the designee is sufficient.

PROJECT IDENTIFICATION

s. 11

Include the following information.

project name (and OSR project approval number, if the application is for an amendment)

project contact person, including the contact person's

- name
- title
- company
- mailing address
- courier address (as appropriate)
- telephone number and area code
- fax number and area code
- e-mail address

The contact person is often a representative of the project operator. All project-related issues and correspondence are directed to the project contact person. The project operator is responsible for notifying the Department if contact information changes.

PROJECT OVERVIEW

s. 10, s. 11

Provide a summary of the project's history and future development plans, including

- a description of the lands and facilities included within the proposed project
- the dates when lands and leases were acquired
- a proposed effective date for the Project
- the locations of the first wells on the project site and the dates they were drilled
- annual production to date
- future development plans
- other relevant details

Applications pertaining to project amendments must describe the relationship between the proposed amendment and the existing project. Applications that do not provide this information will not be processed.

PROJECT DESCRIPTION

Information provided in this section is the basis of the project description issued as part of an oil sands royalty project approval order. If the project application includes errors in describing the project, lands or facilities, these errors may cause items to be excluded from the project description. Costs may be disallowed as a result.

Energy Resources and Conservation Board Approvals

s. 10(1), s. 14(1)

The production schemes (whole or a part of one or more schemes) or operations of a proposed oil sands royalty project must all be approved by the Energy Resources and Conservation Board (ERCB).

Describe each project component and include a copy of the relevant ERCB application(s) and approval(s). Note any specific terms or conditions required by the ERCB. Related applications and approvals for separate facilities (central batteries, processing plants (cleaning and treating plants, upgraders), sand disposal facilities, pipelines, etc.) also must be included.

The Department may require copies of supporting regulatory applications (such as relevant sections of environmental impact assessment) and approvals to complete the review of any specific application regarding an Oil Sands Royalty (OSR) Project.

All required ERCB approvals must be in place before an OSR project application will be accepted.

Lands, Leases and Mineral Rights

S.14

Provide the following information about the project development area:

project land

- legal land descriptions (section, township, range and meridian) that define the surface areas included in the project
- a map showing the area and project wells, facilities and infrastructure must be included.

project leases

- the lease number and lease description for all leased lands included within the project

the subsurface strata (geological names and zone designations or deeper rights reversion zone designation) and deposits from which oil sands products will be recovered

Project Operations

s. 10, s.14

Describe the following:

proposed description of project operations;

the recovery methods and technology that will be used

a listing and description of the kinds of oil sands products that will be recovered or obtained

a listing and description of non-arm’s length transactions expected to occur for the supply of any capital assets, goods or services for the Project, or for the supply of any capital assets, goods or services produced or generated other than for the purposes of the Project.

information on development plans, future production profile or anticipated production profile.

information regarding reservoir properties. Use the following table:

Key OBIP* Properties		Recovery Properties		Bitumen Properties	
Area (m ²)		Depth (m)		API (°)	
Average Net Pay (m)		Temperature (°C)		TAN	
Porosity (%)		Pressure (kPa)		Sulphur (%)	
Oil Saturation (%)		Permeability (Darcies)			
Approx. Gross OBIP (m ³)		Viscosity (cp)			
Other					
Formation Concerns:		In this section describe specific reservoir issues that may impact future production such as: gas caps, bottom water, and top water.			

*original bitumen in place

For in-situ projects, the Department will also review third party Reservoir Engineer’s Reports or company specific reservoir data if no engineer’s report exists. This can be arranged through communication with the Department during review of the application.

For thermal projects, mining projects, upgraders, partial upgraders, or pilot projects the Department will require material balances and process flow diagrams. These need to be official documents, generally, issued by a third party engineering firm and stamped by their engineers, and consistent with the standards for such documents usually accepted within the Engineering, Procurement and Construction Industry for Process Flow Diagrams, Heat and Material Balances.

Facilities and Other Capital Assets

s. 10, s.14

Provide the following information about each facility and asset required to produce the proposed oil sands products:

the function

the location

a description of the capital assets (core or supporting) proposed to be included in the Project, including whether any such assets will be located other than on Project lands.

- 1) specify each lessee's equity share of any capital assets material to Project operations.
- 2) a description of all other assets that are expected to be of material relevance to Project operations.
- 3) a description of the level of use of the shared assets for Project and non-Project uses.

the facility name and identification code, if available

the appropriate ERCB approvals or permits

If the proposed project includes wells, provide the unique well identifier and Finished Drilling Date for each well.

FINANCIAL DETAILS

s. 15, s. 16

Financial information submitted by an oil sands royalty project applicant is kept confidential. All financial information is subject to verification by Department of Energy auditors. The project operator must also include an electronic file describing the transaction of capital and operating expenses claimed that reconciles with the total amounts claimed on the PNCB. This file should include enough information to allow the Department of Energy auditors to trace a transaction to its supporting documentation and should include the name of the vendor, the invoice number, invoice date, a description of the transaction, the AFE number, account number, account description and any other information necessary to identify the nature of the transaction.

Use the Department's prior net cumulative balance (PNCB) forms to itemize all project costs and revenues. PNCB forms can be downloaded from the Department website: Alberta Energy Internet address: <http://www.energy.gov.ab.ca/>, from "Our Business", navigate to "Oil Sands", "Forms and Reporting", "Forms (Royalty)" An authorization of expenditure (AFE) or comparable budgetary approval document must be included with each form.

Submit PNCB forms to include the following:

Calculation of Prior Net Cumulative Balance: Summary

- This form summarizes the costs and revenues for the appropriate period. Provide information for all the categories included on this form.

Prior Net Cumulative Balance: Cost Detail

- Complete a cost detail form for each year reported on the PNCB summary. For all capital assets, cross-reference the corresponding AFE number on a separate sheet. NOTE: The categories included on the cost detail form are intended as examples. Project applicants may substitute the listed categories with ones that reflect their particular operations.
- Provide proposed allocations between project and non-project assets (if applicable).

Prior Net Cumulative Balance: Revenue Detail

- Complete a revenue detail form for each year reported on the summary form. Provide information for all the categories included on this form.

ECONOMIC MODEL

Complete and submit the Economic Evaluation Data (Required for New Applications, Amendments & Project Amendments) template available on the Alberta Energy Internet address: <http://www.energy.gov.ab.ca/>, from “Our Business”, navigate to “Oil Sands”, “Forms and Reporting”, “Forms (Royalty)”. Ensure to look at the definitions in the notes section of the Excel workbook.

SIGNATURES

Applications for oil sands projects must be signed by an authorized officer who represents the project lessee or the lessee’s designee and by the individual who prepared the application.

These signatures

- verify that the information included in the application is accurate
- authorize the Department to audit the information and to access additional project records, if required
- confirm that the applicant accepts responsibility for reporting project changes to the Department
- confirm the applicant’s willingness to comply with the provisions of the *Oil Sands Royalty Regulation, 2009* (AR 223/2008)

Required Text for Signature Lines

We confirm the preceding information to be accurate and consent to provide the Department with access to all records relating to any physical or financial component necessary to verify the project’s prior net cumulative balance. We agree to abide by the provisions of the *Oil Sands Royalty Regulation, 2009* (AR 223/2008), and associated Ministerial regulations.

We understand that it is our responsibility to report to the Department any changes made to the project, and that these changes may require an application to amend the oil sands royalty project approval for continued application of the provisions of the *Oil Sands Royalty Regulation, 2009* (AR 223/2008).

Authorized Officer	Person Who Completed the Application
Name _____	Name _____
Signature _____	Signature _____
Position _____	Position _____

COMPLETED APPLICATIONS SHOULD BE SUBMITTED TO:

Manfred Pade, Director - Project Engineering and Approvals
Oil Sands Operations,
Alberta Department of Energy
North Petroleum Plaza,
9945 - 108 Street
Edmonton, Alberta Canada T5K 2G8

QUESTIONS? Contact Manfred Pade at (780) 644-1567. Email: Manfred.Pade@gov.ab.ca