



Oil Sands Operations
Operations

14th floor
North Tower, Petroleum Plaza
9945 - 108 Street
Edmonton, Alberta T5K 2G6

Telephone 780/422-9212
Fax 780/422-0692
File No. IB 2009-18

December 22, 2009

OIL SANDS INFORMATION BULLETIN 2009-18

SUBJECT: Royalty Report Updates, Pre 2009 Inventory, & Electronic Transfer System (ETS) filing for Royalty Reports

As a result of the changes introduced by the Alberta Royalty Framework, and the *Oil Sands Royalty Regulation, 2009* (OSRR'09), a number of oil sands royalty reporting forms required revisions.

Revised End of Period Statements (EOPS) effective Period 2009 and Enhancements to Monthly Royalty Calculation (MRC) and Good Faith Estimate (GFE) for 2010 Reporting

Industry members, through CAPP, participated in the review of the EOPS for Period 2009 reporting. The revised Pre-Payout EOPS and Post-Payout EOPS reflect the collaborative effort of this group. We wish to thank the members who participated in this process and provided valuable feedback.

Changes were made to the Revenue and Royalty schedules in the EOPS to align with the reporting details in the monthly royalty forms. Several minor enhancements (eg.name and formatting changes to certain cells, statement reminders) have also been made to the form. Please refer to the Form Revision History Tab (new) in the EOPS report templates for a listing of the changes made. The revised EOPS must be used for the Period 2009 submissions due March 31, 2010.

The MRC and GFE were changed in January 2009 to align with the reporting changes that were introduced in the OSRR'09, and the Alberta Royalty Framework. Several minor changes (eg.name and formatting changes to certain cells, statement reminders) have been made to these forms for continuous enhancement. Please refer to the Form Revision History Tab (new) in the MRC and GFE report templates for a listing of all the changes made. Operators must use the enhanced forms starting with reporting month January 2010.

The new report templates for the EOPS, MRC and GFE are located in <http://www.energy.gov.ab.ca/OilSands/582.asp> (see Oil Sands Project Royalty Reporting Forms) and will be posted on our website by December 31, 2009.

Project References on Statements of Approval for Monthly and Annual Reports

Beginning January 2010, the Statement of Approval that accompanies monthly and annual royalty filings must reference the Project Id and Royalty Payable that is being approved in the filing.

Pre 2009 Inventory Valuation Rules

The Pre 2009 Inventory Reporting process for section 38.1 of the Oil Sands Royalty Regulation, 1997 was addressed previously in Information Bulletin 2009-02 <http://www.energy.gov.ab.ca/OilSands/806.asp> . This is a reminder to Project Operators that all Pre 2009 inventory under section 38.1 (clean crude bitumen, blend, synthetic crude oil and/or other oil sands product volumes that were measured at the Royalty Calculation Point but not disposed of, consumed or used on or before December 31, 2008) are deemed to be disposed of in the month of December 2008. The inventory for both Pre-Payout and Post-Payout Projects is valued at the product's Average 2009 Unit Price (simple average calculation of the product's 2009 monthly unit prices, calculated in accordance with section 32 of the Oil Sands Royalty Regulation, 2009). All amendments to 2009 unit prices will require operators to also amend the Pre 2009 inventory reporting of valuation and royalty until the 2009 Period becomes statute barred at December 31, 2013.

Diluent in any blend inventory is valued at the weighted average unit cost (WAC) of diluent reported in the December 2008 blend sales. If no blend sales were reported in December 2008, the Project Operators are to use the WAC of the diluent in the last month of 2008 where blend sales were reported. All inventory and unit prices will be subject to audit by the Department's Compliance and Assurance Branch.

Note: The rules for Pre-2009 transitional inventory of crude bitumen processed through an integrated upgrader are contained in section 38.2 of the Oil Sands Royalty Regulation, 1997. Operators of integrated Projects as of December 31, 2008 remain subject to the provisions of sections 38.1 and 38.2. The Department will continue to discuss the reporting and payment process under section 38.2 with affected Project operators.

Pre 2009 Inventory Reporting Process

For Pre-Payout Projects, Pre 2009 inventory volumes must be reported in the December 2008 MRC as an amendment, accompanied by the 2008 Pre-Payout EOPS. For Post-Payout Projects, Pre 2009 inventory volumes are to be reported in the December month of the 2008 Post-Payout EOPS. A special MRC (2008-12 MRC with Pre 2009 Inventory) and EOPS (2008 EOPS with Pre 2009 Inventory) have been created for the reporting of Pre 2009 inventory, segregating the inventory deemed sales from regular Project sales. All Project Operators that have Pre 2009 inventory must use these special reports to calculate the royalty related to Pre 2009 inventory. For Projects that have Pre 2009 inventory, all subsequent amendments of the 2008-12 MRC and 2008 EOPS must be filed using the special reports. The filing deadline for the reporting and payment of Pre 2009 inventory is April 30, 2010.

The '2008-12 MRC with Pre 2009 Inventory' and '2008 EOPS with Pre 2009 Inventory' report templates will be posted on our website by December 31, 2009. The templates will be located at <http://www.energy.gov.ab.ca/OilSands/582.asp> (see Oil Sands Project Royalty Reporting Forms).

Requests for Extension of 2009 EOPS Filing Deadline to April 30, 2010 for Pre-Payout Project Operators that have Pre 2009 Inventory

Pre-Payout Project operators that have to file the 2008 EOPS for Pre 2009 inventory may request their due date for filing the 2009 EOPS to be extended by one month to April 30, 2010 in order to coincide with their filing deadline for the 2008 EOPS. As with the filing extension process that has

been established, Project operators who want a deadline extension of the 2009 EOPS must make a written request to the Department (Director Oil Sands Royalty and Tenure, Oil Sands Operations) for approval. Approval will be granted if the Operator provides a draft EOPS with an estimate of the royalty payable by March 31, 2010. The filing extension for the 2009 EOPS will not change the payment due date of any related royalty payable. The 2009 royalty for Pre-Payout and Post-Payout Projects is payable as of its original due date.

Using Energy's Electronic Transfer System (ETS) for Royalty Report Submissions

Similar to the CARE Reports and the Operator's Forecast Report submissions via the Department's secure web application, Electronic Transfer System (ETS), the submission of monthly (MRC and GFE) and annual (EOPS) royalty forms and related correspondence (Statement of Approval, Audit Opinion, etc.) will be made available through ETS by February 15, 2010. Either the ETS or email report submission process may be used during a transition period between February 15, 2010 and June 30, 2010. Thereafter, Project operators will be required to use only ETS for the royalty submissions. If in the unlikely event there are temporary technical problems with ETS at the time a submission is being made and the technical problems cannot be resolved by the filing deadline, then the email process will be made available for Project operators to submit their reports. However, inquiries can continue to be emailed to the OS Reporting Mailbox.

ETS Access

Current Project operators should already have access permission to the Correspondence folder in ETS, where the royalty forms are identified. New Project operators can follow the ETS process addressed in Information Bulletins 2009-13 and 2009-17

<http://www.energy.gov.ab.ca/OilSands/806.asp> for the CARE and Operator's Forecast reports to set up the ETS Account and permission to the Correspondence folder to submit the royalty reports.

Royalty Form Types for ETS Submission

The following form types can be submitted through ETS beginning February 15, 2010. Project operators must select the appropriate form type for the submission that is being made. To facilitate the management of files in ETS, Project operators will be asked to name their ETS submission files in accordance with the file naming conventions below.

Form Type	Form Abbreviation	File Naming Convention
OS Monthly Royalty Report	OSMRR	<p><MRC, GFE, PSR or Multi>.<Project#, PSR ID, or Multi*>.<Report Month>.xls E.g. MRC.OSR001.201001.xls E.g. GFE.OSR045.201001.xls E.g. PSR.Buffalo.201001.xls E.g. PSR.10512.201001.xls E.g. Multi.Multi.201001.xls</p> <p>*Multi is used to accommodate operators that combine multiple forms for multiple Projects in one excel workbook</p>
OS End of Period Statement	OSEOP	<p>EOP.<Project#>.<Period>.xls E.g. EOP.OSR010.2009.xls</p>

Form Type	Form Abbreviation	File Naming Convention
OS Monthly Statement of Approval	OSSOAMONTH	SOA.Monthly.<Project# or Multi>.<Report Month>.pdf E.g. SOA.Monthly.OSR010.201003.pdf E.g. SOA.Monthly.Multi.201001.pdf
OS Operator Signature and EOP Statement of Approval	OSSOAEOPS	SOA.EOP.<Project# or Multi>.<Period or Multi>.pdf E.g. SOA.EOP.OSR007.2009.pdf E.g. SOA.EOP.Multi.2009.pdf E.g. SOA.EOP.Multi.Multi.pdf
OS Payment Allocation	OSPAYALLOC	PayAlloc.<Report Month>.pdf E.g. PayAlloc.201001.pdf
OS EOPS Independent Auditor's Opinion	OSAUOPIN	AuditOpin.<Project#>.<Period>.pdf E.g. AuditOpin.OSR005.2009.pdf

Please contact OSReport@gov.ab.ca if you require further explanation to complete or submit these forms.

Questions regarding the Information Bulletin may be directed to:

Maria Lee
 Manager Oil Sands Royalty
 Oil Sands Operations
 14th Floor, Petroleum Plaza – North Tower
 9945 – 108 St
 Edmonton, Alberta T5K 2G6
 780 415-2081
Maria.Lee@gov.ab.ca

Anne Denman
 Executive Director
 Oil Sands Operations