



Oil Development
Oil Sands Development
Operational Policy

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OIL SANDS INFORMATION BULLETIN **2006-01**

SUBJECT: The Alberta Oil Sands Royalty Principles and Procedures

The Alberta Oil Sands Royalty Principles and Procedures (Guidelines) interpret the legislations, particularly the Oil Sands Royalty Regulations, 1997 (AR 185/1997) and describe the principles and procedures involved in approving, reporting, and paying oil sands projects and oil sands royalties.

The June 1, 2006 Guidelines replace the Guidelines dated July 29, 2005 and include clarification of business rules such as: Allowed Costs, Directly Attributable, Road Costs, Overhead, Costs of Evaluation Wells as well as new sections on Cross-Boundary Wells and Grandfathering. The attached list identifies the updates made to the Guidelines since July 29, 2005.

The June 1, 2006 Guidelines may be retrieved from the Department of Energy website: <http://www.energy.gov.ab.ca> (choose Oil Sands, and then choose Royalty Guidelines).

Oil Sands Royalty clients are encouraged to continually check the department's website as these Guidelines reflect the ongoing policies and procedures of the Oil Sands Royalty Program and are subject to ongoing changes as required.

In cases of conflict, the Mines and Minerals Act and the Oil Sands Royalty Regulations, 1997 will take precedence over these Guidelines.

For more information about Alberta's Oil Sands Royalty regime, please go to the Department of Energy website and choose 'Our Business', 'Oil Sands' or 'Contacts' to receive further clarifications regarding the Guidelines.

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Attachment

Location of Change	Details of Changes as of June 1, 2006
Global changes	Updated Guidelines to clarify the Ministers' role as per the Regulation
Section 1.1 Oil Sands Royalty: A Look Back	Updated to clarify business rules
Section 1.3 Alternative Royalty Regimes	Removed reference to the Experimental Oil Sands Royalty Regulations – as this program can no longer be applied for
Section 2.3.7.2 Oil Sands Products	Added bullet on "off-gases" and clarification to dirty crude bitumen
Section 2.3.10.2 Excluded Costs	1) Added a reference to the Innovative Energy Technologies Regulation and 2) Moved "costs incurred to recover....Experimental Oil Sands..." bullet to a "Note" at end of 2.3.10.2
Section 2.3.10.3 Timing	1) Clarification added regarding the 4th and 5th years. 2) Example provided and 3) Added cross reference
Section 3.3.2.1 Required Information	Updated to clarify business rules
Figure 1 - The approval Process	Updated: 1) 'Economic Unit' box, 2) Notes 1 - removed sentence where "the applicant may apply for the OSR and Board approvals concurrently" and 3) added an "additional note" relating to the Application in the Alternative
Section 3.3.3.1 Project Status	New comments added relating to "Application in the Alternative" method
Section 3.3.3.5.1 AEUB Approval	Updated to clarify business rules
Section 3.3.3.5.2 Applying Before EUB Approvals Are Granted	Removed section as the Department will no longer accept an application without EUB approval
Section 3.3.3.5.8 Signatures	1) Updated signature authorization and 2) previously numbered 3.3.3.5.9
Section 4.2.1.2 The Return Allowance for Post-Payout Projects	Added to point #2 "transitions to post-payout status"
Section 4.2.2 Allowed Costs	Added a sentence to 1st paragraph to reference Regulation and cost schedules
Section 4.2.2.1 Cost Rules	Added: 1) "Note" at end of section to clarify cost rules and 2) clarification on costs incurred on project lands (" <i>Recover Oil Sands...</i> ")
Section 4.2.2.1.1 Reasonable Costs	New - clarify costs rules
Section 4.2.2.1.2 Directly Attributable Costs	New - clarify costs rules
Section 4.2.2.2 Types of Allowed Costs	Revised section by: 1) Changed opening paragraphs and 2) Moved Allowed Construction and Capital Investment costs and Allowed Operations Costs to Appendix L - New
Section 4.2.2.2.1 Road Costs	New - to clarify road cost rules
Section 4.2.2.3 Costs That are Not Allowed	Revised section by: 1) Changed opening paragraph and 2) Moved list of Costs that are Not Allowed to Appendix L - New
Section 4.2.2.3.1 Services in support of Marketing and Expansions	New - clarify cost rules
Section 4.2.2.3.2 Overhead	New - clarify cost rules
Section 4.2.2.3.3 Costs of Evaluation Wells and Seismic Work Incurred Off-Project	New - clarify cost rules

Location of Change	Details of Changes as of June 1, 2006
Section 4.2.2.3.4 Evaluation Well Costs Incurred More than 5 Years Before the Effective Date	New - clarify cost rules
Section 4.2.3.1 Types of Revenue	Updated to clarify business rules
Section 4.2.4.1 Negative Unit Prices	Updated to clarify business rules
Section 4.4 The Royalty Calculation for Post-Payout Projects	Updated to clarify business rules
Section 5.1 Solution Gas and Fuel Gas	Updated "Note" to clarify timeline to be contingent upon implementation of Regulation
Section 5.2.1.2 Allowed Costs Based on Cost-of-Service Calculations	Updated to clarify business rules.
Section 5.2.4 Cost Rules for Pipeline Overcapacity	Updated to clarify business rules
Section 5.5 Hedges	Updated to clarify business rules
Section 5.7 Cross-Boundary Wells	New - clarify business rules
Section 5.8 Grandfathering	New - clarify business rules
Section 6.1.1 Monthly Royalty Calculation Reporting Forms (MRC)	Clarified paragraph on who completes the MRC
Section 6.1.1.1 Amendments	Removed sentence. <i>MRC's cannot be amended. . .</i>
Section 6.1.1.2 Timing	Updated to clarify business rules
Section 6.1.2.2 Amendments	Updated to clarify business rules
Section 6.2.1 Monthly Good Faith Estimates Reporting Forms (GFEs)	Updated to clarify business rules
Section 6.2.2.2 Amendments	Updated to clarify business rules
Section 6.4.1.1 Required Information	Updated: 1) 'who' would submit forms, 2) removed amendment portion and 3) how forms would be submitted (paper / electronically)
Section 6.5.2 Required Information	Updated to clarify business rules
Section 9.2.2 Basic Services	Updated to clarify business rules
Appendix A - Glossary	Updated and added definitions to clarify business rules
Appendix B - Application for Royalty Terms Under the Oil Sands Royalty Regulation, 1997	Revised form to include new check box: "Application in the Alternative" and adding the definition. Updated signature section
Appendix J - Contact Information	Updated Contacts
Appendix L - List of Allowed and Not Allowed Cost	New Appendix. List of allowed / not allowed costs moved from Sections 4.2.2.2 and 4.2.2.3 with additional Illustrative Cost Categories