



Province of Alberta

MINES AND MINERALS ACT

NATURAL GAS ROYALTY REGULATION, 2009

Alberta Regulation 221/2008

With amendments up to and including Alberta Regulation 198/2015

Office Consolidation

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(Consolidated up to 198/2015)

ALBERTA REGULATION 221/2008

Mines and Minerals Act

NATURAL GAS ROYALTY REGULATION, 2009

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Part 1 General

Interpretation**1(1)** In this Regulation,

- (a) “Act” means the *Mines and Minerals Act*;
- (b) “allocation data” means owner allocation data or stream allocation data or both;
- (c) “allowable costs” means costs and allowances for which the Crown is liable under section 18(2);
- (d) “battery” means a pipeline or pipeline installation at which natural gas recovered from one or more wells is collected and measured prior to its delivery to another facility or into a pipeline;
- (e) repealed AR 89/2013 s36;
- (f) “butanes” means, in addition to its normal scientific meaning, a mixture mainly of butanes that ordinarily may contain some propane or pentanes plus;
- (g) “commercial storage facility” means the wells and other facilities used in the operation of a commercial storage scheme and designated by the Minister as a commercial storage facility for the purposes of this Regulation;
- (h) “commercial storage scheme” means a scheme approved or ordered by the Regulator under the *Oil and Gas Conservation Act* for the storage of natural gas or a gas product in an underground formation or subsurface cavern and designated by the Minister as a commercial storage scheme for the purposes of this Regulation or the 2002 Regulation;
- (i) “common stream operator”, in relation to natural gas or residue gas delivered from one or more facilities to a receipt meter station in a production month, means the

person who is recorded in Petrinex as the common stream operator in relation to that natural gas or residue gas;

- (j) “component analysis” means an analysis of a sample of natural gas or residue gas to determine the respective volumes and quantities of in-stream components of the natural gas or residue gas;
- (k) “cost of conservation gas” means the cost of conservation gas determined in accordance with section 7(5) of Schedule 1;
- (l) “Crown lease” means an agreement granting petroleum and natural gas rights, natural gas rights, petroleum rights or oil sands rights;
- (m) “Crown percentage”, in relation to a well group, means the portion of the production from well events in the group that is recovered pursuant to a Crown lease, as shown in the records of the Department;
- (n) “crude oil” means a mixture mainly of pentanes and heavier hydrocarbons
 - (i) that may be contaminated with sulphur compounds,
 - (ii) that is recovered or is recoverable at a well from an underground reservoir, and
 - (iii) that is liquid at the conditions under which its volume is measured or estimated,and includes all other hydrocarbon mixtures so recovered or recoverable except natural gas, field condensate or crude bitumen;
- (o) “dispose of”, in relation to any natural gas or gas product, means
 - (i) to sell and deliver the natural gas or gas product to a buyer, or
 - (ii) to otherwise dispose of and deliver the natural gas or gas product to a person who by reason of the disposition becomes its owner;
- (p) “document” includes information transmitted electronically;
- (q) “drilling spacing unit” means a drilling spacing unit prescribed or established pursuant to regulations under the *Oil and Gas Conservation Act*;

- (r) “facility” means
 - (i) a battery,
 - (ii) a gathering system,
 - (iii) a gas processing plant,
 - (iv) a reprocessing plant,
 - (v) a gas injection facility, or
 - (vi) a commercial storage facility;
- (s) “field condensate” means products, other than gas products and oil sands products, obtained from natural gas or solution gas before it is delivered to a gathering system;
- (t) “gas injection facility” means
 - (i) the wells and other associated injection facilities, or
 - (ii) a well without any associated injection facilities,used by an operator in the operation of one or more gas injection schemes;
- (u) “gas injection scheme” means a scheme, other than a commercial storage scheme, approved or ordered by the Regulator under the *Oil and Gas Conservation Act* and respecting the injection of natural gas or a gas product into an underground formation;
- (v) “gas processing plant” means a plant for the processing of natural gas, but does not include a reprocessing plant, well head separator, treater or dehydrator;
- (w) “gas product” means residue gas, ethane, propane, butanes, pentanes plus, sulphur or any other product obtained by processing natural gas or by reprocessing residue gas or otherwise, but does not include field condensate;
- (x) “gathering” includes compressing by means of a compressor forming part of a gathering system;
- (y) “gathering system” means a pipeline or pipeline system, including installations and equipment associated with the pipeline or pipeline system, that transmits natural gas from one or more wells to a gas processing plant or other delivery point;

- (z) “IETP costs” means allocable costs as defined in the *Innovative Energy Technologies Regulation* (AR 250/2004);
- (aa) “in-stream component” or “ISC” means a component of natural gas or residue gas, including, without limitation, methane, ethane, propane, butanes, pentanes plus, carbon dioxide, hydrogen, hydrogen sulphide, helium and nitrogen;
- (bb) “ISC reference prices”, in relation to a production month, means, collectively, the Methane ISC Reference Price, Ethane ISC Reference Price, Propane ISC Reference Price, Butanes ISC Reference Price and Pentanes Plus ISC Reference Price for that production month;
- (cc) “light-ends” means a gas product that is obtained at a gas processing plant or reprocessing plant and is given by the owner of the product to another person for no consideration and that is, in the Minister’s opinion, not of a kind or quantity sufficient for the owner of the product to dispose of by way of sale;
- (dd) “mainline straddle plant” means a plant for the reprocessing of residue gas that is designated by order of the Minister as a mainline straddle plant for the purposes of this Regulation or the 2002 Regulation in a designation that remains unrevoked;
- (ee) “1994 Regulation” means the *Natural Gas Royalty Regulation, 1994* (AR 351/93);
- (ff) “oil sands product” means oil sands product as defined in the *Oil Sands Royalty Regulation, 2009*;
- (gg) “operator”, with reference to a well or facility, means the person who is the operator of the well or facility according to the records of the Department;
- (hh) “owner allocation data”, in relation to an allocation of quantities available for sale to a royalty client, means the owner allocation factor or factors for that allocation and the related data referred to in section 23(3)(e)(ii);
- (ii) “owner allocation factor” means an owner allocation factor referred to in section 23(3)(c) or (d);
- (jj) “pentanes plus” means a mixture of hydrocarbons consisting wholly or mainly of pentanes and heavier hydrocarbons and obtained from natural gas by processing or otherwise, but does not include field condensate;

- (kk) “Petrinex” means the electronic information system administered by the Department;
- (ll) “plant gate” means
 - (i) in relation to a gas processing plant, the first point of measurement of the quantity of a gas product after it is obtained at that gas processing plant, or
 - (ii) in relation to a reprocessing plant, the first point of measurement of the quantity of a gas product after it is obtained at that reprocessing plant;
- (mm) “pool” means a natural underground reservoir containing or appearing to contain an accumulation of petroleum or natural gas separated or appearing to be separated from any other such accumulation;
- (mm.1) “producing interval” means a perforation from which production is obtained;
- (nn) “production entity” means
 - (i) a drilling spacing unit, to the extent that the drilling spacing unit is not included in an area described in subclause (ii) or (iii),
 - (ii) the area of a project as defined in the *Oil and Gas Conservation Act*, or
 - (iii) a unit area;
- (oo) “production month”, in relation to any natural gas, gas product or field condensate, means the month in which it is recovered or obtained;
- (pp) “propane” means, in addition to its normal scientific meaning, a mixture mainly of propane that ordinarily may contain some ethane or butanes;
- (qq) “quantities available for sale”, in relation to a production month, means
 - (i) the quantities or volumes of gas products obtained during the production month at a gas processing plant or reprocessing plant,
 - (ii) the quantities or volumes of natural gas or gas products delivered from a gathering system during the production month, except quantities or volumes delivered to a gas processing plant, reprocessing plant or to another gathering system,

- (iii) the quantities of natural gas delivered during the production month from a battery, or
- (iv) the quantities or volumes of natural gas or gas products disposed of during the production month before being delivered to a gas processing plant or reprocessing plant;
- (rr) “receipt meter station” means each place on a pipeline at which natural gas or residue gas can be received and the quantity so received can be measured;
- (rr.1) “Regulator” means the Alberta Energy Regulator;
- (ss) “reprocessing plant” means a plant for the reprocessing of residue gas, with or without the capacity of processing natural gas, but does not include a mainline straddle plant;
- (tt) “residue gas” means a gaseous mixture consisting primarily of methane and obtained as a separate product at a gas processing plant or reprocessing plant;
- (uu) “royalty calculation point”, in relation to any natural gas, gas product or field condensate, means the place determined under section 9 as the place at which the Crown’s royalty share of the natural gas, gas product or field condensate is to be calculated;
- (vv) “royalty client” means
 - (i) with reference to a well group, a person shown in the records of the Department as a royalty client for that well group, or
 - (ii) with reference to the Crown’s royalty share of excess or unallocated quantities of natural gas or gas products referred to in section 24, a person who is deemed to be a royalty client in respect of those quantities by reason of the operation of section 24(1)(c) or (2)(c);
- (ww) “royalty client account” means an account maintained for a royalty client pursuant to section 16(6);
- (xx) “royalty compensation” means money payable to the Crown under this Regulation as compensation in respect of the Crown’s royalty share of natural gas, a gas product or field condensate, the Crown’s title to which is transferred pursuant to section 15;

- (yy) “royalty invoice” means a monthly invoice issued and sent to a royalty client pursuant to section 16(1);
- (zz) “solution gas” means
- (i) gas that is separated from crude oil or crude bitumen after recovery from a well event,
 - (ii) gas that is dissolved in crude oil under initial reservoir conditions and includes any of that gas that evolves as a result of changes in pressure or temperature, or both, due to human disturbance, and
 - (iii) gas that is dissolved in bitumen under initial reservoir conditions and includes any of that gas that evolves as a result of changes in pressure due to human disturbance
- but does not include gas produced through chemical alteration of crude bitumen using high temperature, high pressure, a catalyst or otherwise;
- (aaa) “stream allocation data”, in relation to an allocation of quantities available for sale, means the stream allocation factor or factors for that allocation and the related data referred to in section 23(3)(e)(i);
- (bbb) “stream allocation factor” means a stream allocation factor referred to in section 23(3)(a) or (b);
- (ccc) “2002 Regulation” means the *Natural Gas Royalty Regulation, 2002* (AR 220/2002);
- (ddd) “unit area” means the unit area under a unit agreement or unit operation order;
- (eee) “well event” means
- (i) a part of a well completed in a zone and given a unique well identifier by the Regulator,
 - (ii) parts of a well completed in 2 or more zones and given a single unique well identifier by the Regulator,
 - (iii) a part of a well completed in and recovering natural gas from a zone but which has not yet been given a unique well identifier by the Regulator, or
 - (iv) parts of a well completed in and recovering natural gas from 2 or more zones during the period when the parts are considered by the Minister as a single well

event for the purposes of this Regulation and before the Regulator makes a decision whether or not to give the parts a single unique well identifier;

(fff) “well group” means a well group referred to in section 20.

(2) Where any reference is made in this Regulation to a month, whether by its name or not, the reference shall be construed as being the period commencing at 8:00 a.m. on the first day of that month and ending immediately before 8:00 a.m. on the first day of the next month.

(3) For the purposes of the provisions of this Regulation that refer to persons being associated with each other, persons are associated with each other if they are considered associated with each other by reason of a general or special direction of the Minister.

(4) For the purpose of the provisions of this Regulation that refer to persons dealing at arm’s length with each other, persons shall be regarded as not dealing at arm’s length with each other if, at a material time under this Regulation, they are related parties within the meaning of the CPA Canada Handbook published from time to time by the Chartered Professional Accountants of Canada.

(5) If any natural gas or gas product is injected into a pool and any question arises as to the purpose for which the gas was injected, then, for the purposes of this Regulation, the question is to be decided by the Minister.

(6) The Minister shall decide any question arising under this Regulation as to whether any particular plant, pipeline or installation is a battery, a gathering system, a gas processing plant, a reprocessing plant, a gas injection facility or a receipt meter station for the purposes of this Regulation.

(7) Where any question arises pertaining to the interpretation or application of this Regulation, the Minister is the sole judge of the question and there is no appeal from the Minister’s decision.

AR 221/2008 s1;134/2009;288/2009;89/2013;140/2014;198/2015

Lessee’s liability unaffected

2 Nothing in this Regulation operates to relieve a lessee from

- (a) the lessee’s liability to the Crown under an agreement for the payment of royalty, or
- (b) the lessee’s liability under this Regulation to pay royalty compensation to the Crown.

Application of Regulation

3(1) This Regulation applies to royalty on natural gas recovered, and gas products and field condensate obtained on or after January 1, 2009.

(2) This Regulation applies

- (a) to solution gas as though it were natural gas, and
- (b) except as provided in section 8(6) and (7), to products obtained from solution gas.

Furnishing documents to the Minister

4(1) If a provision of this Regulation requires a document to be furnished to the Minister, or an amount to be paid to the Crown, on or before a day, the document is deemed to be furnished or the amount is deemed to be paid, as the case may be, if it is received by the Department on or before that day.

(2) Unless otherwise directed by the Minister, where any document required or permitted to be furnished under this Regulation must be provided in a form required by the Minister, the document must

- (a) contain complete and accurate information required by the form, and
- (b) be completed in accordance with any general directions given by the Minister or any instructions shown in the form.

(3) The Minister may refuse to accept a document that does not meet the requirements of subsection (2) and in that case the document is, for the purposes of this Regulation, deemed not to have been furnished.

Reporting standards

5(1) In this section,

- (a) “cubic metre of gas” means the volume of natural gas or residue gas which, when dry and at standard temperature and under standard pressure, will fill a space of one cubic metre;
- (b) “gross or higher heating value” means, for the purposes of subsection (3)(a), the total joules obtained by the complete combustion of one cubic metre of natural gas or residue gas and air under conditions where

- (i) the combination reaction is at constant standard pressure,
 - (ii) the gas, including acid gas components, is free of all water vapour,
 - (iii) the temperature of the gas, air and products of combustion are at standard temperature, and
 - (iv) all water formed by the combustion reaction is condensed to a liquid state;
- (c) “heat content” means the total amount of heat contained in a gas stream, including the sensible heat and latent heat of condensation;
- (d) “standard pressure” means the absolute pressure of 101.325 kilopascals;
- (e) “standard temperature” means 15 degrees Celsius.

(2) In a document furnished to the Minister under the Act or this Regulation,

- (a) volumes of natural gas or residue gas must be expressed in thousands of cubic metres of gas to the nearest tenth of a thousand cubic metres;
- (b) the heating value of natural gas or residue gas must be expressed in megajoules per cubic metre to the nearest hundredth of a megajoule per cubic metre;
- (c) quantities of natural gas or residue gas must be expressed as heat content in gigajoules to the nearest whole gigajoule;
- (d) volumes of ethane, propane, butanes, pentanes plus and field condensate must be expressed in cubic metres to the nearest tenth of a cubic metre;
- (e) volumes of in-stream components must be expressed in thousands of cubic metres, to 3 decimal places;
- (f) quantities of in-stream components must be expressed as heat content in gigajoules, to 3 decimal places;
- (g) quantities of sulphur must be expressed in tonnes to the nearest tenth of a tonne;
- (h) prices of natural gas or residue gas must be expressed in dollars per gigajoule to the nearest cent.

- (3) Subject to subsection (4), in a document furnished to the Minister under the Act or this Regulation,
- (a) volumes of natural gas, residue gas or ethane in gaseous form must be converted to gigajoules by multiplying the volumes of the gas by the gross or higher heating value of the gas, and
 - (b) if the gross or higher heating value used under clause (a) is calculated from a component analysis of the gas, the gross or higher heating value of the gas must be calculated in accordance with *Calculation of Gross Heating Value, Relative Density and Compressibility Factor for Natural Gas Mixtures from Compositional Analysis* (GPA Standard 2172) published from time to time by the Gas Processors Association.
- (4) If the Minister requires a document furnished under the Act or this Regulation to show volumes or quantities of in-stream components of natural gas or residue gas,
- (a) the respective volumes of the in-stream components of the gas must be determined from a component analysis of the gas,
 - (b) the respective volumes of the in-stream components of the gas must be converted to gigajoules by multiplying those volumes by the gross or higher heating value of the respective in-stream components as shown in any edition of *Table of Physical Constants of Paraffin Hydrocarbons and Other Components of Natural Gas* (GPA Standard 2145) published by the Gas Processors Association, and
 - (c) the quantities of the in-stream components calculated under clause (b) must be normalized so that the aggregate quantities of those in-stream components equal the aggregate quantities of the gas.
- (5) The conditions of measurement of volume and heating value when not otherwise specified in this section must be
- (a) in accordance with the provisions of the *Electricity and Gas Inspection Act* (Canada), and
 - (b) corrected for actual atmospheric pressure to the nearest 2 kilopascals.
- (6) For the purposes of calculating royalty on ethane under this Regulation, volumes of ethane in liquid form must be converted to the number of cubic metres the ethane would occupy in gaseous

form at standard temperature and under standard pressure using the conversion factor for a month determined by the Minister.

(7) For the purposes of calculating royalty on field condensate under this Regulation, volumes of natural gas in gaseous form must be converted to the number of cubic metres the field condensate would occupy in liquid form at standard temperature and under standard pressure using the conversion factor of $0.78783 \times 10^3 \text{ m}^3$ of natural gas per cubic metre of field condensate.

Petroleum Registry of Alberta

6(1) Subject to this section, where this Regulation requires a person to furnish to the Minister

- (a) allocation data,
- (b) information respecting volumes or quantities of in-stream components of natural gas or residue gas,
- (c) information referred to in section 25(4), (5) or (7),
- (d) a report, the deadline for the furnishing of which occurs on or after January 1, 2009, or
- (e) a report related to January, 2009 or any subsequent production month,

the allocation data, information or report must be furnished by electronic transmission to Petrinex in accordance with the directions of the Minister respecting the operation of Petrinex.

(1.1) Unless the Minister directs otherwise, subsection (1) does not apply to the furnishing of reports required to be furnished under section 25.1(3).

(2) The Minister may exempt from the operation of subsection (1)

- (a) any class of persons other than operators, or
- (b) any class of reports, subject to any conditions.

(3) Section 5 of the *Mines and Minerals Administration Regulation* (AR 262/97) does not apply to the furnishing of allocation data or any information or reports to which subsection (1) applies.

(4) A reference in this Regulation to a report filed with the Regulator, to the extent it applies to a report related to January, 2009 or any subsequent production month, shall be read as a reference to a report filed with the Regulator by electronic transmission to Petrinex.

(5) For the purposes of this Regulation, where natural gas or a gas product is delivered in a production month from a facility (the “sending facility”) to a receipt meter station or another facility, the reports filed with the Regulator showing the volumes of the natural gas or gas product received at the receipt meter station or the other facility from the sending facility in that month are, subject to subsequent corrections, deemed to be as the volumes delivered from the sending facility in that month.

(6) Without limiting the operation of section 4 of the *Mines and Minerals Administration Regulation* (AR 262/97),

- (a) the Minister may send to a person an invoice, a royalty invoice or any notice or other document authorized or required to be sent to that person under this Regulation by electronic transmission to the Petroleum Registry of Alberta in accordance with the directions of the Minister respecting the operation of the Registry, and
- (b) an invoice, a royalty invoice or a notice or other document sent in accordance with clause (a) is deemed for the purpose of this Regulation to be received by that person when it is transmitted to the Registry.

AR 221/2008 s6;89/2013;118/2014;140/2014

Prescribed prices, factors, deductions and allowances

7(1) The Minister shall, by order, prescribe an amount per gigajoule as the Gas Reference Price for January, 2009 and for each subsequent production month.

(2) The Minister shall, by order, for January, 2009 and for each subsequent production month, prescribe the following, each expressed as an amount per gigajoule:

- (a) the Methane ISC Reference Price;
- (b) the Methane ISC Par Price;
- (c) the Methane ISC Adjusted Intra-Alberta Transportation Deduction.

(3) The Minister shall, by order, for January, 2009 and for each subsequent production month, prescribe the following, each expressed as an amount per gigajoule:

- (a) the Ethane Reference Price;
- (b) the Ethane Par Price;
- (c) the Ethane ISC Reference Price;

- (d) the Ethane ISC Adjusted Intra-Alberta Transportation Deduction.
- (4)** The Minister shall, by order, for January, 2009 and for each subsequent production month, prescribe
- (a) repealed AR 118/2014 s3,
 - (b) an amount per gigajoule as the Propane ISC Reference Price, and
 - (c) an amount per gigajoule as the Propane ISC Adjusted Intra-Alberta Transportation Deduction.
- (5)** The Minister shall, by order, for January, 2009 and for each subsequent production month, prescribe
- (a) repealed AR 118/2014 s3,
 - (b) an amount per gigajoule as the Butanes ISC Reference Price, and
 - (c) an amount per gigajoule as the Butanes ISC Adjusted Intra-Alberta Transportation Deduction.
- (6)** The Minister shall, by order, for January, 2009 and for each subsequent production month, prescribe
- (a) repealed AR 118/2014 s3,
 - (b) an amount per cubic metre as the Pentanes Plus Par Price,
 - (c) an amount per gigajoule as the Pentanes Plus ISC Reference Price, and
 - (d) an amount per gigajoule as the Pentanes Plus ISC Adjusted Intra-Alberta Transportation Deduction.
- (7)** The Minister shall, by order, for January, 2009 and for each subsequent production month to and including June 2014, prescribe
- (a) the respective transportation allowances, expressed as amounts per cubic metre, applicable to
 - (i) propane and butanes obtained as separate products from a natural gas liquids mix by fractionation,
 - (ii) pentanes plus obtained as a separate gas product from a natural gas liquids mix by fractionation, and
 - (iii) propane, butanes and pentanes plus contained in a natural gas liquids mix,

for each region of Alberta established pursuant to subsection (8),

- (b) the fractionation allowance, expressed as an amount per cubic metre, applicable to propane, butanes and pentanes plus obtained as separate products from a natural gas liquids mix by fractionation occurring downstream from
 - (i) the gas processing plant or reprocessing plant at which the mix was obtained, or
 - (ii) a gathering system, where the mix was not obtained at a gas processing plant or reprocessing plant,
- (c) an amount per cubic metre as the Propane Reference Price,
- (d) an amount per cubic metre as the Butanes Reference Price, and
- (e) an amount per cubic metre as the Pentanes Plus Reference Price.

(7.1) The Minister shall, by order, for July, 2014 and for each subsequent production month, prescribe

- (a) a Propane Spec Reference Price, expressed as an amount per cubic metre, for propane obtained by fractionation as a separate product from a natural gas liquids mix,
- (b) a Butanes Spec Reference Price, expressed as an amount per cubic metre, for butanes obtained by fractionation as a separate product from a natural gas liquids mix,
- (c) a Pentanes Plus Spec Reference Price, expressed as an amount per cubic metre, for pentanes plus obtained by fractionation as a separate product from a natural gas liquids mix,
- (d) a Propane Mix Reference Price, expressed as an amount per cubic metre, for propane contained in a natural gas liquids mix,
- (e) a Butanes Mix Reference Price, expressed as an amount per cubic metre, for butanes contained in a natural gas liquids mix, and
- (f) a Pentanes Plus Mix Reference Price, expressed as an amount per cubic metre, for pentanes plus contained in a natural gas liquids mix.

(7.2) Subject to subsection (7.3), an amendment to an order

- (a) under subsection (6)(b) to prescribe a different Pentanes Plus Par Price for a production month to which the order applies, or
- (b) under subsection (7.1) to prescribe a different Propane Spec Reference Price, Butanes Spec Reference Price, Pentanes Plus Spec Reference Price, Propane Mix Reference Price, Butanes Mix Reference Price or Pentanes Plus Mix Reference Price for a production month to which the order applies

may not be made under subsection (6)(b) or subsection (7.1) after August 31 of the 3rd year following the end of the calendar year in which the production month occurred.

(7.3) Without limiting the operation of section 8(1)(g) of the Act, the Minister may extend the period provided for in subsection (7.2) for one year if the Minister is of the opinion that it is appropriate to extend the period and on extending the period shall give written notice of the extension as soon as reasonably practicable.

(8) The Minister shall, by order, divide Alberta into regions for the purposes of subsection (7)(a).

(9) The Minister may, by order, for January, 2009 and for each subsequent production month, prescribe a receipt meter station factor for a receipt meter station.

(10) The Minister may, by order, for January, 2009 and for each subsequent production month, prescribe the following:

- (a) an adjustment factor for the month for any well event completed in the interval from the top of the Wabiskaw member to the base of the McMurray Formation in the Athabasca Oil Sands Area;
- (b) a quantity of conservation gas for the month for any well event perforated in the interval from the top of the Wabiskaw member to the base of the McMurray Formation in the Athabasca Oil Sands Area;
- (c) an adjustment factor for the month for any well event completed in the interval from the top to the base of the Clearwater Formation in the Fisher and Moore fields in the Cold Lake Oil Sands Area;
- (d) a quantity of conservation gas for the month for any well event perforated in the interval from the top to the base of the Clearwater Formation in the Fisher and Moore fields in the Cold Lake Oil Sands Area.

(11) The Minister may, by order, designate or terminate the designation of any well event as a technical solution pilot well event.

(12) The adjustment factor for a well event for a production month is deemed to be zero if

- (a) the Minister does not prescribe an adjustment factor for the well event for the production month, or
- (b) the well event is designated as a technical solution pilot well event.

(13) For the purpose of subsection (10)(a) and (b), the Athabasca Oil Sands Area is the strata and area designated as the Athabasca Oil Sands Area by the Regulator pursuant to the *Oil Sands Conservation Act* as of October 1, 2004, and includes any pool that lies in whole or in part within that strata and area.

(14) For the purpose of subsection (10)(c) and (d), the Cold Lake Oil Sands Area is the strata and area designated as the Cold Lake Oil Sands Area by the Regulator pursuant to the *Oil Sands Conservation Act* as of September 1, 2007, and includes any pool that lies in whole or in part within that strata and area.

AR 221/2008 s7;89/2013;118/2014

Part 2 Royalty

Division 1 Determination of the Crown's Royalty Share

Royalty share of natural gas, gas products and field condensate

8(1) If natural gas is recovered from a well event pursuant to a Crown lease and the natural gas is

- (a) disposed of,
- (b) consumed as a fuel,
- (c) delivered from a gathering system to a mainline straddle plant, or
- (d) removed from Alberta

without having first been processed at a gas processing plant or reprocessing plant, then, subject to this Regulation, the royalty reserved to the Crown on that natural gas is that portion of the natural gas so recovered calculated in accordance with Schedule 1.

(2) If

- (a) natural gas is recovered from a well event pursuant to a Crown lease, and
- (b) pentanes plus are obtained from the natural gas and delivered from a gathering system before the natural gas is processed, disposed of, consumed as a fuel or removed from Alberta,

then, subject to this Regulation, the royalty reserved to the Crown on the pentanes plus is that portion of the pentanes plus calculated in accordance with Schedule 5.

(3) Where natural gas is recovered from a well event pursuant to a Crown lease and gas products are obtained by processing the natural gas, then, subject to this Regulation, the royalty reserved to the Crown on the natural gas must instead be calculated in accordance with this Regulation on gas products obtained by processing the natural gas and by reprocessing residue gas obtained from the natural gas.

(4) The royalty reserved to the Crown on gas products referred to in subsection (3) must be calculated as follows:

- (a) except as provided in clause (b), where natural gas is processed at a gas processing plant or reprocessing plant and
 - (i) the residue gas obtained as a result of the processing is disposed of, consumed as a fuel or removed from Alberta without being reprocessed or is reprocessed at a mainline straddle plant, or
 - (ii) the gas products, other than residue gas, obtained as a result of the processing are disposed of, consumed as a fuel or removed from Alberta,

the royalty reserved to the Crown on the residue gas and other gas products must be calculated on the residue gas and other gas products obtained as a result of the processing;

- (b) where residue gas obtained by the processing of natural gas is reprocessed at one or more reprocessing plants before the residue gas is disposed of, consumed as a fuel, delivered to a mainline straddle plant or removed from Alberta,

- (i) the royalty reserved to the Crown on the residue gas must be calculated on the quantity of the residue gas obtained at the last of those reprocessing plants, and
- (ii) the royalty reserved to the Crown on the gas products other than residue gas must be calculated on the quantities of those gas products obtained at each of those reprocessing plants.

(5) The royalty reserved to the Crown on gas products referred to in subsection (4) is

- (a) with respect to residue gas, the percentage of the residue gas calculated in accordance with Schedule 1;
- (b) with respect to methane and ethane, the percentage of the methane and ethane calculated in accordance with Schedule 2;
- (c) with respect to propane, the percentage of the propane calculated in accordance with Schedule 3;
- (d) with respect to butanes, the percentage of the butanes calculated in accordance with Schedule 4;
- (e) with respect to pentanes plus, the percentage of the pentanes plus calculated in accordance with Schedule 5;
- (f) with respect to sulphur, the percentage of the sulphur prescribed in Schedule 6;
- (g) with respect to any other gas product not mentioned in clauses (a) to (f), 30% of the gas product.

(6) The royalty reserved to the Crown on field condensate obtained in a month from natural gas or solution gas recovered from a well event is to be determined in accordance with section 6 of the *Petroleum Royalty Regulation, 2009* as though the field condensate were crude oil.

(7) For the purposes of subsection (6), the royalty reserved to the Crown on field condensate is to be determined under the Schedule to the *Petroleum Royalty Regulation, 2009* except that

- (a) the par price to be used under section 3 of that Schedule is the Pentanes Plus Par Price for the month as prescribed under section 7(6)(b) of this Regulation, and
- (b) the quantity to be used under section 4 of that Schedule is the sum of

- (i) the quantity of field condensate obtained in the month, and
- (ii) the quantity of natural gas or solution gas obtained from the well event in the month, converted to equivalent quantities of field condensate in accordance with section 5(7).

(8) The royalty reserved to the Crown on natural gas and gas products must be calculated with reference to natural gas and gas products that are quantities available for sale.

(9) The royalty reserved to the Crown on natural gas, gas products and field condensate must be free and clear of all deductions.

Calculation of royalty

8.1 The royalty reserved to the Crown on natural gas recovered from a well event pursuant to a Crown lease that is also eligible production under the *New Well Royalty Regulation* is the lesser of

- (a) the royalty calculated pursuant to section 8, and
- (b) 5%.

AR 32/2011 s18

Royalty calculation point

9 Unless the Minister otherwise determines in a particular case, the place at which the Crown's royalty share of natural gas, gas products or field condensate is to be calculated is the place determined in accordance with the following rules:

- (a) the Crown's royalty share of natural gas referred to in section 8(1) must be calculated at
 - (i) the last point of measurement before the natural gas is delivered from the gathering system in which it is transported, or
 - (ii) the point of delivery under the disposition, if the natural gas is disposed of and the point of delivery is upstream from the point referred to in subclause (i);
- (b) the Crown's royalty share of pentanes plus referred to in section 8(2) must be calculated at the first point of measurement after the pentanes plus are delivered from the gathering system;
- (c) the Crown's royalty share of residue gas and other gas products referred to in section 8(4)(a) must be calculated

at the plant gate of the gas processing plant at which the residue gas and other gas products are obtained;

- (d) the Crown's royalty share of residue gas referred to in section 8(4)(b)(i) must be calculated at the plant gate of the last of the reprocessing plants referred to in that subclause;
- (e) the Crown's royalty share of a gas product referred to in section 8(4)(b)(ii) must be calculated at the plant gate of the reprocessing plant at which the gas product is obtained;
- (f) the Crown's royalty share of field condensate must be calculated at its first point of measurement after being obtained from natural gas or solution gas.

Special royalty O.C.

10 Where in the opinion of the Lieutenant Governor in Council it is necessary or desirable in the interest of conservation or of maintaining or increasing the recovery of crude oil or natural gas from a well event, a group of well events, a pool or any portion of a pool, the Lieutenant Governor in Council may by order

- (a) prescribe a royalty payable with respect to the natural gas obtained or any gas products recovered from that natural gas, that is less than the royalty that would otherwise be payable under this Regulation, and
- (b) prescribe the period in respect of which the order is to apply.

Unit operations

11 When natural gas recovered pursuant to a Crown lease is subject to a unit agreement or unit operation order, the unit area is deemed to be a location for the purposes of determining the royalty rate applicable to the portion of the production allocated to any tract wholly or partly within the location of the Crown lease.

Proportionment of royalty liability

12 Liability for royalty payable to the Crown is determined by the Minister in accordance with section 26.1 of the *Petroleum and Natural Gas Tenure Regulation* (AR 263/97).

When royalty not payable

13(1) No royalty is payable to the Crown,

- (a) on natural gas or residue gas consumed as a fuel in operations for gathering or processing natural gas recovered pursuant to a Crown lease, or on residue gas consumed as a fuel in operations for reprocessing residue gas obtained from natural gas recovered pursuant to a Crown lease, where
 - (i) the natural gas so consumed is recovered from the same pool as the natural gas that is gathered or processed, or
 - (ii) the residue gas so consumed is obtained from natural gas recovered from the same pool as the natural gas that is gathered or processed,

as the case may be, including consumption as a fuel for the purpose of generating electricity and steam in a power plant that is provided for such operations in exchange for the fuel;

- (b) with approval of the Minister given before January 1, 1994, on natural gas, residue gas or solution gas consumed as a fuel in operations for the recovery or processing of oil sands or oil sands products conducted under a commercial oil sands scheme under the *Oil Sands Conservation Act*, where the scheme is also the subject of a contract entered into pursuant to section 9(a) of the Act;
- (c) unless the Minister directs otherwise in any case, on solution gas consumed as a fuel in operations for the recovery or processing of oil sands or oil sands products that is subject to royalty under the *Oil Sands Royalty Regulation, 2009*, where the consumed solution gas and the oil sands or oil sands products recovered or processed in such operations are recovered pursuant to the same agreement;
- (d) unless the Minister directs otherwise in any case, on any natural gas, residue gas or solution gas other than natural gas, residue gas or solution gas referred to in clause (b) or (c), consumed as fuel for drilling or production operations in respect of a well drilled pursuant to an agreement.

(2) Despite subsection (1), in respect of natural gas, residue gas or solution gas consumed in a month in accordance with clause (b) of that subsection,

- (a) an amount equal to the royalty compensation that would be payable on the gas in the absence of subsection (1) must be paid to the Crown as if subsection (1) did not apply in respect of the gas, and

- (b) the Minister shall credit an equivalent amount to the royalty client account of the royalty client who made the payment, no later than the last day of the month following the month in which the Minister receives from the royalty client a report satisfactory to the Minister concerning the consumption of the gas.

(3) The Minister may, by written notice given to the person identified by the Minister as the operator of a commercial oil sands scheme referred to in subsection (1)(b), withdraw an approval referred to in that subsection that relates to the scheme.

(4) Subsection (1)(b) ceases to apply to natural gas, residue gas and solution gas consumed in a commercial oil sands scheme on or after the date indicated in a notice given under subsection (3) as the effective date of withdrawal of the approval referred to in subsection (1)(b) in respect of the scheme.

(5) If any natural gas, residue gas or solution gas that is subject to royalty is consumed as a fuel without having first been disposed of, then, unless the Minister directs otherwise, the Crown's royalty share of the natural gas or residue gas may, subject to the other provisions of this Regulation that prescribe the royalty payable with respect to the natural gas, residue gas or solution gas, be consumed for the same purpose.

Royalty exemptions

14 In accordance with and to the extent authorized under Schedule 7, otherwise flared solution gas is exempted from the payment of royalty to the Crown.

Division 2 Royalty Compensation

Liability for royalty compensation

15(1) The Crown's title to the Crown's royalty share of natural gas and gas products is automatically transferred

- (a) at the point immediately downstream from the royalty calculation point for the natural gas or gas products, or
- (b) in the case of sulphur,
 - (i) at the place where it is solidified at the site of the gas processing plant or reprocessing plant at which it is obtained, or
 - (ii) at the place where it leaves the gas processing plant or reprocessing plant at which it is obtained, where it

leaves the plant in liquid form without having first been solidified,

to the person who is, in relation to that royalty share, the owner of the lessee's share of the natural gas or gas products.

(2) When the Crown's title to the Crown's royalty share of natural gas or a gas product is transferred pursuant to subsection (1), royalty compensation is payable to the Crown in accordance with this Regulation in respect of that royalty share.

(3) Subject to this Regulation, the royalty compensation payable to the Crown under subsection (2) is an amount calculated

- (a) in accordance with Schedule 1, with respect to natural gas, residue gas and solution gas;
- (b) in accordance with Schedule 2, with respect to methane and ethane;
- (c) in accordance with Schedule 3, with respect to propane;
- (d) in accordance with Schedule 4, with respect to butanes;
- (e) in accordance with Schedule 5, with respect to pentanes plus;
- (f) in accordance with Schedule 6, with respect to sulphur.

(4) Royalty compensation is not payable in respect of

- (a) gas products other than residue gas, ethane, propane, butanes, pentanes plus and sulphur, and
- (b) light-ends.

(5) Where the Crown is entitled to a royalty on field condensate,

- (a) unless the Minister directs otherwise in a particular case, the Crown's title to the Crown's royalty share of the field condensate is automatically transferred at a point immediately downstream from its royalty calculation point to the person who is, in relation to that royalty share, the owner of the lessee's share of the field condensate, and
- (b) the royalty compensation in respect of the royalty share so transferred is
 - (i) in the case of a production month before July 2014, an amount calculated by multiplying the quantity of the Crown's royalty share by the Pentanes Plus

Reference Price for the production month in which the field condensate was obtained less the Transportation Allowance prescribed for the production month pursuant to section 7(7)(a)(iii), and

- (ii) in the case of a production month after June 2014, an amount calculated by multiplying the quantity of the Crown's royalty share by the Pentanes Plus Spec Reference Price for the production month in which the field condensate was obtained.

AR 221/2008 s15;118/2014

Payment of royalty compensation

16(1) The Minister shall, on or before the last day of the 2nd month following a production month, issue and send an invoice to each royalty client showing for that production month the Minister's calculations of at least the following:

- (a) the aggregate quantities available for sale allocated to the royalty client for the production month and the Crown's royalty share of those quantities available for sale;
- (b) the royalty compensation payable by the royalty client under this Regulation.

(2) Where the Minister is satisfied that incorrect information in Petrinex or information omitted from Petrinex may affect the calculation of royalty compensation payable by a royalty client for a production month,

- (a) the Minister may, subject to clause (b), calculate the royalty compensation on the basis of one or more assumptions that, when applied to the calculation, will ensure that the Crown is not financially prejudiced by the incorrect or omitted information, and
- (b) when the incorrect or omitted information is corrected or entered, as the case may be, in Petrinex, the Minister shall recalculate the royalty compensation accordingly and have any resulting difference reflected in the royalty client's royalty client account.

(3) On receipt of a royalty invoice in respect of a production month, the royalty client shall pay the Crown the net amount shown in the invoice on or before

- (a) the last day in which the offices of the Department are open during the 3rd month following the production month, where the production month to which the invoice relates is December, or

- (b) the last day of the 3rd month following the production month, in any other case.

(4) Where for any reason the Minister fails to issue and send royalty invoices to royalty clients in respect of a production month by the deadline prescribed by subsection (1) then, despite subsections (1) and (3),

- (a) the Minister may, by general directions to the royalty clients affected, require them to pay amounts on account of royalty compensation in respect of that production month by the deadline prescribed by subsection (3) on the basis of estimates by those royalty clients of the amounts owing or on any other basis specified in the directions, and
- (b) the royalty clients affected shall pay the amounts in accordance with the directions.

(5) After the end of each year the Minister may, with respect to each royalty client,

- (a) calculate, recalculate or make additional calculations of the actual quantities available for sale for all of the production months in that year that are allocated to the royalty client,
- (b) calculate, recalculate or make additional calculations of the actual royalty compensation in respect of the Crown's royalty share of the quantities available for sale determined for the year pursuant to clause (a),
- (c) if the aggregate amount of the actual royalty compensation determined for the year under clause (b) exceeds the aggregate of the amounts of royalty compensation for all production months in the year shown in the royalty invoices for those production months, show the excess amount payable to the Crown as an adjustment in the client's next royalty invoice and also show in that invoice how the excess amount was determined, and
- (d) if the aggregate amount of the actual royalty compensation determined for the year under clause (b) is less than the aggregate of the amounts of royalty compensation for all production months in the year shown in the royalty invoices for those production months, credit the excess amount to the client in the client's next royalty invoice and also show in that invoice how the excess amount was determined.

(6) The Minister shall maintain for each royalty client an account called a “royalty client account” that reflects the amounts debited and credited to the account.

(7) If the royalty client account for a royalty client shows a net credit balance in the client’s favour as of the end of a month, then, unless the Minister or the royalty client directs otherwise, the Crown shall pay the royalty client an amount equal to that credit balance.

AR 221/2008 s16;140/2014

Injection credits

17(1) If natural gas or a gas product is injected during a production month after December 31, 2008 into a pool through a gas injection facility for the account of or for the benefit of a royalty client, the Minister shall establish for the royalty client a credit for that production month, called an “injection credit”, in an amount determined in accordance with this section.

(2) Except as provided in subsection (5), an injection credit for a royalty client in respect of natural gas or a gas product injected into a pool through a gas injection facility in a production month shall be calculated by

- (a) determining the quantity of the Crown’s royalty share of the natural gas or gas products received at the gas injection facility for the purposes of injection for the account of or for the benefit of the royalty client (without deducting any part of the gas or gas products that are subsequently lost or used as fuel in conducting injection) that would have been payable for that production month if
 - (i) the natural gas had instead been recovered from that pool in that production month, or
 - (ii) the gas products had instead been obtained in that production month from natural gas recovered from that pool,as the case may be, and
- (b) determining the royalty compensation that would have been payable by the royalty client under this Regulation with respect to the royalty quantity determined under clause (a).

(3) In determining royalty compensation under subsection (2)(b), if

- (a) natural gas or a gas product is injected during a production month into a pool through a gas injection facility,
- (b) the operator of the gas injection facility has informed the Minister pursuant to section 25(4) or (7) of a facility (in this section called the “reproducing facility”) to which natural gas obtained, or gas products recovered, that may be recovered from the pool in that production month can be delivered, and
- (c) the Minister is satisfied that natural gas recovered from the pool, or gas products obtained from that natural gas, during the month could be delivered to the reproducing facility,

the Minister shall, in addition to considering the natural gas or gas products received at the gas injection facility as having been recovered, or obtained from natural gas recovered, respectively, from the pool in that month, and for the purpose of determining the royalty calculation point for the natural gas or gas products and the royalty trigger factor for the purposes of section 5 of Schedule 1 for that point, also consider the natural gas or gas products as having been delivered to the reproducing facility after being so recovered or obtained.

(4) In determining royalty compensation under subsection (2)(b), if

- (a) natural gas or a gas product is injected during a production month into a pool through a gas injection facility,
- (b) the operator of the gas injection facility has informed the Minister pursuant to section 25(4) or (7) that there is no reproducing facility for that month in respect of the gas injection facility, and
- (c) the Minister is satisfied there is no reproducing facility to which natural gas recovered from the pool, or gas products obtained from that natural gas, during the month could be delivered,

the royalty trigger factor for the purpose of applying section 5(1) of Schedule 1 in respect of the natural gas or gas products shall, despite section 5(2) of that Schedule, be 1.0.

(5) If natural gas or residue gas is injected into a pool in a production month through a well event having no associated injection facilities or through a gas injection facility in respect of which there is no reproducing facility for that production month, an

injection credit for a royalty client for that production month shall be calculated by

- (a) determining the quantity of the Crown's royalty share of the natural gas or residue gas so injected for the account of or for the benefit of the royalty client (without deducting any part of the natural or residue gas that is subsequently lost or used as fuel in conducting injection) that would have been payable for that production month if
 - (i) the natural gas had instead been recovered from that pool in that production month, or
 - (ii) the residue gas had instead been obtained in that production month from natural gas recovered from that pool,as the case may be,
- (b) determining the respective volumes and quantities of the in-stream components of the natural gas or residue gas so injected,
- (c) determining the average of the ISC reference prices for the production month, weighted according to the respective proportionate quantities of methane, ethane, propane, butanes and pentanes plus components of the natural gas or residue gas, and
- (d) multiplying the weighted average price determined under clause (c) by the quantities of the natural gas or residue gas injected in that production month.

(6) The Minister shall apply an injection credit calculated for a production month as a credit to the royalty client's royalty client account.

(7) In determining royalty compensation for the purposes of subsection (2)(b), no reduction shall be made in respect of the cost of conservation gas or in respect of IETP costs.

Allowable costs

18(1) In this section, "facility" does not include a gas injection facility or commercial storage facility.

(2) The costs and allowances to which the Minister consents and that are incurred

- (a) in gathering or processing the Crown's royalty share of natural gas or reprocessing the Crown's royalty share of residue gas, and
- (b) in handling the Crown's royalty share of gas products within a gas processing plant or reprocessing plant after the place in the plant where the Crown's royalty share is calculated

must, subject to this section, be deducted from the royalty compensation otherwise payable.

(3) The Minister may determine the amount of the costs and allowances referred to in subsection (2) in respect of 2009 and each subsequent year.

(4) Subject to subsection (5), the Minister may for the purposes of this section

- (a) estimate the amount of the allowable costs determined for a royalty client for a year and, subject to clause (b)(ii), consent to that estimated amount, and
- (b) after the end of the year determine the actual allowable costs determined for that royalty client for that year and,
 - (i) if the actual costs exceed the estimated amount referred to in clause (a), consent to further costs equal to the difference, or
 - (ii) if the estimated amount referred to in clause (a) exceeds the actual allowable costs, invoice the royalty client for the difference.

(5) The allowable costs consented to under this section in respect of a royalty client for a year may not exceed the aggregate royalty compensation calculated under section 15(3) in respect of that royalty client for that year.

(6) The Minister may not consent under subsection (2) to the Crown being liable for any allowable costs in relation to approved equipment as defined in the *Gas Processing Efficiency Assistance Regulation* (AR 275/89) if credits have been established under that Regulation in relation to that approved equipment.

(7) If credits have been established pursuant to a regulation made under the Act

- (a) on the basis of costs the Minister estimates may be saved in the gathering or processing of the Crown's royalty

share of natural gas or the reprocessing of the Crown's royalty share of residue gas, and

- (b) that may be applied against the payment of money owing to the Crown under this Regulation,

the Minister may, in determining the amount of costs and allowances under subsection (3) in relation to such gathering, processing or reprocessing, reduce the costs and allowances by an amount or amounts that the Minister considers necessary to ensure that an amount equal to the present value, as of the date the credits are established, of the estimated costs savings is recovered by the Crown.

(8) The operator of a facility that commences operations in 2009 or any subsequent year shall furnish to the Minister by March 1 of the following year a report respecting the facility, its owners and their respective percentage interests in the facility, as of December 31 of the year in which the facility commences operations.

(9) If one or more changes occur in the owners of a facility or their respective percentage interests in the facility during a year, other than the year in which the facility commences operations, the operator of the facility shall furnish a report to the Minister by the next March 1 respecting the owners and their respective percentage interests as of the end of the year.

(10) Despite subsection (9), the operator of a facility shall, on written notice from the Minister, furnish to the Minister, within the time indicated in the notice, a report respecting the owners of the facility and their respective percentage interests in the facility as of the date indicated in the notice.

(11) A person replaced as the operator of a facility shall furnish to the Minister a report respecting the change in operators by the last day of the month following the month in which the change occurs.

(12) The operator of a facility shall furnish to the Minister in respect of 2009 and each subsequent year a report respecting the allowable capital costs of the facility for that year, on or before April 30 in the year following the year to which the report relates.

(13) If a facility commences operations in 2009 or any subsequent year, a report may not be furnished under subsection (12) by the operator of that facility in respect of that year if the operator has not furnished a report under subsection (8) in respect of that facility.

(14) A royalty client shall furnish to the Minister in respect of 2009 and each subsequent year a report respecting the consideration given by that client for custom processing fees for

that year and, to the extent approved by the Minister, preceding years, for gathering or processing natural gas and reprocessing residue gas during that year or preceding years, as the case may be, and the report must be furnished on or before May 15 of the year following the latest year to which the report relates.

(15) A royalty client may reallocate all or part of the allowable costs allocated to it that arise in relation to its facility capital costs and its facility operating costs to one or more other royalty clients that

- (a) are owners of that facility,
- (b) own natural gas or gas products processed at that facility, or
- (c) pay royalty compensation on behalf of an owner of that facility,

and if a reallocation is made, shall furnish to the Minister a report respecting the reallocation on or before May 15 following the year to which the reallocation relates.

Deposits

19(1) A deposit made by a royalty client pursuant to section 18 of the 1994 Regulation or section 21 of the 2002 Regulation and held by the Crown on January 1, 2009 shall be held as a deposit for the purposes of this section as though it had been paid to the Crown under this section.

(2) A person who initially becomes a royalty client under this Regulation on or after January 1, 2009 shall pay to the Crown, as a deposit, an amount specified by the Minister, in the manner determined by the Minister.

(3) If a royalty client pays a deposit to the Crown under this section during a year, the Minister shall in each subsequent year, recalculate the deposit to be maintained by the royalty client, as an amount equal to 1/6 of the estimate of the aggregate amount of royalty compensation for which the royalty client was liable in respect of the preceding year after deducting allowable costs, multiplied by a factor determined by dividing the long term Gas Reference Price on the date on which the recalculation occurs by the average of Gas Reference Prices for the previous year.

(4) In estimating royalty compensation for the purposes of subsection (3), no reduction shall be made in respect of the cost of conservation gas or in respect of IETP costs.

(5) For the purposes of subsection (3), the long term Gas Reference Price on the date on which a recalculation occurs is the Minister's estimate as of that date of the average Gas Reference Price for the period commencing on the first day of the year in which the recalculation occurs and ending on a future date specified from time to time by the Minister.

(6) Despite subsection (3), the Minister may at any time recalculate the deposit in an amount determined by the Minister where the Minister considers the recalculation is warranted in the circumstances.

(7) If the amount of a deposit is recalculated pursuant to subsection (6), the Minister shall

- (a) notify the royalty client of the amount of the recalculated deposit,
- (b) if the amount of the recalculated deposit is greater than the existing deposit, by a notice to the royalty client, require the royalty client to pay the difference to the Crown within the time provided for in the notice in order to maintain the deposit in the recalculated amount, and
- (c) if the amount of the recalculated deposit is less than the existing deposit, credit the difference to the client's royalty client account unless the Minister directs that the difference is to be paid to the client.

(8) Money paid to the Crown under this section as a deposit or to increase a deposit

- (a) shall be paid into the General Revenue Fund but not credited to the royalty client's royalty client account, and
- (b) shall be refunded to the person maintaining the deposit when that person ceases to be a royalty client, subject to any rights of the Crown to set off against the amount otherwise refundable any debt owing by that person to the Crown.

(9) Interest is not payable to a royalty client on the amount of a deposit maintained by the royalty client under this section.

Part 2.1

Transitional Well Events

Definitions

19.1 In this Part,

- (a) “eligible well event” means a well event that is an eligible well event under section 19.2;
- (b) “licensee”, in relation to a well, means the holder of the licence issued in respect of that well under the *Oil and Gas Conservation Act*;
- (c) “measured depth” means, in respect of a well event, the longest distance, in metres, along the bore of the well from the kelly bushing of the well to
 - (i) the base of the deepest producing interval in the well event, or
 - (ii) if the production of the well event is commingled with the production of one or more other well events, to the base of the deepest producing interval in the well from which the commingled production is obtained;
- (d) “transitional election” means an election made in respect of an eligible well event in accordance with section 19.3;
- (e) “transitional well event” means a well event in respect of which a transitional election is in effect under this Part.

AR 134/2009 s3

Eligible well event

19.2(1) A well event that meets all of the following criteria is an eligible well event for the purposes of this Part:

- (a) the well event is part of a well with a spud date on or after November 19, 2008 and on or before December 31, 2010;
- (b) the measured depth of the well event, according to the records of the Regulator, is greater than or equal to 1000 metres and less than or equal to 3500 metres;
- (c) the well event is not part of a well that produces oil sands or crude bitumen, other than a gas well as defined in the *Oil and Gas Conservation Rules* (AR 151/71).

(2) Information must be provided to the Minister by the licensee if required to aid in determining whether a well event meets the criteria set out in this section.

AR 134/2009 s3;197/2010;89/2013

Transitional election

19.3(1) The licensee of an eligible well event may elect, in accordance with this section, to have the royalty on natural gas, gas

products and field condensate from that well event determined under this Regulation in accordance with the provisions set out in Schedule 2 for transitional well events.

(2) The licensee must furnish the election to the Minister by electronic transmission to Petrinex in accordance with the directions of the Minister respecting the operation of Petrinex not later than the last day of the first production month of the eligible well event or December 31, 2010, whichever is earlier.

(3) Despite subsection (2), if the first production month of an eligible well event occurs before July 2009, the election must be furnished between June 4, 2009 and June 30, 2009.

AR 134/2009 s3;197/2010;140/2014

When transitional election has effect

19.4(1) A transitional election made in respect of an eligible well event has effect from the first day of the first production month of the eligible well event.

(2) Despite subsection (1), if the first production month of an eligible well event occurs before July 2009, a transitional election made in respect of that well event has effect from the first day of the first production month after December 2008.

AR 134/2009 s3

When transitional election ceases to have effect

19.5 A transitional election ceases to have effect in respect of a well event on the earliest of the following:

- (a) the date on which the well event ceases to be an eligible well event;
- (a.1) the date on which a licensee opts out of a transitional election in accordance with section 19.6;
- (b) December 31, 2013.

AR 134/2009 s3;197/2010;33/2011

Opting out of transitional election

19.6(1) The licensee of an eligible well event may opt out of a transitional election by giving notice to the Minister by electronic transmission to Petrinex between January 1, 2011 and February 15, 2011 in accordance with the directions of the Minister respecting the operation of Petrinex.

(2) If a licensee opts out of a transitional election under subsection (1), the royalty for the transitional well event shall be calculated in

accordance with section 5.1 of Schedule 2 until the end of the December 2010 production month.

AR 197/2010 s5;140/2014

Part 3

Administration and Enforcement

Well groups

20(1) For the purposes of this Regulation, 2 or more well events constitute a well group if those well events are

- (a) within a block as defined in the *Oil and Gas Conservation Act*,
- (b) subject to a unit agreement or unit operation order,
- (c) within a pool or part of a pool that is subject to a scheme for enhanced recovery approved pursuant to section 39(1)(a) of the *Oil and Gas Conservation Act*, or
- (d) subject to a commercial storage scheme.

(2) A well event that is not included in a well group under subsection (1) is itself a well group for the purposes of this Regulation.

Royalty clients

21(1) The Department shall maintain records showing the persons who are royalty clients for a well group by reason of

- (a) allocations of quantities available for sale made to those persons pursuant to section 23 in their capacity as royalty clients for that well group, or
- (b) assignments made to those persons pursuant to subsection (2) and relating to that well group.

(2) If a person assigns to another or others responsibility for paying royalty compensation in respect of quantities available for sale allocated pursuant to section 23 to that person in the capacity of a royalty client for a well group, the assignment must be in the form determined by the Minister and must be furnished to the Minister on or before the last day of the 3rd month following the production month in which the assignment is effective.

(3) On the filing by the Minister of an assignment that conforms with subsection (2), the assignee becomes the royalty client in respect of quantities available for sale allocated to the assignor

pursuant to section 23 for the production month in which the assignment is effective and for subsequent production months.

(4) A royalty client is authorized to make an objection to the Minister under section 39 of the Act.

AR 221/2008 s21;170/2015

Responsibility for quantities available for sale

22 For the purposes of this Regulation,

- (a) the operator of a reprocessing plant is responsible for quantities available for sale for a production month if they are obtained at that reprocessing plant in a production month;
- (b) the operator of a gas processing plant is responsible for quantities available for sale for a production month if they are obtained at that gas processing plant in that production month;
- (c) the operator of a gathering system is responsible for quantities available for sale for a production month if they are delivered from that gathering system in that production month
 - (i) other than to a gas processing plant or reprocessing plant or to another gathering system, or
 - (ii) to a delivery point outside Alberta;
- (d) the operator of a battery is responsible for quantities available for sale for a production month if they are delivered from that battery in that production month.

Allocations of quantities available for sale

23(1) Unless the Minister directs otherwise in a particular case, quantities available for sale for a production month must be allocated in accordance with the following:

- (a) where an operator of a reprocessing plant is responsible for the quantities available for sale, the operator may make allocations of those quantities to one or more well groups but must allocate the remainder, if any, to the gas processing plants, gathering systems or batteries from which the quantities were delivered;
- (b) where an operator of a gas processing plant is responsible for the quantities available for sale, the operator may make allocations of those quantities, and the quantities

available for sale allocated to the operator's gas processing plant pursuant to clause (a), to one or more well groups but must allocate the remainder, if any, to the gathering systems or batteries from which the quantities were delivered for processing;

- (c) where a gathering system operator is responsible for the quantities available for sale, the operator may make allocations of those quantities, and the quantities available for sale allocated to the operator's gathering system pursuant to clause (a) or (b), to one or more well groups but must allocate the remainder, if any, to the gathering systems or batteries from which the quantities were delivered;
- (d) where a battery operator is responsible for the quantities available for sale, the operator must allocate all of those quantities to one or more well groups;
- (e) where an operator allocates quantities available for sale to a well group pursuant to clause (a), (b), (c) or (d), the operator must further allocate those quantities to the royalty clients for the well group;
- (f) where a well group consists of well events within a unit area, allocations under clause (e) to royalty clients must be in accordance with the tract factors under the unit agreement or unit operation order.

(2) Despite subsection (1), the Minister may in a particular case direct that a facility operator is to be responsible for specified quantities available for sale and, in that event, the operator must comply with subsection (1) with respect to those quantities available for sale.

(3) Allocations of quantities available for sale under subsection (1) must be made in accordance with the following:

- (a) where an allocation is made to one facility or well group only, the stream allocation factor for that allocation is 1.0;
- (b) where allocations are made to 2 or more facilities or well groups or any combination of them, the stream allocation factor for each allocation to a facility or well group is in the proportion that the quantities allocated to that facility or well group bear to all of the quantities required to be allocated, expressed as a decimal fraction;
- (c) where an allocation is made pursuant to subsection (1)(e) to one royalty client only, the owner allocation factor for that allocation is 1.0;

- (d) where allocations are made pursuant to subsection (1)(e) to 2 or more royalty clients, the owner allocation factor for each allocation to a royalty client is in the proportion that the quantities allocated to that royalty client bear to all of the quantities required to be allocated to the royalty clients for the well group, expressed as a decimal fraction;
 - (e) the facility operator making the allocations must furnish to the Minister
 - (i) the stream allocation factor or factors for the allocations made to facilities and well groups and any other data related to the factor or factors that the Minister requires, and
 - (ii) the owner allocation factor or factors for the allocations made to royalty clients pursuant to subsection (1)(e) and any other data related to the factor or factors that the Minister requires.
- (4)** If natural gas or a gas product is received at a gas injection facility or commercial storage facility in a production month for the account of a royalty client for the purpose of injection or storage, as the case may be, the operator of the facility must furnish to the Minister
- (a) the stream allocation data and owner allocation data respecting the quantities so injected at that facility in that production month, as though those quantities had been recovered from each well event of all wells at that facility in that production month, and
 - (b) information respecting the volumes and quantities of in-stream components of the natural gas or residue gas injected at that facility in that production month.
- (5)** Allocation data referred to in subsection (3) or (4) must be furnished to the Minister on or before the 15th day of the 2nd month following the end of the production month to which the allocation data relates.
- (6)** A facility operator may furnish to the Minister amended allocation data for a production month.
- (7)** If allocation data required to be furnished by subsection (3) is not received by the Minister by the deadline prescribed by subsection (5), the allocation data shall be deemed to be furnished by that deadline for the purpose only of determining responsibility for quantities available for sale and to show nil allocations of quantities available for sale.

Provisional royalty compensation

24(1) If a facility operator is responsible for allocating quantities available for sale pursuant to section 23 but fails to allocate all of those quantities pursuant to that section,

- (a) the unallocated quantities of natural gas are deemed to be recovered pursuant to Crown leases and the unallocated quantities of gas products are deemed to be obtained from natural gas recovered pursuant to Crown leases,
- (b) the unallocated quantities are deemed to be allocated to the facility operator,
- (c) the facility operator is deemed for the purposes of this Regulation to be the royalty client with respect to the Crown's royalty share of those unallocated quantities, and
- (d) the facility operator, in the capacity of a royalty client, is liable to the Crown for the payment of royalty compensation in respect of the Crown's royalty share of those unallocated quantities, calculated in accordance with subsection (3).

(2) Where, according to a report filed with the Regulator in respect of a production month that identifies a common stream operator, the total quantities of natural gas and residue gas received at a receipt meter station exceed the aggregate of the quantities shown as received at the receipt meter station from one or more facilities then, for the purposes of this Regulation and despite any other provision of this Regulation,

- (a) the excess quantities of natural gas are deemed to be recovered pursuant to Crown leases and the excess quantities of residue gas are deemed to be obtained from natural gas recovered pursuant to Crown leases,
- (b) the excess quantities are deemed to be quantities available for sale allocated to the common stream operator,
- (c) the common stream operator is deemed to be the royalty client with respect to the Crown's royalty share of the excess quantities,
- (d) the common stream operator, in the capacity of a royalty client, is liable to the Crown for the payment of royalty compensation in respect of the Crown's royalty share of those excess quantities, calculated in accordance with subsection (3), and

- (e) subsection (6) applies, as far as practicable, to the common stream operator and any royalty compensation owing by the common stream operator under clause (d).

(3) Royalty compensation payable under subsection (1) or (2) shall be called “provisional royalty compensation” and must be calculated in accordance with the following:

- (a) the Crown’s royalty share of the unallocated or excess quantities, as the case may be, is deemed to be 50% of those quantities in the case of natural gas, residue gas or ethane, 40% of those quantities in the case of pentanes plus, 30% of those quantities in the case of butanes and propanes and 16.66667% of those quantities in the case of sulphur;
- (b) the provisional royalty compensation payable in respect of the Crown’s royalty share of those quantities must be calculated by multiplying the Crown’s royalty share of those quantities by
 - (i) the Gas Reference Price for the production month, where the quantities consist of natural gas or residue gas,
 - (ii) the Ethane Reference Price for the production month, where the quantities consist of ethane,
 - (iii) the Propane Reference Price or the Propane Spec Reference Price for the production month, as the case may be, where the quantities consist of propane,
 - (iv) the Butanes Reference Price or the Butanes Spec Reference Price for the production month, as the case may be, where the quantities consist of butanes,
 - (v) the Pentanes Plus Reference Price or the Pentanes Plus Spec Reference Price for the production month, as the case may be, where the quantities consist of
 - (A) pentanes plus, or
 - (B) a mixture comprising any 2 or more of pentanes plus, propane or butanes, where the relative proportions of each such gas product in the mixture has not been reported to the Minister for the purposes of this Regulation in accordance with the Minister’s directions,

or

(vi) the price determined by the Minister for the production month in accordance with subsections (4) and (5), where the quantities consist of sulphur;

(c) provisional royalty compensation calculated under clause (b) shall not be reduced by an amount for allowable costs.

(4) The price referred to in subsection (3)(b)(vi) must be determined for each production month by dividing

(a) the total net revenue for sales of sulphur by all royalty clients in the month to persons at arm's length with the royalty clients and reported to the Minister for the production month pursuant to section 4(1) or (2) of Schedule 6,

by

(b) the total number of tonnes of sulphur sold in the month under the sales referred to in clause (a).

(5) In determining the total net revenue referred to in subsection (4)(a), the net revenue from any sale included in the determination shall not be less than zero.

(6) Where provisional royalty compensation is owing in respect of unallocated or excess quantities available for sale and the facility operator concerned allocates all or any of those quantities in accordance with section 23 by way of initial or amended allocation data furnished to the Minister or reports filed with the Regulator, the Minister shall recalculate the royalty compensation in respect of those allocated quantities without reference to subsection (3) and any difference must be reflected in the facility operator's royalty client account.

(7) The Crown is not liable for interest on any amounts of provisional royalty compensation that are reduced pursuant to subsection (6), but shall refund any interest received by it under section 29(2)(a) in respect of those amounts to the extent those amounts are so reduced.

(8) Despite section 29, where

(a) provisional royalty compensation owing by a facility operator in respect of unallocated or excess quantities available for sale is included in a royalty invoice, and

(b) the provisional royalty compensation is reduced as a result of a recalculation under subsection (6) where the facility operator furnished amended allocation data or filed

reports with the Regulator by the 15th day of the month following the month in which the invoice was issued,

no interest is payable by the facility operator under section 29(2)(b) in respect of the provisional royalty compensation to the extent it is so reduced.

AR 221/2008 s24;89/2013;118/2014

Other reports

25(1) The operator of a gas injection facility shall furnish to the Minister a report respecting

- (a) the commencement of the operation of the gas injection facility, if the operation commences on or after January 1, 2009, and
- (b) any change in
 - (i) the persons having participating interests in a well group that is subject to the gas injection scheme,
 - (ii) the Crown percentage for a well group that is subject to the gas injection scheme,
 - (iii) the percentage of natural gas or a gas product for a well group that is subject to the gas injection scheme,
 - (iv) the well events comprising a well group or the code number assigned by the Minister to a well group, where natural gas or a gas product recovered or obtained from the well group is injected into a pool through the gas injection facility,
 - (v) the pool or pools into which natural gas or a gas product is injected through that gas injection facility or the Regulator's code number for any of those pools, or
 - (vi) the field containing a pool referred to in subclause (v) or the Regulator's code number for that field,

on or before the last day of the month following the production month in which the commencement date occurs or in which the effective date of the change occurs, as the case may be.

(2) A person designated by the Minister as a reporter for the purposes of this section shall furnish to the Minister, on or before the 10th day of the 2nd month following each production month to

and including June 2014, any one or more of the following in accordance with the designation:

- (a) a report respecting the volumes of propane, butanes and pentanes plus purchased by the person in that production month at points in Alberta specified by the Minister, and the purchase prices of the propane, butanes and pentanes plus;
- (b) a report respecting the volumes of propane, butanes and pentanes plus sold by the person in that production month at points in Alberta specified by the Minister, and the selling prices of the propane, butanes and pentanes plus;
- (c) a report respecting the volumes of ethane purchased by that person in that production month at points in Alberta specified by the Minister, and the purchase prices of the ethane;
- (d) a report respecting the volumes of ethane sold by that person in that production month at points in Alberta specified by the Minister, and the selling prices of the ethane.

(3) In subsection (2), “pentanes plus” includes field condensate.

(4) The operator of a gas injection facility shall furnish information to the Minister indicating, for the purposes of section 17(4),

- (a) the reproducing facility referred to in section 17 to which natural gas, or gas products obtained from natural gas, that may be recovered from the receiving pool of the gas injection facility can be delivered, if there is only one such facility when the information is required to be furnished, or indicating one of those facilities if there is more than one, or
- (b) indicating that there is no reproducing facility to which such natural gas or gas products can be delivered at that time.

(5) The operator of a facility shall furnish information to the Minister

- (a) respecting the pipelines to which natural gas or gas products can be delivered from the facility without first passing through an intervening facility, and the receipt meter stations through which such natural gas or gas products can be so delivered, or

- (b) indicating that there is no pipeline to which the natural gas or gas products can be delivered at that time.

(6) Information referred to in subsection (4) or (5) must be furnished to the Minister on or before the last day of the month following the month in which operation of the gas injection facility or facility commences, if operation commences on or after January 1, 2009.

(7) If any change occurs in respect of the information furnished to the Minister under subsection (4) or (5), the operator of the gas injection facility or facility in respect of which the information was furnished shall furnish the Minister with further information respecting the change on or before the last day of the month following the month in which the change occurs.

(8) If natural gas recovered in January, 2009 or any subsequent production month is disposed of without having first been processed at a gas processing plant or reprocessing plant, the person who disposed of the natural gas must furnish to the Minister, on or before the 15th day of the 2nd month following the month in which the natural gas was recovered, a report

- (a) relating to each disposition of the natural gas and the person to whom the disposition was made and containing any other related information the Minister requires, and
- (b) containing or accompanied with a component analysis of the natural gas that is the subject of each disposition.

(9) Where natural gas or residue gas is delivered in January, 2009 or any subsequent production month to the first facility downstream from the royalty calculation point for that natural gas or residue gas, the operator of that facility must furnish to the Minister, on or before the 18th day of the month following the production month, information respecting the volumes and quantities of in-stream components of the natural gas or residue gas.

(10) Where

- (a) according to a report filed with the Regulator, natural gas or residue gas is received in January, 2009 or any subsequent production month at a receipt meter station,
- (b) the natural gas or residue gas is received from one or more facilities at which the royalty calculation point for the natural gas or residue gas is located, and
- (c) the report identifies a person as the common stream operator,

the common stream operator must furnish to the Minister, on or before the 18th day of the following month, information respecting the volumes and quantities of in-stream components of the natural gas or residue gas.

AR 221/2008 s25;89/2013;118/2014

Natural gas liquids reports

25.1(1) In this section, “natural gas liquids” includes ethane, propane, butanes, pentanes plus and field condensate.

(2) A person who purchases natural gas liquids specified by the Minister under purchase arrangements specified by the Minister and takes delivery of the natural gas liquids in July, 2014 or a subsequent month at locations in Alberta specified by the Minister shall, on or before the 1st day of the 2nd month following the month in which the person takes delivery of the natural gas liquids, furnish to the Minister, in the form required by the Minister, a report that includes all of the following information:

- (a) the volumes of natural gas liquids purchased and delivered;
- (b) the locations at which the natural gas liquids were delivered;
- (c) the costs of purchasing the natural gas liquids;
- (d) any other information required by the Minister.

(3) The Minister may direct a person who transports, stores, reprocesses, sells, purchases or disposes of natural gas liquids to furnish to the Minister in the form required by the Minister one or more reports, on a monthly or other basis, containing information relating to the transportation, storage, reprocessing, sale, purchase or disposition of natural gas liquids, as specified in the direction.

(4) The Minister may specify in a direction given under subsection (3) the deadline for furnishing a report.

(5) Instead of furnishing a report under subsection (3), a person may, with the approval of the Minister, permit an employee or agent of the Department designated by the Minister to examine the person’s records and to take away the records for further examination and copying for the purpose of obtaining the information the person was directed to provide in a report furnished under subsection (3).

(6) A person who is required to furnish a report under this section shall keep the records required to be kept under section 26

- (a) at the person's place of business in Alberta, or
 - (b) at a location from which, at the direction of the Minister, the records can be produced forthwith at a location specified by the Minister.
- (7) The Minister may in a written direction
- (a) exempt any person or class of persons from the application of this section or any provision of this section, subject to any conditions set out in the direction, or
 - (b) extend the deadline for the furnishing of any report under this section in respect of any month, subject to any conditions set out in the direction.
- (8) The Minister may require a person, or a representative of a person, who is required to furnish a report under subsection (2) or (3) to provide a written declaration attesting to the completeness, accuracy and integrity of the information contained in the report.
- (9) If a person who has furnished a report to the Minister under this section becomes aware that information in the report is inaccurate or incomplete, the person shall forthwith furnish to the Minister an amended report that contains information that is both accurate and complete.
- (10) For the purposes of subsection (9), the information in a report furnished under this section is inaccurate or incomplete if the information in the report does not correspond with the information in the records with respect to the report required to be kept by the person under section 26.

AR 118/2014 s7

Keeping of records

26(1) A person who is or was required or permitted by this Regulation, the 1994 Regulation or the 2002 Regulation to submit or furnish to the Minister any report or other document or information shall keep all records that come or came into that person's possession or the possession of any of that person's agents and that are, were or could be used for the purpose of preparing the report, document or information.

(2) If information furnished to the Minister by one or more persons for the purposes of this Regulation is inconsistent with information furnished to the Minister by any other person or persons for the purposes of this Regulation, the Minister may disclose the information to any or all of those persons to the extent the Minister considers necessary to resolve the inconsistency.

(3) A person required by subsection (1) to keep records must keep those records in the form of paper documents or store them in an electronic medium.

Penalties

27(1) A person who is required to furnish a report to the Minister under section 18(12) or under section 4(1) or (2) of Schedule 6 and fails to do so by the prescribed deadline applicable to the report is liable to pay a penalty of \$100 for each month or part of a month during which the failure continues, to a maximum of \$600.

(2) Despite subsection (1), where

- (a) a person who is required to furnish a report to the Minister under section 18(12) in respect of a year fails to do so by the prescribed deadline for the report by reason of the subsequent rejection of the report by the Minister,
- (b) the penalty under subsection (1) is included in the royalty invoice issued following the prescribed deadline for the report, and
- (c) the person furnishes the report by the 15th day of the month following the month in which the invoice was issued,

the person is not liable for the penalty.

(3) Despite subsection (1), if

- (a) a person who is required to furnish a report to the Minister under section 4(1) or (2) of Schedule 6 in respect of a month fails to do so by the prescribed deadline for the report, and
- (b) before furnishing the report or without having furnished the report, furnishes a report to the Minister under section 4(4) of Schedule 6 in respect of the year containing that month,

the person is not liable for the penalty under subsection (1) in relation to the report referred to in clause (a) in respect of any month occurring after the month following the month in which the report referred to in clause (b) is furnished to the Minister.

(4) A person who furnishes a report to the Minister under section 18(14) after the prescribed deadline for the report is liable to pay a penalty of \$100 for each month following the deadline, ending with the month in which the report is furnished, to a maximum of \$600.

(5) Despite subsection (4), where

- (a) a person who is required to furnish a report to the Minister under section 18(14) in respect of a year fails to do so by the prescribed deadline for the report by reason of the subsequent rejection of the report by the Minister,
- (b) the penalty under subsection (4) is included in the first royalty invoice issued following the prescribed deadline for the report, and
- (c) the person furnishes the report by the 15th day of the month following the month in which the invoice was issued,

the person is not liable for the penalty.

(6) A person who is required to furnish a report to the Minister under section 25(2) or under section 8(4) of Schedule 1 and fails to do so by the prescribed deadline applicable to the report is liable to pay a penalty of \$1000 for each month or part of a month during which the failure continues.

(7) A person who is required to furnish a report to the Minister under section 4(4) of Schedule 6 and fails to do so by the prescribed deadline applicable to the report is liable to pay a penalty of \$1000.

(7.1) A person who is required to furnish a report for a month to the Minister under section 25.1(2)

- (a) who fails to furnish the report by the prescribed deadline, or
- (b) who furnishes a report for the month that does not include the required information for all of the specified locations at which the person purchased natural gas liquids in the month,

is liable to pay a penalty of \$200 for each location in respect of which the required information was not provided to a maximum of \$3000 for each month or part of a month during which the failure to furnish the report or to include the required information for a location continues.

(7.2) A person who is required to furnish a report to the Minister under section 25.1(3) who fails to furnish the report by the deadline specified in the direction is liable to pay a penalty of \$3000 for each month or part of a month during which the failure continues.

(7.3) Subject to subsection (7.5), the Minister may impose a penalty on a person who is required to furnish a report under section 25.1(2) or (3) who furnishes a report that contains inaccurate or incomplete information.

(7.4) For the purposes of subsection (7.3), the information in a report furnished under section 25.1(2) or (3) is deemed to be inaccurate or incomplete if the information in the report does not correspond with the information in the records with respect to the report required to be kept by the person under section 26.

(7.5) The maximum penalty that may be imposed on a person under subsection (7.3) with respect to a particular report is \$25 000.

(7.6) In determining whether to impose a penalty on a person under subsection (7.3) and in deciding on the amount of the penalty to be imposed, the Minister shall consider the following:

- (a) any representations by the person with respect to the person's liability for the penalty or the amount of the penalty;
- (b) whether the person made reasonable efforts to provide accurate and complete information;
- (c) the extent and significance of any information omitted from the report and the extent and significance of the inaccuracy of any information in the report;
- (d) the affect, if any, the omission of the information from the report or the inclusion of inaccurate information in the report had on the Minister's determination of a reference price prescribed under section 7(7.1);
- (e) the number of times the Minister informed the person that a report contained inaccurate or incomplete information but did not impose a penalty on the person under subsection (7.3);
- (f) the number of penalties and the amounts of the penalties previously imposed on the person under subsection (7.3);
- (g) any other matter the Minister considers appropriate.

(8) The Minister may waive, in whole or in part, a penalty imposed under this section on being satisfied that it is appropriate to do so in the circumstances.

AR 221/2008 s27;118/2014

Penalty following audit

28(1) Where, as a result of an audit or examination conducted by or on behalf of the Minister under the Act, the Minister determines that the royalty compensation actually payable by a royalty client in respect of all production months in 2009 or any subsequent year is greater than the aggregate royalty compensation paid in respect of that year, the Minister

- (a) subject to subsection (2), may impose on the royalty client a penalty in an amount equal to 10% of the deficiency, and
- (b) shall, whether a penalty is imposed under clause (a) or not, give a notice to the royalty client describing what in the Minister's opinion was the cause giving rise to the deficiency.

(2) Where the Minister has given a notice to a royalty client under subsection (1)(b) relating to an audit or examination in respect of a year and, as a result of an audit or examination conducted by or on behalf of the Minister under the Act in respect of a subsequent year, the Minister determines that

- (a) the royalty compensation actually payable by the royalty client in respect of all production months in that subsequent year is greater than the aggregate royalty compensation paid in respect of that subsequent year, and
- (b) the cause giving rise to the deficiency was the same as or similar to the cause described in the notice,

the Minister may, subject to subsection (3), impose on the royalty client a penalty in an amount not exceeding 50% of that part of the deficiency in respect of that subsequent year that the Minister considers to be attributable to that cause.

(3) No penalty may be imposed under this section if the amount of the penalty otherwise payable in the absence of this subsection would be less than \$1000.

Interest

29(1) In this section, "overpayment of royalty compensation" and "underpayment of royalty compensation" means an overpayment or underpayment, respectively, of royalty compensation payable by a royalty client, as determined by the Minister in a calculation, additional calculation or recalculation of the amount of royalty compensation.

(2) Interest is payable by a royalty client to the Crown in accordance with this section

- (a) on an underpayment of royalty compensation, computed
 - (i) from the first day of the 3rd month following the production month in respect of which the royalty compensation is payable, and
 - (ii) to the last day of the month in which the first royalty invoice is issued in which the underpayment of royalty compensation initially appears,

and

- (b) on any amount that appears as payable to the Crown in a royalty invoice issued to the royalty client in respect of a production month, including an underpayment of royalty compensation, computed
 - (i) from the first day of the 4th month following the production month, and
 - (ii) to the date on which the entire unpaid balance, together with accrued interest, is received by the Minister.

(3) Interest is payable by the Crown to a royalty client in accordance with this section on an overpayment of royalty compensation payable by the royalty client in respect of a production month, computed

- (a) from the first day of the 3rd month following the end of the production month, and
- (b) to the last day of the month in which the first royalty invoice is issued in which the overpayment and interest are credited.

(4) For the purposes of this section,

- (a) interest payable by or to the Crown on any amount referred to in subsection (2) or (3) is payable on the balance of that amount remaining unpaid from time to time,
- (b) interest shall not be computed and payable under subsection (2)(a) or (3) on the portion of an underpayment or overpayment of royalty compensation, as the case may be, resulting from the determination made under section 18(4)(b), but must be computed and payable on any subsequent determination made under that section from the date of the initial determination,

- (c) if interest is payable under this section by or to the Crown in respect of any day, the rate of interest in respect of that day is the yearly rate that is 1% greater than the rate of interest established by Alberta Treasury Branches as its prime lending rate on loans payable in Canadian dollars and in effect on the first day of the month in which that day occurs, and
- (d) interest computed under subsection (2) or (3) must, unless the Minister directs otherwise, be compounded monthly in respect of the period for which it is computed.

30 Repealed AR 169/2015 s21.

Audit of Department records

31(1) The Minister may enter into a contract or arrangement with one or more organizations representative of the oil and gas industry in Alberta providing for the following:

- (a) the appointment by those organizations of an independent auditor to conduct an audit or examination under this section;
- (b) the conducting by the independent auditor from time to time of audits or examinations of records of the Department and the Alberta Petroleum Marketing Commission to the extent that they relate to the method and calculations by which the Minister determines any amount prescribed under section 7(1) to 7(7.1) or (9), the method and calculations by which allowable costs are determined by the Minister or the method and calculations by which any other amounts are determined by the Minister under this Regulation;
- (c) the matters arising out of an audit or examination on which the auditor may report to the organization or organizations and the Minister;
- (d) the disclosure by the Minister of matters reported to the Minister under clause (c) to any other organization that
 - (i) is determined by the Minister to have a legitimate interest in those matters, and
 - (ii) has paid or agrees to pay to the organization or organizations appointing the auditor, the amount specified by the Minister.

(2) The costs of an audit or examination referred to in subsection (1) shall be paid by the organization or organizations that appointed the auditor.

(3) Information obtained by the Minister under this Regulation may be communicated, disclosed or otherwise made available to the auditor if the information

- (a) relates to the manner in which amounts referred to in subsection (1)(b) were determined before being prescribed, and
- (b) is communicated, disclosed or made available in accordance with the contract or arrangement.

(4) Information obtained from the Minister by an auditor pursuant to subsection (3)

- (a) must be held by the auditor in confidence and must not be further communicated, disclosed or made available by the auditor in any circumstances where it is possible to relate that information to any particular identifiable person, gas contract, well, pipeline or facility at which natural gas or gas products are used or stored inside or outside Alberta, and
- (b) subject to clause (a), may be used by the auditor for the purpose of preparing a report to the organization or organizations that appointed the auditor if the information is used in accordance with that contract or arrangement.

AR 221/2008 s31;118/2014

Part 4

Consequential Amendments, Expiry and Coming into Force

32 to 34 *(These sections amend other regulations; the amendments have been incorporated into those regulations.)*

Expiry

35 For the purpose of ensuring that this Regulation is reviewed, with the option that it may be repassed in its present or an amended form following a review, this Regulation expires on November 30, 2018.

Coming into force

36 This Regulation comes into force on January 1, 2009.

Schedule 1

Natural Gas, Residue Gas and Solution Gas

Interpretation

1(1) In this Schedule,

- (a) “gas” means natural gas, residue gas or solution gas;
- (b) “receipt meter station factor” means, in respect of a receipt meter station for a production month, the meter station factor prescribed for the receipt meter station under section 7(9) of this Regulation for the month or, if no meter station factor has been so prescribed for the receipt meter station for the month, 1.0.

(2) For the purposes of this Schedule, references to methane ISC, ethane ISC, propane ISC, butanes ISC and pentanes plus ISC in relation to any gas shall be read as the methane, ethane, propane, butanes and pentanes plus components respectively of that gas.

Royalty Share of Gas

Calculation of royalty quantity for gas

2 The royalty reserved to the Crown on gas in respect of a production month is the percentage of the gas recovered or obtained in that production month calculated in accordance with the following formula:

$$GR\% = \frac{[MR\%(MQ) + ER\%(EQ) + 30\%(PQ) + 30\%(BQ) + 40\%(PPQ)] + [C\% \times AF]}{MQ + EQ + PQ + BQ + PPQ}$$

where

- GR% is the Crown’s royalty share of the gas expressed as a percentage of the gas on which the royalty is payable;
- MR% is the percentage calculated under Schedule 2 for methane;
- ER% is the percentage calculated under Schedule 2 for ethane;
- C% is the percentage determined in accordance with section 3 with respect to the well event from which the gas is recovered;

AF is the adjustment factor for the well event prescribed or determined pursuant to section 7(10)(a) or (c) or (12) of this Regulation;

MQ, EQ, PQ, BQ and PPQ are the quantities of methane ISC, ethane ISC, propane ISC, butanes ISC and pentanes plus ISC, respectively, contained in the gas.

Calculation of C%

3(1) Subject to subsection (2), C% for a production month for each well event completed in the same pool is the percentage specified in column 2 of the Table following this section that corresponds to the number of months set out in the Table that have expired from and after the earliest production month during which

- (a) production from any of those well events is shut in pursuant to an order or other decision of the Regulator requiring production from the well event to be shut in, or
- (b) any of those well events that never commenced production due to an order or other decision of the Regulator precluding the recovery of the production from the well event are completed in the interval referred to in section 7(10)(a) or (c) of this Regulation

to and including the month immediately preceding the first production month in a period of at least 2 consecutive production months for which the Minister does not prescribe a quantity of conservation gas pursuant to section 7(10)(b) or (d) of this Regulation for a well event that was completed in that pool, where the Minister has prescribed a quantity of conservation gas for such a well event for one or more production months preceding that first production month.

(2) For production months following the production month in which the total royalty compensation received for the additional royalty share payable by virtue of the $[C\% \times AF]$ component of the formula in section 2 of this Schedule equals the total cost of conservation gas calculated under section 7(5) of Schedule 1 of the 2002 Regulation and section 7(5) of this Schedule for all royalty clients, C% is zero (0%) for all well events.

Table

Column 1 Months Expired	Column 2 C%
12 to 23 months	1%
24 to 35 months	2%
36 to 47 months	3%

48 to 59 months	4%
60 to 71 months	5%
72 to 83 months	6%
84 to 95 months	7%
96 to 107 months	8%
108 to 119 months	9%
120 months or more	10%

Royalty Compensation for Gas

Aggregate Gas Reference Price

4 For the purposes of this Schedule, the Aggregate Gas Reference Price for any gas for a production month is the amount determined in accordance with the following formula:

$$\text{AGRP} = \frac{\text{MRP}(\text{MQ}) + \text{ERP}(\text{EQ}) + \text{PRP}(\text{PQ}) + \text{BRP}(\text{BQ}) + \text{PPRP}(\text{PPQ})}{\text{MQ} + \text{EQ} + \text{PQ} + \text{BQ} + \text{PPQ}}$$

where

AGRP is the Aggregate Gas Reference Price for the gas for the month;

MRP, ERP, PRP, BRP and PPRP are the respective ISC reference prices prescribed for the production month under section 7 of this Regulation;

MQ, EQ, PQ, BQ and PPQ are the quantities of methane ISC, ethane ISC, propane ISC, butanes ISC and pentanes plus ISC, respectively, contained in the gas.

Transportation Allowance

5(1) For the purposes of this Schedule, the Transportation Allowance for any gas for a production month is the amount determined in accordance with the following formula:

$$\text{TA} = (\text{RTF} - 1) \text{D}$$

where

TA is the Transportation Allowance for the gas for the production month, which may be a positive or negative amount or zero;

RTF is the royalty trigger factor determined in accordance with subsection (2) for the production month for the royalty calculation point for the gas;

D is the adjusted intra-Alberta transportation deduction determined in accordance with subsection (3) for the production month.

(2) For the purposes of subsection (1), the royalty trigger factor for a production month for the royalty calculation point for any gas is

- (a) the receipt meter station factor for the receipt meter station for the month if the gas can only be delivered into a single pipeline through a single receipt meter station, or
- (b) if the gas can be delivered into one or more pipelines through more than one receipt meter station, the amount determined by rounding to the nearest hundredth the amount determined by
 - (i) multiplying the quantity of gas delivered to each receipt meter station from that royalty calculation point during the month by its receipt meter station factor,
 - (ii) determining the aggregate of the amounts calculated under subclause (i), and
 - (iii) dividing the aggregate amount determined under subclause (ii) by the total quantity of gas delivered to all those receipt meter stations from that royalty calculation point in that production month.

(3) For the purposes of subsection (1), the adjusted intra-Alberta transportation deduction for a production month for the royalty calculation point for any gas is the amount determined in accordance with the following formula:

$$D = \frac{MD(MQ) + ED(EQ) + PD(PQ) + BD(BQ) + PPD(PPQ)}{MQ + EQ + PQ + BQ + PPQ}$$

where

D is the adjusted intra-Alberta transportation deduction for the production month for the royalty calculation point for that gas;

MD, ED, PD, BD and PPD are the Methane ISC Adjusted Intra-Alberta Transportation Deduction, Ethane ISC Adjusted Intra-Alberta Transportation Deduction, Propane ISC Adjusted Intra-Alberta Transportation Deduction, Butanes ISC Adjusted Intra-Alberta Transportation Deduction and Pentanes Plus ISC Adjusted Intra-Alberta Transportation Deduction, respectively, for the production month;

MQ, EQ, PQ, BQ and PPQ are the quantities of methane ISC, ethane ISC, propane ISC, butanes ISC and pentanes plus ISC, respectively, contained in the gas.

Net Gas Reference Price

6 For the purposes of this Schedule, the Net Gas Reference Price in respect of the Crown's royalty share of any gas for a production month is

- (a) the Aggregate Gas Reference Price for the gas for the production month

minus

- (b) the Transportation Allowance for the gas for the production month.

Calculation of royalty compensation for gas

7(1) Subject to subsections (2), (3) and (4), the royalty compensation for a production month is an amount calculated by multiplying the quantity of the Crown's royalty share of gas in the production month by the Net Gas Reference Price for the gas for that production month and by subsequently reducing the amount so calculated to an amount not less than zero by subtracting firstly, the cost of conservation gas of the royalty client for the production month, and secondly, any IETP costs established and allocated to the royalty client in the month following the production month.

(2) If natural gas is

- (a) consumed as a fuel, or delivered from a gathering system to a mainline straddle plant, in a production month without having first been processed at a gas processing plant or reprocessing plant, or
- (b) disposed of in a production month without having first been processed at a gas processing plant or reprocessing plant and subsequently processed,

and royalty compensation on that natural gas would in the absence of this subsection be calculated in accordance with subsection (1), then, unless the Minister otherwise determines in a particular case, the royalty compensation is an amount calculated by multiplying the quantity of the royalty share by 80% of the Gas Reference Price for that production month.

(3) Subject to subsection (2), if

- (a) natural gas is removed from Alberta in a production month without having first been processed at a gas processing plant or reprocessing plant, and is subsequently processed, and
- (b) royalty compensation on that natural gas would in the absence of this subsection be calculated in accordance with subsection (1),

then, unless the Minister otherwise determines in a particular case, the royalty compensation is 80% of the amount that would, in the absence of this subsection, be calculated as the royalty compensation under subsection (1) before that amount is reduced by the cost of conservation gas or by any IETP costs.

(4) Where

- (a) gas is delivered pursuant to a contract under which the total consideration for sale of the gas is paid on or before the date of commencement of deliveries of gas under the contract, and
- (b) the Minister determines that the contract is a prepayment contract for the purposes of this section and that subsection (2) does not apply to the gas,

the royalty compensation payable on the gas delivered under the prepayment contract shall be calculated in accordance with subsection (1) without any reduction in respect of the cost of conservation gas or in respect of any IETP costs.

(5) The cost of conservation gas of a royalty client for a production month shall be determined in accordance with the following formula:

$$C = .5 [(SQ \times .8) (GRP - \$0.3791 \text{ per GJ})]$$

where

- C is the cost of the conservation gas of the royalty client for the production month;
- SQ is the aggregate of the quantities of conservation gas prescribed pursuant to section 7(10)(b) or (d) of this Regulation for the production month for all the well events for which the royalty client is, during the month, the operator according to the records of the Department;
- GRP is the Gas Reference Price prescribed for the production month under section 7(1) of this Regulation.

Recalculation of royalty compensation for gas sold under long-term contracts

8(1) Despite anything in this Schedule, the Minister may, in accordance with this section, recalculate the royalty compensation on natural gas and residue gas sold under a long-term contract during the whole of 2009 and each subsequent production year if

- (a) an application was made under section 7 of Schedule 1 of the 1994 Regulation to have that section apply to the long-term contract, and
- (b) the Minister approved the application.

(2) This section applies to a contract referred to in subsection (1) in respect of the remainder of the period of years specified by the Minister pursuant to section 7(3) of Schedule 1 of the 1994 Regulation.

(3) In respect of each year to which this section applies to a contract by reason of subsection (2), the Minister shall, after the end of the year,

- (a) recalculate the royalty compensation on natural gas and residue gas sold under the contract in that year by multiplying the quantity of the gas royalty for the year by the price payable to the seller for gas sold under the contract in that year, and
- (b) compute the amount by which the royalty compensation payable under section 7(1) and (2) exceeds or is exceeded by the royalty compensation recalculated under clause (a) and have the difference reflected in the royalty client account of the royalty client.

(4) If this section applies to a contract in respect of a year, the royalty client concerned shall furnish to the Minister a report respecting the prices of natural gas and residue gas sold under the contract in the preceding year on or before March 31 of the next year.

AR 221/2008 Sched. 1;89/2013

Schedule 2**Methane and Ethane****Definitions**

1(1) In this Schedule,

- (a) “ADP” or “average daily production” means the volume of natural gas recovered in a month from a well event in

- 10^3m^3 divided by the number of hours of operation of the well event in the production month and multiplied by 24;
- (b) “AGF” or “acid gas factor” is determined under section 5 of this Schedule;
 - (c) “DF” or “depth factor” is determined under section 6 of this Schedule;
 - (d) “drain” is a well event that is given a status of a drain, according to the records of the Regulator, but that contributes to the production of natural gas from the well that contains the drain;
 - (e) “kick-off point” means each deviation or branch of a wellbore or leg according to the records of the Regulator;
 - (f) “par price” means the par price for methane and ethane prescribed under section 7 of this Regulation;
 - (g) “quantity” means the monthly production in 10^3m^3 of natural gas recovered from a well event according to the records of the Regulator;
 - (h) “transitional well event” means a well event in respect of which a transitional election is in effect under Part 2.1 of this Regulation or under Part 2 of the *Petroleum Royalty Regulation, 2009* (AR 222/2008).

Royalty Share of Methane and Ethane

Calculation of royalty

2(1) Subject to subsection (2), the royalty reserved to the Crown on methane and ethane in respect of a production month is the percentage of the methane and ethane recovered or obtained in that production month calculated in accordance with the following formula:

$$R\% = r_p\% + r_q\%$$

where

$R\%$ is the Crown’s royalty share of the methane or ethane expressed as a percentage of the methane or ethane on which the royalty is payable;

$r_p\%$ is the rate for price calculated pursuant to section 3 of this Schedule in relation to the methane or ethane;

$r_q\%$ is the rate for quantity calculated pursuant to section 4 of this Schedule in relation to the methane or ethane.

(2) Despite sections 3 and 4 of this Schedule, if R% for the purposes of subsection (1) is

- (a) less than 5%, R% is 5%, or
- (b) more than
 - (i) 50%, R% is 50%, in the case of a production month prior to and including the December 2010 production month, or
 - (ii) 36%, R% is 36%, in the case of a production month commencing with and subsequent to the January 2011 production month.

(3) For the purposes of Schedule 1, R% determined for methane shall be expressed as MR%, and R% determined for ethane shall be expressed as ER%

Calculation of rate for price

3(1) In the case of a production month prior to and including the December 2010 production month, the $r_p\%$ for the purposes of section 2 of this Schedule is calculated in accordance with the following Table:

Rate for Price Table 1

Par Price	Formula
par price greater than zero and less than or equal to \$7.00/GJ	$r_p\% = [(par\ price - 4.50) \times 0.0450] \times 100$
par price greater than \$7.00/GJ and less than or equal to \$11.00/GJ	$r_p\% = [(par\ price - 7.00) \times 0.0300 + 0.1125] \times 100$
par price greater than \$11.00/GJ	$r_p\% = [(par\ price - 11.00) \times 0.0100 + 0.2325] \times 100$

(2) In the case of a production month commencing with and subsequent to the January 2011 production month, the $r_p\%$ for the purpose of section 2 of this Schedule is calculated in accordance with the following Table:

Rate for Price Table 2

Par Price	Formula
par price greater than zero and less than or equal to \$5.25/GJ	$r_p\% = [(par\ price - 4.50) \times 0.0450] \times 100$

par price greater than \$5.25/GJ and less than or equal to \$9.00/GJ	$r_p\% = [(par\ price - 5.25) \times 0.0200 + 0.03375] \times 100$
par price greater than \$9.00/GJ	$r_p\% = [(par\ price - 9.00) \times 0.0100 + 0.10875] \times 100$

(3) Where $r_p\%$ calculated under subsection (1) or (2) exceeds 30%, $r_p\%$ is deemed to be 30%.

(4) The $r_p\%$, determined in accordance with this section, may be less than or equal to 0%.

Calculation of rate for quantity

4(1) The $r_q\%$ for the purpose of section 2 of this Schedule is calculated in accordance with the following Table:

Rate for Quantity Table

Quantity	Formula
ADP greater than zero and less than or equal to $[6.0 \times 10^3 \text{ m}^3/\text{day} \times \text{DF}]$	$r_q\% = [(ADP - (4.0 \times \text{DF})) \times (0.0500/\text{DF})] \times 100$
ADP greater than $[6.0 \times 10^3 \text{ m}^3/\text{day} \times \text{DF}]$ and less than or equal to $[11.0 \times 10^3 \text{ m}^3/\text{day} \times \text{DF}]$	$r_q\% = \{[ADP - (6.0 \times \text{DF})] \times (0.0300/\text{DF}) + 0.1000\} \times 100$
ADP greater than $[11.0 \times 10^3 \text{ m}^3/\text{day} \times \text{DF}]$	$r_q\% = \{[ADP - (11.0 \times \text{DF})] \times (0.0100/\text{DF}) + 0.25000\} \times 100$

(2) Where $r_q\%$ calculated under subsection (1) exceeds 30%, $r_q\%$ is deemed to be 30%.

(3) $r_q\%$, determined in accordance with this section, may be less than or equal to 0%.

(4) For the purposes of this section, ADP for solution gas only is the sum of

- (a) the volumes of crude oil in cubic metres recovered in a month from the well event that is converted to volumes of natural gas in 10^3 m^3 that the crude oil would occupy in gaseous form at standard temperature and under standard pressure, and
- (b) the total volume of natural gas recovered in a month from that well event in 10^3 m^3

divided by the number of hours of operation of the well event in the production month and multiplied by 24.

(5) The conversion factor used to convert crude oil to natural gas in subsection (4) is $1.0686 \times 10^3 \text{ m}^3$ natural gas per cubic metre of crude oil.

Calculation of the acid gas factor

5(1) If, according to the records of the Regulator, the percentage of the natural gas recovered from a well event starting on January 1, 2009 production month, that is comprised of hydrogen sulphide and carbon dioxide exceeds 3% but is equal to or below 25% of the natural gas by volume, ADP for a well event for the purpose of section 4 of this Schedule is adjusted by multiplying ADP by AGF determined by using the formula:

$$\text{AGF} = 1.03 - (\text{H}_2\text{S}\% + \text{CO}_2\%)$$

where

AGF is the acid gas factor;

$\text{H}_2\text{S}\%$ is the percentage of the natural gas that is, according to the records of the Regulator, composed of hydrogen sulphide;

$\text{CO}_2\%$ is the percentage of the natural gas that is, according to the records of the Regulator, composed of carbon dioxide.

(2) If the AGF is

(a) less than 0.78, the AGF is deemed to be 0.78, and

(b) more than 1.00, the AGF is deemed to be 1.00.

(3) If the Regulator has no records as described in subsection (1), the AGF is deemed to be 1.00

(4) This section does not apply to transitional well events.

Calculation of royalty for transitional well events

5.1(1) Notwithstanding section 2 of this Schedule and subject to subsection (2), the royalty reserved to the Crown on methane and ethane in respect of a production month of a transitional well event is the percentage of the methane and ethane recovered or obtained in that production month calculated in accordance with the following formula:

$$\text{R}\% = \text{r}_\text{p}\% + \text{r}_\text{q}\%$$

where

$R\%$ is the Crown's royalty share of the methane or ethane expressed as a percentage of the methane or ethane on which the royalty is payable;

$r_p\%$ is the rate for price calculated pursuant to section 5.2 of this Schedule in relation to the methane or ethane;

$r_q\%$ is the rate for quantity calculated pursuant to section 5.3 of this Schedule in relation to the methane or ethane.

(2) Despite sections 5.2 and 5.3 of this Schedule, if $R\%$ for the purposes of subsection (1) is

(a) less than 5%, $R\%$ is 5%, or

(b) more than 30%, $R\%$ is 30%.

(3) For the purposes of Schedule 1, $R\%$ determined for methane shall be expressed as $MR\%$, and $R\%$ determined for ethane shall be expressed as $ER\%$.

Calculation of rate for price for transitional well events

5.2(1) The $r_p\%$ for the purpose of section 5.1 of this Schedule is calculated in accordance with the following Table:

Rate for Price Table for Transitional Well Events

Par Price	Formula
par price greater than zero and less than or equal to \$3.25/GJ	$r_p\% = [(par\ price - 2.00) \times 0.0350] \times 100$
par price greater than \$3.25/GJ and less than or equal to \$5.00/GJ	$r_p\% = [(par\ price - 3.25) \times 0.0050 + 0.0437] \times 100$
par price greater than \$5.00/GJ	$r_p\% = [(par\ price - 5.00) \times 0.0000 + 0.0525] \times 100$

(2) Where $r_p\%$ calculated under subsection (1) exceeds 5.25%, $r_p\%$ is deemed to be 5.25%.

(3) The $r_p\%$, determined in accordance with this section, may be less than or equal to 0%.

Calculation of rate for quantity for transitional well events

5.3(1) The $r_q\%$ for the purpose of section 5.1 of this Schedule is calculated in accordance with the following Table:

Rate for Quantity Table for Transitional Well Events

Quantity	Formula
ADP greater than zero and less than or equal to $[4.0 \text{ } 10^3 \text{ m}^3/\text{day} \times \text{DF}]$	$r_q\% = [(ADP - 2.0) \times 0.0500] \times 100$
ADP greater than $[4.0 \text{ } 10^3 \text{ m}^3/\text{day} \times \text{DF}]$ and less than or equal to $[9.0 \text{ } 10^3 \text{ m}^3/\text{day} \times \text{DF}]$	$r_q\% = [(ADP - 4.0) \times 0.0200 + 0.1000] \times 100$
ADP greater than $[9.0 \text{ } 10^3 \text{ m}^3/\text{day} \times \text{DF}]$	$r_q\% = [(ADP - 9) \times 0.0100 + 0.2000] \times 100$

(2) Where $r_q\%$ calculated under subsection (1) exceeds 25%, $r_q\%$ is deemed to be 25%.

(3) $r_q\%$, determined in accordance with this section, may be less than or equal to 0%.

(4) For the purposes of this section, ADP for solution gas only is the sum of

- (a) the volumes of crude oil in cubic metres recovered in a month from the well event that is converted to volumes of natural gas in 10^3 m^3 that the crude oil would occupy in gaseous form at standard temperature and under standard pressure, and
- (b) the total volume of natural gas recovered in a month from that well event in 10^3 m^3

divided by the number of hours of operation of the well event in the production month and multiplied by 24.

(5) The conversion factor used to convert crude oil to natural gas in subsection (4) is $1.0686 \text{ } 10^3 \text{ m}^3$ natural gas per cubic metre of crude oil.

Calculation of the depth factor

6(1) For the purposes of section 4 of this Schedule, DF for a well event for a production month is

- (a) one, in the case of a well event for which the measured depth is less than or equal to 2000 metres or for which a measured depth is not indicated in Petrinex,
- (b) the square of the quotient of the measured depth of the well event divided by 2000 metres, in the case of a well event for which the measured depth is greater than 2000 metres and less than 4000 metres, and
- (c) 4, in the case of a well event for which the measured depth is greater than or equal to 4000 metres.

(1.1) For the purpose of section 5.3 of this Schedule, DF for a transitional well event for a production month is one.

(2) For the purposes of subsection (1), and according to the records of the Regulator,

- (a) for a well containing one or more well events and no drains, the measured depth for each well event in the well is the longest distance, in metres, along the bore of the well from the kelly bushing of the well containing the well event to the base of the deepest producing interval in the well event,
- (b) for a well containing one well event and one or more drains, the measured depth for that well event is the sum of
 - (i) the length, in metres, of the well event, from the kelly bushing of the well containing the well event to the base of the deepest producing interval in the well event, and
 - (ii) the sum of the lengths, in metres, of all the drains in the well containing the well event, from the kick-off point of each drain to the perforation in that drain that is furthest from the kick-off point of the drain and that is contributing to the production of the well event,

or

- (c) for a well not described in clause (a) or (b), the measured depth may be determined by the Minister.

Ethane Royalty Compensation

Ethane Transportation Allowance

7(1) For the purposes of this Schedule, the Transportation Allowance for any ethane for a production month is the amount determined in accordance with the following formula:

$$TA = (RTF - 1) D$$

where

TA is the Transportation Allowance for the ethane for the production month, which may be a positive or negative amount or zero;

RTF is the royalty trigger factor determined in accordance with subsection (2) for the production month for the royalty calculation point for the ethane;

D is the Ethane ISC Adjusted Intra Alberta Transportation Deduction for ethane for the production month.

(2) For the purposes of subsection (1), the royalty trigger factor for a production month for the royalty calculation point for any ethane is

- (a) if the gas obtained at the same gas processing plant or reprocessing plant as the ethane can only be delivered into a single pipeline through a single receipt meter station, the receipt meter station factor for the receipt meter station for the month, or
- (b) if the gas obtained at the same gas processing plant or reprocessing plant as the ethane can be delivered into one or more pipelines through more than one receipt meter station, the amount determined by rounding to the nearest hundredth, the amount determined by
 - (i) multiplying the quantity of gas delivered to each receipt meter station from that royalty calculation point in the production month by its receipt meter station factor,
 - (ii) determining the aggregate of the amounts calculated under subclause (i), and
 - (iii) dividing the aggregate amount determined under subclause (ii) by the total quantity of gas delivered to all those receipt meter stations from that royalty calculation point in the production month.

Net Ethane Reference Price

8 For the purpose of this Schedule, the Net Ethane Reference Price in respect of the Crown's royalty share of any ethane for a production month is

- (a) the Ethane Reference Price for the production month
- minus
- (b) the Transportation Allowance for the ethane for the production month.

Ethane royalty compensation

9(1) Subject to subsection (2), the amount of royalty compensation on ethane for a production month is an amount calculated by multiplying the quantity of the royalty share by the Net Ethane Reference Price for that production month.

(2) Where

- (a) ethane is delivered pursuant to a contract under which the total consideration for sale of the ethane is paid on or before the date of commencement of deliveries of ethane under the contract, and
- (b) the Minister determines that the contract is a prepayment contract for the purposes of this section,

the royalty compensation payable in respect of the Crown's royalty share of the ethane delivered under the prepayment contract shall be calculated in accordance with subsection (1).

AR 221/2008 Sched.2;134/2009;197/2010;89/2013;140/2014

Schedule 3**Propane****Propane royalty quantity**

1 The royalty reserved to the Crown on propane obtained in a production month is 30%.

Propane royalty compensation

2(1) The amount of royalty compensation on propane for a production month is an amount calculated by multiplying the quantity of the royalty share in cubic metres by

- (a) the Net Propane Reference Price for that production month, in the case of a production month before July 2014, or
- (b) the Propane Spec Reference Price or the Propane Mix Reference Price for that production month, as the case may be, in the case of a production month after June 2014.

(2) For the purposes of this section, the Net Propane Reference Price for a production month is the Propane Reference Price for the production month minus the aggregate of the following:

- (a) the Transportation Allowance applicable to the propane, prescribed for the production month pursuant to section 7(7)(a) of this Regulation for the region in which is located the gas processing plant or reprocessing plant at which the propane is obtained;
- (b) the Fractionation Allowance for the production month, if applicable.

AR 221/2008 Sched. 3;118/2014

Schedule 4

Butanes

Butanes royalty quantity

1 The royalty reserved to the Crown on butanes obtained in a production month is 30%.

Butanes royalty compensation

2(1) The amount of royalty compensation on butanes for a production month is an amount calculated by multiplying the quantity of the royalty share in cubic metres by

- (a) the Net Butanes Reference Price for that production month, in the case of a production month before July 2014, or
- (b) the Butanes Spec Reference Price or the Butanes Mix Reference Price for that production month, as the case may be, in the case of a production month after June 2014.

(2) For the purposes of this section, the Net Butanes Reference Price for a production month is the Butanes Reference Price for the production month minus the aggregate of the following:

- (a) the Transportation Allowance applicable to the butanes, prescribed for the production month pursuant to section

7(7)(a) of this Regulation for the region in which is located the gas processing plant or reprocessing plant at which the butanes are obtained;

- (b) the Fractionation Allowance for the production month, if applicable.

AR 221/2008 Sched. 4;118/2014

Schedule 5

Pentanes Plus

Pentanes plus royalty quantity

- 1** The royalty reserved to the Crown on pentanes plus obtained in a production month is 40%.

Pentanes plus royalty compensation

- 2(1)** The amount of royalty compensation on pentanes plus for a production month is an amount calculated by multiplying the quantity of the royalty share in cubic metres by

- (a) the Net Pentanes Plus Reference Price for that production month, in the case of a production month before July 2014, or
- (b) the Pentanes Plus Spec Reference Price or the Pentanes Plus Mix Reference Price for that production month, as the case may be, in the case of a production month after June 2014.

- (2)** For the purposes of this section, the Net Pentanes Plus Reference Price for a production month is the Pentanes Plus Reference Price for the production month minus the aggregate of the following:

- (a) the Transportation Allowance applicable to the pentanes plus, prescribed for the production month pursuant to section 7(7)(a) of this Regulation for the region in which is located the gas processing plant or reprocessing plant at which the pentanes plus are obtained;
- (b) the Fractionation Allowance for the production month, if applicable.

AR 221/2008 Sched. 5;118/2014

Schedule 6**Sulphur****Definitions**

1 In this Schedule,

- (a) “corporate average price for sulphur” or “S-CAP”, in relation to a royalty client and a year, is the corporate average price for sulphur established for that royalty client for that year pursuant to section 3 of this Schedule;
- (b) “Sulphur Default Price”, in relation to a year, is the price determined from time to time by the Minister for the year pursuant to section 5 of this Schedule.

Sulphur royalty quantity

2 The royalty reserved to the Crown on sulphur obtained by processing natural gas is 16.66667% of the sulphur obtained.

Determination of royalty client’s annual S-CAP

3(1) Subject to this section, a royalty client shall determine the client’s corporate average price for sulphur for 2009 and each subsequent year if

- (a) the royalty client is required to furnish a report under section 4(4) of this Schedule, or elects to furnish a report under section 4(5) of this Schedule, in respect of the year, and
- (b) the quantity of sulphur disposed of by the client in the year to persons at arm’s length from the client is not less than 10% of the total quantity of sulphur allocated to the client in that year.

(2) The corporate average price determined by a royalty client for a year is the amount calculated by dividing

- (a) the royalty client’s total net revenue for sales of sulphur for the year, calculated in accordance with the Minister’s directions,

by

- (b) the total number of tonnes of sulphur sold in the same year under sales referred to in clause (a).

(3) A royalty client’s S-CAP for a year cannot be an amount per tonne less than zero.

(4) A royalty client's S-CAP for a year may be recalculated in accordance with the Minister's directions.

(5) A royalty client required under subsection (1) to determine the client's S-CAP for a year, and any person associated with that royalty client, must

- (a) whenever requested to do so by the Minister, consent to an audit or examination of the records of the royalty client or associated person that are or may be relevant to the determination of the royalty client's S-CAP for that year, and
- (b) co-operate with and give all reasonable assistance to the person conducting the audit or examination requested under clause (a) for the purpose of enabling that person to conduct the audit or examination satisfactorily.

(6) When an audit or examination is requested by the Minister under subsection (5), the royalty client or associated person has the choice of having the audit or examination conducted

- (a) by or on behalf of the Minister, at the Crown's expense, or
- (b) by an independent auditor approved by the Minister, at the expense of the royalty client and the persons associated with the royalty client or any one or more of them.

Report of sulphur disposition

4(1) A royalty client shall furnish to the Minister for each production month of 2009 and of each subsequent year a report respecting the quantities of sulphur disposed of by the client in each month if the Minister determines that the quantity of sulphur allocated to the client in the preceding year was 30 000 tonnes or more.

(2) A royalty client who is not required to furnish reports to the Minister under subsection (1) in respect of the production months of 2009 or a subsequent year, shall nonetheless furnish those reports for the 2nd and each subsequent production month of the year if the client elects to do so by furnishing the report in respect of the first production month of the year by the 15th day of the 2nd month following that first production month.

(3) A report furnished by a royalty client pursuant to subsection (1) or (2) in respect of a production month may, to the extent consented to by the Minister, include information regarding the quantities of sulphur disposed of by the client in any preceding production month.

(4) A royalty client shall furnish a report to the Minister for 2009 and each subsequent year in respect of which the client is required to furnish reports to the Minister under subsection (1) or (2) in relation to production months of the year, respecting the total quantity of sulphur disposed of by the royalty client in the year.

(5) A royalty client who is not required to furnish a report under subsection (4) in respect of a year may nonetheless elect to furnish a report under subsection (4) by furnishing the report to the Minister by the 15th day of April of the following year.

(6) A report required to be furnished

- (a) under subsection (1) or (2) in respect of a production month shall be furnished to the Minister by the 15th day of the 2nd month following the production month, and
- (b) under subsection (4) in respect of a year, shall be furnished to the Minister by the 15th day of April of the following year.

Sulphur royalty compensation

5(1) The amount of royalty compensation on sulphur allocated to the royalty client in a production month is an amount calculated by multiplying the quantity of the royalty share

- (a) by the royalty client's S-CAP for the year containing the month, in any case where clause (b) does not apply, or
- (b) by the Sulphur Default Price for the year containing the month if
 - (i) the quantity of sulphur disposed of by the royalty client in the year containing the month to persons at arm's length from the client is less than 10% of the total quantity of sulphur allocated to the client in that year,
 - (ii) the Minister determines that less than 30 000 tonnes of sulphur were allocated to the royalty client in the year preceding the year containing the month, and the client is not required to furnish a report under section 4(4) of this Schedule, and does not elect to furnish a report under section 4(5) of this Schedule, in respect of the year containing the month, or
 - (iii) the royalty client was given a direction under subsection (5) and the direction applies to the month.

(2) Subject to subsections (3) and (4), the Sulphur Default Price for a year is the price determined by dividing

- (a) the total net revenue for sales of sulphur by all royalty clients in the year to persons at arm's length with the clients, calculated in accordance with the Minister's directions,

by

- (b) the total number of tonnes of sulphur sold in the same year under sales referred to in clause (a).

(3) In determining the total net revenue referred to in subsection (2)(a), the net revenue from any sale included in the determination shall not be less than zero.

(4) Subject to section 38 of the Act, the Minister may from time to time recalculate the Sulphur Default Price for a year.

(5) If a royalty client or a person associated with the royalty client refuses to give consent to an audit or examination pursuant to section 3(5)(a) of this Schedule or fails to comply with section 3(5)(b) of this Schedule with respect to an audit or examination conducted under that section, the Minister may direct that the royalty compensation on sulphur allocated to the royalty client in that year be calculated in accordance with subsection (1)(b).

(6) Subject to subsection (7), if a royalty client who is required to furnish a report under section 4(4) of this Schedule in respect of a year fails to furnish the report by the 15th day of April of the following year, the Minister may direct that the royalty compensation on sulphur allocated to the royalty client in that year be calculated in accordance with subsection (1)(b).

(7) Subject to section 38 of the Act, if a royalty client for whom the calculation of royalty compensation is subject to a direction by the Minister under subsection (6) subsequently furnishes the report required to be filed by it under section 4(4) of this Schedule in respect of a year, the Minister may, in accordance with subsection (1)(a), recalculate the royalty compensation on sulphur allocated to the royalty client in that year.

Schedule 7

Exemption for Otherwise Flared Solution Gas

Interpretation

1 In this Schedule,

- (a) “approved well event” means a well event approved by the Minister under section 2(1) of Schedule 8 of the 2002 Regulation or under section 2(1) of this Schedule;
- (b) “average daily production”, in relation to solution gas recovered from a well event in a production month, means the volumes of solution gas recovered from the well event in that production month in m³, divided by the number of hours of operation of the well event in the production month and multiplied by 24;
- (c) “bitumen battery” means a battery that is, according to the records of the Regulator, a bitumen battery;
- (d) “crude oil battery” means a battery that is, according to the records of the Regulator, a crude oil battery.

Exemption for solution gas

2(1) The Minister may, on application from the operator of a crude oil battery or a bitumen battery and on the recommendation of the Regulator,

- (a) approve, for the purposes of the exemption from royalty under subsection (4) or (5), a well event from which solution gas is recovered and delivered to the battery, and
- (b) specify an apportionment factor for the approved well event that is not more than 1.0, expressed as a decimal fraction.

(2) An application under subsection (1) must be received by the Minister within 6 months of the date when, according to the records of the Regulator, routine flaring or venting of all or part of the solution gas recovered from the well event permanently ceased.

(3) The Minister may extend the time by which an application must be received if, in the Minister’s opinion, an extension is warranted in the circumstances.

(4) Subject to subsections (6) to (11), solution gas that is

- (a) recovered in a production month after September, 2002 from an approved well event,
- (b) delivered to a crude oil battery, and
- (c) used or consumed for some useful purpose and not injected

is exempt from the payment of royalty otherwise payable to the Crown under this Regulation.

(5) Subject to subsections (6) to (11), solution gas that is

- (a) recovered in a production month after December, 2008 from an approved well event,
- (b) delivered to a bitumen battery, and
- (c) used or consumed for some useful purpose and not injected

is exempt from the payment of royalty otherwise payable to the Crown under this Regulation.

(6) Where an apportionment factor is specified for an approved well event, the royalty exemption under subsection (4) or (5) applies only to the portion of the solution gas referred to in that subsection that is equal to the product of the quantity of the solution gas and the apportionment factor.

(7) Subject to subsections (9) and (10), a royalty exemption under subsection (4) or (5) applies in respect of solution gas recovered from an approved well event during the period of 120 consecutive months commencing with the month in which the application under subsection (1) and section 2(1) of Schedule 8 of the 2002 Regulation in respect of the well event is received by the Minister.

(8) Where a well event was approved under section 12.1(2) of the 1994 Regulation,

- (a) the well event is deemed to be an approved well event for the purposes of this section, and
- (b) subject to subsections (10) to (12), the royalty exemption provided for under section 12.1(4) of the 1994 Regulation in respect of solution gas recovered from that approved well event continues for the remainder of the period of 120 consecutive months referred to in section 12.1(6)(b) of the 1994 Regulation.

(9) The Minister may terminate a royalty exemption under subsection (4), (5) or (8) in respect of solution gas recovered from an approved well event if

- (a) according to the records of the Regulator, the average daily production of solution gas recovered from the well event has exceeded 15 000 m³ in each of 3 consecutive production months commencing with any month after July, 2002,

- (b) the Minister receives a recommendation from the Regulator to terminate the exemption, and
- (c) the Minister is of the opinion that solution gas recovered from the well event should not be exempt from the payment of royalty under this section.

(10) The Minister may make the termination of a royalty exemption pursuant to subsection (9) effective commencing with the production month following the 3-month period referred to in that subsection or commencing with any subsequent production month.

(11) If the Minister terminates a royalty exemption pursuant to subsection (9), the Minister shall

- (a) give written notice of the termination to the operator of the crude oil battery or bitumen battery to which solution gas recovered from the well event is delivered, and
- (b) specify in the notice the production month specified by the Minister under subsection (10) as the initial production month in which the termination is effective.

(12) Qualifying batteries under the 1994 Regulation or the 2002 Regulation are not eligible to receive a royalty exemption under Schedule 7 of this Regulation.

AR 221/2008 Sched. 7;89/2013



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