



Province of Alberta

MINES AND MINERALS ACT

EXPERIMENTAL PROJECT PETROLEUM ROYALTY REGULATION

Alberta Regulation 65/1992

With amendments up to and including Alberta Regulation 89/2013

Office Consolidation

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(Consolidated up to 89/2013)

ALBERTA REGULATION 65/92

Mines and Minerals Act

EXPERIMENTAL PROJECT PETROLEUM ROYALTY REGULATION

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Definitions

1 In this Regulation,

- (a) “approval” means an approval issued by the Regulator under the *Oil and Gas Conservation Act*;
- (b) repealed AR 89/2013 s8;
- (c) “experimental oil” means crude oil obtained from a well event during the period in which a prior scheme approval is in effect in respect of the experimental project that includes that well event, or during the period in which a new scheme approval and an experimental royalty period are in effect respecting the experimental project that includes that well event, but does not include crude oil
 - (i) obtained from a well event included in a scheme in respect of which deductions have been made by the Minister pursuant to section 11 of the *Petroleum Royalty Regulation* or obtained from a well event included in an approved scheme under the *Enhanced Recovery of Oil Royalty Reduction Regulation*,
 - (ii) in respect of which a royalty has been prescribed under section 10 of the *Petroleum Royalty Regulation*, or

- (iii) that is “qualifying crude oil” under the *Horizontal Well Petroleum Royalty Regulation*;
- (d) “experimental project” means a scheme that is the subject of a prior scheme approval or new scheme approval;
- (e) “experimental royalty period” means, in respect of an experimental project for which a new scheme approval is in effect, the shorter of
 - (i) the period, if any, specified by the Minister under section 4(4)(a) in respect of that project, and
 - (ii) the portion of the period referred to in subclause (i) that precedes termination of the experimental royalty period by the Minister under section 4(6);
- (f) “new scheme approval” means an approval issued after the date this Regulation comes into force of a scheme that is described in the approval as an experimental scheme and that is for the recovery, whether by enhanced recovery or otherwise, of oil from any field or pool, or a scheme for an experiment in any field, pool or well for the recovery of oil, and includes
 - (i) an approval issued on or before the date this Regulation comes into force of a scheme described in the approval as an experimental scheme for recovery of oil by the drilling of a horizontal well, and
 - (ii) an extension or renewal, issued by the Regulator after the date this Regulation comes into force, of a prior scheme approval,but does not include a processing scheme approval;
- (g) “prior scheme approval” means an approval that is in effect when this Regulation comes into force of a scheme described in the approval as an experimental scheme and that is for the recovery of oil, but does not include
 - (i) an extension or renewal, issued by the Regulator on or after the date this Regulation comes into force, of such an approval,
 - (ii) an approval described in clause (f)(i), or
 - (iii) a processing scheme approval;
- (h) “processing scheme approval” means an approval of a scheme solely for the processing through surface

facilities, of effluent recovered from any field, pool or well event;

- (i) “production entity” means
 - (i) a drilling spacing unit prescribed or established pursuant to regulations under the *Oil and Gas Conservation Act*, to the extent the drilling spacing unit is not included in a block or area described in subclause (ii), (iii) or (iv),
 - (ii) a block established pursuant to regulations under the *Oil and Gas Conservation Act*,
 - (iii) the area of a project as defined in the *Oil and Gas Conservation Act*, or
 - (iv) the area of a unit operation;
- (i.1) “Regulator” means the Alberta Energy Regulator;
- (j) “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 crude oil 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 crude oil 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.

AR 65/92 s1;348/93;349/93;89/2013

Application of Regulation

1.1 This Regulation applies to experimental oil won, worked, recovered or obtained on or before December 31, 2008.

AR 222/2008 s13

Royalty

2 The royalty to be computed, levied and collected by the Crown in right of Alberta on experimental oil won, worked, recovered or

obtained pursuant to an agreement granting petroleum rights is 5% of the experimental oil obtained from each well event during each calendar month, calculated free and clear of any deductions, other than those referred to in section 5.

AR 65/92 s2;349/93

Proportionment of royalty liabilities

3(1) When the whole or part of a location forms a part only of a production entity for a well event or events that are included in an experimental project, other than the area of a unit operation, the royalty payable to the Crown under this Regulation on crude oil obtained from the well event or events shall be

- (a) in the proportion that the area of the location within the production entity bears to the whole of the area of the production entity, or
- (b) if the production entity is a drilling spacing unit and an order under section 80 or 81 of the *Oil and Gas Conservation Act* is in effect with respect to the drilling spacing unit, in the proportion that the share of production allocated to the location or to the part of the location contained in the drilling spacing unit bears to the whole of the production from the drilling spacing unit,

and the well event or events are deemed to be in the location or part of the location.

(2) When the whole or part of a location forms the whole or part of a drilling spacing unit that is partly inside and partly outside the area of a unit operation, then for the purposes of calculating royalty on the crude oil recovered from a well event in the drilling spacing unit, portions of the crude oil shall be attributed to the parts of the drilling spacing unit inside and outside the area of the unit operation, in the proportion that the areas of those respective parts of the drilling spacing unit inside or outside the area of the unit operation bear to the whole of the area of the drilling spacing unit.

(3) For the purposes of subsection (1)(a), the production entity for a well event in a well designated by the Regulator as a gas well producing oil is

- (a) the quarter section of land on which the well is located, unless the Minister designates an area of land under clause (b), or
- (b) an area of land designated by the Minister on which the well is located.

AR 65/92 s3;349/93;251/2001;89/2013

Experimental royalty period

4(1) Any person to whom a new scheme approval is issued in respect of an experimental project may, so long as that approval remains in effect, apply to the Minister to have an experimental royalty period specified for the project by the Minister.

(2) An application under subsection (1) shall be in a form acceptable to the Minister.

(3) An applicant under subsection (1) shall provide the Minister with any additional information relating to the experimental project that the Minister requests in writing from the applicant.

(4) If the Minister receives an application under subsection (1) and the information requested under subsection (3) and if the new scheme approval for the project is in effect, the Minister may, by written notice to the applicant,

- (a) approve the application and specify in the notice the period during which the crude oil recovered from the project will be experimental oil for the purposes of this Regulation, or
- (b) refuse to approve the application.

(5) The Minister may specify as the commencement date of an experimental royalty period in respect of an experimental project, a specific date or a date identified by reference to the occurrence of an event, but the date so specified shall not be earlier than the later of

- (a) the day the new scheme approval for the experimental project was issued, and
- (b) the day that an experimental royalty period previously specified in respect of the experimental project expired or will expire, as the case may be.

(6) The Minister may specify as the expiration date of the experimental royalty period in respect of an experimental project, the earlier of

- (a) the day the new scheme approval for the experimental project ceases to be in effect, and
- (b) any other day identified by the Minister.

(7) If the Minister is of the opinion that an experimental project for which the Minister has specified an experimental royalty period is being or has been implemented, operated or carried out in a manner that causes the experimental project to deviate in any material

respect from the experimental project as described in the application and information provided under this section in respect of it, the Minister may terminate the experimental royalty period for the experimental project.

AR 65/92 s4

Deductions

5 The deductions that may be allowed for charges incurred in transporting the royalty share of experimental oil that belongs to the Crown are the deductions specified by the Minister.

AR 65/92 s5

Delivery and reporting of royalty

6 Where the location of an agreement is contained within a production entity, the operator of the production entity or well is responsible as the agent of the lessee for

- (a) the delivery of the Crown's royalty share of petroleum payable under the agreement, and
- (b) the filing of royalty reports required to be filed with the Department pursuant to the agreement.

AR 65/92 s6;349/93

Regulation not applicable

7 The *Petroleum Royalty Regulation* other than section 3 of that regulation does not apply to experimental oil to which this Regulation applies.

AR 65/92 s7

Repeal

8 The *Experimental Project Petroleum Royalty Regulation* (Alta. Reg. 36/79) is repealed.

AR 65/92 s8

Expiry

9 This Regulation expires on June 30, 2014.

AR 222/2008 s13



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