



Province of Alberta

MINES AND MINERALS ACT

PETROLEUM ROYALTY REGULATION

Alberta Regulation 248/1990

With amendments up to and including Alberta Regulation 89/2013

Office Consolidation

© Published by Alberta Queen's Printer

Alberta Queen's Printer
5th Floor, Park Plaza
10611 - 98 Avenue
Edmonton, AB T5K 2P7
Phone: 780-427-4952
Fax: 780-452-0668

E-mail: qp@gov.ab.ca
Shop on-line at www.qp.alberta.ca

Copyright and Permission Statement

Alberta Queen's Printer holds copyright on behalf of the Government of Alberta in right of Her Majesty the Queen for all Government of Alberta legislation. Alberta Queen's Printer permits any person to reproduce Alberta's statutes and regulations without seeking permission and without charge, provided due diligence is exercised to ensure the accuracy of the materials produced, and Crown copyright is acknowledged in the following format:

© Alberta Queen's Printer, 20__.*

*The year of first publication of the legal materials is to be completed.

Note

All persons making use of this consolidation are reminded that it has no legislative sanction, that amendments have been embodied for convenience of reference only. The official Statutes and Regulations should be consulted for all purposes of interpreting and applying the law.

(Consolidated up to 89/2013)

ALBERTA REGULATION 248/90

Mines and Minerals Act

PETROLEUM ROYALTY REGULATION

Table of Contents

| | |
|-------------|---|
| 1 | Interpretation |
| 1.01 | Application of Regulation |
| 1.1 | Prescribing factors and amounts |
| 2 | Royalty |
| 2.1 | Calculation of adjustment quantity |
| 3 | S117 of RSA 1980 cM-15 |
| 3.1 | Recalculation of royalty |
| 4 | Old oil royalty |
| 5 | New oil royalty |
| 5.1 | Third tier oil |
| 5.2 | Third tier oil royalty |
| 6 | Adjustment of royalty |
| 7 | Proportionment of royalty liability |
| 8 | Crown tract in unit |
| 9 | Rebate for injection |
| 10 | Lesser royalty |
| 10.1 | Application of ss11 and 11.1 |
| 11 | Scheme under Oil and Gas Conservation Act |
| 11.1 | Royalty relief |
| 21 | Responsibility of operator |
| 22 | Minister's decision final |
| 23 | Repeal |
| 24 | Expiry |

Schedules

Interpretation

1(1) In this Regulation,

- (a) “adjustment factor for new heavy oil” means, with respect to any month, the amount prescribed as the adjustment factor for new heavy oil for that month under section 1.1;

- (a.01) “adjustment factor for new non-heavy oil” means, with respect to any month, the amount prescribed as the adjustment factor for new non-heavy oil for that month under section 1.1;
- (a.02) “adjustment factor for old heavy oil” means, with respect to any month, the amount prescribed as the adjustment factor for old heavy oil for that month under section 1.1;
- (a.03) “adjustment factor for old non-heavy oil” means, with respect to any month, the amount prescribed as the adjustment factor for old non-heavy oil for that month under section 1.1;
- (a.04) “adjustment factor for third tier heavy oil” means, with respect to any month, the amount prescribed as the adjustment factor for third tier heavy oil for that month under section 1.1;
- (a.05) “adjustment factor for third tier non-heavy oil” means, with respect to any month, the amount prescribed as the adjustment factor for third tier non-heavy oil for that month under section 1.1;
- (a.051) “allocable costs” means allocable costs as defined in the *Innovative Energy Technologies Regulation*;
- (a.06) repealed AR 89/2013 s7;
- (a.07) “exploratory interval” means,
 - (i) in the case of a third tier exploratory well classified by the Regulator as a new field wildcat well or a new pool wildcat well, the interval that extends from the surface to the total depth of the well, and
 - (ii) in the case of a third tier exploratory well classified by the Regulator as a deeper pool test well, the interval the Regulator specifies as the exploratory interval of the well;
- (a.08) “finished drilling date” means a finished drilling date according to the records of the Regulator;
- (a.09) “heavy oil” means crude oil obtained from a well event during a month in which no crude oil obtained in that month from the well event has, according to the Minister’s determination based on records provided to the Minister by the Alberta Petroleum Marketing Commission, a density of less than 900 kilograms per cubic metre;

- (a.1) “licence” means a licence for a well issued under the *Oil and Gas Conservation Act*;
- (a.2) “licensee” means the holder of a licence;
- (a.3) “new heavy oil” means new oil that is heavy oil;
- (a.4) “new heavy oil par price” means, with respect to any month, the amount prescribed as the new heavy oil par price for that month under section 1.1;
- (a.5) “new heavy oil royalty factor” means, with respect to any month, the amount prescribed as the new heavy oil royalty factor for that month under section 1.1;
- (a.6) “new non-heavy oil” means new oil that is non-heavy oil;
- (a.7) “new non-heavy oil par price” means, with respect to any month, the amount prescribed as the new non-heavy oil par price for that month under section 1.1;
- (a.8) “new non-heavy oil royalty factor” means, with respect to any month, the amount prescribed as the new non-heavy oil royalty factor for that month under section 1.1;
- (b) “new oil” means crude oil that is new oil by reason of section 5(2);
 - (b.1) “new oil par price” means, with respect to any month, the amount prescribed as the new oil par price for that month under section 1.1;
 - (b.2) “non-heavy oil” means crude oil obtained from a well event during a month in which some or all of the crude oil obtained from the well event has, according to the Minister’s determination based on records provided to the Minister by the Alberta Petroleum Marketing Commission, a density of less than 900 kilograms per cubic metre;
 - (b.3) “old heavy oil” means old oil that is heavy oil;
 - (b.4) “old heavy oil par price” means, with respect to any month, the amount prescribed as the old heavy oil par price for that month under section 1.1;
 - (b.5) “old heavy oil royalty factor” means, with respect to any month, the amount prescribed as the old heavy oil royalty factor for that month under section 1.1;
 - (b.6) “old non-heavy oil” means old oil that is non-heavy oil;

- (b.7) “old non-heavy oil par price” means, with respect to any month, the amount prescribed as the old non-heavy oil par price for that month under section 1.1;
- (b.8) “old non-heavy oil royalty factor” means, with respect to any month, the amount prescribed as the old non-heavy oil royalty factor for that month under section 1.1;
- (c) “old oil” means crude oil other than new oil or third tier oil;
- (c.1) “pool” means a pool as defined in the *Oil and Gas Conservation Act*;
- (d) “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 unit area under a unit agreement or unit operation order,
- (d.1) “Regulator” means the Alberta Energy Regulator;
- (e) “select price of new heavy oil” means, with respect to any month, the amount prescribed as the select price of new heavy oil for that month under section 1.1;
- (f) “select price of new non-heavy oil” means, with respect to any month, the amount prescribed as the select price of new non-heavy oil for that month under section 1.1;
- (g) “select price of old heavy oil” means, with respect to any month, the amount prescribed as the select price of old heavy oil for that month under section 1.1;
- (h) “select price of old non-heavy oil” means, with respect to any month, the amount prescribed as the select price of old non-heavy oil for that month under section 1.1;
- (i) “select price of third tier heavy oil” means, with respect to any month, the amount prescribed as the select price of third tier heavy oil for that month under section 1.1;

- (j) “select price of third tier non-heavy oil” means, with respect to any month, the amount prescribed as the select price of third tier non-heavy oil for that month under section 1.1;
- (j.1) “solution gas” means the gaseous component of petroleum;
- (k) “third tier exploratory well” means a third tier exploratory well under section 2 of the *Third Tier Exploratory Well Royalty Exemption Regulation* (Alta. Reg. 16/93);
- (l) “third tier heavy oil” means third tier oil that is heavy oil;
- (m) “third tier heavy oil par price” means, with respect to any month, the amount prescribed as the third tier heavy oil par price for that month under section 1.1;
- (n) “third tier heavy oil royalty factor” means, with respect to any month, the amount prescribed as the third tier heavy oil royalty factor for that month under section 1.1;
- (o) “third tier non-heavy oil” means third tier oil that is non-heavy oil;
- (p) “third tier non-heavy oil par price” means, with respect to any month, the amount prescribed as the third tier non-heavy oil par price for that month under section 1.1;
- (q) “third tier non-heavy oil royalty factor” means, with respect to any month, the amount prescribed as the third tier non-heavy oil royalty factor for that month under section 1.1;
- (r) “third tier oil” means third tier oil under section 5.1;
- (s) “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.

(1.1) Subject to subsection (1.2), a reference in this Regulation to a month, whether by its name or not, shall be construed as the period commencing at 7:00 a.m. Mountain Standard Time on the first day of the month and ending immediately before 7:00 a.m. Mountain Standard Time on the first day of the next month.

(1.2) For the purposes of this Regulation, the month of December, 2008 shall be construed as the period commencing at 7:00 a.m. Mountain Standard Time on the first day of the month and ending immediately before 8:00 a.m. Mountain Standard Time on the first day of January, 2009.

(2) Repealed AR 19/93 s3.

AR 248/90 s1;31/91;406/91;19/93;355/93;241/2002;250/2004;
173/2006;254/2007;222/2008;89/2013

Application of Regulation

1.01 This Regulation applies to royalty on crude oil and solution gas obtained from petroleum recovered from a well event on or before December 31, 2008.

AR 222/2008 s18

Prescribing factors and amounts

1.1(1) The Minister may, with respect to any month, prescribe an amount as the adjustment factor for each of the following:

- (a) old non-heavy oil;
- (b) old heavy oil;
- (c) new non-heavy oil;
- (d) new heavy oil;
- (e) third tier non-heavy oil;
- (f) third tier heavy oil.

(2) An amount under subsection (1) must not be less than one.

(3) If the Minister does not prescribe an amount under subsection (1) for a month, the amount is one.

(4) The Minister may, with respect to any month, prescribe an amount per cubic metre as the par price for each of the following:

- (a) old non-heavy oil;
- (b) old heavy oil;
- (c) new oil;
- (d) new non-heavy oil;
- (e) new heavy oil;
- (f) third tier non-heavy oil;
- (g) third tier heavy oil.

(5) The Minister may, with respect to any month, prescribe an amount as the royalty factor for each of the following:

- (a) old non-heavy oil;
- (b) old heavy oil;
- (c) new non-heavy oil;
- (d) new heavy oil;
- (e) third tier non-heavy oil;
- (f) third tier heavy oil.

(6) The Minister may, with respect to any month, prescribe an amount per cubic metre as the select price for each of the following:

- (a) old non-heavy oil;
- (b) old heavy oil;
- (c) new non-heavy oil;
- (d) new heavy oil;
- (e) third tier non-heavy oil;
- (f) third tier heavy oil.

AR 19/93 s4

Royalty

2(1) The royalty reserved to the Crown on petroleum recovered from a well event pursuant to an agreement granting petroleum and natural gas rights, petroleum rights or natural gas rights shall be

- (a) that part of the crude oil obtained from the petroleum in each month calculated
 - (i) where sections 4, 5 and 5.2 do not apply, in accordance with Schedule 1,
 - (ii) where section 4 applies, in accordance with section 4,
 - (iii) where section 5 applies, in accordance with section 5, or
 - (iv) where section 5.2 applies, in accordance with section 5.2,

and reduced, subject to section 3.1, to an amount not less than that part by subtracting the adjustment quantity calculated for the well event pursuant to section 2.1,

and

- (b) that part of the solution gas obtained from the petroleum in each month, calculated in accordance with the *Natural Gas Royalty Regulation, 2002*.

(2) The royalty on crude oil and solution gas shall be free and clear of all deductions.

AR 248/90 s2;19/93;355/93;241/2002;250/2004

Calculation of adjustment quantity

2.1 The adjustment quantity for a well event for a month prior to January 1, 2009 is the amount determined by dividing the allocable costs established and allocated to the well event during the following month by the par price prescribed under section 1.1(4) applicable to the calculation of royalty under section 2(1)(a) on crude oil obtained during the month from petroleum recovered from the well event.

AR 250/2004 s14;222/2008

S117 of RSA 1980 cM-15

3 It is hereby declared that section 117 of the *Mines and Minerals Act* is applicable to all agreements granting petroleum and natural gas rights or petroleum rights.

Recalculation of royalty

3.1(1) Since the adjustment quantity for a well event for a month is determined after the month, the royalty calculated under section 2(1)(a) in respect of the well event and required to be delivered in

accordance with section 86 of the *Mines and Minerals Act* for the month shall, subject to subsection (2), be calculated under section 2(1)(a) without regard to any reduction in relation to an adjustment quantity.

(2) The Minister shall, after the adjustment quantity for a well event for a month is determined, recalculate the royalty for the well event for the month under section 2(1)(a) taking into account the adjustment quantity, and shall at the Minister's sole option

- (a) deliver to the operator of the well event by the end of the next month a quantity of crude oil equal to any quantity determined as a result of the recalculation to have been over delivered for the month, or
- (b) instead of delivering crude oil in accordance with clause (a), pay to the operator of the well event by the end of the next month proceeds calculated in accordance with subsection (3) and obtained as a result of the disposition of the over delivered crude oil.

(3) Proceeds to be paid pursuant to subsection (2)(b) in respect of crude oil determined to have been over delivered for a month shall be calculated by multiplying the quantity of the crude oil determined to have been over delivered by the par price prescribed under section 1.1(4) applicable to the calculation of royalty on crude oil obtained during the month from petroleum recovered from the well event.

(4) Section 22 of the *Mines and Minerals Administration Regulation* (AR 262/97) does not apply in respect of any over delivery of crude oil determined as a result of a recalculation under subsection (2).

AR 250/2004 s14

Old oil royalty

4(1) This section and Schedule 2 do not apply to new oil or third tier oil.

(2) Subject to section 5, if the old non-heavy oil par price for a month is greater than the select price of old non-heavy oil for that month, the royalty for that month with respect to old non-heavy oil produced from a well event shall be the number of cubic metres of non-heavy oil calculated in accordance with Schedule 2.

(3) Subject to section 5, if the old heavy oil par price for a month is greater than the select price of old heavy oil for that month, the royalty for that month with respect to old heavy oil produced from a well event shall be the number of cubic metres of heavy oil calculated in accordance with Schedule 2.

AR 248/90 s4;19/93;355/93

New oil royalty

5(1) In this section and Schedule 3,

- (a) “co-existent new oil entity” means a production entity determined by the Minister to be a co-existent new oil entity under subsection (4);
- (b) “co-existent new oil factor” means the fraction determined as the co-existent new oil factor for a production entity pursuant to subsection (5);
 - (b.1) “deepening” means the re-entry into an oil well and the drilling of any bore of the well away from the course of a pre-existing bore of the well or beyond the total depth of a pre-existing bore referred to in the licence for the well, or both, pursuant to an amendment of the licence or to any other approval by the Regulator relating to the well, so that oil production is obtained from a zone
 - (i) not penetrated by a pre-existing bore before the re-entry, and
 - (ii) below the zone from which that drilling commenced;
 - (b.2) “deepening interval” means an interval in a zone penetrated by a deepening that
 - (i) prior to re-entry into the well for the purpose of deepening was a zone that had not been penetrated by a pre-existing bore, and
 - (ii) is a zone below the zone from which the drilling of the bore of the deepening commenced;
- (c) “drilling spacing unit” means a drilling spacing unit prescribed by or pursuant to the *Oil and Gas Conservation Regulations* (Alta. Reg. 151/71);
 - (c.1) repealed AR 19/93 s7;
 - (d) “new oil entity” means a production entity determined by the Minister to be a new oil entity under subsection (3);
- (e), (f) repealed AR 19/93 s7;

- (f.1) “oil well” means an oil well as defined in the *Oil and Gas Conservation Regulations* (Alta. Reg. 151/71);
- (g) repealed AR 19/93 s7;
- (h) “project” means project as defined in the *Oil and Gas Conservation Act*;
- (i) “scheme” means an enhanced recovery scheme that is the subject of an order or approval under section 38(a) or 39(1)(a) or (e) of the *Oil and Gas Conservation Act*.

(2) New oil is crude oil that is not third tier oil and that

- (a) is produced from a well event in a new oil entity,
- (b) is that portion of the crude oil produced from a well event in a co-existent new oil entity determined by multiplying the quantity of crude oil so produced by the co-existent new oil factor for that entity, or
- (c) is produced after October 31, 1991 from
 - (i) a well the spudding in of which commenced after October 31, 1991,
 - (ii) a deepening interval of a deepening which commenced after October 31, 1991,
 - (iii) a well in respect of which royalty has been exempted pursuant to the *Reactivated Well Incentive Regulation* for crude oil produced from that well,
 - (iii.1) a well in respect of which royalty has been exempted pursuant to the *Reactivated Well Royalty Exemption Regulation* (AR 352/92) for crude oil produced from that well, or
 - (iv) a well
 - (A) that, prior to resuming production, has not produced crude oil for a period of at least 12 consecutive months, including October, 1991,
 - (B) that resumes production of crude oil before April 1, 1993, and
 - (C) that, at the time the well first resumed production of crude oil after October 31, 1991, is an oil well.

- (3) The Minister may determine any of the following to be a new oil entity:
- (a) a production entity in a pool determined by the Minister to have been discovered on or after April 1, 1974 on the basis of wells with finished drilling dates occurring on or after that date;
 - (b) a production entity in an extension of a pool if
 - (i) the extension is, in the Minister's opinion, attributable to wells with finished drilling dates occurring on or after April 1, 1974, and
 - (ii) no part of the production entity is within the portion of the pool outside the extension;
 - (c) a production entity in a pool if
 - (i) the Regulator has determined that, according to its records, production of crude oil ceased for a continuous period of at least 3 years, and
 - (ii) production from the pool resumed on or after May 1, 1980 and before November 1, 1991;
 - (d) the drilling spacing unit for a well event if
 - (i) the part of the well that contains the well event has a finished drilling date occurring on or after January 1, 1981, and
 - (ii) the pool in which the well event is completed is not yet the subject of a pool designation by the Regulator under section 33(1)(b) of the *Oil and Gas Conservation Act*;
 - (e) the drilling spacing unit for a well event if
 - (i) the well event produces crude oil having a density of 950 kilograms per cubic metre or more,
 - (ii) the part of the well that contains the well event has a finished drilling date occurring on or after January 1, 1981,
 - (iii) the drilling spacing unit that would have applied to the well event is 16 hectares or more in area if drilling had commenced before January 1, 1981,

- (iv) no well event had been completed in the drilling spacing unit referred to in subclause (iii) before January 1, 1981, and
 - (v) the drilling spacing unit for the well event is 16 hectares or more in area on the finished drilling date of the part of the well that contains the well event;
- (f) the drilling spacing unit for a well event if
- (i) the crude oil produced from the well event has a density of 950 kilograms per cubic metre or greater,
 - (ii) the crude oil would, in the opinion of the Regulator, have been unrecoverable if the well event had not been completed,
 - (iii) the well event was completed in a drilling spacing unit established on or after January 1, 1981 as an area of 16 hectares or more,
 - (iv) the finished drilling date of the part of the well that contains the well event occurred on or after the date on which the drilling spacing unit for the well event was established, and
 - (v) the well event was completed in a drilling spacing unit in which no well event had been completed before January 1, 1981;
- (g) a drilling spacing unit if
- (i) the pool in which the drilling spacing unit occurs is determined by the Minister to have been initially discovered before January 1, 1981 on the basis of wells with finished drilling dates occurring before that date,
 - (ii) the Regulator has determined that, according to its records,
 - (A) crude oil has previously been produced from at least one well in that drilling spacing unit, and
 - (B) crude oil has not been produced from any well in that drilling spacing unit for a continuous period of at least 3 years,
 - (iii) production of crude oil from that drilling spacing unit resumed on or after January 1, 1981 and before November 1, 1991 from a reactivated or replacement well, and

- (iv) the Minister is of the opinion that the reactivation or replacement of the well in the drilling spacing unit has enabled or will enable the recovery of volumes of crude oil that would not have been recovered if the well had not been so reactivated or replaced;
 - (h) the drilling spacing unit for a well event if
 - (i) the well event produces crude oil having a density of less than 950 kilograms per cubic metre,
 - (ii) the part of the well that contains the well event has a finished drilling date occurring on or after July 1, 1983,
 - (iii) the drilling spacing unit that would have applied to the well event is 16 hectares or more in area if drilling had commenced before July 1, 1983,
 - (iv) no well event had been completed in the drilling spacing unit referred to in subclause (iii) before July 1, 1983, and
 - (v) the area of the drilling spacing unit for the well event on the finished drilling date for the part of the well that contains the well event is not less than the area of the drilling spacing unit in effect on June 30, 1983 or in effect on any later date in the case of a special drilling spacing unit established by the Regulator as a result of an application made before June 30, 1983;
 - (i) the drilling spacing unit for a well event if
 - (i) the finished drilling date for the part of the well that contains the well event occurs on or after January 1, 1984, and
 - (ii) no well event had previously been completed in the drilling spacing unit prior to the date on which the drilling commenced.
- (4)** The Minister may determine any of the following to be a co-existent new oil entity:
- (a) a production entity that consists of a project;
 - (b) a production entity in a pool if
 - (i) the pool is determined by the Minister to have been discovered before April 1, 1974 on the basis of wells with finished drilling dates occurring before that date,

- (ii) the pool includes an extension which, in the Minister's opinion, is attributable to wells with finished drilling dates occurring on or after April 1, 1974, and
- (iii) the whole or a portion of the extension is a part only of the production entity;
- (c) a production entity in a pool if the production entity consists in part of a drilling spacing unit determined to be a new oil entity pursuant to subsection (3)(e) or (f);
- (d) a production entity to the extent that it is within a scheme;

and the Minister shall also determine the co-existent new oil factor for that co-existent new oil entity.

(5) A co-existent new oil factor shall be determined by the Minister for a co-existent new oil entity in accordance with the following:

- (a) if the production entity is a co-existent new oil entity by reason of the fact that it consists of a project,
 - (i) the Minister, in accordance with the fixed ratio method, shall determine the proportion that the increase in the remaining recoverable reserves of crude oil attributable to the operation of the scheme in the project bears to the whole of the remaining recoverable reserves in the production entity, and
 - (ii) the co-existent new oil factor for the production entity is the proportion so determined expressed as a fraction of one;
- (b) if a production entity is a co-existent new oil entity by reason of a determination made by the Minister pursuant to subsection (4)(b),
 - (i) the Minister shall determine the proportion that
 - (A) the remaining recoverable reserves of crude oil attributable to the portion of the production entity within the extension of the pool
bears to
 - (B) the remaining recoverable reserves of crude oil in the whole of the production entity,

and

- (ii) the co-existent new oil factor for the production entity is the proportion so determined, expressed as a fraction of one;
- (c) if a production entity is a co-existent new oil entity by reason of a determination made by the Minister pursuant to subsection (4)(c),
 - (i) the Minister shall determine the proportion that
 - (A) the remaining recoverable reserves of crude oil attributable to the drilling spacing unit concerned

bears to
 - (B) the remaining recoverable reserves of crude oil in the whole of the production entity,
 - and
 - (ii) the co-existent new oil factor for the production entity is the proportion so determined, expressed as a fraction of one;
- (d) if the whole or part of a production entity is a co-existent new oil entity because that whole or part is within a scheme,
 - (i) the Minister, in accordance with the fixed ratio method, shall determine the proportion that the increase in the remaining recoverable reserves of crude oil attributable to the operation of the scheme bears to the whole of the remaining recoverable reserves in the scheme, and
 - (ii) the co-existent new oil factor for the co-existent new oil entity is the proportion so determined expressed as a fraction of one.

(5.1) A determination by the Minister under subsection (3) or (4) may be made on the Minister's initiative except in the following cases where it may be made only on application:

- (a) where the production entity consists of
 - (i) a block established pursuant to regulations under the *Oil and Gas Conservation Act*,
 - (i.1) the area of a project as defined in the *Oil and Gas Conservation Act*, or

- (ii) the unit area under a unit agreement or unit operation order;
 - (a.1) where the whole or part of the production entity is within a scheme;
 - (b) where the determination is to be made under subsection (3)(c) or (g);
 - (c) where the production of crude oil from the production entity commenced before January 1, 1989 and an application for the determination had not been made before that date;
 - (d) in any specific case where the Minister requires an application.
- (6)** A determination made by the Minister under subsection (3) or (4)
- (a) shall specify the date on which it is effective,
 - (b) may be made effective as of
 - (i) the first day of the month in which crude oil was initially produced from the production entity, where the Minister makes the determination on his own initiative, or
 - (ii) where the determination is made on application, the first day of the month in which the application is actually received by the Department, unless the Minister specifies an earlier effective date,
- and
- (c) shall not apply with respect to petroleum recovered in a month prior to June, 1985.
- (7)** The Minister, on application or on his own initiative, may review a determination made by him under subsection (3) or (4), or his refusal to make a determination under subsection (3) or (4), and may, after concluding the review, revoke or replace the determination or make the determination, as the case may be, subject to the following:
- (a) an application for a review must be received by the Minister within 90 days after the date of the determination or the date of his refusal to make a determination, as the case may be;

- (b) if a determination is revoked because it was made in error, the revocation shall be made effective as of the effective date of the revoked determination.

(8) The following shall, in relation to petroleum recovered in June, 1985 and subsequent months, be deemed to be a determination by the Minister for a new oil entity or co-existent new oil entity respectively:

- (a) a certificate issued by the Minister under this Regulation for a NORP oil entity or a co-existent NORP oil entity, if the certificate is still in effect on May 31, 1985;
- (b) a determination referred to in section 2.1(8.1) of the predecessor of this Regulation as that section stood on May 31, 1985, if the determination is still in effect on May 31, 1985.

(9) For the purposes of this Regulation, a production entity is not, with respect to petroleum recovered on or after June 1, 1985, a new oil entity or a co-existent new oil entity except by reason of a determination made on or after June 1, 1985 under this section or by reason of subsection (8).

(10) Repealed AR 19/93 s7.

(11) If the new non-heavy oil par price for a month is greater than the select price of new non-heavy oil for that month,

- (a) the royalty on petroleum for that month, with respect to a well event that produces non-heavy oil from a new oil entity, shall be the number of cubic metres of non-heavy oil calculated in accordance with Schedule 3,
- (b) the royalty for the month with respect to the new oil portion of the non-heavy oil produced from a well event in a co-existent new oil entity shall be the number of cubic metres of non-heavy oil calculated by multiplying
 - (i) the royalty that would be payable for the month if all of the non-heavy oil produced was new non-heavy oil, by
 - (ii) the co-existent new oil factor,

and

- (c) the royalty for the month with respect to the old oil portion of the non-heavy oil produced from a well event in a co-existent new oil entity shall be the number of cubic metres of non-heavy oil calculated by multiplying

- (i) the royalty that would be payable for the month if all the non-heavy oil produced was old non-heavy oil, by
- (ii) one minus the co-existent new oil factor for the production entity.

(12) If the new heavy oil par price for a month is greater than the select price of new heavy oil for that month,

- (a) the royalty on petroleum for that month, with respect to a well event that produces heavy oil from a new oil entity shall be the number of cubic metres of heavy oil calculated in accordance with Schedule 3,
- (b) the royalty for the month with respect to the new oil portion of the heavy oil produced from a well event in a co-existent new oil entity shall be the number of cubic metres of heavy oil calculated by multiplying
 - (i) the royalty that would be payable for the month if all of the heavy oil produced was new heavy oil, by
 - (ii) the co-existent new oil factor,

and

- (c) the royalty for the month with respect to the old oil portion of the heavy oil produced from a well event in a co-existent new oil entity shall be the number of cubic metres of heavy oil calculated by multiplying
 - (i) the royalty that would be payable for the month if all the heavy oil produced was old heavy oil, by
 - (ii) one minus the co-existent new oil factor for the production entity.

AR 248/90 s5;31/91;406/91;19/93;355/93;251/2001;241/2002;
173/2006;89/2013

Third tier oil

5.1(1) In this section, “deepening” means the re-entry into an oil well and the drilling of any bore of the well away from the course of a pre-existing bore of the well or beyond the total depth of a pre-existing bore referred to in the licence for the well, or both, pursuant to an amendment of the licence or to any other approval by the Regulator relating to the well, so that crude oil is obtained from a pool not penetrated by a pre-existing bore before the re-entry.

(2) Third tier oil is crude oil described in the following clauses that is obtained in segregation within the well bore from other crude oil:

- (a) crude oil obtained from the exploratory interval of a third tier exploratory well;
- (b) crude oil obtained from a pool that
 - (i) is first designated as a pool by the Regulator pursuant to the *Oil and Gas Conservation Act* after September 30, 1992, and
 - (ii) has been penetrated by the exploratory interval of a third tier exploratory well that has a finished drilling date that precedes the day that the pool was so designated;
- (c) crude oil obtained from a pool that
 - (i) is first designated as a pool by the Regulator pursuant to the *Oil and Gas Conservation Act* after September 30, 1992, and
 - (ii) on the day it is so designated has been penetrated only by wells that have been spudded after September 30, 1992 or penetrated by the deepening of wells that commenced after September 30, 1992, and that have a finished drilling date that precedes the day that the pool was so designated.

(3) Crude oil obtained from a pool referred to in subsection (2)(b) or (c)

- (a) in segregation within the well bore from other crude oil, and
- (b) before the designation of the pool referred to in subsection (2)(b) or (c) was made and on or after January 1, 1993,

is deemed to be third tier oil.

(4) If the Regulator makes a decision the effect of which is that the designation of a pool referred to in subsection (2)(b) or (c) is revoked in whole or in part (the “revoked pool”) and the revoked pool is treated by the Regulator as forming part of a pool that was first designated on or before September 30, 1992,

- (a) crude oil obtained from the revoked pool in segregation within the well bore from other crude oil up to the last day of the month in which the designation is revoked is deemed to be third tier oil, and

- (b) crude oil obtained from the revoked pool after the last day of the month in which the designation is revoked is not third tier oil.

AR 19/93 s8;89/2013

Third tier oil royalty

5.2 The royalty with respect to third tier oil produced in a month is the number of cubic metres of that third tier oil calculated in accordance with Schedule 3.1.

AR 19/93 s8

Adjustment of royalty

6(1) Where by an order made pursuant to the *Oil and Gas Conservation Act*, the maximum allowable production from a well event is determined for a period in excess of one month, the rate at which royalty has been computed, levied and collected on petroleum shall at the end of that period be recalculated for each month during the period that crude oil was produced from the well event and for that purpose the production of crude oil shall be deemed to have been produced at the same rate for each month of the period.

(2) Where, following the recalculation made under subsection (1), the royalty levied and collected is in excess of that levied and collected at the rate as recalculated, an adjustment shall be made accordingly with respect to the royalty payable.

AR 248/90 s6;355/93

Proportionment of royalty liability

7(1) When the whole or part of a location forms a part only of a production entity other than the area of a unit operation, the royalty payable to the Crown under this Regulation on crude oil obtained from a well event or events in the production entity shall be

- (a) in the proportion that the area of the location within the production entity bears to the whole 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 production allocated to the location or to the part of the location contained in the spacing unit bears to the whole of the production from the spacing unit,

and the well event or events in the production entity 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 unit area under a unit agreement or unit operation order, 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 unit area, in the proportion that the areas of those respective parts of the drilling spacing unit inside or outside the unit area 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 248/90 s7;355/93;251/2001;241/2002;89/2013

Crown tract in unit

8 When Crown petroleum is subject to a unit agreement or unit operation order, the unit area under the unit agreement or order shall be deemed to be a location for the purpose of determining the rate of royalty applicable to the portion of the production allocated to any tract contained in an agreement.

AR 248/90 s8;241/2002

Rebate for injection

9(1) In this section,

- (a) “cost” means the purchase price or fair value but does not include any charges for transportation or injection;
- (b) “outside substance” means propane, butanes or other natural gas liquids or any combination of them, purchased or otherwise acquired for injection into a pool for pressure maintenance or recovery enhancement but does not include any crude oil, natural gas or residue gas;
- (c) “remaining total” means the cost of outside substances injected to the end of the month less reductions made under subsection (3).

(2) Where any outside substance has been injected during a month before January of 1994 through a well, the operator may file a report on a form prescribed or approved by the Minister showing

the quantity and cost of each outside substance injected during the month.

(3) Where a report referred to in subsection (2) has been filed, the Minister may rebate an amount not exceeding 5% of the royalty payable on petroleum for a month if the remaining total is reduced by an amount equal to the same percentage of the selling price or fair value of the crude oil on which the Crown's royalty on petroleum for the month is based.

AR 248/90 s9;355/93

Lesser royalty

10 Where in his opinion it is necessary or desirable in the interests of conservation or of maintaining or increasing the recovery of crude oil or natural gas from one or more well events in one or more wells, 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 crude oil obtained from the one or more well events, the pool or portion of the pool, 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.

AR 248/90 s10;355/93

Application of ss11 and 11.1

10.1 Sections 11 and 11.1 do not apply to crude oil recovered in 1994 or later years.

AR 348/93 s34

Scheme under Oil and Gas Conservation Act

11(1) Where

- (a) a scheme is approved under an order or approval made pursuant to section 38 or 39, respectively, of the *Oil and Gas Conservation Act* for the enhanced recovery of crude oil in a field or pool, or any part thereof, and the scheme is being conducted in a manner satisfactory to the Regulator, and
- (b) it is estimated by the Minister that the costs attributable to the implementation and operation of the scheme are in his opinion significantly greater than the costs that would be attributable to a suitable waterflood scheme in the same field or pool, or part thereof, as the case may be,

the Minister may deduct an amount in a month based on the incremental costs attributed by him to the scheme from the total revenue of the sale of crude oil recovered from the scheme for that month prior to the crude oil being made subject to the payment of royalty under this Regulation, if the Minister is satisfied that the total royalty payable to the Crown will not be less than if the scheme were not to proceed.

(2) Where a lessee advises the Minister that he proposes to implement and operate a scheme for the enhanced recovery of crude oil, the Minister may indicate to the lessee his decision with respect to the proposed scheme should that scheme come within the meaning of subsection (1)(a), and may further indicate the circumstances in which and the conditions upon which his decision will be implemented.

AR 248/90 s11;251/2001;89/2013

Royalty relief

11.1(1) In this section,

- (a) “estimated relief” means each amount allocated to a royalty payor under or in the manner described in subsection (2)(b)(i);
- (b) “excess actual relief” means the amount by which a royalty payor’s relief in respect of a scheme for a year exceeds the amount of relief determined by the Minister, in the course of a recalculation or additional calculation under section 38 of the *Mines and Minerals Act*, as being that which the royalty payor was otherwise entitled to have allocated to him in respect of that scheme and year;
- (c) “excess estimated relief” means the excess of the estimated relief of a royalty payor for a scheme for a year over the initial relief of the royalty payor for that scheme and year;
- (d) “initial relief” means each amount allocated to a royalty payor under or in the manner described in subsection (2)(b)(ii);
- (e) “prescribed rate” means, in respect of each day on which interest is payable under this section, 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;
- (f) “relief” means each amount allocated to a royalty payor under or in the manner described in subsection (2)(b)(iii);

- (g) “royalty payor” means each person determined by the Minister under subsection (2)(a) to be a royalty payor;
- (h) “scheme” means a scheme referred to in section 11(1).

(2) For the purposes of this section, the Minister may

- (a) determine the person who is the operator of a scheme and the persons who are royalty payors in respect of the scheme, and
- (b) allocate among royalty payors
 - (i) the amount estimated by the Minister before each year as the amount he will deduct under section 11(1) in respect of the scheme for that year,
 - (ii) the amount first deducted by the Minister under section 11(1) in respect of a scheme for a year after receiving the statements referred to in subsection (3) relating to that scheme and year, and
 - (iii) the amount deducted by the Minister under section 11(1) in respect of the scheme for a year, where that amount differs from the amount referred to in subclause (ii) relating to that scheme and year.

(3) Each royalty payor shall submit a report to the Minister in a form determined by the Minister respecting the amount to be deducted by the Minister under section 11(1) for the royalty payor in respect of the scheme for each year, by June 30 of the following year.

(4) If the estimated relief of a royalty payor for a scheme for 1991 or any subsequent year

- (a) exceeds the initial relief of the royalty payor for that scheme and year by more than 10%, interest calculated at the prescribed rate is payable by the royalty payor to the Crown on the excess estimated relief, with the computation of interest commencing on the later of
 - (i) January 1 of the following year, or
 - (ii) the day this section comes into force,and ending on the day the excess estimated relief is paid to the Crown, or
- (b) exceeds the initial relief of the royalty payor for that scheme and year by 10% or less, interest calculated at the prescribed rate is payable by the royalty payor to the

Crown on the excess estimated relief, with the computation of interest commencing on July 1 of the following year and ending on the day the excess estimated relief is paid to the Crown.

- (5) If an excess actual relief amount exists in respect of a royalty payor for a scheme for a year, interest calculated at the prescribed rate is payable by the royalty payor to the Crown,
- (a) in the case of any year prior to 1991, with the computation of interest commencing on the day this section comes into force and ending on the day the excess actual relief amount is paid to the Crown, and
 - (b) in the case of 1991 or any subsequent year, with the computation of interest commencing on July 1 of the following year and ending on the day the excess actual relief amount is paid to the Crown.
- (6) No interest is payable under this section if the amount of the interest is less than \$100 when the excess estimated relief or excess actual relief is paid.

AR 66/92 s2;348/93;251/2001;241/2002

12 to 20.1 Repealed AR 241/2002 s8.

Responsibility of operator

21 Where petroleum is recovered from a well in a month pursuant to an agreement, the person who is the operator of the well for that month according to the records of the Department is responsible as the agent of the lessee of the agreement for the delivery of the Crown's royalty share of crude oil payable under the agreement in respect of that month.

AR 248/90 s21;406/91;19/93;355/93;241/2002

Minister's decision final

22 Where any question arises pertaining to the interpretation of this Regulation, the decision of the Minister is final.

AR 248/90 s22

Repeal

23 The *Petroleum Royalty Regulation* (Alta. Reg. 93/74) is repealed.

AR 248/90 s23

Expiry

24 This Regulation expires on June 30, 2014.

AR 222/2008 s18

Schedule 1

| Monthly Production in Cubic Metres | Crown Royalty for the Month in Cubic Metres |
|------------------------------------|--|
| 1. less than 190.7 | the number of cubic metres determined by dividing the square of the cubic metres produced by 2755.04 |
| 2. 190.7 and over | 13.2 cubic metres plus the number of cubic metres produced in excess of 190.7 cubic metres multiplied by .115385 |

AR 248/90 Sched.1;19/93

Schedule 2

1 Subject to section 3 of this Schedule, the royalty for a month on old non-heavy oil is the amount calculated in accordance with the following equation:

$$R = S + kS \frac{(A-B)}{A}$$

where

“R” is the royalty payable in cubic metres;

“S” is the number of cubic metres determined in accordance with the Table in this Schedule;

“k” is the old non-heavy oil royalty factor for the month;

“A” is the old non-heavy oil par price for the month;

“B” is the select price of old non-heavy oil for the month.

2 Subject to section 3 of this Schedule, the royalty for a month on old heavy oil is the amount calculated in accordance with the equation in section 1 of this Schedule except that k is the old heavy

oil royalty factor for the month, A is the old heavy oil par price for the month and B is the select price of old heavy oil for the month.

3 The maximum royalty for a month for the purposes of sections 1 and 2 of this Schedule is the amount calculated in accordance with the following equation:

$$R = w(3.5 \times S)$$

where

“R” is the maximum royalty payable in cubic metres;

“w” is the adjustment factor for old non-heavy oil for the month for the purposes of section 1 and is the adjustment factor for old heavy oil for the month for the purposes of section 2;

“S” is the number of cubic metres determined in accordance with the Table in this Schedule.

Table

| Monthly Production in Cubic Metres | Crown Royalty for the Month in Cubic Metres |
|------------------------------------|--|
| 1. less than 190.7 | the number of cubic metres determined by dividing the square of the cubic metres produced by 2755.04 |
| 2. 190.7 and over | 13.2 cubic metres plus the number of cubic metres produced in excess of 190.7 cubic metres multiplied by .115385 |

AR 248/90 Sched.2;19/93

Schedule 3

1 Subject to section 3 of this Schedule, the royalty for a month on new non-heavy oil is the amount calculated in accordance with the following equation:

$$R = S + yS \frac{(X-D)}{X}$$

where

- “R” is the royalty payable in cubic metres;
- “S” is the number of cubic metres determined in accordance with the Table in Schedule 2;
- “y” is the new non-heavy oil royalty factor for the month;
- “X” is the new non-heavy oil par price for the month;
- “D” is the select price of new non-heavy oil for the month.

2 Subject to section 3 of this Schedule, the royalty for a month on new heavy oil is the amount calculated in accordance with the equation in section 1 of this Schedule except that y is the new heavy oil royalty factor for the month, X is the new heavy oil par price for the month and D is the select price of new heavy oil for the month.

3 The maximum royalty for a month for the purposes of sections 1 and 2 of this Schedule is the amount calculated in accordance with the following equation:

$$R = v(3 \times S)$$

where

- “R” is the maximum royalty payable in cubic metres;
- “v” is the adjustment factor for new non-heavy oil for the month for the purposes of section 1 and is the adjustment factor for new heavy oil for the month for the purposes of section 2;
- “S” is the number of cubic metres determined in accordance with the Table in Schedule 2.

AR 248/90 Sched.3;19/93

Schedule 3.1

1 If the third tier non-heavy oil par price for a month does not exceed the select price of third tier non-heavy oil for the month, the royalty payable on third tier non-heavy oil produced from a well event during the month is the number of cubic metres of the third tier non-heavy oil determined in accordance with the Table in this Schedule.

2 If the third tier heavy oil par price for a month does not exceed the select price of third tier heavy oil for the month, the royalty

payable on third tier heavy oil produced from a well event during the month is the number of cubic metres of the third tier heavy oil determined in accordance with the Table in this Schedule.

3 Subject to section 5 of this Schedule, if the third tier non-heavy oil par price for a month exceeds the select price of third tier non-heavy oil for the month, the royalty payable on third tier non-heavy oil produced from a well event during the month is the amount calculated in accordance with the following equation:

$$R = S + zS \frac{(Y - F)}{Y}$$

where

“R” is the royalty payable in cubic metres;

“S” is the number of cubic metres determined in accordance with the Table in this Schedule;

“z” is the third tier non-heavy oil royalty factor for the month;

“Y” is the third tier non-heavy oil par price for the month;

“F” is the select price of third tier non-heavy oil for the month.

4 Subject to section 5 of this Schedule, if the third tier heavy oil par price for a month exceeds the select price of third tier heavy oil for the month, the royalty payable on third tier heavy oil produced from a well event during the month is the amount calculated in accordance with the equation in section 3 of this Schedule except that z is the third tier heavy oil royalty factor for the month, Y is the third tier heavy oil par price for the month and F is the select price of third tier heavy oil for the month.

5 The maximum royalty for a month for the purposes of sections 3 and 4 of this Schedule is the amount calculated in accordance with the following equation:

$$R = u(2.5 \times S)$$

where

“R” is the maximum royalty payable in cubic metres;

“u” is the adjustment factor for third tier non-heavy oil for the month for the purposes of section 3 and is the adjustment factor for third tier heavy oil for the month for the purposes of section 4;

“S” is the number of cubic metres determined in accordance with the Table in this Schedule.

Table

| Monthly Production in Cubic Metres | Crown Royalty for the Month in Cubic Metres |
|------------------------------------|---|
| 1. less than 20 | 0 |
| 2. 20 to less than 190.7 | the number of cubic metres computed by squaring the number of cubic metres produced in excess of 20 cubic metres and dividing by 2207.46 |
| 3. 190.7 and over | the number of cubic metres computed by adding 13.2 cubic metres to the product of .115385 multiplied by the number of cubic metres produced in excess of 190.7 cubic metres |

AR 19/93 s12;355/93

Schedules 4 and 5 Repealed AR 241/2002 s10.



Printed on Recycled Paper 