



Province of Alberta

MINES AND MINERALS ACT

REACTIVATED WELL ROYALTY EXEMPTION REGULATION

Alberta Regulation 352/1992

With amendments up to and including Alberta Regulation 89/2013

Office Consolidation

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(Consolidated up to 89/2013)

ALBERTA REGULATION 352/92

Mines and Minerals Act

REACTIVATED WELL ROYALTY EXEMPTION REGULATION

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Definitions

1(1) In this Regulation,

(a) repealed AR 89/2013 s13;

(a.1) “Crown interest”, in respect of a well or well event for any period, means

- (i) in the case of a well or well event that is subject to a unit agreement, a unit operation order or an order of the Regulator under section 80 or 81 of the *Oil and Gas Conservation Act*, the percentage of any production obtained during the period from the area subject to that agreement or order that would be allocated pursuant to the agreement or order to all the Crown tracts in that area, or
- (ii) in the case of a well or well event that is not referred to in subclause (i), the percentage of the area of the production entity, as defined in the *Petroleum Royalty Regulation* (AR 248/90), containing the well

or well event that consists of one or more Crown tracts;

- (a.2) “Crown production”, in respect of crude oil or oil sands obtained from a well or well event in a period, means the total production of crude oil or oil sands from the well or well event in the period multiplied by the Crown interest for the well or well event for the period;
- (a.3) “Crown tract” means the whole or part of a location;
- (b) “eligible oil” means crude oil or oil sands that is determined to be eligible oil under section 2.1;
- (c) “excluded production” means any substance produced from an oil well or oil sands well that the Minister determines under section 5 to be excluded production;
- (d) “finished drilling date” means, in respect of a well, the finished drilling date of the well according to the records of the Regulator;
- (e) “ineligible well” means a well
 - (i) that is in whole or in part within the area enclosed by a scheme boundary or less than 0.8 kilometres from a scheme boundary, unless the Minister has made a declaration in respect of the well under section 2.2, or
 - (ii) whose production is subject to a royalty that has been prescribed under section 10 of the *Petroleum Royalty Regulation* (AR 248/90);
- (f) “oil sands well” means a well that produces oil sands, other than a gas well as defined in the *Oil and Gas Conservation Rules* (AR 151/71);
 - (f.1) “oil sands well event” means a well event that is part of an oil sands well;
 - (g) “oil well” means an oil well as defined in the *Oil and Gas Conservation Rules* (AR 151/71);
 - (g.1) “oil well event” means a well event that is part of an oil well;
 - (g.2) “operator”, in respect of a well, means the person who is the operator of the well according to the records of the Department;

- (g.3) “production month”, in respect of a well, means a month in which crude oil or oil sands is obtained from the well;
- (h) “qualifying period”, in respect of an oil well or oil sands well, means a period of 24 consecutive months during which the requirements of section 2(a) to (c) are satisfied in respect of the well;
- (i) “reactivated well” means a reactivated well referred to in section 2;
- (i.1) “Regulator” means the Alberta Energy Regulator;
- (j) “royalty exemption” means the royalty exemption referred to in section 3;
- (k) “scheme boundary” means, in respect of a scheme that has received a benefit from the Minister under section 11 of the *Petroleum Royalty Regulation* (AR 248/90) or that is an approved scheme under the *Enhanced Recovery of Oil Royalty Reduction Regulation* (AR 348/93),
 - (i) the boundaries of the scheme as described in an order issued by the Regulator approving the scheme, or
 - (ii) if the boundaries of the scheme are not so described, the boundaries of the pool or pools containing the whole or any part of the scheme and designated by order of the Regulator,

including any changes to those boundaries that extend those boundaries outward;
- (l) “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 or oil sands 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 or oil sands 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.

(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.

AR 352/92 s1;348/93;207/2006;254/2007;89/2013

Reactivated well

2 An oil well or oil sands well is a reactivated well if it meets all of the following requirements:

- (a) the well does not produce any substance, other than excluded production or water, in any month in a period of 24 consecutive months beginning after the earliest finished drilling date of the well and ending after January 1993;
- (b) the well commences or resumes production of crude oil or oil sands immediately following the 24-month period referred to in clause (a);
- (c) any royalty exemption made in respect of the well before the 24-month period referred to in clause (a) was wholly revoked under section 6 or 7 before the commencement of that period and has not been reinstated under section 8.1;
- (d) the well is not an ineligible well.

AR 352/92 s2;184/98;207/2006

Eligible oil

2.1(1) Crude oil or oil sands that is not excluded production is eligible oil if it is obtained from a reactivated well on or before December 31, 2008

- (a) after the well's qualifying period,
- (b) from an eligible well event,
- (c) from a pool or oil sands deposit penetrated by the well before the end of the well's qualifying period, and
- (d) in segregation from crude oil or oil sands obtained from a pool or oil sands deposit penetrated by the well after the end of the well's qualifying period if that pool or deposit is deeper than the pool or deposit referred to in clause (c).

(2) An oil well event or an oil sands well event is an eligible well event for the purposes of this section if all of the following apply:

- (a) the well event is part of a reactivated well;

- (b) the Crown interest in the well event was greater than 0% in the last month of the well's qualifying period or the Minister has made an order under subsection (3) declaring that this requirement has been waived;
- (c) if crude oil or oil sands had been obtained from the well event in the last month of the well's qualifying period, that crude oil or oil sands would have been subject to the payment of royalty under the *Petroleum Royalty Regulation* (AR 248/90) or the *Oil Sands Royalty Regulation, 1984* (AR 166/84).

(3) The Minister may, by order, declare that the requirement in subsection (2)(b) has been waived in respect of an oil well event or oil sands well event if the only reason the well event does not meet that requirement is undue delay on the part of the Minister to enter into a unit agreement that provides for a Crown interest for the well event that is greater than 0%.

(4) An order by the Minister under subsection (3) may be made effective on a date earlier than the date the order is made, but may not be effective in respect of any period of time for which the Minister's power under section 38 of the Act to recalculate or make additional calculations of the Crown's royalty share of a mineral has expired.

AR 207/2006 s4;222/2008

Declaration that well not ineligible well

2.2(1) The Minister may, by order, declare that a well that is in whole or in part within the area enclosed by the scheme boundary of a scheme or less than 0.8 kilometres from the scheme boundary of a scheme is not an ineligible well if

- (a) the Regulator has cancelled its requirement for or approval of the scheme under section 38 or 39, respectively, of the *Oil and Gas Conservation Act*, or
- (b) the t-factor for the scheme, if any, for the purposes of the *Enhanced Recovery of Oil Royalty Reduction Regulation* (AR 348/93) is zero.

(2) An order by the Minister under subsection (1) may be made effective on a date earlier than the date the order is made, but may not be effective in respect of any period of time for which the Minister's power under section 38 of the Act to recalculate or make additional calculations of the Crown's royalty share of a mineral has expired.

AR 207/2006 s4;89/2013

Royalty exemption

3(1) Eligible oil obtained from a reactivated well on or before December 31, 2008 is exempt from the royalty payable under

- (a) the *Petroleum Royalty Regulation* (AR 248/90), and
- (b) the *Oil Sands Royalty Regulation, 1984* (AR 166/84).

(2) Repealed AR 207/2006 s5.

AR 352/92 s3;207/2006;222/2008

Termination of royalty exemption

4(1) A royalty exemption in respect of a reactivated well terminates

- (a) at the beginning of the month in which the well becomes a low productivity well under the *Low Productivity Well Royalty Reduction Regulation* (AR 350/92),
- (b) at the beginning of the month in which a declaration in respect of the well under the *Horizontal Re-entry Well Royalty Reduction Regulation* (AR 348/92) is effective,
- (c) at the beginning of the month in which the well becomes an ineligible well,
- (d) at the beginning of the month after the month in which the well is abandoned,
- (e) when 8000 m³ of eligible oil has been obtained from the well, if that quantity of eligible oil is obtained from the well before September 1, 2007,
- (f) on August 31, 2007, if on or before that date the value of the royalty exemption for the well determined under subsection (2) exceeds the maximum value determined for the well under subsection (4), or
- (g) when the value of the royalty exemption for the well determined under subsection (2) exceeds the maximum value determined for the well under subsection (4), if that occurs after August 31, 2007 and on or before December 31, 2008.

(2) The aggregate of the amounts determined under subsection (3) for a reactivated well is the value of the royalty exemption for the well for the purposes of subsection (1)(f) and (g).

(3) Each month that a royalty is exempted in respect of a well pursuant to section 3 the Minister shall determine the value of the

royalty exemption for that month by multiplying the quantity of royalty exempted for the month by the par price prescribed under section 1.1(4) of the *Petroleum Royalty Regulation* (AR 248/90) for that month that would have otherwise applied to the calculation of royalty, had the royalty not been exempted under this Regulation.

(4) The maximum value for the purposes of subsection (1)(f) and (g) of a reactivated well is the product of \$150 000 multiplied by the Crown interest for the well for the first production month after the qualifying period for the well.

AR 352/92 s4;207/2006;222/2008

Excluded production

5 The Minister may, on application, determine that any substance obtained from an oil well or oil sands well during the qualifying period of the well is excluded production if the Minister is of the opinion that

- (a) the substance was obtained in an isolated occurrence that was a test of the well,
- (b) the quantity of the substance obtained is consistent with a test of the well, and
- (c) the number of hours over which the substance is obtained is consistent with a test of the well.

AR 352/92 s5;207/2006

Factors affecting entitlement

6 If the Minister is of the opinion that

- (a) production of eligible oil from a reactivated well has resulted in a material reduction in the production of crude oil or oil sands from another well the production from which is not entitled to a royalty exemption,
- (b) section 9 has not been complied with in relation to a well,
- (c) the volume of eligible oil obtained from a reactivated well after commencing or resuming production cannot be reasonably attributed to work
 - (i) performed in relation to the well during or after the well's qualifying period, and
 - (ii) that is in addition to the work necessary to effect the commencement or resumption,

- (d) any substance was obtained from a well during the qualifying period of the well while a restriction on production of that substance from the well was imposed by the Regulator,
- (d.1) compliance with section 47(6) of the Act in connection with an audit or examination relating to a royalty exemption in respect of a well has been inadequate, or
- (e) one or more acts, agreements, arrangements, transactions or operations were, before or after the coming into force of this Regulation, effected for the purpose of improperly, artificially or unduly obtaining or increasing a royalty exemption in respect of a well,

the Minister may determine that crude oil or oil sands in respect of the well is not entitled in whole or in part to the royalty exemption or may revoke a royalty exemption in whole or in part.

AR 352/92 s6;207/2006;89/2013

Request to revoke royalty exemption

7(1) The Minister may wholly revoke a royalty exemption in respect of eligible oil obtained from a reactivated well on receiving a written request to do so from the operator of the well.

(2) A written request under subsection (1) must be received by the Minister within 6 months after the end of the month in which the exemption in respect of eligible oil obtained from the well commenced.

AR 352/92 s7;207/2006

Effect of revocation

8 If the Minister revokes a royalty exemption under section 6 or 7 in respect of a reactivated well, royalty on the eligible oil obtained from the well is calculated as if entitlement to the exemption never arose or only arose in part, in accordance with the revocation.

Reinstatement of royalty exemption

8.1(1) If the Minister considers it appropriate to do so, the Minister may reinstate a royalty exemption that was revoked wholly or in part under section 6 or 7.

(2) If the Minister reinstates a royalty exemption under subsection (1) in respect of a reactivated well, royalty on the eligible oil obtained from the well is calculated as if entitlement to the exemption was never revoked.

(3) A reinstatement made by the Minister under subsection (1) may be made effective on a date earlier than the date the reinstatement is made, but may not be effective in respect of any period of time for which the Minister's power under section 38 of the Act to recalculate or make additional calculations of the Crown's royalty share of a mineral has expired.

AR 207/2006 s10

Limit on royalty adjustments

8.2 Despite any other provisions of this Regulation, oil obtained from an oil well or oil sands obtained from an oil sands well does not qualify for a royalty exemption under this Regulation in any month in which any of the following royalty adjustments have been made in respect of the oil or oil sands:

- (a) the royalty reduction provided for in the *Horizontal Re-entry Well Royalty Reduction Regulation* (AR 348/92);
- (b) the royalty reduction provided for in the *Low Productivity Well Royalty Reduction Regulation* (AR 350/92);
- (c) the royalty exemption provided for in the *Third Tier Exploratory Well Royalty Exemption Regulation* (AR 16/93).

AR 207/2006 s10

Reporting circumstances affecting entitlement

9 A person who has not paid royalty on crude oil or oil sands by reason of a royalty exemption shall forthwith notify the Minister in writing on learning of any circumstances that indicate the crude oil or oil sands was not entitled to a royalty exemption in whole or in part.

Expiry

10 This Regulation expires on June 30, 2014.

AR 352/92 s10;207/2006;222/2008



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