



Province of Alberta

MINES AND MINERALS ACT

PETROLEUM ROYALTY REGULATION, 2009

Alberta Regulation 222/2008

With amendments up to and including Alberta Regulation 89/2013

Office Consolidation

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(Consolidated up to 89/2013)

ALBERTA REGULATION 222/2008

Mines and Minerals Act

PETROLEUM ROYALTY REGULATION, 2009

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Part 1 General

Interpretation

1(1) In this Regulation,

- (a) repealed AR 89/2013 s37;
- (b) “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;
- (c) “field condensate” means field condensate as defined in the *Natural Gas Royalty Regulation, 2009*;
- (d) “heavy oil” means the category of crude oil determined under section 4 as heavy oil;
- (e) “IETP costs” means allocable costs as defined in the *Innovative Energy Technologies Regulation* (AR 250/2004);
- (f) “licence” means a licence for a well issued under the *Oil and Gas Conservation Act*;
- (g) “licensee” means the holder of a licence according to the records of the Regulator and includes a trustee or receiver-manager of property of a licensee;
- (h) “light oil” means the category of crude oil determined under section 4 as light oil;
- (i) “medium oil” means the category of crude oil determined under section 4 as medium oil;
- (j) “operator”, in respect of a well, means the person who is the operator according to the records of the Department;
- (k) “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;

- (k.1) “producing interval” means a perforation from which production is obtained;
- (k.2) “production month” means the month in which petroleum is recovered;
- (k.3) “Regulator” means the Alberta Energy Regulator;
- (l) “royalty” means royalty reserved to the Crown in right of Alberta;
- (m) “solution gas” means
 - (i) gas that is separated from crude oil after recovery from a well, and
 - (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;
- (n) “ultra heavy oil” means the category of crude oil determined under section 4 as ultra heavy oil;
- (o) “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;
- (p) “zone” means any stratum or any sequence of strata that is designated by the Regulator as a zone.

(2) A reference in this Regulation to a month, whether by its name or not, shall be construed as the period commencing at 8:00 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 the next month.

AR 222/2008 s1;135/2009;199/2010;89/2013

Application of Regulation

2 This Regulation applies to royalty on crude oil and solution gas obtained from petroleum recovered from a well event on or after January 1, 2009.

s86 of the Mines and Minerals Act

3 Section 86 of the *Mines and Minerals Act* applies to all agreements granting petroleum and natural gas rights or petroleum rights and to crude oil obtained from petroleum recovered pursuant to those agreements.

Categories and densities of crude oil

4(1) The categories of crude oil and the density of each category are as specified in the following Table:

Crude Oil Category and Density Table

Category of Crude Oil	Density
light oil	less than 850 kilograms per cubic metre
medium oil	greater than or equal to 850 kilograms per cubic metre and less than 900 kilograms per cubic metre
heavy oil	greater than or equal to 900 kilograms per cubic metre and less than 925 kilograms per cubic metre
ultra heavy oil	greater than or equal to 925 kilograms per cubic metre

(2) The category for crude oil recovered from a well event during a month is determined by the Minister based on density information included in records provided to the Minister by the Regulator.

(3) In making a determination under subsection (2), the Minister may request and consider density information from the Alberta Petroleum Marketing Commission and the operator.

(4) If density information is not available to make a determination under subsection (2), the category for crude oil recovered from a well event during a month is light oil.

AR 222/2008 s4;89/2013

Prescribing par prices

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

- (a) light oil;
- (b) medium oil;
- (c) heavy oil;
- (d) ultra heavy oil.

Royalty

6(1) The royalty on petroleum recovered from a well event pursuant to an agreement granting petroleum and natural gas rights, petroleum rights or natural gas rights is

- (a) that part of the crude oil obtained from the petroleum in each month calculated in accordance with the Schedule, and
- (b) that part of the solution gas obtained from the petroleum in each month calculated in accordance with the *Natural Gas Royalty Regulation, 2009*.

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

Calculation of royalty

6.1 The royalty on petroleum recovered from a well event that is also eligible production under the *New Well Royalty Regulation* is the lesser of

- (a) the royalty calculated pursuant to section 6, and
- (b) 5%.

AR 32/2011 s18

Adjustment of royalty

7(1) If IETP costs have been established and allocated to a well event, at the sole option of the Minister,

- (a) the Minister shall pay to the operator by the end of the next month the IETP costs established and allocated to the well event to an amount not exceeding the royalty calculated under section 6(1)(a) for the previous month multiplied by the par price prescribed under section 5 for the previous month applicable to that calculation, or
- (b) the Alberta Petroleum Marketing Commission shall direct the operator to reduce the quantity of crude oil to be delivered in the next month under the *Petroleum Marketing Regulation* (AR 174/2006) by a quantity of crude oil calculated by dividing the IETP costs established and allocated to the well event by the par price prescribed under section 5 for the month in which the delivery is to occur to an amount not exceeding the royalty calculated for the previous month under section 6(1)(a).

(2) Section 22 of the *Mines and Minerals Administration Regulation* (AR 262/97) does not apply in respect of any payment or delivery of crude oil under subsection (1).

(3) 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 royalty that has been calculated, levied and collected on crude oil shall, on application by the operator or licensee, 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 is deemed to have been produced at the same rate as specified in the order for each month of the period.

(4) If the royalty that has been levied and collected is in excess of the amount recalculated under subsection (3), a payment of the excess amount must be made in accordance with section 15 of the *Petroleum Marketing Regulation* (AR 174/2006) as if the excess amount was an overdelivery of crude oil for the purposes of that section.

Crown tract in unit

8 If petroleum owned by the Crown is subject to a unit agreement or unit operation order, the unit area under the unit agreement or order is deemed to be a location for the purpose of determining the royalty calculated under section 2(1) of the Schedule applicable to the portion of the production allocated to any tract contained in an agreement.

Lesser royalty

9 Where in the opinion of the Lieutenant Governor in Council 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 with respect to the crude oil recovered from the one or more well events, the pool or portion of the pool, that is less than the royalty that would otherwise be deliverable under this Regulation, and
- (b) prescribe the period in respect of which the order is to apply.

Responsibility of operator

10 Where petroleum is recovered from a well in a month pursuant to an agreement, the operator of the well for that month is responsible as the agent of the lessee of the agreement for the delivery of the royalty on crude oil under the agreement in respect of that month.

Minister's decision final

11 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.

Part 2 Transitional Well Events

Definitions

11.1 In this Part,

- (a) "eligible well event" means a well event that is an eligible well event under section 11.2;
- (b) "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;
- (c) "transitional election" means an election made in respect of an eligible well event in accordance with section 11.3;

- (d) “transitional well event” means a well event in respect of which a transitional election is in effect under this Part.

AR 135/2009 s4

Eligible well event

11.2(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 135/2009 s4;199/2010;89/2013

Transitional election

11.3(1) The licensee of an eligible well event may elect, in accordance with this section, to have the royalty on crude oil and solution gas obtained from petroleum recovered from that well event determined under this Regulation in accordance with the provisions set out in the Schedule for transitional well events.

(2) The licensee must furnish the election to the Minister by electronic transmission to the Petroleum Registry of Alberta in accordance with the directions of the Minister respecting the operation of the Registry 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 under that subsection between June 4, 2009 and June 30, 2009.

AR 135/2009 s4;199/2010

When transitional election has effect

11.4(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 of the well event after December 2008.

AR 135/2009 s4

When transitional election ceases to have effect

11.5 A transitional election ceases to have effect in respect of a well event on the earlier 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 11.6;
- (b) December 31, 2013.

AR 135/2009 s4;199/2010

Opting out of transitional election

11.6(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 the Petroleum Registry of Alberta between January 1, 2011 and February 15, 2011 in accordance with the directions of the Minister respecting the operation of the Registry.

(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 of the Schedule until the end of the December 2010 production month.

AR 199/2010 s6

Part 3 Consequential Amendments, Expiry and Coming into Force

21 to 29 *(These sections amend other regulations; the amendments have been incorporated into those regulations.)*

Expiry

22 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

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

Schedule**Crown Royalty Share of Crude Oil****Definitions**

1 In this Schedule,

- (a) “Crown interest” means the percentage of Crown ownership of crude oil recovered from a well event as determined by the Minister in accordance with section 26.1 of the *Petroleum and Natural Gas Tenure Regulation* (AR 263/97);
- (b) “par price” means the par price prescribed under section 5 of the Regulation applicable to the category of crude oil determined by the Minister under section 4 of the Regulation;
- (c) “quantity” means the monthly production in cubic metres of crude oil from a well event according to the records of the Regulator;
- (d) “transitional well event” means a well event in respect of which a transitional election is in effect under Part 2 of this Regulation or under Part 2.1 of the *Natural Gas Royalty Regulation, 2009* (AR 221/2008).

Calculation of Crown royalty share

2(1) Subject to subsection (2), the royalty for a month is the amount calculated in accordance with the following formula:

$$\text{royalty in cubic metres} = (r_p\% + r_q\%) \times \text{quantity} \times \text{Crown interest}$$

where

$r_p\%$ is the percentage rate for price calculated in accordance with section 3 of this Schedule;

$r_q\%$ is the percentage rate for quantity calculated in accordance with section 4 of this Schedule.

(2) Where the calculation of $(r_p\% + r_q\%)$

- (a) is less than 0%, the amount is 0%, or
- (b) is more than

- (i) 50%, the amount is 50%, in the case of a production month prior to and including the December 2010 production month, or
- (ii) 40%, the amount is 40%, in the case of a production month commencing with and subsequent to the January 2011 production month.

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 \$250.00 per cubic metre	$r_p\% = ((\text{par price} - 190.00) \times 0.0006) \times 100$
par price greater than \$250.00 per cubic metre and less than or equal to \$400.00 per cubic metre	$r_p\% = [((\text{par price} - 250.00) \times 0.0010) + 0.0360] \times 100$
par price greater than \$400.00 per cubic metre	$r_p\% = [((\text{par price} - 400.00) \times 0.0005) + 0.1860] \times 100$

(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 \$250.00 per cubic metre	$r_p\% = ((\text{par price} - 190.00) \times 0.0006) \times 100$
par price greater than \$250.00 per cubic metre and less than or equal to \$400.00 per cubic metre	$r_p\% = [((\text{par price} - 250.00) \times 0.0010) + 0.0360] \times 100$
par price greater than \$400.00 per cubic metre and less than or equal to \$535.00 per cubic	$r_p\% = [((\text{par price} - 400.00) \times 0.0005) + 0.1860] \times 100$

metre	
par price greater than \$535.00 per cubic metre	$r_p\% = [((\text{par price} - 535.00) \times 0.0003) + 0.2535] \times 100$

(3) Where the $r_p\%$ calculated under subsections (1) or (2) exceeds 35%, the $r_p\%$ is deemed to be 35%.

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
quantity greater than zero and less than or equal to 106.4 cubic metres	$r_q\% = ((\text{quantity} - 106.4) \times 0.0026) \times 100$
quantity greater than 106.4 cubic metres and less than or equal to 197.6 cubic metres	$r_q\% = ((\text{quantity} - 106.4) \times 0.0010) \times 100$
quantity greater than 197.6 cubic metres and less than or equal to 304.0 cubic metres	$r_q\% = [((\text{quantity} - 197.6) \times 0.0007) + 0.0912] \times 100$
quantity greater than 304.0 cubic metres	$r_q\% = [((\text{quantity} - 304.0) \times 0.0003) + 0.1657] \times 100$

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

Calculation of Crown royalty share for transitional well events

5(1) Notwithstanding section 2 of this Schedule, and subject to subsection (2), the royalty for a month for a transitional well event is the amount calculated in accordance with the following formula:

$$\text{royalty in cubic metres} = (r_p\% + r_q\%) \times \text{quantity} \times \text{Crown interest}$$

where

$r_p\%$ is the percentage rate for price calculated in accordance with section 6 of this Schedule;

$r_q\%$ is the percentage rate for quantity calculated in accordance with section 7 of this Schedule.

- (2) Where the calculation of $(r_p\% + r_q\%)$
- (a) is less than 0%, the amount is 0%, or
 - (b) is more than 50%, the amount is 50%.

Calculation of rate for price for transitional well events

6(1) The $r_p\%$ for the purpose of section 5 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 \$250.00 per cubic metre	$r_p\% = \left((\text{par price} - 210.00) \times 0.00035 \right) \times 100$
par price greater than \$250.00 per cubic metre and less than or equal to \$350.00 per cubic metre	$r_p\% = \left[\left((\text{par price} - 250.00) \times 0.0001 \right) + 0.0140 \right] \times 100$
par price greater than \$350.00 per cubic metre	$r_p\% = \left[\left((\text{par price} - 350.00) \times 0.00005 \right) + 0.0240 \right] \times 100$

- (2) Where the $r_p\%$ calculated under subsection (1) exceeds 35%, the $r_p\%$ is deemed to be 35%.

Calculation of rate for quantity for transitional well events

7(1) The $r_q\%$ for the purpose of section 5 of this Schedule is calculated in accordance with the following Table:

Rate for Quantity Table for Transitional Well Events

Quantity	Formula
quantity greater than zero and less than or equal to 30.4 cubic metres	$r_q\% = \left((\text{quantity} - 30.4) \times 0.0013 \right) \times 100$
quantity greater than 30.4 cubic metres and	$r_q\% = \left((\text{quantity} - \right.$

less than or equal to 152.0 cubic metres	$30.4) \times 0.0013) \times 100$
quantity greater than 152.0 cubic metres and less than or equal to 273.6 cubic metres	$r_q\% = [((\text{quantity} - 152.0) \times 0.0008) + 0.1581] \times 100$
quantity greater than 273.6 cubic metres	$r_q\% = [((\text{quantity} - 273.6) \times 0.0002) + 0.2554] \times 100$

(2) Where the $r_q\%$ calculated under subsection (1) exceeds 35%, the $r_q\%$ is deemed to be 35%.

AR 222/2008 Sched.;135/2009;199/2010;89/2013



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