

**GAS ROYALTY CALCULATION
INFORMATION BULLETIN
August 2007**

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A. PRICING RATES AND TRANSPORTATION INFORMATION

For Pricing, Royalty Rates and Transportation Information for June 2007, refer to [Attachments 1, 1A, 2, 2A](#), and [3](#). These attachments are also available in [Excel format](#).

B. NOTICES

Department of Energy Website Redesign

Effective September 14, 2007, the Department of Energy website will be changing to conform to the [Government of Alberta](#) one window look. You will notice some changes in the way information is displayed on the website, but there will be no changes in the content. Please note that the URLs will change, so if you have bookmarks on the old website, remember to update your bookmarks once the new site is available. Should you have any questions regarding the website redesign, please contact Edith Villarica at (780) 422-7184.

Changes to the UOCR Estimates

To avoid huge swings in the annual adjustment of estimated operating costs to actual operating costs, facility operators currently can request a change to their monthly operating cost rate estimates.

EUB facility operators may apply through a written request to the department for a change to a facility's estimated UOCR. This process applies to any component for Designated and non-Designated facilities whose rate is based on actual operating costs reported on the AC4. In other words, any estimated component rate for a designated facility can be changed, but only the estimated processing rate for a non-designated facility can be changed as their gathering and compression rates are derived from the operating cost survey and promoted through annual change factors.

The EUB facility operator must provide the following information to determine an estimated component (processing, gathering, compression) rate, effective for the entire rate year (Feb to Feb exclusive):

EUB Facility ID;

- Operator name and ID;
- Estimated operating cost amount (\$) for each component;
- Estimated energy adjusted gas equivalent (EAGE) volumes;
- Production year.

For more information, please contact your applicable Gas Royalty Client Services portfolio representative as identified in [Section F](#) of this bulletin.

Acceptable Form Submissions

Clients are reminded that forms submitted to Alberta Energy for processing are accepted by the following methods: regular mail, courier, fax, or they can be taken to AMEC for courier delivery to our office. Clients are requested to refrain from sending forms via e-mail.

C. MONTHLY INFORMATION

June 2007 Royalty Due September 30

- **Royalty clients are to remit the total amount payable shown on the September 2007 Statement of Account by September 30, 2007.** If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided.
- **The September 2007 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your June 2007 Invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.**
- Current period interest will not be charged on current invoice charges for the production month of June 2007 if it is paid in full by September 30, 2007.
- Current period interest will accrue on any overdue charges commencing the first day after the due-date until it is paid in full.

Note: If the due date falls on a non-business day, the next business day will apply as the due date.

- Cheques are payable to the Minister of Finance, Province of Alberta.

July 2007 VA4 Due September 15

The VA4 forms for the production month of July 2007 are due in the department offices by September 15, 2007.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

July 2007 Production Reporting

July 2007 production reporting is submitted through the Registry. The deadline for submission of SAF, OAF, and Volumetrics is posted in the [Petroleum Registry of Alberta](#) website “Reporting Calendars” under Bulletin Board.

Changes to this calendar will be posted on the Registry website home page in “Broadcast Messages.”

Interest Rate August 2007

Alberta Energy’s interest rate for August 2007 is 7.25%

May Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the May 2007 billing period was:

First Time Provisional Assessment	Reversals of Provisional Assessments	Net Provisional Assessment
\$6,726,022.39	(\$2,724,169.39)	\$4,001,853.00

May Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the May 2007 billing period:

FORM	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2007/05
AC2	\$5,500	\$0	\$5,500
AC4	\$0	\$0	\$0
AC5	\$1,700	(\$200)	\$1,500
GR2	\$0	\$0	\$0
NGL1	\$0	\$0	\$0
VA2	\$0	\$0	\$0
VA3	\$0	\$0	\$0
VA4	\$300	\$0	\$300
Total	\$7,500	(\$200)	\$7,300

Gas Royalty Calculation Support

Gas Royalty Calculation staff will be available monthly to meet with clients who need assistance with royalty reporting. Royalty clients requiring assistance are encouraged to call Richard Stokl, Manager, Client Services (780-422-9258) or e-mail richard.stokl@gov.ab.ca two business days before the meeting date to arrange an appointment. The September through December schedule is as follows:

Where:

AMEC Place
 Room 437, 801-6 Avenue SW
 Calgary, Alberta
 Phone: 403-297-8954

(Industry must go to the 3rd Floor Reception upon arrival to sign-in and be given a visitor tag)

When – 10 am to 3 pm

September 27, 2007
 October 25, 2007
 November 29, 2007
 December 13, 2007

D. INFRASTRUCTURE DATA CHANGES

Client ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, includes Working Interest Owner (WIO) role start/end dates.

This report is also published daily on the Petroleum Registry website at:

<http://www.petroleumregistry.gov.ab.ca>

The department reminds Business Associates to review their WIO role to ensure the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role start date with no end date, then that BA can receive allocations from the stated start date forward.
- If a BA has a WIO role start and end date, then they can only receive allocations from the stated start date until the end date. Any allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive allocations at all.

Please contact Client Registry at (780) 422-1395 if you have any questions regarding the information supplied on this listing.

Projects/Blocks

If information is required on Projects or Blocks, please contact Isabelle Warwa at (780) 427-8952.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client names or IDs, please contact Client Registry at (780) 422-1395.

Nova Tolls - Multiple Gas Reference Prices

Royalty information related to the implementation of the Factor Model negotiated with industry for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under [Facility Royalty Trigger Factors and Meter Station Ties](#).

E. REMINDERS

Operating Costs Subject to Recapture

The Operating Costs Subject to Recapture report for the 2006 production year was generated in the April 2007 billing period invoice, issued in June 2007. Operating costs are recaptured from a royalty client who has volumes at a facility but have no capital allocations (AC1, AC2, or AC3) and no reported custom processing fees (AC5). A royalty client who is not an owner at a facility is not entitled to the operating costs they received on a monthly basis. The operating costs subject to recapture will be charged in the August 2007 billing period invoice, issued in October 2007.

Gas Processing Efficiency Assistance Regulation (GPEAR) Sulphur Emission Control Assistance Program (SECAP)

The Gas Processing Efficiency Assistance Regulation expiry date of November 30, 2007 has been extended to November 30, 2008 to provide an additional 12 months for royalty clients to monetize their royalty credit earned under the Sulphur Emission Control Assistance Program. Any remaining unrealized SECAP credits after November 30, 2008 will be lost.

As SECAP credits can only be applied to offset Crown royalty, it is the responsibility of the royalty client to track the application of the credit to their invoice(s) to ensure that all the credit has been monetized by November 30, 2008. Royalty clients with unused credits may transfer the SECAP credit to another gas royalty client(s) to be applied against their Crown royalty but no extensions of the November 30, 2008 deadline will be granted to the new recipient royalty client(s).

Transfers of SECAP credits to another royalty client must be received in writing prior to November 1, 2008 by Gas Royalty Billings. The letter must identify the amount(s) of the credit transfer and the name(s) and royalty client id(s) of the recipient royalty client(s).

The Gas Processing Efficiency Assistance Regulation expiry extension does not extend any other GPEAR/SECAP expired application deadlines.

For further information or to request a transfer, please contact Shellie Duiker at (780) 422-8083.

2007 Annual Allowable Cost Estimates (Capital Cost Allowance and Custom Processing Allowance)

For the January through March 2007 billing periods, royalty clients received estimated monthly cost deductions that were calculated using their 2005 actual allowable costs, multiplied by their 2005 Corporate Effective Royalty Rate (CERR), divided by 12 (months).

The information in the 2006 AC2, AC3, and AC5 documents was used to calculate the 2006 actual capital cost and custom processing allowances. This calculation was reflected in the April 2007 Initial Annual Billing Period (IABP) invoice, issued in June 2007.

The 2006 actual allowable costs became the royalty client's 2007 allowable cost estimates.

Commencing with the April 2007 billing period, royalty clients will receive monthly deductions based on their calculated 2007 allowable cost estimates, multiplied by their new 2006 CERR, minus the total deductions received in the January, February, and March 2007 billing period invoices, divided by the months remaining in the year (i.e. 9 months as of the April billing period).

If a royalty client needs to adjust the 2007 go forward allowable cost estimate a written request accompanied by supporting documentation must be submitted to Client Services (see Chapter 6, Section 1 of the Guidelines).

Examples when an adjustment may be required are as follows:

- A royalty client's business in a year changes significantly so that the Crown share of capital cost allowance and/or custom processing allowance from the preceding year are no longer applicable, or
- The AC2, AC3, and AC5 documents were not submitted in time for them to be processed in the April 2007 IABP invoice.

Business Rules Surrounding the Otherwise Flared Solution Gas (OFSG) Royalty Waiver Program

The department would like to remind clients to refer to the Guidelines ([Chapter 5, Section 2](#)) and Regulation ([Schedule 8](#)) for applicable business rules and compliance information.

Should you have any questions, please contact Shellie Duiker at (780) 422-8083.

Provincial Average Corporate Effective Royalty Rate (CERR)

The provincial average CERR is initially assigned to each new royalty client to estimate the Crown's share of allowable costs. Each June, during the Initial Annual Billing Period (IABP), the estimated CERR is recalculated and the actual Crown share of allowable costs is determined using the client's actual calculated CERR.

The provincial average CERR for the 2007 production year is 0.1992924.

F. POINTS OF CONTACT

Petroleum Registry of Alberta

The Petroleum Registry of Alberta Service Desk is the focal point for communications with the Registry regarding preparations for, access to, or utilization of the Registry. To contact the Petroleum Registry of Alberta Service Desk call: 1-800-992-1144.

Alberta Energy Internet

Prices, Royalty Rates, and Transportation Information are available on the Alberta Energy Internet address: <http://www.energy.gov.ab.ca>, from “Our Business”, navigate to “Natural Gas”, “About Natural Gas”, “Prices”, “Alberta Natural Gas Reference Price (ARP)”.

In addition, both the Gas Royalty Calculation Information Bulletins and Information Letters are also available on the Alberta Energy Internet address: <http://www.energy.gov.ab.ca>, from “Our Business”, navigate to “Natural Gas”, “Legislation, Guidelines & Policies”.

Gas Royalty Client Services

Gas Royalty Client Services is structured as a Business Associate client portfolio system, which assigns a given Business Associate to one of four Client Service teams. Listed below is the portfolio breakdown along with Client Service Team Leads and phone numbers. The portfolios are divided by company name and not by BA ID.

Example: If your company name is the “Gas Company” you would call C – G team at (780) 644-1202.

Business Associate	Phone Number and E-mail Address	Team Lead
Numbered companies, A, B & L	(780) 644-1201 GRCST1@gov.ab.ca	Mary Spearing
C – G	(780) 644-1202 GRCST2@gov.ab.ca	Lily Hiew
H – P (excluding L)	(780) 644-1203 GRCST3@gov.ab.ca	Chris Nixon
Q – Z	(780) 644-1204 GRCST4@gov.ab.ca	Kamal Rajendra

Gas Royalty Reception: (780) 427-2962

Fax: (780) 427-3334 or (780) 422-8732

Alberta Toll Free: (780) 310-0000

Hours of operation are 8:15 a.m. to 4:30 p.m.

Voice messages left after 4:30 p.m. will be answered the next business day.

In situations where a company has just amalgamated or purchased another company, the general rule is to call the team that is responsible for the “Supra” business associate, or Royalty payer.

Below are some guidelines for clients who are unsure which Client Services Team to call regarding their questions.

1. **Amalgamation/consolidation** - Call the team responsible for the “Supra” business associate (Royalty Payer).
 i.e. ABC Oil and Gas amalgamates with Zed Exploration and Zed is the amalgamator (royalty payer). When calling Client Services regarding business for ABC Oil and Gas you would call Team 4 (Q-Z) (780-644-1204) because Zed Exploration is now the Supra business associate and royalty payer. This rule would apply even if you were calling regarding business that is prior to the acquisition or amalgamation.

2. **Asset Purchase** - Call the team responsible for your company.
 - i.e. 123 Gas purchases the assets of TSP Exploration, but not the company. When calling Client Services regarding business for 123 Gas you would call Team 1 (# Co., A, B, & L) (780-644-1201) because you have only purchased assets. You would not be entitled to information regarding business for TSP Exploration that is prior to the asset purchase.

3. **Consultants/service providers** - If you have a contract to provide production accounting services to a company, call the team responsible for your client's company.
 - i.e. Paul Snow Consulting Services enters into a contract with Duckback Oil and Gas and Olive Oil and Gas. Paul Snow would contact Team 2 (C-G) (780-644-1202) to discuss Duckback Oil business and Team 3 (H-P excluding L) (780-644-1203) to discuss Olive Oil and Gas business. At the time the contract is signed, Paul Snow would have had each company notify the appropriate team that he was authorized to access information for their company.

Reference Prices and Valuation Allowances Calculation Information

Gas Royalty Valuation and Markets
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone (403) 297-5514
Fax (403) 297-5400

Calgary Information Centre

300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone (403) 297-6324
Fax (403) 297-8954

Deen Khan
Director, Gas Royalty Calculation
Gas Development

Attachments

2007 GAS AND ISC PRICES

MONTH	Gas Reference Price (\$/GJ)	Methane ISC Reference Price (\$/GJ)	Methane ISC Par Price (\$/GJ)	Ethane ISC Reference Price (\$/GJ)	Propane ISC Reference Price (\$/GJ)	Butane ISC Reference Price (\$/GJ)	Pentanes plus ISC Reference Price (\$/GJ)
JAN	6.27	6.22	6.22	6.61	6.70	6.73	6.75
FEB	6.82	6.78	6.78	7.14	7.22	7.26	7.28
MAR	6.92	6.88	6.88	7.17	7.23	7.25	7.27
APR	6.74	6.70	6.70	7.07	7.14	7.15	7.17
MAY	6.61	6.56	6.56	6.94	7.02	7.05	7.07
JUN	6.21	6.19	6.19	6.37	6.39	6.42	6.45
JUL							
AUG							
SEPT							
OCT							
NOV							
DEC							

Natural Gas and NGLs Select Prices for 2007	
Commodity	2007
New Methane	1.450 \$/GJ
Old Methane	0.427 \$/GJ
New Ethane	1.450 \$/GJ
Old Ethane	0.427 \$/GJ
Propane	1.450 \$/GJ
Butane	1.450 \$/GJ
Pentanes plus	51.84 \$/m3
Royalty Factors for Pentanes plus	
	Base Marginal
New Pentanes	22 35
Old Pentanes	22 50

DETAIL OF THE JUNE 2007 GAS AND ISC REFERENCE PRICES

	Gas	Methane	C2-IC	C3-IC	C4-IC	C5-IC
Weighted Average Price of Alberta	6.521	6.514	6.586	6.555	6.565	6.576
Deductions: Intra – Alberta Transportation	0.247	0.263	0.150	0.106	0.082	0.062
Marketing Allowance	<u>0.012</u>	<u>0.012</u>	<u>0.012</u>	<u>0.012</u>	<u>0.012</u>	<u>0.012</u>
Price Before Pipeline Factor	6.262	6.239	6.424	6.437	6.471	6.502
Pipeline Fuel/Loss Factor	0.991	0.991	0.991	0.991	0.991	0.991
Price before Special Adjustment	6.204	6.181	6.364	6.377	6.411	6.441
Special Adjustment	0.000	0.000	0.000	0.000	0.000	0.000
Price before 2% amendment limitation or rounding	6.204	6.181	6.364	6.377	6.411	6.441
Amendments: Carry forward (from previous RP month)	-0.001	0.003	-0.004	0.002	-0.003	0.001
Prior Period Amendment Adjustment (current RP month)	0.010	0.008	0.010	0.008	0.008	0.008
Calculated RP after Amendments	6.213	6.192	6.370	6.387	6.416	6.450
JUNE 2007 Reference Price	6.21	6.19	6.37	6.39	6.42	6.45
Difference = value carried forward to next RP month	0.003	0.002	0.000	-0.003	-0.004	0.000
Adjusted IATD (before Prior Period Amendments)	n/a	0.260	0.149	0.105	0.081	0.062
Prior period Amendments (IATD and Pipeline Fuel Loss)	n/a	0.000	0.000	0.000	0.000	0.000
Adjusted IATD (after Prior Period Amendments)	n/a	0.260	0.149	0.105	0.081	0.062

2006 Weighted Average Reference Price (\$/GJ)
6.260

2006 Weighted Average OMAC (\$/GJ)
0.020

**2007
NATURAL GAS LIQUIDS PRICES**

MONTH	Ethane Reference Price (\$/GJ)	Ethane Par Price (\$/GJ)	Propane Reference Price (\$/m3)	Propane Par Price (\$/GJ)	Propane Floor Price (\$/m3)	Butanes Reference Price (\$/m3)	Butanes Par Price (\$/GJ)	Butanes Floor Price (\$/m3)	Pentanes plus Reference Price (\$/m3)	Pentanes plus Par Price (\$/m3)	Sulphur Default Price (\$ per tonne)
JAN	6.61	6.61	275.42	6.70	210.69	308.33	6.73	252.50	430.65	411.32	11.18
FEB	7.14	7.14	286.81	7.22	236.16	306.63	7.26	266.25	452.58	448.57	13.94
MAR	7.17	7.17	290.24	7.23	246.22	316.86	7.25	281.98	456.95	451.65	11.18
APR	7.07	7.07	298.40	7.14	265.81	361.88	7.15	315.93	487.95	458.50	9.44
MAY	6.94	6.94	300.05	7.02	269.46	375.34	7.05	335.19	477.15	452.30	19.63
JUN	6.37	6.37	290.16	6.39	264.03	352.06	6.42	304.35	464.31	465.23	13.38
JUL											
AUG											
SEPT											
OCT											
NOV											
DEC											

ANNUAL SULPHUR DEFAULT PRICE				
2002	2003	2004	2005	2006
\$6.74	\$30.97	\$31.98	\$33.98	\$18.82

2007
NGL TRANSPORTATION ALLOWANCE AND DEDUCTIONS

MONTH	PENTANES PLUS (a)				PROPANE AND BUTANE (b)				PENTANES PLUS, PROPANE & BUTANE (c)				FRAC. ALLOW. (per m3)
	REGION				REGION				REGION				
	1	2	3	4	1	2	3	4	1	2	3	4	
JAN	21.10	17.07	34.15	13.26	31.36	8.32	-2.27	27.27	25.74	24.74	37.79	26.71	15.50
FEB	7.24	5.39	36.37	-11.68	13.17	3.82	45.20	8.58	15.33	16.84	20.02	12.43	15.50
MAR	10.34	5.48	20.97	-1.33	14.54	6.60	28.87	7.34	18.27	16.09	34.94	15.56	15.50
APR	21.46	35.11	40.75	36.78	56.23	-14.42	16.58	10.84	22.53	25.12	37.71	27.53	15.50
MAY	25.70	7.78	51.49	31.44	9.86	3.96	27.95	10.35	21.25	19.89	34.76	22.59	15.50
JUN	-10.05	-7.64	40.12	0.41	9.66	5.81	23.65	10.01	15.03	12.66	21.09	14.64	15.50
JUL													
AUG													
SEPT													
OCT													
NOV													
DEC													

- (a) Pentanes Plus obtained as a specification gas product,
- (b) Propane and Butane obtained as specification products, and
- (c) Pentanes Plus, Propane and Butane contained in a natural gas liquids mix.

* Current month calculated allowance is based on an estimate.

Note: For details on "Prior Period Amendment Effects", see Attachment 2A.

PRIOR PERIOD AMENDMENT EFFECTS

NGL REFERENCE PRICES	JUNE 2007		
	<i>Propane</i>	<i>Butanes</i>	<i>Pentanes</i>
Price before amendments	290.121362	352.058917	492.293357
Opening Rollover (from prior business mth)	-0.003511	0.004001	0.002348
Prior Period Amendment Adj. (NGL-1)	0.000000	0.000000	0.000000
Prior Period Amendment Adj. (NGL-100)	0.046683	0.001269	-27.985674
Published Reference Price	290.16	352.06	464.31

TRANSPORTATION ALLOWANCES	JUNE 2007											
	Pentanes Plus				Propane and Butane				Pentanes Plus, Propane & Butane			
AMENDMENTS	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4
Opening Rollover (from prior business mth)	-0.002489	0.000306	0.002418	-0.002163	0.003490	-0.004660	0.000055	0.001908	-0.000602	-0.003058	0.002871	0.004991
Prior Period Amendment Adj. (NGL1)	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Prior Period Amendment Adj. (NGL-100)	-28.061907	-28.048691	-27.985674	-28.163395	0.045552	0.012134	0.099787	0.043767	-7.070506	-8.221079	-12.581629	-11.167889
Total Amendment Effect	-28.064396	-28.048385	-27.983256	-28.165558	0.049042	0.007474	0.099842	0.045675	-7.071108	-8.224137	-12.578758	-11.162898
Calculated Transp. Differential	18.011283	20.408327	68.099276	28.571358	9.611753	5.806471	23.549108	9.963488	22.100446	20.884231	33.672634	25.802000
Calculated Transp. Differential after Total Amendments	-10.053113	-7.640058	40.116020	0.405800	9.660795	5.813945	23.648950	10.009163	15.029338	12.660094	21.093876	14.639102
Published Transportation Allowance	-10.05	-7.64	40.12	0.41	9.66	5.81	23.65	10.01	15.03	12.66	21.09	14.64

Any estimates represented by () are calculated as the weighted average of the other regions for the same spec product transportation allowance, since the region is zero. The weightings are based on the previous year's production.

