

The following terms are defined in the context of the *Natural Gas Royalty Regulation, 2002 (Alberta Regulation 220/2002)* and the ALBERTA NATURAL GAS ROYALTY PRINCIPLES AND PROCEDURES manual, of which they are a part.

A word or term that is shown in ***bold italics*** indicates a definition taken from the ***Regulation***. A word or term that is shown in **bold** indicates a working definition applicable to the **Principles and Procedures manual**.

**Acid Gas** is a gaseous mixture consisting mainly of hydrogen sulphide and/or carbon dioxide, which have been removed from natural gas at a gas plant.

**Act** means the Mines and Minerals Act.

**Advance ruling** is a statement by the Department as to how it will interpret the applicable laws, policies and guidelines with respect to certain proposed business arrangements.

**Aggregator** means a company which contracts for natural gas supplies from a number of producers, establishing a supply pool from which it supplies gas to downstream customers. A company may be considered an aggregator for special requirements of the Ministry of Energy.

**Alberta costs-of-service** means the costs of transportation from any point in Alberta, to the border points where gas is exported from Alberta or to end users in Alberta.

**Alberta Energy Utilities Board (EUB)** is jointly funded by industry and the Alberta Government. Part of the EUB mandate is to ensure that Alberta's energy resources are exploited with due consideration to sound technical and conservation principles.

**Alberta gross billable receipts** mean the total receipt quantities that are billed in a month. Fuel gas and measurement variance are included in this total.

**Alberta net billable receipts** are Alberta Gross Billable Receipts less fuel gas and measurement variance

**Allocated volumes** means volumes of natural gas and gas products allocated to an outlet owner on an OAF submission.

**Allowable costs** means costs and allowances for which the Crown is liable under Section 17(1) of the Regulation.

**Allowable capital costs** mean the costs and allowances for which the Crown is liable under Section 20(1) of the Regulation.

**Allowable operating costs** mean the operating and working capital portion of the costs from Section 20(1) of the Regulation.

**Appeals process** means a process established by the Department to address disagreements between royalty clients and the Department.

**ARTC** means the Alberta Royalty Tax Credit Program as amended from time to time.

**Arm's-length** For the purpose of the provisions of the Regulation that refer to persons dealing at arm's-length with each other, persons shall be regarded as not dealing at arm's-length with each other if, at a material time under the Regulation, they are related parties within the meaning of the CICA Handbook published from time to time by the Canadian Institute of Chartered Accountants. (Refer to sections 3050, 3055, and 3840 in the CICA Handbook.)

**Associate**, in the context of gas and gas product valuation, refers to a person who is associated with another person.

**Associated**, in the context of gas valuation, refers generally to a relationship between persons where, directly or in combination with other associates, one person owns or has a beneficial interest equal to or greater than 75% of the other person.

**Average daily production** means the natural gas obtained in a month of a gas well in thousands of cubic metres divided by the number of hours of operation of the well in the month and multiplied by 24.

**Base royalty rate** means "old gas royalty rate" based on the formula provided in the Regulation for calculating old gas royalty rate.

**Battery** means a pipeline or pipeline installation at which natural gas recovered from one or more

wells is collected and measured prior to its delivery to another facility or pipeline.

**Billing period** means the production year and month to which the current charges and credit for Crown royalty apply.

**Board** means the Alberta Energy and Utilities Board.

**Broker** is a person(s) other than a Local Distribution Company (LDC) that brings together buyers and sellers of gas and may or may not take title to the gas. Thus, the *broker* acts as an agent or consultant.

**Brokered capacity** means the right of a party to transport natural gas or a gas product on a transportation system, where all or a portion of that right is sold, exchanged or otherwise provided to another party.

**Business Associate** is a client, external agency or industry group of significance with which information is exchanged.

**Butane**, in addition to its normal scientific meaning, means a mixture mainly of butane, which ordinarily may contain some propane or pentanes-plus.

**By-product** means an unsold, processed product stream consisting of a new product, which is created as the result of processing an existing product(s). *By-product* streams can exist in any form (i.e. gas, liquid, solid). A product stream changes from *production* or gas to *by-product* at the processing point where the new product is created from the existing product(s).

**CAP** – see Corporate Average Price.

**Capital cost allowance** means the sum of retirement, depreciation and return on average capital.

**Cascade facility** means an upstream facility to which volumes are allocated by the downstream facility operator.

**CERR** – see Corporate Effective Royalty Rate.

**Charge types** means the types of charges reported on the Crown Royalty Detail Calculation and Volumetric statements. The charge types consist of Crown royalty, Injection Credits, Enhanced Oil Recovery Operation Cost Adjustment, Crown Royalty Paid Bank

Settlement, Crown Royalty Inventory Settlement and Provisional Royalty Assessments.

**Co-existent gas** means gas that is recovered from a production entity and which is partly new gas and partly old gas.

**Co-generation** means concurrent production of usable forms of energy from a single fuel source using electricity and thermal and/or mechanical energy.

**Co-generation contract**, in relation to gas valuation, means a contract for the sale of gas to a co-generation facility.

**Co-mingled**, with respect to streams of natural gas or of one or more gas products, means streams that are not separated from each other and are produced from/transported through the same production/transportation facilities at the same time.

**Collateral agreement** means an agreement that is additional to and has a bearing on the terms or conditions of another agreement.

**Commercial oil sands scheme** means a scheme or operation approved by the EUB under the Oil Sands Conservation Act to produce oil sands or crude bitumens, and that is not subject to royalties under the Experimental Oil Sands Royalty Regulation or the Petroleum Royalty Regulation.

**Commercial storage facility** means the wells and other facilities used in the operation of a commercial storage scheme and designated by the Minister as a **commercial storage facility\*** for the purposes of the Regulation.

**Commercial storage scheme** means a scheme approved or ordered by the Board under the Oil and Gas Conservation Act for the storage of natural gas or a gas product in an underground formation or subsurface cavern, and designated by the Minister as a commercial storage scheme for the purposes of the Regulation.

**Common stream operator (CSO)** A common stream operator is a Business Associate (BA) that is the operator of a line that gathers gas from one or more facilities for delivery to a meter station.

Not all meter stations have common stream operators. The common stream operator is responsible for reporting volumetrics at the meter station/custody transfer point.

**Compensation factor**, in relation to unit operating cost rates, is intended to address the overall impact to the Crown and industry from the change in calculating the Crown share of Operating Cost Allowance.

**Compliance mechanism** means administrative procedures, including the calculation of penalty and royalty charges, used by the Alberta Department of Energy to encourage prompt and accurate reporting by industry and to ensure royalties due to the Crown are fully collected.

**Condensate** means a mixture of mainly pentanes-plus and heavier hydrocarbons that may be contaminated with sulphur compounds, which is recovered or is recoverable at a well from an underground reservoir, and that may be gaseous in its virgin reservoir state but is liquid at the conditions under which its volume is measured or estimated.

**Consumption** means use of natural gas and gas products as a fuel.

**Contract Demand (CD)** is a daily contracted quantity for firm service gas transportation.

**Corporate Average Price (CAP)**, in relation to a royalty client and a year, means the corporate average price for gas established for the royalty client for that year, pursuant to Schedule 1 of the Regulation.

**Corporate Effective Royalty Rate (CERR)** is the royalty client's weighted average royalty rate that determines the portion of the royalty client's Crown share of Capital Cost Allowance and Crown share of Custom Processing Cost Allowance that the Crown will deduct in respect of a production year.

**Corporate gas factor** is the factor that, when multiplied by the Gas Reference Price for a month, determines the price at which the monthly Crown royalty share of gas is valued for a royalty client that has a valid CAP election.

**Corporate signing officer** means a person who is authorized to sign for the corporation.

**Crown** means Crown in the right of Alberta.

**Crown interest share** means the quantity of gas or gas products that is attributable to the gas produced and recovered from a well event that is subject to a Crown lease agreement.

**Crown lease** means an agreement granting petroleum and natural gas rights, or natural gas rights, petroleum rights, or oil sands rights only.

**Crown percentage** means the portion of the production from well events in the Well/Well Group/Unit/Injection Scheme that is recovered pursuant to a Crown lease, as shown in the records of the Department

**Crown royalty detail** means the Crown Royalty Detail statement provided by the Department in support of the monthly Invoice.

**Crown royalty rate** means the percentage derived through a formula prescribed in Regulation. It is used to determine Crown royalty share.

**Crown royalty share** means the quantity determined when the Crown interest share of gas or a gas product is multiplied by the Crown royalty rate for that gas or gas product.

**Crown royalty volumes** means the actual volumes of gas and gas products on which Crown royalty compensation is finally assessed.

**Crown share of custom processing cost allowance** means that portion of a royalty client's net custom processing fees paid in a production year that will be deducted by the Crown for that production year.

**CSO** – see Common stream operator

**Cushion Gas** is the minimum gas required in an underground storage reservoir to provide the pressure necessary to deliver working gas volumes to customers.

**Custom processing** means gathering and/or compressing and/or processing of gas where the person receiving the service is charged a fee by the person providing the service.

**Custom processing adjustment factor** means the factor that represents the proportion of the Capital Cost Allowance for a Facility Cost Centre that is

deducted from the Capital Cost Allowance otherwise payable by the Crown to eliminate costs attributable to custom processing.

**Custom processing fee** means the fee paid by a custom user to the person providing a custom processing service.

**Customer user** means the person receiving a custom processing service.

**Cycling** means an injection of gas, usually residue gas, into a gas reservoir for the purpose of maintaining the pressure in the reservoir to increase the gas liquids recovered.

**Cycling scheme** means an injection of gas into an EUB-approved scheme for the purposes of cycling.

**Deep Gas Royalty Holiday Program (DGRHP)**, means a program designed to partly compensate for the cost of the successful discovery and production of natural gas from deep gas pools.

**Delayed unit operating cost rate** means the portion of a Unit Operating Cost rate that applies to any one of the three components of that Unit Operating Cost rate, gathering, compressing or processing.

**Demand charge** means a cost that is included in the total cost of service of a transportation system, and that is charged to a customer on the basis of service entitlement rather than actual use of the transportation system in a given period of time.

**Department** means the Alberta Department of Energy.

**Depreciated asset** means an asset included in Allowable Capital Cost, which has been subject to the calculation of annual depreciation where that depreciation has been included in the Capital Cost Allowance of a Facility Cost Centre.

**Designated aggregators** means those aggregators chosen from the recognized aggregators by the Ministry of Energy for special purposes.

**Designated distributor** means a local distribution company in Alberta, normally an Alberta gas utility, determined to be a Designated Distributor by the Ministry under the Natural Gas Marketing Regulation (358/86, as amended).

**Designated facilities** are those that: include one or more facilities with an EUB-approved design capacity greater than 3,000 10<sup>3</sup>m<sup>3</sup> per day; and were operational at January 1, 1994.

**Designated purchaser** means a person designated by the Minister as a major purchaser in Alberta of ethane, propane or butane, and who is directed to furnish information to the Department (*refer to Section 27(2)(a) (c) of the Regulation*)

**Designated storer** means a person who is an operator of natural gas liquids storage facility and who is designated by the Minister to furnish information to the Department (*refer to Section 27 (4) of the Regulation*).

**Dispose of**, in relation to any natural gas and gas products, means disposition of a person who, as a result, becomes the owner of such products, e.g. sell, trade, exchange, give away, transfer, etc.

**Disposed asset** means an asset included in the Allowable Capital Cost of a Facility Cost Centre and which has been sold or otherwise disposed of.

**EDI** means Electronic Data Interchange.

**End user** means the person who is the ultimate user of gas or a gas product, whether as a fuel or in a manufacturing process.

**Energy adjusted gas equivalent volume** is the common unit of measure for gas and gas products in their gaseous form. This unit of measure also takes into consideration their heat contents.

**Enhanced Oil Recovery (EOR)** means an approved injection scheme, intended to increase the recovery of crude oil from a reservoir by the external application of physical and chemical processes that supplement naturally occurring or simple fluid injection processes.

**Enhanced Oil Recovery (EOR) scheme** is an Injection Scheme that is approved under the Enhanced Oil Recovery of Oil Royalty Reduction Regulation.

**Enhanced recovery** means increased recovery of crude oil and/or natural gas from a reservoir, which is achieved by the external application of physical

or chemical processes that supplement naturally occurring or simple fluid injection processes.

**Enhanced recovery scheme** is an Injection Scheme that is approved under the Enhanced Recovery of Oil Royalty Reduction Regulation.

**EPSTA fee** means the standard fee specified in the Ethane Plus System Trading Agreement for the fractionation of natural gas liquids.

**Established Reserves** are those reserves recoverable under current technology and present and anticipated economic conditions specifically proved by drilling, testing or production, plus the portion of contiguous recoverable reserves that are interpreted to exist from geological, geophysical or similar information with reasonable certainty.

**Ethane**, in addition to its normal scientific meaning, is a mixture mainly of ethane, which ordinarily may contain some methane or propane.

**Ethane conversion rate** means one cubic metre of liquid ethane = 0.28132 thousand cubic metres of gas.

**Ethane par price** is a factor used to calculate the Crown royalty rate in the price-sensitive formula for Crown royalty on ethane. It is the previous month's ethane reference price.

**EUB** means the Alberta Energy and Utilities Board.

**EUB Facility** means a gas gathering system, or gas processing plant, that is approved by the EUB and is recognized by the Alberta Department of Energy as a facility where volumes are available for sale.

**Excess Capacity Fee** is a fee in dollars or in kind, which is specifically charged for those volumes in excess of ownership throughput capacity.

**Excess Capacity Volumes** are volumes processed by a functional unit (Facility Cost Centre) owner in excess of his working interest in the functional unit. (e.g. Company A owns 10,000 capacity, Company B own 10,000 capacity; Company A processes 15,000 volumes of which 5,000 are therefore excess capacity volumes.)

**Exchange** means a transaction where the parties exchange a quantity of gas or a gas product at one

location for a quantity of gas or a gas product at another location (see also swap).

**Exhibit A** forms part of a Unit Agreement and describes each Tract, Tract participation, Royalty Owners, Working Interest Owners and each Working Interest Owner's share of Tract participation. It also summarizes each Working Interest Owner's Unit participation.

**Experimental oil project** means an experimental oil scheme approved by the EUB and designated by the Minister.

**Ex-Alberta Gas LDC** means a local gas distribution company located outside of Alberta, who removes gas from Alberta that is destined for resale in its franchise area under tolls and tariffs set by the local regulator.

**Facility** means:

- A battery,
- A gathering system,
- A gas processing plant,
- A reprocessing plant,
- A **gas injection facility\***, or
- A commercial storage facility.

**Facility Average Price (FAP)** is the aggregate (weighted) average reference price based on the ISC content of the royalty-triggered gas, less the facility gas transportation allowance.

**Facility Average Royalty Rate (FARR)** is used to assess royalty trigger gas quantities at the charge facility, and is the aggregate (weighted) average royalty rate based on the ISC compositions (excluding inert gas) of royalty trigger quantities at the charge facility.

**Facility Cost Centre (FCC)** means an approved grouping of gathering and/or compression and/or processing facilities that have common ownership interests and the same Facility Operator.

**Factor model** is a model that calculates a factor for a gas meter station and is used to adjust the intra-Alberta transportation deduction in the current Gas Reference Price Calculation. A meter station factor is calculated for a meter station of a pipeline identified by the Department as being an included pipeline. Generally, pipelines are

included if they have access to the ex-Alberta market and published tolls and tariffs.

**FAP** – see Facility Average Price.

**FARR** – see Facility Average Royalty Rate.

**Fee for service** refers to a transaction in which one person provides a service to another person and charges that other person a fee for the service provided.

**Field condensate** means products obtained from natural gas or solution gas before it is delivered to a gathering system.

**Field straddle plant** means a reprocessing plant designated by the Minister as a field straddle plant for the purposes of the Regulation, which is royalty neutral and receives only marketable pipeline specification gas.

**Flared**, with respect to gas, means gas that is released in the atmosphere by burning or otherwise with no direct economic benefit derived.

**Floor price**, with reference to propane and butane, means the alternate unit value for the monthly reference price of either one of them.

**Fractional allowance**, with reference to the monthly Propane Reference Price, Butane Reference Price and Pentanes Reference Price, means the amount deducted from that reference price as part of the calculation of the price at which the Department will value the Crown royalty share of propane, butane or pentanes-plus that are subject to Crown royalty as a component of a NGL mix.

**Fractional facility** means a facility where NGL mix is separated into specification ethane, propane, butane and/or pentanes-plus.

**Fractionation Plant** means a plant that processes gas products but does not process residue gas.

**Freehold lands** means all lands in a province, and all rights thereto and interests therein, that are not Crown lands; lands other than Crown lands and other lands vested in Her Majesty.

**Fuel gas** means raw gas or residue gas that is consumed, prior to sale or other disposition, in the gathering, compressing or processing of natural gas or

a gas product, that is owned by the owner of the gas or gas product that is so consumed.

**Functional unit** is a unit of an EUB facility. It is called a Facility Cost Centre (Post-1993 description) or a GCA facility (Pre-1994 description).

**Gas** means natural gas, residue gas or ethane. It is an unsold, processed product stream composed mainly of natural gas, which is left over after natural gas is processed (residue gas). Natural gas is processed in order to remove heavier components (natural gas liquids), hydrogen sulphide and/or other impurities from the gas. The residue is the portion of the original gas that remains after processing. A natural gas stream changes category from *production* to gas at the point where other products (by-products) are extracted from the gas.

**Gas account** means an account maintained by the Department for a royalty client pursuant to section 15(6) of the Regulation.

**Gas injection facility** means the wells and other facilities used by an operator in the operation of one or more **gas injection schemes**\*

**Gas injection scheme** means a scheme, other than a commercial storage scheme, approved or ordered by the Board under the Oil and Gas Conservation Act and respecting the injection of natural gas or a gas product into an underground formation.

**Gas lift** means the raising or lifting of liquid from a well by means of injecting gas into the liquid in the well bore.

**Gas Par Price** is a factor used to calculate the Crown royalty rate in the price-sensitive formula for Crown royalty on raw gas, residue gas and ethane. It is the previous month gas reference price.

**Gas processing plant** means a plant for the extraction from natural gas of a gas product but does not include a reprocessing plant, wellhead separator, treater, or dehydrator.

**Gas product** means residue gas, ethane, pentanes-plus, sulphur, propane, butane or any other product

obtained from natural gas by processing or reprocessing or otherwise, but does not include field condensate.

**Gas select price**, refer to either Old Gas Select Price or New Gas Select Price.

**Gas well** means (for royalty purposes) a well that produces natural gas from a pool or portion of a pool, either alone or with oil. Alberta Energy and Utilities Board establishes whether a well event is a gas well.

**Gathering** includes compressing by means of a compressor forming part of a gathering system.

**Gathering system** means a pipeline or pipeline system, including installations and equipment associated with the pipeline or pipeline system, which transmits natural gas from one or more wells to a gas processing plant or other delivery points.

**Gigajoule (GJ)** means one billion joules. A joule is a SI (metric) unit for measuring energy. It is the work done, or energy used, in applying one newton of force to move a body one metre.

**Grandfathered contract** means a contract in existence before January 1, 1994 for which the Minister has authorized the royalty client to value the Crown royalty share of gas delivered under the contract at the net price and/or net value of other considerations received under the contract.

**Gross Crown royalty** means the value of the Crown royalty share of production before any deduction for the Crown share of cost allowances.

**Heat content** means the total amount of heat contained in a gas stream.

**In-stream components (ISC)**, In-stream components are the natural gas liquid components (NGLs) in a gas stream. They include: Methane, Ethane, Propane, Butanes, Pentanes Plus, Carbon Dioxide, Helium, Hydrogen, Nitrogen, Oxygen, Sulphur, and Hydrogen Sulphide. In-stream components are reported, along with gas volume and energy, in specific situations (gas Crown Royalty triggers) during volumetric reporting in the Registry. The sum of the ISC volumes and energy must balance to the reported gas volume and energy when reporting gas Crown Royalty triggers. For

example, ISCs are required when reporting a receipt of gas at a meter station or injection facility.

**Included pipelines** means gas pipelines identified by the Department for which meter station factors will be calculated. Generally, pipelines are included if they have regulated tolls (not a proprietary pipeline) and physical access to the ex-Alberta market either directly or by interconnect. At this time, Included Pipelines are:

- NOVA Gas Transmission Ltd. (NGTL)
- Northwestern Utilities Limited (operating as ATCO Pipelines)
- ATCO Gas and Pipelines Ltd. (formerly Canadian Western Natural Gas Company Limited operating as ATCO Pipelines)
- Westcoast Transmission Company (Alberta) Ltd.
- Altagas Suffield Gas Pipeline Inc.
- Alliance Pipeline Limited Partnership

**Industry** means the oil and gas industry.

**Initial Established Reserves** means established reserves prior to the deduction of any production.

**Injection credit** means a money credit applied to a royalty client's corporate account in respect of the Crown's royalty share of gas or a gas product injected into an injection scheme in a month.

**Injection facility** means an operating entity identified by the EUB and designated by a facility ID number. Injection activity carried on at such a facility consists of injecting gas and/or gas products into a reservoir for maintaining pressure, displacing liquids, or storage.

**Injection scheme** means a group of industry clients who participate in injection activity. East injection scheme is part of an injection facility. In some instances, multiple injection schemes are operating within an injection facility.

**Intra-Alberta transportation** means transportation of gas or a gas product from one point in Alberta to another point in Alberta.

**Invoice** means a monthly invoice issued and sent to a royalty client pursuant to Section 18(1) of the Regulation for Crown natural gas royalty.

**Joule** means a unit of energy of work equal to the work done by a force of one newton magnitude when the point at which the force is applied is moved one metre in the direction of the force.

**Large volume end-user** means any end user who (1) is capable of consuming 100,000 GJ of marketable gas per annum, and (2) uses the gas for industrial consumption, commercial consumption, shrinkage at a mainline straddle plant, or as fuel gas for these uses.

**Lessee** means a person who is granted rights under a Crown or other lease agreement.

**Lessor** means a person who owns the minerals and grants rights to another person under a Crown or other lease agreement.

**Light ends** means a gas product that is obtained at a gas processing plant or reprocessing plant and is, in the Minister's opinion, given by the owner of the product to the owner of the plant for no consideration because the product is not of a kind or quantity sufficient for the owner of the product to dispose of it by way of sale. For example, traces of excess ethane beyond specification in an NGL stream is a contaminant for which no value is received would be reported as light ends.

**Long-term contract**, in relation to grandfathering provisions under the Gas Reference Price, this means a contract for the sale of gas where the term of the contract is not less than 10 years.

**Low productivity well allowance (LPWA)** means a reduction in the Crown royalty rate for gas on account of low production rates in the well event from which the production is obtained.

**Mainline straddle plant** means a plant designated by the Minister as a mainline straddle plant. A mainline straddle plant is deemed to be out of the royalty network as it takes in residue gas for processing in order to extract liquids (primarily ethane).

**Market value** means the value given for a commodity in a transaction between a willing arm's-length seller and a willing arm's-length buyer.

**Marketable Gas** means a mixture of mainly methane originating from raw gas, or if necessary, from the processing of the raw gas for the removal or partial removal of some constituents, and that meets specifications for use as a domestic, commercial, or industrial fuel or as an industrial raw material (Oil and Gas Conservation Act, Section 1 (1)(m)).

**Merger** means the absorption of one company by a second company, such that the first company ceases to exist and the second company acquires the assets, liabilities, rights, obligations, etc., of the first company.

**Meter Station Factor (MSF)** is equal to the 100% load factor firm service toll of the meter station divided by the 100% load factor Alberta average firm service meter station toll.

**Natural gas** means a combustible gas consisting of methane and other hydrocarbons.

**Natural gas liquids** means ethane, propane, butane and pentanes-plus or any one of them.

**Natural succession** means an event where royalty clients combine their businesses as a result of takeovers, mergers or amalgamations. It excludes purchase of a segment of one company by another.

**Netback price** means the price paid for gas or a gas product at a specified location, usually the location where the transfer of ownership takes place, after deduction of all costs incurred beyond the specified location.

**Net book value** means the Department's value of a capital asset after deduction of any depreciation calculated in respect of that asset.

**Net reference price** is the Reference Price minus the facility specific Gas Transportation Adjustment. The value used in the calculation of Crown royalty charge or injection credit.

**Network** – see Royalty network.

**New Gas** means natural gas that qualifies as new gas under Section 1 of Schedule 5 of the Regulation.

**New select price**, in relation to a production month, means the amount per gigajoule prescribed pursuant to Section 6(7) of the Regulation as the new select price for the year in which the production month occurs. This price determines the level of royalty in the royalty rate formula.

**New pentanes-plus** means pentanes-plus that qualified as new pentanes-plus under Section 2 of Schedule 5 of the Regulation.

**NGL** means Natural Gas Liquid.

**Nominal cost allowance**, in relation to the reference price for raw gas, means a reduction in the price paid for the Crown royalty share in recognition of value not yet added by processing but which is reflected in the Gas Reference Price.

**Non-arm's-length** For the purpose of the provisions of the Regulation that refer to persons dealing at arm's-length with each other, persons shall be regarded as not dealing at arm's-length with each other if, at a material time under the Regulation, they are related parties within the meaning of the CICA Handbook published from time to time by the Canadian Institute of Chartered Accountants. (Refer to sections 3050, 3055, and 3840 in the CICA Handbook.)

**Not included pipeline** means an Alberta gas pipeline that has not been identified by the Department as an Included Pipeline.

**Novation** means the substitution of a new contract or obligation for an existing one, where the only difference between the two contracts or obligations is the substitution of one of the parties. The new contract or obligation is on precisely the same terms as the original one, with the sole exception that one of the parties has changed.

**OAS** means Owner Activity Statement.

**Old select price**, in relation to a production month, means the amount per gigajoule prescribed pursuant to Section 6(7) of the Regulation as the old select price for the year in which the production month occurs.

**Old pentanes-plus** means pentanes-plus other than new pentanes-plus.

**OMAC adjustment** means a deduction from the Gas Reference Price to reflect the deductibility of "Overhead, Marketing and Administration Costs" (OMAC). Inclusion of this deduction maintains the pricing consistency between the pre-1994 (field pricing) and post-1993 (downstream pricing) administrations. (Refer to *Appendix D*.)

**Operator**, with reference to a facility, means the person who is the operator of the facility according to the records of the Department.

**Operating cost centre** means an account in which the Department accumulates allowable operating costs for the purpose of calculating the Crown share of Operating Cost Allowances.

**Out-of-service asset**, in relation to Allowable Capital Cost, means an asset that is either shut in or abandoned.

**Owner activity statement** means a report referred to in section 21 of the Regulation.

**Owner Allocation Factor (OAF)**, An Owner Allocation Factor (OAF) is a portion of a stream allocated to an owner in the stream. OAFs are applied to the stream after the Stream Allocation Factor (SAF) has allocated total volumes reported at a reporting facility. The sum of the individual OAFs always equals 1.0000000000 (to 10 decimal places). All Alberta streams identified on an SAF submission, except facility streams, require a matching set of OAFs in order to be considered a complete allocation. When the Stream ID on an SAF is an Alberta facility, it indicates a "cascade" and there is no valid OAF. The operator of the Alberta facility named as the Stream ID on an SAF is then responsible to allocate down to the stream and owner level, using the SAF and OAF.

**Pentanes-plus** means a mixture of hydrocarbons consisting wholly or mainly of pentanes and heavier hydrocarbons and obtained from natural gas by processing or otherwise, but does not include field condensate.

**Pentanes par price** is a factor used to calculate the pentanes-plus Crown royalty rate in the price sensitive royalty formula. It is the previous month Pentanes Reference Price reduced by an allowance for transportation.

**Pentanes select price** in relation to a production month, means the amount per cubic metre prescribed pursuant to Section 6(7) of the Regulation as the select price for pentanes-plus for the year in which the production month occurs.

**Petroleum Registry of Alberta** is a repository of petroleum-related information, which is accessed via the Internet. The Registry provides up-stream oil and gas industry and the Ministry of Energy with a single authoritative source of secure, valid, standardized, shareable, and timely petroleum-related information.

**Pipeline fuel/loss allowance** means the deduction in the Gas Reference Price calculation to recognize the cost of pipeline fuel/loss associated with natural gas.

**Plant gate** means:

- in relation to a gas processing plant, the first point of measurement of the quantity of a gas product after it is obtained at that gas processing plant, or
- in relation to a reprocessing plant, the first point of measurement of the quantity of a gas product after it is obtained at that reprocessing plant.

**Plant type facilities** means EUB facilities that were operational at January 1, 1994, and which have an EUB-approved design capacity of 3,000 10<sup>3</sup> m<sup>3</sup> per day or less and also facilities of any design capacity that became operational on or after January 1, 1994.

**Point of delivery** means the place where natural gas or a gas product is transferred from a gathering system or a gas processing plant into a transportation system (e.g. Nova).

**Point of removal** means, with respect to gas and gas products exported from Alberta, the place at which the gas or gas products exit from Alberta.

**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.

**PRA** – see Petroleum Registry of Alberta.

**Pre-1994 Regulation** means the *Natural Gas Royalty (Pre-1994) Regulation* (Alta. Reg. 246/90).

**Prepaid contract** means a contract for the sale of gas where the seller receives payment for the gas in advance of the time at which the gas is to be delivered.

**Pressure maintenance** means an injection of gas, usually residue, into an oil reservoir for the purpose of maintaining the pressure in the reservoir to increase the oil recovered. May also be gas pressure maintenance (e.g. cycling scheme).

**Pressure maintenance scheme** means injection of gas into an EUB-approved scheme for the purposes of pressure maintenance.

**PRIDE** means Partner Regulatory Information Data Exchange.

**Processed stream** means a movement of product consisting of products recovered from a formation in gaseous, liquid or solid form. A processed stream originates at the first point where the product stream is processed after the initial well head separation/measurement point.

**Processing** means the action of creating new product(s) from existing product(s) by:

- Extracting component gases and/or liquids from a product;
- Combining two or more products; and
- Altering the state in which a product exists, i.e. changing a product from a gaseous state to a liquid state.

Processing excludes the separation and/or recombination of product(s), which take place at a well site before they are transported to a processing plant.

**Production** means an unsold, unprocessed product stream, composed of products recovered from a formation in gaseous or liquid form, which originates at the first point of separation/measurement after the wellhead and ends at the next processing point.

**Production entity** means

- a drilling spacing unit prescribed by or established pursuant to regulations under the Oil and Gas Conservation Act to the extent that it is not included in an area described in the following subclauses:

- the area of a project as defined in the Oil and Gas Conservation Act, or
- a unit **area\***.

**Production month**, in relation to any natural gas, gas product or field condensate, means the month in which it is recovered or obtained.

**Propane**, in addition to its normal scientific meaning, a mixture mainly of propane which ordinarily may contain some ethane and butane.

**Proprietary consumption** means consumption by the person who is the owner of the commodity that is consumed.

**Proprietary gas** means gas that does not change ownership between a producing well and an injection well. For enhanced Oil Recovery Schemes, proprietary gas means indigenous production as defined in the 1994 Conventional Enhanced Oil Recovery Royalty Guidelines.

**Provisional royalty** is compensation paid on gas and gas products that have not been accounted for by the operator of a facility. If the operator accounts for volumes, compensation paid is reversed, and actual royalty is charged.

**Provisional royalty assessment** means an amount assessed by the Department to a Facility Operator on account of Provisional Royalty.

**Proxy** is a person who is authorized to represent and act on behalf of another person with respect to a particular function or purpose.

**Purchased stream** means a movement of product originating at the point where ownership changed from one business associate (legal entity) to another.

**Quantities available for sale**, in relation to a production month, means

- the quantities or volumes of gas products obtained during the production month at a gas processing plant or reprocessing plant, or
- the quantities or volumes of natural gas or gas products delivered from a gathering system during the production month, except quantities or volumes delivered to a gas processing plant, reprocessing plant or to a gathering system, or

- the quantities or volumes of natural gas or gas products disposed of during the production month before being delivered to a gas processing plant or reprocessing plant.

**Rate adjustment**, in relation to Unit Operating Cost Rates (UOCR), is part of the calculation to derive the UOCR for the current production year from the UOCR for the preceding production year.

**RARR** – see Raw Gas Average Royalty Rate.

**Raw gas** means gas that has not been processed.

**Raw Gas Average Royalty Rate (RARR)** is based on the ISC factors (excluding inert gas) identified by the seller on the RGA form. Raw Gas Sales that are subsequently processed or used as lease fuel are assessed royalty at the RARR%.

**Recognized aggregators** means those companies considered as aggregators by the Energy Ministry for special purposes.

**Receipt meter station** means each place on a pipeline at which natural gas or residue gas can be received and the quantity can be measured.

**Reconciliation facility group** means an operating cost centre that consists of a Department-approved grouping of EUB facilities that:

- reports volumes and costs at various facilities within the Reconciliation Facility Group;
- includes at least one facility that has an EUB-approved design capacity greater than 3,000 10<sup>3</sup>m<sup>3</sup> per day; and
- includes all volumes and costs of the Reconciliation Facility Group.

**Reference price** means the price established by the Department for the Crown royalty share of gas, ethane, propane, butane and pentanes-plus, or any one of them. The price charged for the Crown royalty share may be reduced to reflect the condition of the product (raw, component of a mix), the location of the point at which royalty is triggered (transportation) or the requirement to store the product.

**Regulation** means the *Natural Gas Royalty Regulation, 2002* (Alberta Regulation 220/2002).

**Remaining Established Reserves** means the Initial established reserves less cumulative production.

**Remaining useful life (RUL)**, in relation to a Facility Cost Centre, means the estimated number of years that the asset will be used and useful in its respective function. A FCC’s RUL will be reduced by one year for each year the facility is in service. For new FCCs a RUL of 10 years may be selected, applications to amend the RUL for existing FCCs are to be approved by the Department.

**Reporting percent** is the share of production from the well that is attributable to a royalty client. The sum of the reporting percentages for all royalty clients in a given well will equal 100%

**Reprocessing plant** means a plant that processes residue gas for the purpose of obtaining other gas products from the residue gas, but does not include a mainline straddle plant.

**Reserve dedication** means a contractual provision whereby specific gas reserves are committed to delivery under the contract.

**Reservation charge** means a specified, per unit cost based on total service entitlement, payable by a party contracting to use a transportation system’s service.

**Residue gas** means the gaseous mixture consisting primarily of methane and obtained as a separate product at a gas processing plant or reprocessing plant.

**Retired asset** means an asset included in the Allowable Capital Cost of a Facility Cost Centre that has been permanently retired from service.

**Royalty client** means

- with reference to a Well/Well Group/Unit/Injection Scheme, a person shown in the records of the Department as a royalty client for that Well/Well Group/Unit/Injection Scheme, or
- with reference to the Crown’s royalty share of excess or unallocated quantities of natural gas or gas products referred to in Section 22, a person who is deemed to be a royalty client in respect of those quantities by reason of the operation of Section 26(1)(c), (2)(c) of the Regulation, as the case may be.

**Royalty compensation** means money payable to the Crown under the Regulation as compensation in

respect of the Crown’s royalty share of natural gas or a gas product, the Crown’s title to which is transferred pursuant to Section 17.

**Royalty holiday well** means a well event that is exempt from the payment of Crown royalty pursuant to the regulations.

**Royalty network** means a collection of interconnected processing and transportation (gathering) facilities that receive products either directly or indirectly from reservoirs where the Crown has an interest. The network is deemed to end when the product is delivered to:

- Commercial Transportation Facilities such as pipelines, railcars and trucks;
- Field Straddle Plants (except the case of unprocessed products);
- Mainline Straddle Plants; and
- Facilities for the purpose of injection.

**Royalty paid bank** means a quantity of gas or gas products that have been injected into an injection scheme, and on which the Crown royalty has been paid prior to January 1, 1994.

**Royalty payer** means a company or individual that pays royalty charges to the Department on natural gas and gas products.

**Royalty responsibility reassignment** means the assignment by one royalty client to one or more other royalty clients of all or a part of his responsibility for the Crown royalty share of quantities of gas and gas products allocated to him on an Owner Activity Statement.

**Royalty trigger** means an event reported on an Owner Activity Statement that will cause the Crown to calculate and invoice royalty on a quantity of gas or gas products.

**Royalty trigger factor** is the factor at a specific royalty trigger point. When a trigger point can access more than one meter station, its factor is the average of the meter stations’ factors, weighted by firm service contract demand (CD).

**S-CAP** means *monthly/annual corporate average price for sulphur*, in relation to a royalty client, is the corporate average price for sulphur established

for that royalty client for that month/year pursuant to Schedule 3, Section 3 of the Regulation.

**S Reports** are reports prepared by industry and submitted to EUB to report production, gathering, processing and injection volumes.

**SAF** – see Stream allocation factor

**Sales value** – is the contracted consideration times the quantity.

**Select price** –Select prices, for old vintage and for new vintage gas and gas products, are determined annually by the Minister before the first production month in the calendar year. They are used in the formulas for calculating royalty rates for gas and gas products.

**Shrinkage** is the gas equivalent volume of products extracted from gas.

**Solution gas** means the gaseous component of petroleum that is separated from crude oil after the recovery of petroleum from a well.

**Sour gas** is defined as gas that contains hydrogen sulphide in sufficient quantities to pose a public safety hazard if released, or to result in unacceptable off lease odours if vented to the atmosphere, unless a concentration is specified in a regulation or guideline.

**Special pentanes** means a mixture of hydrocarbons consisting mainly of pentanes-plus and heavier hydrocarbons and obtained from natural gas by processing or otherwise, but does not include field condensate. This mixture is contaminated with sulphur or other compounds and must be stored, handled, and shipped separately from other pentanes-plus, and valued at a price consistently significantly lower than pentanes reference price.

**Special pentanes processing allowance** means the deduction from the Pentanes Reference Price to recognize the low value of specified pentanes streams received by the producers.

**Specification product**, in relation to natural gas liquids, means propane, butane or pentanes-plus that have been processed to a condition where they meet purchaser specifications for product quality.

**Statement of account** is the monthly statement from the Department to a royalty client describing the activity during a billing period in each of the royalty client's revenue accounts and the account balances at the close of the billing period.

**Straddle plant** means a gas processing facility constructed downstream from an existing field gas plant in order to increase the NGL/ethane recovery efficiency. (See Field or Mainline Straddle)

**Stream Allocation Factor (SAF)**, A Stream Allocation Factor (SAF) is a portion of a total reported volume at a facility. SAFs are used to allocate, down to a stream level, the volume and energy submitted to the Registry during volumetric reporting. The volume reported at a reporting facility is split into streams, and each stream is assigned a fractional portion, or SAF, of the total volume. The sum of the individual Stream Allocation Factors always equals 1.0000000000 (to 10 decimal places). All Alberta streams identified on an SAF submission, except facility streams, require a matching Owner Allocation Factor (OAF) in order to be considered a complete allocation.

**Stream ID** means a Well or a Well Group or a Unit or an Injection Scheme.

**Sulphur** means a light yellow, non-metallic chemical element extracted from gas and sold as a by-product.

**Sulphur Emission Control Assistance Program (SECAP)** is a program that encourages and supports efficient recovery of sulphur from sour and acid gas as a means of environmental protection.

**Swap** means a transaction where the parties exchange a quantity of gas or a gas product at one location for a quantity of gas or a gas product at another location (*also see exchange*).

**System acceptable** means that a full form rejection has not occurred.

**Terminated asset** means an asset included in the Allowable Capital Cost of a Facility Cost Centre, which has been terminated and will not be returned to service.

**Transportation allowance** means the deduction from the Gas Reference Price, Ethane Reference

Price, Propane Reference Price, the Butane Reference Price and the Pentanes Reference Price to recognize the adjustment to transportation or the cost of transportation associated with those products.

**Transportation region**, in relation to Transportation Allowances, means one of the four geographic transportation regions established for the purpose of calculating representative Transportation Allowances for propane, butanes or pentanes plus.

**Un-depreciated capital** means the amount remaining after the depreciation is calculated and subtracted from the cost of the capital asset.

**Unique well identifier (UWI)** is a 16-character code assigned by the EUB to a well to give it a unique numerical identity. The UWI, although based on the legal survey position of a well, is primarily for identification rather than location.

**Unit** is an agreement entered into by **lessees\*** and **lessors\*** of land (mineral rights) within a defined oil and/or gas pool whereby they agree to share both the costs of producing and the revenue obtained.

**Unit area** means the area of a unit operation.

**Unit Operating Cost Rate (UOCR)** means the dollar amount per unit of energy adjusted gas equivalent volume that the Department uses in calculating the monthly Crown share of Operating Cost Allowance of a royalty client.

**Unprocessed stream** means a movement of product consisting of products recovered from a formation in any form (gas, liquid or solid). An unprocessed stream originates at the first point of separation/measurement after the wellhead, and ends at the first processing point.

**Unsold stream** means a movement of product originating at a reservoir land moving through a network up to the point where ownership for the product changes hands. An unsold stream cannot have been previously sold.

**Upstream facility** means a facility that, in the sequence of flow from the wellhead to the point of final processing, is upstream from the facility at which the reference is made.

**Valuation Point Adjustment (VPA)** means a deduction in the Gas Reference Price calculation to reflect the change in point at which gas pricing information is collected for gas sold to marketers. Inclusion of this deduction maintains the pricing consistency between the pre-1994 (field pricing) and post-1993 (downstream pricing) administrations. (Refer to Appendix D.)

**Vintage** refers to new gas, old gas, new pentanes-plus and old pentanes-plus that are separately defined.

**Volumes sold** means volumes sold as defined in the pre-1994 Regulation.

**Volumetric** - Volumetric data includes the production, injection and disposition of hydrocarbons and hydrocarbon by-products volumes and/or energy (gas only) that facility operators gather at wells and facilities, and submit to the Registry. Facility operators submit this data to the Registry, identifying well production and producing hours, injection volumes and injection hours, product movements, inventories, losses, and consumption of volumes at facilities. All well and facility volumes and energy (where applicable) must be submitted to the Registry on or before the monthly EUB Volumetric filing deadline, based on the reporting calendar. The EUB extracts the volumetric data submitted to the Registry by industry and uses the data in its core business. The DOE extracts volumetric data for Crown Royalty calculations. Volumetric data consists of:

- Facility Activities
- Well Activities
- Proration Factors

Volumetric submission refers to the submission of volumetric data.

**VPA** means Valuation Point Adjustment.

**W.I.O.** means Working Interest Owner.

**Well event** means

- a part of a well completed in a zone and given a unique well identifier by the Board, or
- parts of a well completed in two or more zones and given a single unique well identifier by the Board, or

- a part of a well completed in a zone and recovering natural gas, but which has not yet been given a unique well identified by the Board, or
- parts of a well completed in and recovering natural gas from two or more zones during the period when the parts are considered by the Minister as a single well event for the purposes of the Regulation, and before the Board makes a decision whether or not to give the parts a single unique well identifier.

**Well group** means a well group referred to in Section 19 of the Regulation.

**YECO**, means the year-end closeout override form to be submitted by clients' along with any documents for an operationally closed year.