

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.

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) ensures 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 a stream and an outlet owner.

Allowable costs means costs and allowances for capital, operating and custom processing incurred and paid in Alberta for compressing, gathering and processing the Crown's royalty share. (see definitions for capital cost allowance, custom processing cost allowance and operating cost allowance).

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.

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.

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.

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 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.

Commingled, with respect to streams of natural gas or of one or more gas products, a term used to describe the flow pattern where two or more fluid phases may be present in a relatively even distribution. Streams are not separated from each other and are produced from/transported through the same production/transportation facilities at the same time. Commingled flow may also describe the production of fluid from two or more separate zones through a single conduit.

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.

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.

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.

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.

CSO – see Common stream operator

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.

Custom processing fee 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.

Custom 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 10³m³ 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.

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 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 (examples)

- A battery,
- A gathering system,
- A gas processing plant,
- A reprocessing plant,

- An injection facility, or
- A commercial storage facility
- Compressor station

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 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. Effective Jan. 1, 2006, all remaining field straddle plants were terminated. These facilities no longer have a specialized status and are considered normal operating gas plants. Effective with the termination Crown royalty is calculated at the plant gate, as with other in-net facilities.

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.

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 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 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 allowable costs.

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.

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)
- ATCO Pipelines North
- ATCO Pipelines South
- Westcoast Transmission Company (Alberta) Ltd.
- Altagas Holdings Inc.
- Alliance Pipeline Limited Partnership

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

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

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 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.

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 is gas obtained from a gas pool which is discovered on or after January 1, 1974; or if discovered before this date, gas or gas products have not been sold or consumed before this date.

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 (see 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 Gas is gas that does not qualify as new gas.

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 allowance means any eligible cost incurred and paid in Alberta pertaining to the operation of an eligible capital asset.

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), is used to allocate volumes and energy (for gas) to an owner level.

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 current 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 class: includes sweet, sour and dry and it is derived from the plant type of the facility.

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 3,000 10³ m³ 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.

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 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 assessment means an amount assessed by the department to a facility operator on account of provisional royalty. (Also referred to as PA)

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 10³m³ 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), or the location of the point at which royalty is triggered (transportation).

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.

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 natural gas and/or natural gas by-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;
- Mainline straddle plants; and
- Injection facilities .

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 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

Royalty trigger means an event 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.

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), is used to allocate, down to a stream level, the volumes and energy (for gas) submitted to the Registry during volumetric reporting.

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.

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 each ISC reference price for methane, ethane, propane, butanes and pentanes plus, 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.

Volumetric includes the production, injection and disposition of hydrocarbons and hydrocarbon by-product 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.

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 22 of the Regulation.