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ROYALTY and RELATED INFORMATION  
REVIEW



**Task Force Report**  
January 26, 1998



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## Steering Committee Message

I am pleased to present the initial task force report on the Gas Royalty and Related Information Review Project.

The mission of our project is to develop a plan to increase administrative efficiencies and reduce associated costs applicable to gas royalties, common information and related business processes. This is a project of significant importance: if Alberta's petroleum industry wishes to remain a leader in the increasingly competitive global marketplace, we must maximize the efficiency and effectiveness of Alberta's royalty regime while continuing to improve the management of information and the streamlining of business processes.

For the past three months, the project team, supported by executives from industry and the Ministry have worked together to gather opinions and ideas on this key industry issue. Stakeholders were given opportunities to provide their input and as a result, the project team received and evaluated many well-thought-out suggestions and alternatives. Delivering a wellhead royalty program based on the value of heat-adjusted raw gas volumes was widely believed to be the answer. Unfortunately, Alberta's wide range of natural gas compositions make volumetric and energy measurement at the wellhead less exact than is required for royalty determination or custody transfer.

The project team collected and evaluated statistics on the administrative costs associated with the Alberta gas royalty regime. The findings are significant. The total administrative cost of Crown gas royalty and S-reporting is less than \$40 million. This is less than 3 per cent of 1996 's net gas royalty. This indicates that reasonably effective administrative processes are in place, however, there are still gains to be made.

On behalf of the Steering Committee, I would like to thank everyone who committed their time, energy and resources toward formulating this strategy. We are extremely pleased with the progress so far, and invite all stakeholders to forward final written comments on the recommendations to the Steering Committee no later than April 30, 1998.

My Steering Committee colleagues, who represent both industry and the Ministry on this project, look forward to presenting the final recommendations to the Honourable Stephen West, Minister of Energy, for his consideration in May. Together, we can realize new efficiency, opportunity and prosperity for our industry.

Sincerely,

Stephen J. Savidant, Chairman



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## CAPP and SEPAC endorsements

### Message of Endorsement from Sponsoring Industry Associations

The Canadian Association of Petroleum Producers (CAPP) and the Small Explorers and Producers Association of Canada (SEPAC) congratulate the Royalty and Related Information Review Project steering committee on developing an innovative approach to tackle many of the complex issues faced in the calculation and administration of Crown gas royalties. We fully support and endorse the consultative approach used by the joint industry-ministry project team in conducting their research and preparing this report. Also, we are pleased that industry took such keen interest in putting forth their recommendations for an improved, more efficient gas royalty regime as well as recommendations to improve the management of information and the streamlining of business processes. The quality of those recommendations is reflected in the findings of the Task Force. This report is the product of true consultation and collaboration and we believe holds the potential for significant benefits for Alberta's energy industry.

(name)  
CAPP

(name)  
SEPAC

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## Your involvement....

The Task Force encourages you, upon reviewing the report, to provide the Steering Committee with your feedback by May 1, 1998. Feedback can be directed to the Steering Committee in a variety of ways, a few of which are identified below.

1. Forward an e-mail to:

RRIR@enr.gov.ab.ca

2. Send a fax to:

Royalty & Related Information Review Steering Committee

Attn: Diane Bell

403-427-3334

3. Mail or courier to:

Attn: Royalty & Related Information Review Steering Committee

C/O Department of Energy

8th floor, North Petroleum Plaza

9945-108 Street

Edmonton, Alberta

T5K 2G6

**Note:** Copies of the appendices will be provided upon request and only on a diskette. Please fax your request as shown above (#2) and indicate in which format you would prefer the appendices. The formats available are:

- Word 6.0/95
- Word Perfect 6.0
- Rich Text Format

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**Task Force Recommendations**  
January 26, 1998



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\* **Note:** The above appendices will be provided only upon request and only on diskette in the formats identified on page iv.