

**August 21, 2008**

**INFORMATION BULLETIN 2008-03**

**Subject: Correction to the New Royalty Framework Conventional Oil Royalty Formulas**

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A new Conventional Oil royalty formula was introduced as part of the New Royalty Framework. Two of the royalty factors in the Quantity Component (rq) portion of the formulas were not displayed and communicated correctly.

When the quantity is greater than 197.6 m<sup>3</sup> but less than or equal to 304.0 m<sup>3</sup>, the formula should be:

$$(((Q-Sq_2)*0.0007) + \mathbf{0.0912}) * 100$$

When the quantity is greater than 304.0 m<sup>3</sup>, the formula should be:

$$(((Q-Sq_3)*0.0003) + \mathbf{0.1657}) * 100$$

The “Royalty Formulas – Conventional Oil” table has been updated on the website (see attached document).

For further information please contact:

**Beverley Murray**  
**Manager, Oil Royalty and EOR**  
Oil Development Business Unit  
Oil Development Division  
9<sup>th</sup> Floor, North Petroleum Plaza  
9945 – 108 Street  
Edmonton, Alberta T5K 2G6  
Phone: (780) 427-2193  
Fax: (780) 427-0865  
Email: [Beverley.Murray@gov.ab.ca](mailto:Beverley.Murray@gov.ab.ca)

**Authorized by:** Christopher Holly  
Acting Business Unit Leader  
Oil Development Business Unit  
Oil Development Division

**Attachment:** 1

## Royalty Formulas – Conventional Oil

R% = Price Component ( $r_p$ ) + Quantity Component ( $r_q$ )

R% has a minimum of 0% and a maximum of 50%

<b>Price Component (<math>r_p</math>)</b>	
<b>Price (\$/m<sup>3</sup>)</b>	<b><math>r_p</math></b>
PP ≤ Sp <sub>2</sub>	$((PP - Sp_1) * 0.0006) * 100$
Sp <sub>2</sub> < PP ≤ Sp <sub>3</sub>	$((PP - Sp_2) * 0.0010) + 0.0360 * 100$
PP > Sp <sub>3</sub>	$((PP - Sp_3) * 0.0005) + 0.1860 * 100$
Maximum	35%
PP is the par price for the month in \$/m <sup>3</sup>	
Note: $r_p$ can be negative	

<b>Quantity Component (<math>r_q</math>)</b>	
<b>Quantity (m<sup>3</sup>/month)</b>	<b><math>r_q</math></b>
Q ≤ Sq <sub>1</sub>	$((Q - Sq_1) * 0.0026) * 100$
Sq <sub>1</sub> < Q ≤ Sq <sub>2</sub>	$((Q - Sq_1) * 0.0010) * 100$
Sq <sub>2</sub> < Q ≤ Sq <sub>3</sub>	$((Q - Sq_2) * 0.0007) + 0.0912 * 100$
Q > Sq <sub>3</sub>	$((Q - Sq_3) * 0.0003) + 0.1657 * 100$
Maximum	30%
Q is the monthly production in m <sup>3</sup>	
Note: $r_q$ can be negative	

<b>Royalty Parameters</b>		
	<b>Price (\$/m<sup>3</sup>)</b>	<b>% Change (%/\$/m<sup>3</sup>)</b>
Sp <sub>1</sub>	\$190.00	0.06%
Sp <sub>2</sub>	\$250.00	0.10%
Sp <sub>3</sub>	\$400.00	0.05%
	<b>Quantity (m<sup>3</sup>/month)</b>	<b>% Change (%/m<sup>3</sup>/month)</b>
Sq <sub>1</sub>	106.4	0.26%, 0.10%
Sq <sub>2</sub>	197.6	0.07%
Sq <sub>3</sub>	304.0	0.03%

### Examples

<b>Price (\$/m<sup>3</sup>)</b>	<b>Quantity (m<sup>3</sup>/month)</b>	<b><math>r_p</math></b>	<b><math>r_q</math></b>	<b>R%</b>
200	50	0.60%	-14.66%	0.00%
200	200	0.60%	9.29%	9.89%
300	50	8.60%	-14.66%	0.00%
300	200	8.60%	9.29%	17.89%
400	50	18.60%	-14.66%	3.94%
400	200	18.60%	9.29%	27.89%
500	50	23.60%	-14.66%	8.94%
500	200	23.60%	9.29%	32.89%