

Notice

The guidelines outlined in this document are based on the *Mines and Minerals Act, RSA 2000, c. M-17*, as amended, and the *Oil Sands* Royalty Regulation, 1997 (AR 185/97)*, as amended. The Act, the regulations and the guidelines themselves are subject to regular reviews by the Department of Energy. They are amended as required, in response to changing circumstances and business needs.

These guidelines reflect Department of Energy policies and procedures as of November 30, 2006. Industry will be notified when the guidelines are revised.

The *Alberta Oil Sands Royalty Guidelines* are produced for the convenience of readers. The guidelines provide a general understanding of the principles used to establish oil sands royalty legislation. They explain the administrative policies used by the Department of Energy in interpreting this legislation. They also explain the business rules and operating procedures used when royalty-related legislation is applied.

Readers are reminded that the guidelines have no legislative sanction. Should the guidelines conflict with the *Mines and Minerals Act, RSA 2000, c. M-17* or the *Oil Sands Royalty Regulation, 1997 (AR 185/97)* the Act and Regulation will prevail.

To the extent that the guidelines conflict with any previously published Department of Energy Information Letters on any subject matter contained in the guidelines, the guidelines will prevail.

The Act and the Regulation

Copies of the *Mines and Minerals Act*, the *Oil Sands Royalty Regulation, 1997* and related legislation are available through the Queen's Printer:

In Edmonton:

Main Floor • Park Plaza

10611 – 98th Avenue

Edmonton, Alberta T5K 2P7

Phone 780.427.4952 • Fax 780.452.0668

E-mail: qp@gov.ab.ca

Web Site: <http://www.qp.gov.ab.ca/index.cfm>

Free, online copies may be downloaded from the websites of the Queen's Printer or the Department of Energy.

For information or inquiries regarding the guidelines, please contact the appropriate Department* representative listed in Appendix J, "Contact Information".

Related Legislation

The following legislation applies to specific aspects of oil sands development and administration:

- *Mines and Minerals Act, RSA 2000, c. M-17*
- *Mines and Minerals Administration Regulation (AR 262/97)*
- *Oil Sands Tenure Regulation (AR 50/2000)*
- *Oil Sands Royalty Regulation, 1984 (AR 166/84)*
- *Oil Sands Royalty Regulation, 1997 (AR 185/97)*
- *Petroleum Royalty Regulation (AR 248/90)*
- *Experimental Oil Sands Royalty Regulation (AR 347/92)*
- *Oil Sands Conservation Act, RSA 2000, c. O-7*
- *Oil Sands Conservation Regulation (AR 76/88)*
- *Natural Gas Royalty Regulation, 2002 (AR 220/2004)*
- *Innovative Energy Technology Regulation (AR 250/2004)*
- *Metis Settlements Act RSA 2000, c. M-14*

About This Document

The *Alberta Oil Sands Royalty Guidelines* were developed by the Alberta Department of Energy through a consultative process that included oil sands industry representatives. The guidelines are designed to

- interpret relevant oil sands legislation
- communicate oil sands royalty-related policy to industry stakeholders
- help oil sands developers determine and calculate the share of royalty* payable to the Crown*
- make it easier for the oil sands industry to comply with the requirements of the *Mines and Minerals Act* and the *Oil Sands Royalty Regulation, 1997* (AR 185/97)
- words defined in Appendix A are identified by an asterisk (*) the first time they appear in this document.

Conventions used in this document

The Minister* refers to Alberta's Minister of Energy.

Note that under Section 9(1) of the Government Organization Act, the Minister may in writing delegate any power, duty, or function imposed on him by the Act or the Regulation to staff of the Department.

The Department refers to the Alberta Department of Energy.

The Act refers to the *Mines and Minerals Act*.

Unless otherwise stated, **the Regulation** refers to the *Oil Sands Royalty Regulation, 1997* (AR 185/97).

The terms **generic**, **generic oil sands royalty** and **generic oil sands royalty regime** refer to the royalty calculation and collection methodology outlined in the Regulation.

An **oil sands royalty project* (OSR project)** is an oil sands project for which royalty calculation and reporting is governed by the Regulation.

Chapters and Appendices

The Alberta Oil Sands Royalty Guidelines address a number of areas:

- Chapter 1 - looks at the evolution of Alberta's oil sands royalty system and provides an **overview of how the current, generic oil sands royalty regime works**.
- Chapter 2 - explains the requirements for oil sands royalty projects.
- Chapter 3 - describes the process of applying for **generic oil sands royalty terms** under the provisions of the *Oil Sands Royalty Regulation, 1997* (AR 185/97).
- Chapter 4 - is an introduction to **oil sands royalty calculation**.
- Chapter 5 - defines the **specific cost allocation rules** that relate to solution gas and fuel gas, pipelines, cogeneration* plants, custom processing, hedging, research, cross-boundary wells and grandfathering.
- Chapter 6 - describes the requirements for **royalty reporting and payment**.
- Chapters 7 and 8 - deal with **advance rulings*** and **dispute resolution and appeals** respectively.
- Chapter 9 - provides **definitions for accounting concepts** such as affiliates, fair market value* and non-arm's-length transactions, and explains how these concepts apply to oil sands royalty calculations.

The appendices include

- Appendix A, a glossary, containing definitions.
- Appendix B, Project Application Forms and approval
- Appendix C – H, forms used for oil sands royalty reporting
- Appendix I – Abbreviations used in Guidelines
- Appendix J - Contact Information
- Appendix K - Figures contained in guidelines (with additional footnotes)
- Appendix L – Examples of Costs that are Allowed and Not Allowed

Additional Information

The *Alberta Oil Sands Royalty Guidelines* presume the reader's familiarity with the geography and development history of Alberta's oil sands, as well as their strategic importance to the province's economy. The guidelines also presume the reader's familiarity with the technology and economics of oil sands production and with the Alberta tenure system through which Crown-owned oil sands rights are leased and administered.

If the Guidelines do not provide an answer, questions should be directed to the contacts identified in Appendix J or the Department of Energy website at <www.energy.gov.ab.ca> under 'Our Business', then 'Oil Sands'.