

Appendix A

A. Glossary

Act	In this document, the <i>Mines and Minerals Act</i> .
actual financial transaction	A transaction that has actually been incurred is supported by documentation and has specific, practical application for an oil sands royalty project.
advance ruling	The Department's statement on how it will interpret the applicable laws, policies and guidelines with respect to proposed business arrangements or specific allowed costs that relate to oil sands royalty projects.
allowed cost	Costs described in Schedule 1 and Schedule 2 of the regulation that may be eligible for deduction from project revenues in the calculation of oil sands royalty. Allowed costs are directly attributable to the recovery, processing and transportation of oil sands products to the boundary of an oil sands royalty project.
API gravity	The gravity of crude bitumen as measured by a hydrometer and expressed in degrees on the American Petroleum Institute scale. $API\ gravity = (141.5 / \text{specific gravity}) - 131.5$. The lower the API gravity, the heavier and more viscous the bitumen. Athabasca bitumen has an API gravity number of less than 10°.
barrel	A measure of volume equivalent to 0.159 m ³ . Many of the examples used in these guidelines use 1590 m ³ —the equivalent of 10,000 barrels.
basic service	Any service provided by an affiliate, using a capital asset that is not part of the project, to recover or obtain oil sands products, or clean crude bitumen obtained from oil sands products, produced pursuant to the project.
battery	A system of tanks or surface equipment that receives natural gas or crude oil from one or more wells prior to delivery to market or other disposition. A battery may include equipment for separating and measuring oil, gas and water.

bitumen	A sticky, tar-like form of crude oil which is so thick and heavy that it must be heated or diluted before it will flow. At room temperature, bitumen is much like cold molasses. It typically contains more sulphur, metals and heavy hydrocarbons than conventional crude oil. See also: crude bitumen, cleaned crude bitumen, blended bitumen and dirty bitumen .
blended bitumen	Cleaned crude bitumen that has been blended with diluent so that it can be transported by pipeline.
Board	In this document, the Alberta Energy and Utilities Board (EUB).
cleaned crude bitumen	Crude bitumen that has been removed to an extent which makes it possible to blend it with diluent and transport it by pipeline.
cogeneration	Co-generation means concurrent production of usable forms of energy from a single fuel source using electricity and thermal and/or mechanical energy.
concept audit	An advance review conducted by the Department to verify that a proposed or current research project or activity is directly attributable to an oil sands royalty project.
Crown	In this document, the Government of Alberta (that is, the Crown in right of Alberta).
Crown rights	Surface rights or mineral rights which are owned by the Crown.
Crown's share	With regard to an oil sands royalty project in which the oil sands rights are owned by the Crown, 100% of the oil sands and oil sands products recovered by the project. When an oil sands project includes freehold rights, the Crown's share is the proportion of the oil sands and oil sands products that is allocated under a unit agreement .
crude bitumen	In the <i>Mines and Minerals Act</i> , "a naturally occurring viscous mixture, mainly of hydrocarbons heavier than pentane, that may contain sulphur compounds and that, in its naturally occurring viscous state, will not flow to a well."
cumulative cost	With regard to an oil sands royalty project, the sum of (1) the project's prior net cumulative balance, (2) the project's allowed costs and (3) royalty paid to the Crown during the project's pre-payout period.
cumulative cost balance	See net cumulative balance .
cumulative revenue	With regard to an oil sands royalty project, the sum of project revenue and other net proceeds received or receivable from the project's effective date onwards.

Department	In this document, the Alberta Department of Energy.
development area	The lands and subsurface strata included as part of an oil sands royalty project.
diluent	A hydrocarbon substance used to dilute crude bitumen so that it can be transported by pipeline.
directly attributable costs	Costs that are solely, completely, entirely or wholly attributable to the Project, not just indirectly related to it.
disposition	Where any reference is made in the OSRR, 1997 to the disposing or disposition of any thing, the reference shall be construed as referring to a sale or any other disposition of the thing to a person who by reason of the sale or disposition becomes its owner.
effective date	With regard to an oil sands royalty project, the date from which royalty begins to be calculated under the terms of the <i>Oil Sands Royalty Regulation</i> , 1997 AR (185/97).
end of period statement	A type of royalty report required by the Department. An annual end of period statement signed by an authorized financial officer is required for both pre-payout and post-payout oil sands royalty projects. The statement provides a detailed summary of the financial- and production-related operations of the project.
facility	Includes but is not limited to, in the petroleum industry, an oil and gas battery, battery compressor station, gathering system, gas processing plant, reprocessing plant, gas injection facility, commercial storage facility, field dehydrator or separator, water disposal or injection plant, oil cleaning plant, waste processing and disposal facility, loading facility, truck or pipeline terminal.
fair market value	The Department's determination of the value of a good or service based on the value of comparable goods or services available on the open market.
freehold rights	Mineral rights that are not owned by the Crown in right of Alberta.
function (direct or primary)	A complete operating function of a Project: (i.e.) mining of oil sands, recovery of crude bitumen from a well, processing of oil sands to recover crude bitumen, upgrading of crude bitumen.

good faith estimate (GFE)	A type of royalty report required by the Department. A monthly good faith estimate is required for post-payout oil sands royalty projects. The estimate provides a detailed summary of the financial- and production-related operations of the project. It includes actual (or best estimates of) figures for previous months and forecasted figures for future months.
gross revenue	For an oil sands royalty project, the project revenue minus the cost of diluent contained in any blended bitumen included in the calculation of the project's revenue.
handling charges	For an oil sands royalty project, all charges incurred in moving an oil sands product from the royalty calculation point to the disposition point. The disposition point is the point of sale or the Alberta export terminal (Edmonton, Hardisty or Lloydminster) that is closest to the project.
hedges	Transactions that use actual commodities, futures, contracts, swap arrangements and other financial instruments to counterbalance price fluctuations and reduce the risk of an investment.
in-fill drilling	Drilling of crude bitumen wells on undrilled drilling spacing unit (DSU), as defined by the EUB.
“inside” a project	Lands, leases, operations, facilities and infrastructure specified in an approved project description are said to be “part of the project” or “inside the project.” See “outside” a project .
lease	An oil sands agreement which grants rights to develop and use oil sands resources.
long-term bond rate (LTBR)	The return allowance rate, published weekly by the Bank of Canada that is applied to the net cumulative balance or net loss of an oil sands royalty project.
mineral rights	The rights to explore for, produce and sell the minerals contained in a parcel of land. This entitlement may accrue through freehold ownership or through a Crown leasing arrangement.
Minister	In this document, the Alberta Minister of Energy.
month	As defined in the <i>Oil Sands Royalty Regulation</i> , AR (185/97), the period commencing at 8:00 AM on the first day of a month and ending before 8:00 AM on the first day of the next month
monthly royalty calculation (MRC)	A type of royalty report required by the Department. A monthly royalty calculation is required for pre-payout oil sands royalty projects. It reports production, sales and royalty information for each oil sands product for the month.

net book value	For a capital asset, the original cost less accumulated depreciation.
net cumulative balance	The amount by which the cumulative costs exceed cumulative revenue. The net cumulative balance is sometimes referred to as the cumulative cost balance or the unrecovered balance.
net loss	For an oil sands royalty project, the amount by which the allowed costs for a period exceed the sum of revenues and other net proceeds for the period.
net revenue	For an oil sands royalty project, the amount by which project revenue exceeds net project costs in a given reporting period. Net project costs are allowed costs less other net proceeds.
non-basic pipeline	Pipelines for transporting bitumen (or blended bitumen) to market (from a royalty calculation point to the point of disposition) are called non-basic pipelines.
oil sands	Defined in the <i>Mines and Minerals Act</i> as <ul style="list-style-type: none">▪ sands and other rock materials containing crude bitumen▪ the crude bitumen contained in those sands and other rock materials▪ any other mineral substance (except natural gas) associated with the above-mentioned crude bitumen, sands or rock materials
oil sands product	Crude bitumen, cleaned crude bitumen, synthetic crude oil or any other product obtained from oil sands by processing, reprocessing or otherwise, but does not include natural gas.
oil sands royalty (OSR) project	An oil sands project for which royalty calculation and reporting is governed by the <i>Oil Sands Royalty Regulation, 1997 (AR 185/97)</i> and not a larger integrated project of which the royalty project may form a part.
opening balance	See prior net cumulative balance .
operator	The person or corporation responsible for the management and operation of an oil sands royalty project. Project operators have the legal authority to represent the project and its owners.
other net proceeds	Revenue (proceeds) earned as a result of selling, leasing or licensing project-related assets, technology or substances <i>other than</i> oil sands products.
“outside” a project	Lands, leases, operations, facilities and infrastructure that are not specified in an approved project description are considered to be “outside the project.” See “inside” a project .

overhead	General business costs or expenses of the Project operator or owner not specifically demonstrated to be allocable to the Project.
participating interest	The proportion of ownership in the whole of a project that is held by any one project owner.
payout date	For a pre-payout project, the first date at which the cumulative revenue of a project first equals the cumulative cost of the project.
period	Each calendar year that occurs between a project's effective date and the date when project approval is revoked.
person	As defined in section 1(v) of the <i>Oil Sands Royalty Regulation</i> , 1997 (AR 185/97), the term "person" includes firms, trusts, partnerships, joint ventures, associations, governments or government agencies.
post-payout period	Each period commencing on or after the payout date of an oil sands royalty project.
pre-payout period	Each period commencing before the payout date of an oil sands royalty project.
prior net cumulative balance	For an oil sands royalty project, the opening balance of costs less revenues incurred prior to the project's effective date.
processing plant	A facility for the extraction, cleaning or upgrading of crude bitumen.
production month	The month in which an oil sands product was recovered or obtained.
project	See oil sands royalty project .
project description	The section of an oil sands royalty project approval order that specifies the lands, leases, operations, facilities and infrastructure that are considered to be "part of the project" or "in the project." The approved project description for a new oil sands royalty project is called the initial project description . When a project is amended, the approved description referred to as the amended project description .
project operator	See operator .
project owner	The lessee of oil sands rights and the person who, according to Land Titles Office records, has the right to recover oil sands from the development area of an oil sands royalty project.
project revenue	The sum of the volume of each oil sands product times the unit price .
project substances	Oil sands and oil sands products recovered from the development area of an oil sands royalty project.

qualifying joint venture project	An oil sands royalty project that meets all the ownership and operational requirements specified in section 16(2)(a)(iv) of the <i>Oil Sands Royalty Regulation</i> , 1997 (AR 185/97). The cost rules for qualifying joint ventures are slightly different from those for other OSR projects.
quality differential	The difference—measured in dollars per m ³ —between the price of an oil sands product and the price of an appropriate benchmark crude oil such as Edmonton Light Par or Hardisty Heavy.
realized revenue	The sum revenues from all crude bitumen-based oil sands products less handling charges. The realized revenue plus revenue from other oil sands products determines the project revenue.
return allowance	A return on investment to cover risk. For oil sands royalty projects, the allowance is calculated using Canada's long-term bond rate . For pre-payout projects, a monthly return allowance is provided on the net cumulative balance for the month. For post-payout projects, a period return allowance is provided if the project has a net loss at the end of the period.
royalty	A share of production or equivalent revenue that is paid to the owner of a mineral resource in exchange for the use of that resource. Owners of mineral rights may lease these rights to oil and gas companies in exchange for a royalty.
royalty calculation point	For an oil sands royalty project, the point at which the Crown's royalty share of the project's sales is measured.
sales price	The calculated value of the sales revenue divided by the sales volume.
sales revenue	The total proceeds from the sale of an oil sands product.
sales volume	The actual volume of the oil sands product sold.
service (field, office, administrative or other)	A secondary function* performed to support or maintain a direct or primary function of the Project.
synthetic crude oil	A mixture of hydrocarbons derived by upgrading crude bitumen.
Total Acid Number (TAN)	The total acid number (TAN) is the number expressed in milligrams (mg) of potassium hydroxide needed to neutralize the acid in one gram of oil. The test is used to indicate the amount of oxidation that the fluid has undergone. The TAN increases as the fluid undergoes increased amounts of oxidation.

unit agreement	An agreement made between lessees and lessors of mineral rights within a defined area to share production costs and revenues.
unit price	For an oil sands royalty project, the net value of sold substances measured at the royalty calculation point.
unrecovered balance	See net cumulative balance .
zone designation	A description of the stratigraphic interval for a particular set of mineral rights.