

Appendix F

F. Good Faith Estimates (GFEs)

- Good Faith Estimate (Annual Royalty Estimate (GFE-1))

- Sample Calculations

Referenced from Section 6.2.1 in the Oil Sands Royalty Guidelines

POST - PAYOUT -- GOOD FAITH ESTIMATE (ANNUAL ROYALTY ESTIMATE)

GFE - 1

Project: **OSR Approval Number:**

Operator:

Date/Period:



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Indicate Estimate or Actual for Month	(Act)	(Act)	(Act)	(Act)	(Est)	(Est)	(Est)	(Est)	(Est)	(Est)	(Est)	(Est)	
PRODUCTION AND SALES DATA													
Total Crude Bitumen Production (monthly m ³)	304,294	278,490	260,083	262,708	278,330	309,690	360,152	361,565	321,552	307,458	309,744	323,119	3,677,185
Crude Bitumen Net Price	\$115.26	\$83.44	\$69.70	\$69.78	\$87.60	\$87.62	\$87.65	\$87.65	\$87.44	\$87.43	\$87.43	\$87.07	---
Crude Bitumen Sales (m ³)	0	0	0	0	0	0	0	0	0	0	0	0	0
Crude Bitumen Unit Price (\$/m ³)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	---
Blended Bitumen Sales (m ³)	423,854	390,984	364,511	356,503	380,753	423,653	492,684	494,618	439,880	420,599	423,727	442,024	5,053,790
Diluent Volume Included in Sales (m ³)	119,550	112,494	104,428	93,795	102,423	113,963	132,532	133,053	118,328	113,141	113,983	118,905	1,376,595
Blended Bitumen Unit Price (\$/m ³)	\$145.90	\$118.29	\$104.76	\$101.04	\$118.33	\$118.33	\$118.33	\$118.33	\$118.33	\$118.33	\$118.33	\$118.06	---
SCO Sales (m ³)	0	0	0	0	0	0	0	0	0	0	0	0	0
SCO Unit Price (\$/m ³)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	---
Total Other Oil Sands Products (m ³ or tonnes)	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	120,000
Product Unit Price (\$/m ³ or \$/tonne)	\$55.00	\$55.00	\$55.00	\$55.00	\$55.00	\$55.00	\$55.00	\$55.00	\$55.00	\$55.00	\$55.00	\$55.00	---
REVENUE													
Crude Bitumen Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: Bitumen handling charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Blended Bitumen Revenue	\$61,851,000	\$46,257,000	\$38,193,600	\$36,027,000	\$45,061,800	\$50,139,000	\$58,308,600	\$58,537,800	\$52,059,600	\$49,778,000	\$50,147,000	\$52,193,000	\$598,553,400
Less: Blend handling charges	(\$10,000)	(\$7,479)	(\$6,175)	(\$5,825)	(\$7,286)	(\$8,106)	(\$9,427)	(\$9,464)	(\$8,417)	(\$8,048)	(\$8,108)	(\$8,439)	(\$96,773)
SCO Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Less: SCO handling charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Oil Sands Products' Proceeds	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$6,000,000
Less: Handling charges	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$600,000
Project Revenue (use to calculate Net Revenue)	\$62,391,000	\$46,799,521	\$38,737,425	\$36,571,175	\$45,604,514	\$50,680,894	\$58,849,173	\$59,078,336	\$52,601,183	\$50,319,952	\$50,688,892	\$52,734,561	\$605,056,627
Diluent Price (\$/m ³)	\$223.90	\$204.57	\$192.08	\$188.61	\$201.83	\$201.78	\$201.70	\$201.70	\$202.26	\$202.31	\$202.31	\$202.26	
Less: Cost of Diluent Used	(\$26,767,800)	(\$23,013,000)	(\$20,058,600)	(\$17,690,400)	(\$20,672,400)	(\$22,995,000)	(\$26,731,800)	(\$26,836,800)	(\$23,933,400)	(\$22,889,400)	(\$23,059,200)	(\$24,049,800)	(\$278,697,600)
Gross Revenue (do not use to calculate Net Revenue)	\$35,623,200	\$23,786,521	\$18,678,825	\$18,880,775	\$24,932,114	\$27,685,894	\$32,117,373	\$32,241,536	\$28,667,783	\$27,430,552	\$27,629,692	\$28,684,761	\$326,359,027
ALLOWED COSTS													
Plant Operations (excludes cost of diluent)	\$65,348,000	\$9,747,000	\$13,346,000	\$16,346,000	\$9,847,000	\$10,848,000	\$12,900,000	\$12,450,000	\$10,849,000	\$9,348,000	\$9,348,000	\$9,348,000	\$189,725,000
Diluent	\$26,767,800	\$23,013,000	\$20,058,600	\$17,690,400	\$20,672,400	\$22,995,000	\$26,731,800	\$26,836,800	\$23,933,400	\$22,889,400	\$23,059,200	\$24,049,800	\$278,697,600
Capital	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$12,000,000
Period Costs	\$93,115,800	\$33,760,000	\$34,404,600	\$35,036,400	\$31,519,400	\$34,843,000	\$40,631,800	\$40,286,800	\$35,782,400	\$33,237,400	\$33,407,200	\$34,397,800	\$480,422,600
Previous Period's Net Loss	→	→	→	→	→	→	→	→	→	→	→	→	\$0
Total Allowed Costs													\$480,422,600
OTHER NET PROCEEDS													
Carry forward amount	\$40,000,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$40,000,000
Earned	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$4,200,000
Total Other Net Proceeds	\$40,350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$44,200,000
Allowable Revenue from Other Net Proceeds	\$40,350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$350,000	\$44,200,000
Excess of Other Net Proceeds over Allowed Costs	→	→	→	→	→	→	→	→	→	→	→	→	\$0
NET REVENUE / (NET LOSS - CARRY FORWARD)													
Crown Royalty (25% Net Revenue)	→	→	→	→	→	→	→	→	→	→	→	→	\$42,208,507
Crown Royalty (1% Gross Revenue)	→	→	→	→	→	→	→	→	→	→	→	→	\$3,263,590
ROYALTY PAYMENT (for the month)	\$4,607,202	\$3,076,347	\$2,415,761	\$2,441,879	\$3,224,508	\$3,580,659	\$4,153,788	\$4,169,847	\$3,707,648	\$3,547,635	\$3,573,390	\$3,709,844	\$42,208,507
Cumulative Actual Royalty Paid	\$4,607,202	\$7,683,549	\$10,099,310	\$12,541,189	\$15,765,697	\$19,346,356	\$23,500,144	\$27,669,991	\$31,377,638	\$34,925,273	\$38,498,663	\$42,208,507	\$42,208,507

SAMPLE CROWN ROYALTY CALCULATIONS

Monthly Installment of Royalty =

$$(0.25) * (\text{Estimated Annual Net Revenue} * \frac{(\text{Monthly Gross Revenue to Date})}{(\text{Royalties Actually Paid to Date})} - (\text{Estimated Annual Gross Revenue}))$$

OR

$$(0.01) * (\text{Annual Gross Revenue}) - (\text{Royalty Actually Paid to Date})$$

BASED ON THE GREATER ANNUAL TOTAL OF 1% GROSS REVENUES OR 25% NET REVENUES

$$\Rightarrow (0.25) * (168,834,027) - \frac{(35,623,200 + 23,786,521 + 18,678,825 + 18,880,7 - 10,099,310)}{326,359,027}$$

$$\Rightarrow (42,208,057) * (0.297125 - 10,099,310)$$

$$\Rightarrow 12,541,189 - 10,099,310$$

$$\Rightarrow 2,441,879 \quad \Rightarrow \text{April's Installment of the Royalty Payment}$$

Cost of Diluent =

$$(\text{Opening Inventory} + \text{Purchases}) * (\text{Weighted Average Cost})$$

$$\Rightarrow \text{Opening inventory: } 19,000\text{m}^3 @ \$190/\text{m}^3 = 3,610,000$$

$$\Rightarrow \text{Purchases in Month: } 35,190\text{m}^3 @ \$191/\text{m}^3 = 6,721,290$$

$$30,200\text{m}^3 @ \$187/\text{m}^3 = 5,647,400$$

$$19,000\text{m}^3 @ \$188/\text{m}^3 = 3,572,000$$

$$\underline{5,200\text{m}^3 @ \$179/\text{m}^3 = 930,800}$$

$$108,590\text{m}^3 \quad 20,481,490$$

$$\text{Note: Average Cost} = (\$935/\text{m}^3)/5 = \$187.00/\text{m}^3$$

\Rightarrow Weighted Average Cost = $\$188.61/\text{m}^3$
Project used $93,795\text{m}^3$ which at $\$188.61/\text{m}^3$ results in a cost of $\$17,690,674$.

Blended Bitumen Unit Price Calculation =

$$\frac{(\text{Blended Bitumen Revenue}) - (\text{Handling Charges})}{(\text{Quantity})}$$

$$\Rightarrow \frac{(36,027,000) - (5,825)}{(356,503)}$$

$$\Rightarrow \frac{(36,021,175)}{(356,503)} \quad \Rightarrow \$101.04/\text{m}^3$$

April Project Revenue =

$$(\text{Oil Sands Product Quantity}) * (\text{Unit Price})$$

$$\Rightarrow (356,503) * (101.04) + (10,000) * (55.00)$$

$$\Rightarrow 36,571,063 \quad \text{Note: Rounding adjustments cause this figure to be slightly lower than the } 36,571,175 \text{ that appears on the form.}$$

April Gross Revenue =

$$(\text{Project Revenue} - \text{Cost of Diluent})$$

$$\Rightarrow (36,571,175) - (17,690,400)$$

$$\Rightarrow 18,880,775$$

April Net Revenue =

$$(\text{Project Revenue}) - (\text{Allowed Costs} - \text{Other Net Proceeds})$$

$$\Rightarrow (36,571,175) - (35,036,400 - 350,000)$$

$$\Rightarrow 1,884,775$$