

Appendix K

K. List of Figures

This appendix is provided to offer a quick reference to the figures in the Guidelines. Specific information on any of these figures and/or the rules governing them may be found in the Guidelines. References are made to the appropriate section in the guidelines.

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Figure 11: Cost rules for non-arm's-length assets

[For details, see Guidelines section 9.2 "Cost Rules Associated with Non-Arm's Length Transactions"]

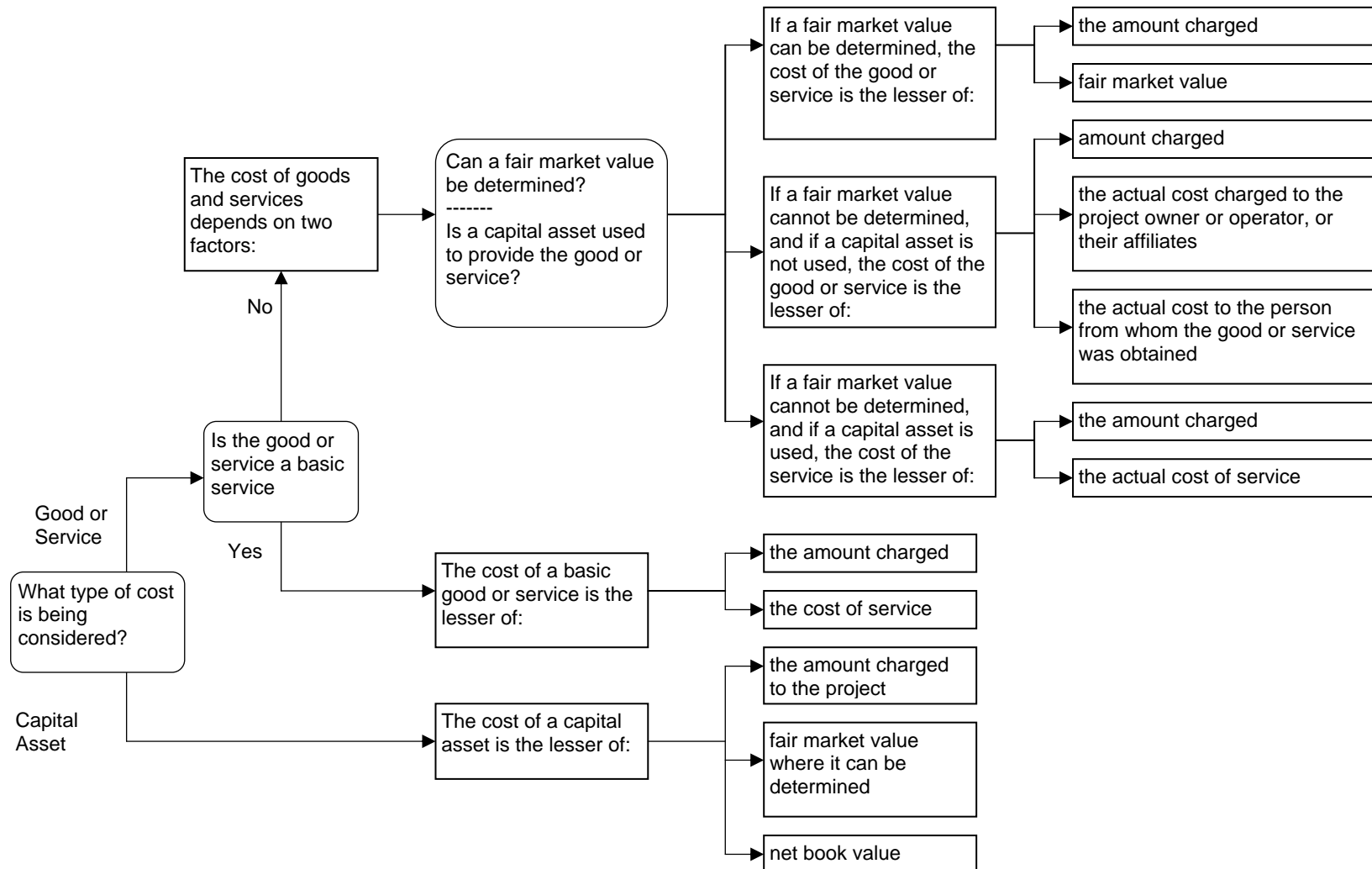
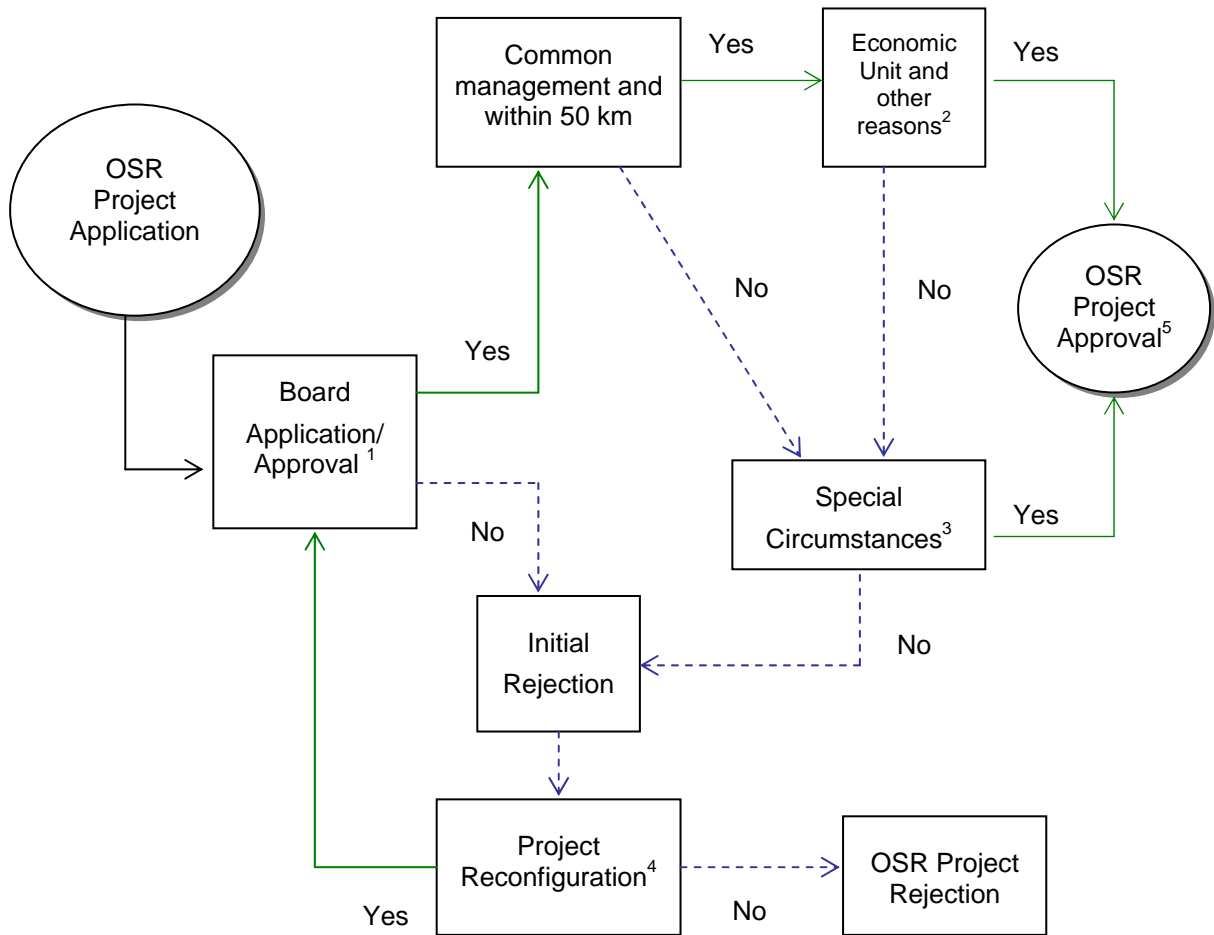


Figure 1: The approval process for oil sands royalty projects

[For details, see Guidelines section 3.3.2, "Making an Application"]



Notes:

¹All project components require Board applications and approvals, and must include a scheme or operation approved under the Oil Sands Conservation Act, in order to receive OSR project approval.

²Proposed project boundaries and facilities must be justified for economic reasons. If any aspect of the proposed project definition does not materially benefit the project's profitability, the Minister will not approve that project definition. The Department will also consider the Crown's royalty share. If the Department determines that any aspect of the proposed project definition results in a shift of the Crown's share of project revenue to the project owner(s) and away from the Crown, the Minister will not approve that application until it is amended to protect the Crown's interest.

³The Department will consider special or unforeseen circumstances that may justify project approval. Such circumstances will be reviewed on a case-by-case basis, where every case is considered on its own merits. These Guidelines provide direction, but are not intended to replace the requirement for case-by-case consideration.

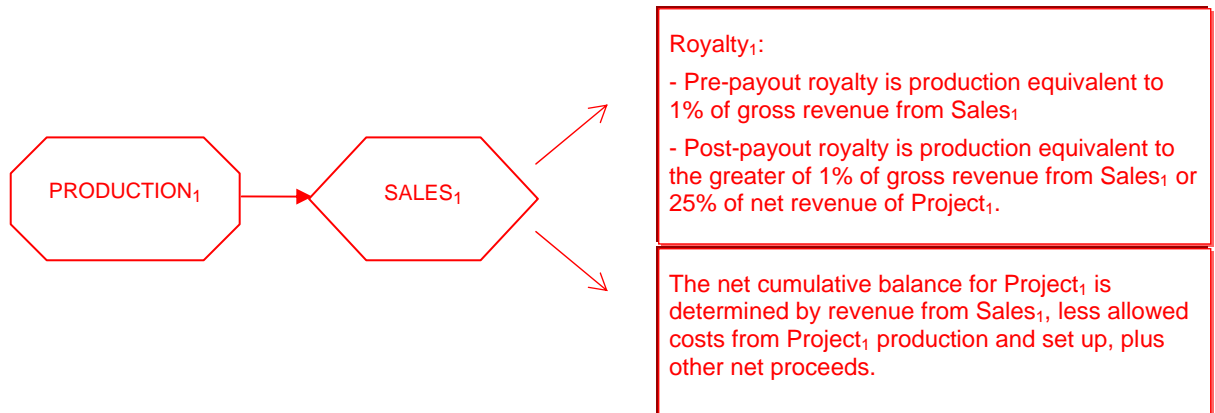
⁴If a request for project approval is rejected at any level, the applicant must restructure the proposal in order for the project to be reconsidered.

⁵Project approval may contain conditions such as dealing with measurement of costs/revenues, non-arm's length fees, etc.

Additional Note: Refer to Section 3.3.3.1 "Project Status" relating to an Application in the Alternative method of reporting as well as the Oil Sands Royalty Regulation "Application for Royalty Terms of the OSR Reg 1997" form located in Appendix B.

Figure 2: An oil sands royalty project with no processing facilities

[For details, see Guidelines section 4.6.1, "An OSR Project that Produces Crude Bitumen"]

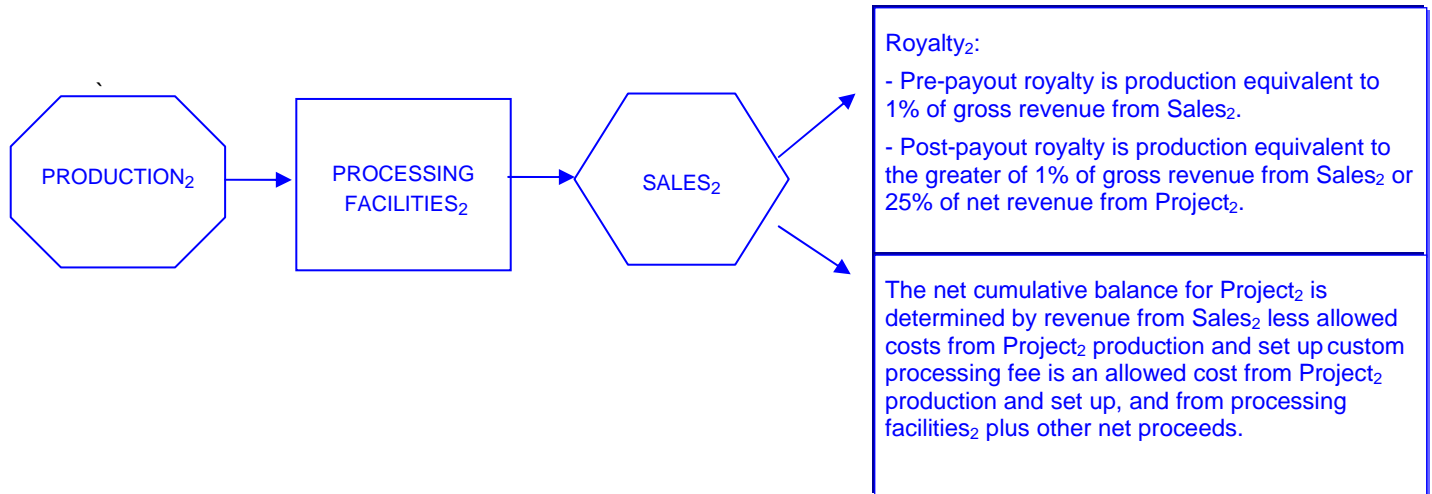


Sales₁ is the sale of all oil sands products obtained from oil sands rights included in the project.

Net revenue from Sales₁ is determined by revenue from Sales₁ less allowed costs from Project₁ production. In this example, the project either sells raw bitumen or cleans the bitumen at processing facilities outside the project. If raw bitumen is sold, royalty is calculated based on the Department's determination of revenue that could be obtained from clean bitumen and the bitumen cleaning costs may be deducted. If a project has other net proceeds, these are deducted from allowed costs when determining net revenue. If the processing plant is outside the project, the revenue is based on clean bitumen sales. The amount allowed for cleaning costs depends on whether the processing facility is at arm's length or non-arm's length, and is an allowed cost rather than **unit price** deduction.

Figure 3: An oil sands royalty project with processing facilities

[For details, see Guidelines section 4.6.2, "An OSR Project with Processing Facilities"]

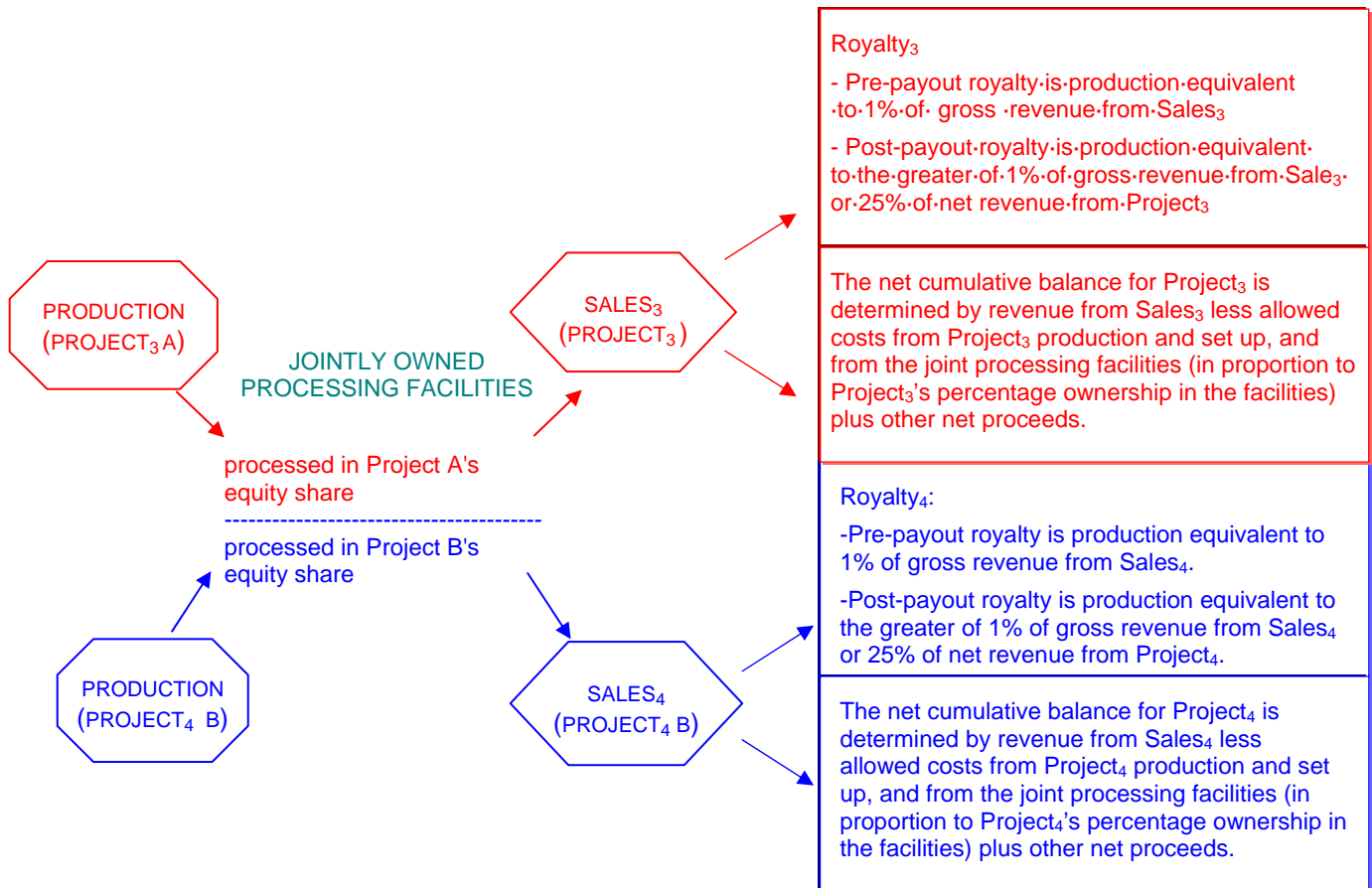


Sales₂ is the sale of all oil sands products obtained from oil sands rights included in the project. The royalty calculation point is at the outlet of the processing facilities₂.

Net revenue from Sales₂ is determined by revenue from Sales₂ less costs from Project₂ production and from processing facilities₂. If a project has other net proceeds, these are deducted from allowed costs when determining net revenue.

Figure 4: Two projects with joint ownership of processing facilities

[For details, see Guidelines section 4.6.3, "OSR Project with Jointly Owned Facilities"]



Sales₃ and Sales₄ is the sale of all oil sands products obtained from oil sands rights included in the projects. The royalty calculation point is at the outlet of the joint processing facility.

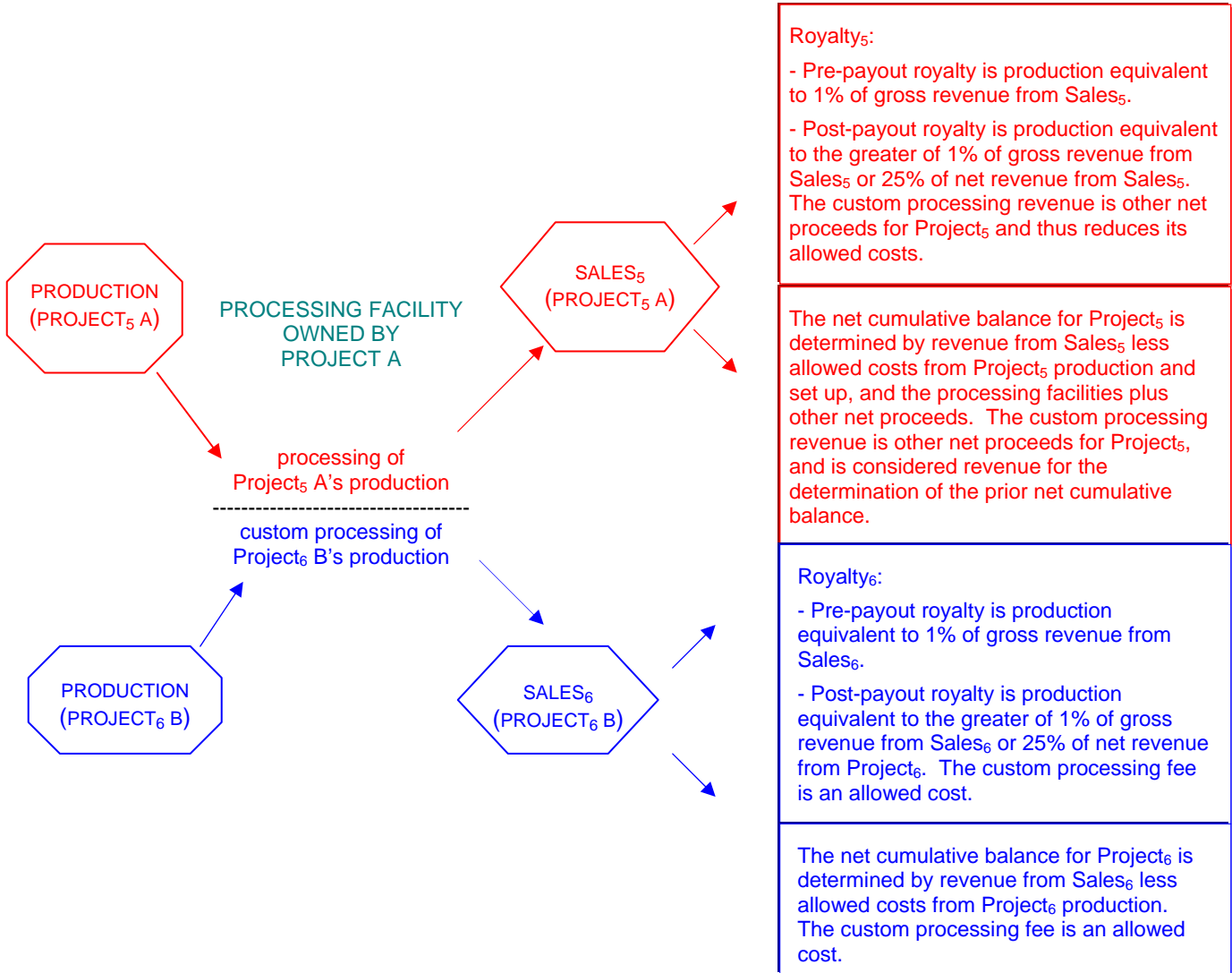
Net revenue for Project₃ is determined by revenue from Sales₃, less allowed costs from Project₃ production and from the joint processing facilities (in proportion to Project₃'s percentage ownership in the facilities). If a project has other net proceeds, these are deducted from allowed costs when determining net revenue. Net revenue for Project₄ is determined in the same way as for Project₃.

NOTE: If a processing plant is owned jointly by project owners and/or non-project owners, the processing done for each project is assumed to be in proportion to each project's ownership in the joint processing facilities (i.e., if ownership is 50/50, processing is assumed to be 50/50). If the processing is not in the same proportion as the ownership, a cost equalization payment is made to account for the difference. This cost equalization payment is intended to ensure one of the joint facility owner(s) is not covering costs for the other joint facility owner(s) for the determination of royalty.

The cost equalization payment is treated as custom processing (see Figure 5). Where the processing facilities are owned in whole or in part by a participant in the project, or an affiliate of a participant on a non-arm's length basis, and the facility is not included in the project, custom processing of project substances in the facility would be considered a basic service.

Figure 5: An oil sands royalty project with processing facilities that processes the output (production) from another project

[For details, see Guidelines section 4.6.4, "An OSR Project that Provides Custom Processing Services"]



Sales₅ and Sales₆ are the sale of all oil sands products obtained from oil sands rights included in the projects. The royalty calculation point is the outlet of the processing facilities.

The costs of the processing facilities are an allowed cost for Project₅, while the revenue from the custom processing fee is other net proceeds for Project₅ and an allowed cost for Project₆. Where the processing facilities are owned in whole or in part by one or more participants in the project or affiliates of the participants on a non-arm's length basis, and the facility is not included in the project, the use of the facility would be considered a basic service.

Net revenue for Project₅ is determined by revenue from Sales₅ less costs from Project₅ production and the processing facilities. The custom-processing revenue is other net proceeds, which reduces allowed costs. Net revenue for Project₆ is determined by revenue from Sales₆ less allowed costs from Project₆ production, including the custom-processing fee.

Figure 6: Calculating line fill costs

[For details, see Guidelines section 5.2.2, "Line Fill Costs"]

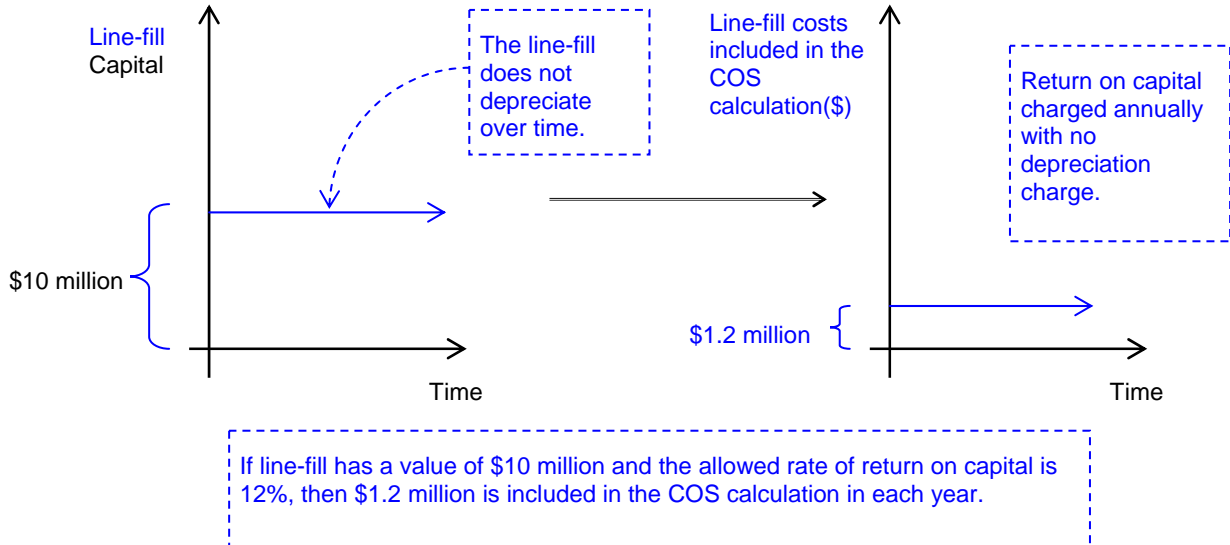


Figure 7: Calculating the toll adjustment factor when a pipeline is sold

[For details, see Guidelines section 5.2.3 "Cost Rules for Sales of Pipelines"]

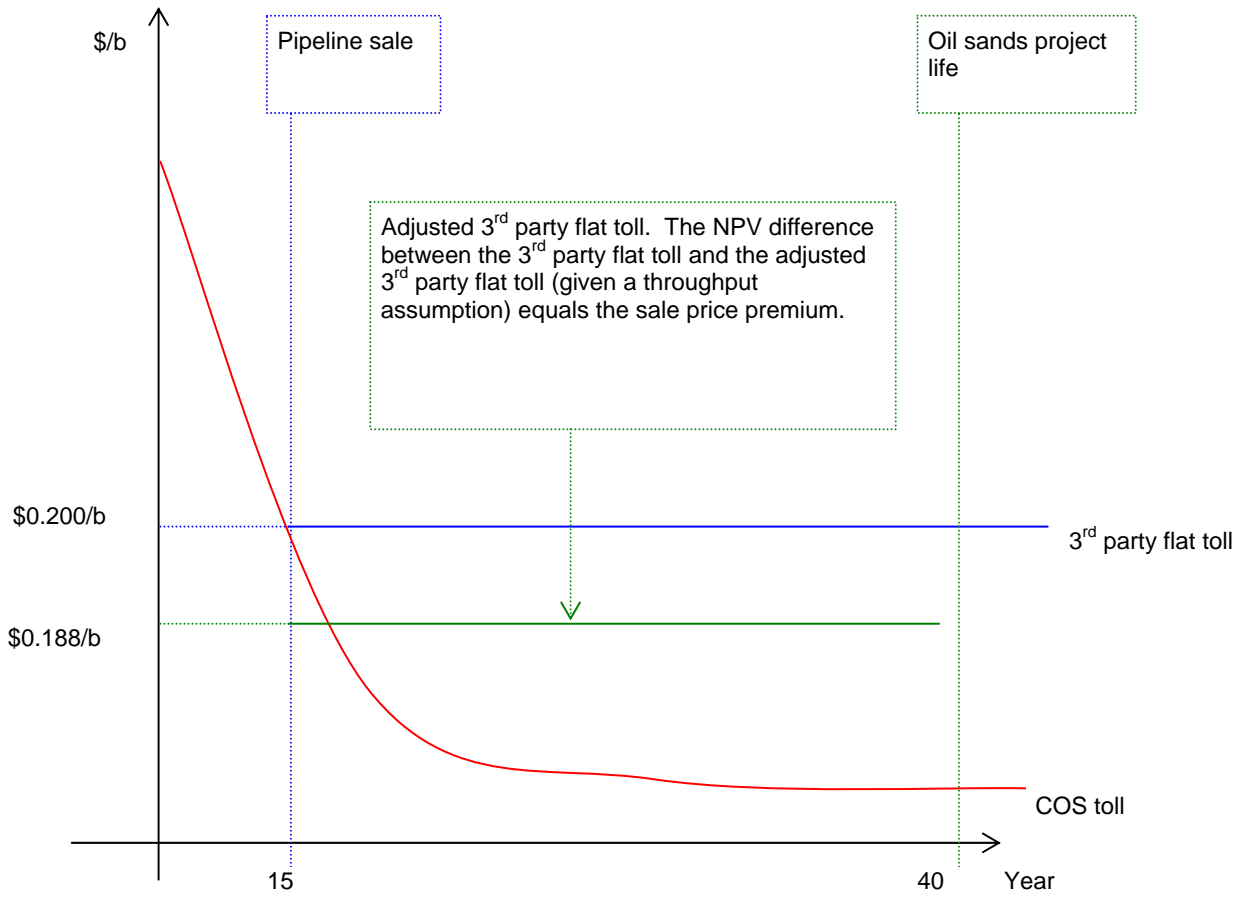
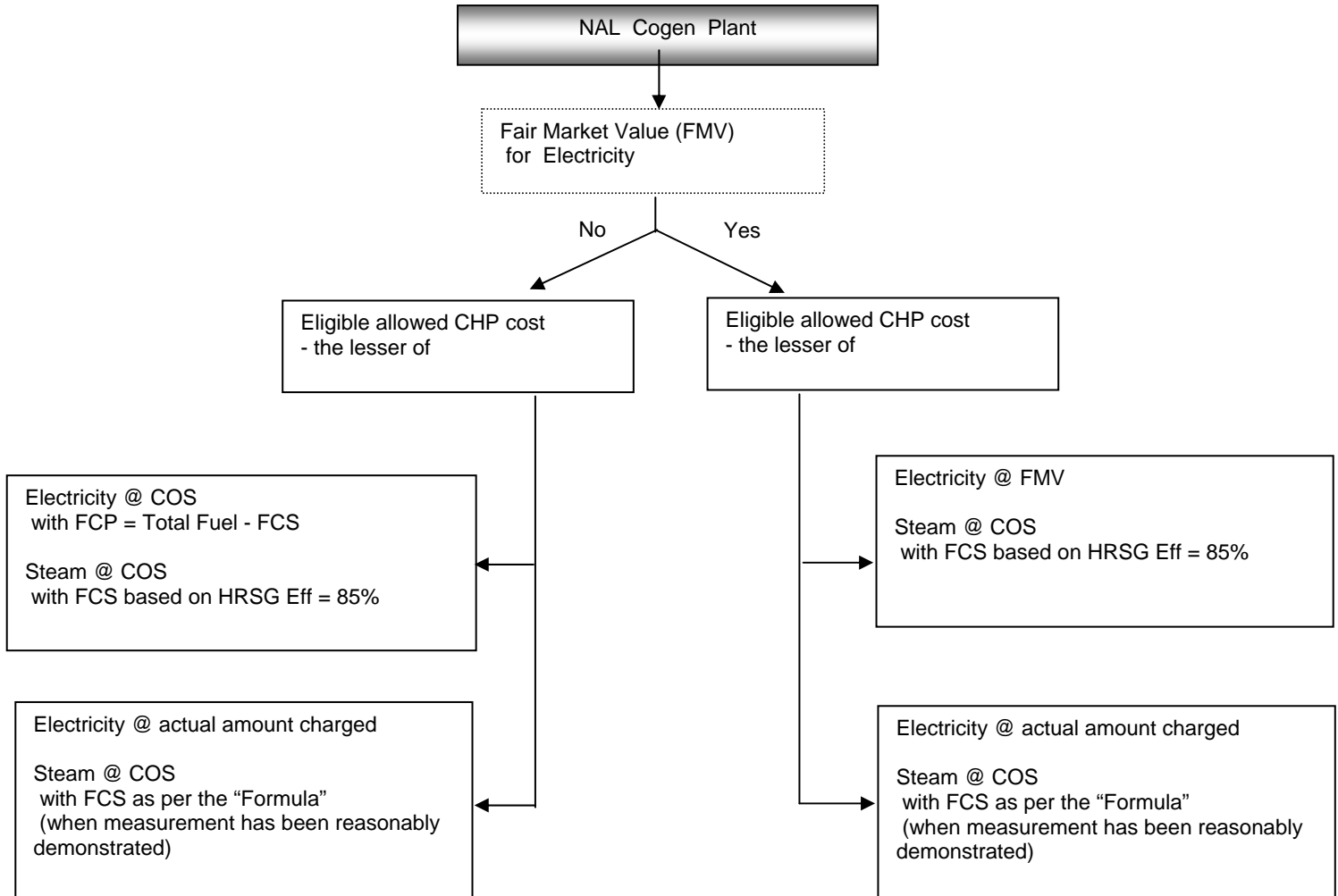


Figure 8: Allowed costs for non-arm's-length cogeneration

[For details, see Guidelines section 5.3.1.3 "Valuing Steam and Electricity from a Cogeneration Plant"]



Abbreviations Used:

- CHP - Combined Heat and Power
- COS - Cost of Service
- Eff - Efficiency
- FCP - Fuel Charged to Power
- FCS - Fuel Charged to Steam
- FMV - Fair Market Value
- HRSG - Heat Recovery Steam Generator

FUEL CHARGED TO STEAM (FCS) CALCULATIONS w/r HRSG EFFICIENCIES (fired & unfired)

Data inputs in **blue** based on measured and manufacturer's data
Sensitivity changes reported in the Summary Table are determined by **red** inputs

| Manufacturer's Data (GJ/day) | | | SUMMARY TABLE | | | |
|-------------------------------------|-----------------|---------------|----------------------|------------------------------|--------------------|----------------------------|
| | Unfired HRSG | Fired HRSG | HRSG Efficiency | Unfired FCS Efficiency | HRSG Efficiency | Fired FCS Efficiency |
| GT fuel | 24,735 | 24,735 | 95% | 86% | 95% | 89% |
| Steam sensible heat | 10,149 | 18,239 | 90% | 86% | 90% | 88% |
| HRSG flue gas | 4,138 | 4,901 | 85% | 86% | 85% | 86% |
| Duct firing fuel | - | 8,853 | 80% | 86% | 80% | 85% |
| HRSG efficiency | 71% | 79% | 75% | 71% | 75% | 84% |
| | | | 70% | 86% | 70% | 83% |
| | | | 65% | 86% | 65% | 82% |
| | | | 60% | 86% | 60% | 81% |
| | | | 55% | 86% | 55% | 80% |
| | | | 50% | 86% | 50% | 80% |
| | | | 45% | 86% | 45% | 79% |
| | | | 40% | 86% | 40% | 78% |

NOTE: the formula was run with different HRSG efficiencies that encompasses the experience with actual operations. Industry has suggested that a unfired HRSG (no duct firing) efficiency of 71% is reasonable, and 79% for a fired HRSG.

| STEPS | Formula with Unfired HRSG | Formula with Fired HRSG |
|------------|--|---|
| 1 | Steam sensible heat from duct firing — | Steam sensible heat from duct firing 6,994 |
| | Duct firing fuel — | Duct firing fuel 8,853 |
| | HRSG efficiency 71% | HRSG efficiency 79% |
| | Steam sensible heat from duct firing — | Steam sensible heat from duct firing 6,994 |
| 2 | Steam sensible heat from GT 10,149 | Steam sensible heat from GT 11,245 |
| | Total steam sensible heat 10,149 | Total steam sensible heat 18,239 |
| | Less duct firing sensible heat — | Less duct firing sensible heat 6,994 |
| | Steam sensible heat from GT 10,149 | Steam sensible heat from GT 11,245 |
| 3 | HRSG flue gas chargeable to steam 1,698 | HRSG flue gas chargeable to steam 1,383 |
| | Duct firing fuel — | Duct firing fuel 8,853 |
| | Duct firing sensible heat — | Duct firing sensible heat 6,994 |
| 3.1 | Duct firing loss — | Duct firing loss 1,859 |
| | HRSG flue gas 4,138 | HRSG flue gas 4,901 |
| | Duct firing loss — | Duct firing loss 1,859 |
| 3.2 | Flue gas loss due to GT 4,138 | Flue gas loss due to GT 3,042 |
| | Steam sensible heat form GT 10,149 | Steam sensible heat form GT 11,245 |
| | Total GT fuel 24,735 | Total GT fuel 24,735 |
| 3.3 | Sensible GT heat/ GT fuel 41% | Sensible GT heat/ GT fuel 45% |
| | Sensible GT heat/ GT fuel 41% | Sensible GT heat/ GT fuel 45% |
| | Flue gas loss due to GT 4,138 | Flue gas loss due to GT 3,042 |
| 3.4 | HRSG flue gas chargeable to steam 1,698 | HRSG flue gas chargeable to steam 1,383 |
| 4 | Total FCS from GT 11,847 | Total FCS from GT 12,628 |
| | Steam sensible heat from GT 10,149 | Steam sensible heat from GT 11,245 |
| | HRSG flue gas chargeable to steam 1,698 | HRSG flue gas chargeable to steam 1,383 |
| | Total FCS from GT 11,847 | Total FCS from GT 12,628 |
| 5 | Total FCS from duct firing — | Total FCS from duct firing 8,853 |
| 6 | TOTAL FCS: 11,847 | TOTAL FCS: 21,481 |
| | Total FCS from GT 11,847 | Total FCS from GT 12,628 |
| | Total FCS from duct firing — | Total FCS from duct firing 8,853 |
| | TOTAL FCS: 11,847 | TOTAL FCS: 21,481 |
| | FCS Efficiency (financial measure) 86% | FCS Efficiency (financial measure) 85% |
| | Total steam sensible heat 10,149 | Total steam sensible heat 18,239 |
| | Total FCS 11,847 | Total FCS 21,481 |
| | Total steam / total FCS 86% | Total steam / total FCS 85% |

Figure 9: Approving and auditing research projects

[For details, see Guidelines section 5.6.1 "Cost Rules for Research"]

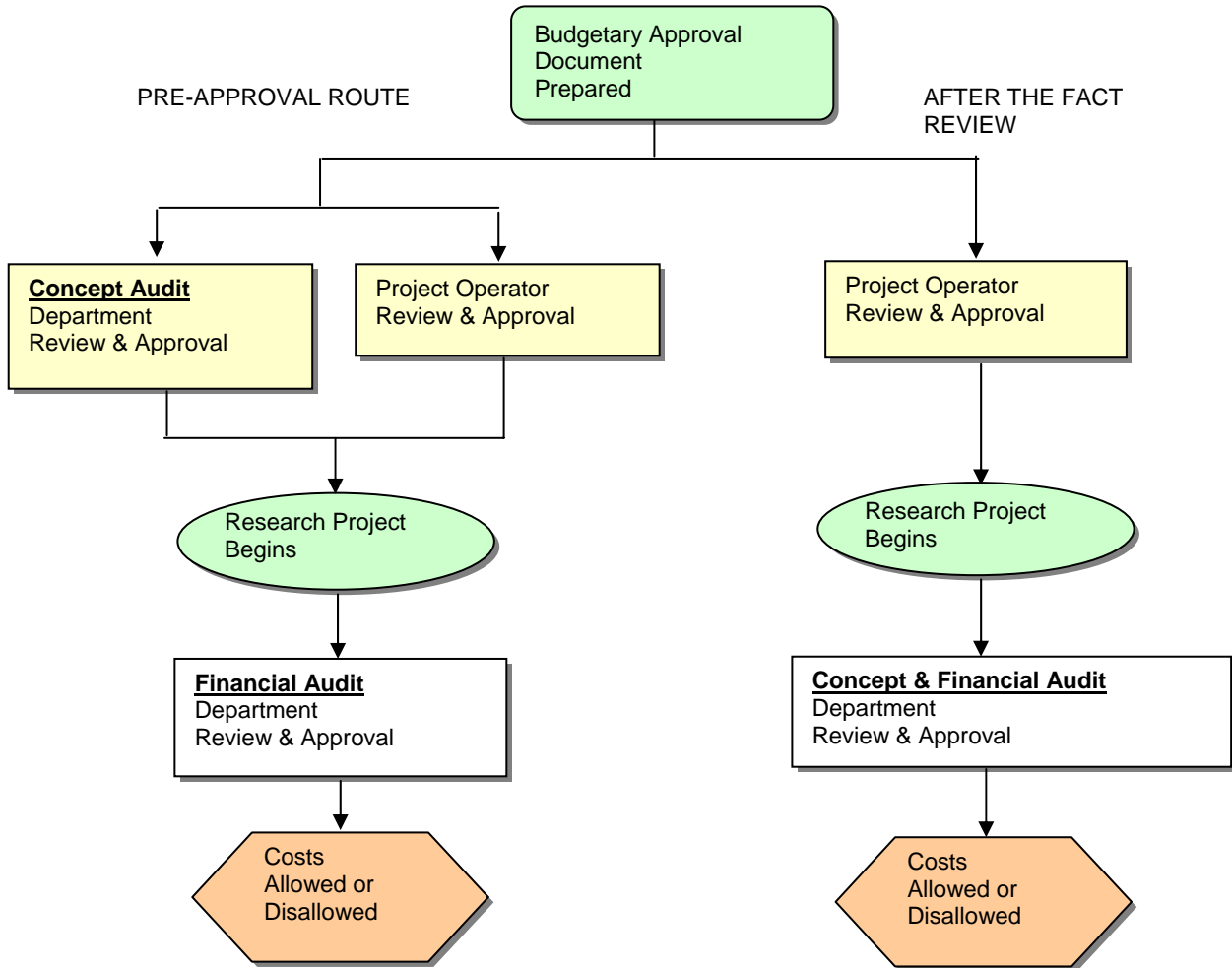


Figure 10: The information required for oil sands royalty payments.

[For details, see Guidelines section 6.5.1 "Methods of Payment"]

| CLIENT ACCOUNT NUMBERS AND ID(S) | PAYMENT TYPE | LIST CHEQUE & AMOUNT(S) |
|---|--------------|-----------------------------|
| G94 ← Only applicable if reporting gas royalty | G94 | 1,000 .00 |
| G94 | G94 | 00 |
| OTHER (PLEASE IDENTIFY) eg. PCR, EOR PSR AssignedName OSR 123 | PSR OSR | 10,000 .00 1,123,456 .00 |
| Oil Sands Royalty Payments are reported under "OTHER" | | |
| TOTAL DEPOSIT | | \$ 1,133,456 .00 |

Required Information

Oil sands royalty payments must include the following information:

- the payment date
- the name of the payer
- the activity ID that identifies the name or number assigned to the project
- the dollar amount for each activity ID, if the payment is for more than one project
- the payment total

If the payment is made by direct deposit, the required information must be entered directly on the RapidTrans slip.

If the payment is by mail or electronic transfer of funds, the required information can be faxed to the Cashiers Financial Services Group at 780.422-4281.