



Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Accounts receivable, securitization of		<ul style="list-style-type: none"> <li>▪ Selling of accounts receivable at a discounted rate and recording the loss as an expense.</li> </ul>	Not incurred for a purpose in Schedule 1 and 2,
Advertising and promotions	<ul style="list-style-type: none"> <li>▪ For employee recruitment purposes, related to a project.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Promotional corporate advertising, jackets, golf balls, travel bags, seats at sporting events.</li> </ul>	Schedule 1 and 2 , section 2(e)(i) - ... recover oil sands from the development area of the Project
Allowed costs, other projects		<ul style="list-style-type: none"> <li>▪ Costs already allowed in respect of another project. (Allocation of costs between projects may be possible, with evidence of allocations that are auditable.)</li> </ul>	Schedule 1 and 2 , section 3(j)(iii) - ... an allowed cost in respect of another Project ...
Amalgamations, cumulative costs	<ul style="list-style-type: none"> <li>▪ When amalgamating a pre-payout project with a post-payout project, the excess of cumulative costs over cumulative revenues of the pre-payout project becomes an allowed cost of the amalgamated project, which is deemed to be a project in post-payout.</li> </ul>		Schedule 1 and 2, section 4(f) - ... amalgamation of a Project for which the Project payout date has not occurred and one or more other Projects for at least one of which the Project payout date has occurred ...  Also see section 37(2).

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Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Audits	<ul style="list-style-type: none"> <li>▪ Cost of external audits directly attributable to the project.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To the extent that the audit is attributable to other projects.</li> </ul>	Schedule 1, sections 2(e)(i) – 2(e)(x)
Aviation costs	<ul style="list-style-type: none"> <li>▪ For Non-Arm's Length (NAL) transactions, allowed at the lower of cost or market value (based on number of trips taken by staff directly involved in an oil sands project).</li> <li>▪ For Arm's-Length transactions actual costs incurred.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Internal allocation for operating corporate aircraft, hangers, airport fees, flight crews, and maintenance personnel that is not directly attributable to the project.</li> </ul>	Schedule 1 and 2 Section 3(a)
Bitumen production, in-situ	<ul style="list-style-type: none"> <li>▪ Drilling, re-drilling, completing, recompleting, plugging and abandoning, deepening crude bitumen wells.</li> <li>▪ Well pads, surface facilities, well completions (casing, tubing, screens).</li> <li>▪ Surface pumps, downhole pumps.</li> <li>▪ Lift gas systems, casing gas and solution gas separation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Drilling and completion of gas wells, conversion of bitumen or other wells to gas wells.</li> <li>▪ Bitumen production facilities or assets not on project lands – unless specifically included in the project description and necessary for project operations.</li> <li>▪ Equipment related to the production of sales gas.</li> </ul>	Schedule 1 and 2, section 2(e)(i) - ... recover oil sands ... from the Project.

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Bitumen production, in-situ, <i>cont.</i>	<p>and conservation, solution gas gathering systems, fuel gas compression and distribution systems flare stacks.</p> <ul style="list-style-type: none"> <li>▪ Diluent blending facilities.</li> <li>▪ In-situ steam generation.</li> <li>▪ Drilling (or converting existing wells to) observation wells, piezometers, water source wells, water disposal wells or injection wells (water, steam, emulsion).</li> <li>▪ Pipelines (water, effluent, bitumen, steam, gas, solvent), surface disposal pits.</li> </ul>		
Bitumen production, treating	<ul style="list-style-type: none"> <li>▪ Crude bitumen separators (Basic sediment and water, gas, solvent, bitumen), tank heaters.</li> <li>▪ Raw water treatment, produced water and bitumen cleaning (de-oiling) and recycling facilities, for thermal in-situ plants.</li> </ul>		Schedule 1 and 2, section 2(e)(iii) - ... to process or reprocess oil sands ... in ... processing plants that are part of the project.

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Bonuses paid, corporate	<ul style="list-style-type: none"> <li>▪ To the extent they are based on the results of the oil sands project. (production goals, efficiency targets)</li> </ul>	<ul style="list-style-type: none"> <li>▪ If based on improvement in the company stock or earnings per share.</li> </ul>	Schedule 1 and 2, section 2(e)(i) - ... recover oil sands from the development area of the Project.
Borrowing or financing costs		<ul style="list-style-type: none"> <li>▪ Borrowing or financing costs.</li> <li>▪ Charges for late payment or payment shortfalls.</li> </ul>	Schedule 1 and 2, section 3(b) – ... interest or any other borrowing or financing cost or any penalty or charge for late or deficient payment,
Charitable donations, goodwill	.	<ul style="list-style-type: none"> <li>▪ Charitable donations and funding for cultural, sporting, community events.</li> </ul>	Not incurred for a purpose in Schedule 1 and 2.
Cogeneration	<ul style="list-style-type: none"> <li>▪ Cogeneration plants – to the extent the portion of the plant is in the project (also see NAL cost rules).</li> <li>▪ Electrical generation equipment (non-cogeneration), including backup and emergency.</li> <li>▪ On-project electricity transmission lines.</li> </ul>		Schedule 1 and 2, section 2(e)(i) - ... recover oil sands from the development area of the Project.

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Communications	<ul style="list-style-type: none"> <li>▪ Communication lines, cables, cell towers, fibre optic lines for data acquisition and control of remote facilities for the purpose of a project.</li> </ul>		Schedule 1 and 2, section 2(e)(i) - ... recover oil sands from the development area of the Project
Computers and data systems	<ul style="list-style-type: none"> <li>▪ Project-specific computer equipment, specialized software (e.g., custom software for reservoir modeling).</li> <li>▪ Must be supported by auditable documentation.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Allocation of cost for generic software that cannot be shown as directly attributable to the project.</li> </ul>	Schedule 1 and 2, section 2(e)(i) - ... recover oil sands from the development area of the Project
Construction, acquisition, replacement of property, plant and equipment	<ul style="list-style-type: none"> <li>▪ Cost of purchasing land and buildings.</li> <li>▪ Laid down cost of equipment, materials and supplies before installation or assembly.</li> <li>▪ Costs of constructing, installing, assembling or erecting plant and equipment, including the cost of labour and benefits.</li> <li>▪ Work performed by other companies or individuals.</li> </ul>		Schedule 1 and 2, sections 2(e)(i) – 2(e)(x).

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Construction, over sizing of assets		<ul style="list-style-type: none"> <li>▪ To the extent the cost is not reasonable in the opinion of the Minister, e.g., it does not match the current or expected output of a plant or facility.</li> </ul>	Schedule 1 and 2, section 2(b).
Construction, site preparation	<ul style="list-style-type: none"> <li>▪ Well, pad and project site preparation, tree clearing, on-project roads, containment berms, stream diversions, overburden stockpiling, geotechnical wells for siting mines and facilities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Project facilities or assets located not on project lands– unless specifically included in the project description and necessary for project operations.</li> </ul>	Schedule 1 and 2
Consultation groups, membership and, Industry Associations	<ul style="list-style-type: none"> <li>▪ To the extent that the requirement for consultation is included in the EUB approval relating to the project.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Membership fees in Industry or Business Associations (e.g. CAPP or the Conference Board of Canada)</li> <li>▪ Costs of membership fees in, or contributions to, organizations that are not directly related to the Oil Sands Royalty Project, or for consultation purposes not specifically required by the EUB for project approval. Examples may include Cumulative Effects</li> </ul>	Schedule 1 and 2

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		Management Association (CEMA), the Lakeland Industry and Community Association (LICA) and the Athabasca Tribal Council (ATC).	
Corporate events		<ul style="list-style-type: none"> <li>▪ Company / corporate barbeques, events, Christmas parties, and, Stampede parties.</li> </ul>	Schedule 1 and 2
Depletion or depreciation		<ul style="list-style-type: none"> <li>▪ Costs related to the depletion or depreciation of assets.</li> </ul>	Schedule 1 and 2, section 3(e) – Costs incurred in respect of depletion or depreciation.
Diluent	<ul style="list-style-type: none"> <li>▪ Diluent may be claimed as a cost.</li> <li>▪ In determining gross revenue of a project, the cost of diluent is deducted from the project revenue.</li> </ul>		Section 1(m).
Dispute resolution		<ul style="list-style-type: none"> <li>▪ Fees or costs related to dispute resolution, involving a royalty, interest or penalty dispute with the Crown.</li> <li>▪ Referrals under section 35 of the regulation.</li> </ul>	Schedule 1 and 2, section 3(h) – A cost that is a fee or expense of dispute resolution ...

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
		<ul style="list-style-type: none"> <li>▪ Arbitration or litigation of any dispute with the Crown in any matter relating to royalty, interest or penalties paid to the Crown in relation to the Project.</li> </ul>	
Environmental monitoring	<ul style="list-style-type: none"> <li>▪ Air quality, soil, wildlife monitoring systems – to the extent required by the EUB/Alberta Environment (AE) approval.</li> </ul>		Schedule 1 and 2, section 2(e)(i) - ... recover oil sands from the development area of the Project
Escalating rental		<ul style="list-style-type: none"> <li>▪ Escalating rental paid under the Oil Sands Tenure Regulation.</li> </ul>	Schedule 1 and 2, section 3(c.1) – An escalating rental paid under the Oil Sands Tenure Regulation.
EUB approvals	<ul style="list-style-type: none"> <li>▪ Costs to prepare the EUB application for approval of a scheme or operation under the Oil Sands Conservation Act (“EUB application”).</li> <li>▪ Costs to perform baseline environmental work required for the EUB application.</li> <li>▪ Costs of community consultation required for the EUB application.</li> <li>▪</li> </ul>	<ul style="list-style-type: none"> <li>▪ Costs of community or industry consultation or committees not directly related to the EUB approval for a project.</li> <li>▪ Amounts assessed by the EUB as part of industry share of funding of the Energy and Utilities Board (EUB levy).</li> </ul>	Schedule 1 and 2, section 2(e)(i) - ... recover oil sands from the development area of the Project.  Also section 17(1)(a).

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Expansions	<ul style="list-style-type: none"> <li>▪ Planning, designing and engineering the de-bottlenecking or further phases or expansions of the oil sands project.</li> <li>▪ Engineering, scheduling, and contract preparation and review.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overhead and administrative charges related to the designing and engineering or expansion of the oil sands project.</li> </ul>	<p>Schedule 1 and 2, Costs incurred to conduct planning, designing and engineering in relation to expansions of the Project</p>
Exploration and delineation drilling, geophysical evaluation, of oil sands leases	<ul style="list-style-type: none"> <li>▪ Exploration or delineation drilling on project lands, if well drilled within up to 3 (or 5) years of the project's Prior Net Cumulative Balance (PNCB) effective date.</li> <li>▪ Seismic or other geophysical surveys performed within project lands up to 3 (or 5) years of the project effective date (including processing or reprocessing of the data).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Costs of exploration or delineation drilling, seismic or geophysical surveys (including processing or reprocessing) outside the project boundary, regardless of date performed.</li> <li>▪ NB: such costs may be eligible at some future date if those lands are brought in with a project amendment, within up to 3 (or 5) years of the amendment effective date.</li> </ul>	<p>Schedule 1 and 2, section 2(e)(i) - ... recover oil sands from the development area of the Project</p>
Facilities, miscellaneous	<ul style="list-style-type: none"> <li>▪ Water treatment plants, settling ponds, filters, softeners, deaerators.</li> <li>▪ Boiler water feed pumps.</li> <li>▪ Water storage and distribution systems, fire-</li> </ul>		<p>Schedule 1 and 2, section 2(e)(iii) - Costs incurred to process or reprocess oil sands or oil sands products in one or more processing plants that are part of the project.</p>

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Facilities, miscellaneous <i>cont.</i>	<p>water systems, potable water systems. Pumping stations and pump houses.</p> <ul style="list-style-type: none"> <li>▪ Electrical distribution systems.</li> <li>▪ Gas-fired package boiler facilities.</li> <li>▪ Compressor building.</li> <li>▪ Steam distribution systems.</li> <li>▪ Air systems.</li> <li>▪ Wastewater systems.</li> <li>▪ Waste heat recovery systems, cooling towers and ponds.</li> <li>▪ Oil spill preparedness systems.</li> <li>▪ Natural gas import pipeline and distribution pipelines.</li> <li>▪ Fibre optic communication network.</li> </ul>		
Field, office, administrative or other services	<ul style="list-style-type: none"> <li>▪ The cost of field, office, administrative or other services are allowed for recovering, purchasing, processing and transporting crude bitumen within the</li> </ul>	<ul style="list-style-type: none"> <li>▪ The costs of field, office, administrative or other services for marketing oil sands products or for planning, designing and engineering expansions, in</li> </ul>	Schedule 1 and 2 Section 2(e)(x)

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Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
	project.	non-qualifying joint ventures (NQJV) are not allowed.	
Fuel costs	<ul style="list-style-type: none"> <li>▪ Natural gas, diesel, gasoline or other fuels used for project purposes.</li> </ul>		Schedule 1 and 2.
Greenhouse gas emissions	<ul style="list-style-type: none"> <li>▪ Actual costs incurred on the project, e.g. Costs to modify or install equipment to reduce greenhouse gas emissions from well, facilities and processing plants, in order to meet targets for those facilities.</li> </ul>		Schedule 1 and 2.
Hedging	<ul style="list-style-type: none"> <li>▪ Costs of insurance.</li> <li>▪ Hedging price risk related to allowed costs of project.</li> <li>▪ Forward contracts under which delivery actually occurs.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Financial hedges, where a commodity is not physically exchanged under the terms of the contract.</li> </ul>	Section 10
Hosting and entertainment	<ul style="list-style-type: none"> <li>▪ To the extent that they are allowable costs to the project. e.g., Food, beverage or entertainment expenditures, to the extent they would be allowed by the Income Tax Act</li> </ul>		Schedule 1 and 2, section 3(i) - to the extent it would not be allowed as a deduction in computing income under the Income Tax Act (Canada) ...

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	(Canada). - limited to only 50% of costs incurred.		
Insurance  Insurance <i>cont.</i>	<ul style="list-style-type: none"> <li>▪ Insurance premiums, to the extent that they are directly attributable to the operations, assets or property of a project. Note: Proceeds received or receivable under an insurance policy are other net proceeds. (Applies regardless of whether or not premiums were reported.)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Coverage for non-project assets or activities.</li> </ul>	Schedule 1 and 2.
Intellectual property, licenses or purchases	<ul style="list-style-type: none"> <li>▪ Includes patents and other proprietary rights for technology used in the project.</li> <li>▪ Any consideration received from the technology developed in the project the costs of which were allowed costs in the project must be included as other net proceeds.</li> </ul>		Schedule 1 and 2.
Investor packages		<ul style="list-style-type: none"> <li>▪ Costs of producing an investor package related to an oil sands project.</li> </ul>	Not incurred for a purpose in Schedule 1 and 2.

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Labour, employment	<ul style="list-style-type: none"> <li>▪ Salaries, wages, benefits, training, travel, relocation of operator's, lessee's or affiliate's employees whose work is directly attributable to the project.</li> <li>▪ Employee severance, including associated relocation and training expenses.</li> <li>▪ Labour obtained from the project owner or affiliates; to the extent those costs represent fair market value (FMV).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bonuses based on corporate performance and not directly attributable to an oil sands project or projects.</li> </ul>	Schedule 1 and 2
Labour, other	<ul style="list-style-type: none"> <li>▪ Cost of supply management with regard to gas and diluent.</li> <li>▪ Personnel costs related to the purchasing of materials and supplies.</li> <li>▪ Production and revenue accounting costs that are directly attributable and allowable to the project and supported by time allocation reports or other auditable documentation.</li> </ul>		Schedule 1 and 2.

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
	<ul style="list-style-type: none"> <li>▪ Cost of contract labour and professional services.</li> </ul>		
Labour, safety	<ul style="list-style-type: none"> <li>▪ Employee safety equipment, costs of preparing oil sands project safety manuals and implementing emergency procedures.</li> </ul>		Schedule 1 and 2.
Leases and permits, oil sands	<ul style="list-style-type: none"> <li>▪ Yearly oil sands lease or permit rental fees.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Oil sands lease or permit acquisition costs.</li> <li>▪ Crown bonus bids.</li> <li>▪ Escalating rental payments made under the Oil Sands Tenure Regulation.</li> </ul>	Schedule 1 and 2, section 2(e)(i) - ... recover oil sands from the development area of the Project.
Leases and permits, farm-ins and acquisitions	<ul style="list-style-type: none"> <li>▪ Costs incurred to perform work on or in respect of the mineral rights included in the Project or to create wells, facilities, roads, pipelines or other assets or infrastructure that is part of the Project in order to earn the interest or estate (farm-ins).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Costs incurred to acquire an interest or estate in mineral rights (e.g., Crown bonus bids).</li> </ul>	Schedule 1 and 2, section 3(d) – Costs incurred to acquire an interest or estate in mineral rights ...
Leases, equipment	<ul style="list-style-type: none"> <li>▪ Rent or lease payments related to equipment, plant and buildings.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Financing and similar charges for capital leases are not allowed.</li> </ul>	Schedule 1 and 2.

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	the marketers (photocopier, office supplies etc.)		
Marketing, costs of studies		<ul style="list-style-type: none"> <li>▪ Costs of a study of the future demand for bitumen.</li> </ul>	Not incurred for a purpose in Schedule 1 and 2.
Marketing, third-party	<ul style="list-style-type: none"> <li>▪ If Non-Qualifying Joint Venture, marketing oil sands products allowed, except overhead and the cost to provide field, office, administrative, or other services.</li> <li>▪ If Qualifying Joint Venture marketing oil sands products is allowed only if the marketing costs are incurred by the operator.</li> </ul>	<ul style="list-style-type: none"> <li>▪ QJV cannot deduct third party marketing costs incurred by a person other than the operator.</li> </ul>	<p>Schedule 1 and 2 (2)(vii) Schedule 1 and 2 (2)(x)</p> <p>Schedule 2, section 3(g) – A cost incurred in relation to the marketing of an oil sands product by a person other than the operator of the Project.</p>
Municipal taxes	<ul style="list-style-type: none"> <li>▪ Municipal taxes and improvement fees.</li> </ul>		Schedule 1 and 2
Net loss, post-payout	<ul style="list-style-type: none"> <li>▪ The net loss is an allowed cost of the Project for the next post-payout Period.</li> </ul>		Schedule 1 and 2, section 4(a) - the net loss of a Project for a post-payout Period ...
Offices and administration buildings, on-project lands and/or in project description	<ul style="list-style-type: none"> <li>▪ Buildings, field camps for personnel, ecology pits, land fill sites. Waste management, wastewater</li> </ul>		Schedule 1 and 2, section 2(e)(i) - ... recover oil sands from the development area of the Project.

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Offices and administration ... <i>cont.</i>	<p>treatment, sewage systems.</p> <ul style="list-style-type: none"> <li>▪ Shop, maintenance facilities, utilities (electrical, instrumentation, air and heating), fire prevention and suppression systems.</li> <li>▪ Emergency health and safety systems and buildings.</li> <li>▪ Warehouses.</li> <li>▪ Power transmission lines and substations.</li> <li>▪ Control room/building.</li> <li>▪ Instrumentation, monitoring and control systems.</li> </ul>		
Oil sands mining, heavy equipment maintenance facilities	<ul style="list-style-type: none"> <li>▪ Buildings and equipment, service complexes.</li> </ul>		Schedule 1 and 2, section 2(e)(i) - ... recover oil sands from the development area of the Project.
Oil sands mining, ore preparation and conditioning	<ul style="list-style-type: none"> <li>▪ Truck dump hoppers.</li> <li>▪ Crushers and sizers.</li> <li>▪ Surge bins, conveyors, feeders.</li> <li>▪ Separation cell feed sumps,</li> </ul>		Schedule 1 and 2, section 2(e)(i) and 2(e)(iii).

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Oil sands mining ... <i>cont.</i>	<p>conditioning drums, feed conveyors, rotary breakers, vibrating screens.</p> <ul style="list-style-type: none"> <li>▪ Reject conveyors, oversize rejects bin.</li> <li>▪ Pump boxes, hot and fresh water pipelines.</li> <li>▪ Power transmission lines to ore preparation and conditioning facilities.</li> <li>▪ Hot process water exchangers, hydro transport units, including pumps, surge cells and pipelines.</li> </ul>		
Oil sands mining, plant support infrastructure	<ul style="list-style-type: none"> <li>▪ Roads, bridges, pipelines connecting operations, maintenance, processing, upgrading, extraction areas.</li> <li>▪ Parking areas and security gates.</li> <li>▪ Administration building (for general administration, office support and engineering).</li> <li>▪ Other buildings, including laboratory, health centre,</li> </ul>		Schedule 1 and 2

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Oil sands mining, plant support infrastructure <i>cont.</i>	<p>fire hall, warehouses, training areas, maintenance shops, fueling stations.</p> <ul style="list-style-type: none"> <li>▪ Camps (including food services facilities).</li> <li>▪ Truck loading and offloading facilities.</li> </ul>		
Oil sands mining, primary extraction	<ul style="list-style-type: none"> <li>▪ Separation cells, secondary flotation systems, hydro cyclone banks, tertiary flotation systems.</li> <li>▪ Tailings pump stations, separation bottoms density control systems.</li> <li>▪ Feed pumps, pipelines, electrical systems.</li> </ul>		Schedule 1 and 2, section 2(e)(iii) - Costs incurred to process or reprocess oil sands or oil sands products in one or more processing plants that are part of the project.
Oil sands mining, secondary extraction	<ul style="list-style-type: none"> <li>▪ Raw bitumen pipelines.</li> <li>▪ Froth launderers, settlers, deaerators, froth recycle system, feed pumps.</li> <li>▪ Centrifuge feed systems, flotation banks, scavenger banks, interstage storage tanks.</li> <li>▪ Froth pumps, froth settler bottoms pumps, inclined</li> </ul>		Schedule 1 and 2, section 2(e)(iii) - Costs incurred to process or reprocess oil sands or oil sands products in one or more processing plants that are part of the project.

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Oil sands mining, secondary extraction <i>cont.</i>	<p>plate separation units, cyclone banks, sumps and pumping systems.</p> <ul style="list-style-type: none"> <li>▪ Diluent storage and handling systems, diluent pipelines.</li> <li>▪ Froth treatment filters, centrifuges (e.g., Westfalia, Bird).</li> <li>▪ Diluted bitumen tanks (tank farm), vapour recovery units.</li> <li>▪ Condenser and cooling water pumps.</li> <li>▪ Naphtha recovery units, diluted bitumen pipeline and tankage.</li> </ul>		
Oil sands mining, site preparation	<ul style="list-style-type: none"> <li>▪ Shovels, trucks, mining and construction equipment.</li> <li>▪ Conveyor belt transport systems.</li> <li>▪ Haulage roads.</li> <li>▪ Power lines, service</li> </ul>	<ul style="list-style-type: none"> <li>▪ Project facilities or assets located not on project lands – unless specifically included in the project description and necessary for project operations.</li> </ul>	Schedule 1 and 2, section 2(e)(i) - ... recover oil sands from the development area of the Project

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Oil sands mining, site preparation <i>cont.</i>	<p>facilities.</p> <ul style="list-style-type: none"> <li>▪ Mine pits, site drainage, overburden removal and storage for reclamation.</li> <li>▪ Quarrying of construction materials.</li> <li>▪ Mine utilities (power, steam).</li> </ul>		
Oil sands mining, tailings management	<ul style="list-style-type: none"> <li>▪ Consolidated tailings plant, tailings lines, final tailings pumphouse, all pump trains and support equipment including hydro cyclones for minerals separation.</li> <li>▪ Tailings ponds (extraction tailings, upgrading process waters and mine pit drainage waters).</li> <li>▪ Dikes.</li> <li>▪ Tailings pump house.</li> <li>▪ Piezometers.</li> <li>▪ Waterfowl deterrent systems.</li> </ul>		Schedule 1 and 2, section 2(e)(iii) - Costs incurred to process or reprocess oil sands or oil sands products in one or more processing plants that are part of the project.
Orphan well fund		<ul style="list-style-type: none"> <li>▪ Payments to the EUB/Industry orphan well fund.</li> </ul>	Not incurred for a purpose in Schedule 1 and 2.

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<p>Overhead</p> <p><b>See Appendix L-1, Examples of Overhead Costs</b> <b>(located at end of this table)</b></p>	<ul style="list-style-type: none"> <li>▪ For Qualifying Joint Ventures, only to the extent that the costs are directly attributable to a project purpose.</li> </ul>	<ul style="list-style-type: none"> <li>▪ For Non Qualifying Joint Ventures overhead or administration expenses e.g., (human resources, financial management, document management, purchasing) floor space, building costs, IT services, except to the extent where they are permitted by 2(e)(x) of Schedule 1.</li> </ul>	<p>Schedule 1, S. 3(a) – Costs incurred in respect of overhead or an administrative expense, including internal audit, "in-house" legal and other like expenses, of the operator, a Project owner or an affiliate of either, and is not allowed under section 2(e)(x) of Schedule 1.</p>
<p>Penalties or compensation</p>	<ul style="list-style-type: none"> <li>▪ Payable to a contractor when the operator is unable to complete the terms of an agreement. e.g., an oil sands project operator who contracts to drill a specific number of wells but cannot complete the drilling program due to unforeseen circumstances.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Penalties for late or deficient payment on any borrowing charge.</li> </ul>	<p>Schedule 1 and 2, section 2(e)(i).</p> <p>See also Schedule 1 and 2, section 3(b)</p>
<p>Pipelines, on-project</p>	<ul style="list-style-type: none"> <li>▪ Constructing and operating on-project pipelines, costs incurred to transport oil sands and oil sands products from one part of the Project to another.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pipelines not on project land.</li> </ul>	<p>Schedule 1 and 2, section 2(e)(v) -</p>

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Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Pipelines, on-project <i>cont.</i>	<ul style="list-style-type: none"> <li>▪ Product pumping stations.</li> <li>▪ Pipeline connecting the tank farms to on-project sales lines.</li> </ul>		
Processing oil sands products.	<ul style="list-style-type: none"> <li>▪ Processing oil sands or oil sands products recovered from the development area of the Project in a non-Project processing plant.</li> <li>▪ Processing oil sands products purchased and previously processed in project processing plants in a non-project processing plant.</li> <li>▪ The processing must take place before the oil sands products obtained through the processing are delivered to a royalty calculation point.</li> </ul>		Schedule 1 and 2, section 2(e)(iv) - Costs incurred to process oil sands or oil sands products recovered from the development area of the Project ...
Product purchase costs	<ul style="list-style-type: none"> <li>▪ Actual costs relating to purchasing, transporting and handling of oil sands products.</li> </ul>		Schedule 1 and 2, section 2(e)(ii) - Costs incurred to purchase oil sands products from processing or reprocessing in the project.

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Reduction of costs, economic assistance		<p>Costs to the extent that they are reduced by:</p> <ul style="list-style-type: none"> <li>▪ Credits or discounts that are intended to reduce or offset an allowed cost.</li> <li>▪ Any economic assistance (other than a reduction in income tax payable) that is intended to reduce or offset an allowed cost, provided by the Province of Alberta or the Government of Canada, or an agency of either.</li> </ul> <p>Where the credit or discount or economic assistance must be received by the operator, a Project owner or an affiliate of either of them.</p>	Schedule 1 and 2, section 3(j).
Regional Agreement, Regional Long Term Benefits Agreement		<ul style="list-style-type: none"> <li>▪ Industry portion of funding for the Regional Agreement.</li> </ul>	Not incurred for a purpose in Schedule 1 and 2.
Repairs and maintenance	<ul style="list-style-type: none"> <li>▪ Including but not limited to direct labour, benefits, materials and supplies, and work performed by other companies or individuals.</li> </ul>		Schedule 1 and 2

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Research	<ul style="list-style-type: none"> <li>▪ Research that is directly attributable to the project (both NQJV and QJV).</li> <li>▪ Basic research is allowable for Qualified Joint Ventures.</li> <li>▪ Costs to fund technology to solve a problem of immediate applicability to the particular project, e.g., improving bitumen froth treatment in the Project facility; improving SAGD performance in a particular reservoir.</li> </ul> <p>Note: Any consideration received from the technology developed in the project the cost of which were allowed costs in the project must be included as other net proceeds.</p>	<ul style="list-style-type: none"> <li>▪ Basic research is not allowable for NQJV.</li> <li>▪ Research management or membership fees.</li> <li>▪ Research not directly attributable to the project.</li> </ul> <p>Note: Oil Sands Tenure Royalty (OSTR) – Research not claimed consistently with an application to offset OSTR escalating rent.</p>	<p>Schedule 1, section 2(e)(ix) - Costs incurred to conduct research that is directly attributable to the Project, other than basic research referred to in section 3(g) of Schedule 1.</p> <p>Schedule 2(e)(ix) . . . conduct research that is directly attributable to the project.</p>
Research, private centres	<ul style="list-style-type: none"> <li>▪ Basic research that is allowed for qualified joint ventures.</li> <li>▪ Directly attributable to the project.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Internal cost allocation for operating private research centres dedicated to basic research for the petroleum industry.</li> </ul>	<p>Schedule 1, section 3(g) – A cost incurred to conduct basic research.</p> <p>Schedule 2 for QJV</p>

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Research, public centres	<ul style="list-style-type: none"> <li>▪ To the extent that the nature of the work done by the research chair is directly attributable to the project and is not basic research for NQJV.</li> <li>▪ Also subject to the research rules (pre-approval, concept audit, etc.).</li> </ul>	<ul style="list-style-type: none"> <li>▪ Providing funding to university research chairs (except if directly attributable).</li> </ul>	<p>Schedule 1, section 3(g) – A cost incurred to conduct basic research.</p> <p>Schedule 2</p>
Return allowance, post-payout	<p>The return allowance rate for a year multiplied by the net loss of a Project, in a year is an allowed cost of the project for the next post-payout period.</p> <ul style="list-style-type: none"> <li>▪ If the project was not in a net loss in the previous post-payout period (year), only half (183/365) of the net loss from the current period may be applied.</li> <li>▪ If the project was in a net loss in the previous post-payout period (year), all of the net loss from the current period may be applied.</li> </ul> <p>In any other case the Minister may specify the net loss to be applied.</p>		<p>Schedule 1 and 2, section 4(d) - the amount determined by multiplying the return allowance rate of a Project for a post-payout Period by a specific portion or all of the net loss for the current period.</p>

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Return allowance, pre-payout	<ul style="list-style-type: none"> <li>▪ Any excess of cumulative costs over cumulative revenue on the last day of a month of a pre-payout period multiplied by the return allowance rate for the month is an allowed cost of the Project for the following month.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Return allowance is not paid in any month prior to the effective date of a project.</li> </ul>	Schedule 1 and 2, section 4(c) - the product of the excess of cumulative costs over cumulative revenues times the return allowance.
Return allowance, suspension of		<ul style="list-style-type: none"> <li>▪ The return allowance, as calculated above, for either pre-payout or post-payout periods, is not an allowed cost of the project if project operations have been substantially suspended or abandoned for a period of time during either the pre-payout or post-payout periods.</li> <li>▪ The Minister must provide notice to the project operator that he is of the opinion that the Project has been suspended or abandoned.</li> </ul>	Schedule 1 and 2, section 5.

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Roads and project access	<ul style="list-style-type: none"> <li>▪ Approved roads necessary to access the project</li> <li>▪ Road use charges paid to a third party to access the project.</li> <li>▪ Airstrips and associated facilities located on project lands if in Project Description.</li> <li>▪ Roads connecting project facilities.</li> <li>▪ Costs of relocating roads to access oil sands reserves.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Publicly funded roads, portion of allowable road and airstrip costs for non-project purposes (e.g., gas development, forestry, recreation, upgrader facilities not included in the royalty project).</li> </ul>	Schedule 1 and 2, section 2(e)(i) - Costs recover oil sands from the development area of the Project
Royalty, excess of 1% gross royalty over 25% project net revenue in post-payout	<ul style="list-style-type: none"> <li>▪ The excess, if any, of gross revenue royalty paid for a post-payout Period over the project net revenue royalty calculated for the same Period is an allowed cost of the Project for the next post-payout Period.</li> </ul>		Schedule 1 and 2, section 4(b) – excess of gross royalty over net royalty.
Royalty, overriding	<ul style="list-style-type: none"> <li>▪ Overriding royalty as specified in schedule 3, section 101(n) of the Metis Settlements Act.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overriding royalty interests, carried interests, net profit interests, or any similar interest.</li> </ul>	Schedule 1 and 2 section 3(c) - Costs incurred in respect of an overriding royalty interest ...

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Safety awards	<ul style="list-style-type: none"> <li>▪ To the extent that they are not corporate, but are project-specific.</li> <li>▪ Can be part of employee benefits.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Purchasing of coats, fleeces, etc. for all staff and contractors.</li> </ul>	Schedule 1 and 2
Scholarships		<ul style="list-style-type: none"> <li>▪ Providing funds to a scholarship program.</li> </ul>	Not incurred for a purpose in Schedule 1 and 2.
Services and supplies	<ul style="list-style-type: none"> <li>▪ Services and supplies necessary for project operations such as; material, supplies, chemicals, catalysts and services.</li> </ul>		Schedule 1, sections 2(e)(i) – 2(e)(x). Schedule 2
Stock option plans	<ul style="list-style-type: none"> <li>▪ Only if directly attributable to the performance of a project and only when the costs have been incurred</li> </ul>	<ul style="list-style-type: none"> <li>▪ Award of stock as a bonus redeemable by the recipient.</li> </ul>	Not incurred for a purpose in Schedule 1 and 2.
Storage of bitumen and other oil sands products	<ul style="list-style-type: none"> <li>▪ Tank farms.</li> <li>▪ Pumping facilities.</li> <li>▪ Dikes.</li> <li>▪ Fire foam injection systems and inert gas blanket systems.</li> <li>▪ Dewatering facilities.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Oversized storage facilities beyond that required for operational purposes.</li> </ul>	Schedule 1 and 2, section 2(e)(v) - Costs incurred to transport oil sands and oil sands products from one part of the Project to another.

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Storage of bitumen... <i>cont.</i>	<ul style="list-style-type: none"> <li>▪ Vapour recovery units.</li> <li>▪ Slop oil tanks.</li> </ul>		
Training and Professional Development	<ul style="list-style-type: none"> <li>▪ Training directly related to the project functions.</li> </ul>	<ul style="list-style-type: none"> <li>▪ To the extent that is not directly attributable to the project. (e.g. conferences, conventions not related to the project)</li> </ul>	Not incurred for a purpose in Schedule 1 and 2.
Transporting oil sands to a processing plant	<ul style="list-style-type: none"> <li>▪ Transporting oil sands and oil sands products from the Project to a non-project processing plant.</li> <li>▪ The oil sands or oil sands product may have either been recovered from the project or purchased and previously processed in non-project plants.</li> <li>▪ Processing must have occurred before the oil sands or oil sands product obtained was delivered at a royalty calculation point.</li> </ul>		Schedule 1 and 2, section 2(e)(vi) - Costs incurred to "transport oil sands and oil sands products described in subparagraph (iv)(A) or (B) from the Project to the processing plant or plants referred to in subparagraph (iv) that are not part of the Project.

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Transporting oil sands on project lands	<ul style="list-style-type: none"> <li>▪ Costs to truck crude bitumen from single well batteries to a central battery or pipeline terminal.</li> <li>▪ On-project roads, connecting project facilities, assets or infrastructure bridges, gates on project lands.</li> </ul>	<ul style="list-style-type: none"> <li>▪ These costs may not be deducted as part of handling costs (unit price deduction).</li> </ul>	Schedule 1 and 2, section 2(e)(v) - Costs incurred to transport oil sands and oil sands products from one part of the Project to another.
Unit price deductions		<ul style="list-style-type: none"> <li>▪ Costs deducted in the determination of unit price (e.g., trucking costs, pipeline tariffs, other handling charges) are not allowed costs.</li> </ul>	Schedule 1 and 2, section 3(j)(iv)
Upgrading, sulphur recovery	<ul style="list-style-type: none"> <li>▪ Claus-type sulphur recovery units, oxidizers, incinerators, stacks.</li> <li>▪ Sulphur storage pits or pads.</li> <li>▪ Sulphur sales loading facility.</li> </ul>		Schedule 1 and 2, section 2(e)(iii) - Costs incurred to process or reprocess oil sands or oil sands products in one or more processing plants that are part of the project.

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Upgrading	<ul style="list-style-type: none"> <li>▪ Diluted Bitumen Storage Tanks</li> <li>▪ Diluent recovery units.</li> <li>▪ Vacuum recovery units.</li> <li>▪ Delayed coking units.</li> <li>▪ Gas recovery units.</li> <li>▪ Distillation columns.</li> <li>▪ Wet gas compressors.</li> <li>▪ Naphtha, kerosene and gas-oil hydrotreaters.</li> <li>▪ Hydrogen plant.</li> </ul>		Schedule 1 and 2, section 2(e)(iii) - Costs incurred to process or reprocess oil sands or oil sands products in one or more processing plants that are part of the project.
Upgrading, flare stack and gas recovery	<ul style="list-style-type: none"> <li>▪ Hydrocarbon flares.</li> <li>▪ Acid gas flares.</li> <li>▪ Hydrogen plant flares.</li> <li>▪ Flare gas recovery system.</li> </ul>		Schedule 1 and 2, section 2(e)(iii) - Costs incurred to process or reprocess oil sands or oil sands products in one or more processing plants that are part of the project.
Utilities	<ul style="list-style-type: none"> <li>▪ Telecommunications, power, water, sewage disposal and utility construction contribution payments.</li> </ul>		Schedule 1 and 2, sections 2(e)(i) – 2(e)(vii).

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Utilities <i>cont.</i>	<ul style="list-style-type: none"> <li>▪ Cost of utility services, including costs of utility service agreements and all other amounts billed by those providing such services.</li> </ul>		
Utilities plants	<ul style="list-style-type: none"> <li>▪ Water treatment conditioning and filtering units.</li> <li>▪ Main boilers and turbo-generators.</li> <li>▪ Backup steam units used as standby steam production units, using fuel gas produced by upgrading or off-site natural gas.</li> <li>▪ Gas turbine generator/heat recovery steam generator system cogeneration units.</li> <li>▪ On-site primary electrical distribution system and power substations.</li> <li>▪ Electrostatic precipitator units.</li> <li>▪ Utilities plant flue gas desulphurization unit.</li> </ul>		Schedule 1 and 2, sections 2(e)(i) - 2(e)(vi).

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Utilities plants <i>cont.</i>	<ul style="list-style-type: none"> <li>▪ Steam, water and compressed air distribution systems.</li> </ul>		
Utilities, miscellaneous	<ul style="list-style-type: none"> <li>▪ Equipment trailer and equipment.</li> <li>▪ Hot water pipelines.</li> <li>▪ Natural gas pipelines.</li> <li>▪ Diesel pipelines.</li> <li>▪ (Gypsum) tailings pipelines.</li> <li>▪ Recycled water pipelines.</li> </ul>		Schedule 1 and 2, sections 2(e)(i) - 2(e)(vi).
Waste handling	<ul style="list-style-type: none"> <li>▪ Hazardous waste storage buildings.</li> <li>▪ Class II industrial landfill.</li> <li>▪ Coke storage and disposal.</li> </ul>		Schedule 1 and 2, section 2(e)(iii) - Costs incurred to process or reprocess oil sands or oil sands products in one or more processing plants that are part of the project.
Waste water treatment	<ul style="list-style-type: none"> <li>▪ Closed sewer system, separators for oil-contaminated water, ash pond, slop oil and settling tanks, sewage treatment system, mid-plant drainage outfall, sour water treatment system.</li> </ul>		Schedule 1 and 2, section 2(e)(iii) - Costs incurred to process or reprocess oil sands or oil sands products in one or more processing plants that are part of the project.

Illustrative Cost Category	Allowed Costs	Not Allowed Costs	Authority / Section of Schedule or Regulation
Water control systems	<ul style="list-style-type: none"> <li>▪ Raw water supply system, river water pump houses, cooling water pump houses, recycled water pumps.</li> </ul>		Schedule 1 and 2, sections 2(e)(i) - 2(e)(iv).

## L-1 Examples of Overhead Costs

This is an illustrative but not exhaustive table illustrating how some overhead costs may be treated under the Schedule 1 of the Oil Sands Royalty Regulation. *The final authority for the allowed costs is the Oil Sands Royalty Regulation, 1997.*

**Examples of Overhead Costs of Oil Sands Royalty Projects**

Example	Cost Allowed / Not Allowed	Reason
Operator allocates 10% of their corporate IT costs to the Oil Sands Project on the basis that 10% of their staff are working on the project	Not allowed	Simple allocations are not considered appropriate. There is no evidence that these costs are directly attributable to the project.
The OSR project asks the operator's legal staff for an opinion related to the project. The lawyer is not dedicated to the project so his costs would not normally be allowed, they would be corporate overhead.	If Operator allocates "X%" of legal department costs to project as "X%" of staff (or revenues) are devoted to oil sands project.. Not Allowed.  If lawyer documents time spent on Oil Sands project work i.e. by timesheet their salary and benefits costs, may be allowed.	No documented evidence that these costs are directly attributable to the project  Can be treated as service supplied in support of purpose listed in Section 2(e) of the Regulation. May be allowed if i.e. it is in support of recovery of oil sands. Not allowed if it is in support of marketing or expansion planning functions.
Certain overhead costs i.e. computers, accommodation, light, heat are charged by the company to the legal department as part of corporate accounting practices.  Which if any of these costs are allowed?	Not allowed	No evidence that these costs were appropriately attributed to the staff that provided this service to the oil sands project. Allocations of allocations are not allowed -only costs that can be attributed by some means (i.e. timesheets) can be considered.
On-project accommodation, IT, or accounting type costs.	Allowed	While they might be classified as overhead costs, they can be allowable costs for providing services in support of oil sands project purposes listed in Section 2(e) of Schedule 1.