March 4, 2011

OIL SANDS INFORMATION BULLETIN 2011-03

Subject: Oil Sands Administrative and Strategic Information System (OASIS) Royalty Development Update

The first release of the Oil Sands Administrative and Strategic Information System (OASIS) was implemented in February 2010 (Information Bulletin 2010-03). This release enabled operators to use OASIS to create and submit project applications electronically through the department's Electronic Transfer System (ETS). The release also provided the base information for the development of royalty calculation in OASIS.

The next release, OASIS Royalty, will focus on royalty submission and calculation. Design work for this release is in progress and implementation is targeted for September 2012. This release does require some process changes for operators:

- Royalty forms will be submitted to the department through a new ETS screen rather than through the current ETS Correspondence screen.
- Operators must use the department prescribed royalty templates that have been enhanced for OASIS. Individual customization will not be allowed (see Prescribed Royalty Templates in Appendix).
- Operators must follow department report submission rules (see Royalty Report Submission Rules in Appendix).
- Information provided on royalty forms must meet form validation rules (see Form Validation Rules in Appendix).
- OASIS will calculate royalty using operator submitted information (e.g., costs, revenues) and department information (e.g., royalty rates, return allowance rates, Bitumen Valuation Methodology (BVM) prices, previous royalty calculated).
- An electronic Royalty Calculation Report will be provided through ETS to support department royalty calculations and project payout balances.
- An electronic Operator Account Statement will be provided through ETS to summarize charges and payments.

The enhanced royalty templates will be available to operators for trial use by March 31, 2011 (details addressed in Appendix). Client feedback is valued. Comments on the royalty templates should be sent to OasisFeedback.energy@gov.ab.ca by June 30, 2011. The department will consider the feedback received and may make further adjustments to these templates.
The information in the enhanced templates will satisfy Crown reporting requirements but may not contain all of the information that is required for each operator’s corporate reporting needs. Operators can use the enhanced templates ahead of their formal implementation in OASIS. Operators, however, cannot switch between the current and enhanced versions once a decision has been made to use the enhanced templates. The submissions will continue to be made through the current ETS Correspondence screen until OASIS Royalty is implemented.

More detailed information will be communicated to operators in upcoming months as the release development progresses.

Questions regarding this Information Bulletin may be directed to:

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Attachment
Prescribed Royalty Templates

Royalty templates will be standardized where possible to minimize the reporting variations that OASIS will need to accommodate. Project operators will be required to use the following enhanced templates for royalty reporting:

1. For all Oil Sands Royalty Projects other than Transitional Agreements (OSR Projects, excluding Transitional OSR):
   - MRC 2009 to Current
   - GFE 2009 to Current
   - Pre Payout EOP 2008 & Prior
   - Post Payout EOP 2008 & Prior
   - Pre Payout EOP 2009 to Current
   - Post Payout EOP 2009 to Current
2. For all Crown Agreements (CSR Projects):
   - CA-MRC 2009 to Current
   - CA-GFE 2009 to Current
   - Pre Payout CA-EOP 2008 & Prior
   - Post Payout CA-EOP 2008 & Prior
   - Pre Payout CA-EOP 2009 to Current
   - Post Payout CA-EOP 2009 to Current
3. For Transitional OSR Project – OSR045:
   - OSR045 GFE 2009 to Current
   - OSR045 Post Payout EOP 2009 to Current
4. For Transitional OSR Project – OSR047:
   - OSR047 GFE 2009 to Current
   - OSR047 Post Payout EOP 2009 to Current

The Non Project Well Royalty Template will be addressed in a later Information Bulletin.

These templates will be posted in [http://www.energy.gov.ab.ca/OilSands/2896.asp](http://www.energy.gov.ab.ca/OilSands/2896.asp) by March 31, 2011 for trial use to acquaint operators with the new forms prior to their required use. The final version of the templates will be posted when OASIS Royalty is put into production and should not be materially different from these versions.

Other than standardization to minimize reporting variations, key enhancements include:

- Revision to the Royalty Schedule (PRE-6) in the Pre Payout End of Period Statements (EOPS) to allow for Monthly Royalty Calculation (MRC) amendments on the EOPS after the December reporting period, thus reducing the need to submit both the revised MRC and corresponding EOPS.
- Combining the reporting of Pre2009 inventory royalty calculation in the 2008 EOPS. Operators will report inventory if applicable, eliminating the need for a special EOPS to handle the Pre2009 inventory royalty calculation.
• Volumetric inputs are reported to one decimal. Dollar inputs are reported to two decimals. These restrictions will be enforced in the royalty calculation.
• Bitumen Hardisty BVM Price and Bitumen Adjusted BVM Price will be calculated by OASIS using the department published BVM components and the bitumen density information submitted on the operators’ royalty reports. The BVM components are published in the department’s Monthly Information Letter.
• Change to the weighted average price calculation for fair market value (FMV) and BVM. Note: These prices are used for department forecasting only. They are not used for royalty calculation.

Royalty Report Submission Rules

Currently some operators combine the reporting of OSR, CSR, and PSR reporting in one Excel workbook (i.e., ‘Multi’ Reporting). This will not be allowed in the future when royalty forms are submitted directly to OASIS using the new ETS screens. Operators will have the ability to upload multiple files for a royalty template (e.g., submit the MRC for different OSR Projects in one upload) but they must make a separate submission for each royalty template being filed (e.g., submit the MRC and the GFE in separate uploads). The maximum file size for each upload will be provided at a later date once it has been finalized.

Form Validation Rules

Mandatory reporting inputs and validation edits will be provided at a later date once they have been finalized.