

Oil Sands Royalty Project Application and Approval Process

Prepared by Alberta Energy for
Oil Sands Royalty Business Training
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Oil Sands Royalty Projects

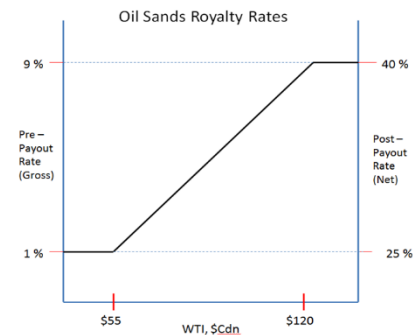
What is an Oil Sands Royalty (OSR) Project?

- OSR Projects – oil sands projects defined and approved by Alberta Energy under the provision of the Oil Sands Royalty Regulations (OSRR09)
- Pay royalty under the Oil Sands Royalty Regime
 - R – C Regime
 - Designed to incent capital intensive Oil Sands Projects
 - Lower royalties up front until Royalty Project pays out (first time cumulative revenues \geq cumulative costs - PNCB and allowed costs)

**PNCB – Pre-net cumulative balance

Why Apply?

- Only approved OSR Projects can pay royalty under the Oil Sands Royalty Regime
- If not, conventional royalties on volumes produced from non project wells & mines will have to be paid
 - MRF royalties (wells spudded after Jan.1, 2017) and ARF royalties (wells spudded up to and including Dec. 31, 2016) for non project wells
 - NPR mine royalties for non project mines
- Oil Sands Royalty Rates (1-9% of project gross revenue, 25-40% of net revenue, based on WTI price and payout status)



Royalty Project Application Process

Who, What, When, Types, How, Requirements

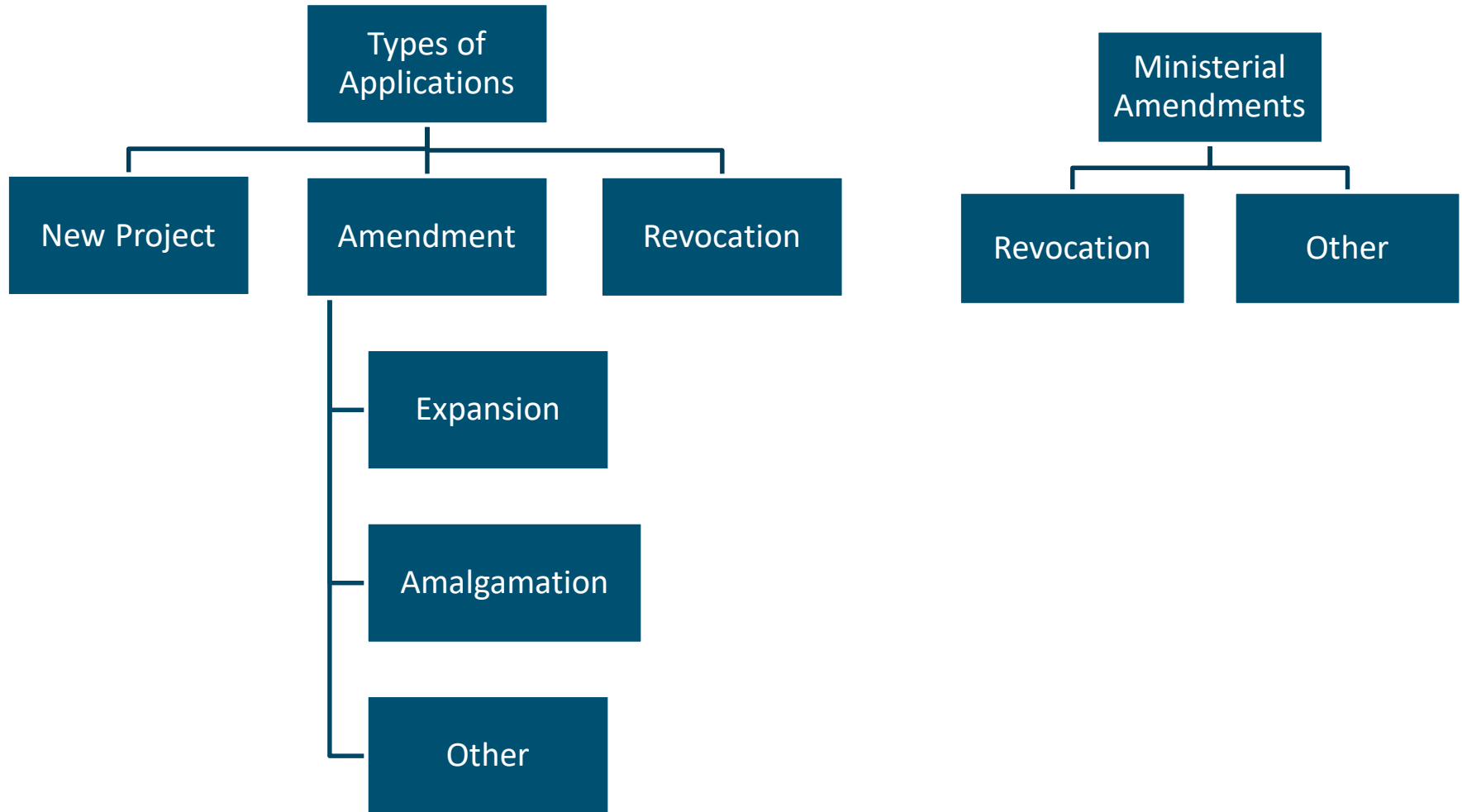
Who? What? When?

- Who can apply?
 - Primary owner of the lease(s) on behalf of the other lessee(s)
- What can be applied for?
 - Must include the whole or part of an approved AER Scheme
 - Oil sands Crown rights only
- When can an application be submitted?
 - Following the issuance of an AER approval
 - Expectation is that an operator is committed to developing the project
 - No requirement to submit application immediately, however a delay may have cost implications (impacts effective date and prior net cumulative balance)

Effective Date

- The effective date of an OSR project is the date from which royalty begins to be calculated under the terms of the OSRR'09.
- The effective date of the OSR project or OSR Project expansion must not be earlier than any of the following:
 - The first day of the month in which the application was received
 - The first day of the month following the month in which the AER approval relating to the proposed project or the amendment relating the expansion is approved
 - The first day of the month that precedes by nine months the month in which the project or the amendment relating to the expansion is approved

Types of OSR Project Applications/Amendments



When to Amend a Project?

- A material change to the OSR Project
- Scheme amendments may require Project Amendments
 - Will depend on significance and materiality of scheme amendment
 - A good rule of thumb is to assess any scheme amendment against the Project description in the MO
- When in doubt, contact Alberta Energy
- Risk to operators: Ineligible costs incorrectly claimed in EOPS will be removed upon audit, PNCB time limitations may impact an amendment application and costs may become stranded.
- In case of a material change resulting from a lease surrender please notify the department

NEW

Regulation Change for Primary Projects

- As of January 1, 2022, no approvals will be granted for a new primary project, or for an expansion of a primary project which expands project lands or adds wells.
- Addition of Section 10 (4.4) to the OSRR09

(4.4) An application may not be made

(a) under subsection (1),

- (i) on and after January 1, 2017, for an approval of a proposed well-based Project, unless the proposed Project includes at least 2 wells for the recovery of crude bitumen, or
- (ii) on and after January 1, 2022, for an approval of a Primary project,

or

- (b) under subsection (3) for an amendment to a Primary project that expands the Project lands or adds non-Project wells.

(4.41) The Minister may determine which recovery processes that are used to recover substances after primary methods have been used, in addition to waterflooding or polymer flooding, shall be considered a Primary project for the purposes of subsection (4.4).

Potential Triggers - Amendment

Examples

- Adding new wells (well based approvals)
- Adding new lands or facilities
- Expanding facilities
- Changing project operations/technology
- Changing maximum production capacity
- Removing Project lands, assets, or facilities
- Changing cost allocation methodology

How to Apply?

- Electronic Application / OASIS
 - All applications must be submitted electronically through Alberta Energy's Electronic Transfer System (ETS)
 - Once submitted, application is processed / reviewed through OASIS system
 - Online training modules are available that provide a step by step guide for preparing an application through ETS



ETS
Electronic Transfer System

Electronic Transfer System

User Name:

Password:

Save my user name

Login

[Forgot Password/Reset Password](#)

Support: Report problems or questions to [Crown Land Data Support](#) at (780) 422-1395

What Should an Application Include?

- OSR New Project Checklist

https://www.alberta.ca/assets/documents/osr_new_project_application_checklist.pdf

- OSR Project Amendment Application Checklist

https://www.alberta.ca/assets/documents/osr_project_amendment_application_checklist.pdf

What Should an Application Include?

- Project Ownership (all agreements and agreement owners)
- Project Identification (Project name, Operator, Contact)
- Project Overview and History
- Description of Project Operations
 - Recovery technology
 - Production profile (peak production capacity)
 - Development plans and full life cycle development schedule
 - Geographic locations of all Project components
- AER Scheme approval(s) and application(s)
 - Current scheme and all prior amendments not currently in Project, with associated applications

What Should an Application Include?

- Description of capital assets and engineering systems
- Description of any measured use assets and all other assets of material relevance
- A list of oil sands products
- A list of wells that have been drilled and completed prior to the effective date
- Reservoir characteristics and reserves data ([IB 2015-07](#))
- Economic evaluation ([IB 2015-10](#))
- Class 3 Cost Estimate for processing facilities valued at >\$50,000,000 ([IB 2017-03](#))
- Description of any shared assets and non-arm's length transactions
- Proposed royalty calculation point
- Proposed effective date
- Proposed prior net cumulative balance ("PNCB")
 - Must include all required supporting information and details
- Signature from authorized officer

Royalty Project Review & Approval Process

Primary Purposes



- Assess whether project qualifies for OSRR09
- Establish royalty ring fence
- Define the R and C in R-C royalty calculation

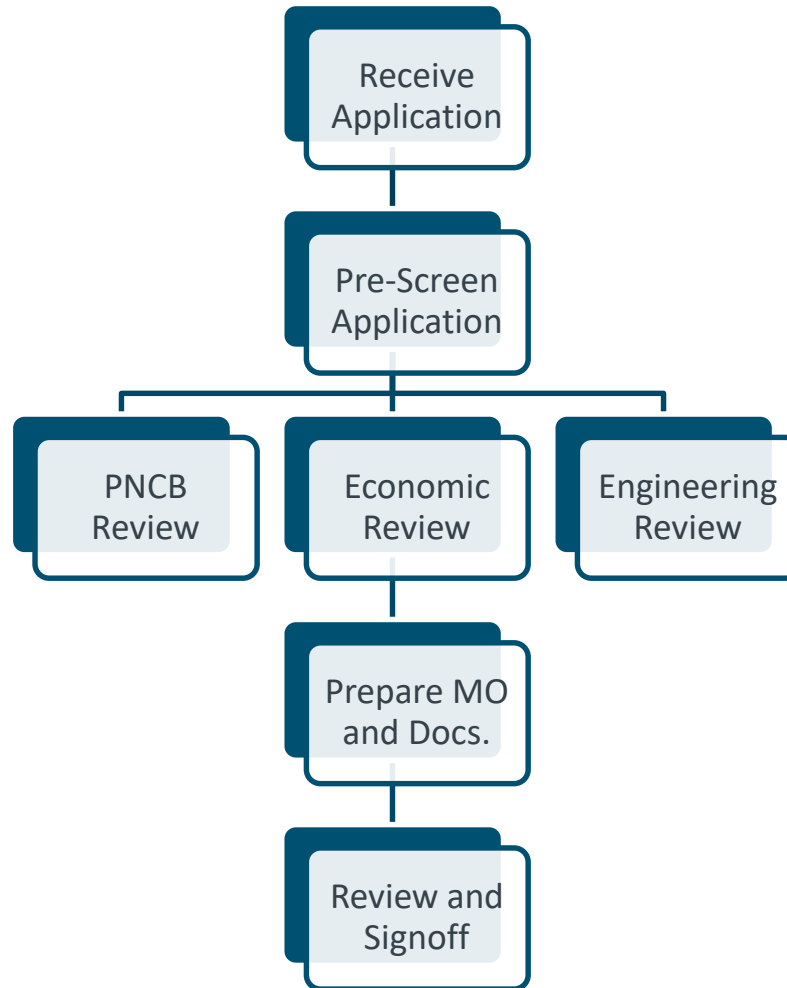
Review Process & Timeline



Economist



Auditor



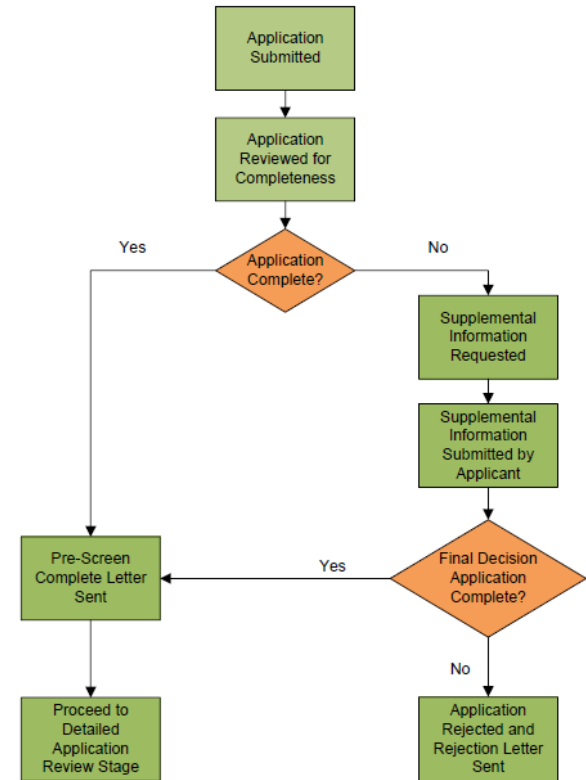
Engineer



Lawyer

Pre-Screen

- Have all the essential components of the application been submitted?
- Department reviews application for completeness within 10 business days
- If application is deficient, applicant has 10 business days to submit required info
- Final Pre-screen decision: Proceed or Reject
- Rejected application can be resubmitted (new effective date)
- More information in ([IB 2010-13](#))
- If the application passes the pre-screen, proceeds to detailed review



Detailed Review

- Consists of three main parts
 - Engineering review
 - Economic review
 - PNCB Audit
- Not all applications require all components
- All application reviews completed within 9 months
- Administrative amendments may be completed more quickly
- Final Decision and documentation
- If approved, documents sent to applicant
- Reporting requirements begin

Royalty Project Application Review

Engineering Review

Engineering Review

- Operational integration criteria met?
 - Meets criteria – can be considered one Project
 - Does not meet – consider a new stand-alone Project? (No need to reapply)
- What belongs in the Project?
 - Lands / leases / establish geographic boundary
 - Facilities / assets / meet Project Use Threshold
 - Establish cost allocation methodologies for shared assets
- What terms, conditions, limits should the approval be limited to?
 - Expiry date(s)
 - Maximum Development Time, Maximum Production Capacity

Engineering Review

- Is the production forecast reasonable?
- Are there sufficient reserves in place to sustain production forecast?
 - 2P Reserves data, 3rd party 2P reserves report maybe required ([IB 2015-07](#))
- Suspended or abandoned wells or assets are generally not allowed
 - In some cases, suspended or abandoned wells can be allowed with an economic assessment made by an engineer
 - Well Inclusion Criteria ([IB 2011-09](#) for wells drilled prior to Jan 1st 2017 and [IB 2017-03](#) for post)
 - Wells will be reviewed at a license level

Engineering Review: Class 3 Cost Estimate Requirement (IB 2017-03)

- Why ?
 - Indicates project has reached a certain level of definition and more likely proceeding as planned as per Class 3 Cost Estimate documents
- When ?
 - The total costs of a new processing facility and modifications to an existing processing plant will cost \$50 million or more
- What ?
 - Will be determined on a case by case basis

Engineering Review: OSR Project Lands and Leases

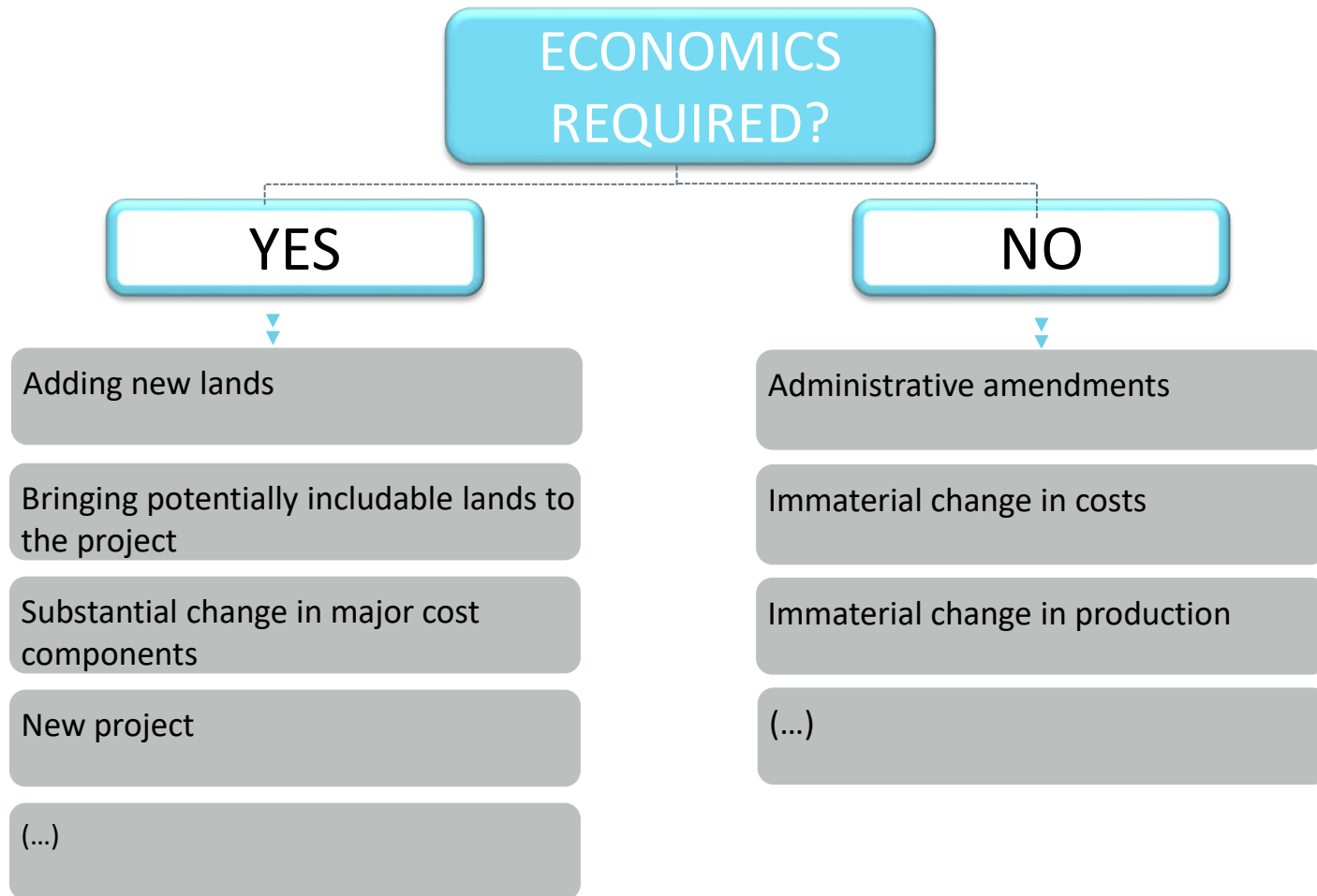
- An OSR Project comprises the surface area and subsurface oil sands strata that will be used to produce or process bitumen.
 - Project Leases – are mineral rights in the oil sands agreements that are included in a Project.
 - Project Lands – the surface areas included in a Project.
 - Potentially Includable Land and Leases (PILL) – land and leases that are only included in the full lifecycle economic analysis to meet the economic requirement of an OSR project. This land must be within the “Project Area” as approved by the AER.
 - NOTE: An OSR application must be submitted for PILL to become OSR Project land and Leases.

Royalty Project Application Review

Economic Review

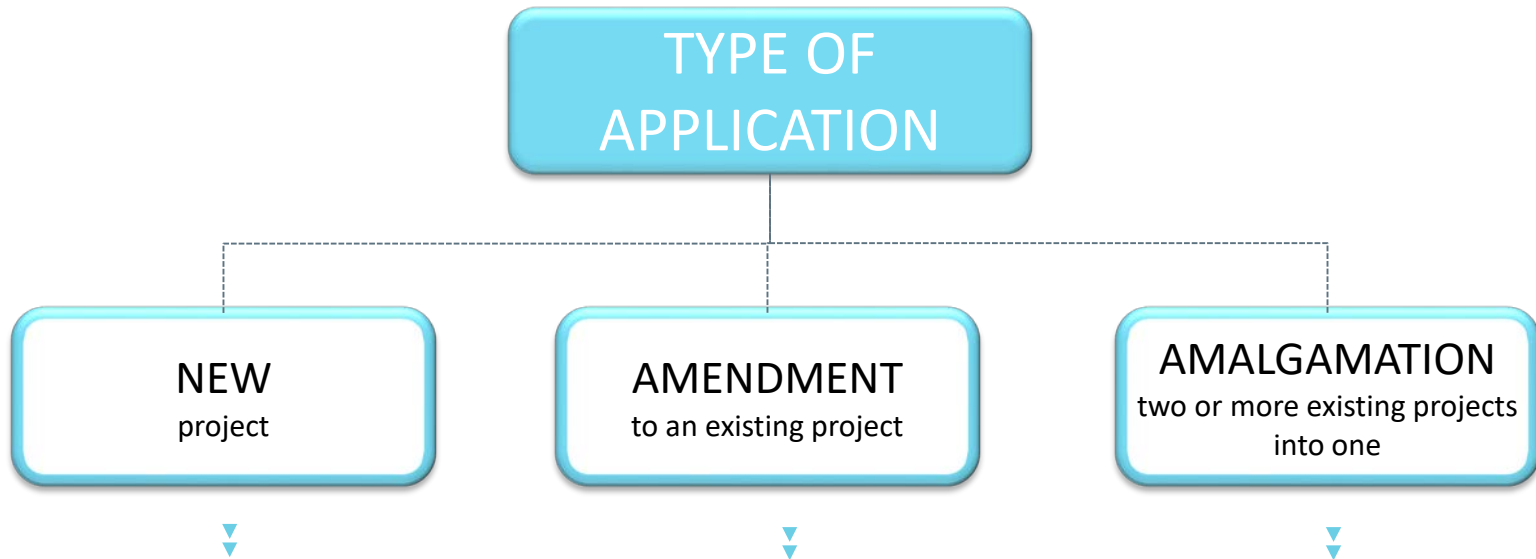
Economic Review

The first triage... submission of economic data?



Economic Review

The second triage... The type of application

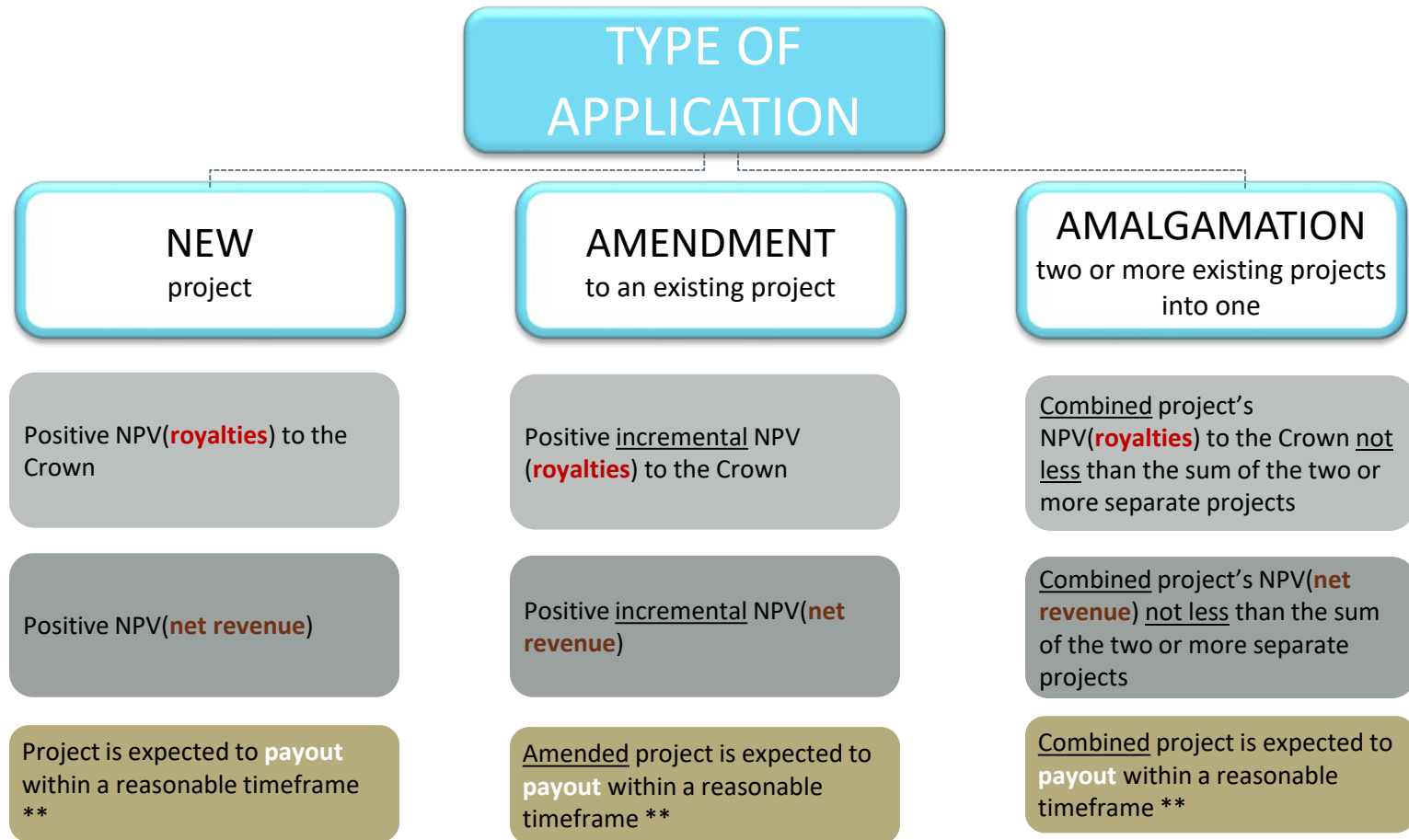


The type of application will impact the **economic tests performed** by the ADOE

The type of application will impact the way the **economic evaluation template** is completed

Economic Review

Economic tests performed by the ADOE



* when applicable, i.e. exceptions are made for **demonstration projects**

** A case by case review. Depends on many variables such as technology used, project size, etc., i.e. 7-10 years

Economic Review Template Changes

In 2018, template was updated to allow negative values for production, capex, operating costs and positive values for natural gas consumption on the amendment sheet (2nd tab)

Template located here:

https://www.alberta.ca/assets/documents/Form_OSR_eval_new_amend_project.xlsx

Economic Review

The economic evaluation template has three main sheets

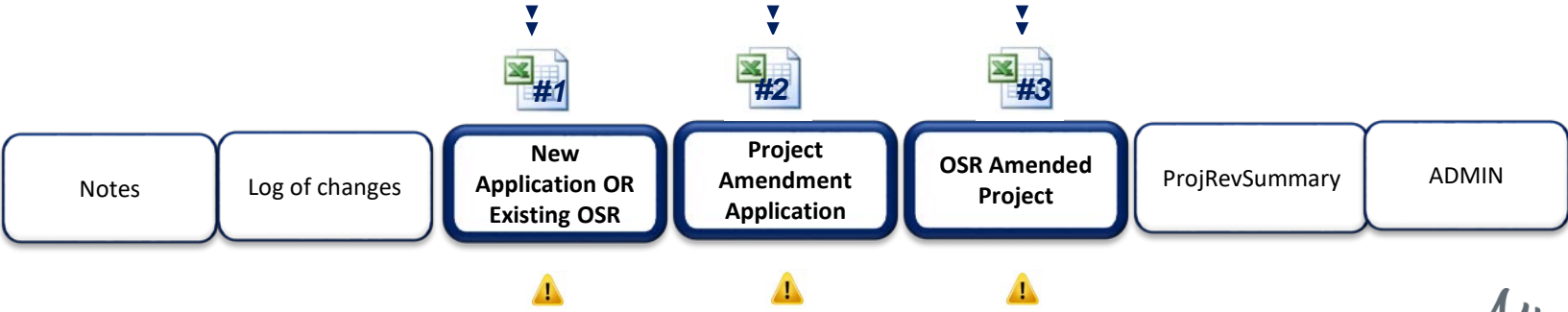
Economic Evaluation template

Alberta Energy - Economic Evaluation Template - New Project Application or Existing Project

Version # 25 (please use version 25+)

New Project: Year of first production: (YYYY) Density: (kg/m3) Notes:
 Existing OSR Project #: (OSR ###) Year of last production: (YYYY) Sulphur: (S)
 Project Name: (YYYY) Data in real dollars as of: (YYYY) TAN: (kg/H3O2)
 Project Operator: Return Allowance Rate: (R) Viscosity: (cP)
 Operator ID: Oilrent Ratio:
 System: Opening macrovent balance*MCB: (C) Type of Diluent:
 Application Proposed: (YYYYMMDD) Stream:
 Project region:
 Project technology:

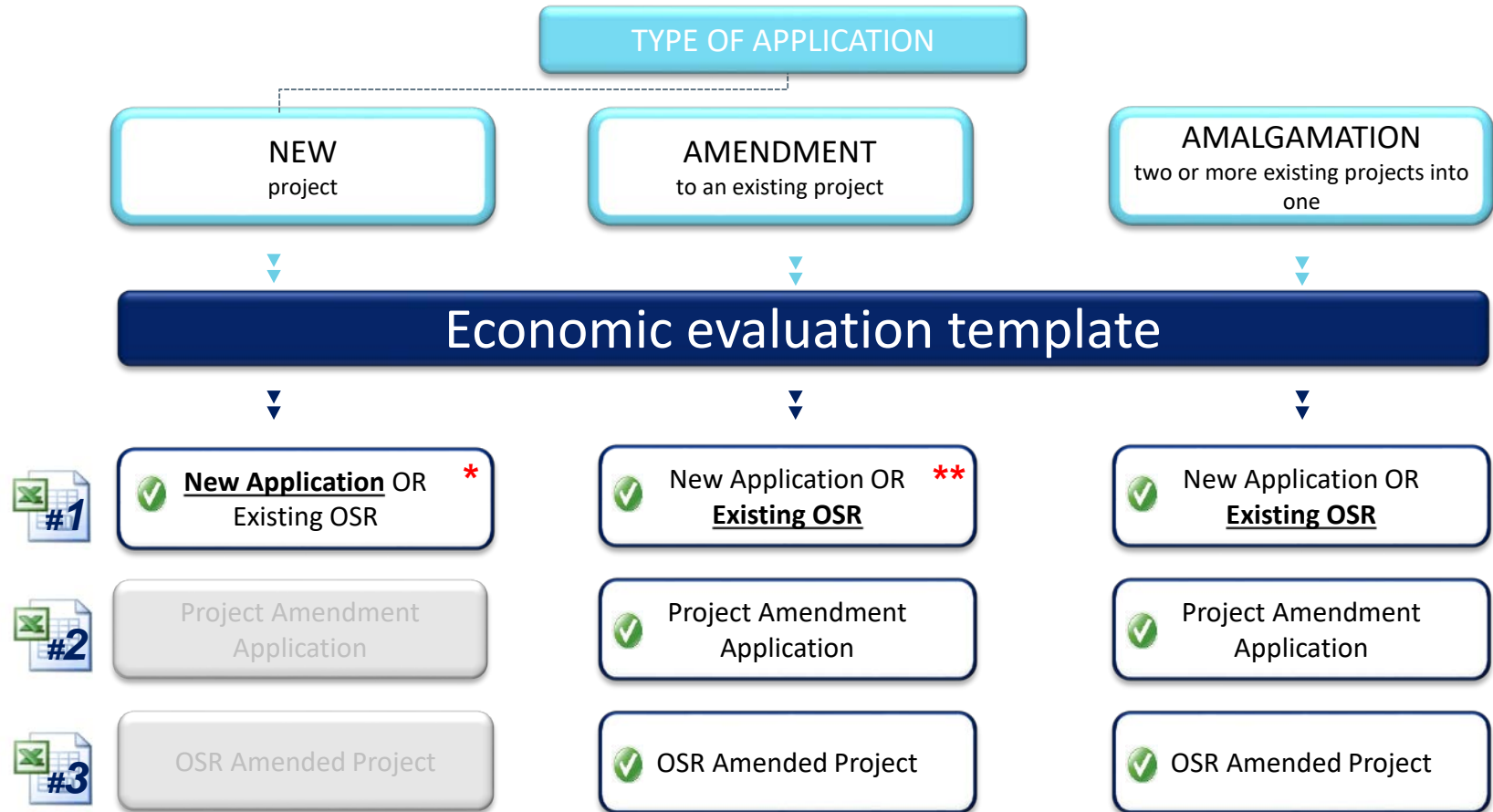
| Year* | PRODUCTION | | | | | WELLS | | | | | PRICING | | | OPERATING COST | | | | |
|-------|---------------------------------|----------------------------|-----------------------------------|-----------------------------------|------------------------|------------------------|-------------------------------|-------------------------------------|---------------------------------|------------------------------|------------------------------------|--------------------------------|--------------|----------------|----------------------------|-----------------------|----------------------|-----|
| | Flowable (PT) Oilmen Production | Oilmen Injection Volumes * | Total Oilmen Production Volumes * | Total Oilmen Production Volumes * | Oilmen Production Rate | Annual Stream Oil Flow | No. of New Production Wells** | No. of Abandoned Production Wells** | Total No. of Production Wells** | No. of New Injection Wells** | No. of Abandoned Injection Wells** | Total No. of Injection Wells** | Oilmen Price | WTI Price * | Natural Gas Price (C\$/GJ) | Net Gas Consumption * | Non-gas Variable Ops | Fi |
| 2005 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2006 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2007 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2008 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2009 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2010 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2011 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2012 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2013 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2014 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2015 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2016 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2017 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2018 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2019 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2020 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2021 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2022 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2023 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2024 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2025 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2026 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2027 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2028 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2029 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2030 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2031 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2032 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2033 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2034 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2035 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2036 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2037 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2038 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2039 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2040 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2041 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2042 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2043 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2044 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2045 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2046 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2047 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| 2048 | 0.0 | 0.0 | 0.0 | 0.0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0.00 | \$0.00 | \$0.00 | 0.00 | \$0.00 | |
| ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... | ... |



- Notes
- Log of changes
- New Application OR Existing OSR**
- Project Amendment Application**
- OSR Amended Project**
- ProjRevSummary
- ADMIN

Economic Review

The type of application will determine which sheet(s) to use:



Economic Review

Common errors when completing the economic evaluation template



1. PNCRB not entered correctly or aligned to values submitted for audit
2. For amendments, only two sheets are filled in (original #1 and amended #3)
3. Data entered in wrong units
4. First year data entries (if any) are not proportionated to the amounts for the remaining months of the year
5. SAGD has no gas consumption / gas consumption entered as positive
6. Abandonment/reclamation costs are empty
7. Real dollars are not used (prices and costs)
8. The numbers of wells drilled and abandoned do not match
9. Strategic capital is considered before a project reaches peak capacity
10. Sustaining capital is considered after a project reaches peak capacity
11. The application data do not cover the full life cycle of the project

Economic Review

Some features of the Excel template:

1. The worksheets are locked
2. The columns are color coded:
 - blue for data entry;
 - grey fields for calculated values
3. Columns pertaining to SAGD applications are blacked out for
4. mining and primary applications
5. Notes section on top right for clients to enter additional information
6. Notes from DOE underneath the form provides further clarification to complete the form

Royalty Project Application Review PNCB Audit

What is PNCB?

- PNCB – Prior Net Cumulative Balance
 - New Project: the balance of cumulative costs less cumulative revenues as of the effective date of the OSR Project
 - Amendment: the balance of cumulative costs less cumulative revenues pertaining to the effective date of the Amendment
 - Pre-payout: PNCB amount is added to the unrecovered balance
 - Post-payout: PNCB amount is treated as an allowed cost
- Standard 5 year PNCB period
- All PNCB applications are audited

PNCB

- PNCB templates located:
- <https://www.alberta.ca/oil-sands-forms.aspx>

Prior Net Cumulative Balance -- Cost Detail

Project Operator _____ (Operator Name)
 Project Name _____ (Project Name)
 For the Period From _____ To _____
 MM/YYYY MM/YYYY

Operating Cost Details

| Year | Month | Staff | Supplies & Services | Repairs & Maintenance | Utilities | Custom Processing | Diluent | Economic Assistance(\$) | Custom Column 1 | C |
|------|-----------|-------|---------------------|-----------------------|-----------|-------------------|---------|-------------------------|-----------------|-----|
| YYYY | January | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | February | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | March | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | April | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | May | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | June | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | July | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | August | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | September | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | October | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | November | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | December | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | Sub-total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | January | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | February | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | March | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | April | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | May | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | June | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | July | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | August | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | September | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

Prior Net Cumulative Balance -- Cost Detail

Project Operator _____ (Operator Name)
 Project Name _____ (Project Name)
 For the Period From _____ To _____
 MM/YYYY MM/YYYY

Capital Cost Details

| Year | Month | Drilling & Completion | Production Equipment | New Facilities | Facility Improvements | Seismic | Economic Assistance(\$) | C |
|------|-----------|-----------------------|----------------------|----------------|-----------------------|---------|-------------------------|-----|
| YYYY | January | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | February | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | March | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | April | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | May | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | June | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | July | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | August | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | September | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | October | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | November | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | December | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | Sub-total | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | January | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | February | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | March | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | April | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | May | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | June | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | July | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | August | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | September | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | October | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | November | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | December | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |

Prior Net Cumulative Balance -- Revenue Detail

Project Operator _____ (Operator Name)
 Project Name _____ (Project Name)
 For the Period From _____ To _____
 MM/YYYY MM/YYYY

| Year | Month | Sales Volume** (m3) | Sales Revenue (\$) | Less: Handling Charges (\$) | Other Oil Sands Product Sales (\$) | Other Net Proceeds (\$) | Project Revenue (\$) |
|------|-----------|---------------------|--------------------|-----------------------------|------------------------------------|-------------------------|----------------------|
| YYYY | January | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | February | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | March | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | April | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | May | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | June | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | July | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | August | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | September | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | October | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | November | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | December | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | Sub-total | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | January | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | February | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | March | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | April | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | May | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | June | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | July | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | August | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| YYYY | September | 0 | \$0 | \$0 | \$0 | \$0 | \$0 |

Calculation of Prior Net Cumulative Balance - Summary

Project Operator _____ (Operator Name)
 Project Name _____ (Project Name)
 For the Period From _____ To _____
 MM/YYYY MM/YYYY

| Year | Month | Allowed Operating Costs (incl. diluent costs) | Allowed Capital Costs | Less: Project Revenue | Unrecovered Balance |
|------|----------------------|---|-----------------------|-----------------------|---------------------|
| YYYY | May | \$0 | \$0 | \$0 | \$0 |
| YYYY | June | \$0 | \$0 | \$0 | \$0 |
| YYYY | July | \$0 | \$0 | \$0 | \$0 |
| YYYY | August | \$0 | \$0 | \$0 | \$0 |
| YYYY | September | \$0 | \$0 | \$0 | \$0 |
| YYYY | October | \$0 | \$0 | \$0 | \$0 |
| YYYY | November | \$0 | \$0 | \$0 | \$0 |
| YYYY | December | \$0 | \$0 | \$0 | \$0 |
| YYYY | Period Total Balance | \$0 | \$0 | \$0 | \$0 |
| YYYY | January | \$0 | \$0 | \$0 | \$0 |
| YYYY | February | \$0 | \$0 | \$0 | \$0 |
| YYYY | March | \$0 | \$0 | \$0 | \$0 |
| YYYY | April | \$0 | \$0 | \$0 | \$0 |
| YYYY | May | \$0 | \$0 | \$0 | \$0 |
| YYYY | June | \$0 | \$0 | \$0 | \$0 |
| YYYY | July | \$0 | \$0 | \$0 | \$0 |
| YYYY | August | \$0 | \$0 | \$0 | \$0 |
| YYYY | September | \$0 | \$0 | \$0 | \$0 |
| YYYY | October | \$0 | \$0 | \$0 | \$0 |
| YYYY | November | \$0 | \$0 | \$0 | \$0 |
| YYYY | December | \$0 | \$0 | \$0 | \$0 |
| YYYY | Period Total Balance | \$0 | \$0 | \$0 | \$0 |

Project Approval - Ministerial Order

What is a Ministerial Order (MO)?

- Have all regulatory criteria been met?
 - Yes → Approve Royalty Application
 - Issue Ministerial Order (MO)
- The MO is the approval and official legal document for an OSR Project
- The MO is not a public document and the information contained in the MO is confidential.

What is a MO? (cont.)

Specifies:

- Scheme approval(s)
- Project effective date
- PNCB
- Expiry date(s), if applicable
- Outlines any term and conditions to which the approval is subject to such as: Maximum Development Time/Production Capacity
- Defines the Project ring fence
 - Leases
 - Lands
 - Operations
 - Facilities
 - Assets
 - Wells
 - General criteria for future assets (i.e. wells drilled on Project lands and leases)
- Map of the Project
- Cost allocation methodologies if applicable

Reporting Requirements

Reporting Requirements

- Monthly Reporting
 - Monthly Royalty Calculation (MRC) for pre-payout Projects
 - Good Faith Estimates (GFE) for post-payout Projects
- Quarterly Reporting
 - COST Analysis and Reporting Enhancement (CARE) Revenue Form
- Annual Reporting
 - CARE Costs Form (In 2015-moved from quarterly to annual)
 - End of Period Statements (EOPs)
 - Operator's Forecast (15 year Project forecast)
 - CARE Subsurface Form
 - CAMR (Cost Allocation Methodology Reports) if applicable
- Statement of Approval
 - All forms require a statement of approval (signed by an authorizing officer) except the Operators Forecast

Reporting Requirements

- **Audits**
 - EOPs for large Projects ($>1,590\text{m}^3/\text{day}$) require independent third party audit opinion
 - EOPs are also audited by Treasury Board and Finance's Energy Audit
- **Filing Penalties**
 - Monthly forms are due at the end of the month following the month being reported
 - Late or incomplete forms will incur filing penalties as prescribed in the regulation
- **Late Payment**
 - Late payments of royalty will incur interest at rates prescribed in the regulation

References and Contacts

Reference Documents

- [Oil Sands Royalty Regulation, 2009](#)
- [Oil Sands Allowed Cost \(Ministerial\) Regulation](#)
- [Oil Sands Royalty Guidelines](#)
- [ETS Application Submission Training Modules](#)
- [Royalty Project Application Forms](#)

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Questions?

