

August 21, 2008

INFORMATION BULLETIN 2008-03

Subject: Correction to the New Royalty Framework Conventional Oil Royalty Formulas

A new Conventional Oil royalty formula was introduced as part of the New Royalty Framework. Two of the royalty factors in the Quantity Component (rq) portion of the formulas were not displayed and communicated correctly.

When the quantity is greater than 197.6 m³ but less than or equal to 304.0 m³, the formula should be:

$$(((Q-Sq_2)*0.0007) + \mathbf{0.0912}) * 100$$

When the quantity is greater than 304.0 m³, the formula should be:

$$(((Q-Sq_3)*0.0003) + \mathbf{0.1657}) * 100$$

The “Royalty Formulas – Conventional Oil” table has been updated on the website (see attached document).

For further information please contact:

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Attachment: 1

Royalty Formulas – Conventional Oil

R% = Price Component (r_p) + Quantity Component (r_q)

R% has a minimum of 0% and a maximum of 50%

Price Component (r_p)	
Price (\$/m³)	r_p
PP ≤ Sp ₂	$((PP - Sp_1) * 0.0006) * 100$
Sp ₂ < PP ≤ Sp ₃	$((PP - Sp_2) * 0.0010 + 0.0360) * 100$
PP > Sp ₃	$((PP - Sp_3) * 0.0005 + 0.1860) * 100$
Maximum	35%
PP is the par price for the month in \$/m ³	
Note: r_p can be negative	

Quantity Component (r_q)	
Quantity (m³/month)	r_q
Q ≤ Sq ₁	$((Q - Sq_1) * 0.0026) * 100$
Sq ₁ < Q ≤ Sq ₂	$((Q - Sq_1) * 0.0010) * 100$
Sq ₂ < Q ≤ Sq ₃	$((Q - Sq_2) * 0.0007 + 0.0912) * 100$
Q > Sq ₃	$((Q - Sq_3) * 0.0003 + 0.1657) * 100$
Maximum	30%
Q is the monthly production in m ³	
Note: r_q can be negative	

Royalty Parameters		
	Price (\$/m³)	% Change (%/\$/m³)
Sp ₁	\$190.00	0.06%
Sp ₂	\$250.00	0.10%
Sp ₃	\$400.00	0.05%
	Quantity (m³/month)	% Change (%/m³/month)
Sq ₁	106.4	0.26%, 0.10%
Sq ₂	197.6	0.07%
Sq ₃	304.0	0.03%

Examples

Price (\$/m³)	Quantity (m³/month)	r_p	r_q	R%
200	50	0.60%	-14.66%	0.00%
200	200	0.60%	9.29%	9.89%
300	50	8.60%	-14.66%	0.00%
300	200	8.60%	9.29%	17.89%
400	50	18.60%	-14.66%	3.94%
400	200	18.60%	9.29%	27.89%
500	50	23.60%	-14.66%	8.94%
500	200	23.60%	9.29%	32.89%