

Information Bulletin ODBU 03-01
October 2003

TO: EOR WORKING INTEREST OWNERS

2002 Ethane Prices

Further to EOR Guideline 2.4, the 2002 (January to September) ethane prices used for valuation of ethane injected into EOR schemes are listed below. In the 1994 Conventional EOR Royalty Guidelines, ethane for royalty relief is to be valued according to the following cost of service type formula:

$$\text{Ethane } \$/\text{m}^3 = (\$19.15 \times \text{Adjustment Factor}) + (\text{Gas Reference Price } \$/\text{GJ} \times 18.458 \text{ GJ}/\text{m}^3)$$

The adjustment factor is used to equate the overall value of ethane calculated using the above formula to a value equal to EOR reporting participants' actual cost experience for the base period 1990-91. Beginning with 1992, the Canada GDP deflator is to be applied to the basic factor (\$19.15) to recognize inflation. The GDP deflator used is the Canada GDP Implicit Price Index (at market value). The source of this index is The Bank of Canada Review.

2002 (January to September) EOR Ethane Price Calculation					
		Adjustment Factor	Gas Reference Price		Price
January	19.15	1.245	\$ 3.17	18.458	\$ 82.34
February	19.15	1.245	\$ 2.71	18.458	\$ 73.85
March	19.15	1.245	\$ 3.23	18.458	\$ 83.45
April	19.15	1.245	\$ 3.91	18.458	\$ 96.00
May	19.15	1.245	\$ 3.91	18.458	\$ 96.00
June	19.15	1.245	\$ 3.54	18.458	\$ 89.17
July	19.15	1.245	\$ 3.17	18.458	\$ 82.34
August	19.15	1.245	\$ 2.93	18.458	\$ 77.91
September	19.15	1.245	\$ 3.51	18.458	\$ 88.62

Effective October 2002 with the recognition of gas in-stream components, the Department of Energy began publishing a monthly Ethane Reference price per GJ that is different than the Gas Reference price. For EOR ethane valuation, the Ethane Reference price/GJ is converted to a price/ m3 using the following formula:

$$\text{Price/GJ} \times 66.065 \times .28132 = \text{price/m}^3$$

The 2002 (October to December) ethane prices used for valuation of ethane injected into EOR schemes are listed below.

2002 (October to December) EOR Ethane Price Calculation				
	Ethane Reference Price	Heat Value Factor	Gas Equivalent Factor	Price
October	\$4.56	66.065	.28132	\$ 84.75
November	\$5.15	66.065	.28132	\$ 95.71
December	\$5.14	66.065	.28132	\$ 95.53

This calculation of ethane liquid price is used exclusively for EOR cost calculation purposes. With the introduction of a unique ethane reference price it is no longer necessary to publish ethane prices for EOR. In future years, EOR will take the ethane reference prices as published by the Department and convert them into liquid prices using the established conversion factors used in gas royalty calculations. Should the Department move to establishing a liquid ethane price, EOR would use that price.

Should you have any questions, please contact Beverley Murray at (780) 427-2193.

Jane Clerk
 Business Unit Leader
 Oil Development Business Unit