

July 5, 2011

OIL SANDS INFORMATION BULLETIN 2011-05

Subject: Horizontal Oil New Well Royalty Rate and New Conventional Oil Sands Royalty Reporting Form (PSR) Effective May 1, 2010 Production - Retroactive Eligibility

The *New Well Royalty Reduction (NWR) Regulation* (AR204/2009), which includes provisions for the Horizontal Oil New Well Royalty Rate (HONWRR), was enacted on March 17, 2011. This Regulation applies to royalty on eligible production recovered or obtained from a new well on or after May 1, 2010, therefore with the approval of this Regulation, Alberta Energy has applied the HONWRR to all qualified wells, retroactively to May 1, 2010. Because eligibility is retroactive, Crown volumes reported for production months May 2010 to May 2011 inclusive may require amended royalty reports. The complete Regulation can be accessed through Alberta Energy's website at: <http://www.energy.alberta.ca/Oil/776.asp>.

Non-project oil sands wells eligible for HONWRR will receive a 5% gross maximum royalty rate. This royalty rate will be subject to a volume cap or production month cap based on depth outlined in the schedule below. Please refer to the HONWRR Frequently Asked Questions, at http://www.energy.alberta.ca/About_Us/1862.asp, for specific details.

The caps are set according to the following depth schedule:

Depth (MD)	Volume Cap of Oil Equivalent	Production Month Cap
0 – 2,499.9 m	7,949 m ³	18 months
2,500 -2,999.9 m	9,539 m ³	24 months
3,000 – 3,499.9 m	11,129 m ³	30 months
3,500 – 3,999.9 m	12,718 m ³	36 months
4,000 – 4,499.9 m	14,308 m ³	42 months
4,500 m +	15,898 m ³	48 months

The rate expires at either the volume cap or production month cap, whichever occurs first. Where the volume cap is reached during a month, the additional production will have royalties calculated in accordance with rates set out in the [Petroleum Royalty Regulation, 2009 \(AR 222/2008\)](#).

For non-project oil sands wells impacted by this retroactive qualification and subject to payment of royalty under section 27 of the [Oil Sands Royalty Regulation, 2009 \(AR 223/2008\)](#), Oil Sands Strategy and Operations Division will notify operators if amended Conventional Oil Sands Royalty Forms (PSR) are required.

The following Conventional Oil Sands Royalty Calculation forms have been updated to include HONWRR eligibility and are located on the Alberta's Energy's website - <http://www.energy.alberta.ca/OilSands/582.asp>:

- [Conventional Oil Sands Royalty Calculation Form \(use for periods after and including 2009-01\)](#)
- [Conventional Oil Sands Royalty Calculation Form \(use for periods after and including 2011-01\)](#)

PSR reports are due the last day of the month following the production month. Information Bulletin [2010-07](#) describes the late filing penalties that may be assessed to operators who fail to provide royalty reports with complete information in the proper format by the prescribed due dates. This includes operators who file monthly Conventional Oil Sands Royalty Reporting Forms. As identified in Section 44 of the *Oil Sands Royalty Regulation, 2009* the penalty is \$5,000 for each month or partial month a report is late or incomplete.

Royalty submissions must be made using Alberta Energy's Electronic Transfer System (ETS). Please refer to Information Bulletin [2009-18](#) to ensure the proper naming convention is used when submitting royalty reports through ETS.

Questions regarding this Information Bulletin may be directed to:

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