

December 5, 2012

OIL SANDS INFORMATION BULLETIN 2012- 23

Subject: Royalty Project Applications - Additional requirements to describe capital assets and engineering systems and the proposed cost allocation

In January, the [Oil Sands Royalty Regulation, 2009](#) and the [Oil Sands Allowed Costs \(Ministerial\) Regulation](#) were amended. These amendments, developed in consultation with industry through 2010-2011, and effective as of January 2011, focused on implementing cost allocation and valuation rules.

The regulations now require project descriptions to include:

- a description of the capital assets and engineering systems proposed to be included, in whole or in part, in the Project and the proposed allocation of costs based on Project usage
- a description of any measured used assets that support the Project but which are not proposed to be included and the proposed allocation of costs

Engineering systems include, without limitation:

- (i) boiler feed water system (one of the five “measured use assets”);
- (ii) raw water system (one of the five “measured use assets”);
- (iii) fuel gas system (one of the five “measured use assets”);
- (iv) steam generation system (one of the five “measured use assets”);
- (v) electricity transmission system (one of the five “measured use assets”);
- (vi) control system;
- (vii) cooling water system;
- (viii) instrument air system;
- (ix) fire water system;
- (x) emergency power system;
- (xi) potable water lines;
- (xii) waste water lines;
- (xiii) sewer lines;
- (xiv) sour water lines;
- (xv) slop oil lines;
- (xvi) piperacks.

Since April of this year, Departmental staff have been working collaboratively with Project applicants to meet the additional requirements of the Regulations. To date, 12 cost allocation orders have been issued as part of Project approvals and amendments. In addition to the above mentioned capital assets and engineering systems, these cost allocation orders have addressed shared cleaning facilities and central processing facilities, shared disposal wells, shared water source wells, and shared roads.

To ensure compliance with the revised regulatory requirements and facilitate the Project application process, the Oil Sands Royalty Project Application Forms will be updated shortly. The latest version of the Oil Sands Royalty Application Forms can be found here:

<http://www.energy.gov.ab.ca/OilSands/582.asp>

Upon receipt of an application, Departmental staff will, during the pre-screen stage, check to ensure that all capital assets, measured use assets, and engineering systems have been described with sufficient detail, along with any proposed allocation of costs. If any cost allocation information has not been included in the application, Departmental staff will contact the applicant and request the information in order for the application to be deemed complete. If the information cannot be provided in a timely manner, the application may be rejected as incomplete during the course of the pre-screen process.

Departmental staff may also discover a requirement for additional cost allocation methodologies during the course of an application's detailed review. In such an instance, Departmental staff would contact the applicant with a request for additional information, along with a proposed timeline. If the additional information request(s) are not responded to in a timely manner, the application may be rejected as incomplete.

The Department remains committed to providing an application review process that is fair, transparent, and timely, while conforming with the requirements of the *Oil Sands Royalty Regulation, 2009*. We encourage applicants, in particular those who are new to the Royalty Project application process, to contact the Department to discuss any questions with respect to the application process.

Questions regarding this Information Bulletin may be directed to:

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