



July 11, 1985

INFORMATION LETTER 85-29

SUBJECT: Deep Gas Royalty Holiday Program

On June 24, 1985 the Government of Alberta announced a production-based Deep Gas Royalty Holiday Program as part of the Statement on Alberta's Oil and Gas Incentives.

Eligibility

To be eligible a well, in which the Crown has an interest in production, must be spudded or deepened on or after June 1, 1985. In addition the well must be:

1. Drilled into a producing zone, the top of which is at a depth greater than 2 500 metres; and
2. Drilled in a drilling spacing unit which is wholly outside the pool boundaries as designated by the Energy Resources Conservation Board (ERCB) as at June 1, 1985.

Extent of Exemption

The royalty holiday will be an amount determined from the schedule shown as Attachment I, based on the qualifying interval of the well. The qualifying interval is the portion of the drilled or deepened depth below 2 500 metres to the base of the natural gas bearing interval of the deepest zone from which the well is producing in paying quantities.

The royalty holiday amount may be applied by the licensee, for a period of 10 years from the finished drilling date, against royalties otherwise payable from the sale of natural gas and products from an eligible well.

Application Procedure

- (a) An application must be received by the department within six months of the finished drilling date of the well.

(b) Applications must be made on prescribed forms, available from the department on request.

(c) Applications should be sent to:

Director, Incentives
Mineral Revenues Division
Alberta Energy and Natural Resources
Petroleum Plaza, North Tower, 8th Floor
9945 - 108 Street
Edmonton, Alberta
T5K 2G6

Appeal Procedure

An applicant may appeal each denied application by writing to the Associate Deputy Minister. Appeals must be received within 90 days of the date of notice of the decision being appealed. Specific updated information must be presented in the appeal statement to justify a review of the department's decision.

The department is preparing, and will publish, a Guidelines Manual for the use of applicants.

Additional information may be obtained from:

Director, Incentives
Mineral Revenues Division
Alberta Energy and Natural Resources
Petroleum Plaza, North Tower, 8th Floor
9945 - 108 Street
Edmonton, Alberta
T5K 2G6

Attention: Mr. Ron Hierlihy

Telphone: (403) 427-6583

M.F. Kanik
Associate Deputy Minister
Energy and Natural Resources

DEEP GAS ROYALTY HOLIDAY PROGRAM

VALUE OF ROYALTY EXEMPTION PER ELIGIBLE WELL

<u>Producing Depth metres</u>	<u>Cumulative Value (\$000)</u>	<u>Incremental Value \$/metre</u>
2 500	0	
3 000	500	1 000
3 500	1 000	1 000
4 000	1 500	1 000
4 500	2 150	1 300
5 000	2 800	1 300
5 500	3 600	1 600