



March 17, 1992

INFORMATION LETTER 92-8

SUBJECT: EXPERIMENTAL PROJECT PETROLEUM ROYALTY REGULATION

Background

The Experimental Project Petroleum Royalty Program reduces the royalty associated with experimental schemes. It was introduced in 1979 to encourage the development of new and improved methods for crude oil recovery.

The program was reviewed and it was concluded that the program's effectiveness could be improved by addressing two main weaknesses:

1. Confinement to experiments conducted in an enhanced oil recovery scheme was too narrowly focused, and
2. Reduction of royalty depended exclusively on approval of the experimental scheme by the Energy Resources Conservation Board (ERCB).

Program Amendment

The Experimental Project Petroleum Royalty Regulation has been amended to improve the program's effectiveness. The three major changes are:

1. The focus of the program has been expanded to include experiments that do not necessarily involve secondary and tertiary oil recovery.
2. The Crown's royalty decision has been separated from the ERCB's technical decision.
3. Upon approval of an application filed with the department, the Minister will specify the experimental royalty period during which the 5 per cent experimental royalty rate will be available.

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Key Elements of AmendmentsA. ERCB Approval

To qualify for the 5 per cent experimental royalty rate, a project must first be approved by the ERCB as an experimental scheme and the approval must remain in effect for the duration of the experimental royalty period.

B. Application

To obtain the 5 per cent experimental royalty rate, an operator must file a letter with the department requesting approval of the scheme, and specification of an experimental royalty period.

This application may be submitted prior to completion of the ERCB approval process, and should be supported by a copy of the submission made to the ERCB requesting experimental scheme status. In special circumstances, additional data may be requested.

C. Experimental Royalty Period

1. Term

The term for which the 5 per cent experimental royalty rate is available will be based on the following:

- a) The royalty term will generally coincide with the effective period of the ERCB experimental scheme approval.
- b) Projects anticipated to produce at near commercial levels may have a royalty period specified that differs from the period for the ERCB experimental scheme approval. For instance, the term could relate either to a fixed volume of crude oil production from the experimental project or to the ERCB experimental approval period.

2. Commencement

The commencement date of an experimental royalty period is either a specific date or one identified based on the occurrence of an event such as injection commencement. However, it will not be earlier than the later of:

- a) the day the new scheme approval for the experimental project was issued; or

- b) the expiry date of the experimental royalty period previously specified for the project.

3. Termination

The expiration date of an experimental royalty period is the earlier of:

- a) the day the ERCB's new scheme approval for the experimental project expires or otherwise ceases to be in effect, and
- b) any other day identified by the Minister.

D. Prior Scheme Approvals

The 5 per cent experimental rate will continue until the expiry date for each experimental scheme approved by the ERCB prior to February 13, 1992.

Contact

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