

# TIPS

## Tie-In Royalty Break

### No Royalty on Skinny Solution Gas Tie-Ins

#### This Month:

#### Tie-In Royalty Break

Royalty free ideas for your solution gas

#### Proposed Royalty Increase

One of the most controversial changes in Alberta's economy under heavy pressure

#### MetroPetro

The Stelmach government's proposed plans...

#### Staff Spotlight

Our engineering department grows again

Granger J. Low

Who wouldn't like a royalty credit for a solution gas tie-in project? Your wells might qualify.

Some oil wells have a small amount of solution gas or are far away from a gas gathering system. In certain circumstances, you can tie in the solution gas from an oil well and not pay any royalty on that gas for 10 years.

Usually operators must pay royalty on all products sold to the market. However, some wells' solution gas is not economic to tie-in but would be economic if the gas was royalty free. The Crown allows operators to apply for royalty relief for these wells to encourage tie-in of the gas.

The program is targeted at oil wells that have very little solution gas or very expensive tie-ins. The Crown's aim is to encourage tie in of all solution gas even if it isn't economic.

The application is made under the Otherwise Flared Solution Gas Royalty Waiver Program (OFSG). It is prepared following the guidelines of Alberta Natural Gas Royalties Principles and Procedures.

This application will demonstrate how conservation of the solution gas sent to market is uneconomically viable.

Economics must be performed under guidelines of EUB Directive 60.



**"The Crown's aim is to encourage tie in of all solution gas even if it isn't economic"**

The program is currently available for conventional oil wells, but in the recently announced Alberta royalty revisions the government extended the program to bitumen wells as well.

The Department of Energy introduced the OFSG program to encourage the reduction of solution gas flaring in the province. For those wells approved under this program, the department will waive royalty on uneconomic solution gas and gas by-products that would have normally attracted a Crown royalty charge

As required in Chapter 3 Section 6.5.3 of the Alberta Natural Gas Royalty Principles and

- Procedures,
- Production forecast of the solution gas
- Capital Cost

Operating Cost of existing facilities and new facilities

Capital and operating costs will be reviewed closely the Alberta Energy analysts.

More details on the program can be found in Department of Energy IL 99-19.



Industry

## Alberta Royalty Increase

### Controversial Changes Affecting Alberta's Economy

The Alberta Government recently announced plans to hike the oil industry's royalty rates up to 40% of a company's net revenue.

This move has infuriated many within the industry, and has already seen the loss of investment, declining new exploration, and the beginning of heavy layoffs even though oil prices have never been higher (near \$100/barrel). Many industry leaders have predicted decline in interest in Alberta's economy despite the recent boom.

The Canadian Association of Petroleum Producers (CAPP) submitted a technical review of the Panel's report that contends that the report was based on flawed data, incorrect cost estimates, overly-optimistic activity assump-



tions, and ignored international comparison, though the review went mostly ignored in the final decision.

The Albertan economy, however, is not the only affected party. The federal government stands to lose an estimated \$300 million in tax revenue due to the increase.

## Company News

### Born and Raised Calgarian Engineer Joins Proven's Team

Proven Reserves is pleased to announce Gareth Evans as a new engineer in training.

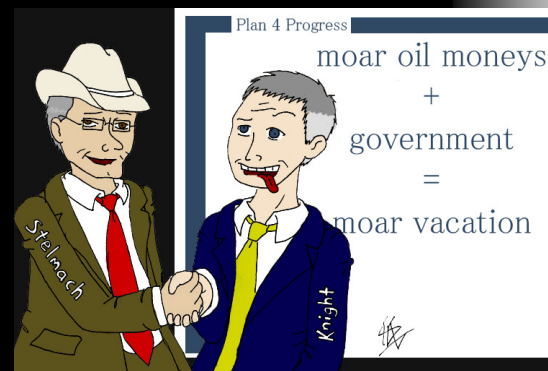
Gareth was born and raised in Calgary, and says he is a huge Flames fan. He graduated from the University of Calgary in Oil and Gas Engineering, and has since worked in many positions including open-hole well logging supervisor and project engineer designing facilities and pipelines.

Gareth says that he'd like to obtain his P.Eng and work towards becoming an intermediate engineer while at Proven, and would like to work on international projects.

Gareth likes to travel, and says his favorite escapes include New Zealand, Scotland, Jamaica, Germany, and Thailand. He also enjoys various sports from snowboarding to soccer, and his working on his dry suit scuba diving certificate.

Welcome Gareth!

## MetroPetro



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### Upcoming Events

**APEGGA Luncheon**  
Business Ethics  
Dec. 12, 2007  
Calgary, Alberta  
[www.apegga.org](http://www.apegga.org)

**CWLS Technical Luncheon**  
Demographic Trends in  
Alberta's Workforce  
Dec. 13, 2007  
Calgary, Alberta  
[www.cwls.org](http://www.cwls.org)

**SPE Technical Luncheon**  
Percolation and Petrophysics  
Dec. 19, 2007  
Calgary, Alberta  
[www.speca.ca](http://www.speca.ca)

