



Resource Development Policy Division  
6th Floor, North Petroleum Plaza  
9945 - 108 Street  
Edmonton, Alberta T5K 2G6  
Canada  
[www.alberta.ca](http://www.alberta.ca)

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## INFORMATION LETTER 2017-04

### **Subject: Oil Sands Monthly Royalty Rates and BVM Pricing Components**

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This Information Letter provides the Oil Sands Monthly Royalty Rates (Attachment 1) for Pre- and Post-Payout Gross Royalty Rate, the Post-Payout Net Royalty Rate and prices necessary for operators to calculate royalty payable in accordance with the *Oil Sands Royalty Regulation, 2009, A.R. 223/2008*.

Data components for the Bitumen Valuation Methodology (BVM) (Attachment 2) include the Monthly WCS Prices, WCS Dilbit Fraction, WCS Synbit Premium, WCS Density, Condensate Allowance Price and Density, and Bitumen Floor Price in accordance with the *Bitumen Valuation Methodology (Ministerial) Regulation*.

The Minister of Energy has provided the values for the **December 2016** production month, as set out in Attachments 1 and 2.

For further information please contact:

Glen Gartner Director, Oil Sands Royalty & Tenure 6th Floor Petroleum Plaza – North Tower 9945 – 108 Street Edmonton, Alberta T5K 2G6 780 415-2135	Michael Habteyonas Manager, Resource Policy 6th Floor Petroleum Plaza – North Tower 9945 – 108 Street Edmonton, Alberta T5K 2G6 780 644-1462.
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**Authorized by:** Sharla Rauschnig  
Executive Director – Resource Policy  
Resource Development Policy Division  
Alberta Energy

**Attachments:** Attachments 1 & 2



## Production Month: December 2016

**Royalty Information**

Pre-Payout Gross Royalty Rate:	1.73846%	(based on Production Month actual WTI Price)
Post-Payout Gross Royalty Rate:	1.09108%	(based on the average WTI Price for Production Year)
Post-Payout Net Royalty % Factor (NRPF):	25.17077%	(based on the average WTI Price for Production Year)

**WTI Prices and Exchange Rates**

Month	Act/Est	WTI Price (\$US)	Exchange Rate (\$US/\$CDN)	WTI Price (\$CDN)
Jan 2016	Act	\$37.33	0.70307914	
Feb 2016	Act	\$31.78	0.72484253	
Mar 2016	Act	\$30.62	0.75607610	
Apr 2016	Act	\$37.96	0.78011813	
May 2016	Act	\$41.12	0.77267242	
Jun 2016	Act	\$46.80	0.77545884	
Jul 2016	Act	\$48.85	0.76626591	
Aug 2016	Act	\$44.80	0.76956443	
Sep 2016	Act	\$44.80	0.76285409	
Oct 2016	Act	\$45.23	0.75463440	
Nov 2016	Act	\$49.94	0.74415836	
Dec 2016	Act	\$45.76	0.75022413	= \$61.00
Average		\$42.08	0.75499571	= \$55.74

**Gross Royalty Rate**

Minimum Royalty Rate:	$R_G\% = 1\%$ for $W \leq L$
Maximum Royalty Rate:	$R_G\% = 9\%$ for $W \geq H$
Price Sensitive Royalty Rate:	$R_G\% = 1\% + [(W - L) * F_G]$ for $L < W < H$

**Net Royalty % Factor (NRPF)**

Minimum Royalty % Factor:	$R_N\%$ Factor = 25 % for $W \leq L$
Maximum Royalty % Factor:	$R_N\%$ Factor = 40 % for $W \geq H$
Price Sensitive Royalty % Factor:	$R_N\%$ Factor = $[25\% + (W - L) * F_N]$ for $L < W < H$

W = WTI Price \$CDN

L = \$CDN 55/bbl

H = \$CDN 120/bbl

 $F_G = 8\%/\$65$  per barrel increase in W (straight line relation) $F_N = 15\%/\$65$  per barrel increase in W (straight line relation)

Note: Formulas are the working level representation of the legal version that is in OSRR2009

Attachment 2



Bitumen Valuation Methodology (BVM) Components

Production Month	Exchange Rate	WCS Settlement Price	WCS Dilbit Volume Fraction	WCS Bitumen Synbit Premium	WCS Blend Density	Condensate 'CRW' Allowance	Condensate 'CRW' Density	Bitumen Floor Price
2016	(SCDN/SUS)	(SUS/bbl)		(SUS/bbl)	(Kg/m <sup>3</sup> @15°C)	(SCDN/m <sup>3</sup> )	(Kg/m <sup>3</sup> @15°C)	(SCDN/m <sup>3</sup> )
Jan	1.42232	17.88	0.91	2.73	923.0	309.94	732.1	10.00
Feb	1.37961	16.30	0.90	2.59	922.9	276.67	720.7	10.00
Mar	1.32262	23.46	0.89	2.28	923.3	305.38	720.1	10.00
Apr	1.28186	27.88	0.90	1.70	922.9	327.20	722.4	10.00
May	1.29421	32.52	0.91	1.24	925.5	379.92	719.7	67.76
Jun	1.28956	36.47	0.94	0.76	928.4	365.28	711.8	93.95
Jul	1.30503	32.80	0.95	0.68	933.0	349.18	717.6	76.91
Aug	1.29944	30.90	0.95	0.72	937.4	338.85	725.6	66.40
Sep	1.31087	30.62	0.93	0.44	936.2	373.35	722.6	68.06
Oct	1.32515	35.83	0.92	0.30	932.3	408.36	716.7	110.28
Nov	1.34380	31.89	0.92	0.07	927.2	378.07	729.9	83.76
Dec	1.33294	37.18	0.94	-0.02	924.1	430.43	733.8	133.20

Production Month	Oil Sands Par Price	Third Party Disposition
2016	(SCDN/tonne)	Threshold
Jan	3.55	40.00 %
Feb	2.96	40.00 %
Mar	8.25	40.00 %
Apr	10.92	40.00 %
May	13.86	40.00 %
Jun	18.32	40.00 %
Jul	16.03	40.00 %
Aug	14.63	40.00 %
Sep	13.49	40.00 %



<b>Production Month</b> <b>2016</b>	<b>Oil Sands Par Price</b> <b>(SCDN/tonne)</b>	<b>Third Party Disposition</b> <b>Threshold</b>
Oct	17.33	40.00 %
Nov	14.54	40.00 %
<b>Dec</b>	<b>17.18</b>	<b>40.00 %</b>