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INFORMATION LETTER 2018-04

Subject: Oil Sands Monthly Royalty Rates and BVM Pricing Components

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** production month, as set out in Attachments 1 and 2.

For further information please contact:

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Attachments: Attachments 1 & 2

Attachment 1



Production Month: December 2017

Royalty Information

Pre-Payout Gross Royalty Rate: 3.13662% (based on Production Month actual WTI Price)
 Post-Payout Gross Royalty Rate: 2.28615% (based on the average WTI Price for Production Year)
 Post-Payout Net Royalty % Factor (NRPF): 27.41154% (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 2017	Act	\$52.17	0.75809811	
Feb 2017	Act	\$52.61	0.76278263	
Mar 2017	Act	\$53.46	0.74696424	
Apr 2017	Act	\$49.67	0.74382915	
May 2017	Act	\$51.12	0.73491585	
Jun 2017	Act	\$48.54	0.75199278	
Jul 2017	Act	\$45.20	0.78808417	
Aug 2017	Act	\$46.68	0.79333598	
Sep 2017	Act	\$48.06	0.81413336	
Oct 2017	Act	\$49.88	0.79333598	
Nov 2017	Act	\$51.59	0.78314668	
Dec 2017	Act	\$56.66	0.78302404	= \$72.36
Average		\$50.47	0.77113691	= \$65.45

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



Production Month	Exchange Rate (\$CDN/\$US)	WCS Settlement Price (\$US/bbl)	WCS Dilbit Volume Fraction	WCS Bitumen Synbit Premium (\$US/bbl)	WCS Blend Density (Kg/m ³ @15°C)	Condensate 'CRW' Allowance (\$CDN/m ³)	Condensate 'CRW' Density (Kg/m ³ @15°C)	Bitumen Floor Price (\$CDN/m ³)
2017								
Jan	1.31909	37.19	0.94	0.07	923.5	433.59	729.5	105.26
Feb	1.31099	39.14	0.94	0.10	922.5	445.91	732.8	107.86
Mar	1.33875	35.68	0.94	0.20	922.7	425.72	732.7	85.31
Apr	1.34439	36.84	0.95	0.27	922.1	432.31	723.6	105.82
May	1.36070	38.84	0.96	0.41	925.5	421.33	725.4	111.74
Jun	1.32980	35.80	0.96	0.88	929.2	375.83	725.6	82.38
Jul	1.26890	36.37	0.96	1.22	932.9	357.67	727.9	85.77
Aug	1.26050	38.50	0.94	1.67	936.1	378.23	731.9	86.75
Sep	1.22830	39.93	0.94	1.98	935.3	387.26	739.9	83.51
Oct	1.26050	39.87	0.93	1.77	931.3	422.72	736.9	93.80
Nov	1.27690	45.52	0.93	1.85	927.9	469.40	738.8	140.30
Dec	1.27710	44.02	0.94	1.81	924.8	500.42	733.8	144.28

Production Month	Oil Sands Par Price (\$CDN/tonne)	Third Party Disposition Threshold	Deemed Quality Adjustment (\$CDN/m ³)
2017			
Jan	16.38	40.00 %	4.34171
Feb	17.41	40.00 %	4.34171
Mar	15.58	40.00 %	4.34171
Apr	16.80	40.00 %	4.34171
May	19.89	40.00 %	4.34171
Jun	17.93	40.00 %	4.34171
Jul	17.66	40.00 %	4.34171
Aug	18.70	40.00 %	4.34171
Sep	18.62	40.00 %	4.34171



Production Month 2017	Oil Sands Par Price (\$/tonne)	Third Party Disposition Threshold	Deemed Quality Adjustment (\$/m ³)
Oct	18.02	40.00 %	4.34171
Nov	21.75	40.00 %	4.34171
Dec	18.96	40.00 %	4.34171