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INFORMATION LETTER 2018-07

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 **January** 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: January 2018

Royalty Information

Pre-Payout Gross Royalty Rate: 3.09354% (based on Production Month actual WTI Price)
 Post-Payout Gross Royalty Rate: 4.06708% (based on the average WTI Price for Production Year)
 Post-Payout Net Royalty % Factor (NRPF): 30.75077% (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 2018	Act	\$57.95	0.80469944	= \$72.01
Feb 2018	Est	\$63.66	0.78300000	
Mar 2018	Est	\$64.73	0.78300000	
Apr 2018	Est	\$64.56	0.78300000	
May 2018	Est	\$64.31	0.78300000	
Jun 2018	Est	\$63.96	0.78300000	
Jul 2018	Est	\$63.53	0.78300000	
Aug 2018	Est	\$63.02	0.78300000	
Sep 2018	Est	\$62.49	0.78300000	
Oct 2018	Est	\$61.97	0.78300000	
Nov 2018	Est	\$61.47	0.78300000	
Dec 2018	Est	\$61.01	0.78300000	
Average		\$62.72	0.78480829	= \$79.92

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	WCS Settlement Price	WCS Dilbit Volume Fraction	WCS Bitumen Synbit Premium	WCS Blend Density	Condensate 'CRW' Allowance	Condensate 'CRW' Density	Bitumen Floor Price
2018	(\$CDN/\$US)	(\$US/bbl)		(\$US/bbl)	(Kg/m ³ @15°C)	(\$CDN/m ³)	(Kg/m ³ @15°C)	(\$CDN/m ³)
Jan	1.24270	42.53	0.94	1.92	923.4	512.69	737.7	173.35

Production Month	Oil Sands Par Price	Third Party Disposition	Deemed Quality Adjustment
2018	(\$CDN/tonne)	Threshold	(\$CDN/m ³)
Jan	15.61	40.00 %	4.34171
Feb		40.00 %	4.34171
Mar		40.00 %	4.34171
Apr		40.00 %	4.34171
May		40.00 %	4.34171
Jun		40.00 %	4.34171
Jul		40.00 %	4.34171
Aug		40.00 %	4.34171
Sep		40.00 %	4.34171
Oct		40.00 %	4.34171
Nov		40.00 %	4.34171
Dec		40.00 %	4.34171

