

***Royalty Operations
Emerging Resources Program***

SCOPE: Emerging Resources Program Applications

The Emerging Resources Program (ERP) is designed to encourage industry to open up new oil and gas resources in higher-risk and higher-cost areas that have large resource potential. This will promote industry innovation and learning in order to generate greater royalties and other benefits to Albertans in the long term.

For the purposes of the program, a project consists of a defined geographic area, target formation, set of wells and associated infrastructure.

Wells that receive program benefits will pay a flat royalty rate of 5 per cent until their combined revenue equals their combined program specific cost allowances. After that, wells will be subject to normal royalty rates under the Modernized Royalty Framework.

Applicants may apply to Alberta Energy after December 31, 2016. Applications can be sent by email to MRFPPrograms@gov.ab.ca or by mail to:

Executive Director
Royalty Operations
Alberta Energy
7th floor, North Petroleum Plaza
9945 - 108 Street
Edmonton, AB T5K 2G6

Applications to the ERP should contain the following information:

Cover Letter

- A covering letter signed by the President, Vice President, Chief Operating Officer, or equivalent clearly indicating the program being applied to and the names of any other project participants if applicable

Large Resource Potential

- Emerging Resource
 - High level overview of potential resource size in the region and/or formation as a whole.

- Project Area
 - Petroleum Resource Assessment Report – current as of the filing of this application, which includes a resource estimate for the project area. The report must be authenticated by a registered member of the Association of Professional Engineers and Geoscientists of Alberta ('APEGA') and prepared in accordance with the Canadian Oil and Gas Evaluation Handbook ('COGEH') or Petroleum Resources Management System (PRMS).

Early Stage Development

- Clearly defined 'Project Evaluation Boundary' on an appropriately scaled map of Alberta in PDF format, which also identifies the Project Area lands and Emerging Resource target formation.
- Alberta Mineral Information - Agreement Detail Report land schedule that includes all of the Project Area lands and is current as of the date of application.
- If there are multiple parties in a single application, the primary applicant must provide a legal document (such as a JV Resolution) confirming all project participants.
- Confirmation that the applicant and any other project participant agrees to provide all proprietary confidential well data within the Project Evaluation Boundary.
- A well list, which includes the Unique Well Identifier ('UWI'), of all wells that have penetrated the related Emerging Resource formation within the Project Evaluation Boundary. As additional wells are phased in on the Project Area Lands, the applicant must submit the additional well IDs for wells producing from the related formation.

Commerciality

Analysis to demonstrate the project is not currently commercial and is unlikely to achieve commerciality without the program. The analysis should include:

- A cash flow analysis of overall project without program benefits
 - Production projections for wells that will be drilled in the project area
 - Model inputs must be detailed including production forecasts and profiles, production rates, drilling plan, infrastructure plan and timeline as well as reserve assumptions
 - Detailed demonstration of methodology.
 - Where required, analysis will utilize defined inputs (such as oil price forecasts) provided by the Department.
- A cash flow analysis of overall project with program benefits
 - Production projections for wells that will be drilled in the project area

- Model inputs must be detailed including production forecasts and profiles, production rates, drilling plan, infrastructure plan and timeline as well as reserve assumptions
- Detailed demonstration of methodology.
- Where required, analysis will utilize defined inputs (such as oil price forecasts) provided by the Department.
- Provide an explanation for how and when the project will improve commerciality under regular MRF royalty rates. For example, this could be achieved through reduced costs, production gains, etc.

Excel Spreadsheets

- Complete the two spreadsheets provided. Additional rows may be added if necessary.

Other instructions:

The department is developing an electronic portal for submissions, further information will be provided once the system is available.

Applications must contain all of the above information or an explanation as to why excluded data or information does not apply and has been left out of the application. Royalty Operations will conduct a pre-screen of the submitted applications to ensure the minimum requirements are met. Applications will not be considered received by Alberta Energy until these requirements have been met. If the material is deemed deficient, we will contact the client and ask for additional information. The date on which the checklist requirements are met will become the official received date of the application.

Once an application is received, Royalty Operations will notify Energy Information and Analysis (EIA) Branch to begin the economic analysis and Energy Technical Services (ETS) Branch to begin the technical review. Should there be any need to receive further information from the applicant, a representative from Alberta Energy will contact the applicant. The expected review time can be up to 6 months.

Once the economic and technical analysis has been completed, the results will be returned to Royalty Operations to make a determination on the approval of the application. Once the application is either approved or denied then a letter will be sent to the applicant from Royalty Operations advising of the final decision.

If the application is approved, then the applicant can select an effective date for the project in the program. The effective date must be on the first of the month. The applicant may select an effective date at the earliest on the first of the month in which a completed application is received and up to 3 months after approval. If no application date is selected, a default date will be made 3 months after approval.

Applicants are reminded, in accordance with the *Mines and Minerals Administration Regulation*, information on approved projects will be posted annually on the department's website.

For additional questions please contact energy.mrfinquiries@gov.ab.ca