Alberta News release

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November 19, 2008

Alberta to offer transitional royalty rates to promote new drilling

All existing wells and oil sands projects to move to new framework January 1, 2009

Edmonton... In response to the global economic crisis and a slowdown in oil and gas drilling throughout the province, the Government of Alberta will provide companies drilling certain new wells after January 1, 2009 with a one-time option of selecting new transitional royalty rates. By helping ensure companies have access to the cash flow they need to invest in new projects, this five-year program is aimed at encouraging the development of new drilling projects and keeping thousands of Albertans at work.

"In light of the current global financing crisis, governments around the world are taking action to stimulate their economies - Alberta is no different," said Premier Ed Stelmach. "We must act to provide stability, particularly for those junior oil and gas companies that are often fully Alberta-owned, and employ thousands of Albertans in areas of the province that are especially vulnerable right now."

The new program is not a royalty holiday. Industry will have the one-time option of selecting the transitional rates or New Royalty Framework rates when drilling a new natural gas or conventional oil well 1,000 to 3,500 metres in depth. All wells drilled between 2009 and 2013 that adopt the transitional rates will be required to shift to the New Royalty Framework on January 1, 2014. All current wells and all oil sands projects will move to the New Royalty Framework on January 1, 2009 as previously scheduled.

"We remain confident that the New Royalty Framework is the right plan over the long-term to produce the results Albertans expect both at higher and lower prices," said Energy Minister Mel Knight. "Right now, with the impact of the global financial crisis on investment and jobs in Alberta, we need to be flexible to ensure this core economic activity continues and keeps Albertans at work."

Offering the transitional rates is estimated to result in a potential reduction of projected royalties of approximately $172 million in 2009, rising to $512 million in 2013, depending on the number of new wells paying transitional royalty rates, actual production rates and commodity prices.

"The global chill on credit and capital markets has put serious pressure on Alberta's extraction companies," said Premier Stelmach. "We must take urgent action to free up working capital and support and encourage continued drilling activity - and the thousands of jobs it creates."

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Backgrounder: Additional details on transitional royalty rates

NOTE: Questions from industry regarding these programs can be emailed to response.energy@gov.ab.ca

Media inquiries may be directed to:

Jason Chance
Director of Communications
Alberta Energy
780-422-3667

To call toll free within Alberta dial 310-0000.

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Additional details on transitional royalty rates

Wells that are eligible for the transitional royalty rates:

- conventional oil and natural gas wells drilled after January 1, 2009
- at depths between 1,000 and 3,500 metres
- an estimated 2,400 to 2,650 wells a year are drilled at depths between 1,000 and 3,500 metres in Alberta. (According to the ERCB, there have been 7,164 successful oil and gas wells drilled between January and September 2008.)

Energy projects that will not be eligible for the transitional royalty rates:
This program does not affect oil sands projects or existing natural gas and conventional oil wells that will transition to the New Royalty Framework on January 1, 2009. Some new wells, due to issues of productivity and price, are expected to move to the New Royalty Framework instead of the transitional curves. Approximately 80 per cent of all wells in Alberta will be ineligible for the transitional royalty rates.

Potential impact on royalties
Assuming that an average number of wells will be drilled between 1,000 and 3,500 metres and that most adopt the transitional curves, the estimated potential royalty impact of the new program is listed below:

Year 1	Year 2	Year 3	Year 4	Year 5
$172 million	$290 million	$381 million	$453 million	$512 million

Taking into account the impact of the transitional program, royalty revenues generated by the New Royalty Framework are still expected to reach approximately $1.8 billion in 2009 and $2.1 billion in 2010 above forecasts under the current royalty structure. Actual revenues will depend on future prices and production levels in the province.

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