

Bulletin 2017-11

April 19, 2017

2017 AER Administration Fees (Industry Levy)

Energy Regulation Program

The Alberta Energy Regulator (AER) regulates energy resource development within Alberta and has a mandate to ensure the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources over their entire life cycle. This includes allocating and conserving water resources, managing public lands, and protecting the environment while providing economic benefits for all Albertans.

For 2017/18, the revenue required to support the AER's operations, as approved by the Government of Alberta, is \$244 847 000.

2017 Administration Fees (Industry Levy)

Sector	Allocation (\$000)	
	2017	2016
Oil and gas	179 578	173 081
Oil sands	61 696	61 746
Coal	3 573	3 576
Total	244 847	238 403

The amount of each invoice depends on the AER's revenue requirement, 2016 production volumes, the number of wells and schemes, and the number of operators within the sector. Any change in the above factors changes the invoice amount for each operator. Invoices to operators detailing the fee calculations will be mailed on April 19, 2017, and payments are due by May 19, 2017.

The *Responsible Energy Development Act (REDA)* authorizes the AER to make rules to levy an administration fee on the oil and gas, oil sands, and coal sectors. *REDA* also authorizes the imposition of a late-payment penalty, which is set at 20 per cent on any portion of the fee that remains unpaid after the due date. Invoices for 2017 administration fees are sent to and are payable by the party that was the operator on record (as defined in section 29 of *REDA*) as of December 31, 2016. For conventional wells and oil sands schemes, "operator" means the entity that files well production, injection, or disposal data, or all three, with Petrinex, Canada's Petroleum Information Network. If the operator fails to pay the fee,

the late-payment penalty will be added and the AER will pursue the approval holder (if the actual operator and approval holder are two different parties) for payment of the full amount.

If the administrative levy or penalty is not paid, the AER may use various enforcement tools to collect payment:

- 1) The AER may close producing wells or facilities.
- 2) The AER may garnish production from operating wells and facilities to collect any outstanding debts. Under section 103 of the *Oil and Gas Conservation Act*, if an approval holder has failed to pay debts to the AER, the AER has a lien on its wells, facilities, and pipelines and on land or interests in land, including mines and minerals, equipment, and petroleum substances. The AER's lien has priority over all other liens, charges, rights of set-off, and mortgages and other security interests.
- 3) The AER may use other enforcement tools, as set out in legislation.

Oil and Gas

The administration fee in the conventional oil and gas sector is based on individual well production of oil/bitumen or gas and the number of production and service wells for the year ended December 31, 2016.

All operating wells are classified into one of eight base fee classes, as set out in the *Alberta Energy Regulator Administration Fees Rules (AFR)* and illustrated in the table below. In addition, an adjustment factor is specified and applied to each base fee. This adjustment factor ensures that the total administration fee collected for the sector satisfies the revenue requirement for the AER.

Class	Min. production (m ³ /yr)*	Max. production (m ³ /yr)	Base fee
1	Service wells		\$100.00
2	0.01	300	\$100.00
3	300.1	600	\$125.00
4	600.1	1 200	\$312.00
5	1 200.1	2 000	\$750.00
6	2 000.1	4 000	\$1 250.00
7	4 000.1	6 000	\$1 625.00
8	6 000.1	>	\$1 875.00

* The adjustment factor is set at 4.219929 of the base fee specified for wells in all classes in the *AFR*.

Alberta Upstream Petroleum Research Fund (AUPRF)

The Canadian Association of Petroleum Producers (CAPP) and the Explorers and Producers Association of Canada (EPAC) have jointly requested that the AER's administration fee process be used to collect \$4 100 000 to fund the AUPRF in 2017. The AER has agreed to assist and has included an amount for

this funding in the oil and gas well administration fee invoices. As a result, the adjustment factor used for invoicing has increased from 4.219929 to 4.316275. Payment of the AUPRF is voluntary. Funds collected by the AER will be passed to the Petroleum Technology Alliance of Canada (PTAC). The AER is not involved in and does not make any decisions regarding the manner in which these funds are spent or to whom the funds are disbursed. On request, the AER may provide information to PTAC regarding paid and unpaid AUPRF amounts by operator.

Oil Sands

Fees are levied in five categories based on operating information for the 2016 calendar year. An operator may have activities in more than one category. Each category is subject to an adjustment factor as identified below.

Category	Allocation (\$000)	Adjustment factor
Primary ongoing	7 316	3.992551
Thermal ongoing	23 898	4.629678
Thermal growth	14 631	5.527904
Mining ongoing	9 023	1.812419
Mining growth	6 828	20.965202
Total	61 696	

Coal

The administration fee for coal is based on each mine's share of total production volumes for the year ended December 31, 2016. It is set at \$0.137894 per tonne of coal as specified in the *AFR*.

Contact

If you have questions about the 2017 administration fees, please contact

Anila Kaceli
 Team Lead, Revenue & Cash Management
 Finance Branch
 Alberta Energy Regulator

Suite 1000, 250 – 5 Street SW

Calgary, AB T2P 0R4

Telephone: 403-297-6985

Email: anila.kaceli@aer.ca

Appeals

Any appeal must be made in writing to

Tom Heywood, CA
Vice President of Finance & Chief Financial Officer
Finance Branch
Alberta Energy Regulator

Suite 1000, 250 – 5 Street SW
Calgary, AB T2P 0R4
Telephone: 403-297-2133
Email: tom.heywood@aer.ca

Payment of all invoices is required by May 19, 2017, regardless of whether an appeal has been filed.
Following a decision of the appeal, adjustments will be applied as needed.

<original signed by>

Tom Heywood, CA
Vice President of Finance & Chief Financial Officer
Finance Branch

February 10, 2017

To: 2017 AER Oil & Gas Administration Fees Recipients

Re: Industry Support for the Alberta Upstream Petroleum Research Fund (AUPRF)

On behalf of the Canadian Association of Petroleum Producers, the Explorers and Producers' Association of Canada, Alberta Energy and Alberta Environment and Parks, we encourage your company's contribution to the voluntary Alberta Upstream Petroleum Research Fund (AUPRF).

All of us see significant value for the oil and gas industry in the research supported historically, and in the future, by this fund. A backgrounder on the fund is attached which describes the research priorities for 2017. The total budget necessary to implement this research program is approximately \$4.1 million.

As a funder, your organization is entitled access to electronic copies of all final reports from AUPRF projects, as well as reports on best practices developed in operations learned from past research projects. Your organization will also be recognized publicly as a financial contributor to this program.

We thank you for your cooperation, and hope that you will join our efforts in supporting the substantial value to industry generated by the Alberta Upstream Petroleum Research Fund.

For additional information on specific AUPRF projects please contact:

Tannis Such at Petroleum Technology Alliance Canada: 403-218-7703 or tsuch@ptac.org

For information on how your portion of the AUPRF funding was calculated, please contact:

Anila Kaceli at the AER: 403-297-6985 or anila.kaceli@aer.ca

Sincerely,



Coleen Volk – Deputy Minister, Alberta Energy



Andre Corbould – Deputy Minister, Alberta Environment & Parks



Tim McMillan – President & CEO, CAPP



Gary Leach – President, EPAC