

MINES AND MINERALS ACT
INNOVATIVE ENERGY TECHNOLOGIES REGULATION
PROJECT APPROVAL NO. ##-###

IETR

1 Definitions and Interpretation

1.1 In this Approval,

- (a) “Application” means Application No. ##-### submitted under the Regulation and dated [INSERT APPLICATION DATE] respecting the project entitled: [INSERT PROJECT TITLE];
- (b) “Crown” means Her Majesty the Queen in right of Alberta;
- (c) “Department” means the Alberta Department of Energy or Alberta Energy;
- (d) “Intellectual Property Agreement” means the intellectual property agreement entered into between the Operator and Her Majesty the Queen in right of Alberta as represented by the Minister of Energy in relation to the Project, as amended from time to time;
- (e) “Minister” means the Minister of Energy or authorized delegate thereof;
- (f) “Operating Costs”, “Operating” or costs of an operating nature means costs incurred in Alberta pertaining to the operation of the capital assets of the Project;
- (g) “Operator” means [INSERT OPERATOR NAME] or as otherwise shown in the records of the Department from time to time as the operator of the Project;
- (h) “Project Technology” means Project Technology as defined in the Intellectual Property Agreement.
- (i) “Participant” means a Participant as defined in the Intellectual Property Agreement;
- (j) “Project” or “Project Description” means the project described in section 3.1; and
- (k) “Regulation” or “IETR” means the *Innovative Energy Technologies Regulation*.

1.2 For the purposes of the Intellectual Property Agreement, the “Term” of that agreement begins on the date of this Approval.

1.3 Schedule ‘A’ (Project Eligible Costs), Schedule ‘B’ (Annual Reporting Requirements) and Schedule ‘C’ (Operator Contact Information) are attached to and form part of this Approval.

1.4 References in this Approval to section numbers are to the corresponding numbered provisions of this Approval unless otherwise indicated.

1.5 If the Operator is represented by more than one body corporate, the obligations of the bodies corporate are joint and several.

1.6 The *Interpretation Act*, R.S.A. 2000, c. I-8 applies to this Approval.

2 General Approval

3(1) 2.1 The Application is hereby approved under section 3(1) of the Regulation, subject to the
3(2)(f) Regulation and the terms and conditions contained herein.

3(2)(f) 2.2 The effective date of this Approval is [INSERT DATE].

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3 Project Description

- 3(2)(a) 3.1 The approved project is as described in the Application. The sub-surface area and strata affected by the project is [INSERT LEGAL DESCRIPTION]. The surface area occupied by the project is [INSERT LEGAL DESCRIPTION].
- 3(2)(f) 3.2 The Project must be conducted in accordance with the Project Description.
- 3(2)(f) 3.3 The Minister must be immediately notified in writing of any changes to the Project Description.
- 3(2)(f) 3.4 The Minister must be notified in writing of the removal or replacement of any equipment and facilities specified in the Project Description within thirty (30) days of such removal or replacement.
- 3(3)(a)

4 Commencement

- 1(3) 4.1 The Project must commence within six (6) months of the date of this Approval. If the Project has not commenced within six (6) months of the date of this Approval, this Approval will be revoked. For the purposes of this section and the Regulation, the Project is considered to have commenced on the date that [INSERT DESCRIPTION OF PHYSICAL ACTIVITY].
- 3(2)(f)

5 Allocable Costs

- 3(2)(b) 5.1 The maximum amount of allocable costs that may be established for the Project is \$0.
- 3(2)(c) 5.2 The maximum amount of allocable costs that may be established for the Project for a calendar year are as follows:

2011	\$0
2012	\$0
2013	\$0
2014	\$0
2015	\$0
2016	\$0

- 3(2)(b) 5.3 The cumulative total of allocable costs established for each calendar year under section 5.2 must not exceed the maximum amount of allocable costs specified in section 5.1.
- 2(3) 5.4 The total amount of government grants or benefits referred to in section 2(3) of the Regulation, including, without limitation, allocable costs and amounts provided under other royalty regulations administered by the Department, must not exceed fifty (50) percent of the eligible costs of the Project. The Minister may at any time make a reduction, as described in section 2(3)(a) and (b) of the Regulation, so that the total amount of government grants or benefits does not exceed fifty (50) percent of the eligible costs of the Project.
- 3(2)(f)

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6 Eligible and Ineligible Costs

- 5(1) 6.1 Subject to sections 6.3 and 6.4, the eligible costs of the Project are, as determined by the Minister, the costs that are
- (a) directly attributable to the innovative technology of the Project or otherwise necessary to carry out the Project; and
 - (b) specified as eligible costs and categories of eligible costs for the Project in Schedule 'A'.
- 3(2)(e) 6.2 The percentage that will be used to establish allocable costs in relation to each eligible cost and category of eligible costs described in Schedule 'A' is thirty (30) percent, unless otherwise specified in Schedule 'A'.
- 5(3) 6.3 Costs are not eligible costs in respect of the Project if
- 3(2)(f)
 - (a) the costs are incurred before June 2, 2004 or after December 31, 2016;
 - (b) the costs are not actually incurred;
 - (c) the Project has not commenced;
 - (d) the costs are in relation to equipment or facilities located outside of the Province of Alberta;
 - (e) a credit, as defined under the *CO₂ Projects Royalty Credit Regulation* or *Gas Processing Efficiency Assistance Regulation*, as the case may be, has been or is established in respect of the same costs;
 - (f) the costs are eligible to be claimed under the *Natural Gas Royalty Regulation, 2002* or *Natural Gas Royalty Regulation, 2009*, including, without limitation, costs attributable to the gathering, compression, processing and separation of natural gas and gas by-products; or
 - (g) the costs are in relation to materials or capital items that are not actually being used in the Project.
- 5(4) 6.4 The eligible costs of the Project do not include any of the following:
- 3(2)(f)
 - (a) administration, management or financing costs;
 - (b) amortization of capital assets;
 - (c) the cost of borrowed money that is deductible from income under section 21 of the *Income Tax Act* (Canada);
 - (d) amounts that would be deductible under the *Income Tax Act* (Canada) or the *Income Tax Regulations* under that Act as a capital cost of property;
 - (e) expenses incurred for salaries, wages or other remuneration or benefits paid or provided to an employee in respect of services rendered by the employee, to the extent the services are not wholly and directly related to the approved project;
 - (f) taxes paid, payable or collected under Part IX of the *Excise Tax Act* (Canada);
 - (g) Alberta Energy and Utilities Board or Energy Resources Conservation Board administration fees;
 - (h) property taxes;
 - (i) insurance for property or vehicles;
 - (j) capital costs relating to roads, bridges, walkways and fences;
 - (k) Operating Costs in relation to road lease maintenance;

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- (l) indirect charges or deemed allocations from head office;
- (m) soil monitoring/testing not specifically related to production and injection equipment;
- (n) mobile telecommunication equipment;
- (o) noise abatement testing;
- (p) other costs as specified in Schedule 'A'.

- 3(2)(f) 6.5 For the purposes of the Regulation and this Approval, a cost is incurred on the later of the date
- (a) a payment is made for that cost;
 - (b) the Minister consents in writing to including a capital item in the Project for which payment was made on or before June 2, 2004 that
 - (i) is from existing inventory if the capital item is new; or
 - (ii) has a remaining net book value if the capital item is not new;
- or
- (c) as otherwise determined by the Minister from time to time.
- 3(2)(f) 6.6 For the purposes of section 5(2) of the Regulation, the fair market value of a capital item must
5(2) be reduced by the amount claimed under any other royalty regulation administered by the Department.
- 3(2)(f) 6.7 For the purposes of section 5(4)(d) of the Regulation and section 6.4(d), amounts that would
5(4)(d) be deductible under the *Income Tax Act* (Canada) or the *Income Tax Regulations* under that Act as a capital cost of property means amounts deducted as a capital cost allowance or as amortization of eligible capital property under that legislation.
- 3(2)(f) 6.8 In a form satisfactory to the Minister, supporting information and documentation detailing
eligible costs must be submitted to the Minister by March 31 following the end of the calendar year for which allocable costs have been applied for and established in relation to those eligible costs.
- 7 Reports and Presentations
- 3(2)(f) 7.1 Information and reports required under the Intellectual Property Agreement must be submitted
3(3)(b) in accordance with that agreement.
- 3(2)(f) 7.2 A written annual Project progress report must be submitted to the Minister in accordance with
3(3)(b) Schedule 'B', as amended by the Minister from time to time, by June 30 following the end of each calendar year until the completion of the project.
- 3(2)(f) 7.3 A written final report for the Project must be submitted to the Minister in a form prescribed by
3(3)(b) the Minister within one hundred and eighty (180) days following the completion of the Project.
- 3(2)(f) 7.4 The Minister may request other information regarding the Project from time to time and such
3(3)(b) information must be submitted to the Minister in the form prescribed and within the time period specified by the Minister.

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- 3(2)(f) 7.5 All information and reports submitted to the Minister must be to the Minister's satisfaction.
- 3(2)(f) 7.6 If requested by the Minister, the Operator will meet with the Minister or Department to explain any information submitted or to provide an update on the conduct of the Project.
- 3(2)(f) 7.7 The Government of Alberta, Alberta Energy and the Innovative Energy Technologies Program must be acknowledged in all written and oral communication made to the general public in respect to the Project.
- 8 Disclosure and Publication of Information
- 3(2)(f) 8.1 The Minister may, without notice to the Operator, disclose any Project information submitted to the Crown by the Operator to any Government of Alberta department, agency, body or contracted consultant thereof immediately upon receipt of such information.
- 3(2)(f) 8.2 The Crown may, in consultation with the Operator, prepare a summary of the Project based on information contained in the IETP Project application and the Minister may, without notice to the Operator, disclose to any person or publish that summary in any form or manner and at any time determined by the Minister.
- 3(2)(f) 8.3 Subject to any applicable provision of the Intellectual Property Agreement, the Minister may, without notice to the Operator, disclose to any person or publish in any manner determined by the Minister each annual Project progress report and the final report referred to in sections 7.2 and 7.3, respectively, two (2) years following the date the report was received or ought to have been received by the Minister.
- 3(2)(f) 8.4 The Crown may, in consultation with the Operator, prepare reports for disclosure or publication based on Project information submitted to the Crown by the Operator and, subject to any applicable provision of the Intellectual Property Agreement, the Minister may, without notice to the Operator, disclose to any person or publish in any form or manner determined by the Minister such reports two (2) years following the date that the latest information submitted by the Operator and referred to in a report prepared by the Crown was received or ought to have been received by the Minister. For the purposes of preparing reports for disclosure or publication, the Operator must provide the Crown all reasonable assistance in the analysis of Project information.
- 3(2)(f) 8.5 The Operator is deemed to have provided the Minister with all necessary authorization to disclose or publish Project information submitted by the Operator or prepared by the Crown in accordance with sections 8.1 to 8.4.
- 3(3)(c) 3(2)(f) 8.6 When disclosure or publication is undertaken as contemplated by sections 8.2 to 8.4, the Operator is deemed to have arranged for irrevocable waivers of moral rights in favour of the Crown and the Crown's licensees and assignees.

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9 Meetings, Inspections and Site Visits

- 3(2)(f) 9.1 The Minister may appoint an individual from time to time as the Minister's technical representative who will be entitled to receive notice of and monitor some or all or a portion of the activities related to the Project and be entitled to request and receive all information generated from it.
- 3(2)(f) 9.2 The Minister's technical representative must be provided with reasonable notice of all technical and management meetings related to the Project and may attend such meetings.
- 3(2)(f) 9.3 The Minister's technical representative, or any other person or persons representing the Minister, must be allowed reasonable access at any time during the Operator's business hours, on giving the Operator 48 hours prior written notice to the place or places where the Project is being conducted, and to examine and inspect all or any part of the Project or any record, document or writing related to the Project. The Minister will be responsible for the conduct of its representatives, including the technical representative, and will ensure that these representatives are bound by the confidentiality provisions of the Intellectual Property Agreement.
- 3(2)(f) 9.4 The exercise of the Minister's right of access pursuant to section 9.3 is subject to the reasonable direction and requirement of the Operator regarding safety and conduct while on the Project site.
- 3(2)(f) 9.5 The Crown will in the exercise of access pursuant to section 9.3 indemnify the Operator and Participants and hold them harmless against all claims, losses and costs, including reasonable solicitor client costs, made against them as a result of injuries, damage or loss arising out of this access except in the case of negligence, illegal acts or omissions or wilful misconduct on the part of the Operator or a Participant.

10 Records

- 3(2)(f)
9(1) 10.1 All records that relate to the Project must be kept by the Operator the later of the period of time specified in section 9(1) of the Regulation or specified in the Intellectual Property Agreement.
- 3(2)(f) 10.2 On request of the Minister, records that relate to the Project must be made available to the Minister or Department for inspection, reproduction, audit or any other reasonable purpose.

11 Intellectual Property

- 3(2)(f), 4 11.1 The Intellectual Property Agreement must be complied with.

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12 Statutory Declaration

- 3(2)(f) 12.1 The Operator must submit a statutory declaration to the Minister by March 31 following the end of and in respect to each calendar year declaring that
- 5(3)(d) (a) allocable costs have not been applied for and established in relation to
 - 5(4)(c) (i) equipment or facilities located outside of the Province of Alberta;
 - 5(4)(d) (ii) the cost of borrowed money that has been or will be deducted from income under section 21 of the *Income Tax Act* (Canada);
 - 5(6)(b) (iii) an amount deducted as a capital cost allowance or as amortization of eligible capital property under the *Income Tax Act* (Canada) or the *Income Tax Regulations* under that Act;
 - 3(2)(f) (iv) any item or service obtained from a person who is connected to the Operator or any owner of the Project, pursuant to the definition of a connected person under section 6 of the Regulation;
 - 2(3) (v) materials or capital items that have not been used in the Project;
 - 3(2)(f) (b) all government grants and benefits provided in relation to the Project, including, without limitation, amounts provided under other royalty regulations administered by the Department, have been disclosed to the Department; and
 - 3(2)(f) (c) any other matter requested by the Minister.

13 Artificial Transactions and Non-Compliance

- 10 13.1 If, in the opinion of the Minister, circumstances arise as described in section 10(1) of the
3(2)(f) Regulation in relation to the Project, the Minister may on notice to the Operator take any or all of the actions specified in section 10(2) and (3) of the Regulation in addition to any other remedies available to the Crown if the Operator, upon receiving notice in writing of the circumstances, fails to
- (a) take reasonably appropriate remedial action within sixty (60) days, or on such shorter period as may be reasonable under the circumstances in the Minister's discretion; and
 - (b) diligently pursue such remedial action until the circumstances are remedied.

14 Termination

- 3(2)(f) 14.1 The Project must not be terminated without the prior written consent of the Minister.
- 3(2)(f) 14.2 The Operator may request in writing that this Approval and the Intellectual Property Agreement be terminated if
- (a) the Project results are unsatisfactory and do not justify the continuation of the Project; or
 - (b) the Minister reduces the maximum amount of allocable costs specified under sections 5.1 and 5.2, except pursuant to section 5.4 and sections 2 and 10 of the Regulation.

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- 3(2)(f) 14.3 Upon receiving a request under section 14.2, the Minister will consent to terminate this Approval and the Intellectual Property Agreement subject to section 14.4 if, in the Minister's opinion,
- (a) this Approval and the Intellectual Property Agreement have been complied with, in all material respects, to the date of the request; and
 - (b) in respect to a request made pursuant to section 14.2(a), the Project results are unsatisfactory and do not justify the continuation of the Project.
- 3(2)(f) 14.4 Termination of this Approval and the Intellectual Property Agreement under section 14.3 is subject to
- (a) the Operator submitting to the Minister a written final report for the Project and Project Technology to the date of termination that meets the requirements of Schedule "A" of the Intellectual Property Agreement, or as more specifically prescribed by the Minister, within forty-five (45) days of the date of termination; and
 - (b) any other reasonable terms and conditions determined by the Minister.
- 3(2)(f) 14.5 Upon application by the Operator, allocable costs will be established for eligible costs incurred and paid to the date the Minister consents to terminating this Approval and the Intellectual Property Agreement.
- 15 Hold Harmless
- 3(2)(f) 15.1 The Operator shall hold harmless the Crown, the Crown's employees and agents from and
3(3)(d) against all claims, demands, losses, costs, including reasonable solicitor client costs, damages, actions, suits or proceedings (collectively "Claims"), whatsoever and by whomsoever made, brought or prosecuted, in any manner to the extent the claims are based upon or arise out of, relate to, or are occasioned by or attributable to the Operator or a Participant or their employees or agents in respect to
- (a) the Project;
 - (b) the establishing and applying of allocable costs under the Regulation;
 - (c) the use or disclosure by the Crown of reports and information relating to the Project; or
 - (d) negligence, illegal acts or omissions or willful misconduct.
- 3(2)(f) 15.2 The Operator's obligation in section 15.1 is contingent on the following conditions:
- (a) the Crown must notify the Operator in writing promptly after the Crown becomes aware of a claim or possibility thereof; and
 - (b) the Crown must provide the Operator with all information related to the action that is requested by the Operator.
- 3(2)(f) 15.3 The Operator shall not be liable hereunder for any settlement made by the Crown without the Operator's prior written approval.

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- 3(2)(f) 15.4 The Crown shall hold harmless the Operator and the Participants, their employees and agents from and against all Claims whatsoever and by whomsoever made, brought or prosecuted, in any manner to the extent the claims are based upon or arise out of, relate to, or are occasioned by or attributable to the Crown or its employees or agents in respect to
- (a) the Crown's disclosure of Project Technology where such disclosure is not in accordance with sections 8.1 to 8.4; or
 - (b) negligence, illegal acts or omissions or willful misconduct.
- 3(2)(f) 15.5 The Crown's obligation in section 15.4 is contingent on the following conditions:
- (a) the Operator must notify the Crown in writing promptly after the Operator becomes aware of a claim or possibility thereof; and
 - (b) the Operator must provide the Crown with all information related to the action that is requested by the Crown.
- 3(2)(f) 15.6 The Crown shall not be liable hereunder for any settlement made by the Operator without the Crown's prior written approval.

16 Notices

- 3(2)(f) 16.1 All notices, reports, consents and other communication under this Approval must be in writing and are effective when delivered by any means, including fax transmission, to the following respective addresses:

For the Minister and Department: Innovative Energy Technologies Program
Alberta Energy
Research and Technology Branch
North Tower, Petroleum Plaza
9945 - 108 Street
Edmonton, Alberta T5K 2G6
Fax: (780) 644-3234

For the Operator: Contact information for the Operator is provided in Schedule 'C'.

- 3(2)(f) 16.2 Either the Minister, Department or Operator may change its address information by giving notice to the other in the above manner.

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SCHEDULE 'A'

PROJECT ELIGIBLE COSTS

FOR REVIEW PURPOSES ONLY

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SCHEDULE 'B'

ANNUAL REPORTING REQUIREMENTS

1. Summary:
 - a. Report abstract (150 word maximum).
 - b. Project status, including any changes to the project team, a chronological report of all activities and operations conducted, and updated incremental reserves and production.
2. Pilot data
 - a. Data submission.
 - i. Geology and Geophysical data.
 - ii. Laboratory studies.
 - iii. Simulations.
 - iv. Pressure, temperature, and other applicable reservoir data.
 - v. Any other measurements, observations, tests or data pertinent to the pilot.
 - b. Interpretation of pilot data.
3. Well information
 - a. Well layout map.
 - b. Review drilling, completion and workover operations and any difficulties encountered.
 - c. Well operation.
 - i. Well list and status.
 - ii. Wellbore schematics.
 - iii. Spacing and pattern.
4. Production performance and data
 - a. Injection and production history on an individual well and composite basis.
 - b. Composition of produced / injected fluids.
 - c. Comparison of predicted versus actual well / pilot performance and a discussion regarding the difference.
 - d. History of injection, production and observation well pressures and average reservoir pressure.
5. Pilot economics to date
 - a. Sales volumes of natural gas and by-products.
 - b. Revenue.
 - c. Capital costs (include a listing of items with installed cost greater than \$10,000).
 - d. Direct and indirect operating costs by category (e.g. fuel, injectant costs, electricity).
 - e. Crown royalties, applicable freehold royalties, and taxes.
 - f. Cash flow.

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SCHEDULE 'B'
(continued)

- g. Cumulative project costs and net revenue.
 - h. Explanation of material deviations from budgeted costs.
6. Facilities
- a. Description of major capital items (including new facilities and additions /modifications to existing facilities).
 - b. Capacity limitation, operational issues, and equipment integrity.
 - c. Process flow and site diagram identifying major facilities, including production equipment, connected pipelines, gathering and compression facilities.
7. Environment/Regulatory/Compliance
- a. Summary of project regulatory requirements and compliance status.
 - b. Procedures to address environmental and safety issues.
 - c. Plan for shut-down and environmental clean-up
8. Future operating plan
- a. Project schedule update including deliverables and milestones.
 - b. Changes in pilot operation, including production operations, injection process, and cost optimization strategies.
 - c. Salvage update
9. Interpretations and Conclusions
- An assessment of the overall performance of the pilot, including:
- a. Lessons learned.
 - b. Difficulties encountered.
 - c. Technical and economic viability.
 - d. Overall effect on overall gas and bitumen recovery.
 - e. Assessment of future expansion or commercial field application and discussion of reasons.

Note: Reports should be submitted in both hard copy and electronic format such as pdf file. Raw data should be submitted in a format suitable for ease of use with modeling or other such programs, i.e. Excel.

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SCHEDULE 'C'

OPERATOR CONTACT INFORMATION

FOR REVIEW PURPOSES ONLY