PLEASE NOTE

This document, prepared by the Legislative Counsel Office, is an office consolidation of this regulation, current to February 1, 2004. It is intended for information and reference purposes only.

This document is not the official version of these regulations. The regulations and the amendments printed in the Royal Gazette should be consulted to determine the authoritative text of these regulations.

For more information concerning the history of these regulations, please see the Table of Regulations.

If you find any errors or omissions in this consolidation, please contact:

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CHAPTER O-5

OIL AND NATURAL GAS ACT

ROYALTIES ORDER

Under authority of subsection 64(1) of the Oil and Natural Gas Act R.S.P.E.I. 1988, Cap. O-5, Council made the following order:

1. (1) Subject to section 4, the lessee shall pay to the Minister, for each month that the land covered by the lease is producing oil, a royalty consisting of a percentage of the oil obtained from each well as specified in Schedule A.

   (2) Any sale of oil from a lease area shall include the royalty share belonging to the Minister, and, by the twenty-fifth day of the month following each quarterly period of each year that the lease is in effect, the lessee shall pay the Minister an amount equal to the royalty share sold in the name of the Minister. (EC537/85)

2. (1) Subject to section 4, the royalty on natural gas shall be ten percentum of the selling price or fair market value at the time and place of production, and, by the twenty-fifth day of the month following each quarterly period of each year that the lease is in force, the lessee shall account to, and pay to, the Minister the royalty on natural gas accumulated during that period.

   (2) Where the Chief Officer, in his sole discretion, determines that there is effectively no Prince Edward Island fair market value price for natural gas, the Alberta border price shall prevail. (EC537/85; 575/85)

3. The royalty on sulphur obtained by processing natural gas shall be ten percentum of the selling price or fair market value at the time and place of production, less the lessor’s proportionate share of production, processing and transportation charges, and, by the twenty-fifth day of the month following each quarterly period of each year that the lease is in force, the lessee shall account to and pay to the Minister the royalty on these products accumulated during that period. (EC537/85)

4. No royalty is payable for oil or natural gas that is
   (a) consumed by the lessee in direct connection with development work on the lease area;
   (b) returned to a formation; or
   (c) flared. (EC537/85)
5. Notwithstanding sections 1 and 2, the Minister may, with the approval of the Lieutenant Governor in Council, enter into agreements providing for payment by the lessee of a nominal royalty fee on the leasehold and for the term specified in the agreement. (EC122/97)
Oil and Natural Gas Act  
Cap. O-5  

SCHEDULE A

<table>
<thead>
<tr>
<th>Monthly Production in m³</th>
<th>Rate of Royalty for the Month in m³</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 49m³</td>
<td>5%</td>
</tr>
<tr>
<td>50 - 79m³</td>
<td>5% of 50m³ + 7½% of remainder</td>
</tr>
<tr>
<td>80 - 109m³</td>
<td>6% of 80m³ + 9½% of remainder</td>
</tr>
<tr>
<td>110 - 139m³</td>
<td>7% of 110m³ + 11½% of remainder</td>
</tr>
<tr>
<td>140 - 179m³</td>
<td>8% of 140m³ + 13% of remainder</td>
</tr>
<tr>
<td>180 - 219m³</td>
<td>9% of 180m³ + 15% of remainder</td>
</tr>
<tr>
<td>220 - 289m³</td>
<td>10% of 220m³ + 114% of remainder</td>
</tr>
<tr>
<td>290 - 719m³</td>
<td>11% of 290m³ + 13½% of remainder</td>
</tr>
<tr>
<td>720 and over</td>
<td>12%</td>
</tr>
</tbody>
</table>

(EC537/85)