

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

IETR Definitions and Interpretation

1. In this Approval,
 - (a) “Application” means Application No. [##-###] submitted under the Regulation respecting the [PROJECT TITLE] project dated [DATE];
 - (b) “Crown” means Her Majesty the Queen in right of Alberta;
 - (c) “Department” means the Alberta Department of Energy;
 - (d) “Intellectual Property Agreement” means the intellectual property agreement entered into with Her Majesty the Queen in right of Alberta as represented by the Minister of Energy in relation to the Project dated [DATE], as amended from time to time;
 - (e) “Minister” means the Minister of Energy or authorized delegate thereof;
 - (f) “Operating Costs” means costs incurred in Alberta pertaining to the operation of the capital assets of the Project;
 - (g) “Operator” means [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 5;
 - (k) “Regulation” or “IETR” means the *Innovative Energy Technologies Regulation*;
 - (l) “Schedule ‘A’” means Schedule ‘A’ attached to and forming part of this Approval.

- 3(1) 2. References in this Approval to section numbers are to the corresponding numbered provisions of this Approval unless otherwise indicated.
- 3(2)(f) 3. If the Operator is represented by more than one body corporate the obligations of the bodies corporate are joint and several.

General Approval

- 3(1) 4. The Application is hereby approved under section 3(1) of the Regulation subject to the Regulation and the following terms and conditions.

Project Description

- 3(2)(a) 5. The approved project is as described in the Application [or as otherwise specified by the Department].
- 3(2)(f) 6. The Project must be conducted in accordance with the Project Description.
- 3(2)(f) 7. The Minister must be immediately notified in writing of any changes to the Project Description.
- 3(2)(f) 8. 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)

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Commencement

- 3(2)(f) 9. The Project must commence within six (6) months of the date of this Approval. If the Project
1(3) has not commenced within this period, this Approval will cease to be effective. For the
purposes of this section and the Regulation, the Project is considered to have commenced on
[DATE OR DESCRIPTION OF PHYSICAL ACTIVITY].

Allocable Costs

- 3(2)(b) 10. The maximum amount of allocable costs that may be established for the Project is
\$[AMOUNT].
- 3(2)(c) 11. The maximum amount of allocable costs that may be established for the Project for a calendar
year are as follows:

2006	[The amount for each calendar year will be determined by the Department by dividing
2007	the maximum allocable costs (section 10) by the number of years the Project will be
2008	conducted (up to a maximum of 7 years) and adding 10% of the maximum allocable
2009	costs.]
2010	
2011	
2012*	

* For the year 2012, allocable costs may only be established for the months of January,
February and March.

- 3(2)(b) 12. The cumulative total of allocable costs established for each calendar year under section 11 must
not exceed the maximum amount of allocable costs specified in section 10.
- 2(3) 13. The total amount of government grants or benefits referred to in section 2(3) of the Regulation,
3(2)(f) including, without limitation, allocable costs and amounts provided under other Department
royalty programs, 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.

Eligible and Ineligible Costs

- 5(1) 14. Subject to sections 16 and 17, 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'.

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- 3(2)(e) 15. 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 30 percent (30%), unless otherwise specified in Schedule 'A'.
- 5(3)
3(2)(f) 16. Costs are not eligible costs in respect of the Project if
- (a) the costs are incurred before June 2, 2004 or after March 31, 2012;
 - (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*, 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)
3(2)(f) 17. The eligible costs of the Project do not include any of the following:
- (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 administration fees;
 - (h) property taxes;
 - (i) insurance for property or vehicles;
 - (j) capital costs relating to road, bridges, walkways and fences;
 - (k) Operating Costs in relation to road lease maintenance;
 - (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'.

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- 3(2)(f) 18. 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) 19. 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 Department royalty program.
- 3(2)(f) 20. For the purposes of section 5(4)(d) of the Regulation and section 17(d), amounts that would be
5(4)(d) deductible under the *Income Tax Act* (Canada) or the *Income Tax Regulations* under that Act as a capital cost of property means amounts that would be deductible as a “capital cost allowance” under that legislation.
- 3(2)(f) 21. 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.

Reports and Presentations

- 3(2)(f) 22. Information and reports required under the Intellectual Property Agreement must be submitted
3(3)(b) in accordance with that agreement.
- 3(2)(f) 23. A written annual Project progress report must be submitted to the Minister in a form prescribed
3(3)(b) by the Minister by June 30 following the end of each calendar year.
- 3(2)(f) 24. A written final report for the Project must be submitted to the Minister in a form prescribed by
3(3)(b) the Minister the earlier of
- (a) within one hundred and eighty (180) days following the completion of the Project; or
 - (b) by June 30 following the final calendar year that allocable costs are established pursuant to section 11.
- 3(2)(f) 25. The Minister will have the right to request other information regarding the Project from time to
3(3)(b) time and such information must be submitted to the Minister in the form prescribed and within the time period specified by the Minister.
- 3(2)(f) 26. All information and reports submitted to the Minister must be to the Minister’s satisfaction.
- 3(2)(f) 27. 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.

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Disclosure of Information

- 3(2)(f) 28. The Minister will have the right to disclose any information regarding the Project
3(3)(c) (a) to any Government of Alberta department, agency, body or contracted consultant thereof immediately upon receipt of such information; and
(b) to anyone else 2 years following receipt of the information, subject to the Intellectual Property Agreement.

Meetings, Inspections and Site Visits

- 3(2)(f) 29. The Minister will have the right to 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) 30. The Minister's technical representative must be provided with reasonable notice of all technical and management meetings related to the Project and will have the right to attend such meetings.
- 3(2)(f) 31. 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) 32. The exercise of the Minister's right of access pursuant to section 31 is subject to the reasonable direction and requirement of the Operator regarding safety and conduct while on the Project site.
- 3(2)(f) 33. The Crown will in the exercise of access pursuant to section 31 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.

Records

- 3(2)(f) 34. All records that relate to the Project must be kept by the Operator the later of the period of time
9(1) specified in section 9(1) of the Regulation or specified in the Intellectual Property Agreement.
- 3(2)(f) 35. 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.

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Intellectual Property

3(2)(f), 4 36. The Intellectual Property Agreement must be complied with.

Statutory Declaration

3(2)(f) 37. 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

- (a) allocable costs have not been applied for and established in relation to
 - 5(3)(d) (i) equipment or facilities located outside of the Province of Alberta;
 - 5(4)(c) (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(4)(d) (iii) a capital cost allowance that has been or will be deducted under the *Income Tax Act* (Canada) or the *Income Tax Regulations*;
 - 5(6)(b) (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;
 - 3(2)(f) (v) materials or capital items that have not been used in the Project;
- 2(3) (b) all government grants and benefits provided in relation to the Project, including, without limitation, amounts provided under other Department royalty programs, have been disclosed to the Department; and
- 3(2)(f) (c) any other matter requested by the Minister.

Artificial Transactions and Non-Compliance

10 38. 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.

Termination

3(2)(f) 39. The Project must not be terminated without the prior written consent of the Minister.

3(2)(f) 40. 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 10 and 11, except pursuant to section 13 and sections 2 and 10 of the Regulation.

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- 3(2)(f) 41. Upon receiving a request under section 40 and if, in the Minister's opinion, this Approval and the Intellectual Property Agreement have been complied with to the date of the request, the Minister
- (a) may consent to terminate this Approval and the Intellectual Property Agreement if a request is made pursuant to section 40(a) and the Minister is of the opinion that the Project results are unsatisfactory and do not justify the continuation of the Project; or
 - (b) will consent to terminate this Approval and the Intellectual Property Agreement if a request is made pursuant to section 40(b).
- 3(2)(f) 42. If this Approval and the Intellectual Property Agreement are terminated under section 41,
- (a) the Operator must submit 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) upon application by the Operator, allocable costs will be established for eligible costs incurred and paid to the date of termination.

Indemnification

- 3(2)(f) 43. 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 arising out of, relating to, 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) 44. The Operator's obligation in section 43 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) 45. 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) 46. The Crown shall hold harmless the Operator and the Participants, their employees and agents from and 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 arising out of, relating to, 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 section 28; or
 - (b) negligence, illegal acts or omissions or willful misconduct.
- 3(2)(f) 47. The Crown’s obligation in section 46 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) 48. The Crown shall not be liable hereunder for any settlement made by the Operator without the Crown’s prior written approval.

Notices

- 3(2)(f) 49. 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: Oil Development Business Unit
Alberta Department of Energy
9th Floor, North Petroleum Plaza
9945 – 108 Street
Edmonton, Alberta T5K 2G6
Attention: Manager, Innovative Energy Technologies Program
Fax: (780) 427-0865

For the Operator: **[CONTACT INFORMATION]**

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50. Either the Minister, Department or Operator may change its address information by giving notice to the other in the above manner.

Approved: _____

[NAME]
[TITLE]
[BUSINESS UNIT OR DIVISION]
Alberta Department of Energy
(Authorized Delegate of the Minister)

Date: _____, 200__

*for review
purposes
ONLY*

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SCHEDULE 'A'

PROJECT ELIGIBLE COSTS

1 Eligible Costs

1.1 Costs pertaining to the following items or categories are eligible:

(a)

2 Ineligible Costs

2.1 In addition to the costs specified in section 17, the eligible costs of the Project do not include the following:

(a)