



PLEASE NOTE

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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. Royalty on oil

(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) Manner of payment

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. Royalty on gas

(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) Market value

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) Royalty on sulphur

4. No royalty is payable for oil or natural gas that is Exceptions

- (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)

Nominal royalty

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)

SCHEDULE A

Monthly Production in m ³	Rate of Royalty for the Month in m ³
0 - 49m ³	5%
50 - 79m ³	5% of 50m ³ + 7½% of remainder
80 - 109m ³	6% of 80m ³ + 9½% of remainder
110 - 139m ³	7% of 110m ³ + 11½% of remainder
140 - 179m ³	8% of 140m ³ + 13 % of remainder
180 - 219m ³	9% of 180m ³ + 15 % of remainder
220 - 289m ³	10% of 220m ³ + 14 % of remainder
290 - 719m ³	11% of 290m ³ + 13½% of remainder
720 and over	12%

(EC537/85)