

PETROLEUM RESOURCE ACT REGULATIONS

Summary of Nova Scotia Onshore Royalties

What are royalties paid on? (Part I: Sections 17 & 18(4) & (5))

- All petroleum produced under every lease¹ is subject to royalties payable to the Province.
- No royalty is payable for petroleum that is consumed for drilling, producing, extracting, testing or treating purposes within the lands under the production lease¹.
- No royalty is payable for petroleum that is injected into a formation for conservation purposes in accordance with good oilfield practice.
- Unless the Minister otherwise orders, no royalty is payable for petroleum that is consumed for the operation or maintenance of production facilities, or that is flared, vented or otherwise destroyed.

When are royalties paid? (Part I: Section 18(8) & (10))

- The amount of royalty required to be paid shall be paid on or before the 25th day of the month next following the month of production.
- Where a royalty has not been paid when due, the interest holder is liable for interest on the amount outstanding at an annual rate of eighteen percent(18%).

How are royalties calculated?

Petroleum, except for coal gas (Part II: Sections 63 and 64)

- All petroleum produced under the authority of a lease¹ is subject to a royalty of ten percent (10%) of the petroleum that is produced in each month.
- Royalty shall be based on the fair market value of petroleum at the wellhead.
- In determining the royalty to be paid on any petroleum other than oil, there shall be deducted an allowance for the cost of processing or separation as determined in any particular case by the Minister.
- No royalty shall be calculated or paid with respect to any oil or gas that is produced from the first lease¹ that is granted with respect to lands subject to an exploration agreement for a period of two years from the date of commencement of the lease.

Coal Gas (Part III: Section 97)

- All coal gas produced under the authority of a coal gas production agreement² is subject to a royalty of five percent (5%) of the coal gas produced in each month.
- Royalty shall be based on the fair market value of coal gas at the surface outlet.

¹“Lease” means a production lease granted pursuant to the Act

² “Coal gas production agreement” means an agreement entered into pursuant to the Act to produce coal gas on specified lands.