

## GAS ROYALTY OPERATIONS INFORMATION BULLETIN November 2014

<b>A.</b>	<b>ANNOUNCEMENTS.....</b>	<b>2</b>
	Office Closures Christmas Period.....	2
	Statutory Requirement and Recalculation of 2010 Royalty .....	2
<b>B.</b>	<b>MONTHLY INFORMATION.....</b>	<b>3</b>
	Pricing for Gas and Gas Products .....	3
	September 2014 Royalty Due December 31, 2014.....	3
	October 2014 VA4 due December 15.....	4
	Petrinex Deadline Submissions .....	4
	Interest Rate November 2014.....	4
	August Provisional Assessment Charge.....	4
	August Penalty Charges.....	4
	Production Allocation Discrepancy (PAD) Potential Royalty Impact.....	5
	Well Event Measured Depth Determination Letter .....	5
	NGDDP Confidential Wells .....	5
<b>C.</b>	<b>INFRASTRUCTURE DATA.....</b>	<b>5</b>
	Business Associate ID Listing.....	5
	Client Status Changes.....	6
	Nova Tolls - Multiple Gas Reference Prices .....	6
<b>D.</b>	<b>REMINDERS.....</b>	<b>6</b>
	Royalty Liable Gas Used for Fuel (PURREC/PURDISP) .....	6
	2010 Review of Allocations to the Royalty Paid Stream ID AB WG 99999.....	7
	Annual Reports In CSV format .....	7
<b>E.</b>	<b>BUSINESS CONTACTS.....</b>	<b>8</b>
	Quick Reference.....	8
	Petrinex Service Desk .....	8
	Volumetric & Cost Reporting .....	8
	Management Information.....	9
	Gas Royalty Accounting .....	9
	Gas Royalty Features.....	9
	Reference Prices and Valuation Allowances Calculation Information .....	9
	Alberta Energy Internet Webpage.....	9

<p><b>PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT</b></p>
---

## A. ANNOUNCEMENTS

### **Office Closures Christmas Period**

The Royalty Operations Branch will be closed from December 24th to 30th, 2014 and on January 1st, 2015. Limited services will be available during regular office hours at the Edmonton office only on December 31st. This is in accordance with the Government of Alberta's new holiday season schedule. Please refer to the Monthly Information article entitled [September 2014 Royalty Due December 31, 2014](#) for additional information regarding royalty payment.

### **Statutory Requirement and Recalculation of 2010 Royalty**

A production year becomes statute barred on December 31st, four years after the end of a production year. Once a year has become statute barred, calculation or recalculation of royalty does not occur on a monthly basis. Section 38 of the Mines and Minerals Act provides for recalculation of royalty that can be initiated in two ways:

1. On the department's initiative in conjunction with an audit or examination; or
2. At the request of a royalty payer.

### **Audits in Progress**

Non-operator partners are informed that certain 2010 Allowable Costs, Capital Costs, Custom Processing Fees, Custom Processing Adjustment Factor (CPAF), and other reporting discrepancy audits are in progress. It is anticipated that these audits will be completed before December 31, 2014. However, should circumstances warrant a completion of these audits in 2015, a list of the affected Alberta Energy Regulator (AER) facilities will be included in the December 2014 Information Bulletin. Royalty clients are also reminded that amendments received by the department in the fourth year following the production year may be subject to audit. If the amendments are received late in the fourth year and insufficient time is available for the department to commence a review of the amendments prior to the end of the year, the department reserves the right to commence the audit at the beginning of the fifth year.

If you have any questions, please contact Kris Pretty, Manager, Compliance & Assurance, Calgary, at (403) 297-8785.

### **Industry Recalculation of 2010 Royalty**

Industry initiated royalty recalculation requests for the 2010 production year must be submitted in writing to the attention of Olga Marocco, Manager, Volumetric & Cost Reporting, Gas Royalty Operations.

The Royalty Operations Branch will be closed from December 24th to 30th, 2014 and on January 1st, 2015. Limited services will be available during regular office hours at the Edmonton office only on December 31st. **Due to the office closure, requests must be received by the department on, or before, December 23, 2014** and it must include the following:

- Identification of the recalculation facility or facilities
- A list of the royalty variables proposed for recalculation

- The reason for the recalculation
- The production year of the recalculation
- An order of magnitude estimate (i.e. >\$100,000, >\$1 Million, >\$2 Million, etc.) of the recalculation requested
- Identification of all royalty clients that may be impacted by the request (this is necessary, especially in situations where volumes may be cascaded to another client who is expected to respond to the cascade)
- Confirmation from the operator that the affected partner(s) have been notified
- A sample copy of the submission pertaining to a particular production month in paper or electronic format (e.g., excel)

If the request meets the department's terms and conditions for recalculation, it will be approved. A request made during the fourth year following the production year, must be completed before the end of the fifth year, with a reasonable time for a review by the department, prior to the end of the fifth year.

If you have any questions regarding this process, please contact the Volumetric & Cost Reporting team, as identified in Section E of this bulletin.

## B. MONTHLY INFORMATION

### **Pricing for Gas and Gas Products**

For Pricing of gas and gas products and transportation information for October 2014 refer to the [Information Letter](#).

The monthly default sulphur price for September 2014 is \$68.89. Below are the annual sulphur default prices:

2010	2011	2012	2013
\$44.69	\$116.36	\$98.02	\$53.60

### **September 2014 Royalty Due December 31, 2014**

**Royalty clients are to remit the total amount payable shown on the November 2014 Statement of Account by December 31, 2014.** If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided. Current period interest will not be charged on current invoice charges for the production month of September if it is paid in full by December 31, 2014.

The December 2014 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your September 2014 invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.

Cheques are made payable to the Government of Alberta.

### **October 2014 VA4 due December 15**

The VA4 forms for the production month of September 2014 are due in the department offices by December 15, 2014.

**Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.**

### **Petrinex Deadline Submissions**

The Petrinex deadline for SAF, OAF, and Volumetric submissions are posted on the [Petrinex](#) website “Reporting Calendars” under Calendars. **Changes to this calendar will be posted on the Petrinex website home page in “Broadcast Messages.”**

### **Interest Rate November 2014**

Alberta Energy’s interest rate for November is 4.00%.

### **August Provisional Assessment Charge**

The summary of Provisional Assessment Charges for all production periods in the August 2014 billing period was:

<b>First Time Provisional Assessment</b>	<b>Reversals of Provisional Assessments (Net)</b>	<b>Net Provisional Assessment</b>
\$3,785,908.16	(\$7,179,568.16)	(\$3,393,659.80)

### **August Penalty Charges**

The penalty table below shows at the form level, the total penalty charges and reversals, for the August 2014 billing period.

<b>Forms</b>	<b>Penalty Charges</b>	<b>Penalty Reversals</b>	<b>Net Penalty Charges for 2014/08</b>
AC2	\$231,300	(\$12,700)	\$218,600
AC4	\$0	\$0	\$0
AC5	\$2,900	\$0	\$2,900
NGL1	\$0	\$0	\$0
VA2	\$0	\$0	\$0
VA3	\$0	\$0	\$0
VA4	\$0	\$0	\$0
<b>Total</b>	<b>\$234,200</b>	<b>(\$12,700)</b>	<b>\$221,500</b>

### **Production Allocation Discrepancy (PAD) Potential Royalty Impact**

As of the August 2014 billing period, the potential royalty dollar impact is estimated as \$4.1 million, for the production months of March through August 2014.

**Note: These values are not intended to show that Crown royalty has been understated but do illustrate the consequences of incorrect reporting.**

### **Well Event Measured Depth Determination Letter**

The department has issued a “Well Event Measured Depth Determination Letter” under the Report Package DOE – Gas to facility operators via Petrinex on November 1, 2014. This letter shows the confirmed Measured Depth (MD) of each active well event that will be used to calculate the Depth Factor (DF) of the quantity component rate under the Alberta Royalty Framework formula. A well event that is not listed on the letter and does not have a confirmed MD will receive a DF of 1. When the changes to the MD are confirmed by the department, a letter is issued to a facility operator who reports changes through Petrinex to well event attributes affecting MD. All changes to the MD are applied on a go forward basis only. Facility operators are advised to submit well event attribute changes by the last day of the calendar month in order for timely determination of MD.

### **NGDDP Confidential Wells**

Wells designated as “confidential” will be reviewed prior to the removal of the “confidential” status, if the directional surveys and completion reports are provided to the department. Send directional surveys and completion reports to [GasRoyaltyPrograms@gov.ab.ca](mailto:GasRoyaltyPrograms@gov.ab.ca)

If you have any questions, please contact Lily Hiew in Gas Royalty Features at 780-427-1550.

## **C. INFRASTRUCTURE DATA**

### **Business Associate ID Listing**

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, and includes Working Interest Owner (WIO) role start/end dates.

This [report](#) is also published daily on the Petrinex website.

The Department reminds Business Associates to review their WIO role to ensure that the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role, then that BA can receive SAF/OAF allocations from the WIO role start date forward.
- If a BA has a WIO role with an end date, then they can only receive SAF/OAF allocations from the WIO role start date until the end date. Any SAF/OAF allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry/Crown Land Data at 780-422-1395 or [CrownLandDataSupport@gov.ab.ca](mailto:CrownLandDataSupport@gov.ab.ca) if you have any questions regarding the information supplied in this article.

### **Client Status Changes**

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client status changes, names, or IDs, please contact Client Registry/Crown Land Data at 780-422-1395 or [CrownLandDataSupport@gov.ab.ca](mailto:CrownLandDataSupport@gov.ab.ca).

### **Nova Tolls - Multiple Gas Reference Prices**

Royalty information related to the implementation of the Factor Model negotiated with industry for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under [Facility Royalty Trigger Factors and Meter Station Ties](#).

## **D. REMINDERS**

### **Royalty Liable Gas Used for Fuel (PURREC/PURDISP)**

The Department is reviewing volumetric dispositions of gas, reported on PETRINEX (formerly the Petroleum Registry of Alberta (PRA)), from batteries, gathering systems or gas plants to batteries, gathering systems or gas plants that is sold or deemed sold for fuel. This review is for production year 2010 onward and is to be completed in 2015. The objective of the review is to ensure that all gas sold and used for fuel is accurately reported on the PETRINEX to facilitate Crown royalty calculation. Where reporting errors are found royalty clients will be notified to submit amendments.

Effective June 4, 2009, when there is a sale of gas or transfer of ownership within the royalty network, the selling facility is required to report PURDISP, which would then auto populate the PURREC for the purchaser (receiving facility). This enhances the controls to

prevent fuel gas sale volumes from being incorrectly reported in PETRINEX. This new reporting method also applies to all prior period amendments completed after June 4,

2009. A purchase disposition (PURDISP) is a volume of product that has been sold by a facility to another facility within the royalty network. A PURDISP of gas is subject to Crown royalty charges.

For example: effective June 4, 2009, if a gas plant (GP) sells gas for fuel to a battery (BT) each month, the reporting is as follows:

1. The GP Operator must report a PURDISP.
2. This will auto populate a PURREC at the BT.
3. The GP operator must then file a SAF/OAF for the PURDISP volumes.

All parties should take steps to ensure that in-network sales or transfers of gas are correctly reported in the PETRINEX.

If you have any questions, please contact Salim Sumar at 780-422-9255.

### **2010 Review of Allocations to the Royalty Paid Stream ID AB WG 99999**

The department is reviewing allocations of royalty paid volumes for the production year 2010. The objective of the review is to ensure that the SAF and OAF volumes comply with the AB WG 99999 approval agreements and are accurately reported on PETRINEX. Where reporting errors are found, royalty clients will be notified to submit amendments. The review will be completed in 2015.

### **Annual Reports In CSV format**

The Department has developed several reports in CSV format. These reports are expected to be available and sent to Petrinex with the October 2014 billing period invoice which will be issued in December 2014.

The reports that will be available in CSV are:

1. **Annual CCA and CP Fee Adjustment (CSTADJ)**
2. **Crown Share Operating Cost Allowance (CROPA)**
3. **Crown Share Custom Processing Allowance (CRCPA)**
4. **Crown Share Capital Cost Allowance (CRCCA)**
5. **Annual Allowable Cost Restriction Adjustment (AACR)**
6. **Facility Average Price Supporting Details (FAVRP)**

The Department will continue to send the PDF and TXT formats of these reports in addition to the CSV format.

## E. BUSINESS CONTACTS

### **Quick Reference**

<b>Group</b>	<b>Email</b>
Petrinex Service Desk	<a href="mailto:Petrinexsupport@Petrinex.ca">Petrinexsupport@Petrinex.ca</a>
Client Registry / Crown Land Data	<a href="mailto:CrownLandDataSupport@gov.ab.ca">CrownLandDataSupport@gov.ab.ca</a>
Volumetric & Cost Reporting	<a href="mailto:VCR@gov.ab.ca">VCR@gov.ab.ca</a>
Management Information	<a href="mailto:ManagementInformation.Energy@gov.ab.ca">ManagementInformation.Energy@gov.ab.ca</a>

Gas Royalty Accounting	<a href="mailto:GasRoyaltyAccounts.Energy@gov.ab.ca">GasRoyaltyAccounts.Energy@gov.ab.ca</a>
Gas Royalty Features	<a href="mailto:GasRoyaltyPrograms@gov.ab.ca">GasRoyaltyPrograms@gov.ab.ca</a>

### **Petrinex Service Desk**

The focal point for communications regarding preparations for, access to, or utilization of Petrinex is the Petrinex Service Desk, or Petrinex Support.

Phone: 403-297-6111 or 1-800-992-1144

Fax: 403-297-3665

Email: [Petrinexsupport@Petrinex.ca](mailto:Petrinexsupport@Petrinex.ca)

Website: [www.Petrinex.ca](http://www.Petrinex.ca)

### **Volumetric & Cost Reporting**

Volumetric & Cost Reporting (V&CR) is the Front Line of contact for inquiries relating to volumetric and cost reporting as well as gas royalty calculation processes. V&CR is made up of four teams as shown below:

<b>Team</b>	<b>Team Lead</b>
Volumetrics	Nicole Le Blanc
Costs	Sheruna Naidoo
Process Support	Penny White
Special Projects	Oana Jurgea

Gas Royalty Voicemail: 780-422-8727

Fax: 780-427-3334 or 780-422-8732

Alberta Toll Free: 780-310-0000

Gas Royalty Email: [VCR@gov.ab.ca](mailto:VCR@gov.ab.ca)

Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.



### **Management Information**

All inquiries or requests that relate to royalty information (e.g. Information Letter, Information Bulletin and other Department of Energy's Natural Gas website publications) and questions related to Commercial Storage and Farm Gas should be forwarded to the Management Information Team at [ManagementInformation.Energy@gov.ab.ca](mailto:ManagementInformation.Energy@gov.ab.ca).

### **Gas Royalty Accounting**

All inquiries or requests that relate to royalty accounting (e.g. Transfers, Refunds, Interest, Statement of Account, Collections and Royalty Deposits) should be forwarded to the Royalty Accounting Team at [GasRoyaltyAccounts.Energy@gov.ab.ca](mailto:GasRoyaltyAccounts.Energy@gov.ab.ca).

### **Gas Royalty Features**

All inquiries or requests that relate to royalty programs (e.g. Natural Gas Deep Drilling Program, New Well Royalty Rates and Otherwise Flared Solution Gas Royalty Waiver Program) should be forwarded to the Royalty Features team at [GasRoyaltyPrograms@gov.ab.ca](mailto:GasRoyaltyPrograms@gov.ab.ca).

### **Reference Prices and Valuation Allowances Calculation Information**

For information related to reference prices, price valuation, and allowances calculation, contact the Pricing & Analysis Team located at the Alberta Energy office in Calgary:

Pricing & Analysis  
300, 801 – 6 Avenue SW  
Calgary, Alberta T2P 3W2  
Telephone: 403-297-5514  
Fax: 403-297-5400

### **Alberta Energy Internet Webpage**

Prices, Royalty Rates and Transportation Information are available on the Alberta Energy Internet webpage: [www.energy.alberta.ca](http://www.energy.alberta.ca). From "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", and "Alberta Natural Gas Reference Price (ARP)". In addition, both the Gas Royalty Information Bulletins and Information Letters are also available under "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".



Richard Stokl  
Director, Gas Royalty Operations  
Royalty Operations