VIPIR

Volumetric & Infrastructure Petroleum Information Registry

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Newsletter #3 August 1999

VIPIR Executive Sponsor is named

Dave Smith, Assistant Deputy Minister in the Ministry of Resource Development (formerly Ministry of Energy) has accepted the role of Executive Sponsor of the VIPIR project. At the highest level, the Executive Sponsor has the ultimate responsibility for the success of the project. Other major responsibilities include setting project direction, approving major deliverables and actively communicating the project vision and direction.

Other Personnel Changes

Clif Hetherington has been named as the new Branch Head of Compliance and Assurance at the Department of Resource Development and will be unable to continue as a team lead in the VIPIR project. Ken Gerig has accepted the team lead position for the Royalty Regime team. Clif will continue to provide leadership and support to VIPIR as a member of the DRD Advisory Board.

Conceptual Design Update

The working sessions with the joint industry/ Ministry VIPIR Conceptual Design team are now completed. The team believes that they have gathered the information needed to begin the tasks of synthesising proposing a new way of doing business. The team will formulate a series of recommendations to be presented to the VIPIR Steering Committee in late September. An extensive series of presentations are planned throughout late-August and September, which will provide representatives of the various stakeholder groups with the opportunity to review the proposed business processes. The specific timetable for presentations will be communicated directly to those involved.

In addition, work has started on a prototype for the proposed business. This prototype will help in demonstrating the new business processes and will assist the team in testing the proposed concepts and business rules. The overall target date for the Conceptual Design work remains late-September, to be followed by a "Go/No-go" decision by the Executive Sponsor in October 1999.

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Royalty Regime Changes and Priorities

In past newsletters, we have featured the Volumetric Consolidation and Shared Information Registry objectives within VIPIR. Although the changes to the Royalty Regime are more operational in nature, they are important to many VIPIR stakeholders and are described below.

Seven royalty regime changes are included in VIPIR. Their overall goal is to make the reporting and calculation of gas royalty easier to understand and more administratively simple than it was in the past. Ken Gerig leads the current team of Tom Poskocil, Jeff Willan & Salim Sumar. They are presently analyzing the

Contact us

Newsletter & Communications	Graham.Jenkinson@eub.gov.ab.ca	(403) 297-2597
Project Director	Saghir.Ansari@gov.ab.ca	(403) 297-3628

effects of the regime changes as they relate to the current business.

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(Royalty Regime Changes and Priorities – cont.)

Ken invites industry members to assist in identifying business rules and processes required to implement each regime change. Contact Ken at (780) 422-9241 to volunteer with this portion of VIPIR.

The seven royalty regime changes and their tentative implementation dates follow. Note that the dates are preliminary and subject to change:

1. Streamline the reporting of annual Custom Processing Cost claims - the Crown requirements for filing custom processing cost claims will be investigated for process improvements that reduce the administrative burden presently incurred by industry. Expected implementation is in July 2000.

2. Custom Processing Adjustment Factor (CPAF) changes – investigation into the potential for eliminating the CPAF requirement as defined in the 1994 business rule development. Implementation is tentatively scheduled for July 2000.

3. Using a 13th month concept to adjust the Unit Operating Cost Rate (UOCR) - the 13th month UOCR adjustment will be used to correct differences between estimated and actual UOCR's for the production year and will allow the difference to be applied to the correct operator. Expected implementation is in November 2000.

4. Corporate Effective Royalty Rate (CERR) will be changed to Facility Effective Royalty Rate (FERR) for each client. Currently, all other facilities that a royalty client has impacts the royalty rate at an individual facility. This change to FERR will make individual facility economics more meaningful and predictable. Expected implementation is in March 2001.

5. Allowable cost to be calculated at the EUB Facility level - capital costs will be calculated annually at the EUB facility level. FERR noted above will be applied to the capital cost at the facility level. Annually, the allowable costs at all of a client's facilities will be summed and deducted from the total Crown royalty for that client. This change complements the previous change (CERR to FERR) and is also expected to be implemented in March 2001.

6. Minimum Royalty Charge – royalty clients that pay less than a prescribed amount of monthly royalty will not receive a monthly invoice. The royalty for that month will be suspended pending amendments. Expected implementation is in July 2001.

7. Alignment of Crown and industry allowable costs – efforts will be made to bring allowable costs for Crown reporting into alignment with the costs that industry recognizes for joint venture reporting. Due to the nature of this change, the expected implementation date will be announced in the future.

DON'T MISS UPCOMING NEWSLETTERS.

Learn about:
- The vision and objectives for VIPIR
- Results of Conceptual Design work
- An interview with VIPIR's Executive Sponsor
- Interviews with team members.

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Newsletter & Communications	Graham.Jenkinson@eub.gov.ab.ca	(403) 297-2597
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