



Petrinex Information Bulletin

Overview of IOGC GCA Management in Petrinex

Updates from V2.0 are in Red

While IOGC GCA rules and regulations are for the most part unchanged, the process by which Industry reports GCA to IOGC represents significant change for Business Associates (BAs) with the introduction of Petrinex. This short document is intended to provide:

- An summary of key changes, terminology and concepts being introduced
- An overview of GCA1, GCA2 and GCA3 functionality
- A summary of tips, reminders and important items to note related to IOGC GCA activities.

In addition to this document, IOGC GCA filers should, of course, be well versed in IOGC rules and regulations. We also recommend that you review the Petrinex Learning Modules applicable to IOGC GCA. Having said that, reviewing this document is suggested as a starting point to get a high-level perspective on the new processes.

A. Key Changes, Terminology and Concepts

1. Use of Petrinex:

-The most significant change is that BAs will use Petrinex to file and retrieve information related to IOGC GCA. To gain access to Petrinex to do this work, contact your BA User Security Administrator and let them know you want to become a Petrinex user with the right to edit and view IOGC GCA submissions.

2. Petrinex Facility IDs:

-Another very significant change is the use of Petrinex Facility IDs versus previous IOGC FCC IDs for submission of GCA cost information. The new approach permits IOGC and Industry to lever off volumetric information reported in Petrinex applicable to First Nations “of interest” production.

-The new Facility ID approach requires significant GCA “set-up” changes in year 1 for the processes to function properly. At the start of the next GCA year the set-ups put in place this year will “roll-over” and be available for next year’s submissions.

Flowlines:

-The term Flowline takes on a new and important meaning in the Petrinex set-up process. “Flowlines” can represent:

- A physical length of pipe connecting a well to a battery **and/or**
- A notional grouping of wells that produce to a battery that have the same working interest ownership.

This is such an important point that it is worth showing an example. (See Attachment 1)

In this example:

- Wells 1-6 produce at the BT and have no physical Flowline. Well 7 produces to BT through a physical Flowline.
- Wells 1-3 will be “attached” to BT1 with **notional** Flowline 1 because they have common ownership.

- Wells 4-6 will be “attached” to BT1 with **notional** Flowline 2 because they have common ownership.
- Well 7 will be “attached” to BT1 with **physical** Flowline 3 and 100% ownership.

With the BT and FLs set up in this way:

- The GCA rate from BT1/FL1 attributable to volumes produced from Wells 1-3 will be correctly allocated to owners in Wells 1-3 according to their common working interests
- The GCA rate from BT1/FL2 attributable to volumes produced from Wells 4-6 will be correctly allocated to owners in Wells 4-6 according to their common working interests, and
- The GCA rate from BT1 and physical Flowline 3 attributable to volumes produced from Well 7 will be correctly allocated to the 100% owner of Well 7.

For all Batteries with a Flowline Petrinex will create a GCA3 for reporting of capital and operating costs. In our example, the GCA3 created for BT1/FL3 will allow for submission of costs unique to physical FL3. The costs associated with BT1 are applicable to all three flowlines and can be reported on the BT1/FL1 GCA3. Therefore the BT1/FL2 GCA3 is not required and can be deleted.

Compressor Stations:

-Licensed Compressor Stations, like any other Petrinex facility will be identified by their Petrinex Facility ID. -In the past, unlicensed Compressor Stations could not be specifically included in GCA filings for IOGC. Now they can. Since unlicensed Compressor Stations do not have a Petrinex Facility ID, these need to be set up in the GCA 1 process. Unlicensed Compressor Stations are set up as a special type of Gathering System. The ID convention for unlicensed Compressor Stations is ABGS FL990 to 999.

Final Destination/Receiving Facility:

-The Final Destination (also called “Receiving Facility”) must be identified in the GCA1 set-up process to specify the final volume to be auto-populated by Petrinex on the related GCA3. Generally, this is the gas plant or gathering system to which the production is ultimately delivered for sale.

Swing Percent:

-Swing Percent relates to the percent of gas that leaves a BT that “swings” between two or more Final Destinations over the GCA year. If there is only one Final Destination the Swing Percent should be set to 100%.

B. GCA 1

-Using the concepts identified above [i.e. use of Petrinex Facility IDs; grouping of wells flowing to a BT that have common ownership using “Flowlines”; naming convention for unlicensed Compressor Stations, final destination] the Petrinex GCA 1 functionality is used to report the **relationships** (“related facilities”), **ownership**, **well links** and **other attributes** associated with the reporting facilities.

-Some general things to note about Petrinex IOGC GCA1 functionality:

- Submission Status: This is a “workflow” process with IOGC.
 - OPEN: BAs should do all their work in this OPEN status.
 - SUBMITTED: When you have completed and validated your work (by clicking “Validate”), changing the status to SUBMITTED and clicking “Submit” sends the information to IOGC.
 - Other statuses (REVIEWING, REJECTED, APPROVED etc.) reflects IOGC processing of your submission.
- Saving your work: While in OPEN status make sure you save your work when you make changes...or your work will be lost. Saving is accomplished by clicking “submit” (while ensuring your Submission Status is in OPEN).

- c. GCA Type: Clicking “Capital” (Capital only) or “Full” (Capital plus Operating) designates the type of GCA3 reporting that will be performed.
- d. Percent Capital Allowed: This is the expected GCA rate for the facility type.

-The starting point for GCA 1 reporting is the Battery. For every different Battery/Flowline combination, a separate GCA1 is required. In our example, GCA1s will be set up for BT1/FL1, BT1/FL2 and BT1/FL3. Set-up is managed on the Edit IOGC Facility Cost Centre – GCA1 screen.

Related Facilities:

In the “Related Facilities” area of the screen, the rows to be entered will be as indicated below for the GCA1 for BT1/FL1 in our example. This structure shows the “path” from each related facility (and Battery/Flowline as applicable) through to the Receiving Facility (Final Destination). (Note: Content that is autopopulated by Petrinex on the GCA1 screen is not shown in the example below):

Facility Id	Flowline	Receiving Facility ID	Swing Percent (%)	Comments
ABBT1	1	ABGP1	100	If there is no “Swing”, enter 100% in this row.
ABBT1	2	ABGP1		
ABBT1	3	ABGP1		
ABGS1		ABGP1		
ABGS1	991	ABGP1		The 991 here indicates this is an unlicensed CS
ABGS2		ABGP1		
ABGP1		ABGP1		

Note: The above is correct content for the GCA1 for BT1/FL1 in our example. Similar Related Facility information would be entered for BT1/FL2 and BT1/FL3 in the GCA1s applicable to those Battery/Flowline combinations. Related Facility information would be autopopulated by Petrinex for GS1, GS1/991, GS2 and GP1 based on the information already provided in the BT1/FL1 submission.

Owners:

This table is used to identify the ownership in each facility GCA1. In our example:

- For the BT1/FL1 GCA1 the ownership is Owner A 50%; Owner B 50%.
- For the BT1/FL2 GCA1 the ownership is Owner A 75%; Owner B 25%.
- For the BT1/FL3 GCA1 the ownership is Owner A 100%.

Well Event Links:

-Petrinex “knows” all the wells linked to any given battery.

- For a Battery with no Flowline Petrinex will automatically select all wells.
- For Batteries with Flowlines, the user selects the specific wells associated with each BT/FL combination.

Attachments:

Appropriate schematics must be attached for each GCA1 or you will not be allowed to complete the submission.

Validate:

Once all work is completed for the GCA1, the work should be “validated” to check for errors/warnings prior to submission. (Click “Validate”).

Submit:

At this stage, you should change the Submission Status to “Submitted” and click “Submit” to send the file to IOGC. This process also will tell Petrinex to automatically create a GCA3 for that facility.

C. GCA 3

-When you go to Edit IOGC Gas Cost Allowance - GCA3 and search for a specific facility (e.g. BT1/FL1) the header information is autopopulated by Petrinex.

-The sections in the GCA3 are listed below. IOGC GCA accountants should be familiar with these requirements based on IOGC rules and regulations. More detail is also provided in the Petrinex Learning Modules (Step-by-Step section). Note that much of the information on the GCA3 is pre-populated by Petrinex.

- Confirm Escalation Rate
- 2019 Estimate
- Allowable GCA Volume Calculation
 - Volume Summary – Final Downstream Point
 - Summary of Costs Allowable
 - Capital Additions/Retirements/amortization
 - Capital Additions/Retirements
- Contact Information
- Attachments. These attachments must include:
 - Schematics (will be the same as the GCA1 schematics)
 - Capital GL
 - Operating Cost GL
 - AFEs. If you have no additions or retirements, you can attach a blank sheet.

IOGC has indicated that it would also be helpful for BAs to submit information they have that maps legacy versus new set-ups for GCA3. This type of documentation can be attached.

D. GCA 2

-When you go to Edit IOGC Custom Processing Fee – GCA2 and search for a specific facility (e.g. BT1/FL1) the header information is autopopulated by Petrinex.

-The GCA2 process is used to claim custom processing fees on facilities used by a BA where that BA is not a working interest owner. The content for this submission is:

- Custom Processing Fee
 - Actual or Estimated
- Contact Information
- Attachment
 - BAs must attach agreements and invoices as appropriate.

E. Final IOGC GCA Rate Approval

IOGC's policy concerning the requirement for Operators and WIOs to file Final IOGC GCA Rate Approval has changed. The previous policy was that the Final IOGC GCA Rate Approval process is used exclusively for Batteries and must be submitted by each and every individual Operators and WIO named in the GCA1 for that Battery. IOGC has indicated that Operators and WIOs no longer need to file the "Final IOGC GCA Rate Approval". This "form" will become "Query-only" in Petrinex and will reflect the status of submissions and/or revisions.

The above policy change notwithstanding, For "Actual" and "Estimated" WIOs should:

1. Check to ensure all facilities associated with each specific Battery GCA1 in which you have a working interest are listed on the form. If a facility is missing, you should contact the operator of that facility to ensure you do not miss out on eligible IOGC GCA deductions.
2. Check to ensure all facilities are in a SUBMITTED status. If not, again, contact the operator.

WIOs must submit this form for final approval. Failure to submit by May 31 may result in a zero rate.

F. Dashboard

The IOGC Gas Cost Allowance Dashboard screen is an important resource to review the status of GCA forms for all facilities that you operate. You should review the Dashboard frequently to ensure work is progressing and or complete.

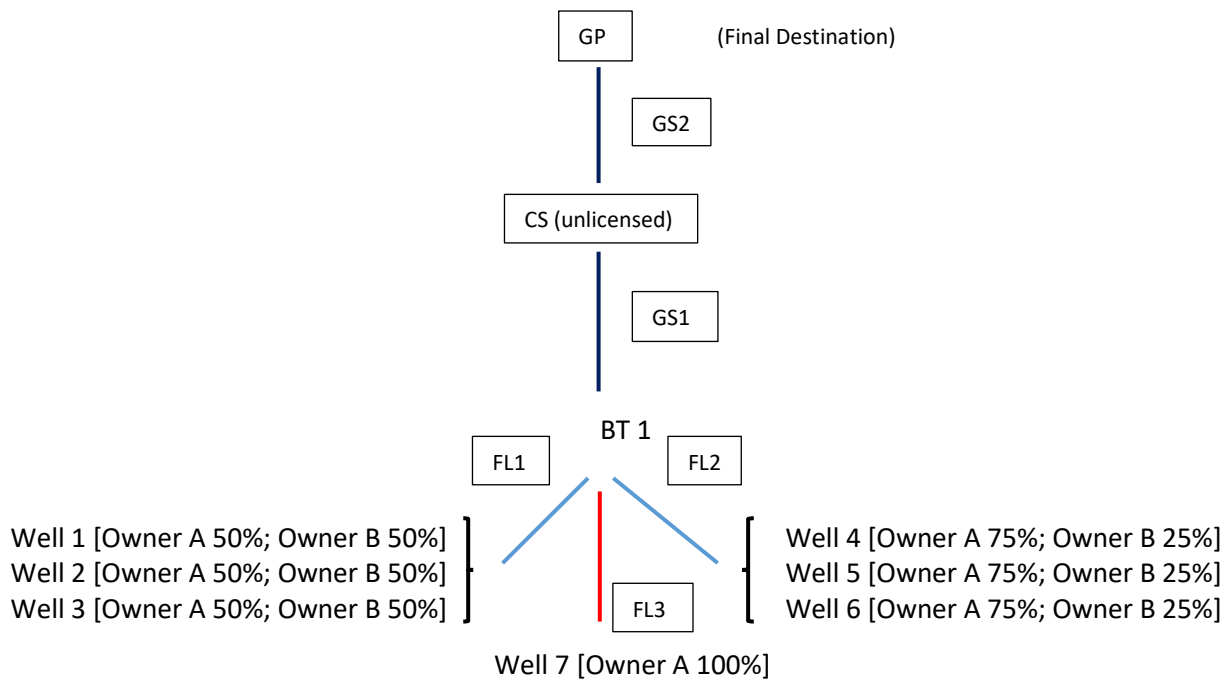
G. Reports

Four reports are available for BAs related to IOGC GCA reporting:

- IOGC Custom Processing Fee – GCA 2 Report
- IOGC Facility Cost Centre – GCA 1 Report
- IOGC Gas Costs Allowance – GCA 3 Report
- IOGC Gas Costs Allowance Summary Report

A Petrinex Learning module is available with detailed instructions on how to use these reports.

Attachment 1: Simplified IOGC GCA Schematic



In this example:

- Wells 1-6 produce at the BT and have no physical Flowline. Well 7 produces to the BT through a physical Flowline.
- Wells 1-3 will be “attached” to BT1 with **notional** Flowline 1 because they have common ownership.
- Wells 4-6 will be “attached” to BT1 with **notional** Flowline 2 because they have common ownership.
- Well 7 will be “attached” to BT1 with **physical** Flowline 3 at 100% ownership.
- BA and Facility IDs will be actual Petrinex IDs. “BT1” etc. is used here for ease of reference only.

Attachment 2 - Miscellaneous Tips, Reminders and Important Items To Note

1. Reporting Deadline (The following are excerpts from IOGC Advisory Notice issued May 15, 2019)

“The submission deadline remains **May 31, 2019** for 2018 annual submissions. IOGC will however review individual GCA applicant requests on a case-by-case basis. The process of requesting approvals for extension is the same as for prior years and communicated in the IOGC information letter sent out to GCA applicants on April 23, 2019. The deadline for making a request to extend the deadline is **May 21, 2019**.

The underlying criteria in considering any requests for extension, as discussed at the May 8th meeting, will be the efforts made by companies to submit their applications. IOGC has over the last few months worked with various applicants to ensure accurate submissions. IOGC recognizes that some companies have not been able to submit their applications for set-ups in a timely manner for reasons beyond their control, typically non-operator working interest owners.

As per Petrinex communicate sent out February 19, 2019 and re-iterated in IOGC’s information letter **only** GCA applicants that have made their annual submissions will have access to the transition period ending December 2, 2019.

In view of the aforementioned, clarity was sought by Industry as to what constitutes an acceptable submission to be eligible for the transition period during which time amendments will be allowed. All the following must be completed:

- 1) Initial facilities have been set-up in Petrinex through submitting GCA1’s on or before May 31.
- 2) Corresponding GCA3’s and GCA2’s have been submitted as applicable.
- 3) Final rate approvals have been submitted for GCA rates on or before May 31, 2019 including “0” rate submissions, for non-operator working interest owners (WIO’s), will be accepted only for the Final rate submission.

Please note: you do not have to wait for any approvals in order to be able to submit e.g. submitting GCA3’s, without GCA1’s being reviewed or approved.

IOGC recognizes some applicants may not be able to submit GCA2’s, due to non-submission by partner operators of GCA1’s, if this is the case in certain instances please contact IOGC via aadnc.gca.aandc@canada.ca before May 31, 2019.

Petrinex, Industry and IOGC will collaborate to develop workable solutions to mitigate future reporting challenges. The above consideration only applies to the 2018 annual submissions.

Please contact either Aryn Vassanji at 403-292-5629, Dorrie Chevrier at 403-292-5885, Allison Monney at 403-292-6026 or Munir Jivraj at 403-292-5886 with any questions”.

2. Cost information (GCA2 and GCA3) information cannot be submitted until the GCA1 is set up by the operator of the facility.
3. Costs (GCA3) cannot be reported at a battery Facility ID unless it is associated with a Flowline. Batteries without flowlines can still be set up (and in many cases must be set up) so they can be identified as “related facilities” for reporting of ownership.
4. GCA2 costs cannot be submitted for any facility where you are an owner.

5. Keep your IOGC GCA forms in “**OPEN**” status [while still clicking on the “submit” button so that your entries will be saved in Petrinex] until you are ready to send it to IOGC. Once you change your GCA status to “SUBMITTED” and click on the submit button, this send your form to IOGC for approval.
6. Finalize your work before changing Status to “Submitted”. Once the form is in “Submitted” status it is in IOGC’s “hands” and you will not be able to make amendments
7. Remember to look at the **As of Date**. It will be defaulted to the current reporting month [2019-03 right now]. If you put in the wrong date it will be rejected by IOGC. You will have to delete it and start a new submission.
8. Even if you are not submitting a specific GCA1 with Swing Gas, **you MUST enter 100 under the Swing Percent (%) column** as this ties your GCA1 calculations on through GCA3 and Final Approval. If you do not enter the Swing Percent, your rate will not be calculated.
9. WIOs can query any facility in which they have an interest, through the Petrinex IOGC GCA menu (i.e. Query GCA1, GCA2, GCA3, and Final GCA Rate Approval). In doing so WIOs can track the status of work being performed by operators of facilities in which they have ownership.
10. If BAs are unable to make a complete submission, they can file for a \$0 rate. They can then revise the submission during the transition period. **This is only for the Final Approve rate where a WIO is waiting on an operator to submit a GCA 3 for the rate to carry over to the final rate approval, therefore outside the WIO’s control.** If you are the operator that is required to submit the GCA 3 you need to ensure your GCA 3 and final approve submission is submitted by the deadline.
11. Where Petrinex/IOGC requires “attachments” in submissions, BAs are encouraged to attach blank sheets if content was not yet available. The content can be added during the transition period. **The blank sheet acceptability is for applicants that do not have any new capital/additions/retirements.** For those that do, the blank attachment is not acceptable. It is not an IOGC requirement for companies to submit prior AFE’s and/or GL’s. This functionality is available for those who wish to have their data captured electronically in Petrinex.
12. All BTs with **or without** flowlines needed to have submissions for Final IOGC GCA rate approval (including all WIOs).
13. IOGC has clarified that while a given BA may have successfully made “good submissions” for some or most of their facilities...each submission would be assessed; not the company as a whole (with respect to being eligible for the transition period).
14. Filing of GCA 2 for off-reserve facilities.
 - The issue is that some off-reserve facility operators do not have any relationship with IOGC and are reluctant/ineffective in setting up the GCA1. An option would be to allow direct filing of GCA2s with documentation (invoices etc.).
 - IOGC suggested that if operators were being impacted by this issue they should make IOGC aware of the issue for the specific off-reserve facility.

15. Treatment of capital balances under legacy set-ups.

-IOGC encourages industry to include as much information as possible to provide clarity to how legacy set-ups were being translated to the new structure. This information can be provided in the form of attachments to the submissions.

16. IOGC filing on behalf of WIOs.

-IOGC indicated that “non-filing by WIOs” was a relatively small issue and that IOGC will, for this year only, file “final GCA” for WIOs that did not make this step. This will ensure that non-filing WIOs do not lose out on GCA they are entitled to. IOGC policy has changed with respect to the requirement for WIOs (and Operators) to file “Finals”. IOGC no longer requires Operators and WIOs to make Final submissions. Petrinex will be updated to reflect this change of policy. The “Final IOGC GCA Rate Approval” form will become “Query-only” in Petrinex and will reflect the status of submissions and/or revisions.

17. Use of Dashboard

-Producers were encouraged to review their “dashboard” to confirm the status of submissions. It was noted that “Finals” needed to be submitted for each individual battery with a Flowline.

18. Trident Insolvency

-Given that Trident Exploration is in receivership, some parties will be impacted by not being able to make GCA2 submissions due to non-filing of Trident GCA1s. If you are impacted in this way please contact IOGC immediately for direction on how to proceed.