

# Town Hall – Royalty Information Session

Canada Energy Regulator (CER) Conference Ctre  
210-517 10 Ave SW, Calgary, AB

Indian Oil and Gas Canada (IOGC)  
Session Dates: October 4,6,11(virtual), 2022

# Land Acknowledgement

In the spirit of reconciliation, I acknowledge that we live and work on the Traditional Territories of the Blackfoot Confederacy (Siksika, Kainai, and Piikani), the Tsuut'ina, the Stoney Nakoda Nations (Bearspaw, Chiniki, and Wesley), the Métis Nation (Region 3), and all people who make their homes in the Treaty 7 region of Southern Alberta. We acknowledge that we have much work to do to as we endeavour to reconcile and strengthen our relationship with Indigenous Peoples in Canada.

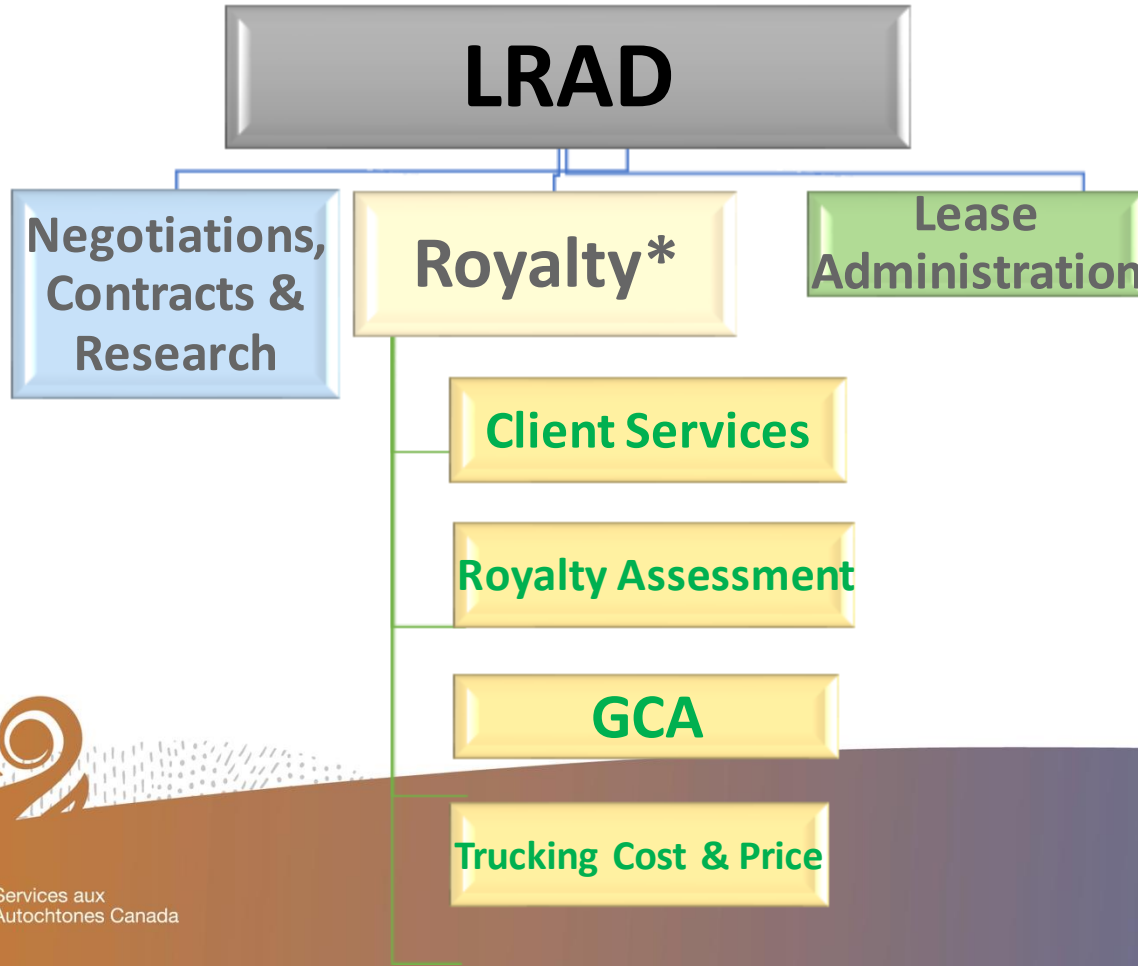


# Session Agenda

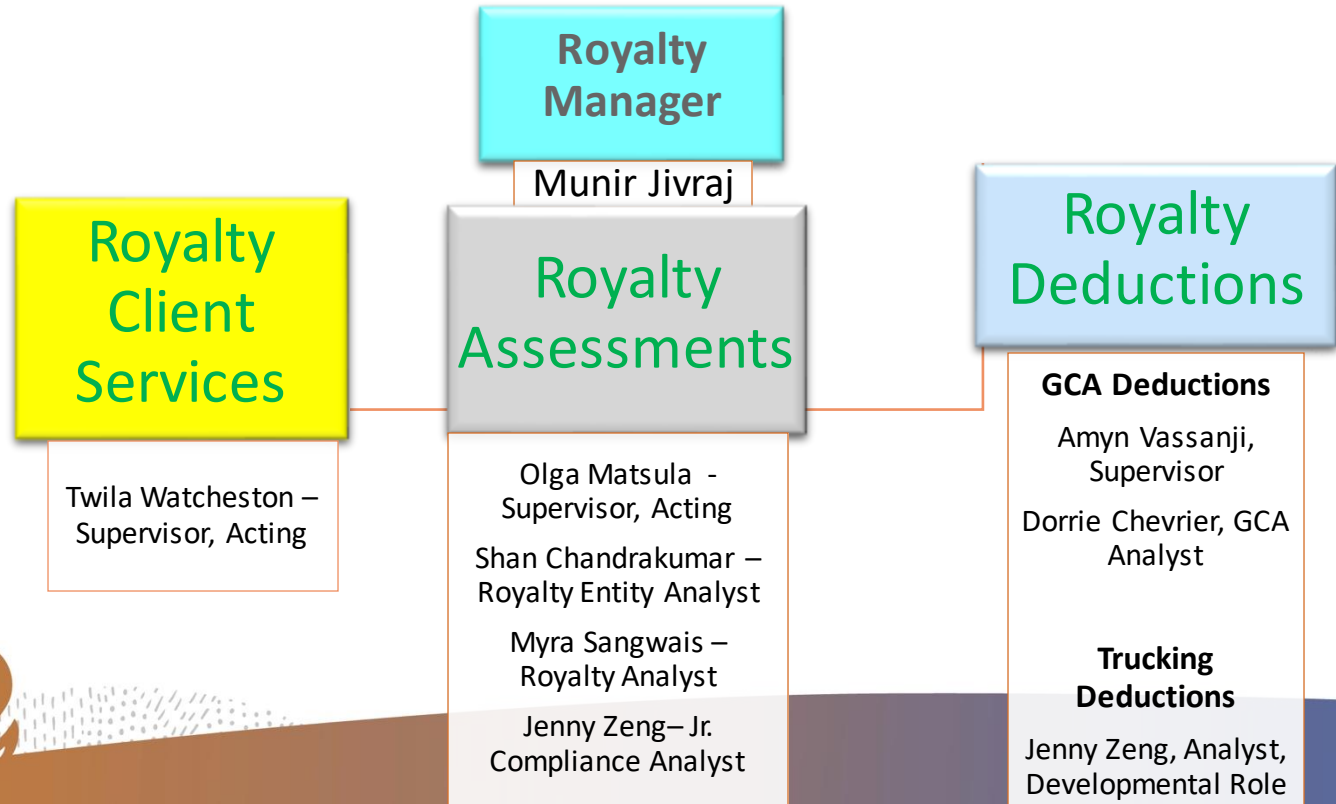
- ❑ Land Acknowledgement
- ❑ Welcome, Safety and Introductions
- ❑ Key Topics:
  - Mix/Spec Product Pricing Project Implementation
  - Modernized Royalty Framework – RIMS 1 Implementation
  - Gas Cost Allowance – Updates and Lessons Learned
  - Enhancements – REN Management and Royalty Statements
- ❑ Illustration – Electronic Data Submission, Royalty Module
- ❑ Questions and Answers



# How is Lease and Royalty Administration (LRAD) Team Organized?



# Functional Roles Within Royalty Team & Members



# Mix/Spec Product Pricing Project Implementation

- The Need for Enhancements
- What's New- New Enhancements, New Business Validations
- Oil and Gas Royalty Statements
- New Electronic Manual, Oil and Gas Templates
- Implementation Information and Next Steps



# Need for Enhancements on the Electronic Data Submission

- Reduce submission errors made by royalty payors and improve integrity of IOGC's royalty data in RIMS (Resource Information Management System)
- More accurate royalty assessments conducted by IOGC because of improved data validation
- More precise information on the monthly royalty assessments and statements sent by IOGC to royalty payors
- Improve timeliness of initial royalty data verification
- To obtain information on production hours for confidential wells
- The enhancements allow IOGC to compare submitted total net royalty values to payments



# New Enhancement to Electronic Data Submission System

- Changes will affect web forms and file uploads
- New validation focuses on accuracy of submitted values and is intended to reduce submission errors made by companies
- Most validation will result in rejection of the submitted statement, while other validation will result in a warning message although the data will still be accepted
- Rejected data that is incorrect must be corrected and resubmitted to IOGC via the CSV file upload





# New Validation- Electronic Data Submission System

Three Main Types Validation:

- 1) Within ranges established by IOGC (e.g., prices, heating values, gross percentages)
- 2) Confirmation of submitted data within upload (e.g., Total Gross Royalty Amount-GCA Deduction = Total Net Royalty)
- 3) Updated 2014 to current Mix/Spec products for Butane, Propane and Pentanes



# Existing Validation of Electronic Royalty Data Submissions

- Basic business rules of validation of submitted data will remain the same
- Existing validation generally focuses on formats of submitted data with minimal validation of values to ensure accuracy
- Validation of submitted values ensures no negative numbers are accepted for volume, price and royalty values
- Detailed information on validation rules is in new updated Electronic Submission User Manual



# Oil/Gas Royalty Data Template

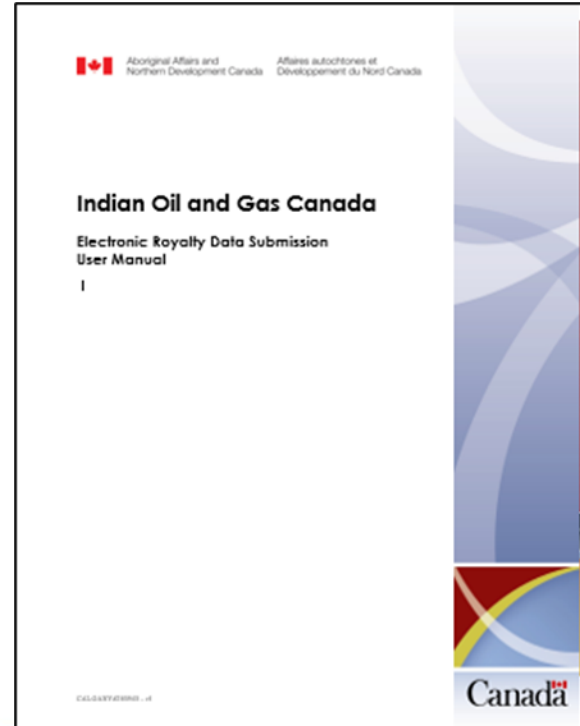
- Changes are applied to CSV upload files. The applied manual input page of the webform does not exist anymore/only CSV files will be used
- The new Oil/Gas templates will be emailed to companies
- The new Electronic User Manual will be mailed to companies
- Company can send in sample upload to IOGC Royalty Mailbox for testing requirements
- Amendments from July 2014 to current need to be discussed with IOGC as it pertains to Mix/Spec Product Pricing



# Royalty Administration: New Updated Manual

## Electronic Manual

- IOGC offers secure electronic submission of royalty data information by royalty payors over the Internet. No other electronic services are offered at this time
- Please refer the User Manual which will be emailed to you by request




# Oil Royalty Data Template

- Will be sent by email or request to the Royalty Email
- Consists of tabs that include instructions to create a CSV file

Oil Royalty Template:

OIL ROYALTY STATEMENT			
<b>Indian Oil and Gas Canada</b>			
Royalty Entity ID	Royalty Entity Name	Production Date (YYYY - MM)	
Royalty Page ID	Royalty Page Name		
Final Notice Renewal ID	Final Notice Renewal Name	Royalty Page Indian Interval X	
Confidential/Well Y/N	→		
Well Name on Production	→		
Total PE production (m <sup>3</sup> )	→		
Reported sales prior (\$/m <sup>3</sup> )	→		
Gross royalty general	→		
	Gross royalty (\$)	0.00	
Deductions (as authorized)			
Type Code	Description	Rate (\$/m <sup>3</sup> )	Total (\$)
	Trucking Clean Oil	0.00	0.00
			0.00
		Total deductions (\$)	0.00
		Total net royalty (\$)	0.00
Contact Person		Telephone number	
V. ABC		403-010-0101	
Position		Date prepared (YYYY-MM-DD)	
Oil & Gas Production Accountant		2012	12 31
Make cheque payable to		The Receiver General for Canada	
Send ORS, supporting documents and remittance advice to:		Indian Oil and Gas Canada	Page (483) 232-5618
		Suite 101, 3511 Chalmers Blvd.	

# Gas Royalty Data Template

 Indigenous Northern Affairs Canada / Affaires Indiennes et du Nord Canada		INDIAN OIL AND GAS CANADA Gas Royalty Statement				name: q111m.m111 see data entry notes		<b>GRS</b>		
Royalty Entity ID		Production Entity ID / Well ID		Royalty Page ID		Royalty Page Name		Royalty Page Index Interval X [E decimal]		
								45,000000		
Monthly Hours on Production			Confidential Well Y/N							
			N							
Production Date [YYYY-MMH]		Reservoir ID		Reservoir Name		Date Original Proposed [YYYY-MMH-DD]		Date Revised [YYYY-MMH-DD]		
Product Description	Production Entity			Royalty Entity						
	Total Raw Gas/Prod Prod [E decimal places]	Total Volume Available for Sale [E decimal places]	Indian Raw Gas/Prod Prod [E decimal]	Indian Volume Available for Sale [E decimal places]	Reported Sales Price [E decimal places]	Gross Reservoir [E] [E decimal places]	Gross Royalty Proposed [E decimal places]	Gross Royalty [E] [E decimal places]		
Gas	1E m <sup>3</sup>		0.00	0.00	0.00	0.00	0.00	0.00		
Propane Spm	m <sup>3</sup>		0.00	0.00	0.00	0.00	0.00	0.00		
Propane Mix	m <sup>3</sup>		0.00	0.00	0.00	0.00	0.00	0.00		
Bulane Spm	m <sup>3</sup>		0.00	0.00	0.00	0.00	0.00	0.00		
Bulane Mix	m <sup>3</sup>		0.00	0.00	0.00	0.00	0.00	0.00		
Elkar	m <sup>3</sup>		0.00	0.00	0.00	0.00	0.00	0.00		
Penlane Spm	m <sup>3</sup>		0.00	0.00	0.00	0.00	40.00	0.00		
Propane Mix	m <sup>3</sup>		0.00	0.00	0.00	0.00	0.00	0.00		
Sulphur	tonnes		0.00	0.00	0.00	0.00	0.00	0.00		
Condensate	m <sup>3</sup>		0.00	0.00	0.00	0.00	0.00	0.00		
<b>Total Gross Reservoir</b>						<b>0.00</b>	<b>Total Gross Royalty</b>	<b>0.00</b>		
<b>Gas Cart Allowance</b>		Indian gas volume available for sale 0.00	X	Gas cost allowance rate \$/1E m <sup>3</sup> [E decimal places] 66.6483	X	Total gross royalty proposed [E decimal places] 0.000000	+ 100 =	Gas cost allowance reduction (c- 50X x 6) <b>101</b>	<b>0.00</b>	
								<b>Total Gross Royalty</b>	<b>0.00</b>	
								<b>Net Royalty Due</b>	<b>0.00</b>	
GAS PURCHASER DETAIL					Contact Person:					
Gas Purchaser	Indian Volume Available for Sale [1E m <sup>3</sup> ] [E decimal places]	Gas Royalty Value [E]/1E m <sup>3</sup> [E decimal places]	Prior Paid [E]/GJ [E decimal places]	Transaction Value [E] [E decimal places]	V.User					
NGRN	0.00	0.00	0.00	0.00						
Total Indian Volume Available for Sale		0.00	Total Transaction Value		0.00					
			Weighted Average Transaction Value [E]/1E m <sup>3</sup>		0.00					
Make cheques payable to: <b>The Receiver General for Canada</b>				Send supporting documents and remittance advice to:				Indian Oil and Gas Canada Suite 100, 5514 Chateaub. Rd. Terr. Cl. (Suzanne), Alberta, T2V 6H6		FAX: (403) 292-5518

# Implementation

- IOGC implementation target - January 2023
- Companies must begin using new data file upload formats as of implementation date (confirmation of date will be emailed to companies and posted on IOGC's website)
- Mail out of Information Letter with more details will be sent to all royalty payors and lessees and posted on IOGC's website
- Updated Electronic Royalty Data Submission User Manual will also be posted
- Notification of submission errors to companies
  1. Email sent to royalty payor following submission (new)
  2. Manual check option on website will still exist
- Companies are required to check error notification, make corrections and resubmit
- IOGC will closely monitor the implementation to minimize potential problems
- As per usual, companies can contact IOGC regarding their submissions and any problems encountered



# IOGC Status – AB Royalty – MRF in RIMS1

- IOGC has many leases in AB which have AB Royalty Framework incorporated by reference
- The newly drilled wells are referencing AB Regulations in most of the cases
- Majority of royalties paid using MRF provisions is attributable to the product rich gas





# MRF (Continued)

- Modernized Royalty Framework (MRF) was implemented in Alberta in January 2017
- MRF calculations are affecting mostly post – C\* calculations for the new wells drilled after January 2017
- IOGC received data for all wells part of MRF and started testing the royalty calculations
- Once Mix/Spec is Implemented, the MRF calculation will follow for the wells where all Mix/Spec product submissions are completed
- **Once the royalties are assessed using new calculation, the Royalty Payor will be notified about the outcome**



# Implementation Steps - MRF

Mix/Spec  
Submission

Change in  
Assessment –  
New Rule Set

Communication  
to Royalty  
Payor



# Enhancements – Petrinex Inclusion Journey

- Petrinex vs. EDS Data Upload
- Royalty Tax Payor (RTP) Module in Petrinex – Inputs Required
- IOGC's New Royalty Module vs. RIMS1 Functionality
- Royalty Assessment Reporting – Royalty Statement Distribution



# Royalty Payments and Financial Statements

- Due to the existing financial systems, a REN is still required for payment processing
- RENs for new activity will be automated and included on statements, associated with well ID
- Work is ongoing to incorporate the assessment data from IOGC's new RIMS2 system into the current Royalty Financial Statement that will continue to be emailed
- A companion statement is also being developed that will be sent and reside in the Petrinex Invoices and Statements portal for each company



# Gas Cost Allowance

## Observations:

- Related facilities
- Well event links
- Effective dates (begin of prior month)



# Gas Cost Allowance

- Moved to Petrinex platform : February 2019
- 2018 Production Year: 2019 (1st year) submission Annual deadline for edits extended
- Petrinex functionality issues: Business Desk
  - Policy related issues: IOGC
  - Timelines remain same:
    - 30-day limitation for changes, updates and new set-ups for GCA 1
    - Annual May 31 deadline
    - 10-working days to re-submit, a rejected submission



# Gas Cost Allowance

## Facility Process Status:

- OPEN: allows BA to make changes prior to submission to IOGC
- SUBMITTED: BA has submitted to IOGC for Review & Approval
- REVIEWED: IOGC review completed for submission and recommended for Approval
- REJECTED: Submission not accurate, requires changes ( BA has 10 working days to re-submit)
- APPROVED: IOGC Approved
- EXPIRED: Not submitted by May 31 deadline or no submission within 10-day timeframe

## Final Rate Status:

- OPEN: Not approved by IOGC
- QUEUED: Approved by IOGC, extracted monthly on 15th or next business day
- APPROVED: Approved rate has been extracted to IOGC and available for reports in Petrinex



# Gas Cost Allowance

Other:

- GCA Section of Royalty Reporting Guidelines – in the process of being updated
- [IOGC Gas Cost Allowance Submission Edit/Validation Rules](#) (*Petrinex Home Page – Under Initiatives Menu Heading*)
  - Petrinex - Indian Oil and Gas Canada Inclusion Project





# Gas Cost Allowance - *Lessons Learned*

- Submitting BA's (Operators): Validate GCA 1 linkages for wells & related facilities to ensure receiving accurate GCA rate (Operator responsibility)
- As per previous slide, for any issues causing submission to be in “rejected” status, please do the needful within 10 working days or will be expired
- For new capital additions, equipment, being replaced or no longer being used – the capital value both for cumulative and Net (if not fully amortized) must be retired to allow the addition



# Royalty Module (RM) System

- Went Live in SK for May 2021 Production Forward
- All data for calculation is received from Petrinex via monthly extract on 15th of each month or the next business day after
- Royalty Calculation reports are sent to Royalty Payors on monthly basis before 15th of the third month following production month
- Royalty Payors are required to submit in parallel into EDS system until Royalty Statements are generated using the data from RM
- Will go Live in Alberta starting January 2023
- RM System is only used for Royalty Calculations – all payments are processed via old system in RIMS1 by IOGC Finance Team



# RM System

- Two Calculation Reports PDF and CSV are submitted to Royalty Payors monthly
- PDF report contains all detailed calculations and contract provisions for currently producing wells
- CSV report contains details for All wells, including suspended wells
- CSV and PDF are provided to Royalty Payor as a package
- Royalty Payors are responsible for reviewing and reporting any discrepancies back to IOGC before Payment Due Date



# Illustration: CSV File

Production Month	Unit Identifier	Well Identifier	Status Fluid	Status Mode	Status Structure	Status Type	Battery Id	Finished Drilling Date
2022-06			OIL	ACTIVE	Similar to Reporting for Drain wells	PRODUCING	SKBT	
2022-06			OIL	ACTIVE	Similar to Reporting for Drain wells	PRODUCING	SKBT	
2022-06			OIL	ACTIVE	Similar to Reporting for Drain wells	PRODUCING	SKBT	
2022-06			OIL	ACTIVE	Similar to Reporting for Drain wells	PRODUCING	SKBT	
2022-06			OIL	ACTIVE	Similar to Reporting for Drain wells	PRODUCING	SKBT	
2022-06			OIL	ACTIVE	Similar to Reporting for Drain wells	PRODUCING	SKBT	
2022-06			OIL	ACTIVE	Similar to Reporting for Drain wells	PRODUCING	SKBT	
2022-06			OIL	ACTIVE	REPORTING	PRODUCING	SKBT	
2022-06			OIL	ACTIVE	REPORTING	PRODUCING	SKBT	
2022-06			OIL	SUSPENDED	Similar to Reporting for Drain wells	PRODUCING	SKBT	
2022-06			OIL	SUSPENDED	Similar to Reporting for Drain wells	PRODUCING	SKBT	
2022-06			OIL	SUSPENDED	Similar to Reporting for Drain wells	PRODUCING	SKBT	

# Illustration: PDF File

 Government of Canada / Gouvernement du Canada		Indian Oil and Gas Canada Pétrole et gaz des Indiens du Canada		PROTECTED:						
Royalty Calculation Detail Report										
Royalty Payer	Legal Name	Mailing Address	Email Address	Contact Phone						
<b>BAND</b>										
<b>PRODUCTION PERIOD - 2022-06</b>										
Contract	Well Identifier	Product	Calculation Schema	Volume	Price	Effective Royalty Rate	Gross Royalty	Deduction	Net Royalty	
							<b>PRODUCTION PERIOD TOTAL:</b>	\$3,066.99	\$124.82	\$2,942.17
<b>BAND PROVISIONAL / PRIOR PERIODS AMENDMENTS</b>										
<b>AMENDMENT PRODUCTION PERIOD - 2022-06</b>										
Contract	Well Identifier	Product	Calculation Schema	Reasons			Net Royalty	Revised Net Royalty	Difference	
							<b>AMENDMENT TOTAL:</b>		\$7,242.58	\$7,242.58
							<b>BAND TOTAL:</b>			\$10,184.75
							<b>TOTAL ROYALTY:</b>			\$10,184.75

# Illustration: PDF File

Contract:	Band	Period: 2022-06	Well: t
<b>Well Information</b>			
Production Month		<b>Well Identifier</b>	
Status Fluid		Status Mode	
Status Structure		Status Type	
Battery Id		Finished Drilling Date	
<b>Contract Information</b>			
Royalty Payor		Legal Name	
Contract		Unit Identifier	
Band Number		Band Name	
Reserve Number		Reserve Name	
<b>Product Information</b>			
<b>Product</b>	<b>OIL</b>	Vintage	
First Nations Interest		Royalty Payor Interest	
Royalty Classification		Area Classification	
Production Volume		Sales Volume	
Hours		Sales Price	\$869.51 / m³
Volumetric Heat		Allocation Heat	0.0
<b>SK Crown Information</b>			
Royalty Schema		Crown Multiplier	
Volume Based On		Price Based On	
IOGR 1995 Reference Price		Fixed Royalty Rate	
Min Royalty Rate		Max Royalty Rate	
Min Frozen Royalty Rate	0	Max Frozen Royalty Rate	1
<b>Calculation Details for SK Crown</b>			
<b>Parameter</b>	<b>Formula / Calculation</b>		<b>Value</b>
Price	Use Sales Price hence 869.509		869.51 / m³
Regular Royalty Volume	Regular Volume * Regular Royalty Volume % 32.5 * 1		32.50 m³
CR%	Exception Oil hence ((K - (X / Prod Volume)) - SRC) ((43.99 - 1015 / 32.5) - 0.75)/100		12.01 %
Gross Royalty	Prod Volume * CR% * Price * FN% * RP% 32.5 * 0.1200923076923076923077 * 869.509 * 1 * 1		\$3,393.69
Deduction	Deduction is not allowed 0		\$0.00
Net Royalty	Gross Royalty - Deduction		\$3,393.69

# Next Steps and Key Reminders

- Both RM and EDS Tools will run in parallel – to allow for system stabilization
- Those with Contracts in AB - Referential to AB Crown
  - Mix/Spec Pricing Verification - Please connect with Twila for Mix/Spec Validation Process (it's going to be case by case basis July 2014 – 2022)
  - MRF – Olga M will be contacting respective Royalty Payors for further inquiries for MRF Reassessment Review 2017 - 2022
- Reminder to check with your Primary User to gain access to monthly royalty calculations in your Petrinex Mailbox
- Contact GCA Team – Importance of monitoring and timely submissions of required GCA information



# Questions?



For more information, please IOGC Royalty Team: [royalty@sac-isc.gc.ca](mailto:royalty@sac-isc.gc.ca)