MRF – Drilling and Completion Cost Submissions Project Industry Readiness Guide

Version 1.5
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<td>April 4, 2017</td>
<td>Section 1.2 – Overview of MRF – Drilling and Completion Cost Submissions and Non-Compliance</td>
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<td>V1.1</td>
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Notes:
- Users should check periodically for updates to this Guide.
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1.0 Overview

1.1 Overview of MRF Functionality on Petrinex

Modernized Royalty Framework (MRF) functionality on Petrinex is comprised of the following elements:

1. **Well Hydraulic Fracturing Report** – implemented October 2016
   - For more information review the Tip titled “New Well Hydraulic Fracturing Report available on the website under Tips & Alerts – Tips Current.

2. **C* Draw Down Report** – available February 28, 2017
   - **C* Calculation Report** – available February 28, 2017
   - These are monthly reports generated by Alberta Energy and available in Ministry Invoices and Statements as part of the DOE Oil Royalty Program Reports. Refer to the AB Reporting Calendars for other months.

3. **Drilling and Completion Cost Submissions** – implementing March 2, 2017
   - Information provided in this Readiness Guide

4. **Drilling and Completion Cost Non-Compliance Report** – implementing March 2, 2017
   - Information provided in this Readiness Guide

Background

As part of the MRF Industry is required to submit Drilling and Completion Costs to Alberta Energy through Petrinex for:
- All conventional oil, gas and gas by-product wells spud on or after January 1, 2017,
- All non-project oil sands wells spud on or after January 1, 2017, and
- All wells spud during the early election period (July 13, 2016 to December 31, 2016) where the BA applied for and was granted early MRF status for the well.

This document focusses on Drilling and Completion Cost Submissions and Non-Compliance. For more detailed information on the MRF and associated reporting requirements visit the Alberta Energy Website at [https://www.alberta.ca/royalties.aspx](https://www.alberta.ca/royalties.aspx).

1.2 Overview of MRF – Drilling and Completion Cost Submissions and Non-Compliance

The purpose of this guide is to inform Alberta Industry users of new Drilling and Completion Cost Submissions functionality being introduced to Petrinex as part of the MRF.
• Industry is required by Alberta Energy as part of the MRF to submit estimated (AFE’s) and actual costs for each well for Drilling, Completion, Re-completion and Re-entry for royalty calculation purposes.

• Cost submissions must include back-up information related to the data.
  o Estimates require an AFE to be attached to the submission, and
  o Actual costs require an electronic transaction listing of the costs that must reconcile to the actual cost amounts reported and should include sufficient information to allow Department auditors to trace a transaction to its supporting documentation.

• These cost submissions are subject to filing deadlines and potential penalties for missing and/or late submissions.

• A new Drilling and Completion Cost Non-Compliance Report will be available as a resource for Industry to manage filings to avoid non-compliance. This report must be requested by the licensee using the Submit Report Request functionality as Petrinex does not automatically send it to licensees.

• **Note:** Well licensees are not required to report drilling and completion costs on 100% Freehold wells. The mineral ownership information is not available in Petrinex until the well is put on an active status. Therefore 100% Freehold wells will appear on the non-compliance report as missing estimated costs until such time as these wells are made active.

• Drilling and Completion Cost submissions can be made to Petrinex either:
  o Online (Training modules will be available March 2017) or via
  o Batch Upload
    ▪ XML (Extensible Markup Language) – internal systems
    ▪ CSV (Comma Separated Values) – see Drilling and Completion Cost Submissions CSV Specifications and Templates available on the website – Initiatives – MRF Functionality on Petrinex.

### 2.0 Recommended Steps to Readiness

One or more individuals at your company should become fully familiar with these new MRF requirements and the associated Petrinex reporting processes to ensure your company is prepared for the March 2017 implementation.

<table>
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<th>Summary of Steps to Readiness</th>
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<td>1. Confirm with your USA who should have access to the MRF Drilling &amp; Completion Costs functions.</td>
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<td>2. Ensure your BA User Security Administrator assigns the appropriate roles to users or adds to existing roles</td>
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<td>3. Ensure affected staff are fully aware of the new Drilling and Completion Costs Submission requirements and are trained on how to use new Petrinex functionality associated with these requirements.</td>
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<td>4. Take the opportunity to test the new reporting processes prior to go live</td>
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Detailed Steps to Readiness

2.1 Confirm with your USA who should have access to the Drilling and Completion Costs Functions

The drilling and completion costs functions should be made available to users who report drilling and completion costs. These functions (tasks) will allow users to use Petrinex to submit their estimated drilling and completion costs by AFE and final costs upon completion of the well.

2.2 Ensure your BA User Security Administrator (USA) assigns the appropriate roles to users

On March 3rd, the BA USA will be able to create one of the pre-defined drilling and completion roles for specific users in the company, or alternatively the BA USA created custom roles of drilling and completion functionality in order to provide user access to the drilling and completion processes.

To create a “D and C Costs Edit” role -
1. From the Petrinex Menu select Security – Manage User Roles.
2. Click ADD and create a user role called “Drilling and Completion Costs Edit”, Click OK.
3. Click Task List.
4. Scroll down under Template or Role Name and select the template titled Petrinex – DC Cost Submissions Edit.
5. Select all of the tasks under Available Tasks and move them to Assigned Tasks.
6. Click OK.
7. Scroll down under Template or Role Name and select Petrinex Comprehensive.
8. Select Manage Invoices and Statements and Well Hydraulic Fracturing Report.
9. Click OK.
10. Click Submit.

To create a “D and C Costs Read” role -
1. From the Petrinex Menu select Security – Manage User Roles.
2. Click ADD and create a user role called “Drilling and Completion Costs Read”, Click OK.
3. Click Task List.
4. Scroll down under Template or Role Name and select the template titled Petrinex – DC Cost Submissions Read.
5. Select all of the tasks under Available Tasks and move them to Assigned Tasks.
6. Click OK.
7. Scroll down under Template or Role Name and select Petrinex Comprehensive.
8. Select Manage Invoices and Statements and Well Hydraulic Fracturing Report.
9. Click OK.
10. Click Submit.

If your BA USA is experiencing difficulties with this task please contact the Petrinex Service Desk at 403-297-6111 or 1-800-992-1144 (Toll Free) or by email to petrinexsupport@petrinex.ca. for assistance.
2.3 Ensure your staff are trained

As part of this project, training will be available to assist users in being ready to use the new reporting process and functionality. This training is provided through Petrinex internet-based online training modules, Tips and Job Aids which are accessible on the Petrinex website.

**Drilling and Completion Cost Submissions Training Modules**

All Petrinex functionality has associated web-based training modules available on the Petrinex website under User Resource Centre. Training modules on this new Drilling and Completion Costs functionality will be released in April 2017 and made available in user training profiles.

- If you currently have access to the training system you can access your training profile by clicking on the Resource Centre tab on the Petrinex website and clicking the Training Modules Login Link.

- If you currently do not have access to the Petrinex training system, you can use the Self-Registration form on the Training Modules Login Link to create a profile. For additional information on how to use the Self-Registration form click on the link **Access the Online Training System** on the Resource Center page on the Petrinex website.

- If you have forgotten your userid or password there are links on the Training Modules Login page. If you encounter issues with either of these links, please use the “Contact Us” link on the Petrinex Online Training Login page under the Read Me section.

A “virtual” presentation has been published on the Initiatives Page that provides screen prints on submitting your D&C Costs and requesting D&C Cost reports. This can be used as a temporary tool until the modules are available.

**CSV batch upload job aid**

Drilling and completion costs information can be requested, modified and submitted via online screens or by uploading various batch files. There are two formats for batch files that can be loaded into Petrinex:

a) **Extensible Markup Language (XML) format** – a computer file format used to communicate and transfer data between different computer systems. Specification documentation will be provided to 3rd party system vendors and are available on request by contacting the Petrinex Service Desk at petrinexsupport@petrinex.ca who will pass on your request as appropriate.
b) Comma Separated Values (CSV) format – a computer file format based on a spreadsheet upload. See the Job Aid titled Drilling and Completion Costs Submissions Spreadsheet Upload Specifications and the associated Templates available on the Petrinex Website – Initiatives – MRF Functions on Petrinex (http://www.petrinex.ca/193.asp): (or the User Resource Centre – Training Job Aids – Spreadsheet Upload Specifications and Templates

2.4 Take the opportunity to test your files prior to go-live

Petrinex staff will be available to run your batch files in a test environment starting the month of February 2017. Sample batch files created by a software system or from spreadsheets can be emailed to Petrinex and the batch file(s) will be loaded and the processing results will be emailed back to the requestor.

Instructions for this testing will be available on the Petrinex Website under Initiatives MRF Functions on Petrinex – Documents - Industry Interoperability Testing Guide and Transmittal Form. Please note this testing will continue after March go live date for as long as necessary to allow time for integration into a company’s forecasting processes.

3.0 Key Contact Information

- Questions related to DOE MRF Drilling and Completion processes, please contact Energy.MRFInquiries@gov.ab.ca

- Questions related to the new drilling and completion cost submissions tasks on Petrinex, please contact Ann Hagedorn at 403-297-3618 or email: ann.hagedorn@gov.ab.ca.