

Production Allocation Discrepancy (PAD) Reporting – Industry Response

Presented by:
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STATEMENT

INDUSTRY WORKING TOGETHER to

ACCURATELY REPORT our allocations using our

NEW ANALYTICAL TOOL.

Agenda

1. Creation of the PAD Report
2. Navigating the PAD Report
3. Industry's Reconciliation Action Plan
4. Production Accountant's Newest Analytical Tool
5. Questions?

1. Creation of the PAD Report

Overview:

- The primary concern of the DOE is to receive complete and **Accurate Reporting** from industry.
- Regardless if the result is in the Crown favor or not!

Results:

- **Crown** has confidence industry is accurately reporting the data.
- Improved **Industry** awareness of the reporting requirements.
- Lower Royalty obligations potentially for **Industry**.
- New Analytical Tool useful for **Industry**.

1. Creation of the PAD Report

The DOE / CAPP Sub-Committee consisted of:

- Department of Energy (DOE) – led by Will Wong.
- Petroleum Registry of Alberta (PRA) – led by Ann Hagedorn.
- Industry companies are: ARC Resources, Cenovus, CNRL, ConocoPhillips, Devon, Harvest, Nexen, Pengrowth, PennWest, Shell, Surge, Talisman and others.

Step # 1 – Report creation

Step # 2 – Testing of the Report

Step # 3 – Live production

2. Navigating the PAD Report

PRA Volumetric & Allocation Reporting

Key Components of the **Gas Crown Royalties** are:

Volumetric data:

- Oil & Gas Production
- Production Hours

Allocation (SAF/OAF) data:

- Owner gas volume & energy.
- Stream gas volume & energy.
- Basis of gas crown royalty is the **calculated energy**, not the submitted energy (GJ's)!
- Any stream can be attached to any facility!

2. Navigating the PAD Report

Allocation & PAD Report

Important reminder:



Allocations must be completed before PAD Reports!

2. Navigating the PAD Report

PAD Reporting Tip Suggestions

Review all Positive Results (Volume Difference % – column AH) – **Royalty Recalculation**

ALLOCATION



PRODUCTION

>20%

- Look at the negative results. Could be the answer?
- New stream(s) with no allocation?
- An amendment with missing volumetric or allocation submission?
- Review the allocation process in your production allocation system.

2. Navigating the PAD Report

PAD Reporting Tip Suggestions – [Example # 1](#)



STEP # 1 – Review all positive results. Filter as follows:

1. Under column AH, Volume Difference % – **> than 20%**
2. Under column AG, Volume Difference – **> than 10.0**
3. Under column V, Allocation Product – **Gas only**

All streams showing up will be on DOE PAD Invoice – Shadow Bill (Royalty Recalculation) you will receive near the end of each month for your Operated streams!

2. Navigating the PAD Report

PAD Reporting Tip Suggestions – [Example # 1](#)



STEP # 2– A specific query to demonstrate. Filter as follows:

1. Under column Z, Allocation Production Entity – **Select any**
2. Under column A, Production Month – **> Select any**

Example: [PAD Reporting Info Sessions Examples.xlsx](#)

2. Navigating the PAD Report

PAD Reporting Tip Suggestions – [Example # 2](#)

Review all Negative –100% Results (Volume Difference % – column AH) – Non chargeable



- No allocation submission has been reported?
- An amendment with missing allocation submission?
- Review the allocation process in your production accounting system.
- **Part of a Multi-Well Production Entity (e.g. Unit) and has not been tied to the unit possibly.**

2. Navigating the PAD Report

PAD Reporting Tip Suggestions – [Example # 2](#)

PRODUCTION



ALLOCATION

-100%

STEP # 3 – Production Entity Unit Example. Filter as follows:

1. Under column D, Volumetric Facility – **Select the BT**
2. Under column K, Volumetric PE Product – **Select the 3 options (ALLOC, GAS, & OIL)**
3. Under column V, Allocation Product – **Select GAS and (BLANKS)**
4. Under column AH, Volume Difference % – **select negative 100 and all POSITIVE results**
5. Under column A, Production Month – **select a month**

2. Navigating the PAD Report

PAD Reporting Tip Suggestions – [Example # 2](#)

PRODUCTION



ALLOCATION

-100%

STEP # 3 – Production Entity Unit Example

Example: [PAD Reporting Info Sessions Examples.xlsx](#)

This shows the PRODUCTION with NO ALLOCATIONS.

Negative numbers is the ANSWER to resolving your Production Allocation Discrepancies!

2. Navigating the PAD Report

PAD Reporting Tip Suggestions – [Example # 2](#)

Any wells that are part of a Multi-Well Production Entity (e.g. Unit) which will receive a royalty benefit are required to be reported at the well level.

Step # 1

- ✓ Verify in PRA using the on-line Query Production Entities or run the Production Entity Report. If the well is not attached to the Unit for example, email the DOE to get this completed. Contact information as follows:

Jocelyn Paley

1-780-422-9151

jocelyn.paley@gov.ab.ca

OR

Sarika Kapoor

1-780-422-9391

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- ✓ Supply the UWI, Production Entity (P.E.) Name and or P.E. Number, and effective date to be added to the P.E.

2. Navigating the PAD Report

PAD Reporting TIP Suggestions – [Example # 2](#)

Step # 2

The PAD report requires the well to be reported at the WELL level in order to receive **lower royalty rate benefit**. Remove the volume and energy from the P.E. and report at the WELL level.

The RESULT is improved REPORTING with the ROYALTY RATE that Industry & the DOE expects.

2. Navigating the PAD Report

PAD Reporting Tip Suggestions – [Example # 3](#)



Reviewing +100%, noticed non-unit streams. Understanding our company, reviewed from a Production Accountant level.

Filter as follows:

1. Under column L, Volumetric Contact Name – **pick the contact**
2. Under column V, Allocation Product – **select GAS and (Blanks)**
3. Under column A, Prod Month – **review & select one month**

2. Navigating the PAD Report

PAD Reporting Tip Suggestions – [Example # 3](#)



Example: [PAD Reporting Info Sessions Examples.xlsx](#)

Results:

- 7 wells have No Allocations and 5 wells have Over Allocations.
- Only 6 months out of 40 will have Royalty Recalculations.
- All these wells are either Crown and Freehold interest.
- We have 2 months (non royalty recalc) are important to correct as well.
- Upon proper allocations, Crown Royalties will be less!

2. Navigating the PAD Report

PAD Reporting Tip Suggestions – [Example # 4](#)

ALLOCATION



PRODUCTION

>20%

This example we have a contract operated well with the operator having no working interest in this well.

Filter as follows:

1. Under column Y, Allocation Cascaded From – **select the facility**
2. Under column V, Allocation Product – **select GAS and (Blanks)**
3. Under column D, Volumetric Facility – **select the facilities**
4. Under column A, Production Month – **review and select a month**

2. Navigating the PAD Report

PAD Reporting Tip Suggestions – [Example # 4](#)

ALLOCATION



PRODUCTION

>20%

Example: [PAD Reporting Info Sessions Examples.xlsx](#)

Results:

- The main issue here is a Gas battery going to a Oil battery.
- No impact to operator streams except for under allocation.
- Contract operated well has over allocation.
- Operator has given the owner more revenue for this well.
- Owner of this well will have a Royalty Recalculation.
- This owner could request operator to correct this!

Industry must work together to resolve our variances!

2. Navigating the PAD Report

PAD Reporting TIP Suggestions

For more information on PAD Reporting TIP Suggestions, please refer to the Petroleum Registry TIP. Enclosed is the link:

http://www.petroleumregistry.gov.ab.ca/PDFs/Tips/T179_Production_Allocation_Discrepancy_report.pdf

3. Industry's Reconciliation Action Plan

PAD Report Availability

- **PREVIEW** – two days before DOE allocation deadline.
GVDISC001 – Production Allocation Discrepancy Rpt CSV – Auto Created Warning via PRA In-box.
- **FINAL** – after DOE allocation deadline.
GVDISC002 – Production–Allocation Discrepancy Rpt CSV – Auto Created Final via PRA In-box.
- **PAD REPORT BILLING** – Operated streams royalty recalculation using the FINAL report.
DOE Gas – Client Package (Monthly Reports) – Production Allocation Discrepancy in PDF or CSV.
- In **PRA**, you can submit a Report Request, **Production Allocation Discrepancy Report** a day after submitting Volumetric or Allocation submissions.

3. Industry's Reconciliation Action Plan

Suggestion on HOW to Use the PAD Reports

PAD FINAL and PAD REPORT BILLING

- The PAD FINAL is what the DOE will use to create the PAD REPORT BILLING
- My suggestion is both of these reports can be used to **BEGIN** your review.

PRA PAD REPORT & PAD PREVIEW

- As you reconcile, use both to verify the discrepancies are being corrected.

3. Industry's Reconciliation Action Plan

Allocation & PAD Report

Important reminders of some significant differences are:



Allocations must be completed before PAD Reports!



3. Industry's Reconciliation Action Plan

PAD Report Billing

Key Points to Remember:

- Operated royalty recalculations.
 - ✓ Operator(s) has control of the all the production and allocation process.

- Non-Operated royalty recalculations.
 - ✓ Partners first time receiving notification of the discrepancy from this report.

- Industry must work together to resolve any variances.

3. Industry's Reconciliation Action Plan

PAD Report Billing

DOE Report Updates:

- **PDF Report** will show **Totals** so Industry can quickly see the impact.
- **CSV Report** will add two columns showing the **Operator Business Associate Code** and **Business Associate Name**.
 - ✓ This was requested so Industry can quickly determine what they operate.
 - ✓ Non-operators can quickly identify streams to monitor industry's reconciliation progress.

3. Industry's Reconciliation Action Plan

Suggested Reconciliation Order:

1. **2012** – First year that will be recalculated.
2. **2009** – Will be Statute Barred after December 31, 2013.
3. **2010 & 2011** – More time is available to correct.

How much time does your Company Need to Reconcile 2009 to 2012?

- The Sub-committee will meet again on June 28th to discuss this industry concern.
- **We need your input!** Please email or phone to let me know your issues and concerns. My contact information is at the end of the presentation.

4. Production Accountant's Newest Analytical Tool

Running a PAD Report in the Petroleum Registry:

Submit Report Request

Report:

Operators: All List

Streams: All List

Start Production Month:

End Production Month:

Report Format: CSV

Note: This report will be queued for processing. You will receive an e-mail notification when the report is ready.

4. Production Accountant's Newest Analytical Tool

Current Report Submission Details:

- Presently designed from a DOE perspective.
- Need to request the report a day after volumetric and allocation submissions have been made.
- Cannot run specific facilities.
- Only able to request specific streams.

4. Production Accountant's Newest Analytical Tool

Future Industry Enhancements:

- Remove the $\pm 20\%$ threshold.
- Request at specific facilities.
- At a Production Accountant(s) level?
- For allocation (SAF/OAF) – notification to Production Accountant(s) if Allocation volume or energy is amended.
- Any suggestions?

4. Production Accountant's Newest Analytical Tool

Benefits are:

- Creates an understanding of the allocation process compared to production.
- Improved awareness of the reporting requirements.
- Potentially lower royalty crown obligations.
- Ability to review gas shrinkage value when less than 80% from production.
- Industry working together to resolve variances.

5. Questions?

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