



Registry Tip

Reducing the Risk of Receiving DOE Oil Penalties

Release/Revision Date	Location of Change in this Document	Comment
January 9, 2008		Initial Release
February 12, 2008	Links under Key Penalty Avoidance Principles – end of section and Page 6 – Waiver	Updated Links
May 5, 2008	Key Penalty Avoidance Principles (last paragraph) and new section entitled Links	The DOE has posted a new IL listed in both areas.

Audience: Oil Well/Batteries Operators

Purpose: This document outlines how oil well/battery operators can avoid penalties by improving compliance with respect to conventional oil delivery and reporting in accordance with Alberta Energy's applicable Petroleum Royalty Regulations.

Background: The DOE implemented penalties for non-compliance with respect to conventional oil delivery and reporting effective July 1, 2007. These penalties were enabled by the Petroleum Marketing Regulation enacted July 11, 2006. Guidelines associated with this Regulation are found at:
http://www.energy.gov.ab.ca/Oil/pdfs/PMR_Guidelines.pdf

Penalty Triggers:

There are three (3) categories of penalties.

- Over/Under Delivery Penalties
Difference between the "Confirmed" Industry delivered volume and the DOE calculated royalty volume.
- Late/Incomplete Reporting Penalties
Late/missing Crown royalty pipeline splits and prior month over delivery amendments (Failure to Amend).
- Inaccurate Reporting Penalties
Inaccurate reporting (facilities or volumes) of the Crown's portion of the pipeline splits

Key Penalty Avoidance Principles:

1. Calculate the Crown's oil royalty share correctly

The largest portion of penalties charged to Industry relates to the over/under delivery of the Crown's oil royalty share.



Over/under deliveries is the result of incorrect calculations of the Crown royalty share. To avoid calculation errors, apply the correct royalty formula to the correct gross volume produced from the well and assure the correct royalty attributes (e.g. vintage, eligibility for royalty programs) are used in the calculation.

2. Submit your pipeline splits including the Crown oil royalty share on time.

A portion of the penalties charged to Industry relate to:

- o Late and/or Missing filings of APMC split volumes.

3. Report any Crown Royalty volume held in inventory.

A portion of penalties charged to Industry relate to:

- o Under deliveries due to volumes held in inventory.

4. Identify the differences of volume or facilities reported.

A portion of penalties charged to Industry relate to:

- o Inaccurate reporting of volumes delivered.
- o Inaccurate reporting of facilities.
- o Failure to Amend any over delivered volumes.

5. Understand the rules and processes to file objections to a DOE Oil non-compliance penalty. Where applicable, file a waiver or appeal.

Forms and instructions related to penalty waivers and notices of appeal are provided in Information Letter 2007-24. [Click Here](#)

A new Information Letter 2008-15 issued on April 30, 2008, has been posted to the DOE Website, under Our Business – Oil – Legislation/Guidelines/Policies – Information Letters. This new Information Letter explains changes to the appeal process grace period for penalties in circumstances where the royalty attribute (vintage and royalty programs) have changed. [Click Here](#)

Suggested Procedures:

1. Calculate the Crown's oil royalty share correctly.

Before calculating the Oil Crown royalty share ensure your data is current.

- a. Confirm your fixed data matches the data the DOE used for calculating the crown volumes last month. This information can be found on the following reports located in the Petroleum Registry in Ministry Invoices and Statements:

“Well Details – Prod Month YYYY-MM and Prior” – one item under the DOE Oil Crown Royalty statements delivered



Petroleum Registry of Alberta

by the last day of the month after the production month. This report details at the well level, the crown royalty attributes used by the DOE during the most recent production month. Items such as Crown Interest, Vintage and royalty program

deductions are shown and can be confirmed against the data you have in your system.

Note: The Royalty program(s) will be identified on the Well Detail Report only if they are actually applicable (triggered) for the particular production month. Use the Royalty Program Report for the complete listing of royalty programs applicable to your wells.

“Royalty Program Report – YYYYMMDD” – this report, available during the last week of the month after the production month, lists all the applicable royalty programs and their status. The report details which program(s) apply to the well, when a program starts, terminates, the waived volumes and the waived dollars value. Most programs are subject to limits and this report will identify when a program is near its limit. (For example, the LOWPROD program code 55 is subject to a \$50,000.00 maximum. When the maximum waived value is reached the program is terminated on the applicable well.)

Any items found under the Report Package Name “DOE Oil – Well Royalty Program Report/Letters” need to be reviewed to validate changes to the royalty programs after the reports listed above were created. This is where you will find the actual approval, termination or revocation letters regarding the royalty program changes to your well(s).

- b. Update your fixed data with recent changes. Request and review the Well Attribute Change Report (available February 2008) in the Registry under Reports and Queries. This report will show the changes made to the oil crown royalty attributes vintage and crown % during the requested time period. You should ask for changes between the date you last ran the report (1 month ago) and the day you are requesting the report (today). If items have changed you must ensure your fixed data is updated to match.
- c. Depending on your process, your PA system or spreadsheet(s) programs will calculate your pipeline split volumes delivered for the Crown (APMC) and other shippers.

The Oil Crown Royalty Guidelines which include the formula for calculating the crown share can be found at - <http://www.energy.gov.ab.ca/Oil/1197.asp>



The DOE Basic Conventional Oil Royalty Calculator tool (which can be used to calculate the Crown's volume for a well) can be found at - <http://www.energy.gov.ab.ca/Oil/769.asp>

2. Submit your pipeline splits including the Crown oil royalty share on time

- a. Report your splits to the pipeline or terminal operator and to the Registry on time. Pipeline split data is subject to filing deadlines as stated by the pipeline or terminal operator and the APMC. The reporting calendar, located on the Registry website, provides details on these deadlines. You must meet these deadlines to avoid late filing penalties.
- b. Claim your Transportation Allowances - Once you have reported your APMC volume to the Registry, as part of the pipeline split process, you should claim your Transportation Allowance using the Transportation Allowance and Overdelivery Claims (TAOC) functionality in the Registry.

3. Report any Crown royalty volume held in inventory.

- a. If you have produced crown royalty volumes but it remains in your inventory at the battery, you must report the inventory volume to the APMC. Prior to February 4, 2008 you use the APMC 122 paper form. Effective January 2008 production month you will report using the Crown Oil Inventory functionality in the Registry.

4. Identify any differences of volume or facilities reported

- a. Confirm what you report to the Registry for the crown volume is the same as what the pipeline/terminal operator told the APMC. There are two reports/statements used for this purpose:

The “**Royalty Delivery Confirmation Report**” found in Ministry Invoices and Statements is loaded into the Registry between the 20th and 25th each month. This report details what the pipeline and terminal operators have reported to the APMC as the volumes you delivered to the Crown's account. Theoretically, these volumes should match with what you reported to the terminal/pipeline operator for the APMC, however there are situations where discrepancies can occur and you need to be aware if there are any differences.

Request the “**APMC Transportation and Overdelivery Report**” found in the Registry under Reports and Queries



each month. This report will list the APMC volume you reported in the Registry, which you should compare to the details provided on the Royalty Delivery Confirmation Report. Discrepancies in either the volume or facility information should be investigated to determine how they happened. Discrepancies will result in penalties for inaccurate reporting, however, depending on the reason for the discrepancy these penalties may be eligible for appeal.

- b. Compare your Crown oil royalty calculations and deliveries to the DOE's calculations to identify errors and penalty items.

The "**APMC Operator DOE Reconciliation Report**" is loaded into the Registry in Ministry Invoices and Statements each month. The Registry reporting calendar identifies the day this report is available, generally the 1st or 2nd day of the 2nd month after the production month. (For example, on February 1, 2008 the report is available for December 2007 production month.) This report will detail, at the facility level, the Crown oil royalty calculated by the DOE, the deliveries reported by the PL (from confirmation report), Invoiced, Prior Month and future month collection, as well as any differences.

The differences on this report can and/or will result in penalties as follows:

- o Differences of less than or equal to 1.0 m3 will not be initially charged an over/under delivery penalty.
- o Differences of more than 1.0 m3 will result in a penalty and a Penalty Reference Number will be shown on the report.

If you see a **negative volume** in the Difference column, you have over delivered the Crown volume and must make an overdelivery claim through the Registry by the date indicated in the Amendment deadline column. If you do not claim the over delivery via the Transportation Allowance and Overdelivery functionality in the Registry, by the specified date, you will be charged a Failure to Amend penalty. This applies even if the difference is less than 1.0 m3. All over deliveries must be claimed back or you will be subject to the Failure to Amend penalty, which will be charged each month after the specified date until you have submitted the over delivery claim.

If you see a **positive volume** in the Difference column, you have under delivered and the APMC will invoice you



for the under delivery or ask you to deliver the volume in another month.

5. Understand the rules and processes to file objections to a DOE Oil non-compliance penalty. Where applicable, file a waiver or appeal.

- a. There are three (3) types of adjustments stipulated in the Petroleum Marketing Regulation:
 - Waivers: Circumstances beyond operator's control, generally entire missing submissions
 - Appeals: Questioning the operator's liability for the penalty
 - DOE Initiated Reversal: When penalty was originally imposed in error
- b. General Appeals Principle – If a royalty variable (attribute) has changed since last communicated by the DOE, it will be considered for appeal. For example, if your vintage was updated late (after you did your calculations) and was used in the DOE calculations you may request an appeal or DOE initiated reversal identifying the royalty attribute change and it's timing.
- c. DOE Initiated Reversals can be done during the "3 Week Informal Review Period". There is an Informal Review Period during which operators can contact their DOE Oil Analyst to review potential penalties and seek to resolve them before the penalty invoice is issued. The Informal Review Period is approximately three weeks, from the issue date of the Preliminary Late/Non-Receipt/Failure-to-Amend Report at month-end to approximately the 20th day of the following month when the Monthly Financial Statement is issued. You are encouraged to use this window where applicable.

Links:

The appeal form and completion instructions can be found at:
http://www.energy.gov.ab.ca/Oil/pdfs/Notice_of_Appeal_Instructions.pdf

The waiver form and completion instructions can be found at:
http://www.energy.gov.ab.ca/Oil/pdfs/Penalty_Waiver_Application_Instructions.pdf

Information Letter 2008-15 issued April 30, 2008 explaining changes to the appeal process it can be found at:
<http://inform.energy.gov.ab.ca/Documents/Published/IL-2008-15.pdf>



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More Information:

A number of DOE Oil reports and statements have been referenced above. For a complete listing of all DOE Oil Reports loaded into Ministry Invoices and Statements on the Registry, please click on the following link: [Click Here](#)

For more information contact your DOE Crude Oil Analyst or the Edmonton DOE Oil Development team.