

Production Allocation Discrepancy Report

Jurisdiction	Release/Revision Date	Location of Change in this Document	Comment
AB	June 8, 2015	For More Information	Updated contact information
AB	Dec 23, 2014	Known Issues Section	Items #5 and #6
AB	May 9, 2014	Purpose and Known Issues Sections	Updated information related to statute barred data.
AB	March 12, 2014	Purpose and Known Issues Sections	Added information related to 2009 Production Year which is statute barred effective Dec 31, 2013.
AB	December 03, 2013	Key principles	Added a new section identifying report selection options effective December 5, 2013.
AB	July 19, 2013	How to Use the Petrinex Production Allocation Discrepancy Report	This section has been removed and added as a Training Job Aid under the Resource Centre.
AB	February 5, 2013	Known Issues with PAD report	Update under Known Issues see item #5
AB	November 13, 2012	New issue with PAD report	Update under Known issues see item #5
AB	October 26, 2012	Known Issues with the PAD report and new link on shadow billing timeframe.	Updates to link under Key Principles (page 3) on Shadow Billing Timelines and to Known Issues (page 7) as to status of known issues
AB	June 22, 2012	More Information	Link to presentations and examples from June 19 Information Session
AB	May 7, 2012		Initial Release

Audience: Natural Gas Producing and Allocating Facility Operators.

Purpose:

Effective May 7, 2012 the “Production Allocation Discrepancy” (PAD) report was made available for Industry’s use to validate that residue sales gas and extracted (processed) liquids do not exceed the raw gas production, beyond a reasonable threshold. These discrepancies are reported effective with the 2009 production year. The 2009 production year became statute barred on December 31, 2013. Effective May 8, 2014 the PAD report no longer contains information related to statute barred years (specifically 2009).

Background:

There are two versions of this report that are described throughout this document:

- **PETRINEX PAD** - the automatic version created by Petrinex or the on-demand version submitted by Industry users.
- **DOE PAD** – automatic version created by the Department of Energy (DOE) and included as part of the monthly Gas Royalty invoice package and made available in the Ministry Invoices and Statements area of Petrinex.

The Petrinex PAD report is part of the DOE’s requirement to ensure that all Crown royalty volumes are being accounted for correctly. With the 2009-01 implementation of the new well based royalty formula, the production rate became part of the Crown royalty rate calculation. Allocating volumes higher than the volume produced could mean that the Crown royalty rate is too low. This report will be used by the DOE to determine cases where a recalculation of the royalty rate may need to be undertaken.

The report identifies specific instances of discrepancies between:

1. Raw gas production volumes reported at the well level; and
2. Gas (residue sales) and liquids (LPGs - extracted from raw gas) that are royalty applicable, reported at the sales and/or extraction points and allocated to the applicable single or multi-well production entity(s).

Discrepancies identified are +/- 20% with a quantity of at least $10.0 \times 10^3 \text{m}^3$ (i.e. discrepancies identified on the report are those that are beyond a 20% threshold in terms of the comparison of volumes sold to volumes produced and also beyond the volumetric threshold of $10.0 \times 10^3 \text{m}^3$) Discrepancies of 100% will be displayed regardless of the quantity. The allocated LPG processed volumes are converted to gas equivalent values and combined with the allocated (SAF/OAF) gas dispositions (sales), which is compared to a well or group of wells (units, well groups etc.) gas well production as reported in volumetrics.

For those cases where the allocation to a stream is 20% (or more) above the production volume on the Petrinex PAD report, the DOE will create a DOE PAD report monthly for each owner involved in the stream, as part of their Gas Royalty invoice cycle process.

The DOE PAD report displays the previous royalty rate, the projected royalty rate, the previous charge amount, the projected charge amount and the charge amount difference which represents the royalty impact. The projected charge amount is the potential royalty charge that could appear on your Gas Royalty invoice if the discrepancy is not corrected by the facility operator. If corrections or an application for exemption are not submitted to the DOE, the Quantity Component (r_q) of the royalty formula will be defaulted to 30% since the production volume is

assumed to be incorrect. The Price Component (r_p) will remain unchanged. The DOE PAD report will use this revised (projected) gas royalty rate. See the [DOE April 2012 Information Bulletin](#) for further details.

Key Principles:

Security: The Petrinex PAD report is designed for facility operators who submitted the volumetrics or allocations and is restricted to users within the Business Associates (BA's) that have access to experimental facility data. Users who do not have access to experimental facilities will not be able to request or access the Petrinex PAD report. Each BA must ensure they have at least one user with experimental access in order to access the report details. The DOE PAD report will be delivered to each BA's Ministry Invoices and Statements area of Petrinex.

Report format & timing: The Petrinex PAD report is available in a CSV format only. The Petrinex PAD report can be requested at any time (on demand) by an operating BA who submits volumetric or allocation data and has access to experimental facilities and will run during the day. The Petrinex PAD report will also be created automatically two days prior to the DOE Allocation reporting deadline with another final version for the month being created on the night of the allocation deadline. It is this final version that the DOE will use to create the DOE PAD report.

Report Selection Options: When requesting the Petrinex PAD report users may select specific streams, facilities as well as the start and end production months. There are some specific behaviours that should be noted:

- **For streams** - when selecting a multiple well stream (i.e. a Unit), wells that are part of the unit but under a royalty program will not be included in the resulting PAD report.
- **For facilities** - when selecting a facility where one of the wells linked to the facility belongs to a multiple well stream (i.e. a Unit) then all facilities associated with that unit will be included on the resulting PAD report.

Data contained in the report: The Petrinex PAD can contain data from 2009-01 to the current production month. Due to the extensive calculations that are required for the generation of this report, the data contained within it will only be for submissions made up to the previous day of the request. For example, users cannot request a report, make a submission (amendment), request the report again all in the same day and view the new amendment on the report - they must wait until the next day to request a new Petrinex PAD report to view the amended data.

Consequences of a Discrepancy: The monthly automatic 'final' Petrinex PAD report (the version created on the allocation deadline day) will be the basis for the DOE PAD report. The DOE PAD report shows the potential financial consequences to the royalty owner, and will be available to users within the Gas Royalty invoice package. The intent of the DOE PAD report is to display potential charges – actual charges will not commence until the 'shadow billing' period has ended. See the [DOE September 2012 Information Bulletin](#) for more information on the Shadow Billing timeline.

Exemptions from DOE PAD charges: The DOE recognizes that there may be legitimate reasons for a discrepancy that cannot be corrected by amending data. Please contact your Volumetric and Cost Reporting contact person/team for information regarding the exemption process. (See "Appendix F. Points of Contact" in the DOE Information Bulletins for the applicable contact information.)

Known issues with the Petrinex Production Allocation Discrepancy Report

1. Gas production less fuel, flare & vent that equals near zero or a battery that has near zero dispositions will appear on the report.
2. The sweep/automatic versions of the report will be generated and email notifications will be sent to users even if they do not have experimental access and thus these users will be unable to open the report. This is due to the way in which notifications are generated in Petrinex.
3. The discrepancies are reported effective with the 2009 production year. The 2009 production year became statute barred on December 31, 2013. Effective May 8, 2014 2009 data will no longer be available on the PAD report. However users can include 2009 on their report request but no records will be returned for the year. A new message/edit will be created in the near future to stop users from requesting data related to statute barred years.
4. Effective January 2015 the Petrinex version of the PAD report will automatically recognize the applicable statute barred year and allow only DOE approved submissions to be included for the statute barred year until March 31st of the next year. (For example: the year 2010 will be statute barred on December 31, 2014. The Petrinex PAD report will continue to contain 2010 data related to that year until mid April 2015. However amendments between December 31st and the following March 31st must be approved by DOE or they will not be included on the PAD report. All statute barred data will be removed from the PAD report after the DOE takes their final extract for the statute barred year on or about the 15th of April.
5. Effective January 2015 Industry will be required to file their statute barred year amendments one (1) working day prior to the DOE Allocations Deadline in January, February and March 2015 (and each year after) if the amended data is to be included in that month's invoice. (For example: in January 2015, only approved 2010 submissions received by January 14th will be used in the monthly PAD extract/reports final version generated on or about January 15th.) Note: Approved amendments between March 14th and March 31st will be contained on the PAD report final version generated on or about April 15th.



TIP

For More information:

Volumetric & Cost Reporting (V&CR) is the Front Line of contact for inquiries relating to volumetric and cost reporting as well as gas royalty calculation processes. V&CR is made of four teams as shown below:

Team	Lead
Volumetrics	Nicole Le Blanc
Costs	Sheruna Naidoo
Process Support	Penny White
Special Projects	Oana Jurgea

Gas Royalty Voicemail: 780-422-8727
Fax: 780-427-3334
Alberta Toll Free: 780-310-0000
Gas Royalty Email: VCR@gov.ab.ca

To view the presentations and report examples provided at the June 19, 2012 Information Session [click here](#) or go to the Petrinex website - Resource Centre - Training Job Aids.

To view the training job aid titled “How to Use the Petrinex Production Allocation Discrepancy Report” [click here](#) or go to the Petrinex website – Resource Centre – Training Job Aids.