

Changes to Saskatchewan Royalty/Tax Invoices and the Transition Billing Period

Jurisdiction	Release/Revision Date	Location of Change in this Document	Comment
SK	March 1, 2013		Initial Release

Audience: Saskatchewan stakeholders

Purpose: This tip explains changes to Saskatchewan's royalty/tax and compensatory royalty invoice packages and describes the transition billing process that will take place in March 2013 as Saskatchewan's Ministry of the Economy (ECON) implements its new billing system.

Background:

ECON is implementing the second phase of its new billing system as part of its overall oil and gas business process and computer system modernization program known as the Process Renewal and Infrastructure Management Enhancement (PRIME) program (the implementation of Saskatchewan data on Petrinex was also part of PRIME).

The new billing system will result in changes to the Industry royalty/tax and compensatory royalty invoices which will come into effect in March 2013.

In addition to changes to the invoices, ECON will also generate a transitional billing package in March 2013. ECON is recalculating invoices from the March 2012 production month (Petrinex go-live) to the December 2012 production month to account for minor changes in calculation (e.g. rounding), and functionality (e.g. heating value), that are being implemented with the new billing system. These recalculations make up the one-time transitional billing package.

Key Principles:

Invoice Packages

In March 2013, Industry will receive two types of invoice packages in the *Ministry Invoices and Statements* section:

- ***Transitional Invoice Package:*** Due to the size and complexity of developing a new oil and gas billing system for ECON, the undertaking was divided into two phases. The first was implemented when Petrinex went live for Saskatchewan data in April 2012. At that time, functionality to calculate some royalties and taxes was not available including heat factor, raw gas price, recovered crude at injection facilities and flared, vented and lease fuel values that affect royalty statuses for associated gas. These functions, along with minor calculation changes (e.g. rounding) which are intended to ensure invoices are as precise as possible, will be implemented in this second phase of the billing system.

Industry was notified that once the second phase of ECON's billing system was implemented, the ministry would retroactively calculate invoices for the production months of March 2012 to December 2012 to account for these calculation and functional improvements. These recalculated invoices are what make up this one-time transitional invoice package

- ***Current Month Invoice Package:*** This package will include Industry's current month invoices and details for the January 2013 production month.

Additional Invoice Files

Industry currently receives the following invoice files (in .pdf and .xml formats):

- *Legacy Royalty Tax Detail Invoice*
- *Legacy Royalty Tax Summary Invoice*
- *Non-Compliance Invoice*
- *Provisional Royalty Invoice*

Starting in March 2013, Industry will also receive the following additional invoice files (the file format and layout are similar to the files Industry receives today):

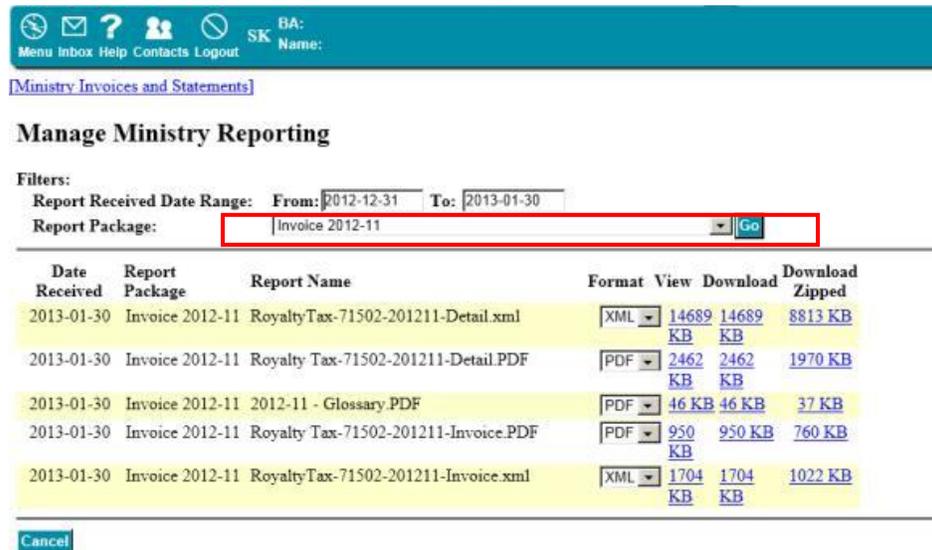
- Compensatory Royalties Invoice Summary (.pdf and .xml)
- Compensatory Royalties Invoice Detail (.pdf and .xml)
- Compensatory Royalties UWI Changes (this file will only be generated if there is UWI change activity for that month) (.xml only)
- New billing Royalty and Tax Invoice Summary (.pdf and .xml)
- New billing Royalty and Tax Invoice Detail (.pdf and .xml)
- Royalty and Tax UWI Changes (this file will only be generated if there is UWI change activity for that month) (.xml only)

To ensure Industry clients that use .xml files are able to process them properly in their production accounting environment, ECON has provided sample .xml files and supporting documents for testing purposes. For more information, see the Petrinex Tip called [Test .xml Files Available for Saskatchewan Ministry of the Economy Invoices](#), updated on February 25, 2013.

Organization of Invoices in *Ministry Invoices and Statements* section

To make it easier for Industry to find their invoices for a given month, Petrinex has added a filter that organizes invoice documents by processing month into a single folder. Each folder will include invoice summaries and details for all of the relevant revenue types for that month (e.g. royalty and tax, compensatory royalties, provisional royalties, non-compliance fees, etc.) and will be available in both .pdf and .xml formats. The invoices will be organized by report packages and labeled by production month (e.g. March 2012 production month invoices and detail will be found in the report package labelled *Invoice 2012-03*).

This new filtering feature will be implemented on Petrinex in March 2013. (See the screenshot example below).



Manage Ministry Reporting

Filters:
 Report Received Date Range: From: 2012-12-31 To: 2013-01-30
 Report Package: Invoice 2012-11

Date Received	Report Package	Report Name	Format	View	Download	Download Zipped
2013-01-30	Invoice 2012-11	RoyaltyTax-71502-201211-Detail.xml	XML	14689 KB	14689 KB	8813 KB
2013-01-30	Invoice 2012-11	Royalty Tax-71502-201211-Detail.PDF	PDF	2462 KB	2462 KB	1970 KB
2013-01-30	Invoice 2012-11	2012-11 - Glossary.PDF	PDF	46 KB	46 KB	37 KB
2013-01-30	Invoice 2012-11	Royalty Tax-71502-201211-Invoice.PDF	PDF	950 KB	950 KB	760 KB
2013-01-30	Invoice 2012-11	RoyaltyTax-71502-201211-Invoice.xml	XML	1704 KB	1704 KB	1022 KB

Because transition billing and current month billing will involve multiple invoices in March 2013, please note:

- Each month of royalty/tax transition billing (for the March 2012 to December 2012 production months) will have its own folder (e.g. *Invoice 2012-03*, *Invoice 2012-04*, etc.).
- Transitional compensatory royalty invoices (for the March 2012 to December 2012 production months) will be calculated and combined into a single invoice. This invoice will be found in the *Invoice 2012-12* folder.
- March 2013's current month royalty/tax and compensatory royalty billing (for the January 2013 production month) will be found in the folder *Invoice 2013-01*. Then, April 2013's current month royalty/tax and compensatory royalty billing (for the February 2013 production month) will be placed in the *Invoice 2013-02* folder that will be created at that time, and so on.

Differences between New Billing and Legacy Billing

Thanks to the precision offered by ECON's new oil and gas billing system, Industry may notice some differences between the old and new invoicing.

The following list provides examples of the most common reasons for the differences:

- Royalty/tax billing calculations are rounded at the Unique Well Identifier (UWI), product and royalty/tax level.
- Rounding may cause slight differences in the calculation of the royalty rate.
- Calculation of Recovered Crude Oil (RCO) is now included in royalty/tax billing. It will no longer be sent in a separate invoice and detail.
- When the Royalty Tax Attributes (RTA) and Royalty Tax Payer (RTP) mineral ownership percentage do not match, royalty/tax billing will calculate and invoice the well operator (RTP operator) at 100% of the Crown rate. Once the discrepancy is fixed by Industry, the royalty/tax rate will be adjusted.
- When a well is linked to multiple facilities during a month, and reports more than one price, royalty/tax billing will use a blended price. In legacy billing, the price reported at the last facility the well was attached to in the month was used for royalty/tax calculations.
- The new royalty/tax billing system will recycle fewer wells than the legacy system because ECON will automatically populate assigned pricing values when pricing data is missing.
- New compensatory royalty billing uses the estimated wellhead area price, while legacy used the wellhead price of the offending well to calculate royalties.
- New compensatory royalty billing may assign multiple offending wells to the called offset. The offending well that calculates the highest amount payable will be used against the offset.
- New royalty/tax and compensatory royalty billing use a default heating value of $60 \text{ GJ}/10^3 \text{ m}^3$.

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