

Alberta 

WELCOME

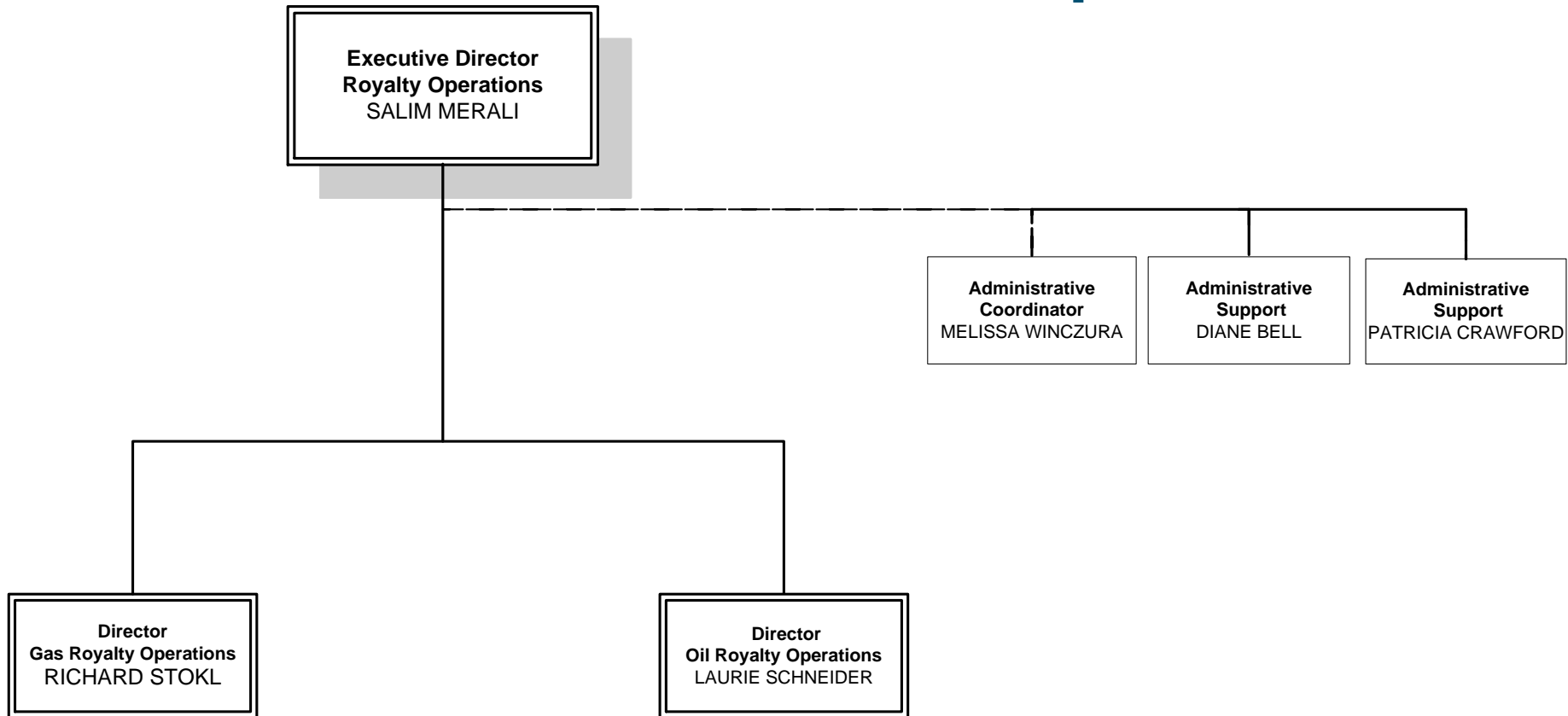
Opening Comments

Rhonda Wehrhahn
Gavin Schafer

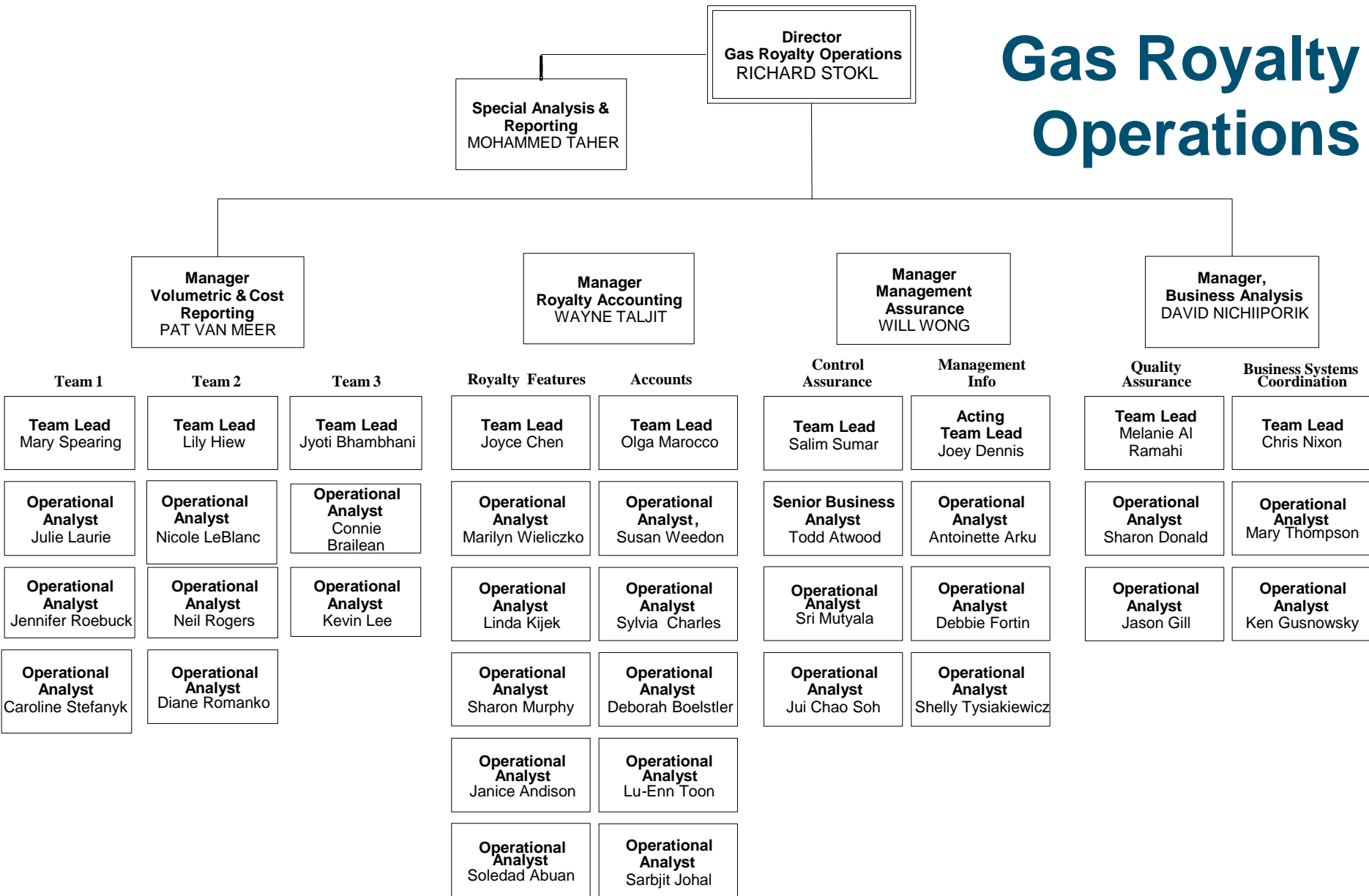
Organizational Changes to Royalty Operations

Salim Merali

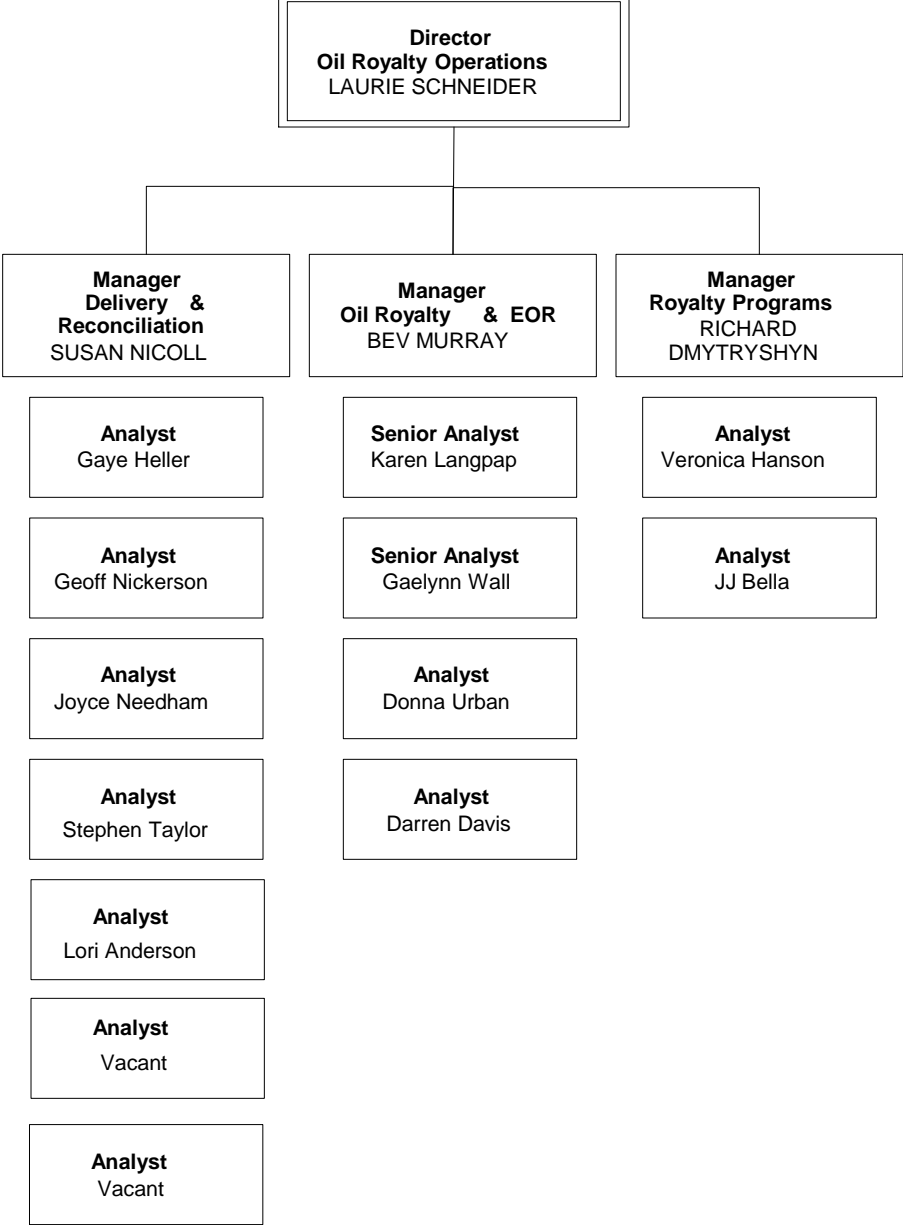
Royalty Operations



Gas Royalty Operations



Oil Royalty Operations



Alberta 

Questions

Statute Barred

Larry McGuinness

Outline

- Background
- Section 38 changes
- Section 39 changes
- Implementation dates
- Questions

Statute Barred

BACKGROUND

The Rights for both Industry and the Crown to perform recalculations are defined in Law under Section 38 of the Mines and Minerals Act (MMA).

Section 38 defines the What and When submissions to the Crown can be amended by both the Crown and Industry.

Statute Barred

BACKGROUND (con't)

- Section 39 of the MMA provides the authority under which Industry may APPEAL any recalculation by the Crown.

Statute Barred

WHY THE CHANGES

- To update the Act to reflect changes to the Royalty Structures and to Programs administered by the Crown while at the same time recognizing the need for changes in the administrative processes in how reporting to the Crown has changed to bring it into the ever changing workplace.

Statute Barred

WHAT IS BEING CHANGED – SECTION 38

- Expanding the list of items subject to calculation and recalculation to include:
 - Pre-payout (oil sands)
 - Pre-payback (coal)
 - Other net proceeds and other recoveries
 - Escalating rents
 - Cost carry forwards

Statute Barred

WHEN IS BEING CHANGED – SECTION 38

- Revising Industry time frames for calculations and recalculations:
 - Currently industry may make changes for a four year period after the production year and in the fourth year may request permission to make amendments into the fifth year.
 - This will change to a three year period after the production year.

Statute Barred

WHEN IS BEING CHANGED – SECTION 38 (con't)

- Revising the Crown's time frames for calculations and recalculations:
 - Currently the Crown may make changes for a four year period after the production year and if any audit is commenced in the fourth year it is automatically extended into the fifth year.
 - This will change to a straight five year period after the production year.

Statute Barred

WHEN IS BEING CHANGED – SECTION 38 (con't)

- Revising the Crown's time frames for Processing calculations and recalculations:
 - An additional six month period will be provided to the Crown to process Crown calculations or recalculations to recognize the inter dependence of the various royalty reporting systems and how they operate.

Statute Barred

WHAT IS BEING CHANGED – SECTION 39

- Appeals
 - Can only be based upon audit evidence gathered during the course of an audit.
 - Prior to the closure of any audit, the Audit Client will be provided 30 days notice of intent to close an audit and requested to provide any additional information that they may consider relevant to the Audit.

Statute Barred

WHEN IS BEING CHANGED – SECTION 39

- Appeals
 - Currently industry may Appeal any Crown “Operating Decision” or “Audit Assessment” within 90 days from the date the subject operating decision or audit assessment is issued.
 - This will not change, but Industry will also be provided the right to Appeal any Crown calculation, recalculation or additional calculation but only as to mathematical correctness or accuracy of such calculation, recalculation or additional calculation within 90 days of the date the formal notice of same.

Statute Barred

- When will the Changes become effective?
- Currently on the proposed agenda for the Spring seating of the Legislature in 2013.
- When presented and passed, the legislation would be effective beginning the year it was passed.

Questions

Oil Royalty Program Report

Richard Dmytryshyn

Outline

- Where to find the Well Royalty Program Report
- Comparison of Old vs. New Reports
- Sample of CSV format
- Programs no longer shown on the report
- Example of well qualifying for two rates
- Questions

Where can I find the Well Royalty Program Report?

Menu BA: 0A&J ALBERTA DEPARTMENT OF ENERGY
Name: dmytryr

[Ministry Invoices and Statements](#)

Manage Ministry Reporting

Filters:

Report Received Date Range: From: 2012-08-21 To: 2012-09-20

Report Package:

Business Associate:

Date Received	Report Package	Report	Download	Download Zipped
2012-08-24	DOE Oil - Well Royalty Program Report/Letters	Report	3 KB	52 KB

- DOE Oil - Well Royalty Program Report/Letters
- ALL
- DOE Forecasting - Forecasting Confirmation Report
- DOE Gas - Client Accounts
- DOE Gas - Client Package - Annual Reports
- DOE Gas - Client Package - Monthly Reports
- DOE Gas - Client Package (Monthly Reports)
- DOE Gas - Form Submission - Monthly Forms
- DOE Gas - Measured Depth Letters
- DOE Oil - Crown Royalty Statements
- DOE Oil - Delivery Confirmation Report
- DOE Oil - Delivery/Reporting Penalty Statements
- DOE Oil - Financial Processing Statements
- DOE Oil - Reconciliation Reports
- DOE Oil - Well Royalty Program Report/Letters
- ERCB Volumetric Deficiency
- New Well Royalty Rate Details

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Old vs. New CSV File Pt. 1

	A	B	C	D	E	F	G	H	I	J
1	Report Date	Operator Id	Well Id	Battery Id	Program Id	Category	Program Code	Application Status	Effective Date	Termination Date
2	YYYY/MM/DD	XXXX	XXXXXXXXXXXXWX 0	XXXXX	LOWPROD	0	XX	Terminated	YYYY/MM/DD	YYYY/MM/DD
3	YYYY/MM/DD	XXXX	XXXXXXXXXXXXWX 1	XXXXX	LOWPROD	0	XX	Terminated	YYYY/MM/DD	YYYY/MM/DD
4	YYYY/MM/DD	XXXX	XXXXXXXXXXXXWX 2	XXXXX	LOWPROD	0	XX	Terminated	YYYY/MM/DD	YYYY/MM/DD
5	YYYY/MM/DD	XXXX	XXXXXXXXXXXXWX 3	XXXXX	LOWPROD	0	XX	Terminated	YYYY/MM/DD	YYYY/MM/DD

Becomes

	A	B	C	D	E	F	G	H	I
1	Report Date	BAID	Well Event ID	Facility ID	Licence	Program Rate	Status	Effective Date	Termination Date
2	YYYY/MM/DD	XXXX	ABWI100000000000W400	ABBT0000000	0000000	NWRR Rate	Terminated	YYYY/MM/DD	YYYY/MM/DD
3	YYYY/MM/DD	XXXX	ABWI100000000000W401	ABBT0000001	0000001	NWRR Rate	Terminated	YYYY/MM/DD	YYYY/MM/DD
4	YYYY/MM/DD	XXXX	ABWI100000000000W402	ABBT0000002	0000002	DOEP	Revoked	YYYY/MM/DD	
5	YYYY/MM/DD	XXXX	ABWI100000000000W403	ABBT0000003	0000003	NWRR Rate	Revoked	YYYY/MM/DD	
6	YYYY/MM/DD	XXXX	ABWI100000000000W404	ABBT0000004	0000004	DOEP	Approved	YYYY/MM/DD	
7	YYYY/MM/DD	XXXX	ABWI100000000000W405	ABBT0000005	0000005	NWRR Rate	Terminated	YYYY/MM/DD	YYYY/MM/DD
8	YYYY/MM/DD	XXXX	ABWI100000000000W406	ABBT0000006	0000006	DOEP	Revoked	YYYY/MM/DD	
9									

Old vs. New CSV File Pt. 2

K	L	M	N
Waived Volume	Waived Value	Waived Periods	Total Production
0.5	76.46	178	3960.1
0.5	76.46	178	3960.1
0.5	76.46	178	3960.1
0.5	76.46	178	3960.1

Becomes

	J	K	L	M	N	O
1	Licence Vol Cap	Licence Vol Cap Used	Licence Period Cap	Licence Period Cap Used	Licence Value Cap	Licence Value Cap Used
2	7949.0	244.1	12	12	0.00	0
3	7949.0	244.1	12	9	0.00	0
4	0.0	0	12	0	1000000.00	0
5	7949.0	0	12	0	0.00	0
6	0.0	0	12	1	1000000.00	23.3
7	7949.0	244.1	12	9	0.00	0
8	0.0	0	12	0	1000000.00	0
9						
10						
11						

Old vs. New CSV File Pt. 3

And

	P	Q	R	S
1	Program Waived Volume	Program Waived Value	Program Periods Used	Total Production
2	0	0	0	0
3	0	0	0	0
4	0	0	0	0
5	0	0	0	0
6	1.1	616.55	1	23.3
7	0	0	0	0
8	0	0	0	0
9				
10				

Difference between old and new file

Summary of changes to the CSV format:

- Report Date –remains the same
- BA Id – replaces Operator Id
- Well Event Id – replaces Well Id
- Facility Id – replaces Battery Id
- License – field added
- Program Rate – replaces Program Id
- Category and Program Code – fields removed

Difference between old and new file

Summary of changes to the CSV format (continued):

- Status – remains the same
- Effective Date – remains the same
- Termination Date – remains the same
- License Volume Cap, License Volume Cap Used, License Period Cap, License Period Cap Used, License Value Cap, License Value Cap Used, Program Waived Volume, Program Waived Value, Program Period Used – replaces Waived Volume, Waived Value and Waived Periods
- Total Production – remains the same

New CSV File Pt. 4

Sample CSV Content

REPORT DATE,BAID,WELL EVENT ID,FACILITY
ID,LICENCE,PROGRAM RATE,STATUS,EFFECTIVE
DATE,TERMINATION DATE,LICENCE VOL CAP,LICENCE VOL CAP
USED,LICENCE PERIOD CAP,LICENCE PERIOD CAP
USED,LICENCE VALUE CAP,LICENCE VALUE CAP
USED,PROGRAM WAIVED VOLUME,PROGRAM WAIVED
VALUE,PROGRAM PERIODS USED,TOTAL PRODUCTION
2012/01/26,XXXX,ABWI1XXXXXXXXXXXXWXXX,ABBTXXXXXXXX,XXX
XXXX,NWRR
RATE,TERMINATED,2009/05/01,2010/10/31,7949,0,12,0,0,0,0,0,0

Programs no longer shown on the reports

- Low Productivity Well Royalty Reduction Program
- Reactivated Well Royalty Exception Program
- Third Tier Exploratory Well Exemption Program
- Horizontal Re-entry Well Royalty Reduction Program

These programs will become statute barred on Dec. 31, 2012

- Experimental Conventional Program

This program is already statute barred

Sample well qualifying for two rates

Report Date	BAID	Well Event ID	Facility ID	Licence	Program Rate	Status	Effective Date	Termination Date
2012/10/04	XXXX	ABW11000000000000W400	ABBTXXXXXX	XXXXXXX	NWRR Rate	Approved	2012/04/01	
2012/10/04	XXXX	ABW11000000000000W400	ABBTXXXXXX	XXXXXXX	HONWRR Rate	Approved	2012/04/01	

One well qualifying for both the New Well Royalty Rate (NWRR) and the Horizontal Oil New Well Royalty Rate (HONWRR)

Sample well qualifying for two rates (continued)

Licence Vol Cap	Licence Vol Cap Used	Licence Period Cap	Licence Period Cap Used	Licence Value Cap	Licence Value Cap Used
7949.0	500.0	12	5	0.00	0
7949.0	500.0	18	5	0.00	0

Both the NWRR and the HONWRR have volume caps of 7,949.0 but the HONWRR period cap is 6 production months longer in this particular instance.

Sample well qualifying for two rates (continued)

Program Waived Volume	Program Waived Value	Program Periods Used	Total Production
0	0	0	500.0
0	0	0	500.0

Since the well did not qualify for a program the volume, value and periods fields are zero. The total will reflect the total production for that well while the rate's status is approved.

Contact Information

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Questions

Enhanced Production Audit Program (EPAP)

Colby Ruff

Networking Session

Oil Royalty Operations

Delivery and Reconciliation

- Joyce Needham – Analyst
- Lori Leblanc – Analyst
- Steven Taylor- Analyst

Royalty Programs and Rates

- Richard Dmytryshyn – Manager
- JJ Bella – Analyst

Processes and System

- Gaelynn Wall – Senior Analyst

Gas Royalty Operations

Management Assurance

- Will Wong – Manager
- Todd Atwood – Senior Analyst

Royalty Accounting

- Joyce Chen – Team Lead
- Sarbjit Johal – Analyst
- Soledad Abuan - Analyst

Volumetric & Cost Reporting

- Pat Van Meer – Manager
- Jyoti Bhambhani – Team Lead
- Lily Hiew – Team Lead
- Mary Spearing – Team Lead
- Caroline Stefanyk – Analyst
- Julie Laurie – Analyst
- Neil Rogers – Analyst
- Nicole Leblanc – Analyst

Production Allocation Discrepancy (PAD)

Will Wong
Rob Newberry

Outline

- Synopsis of Business Change
- Previous Information Sessions and Tips
- DOE PAD Report Updates
- Registry PAD Report Updates
- Potential Royalty Impact
- Royalty Recalculation Schedule
- Report Exceptions
- Helpful Hints
- Keys to Success

Synopsis of Business Change

- Effective with 2009 reporting, the Alberta Royalty Framework (ARF) introduced a new royalty rate formula based on a well event with a quantity component (r_q) that is influenced by well event production.
- CAPP Accounting and DOE formed a PAD subcommittee to ensure accurate reporting and to develop solutions to resolve variances between allocated volumes and reported well event production.
- The department worked with PRA to implement a new monthly reconciliation process and report to compare Stream Allocation Factor (SAF) quantities to reported well event production volumes.
- The department developed a new monthly report to communicate potential royalty impacts in advance of any actual recalculations to owners identified on Owner Allocation Factor (OAF) submissions.

Previous Information Sessions and Tips

- October 6, 2011 - Joint Industry/Alberta Energy Crown Oil and Gas Royalty Information Exchange Event
- May 7, 2012 - Registry TIP (revised on June 22, 2012)
 - http://www.petroleumregistry.gov.ab.ca/PDFs/Tips/T179_Production_Allocation_Discrepancy_report.pdf
- June 4, 2012 - CAPP Luncheon
- June 19, 2012 - Gas Royalty Operations Information Sessions
 - DOE presentation at <http://www.energy.gov.ab.ca/NaturalGas/736.asp>
 - DOE and industry presentations with report examples at <http://www.petroleumregistry.gov.ab.ca/PR33.asp>

DOE PAD Report Updates

- The following report changes were completed in August 2012:
 - Totals for monetary value columns now show up on the PDF report.
 - Allocation Facility Operator Name and BA Code were added to the CSV report. However, it has been noted that the operator is shown as the current operator for all production periods even if an operator change occurred. A further fix is expected to be implemented in a future release.
- Industry has made a further request for the DOE report to include operator information on the production side. Since this report shows the royalty impact at a stream level, DOE indicated that they would be able to provide the operator information for single well PEs only and that multi-well PEs (with multiple batteries) would remain blank.

Registry PAD Report Updates

Registry Online and Automatic PAD Report Updates Completed Sept 5, 2012

- Allocations for the activity PURDISP at a Battery (BT) to a Gas Plant (GP) are now being captured.
- The Registry is now capturing a royalty program when it ends early.
- Volumetric and Allocation amendments are captured correctly. In particular, allocation deletions and volumetric changes without a new allocation submission are now being reflected on the report correctly.
- It is now possible to run a report for specific streams instead of all the data being provided at once. However, if a well is in a unit then all of the unit information will be returned.

Potential Royalty Impact

- As of the July 2012 billing period, the potential royalty dollar impact is estimated as \$39.2 million, distributed as follows by production year:
 - 2009 - \$ 9.1 million
 - 2010 - \$18.8 million
 - 2011 - \$ 8.7 million
 - 2012 - \$ 2.6 million
- These values are not intended to show that Crown royalty has been understated but do illustrate the consequences of incorrect reporting.
- The department will continue to track the progress of the potential royalty impact prior to commencing royalty recalculation and publish updates in the monthly Gas Royalty Operations Information Bulletin.

Royalty Recalculation Schedule

- After further consultation with industry, the department has reviewed the process and determined the following implementation schedule:

2012 to Current Production Month(s)	Billing Month	Calendar Month
January 2012 to July 2012	January 2013	March 2013
August 2012	February 2013	April 2013
September 2012	March 2013	May 2013
October 2012	April 2013	June 2013
November 2012	May 2013	July 2013
December 2012	June 2013	August 2013
<i>Continue this sequence into 2013 and subsequent production years by recalculating the next available production month in the next available billing month. The potential royalty impact for the 6 most recent production months is specified on the DOE PAD Report.</i>		

Prior Years' Production Month(s)	Billing Month	Calendar Month
January 2009 to December 2009	April 2013	June 2013
January 2010 to December 2010	October 2013	December 2013
January 2011 to December 2011	January 2014	March 2014

Report Exceptions

- DOE will recognize certain situations as report exceptions if it can be proven that the discrepancy is incorrectly classified on the report or if there are valid reasons why the discrepancy exceeds the tolerance.
 - An example of a reporting situation that would be recognized as a report exception is where a well event is tied to more than one multi-well PE at the same time and a PE% has only been assigned to one of the PEs.
- A report exception is only required if the allocated volumes exceed production as those volumes may be subject to royalty recalculation.
- Report exceptions must be initiated through written request to the Volumetric & Cost Reporting team, identifying the single well or multi-well PE, the reporting facility and the production period date range.
- Once approved, a report exception may be subject to periodic review.

Helpful Hints

- Start Fresh!
- Who operates the streams being recalculated?
- How to clear PAD Royalty Recalculations?
- Unit Example

Helpful Hints

Start Fresh!

Current DOE PAD Report (Shadow Billing) received September 27, 2012 is the best starting point of your review.

The DOE & REGISTRY updates have been applied.

PAD Sub-Committee recognizes the significant additional workload this has created to all of you!

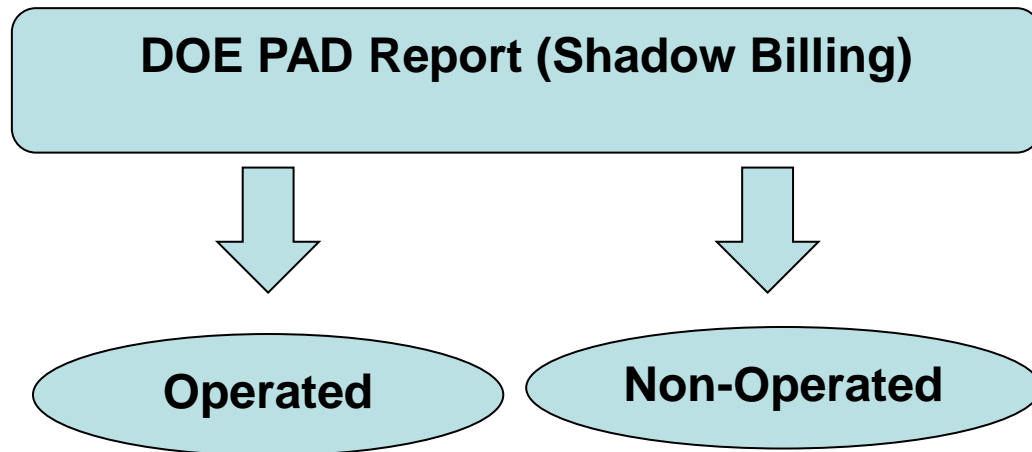
Industry has successfully reduced the impact in a short time frame.

We wish to **THANK YOU** all for making this happen!

Helpful Hints

Who operates the streams being recalculated?

Step 1. Determine who operates the streams from the Department of Energy (DOE) Production Allocation Discrepancy (PAD) Report (Shadow Billing). Using the csv file, add two columns and determine the Operator and Business Associate code.



Helpful Hints

Who operates the streams being recalculated?

Sources to determine Operator and Business Associate Code are:

WELLS:

- Registry – Infrastructure – Well Infrastructure – Query Well Status
- Run a PAD report to get the details of your operated wells.

UNITS:

- Accumap is a good source to quickly find the operator name.
- Registry – Step 1 - Infrastructure – Crown Royalty Related Information – Query Production Entities – Select a well
- Registry – Step 2 – Follow the Well Query above.
- Run a PAD report to get the details of your units.

Helpful Hints

Who operates the streams being recalculated?

DOE PAD Reports (Shadow Bill) – Operator Details Suggestions

First month you determine the Operator Name and Business Associate Code will take you some time to populate from the sources outlined above.

Second month, a suggestion is to use a V-LOOKUP from the first month's data to populate the Operator Name and Business Associate code for the same streams. Any new streams then need to be determined.

This is a suggestion so you can quickly determine between OPERATED and NON-OPERATED streams.

Helpful Hints

Who operates the streams being recalculated?

Step 2. Operated streams you control with tools to resolve are:

REGISTRY PAD

Automatic Versions:

PAD Preview Report – Created automatically two days prior to the DOE Allocation reporting deadline.

PAD Final Report – Created on the night of the allocation deadline.

On Demand Version:

Can be requested at any time and will be run during the day. Will return the previous day volumetric and allocation submissions.

Helpful Hints

Who operates the streams being recalculated?

Step 3. Non-Operated streams depends on the Operator clearing the discrepancy. You have no control and the Registry PAD Reports do not apply!

Suggestions are:

- Significant additional workload to industry. Be patient and give the operator some time to clear the discrepancies without contacting them.
- Communicate with each company to find out their action plan to clear the discrepancies.
- Offer some helpful advice if necessary to assist the process along.
- A good tip is to verify production, your working interest, and sales volume received. Sometimes gas sales does not match the SAF/OAF. Does the allocation submitted versus calculated different? This might be a simple correction.

Helpful Hints

How to clear PAD Royalty Recalculations

Any stream on the DOE PAD Report with a Royalty Recalculation is based on the following result:



The streams reported in this situation have been over allocated to which indicates an allocation discrepancy.



The key point to remember is negative allocations compared to production is the ANSWER to resolving your discrepancies.

Helpful Hints

How to clear PAD Royalty Recalculations

Some Helpful Hints to watch for are:

1. Review all negative 100% imbalances which displays no allocations but has production.
 - Check your production accounting system for allocations that might be missing a step to recognize new wells?
 - Any wells that are part of a Production Entity (Unit, Well Group, etc.) that will receive a royalty benefit are required to be reported at the well level.
 - An allocation amendment has been made in your production accounting system and was never submitted?
2. All remaining negative % imbalances should be reviewed.
 - Review the allocation process in your production accounting system. Possibly a wrong gas analysis has been entered?

Helpful Hints

UNIT Example

Step 1 – Review all positive results for a unit. Filter as follows:

ALLOCATION



PRODUCTION

>20%

1. Column AH, Volume Difference % - > than 20%
2. Column AG, Volume Difference - > than 10.0
3. Column V, Allocation Product – Gas only
4. Column Z, Allocation Production Entity – select the unit
5. Column A, Production Month – select a month

Example: [PAD Unit Examples.xlsx](#)

Helpful Hints

UNIT Example

Step 2 – Any streams with production and no allocations?



1. Column D, Volumetric Facility – **select the BT**
2. Column K, Volumetric PE Product – **select ALLOC**
3. Column V, Allocation Product – **select (BLANKS)**
4. Column AH, Volume Difference % - **select negative 100**
5. Column A, Production Month – **select a month**

Example: [PAD Unit Examples.xlsx](#)

Helpful Hints

UNIT Example

Step 3 – Combine Steps 1 and 2 to demonstrate proper filtering.



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

Example: [PAD Unit Examples.xlsx](#)

Helpful Hints

UNIT Example

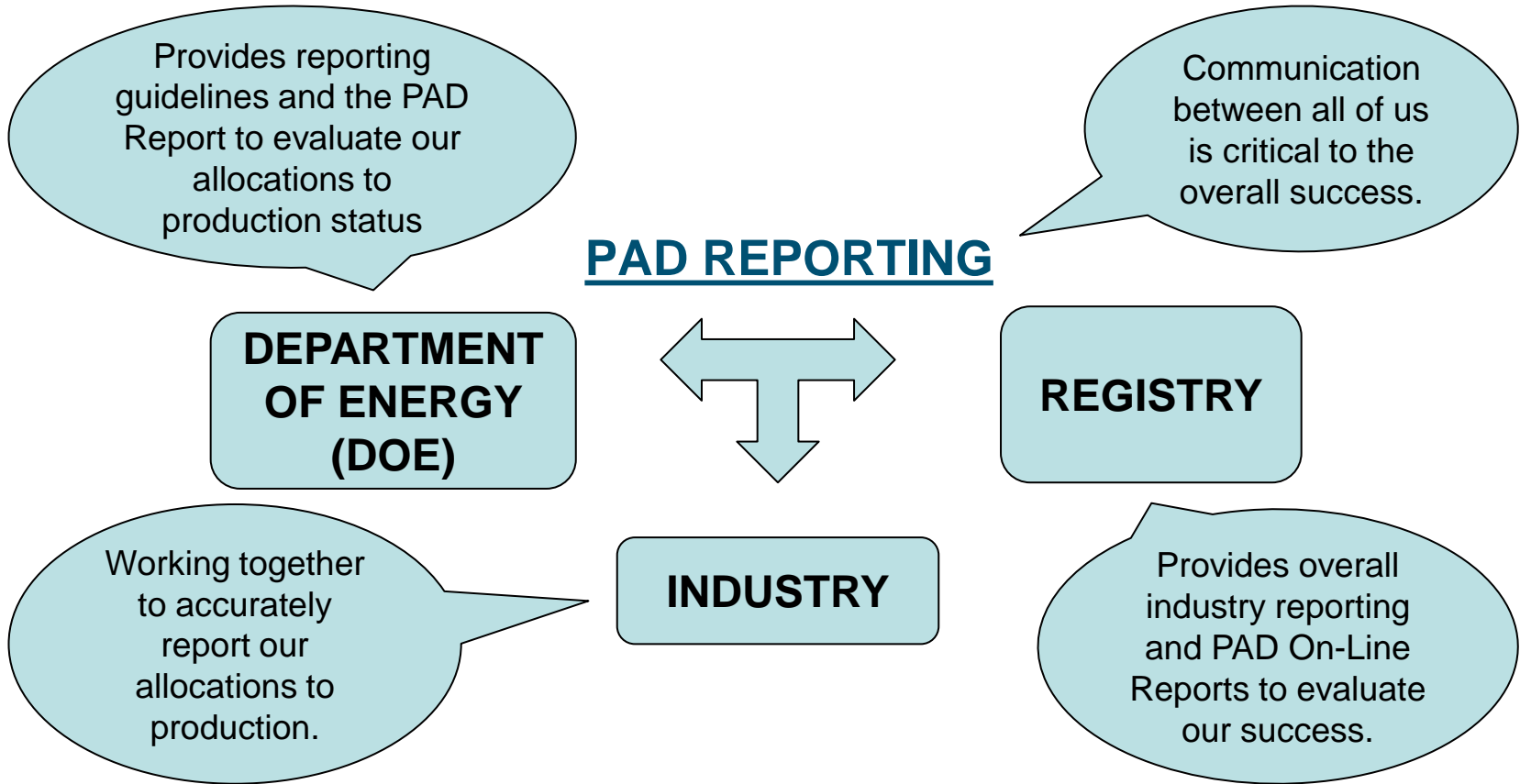
In order to clear this Unit Discrepancy, the following needs to be done:

- Reduce unit allocation based on the unit wells 1 & 2 only.
- Apply a new allocation for unit well 3.

The correct allocations completed will result in the following:

1. Reduced royalty obligation for the unit.
2. Proper royalty rate for unit well 3.
3. Understanding the correct reporting requirements for new wells in a unit.
4. Elimination of the royalty recalculation for this unit.
5. This unit and well will no longer show up on all PAD Reports.

Keys to Success



Keys to Success

CAPP and DOE PAD Sub-Committee

- DOE, INDUSTRY & the REGISTRY worked together to launch this business change initiated by the DOE.
- The overall intent is to ensure **accurate reporting** occurs which is in the best interest of all partners.
- We all have been able to voice our concerns with solutions to move the project forward.
- This has been a work in progress and will continue in the future.
- If you find a situation that is not working as intended, make the DOE or REGISTRY aware of the problem.

Keys to Success

What Success has been achieved to date:

- Report creation.
- Testing of the Report.
- Live production launch in May 2012.
- Industry Training Sessions.
- DOE PAD Report (Shadow Billing) Updates.
- REGISTRY PAD Report Updates.
- Future Updates?

Keys to Success

INDUSTRY'S CHALLENGE

- The key to success is INDUSTRY working together to ACCURATELY report our allocations using DOE and REGISTRY PAD Reports.
- INDUSTRY's Goal of ZERO royalty recalculations.

Hopefully today's presentation will help your company achieving this challenge in the future.

THANK YOU to all of you for such amazing success in a short time frame!

Questions

Closing Comments