Petrinex IOGC Inclusion Project
Change Leader Meeting 3

January 16, 2020

Agenda

1. **Welcome and Introductions**

2. **Indian Oil & Gas Canada Update**

3. **IOGC Inclusion Project Update**

4. **IOGC Gas Cost Allowance**

PETRINEX
CANADA'S PETROLEUM INFORMATION NETWORK

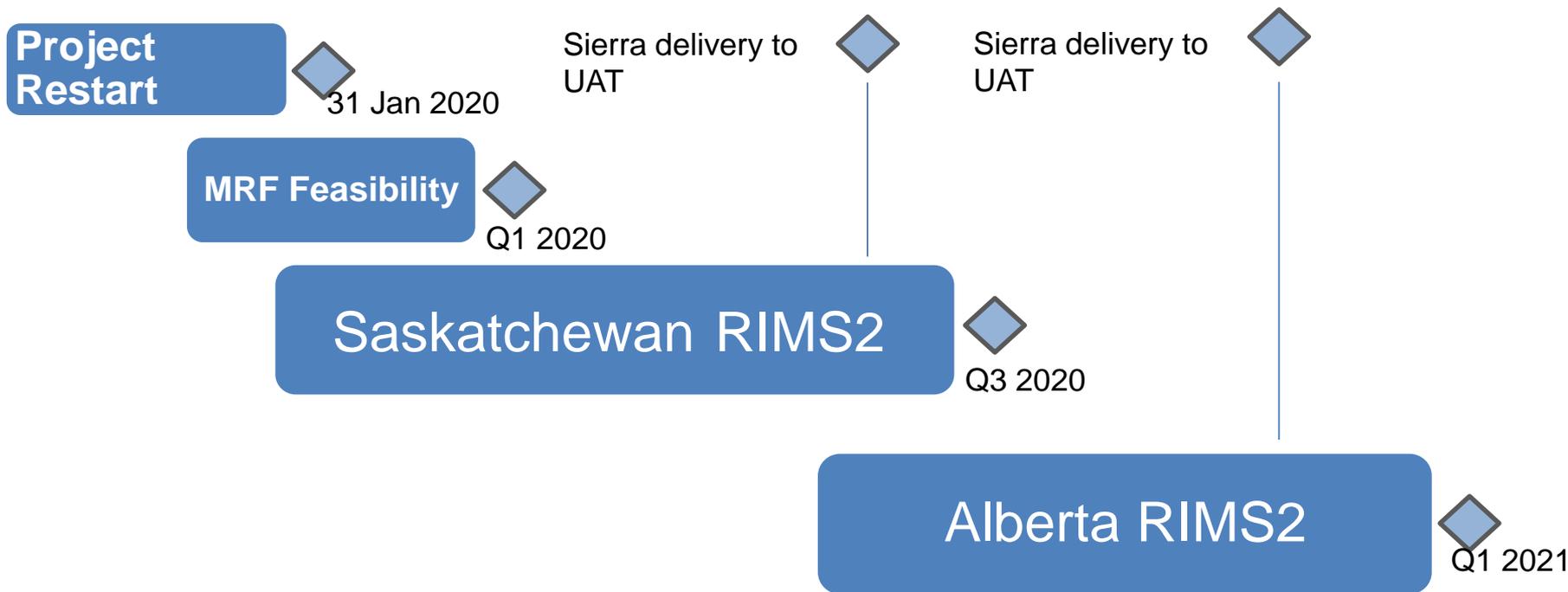# 1. Welcome and Introductions

IOGC:

Bill Currie   -Director Strategic Projects

Munir Jivraj   -Royalty Manager

Amyn Vassanji   -Supervisor, Gas Cost Allowance

Sylvia Taylor   -Project Manager

Petrinex:

Ross Weaver   -Manager: Petrinex Industry Team

Sharon Rudyk   -Industry Coordinator – IOGC Lead

Maria Matijevic   -Business Desk Unit Manager

Daniel Morse   -Fujitsu Consulting

Analyn Deguzman   -Fujitsu Consulting

2. Indian Oil and Gas Update

Project Restart
31 Jan 2020

MRF Feasibility
Q1 2020

Sierra delivery to UAT

Sierra delivery to UAT

Saskatchewan RIMS2
Q3 2020

Alberta RIMS2
Q1 2021

| Q3 2019 | Q4 2019 | Q1 2020 | Q2 2020 | Q3 2020 | Q4 2020 | Q1 2021 |

Thank you Bill!!!

3. IOGC Inclusion Project Update

a. Industry Change Summary Updates
   - AB/SK   -Ministry Invoices and Statements
   - AB   -First Nations Interest Discrepancy Report
   - AB   -Royalty Tax Payer Functionality
   - AB   -Oil Valuation (RTP and Purchaser)
   - AB/SK   -Product Pricing

b. Royalty Tax Payer Functionality Review

IOGC INDUSTRY CHANGE SUMMARY   v17.0

(Black Print: Information only. No industry reporting change required. Red Print: Industry reporting changes required.)

			Target Change Date (Calendar Quarters)
General	**Data Submission**: -The medium-long term objective is that IOGC will receive all information required from Industry to calculate AB and SK IOGC royalties through Petrinex; and that Industry will no longer submit information (incl. estimates) manually or through the IOGC website. This objective will be realized once all necessary regulatory & system changes (Petrinex & IOGC) are complete.		Q1 2021
	IOGC / Petrinex Communications: -Companies will continue to pay IOGC royalties based on their estimates. As an initial step, IOGC will provide its current assessments to BA's through a new area in Petrinex similar to "Ministry Invoices and Statements" called **"IOGC Invoices and Statements"**.		SK Q3 2020 AB Q2 2021
	Mineral Ownership (FN interest): -Petrinex will use DOE and GoS ownership records to identify FN wells/facilities "of interest". IOGC will rely on IOGC ownership records for the purposes of royalty calculation. For AB, and SK, Petrinex will have a **"First Nations Interest Discrepancy Report"** identifying DOE/GoS and IOGC "views" of ownership for reference. Alberta BAs will also be able to access FN ownership information through Query PE (online) and the PE Report; SK through Query RTA and the RTA Report (Federal Freehold Exempt and Federal 508).		AB Q3 2020 🙂 SK Q2 2019
	Compliance and other Process Changes: -Historically the initial point of contact for IOGC associated with IOGC reporting has been the Royalty Tax Payer. Post implementation the initial point of contact will be the Operator. -In Saskatchewan IOGC will rely on SER compliance assurance processes associated with Oil Valuation. In Alberta IOGC will manage compliance assurance for Oil Valuation. -IOGC provisional assessment and penalty processes may be introduced by IOGC. Any such changes will be communicated at a future date. -EPAP is out of scope for this project. Change to existing Saskatchewan EOR reporting is out of scope.		
	Data Sources: -Apart from any exception listed below, IOGC will source required data from Petrinex that Industry currently reports through Petrinex to AER/DOE and GoS.		
	SK Only	**AB Only**	
Infrastructure	-No change from current SK reporting.	-No change from current AB reporting.	🙂
Volumetrics	-No change from current SK reporting.	-No change from current AB reporting.	🙂
Allocations	-Currently there are 2 operators that will report gas allocations on specific properties where royalties are calculated on sales (vs. Production). Allocations for royalty purposes are not required from operators of leases where royalties are based on production.	-Gas sales allocations already exist in AB and IOGC will use the SAF data by wells/units of interest.	SK-Q4 2017 🙂
Royalty Tax Payer	-No change from existing SK process. Operators use this functionality to identify parties (RTPs) responsible for paying royalty on FN production.	-Royalty Tax Payer functionality, a modification of the SK process, will be introduced in AB for operators to identify RTPs for production/sales on FN interest land.	AB – To be determined
Pipeline Splits	-No change from existing SK process. Pipeline Splits will be used to identify (and auto-populate) the Royalty Tax Payers (RTPs) and Purchasers responsible for reporting sales price and purchase price in the OV-RTP and OV-Purchaser processes.	-Not applicable in AB for IOGC purposes.	🙂
Oil Valuation-Royalty Tax Payer	-No change from existing SK process. IOGC RTPs will report prices on volumes to be valued identified in Pipeline Splits.	-The oil volume to be valued will be autopopulated based on volumes from Volumetrics and RTPs from RTP functionality. In OV-RTP the RTP will identify the purchasers and the price received for their oil. This is a modification of the OV-RTP Saskatchewan functionality.	AB – Q4 2020
	SK Only	**AB Only**	**Target Change Date**

			(Calendar Quarters)
Oil Valuation-Purchaser	-No change from existing SK process. IOGC Purchasers will report purchase prices on volumes identified from pipeline splits for arm's length transactions. IOGC will be able to run a query to identify outstanding discrepancies.	-Purchasers identified in the OV-RTP functionality will report prices paid in a process similar to OV-Purchaser in SK.	AB – Q2 2021

Oil Valuation - EVAP	- No change from existing SK process. IOGC will rely on GoS EVAP audit processes for non-arms-length transactions. Note:
	• EVAP does not apply to RTPs that sell their raw crude oil at arm's length at an upstream facility such as a battery, terminal or pipeline inlet (i.e. situations where an arm's length purchaser can validate the RTP reported raw crude oil price).
	• EVAP does apply to RTPs that, during a declaration period, have any oil sales that meet the following conditions prior to being sold for the first time at arm's length:
	  o Their crude oil production is blended with condensate or natural gas liquids;
	  o Their crude oil is transported downstream of any (SK or out of province) terminal, pipeline inlet or rail transloader facility;
	  o Their oil is transported to the outlet of a single shipper pipeline via a buy/sell arrangement with the pipeline operator.
	  These situations all require the RTP to calculate & report a raw crude oil price that can't be validated directly by the oil purchaser.
		-EVAP is not applicable in Alberta	🙂

Product Pricing	-Where leases require valuation to be determined on actual sales (vs. index) a new screen/process will be used for the RTP to enter prices received for Gas/C5-SP/Cond, NGLs and Sulphur (if applicable).	-Where leases require valuation to be determined on actual sales (vs. index) a new screen/process will be used for the RTP to enter prices received for Gas/C5-SP/Cond, NGLs and Sulphur (if applicable).	SK – Q2 2020 AB – Q4 2020
GCA	-New functionality will be developed in Petrinex for IOGC-specific GCA reporting where lease agreements provide for deductions for Gas Cost Allowance.	-New functionality will be developed in Petrinex for IOGC-specific GCA reporting where lease agreements provide for deductions for Gas Cost Allowance.	SK – Feb 2019 🙂 AB – Feb 2019 🙂
Non-Compliance Reports	-Industry will rely on non-compliance reports used in SK for existing functionality. The following new non-compliance/missing processes and reports will be developed for new IOGC functionality: ▪ Product Pricing - sweeps/on demand.	-Industry will rely on non-compliance reports used in AB for existing functionality. New non-compliance/missing processes and reports may be developed for new IOGC functionality: ▪ Product Pricing - sweeps/on demand. ▪ Oil Valuation - sweeps/on demand. ▪ RTP - sweeps/on demand.	Each non-com/missing report will be delivered with functionality as it is promoted to PROD.
Production Allocation Discrepancy (PAD) Report	SK -There is no PAD report for Saskatchewan.	-AB- The PAD report is a tool used to compare gas production volumes reported at the wellhead to gas and product(s) allocations reported at the stream (well or unit) level. The report is used to ensure that Crown royalties have been assessed correctly and that field operations/reporting is within corporate tolerances. Combined allocation volumes of the gas and liquids should theoretically always be less than or equal to the wellhead gas production. If allocations are greater than the production from the stream; or if allocations are significantly less than production, it is likely that an error has been made in the allocation/reporting process. -In Alberta for Crown Royalty purposes, the monthly auto-created PAD report flags any discrepancy outside the pre-established Alberta Energy tolerance threshold of +/-20%. Royalties are automatically recalculated if the discrepancy is not fixed within an established time frame. Industry has access to an Industry version of the PAD report that can be run On-Demand, in which the tolerance threshold is set by requester as a report variable. -IOGC now has access to the Industry version of the PAD report for AB and will use the report for audit purposes to identify production - allocation discrepancies associated with First Nations "of interest" production. Industry also has the option to use the "identifier list builder" on the PAD report to specifically select FN "of interest" properties.	AB – July 2019 🙂

3b. Royalty Tax Payer Functionality Review

- Applicable to AB only (RTP already exists in SK).
- Targeted to be implemented in April 2020, for March Production.
- RTP functionality is used to assign royalty payment obligation.
- RTP is also a prerequisite to Oil Valuation RTP processes (reporting of price received for oil by the WIO).
- RTP requires "up-front" set-up; followed by monthly "maintenance".
- RTP can be entered online or by batch upload.
- CSV upload template and instructions will be published prior to go-live.

Sign in to Petrinex and go to "MENU"

⊟ Monthly Reporting
   ⊞ Volumetric
   ⊞ Oil/LPG Pipeline Splits
   ⊞ Gas Pipeline Splits
   ⊞ Allocation
   ⊞ Waste Plant
   ⊞ Oil Sands
   ⊞ NGL Pricing
   ⊞ APMC Reporting
   ⊞ Oil Forecast
   ⊡ WIP Maintenance
⊟ Allowable Costs
   ⊞ AC1
   ⊞ Facility Cost Centre Operator Change
   ⊞ Query Facility Cost Centre
   ⊞ AC2
   ⊞ AC3 - Allowable Costs Reallocations
   ⊞ AC4 - Operating Costs
   ⊞ AC5 - Custom Processing (CP) Fees Paid
   ⊞ Drilling and Completion Costs (DCC)
⊟ Data Submission
   ⊡ Batch Upload
   ⊡ Batch Upload (Schema checking only)

Select Edit Royalty/Tax Payer

Enter Stream ID, Product and Start date and press Go

[IOGC Reporting] > [Royalty Tax Payer]

Edit Royalty/Tax Payer

Stream ID: AB WI xxxxxxxxxxxWxxx ...   **Product:** OIL ▾ **Start Date:** 2019-11 < >

Stream Name: **End Date:**

Operator: XXXX - IOGC RTP RES   Go

Petrinex populates Stream Name and Operator ID and sets out the edit page below the header, ready for your input.

[IOGC Reporting] > [Royalty Tax Payer]

Edit Royalty/Tax Payer

Stream ID: AB WI xxxxxxxxxxxWxxx   **Product:** OIL ▾   **Start Date:** 2019-11

Stream Name: Creek Side Well   **End Date:**

Operator: XXXX - IOGC RTP RES

Royalty/Tax Payer

DEL	BA ID	BA Name	Ownership Type	RTP Ratio	Calc IOGC Interest %
☐			Alberta First Nations Interest ▾		
☐			Alberta First Nations Interest ▾		
☐			Alberta First Nations Interest ▾		
☐			Alberta First Nations Interest ▾		
☐			Alberta First Nations Interest ▾		
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☐			Alberta First Nations Interest ▾		
☐			Alberta First Nations Interest ▾		
☐			Alberta First Nations Interest ▾		

Add   **Validate**   **Submit**   **Cancel**

3b. Royalty Tax Payer Functionality Review (cont'd)

Enter your required data and click on Validate

Royalty/Tax Payer

DEL	BA ID	BA Name	Ownership Type	RTP Ratio	Calc IOGC Interest %
☐	1111	...	Alberta First Nations Interest ▼	75.00000	
☐	2222	...	Alberta First Nations Interest ▼	5.00000	
☐	3333	...	Alberta First Nations Interest ▼	20.000	
☐		...	Alberta First Nations Interest ▼		
☐		...	Alberta First Nations Interest ▼		
☐		...	Alberta First Nations Interest ▼		
☐		...	Alberta First Nations Interest ▼		
☐		...	Alberta First Nations Interest ▼		
☐		...	Alberta First Nations Interest ▼		
☐		...	Alberta First Nations Interest ▼		

Add **Validate** **Submit** **Cancel**

|Menu-Inbox-Help-Contacts-Logout|
|Top-AB|

-You will notice Petrinex has totalled your RTP Ratio, [MUST total to 100].
-Click "Submit" to submit your form to Petrinex. Your data is not submitted to Petrinex until you click on SUBMIT.

Edit Royalty/Tax Payer

Stream ID: AB WI xxxxxxxxxxxxwxxx   **Product:** OIL   **Start Date:** 2019-11
Stream Name: Creek Side Well   **End Date:**
Operator: XXXX - IOGC RTP RES

Royalty/Tax Payer

DEL	BA ID	BA Name	Ownership Type	RTP Ratio	Calc IOGC Interest %
☐	1111		Alberta First Nations Interest ▼	75.0000000	
☐	2222		Alberta First Nations Interest ▼	5.0000000	
☐	3333		Alberta First Nations Interest ▼	20.0000000	
☐			Alberta First Nations Interest ▼		
☐			Alberta First Nations Interest ▼		
☐			Alberta First Nations Interest ▼		
☐			Alberta First Nations Interest ▼		
☐			Alberta First Nations Interest ▼		
☐			Alberta First Nations Interest ▼		
☐			Alberta First Nations Interest ▼		

	RTP Ratio	Calc IOGC Interest %
Total	100.0000000	

Add   Validate   Submit   Cancel

Your Royalty Tax Payer form has been successfully submitted to Petrinex.

[IOGC Reporting] > [Royalty Tax Payer]

Edit Royalty/Tax Payer

Stream ID: AB WI xxxxxxxxxxxxWxxx ...   **Product:** OIL ▾ **Start Date:** 2019-11 < >
Stream Name: Creek Side Well   **End Date:**
Operator: XXXX - IOGC RTP RES   Go

RTP029 Submitted successfully.

|Menu-Inbox-Help-Contacts-Logout|
|Top-AB|

Select Query from the Petrinex Menu
-Note that the IOGC Interest % has not yet been calculated by Petrinex

[IOGC Reporting] > [Royalty Tax Payer]

Query Royalty/Tax Payer

Stream ID: AB WI xxxxxxxxxxxxwxxx [...]   **Product:** OIL ▾   **Start Date:** 2019-11 [<][>]
Stream Name: Creek Side Well   **End Date:**
Operator: XXXX - IOGC RTP RES   [Go]

Royalty/Tax Payer

BA ID	BA Name	Ownership Type	RTP Ratio	Calc IOGC Interest %
1111	Company 1	Alberta First Nations Interest	75.0000000	
2222	Company 2	Alberta First Nations Interest	5.0000000	
3333	Company 3	Alberta First Nations Interest	20.0000000	

		RTP Ratio	Calc IOGC Interest %
	Total	100.0000000	

[Cancel]

|Menu-Inbox-Help-Contacts-Logout|
|Top-AB|

Through the Petrinex menu you can query the Production Entity which will display if a First Nation [FN] Interest is attached to the Stream ID

[Infrastructure] > [Crown Royalty Related Information]

Query Production Entities

Stream ID: `AB WI` ... **Production Month:** `2019-11` `Go`   **Start Date:** 1994-01
End Date:

PE Name:

PE Type   **PE Sub Type**

First Nations (FN) Interest

Start Date	End Date	Product	FN Interest %	FN Interest Type
2004-01		GAS	0.0000000	Alberta First Nations Interest
2004-01		OIL	100.0000000	Alberta First Nations Interest

IOGC uploads their files to complete the data required in Petrinex to calculate the IOGC Interest % for RTP

Query Royalty Tax Payer:
-Petrinex will automatically calculate the "Calc IOGC Interest %" if the IOCG interest has been loaded to Petrinex by IOGC.
-If the "Calc IOGC Interest %" is not presented, contact IOGC.

[IOGC Reporting] > [Royalty Tax Payer]

Query Royalty/Tax Payer

Stream ID: AB WI XXXXXXXXXXXWXXX ...   **Product:** OIL ▾ **Start Date:** 2019-11 < >
Stream Name: Creek Side Well   **End Date:**
Operator: XXXX - IOGC RTP RES   Go

Royalty/Tax Payer

BA ID	BA Name	Ownership Type	RTP Ratio	Calc IOGC Interest %
1111	Company 1	Alberta First Nations Interest	75.0000000	75.0000000
2222	Company 2	Alberta First Nations Interest	5.0000000	5.0000000
3333	Company 3	Alberta First Nations Interest	20.0000000	20.0000000
			RTP Ratio	**Calc IOGC Interest %**
		Total	100.0000000	100.0000000

Cancel

4. IOGC Gas Cost Allowance

a. Review of recent GCA enhancements

b. Suggestions for additional enhancements for 2020

c. Other input and suggestions

1. IOGC GCA Dashboard Changes

- On the GCA Dashboard the Status default has been changed to "ALL" for Industry only.
- ALL submissions will be displayed by default for Industry only.
- User can select individual Statuses as required.

IOGC Gas Cost Allowance Dashboard

2. Industry can now enter an FCC for:
- FL 990 series for unlicensed compressors [BT and GS]

3. Industry can now enter GCAs for the same facility for:
- FL 770 series at the GS level, to identify GP separate full-cost & capital.
- FL 880 series at the GS level, to identify CS separate full-cost & capital.

4. Final GCA Approval
- Industry is no longer required to submit for a Final Rate Approval.
- Industry can Query to confirm IOGC approval and rate.

4b. Suggestions for additional enhancements for 2020

- No End date on Estimates until an Actual is submitted

- Comment Box for Industry on GCA forms

- Resolution to the "Canlin" situation – WIO impacts

- Ability to submit a GCA2 where no GCA1 exists [related to "Canlin" and others]

- GCA Groupings / Single Well Battery Groupings

- Determine if FL 990, FL 770 and FL 880 [at BT, GS, GP and CS level] can be handled in a more straight forward manner.

Thank you

Thank you Bill!!!