

**July 2018**

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**PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT**

## **ANNOUNCEMENTS**

### **Release of the Alberta Capital Cost Index (ACCI) for 2019**

The ACCI will be set at 0.95, effective January 1, 2019.

Refer to [Information Letter 2018-23](#) for the release of the Alberta Capital Cost Index (ACCI) which will be effective for all wells spudded on or after January 1, 2019.

If you have questions, please contact [Energy.MRFInquiries@gov.ab.ca](mailto:Energy.MRFInquiries@gov.ab.ca)

### **\*Reminder of Important Changes to Statute Barred Production Reporting Effective December 31, 2018\***

Please note that on December 31, 2018, production years 2014 and 2015 will both become statute barred. Legislation has reduced the time-frame (open years) for filing amendments from four years to three years, starting with the 2015 production year.

Under the new legislation (production year 2015 and onward), the department has up to five years to complete an audit or examination and operational teams have an additional six months to complete any recalculations arising from these audits.

For the production year 2014, Industry requests to keep the year open for amendments will still be considered and the procedure remains the same as previously established. Precise instructions on the requirements for consideration by the department will be published in the September 2018 Information Bulletin.

\*Requests from Industry for the **2015 production year** to be kept open to submit fillings will no longer be accepted or processed, in accordance with the updates to the Mines and Minerals Act, section 38 which was initially announced by Information Letter on December 10, 2015.

Refer to [Information Letter 2015-38](#) for more details about changes made to the Mines and Mineral Act.

## **MONTHLY INFORMATION**

### **Re-Allocation of Assigned Volumes (RMF2s)**

As per [the Alberta Natural Gas Royalty Guidelines \(2009, Updated\)](#), Chapter III, Section 2.2.1, Royalty clients may submit an RMF2 form if they wish to reassign all or part of their Crown and/or freehold volumes of gas and gas products allocated to well events, well groups, units, or injection schemes. The RMF2 Listing report identifies the royalty clients' active RMF2s currently in our system as well as the date that the form was last used to re-assign volumes.

Royalty Clients should review their RMF2 reports issued each month, and are requested to submit termination dates for those RMF2s that are no longer required. The number of unused documents continues to increase. Part 3.4 of the RMF2 form requires a Termination Date be completed and it should be defined for a reasonable timeframe. The RMF2 is not intended for

the facilitation of sales activity between clients. In those instances, the OAF can be changed in order to facilitate a smooth transition of responsibility for the production volumes. As a reminder,

the department will require definite termination dates applied to each form (Part 3.4). If the termination date is not on the form, it will be returned to the submitter. The Department expects that this will reduce the number of obsolete documents in our system.

If you require any additional information, please contact VCR at [VCR@gov.ab.ca](mailto:VCR@gov.ab.ca).

### Pricing for Gas and Gas Products

For pricing on gas, gas products, and transportation information for May 2018, please refer to the [Information Letter](#).

The monthly default sulphur price for **May 2018** is **\$73.32**. Below are the annual sulphur default prices:

| 2014    | 2015     | 2016    | 2017    |
|---------|----------|---------|---------|
| \$82.35 | \$101.10 | \$43.13 | \$57.11 |

### May 2018 Royalty Due August 31, 2018

**Royalty clients are to remit the total amount payable shown on the August 2018 Statement of Account by August 31, 2018.** If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided. Current period interest will not be charged on current invoice charges for the production month of April if it is paid in full by August 31, 2018.

The August 2018 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your May 2018 invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.

**Note: If the due date falls on a non-business day, the next business day will apply as the due date except for the month of March due to the Government of Alberta's fiscal year end. In this situation, the due date will apply previous to the non-business day as the due date.**

Please refer to the Alberta Natural Gas Royalty Guidelines (2009, Updated) Chapter VII Section 1- Levying and Collecting Natural Gas Royalty. Also, refer to Natural Gas Royalty Regulation, 2017 Payment of royalty compensation.

Cheques are made payable to the Government of Alberta and must contain the G94 account number as reflected on the Statement of Account.

**June 2018 VA4 due August 15, 2018**

The VA4 forms for the production month of June 2018 are due in the department offices by August 15, 2018.

**Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.**

**Petrinex Deadline Submissions**

The Petrinex deadline for SAF, OAF, and Volumetric submissions are posted on the Petrinex website "[Reporting Calendars](#)" under Calendars. **Changes to this calendar will be posted on the [Petrinex website home page](#) in "Broadcast Messages."**

**Interest Rate July 2018**

Alberta Energy's interest rate for July 2018 is **4.45%**

**April Provisional Assessment Charge**

The summary of Provisional Assessment Charges for all production periods in the April 2018 billing period was:

| First Time Provisional Assessment | Reversals of Provisional Assessments (Net) | Net Provisional Assessment |
|-----------------------------------|--|----------------------------|
| \$201,154.39                      | (\$190,466.15)                             | \$10,688.24                |

**April Penalty Charges**

The penalty table below shows at the form level, the total penalty charges and reversals, for the April 2018 billing period.

| Forms        | Penalty Charges  | Penalty Reversals | Net Penalty Charges for 2018/04 |
|--------------|------------------|-------------------|---------------------------------|
| AC2          | \$219,300        | (\$1,300)         | \$218,000                       |
| AC5          | \$4,100          | \$0               | \$4,100                         |
| NGL*         | \$0              | \$0               | \$0                             |
| VA3          | \$0              | \$0               | \$0                             |
| VA4          | \$0              | \$0               | \$0                             |
| <b>Total</b> | <b>\$223,400</b> | <b>(\$1,300)</b>  | <b>\$222,100</b>                |

\* NGL Price Reporting

### Production Allocation Discrepancy (PAD) Potential Royalty Impact

As of the April 2018 billing period, the potential royalty dollar impact is estimated as \$7.5 million, distributed as follows by production year:

| 2017          | 2018          |
|---------------|---------------|
| \$1.4 million | \$6.1 million |

NOTE: These values are not intended to show that Crown royalty has been understated but do illustrate the consequences of incorrect reporting.

### Well Event Measured Depth Determination Letter

The department will issue via Petrinex to facility Operators a “Well Event Measured Depth Determination Letter” on July 1<sup>st</sup> and July 17<sup>th</sup>, 2018. This letter identifies the confirmed Measured Depth (MD) of each active well event that will be used to calculate the Depth Factor (DF) of the quantity component rate under the Alberta Royalty Framework formula. A well event that is not listed on the letter and does not have a confirmed MD will receive a DF of 1. All changes to the MD are applied on a go forward basis only. When the changes to the MD are confirmed by the department, a letter is issued to a facility operator who reports changes through Petrinex to well event attributes affecting MD. Facility operators are advised to submit well event attribute changes on or before the last day of the calendar month in order to ensure timely determination of MD.

### NGDDP Confidential Wells

Wells designated as “confidential” will be reviewed prior to the removal of the “confidential” status, if the directional surveys and completion reports are provided to the department. Send directional surveys and completion reports to [GasRoyaltyPrograms@gov.ab.ca](mailto:GasRoyaltyPrograms@gov.ab.ca)

If you have any questions, please contact Lily Hiew in Gas Royalty Features at 780-427-1550.

### INFRASTRUCTURE DATA

#### Business Associate ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, and includes Working Interest Owner (WIO) role start/end dates.

This [report](#) is also published daily on the Petrinex website.

The Department reminds Business Associates to review their WIO role to ensure that the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role, then that BA can receive SAF/OAF allocations from the WIO role start date forward.
- If a BA has a WIO role with an end date, then they can only receive SAF/OAF allocations from the WIO role start date until the end date. Any SAF/OAF allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry/Crown Land Data at 780-422-1395 or [CrownLandDataSupport@gov.ab.ca](mailto:CrownLandDataSupport@gov.ab.ca) if you have any questions regarding the information supplied in this article.

### Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client status changes, names, or IDs please contact Client Registry/Crown Land Data at 780-422-1395 or [CrownLandDataSupport@gov.ab.ca](mailto:CrownLandDataSupport@gov.ab.ca).

### Nova Tolls - Multiple Gas Reference Prices

Royalty information related to the implementation of the Factor Model negotiated with industry for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under [Facility Royalty Trigger Factors and Meter Station Ties](#).

## REMINDERS

### What to do when ending Gas Royalty Business?

If a business associate has sold all properties and no longer has any interest in the oil and gas business in Alberta, the following steps should be completed:

- 1) End the Working Interest Owner (WIO) role by:
  - Accessing the WIO role through Petrinex; or
  - Contacting Crown Land Data Support at:  
Crown Land Data Support  
11<sup>th</sup> Floor 9945- 108 Street  
Edmonton, AB T5K 2G6  
[crownlanddatasupport@gov.ab.ca](mailto:crownlanddatasupport@gov.ab.ca),  
780-422-1395

**Notes:**

Retroactive requests to end the WIO role cannot be processed.

An end dated WIO role will NOT prevent RMF2 allocations, provisional assessments or penalties to the client BA ID while the BA ID status remains active. The client should contact the applicable operator(s) directly to request changes if there are incorrect allocations.

The client is responsible for changes that may appear on future invoices pertaining to production periods prior to the end date of the WIO role.

- 2) Request an Outstanding Business Report from Volumetric & Cost Reporting by email at [vcr@gov.ab.ca](mailto:vcr@gov.ab.ca), or by calling 780-422-8727.
  - Client should review and resolve all gas royalty related items designated with a “Y” status (e.g., transfer all FCC operatorship if sold)
- 3) Send a written request on company letterhead to the Volumetric & Cost Reporting team at [vcr@gov.ab.ca](mailto:vcr@gov.ab.ca) to stop all Monthly Allowable Costs for all facilities. The letter should include the effective date and a reason for your request.

**Note:** Monthly Allowable Costs will be stopped on a go forward basis.

- 4) Send a written request on company letterhead for a Royalty Deposit Adjustment to the Gas Royalty Accounts Team at [GasRoyaltyAccounts.Energy@gov.ab.ca](mailto:GasRoyaltyAccounts.Energy@gov.ab.ca). The letter should include a reason for the adjustment, stating that the WIO role has been ended, and Monthly Allowable Costs have been stopped.

### 2018 Capital Cost, Operating Cost and Custom Processing Fee Allowances

For the January through March 2018 billing period invoices, royalty clients received estimated monthly cost deductions that were based on actual allowable costs for the 2016 production year, multiplied by their estimated Facility Effective Royalty Rates (FERR), divided by 12 (months). The information in the 2017 AC2, AC3, and AC5 documents was used to calculate the 2017 actual capital cost, operating cost and custom processing fee allowances. The calculations are reflected in the April 2018 Initial Annual Billing Period (IABP) invoice, issued in June 2018. The 2017 actual allowable costs will become the royalty client’s 2018 allowable cost estimates.

Commencing with the April 2018 billing period, royalty clients will receive monthly deductions based on their 2018 allowable cost estimates, multiplied by their new FERR, minus the total deductions received in the January through March 2018 billing period invoices, divided by the number of months remaining in the year (e.g. 9 months as of the April billing period). If a cost estimate is manually processed in the January, February, March or April 2018 production months, the system does not replace it with a new cost estimate in the April Initial Annual Billing Period (IABP) invoice.

If a royalty client requires a change to the 2018 go-forward allowable cost estimates and/or the FERR, a written request with supporting documentation must be submitted to the Gas Royalty Volumetric and Cost Reporting team (see [Chapter VI](#), Section 1 of the Guidelines). These estimates must be calculated and submitted at a client/facility level.

### Royalty Deposit Adjustment

The annual royalty deposit adjustment is calculated as 1/6<sup>th</sup> of the client’s previous year’s royalty multiplied by a factor. The factor of 1.19 is calculated by dividing the current year’s long term gas price for 2018 of 2.40 by the average 2017 Alberta Reference Price of 2.02. The adjustment will be processed in the Initial Annual Billing Period (IABP), June 2018 calendar month (April 2018 billing period invoice).

If you have any questions, please contact Jui-Chao Soh at 780-643-0964.

## BUSINESS CONTACTS

### Quick Reference

| Group                              | Email  |
|------------------------------------|--|
| Petrinex Business Desk             | <a href="mailto:Petrinexsupport@Petrinex.ca">Petrinexsupport@Petrinex.ca</a>                       |
| Client Registry / Crown Land Data  | <a href="mailto:CrownLandDataSupport@gov.ab.ca">CrownLandDataSupport@gov.ab.ca</a>                 |
| Volumetric & Cost Reporting        | <a href="mailto:VCR@gov.ab.ca">VCR@gov.ab.ca</a>   |
| Management Information             | <a href="mailto:ManagementInformation.Energy@gov.ab.ca">ManagementInformation.Energy@gov.ab.ca</a> |
| Gas Royalty Accounting             | <a href="mailto:GasRoyaltyAccounts.Energy@gov.ab.ca">GasRoyaltyAccounts.Energy@gov.ab.ca</a>       |
| Gas Royalty Rapid Transit Payments | <a href="mailto:G94Deposit@gov.ab.ca">G94Deposit@gov.ab.ca</a>                                     |
| Gas Royalty Features               | <a href="mailto:GasRoyaltyPrograms@gov.ab.ca">GasRoyaltyPrograms@gov.ab.ca</a>                     |
| Freehold Mineral Tax               | <a href="mailto:Mintax.Energy@gov.ab.ca">Mintax.Energy@gov.ab.ca</a>                               |

### Petrinex Business Desk

The focal point for communications regarding preparations for, access to, or utilization of Petrinex is the Petrinex Business Desk, or Petrinex Support.

Phone: 403-297-6111 or 1-800-992-1144

Fax: 403-297-3665

Email: [Petrinexsupport@Petrinex.ca](mailto:Petrinexsupport@Petrinex.ca)

Website: [www.Petrinex.ca](http://www.Petrinex.ca)

### Volumetric & Cost Reporting

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 up of four teams as shown below:

| Team            | Team Lead      |
|-----------------|----------------|
| Volumetrics     | Nicole Karpan  |
| Costs           | Sheruna Naidoo |
| Process Support | Penny Calen    |
| Adherence       | Oana Jurgea    |



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

Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.

### Management Information

All inquiries or requests that relate to royalty information (e.g. Information Letter, Information Bulletin and other Department of Energy's Natural Gas website publications) and questions related to Commercial Storage, Soldier Settlement, and Farm Gas should be forwarded to the Management Information Team at [ManagementInformation.Energy@gov.ab.ca](mailto:ManagementInformation.Energy@gov.ab.ca).

### Royalty Accounting

All inquiries or requests that relate to royalty accounting (e.g. Transfers, Refunds, Interest, Statement of Account, Collections and Royalty Deposits) should be forwarded to the Royalty Accounting Team at [GasRoyaltyAccounts.Energy@gov.ab.ca](mailto:GasRoyaltyAccounts.Energy@gov.ab.ca).

### Gas Royalty Features

All inquiries or requests that relate to royalty programs (e.g. Natural Gas Deep Drilling Program, New Well Royalty Rates and Otherwise Flared Solution Gas Royalty Waiver Program) should be forward to the Royalty Features team at [GasRoyaltyPrograms@gov.ab.ca](mailto:GasRoyaltyPrograms@gov.ab.ca).

### Freehold Mineral Tax

All inquiries or requests that relate to Freehold Mineral Tax (FMT) (e.g. Recalculation of Tax, Notice of Objections, Electronic Transfer System (ETS), inquires for FMT, Freehold Role transfers, Unit Value Submissions, Title Transfers, Mineral Tax Redemption Act (MTRA), EOR on Freehold Lands) should be forwarded to the FMT Help Desk at [Mintax.Energy@gov.ab.ca](mailto:Mintax.Energy@gov.ab.ca).

### Reference Prices and Valuation Allowances Calculation Information

For information related to Natural Gas and Natural Gas Liquids reference prices, and Sulphur valuation submissions (VA3 and VA4), contact the Pricing & Analysis Team located at the Alberta Energy office in Calgary:

Pricing & Analysis  
300, 801 – 6 Avenue SW  
Calgary, Alberta T2P 3W2  
Telephone: 403-297-5514  
Fax: 403-297-5400  
Email: [GasValuation.Energy@gov.ab.ca](mailto:GasValuation.Energy@gov.ab.ca)

[Alberta Energy Internet Webpage](#)

Prices, Royalty Rates and Transportation Information are available on the Alberta Energy Internet webpage: [www.energy.alberta.ca](http://www.energy.alberta.ca). From “Our Business”, navigate to “Natural Gas”, “About Natural Gas”, “Prices”, and “Alberta Natural Gas Reference Price (ARP)”. In addition, both the Gas Royalty Information Bulletins and Information Letters are also available under “Our Business”, navigate to “Natural Gas”, “Legislation, Guidelines & Policies”.

A handwritten signature in blue ink, appearing to read 'R. Stokl', is positioned above the printed name and title.

Richard Stokl  
Director, Gas Royalty Operations  
Royalty Operation