

| Change Date    | Guideline Item           | Description                       | New Version  |
|----------------|--------------------------|-----------------------------------|--|
| Feb 16, 2022   | Appendix O               | Form Update                       | Update to VA3 and VA4 form, website updated on February 16 <sup>th</sup> , IB article in February 2022   |
| April 21, 2022 | Chapter 1<br>Section 3   | Footnote correction<br>- numeracy |  |
| June 6, 2022   | Chapter 2<br>Section 1.3 | Collections                       | <p><b>Full replacement of Section 1.3, 1.4 and add 1.3.1</b></p> <p><b>1.3 Collecting Outstanding Accounts</b></p> <p>Where an amount has been levied against a royalty client’s gas account, and some or the entire amount has not been paid by the due date specified on the relevant Statement of Account, the department will take action to collect the outstanding amount. The amount due may be for Crown Royalties, Provisional Assessments, Royalty Deposit Adjustments, Gas Cost Allowance (GCA), Penalties, Prior Period Adjustments and/or Accrued Interest. The amount due shown on the Statement of Account is the net dollar amount; any deductions and/or adjustments (including any annual adjustments) have been included in the calculations.</p> <p>The department’s collection action may proceed in the following stages, and will continue until the entire outstanding amount is collected. The collections process may be expedited at the discretion of the Minister:</p> <ul style="list-style-type: none"> <li>• If the balance is not paid by the due date, the 1st collection notification appears on the Statement of Account as:<br/><br/>“Your account is past due. Additional interest will continue to accrue on charges past due until payment is received. If payment has already been submitted, please disregard this notice.”</li> </ul> <p>For more information on how interest is calculated, refer to chapter VII, section 1.3 of the Natural Gas Royalty Guidelines.</p> <ul style="list-style-type: none"> <li>• If the balance is outstanding for 30 days, a 2nd collection notification appears on the Statement of Account as:<br/><br/>“Immediate action must be taken to clear your account. If it continues in arrears further collection action will be taken. Additional interest will continue to accrue on charges past due until payment is received. If payment has already been submitted, please disregard this notice.”</li> </ul> |

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|             |                |             | <p>In addition, a Potential Recourse Letter (PRL) is delivered through Petrinex to the royalty client requesting payment within 30 days. The Collections team sends a further PRL reminder email to the royalty client advising them of the overdue status of their account soon after the letter is sent through Petrinex.</p> <ul style="list-style-type: none"> <li>If the balance is outstanding for 60 days, a 3rd collection notification appears on the Statement of Account as:<br/><br/>                     “Your account remains in arrears. Additional interest will continue to accrue on charges past due until payment is received. Please note recourse available to the Crown includes pursuing payment through all leaseholders, in accordance with the Natural Gas Royalty Regulations, 2009, Natural Gas Royalty Regulations, 2017 and Mines and Minerals Act.”</li> </ul> <p>In addition, a Leaseholder Recourse Letter (LRL) is mailed and/or emailed to the Accounts Payable Department of the royalty client requesting payment within 14 days. A copy of the letter is also sent to the designated representative(s) of the affected lease(s) and current participants. Upon receipt of notification of the LRL, the royalty client and liable leaseholders may contact the Collections team of Gas Royalty Operations and request detailed information regarding their portion of the amount due, including the wells, agreements and production dates pertaining to the amount due. See section 1.4 below for information on how the leaseholder liability is determined.</p> <ul style="list-style-type: none"> <li>If the balance is outstanding for 90 days, a 4th collection notification appears on the Statement of Account as:<br/><br/>                     “Your account remains in arrears. Additional interest will continue to accrue on charges past due until payment is received. Please note recourse available to the Crown includes pursuing payment through all leaseholders, in accordance with the Natural Gas Royalty Regulations, 2009, Natural Gas Royalty Regulation, 2017 and Mines and Minerals Act.”</li> </ul> <p>The Collections team initiates the default process by sending a notification to Alberta Energy Tenure to begin the final default step. The Default Letter is mailed and/or emailed and delivered through ETS (Electronic Transfer System) to the designated representative(s) and the current participants noted on the affected lease(s) advising that if payment is not received within 30 days, the lease(s) may be cancelled. A copy of the letter is also sent to the defaulting royalty client and current participants. Default letters are sent by Alberta Energy Tenure and while every effort is made to ensure this happens</p> |

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|             |                |             | <p>in a timely manner, some default letters may be delayed due to internal reviews of the affected agreements being required.</p> <p style="text-align: center;">Figure 1.3<br/><b>Production, Billing and Collection Timeline</b></p> <pre> graph LR     A[Production reported in Petrinex] --&gt; B[Invoice Issued<br/>(60 days after production)]     B --&gt; C[SOA Issued<br/>(75 days after production)]     C --&gt; D[Invoice Due Date<br/>(90 days after production)]     D --&gt; E[Potential Recourse Letter<br/>(30 days after due date)]     E --&gt; F[Leaseholder Recourse Letter<br/>(60 days after due date)]     F --&gt; G[Default Letter<br/>(90 days after due date)]     G --&gt; H[Cancel Lease<br/>(120 days after due date)]     </pre> <p>If a royalty client is in insolvency proceedings, the collections process still applies, however no enforcement or collections actions will be taken by the Crown which may breach any legislative or court ordered stay of proceedings. Otherwise, the Crown will seek payment from all current leaseholders not in insolvency proceedings. In the case where a co-lessee is in insolvency proceedings, no steps will be taken against them to enforce debts or cancel leases that would result in a breach of a court ordered stay of proceedings.</p> <p><b>1.3.1 Payment Procedures</b><br/>When making payment, please note the G94 account for the royalty client and include the agreement numbers that the payment is to be applied to (if required). If sending a cheque, money order, or bank draft in the mail, please ensure the G94 account is written on the cheque. If sending a wire transfer, EFT, or rapid trans payment please send an email to <a href="mailto:G94deposit@gov.ab.ca">G94deposit@gov.ab.ca</a> on the day of payment, stating the G94 account number and payment amount, so the payment may be applied correctly. Failure to include this information with your payment may result in misallocation of the payment.</p> <p>The payment will be applied to the amount currently owing on the G94 account. Any future royalties that arise due to new charges or adjustments may be due and collected against. In certain cases, the royalty client's royalty deposit may be used to set off outstanding royalty amounts at the discretion of the department.</p> |

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|             |                |             | <p>If multiple payments are received for the same agreement, the duplicate payment may be refunded to the company that paid last, if there are no other outstanding arrears for the company that made the payment. The Crown views designated representatives and participants as business partners and will not be involved in any redistribution or reconciliation of multiple payments and will leave the affected parties to settle the matter. As the primary responsible party of the lease agreement, the Crown encourages the designated representative to coordinate applicable payment amongst the liable leaseholders.</p> <p>As interest continues to accrue on the royalty client's account, it will be distributed to leaseholders. If a company has questions or concerns regarding the interest being calculated, they may contact the Collections team for further clarification and to request a possible interest waiver or reduction.</p> <p><b>Determining Leaseholder Liability</b></p> <p>The department attaches outstanding liabilities to all current leases and all designated representative and leaseholders in order to apply its collection procedures.</p> <p>If a royalty client is subject to collection action by the department for an outstanding balance, the department determines which leases are subject to the action by allocating the outstanding balance to the royalty client's well(s)/well group/unit/injection schemes for the month(s) to which the default relates; to the well events within the well/well group/unit/injection scheme based on reported production data, adjusted for Crown interest; and at each well event with the Crown lease agreement for that well event. This information is available to be provided by the Collections team to the royalty client, designated representatives and participants of the agreements. The information is provided in a spreadsheet format as required.</p> <p>Lease agreement details and well linkage information is entered and maintained by Alberta Energy Tenure. The data provided on the spreadsheet by the Collections team when additional information is requested only looks at the relationship between the agreement and the well linkage. If there was SAF/OAF allocation in Petrinex on the well, the agreement and the designated representative and all participants noted on the agreement will be included. A well can be tied to any agreement that is within its spacing unit. A company is not required to have any interest in the well in order for it to be tied to the agreement.</p> |

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|             |                |             | <p>All participants on an agreement are listed equally on the spreadsheet provided, working interest ownership is not taken into account. It is up to the companies to determine each party's interest in the property and to split out the amount due accordingly. Well ownership and well licencing is not taken into consideration, only the interested parties tied to the agreement(s).</p> <p>If there are concerns regarding the wells and/or agreements listed on the spreadsheet, contact the Collections team for further review.</p> <p>Penalty amounts are not collected from the liable leaseholders nor included in the LRL spreadsheet detailing specific amounts due from the designated representatives or current participants. As per subsection 35(4) of the <i>Mines and Minerals Act</i>, penalties are solely the responsibility of the royalty client.</p> <p>If the current leaseholder was not the leaseholder at the time the outstanding amount was incurred they are still deemed liable. As per section 91.1 of the <i>Mines and Minerals Act</i>, any obligation or liability arising under an agreement that existed before the agreement was transferred continues on and after the registration of the transfer.</p> <p>The Collections team is unable to provide royalty invoices that match the exact dollar amount provided on the spreadsheet. Due to how the outstanding amount is allocated to the wells and the agreements, there may be minor discrepancies in the way the outstanding amount is displayed. The production periods may not align with the time periods that the leaseholder was the beneficial owner of the agreement. As Gas Cost Allowance is based on a corporate and facility level and not at the stream level, the outstanding amount may not be aligned at the stream level and able to be cross-referenced to the invoice. Please note that the distribution of arrears amongst the leaseholders provided in the spreadsheet will be aligned with the application of any payments received. When a leaseholder pays, the payment will be applied to the outstanding royalty tied to the agreement(s) they are liable for based on the amount specified on the spreadsheet.</p> <p>If more information regarding the outstanding amount is required by the leaseholder (invoices or other information specific to the royalty client), authorization may be required from the royalty client to provide this information to a leaseholder. This is handled on a case-by-case basis as each account and situation is unique.</p> |

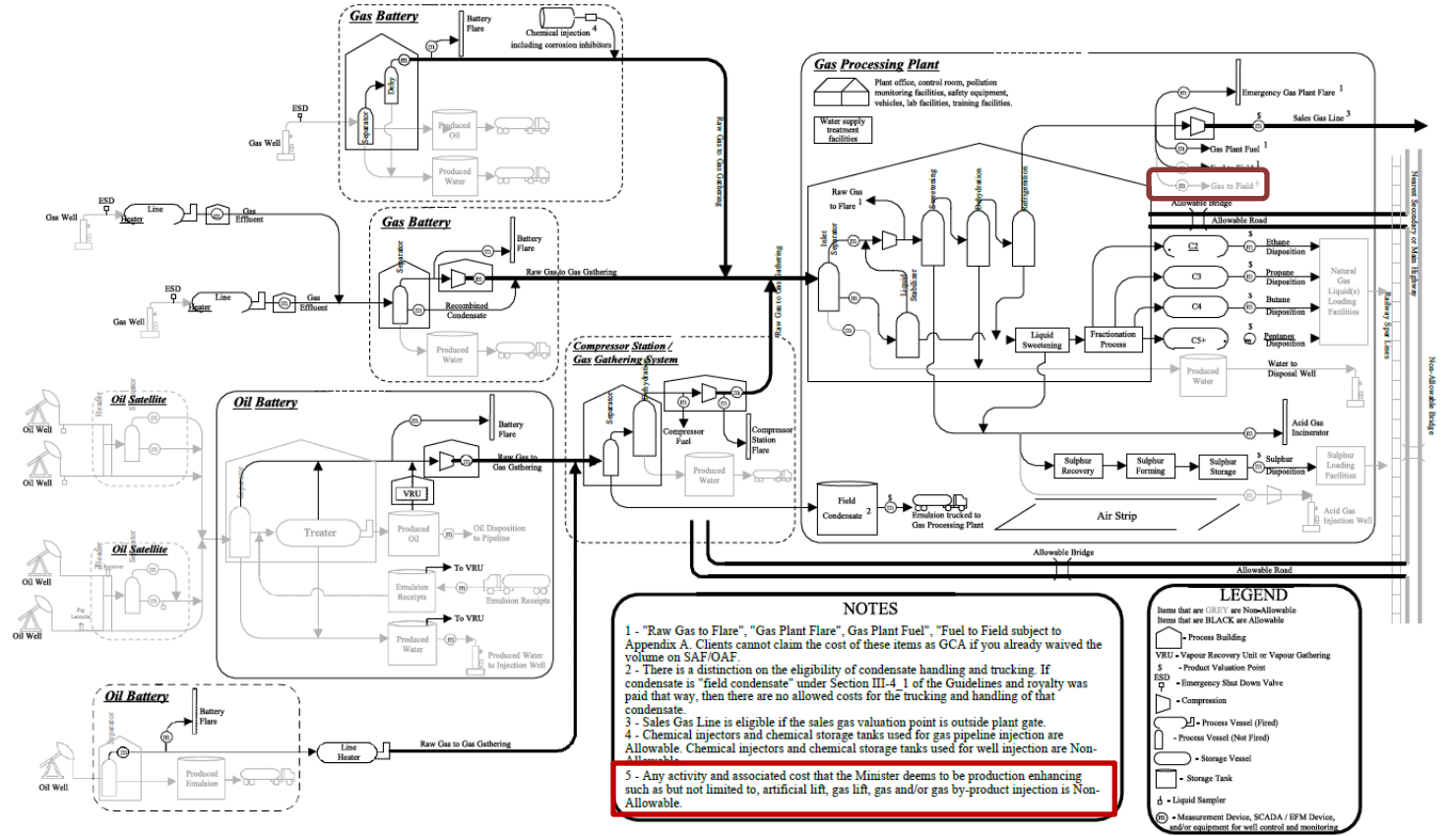
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|             |                |             | <p><del>Where an amount has been levied against a royalty client's gas account, and some or the entire amount has not been paid by the due date specified on the relevant Statement of Account, the department will take action to collect the outstanding amount.</del></p> <p><del>The department's collection action may proceed in the following stages, and will continue until the entire outstanding amount is collected:</del></p> <ul style="list-style-type: none"> <li><del>• If the balance is not paid by the due date, the 1<sup>st</sup> collection notification appears on the Statement of Account as "Please note your closing balance includes charges past due which will continue to accrue additional interest until payment is received".</del></li> <li><del>• If the balance is outstanding for 30 days, a 2<sup>nd</sup> collection notification appears on the Statement of Account as "Your account is past due. Additional interest will continue to accrue on charges past due until payment is received. If payment has already been submitted, please disregard this notice". In addition, a Potential Recourse Letter (PRL) is mailed to the Senior Financial Officer of the royalty client requesting payment within 30 days.</del></li> <li><del>• If the balance is outstanding for 60 days, a 3<sup>rd</sup> collection notification appears on the Statement of Account as "Immediate action must be taken to clear your account. If it continues in arrears further collection action will be taken. Additional interest will continue to accrue on charges past due until payment is received. If payment has already been submitted, please disregard this notice". In addition, a Leaseholder Recourse Letter (LRL) is mailed to the Senior Financial Officer of the royalty client requesting payment within 14 days. A copy is also sent to the designated representative(s) of the affected lease(s), current participants, and if applicable, to the unit operators.</del></li> <li><del>• If the balance is outstanding for 90 days, a 4<sup>th</sup> collection notification appears on the Statement of Account as "Your account remains in arrears. Additional interest will continue to accrue on charges past due until payment is received. Please note recourse available to the Crown includes pursuing payment through all leaseholders, in accordance with the Natural Gas Royalty Regulations, 2009, Natural Gas Royalty Regulation, 2017 and Mines and Minerals Act". In addition, a Default Notice is mailed to the designated representative(s) of the affected lease(s) advising that if payment is not received within 30 days, the lease(s) may be cancelled. A copy is also sent to the defaulting royalty client, current participants, and if applicable, to the unit operators.</del></li> </ul> <p><b>Determining Leaseholder Liability</b></p> <p><del>The department attaches outstanding liabilities to leases and leaseholders in order to apply its collection procedures using the following principles.</del></p> |

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|             |                |             | <p>If a royalty client is subject to collection action by the department for an outstanding balance, the department determines which leases are subject to the action by:</p> <ul style="list-style-type: none"> <li>• allocating the outstanding balance to the royalty client's well(s)/well group/unit/injection schemes for the month(s) to which the default relates;</li> <li>• allocating the outstanding balance to the well events within the well/well group/unit/injection scheme based on reported production data, adjusted for Crown interest, and</li> <li>• associating the outstanding balance at each well event with the Crown lease agreement for that well event.</li> </ul> |

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| July 27, 2022 | Appendix G     | Update to Non-Allowable Costs |  <p><b>NOTES</b></p> <ol style="list-style-type: none"> <li>1 - "Raw Gas to Flare", "Gas Plant Flare", "Gas Plant Fuel", "Fuel to Field" subject to Appendix A. Clients cannot claim the cost of these items as GCA if you already waived the volume on SAF/OAF.</li> <li>2 - There is a distinction on the eligibility of condensate handling and trucking. If condensate is "field condensate" under Section III-4.1 of the Guidelines and royalty was paid that way, then there are no allowed costs for the trucking and handling of that condensate.</li> <li>3 - Sales Gas Line is eligible if the sales gas valuation point is outside plant gate.</li> <li>4 - Chemical injectors and chemical storage tanks used for gas pipeline injection are Allowable. Chemical injectors and chemical storage tanks used for well injection are Non-Allowable.</li> <li>5 - Any activity and associated cost that the Minister deems to be production enhancing such as but not limited to, artificial lift, gas lift, gas and/or gas by-product injection is Non-Allowable.</li> </ol> <p><b>LEGEND</b></p> <p>Items that are GREY are Non-Allowable<br/>Items that are BLACK are Allowable</p> <ul style="list-style-type: none"> <li>Process Building</li> <li>VRU - Vapour Recovery Unit or Vapour Gathering</li> <li>Product Valuation Point</li> <li>Emergency Shut Down Valve</li> <li>Compression</li> <li>Process Vessel (Fired)</li> <li>Process Vessel (Not Fired)</li> <li>Storage Vessel</li> <li>Storage Tank</li> <li>Liquid Sampler</li> <li>Measurement Device, SCADA / EFM Device, and/or equipment for well control and monitoring</li> </ul> |