

Reporting Guide

Natural Gas Liquids Price Reporting

Effective Delivery Month July 2014

Table of Contents

1. Introduction	3
1.1 Why do you need to report?	
1.2 Who needs to report?	
1.3 Who to contact?	
1.4 How to submit a report?	
1.5 Reporting Deadline	
2. Reporting Instructions	5
2.1 NGL Purchase Information	
2.2 Clarifying Points	
3. Revisions to Submissions	7
4. Examples	8
5. Other Key Points	25
5.1 Late Reporting Penalties	
5.2 Discretionary Penalties for Incomplete and Inaccurate Reports	
5.3 Other Penalties	
5.4 Appeals Respecting Penalties	
5.5 Keeping Records	
5.6 Confidentiality of Data	
5.7 Goods and Services Tax (GST)	
6. Frequently Asked Questions (FAQs)	27
7. Glossary of Terms	31

1. Introduction

1.1 Why do you need to report?

The Alberta Department of Energy (Alberta Energy) calculates and collects Crown royalties in cash for the production of propane, butanes, pentanes plus and field condensate. Alberta Energy values the Crown's share of production using reference prices and applicable allowances, which are calculated primarily from information provided each month by purchasers of propane, butanes, pentanes plus and condensate. This royalty system has been in place since January 1994.

In the first half of 2013, Alberta Energy concluded a review of its business processes related to the calculation of Natural Gas Liquids (NGL) Reference Prices and Allowances. On October 1, 2013, Alberta Energy announced changes in business processes for calculating NGL reference prices and allowances, effective with the production month of July 2014. Refer to Information Letter–2013-35. <http://inform.energy.gov.ab.ca/Documents/Published/IL-2013-35.pdf>

This new Reporting Guide applies to **all** companies purchasing propane, butanes and pentanes plus and condensate at Alberta NGL field production facilities effective the delivery month of July 2014.

Helpful definitions of terms used in this Reporting Guide can be found in the [Glossary of Terms \(Section 7\)](#).

The *Natural Gas Royalty Regulation 2009*, as amended, (Regulation) and the *Mines and Minerals Act* are the final authorities on the reporting process and will prevail over statements made in this guide. For further information on the Regulation, please visit www.gov.ab.ca.

1.2 Who needs to report?

All purchasers of propane (C₃), butanes (C₄), pentanes plus and condensate (C₅⁺) at NGL field facilities in the province of Alberta are required to report eligible arm's length purchase information of specification product (spec) and mix product.

A purchaser can apply for an exemption from reporting pursuant to the regulation. Contact Alberta Energy (see below) for further information.

1.3 Who to contact?

NGL purchase information is to be submitted to Alberta Energy through **PETRINEX**.

Please contact **PETRINEX** (see below) to obtain account access and submission directions.

Please contact Alberta Energy (see below) for information and clarification about this Reporting Guide or your particular reporting circumstances.

PETRINEX contact Information:

The Service Desk can be reached via telephone, email, website or facsimile, as follows:

Phone: 403-297-6111 (Calgary)
Phone: 1-800-992-1144 (other locations)
Fax: 403-297-3665
Email: petrinexsupport@petrinex.ca
Website: <http://www.petrinex.ca/>

Alberta Energy contact Information:

If you have questions when submitting the NGL purchase information or need to discuss an exemption application you can contact Pricing & Analysis at:

Alberta Energy
Pricing & Analysis
3rd Floor, 801 -6th Avenue SW
Calgary, Alberta T2P 3W2
(403) 297-5514

1.4 How to submit a report?

Please refer to **PETRINEX** online training modules for detailed steps.

<http://www.petrinex.ca/17.asp>

1.5 Reporting Deadline

NGL purchase information must be submitted to **PETRINEX** on or before the 1st day of the 2nd month following each delivery month. For example, submissions for delivery month July 2014 are due on September 1, 2014. If the 1st day of the 2nd month falls on a weekend or holiday, the reporting deadline will fall on the next business day. Please refer to the Alberta Reporting Calendars on Petrinex <http://www.petrinex.ca/49.asp>. Because of the importance of the data, there are penalties for late and inaccurate reporting. Refer to [Section 5. Other Key Points](#) of this guide.

2. Reporting Instructions

Effective with the July 2014 delivery month, NGL purchase Information is to be reported by all purchasers of propane (C₃), butanes (C₄), pentanes plus and condensate (C₅⁺) at NGL field facilities in the province of Alberta. NGL purchase information for ethane (C₂) is not reported as ethane. In cases where C₂ is transacted as C₃, please refer to “Volume” and “Cost” sections below.

NGL Purchasers are required to report *arm's length* purchase information for *eligible purchases* of specification product (spec) and mix product at field facilities identified by **PETRINEX** as NGL field facilities.

2.1 NGL Purchase Information

Business Associate (BA) Code

The unique 4-digit code (Company code) assigned to the reporting company by **PETRINEX**. If no BA code exists, complete the online application in **PETRINEX** (<http://www.petrinex.ca/62.asp>) and a code will be assigned.

For your reference, a complete list of BA Codes can be found on the **PETRINEX** website <http://www.petrinex.ca/29.asp> (select *BA Identifiers Report*).

Delivery Month

The year and month when the NGL products were purchased and delivered. For example, July 2014 is reported as 201407.

Facility Code

A unique 11-digit code assigned by **PETRINEX** that identifies the field facility where the NGL products were purchased. Facility codes with an **NGL field facility** identifier can be found on the **PETRINEX** website <http://www.petrinex.ca/29.asp> (select *Facility Identifiers Report*).

NGL Product Code

A unique code that identifies the NGL product that was purchased and whether it was specification (spec) or mix product. Use one of the following six codes:

Propane:	C3-SP C3-MX
Butanes:	C4-SP C4-MX
Pentanes Plus:	C5-SP (includes condensate) C5-MX

Volume

Volume, in cubic meters (m³), of the NGL product purchased and delivered in the current delivery month. Report the volume as invoiced to one decimal place.

For all products, volume should also include any small non-penalty volumes of lighter end products that are transacted at the same price as the main product. For instance, ethane volumes that are paid for as propane are reported as part of propane volumes.

Butanes volumes include ISO and Normal butanes.

Pentanes plus volumes include condensate volumes.

Cost

Cost of the NGL product purchased and delivered in the current delivery month. Report the amount paid in dollars and cents to two decimal places (Canadian currency before GST).

Cost includes all components of the contract that relate to the purchase and delivery of product at a NGL field facility during the delivery month. For example, a contract for C₃+ mix could specify an Edmonton based price for each of the products in the mix and common deductions for fractionation, transportation, handling, marketing, etc. The cost reported for each of C₃, C₄ and C₅⁺ would be net of the base price and allocated common deductions for fractionation and transportation, handling, marketing, etc.

Note:

- Cost for C₃, C₄ and C₅⁺ should include cost components unique to each product along with an allocation of cost components common to all products. Also include similar costs of small volumes of lighter end products (i.e. ethane) that are transacted at the same price as the main products.
- Cost for C₃, C₄ and C₅⁺ should **not** include any cost components or allocated common costs for any other product volumes (except lighter end products that are transacted at the same price as the main products).

2.2 Clarifying points

Purchases from Multiple Sellers

NGL purchase information from more than one arm's length company at the same NGL field facility must be aggregated and reported at the NGL field facility level.

Foreign Exchange Conversion

In cases where the transaction is settled in US dollars, purchasers must convert the costs into Canadian dollars using their corporate foreign exchange policy. In the absence of a corporate policy, the default conversion requirement will be the Bank of Canada monthly average noon day rate.

Actuals vs. Estimates

Include NGL purchase information for volumes purchased and delivered. Estimates or accruals for volumes not invoiced are to be excluded from the submission.

Zero Entries

A submission for NGL purchases at a NGL field facility can report up to six products: C3-SP, C4-SP, C5-SP, C3-MX, C4-MX and C5-MX. Do not report zeroes if a product has not been purchased.

3. Revisions to Submissions

Whenever a NGL purchase submission for a delivery month is different from a company's current business records, a replacement submission must be provided to **PETRINEX** for each delivery month and NGL field facility where information has changed, whether the changes are small or large. Revisions must be filed without delay when the purchaser becomes aware of the discrepancy.

A replacement submission will completely overwrite/replace the preceding submission for all six products (C3-SP, C3-MX, C4-SP, C4-MX, C5-SP and C5-MX) under that specific Facility code. If information should not have been reported for a product, a replacement submission with zeroes should be provided for that product.

3.1 Compliance and Close-off Process

The compliance and close-off activities will commence immediately following the end of the calendar year and will continue for approximately 30 months thereafter. During this period purchasers will be audited and if required, purchasers will submit revisions. Once that process is complete, the calendar year is closed and no further revisions will be required. For example, calendar year 2014 would be closed off August 15, 2017 with potential extension to August 15, 2018.

4. Examples

Example 1

This example shows how prior month amendments (to original month) are to be submitted (separately) from current month reporting.

Green Energy Inc. (Company Code: ZZ1) made an arm's length purchase of spec propane and spec pentanes plus at field facility ABGP0001234 for the delivery month of June 2015.

June 2015 delivery month invoice:

	Volume (m³)	Cost
C ₃	8,500.0	\$1,615,000.00
C ₅ ⁺	3,000.0	\$1,710,000.00

Due to re-allocation of costs, Green Energy Inc. (GEI) also made a price adjustment to the January 2015 spec pentanes plus purchase invoice. A revised invoice was issued for January 2015 in the July 2015 business month.

January 2015 delivery month original invoice:

	Volume (m³)	Cost
C ₃	7,000.0	\$1,435,000.00
C ₅ ⁺	2,000.0	\$1,416,000.00

January 2015 delivery month revised invoice:

	Volume (m³)	Cost
C ₃	7,000.0	\$1,435,000.00
C ₅ ⁺	2,000.0	\$1,360,000.00

When submitting pricing information for June 2015 delivery month, the user will first need to enter a valid Delivery Month and Facility ID#:






 BA: 0ZZ1 GREEN ENERGY INC.
 Name: johns

[Monthly Reporting](#)] > [NGL Pricing](#)

Edit NGL Pricing

Facility ID:  Location: _____ Delivery Month:
 Name: _____ 

[Menu-Inbox-Help-Contacts-Logout](#)
[Top-AB](#)

Once a valid Delivery Month and Facility ID# have been entered, the user can then proceed to enter and submit pricing information:






 BA: 0ZZ1 GREEN ENERGY INC.
 Name: johns Quicklist:

[Monthly Reporting](#)] > [NGL Pricing](#)

Edit NGL Pricing

Purchaser: 0ZZ1 GREEN ENERGY INC.
 Facility ID: Location: Delivery Month:
 Name: NORTH WEST GAS PLANT
 Reference Code:

Del	Product	Volume (m ³)	Cost (\$)	Unit Price (\$)
<input type="checkbox"/>	C3-SP	<input type="text" value="8500.0"/>	<input type="text" value="1615000.00"/>	190.00
<input type="checkbox"/>	C4-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C5-SP	<input type="text" value="3000.0"/>	<input type="text" value="1710000.00"/>	570.00
<input type="checkbox"/>	C3-MX	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C4-MX	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C5-MX	<input type="text"/>	<input type="text"/>	

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[Top-AB](#)

Querying for original NGL Pricing Submission (January 2015 delivery month):

Menu **AB** BA: 0ZZ1 GREEN ENERGY INC. Name: johns **Quicklist:**

[Monthly Reporting](#) > [NGL Pricing](#)

Query NGL Pricing

Facility ID: **Location:** 00-13-11-032-20-W3 **Delivery Month:**
Name: NORTH WEST GAS PLANT **Amendment #:**
Reference Code: **Submitted:** 2015-02-26 15:44

Product	Volume (m ³)	Cost (\$)	Unit Price (\$)
C3-SP	7000.0	1435000.00	205.00
C5-SP	2000.0	1416000.00	708.00

[Menu-Inbox-Help-Contacts-Logout](#)
[Top-AB](#)

Submitting an amendment (January 2015 delivery month) via the “Edit NGL Pricing” screen using the “Edit” button on the “Query NGL Pricing” screen:

Menu **AB** BA: 0ZZ1 GREEN ENERGY INC. Name: johns **Quicklist:**

[Monthly Reporting](#) > [NGL Pricing](#)

Edit NGL Pricing

Purchaser: 0ZZ1 GREEN ENERGY INC.
Facility ID: **Location:** 00-13-11-032-20-W3 **Delivery Month:** 2015-01
Name: NORTH WEST GAS PLANT
Reference Code:

Del	Product	Volume (m ³)	Cost (\$)	Unit Price (\$)
<input type="checkbox"/>	C3-SP	<input type="text" value="7000.0"/>	<input type="text" value="1435000.00"/>	205.00
<input type="checkbox"/>	C4-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C5-SP	<input type="text" value="2000.0"/>	<input type="text" value="1360000.00"/>	680.00
<input type="checkbox"/>	C3-MX	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C4-MX	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C5-MX	<input type="text"/>	<input type="text"/>	

Example 2

This example shows how C₃, C₄ and C₅ mix volumes and costs are derived under the following circumstances:

- *Some costs are unique and others are common to each product - common costs should be allocated to each product using a calculated rate of deduction.*
- *Small non-penalty volumes of ethane are purchased at the propane price - propane volume and costs should include small-non-penalty ethane volumes and costs.*
- *Normal and ISO butanes are separately identified on the invoice – butanes volumes and costs should be combined.*
- *Volumes and costs for other products are included on the invoice – reporting for C₃, C₄ and C₅ mix reporting should exclude volumes and costs of other products.*

Green Energy Inc.
Product Purchase Statement

Orange Energy
Calgary, Alberta

Statement Date: 03/23/2015
Statement No. 12345678
Production Month: February 2015
Contract No: 00987654321

Point of Origin: Brown Gas Plant
Point of Delivery: Black Plant

Product	Volume (M ³)	Base Price (CAD\$/ M ³)	Base Differential	Net Price (CAD\$/ M ³)	Total Value (CAD\$)
CO ₂	0.4	0.0	0.0	0.0	0.00
C ₁	12.8	0.0	(20.00)	(20.00)	(256.00)
C ₂	188.5	0.0	(20.00)	(20.00)	(3,770.00)
C ₂ as C ₃ 2%	14.2	119.97	(20.00)	99.97	1,419.57
C ₃	708.6	119.97	(20.00)	99.97	70,838.74
IC ₄	277.8	343.99	(20.00)	323.99	90,004.42
NC ₄	493.2	343.99	(20.00)	323.99	159,791.87
C ₅ ⁺	458.6	541.87	14.10	555.97	254,967.84
Totals	2,154.1				572,996.45

Other Deductions:

Rate

Magenta Plant

Fuel Surcharge					(4,848.99)
Load Wait Time					(330.00)
Minimum Load charges					(254.46)
OffLd Wait time					(6,517.51)
Truck Base Rate	2,154.1	M ³	(26.56)		(57,212.90)

Total of OTHER DEDUCTIONS

(69,163.86)

Net Value

\$503,832.58

GST

25,191.63

Total Payment from Green Energy

=====
CAD\$529,024.21
=====

Submitting via "Edit NGL Pricing" online entry screen:

BA: OZZ1 GREEN ENERGY INC.
 Name: johns

 Quicklist:

[Monthly Reporting](#) > [NGL Pricing](#)

Edit NGL Pricing

Purchaser: OZZ1 GREEN ENERGY INC.
Facility ID: AB GP 0008910 **Location:** 00-13-12-031-20-W3 **Delivery Month:** 2015-02
Name: NORTH EAST GAS PLANT
Reference Code:

Del	Product	Volume (m ³)	Cost (\$)	Unit Price (\$)
<input type="checkbox"/>	C3-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C4-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C5-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C3-MX	722.8	49049.21	67.86
<input type="checkbox"/>	C4-MX	771.0	225039.48	291.88
<input type="checkbox"/>	C5-MX	458.6	240242.2	523.86

TOTAL COSTS **\$514,330.89**

Calculating the Rate of Deduction = \$32.11 (\$69,163.86/2,154.1)

C₃ Volume = 722.8 (14.2+708.6)

C₃ Cost = \$49,049.21 (\$1,419.57+\$70,838.74-\$23,209.11[32.11X722.8])

C₄ Volume = 771 (277.8+493.2)

C₄ Cost = \$225,039.48 (\$90,004.42+\$159,791.87-\$24,756.81[32.11x771])

C₅ Volume = 458.6

C₅ Cost = \$240,242.20 (\$254,967.84-\$14,725.65[32.11X458.6])

Total Volume = 1,952.4 (2,154.1-0.4-12.8-188.5)

Total of Other Deductions = \$62,691.56 (\$32.11 x 1,952.4)

Total Costs = \$514,330.89 (\$572,996.45+\$256.00+\$3,770.00-\$62,691.56)

Example 3

This example shows how C₃, C₄ and C₅ mix volumes and costs are derived under the following circumstances:

- *All costs are unique to each product – there are no common costs to be allocated.*
- *Small non-penalty volumes of ethane are purchased at the propane price – propane volume and costs should include small-non-penalty ethane volumes and costs.*
- *Volumes and costs for penalty volumes of ethane are included on the invoice – C₃ mix reporting should exclude volumes and costs of ethane penalty volumes.*

Green Energy Inc.
Purchase Statement

Yellow Energy
 8th Ave SW Calgary

Invoice No. 123456
 Invoice Date: 09/20/2014
 Due date: 09/25/2014

Credit Terms:
 Currency: CDN

August 2014

Invoice Total: (\$638,094.40)

Description	QTY	Unit Cost	Amt
Silver Gas Plant AB 12-34-56-7W6			
Ethane-Unfractionated in Mix			
Frac Handling and Trucking Fees	4.350 M ³	\$11.00	\$47.85
Fuel Surcharge		\$5.67	\$24.66
The Average of 4 weighted average postings at Edmonton			<u>(\$276.17)</u> <u>(\$1,201.34)</u>
			<u>(\$259.50)</u> <u>(\$1,128.83)</u>
Propane-Unfractionated in Mix			
Frac Handling and Trucking Fees	283.26 M ³	\$11.00	\$3,115.86
Fuel Surcharge		\$5.67	\$1,606.08
The Average of 4 weighted average postings at Edmonton			<u>(\$276.17)</u> <u>(\$78,227.91)</u>
			<u>(\$259.50)</u> <u>(\$73,505.97)</u>
Butane-Unfractionated in Mix			
\$0.09 usd/usg	586.27 M ³	(\$18.08)	(\$10,599.76)
Frac Handling and Trucking Fees		\$66.00	\$38,693.82
Fuel Surcharge		\$5.67	\$ 3,324.15
OPIS Belvieu TET FC ₄ (65% NC ₄ , 35% IC ₄) Monthly Average (CDN/M ³)			<u>(\$465.22)</u> <u>(\$272,744.53)</u>
			<u>(\$411.63)</u> <u>(\$241,326.32)</u>
CONDENSATE-Unfractionated in Mix			
Enbridge C ₅ + reference Quality	487.05 M ³	\$16.24	\$7,909.69
Frac Handling and Trucking Fees		\$66.00	\$32,145.30
C ₅ Equalization		(\$32.14)	(\$15,653.79)
NGX/NE Blended WTI Index for C ₅		(\$63.07)	(\$30,718.24)
Fuel Surcharge		\$5.67	\$2,761.57
WTI Calendar Month Average			<u>(\$591.87)</u> <u>(\$288,270.28)</u>
			<u>(\$599.17)</u> <u>(\$291,825.75)</u>
Penalty-Unfractionated in Mix			
Penalty fee	0.850 M ³	\$86.00	\$73.10
Fuel Surcharge		5.67	<u>\$4.82</u>
			\$77.92
Total			(\$607,708.95)
GST			<u>(\$ 30,385.44)</u>
Total Payment from Green Energy			(\$638,094.40)
			=====

Submitting via "Edit NGL Pricing" online entry screen:

Menu **AB** BA: 0ZZ1 GREEN ENERGY INC.
Name: johns **Quicklist:**

[\[Monthly Reporting\]](#) > [\[NGL Pricing\]](#)

Edit NGL Pricing

Purchaser: 0ZZ1 GREEN ENERGY INC.

Facility ID: AB GP 0005678

Location: 00-13-13-032-20-W3

Delivery Month: 2014-08

Name: NORTH GAS PLANT

Reference Code:

Del	Product	Volume (m ³)	Cost (\$)	Unit Price (\$)
<input type="checkbox"/>	C3-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C4-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C5-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C3-MX	287.6	74634.80	259.51
<input type="checkbox"/>	C4-MX	586.3	241326.32	411.61
<input type="checkbox"/>	C5-MX	487.1	291825.75	599.11

TOTAL COSTS

\$607,786.87

Example 4

This example shows how C_3 , C_4 and C_5 mix volumes and costs are derived under the following circumstances:

- Some costs are unique and others are common to each product - common costs should be allocated to each product using the invoice rate.
- Small non-penalty volumes of ethane are purchased at the propane price - propane volume and costs should include small-non-penalty ethane volumes and costs.
- Normal and ISO butanes are separately identified on the invoice – butanes volumes and costs should be combined.

Green Energy Inc. Product Purchase Statement					
Purple Energy Calgary, Alberta			Statement Date: 06/19/2015 Statement No. 12345678 Production Month: May 2015 Contract No: 00987654321		
Point of Origin: Brown Plant Point of Delivery: White Pipeline					
Product	Volume (M ³)	Base Price (CAD\$/ M ³)	Base Differential	Net Price (CAD\$/ M ³)	Total Value (CAD\$)
C ₂ as C ₃ 2%	11.0	177.59	20.00	197.59	2,173.49
C ₃	549.7	177.59	20.00	197.59	108,615.22
IC ₄	121.7	277.50	55.00	332.50	40,465.25
NC ₄	180.6	277.50	55.00	332.50	60,049.50
C ₅ +	87.6	680.23	(2.00)	678.23	59,412.95
Totals	950.6				270,716.41
<u>Other Deductions:</u>			<u>Rate</u>		
White Pipeline					
Pipeline Tariff	950.6 M ³		(16.85)		(16,017.61)
Net Value					\$254,698.80
GST					12,734.94
Total Payment from Green Energy					===== CAD \$267,433.74 =====

Submitting via "Edit NGL Pricing" online entry screen:

[Monthly Reporting](#) > [NGL Pricing](#)

Edit NGL Pricing

Purchaser: OZZ1 GREEN ENERGY INC.

Facility ID: AB GP 0005678

Location: 00-13-13-032-20-W3

Delivery Month: 2015-05

Name: NORTH GAS PLANT

Reference Code:

Del	Product	Volume (m ³)	Cost (\$)	Unit Price (\$)
<input type="checkbox"/>	C3-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C4-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C5-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C3-MX	560.7	101340.92	180.74
<input type="checkbox"/>	C4-MX	302.3	95421.0	315.65
<input type="checkbox"/>	C5-MX	87.6	57936.89	661.38

TOTAL COSTS

\$254,698.80

Example 5

In this example, the invoice shows purchases of condensate with quality adjustments at two different facilities.

Final Invoice			
To: Green Energy Inc. (Purchaser) Calgary, AB		From: Blue Company (Producer) Edmonton, AB	
Date: Dec. 22, 2014			
Contract: 12345678			
Invoice: 0987654321			
For the month of December 2014			
Contract: S123456			
Facility: White Pipeline			
Description	Product	Price (CDN/M ³)	
Base Price	CONDENSATE	544.14324	
Quality Adjustment		4.01000	
WADF		(16.71000)	
Premium		<u>50.56837</u>	
	15,000.0 M ³	Net Price 582.01	\$8,730,174.00
		GST 5%	<u>\$436,508.70</u>
		Total CDN	<u>\$9,166,682.70</u>
Contract: S78910			
Facility: Pink Pipeline			
Description	Product	Price (CDN/M ³)	
Base Price	CONDENSATE	544.14324	
Quality Adjustment		23.3000	
WADF		(16.71000)	
Premium		<u>50.56837</u>	
	6,000.0 M ³	Net Price 601.30	\$3,607,800.00
		GST 5%	<u>\$180,390.00</u>
		Total CAD	<u>\$3,788,190.00</u>
		Invoice Total CAD	<u>\$12,954,872.70</u>
			=====

Submitting pricing information via "Edit NGL Pricing" online entry screen for Facility ABGP0005678:






AB BA: 0ZZ1 GREEN ENERGY INC. Name: johns
Quicklist:

[Monthly Reporting](#) > [NGL Pricing](#)

Edit NGL Pricing

Purchaser: 0ZZ1 GREEN ENERGY INC.

Facility ID: AB GP 0005678

Location: 00-13-13-032-20-W3

Delivery Month:

Name: NORTH GAS PLANT

Reference Code:

Del	Product	Volume (m ³)	Cost (\$)	Unit Price (\$)
<input type="checkbox"/>	C3-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C4-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C5-SP	15000.0	8730174.00	582.01
<input type="checkbox"/>	C3-MX	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C4-MX	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C5-MX	<input type="text"/>	<input type="text"/>	

Submitting pricing information via "Edit NGL Pricing" online entry screen for Facility ABGP0001234:






AB BA: 0ZZ1 GREEN ENERGY INC. Name: johns
Quicklist:

[Monthly Reporting](#) > [NGL Pricing](#)

Edit NGL Pricing

Purchaser: 0ZZ1 GREEN ENERGY INC.

Facility ID: AB GP 0001234

Location: 00-13-11-032-20-W3

Delivery Month: 2014-12

Name: NORTH WEST GAS PLANT

Reference Code:

Del	Product	Volume (m ³)	Cost (\$)	Unit Price (\$)
<input type="checkbox"/>	C3-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C4-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C5-SP	6000.0	3607800.00	601.30
<input type="checkbox"/>	C3-MX	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C4-MX	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C5-MX	<input type="text"/>	<input type="text"/>	

TOTAL COSTS

\$12,337,974.00 = \$8,730,174.00 + \$3,607,800.00

Example 6

Purchase information from more than one arm's length Company at the same field facility must be aggregated and reported at the field facility level.

Invoice (1)		
To: Green Energy Inc. (Purchaser) Calgary, AB	From: Black Company (Producer) Edmonton, AB	
Date: August 20, 2014		
Contract: 154678910		
Invoice: 123456		
For the month of July 2014		
Contract: S654321		
Location: 12-15-999-11W4		
Description	Product	Price (CDN/ M ³)
Base Price	CONDENSATE	648.1880
Quality Adjustment		24.1248
WADF		(17.81000)
Gray Pipe line Tariff		(8.50000)
Yellow Pipe line Tariff		(12.04000)
Gray Allowance (loss allowance)		(1.33400)
Yellow Allowance (loss allowance)		(1.08000)
Premium		<u>45.12340</u>
	882.0 M ³	Net Price 676.67
		GST 5%
		<u>\$596,822.94</u>
		<u>\$ 29,841.15</u>
		Total CDN
		<u>\$626,664.09</u>

Invoice (2)

To: Green Energy Inc. (Purchaser)
Calgary, AB
Date: August 22, 2014
Contract: 98765432
Invoice: 34567

From: Olive Company (Producer)
Edmonton, AB

For the month of July 2014

Contract: S654321
Location: 12-15-999-11W4

Description	Product	Price (CAD/M ³)	
Base Price	CONDENSATE	614.1882	
Quality Adjustment		26.3000	
WADF		(17.71000)	
Premium		<u>48.58920</u>	
	1,820.0 M ³	Net Price 671.37	\$1,221,893.40
		GST 5%	<u>\$ 61,094.67</u>
		Total CAD	<u>\$1,282,988.07</u>

Submitting the aggregated pricing information via "Edit NGL Pricing" online entry screen for Facility ABGP0001230:

Menu **AB** BA: 0ZZ1 GREEN ENERGY INC. Name: johns Quicklist:

[Monthly Reporting](#) > [NGL Pricing](#)

Edit NGL Pricing

Purchaser: 0ZZ1 GREEN ENERGY INC.

Facility ID: AB GP 0001230

Location: 12-15-999-11W4

Delivery Month: 2014-07

Name: NORTH SIDE GAS PLANT

Reference Code:

Del	Product	Volume (m ³)	Cost (\$)	Unit Price (\$)
<input type="checkbox"/>	C3-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C4-SP	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C5-SP	2702.0	1818716.34	673.10
<input type="checkbox"/>	C3-MX	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C4-MX	<input type="text"/>	<input type="text"/>	
<input type="checkbox"/>	C5-MX	<input type="text"/>	<input type="text"/>	

[Menu-Inbox-Help-Contacts-Logout](#)
[Top-AB](#)

TOTAL COSTS

\$1,818,716.34

Example 7 - Non-arm's length transactions

Green Energy Inc. (GEI) purchased 1,000.0 m³ under a spec propane purchase contract from Gold Company Inc. for a total cost of \$60,000.00. GEI is a wholly owned subsidiary of Gold Company Inc.

Do not report because the companies are related as determined by interpreting the **CPA Canada Handbook – Accounting**. The transaction is therefore **not** at arm's length.

Example 8 - Buy/Sell transactions

Green Energy Inc. (GEI) purchased 1,000.0 m³ of mix propane from Burgundy Ltd. at a field location and resold 1000.0 m³ of spec propane to Burgundy Ltd. in the Edmonton Area. Green Energy Inc. invoices Burgundy Ltd. for the differential between the purchase price of the mix and the sales price of the spec delivered in Edmonton, as indicated under the contract.

Two possible scenarios:

(a) Review of GEI's contract(s) with Burgundy Ltd. indicated that both purchase and sale transactions fall under one contract.

As this is a Buy/Sell arrangement it is **not** an eligible purchase. Do not report.

(b) Review of GEI's contract(s) with Burgundy Ltd. indicated that the purchase and sale transactions were not tied/connected to each other, and were under independent contracts.

This is **not** considered a Buy/Sell arrangement and is therefore an eligible purchase. The purchase transaction should be reported even if the invoice was for the net of both transactions. The contract terms and not the invoice layout determine how a transaction should be reported.

5. Other Key Points

Note: The *Mines and Minerals Act* (Act) and the *Natural Gas Royalty Regulation 2009* (as amended) (Regulation) are the final authorities on the reporting process that includes penalties, record keeping and confidentiality requirements. The Act and Regulation prevail over any of the descriptions that follow.

5.1 Late Reporting Penalties

To ensure timely reporting, a late penalty of \$200.00 per late facility to a maximum of \$3,000 is assessed for each month or part of a month that a company fails to submit a report. A report is considered late if it is not received by the reporting deadline. Some or all of the late reporting penalties can be waived under certain circumstances.

5.2 Discretionary Penalties for Incomplete and Inaccurate Reports

To ensure complete and accurate reporting, a penalty of up to \$25,000 per company per month may be imposed if the information required to be contained in the report is incomplete or inaccurate. A report is considered incomplete or inaccurate if it is not in accordance with the company's business records.

When deciding to impose a penalty on a company in respect of incomplete or inaccurate reports, the Minister must consider certain matters described in the Regulation.

5.3 Other Penalties

A person who knowingly submits a report that is false or misleading is guilty of an offence and subject to penalties.

A person who fails to keep required records in the manner required is guilty of an offence and subject to penalties.

5.4 Appeals Respecting Penalties

Alberta Energy has a standard appeal process for penalties such as these.

5.5 Keeping Records

You must keep records used for the purpose of NGL report submission for six years following the end of the year to which the records relate.

5.6 Confidentiality of Data

Confidentiality is required of Alberta Energy employees in the handling of the data you submit and in respect to the manner in which it is used by Alberta Energy.

5.7 Goods and Services Tax (GST)

The GST must **not** be included in any cost submitted.

6. Frequently Asked Questions (FAQs)

1. **How do you report multiple arm's length eligible purchases of propane, butanes, pentanes plus and condensate, involving several custody transfers at the same NGL field facility?**

A NGL purchaser will aggregate and report its eligible arm's length purchase transactions at the NGL field facility. Please refer to [Example 6](#).

2. **Am I still required to report to PETRINEX if there were no eligible arm's length purchases of propane, butanes, pentanes plus and condensate during the month?**

No. You are not required to submit zero reports if no eligible arm's length purchases occurred.

3. **What is the difference between spec product and mix product?**

Spec product is the resulting component(s) after fractionation. Mix product is an NGL stream which has not been fractionated into its individual components.

4. **What is a field purchase?**

A field purchase is an eligible arm's length purchase of NGLs at an NGL field facility, whether the NGLs were produced close to the NGL field facility or the NGLs were trucked from another NGL field facility. The same NGL product stream may end up getting reported more than once (this is okay) if purchased by different buyers at different NGL field facilities. There is no requirement to ensure that only first purchased volumes are reported.

5. **Are mainline straddle plant purchases reported?**

No, mainline straddle plants are not field facilities and therefore any NGL purchases at mainline straddle plants should not be reported.

6. **If I purchase NGLs at a non-field facility downstream of a gas plant and the seller pays the transportation charges, should I report this purchase?**

No. Do not report this purchase as it did not occur at a NGL field facility.

7. **If I purchase mix product at a NGL field facility and the contract does not include charges for transportation or fractionation, do I deduct those charges from my purchase price when they are incurred?**

No. Just report the prices of the products purchased at the NGL field facility.

8. Are purchases at a commercial storage facility to be reported?

No.

9. If our company and our subsidiary are separate legal entities, both purchasing NGLs, are we each required to submit a report?

The answer is yes because both companies are separate legal entities. Consolidated reports are not acceptable.

10. Company B just started purchasing spec propane and spec butanes. The arm's length purchase volumes are 30.0 m³ of propane and 20.0 m³ of butanes and they expect that these small amounts will be purchased every second month throughout the year. Is Company B required to report the C₃ and C₄ under these circumstances?

Yes. Company B is required to report to **PETRINEX** all arm's length purchases of propane, butanes, pentanes plus and condensate at field facilities, regardless of how small the volumes are.

11. Are ethane purchases required to be reported?

No, with the exception of small ethane volumes that are purchased and priced as propane. NGL price information for small ethane volumes must be included with NGL price information for propane.

12. How would a purchaser know whether certain volumes of ethane should be included with propane volumes?

Review the purchase contract and only report if the purchase contract specifies that certain ethane volumes are priced at the propane price. Ethane volumes that are priced differently from propane are not to be included with propane for reporting purposes.

13. How should the marketing fee be reported (for example, 2.5%)?

If the marketing fee is part of contracted purchase costs applicable to a product or products, it should be part of the reported purchase costs of that product or products.

14. When revisions are small (e.g.: < 10m³) and have little to no net effect on the price, do they still need to be reported?

All amendments are required to be submitted for the original delivery month, regardless of the magnitude.

- 15. When submitting revisions for reported purchases at a NGL field facility, do all previously reported details that do not change need to be resubmitted?**

Yes. Each submission at a NGL field facility level replaces the previous one.

- 16. If a facility in a purchase contract is not identified as an NGL field facility in PETRINEX, or if a facility does not exist in PETRINEX altogether, does the purchase need to be reported?**

NGL field facilities will be identified on **PETRINEX** and are expected to capture all potential NGL field facilities. However, in a case where you are uncertain which **PETRINEX** facility applies to the purchase location in the contract, the first step is to contact the producer. If you are still unsure, [contact](#) your Pricing & Analysis analyst for assistance.

- 17. If I don't currently have PETRINEX access and would like to get it set up, what should I do?**

Contact the **PETRINEX** Service Desk (petrinexsupport@petrinex.ca or 403-297-6111/1-800-992-1144 toll free). The **PETRINEX** Service Desk staff will contact the User Security Administrator (USA) within your organization to contact you with regard to setting up access, etc. For those organizations which currently don't have an USA or **PETRINEX** access, [contact](#) the **PETRINEX** Service Desk.

- 18. My company purchases condensate at terminals and at pipeline receipt points. Do these transactions need to be reported?**

No. Terminals and NGL pipeline receipt points are **not** NGL field facilities.

- 19. My company purchases oil that may have been produced as condensate or vice versa. Do these transactions need to be reported?**

You are not required to report a purchase of oil at any time. You are only required to report a purchase of condensate if the point of purchase is at a NGL field facility. Production source is not a consideration.

- 20. My company purchases condensate from a pipeline connected facility, which is a NGL field facility that is connected by a small stub of pipeline to a transmission pipeline. We purchase the volumes and assume ownership at the entry to the pipeline. Are these types of purchases required to be reported? If so, how should they be reported?**

Yes, a purchase at the inlet to a pipeline that is connected by a small stub of pipeline to a NGL field facility is considered to be a purchase at a NGL field facility for purposes of NGL pricing reporting. The facility code of the NGL field facility is used to identify the point of purchase.

- 21. My company is an operator of a field gas plant and purchases NGLs from working interest owners that failed to take in kind under the operating agreement. Are these types of purchases required to be reported?**

Yes, as long as the purchase is an [arm's length](#), [eligible purchase](#).

7. Glossary of Terms

The following terms and definitions have been prepared to assist with the terminology used in the context of this guide.

Act refers to the *Mines and Minerals Act*.

Amendment refers to *Revisions to Submissions* in this guide.

Arm's Length as it applies to this reporting guide means persons that are not related parties within the meaning of the **CPA Canada Handbook – Accounting** published from time to time by the Canadian Institute of Chartered Accountants.

Butanes (C₄) means a mixture mainly of butanes, which ordinarily may contain some propane or pentanes plus. Includes ISO and normal butane.

Buy/Sell means a contract or arrangement under which a person purchases NGLs and resells NGLs or some other product to the same party. These situations may occur as a way of transporting the product but may also enable parties to manage supply with market requirements. Buy/Sell transactions are considered as Non-Arm's Length. An example of a Buy/Sell is where:

- 1) The purchase and sale are referenced under the same contract, or
- 2) More than one contract exists, but these are “tied” contracts (either by reference made within each contract or by a master contract).

Condensate Is a mixture of mainly pentanes plus and heavier hydrocarbons, which is recovered or recoverable at a well from an underground reservoir, and that may be gaseous in its virgin reservoir state but is liquid at the conditions under which its volume is measured. Purchases of condensate are reported as spec pentanes plus (C₅-SP).

Delivery Month in relation to any NGL products is the month in which production is purchased and delivered to the purchaser.

Ethane (C₂) is a mixture mainly of ethane, which ordinarily may contain some methane and propane. NGL price information is not reported for ethane. For cases where C₂ is transacted as C₃, please refer to the “Volume” and “Cost” sections under [Section 2. Reporting Instructions](#).

Eligible Purchase means any purchase of NGL products where total compensation is known and fully reflected in the cost. A buy/sell, an exchange or a swap are types of purchases where total compensation is unknown or not fully reflected in the cost.

Exchange is a transaction where the parties exchange a quantity of gas or a gas product at one location for a quantity of gas or a gas product at another location (*also called **Swap***). Exchange transactions are considered as Non-Arm's Length.

NGL field facility is a gas processing plant, gas reprocessing plant, gas gathering system or other field facility that processes, gathers, and stores NGL production from a gas well. Field facilities that are considered NGL field facilities have an "NGL field facility" identifier in **PETRINEX**. Refer to the **PETRINEX** website <http://www.petrinex.ca/29.asp> (select *Facility Identifiers Report*).

Field Purchase means an eligible arm's length purchase of propane, butanes or pentanes plus including condensate spec or mix product, at a NGL field facility.

Mainline Straddle Plants are those plants that have been designated as such by the Minister. Mainline straddle plants are not NGL field facilities and therefore any purchases of NGLs at those plants are not reported to **PETRINEX**.

Mix Product is a commingled stream of NGLs that may contain ethane, propane, butanes or pentanes plus together as a mix.

Natural Gas Liquids (NGLs) includes ethane, propane, butanes and pentanes plus including condensate or any of them.

Pentanes plus (C₅⁺) is a mixture of hydrocarbons consisting wholly or mainly of pentanes plus and heavier hydrocarbons, is obtained from natural gas by processing or otherwise, and includes condensate for NGL reporting purposes.

PETRINEX is a joint strategic organization supporting Canada's upstream oil and gas industry and is represented by Government (Alberta Energy, the Alberta Energy Regulator (AER) and the Saskatchewan Ministry of the Economy (ECON)), and Industry (represented by the Canadian Association of Petroleum Producers (CAPP) and The Explorers and Producers Association of Canada (EPAC)). It operates under the overall guidance of a unique and proven Crown-Industry governance structure. Refer to **PETRINEX**'s home page for more details <http://www.petrinex.ca/54.asp>.

Propane (C₃) is a mixture mainly of propane, which ordinarily may contain some ethane and butanes.

Regulation means the *Natural Gas Royalty Regulation, 2009* (as amended).

Spec Product means ethane, propane, butanes or pentanes plus that have been processed (fractionated) to a condition where they meet purchaser specifications for product quality, and includes condensate that is not processed at a gas plant.

Swap is another term for exchange. Swap transactions are considered as Non-Arm's Length.