

GAS ROYALTY CALCULATION INFORMATION BULLETIN JULY 2001

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

A. PRICING RATES AND TRANSPORTATION INFORMATION

For Pricing, Royalty Rates and Transportation Information for May 2001, refer to Attachments [1](#), [2](#), [2A](#), and [3](#).

B. NOTICES

AC10 Application for Facility Plant Type and Transportation Region Code

We remind clients that they must complete and submit to the Department an AC10 form-Application for Plant Type Code and Transportation Region Code, on or before the 15th day of the month following a facility's start up date. The AC10 is the only process by which the Department can approve unit operating cost rate deductions (UOCR). Failure to comply results in no UOCR deduction. The AC10 is available on the Department's Internet site at:

www.energy.gov.ab.ca

C. MONTHLY INFORMATION

May 2001 Royalty Due August 31

- **Royalty clients are to remit the total amount payable shown on the August 2001 Statement of Account by August 31, 2001.** 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.
- **The August 2001 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your May 2001 Invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.**
- Current period interest will not be charged on current invoice charges for the production month of May 2001 if it is paid in full by August 31, 2001.
- Current period interest will accrue on any overdue charges commencing the first day after the due-date until it is paid in full.

Note: If the due date falls on a non-business day, payments will be accepted on the next business day.

June 2001 OAS and VA4 Due August 15

The OAS and VA4 documents for the production month of June 2001 are due in the Department offices by August 15, 2001.

NOTE:

- If the due date (15th) falls on a non-business day, the next business day will apply as the due date for OAS and VA4 documents.
- The OAS due date specified by the Department is the date by which the required OAS data must be received in the Department.
- Keying services require sufficient time to process and transmit the data by the Department’s due date. Contact your keying agent for the respective cut-off dates.
- For EDI clients, the receipt date is when Value-Added Network (i.e. GE) receives the transmission.
- The importance of timely receipt of OAS data by your service provider and the Department is critical to ensure accurate royalty calculation and prevention of provisional assessment.

Interest Rate July 2001

The Department of Energy’s interest rate for July 2001 is 7.25%.

April Provisional Assessment Charge

The net Provisional Assessment Charge for the April 2001 billing period was \$1,203,266.78. This includes \$88,806,037.36 in first time provisional assessments and (\$87,602,770.58) in reversals of provisional assessments for all production periods.

April Penalty Charges

The following are the Penalty Charges by form type for the April 2001 billing period:

FORM	Penalties Charged
AC2	\$27,800
AC4	\$1,000
AC5	\$43,500
GR2	\$0
NGL1	\$1,000
VA2	\$0
VA3	\$0
VA4	\$0
Total Charged	\$73,300
Total Reversed	(\$44,900)
Net Penalties Charged for 2001/04	\$28,400

Alberta Royalty Tax Credit Program Quarterly Rate

For the third quarter of 2001, the Alberta Royalty Tax Credit rate will be .2500. This rate is based on a royalty tax credit reference price of \$492.37 per cubic metre. The Alberta Royalty Tax Credit rates for the past year were:

Second Quarter, 2001	.2500
First Quarter, 2001	.2500
Fourth Quarter, 2000	.2500
Third Quarter, 2000	.2500

If you have any questions, please contact Kent Nelson of Tax Services at (780) 427-9425, ext 250.

D. INFRASTRUCTURE DATA CHANGES

Client ID Listing

The Complete Client ID listing can be found on the Internet at the following address:

www.energy.gov.ab.ca

The listing, which is updated monthly, includes termination and effective dates as well as the status of all Client IDs. The Department would like to remind those browsing the site to note the effective and termination dates of the Client IDs.

Projects/Blocks

There have been no projects/blocks set up or terminated since June 2001. If further information is required on any other projects, please contact Isabelle Warwa at (780) 427-9072.

Struck Clients

Clients must ensure that the OAS and all other 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 names or IDs, please contact Client Registry at (780) 422-1395.

The following is a list of struck clients:

Company Name	Client ID	Struck Date
Fairview Management Enterprises Ltd.	0101229	February 1, 1999
122233 Canada Inc.	0032344	June 2, 2001
Cordex Petroleum Inc.	0034239	June 2, 2001

Operator Changes

EUB Facility Operator changes are listed in [Attachment 4](#).

New EUB Plants

New EUB plants and corresponding plant types and transportation regions are listed in [Attachment 5](#).

E. REMINDERS

ETS Account Application (June 2001)

Clients who are receiving Gas Royalty Reports via the Electronic Transfer System (ETS) on behalf of other clients are required to set up an ETS account. The original client needs an ETS account to access the Report Retrieval Window on ETS to designate his preferences. The receiving client needs an ETS account to actually retrieve the reports from ETS.

The original client will indicate the receiving client's ETS account as the ETS recipient of his reports. It is important to have the original client designate the report retrieval preferences because of the confidentiality of the materials being transferred. The Department will use the preference settings indicated by the original client as authorization to transfer the reports to another party.

Clients who are applying for ETS accounts to conduct business on behalf of other companies should indicate themselves as the ETS account applicant in Field A5 of the ETS Form since they are the ones accessing ETS. This specifically applies to service providers who are applying for ETS accounts to submit and retrieve reports for their clients (the original report recipients).

Annual Royalty Deposit Calculation

The Department has proposed an enhancement to the royalty deposit calculation to reduce the impact on cash flows caused by wide swings in the gas price. The change is subject to legislative approval and, if implemented, would result in a calculated royalty deposit less than or equal to the amount calculated by the current method (1/6 of previous year's net royalty). Therefore, the 2001 royalty deposit calculation that would normally be processed in the Initial Annual Billing Period (IABP), June 2001 calendar month, is deferred until legislative approval has been received. There are no prior period interest implications associated with this delay as interest is not charged or paid on annual royalty deposit adjustments.

The Department will communicate updates to the royalty deposit calculation and annual adjustment in the monthly Information Bulletin.

1997 Sulphur Default Price

Due to amended VA3 forms, the 1997 Sulphur Default Price has changed from \$10.11 to \$9.98. This change resulted in a recalculation to Sulphur for the 1997 production year.

Facsimiles

The Department encourages clients to submit all forms by mail or alternatively, deliver prior to 3:30 p.m. during business hours at the [Calgary Information Centre](#) (address is located in Points of Contact at the end of this Bulletin). Issues and concerns surrounding transmitting critical forms through fax machines have been identified in previous Information Bulletins. If the submitted document is illegible, penalty charges may result due to unprocessed or rejected documents. All forms submitted via fax should be at a font size of 10 pt or greater and must not be in bold.

Historically, transmissions of forms from clients ranged from 5 to 150 forms per client. The volume of these transmissions constrains the memory capacity of the Department fax machines. Other clients attempting to fax documents receive a busy signal or an unsuccessful transmission error. **Note: The inability to successfully transmit documents via the Department's fax machines is not an acceptable reason to prevent or reverse penalties.**

Conversion of EDI/ETS Files from UNIX to DOS Format

Before the Electronic Transfer System (ETS) report retrieval process, the Department issued Electronic Data Interchange (EDI) files in DOS format. When we introduced ETS report retrieval, we placed the files on ETS in UNIX format. Based on Industry feedback, there is a preference for the files in DOS format. Therefore, the Department will now place all EDI/ETS files for the Crown Royalty Detail (CRD), Invoice and Annual Cost reports on ETS in the DOS format. This change was effective for the March 2001 production month (May 2001 calendar).

Please note this conversion of format from UNIX to DOS is only applicable to EDI/ETS files, not NON-EDI/ETS files.

Electronic Submission of AC2/AC4 – Encryption is no longer necessary

Clients who are submitting their AC2 and AC4 forms electronically using the Department's Electronic Transfer System (ETS) web site, are no longer required to encrypt data files effective May 2001. The Department upon client request will encrypt file submissions upon receipt. The Department will also encrypt output files that we send back to clients. Output files that are sent back to clients will automatically be decrypted when they are opened.

Clients who are currently encrypting their data and now wish to submit without encryption must request the Department in writing to have their encryption requirements removed. The Department will then notify the client when they can submit the data unencrypted. Requests for the removal of current encryption requirements can be faxed or mailed to:

Alberta Department of Energy
Client Registry
Client Services Branch
3rd Floor, North Petroleum Plaza
9945 – 108 Street
Edmonton, Alberta T5K 2G6
Fax: (780) 422-9522

Gas Royalty Report Retrieval on ETS – Preference Window Set Up

Clients who are interested in retrieving their Gas Royalty Reports electronically should refer to the Gas Royalty Report Retrieval User Guide for retrieval process and request details:

www.energy.gov.ab.ca

Please note that your report preferences must be set up on the ETS Report Preference Window before you can receive any output files on ETS. The Department has documented the preference set up process in the user guide.

Reporting Procedures for Natural Gas Used to Generate Electricity

As outlined in Information Letter 2001-15, effective January 2001 production month, operators that deliver gas to microturbines to generate electricity for delivery to the power pool must report the gas disposition on the S and OAS documents in the following manner:

1. if the disposition is from a battery
 - report the disposition on the S-2 indicating a disposition from the battery to a gathering system,
 - report the disposition on the S-8 using code 9998 under column 'consumer/recycling/battery/facility',
 - report the disposition on the OAS using stream category Production, activity Sale, and the location of the gathering system.

2. if the disposition is from a gathering system
 - report the disposition on the S-8 using code 9998 under column ‘consumer/recycling/battery/facility’,
 - report the disposition on the OAS using stream category Production, activity Sale, and the location of the gathering system.
3. if the disposition is from a gas plant
 - report the disposition on the S-20 using code 9998 under column ‘consumer/distributor/transporter’,
 - report the disposition on the OAS using stream category Production, activity Sale, and the location of the gas plant.

Commencing with June 2001 and every 6 months thereafter, operators must send a letter to the Department, when there is a delivery of gas to microturbines, with the following details:

- list of location facilities where delivery of gas is taking place,
- for each stream ID/facility/production month, identify the following information regarding the amount of gas consumed;
 - the volumes consumed for production related activities
 - the volumes consumed to generate electricity
 - total kWh produced for the production month
 - the kWh sold to the power pool
- list of owners for each stream ID/facility/production month.

We will use the information contained in these letters for audit verification of the volumes consumed and royalty payable. Please submit these letters to the Manager, Revenue Accounting.

Nova Tolls Crown Royalty Detail Changes

Please note that the implementation of Multiple Gas Valuation Prices targeted for March 2001 production, invoiced at the end of May 2001 is delayed; however, format changes to your Crown royalty details to incorporate the implementation have taken place. The Department will issue an Information Letter announcing the official implementation dates of Multiple Gas Valuation Prices.

F. PRINCIPLES AND PROCEDURES

Updates

The Department updates the Alberta Natural Gas Royalty Principles and Procedures manual when there is a major change in relevant policy or legislation, and regularly to incorporate information published in Information Letters and Information Bulletins.

The latest edition of the Alberta Natural Gas Royalty Principles and Procedures manual with current updates for major changes in legislation and policy is scheduled for release in September 2001.

G. POINTS OF CONTACT

Department of Energy Hotline & Internet

Prices, Royalty Rates, and Transportation Information are available on the Department of Energy Internet address or hotline: (403) 297-5430. In addition, both the Gas Royalty Calculation Information Bulletin and Information Letter are also available on the Internet address:

www.energy.gov.ab.ca

Note: The sulphur price can be accessed by calling the Department of Energy hotline at (403) 297-5430. Wait to hear the recorded list of options, then press #1 on your touch-tone phone for Natural Gas Information. Again, wait for the recorded list of options, then press #3 for Gas Royalty Rates.

Gas Royalty Calculation

Gas Royalty Calculation can be reached at:

Telephone: (780) 427-2962
Fax: (780) 427-3334 or (780) 422-8732
Alberta Toll Free: 310-0000 (Please do not dial “1” or “780”.)

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.

Calgary Information Centre

3rd Floor, 801 – 6th Avenue S.W.
Calgary, Alberta T2P 3W2
Telephone (403) 297-6324
Fax (403) 297-8954

Alberta Royalty Tax Credit Information

Alberta Tax and Revenue Administration
Tax Services

Telephone: (780) 427-3044

Alberta Toll Free: 310-0000

Fax: (780) 427-5074

For further information, please contact Angelina Leung at (780) 427-9425 ext 251.

David Breakwell
Director, Gas Royalty Calculation
Gas and Markets Development

Attachments

2001 PRICES

MONTH	GAS REF PRICE (\$ per GJ)	GAS PAR PRICE (\$ per GJ)	ETHANE REFERENCE PRICE (\$ per GJ)	ETHANE PAR PRICE (\$ per GJ)	PENTANES REF PRICE (\$ per m ³)	PENTANES PAR PRICE (\$ per m ³)	PROPANE REF PRICE (\$ per m ³)	PROPANE FLOOR PRICE (\$ per m ³)	BUTANE REF PRICE (\$ per m ³)	BUTANE FLOOR PRICE (\$ per m ³)	SULPHUR DEFAULT PRICE (\$ PER TONNE)
JAN	11.21	8.28	11.21	8.28	317.76	292.43	346.93	274.44	288.83	245.77	7.78
FEB	8.05	11.21	8.05	11.21	322.64	302.28	253.13	212.04	248.97	199.90	3.54
MAR	6.48	8.05	6.48	8.05	305.92	304.67	212.15	185.99	220.92	187.29	3.29
APR	6.59	6.48	6.59	6.48	311.33	288.19	226.33	193.24	234.44	195.36	4.01
MAY	5.74	6.59	5.74	6.59	317.97	299.44	229.56	178.46	218.95	196.40	1.20
JUN											
JUL											
AUG											
SEPT											
OCT											
NOV											
DEC											

DETAIL OF THE MAY 2001 GAS REFERENCE PRICE		SELECT PRICE 2001				
Weighted Average Price of Alberta	6.228 \$/GJ	New Gas (\$ per GJ)	Old Gas (\$ per GJ)	Pentanes (\$ per m ³)		
Deductions: Intra – Alberta Transportation	0.304 \$/GJ	1.250	0.371	45.21		
Marketing Allowance	0.015 /GJ	New Ethane (\$ per GJ)	Old Ethane (\$ per GJ)			
Price Before Pipeline Factor	5.909 \$/GJ	1.250	0.371			
Pipeline Fuel/Loss Factor	0.988					
Price before Special Adjustment	5.839 \$/GJ					
Special Adjustment	0.000 \$/GJ					
Price before 2% amendment limitation or rounding	5.839 \$/GJ					
Amendments: Carry forward (from previous RP month)	-0.003 \$/GJ					
Prior Period Amendment Adjustment (current RP month)	-0.094 \$/GJ					
Calculated RP after Amendments	5.742 \$/GJ					
		ANNUAL SULPHUR DEFAULT PRICE				
MAY 2001 Reference Price	5.74 \$/GJ	1996	1997	1998	1999	2000
Difference = value carried forward to next RP month	0.002 \$/GJ	\$11.45	\$9.98	\$6.01	\$10.54	\$10.99

2001
TRANSPORTATION ALLOWANCE AND DEDUCTIONS

MONTH	PENTANES PLUS (a)				PROPANE AND BUTANE (b)				PENTANES PLUS, PROPANE & BUTANE (c)				FRAC. ALLOW. (per m3)
	REGION				REGION				REGION				
	1	2	3	4	1	2	3	4	1	2	3	4	
JAN	8.53	14.51	14.17	23.53	7.38	4.77	5.38*	-2.52	5.11	9.24	11.14	4.01	11.00
FEB	17.01	19.28	17.41	17.45	13.63	1.22	8.00*	-2.22	0.89	4.78	10.87	0.96	11.00
MAR	14.07	17.18	18.52	21.21	5.84	-0.46	5.24*	-12.71	2.54	7.21	10.92	0.17	11.00
APR	10.73	18.71	20.92	7.55	8.04	6.20	11.10	5.87	5.90	11.46	12.81	6.17	11.00
MAY	10.59	18.32	15.59	21.97	13.51	6.46	42.12	17.05	8.60	12.00	13.00	6.65	11.00
JUN													
JUL													
AUG													
SEPT													
OCT													
NOV													
DEC													

- (a) Pentanes Plus obtained as a specification gas product,
- (b) Propane and Butane obtained as specification products, and
- (c) Pentanes Plus, Propane and Butane contained in a natural gas liquids mix.

* Current month calculated allowance is based on an estimate.

Note: For details on “Prior Period Amendment Effects”, see [Attachment 2A](#).

PRIOR PERIOD AMENDMENT EFFECTS												
NGL REFERENCE PRICES		MAY 2001										
	<i>Propane</i>	<i>Butane</i>	<i>Pentanes</i>									
Price before amendments	229.567434	218.949402	317.974103									
Opening Rollover (from prior business month)	-0.004504	-0.000844	-0.003470									
Prior Period Amendment Adj. (NGL-1)	0.000000	0.000000	0.000000									
Prior Period Amendment Adj. (NGL-100)	0.001361	0.000000	0.000000									
Published Reference Price	229.56	218.95	317.97									
TRANSPORTATION ALLOWANCES		MAY 2001										
	Pentanes Plus				Propane and Butane				Pentanes Plus, Propane & Butane			
AMENDMENTS	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4	Region 1	Region 2	Region 3	Region 4
Opening Rollover (from prior business mth)	0.004786	0.002535	-0.000608	0.002102	-0.001689	-0.004213	0.001618	0.004291	-0.001882	0.002186	-0.002086	0.000440
Prior Period Amendment Adj. (NGL1)	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000	0.000000
Prior Period Amendment Adj. (NGL-100)	1.447448	0.000000	0.000000	0.039504	0.000842	0.002783	0.000822	0.001289	0.000555	0.000548	0.000467	0.000647
Total Amendment Effect	1.452234	0.002535	-0.000608	0.041606	-0.000847	-0.001430	0.002440	0.005580	-0.001327	0.002734	-0.001619	0.001087
Calculated Transp. Differential	9.134285	18.317151	15.588393	21.930844	13.514657	6.462522	42.119207	17.046576	8.602571	11.992599	12.999673	6.651568
Calculated Transp. Differential after Total Amendments	10.586519	18.319686	15.587785	21.972450	13.513810	6.461092	42.121647	17.052156	8.601244	11.995333	12.998054	6.652655
Published Transportation Allowance	10.59	18.32	15.59	21.97	13.51	6.46	42.12	17.05	8.60	12.00	13.00	6.65

* Any estimates represented by (*) are calculated as the weighted average of the other regions for the same spec product transportation allowance, since the region is zero. The weightings are based on the previous year's production.

**2001
ROYALTY RATES**

MONTH	GAS - OLD (GOL) (per GJ)	GAS – NEW (GNE) (per GJ)	ETHANE – OLD (per GJ)	ETHANE – NEW (per GJ)	PENTANES - OLD (POL) (per m ³)	PENTANES - NEW (PNE) (per m ³)
JAN	35.00000	30.00000	35.00000	30.00000	45.67117	32.99019
FEB	35.00000	30.00000	35.00000	30.00000	45.81223	33.05568
MAR	35.00000	30.00000	35.00000	30.00000	45.84508	33.07093
APR	35.00000	30.00000	35.00000	30.00000	45.60748	32.96062
MAY	35.00000	30.00000	35.00000	30.00000	45.77251	33.03724
JUN						
JUL						
AUG						
SEPT						
OCT						
NOV						
DEC						

NEW PLANTS				
EUB FACILITY CODE	FACILITY NAME	TRANSPORTATION REGION	PLANT TYPE	PLANT TYPE EFFECTIVE DATE
AB-GS-6288	NORTHSTAR SIMMONS GGS	3	1	2001-05
AB-GS-6289	RIO ALTO WAPITI	4	1	2001-05
AB-GS-6290	CNRL WAYNE 9-36 GGS	2	1	2001-06
AB-GS-6291	PCR MAKEPEACE 3-18	2	1	2001-06
AB-GS-6292	PCR REDLAND 12-34	2	1	2001-06
AB-GS-6293	VERMILION 5-14 GGS	1	1	2001-06
AB-GS-6294	TLM COMPRESSOR 9-30 GGS	4	1	2001-06
AB-GS-6295	PANCANADIAN MAKEPEACE 03-18	2	1	2001-06
AB-GS-6296	WATFORD PRINCESS 9-11	2	1	2001-06
	EFFECTIVE DATE CHANGE			
AB-GS-6229	BIG HORN LANAWAY 6-29 COMPRESSOR	1	1	2001-03