

July 22, 2010

INFORMATION BULLETIN 2010-02

**SUBJECT: APMC-600 SERIES FORMS
REPORTING CHANGES EFFECTIVE
JANUARY 2011 DELIVERY MONTH**

On July 6, 2010, the Alberta Department of Energy issued an Information Letter (copy attached), indicating that a new methodology will be used to calculate the Gas Reference Price effective with the January 2011 production period. Most of the information used to calculate and analyze the current Gas Reference Price is furnished by companies on the APMC – 600 Series forms. This information will not be required after the December 2010 delivery month.

Pursuant to section 19(12)(a) of the Natural Gas Marketing Regulation (“the Regulation”), the Alberta Petroleum Marketing Commission hereby exempts any persons required to furnish a report pursuant to sections 19(1), (2), (3), (4), (5), (5.1) or (6) of the Regulation from the requirement to furnish a report under those sections, for January 2011 and future delivery months.

Requirements under section 27 of the Regulation to keep records relating to natural gas activities remain unchanged.

Reporting Requirements for Delivery Months Prior to January 2011

All reporting requirements for delivery months prior to January 2011 remain unchanged, including requirements to furnish accurate reports by the prescribed reporting deadline dates. Companies will be subject to audit for delivery months prior to January 2011.

If you have any questions regarding this information bulletin, please contact your Gas Royalty Valuation & Markets Analyst at the Alberta Department of Energy or you can contact me directly at 403 297-5465.



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Director, Gas Royalty
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July 6, 2010

INFORMATION LETTER 2010-24

Subject: Gas and In-stream Component Reference Prices - Business Process Changes

The Department of Energy has conducted a review of its business processes related to the calculation of the Gas Reference Price and In-stream Component Reference Prices. These prices are used in the calculation of natural gas royalties.

As a result of the review, new streamlined business processes will be implemented:

- Effective the January 2011 production month, purchase prices at the Alberta Market Hub on the Natural Gas Exchange (NGX) will be used to calculate the Gas Reference Price for all Alberta production. The Gas Reference Price will be used to value Methane, the largest component of natural gas.
- Proposed for the January 2012 production month, In-stream Component (ISC) Reference Prices for Ethane, Propane, Butanes and Pentanes Plus will be based on their extracted market values. During the transitional production period of January 2011 through December 2011, the Gas Reference Price will be used to value all in-stream components.

The Department of Energy considered many factors prior to making these changes:

- The gas marketing business has matured and changed significantly since 1994, when the current netback valuation method was adopted. The North American gas market is now integrated with a series of market centers and hubs. The increased complexity in the gas marketing business has increased reporting complexity for the companies that provide gas reference price information to the Department.
- Alberta has a robust natural gas market. The Alberta Hub at the Nova Inventory Transfer (NIT) point on the Nova Gas Transmission Pipeline Limited system in Alberta is viewed as a significant market centre in North America. The Natural Gas Exchange (NGX), which settles gas purchases at NIT, has progressively increased trading volume since the early 1990s. Today, volumes traded on NGX exceed Alberta's production.

- Alberta has an actively traded market for recovered natural gas liquids at Edmonton. Prices of recovered natural gas liquids at Edmonton are appropriate prices for natural gas liquids extracted from the natural gas stream at mainline straddle plants.

During the next few months, the Department of Energy will meet with Industry to work out the details related to an intra-Alberta transportation allowance in the calculation of the Gas Reference Price. Industry consultations will also occur in 2011 to determine the appropriate extracted market value for In-stream Components of Ethane, Propane, Butanes and Pentanes Plus and a related fractionation allowance.

For further information please contact:

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