

Chapter II

Enforcing Compliance

Section 1

Enforcing Compliance with Legislation and Policy

1. Enforcing Compliance with Legislation and Policy

1.1 Overview

The department's ability to issue complete, accurate and timely Crown royalty invoices depends upon the reliability and timeliness of information provided by royalty clients, facility operators, designated purchasers, meter station/common stream operators and the operators of designated storage facilities.

The risk associated with inaccurate statements that result in underpaid Crown royalty, and the administrative cost of detecting and correcting such deficiencies, is reflected in the penalties described later in this chapter.

1.2 Accountable Parties

A.R. 220/2002 S.25

Companies or individuals who operate any of the following facilities are required to submit (Volumetric/SAF/OAF) reporting to the department each month in which the facility has quantities available for sale:

- A reprocessing plant that is not a mainline straddle plant; or
- A gas processing plant; or
- A gas gathering system; or
- A gas battery; or
- Any facility operator who is directed by the department in a particular case to be responsible for specified quantities available for sale.

The operator of the facility is responsible for reporting the quantities available for sale at that facility, and is accountable for any deficiency to the department.

A common stream operator (CSO) is responsible for reporting the quantities at the meter station and is accountable for any deficiency to the department.

1.3 Assessment and Levy of Reporting Discrepancies

A.R. 220/2002 S. 26

The department considers that quantities are not fully accounted for if:

- Volumetric/SAF/OAF submissions are not filed for a facility, in which case the facility operator is deemed to have filed a nil Volumetric/SAF/OAF report;
- Volumetric/SAF/OAF submissions are filed for a facility; however, the facility operator does not allocate all quantities;
- The quantities reported to the EUB for a facility exceed the quantities reported to the department for the same facility; or
- The quantities reported as purchased at a facility exceed the quantities reported as sold. In this case, the operator of the facility who reported the sale will be provisionally assessed.

A.R. 220/2002 S. 26 (1)(4)

Where an operator does not fully account for all the quantities for which he is responsible in a month, the department will:

- Notify the operator of the discrepancies;
- Deem that operator to be a royalty client with respect to the quantities that are not accounted for;
- Calculate a provisional royalty for these discrepancies; and charge that provisional royalty on the operator's invoice.

A.R. 220/2002 S. 26 (6)

If the operator is assessed a provisional royalty and in a subsequent month the operator accounts for all or part of the deficient quantities, the department will reverse the original provisional assessment amounts and prior period interest charged up to the original provisional assessment invoice issue date. Current period interest charged after the original provisional assessment invoice issue date will not be reversed.

A.R. 220/2002 S. 26(8)

The department will waive, partially or in full, current period interest (CPI) on provisional assessment charges subject to corrected Volumetric/SAF/OAF reports being submitted to the department or EUB respectively, by the 15th day of the month following the month in which the invoice containing the provisional assessment was issued. A detailed description of the volumetric reconciliation procedure is provided in *Appendix B*.

1.3.1 Provisional Royalty Assessment Trigger

The following reporting deficiencies represent a failure to account for quantities (within certain tolerances) available for sale, and will trigger provisional royalty:

A.R.220/2002 S.26 (3)

Failure to submit a SAF/OAF to the department for quantities available for sale at a facility by the reporting deadline; **In this case, the department will deem the facility operator to have filed a nil report.**

- 1) Failure to submit the appropriate allocations.
The following situations are included in this category:
 - a. A SAF has not been filed when required.
 - b. An OAF has not been filed when required.
 - c. A SAF that has an error in one or more of the stream details so that the total factors do not equal 1.
 - d. An OAF that has an error in one or more of the owner details so that the total factors do not equal 1.
 - e. A missing SAF response to a cascade.
 - f. A missing OAF associated to a SAF response to a cascade.
 - g. The details for a SAF or OAF were deleted – by being set to zero.

- 2) Failure to balance volumetric data at a meter station. Balancing for each facility will identify any differences resulting from the "ins" minus the "outs" for the product group is referred to as a metering difference.
- 3) Failure of a common stream operator to allocate volumes at a meter station. Determine all meter stations with common stream operators, where allocations for royalty liable volumes have not been filed.

1.3.2 Calculating Provisional Royalty Compensation

Provisional royalty compensation is provided to ensure that the Crown's cash flow from natural gas royalty is maintained and is the result of deficient Volumetric/SAF/OAF reporting. The facility operator who submits the Volumetric/SAF/OAF is responsible to correct deficient reporting.

A.R.220/2002 S.26 (3) a, b, c

Where provisional royalty has been triggered, the provisional royalty compensation will be calculated and charged to the royalty account of the facility operator, deemed the royalty client, in the following manner:

- The quantity allocated to the facility operator is wholly subject to Crown royalty; and
- The rate determined for the Crown royalty share of the subject quantity is 35% for gas and gas products;
- The default factor of 41 will be used to convert 10^3m^3 to GJ; and
- The department will value the Crown royalty share at:
 - The gas reference price for the production month;
 - The ethane reference price for the production month;
 - 95% of the pentanes reference price for the production month, where the quantities consist of pentanes plus;
 - 95% of the propane reference price for the production month, where the quantities consist of propane;
 - 95% of the butanes reference price for the production month, where the quantities consist of butane;
 - The sulphur default price for the production month, where the quantities consist of sulphur;
- There will be no deduction for allowable costs.

The 5% reduction of the respective product reference price is in lieu of regional transportation allowance, fractionation allowance, and where applicable, special pentanes processing allowance.

1.4 Collecting Outstanding Accounts

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 Invoice, the department will take action to collect the outstanding amount.

The department's collection action may proceed in the following stages, but will continue until the entire outstanding amount is collected.

- If the balance is not paid by due date.....1st notification on Statement of Account to the client that payment is outstanding.
- If the balance is outstanding for 30 days.....2nd notification on Statement of Account to the client that payment is outstanding. In addition, a Potential Recourse Letter (PRL) is sent to the Senior Financial Officer of the royalty client requesting payment within 30 days.
- If the balance is outstanding for 60 days.....3rd notification on Statement of Account to client that payment is outstanding. A Leaseholder Recourse Letter (LRL) is sent to the Senior Financial Officer of the royalty client requesting payment within 14 days. A copy is sent to the Designated Representative(s) of the affected lease(s), current participants and, if applicable, to the unit operators. Alberta Corporate Tax is notified by the department of Energy to transfer any ARTC refunds available to the royalty client who is in arrears. In addition, if the royalty client is named in any capacity on the affected lease(s) then the department will restrict the lease(s) from sale or transfer.
- If the balance is outstanding for 90 days.....4th notification on Statement of Account to the client that payment is outstanding. A Default Notice is issued 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 sent to the defaulting royalty client, current participants and, if applicable, to the unit operators.

1.5 Determining Leaseholder Liability

The department will attach outstanding liabilities to leases and leaseholders in order to apply its collection procedures using the following principles.

If a royalty client who is the subject of action by the department for collecting an outstanding balance has more than one lease, the department will determine 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;
- Allocating the outstanding balance to the well events within the well/well group/unit/injection scheme based on EUB production data, adjusted for Crown interest; and
- Associating the outstanding balance at each well event with the Crown lease agreement for that well event.

1.6 Assessment of Late Filing Penalties

A.R. 220/2002 S. 29

The department will assess penalties for failing to file a valid submission by the prescribed due date, required by the Natural Gas Royalty Regulation, 2002. Submissions that are not system acceptable will be rejected and treated as not received.

Effective February 2006, the annual allowable cost documents (AC2 to AC5) were implemented on the Registry. This electronic method of submission is for production year 2005 as well as any amendments to previous non-statute barred years. The department will still be considered the data of record and operators must take this into consideration when submitting their annual documents. The department encourages timely filing to allow sufficient time to submit, correct and resubmit any rejected documents prior to the respective due date.

NOTE: All versions of the AC2 and AC5 forms will be granted a 15-day grace period for penalty levy if the forms are submitted before the due date, but are rejected because of MRIS edits. The grace period refers to 15 days following the month in which the invoice that includes the penalty charge was issued. If the 15th of the month falls on the weekend or statutory holiday, the grace period is extended to the next business day.

The following penalties will apply on late filing or non-filing of the forms that are required to be submitted under the *Natural Gas Royalty Regulation, 2002*

Form	Form Due Date	Form Name	Consequence of Late Filing or Non Filing	Penalized Party	Penalty	Penalty Timing
RMF2	Last day of the third month following the production month	Reassignment of Royalty Volumes	No Impact	Assigning Royalty Client	None	N/A
RMF3-V2-V2	Last day of the month following the production month	Single Well Injection Scheme: <ul style="list-style-type: none"> • Set Up • Change 	Blended Rate No credit given No Impact	Facility Operator	None	N/A
Volumetric/SAF/OAF	15 th day of the second month following the production month	Stream Allocation Factor Owner Allocation Factor	Provisional Assessment	Facility Operator	None	N/A
PW1	Last day of the month following the production month unless specified otherwise in the Crown Agreement	Proprietary Gas Royalty Waived	Processed in month received. No credit given.	N/A	Loss of Interest	N/A
SECAP (595)	June 30 following the production month unless specified otherwise in the Crown Agreement	Sulphur Emission Control Assistance Program	Processed in month received. No Credit given.	N/A	Loss of Interest	N/A
VA1	For new clients, 15 th day of the second month following the production month.	Gas Valuation Election	Becomes Reference Price filer	N/A	None	N/A

VA2	April 15 following the production year.	Corporate Average Price Calculation - Gas	Reverts to Reference Price if not received by May 30 following the production year	Royalty client	\$1000 one time/ revoke*	From Due Date
VA3	April 15 following the production year.	Annual Sulphur Corporate Average Price (S-CAP) Calculation	Default Price used to estimate royalty if not received within 3 months after the due date.	Royalty client	\$1000 one time	From Due Date
VA4	15th day of the second month following the production month	Monthly Sulphur Corporate Average Price (S-CAP) Calculation	Default Price used to estimate royalty	Royalty client	\$100/month until received or until VA3 received for that year.	From Due Date
GR2	March 31 following the production year.	Annual Grandfathered Contract Sales	Not grandfathered until received. Reverts to Ref. Price if not filed within 4 months after due; lose right to grandfathering.	Royalty Client	\$1000 for four months/ revoke*	From Due Date
NGL100	10 th day of the second month following the production month.	NGL Valuation	Prices and rates calculated without submission	Designated Purchaser	\$1000/month until received	From Due Date
AC1-V2	March 1 following the production year.	Facility Cost Centre Setup	AC2 and AC4 forms cannot be accepted until AC1 accepted	Facility Cost Centre Operator	None	N/A
AC2-V2	April 30 following the production year.	Allowable Capital Costs for Production years 1997 through 2003	No costs given in the relevant production year.	Facility Cost Centre Operator	\$100/month until received	From Due Date
AC2-V3	April 30 following the production year.	Allowable Capital Costs for Production Years 2004 and Onwards	No costs given in the relevant production year.	Facility Cost Centre Operator	\$100/month until received	From Due Date

* The valuation election is revoked and the client will default to the reference price.

AC3-V1	May 15 following the production year.	Capital Re-Allocations for Production Years Prior to 2004	No changes to capital re-allocations	Royalty Client	None	N/A
AC3-V2	May 15 following the production year.	Capital Re-Allocations for Production Years 2004 and Onwards	No changes to capital re-allocations	Royalty Client	None	N/A
AC4-V1	March 31 following the production year.	Allowable Operating Costs for Production Years Prior to 2004	No costs given in the relevant production year.	Designated Facility Cost Centre Operator	\$200/year	From Due Date
AC4-V2	March 31 following the production year.	Allowable Operating Costs for Production Years 2004 and Onwards	No costs given in the relevant production year.	Designated Facility Cost Centre Operator	\$200/year	From Due Date
AC5-V2	May 15 following the production year	Allowable Custom Processing Fees for Production years 1997 through 2003	No costs given in the relevant production year	Royalty Client	\$100/month	
AC5-V3	May 15 following the production year	Allowable Custom Processing Fees for Production Years 2004 and Onwards	No costs given in the relevant production year	Royalty Client	\$100/month upon receipt	From Due Date

- 1) If a royalty client's VA2 submission is overdue for 45 days after the due date of April 15, the CAP election ceases to be valid effective the first day of the year to which the default relates, and the reference price method will be used to value the Crown royalty volumes. A one-time penalty of \$1,000 will be charged to the royalty client for failure to file the VA2 form by April 15th.
- 2) The department will not charge penalties, after May 31st, for overdue VA4 submissions if the annual Sulphur Corporate Average Price Calculation (VA3) form is received by April 15th.
- 3) If a royalty client who is required to submit annual Sulphur Corporate Average Price calculation (VA3) is in default for three consecutive months after the due date of April 15th, the department will value the Crown royalty share of that royalty client's volumes using the annual sulphur default price for the period to which the VA3 applies. A penalty of \$1,000 will be charged.

Upon receipt of the royalty client's VA3, the Crown royalty share will be valued in the manner described in *Ch. IV, Sec. 4.3*.

- 4) If a royalty client's Annual Statement of Grandfathered Contract Sales is in default for four consecutive months after the due date of March 15th, the royalty client loses the election to grandfather co-generation or long-term contracts. The volumes subject to these contracts will be valued at the applicable monthly reference price. A penalty of \$1,000 per calendar month or part of a calendar month will be charged for the default period March 31st to July 15th.

NOTE:

- 1) **Forms that are received on time, but are not system acceptable in accordance with the established edit rule, will be subject to penalties if these forms are re-submitted after the due date except for AC2 and AC5 documents, which have a 15 day grace period for re-filing.**
- 2) **The receipt date of the form will be the date when the department has official custody.**
- 3) **Receipt of the form at data processing centres depends on the agency relationship. If data processing centre is an agent of the industry, then item (2) above prevails.**
- 4) **For EDI clients, the receipt date is when Value-Added Network (VAN) (e.g., GE) received the transmission.**
- 5) **In the case of mail, the date of receipt is when the department receives the documents.**
- 6) **For the AC2, there will be one late filing penalty charge per form per billing period. For the AC4, there will be one late filing penalty charge per form per year. For the AC5, there will be one late filing penalty charge per billing period upon receipt of late form. If there are several amendments of the same form within one billing period, then the penalty applicable to the earliest retroactive effective date will be charged.**
- 7) **The department will not charge a late filing penalty on forms that are re-filed due to retroactive re-validation.**

1.6.1 Penalty Detail Report

A detailed summary of penalties charged to a royalty client in a billing month will accompany all invoices that show a penalty charge as one of the charge types.

An example of this report is on the next page.



PENALTY DETAIL

Issue Date: 2002-10-31
Royalty 0ABC
Name: ABC Oil & Gas
Billing Period: 2002-08

Invoice #: 00123456789

Royalty 0ABC
Name: ABC Oil & Gas
Address: XXXXXXXXXXXXXXXX
Calgary, AB
X9X 9X9

Form	Production Period / Year	Date Prepared	ID	Facility Cost Centre / Facility / Stream Name	Products	Operational Due Date	Date Received	Number of Penalized Months	Penalty Start Month	Penalty End Month	Penalty (\$)
VA4	2003-09					2003-11-16		1	2003-09	2003-09	100.00 100.00
AC2	2002	2003-05-27	AB	FCC #12		2003-04-30	2003-05-27	2	2003-04	2003-05	200.00
AC2	2002	2003-05-27	AB	FCC #13		2003-04-30	2003-05-28	2	2003-04	2003-05	200.00
											400.00
AC4	2002	2003-04-03	AB	FCC #55		2003-03-31	2003-04-04		2003-04	2003-04	200.00 200.00
AC5	2002	2003-06-06				2003-05-15	2003-06-07	2	2003-05	2003-06	200.00 200.00
										TOTAL	900.00
* * *											

1.7 Penalties on Inaccurate Statements in a Required Report

If the department determines, through an examination of records or otherwise, that the Crown royalty compensation payable by a royalty client for a production year has been underpaid, the department may impose a penalty equal to 10% of the underpayment of the principal amount. A simple mathematical error will not result in a penalty assessment. If a royalty client makes an error in good faith based on information provided by another person(s) required to report that data, a penalty will not be assessed for that error under *Natural Gas Royalty Regulation, 220/2002 (NGRR, 2002) S. 30(1)*.

If an underpayment is discovered, whether or not a penalty is imposed, the department will notify the royalty client of the deficiency that it believes is the cause of the underpayment, and specific reference will be made to the guideline and/or regulation breached.

If a notice of deficiency has been given, and the department determines that:

- The Crown royalty compensation in a subsequent production year has been underpaid; and
- The cause is the same or similar to the cause stated in the notice;

Then, the department may impose a penalty of up to 50% of the underpayment of the principal amount that is attributable to the cause stated in the notice.

A royalty client is given 12 months from the date of a notice to correct any similar errors in subsequent periods before a penalty in excess of the 10% rate is applied. The minimum penalty for underpayment of Crown royalty is \$1,000. This penalty assessment will be measured against the total amount of all penalties resulting from the inaccurate statement(s).

A penalty assessed for underpayment is in addition to any Crown royalty compensation and interest that is otherwise payable.

1.8 Statute Barred

A production year becomes statute barred on December 31, four years after the end of the production year. For example, the 2001 production year became statute barred on December 31, 2005. Once a year has become statute barred, calculation or recalculation of royalty does not occur on a monthly basis.

Section 38 of the Mines and Minerals Act provides for recalculation of royalty that can be initiated in either of two ways:

- a) On the department's initiative in conjunction with an audit or examination;
or
- b) At the request of a royalty payer.

If the department initiates a recalculation in conjunction with an audit or examination, it must usually be completed within four years of the production year under audit. If the audit or examination commences during the fourth year following the year of production, the recalculation must be complete within five years of the production year.

A royalty payer may make a written request for a royalty recalculation. This request must be received by the department prior to the end of the fourth year following the production year and include:

- Identification of the recalculation facility or facilities;
- Listing of the royalty variables proposed for recalculation;
- The reason for the recalculation;
- The production years of the recalculation;
- An order of magnitude estimate (i.e. >\$100,000, >\$1 Million, >\$2 Million, etc.) of the recalculation requested;
- Identification of all royalty clients that may be impacted by the request;
- Recalculation and the impact;
- The time lines for recalculation preparation and submission to the Crown including a reasonable time frame for Crown review of the recalculation;
- Confirmation from the operator that the affected partner(s) have been notified; and
- Paper copies of documents to be processed (one sample for a particular month is sufficient).

If the request meets the department's terms and conditions for recalculation, it will be approved. A request made during the fourth year following the production year, must be completed before the end of the fifth year, with reasonable time for Crown review prior to the end of the fifth year.

1.9 Royalty Calculation Defaults

The following defaults will apply when information submitted is inaccurate or inconsistent with current business rules.

Form	Default Item	Default Situation	Default
AC2-V2	Opening Allowable Capital Cost	If the opening balance does not equal last year's closing.	Default to previous year's closing balance.
AC2-V2	Months	If the number of months is left blank for either depreciation or return on average capital.	Default to 12 months
AC5-V2	Custom Services Paid	If none of: compression, gathering and processing are chosen, it is assumed that all apply.	Default is the recapture of the total UOCR
Exhibit A	Crown Interest	If an RMF2 was filed, the assignee's Crown interest from the Exhibit A is used. If the assignee is not on the Exhibit A, the assignor's Crown interest is used. If there is no RMF2 and volumes are allocated to a client who is not on the Exhibit A, Crown interest default to values that protect the Crown's position.	Assignor's Crown interest or 100% Crown interest for Royalty and 0% Crown interest for Injection Credits

GR2	Grandfathered Contracts	Received more than 4 months after due date	Contract reverts to Reference Pricing beginning that production year
SAF/OAF	Raw Gas	Heat content not reported	41 gigajoules / 10 ³ M ³
RMF2	Crown Interest	For single wells, if the assignee's Crown interest is not available then the assignor's Crown interest from the RMF3-V2 will be used, if that is not available then Crown interest defaults to values which protect the Crown interest.	Assignor's Crown interest or 100% Crown interest for Royalty and 0% interest for Injection Credits
RMF2	Product Reassignment	If product field is left blank, gas and all products are reassigned.	Default - all products are reassigned
RMF3-V2	Crown Interest	If there is an RMF3-V2 on file and the SAF/OAF allocates volumes to a client not listed on the RMF3-V2 for a blended Crown Single well, Well group or Injection Scheme, the Crown interest defaults to protect the Crown's position.	100% Crown interest for royalty and 0% interest for the calculation of Injection Credits
RMF3-V2	WIO%	If product field is left blank, the working interest ownership applies to gas and all products.	Default - all products
VA1	Valuation Method	If form not submitted.	Royalty client is a Reference Price Filer
VA2	Minimum Price for the Corporate Average Price	If CAP prices are significantly lower than reference prices, the calculated CAP defaults to the minimum price.	90% of the weighted average of the monthly Gas References Prices for the year to which the CAP applies
VA2	CAP Calculation	Received after May 30 of the production year	Client reverts to Reference pricing beginning that production year
VA2	CAP Calculation	CAP price less than 90% of annual weighted average gas price	Price defaults to minimum 90% of annual weighted average gas price
VA3	S-CAP Calculation	If VA3 forms are not filed.	Annual Sulphur Default Price is used for valuation
VA3	S-CAP Calculation	VA3 forms are subject to minimum values	Minimum of \$0.00
VA3	S-CAP Calculation	Client's arm's length sales are less than 10% of total production	Annual Sulphur Default Price is used for valuation
VA4	S-CAP Calculation - Monthly	If VA4 forms are required, but not submitted..	Monthly Sulphur Default Price is used for valuation .
VA4	S-CAP Calculation - Monthly	Monthly Sulphur Default Price is used for valuation for all clients not required to file a VA4	Monthly Sulphur Price - minimum of \$0.00
General	CERR	For new royalty clients, there is no history on which to determine the CERR	The previous year's actual provincial average CERR will be used for current year's CERR estimate

General	Provisional Assessment	If volumes are not allocated to the stream level, the facility operator is assessed for the unallocated volumes	Rates/Prices will default as follows: Crown interest 100%; Royalty rate - 35%; Monthly Reference Price for gas; 95% of Monthly Reference Price for all gas products except sulphur; Monthly Default Price for Sulphur; No cost allowance will be given.
SAF/OAF	Provisional Assessment	Heat content not reported	41 gigajoules / 10 ³ M ³
General	CAP Filers	A client amalgamates with a reference price filer or becomes associated with (75% beneficial interest) a reference price filer	Client reverts to Reference pricing beginning the following production year
General	Corporate Gas Factor	Monthly invoicing uses reference price multiplied by the client's corporate gas factor calculated using the previous year's reported results.	Minimum CGF is 0.9 for existing clients. CGF (for first year) is 1.0 for new clients using CAP
General	Allowable Cost Restriction	Monthly allowable costs cannot result in a negative royalty charge.	Allowable costs are reduced by the amount that costs exceeded royalty charges
General	Raw Gas	Raw gas rules applied.	Royalty trigger factor defaults to 1.
General	Medicine Hat Agreement	Medicine Hat agreement applied.	Royalty trigger factor defaults to 1.
General	Corporate Average Price	CAP rules applied.	Royalty trigger factor defaults to 1.
General	Provisional Assessment	Provisional Assessment	Royalty trigger factor defaults to 1.
General	Royalty Paid Bank	The reproducing facility cannot be found.	Royalty trigger factor defaults to the injection facility.
General	Royalty Trigger Factor	Extra Corporate Volumes	Royalty trigger factor defaults to 1.
General	Annual Allowable Cost Restriction	Annual allowable costs cannot result in a negative royalty charge.	Allowable costs are reduced by the amount that costs exceeded royalty charges
General	Crown Interest	If there is no Crown interest available for a well, the default is 100% Crown interest. If there is no Crown interest available for an Injection well, the default is 0% interest	Default 100% Crown Interest Default 0% for injection credit.
General	Vintage	If vintage is unavailable.	Default - 100% old for royalty and injection credits
RGA Form	RARR	RGA not filed	Default - FARR
Volumetric	FARR	ISC not filed	Default – Methane ISC Rate (C1-IC)
Volumetric	FARR	ISC imbalance	Default – Pentanes Plus ISC Rate (C5+-IC)

Volumetric	FAP	ISC not filed	Default – GRP
Volumetric	FAP	ISC not filed at Reproducing Facility	Default – FAP at Injection Facility

Section 2

Rights and Assurances of Royalty Clients

2. Rights and Assurances of Royalty Clients

2.1 Audits of the Department's Calculation of Royalty Variables

A.R. 220/2002 S. 33 (1)(a)

Subject to a prior arrangement with the department, a recognized petroleum and natural gas industry association may appoint an auditor to conduct a review of the department's compliance with legislation and policy governing the calculation of certain Crown royalty variables. The department recognizes the following petroleum and natural gas industry associations for this purpose:

- Canadian Association of Petroleum Producers (CAPP); and
- Small Explorers and Producers Association of Canada (SEPAC)

A.R. 220/2002 S. 33 (1)(b)

To be acceptable to the department, an auditor appointed by either CAPP or SEPAC must meet the legal and institutional requirements to practice in Alberta. The department records that are subject to an independent audit by industry are those related to determining:

- Gas reference price;
- Methane ISC reference price/par price;
- Ethane ISC reference price;
- Ethane reference price/par price;
- Propane ISC reference price;
- Propane reference price/par price;
- Butanes ISC reference price;
- Butanes reference price/par price;
- Pentanes ISC reference price;
- Pentanes reference price/par price;
- NGL Fractionation allowances;
- NGL Transportation allowances;
- Sulphur default price;
- Unit operating cost rates;
- Propane floor price;
- Butanes floor price;
- Provincial weighted average gross-up factor;
- Royalty trigger factor;
- Meter station factor;
- Facility average royalty rate;
- Raw gas average royalty rate; and
- Facility average price.

A.R. 220/2002 S. 33 (1)(b)

In addition, the Ministry records related to the gas reference price prescribed by the Minister are subject to the same right of audit.

A.R. 220/2002 S. 33 (4)

The Minister may expand the list of department records that are subject to an independent audit. Information obtained from the records of the Ministry is confidential. It may be used by the auditor to prepare a report to the association that appointed it, subject to the terms of the arrangement with the department. Generally, the report will:

- Express an opinion on the reliability of the department's calculation of a prescribed royalty variable;
- Identify any errors discovered; and
- Estimate the overall effect the errors might have on a royalty variable.

A.R. 220/2002 S. 33 (2)

The association(s) that arranged for the audit is responsible for its payment. The department will undertake to provide a copy of the management report to the association that arranged the audit as soon as possible within the confines of confidentiality and privacy.

2.2 Disposition of Errors Discovered in an Independent Audit or Internally by the Department

The department will adjust errors discovered in an independent audit or internally within the department according to the amendment rules established for the Crown royalty variable that contains the error.

Adjustments will not be made for errors discovered in an independent audit more than two years after the end of the production year to which the error applies.

Section 3

Advance Rulings and Appeals

3. Advance Rulings and Appeals

3.1 Advance Ruling Process

An advance ruling is a statement by the department describing how it will interpret the applicable laws, policies and guidelines with respect to certain proposed business arrangements. The department will act according to its advance ruling for a given proposal except where circumstances dictate otherwise. A description of such circumstances is provided later in this section.

3.1.1 Basic Concepts

The basic concepts relating to advance rulings are:

- The department will consider an advance ruling only for business arrangements that are being seriously considered by a royalty client;
- An advance ruling will be considered only for proposals with significant dollar impact for either the royalty client or the Crown;
- An advance ruling applies only to the specific business arrangement for which it is issued, and may be subject to qualifications;
- An advance ruling will apply only to administrative matters within the department and will not constitute a ruling, advice or other commentary on other aspects or consequences of a proposed business arrangement;
- The issuing of an advance ruling is based on full disclosure of all facts, authorities and other matters that relate to the proposed business arrangement that is the subject of the advance ruling;
- Opinions or interpretations to existing arrangements are not considered to be advanced rulings;
- Opinions are subject to review and are not binding in the same way as advance rulings.

3.1.2 Request for an Advance Ruling

This must clearly be identified as a "Request for Advance Ruling", signed by an authorized representative of the royalty client making the request and submitted to the Business Unit Leader, Gas Development.

3.1.3 Statement of Issues

A request for an advance ruling must clearly state all the issues relevant to the proposed business arrangement on which a ruling or rulings are requested.

3.1.4 Statement of Facts

A request for an advance ruling must provide a clear, detailed and separate statement of all material facts. A reference to relevant facts contained within other materials accompanying a request for advance ruling is not sufficient.

3.1.5 Statement of Purpose

A request for advance ruling must provide a clear statement(s) of the purpose of the proposed arrangement.

3.1.6 Royalty Client's Analysis

A request for advance ruling must provide:

- A comprehensive analysis of the effect that each of the relevant facts has on the issue(s) involved;
- Detailed references to the relevant provisions of the enactments and other authorities having a bearing on the issue(s) involved; and
- The royalty client's interpretation of the enactments and other authorities that form the basis of the analysis.

3.1.7 Initial Review

Following the initial review of the material provided with a request for advance ruling, the department may request additional information or clarification of certain material provided by the royalty client. Any such information or clarification must be provided to the department before the review will proceed.

3.1.8 Withdrawal of a Request

A request for advance ruling may be withdrawn at any time before a ruling is issued. The department will retain all materials provided with respect to the request for advance ruling.

3.1.9 Processing a Request

Requests for advance rulings will generally be handled in the order in which they are received. Wherever possible, the department will provide a royalty client with an estimate of the time required to consider a request and issue an advance ruling.

3.1.10 Advance Rulings Ceasing to Have Effect

The department may retroactively revoke an advance ruling where:

- Material has been misrepresented or omitted in the Statement of Facts, Statement of Purpose or any other representation made to the department about the proposed business arrangement which is the subject of the advance ruling; or
- There is material disparity between the facts of the proposed business arrangement, upon which the department made its ruling, and the facts of the business arrangement that actually transpired.

The department may prospectively revoke an advance ruling where:

- The law upon which the advance ruling is based is changed, in which case the advance ruling ceases to be effective on the date of the change to the law;

- The advance ruling is based on an interpretation of the applicable law and that interpretation is changed by a court decision, in which case the advance ruling ceases to be effective on the date of the court decision; or
- Government policy is changed, in which case the advance ruling ceases to be effective as of the date on which the royalty client is notified.

3.2 Appeals Process

An appeal is the result of a disagreement between a royalty client and the department with respect to compliance with legislation, Crown agreement, established guidelines or policy and which remains unresolved despite negotiations with the department's operating staff. Preliminary attempts to resolve a disagreement with operating staff must occur before the department will accept an appeal.

The appeals process described here excludes freehold mineral tax appeals under *Section 4* of the *Freehold Mineral Rights Tax Act*.

3.2.1 Attempts to Resolve a Disagreement

If a royalty client does not agree with a decision received from the department, the royalty client must contact the relevant operating branch to obtain an explanation of that decision. Such an explanation may be requested by telephone, in writing or in person. The royalty client must attempt to clarify and resolve the disputed decision with the appropriate operating branch before a Notice of Appeal is prepared for consideration by the department.

A decision made by the relevant operating branch will be communicated to the royalty client in writing and will be identified as either an operating decision or an audit assessment, depending on the situation.

3.2.2 Notice of Appeal

A royalty client who is unable to resolve a disagreement through discussion with the relevant operating branch may formally object to an operating decision or an audit assessment by filing a notice of appeal with the Director of Dispute Resolution at:

Legal Services
11th Floor, North Petroleum Plaza
9945 – 108 Street
Edmonton, Alberta T5K 2G6

A notice of appeal must be identified clearly as such, and must:

- Be received within 90 days from the date the subject operating decision or audit assessment is issued;
- Clearly describe the reason(s) for the appeal and all relevant facts;
- Be regarding an amount that has been paid to the Crown. A royalty client must pay any outstanding amount related to an operating decision, an audit assessment either before or simultaneously with a notice of appeal, or that notice will be rejected.

3.2.3 Information Required in a Notice of Appeal

A notice of appeal must include the following:

- A description of the operating decision or audit assessment that is the subject of the appeal, along with how, when and by whom it was originally communicated to the royalty client;
- A brief description of the attempts made by the royalty client to resolve the disagreement with operational management;
- The reasons for the appeal;
- Evidence in support of the appeal, including:
 - A comprehensive analysis of how each of the relevant facts and legislation affect the issue(s) involved;
 - Detailed references to the relevant legislation and other authorities;
 - The royalty client's interpretation of the relevant legislation and other authorities; and
 - Evidence that any outstanding amount related to the operating decision or audit assessment that is the subject of the appeal has been paid to the Crown.

A notice of appeal that does not provide the required information, to the satisfaction of the Director of Dispute Resolution (Legal Services), will be rejected.

3.2.4 Review of a Notice of Appeal

The Director of Dispute Resolution will notify the royalty client in writing that a notice of appeal has been received. Following the initial review of an appeal, the royalty client may be requested to provide additional information or clarification of information usually within 30 days of receipt of the notice of appeal. Any such information or clarification must be provided in order for the review to proceed.

Investigation of a notice of appeal will involve consultation with the royalty client and representatives of the department operating staff.

3.2.5 Ruling in Respect of a Notice of Appeal

The Director of Dispute Resolutions' final decision concerning an appeal will be communicated in writing to the royalty client when the investigation and review are completed.

The department may disclose the issues involved in the appeal and the results of its ruling if this information is considered to be of general application.

Normally the Crown pays interest on the amount in question if the appeal is found in favour of the royalty client.

Section 4

Amalgamations and Consolidations

4. Amalgamations and Consolidations

4.1 Amalgamations (Mergers)

In the event of an amalgamation, the department is notified through publication of the Gazette or the company may forward a copy to the department for its records. If an amalgamation is effective on the first day of the month, the department will process the amalgamation in that production month. If the amalgamation is effective after the first of the month, the department will process the amalgamation in the production month following the effective date.

An invoice consolidation is completed at the time of the amalgamation and is effective in the same production period as described for amalgamations.

4.1.1 Reporting

The resulting company in the amalgamation may continue to use the amalgamatee's client ID until the established date is reached. The established date is an agreed upon date between amalgamator, EUB and DOE. This date is to be within six-months of the amalgamation date. After the established date has passed, clients can no longer submit data under the amalgamatee client ID. New documents or amendments that affect months prior to the amalgamation will still be accepted.

4.1.2 Valuation

If the gas valuation structure of the royalty clients consists of both corporate average price (CAP) and reference price, the gas valuation of the amalgamating parties will revert to the reference price effective the first month of the year following amalgamation. (Refer to *Ch. IV, Sec. 1.9.1*).

If the gas valuation structure of the royalty clients consists of only CAP, the gas valuation of the amalgamating parties shall remain CAP as long as their eligibility is maintained. (Refer to *Ch. IV, Sec. 1.9.2*).

4.1.3 VA2, VA3 and VA4 Forms

The amalgamator for the amalgamated entity is responsible for submitting VA2, VA3 and VA4 forms for all amalgamated companies. To do this, they must compile all information for the affected companies and place the combined totals on a VA2/VA3/VA4 form. The VA2/VA3 totals apply for the whole year of amalgamation, regardless of which month the amalgamation took place. The calculated annual gas CAP and monthly/annual sulphur valuation price (sulphur corporate average price (S-CAP) or sulphur default price) will be the same for all companies within the amalgamation. If the gas valuation structure for all the amalgamating parties consists of CAP, the calculated corporate gas factor (CGF) will be the same for all companies within the amalgamation.

Only one VA2, VA3 and VA4 form is required, including any amended forms, under the name and ID of the amalgamator for the amalgamated entity. (Refer to *Ch. IV, Sec. 1 & 4*).

4.1.4 Allowable Costs

After the amalgamation date, all royalty clients in the amalgamation may continue to report and receive allowable costs. The amalgamation affects the corporate effective royalty rate (CERR) calculation. (Refer to *Ch. VI, Sec. 7*).

4.1.4.1 CERR for the Amalgamation Year

From the amalgamation date to the end of the year, the amalgamator's CERR will be used to estimate the allowable costs for deduction from the royalty amount of all the amalgamating parties.

If the amalgamator does not have a CERR, the provincial average CERR for the year of amalgamation will be used to estimate the allowable costs for deduction from the royalty amount of all the amalgamating parties.

For the amalgamator, the actual CERR for the year of amalgamation will be determined by including all the amalgamator's volumes for the year, as well as the volumes of all amalgamating parties after the amalgamation date.

For a member of the consortium (excluding the amalgamator), the actual CERR for the year of amalgamation will be a weighted average CERR based on an individual rate calculated before amalgamation and the amalgamator's rate.

4.1.4.2 CERR for the Post-Amalgamation Years

For all the amalgamating parties, the CERR estimate for the year following the amalgamation will be determined by including all the volumes for each member of the consortium for the amalgamation year. This CERR will be the basis of determining the following year's allowable estimated costs for the amalgamated clients.

The actual CERRs for the years after amalgamation for all the amalgamating parties will be determined by including all the volumes for each member of the consortium for the year. These CERRs will become the estimates for the following years.

4.2 Invoice Consolidations

Royalty clients wishing to consolidate their invoices must submit an invoice consolidation concurrence form (ICC1). All parties involved in the invoice consolidation must sign this form. The ICC1 form is provided in *Appendix P*. The royalty clients must identify which client will become the royalty payer for the consolidated entity. This client will be known as the supra client or the consolidator. The supra client must be a valid royalty client on the department's registry. All charges related to the consolidated companies will appear on the supra client's

invoice. The consolidation of invoices can only be processed or terminated on a go forward basis and has a direct impact on invoice charges, payments, deposits, corporate effective royalty rates (CERR), allowable cost restrictions (ACR) and annual allowable cost restrictions (AACR).

The completed Invoice Consolidation Concurrence Form should be forwarded to Client Registry, Alberta Energy.

4.2.1 Reporting

All Industry reporting must remain at a royalty client level. The department will continue calculating royalty at the royalty client level (except CERR, ACR and AACR). For consolidation purposes, royalty client reporting is rolled up to the supra client level.

4.2.2 Valuation

If the gas valuation structure of the royalty clients consists of both CAP and reference price, the gas valuation of the consolidating parties will revert to the reference price effective the first month of the year following consolidation. (Refer to *Ch. IV, Sec. 1.9.1*).

If the gas valuation structure of the royalty clients consists of only CAP, the gas valuation of the consolidating parties shall remain CAP as long as their eligibility is maintained. (Refer to *Ch. IV, Sec. 1.9.2*).

4.2.3 VA2, VA3 and VA4 Forms

The supra client for the consolidated entity is responsible for submitting VA2, VA3 and VA4 forms for all consolidated companies. To do this, they must compile all information for the affected companies and place the combined totals on a VA2/VA3/VA4 form. The VA2/VA3 totals apply for the whole year of consolidation, regardless of which month the consolidation took place. The calculated annual CAP and monthly/annual sulphur valuation price (S-CAP or sulphur default price) will be the same for all companies within the consortium. If the gas valuation structure for all the consolidating parties consists of CAP, the calculated corporate gas factor (CGF) will be the same for all companies within the consortium.

Only one VA2, VA3 and VA4 form is required, including any amended forms, under the name and ID of the supra client for the consolidated entity. (Refer to *Ch. IV, Sec. 1 & 4*).

4.2.4 Allowable Costs

After the consolidation date, all companies in the consortium may continue to report and receive allowable costs. The consolidation affects the corporate effective royalty rate (CERR) calculation. (Refer to *Ch. VI, Sec. 7*).

4.2.4.1 CERR for the Consolidation Year

From the consolidation date to the end of the year, the supra client's CERR will be used to estimate the allowable costs for deduction from the royalty amount of all the consolidating parties.

If the supra client does not have a CERR, the provincial average CERR for the year of amalgamation will be used to estimate the allowable costs for deduction from the royalty amount of all the consolidating parties.

For the supra client, the actual CERR for the year of consolidation will be determined by including all the supra client's volumes for the year as well as the volumes of all consolidating parties after the consolidation date.

For a member of the consortium (excluding the supra client), the actual CERR for the year of consolidation will be a weighted average CERR based on an individual rate calculated before consolidation and the supra client's rate.

4.2.4.2 CERR for the Post-Consolidation Years

For all the consolidating parties, the CERR estimate for the year following the consolidation will be determined by including all the volumes for each member of the consortium for the consolidating year. This CERR will be the basis of determining the following year's allowable estimated costs for the consolidated clients.

The actual CERRs for the years after consolidation for all the consolidating parties will be determined by including all the volumes for each member of the consortium for the year. These CERRs will become the estimates for the following years.

4.2.5 Consolidation Termination

A request for terminating an invoice consolidation cannot be granted once the invoice has been consolidated for a billing period. Royalty clients wishing to terminate their invoice consolidation must submit their request to Client Registry, Alberta Energy within one month of the effective billing period's invoice issue date. For example, if the effective billing period for de-consolidation is December 2005, then the department must receive the request by the end of January 2006.

Section 5

Special Provisions for Transition from Pre-1994

5. Special Provisions for Transition from Pre-1994

5.1 Crown Royalty Paid Banks

5.1.1 Conversion to Native Status

The Crown will "revert" its royalty share of gas and gas products in royalty paid banks at December 31, 1993, and restore those royalty paid banks to native status (for Crown royalty purposes) effective January 1, 1994.

A.R. 351/93 S.28 (4)(b)

The Crown's "amortization" of royalty paid banks will occur through credits calculated and applied to a royalty client's invoice, as follows:

- Closing royalty paid bank balances at December 31, 1993, will be determined from royalty client records on May 31, 1994, in 10^3m^3 and GJ for gas/ethane, and in m^3 for natural gas liquids, subject to audit by the Crown. In the absence of any GJ records, the client's GV6 Royalty Paid Bank gas balance will be multiplied by the gigajoule conversion for raw gas;
- The department will accept a royalty client's determination of the gigajoule opening balance for January 1994, if that royalty client has maintained the heat content records (of gigajoules injected and recovered) for at least two years starting January 1993. The 1994 opening balance is subject to audit;
- The Crown interest share of gas and gas products in a royalty paid bank is calculated using the Crown interest factors of the injection scheme from which the gas and gas products will be recovered. The gross amortization credit for each royalty paid bank is calculated at the injection facility level;
- A net royalty paid bank amount that is less than or equal to \$100,000 per product/facility/client will be payable by the Crown in one payment.

A.R. 351/93 S.28 (3)(5)

Royalty paid bank credits will generally be calculated using a 72-month amortization of the established royalty paid bank balances.

(At the Minister's discretion, the department may direct that the whole amount of a royalty client or a royalty paid bank is payable in one payment, and value it as if it is produced and subject to Crown royalty in January 1994.)

A.R. 351/93 S.28 (4)(a)

- The department calculates the Crown royalty share of a royalty paid bank that is amortized in a month using the Crown royalty formula applicable to the amortized product in the same month;
- The department values the Crown royalty share of the amortized product (the gross amortization credit) at gas reference price (GRP) less transportation adjustment based on the facility average AIADT, the royalty trigger factor at

the reproducing facility and FARR % of the reproducing facility. If the reproducing facility has no royalty trigger factor, then 100% GRP will be used.

A.R. 351/93 S.28 (6)

- The monthly gross amortization credit will be reduced by the operating cost allowances calculated using the unit operating cost rate(s) of the gas processing plant where the gas and gas products are expected to be processed; and
- Capital cost allowances and custom processing fee allowances will be recovered through an annual adjustment at the client/EUB facility level where the gas and gas products are expected to be processed. The capital cost allowance and custom processing fee allowance after recovery will not be less than zero.

The annual adjustment for each royalty paid bank participant at each client/EUB facility level is calculated as follows:

Total royalty client's annual capital cost allowances/custom-processing fees <i>...multiplied by...</i> The royalty client's annual gas equivalent volume of the amortized royalty paid bank <i>...divided by...</i> The royalty client's annual gas equivalent volume of total production
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NOTE: The department has determined that injection of rich gas in one area of a reservoir and production of dry gas from another area could result in an increase in the heat content of a reservoir without increasing the volume content. The department has agreed to pay out heat content balances that exist without a volumetric balance, but will not pay out volumetric balances without a heat content balance.

The department has performed an adjusting process following the closeout of the 1992 and 1993 gas royalty business years. This accommodates the amendments and adjustments to pre-1994 records that may have an impact on Crown royalty paid bank balances. The amendments will be implemented on a go-forward basis.

The total net amortization credit for royalty paid banks will be reported on the monthly invoice. No interest will be charged or paid on the Crown royalty paid bank settlement transactions and on subsequent amendments.

5.1.2 Royalty Paid Bank Transfer Rules

At the Minister's discretion, the Crown will recognize transfers of royalty paid banks where the transfer is a consequence of natural succession, or when all the following conditions exist:

- The royalty paid bank transfer is the result of a sale of a royalty client's working interest share in the reservoir;
- The seller transfers their entire portion of the bank, including all products, to another royalty client (partial bank transfers or transfers to more than one royalty client will not be recognized);
- A written and signed agreement from the purchaser and seller must be submitted to the department to transfer the bank. The agreement must state the effective date of the sale, the injection facility, and client IDs of both the purchaser and seller;
- The seller's Crown interest in the reservoir will be transferred to the purchaser; and
- If the purchaser already has a working interest in the reservoir, then a new weighted average Crown interest will be calculated for the purchaser.

The following rules apply to royalty paid bank transfers:

- Bank transfers will not be recognized retroactively. The effective date of a bank transfer will be the first day of the second month following the month the department receives the written and signed agreement (assuming all transfer conditions are satisfied). However, for bank transfers effective in 1994 and 1995, if the written agreement is received by the department on or before June 15, 1995, and all conditions are satisfied, the transfer will be effective the first day of the month of the sale.
- Should the effective transfer dates conflict, the department will recognize only the transfer date reported on the agreement received first. Conflicting dates reported on subsequently received agreements will not be recognized.
- The purchaser will assume all responsibilities and obligations of the seller for the bank including any and all prior period and audit adjustments. Please note: the seller will continue to be responsible for filing all pre-1994 royalty paid bank documentation with the department; and
- Annual adjustments to the purchaser's royalty calculation will also be applied to the Royalty Paid Bank credit received by the purchaser.

If a royalty client sells his working interest ownership (WIO) in the reservoir and his ownership interest in the associated reprocessing facility, but retains his rights to the royalty paid bank credits, then the department will recapture capital cost allowance (CCA) for the annual amortized royalty paid bank volumes based on the following methodology:

<p>Royalty client's ownership interest in the Facility Cost Centre (FCC) tied to the reprocessing EUB facility at the time of sale ... multiplied by ... Total Capital Cost Allowance (net of CPAF) for the FCC in the year of recapture ... multiplied by ... The recapture percentage.</p>
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The recapture percentage is calculated as follows:

Royalty client's annual Gas Equivalent Volume (GEV) of the annual amortized Royalty Paid Bank Volumes for the year of recapture ... divided by ... Royalty client's share of annual GEV volume of the total facility production in the year of sale.
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The royalty client's ownership interest in the FCC at the time of sale and the royalty client's share of the annual GEV volumes of the total facility production in the year of sale will remain constant for all subsequent amortization years.

5.2 Establishing and Tracking Commercial Storage Scheme Balances

For each scheme, facility operators of commercial storage schemes are responsible to report the opening gas balance in volume and heat content (gigajoules) at January 1, 1994 on the Owner Activity Statement for the production period January 1994. The department included this opening balance of the volume and quantity of gas for each commercial storage scheme in its records, subject to subsequent departmental audit. The Crown monitors the monthly net injections and gross withdrawals and charges royalty on any withdrawal volumes that exceed injected volumes. If the withdrawal exceeds injected volumes in a prior period, interest will be assessed.

Facility operators of commercial storage schemes approved by the department under the new "Commercial Storage Unit Agreement" are responsible to report the stored gas opening balances, net stored gas injected, gross stored gas withdrawn and stored gas closing balances (10³m³ and Gigajoules) for each scheme effective the date of the execution of the agreement. These activities must be reported on the Owner Activity Statement (OAS) for production periods prior to October 2002. Commercial storage scheme activities for unit agreements executed prior to October 2002 with production periods subsequent to September 2002 must be reported on Commercial Storage Activity Report – No. 1. See *Appendix P – Forms*, for the Commercial Storage Activity Report – No. 1.

- 1) Storage injection activity on the Owner Activity Statement (OAS) must report both a transfer of gas to the injection scheme tied to the commercial storage scheme and store-in of gas into the approved commercial storage scheme. The storage injection activity must reconcile to the EUB S18 receipts to the injection facility. This applies to commercial storage schemes and unit agreements executed prior to October 2002, with corresponding production.
- 2) Storage withdrawal activity on the Owner Activity Statement (OAS) must be reported as a withdrawal. Where fuel gas has been consumed to get the storage gas to market, the storage withdrawal is recorded net of the fuel gas. The sum of the withdrawal and fuel gas must reconcile to the EUB S1 Well Production for those wells identified on the Single Well/Injection Scheme Setup/Change (RMF3-V2) form. Similarly, if the storage withdrawal results

in metering differences, the sum of the withdrawal and the metering difference must reconcile to the EUB S1 Well Production for those wells identified on the Single Well/Injection Scheme Setup/Change (RMF3-V2) form. Note that this summation is equal to the gross storage withdrawal from the commercial storage scheme.

Amendments to executed agreements resulting in additions or deletions of well data require a Set-up/Change request (RMF3-V2) to be filed with the department.

Closing commercial storage inventory balances are required reporting on the Owner Activity Statements and the Commercial Storage Activity Reports. This balance is an arithmetic summation calculated as follows:

	Opening Commercial Storage Inventory (10 ³ m ³ and Gigajoules)
+	Net Injected Storage Volumes (10 ³ m ³ and Gigajoules)
-	Gross Withdrawal Storage Volumes (10 ³ m ³ and Gigajoules)
=	Closing Commercial Storage Inventory (10 ³ m ³ and Gigajoules)

The business rules relating to commercial storage schemes are described in *Ch. V, Sec. 5.4*.