

March 25, 2021

To: Representatives of each Producer Company

Re: **Revised** - Petroleum Marketing Regulation (PMR) and Producer Forecasting Obligations

As an update to the December 7, 2020 industry notification

For the period Q1 2021; the APMC will run producer forecast to actual variance reporting and will provide data as requested. If you would like to receive a copy of your monthly forecast to actual variance, please contact Kelly Lo at Kelly.lo@gov.ab.ca. APMC will not invoice for costs flowed back to the APMC from its Agent resulting from inaccurate producer forecasting for this time period.

Commencing Q2 2021 and effective April production and delivery month, enforcement of the forecasting provisions in Part 3 of the PMR will be in effect. APMC requires producers to provide accurate forecasts and communicate changes impacting Conventional Oil Royalty In Kind (CORIK) pipeline receipts throughout the month so that we may take all necessary actions to ensure pipeline positions remain balanced. Form B data and communications provided by producers will be utilized to manage these positions.

APMC has further considered the variance tolerance previously communicated to producers and advises that the variance tolerance (deliveries vs. forecast) on the aggregate monthly nominated stream volumes is revised to the lesser of 5% or 250 m³ on each stream, with each stream considered separately. In the event that the variances to the total stream are greater than 5% or 250m³, certain costs associated with managing the variance may be passed back to the producer. Such costs will be determined by APMC in its sole discretion having regard to standard industry practice. Where APMC is notified of projected variances with sufficient notice during the delivery month, APMC will work with producers to balance pipeline positions in accordance with standard industry practice.

Producers should make every effort to notify APMC Marketing of all production changes, including re-directions throughout the month. All producer data will be reviewed and verified and if a settlement is required it will be done on the 25th of the month, two months after the production month.

Original letter dated December 07, 2020

Please be advised that effective immediately the Alberta Petroleum Marketing Commission (APMC) will be enforcing producer forecasting obligations as outlined in the Petroleum Marketing Regulation (PMR). Producers are requested to begin making necessary steps to ensure that they are making every effort to forecast accurately and will be held to a forecast to actual variance of 3% or 250m³, whichever is less.

Under the PMR the AMPC has the right to flow through all costs associated with maintaining balanced positions on all pipelines. Costs incurred are attributable to the volumetric differences between producers' original Form A's and final Shipper Balance volumes. The flow through price to producers will be the variance in volume multiplied by the difference between grade index and the price at which the volume is purchased in the forward market. Invoicing will occur in the month following delivery.

Starting with the production month of January 2021 the APMC will begin invoicing producers for the actual costs incurred by the Province of Alberta for inaccurate forecasting. Should you wish to review and discuss your company specific historical six month data, please contact the APMC at the information provided at the end of this letter.

Please note that using a historical average for the royalty obligation is not appropriate during times of high price volatility because the Par price is a significant driver of the obligation. Furthermore, using a percentage to calculate the royalty obligation will not yield a correct calculation if production volumes and nominations differ.

The APMC would like to remind counterparties that an Oil Forecasting tool has been developed jointly between APMC and industry to support better forecasting. Information bulletins and instructions are available at:

<https://www.petrinex.ca/Initiatives/Pages/APMCInd.aspx>

The Petrinex help desk can be reached at the following numbers:

Phone: 403-297-6111 (Calgary)

Phone: 1-800-992-1144 (other locations)

If you have any questions or wish to discuss further please submit your queries to APMC-Marketing@gov.ab.ca and we will respond to you as soon as possible.

Sincerely,

original signed by

Cate Howell
Director, Business Development
Alberta Petroleum Marketing Commission

cc: Representatives of each producer company