

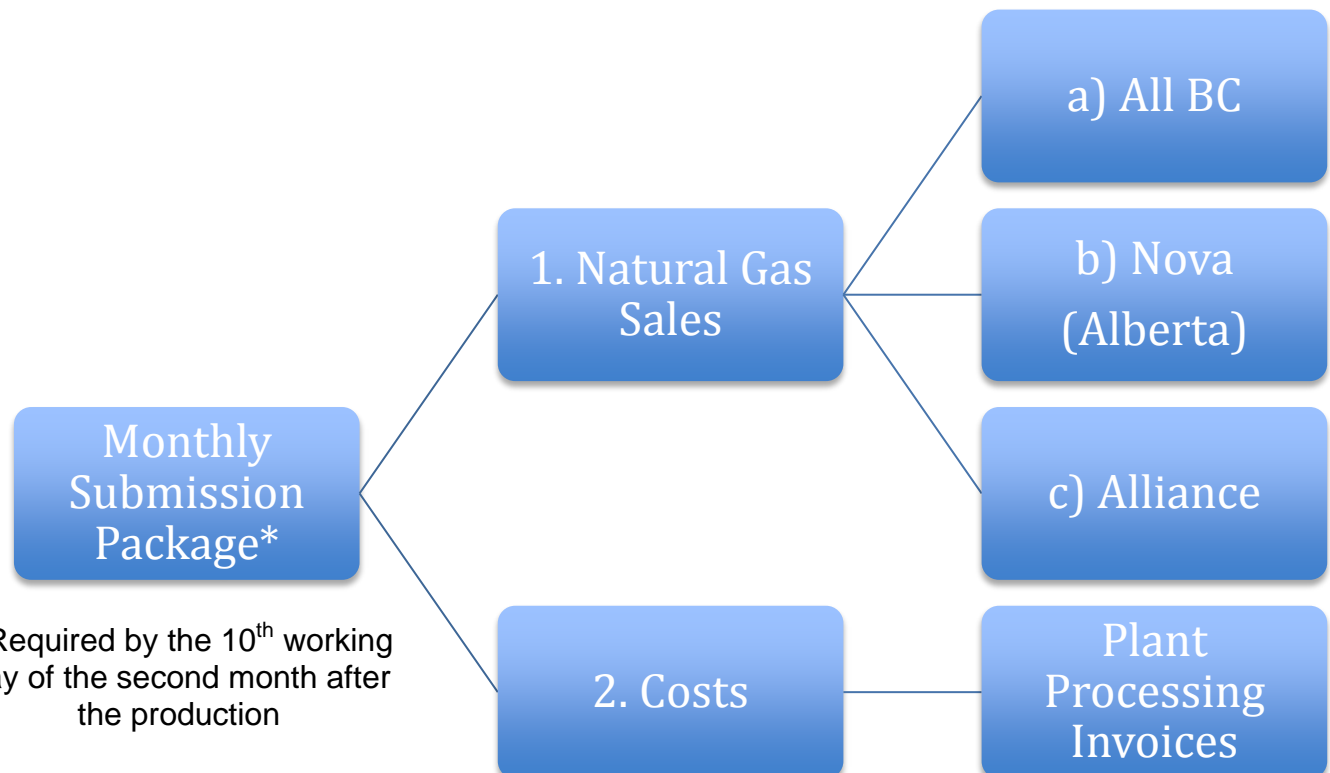
Monthly Natural Gas Pricing Submission Guidelines

Each month (by the 10th working day (in BC) of the 2nd month following the production month) Producers are required to submit to the Ministry of Natural Gas Development (MNGD) Natural Gas Sales and the Cost of Service information. The Natural Gas Reporting Calendar can be found on page 5 of the following link:

[Natural Gas Reporting Calendar](#)

The monthly reporting for Natural Gas pricing is to be submitted to the following email inbox: pdata.pdata@gov.bc.ca. This submission is required for Ministry staff to calculate the Reference Price used as part of the process to determine monthly royalties. If the submission deadline is not met, Producers may be subject to penalty charges.

The following diagram outlines the types of information required by MNGD in the Monthly Submission Package:



* Required by the 10th working day of the second month after the production

Required Documents

The following documents are required for each monthly submission package (*where applicable*):

1. a) All BC Gas Sales Invoices – Natural Gas

All BC Gas Sales include the following:

- Huntingdon (Sumas)
- Station 2
- All Plant Inlets and Outlets
- Liquids Premium Statement (*if applicable*)
 - *Uplift revenue gained from liquids in Natural Gas*
- Westcoast Energy Inc. Monthly Shipper Transaction Summary including Summary of Total Fuel Volumes (*Spectra Statement*)
- Others

1. b) All Nova (Alberta) Gas Sales Information

- All Sales Invoices, including Liquids Premium Statement (*if applicable*)
- Nova/TransCanada Pipeline Transportation Invoices
- Nova Gas Transmission Gas Balance Statement
- [How to Calculate Alberta Pool Price](#)
- [Alberta Pool Calculation Example](#)

1. c) Alliance Pipeline System Sales

- All Sales Invoices, including Liquids Premium Statement (*if applicable*)
- Alliance Pipeline Transportation Invoices (*both Canadian and USA*)
- Alliance Gas Balance Statement
- [How to Calculate Alliance Pool Price](#)
- [Alliance Pool Calculation Example](#)

2. Plant Processing Monthly Invoices

The following are required documents:

- Gas Volumes
- Description of Services Provided (processing fee, compression, transport, gathering, etc.)
- Total Cost

* Plant Processing invoices are not required if the Plant operator is a producer. More information can be found in Section 5.6 of the Oil and Gas Royalty Handbook.

For Simplified Pricing Schematic Example, please refer to

[Simplified Pricing Schematic Example](#)

For more detailed information on Natural Gas Pricing, please refer to

[Oil and Gas Royalty Handbook](#)

- Section 5.3 Gas Sales Contract Summary and Pricing for Marketable Gas
- Section 5.4 **Posted Minimum Price (PMP)** for Marketable Gas
View the most current PMP information at
<http://www2.gov.bc.ca/gov/topic.page?id=9C88AD73DEB34029AA15F4C4E7B08262>
- Section 5.5 Producer Cost of Service Allowance
- Section 5.6 Gas Cost Allowance

How to Calculate Alberta Pool Price

1. Calculate Average Monthly Sales Price:

Total Volume = Total Monthly Sales Volumes + Total Monthly Fuel Volumes

Average Sales Price (\$ / GJ) =
$$\frac{\text{Total Revenue for all Sales (\$)}}{\text{Total Volume (GJ)}}$$

2. Using monthly Invoice from TransCanada, calculate Average Transportation Costs:

Average Transportation Costs (\$ / GJ) =
$$\frac{\text{Total Transportation Costs (\$)}}{\text{Total Volume (GJ)}}$$

3. Calculate Alberta Pool Price

Alberta Pool Price (\$ / GJ) = Monthly Average Sales Price (\$/GJ) –
Monthly Average Transportation Costs (\$/GJ)

Alberta Pool Calculation Example

1. Calculate Average Monthly Sales Price:

Total Volume = Total Monthly Sales Volumes + Total Monthly Fuel Volumes

Sale #	Title Transfer Point	Sale Volume (GJ)	Sale Value (\$CDN)
A	Alberta Pool 1	30,000	\$80,000
B	Alberta Pool 2	20,000	\$50,000
C	Alberta Pool 3	40,000	\$100,000
	Fuel Volume	1,000	
Total		91,000	\$230,000

Sales Price (\$ / GJ) =
$$\frac{\text{Total Revenue for all TransCanada/NOVA/Alberta Sales (\$)}}{\text{Total Volume (GJ)}}$$

Average Monthly Sales Price =
$$\frac{\$230,000.00}{91,000 \text{ GJ}} = \mathbf{\$2.53 / GJ}$$

2. Using monthly Invoice from TransCanada, Calculate Average Transportation Costs:

Average Transportation Costs (\$ / GJ) =
$$\frac{\text{Total Transportation Costs (\$)}}{\text{Total Volume (GJ)}}$$

Total Transportation Costs	\$13,000
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Average Transportation Cost =
$$\frac{\$13,000.00}{91,000 \text{ GJ}} = \mathbf{\$0.14 / GJ}$$

3. Calculate Alberta Pool Price

Alberta Pool Price = Monthly Average Sales Price (\$/GJ) –
Monthly Average Transportation Costs (\$/GJ)

Alberta Pool Price = \$2.53/GJ - \$0.14/GJ = **\$2.39/GJ**

How to Calculate Alliance Pool Price

4. Calculate Average Monthly Sales Price:

Total Volume = Total Monthly Sales Volumes + Total Monthly Fuel Volumes

Average Sales Price (\$ / GJ) =
$$\frac{\text{Total Revenue for all Alliance Sales (\$)}}{\text{Total Volume (GJ)}}$$

5. Using monthly Invoice from Alliance, Calculate Average Transportation Costs:

Average Transportation Costs (\$ / GJ) =
$$\frac{\text{Total Transportation Costs (\$)}}{\text{Total Volume (GJ)}}$$

6. Calculate Alliance Pool Price

Alliance Pool Price = Average Sales Price (\$/GJ) –
Average Transportation Costs (\$/GJ)

**For \$USD, use the Bank of Canada posted monthly average exchange rate*

*** Convert US Volumes using 1 MMBTU = 1.055056 GJ*

Alliance Pool Calculation Example

4. Calculate Average Monthly Sales Price:

Total Volume = Total Monthly Sales Volumes + Total Monthly Fuel Volumes

Sale #	Title Transfer Point	Sale Volume (GJ)	Sale Value (\$CDN)
A	Alliance Pool Canada	80,000	\$285,500
B	Alliance Pool 2 USA	52,000	\$204,500
	Fuel Volume	18,000	
Total		150,000	\$490,000

Average Monthly Sales Price (\$ / GJ) =
$$\frac{\text{Total Revenue for all Alliance Sales (\$)}}{\text{Total Volume (GJ)}}$$

Average Monthly Sales Price =
$$\frac{\$490,000.00}{150,000 \text{ GJ}} = \mathbf{\$3.27 / GJ}$$

5. Using monthly Invoice from TransCanada, Calculate Average Transportation Costs:

Average Transportation Costs (\$ / GJ) =
$$\frac{\text{Total Transportation Costs (\$)}}{\text{Total Volume (GJ)}}$$

Total Transportation Costs	\$40,000
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Average Transportation Cost =
$$\frac{\$40,000.00}{150,000 \text{ GJ}} = \mathbf{\$0.27 / GJ}$$

6. Calculate Alliance Pool Price

Alliance Pool Price = Monthly Average Sales Price (\$/GJ) –
Monthly Average Transportation Costs (\$/GJ)

Alliance Pool Price = \$3.27/GJ - \$0.27/GJ = **\$3.00/GJ**

Simplified Pricing Schematic Example

E.G. Sumas/AECO



Reference Price* at this pricing point used to calculate royalties

* Reference Price is the greater of Producer Price or the Posted Minimum Price (PMP) please refer to Section 5.4 of the Oil and Gas Royalty Handbook

** For more detailed information regarding Producer Cost of Service Allowance (PCOS) please refer to Section 5.5 of the Oil and Gas Royalty Handbook

*** For more detailed information regarding Gas Cost Allowance (GCA) please refer to Section 5.6 of the Oil and Gas Royalty Handbook