

December 7, 2020

Re: Petroleum Marketing Regulation and Producer Forecasting Obligations

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,

Adrian Begley, P.Eng.

CEO

Alberta Petroleum Marketing Commission

Cc: Representatives of each producer company