Aboriginal Affairs and Northern Development Canada | Affaires autochtones et Développement du Nord Canada

Monthly Royalty Return (MRR) Submission Guide

Pertaining to the Frontier Lands Petroleum Royalty Regulations (FLPRR)

Canada

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This Guide

The guide was prepared by the Oil and Gas Management Directorate of Aboriginal Affairs and Northern Development Canada(AADNC) to provide general information to assist interest holders in completing their *Monthly Royalty Return* (MRR).

If you have further questions after reviewing this guide you can visit the AADNC web site at http://www.ainc-inac.gc.ca/oil/index_e.html, or call an AADNC representative at (819) 953-8790.

Royalty Management System (RMS)

The Royalty Management System (RMS) is an online electronic reporting application that is to be used by interest holders to submit all of their required royalty returns, including their MRR.

For ease in using these guidelines to complete your filing, please note that the fields to be entered into RMS are highlighted in BLUE.

To use RMS, a company must register a user(s), have them complete training and install CITRIX Secure Connectivity on their workstation. To find out more information about the RMS and/or how to become a registered user, please visit the AADNC web site at http://www.ainc-inac.gc.ca/nth/og/flprr/rms-eng.asp.

About the Monthly Royalty Return Form

Purpose of the MRR

The statement summarizes the royalty payable associated with a project for the reporting month. Specifically, it sets out the:

- Gross and Net Revenues for an interest holder arising from all interests in production licences in a project.
- Volumes and value of petroleum sales for the month.
- Non-arm's length facility allowance for a gas plant and for a transportation facility including depreciation allowances.
- Allowed capital and operating costs of the interest holder for the project.
- Abandonment & restoration costs and abandonment & restoration trust fund transaction activity.
- Investment royalty credit transaction activity.

Production volumes and costs from production licences within the project flow from the *Monthly Production and Cost Statement* (MPCS). Please note that the MPCS is filed by production license, whereas an interest holder is required to file a single MRR at the project level.

A project is defined by the development plan, as approved by the National Energy Board. Royalty is payable by project, which may be composed of several Production Licences.

Requirement to File the MRR

Who Must File

The MRR must be filed by each interest holder in a project and reports information for all the interests of that party in all production licences in that project.

Filing Period

This Return is required to be filed every month by each interest holder in a project, starting with the first month of project commencement and continuing each month thereafter including filing for months where there is no royalty payable (a NIL return). An interest holder may cease filing a MRR once the project is permanently “shut-in”, but must continue to submit a MRR during a temporary suspension in production in order to continue to track costs for future royalty calculations.

Filing Deadline

The MRR must be filed **on or before** the last day of the second month following the month of production, pursuant to subsections 9(1) and 58(2) of the *Canada Petroleum Resources Act* (CPRA) and subsections 11(1) and (2) and Schedule II of the *Frontier Lands Petroleum Royalty Regulations* (FLPRR). For a sample schedule, please see below.

Filing Month	Filing Deadline
December 2009	February 28, 2010
January 2010	March 31, 2010
February 2010	April 30, 2010

Late Filing Penalty

Subsection 17(1) of FLPRR prescribes a penalty of $1,000 for each month or part of a month for failing to file in accordance with requirements. This penalty is assessed from the date the MRR was due until the date it is filed. A form which is substantially incomplete, or contains data of inadequate quality, is also subject to the penalty.

Payment of penalties is due on the last day of the month following the month in which they were imposed. Non payment of an outstanding penalty or penalties will incur interest charges calculated from the due date for payment until the actual date that payment is received by the Minister. Payments received by the Crown will be applied against amounts outstanding in the following order: penalties, interest and royalty payable.

Header Information

Interest Holder	The full name of the corporation completing and filing the MRR. This field will be generated by RMS.
Project Number	The project name, or "Development Plan" identifier, is provided by the National Energy Board upon project approval. The identifier will appear in this field once it has been selected from the dropdown menu on the MRR page.
Production Licence(s)	The numbers of the production licences included in the project for which the MRR is being filed will appear automatically.
This return is filed in respect of	The reporting month and year to which the MRR relates will be entered by RMS.
Production Month	RMS will report the number of months that production has taken place in for the relevant project. During a pause in production, this number will remain static.
Is this return an Amended version?	RMS will identify whether the MRR is an *Estimate* (MPCS has not been filed), *Original* or *Amended*.
Has payout been reached?	This field conveys whether the project has reached payout. This field is generated and entered by RMS. (Note: Project payout is the month in which the interest holder's gross revenues from the project are equal to or greater than the interest holder's cumulative costs in relation to the project.)
Project Commencement Date	The date of project commencement, as contained within the Development Plan filed with the National Energy Board, will appear automatically.
Certified by	The username of the individual who certified the MRR submission and the date on which they submit the form will appear automatically.

Revenues

This section of the MRR identifies gross revenues (FLPRR Schedule II s.2) and net revenues from the sale of petroleum as shown on Schedule 1 of the MRR. These volumes are to include volumes not physically sold (deemed sales) but by virtue of their disposition (e.g. taken to injection off project lands) royalty is payable at fair market value.

Gross Revenues

Line 20: Identifies the total value of all petroleum sales, including deemed sales, from all production licenses in the project in which there is an interest by the party completing the MRR. This value includes both money and any other consideration paid or payable to the interest holder. Data generated from Schedule I, MRR line 235.

Line 21: Identifies any proceeds received from insurance claims for the project where the premiums have been claimed as a project cost. Do not include any amounts arising from claims under "loss of revenue" insurance since the premiums for such insurance are not an allowed project cost.
Note: Where the petroleum is lost and the fair market value of that lost petroleum is in excess of the amount claimed under insurance, the greater of the two values is to be declared.

Line 22(a): Identifies any recapture of depreciation that has arisen as a result of completing Schedules IIA and IIB of the MRR.

Line 22(b): Identifies any other source of revenue which is to be included under gross revenue and is to be specified as to the source (If in doubt please contact an AADNC representative).

Line 23: Identifies the total of all reported amounts on Line 20 to Line 22(b) inclusive.

Line 30: Identifies the total value incurred by the interest holder for this project for all arm's-length gas plant facility costs.

Line 31: Identifies the interest holder's share of costs for the project for non arm's-length gas plant facility costs as identified on Line 353 of Schedule II of the MRR.

Line 32: Identifies the total value incurred by the interest holder for this project for all arm's-length transportation facility costs.

Line 33: Identifies the interest holder's share of costs for the project for non arm's-length transportation facility costs as identified on Line 353 of Schedule II of the MRR.

Line 34: Identifies the total of all gas plant and transportation facility costs for the interest holder for the project.

Line 35: Identifies the **maximum deduction** that can be made for claiming gas plant and transportation facility costs. This amount in any month can never be greater than 95% of the amount shown on Line 23 of the MRR.

Note: Where the aggregate gas plant and transportation facility costs in a month exceed 95% of Gross Revenues as reported on Line 23 of the MRR **and** the excess is **directly attributable** to an operational disruption at a facility for the express purpose of **planned maintenance**, the excess may be carried forward and claimed as a facility allowance in respect of the following month. (See FLPRR Schedule II 2(4) and Line 74).

Line 36: Identifies the total allowances being the lesser of Line 34 and Line 35.

Line 37: Identifies the carry forward of excess allowances, the lesser of Line 75 or Line 35 minus Line 36.

Line 40: Identifies total gross revenues, the result of Line 23 minus Line 36 minus line 37 (40=23-36-37).

Net Revenues

Line 50: Repeats the amount shown on Line 40.

Line 60: Identifies the allowed capital costs as calculated on Schedule III Line 435.

Line 61: Identifies the allowed operating costs as calculated on Schedule IV Line 456.

Line 62: Identifies the total of all allowed costs being the sum of Line 60 and Line 61.

Line 70: Identifies Net Revenues, the result of Line 50 minus Line 62.

Line 74: Identifies facility costs incurred during the month as a result of a facility shut down for maintenance purposes.

Line 75 Identifies the opening balance of excess deductions, which is the closing cost from the previous month.

Line 76 Identifies the excess allowances for the month being the lesser of Line 74 or Line 34 minus 35, if positive.

Line 77 Identifies the carry forward of excess allowances applied in the current month as identified in Line 37.

Line 78 Identifies the closing balance of excess deductions, which is Line 75 plus Line 76 minus 77.

Excess Deductions Carried Forward to the Next Month

Line 80: Identifies, where Line 70 is a negative quantity, the amount to be carried forward.

Line 81: Repeats Line 80 but now identifies that this amount is to be carried forward as capital costs to Line 433 of the following months' MRR.

Royalty Reserved/Payable

This section of the MRR calculates the royalty reserved (FLPRR s.3) and the royalty payable after any adjustments for activity arising from an abandonment and restoration Trust account and from the application of any investment credits in the reduction of the amount of royalty payable to arrive at the amount of royalty owing.
Note: FLPRR requires that royalty payable in respect of a month be made in two instalments (FLPRR s.5). The first instalment is due on the last day of the following month and the second instalment is due on the last day of the second following month. The amount of the first instalment is to be equal to the amount of royalty payable, not royalty owing, for the previous month.

Prior to the Month of Payout:

Line 90: Indentifies the number of the Production Month to which the MRR relates.

Line 91: Identifies the Gross Revenue as reported on Line 40 of the MRR.

Line 92: Identifies the royalty rate as per the table at the front of this section.

Line 93: Identifies the Royalty reserved for the month and is the product of Line 91 and Line 92.

Month of Payout and Subsequent Months:

The royalty payable under this section is 5% of gross revenues or 30% of net revenues, whichever is greater.

Gross Revenue royalty calculation:

Line 100: Identifies the gross revenue as reported on Line 40 of the MRR.

Line 101: Identifies the royalty rate which post payout is a fixed 5%.

Line 102: Identifies the product of Line 100 and Line 101.

Net Revenue royalty calculation:

Line 110: Repeats the net revenues amount from Line 70.

Line 111: Identifies the royalty rate which post payout is a fixed 30%.

Line 112: Identifies the product of Line 110 and Line 111.

Line 115: Identifies the royalty reserved for the month which is the greater of Line 102 and Line 112.

Abandonment and Restoration Deferral:

FLPRR s.6 provides for the deferral of royalty reserved in a month where an interest holder has entered into an approved abandonment and restoration royalty trust (FLPRR s.7) to provide for future costs for abandonment and restoration when the project ceases to operate. There is a restriction on the amount that may be deferred in any one month which limits the amount to 30% of the excess of royalty payable from net revenues over 5% of gross revenues. This reflects the principle that royalty payable in a month cannot be less than 5% of gross revenue.

Line 120: Identifies the maximum deduction being 30% of the excess of royalty payable from Net Revenues over royalty payable from 5% of Gross Revenues.

Line 121: Identifies the amount being claimed this month with the maximum being the amount calculated on Line 120.

A claim can only be made where contributions have been made to an approved abandonment and restoration royalty Trust, not necessarily in the month of claim, and the deferral can never be more than 30% of those contributions with the proviso of limitation on a claim in a month as per Line 120. Schedule VI of MRR contains the details of abandonment and restoration royalty Trust transactions and royalty deferral activity.

This field appears on the RMS screen, but it is automatically populated by carry forward data, noting amount claimed to-date.

Line 122: Identifies any amount from MRR Schedule VI Line 528 withdrawn from an approved abandonment and restoration royalty Trust for a purpose other than satisfying abandonment and restoration costs.
Note: Any such amounts are treated on a first in first out basis and as a consequence they may attract an interest charge from as far back as the time of first royalty deferral to the time of withdrawal.

Line 130: Identifies the royalty payable for the month and is the result of Line 115 minus Line 121 plus Line 122.

Royalty Payable for the Month

This section provides for the identification of royalty owing after deducting any royalty instalments that have been made respecting this month and for the application of any available investment credits as per MRR Schedule VII.

Line 140: Repeats the amount shown on Line 130.

Line 150: Identifies any investment credits being applied as per MRR Schedule VII.

Line 160: Identifies the sub total being Line 140 minus Line 150.

Schedule I - Petroleum Sales

This Schedule provides for the consolidation of all volumes for all petroleum and products <u>on which royalty is payable</u> from all production licences in the project in which there is an interest. It also provides for the adjustments to value that may be necessitated because of the need for fair market value on non-arm's length sales, disallowance of hedging arrangements, volumes taken to injection off project lands etc.

Line 230: Identifies the quantities of all petroleum and products on which royalty is payable from all production licences in a project in which there is an interest. The quantities are to be reported using the indicated measurement designation and are to include quantities on which royalty is otherwise payable e.g. Volumes taken to injection off project lands, product lost or wasted.

<u>Note:</u> These lines are automatically completed by data from the MPCS if the MPCS was filed. If the MPCS has not been filed, a company may enter estimates into these lines. The information will be updated once the MPCS has been submitted, resulting in a new version of the MRR being created. Both the estimate and the new version will be visible to the interest holder.

Line 231: Identifies the total of all petroleum and products from all production licences in the project in which there is an interest.

Line232: Identifies the value received for petroleum sales as at the project boundary (i.e. before facility allowances).

Line 233: Identifies the value per unit of measurement.

Line 234: Identifies any adjustments required to Line 232 to reflect fair market value arising from matters such as hedging, lost or wasted volumes, non-arm's length transactions and product taken to storage off project lands.

Line 235: Identifies the total value for petroleum and products to be entered on Line 20 of the MRR.

Schedule II - Facility Allowance: Non-Arm's Length

This Schedule provides for the calculation of facility allowances in non-arm's length situations, e.g. an ownership interest in a gas plant and/or transportation facility.

Operating Costs

FLPRR Schedule II s.7 identifies the categories of allowed costs that are facility operating costs, as long as they are reasonably related to the operation of the facility. Operating costs would not include costs or expenses relating to depreciable assets.

FLPRR Schedule II s.6 provides for an uplift of 10% of facility operating costs to provide for general overheads. As a consequence, items such as charges for services from head office or associated companies are not operating costs.

This section of the MRR begins by displaying the operating costs for the whole facility, not just the interest holder's share. It then drives down to the interest holder's share and the amount allocated to the project covered by the MRR.

Line 240: Identifies costs in respect of salaries, wages, related benefits and other remuneration of persons employed by the operator of the facility.

Line 241: Identifies the cost of the Repair and Maintenance of the facility where such cost is less than 50% of the cost of an equivalent new facility component. A cost of 50% or greater must be treated as a depreciable capital asset on Schedules IIA or IIB.

Line 242: Identifies the cost of taxes in respect of the facility. These costs are for taxes that are direct taxes such as property and usage taxes. The costs are not for profits taxes such as Income Tax or Corporation Tax.

Line 243: Identifies costs incurred in rentals or leases related to the operation of the facility.

Line 244: Identifies the cost of insurance premiums related to the operation of the facility. Such premiums would include those for loss of product but not for loss of revenue.

Line 245: Identifies the direct cost of the rights to use tangible property for the facility.

Line 246: Identifies costs of compensation for services where such services are not provided by employees of the operator of the facility. The provision of these services must be directly related to the operation of the facility.

Line 247: Identifies the direct cost of materials, parts and supplies incurred in the operation of the facility.

Line 248: Identifies the direct cost of the supply and use of telecommunications for the operation of the facility.

Line 249: Identifies the direct cost of the supply and consumption of power for the operation of the facility.

Line 250: Identifies the direct cost of the supply and consumption of water for the operation of the facility.

Line 251: Identifies the direct cost of the supply and consumption of fuel for the operation of the facility.

Line 252: Identifies the direct cost of sewage disposal in the operation of the facility.

Line 253: Identifies the sub-total of Lines 240 through 252.

Line 254: Identifies revenues received from custom processing and services provided to arm's-length users of the facility.

Line 255: Identifies the result of Line 253 minus line 254.

Line 256: Identifies the overall operating costs of the facility which is the product of Line 255 multiplied by 1.1.

Line 257: Identifies the percentage of Line 256 which is allocated to the project covered by this MRR.

Line 258: Identifies the product of Line 256 and Line 257.

Line 259: Identifies the percentage of Line 258 that is allocated to the interest holder completing this MRR.

Line 260: Identifies the facility operating costs allocated to the interest holder completing the MRR and is the product of Line 258 and Line 259.

Depreciation

Line 270: Identifies the interest holder's depreciation allowance from Schedules IIA and IIB. It is the product of column 7 and line 360.
Note: Schedules IIA and IIB display the total facility depreciable assets.

Line 271: Identifies the percentage of the interest holder's depreciation allowance that is allocated to this project by the interest holder. The percentage allocated to this project is same as Line 257.

Line 272: Identifies the interest holder's depreciation allowance from this project and is the product of Line 270 and Line 271.

Rate of Return

This section addresses establishing rate for the "return on average capital" for the month.

Line 280: Identifies the average long-term Government of Canada bond rate for the prior calendar year.

Line 281: Identifies the rate of return to be used to calculate the rate of return for the month. The rate of return to be used for this calculation is Line 280 + 5%. Example: If the average long term Government of Canada bond rate for the previous calendar year was 4.5% then the rate of return for Line 281 would be 4.5% + 5% = 9.5%.

Line 282: Identifies the rate of return for the month to be applied in calculating the return on average capital. This rate is the result of Line 281 ÷ 12.

Average Net Capital

This section calculates the average net capital of the facility and includes the 1% uplift for the book value of depreciable assets acquired in the month to which the MRR relates. It reflects the interest holder's ownership share in the facility.

Line 290: Identifies from Schedules IIA and IIB, column 1, the book value of all depreciable assets, before depreciation, at the beginning of the month.

Line 291: Identifies the cumulative depreciation at the beginning of the month of the depreciable assets and included on Line 290. The opening balance of cumulative depreciation, which is the closing balance of previous month, is reported on column 5 of Schedule IIA and IIB.

Line 292: Identifies the net book value of depreciable assets at the beginning of the month and is the result of Line 290 minus Line 291.

Line 293: Identifies the allowable depreciation from column 7 on Schedules IIA and IIB.

Line 294: Identifies the book value (cost net of salvage value) of depreciable assets acquired in the month from column 2 of Schedules IIA and IIB.

Line 295: Identifies, for the purposes of the average net capital only, the uplifted value of the book value of depreciable assets acquired in the month by multiplying Line 294 by 1.01.

Line 296: Identifies the closing net capital which is the result of Line 292 minus Line 293 plus Line 295.

Line 297: Identifies the Average Net Capital for the month which is the result of the following formula:

$$\left[\frac{(\text{line } 292 + \text{line } 296) * \text{line } 271}{2}\right] * \text{line } 360$$

Line 298: Percentage of average net capital allocated to project. This line is a new addition to the MRR, in recognition that a facility may be used by an interest holder for a number of different projects.

Line 299: Average net capital allocated to project which is the product of Line 297 and 298.

Land Value

Line 320: Identifies the interest holder's ownership share of the acquisition cost of land on which the facility is permanently located.

Line 321: Identifies the allocation percentage that the interest holder is ascribing to this project.

Line 322: Identifies the land value allocated by the interest holder to the project and is the product of Line 320 and Line 312.

Working Capital Allowance

This section calculates the value of the Return on Average Capital for the month.

Line 330: Identifies the operating cost allocation from Line 260.

Line 331: Identifies the rate of return on working capital and is the result of Line 330 times 2.

Line 332: Identifies the average capital and is the sum of Lines 297, 322 and 331.

Line 335: Identifies the return on average capital allocated to interest holder by applying the percentage from Line 282 to Line 332.

Facility Allowance

This section calculates the facility allowance (gas plant and/or transportation) that is to be deducted from revenue in arriving at gross revenue.

Line 350: Identifies the interest holder's operating cost allocation from Line 260.

Line 351: Identifies the depreciation allocation from Line 272.

Line 352: Identifies the return on average capital allocated to interest holder. This value is system generated from Line 335.

Line 353: Identifies the sum of Lines 350, 351 and 352. The amounts shown on this line are entered on Line 31 for a gas plant facility and Line 33 for a transportation facility.

Schedule IIA and IIB

This section captures information pertaining to the entire facility, not only to the interest holder's ownership share in facility depreciable assets. The following guide, although addressing lines on the schedule for a gas plant, has equal applicability to a transportation facility *and is therefore not repeated for lines 390 through 417*.

Line 360: Identifies the ownership interest percentage that the interest holder has in the facility. The system applies the ownership interest percentage shown in Line

360 to the cost information (Columns 1-2, 4-5 and 7-8) on Schedules IIA and IIB.

Line 361: Identifies the remaining useful life of the facility as at the end of the previous month. This can be amended from time to time by the company as new information becomes available, which may result in the extension or shortening of the remaining useful life.

Column 1: Identifies the opening cost for this month being the closing cost from the previous month. This field is automatically filled with carry-forward data from the previous month. This value is repeated in Line 290.
Note: The term cost used in these two Schedules always refers to actual cost net of salvage value.

Column 2: Identifies the cost of depreciable assets acquired this month. This value is repeated in Line 294.

Column 3: Identifies the cost before depreciation of a sale in whole or in part of an ownership share in the facility. A sale that occurs in the month is treated as having occurred on the last day of the previous month. Line 381 requires the identification of the percentage of that owner's share that has been sold. This percentage is applied against the opening cost as shown in Column 1 and is entered in Column 3. This field must be calculated (Column 1 times Line 381) and entered by the company.

Column 4: Identifies the closing cost for the month being Column 1 plus Column 2 minus Column 3. This field is calculated automatically.

Column 5: Identifies the opening depreciation for this month being the closing depreciation from the previous month. This field is automatically filled with carry-forward data from the previous month. This value is repeated in Line 291.

Column 6: Identifies that portion of the opening depreciation that is attributable to a sale in whole or in part of an ownership share. As per instructions for Column 3, take the percentage of the ownership share that has been sold (line 381) and multiply that by the opening depreciation as shown in Column 5. This field must be calculated (Column 5 times Line 381) and entered by the company.

Column 7: Identifies the depreciation for the month which is the result of Column 4 minus the sum of Column 5 and Column 6, divided by the number of months of the remaining useful life of the facility as shown on Line 361. This value is applied to the ownership percentage shown on Line 360 and the amount computed is placed in Line 293.

Column 8: Identifies the closing depreciation for the month, which is the result of Column 5 minus Column 6 plus Column 7.

Line 362: Depreciation on/off allows an interest holder in a facility to stop calculating depreciation for a facility which is shut in, where that facility is used exclusively for that interest holder's projects. Depreciation can be calculated on a facility which is undergoing maintenance.

Sale of a Facility

This section captures information pertaining to the sale of all or part of the interest holder's ownership share in a facility. For more information on how to report an acquisition or disposition, please call an AADNC representative at (819) 953-8790.

Line 380: Identifies the legal name of the entity acquiring the ownership interest in the facility.

Line 381: Identifies the percentage of the interest holder's ownership share that is being acquired. Line 381 is applied to information in Columns 3 and 6 in Schedules IIA and IIB.

Line 382: Identifies the sale price of the percentage being acquired on Line 381.

Line 383: Identifies the net book value of the percentage being acquired. This value is the result of Column 3 minus Column 6 multiplied by the percentage shown on Line 381.

Line 384: Identifies the gain or loss on the sale which is the result of Line 382 minus Line 383.

Line 385: Identifies, where there is a gain, the amount of over depreciation to be recaptured. The amount of recapture is limited and can never be more than the amount of cumulative depreciation allowed up to the time of the sale. A negative number cannot be entered into this field. If Line 384 is positive enter the lesser of this amount or the amount identified under Column 6. If negative, enter zero.

Line 386: Identifies the percentage of the depreciation recapture that is attributable to this project.

Line 387: Identifies the amount of the depreciation recapture and is the product of Line 385 and Line 386. This amount is also entered on Line 22(a) in determining gross revenues.

Schedule III – Allowed Capital Costs

This section brings together allowed capital costs from all production licences in a project in which the interest holder has an interest, plus it allows for the identification and inclusion of interest holder-specific allowed capital costs. An example of this might be where an interest holder has borne the total cost of a specific piece of production infrastructure equipment and other participants use this equipment on a fee-for-service basis. Note: In such a scenario the revenue from such user fees must be offset by the interest holder against the costs of operating the equipment in determining allowed operating costs.

Note: Most of the data in this schedule is automatically entered from the MPCS if the MPCS was filed. If the MPCS has not been filed, a company may enter estimates into these lines. The information will be updated once the MPCS has been submitted; creating a new version of the MRR (the estimate and new version will both be saved in RMS).

Line 420: Identifies the allowed capital costs from each production licence in which there is an interest.

Line 421: Identifies the sum of allowed capital costs from entries in Line 420.

Line 430: Identifies any allowed capital costs that are specific only to the interest holder completing the MRR.

Line 431: Identifies the sub total of allowed capital costs shown on Line 421 and Line 430.

Line 432: Identifies the value of the allowed capital cost adjustment being 1% of the amount shown on Line 431.

Line 433: Identifies the amount, if any, brought forward from the prior month's MRR Line 81. This amount would be the result of negative net revenues in that month. There is no further capital cost adjustment applicable to such an amount since by definition this has already occurred in that month by way of either the 1% capital uplift or the 10% operating cost uplift.

Line 433(a) Identifies an amount calculated as per FLPRR s.8 where an interest has been acquired in a project from an existing interest holder.

Line 433(b) Identifies an amount calculated as per FLPRR s.8 where an interest in a project has been sold by an existing interest holder.

Line 434 Abandonment and restoration costs claimed as capital costs (Schedule V, line 490)

Line 435 Identifies the total of all allowed capital costs for the month and is the sum of Lines 431 to 434. This amount is entered on MRR Line 60 as a deduction in calculating net revenues.

Schedule IV – Allowed Operating Costs

This section brings together allowed operating costs from all production licences in a project in which the interest holder has an interest, plus it allows for the identification and inclusion of interest holder-specific allowed operating costs. An example of this might be where an interest holder has borne the total cost of a specific piece of production infrastructure equipment and its operation and other participants use this equipment on a fee-for-service basis.

Note: in such a scenario the revenue from such user fees must be offset by interest holder against the costs of operating the equipment.

Note: Most of the data in this schedule is automatically entered from the MPCS if the MPCS was filed. If the MPCS has not been filed, a company may enter estimates into these lines. The information will be updated once the MPCS has been submitted; creating a new version of the MRR (the estimate and new version will both be saved in RMS).

Line 440: Identifies the allowed operating costs from each production licence in which there is an interest.

Line 441: Identifies the sum of allowed operating costs from entries against Line 440.

Line 450: Identifies any allowed operating costs that are specific only to the interest holder completing the MRR.

Line 451: Identifies the sum of allowed operating costs shown on Line 441 and Line 450.

Line 452: Identifies all revenues received from fees for service for the use of interest holder specific production infrastructure equipment.

Line 453: Identifies the sub total of allowed operating costs shown on Line 451 minus Line 452.

Line 454: Identifies the value of the allowed operating cost adjustment being 10% of the amount shown on Line 453.

Line 456: Identifies the total of all allowed operating costs for the month and is the sum of Lines 453 and 454.

Schedule V –Actual Abandonment & Restoration Costs

This section brings together abandonment and restoration costs from all production licences in a project in which the interest holder has an interest plus it allows for the identification and inclusion of interest holder-specific abandonment and restoration costs. An example of this might be where an interest holder has borne the total cost of a specific piece of production infrastructure equipment and its operation and other participants have used this equipment on a fee for service basis. At the time of project abandonment, the interest holder is responsible for the costs associated with the removal of this equipment and any necessary restoration.

Line 460: Identifies the abandonment and restoration costs from each production licence in which there is an interest.

Line 461: Identifies the sum of abandonment and restoration costs from entries shown on Line 460.

Line 470: Identifies any interest holder-specific costs for well abandonment and other subsurface activities.

Line 471: Identifies any interest holder-specific costs for decommissioning and removal of production infrastructure.

Line 472: Identifies any interest holder-specific costs for land reclamation and surface activities.

Line 473: Identifies any other interest holder-specific costs for abandonment and restoration, to be specified.

Line 474: Identifies any revenue derived from the salvage of interest holder-specific equipment during abandonment and restoration.

Line 475: Identifies the total of all interest holder-specific abandonment and restoration costs and is the sum of Lines 470, 471, 472 and 473 minus Line 474.

Line 480: Identifies the sub-total for all abandonment and restoration costs and is the sum of Line 461 and Line 475.

Line 481: Identifies the value of the capital cost adjustment being 10% of the amount shown on Line 480.

Line 482: Identifies the total for abandonment and restoration costs and is the sum of Line 480 and Line 481.

Allocation of Abandonment and Restoration Costs

This section provides for the costs to be claimed as 1) a project operating cost, should there be revenue to permit this, 2) an application of funds from an approved abandonment and restoration trust, or 3) as a combination of both of these.

Line 490: Identifies the amount from Line 482 to be claimed as a capital cost. This field can be edited, but it will by default carry-forward the amount from Line 482.

Line 491: Identifies the amount from Line 482 to be claimed as being transferred to an abandonment and restoration cost account. This amount is shown on Line 511 of Schedule VI.

Note: The sum of Lines 490 and 491 must equal the amount shown on Line 482

Schedule VI – Abandonment and Restoration Account Transaction Summary

This section provides a mechanism to track the balance of an approved abandonment and restoration trust and the status of royalty deferral that has been claimed and subsequently utilised as an offset to abandonment and restoration costs actually incurred. FLPRR s.6 (Deferral of Royalty) & 7 (Certification of an Abandonment and Restoration Trust) describe the certification, establishment and management of an abandonment and restoration trust account and how royalty may be deferred.

If, at any time, a withdrawal is made from a Trust and those funds are not used for abandonment and restoration costs but had been used to defer royalty, the deferred royalty is immediately due and payable. Deposits to a Trust are managed on a first in first out basis and as a result the withdrawal so described will trigger royalty due from the earliest date of deposit not utilised as an offset to actual costs incurred.

Abandonment and Restoration Trust Account

This section tracks the balance of a Trust Account. There are four sections in this Schedule: Trust, Costs, Deferral and Contributions Available to Defer Royalty. The system computes the values in Schedule VI and then uses the results to update the appropriate accounts. The table below shows their impact on the abandonment and restoration accounts:

Activity	Increase	Decrease
Contributions/Realized Gains (Line 502 equals 531)	Trust Contributions available to defer royalty	

Deferral (Line 121 equals 522)	Deferral	Contributions available to defer royalty
Costs transferred to A & R Costs account (Line 491 equals 511 and 524)	Costs	Deferral
Withdrawal (Lines 504, 512, 526 and 533)		Trust Costs Deferral Contributions available to defer royalty

The fields are only editable once the Minister of Indian and Northern Affairs approves the creation of an abandonment and restoration trust account.

Line 500: Identifies the opening balance from the previous month's close, carried forward from the previous month.

Line 501: Identifies in the month, any transfers "in" where an interest in a project has been acquired and the selling interest holder had established a Trust prior to the sale and transfers out where part or all of an interest in a project has been sold to and transfer of all or part of an established Trust was part of the sale agreement.

Line 502: Identifies contributions made to a Trust during the month and also any realized gains from the sale of investments held by the Trust that have been sold in the month. Note Investments made by the Trustee are not recorded in this account as withdrawals; however realized gains and losses arising from these investments are. This value repeats in Line 531.

Line 503: Identifies the sub total of Lines 500, 501 and 502.

Line 504: Identifies withdrawals and losses realized from investments. Note losses are treated as withdrawals and as a result could trigger royalty to be due and payable.

Line 505: Identifies the closing balance for the month of the Trust, and is the difference between Line 503 and Line 504.

Abandonment and Restoration Cost Account

This section tracks abandonment and restoration costs assigned to be paid from Trust monies and the withdrawal of funds against those costs.

Line 510: Identifies the opening balance from the previous month's close, carried forward from the previous month.

Line 511: Identifies abandonment and restoration costs incurred and recorded on Line 491 of Schedule V. This value repeats in Line 524.

Line 512: Identifies the withdrawal of funds from the Trust that have been used to defer royalty.

Line 513: Identifies the closing balance for the month of the Account and is the result of (Line 510 + 511) minus Line 512.

Abandonment and Restoration Deferral Account

This section tracks the deferral of royalties by using the abandonment and restoration account.

Line 520: Identifies the opening balance from the previous month's close, carried forward from the previous month.

Line 521: Identifies in the month, any transfers "in" to the account.

Line 522: Identifies contributions used to defer royalty. This value is computed from Line 121, abandonment and restoration royalty deferral claimed this month, divided by 30% - the abandonment and restoration deferral rate as stipulated in FLPRR s.6(1).

Line 523: Identifies the sub total of Lines 520, 521 and 522.

Line 524: Identifies abandonment and restoration costs from Line 511.

Line 525: Sub-total of Line 523 minus 524.

Line 526: Identifies withdrawals of funds which have been used to defer royalty, and withdrawn without any abandonment and restoration costs having been incurred.

Line 527: Identifies the abandonment and restoration deferral rate, or "royalty claw-back" of 30% rate as stipulated in FLPRR s.6(1).

Line 528: Identifies the royalty payable, which is calculated by multiplying the withdrawal of funds deferring royalty (Line 526) by the deferral rate (Line 527).

Line 529: Identifies the closing balance for the month of the Account, and is the result of Line 525 minus Line 526.

Abandonment and Restoration Trust Contributions Available to Defer Royalty

This section tracks what is available within the abandonment and restoration Trust account to use to defer royalty.

Line 530: Identifies the opening balance from the previous month's close, carried forward from the previous month.

Line 531: Identifies in the month, any contributions or realized gains recorded on Line 502.

Line 532: Identifies contributions used to defer royalty recorded on Line 522.

Line 533: Withdrawal of funds contributed but not claimed to defer royalty.

Line 534: Identifies the closing balance for the month of the Trust, and is the sum of Lines 530 and 531 minus 532 and 533.