



File: 7500-3

16 May 1997

To: All Interested Persons

Subject: Further Instructions to Assist Applicants  
in Complying with Part VI Supply Filing Requirements

The National Energy Board released a letter, dated 29 August 1996, providing instructions to assist applicants in complying with Part VI supply filing requirements.

The purpose of this letter is to further clarify the instructions in the 29 August 1996 letter. This letter supersedes the 29 August 1996 letter. Applicants are encouraged to submit the required information in the format suggested in the attachment to this letter.

Attached herein are the complete instructions for applicants.

If there are any further questions, please contact Paul Bourgeois, Regulatory Supply Specialist - Applications Business Unit, at (403) 299-3149.

Yours truly,

M. L. Mantha  
A/Secretary

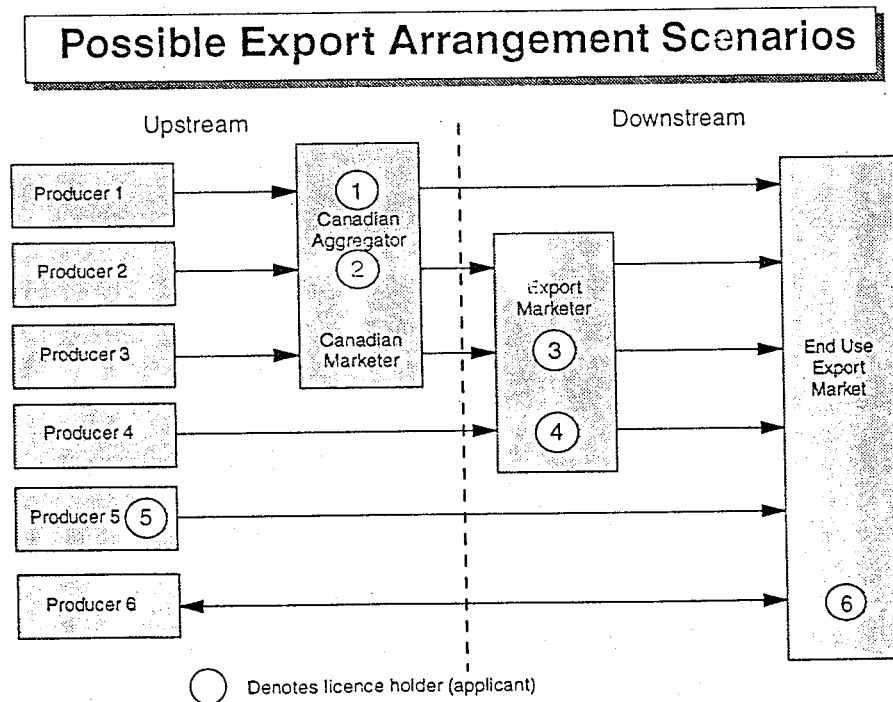
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## Filing of Supply Information in Compliance with the Board's *Part VI (Oil and Gas) Regulations*

The purpose of this document is to assist applicants in the preparation of the supply information that the Board requires in an application for a licence to export natural gas. This document describes more fully the supply information required under the Board's *Part VI (Oil and Gas) Regulations* and defines the minimum information required to support the Board's current Market-Based Procedure ("MBP"). It further clarifies the instructions issued by the Board on 29 August, 1996 and hereby supersedes those instructions. Illustrative examples are provided, where appropriate, as a guide for filings under these regulations.

In order to carry out its adjudicative responsibilities pertaining to applications for the export of natural gas, the Board requires an understanding of the nature of the commercial arrangements involved in an export proposal. Under the "Other Public Interest Considerations" element of the "Public Hearing Component" of the Board's MBP, the Board determines the appropriate length of term of the proposed licence by examining, among other things, the adequacy of gas supply available to the export licence applicant to support the applied-for volumes over the requested licence term. The Board is particularly interested in the supply provisions which are engrained in the commercial arrangements behind the export proposal, i.e. the provisions of the contracts between seller and buyer pertaining to gas supply. For this reason, the Board's new regulations have been oriented towards such contractual arrangements.

To assist users of this document, the following diagram, representing most of the possible export arrangement scenarios, will be used as a guide to identify which filings apply in specific cases.



A marketer is an entity engaged in bringing together sellers and buyers of natural gas, assisting in negotiations, and arranging transportation and delivery terms. Marketers usually buy for their own account and resell the natural gas. A major function of marketers is the aggregation of natural gas supplies and/or markets. Aggregators are companies that consolidate a number of individual producers

into a group and sell the natural gas on behalf of that group of producers. The type and level of detail of supply information required of aggregators and marketers will depend upon the specific supply underpinning the proposed export.

On 15 May, 1996, the *National Energy Board Act Part VI (Oil and Gas) Regulations* came into force. Section 12 of these regulations sets out the information required by the Board to assist with its MBP determination. The provisions pertaining to gas supply information are ss. 12. (b) and (d).

Specifically, s. 12.(b) requires an applicant for the export of natural gas to file:

*information respecting the applicant's gas supply supporting the proposed exportation, whether contractually dedicated or undedicated, including*

- (i) a summary of the quantities of gas under contract to or owned by the applicant, including daily and annual volumes, reserves and the termination date of every such contract, and*
- (ii) a copy of each pro forma contract for each type of gas purchase contract.*

Under s. 12.(b)(i), the Board requires a list, by gas purchase contract,<sup>1</sup> identifying (a) the daily and annual contract volumes specified in each contract, (b) the total gas supply specified in each contract and (c) the termination date specified in each contract (See Attachment 1). This summary is required for all export arrangement scenarios, as shown in the diagram, although scenarios 5 and 6 may only require a single line entry in the table.

Under s. 12.(b)(ii), the Board requires a *pro forma* copy of each contract type referenced in s. 12.(b)(i), along with a copy of the signed execution pages of each contract. Filing of *pro forma* gas purchase contracts is most applicable to scenario 1 and 2 export arrangements.

Supply information is also required by s. 12.(d) which states:

*where the gas proposed to be exported is from a gas supply other than a contractually dedicated pool, field or area, a gas supply and demand balance for the reserves supporting the application, on both an aggregate and an annual basis for the duration of the proposed exportation, identifying all firm commitments supported by those reserves.*

The "aggregate" supply and demand balance should consist of a table comparing total contracted supply to total firm sales commitments over the remaining term of the contract(s). Each source of supply should be addressed and identified by name along with the respective volume obligation to the applicant. In the case of a supply aggregator (scenarios 1 and 2), one entry would be required for all of the aggregator's lands with dedicated reserves and one entry would be required for each corporate warranty supply source. For scenario 3 and 4 export arrangements, one entry would be required for each producer underpinning the export proposal, while scenario 5 and 6 export would likely require only one entry. The demand side of the balance should include the applicant's total long-term firm sales commitments, as well as an estimate of total anticipated short-term firm sales under existing arrangements (See Attachment 2).

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<sup>1</sup> By "gas purchase contract" the Board means the contract between the producer and the first buyer.

The "aggregate" supply component of this balance should also include information on the reserves supporting each source of supply underpinning the application. This information should be provided as indicated in the table (See Attachment 2) listing by supply source, each supplier's remaining established reserves, the type of reserves estimate, the supplier's total obligations underpinned by those reserves and the supplier's volume obligation to the applicant. Types of reserves estimates that would be acceptable to the Board include Alberta Energy and Utilities Board determinations, third party estimates and producer listings currently on file with the NEB. When the source of the reserves estimate is the supplier, rather than a regulator or consultant, and the supplier's reserves are not currently on file with the NEB, the applicant is required to provide a summary of the supplier's reserves by field and pool identifying the supplier's working interest in each pool (See Attachment 2).

The Board is not prepared to accept, as supporting evidence, reserves in a collection of pools containing uncommitted reserves equal to or greater than the proposed export, without those reserves necessarily forming part of the proposed export arrangement. The Board considers that such supply pools do not properly represent the actual supply underpinning export proposals. Therefore, the information submitted should address all contracted supply available to an applicant which could contribute to gas flows under the proposed export.

The "annual" supply and demand balance should consist of a table comparing the applicant's projection of annual productive capacity from the gas supply supporting the proposed export with the total annual firm commitments underpinned by that supply over the term of the proposed exportation (See Attachment 3). A figure comparing the projections would also be a desirable complement to the table (See Attachment 3).

The Board expects an applicant to provide a summary of the key assumptions made in preparing its projection of productive capacity in addition to an explanation of the forecasting methodology used. In other words, (a) was the productive capacity derived simply based on an assumed rate of take or remaining reserves to production ratio (RR/P), (b) was it based on individual well flow characteristics using a simplified reservoir forecasting model, (c) was it based on a detailed reservoir simulation, or (d) was it based on other assumptions?

The Board will be flexible in making its assessment of the adequacy of an applicant's gas supply, but the Board normally expects applicants to demonstrate that contracted supply is equal to or exceeds the applied-for volume, and that productive capacity is adequate to meet the proposed annual export volumes over the majority of the applied-for term.

The information described above is the minimum required by the regulations. In specific cases, the Board may require additional information for further clarification. It is important that applicants provide sufficient information to enable the Board to both identify the source of supply supporting the export proposal and to understand how the proposed export requirement fits into the overall market commitments from that supply.

**List of Attachments**

Attachment 1	.....	Gas Purchase Contract Summary
Attachment 2	.....	Aggregate Supply and Demand Balance
Attachment 2	.....	Summary of Supplier's Own Reserves Estimates
Attachment 3	.....	Annual Supply and Demand Balance (Table)
Attachment 3	.....	Annual Supply and Demand Balance (Figure)

## 12.(b)(i) Contract Summary:

## Gas Purchase Contract Summary

Gas Purchase Contract <sup>1</sup>	Daily Volume (10 <sup>3</sup> m <sup>3</sup> /d)	Annual Volume (10 <sup>6</sup> m <sup>3</sup> )	Contracted Supply <sup>2</sup> (10 <sup>6</sup> m <sup>3</sup> )	Contract Termination Date	Contract Type <sup>3</sup>
1	15	5	27	March 31, 1998	RB
2	50	18	72	Oct. 31, 1999	CW
3	43	16	157	Oct. 31, 2000	RB
4	10	4	40	Oct. 31, 2005	CW
.	.	.	.	.	.
.	.	.	.	.	.
Total	760	250	2000		

- Notes: 1 Please identify supplier/producer by name.  
 2 Provide reserves value if reserves-based contract, total volume obligation if corporate warranty contract.  
 3 RB = reserves-based; CW = corporate warranty

## 12.(d) Aggregate Supply and Demand Balance:

**Applicant's  
Aggregate Supply Demand Balance  
(as of date)**

Source of Supply <sup>1</sup>	Remaining Established Reserves (10 <sup>6</sup> m <sup>3</sup> )	Type of Estimate <sup>2</sup>	Suppliers' Total Obligations <sup>3</sup> (10 <sup>6</sup> m <sup>3</sup> )	Suppliers' Obligation to Applicant (10 <sup>6</sup> m <sup>3</sup> )
Source 1	4000	Regulator	3500	2000
Source 2	145	Consultant	140	140
Source 3	255	Own	250	200
.	.	.	.	.
.	.	.	.	.
<b>Total</b>	<b>4400</b>		<b>3890</b>	<b>2340</b>
Applicant's Firm Sales Commitments <sup>4</sup>		Daily Volume (10 <sup>3</sup> m <sup>3</sup> /d)		Total Commitments (10 <sup>6</sup> m <sup>3</sup> )
Total Long-term:		598		1634
Estimated Short-term:		100		55
<b>Total Commitments:</b>		<b>698</b>		<b>1689</b>

- Notes: 1 Please specify name of supplier/producer. A supply aggregator would require one entry for all its lands with dedicated reserves and one entry representing each corporate warranty supply source.
- 2 Please identify regulator (e.g. EUB), consultant or provide listing of reserves as in example below if own estimate.
- 3 Long-term commitments plus estimate of short-term sales under existing arrangements.
- 4 Applicant's commitments against contracted supply.

**Summary of Supplier's Own Reserves Estimates  
(as of date)**

Location	Field	Pool Name	WI %	Remaining Established Reserves (10 <sup>6</sup> m <sup>3</sup> )
046-03w5	Crystal	Belly River	50	20
031-17w4	Michichi	Lower Mannville	33	40
.	.	.	.	.
.	.	.	.	.
<b>Total</b>				<b>255</b>

12.(d) Annual Supply and Demand Balance

TABLE

Year	Productive Capacity (10 <sup>6</sup> m <sup>3</sup> )	Annual Requirements (10 <sup>6</sup> m <sup>3</sup> )
1997	240	160
1998	204	160
1999	173	120
2000	147	100
2001	125	50
2002	106	50
2003	91	20
2004	77	20
2005	65	20
2006	56	20
2007	47	10

FIGURE

