

Guidelines: Yukon Royalty Return

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This document was written to assist royalty clients with the administration of the Yukon Royalty Return.

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Contact Information

Oil and Gas Rights and Royalties
Government of Yukon
Energy, Mines and Resources
Oil & Gas Resources
Suite 300, 211 Main Street
Whitehorse, Yukon
Y1A 2B2

Phone: (867) 667-3427
Fax: (867) 393-6262

E-mail: oilandgasroyalties@gov.yk.ca

AUTHORITY

These guidelines were prepared according to Yukon's *Oil and Gas Act* (YOGA), and its regulations. If there is any conflict or inconsistency between these guidelines or the royalty return and a provision of YOGA or any regulations under it, the latter provision prevails. Legislation pertaining to Yukon's oil and gas resources can be found online at yukonoilandgas.com.

The administration of royalty returns and payments is subject to the direction of the Division Head.

WHAT IS A YUKON ROYALTY RETURN?

Royalty clients are required to submit a signed Yukon Royalty Return for every month in which there is production. A royalty return is a report detailing the quantity of oil, gas, and field condensate extracted from a well in a production month. This report summarizes royalty payable for a production month, along with allowances, and prescribed prices.

Oil and Gas Resources will provide a draft royalty return. Amendments to a production month will also be provided in this manner. Royalty clients or their agents should inspect the draft return, sign it, and submit it to the branch. By signing the draft royalty return and submitting it to Oil and Gas Resources, the draft royalty return becomes the royalty client's Yukon Royalty Return for that production month.

MODES OF DELIVERY

Royalty returns will be sent to royalty clients or their agents via e-mail and should be returned to Oil and Gas Resources via e-mail, fax, or post.

OTHER DOCUMENTS INCLUDED WITH THE ROYALTY RETURN

Along with the royalty return, Oil and Gas Resources will provide royalty clients with a statement pertaining to a client's royalty account. If a penalty or interest is levied in a production month, an invoice will be sent, and the amounts reflected on the statement.

THE ROYALTY ACCOUNT

In accordance with section 29 of the *Oil and Gas Royalty Regulations* (OGRR), a royalty account shall be maintained by Oil and Gas Resources for each royalty client. The royalty account tracks royalty payable, interest, penalties, and payments. Interest may be levied according to sections 30-31 of the *Oil and Gas Disposition Regulations* (OGDR). Penalties are governed by sections 39-40 of the OGRR.

METHODS OF PAYMENT

The preferred method of payment is via electronic deposit. Royalty clients who wish to make electronic payments are required to contact the Department of Finance directly in order to make the necessary arrangements. Please contact either

Donna Sibley, CGA Manager of Financial Accounting Phone: (867) 667-3578 Fax: (867) 393-6373 E-mail: donna.sibley@gov.yk.ca	OR	Sherre Sutherland Accounting Clerk Phone: (867) 667-5850 Fax: (867) 393-6373 E-mail: sherre.sutherland@gov.yk.ca
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Payments may also be made via cheque. Please send cheques directly to Oil and Gas Resources.

WHAT IS A ROYALTY CLIENT?

A royalty client is a holder of a disposition and is responsible for paying royalty on the production from that disposition proportional to the specified undivided interest held.

A royalty client may designate an agent. A royalty agent is authorized to be the contact with Oil and Gas Resources on matters pertaining to the royalty account, submit the Yukon Royalty Return, and make payments for a royalty client.

RESPONSIBILITIES OF THE ROYALTY CLIENT

A royalty client is responsible for the certification and submission of the Yukon Royalty Return; the payment of royalty; payments of penalties and interest; and to act as a contact with Oil and Gas Resources on matters pertaining to the royalty account.

REPORTING AND PAYMENT DEADLINE

Unless otherwise directed by the Division Head, the Yukon Royalty Return, and the total amount payable on a royalty account must be received by the Government of Yukon on or before the last day of the month following a production month.


RECALCULATION OF ROYALTY

If an error is made, a recalculation of royalty may be initiated by the Division Head, or by application from the royalty client.

THE YUKON ROYALTY RETURN

Royalty returns state:

- the royalty return number, the date sent by Oil and Gas Resources, the production month; the amendment number; the royalty client, and, if there is one, the royalty agent;
- for each producing well: the volume of oil and field condensate, and the energy content of the gas;
- the select price and reference price for that production month;
- the royalty rate; gross royalty allowances, and gross royalty owing (for all the production on the well event);
- the royalty client lease ownership percentage; the royalty allowance pertaining to the client; the
- gross royalty by client, and the
- royalty payable by the client.

 <p>Energy, Mines and Resources Rights and Royalties Administrator Oil and Gas Resources Suite 300, 211 Main Street Whitehorse, Yukon, Y1A 2B2</p> <p>E-mail: oilandgasroyalties@gov.yk.ca Phone: (867) 667-3427 Fax: (867) 393-6262</p>		<p>Yukon Royalty Return #: 12 Date Draft sent to Royalty Client: 2010-12-21 Production Month: Nov-2010 Amendment #: 0 Royalty Payable for this month: \$1,234,567.00 Royalty Client: Name of royalty client in full Royalty Agent: left blank if there isn't one</p>									
Gas Royalty Return											
	A	B	C	D	E	F	G	H	I	J	K
Well Events for Gas (G.J)	Energy	Select Price	Reference Price	Royalty Rate	Gross Royalty E=A*C*D	Royalty Allowances	Gross Royalty Allowances G=A*F*D	Royalty Client Lease Ownership	Gross Royalty by Client I=E*(H/100)	Royalty Allowances by Client J=G*(H/100)	Royalty Payable by Client K=I-J
Well identifier-lines to be added as needed	G/J	\$/GJ	\$/GJ	(%)	\$/well event	\$/GJ	\$/well event	%	\$	\$	\$
										Total royalty payable for gas	\$0.00
										TOTAL ROYALTY PAYABLE FOR THIS PRODUCTION MONTH	\$0.00
<p>INSTRUCTIONS: Royalty clients are required to submit a Yukon Royalty Return for every month in which there is production. For the convenience of royalty clients, Oil and Gas Resources provides draft royalty returns for every production month. A statement reflecting the royalty client's royalty account is also attached to the draft return. Royalty clients must check the royalty return, amend information that does not agree with their production data, sign the return, and send it back with the payment indicated on the statement. By signing the draft royalty return and returning it to Oil and Gas Resources, the draft royalty return becomes the royalty client's Yukon Royalty Return for that production month. Submission of late royalty returns is subject to a penalty and late royalty payments are subject to interest.</p> <ol style="list-style-type: none"> 1. Review this draft royalty return and amend production data if necessary. 2. A person in authority must certify and sign this royalty return. 3. Indicate the capacity within which the person is signing. 4. Send the signed royalty return to Oil and Gas Resources. 5. Make payments to the Government of Yukon. 								<p>Print or type:</p> <p>Name of person signing this return _____ Capacity / Title _____</p> <p>Phone # of person signing this return: _____</p> <p>Signature of person certifying this return on behalf of the royalty client. _____</p>			

REVIEWING THE RETURN ~ CHECKLIST FOR CLIENTS

Every month that monies are owing on a royalty account, Oil and Gas Resources will send a statement and a draft royalty return for that production month. When data for a previous production month is updated, an amended royalty return will be sent. Royalty clients must check all royalty returns, amend information that does not agree with their production data, sign the returns, and send them back with payment as indicated on the statement. Payments that are not received on or before the reporting deadline may be subject to penalty and interest. By signing a royalty return, the royalty client or agent verifies the information to be correct.

When staff at Oil and Gas Resources receive a return that has been amended by a client, the changes will be verified, and an amended return will be sent. Royalty clients must check and certify amended returns. Adjustments to the royalty account will be indicated in the next month's statement.

1. Ensure the royalty return has no errors or omissions. Royalty clients are responsible to check royalty returns and certify their accuracy.
2. Ensure the PRODUCTION MONTH is correct, and that all volume and energy amounts in column A coincide with client data for the well events during that production month.
3. The original royalty return for a production month will be indicated as Amendment #: 0 (zero). If the amendment number is higher than zero, ensure previous amendments have been received. Amended returns state the TOTAL ROYALTY PAYABLE as the new amount owing for that production month. The royalty account will be adjusted accordingly.
4. Ensure the ROYALTY CLIENT and AGENT named on the return is correct. If no agent has been designated, that area will be left blank.
5. Ensure the return includes all well events and products that pertain to the client for that production month.
6. Ensure the ENERGY CONTENT for gas, and the VOLUMES for oil and field condensate match client records.
7. GROSS ROYALTY is the total amount of royalty owing for the well event.

8. ROYALTY ALLOWANCES includes all the allowances added together as pertains to the well event. In the case of gas this includes both the transportation and processing allowances. This value is used to calculate GROSS ROYALTY ALLOWANCES.
9. GROSS ROYALTY ALLOWANCES is the dollar amount per well event and is calculated.
10. The Select Price, Reference Price, and Royalty Allowances for the production month are posted online as soon as these values become available.
11. Ensure the ROYALTY CLIENT LEASE OWNERSHIP % matches the percentage held by the client.
12. GROSS ROYALTY BY CLIENT is the client's share of royalty payable based on the lease ownership percentage, before allowances have been deducted.
13. ROYALTY ALLOWANCES BY CLIENT is based on the client's lease ownership percentage.
14. ROYALTY PAYABLE BY CLIENT equals the GROSS ROYALTY BY CLIENT minus the ROYALTY ALLOWANCES BY CLIENT.
15. Ensure the sum of all well events in the column, ROYALTY PAYABLE BY CLIENT adds to the same amount as the TOTAL ROYALTY PAYABLE FOR THIS PRODUCTION MONTH.
16. Ensure the TOTAL ROYALTY PAYABLE FOR THIS PRODUCTION MONTH matches the sum of the TOTAL ROYALTY PAYABLE as indicated for each product of gas, oil, and field condensate.
17. When production data on a return is not accepted, amend that data directly on that return.
18. Sign the royalty return, and print the name and phone number of the person signing. Ensure the person signing the royalty return is authorized to do so.
19. E-mail a signed and certified copy of the signed royalty return and remit payment on or before the reporting deadline.
20. In order to avoid interest and penalty charges, payments and submission of signed royalty returns must be made by the reporting deadline, unless otherwise directed by the Division Head.

INTEREST AND PENALTIES

Pursuant to sections 30 and 31 of the *Oil and Gas Disposition Regulations*, interest may be payable on overpayments, and on late royalty payments.

Overpayments

If a payment is made to the Government of Yukon in excess of the actual amount owing, and the excess payment is wholly or primarily due to an error made by the Department, the excess amount is an overpayment. Interest is calculated and may be payable by the Government of Yukon on the overpayment in accordance with the regulations.

Late Payments

If an amount owing to the Government is not received in full by the Department on or before the due date for its payment, interest is payable to the Government of Yukon.

Penalties

Royalty clients are liable to pay penalties when royalty returns are delivered to Oil and Gas Resources after the reporting deadline; when well events are not reported on a royalty return that has been certified by a royalty client; when that unreported well event continues to be an unreported well event for each reporting deadline that passes; and for a royalty return that has been certified by a royalty client and contains an error.

A royalty client may apply for a waiver of penalty, according to section 43 of the OGRR. An application for a waiver must be filed with the Division Head not later than 30 days after the date of the penalty invoice.

Pursuant to section 44 of the OGRR, a notice of appeal may be filed with the Minister regarding that person's liability for the penalty; regarding the amount of the penalty; or the Division Head's refusal to grant a penalty waiver.

Legislation	Reason for Penalty	Penalty
OGRR s 39(2)(a)	Royalty return delivered after reporting deadline.	\$100 for each unreported well event.
OGRR s 39(2)(b)	Unreported or omitted well event in a royalty return delivered by the reporting deadline.	\$100 for each unreported or omitted well event.
OGRR s 39(4)	An unreported well event continues to be unreported for subsequent reporting deadlines.	\$100 for each subsequent reporting deadline.

OGRR s 40	A royalty return that is furnished by a client that contains errors specified in general directions issued by the Division Head.	\$100 per each error to a maximum of \$10,000.
OGRR s 41(1)	Following an audit if the royalty actually payable by a royalty client for a year is greater than the royalty paid in that year.	An amount equal to 10% of the deficiency if the amount of the penalty otherwise payable is greater than \$1,000.
OGRR s 41(2)	Following an audit in the subsequent year after a penalty as mentioned in 41(1), if a notice was given regarding the previous audit, the royalty actually payable by a royalty client for the subsequent year is greater than the royalty paid in that year, and the reason for the error is the same.	A maximum of 50% of the deficiency if the amount of the penalty otherwise payable is greater than \$1,000.