

May 22, 2019



Dear :

Re: Your request for access to information under Part II of the *Access to Information and Protection of Privacy Act* (File # NR-93-2019)

On May 13, 2019, the Department of Natural Resources received your request for access to the following records/information:

A copy of the following note: White Rose Project - 2012 Notice of Assessments.

I am pleased to inform you that a decision has been made by the Department of Natural Resources, confirmed by the Deputy Minister, to provide access to the requested records. The records are attached.

We are providing access to the most information possible but have made redactions in accordance with Sections 29(1)(a), 35(1)(d), 35(1)(f), 35(1)(g) and 39(2) of *ATIPPA, 2015* as follows:

29. (1)(a) The head of a public body may refuse to disclose to an applicant information that would reveal advice, proposals, recommendations, analyses or policy options developed by or for a public body or minister;

35. (1)(d) The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose information, the disclosure of which could reasonably be expected to result in the premature disclosure of a proposal or project or in significant loss or gain to a third party;

35. (1)(f) The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose positions, plans, procedures, criteria or instructions developed for the purpose of contractual or other negotiations by or on

behalf of the government of the province or a public body, or considerations which relate to those negotiations;

35. (1)(g) The head of a public body may refuse to disclose to an applicant information which could reasonably be expected to disclose information, the disclosure of which could reasonably be expected to prejudice the financial or economic interest of the government of the province or a public body;

39. (2) The head of a public both shall refuse to disclose to an applicant information that was obtained on a tax return, gathered for the purpose of determining tax liability or collecting a tax, or royalty information submitted on royalty returns, except where that information is non-identifying aggregate royalty information.

Please be advised that you may ask the Information and Privacy Commissioner to review the processing of your access request, as set out in section 42 of the *Access to Information and Protection of Privacy Act* (the *Act*). A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner.

The address and contact information of the Information and Privacy Commissioner is as follows:

Office of the Information and Privacy Commissioner
2 Canada Drive
P. O. Box 13004, Stn. A
St. John's, NL A1B 3V8
Telephone: (709) 729-6309
Toll-Free: 1-877-729-6309
Facsimile: (709) 729-6500

You may also appeal directly to the Supreme Court Trial Division within 15 business days after you receive the decision of the public body, pursuant to section 52 of the *Act*.

Please be advised that this letter will be published following a 72 hour period after it is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the letter posted to the Completed Access to Information Requests website within one business day following the applicable period of time.

If you have any questions, please feel free to contact me at 709-729-0463 or rhynes@gov.nl.ca.

Sincerely,

A handwritten signature in cursive script that reads "Rod Hynes".

Rod Hynes
ATIPP Coordinator

**Information Note
Department of Natural Resources**

Title: White Rose Project – 2012 Notice of Assessments

Issue: This note has been prepared in support of the Notice of Assessments under the *Royalty Regulations, 2003* (*the Regulations*) for the period January 1, 2012 to December 31, 2012 to be issued to the White Rose Project Interest Holders.

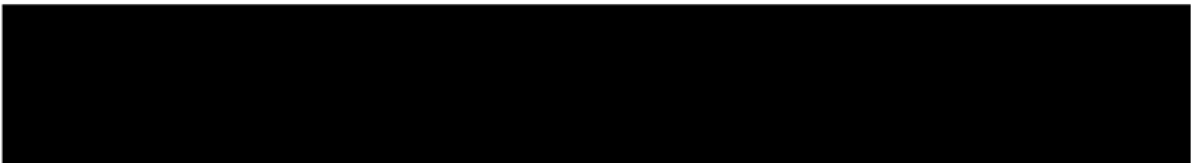
Reporting and Remittance of Royalties:

- The White Rose Project produced first oil in November 2005. Two companies are involved in this project with working interests as follows: Husky (72.5%), and Suncor (27.5%). Husky is the Project Operator.
- Royalty payments are calculated and remitted monthly by Interest Holders. Monthly remittances can include estimates.
- Section 32(1) of 'the Regulations' requires an interest holder to submit an annual reconciliation within 120 days after the end of a period. The annual reconciliations use actual costs to replace any estimates used in the monthly filings. A period is typically a calendar year.
- Section 33 of 'the Regulations' requires the Project Operator (Husky) to submit an audited report (by an auditing firm engaged by the Project Operator) to NR on eligible costs reported by the Interest Holders. These audited statements are compared to the annual reconciliation reports that are submitted by the Interest Holders.
- Section 35(2) of 'the Regulations' requires NR, after receiving the annual reconciliation, to issue a Notice of Assessment (NOA) of basic royalty, incremental royalty, gross revenue, net revenue, Tier I payout, Tier II payout and cumulative production. A Notice of Re-assessment can be issued after a NOA has been delivered. These notices are not a waiver by Government of any rights of audit or re-determinations under the Regulations.
- Section 62 of 'the Regulations' outlines the rules for the payment of interest on amounts due by both NR and the Interest Holders. As per Section 62(4), when an overpayment is identified on the assessment, interest will begin to accrue 30 days after the assessment has been issued, up until payment has been paid by NR or deducted by the interest holders.
- Section 62 of 'the Regulations' also state that when an interest holder has an overpayment, NR shall issue a refund within 30 days after the assessment is issued. Section 35(6) provides authority for the interest holder to issue a written request to credit the account of the interest holder for royalty share payable.

Analysis:

Assessment Process

- NR compares the Interest Holders' annual report with their monthly reports. The annual reports contain only summary information. If there are variances from the monthly reports against the annual information, NR requests further information from the Interest Holders. The costs reported monthly are estimates and the audited costs are reported during the annual filing process.

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S.29.1.a

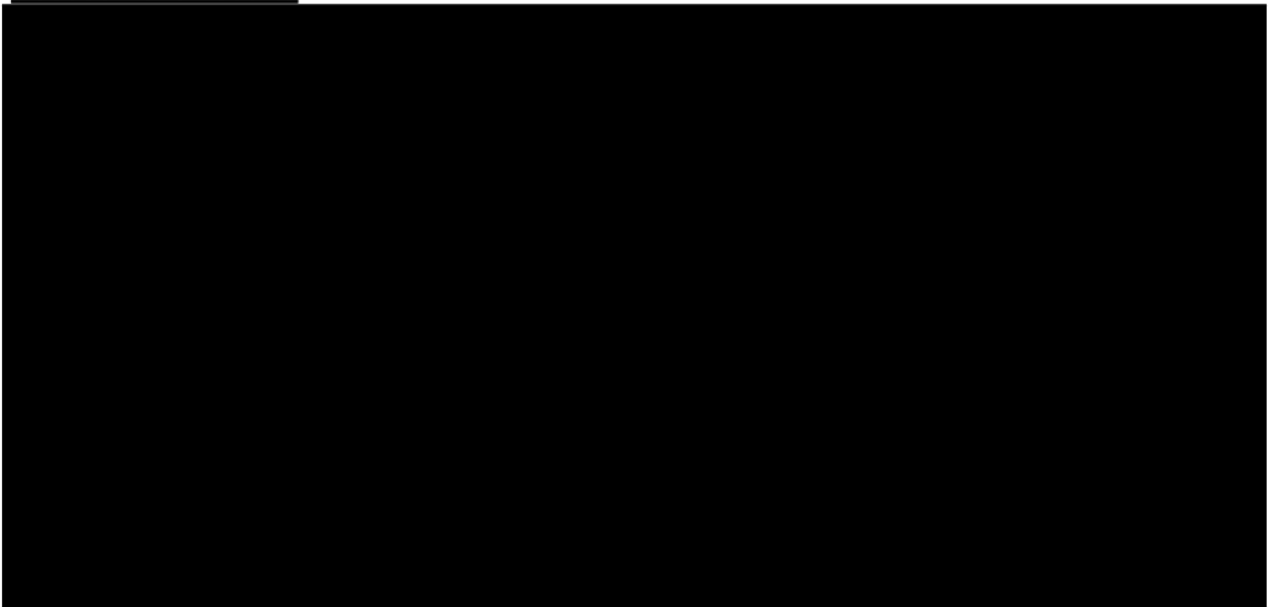
S.35.1.f

S.35.1.g

Insurance Certification

- Generally, as identified in section 63(1) of 'the Regulations', all costs must flow through a joint project account to be royalty eligible. An exception is made under Section 63(1)(e) for marketing and insurance costs which are incurred by the individual interest holders independently from the Project Operator.
- Sections 63(1)(e) and 63(2) of 'the Regulations' require that an interest holder obtain ministerial approval of insurance costs and that this approval be based upon the Minister's assessment of the fair market value of those costs. Most interest holders have indicated that they have been including insurance costs as a royalty deduction in their remittances.
- For 2012, insurance costs approval will be issued with the reassessment for the year. Therefore, for the purpose of the 2012 assessments, the amounts identified as insurance costs have been included as eligible costs.

Assessment Results



S.29.1.a

S.35.1.d

S.35.1.f

S.35.1.g

39.2

Action Being Taken:

- The Deputy Minister's authorization and signature on the Notice of Assessment Package for each working interest holder as outlined above is being sought so that the Assessments can be issued. The Notice of Assessments letters and the new Royalties Management System generated annual reports are attached.

Prepared/Approved by: K.Hibbs/ K. Slaney/ D. Trask
Ministerial Approval: FOR DIVISIONAL USE ONLY UNTIL APPROVED

March 25, 2019