

INDUSTRY PRESENTATION – EPAP ON PETRINEX – A Year in Review
QUESTIONS AND ANSWERS

November 9, 2015, session

Q: Declaration Report – must be 5 MB or less to attach. What do we do if unable to compress file to meet size?

A: There is an attachment size limitation on the Petrinex system. In the event that your declaration report exceeds 5 MB due to the amount of data appearing on Attachment B, advise the Production Audit Team (PAT) member assigned to your company.

You will be instructed to attach the signatory page, Attachment A, and Attachment C of the report to the declaration submission and provide Attachment B to the PAT member via e-mail.

Q: Are the PAT member's declaration review notes (e.g., comments/concerns, findings, etc.) available to the operator upon request?

A: No. Any notes that are created by the PAT member during the review of a declaration are for internal AER use only.

However, any findings that identify the need to revise the declaration will be shared with the company first by telephone and then through a BA Action Item workflow created on the EPAP on the Petrinex system.

Q: You mention removing a signatory if they are unavailable to sign, but is it mandatory that two officers of the company sign the declaration?

A: No, it is not mandatory for a company to have two signing executives. As stated in AER *Directive 076: Operator Declaration Regarding Measurement and Reporting Requirements*, "An operator must submit its annual declaration on behalf of and in the name of one or more senior executives."

The main requirement is that the declaration is reviewed and approved by senior executives with provincial authority over all field operations and production accounting activities in the province regardless of the number of people this would entail.

Q. Handout for this session. Is it available to print?

Q. Our declaration is due at the end of November. Can we get access to the presentation earlier?

A. A copy of the slide presentation and a summary of all questions and answers from both the November 9 and November 24 sessions will be posted on our website after November 24, 2015.

Q: Once the declaration is rejected, is there any chance to resubmit? What is the timeline?

A: A company is required to resubmit any rejected declaration.

If the rejection is due to missing information (e.g., complete report not being attached), the company will be required to resubmit the declaration within two weeks.

If the declaration was rejected because the data reported on a theme basis is inaccurate, the company will be given a 30-day timeline to make all required revisions, attach a pdf copy of the updated, signed declaration report, and resubmit the declaration.

Q: If there is one theme with deficiency or ineffective control, can the declaration conclusion still be acceptable?

A: Yes, for a theme, if it is indicated that controls for a facility are ineffective, the “Acceptable” conclusion can still be reported.

However, when noting the inconsistency between reporting and the conclusion selection, the PAT member may contact the company to confirm reporting accuracy.

Q: Are there guidelines for what is acceptable?

A: No, it is up to the company to determine what is acceptable. It may be felt that the cost of having effective controls outweighs the risk of noncompliance.

Q: In the “Using the System” section, you mentioned how important hitting the “Submit” button was. Can the Petrinex system be set up so that it automatically sends an e-mail to the operator after the submit button is pressed so that operators can confirm that they have made sure it is submitted.

A: When submitting a declaration, once the “Submit” button has been clicked the following message will appear on the top of the “Edit EPAP Declaration” screen:

AUD007 Declaration submitted successfully

In addition, the status of the declaration will change from “Complete” to “Submitted” on the Petrinex system.

If further notification is desired, suggestions for enhancements to the system can be documented on the “Enhancement Form” available on the SERVICE DESK portion of the Petrinex home page.

Q: Is a “high risk noncompliance” issued to operators who have not submitted a declaration?

A: As mentioned earlier in the presentation, companies that do not meet the declaration submission deadline date are issued a notice of noncompliance in accordance with the AER's *Integrated Compliance Assurance Framework*.

Q: Are fees attached to the noncompliance?

A: Not at the moment. However, with the new *Integrated Compliance Assurance Framework*, it is an option that is being reviewed.

Q: CAI "Zero fuel – facility". Why do GPs not show this?

A: Gas plant sub-types were not included in the scripting during the creation of this compliance assessment indicator (CAI). The reasons for this omission will be reviewed by the PAT, and a decision about including these sub-types will be made.

(UPDATE): A change request has been sent to the Petrinex Change Management team asking that the CAI script be changed to include gas plants.

Q: Is proration factor a "periodic factor"?

A: Proration factors are not considered to be the same as periodic calculation factors associated with Theme 13 – Calculation Factors on the Declaration (e.g., effluent correction factor, gas-oil ratio, pressure correction / temperature correction factors, etc.).

Controls for the application of proration factors could be covered under Theme 5: Proration Testing - Oi/Bitumen/In-situ/Sulphur Reporting at Oil Sands Wells, Theme 6: Proration Testing – Gas Well, or Theme 14: Monthly Volumetric Activity Reporting.

Q: Straddle plants may not be included at all or just for Theme 11: Schematic, Theme 12: Facility Master Data Set Up, and Theme 14: Monthly Volumetric Activity Reporting?

A: Sub-type 406 facilities (Gas Plant – mainline straddle) are applicable to ALL declaration themes UNLESS not receiving from or delivering to an upstream facility (e.g. ABBT, ABIF, etc.).

Facilities meeting this criteria would not be applicable to the themes pertaining to AER D017 measurement requirements (Themes 1 through 10 and Theme 13) but Themes 11, 12, and 14 would apply.

Further clarification regarding this issue is available in the Directive 017 FAQ section of the AER website.

Q: Why are single well batteries applicable to Theme 2: Measurement Device Maintenance (Calibration, Inspection and Proving) and Theme 3: Measurement Device Operation?

Q: It's not my meter for my GS; why is my facility applicable?

A: Both these themes apply to a facility whenever a measurement device (regardless of location) is used to determine volumetric data reported to Petrinex.

The Operator of Record of a facility (either a single-well oil battery or a gas gathering system) is responsible for any reporting errors (noncompliances). Therefore, the facilities would be applicable to those themes; however, controls may not exist as the measurement, and controls are at the other site.

Q: For single-well batteries with no measurement that are sending to midstream facilities, are we expected to see the calibration reports?

A: That might be included as part of the operating agreement between the parties, but it is completely up to the company's discretion.

Q: 340 declarations submitted out of how many expected?

A: The statistics provided in this presentation cover the period 2014-10 to 2015-09. A total of 499 Declarations were submitted for 2014.

Q: Do we have to evaluate all sub-types every year? What if I focus on specific themes during the year?

A: There is no requirement for all sub-types to be included in the evaluation process every year.

However, if you do not evaluate ANY controls for a theme, your PAT member will send a BA Action Item workflow requesting the submission of the company's control evaluation procedures for the particular theme.

Also, if an operator reports a deficient conclusion for two consecutive years, the PAT member will send a BA Action Item workflow requesting the submission of the company's Deficient conclusion remediation plan for both years.

Q: I submitted a remediation plan. What happens next?

A: Since this process is also new to our team, the PAT members will review the remediation plans as a group to ensure consistency. Then, once the remediation plan has been reviewed, a response will be provided to the company via a BA Action Item workflow in Petrinex.

Q: Will I be deficient if my control evaluation sample size is small?

A: No, there is no requirement in place regarding sample size.

During the review of the declaration, the PAT member will make note of the ratio of facilities where controls were evaluated to the total number of applicable facilities with controls.

Currently, this matter is not being discussed with the company; however, it may become an issue once the PAT begins reviewing CAIs and control evaluation procedures.

Q: Why doesn't the AER just tell us how many to evaluate?

A: It is up to the company to determine what is required to achieve a reasonable basis for declaring on the effectiveness of controls for a theme.

Q: Now that the EPAP data is on Petrinex, is there the opportunity to get some status reporting on EPAP across the industry? What I am looking for is how we score against other producers.

A: The AER has met with Petrinex, ECON, and industry representatives to discuss trending and statistical type reports regarding the declaration. A number of ideas were discussed and four were sent out to members of the EPAP Stakeholder committee for comment.

Through discussion, it was discovered that there are currently many challenges to providing any sort of peer comparisons, and this could not be implemented in the short term. Large group discussions will be required to determine a basis for peer groups and how that would be presented on the report. Regulators would also need to go through approval processes to ensure that this information can be reported to the public.

November 24, 2015 Session

Q: When can we expect to see "Facility Description" added to the EPAP screen – not just "Facility Code"?

A: The testing on the system has been completed, and this information should be available after Wednesday, December 2, 2015.

Q: Are previously identified enhancements to EPAP on Petrinex being actively worked?

A: If enhancement requests were identified during discussions held between AER, Petrinex, and stakeholder groups, the requests were noted. The request is investigated to determine if feasible, beneficial, and what the system requirements would be. Once this is complete, a change request is submitted and the change management committee will determine the priority.

Q: Is a "master list" of changes or enhancements available?

A: Petrinex has a list of enhancements and change requests that have been put forth by industry and the AER.

Please contact Petrinex regarding the availability of this information.

Q: Is there still an active EPAP CAI subcommittee?

A: The CAI subcommittee has not met for quite some time. When the decision is made to explore new CAIs, the previous CAI subcommittee members will be called on to participate.

Q: If a BA has electronic flow measurement (EFM) at a facility, does that mean the facility is not applicable to Theme 8: Field Records?

A: No, the facility would still be applicable because this theme applies to all recordings of measurement and accounting.

Q: If a facility only has LACT records, would Theme 8: Field Records apply?

A: Yes the facility would be applicable to the theme. However, you could report the facility as applicable without controls and provide an explanation of WHY controls do not exist in the description box.

Q: In regards to Theme 13: Calculation Factors, if the factors are done through EFM then would the facility be not applicable?

A: The facility would be applicable because Theme 13 applies to the *application* of the factors. However, controls may not exist for this theme because controls could be accounted for under Theme 7: EFM Systems.

Q: Before submitting the declaration, can my PAT member view my declaration?

A: Yes, your PAT member has the ability to view the declaration before submission. However, we no longer do pre-submission reviews, but we can help if the company calls and has a question.

Q: Could you explain the difference between assess and evaluate again?

A: Companies are required to **assess** a facility to determine whether or not it is applicable to a theme based on the theme description and control objective outlined in the theme information section of the declaration.

Companies are required to **evaluate** controls to determine whether the control has been appropriately designed and is being performed as intended.

Q: What is the reasonableness for evaluating sub-types each declaration year?

A: It is acceptable if a company does not include all facility sub-types in the control evaluation process each year.

A function was built into the Petrinex system that will identify when a sub-type has not been included (the sub-type number will remain red), and as mentioned earlier, this will be noted by the PAT member during the review of the declaration.

However, it is the AER's expectation that controls for all sub-types are evaluated within a reasonable time frame. This will help raise the AER's level of assurance over compliance with all AER measurement and reporting requirements.

Q: Why do we need to get the declaration signed for a minor administrative change to the declaration?

A: As mentioned earlier in the presentation, we are not sure which submission is going to be approved. Therefore, all declaration reports must be signed and attached to each declaration revision. A signature is required because the signing executive should be aware of any changes made to the legal document. The PAT is conversing with the AER Legal Department to determine whether there are scenarios in which the declaration report may not be required to be signed.

Q: Why are you making us change wording (you are putting words in our mouth)?

A: Comments that are provided when a facility has been identified as either not applicable to a theme or applicable without controls must support the reporting and state WHY a facility isn't applicable or WHY controls do not exist.

Therefore, companies may be required to revise the wording if additional clarification is required.

Q: Will there be EPAP for mining?

A: No, not at this time.

Q: Will there be theme alignment in the near future?

A: No, not at this time. A Theme Subcommittee was created and had met in the past to discuss combining themes for better alignment. When the EPAP on Petrinex initiative began, a decision was made keep the same themes so that all the data could easily be transferred to the new system.

There has been no further discussion to align the themes. In the future we would also need to consider Saskatchewan as a stakeholder.