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Recommendations Part 2 - S/OAS Integration



Royalty and Related Information Review
Task Force Recommendations
January 26, 1998



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Throughout the S - OAS Integration proposal many acronyms are used

- Definitions:
 - S data - refers to the monthly volumetric reports S1, S2, S8, S18, S20 and S21 currently required by the EUB. Recommendations focus on the S8, S20 and S21 (gas gathered volumes, plant inlet volumes and products produced)
 - OAS - refers to the monthly Owner Activity Statement required by the DoE to determine royalty liability
 - PAWS - Product Allocated to Well Statement recommended. This statement is the result of combining the OAS and the S 8,20 and 21 reports
 - IDCS - Integrated Data Capture Process; an automated process to electronically capture the proposed information flows
 - CRIR - proposed centrally located Crown Royalty Interest Registry
 - EDI - Electronic Data Interchange; an electronic mechanism to transmit data

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A number of key business issues were identified during the consultation process

- S data, OAS data and industry-to-industry data has redundancies; external reconciliation activity is difficult and may be unnecessary
- OAS is difficult to manually validate because of a lack of a summary page or totals
- Enforcement of OAS quality is compromised as Industry is not universally using it for its business functions
- Ministry submission deadlines (monthly) are not early enough to meet key industry needs
- Data standards are not enforced
- Stream / owner splits create complex data relationships
- OAS form is seen to be complex

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Six alternative options were identified and analyzed

- 1 Status quo
- 2 Rationalize OAS (to meet Crown data requirements only)
- 3 Develop facility-level OAS (to meet Crown royalty data requirements) and replace all major S-reports with the Facility Activity Statement
- 4 Develop facility-level OAS to replace existing OAS, S-8, 20, 21 reports and replace S-1, 2, 18 with a consolidated field data statement
- 5 Develop facility-level OAS to replace existing OAS, S-8, 20, 21 reports and status quo for S-1, 2, and 18
- 6 Combine all production , ownership and S report information into one submission

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Proposed changes will rationalize some volume reports with an optimized allocation statement

- Alternative 5 (above) - Standardize industry reporting using a Product Allocated to Well Statement, to balance facility totals (S-8, S-20, S-21) to the operator allocated product details (refer to Exhibit 1 on page 94)
- Continued use existing OAS conventions, standards and business rules to capture 100% stream ID data (e.g.. well, unit, cascaded entity)
- Standardized reporting will continue to facilitate electronic transmission of data, building on existing conventions
- Over time, industry product allocation statements may be eliminated as this statement is accepted, trusted and adopted
- Existing EUB field and injection data (S-1, S-2, S-18) will remain unchanged
- S-8, S-20, S-21 (Gas Gathering & Plant) form preparation and administration is eliminated
- DoE will calculate the working interest owner detail using a centrally-controlled Crown Royalty Interest Registry (CRIR), updated by the licensed operator of the producing entity (stream ids - e.g.. well, unit)

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The implementation of the S/OAS Integration Proposal requires business and related system development activity

- Development of an Integrated Data Capture System (IDCS) electronically accessible by all stakeholders. Initially this system would provide data to meet Ministry needs but eventually could provide data for all stakeholder purposes (refer to Exhibit 2, page 95)
- Development of a Crown Royalty Interest Registry (CRIR) updated by the licensed operator of the stream id (e.g. well, unit, well group) and administered by the DoE
- Modify existing royalty calculation and invoice processes to use the above registry
- Modification of existing Ministry information systems to receive and process volumetric data in its revised format
- Training, support and user documentation

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The benefits of the “S/OAS” Integration Proposal are generated from reduced data volumes and the associated errors

- OAS volumes reduced 85% from 11,800 submissions to approximately 1,800 per month
 - Improves data quality (internally balanced document)
 - Facilitates value-added analysis by all stakeholders (ie. verify allocations to streams.)
 - Reduces edit and mis-filing errors associated with working interest owner level detail. Therefore Provisional Assessments are projected to be reduced by an estimated 60 - 70% each month
 - Reduces Industry’s data transmission costs relative to Ministry submissions (savings are estimated to be \$1.5 million annually)
 - Simplifies volumetric balancing - done at higher level (i.e. Stream ids summed to Facility total rather than the current Owner net volumes summed to Facility total)

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Increased information quality will be realized

- Single reporting occurrence captures all gas flow data
 - Eliminates DoE - EUB reconciliation procedures
 - Eliminates need to coordinate input documents (S-reports/OAS)
 - Eliminates redundant data required by existing S report carryforwards
 - Improves accountability for volumetric data capture
- Standardization of Ministry assigned codes (e.g. operator, facility, well ids)
 - Eliminates inconsistent validation (DoE, EUB)
 - Eliminates errors caused by redundant data entry (OAS, S-reports)
- Fifteen day improvement in the invoicing cycle based on monthly timeline (refer to Exhibit 3 on page 96)
- Nil impact on the Freehold Mineral Tax Regime (no changes proposed to the S-1)

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Opportunities for future standardization and the avoidance of capital expenditures will occur

- Facilitates electronic exchange of business information between industry partners
 - Provides basis for future elimination of individual “non standardized” operator allocation statements
- Avoids costs needed to replace EUB Gas Gathering Plant (GGP) system.
 - This technologically obsolete system needs replacement within 1-2 years. These cost-avoidance savings are estimated to be \$500k - \$1M.
- Limited changes in revenue reconciliation procedures

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S/OAS integration requires investment in a data capture system and a royalty interest registry, modifications to third party and Ministry systems

- Development of an integrated data capture system accepting electronic transmissions will cost the Ministry \$2 million
- Modification of existing Ministry processing systems to collect and process the volumetric data in its revised format will have moderate costs (included in the \$2M development above)
- Development of a Ministry managed Crown Royalty Interest Registry will cost approximately \$1.0 million with some minor associated Industry costs
- Restructuring of output (and possibly data bases) from production accounting service vendors was projected to have major costs (details seen to be proprietary)

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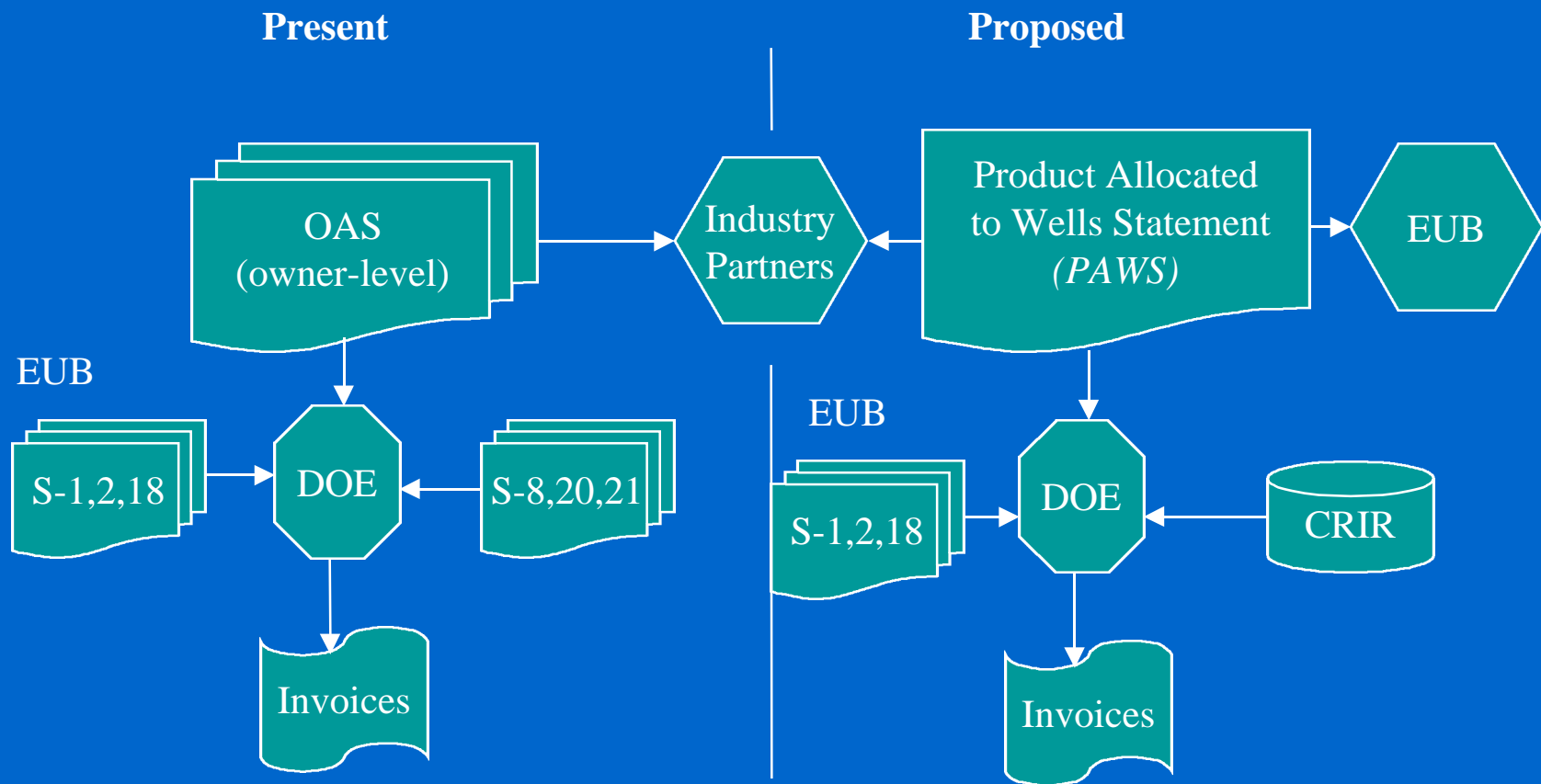
Implementation of the S/OAS Integration Proposal would require 4 major related deliverables

- Product Allocated to Wells Statement development
- Integrated Data Capture System development
- Crown Royalty Interest Registry development
- User interface development

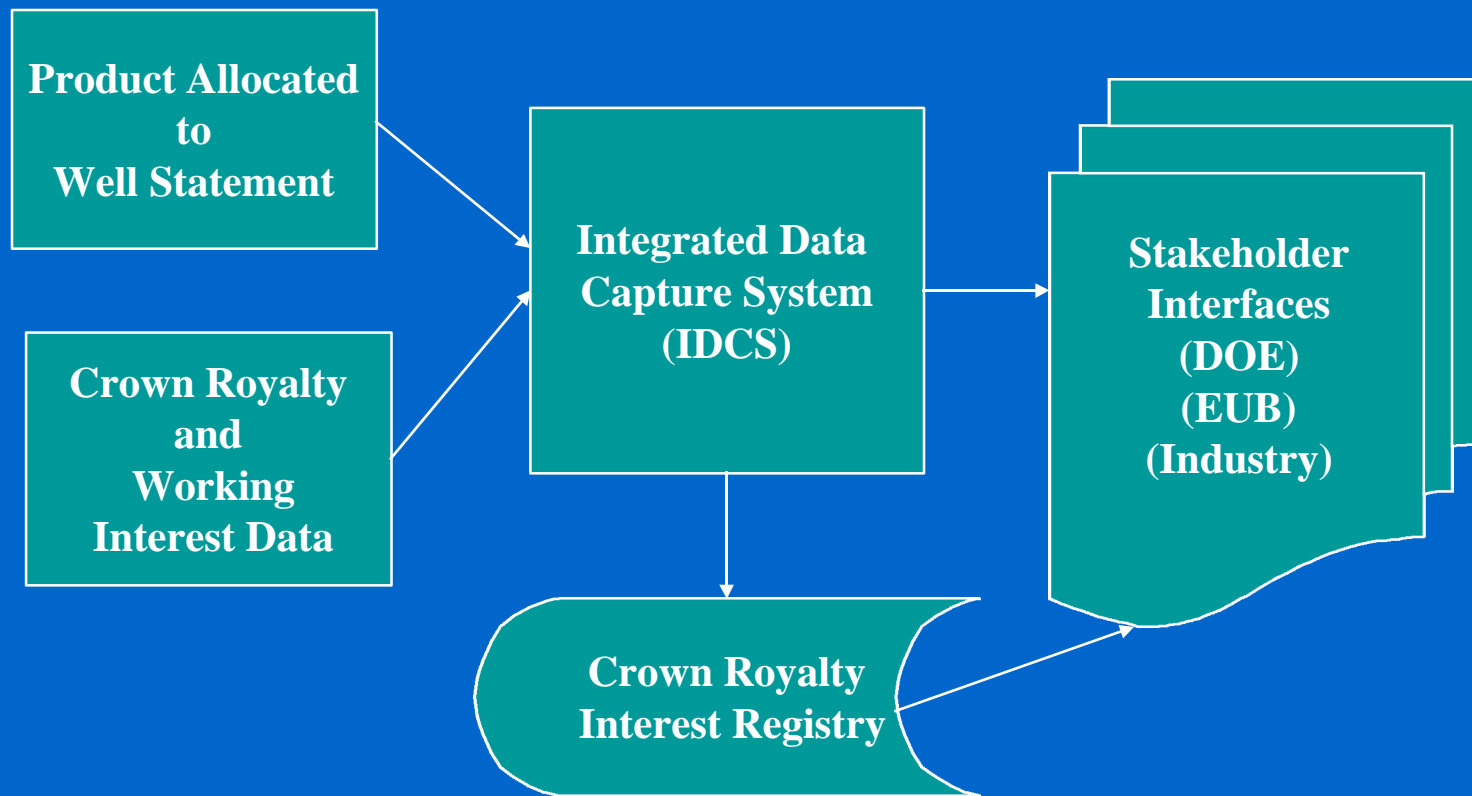
If starting in June 1998, the above could be delivered by the spring of 2000

This proposal has been estimated independently of the Shared Information Registry initiative

S/OAS Integration Proposal Summarized Data Flow Chart



A High-Level IT Flow Chart for PAWS Processing



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The S/OAS Integration Proposed Monthly Timeline

<u>Deliverable</u>	<u>Calendar days after month end</u>
• Shippers Splits/Product Allocation Statement	15-18
• S1, S2, S18 Reports	18
• Registry Updates (CRIR)	20
• PAWS (primary facility)	22
• PAWS (cascaded facility)	29
• Feedback on accuracy of PAWS data	35
• Invoices	45