

Executive Briefing Note for EPAP

The Enhanced Production Audit Program (EPAP) is a new measurement and reporting compliance assurance program that was introduced in:

1. Alberta by the Alberta Energy Regulator (AER) in January 2010.
2. Saskatchewan by the Ministry of the Economy (ECON) in April 2016.

The Alberta Energy Regulator and the Saskatchewan Ministry of the Economy are referred to as the Regulators in this document.

EPAP applies to oil & gas operators who report data to Petrinex. It replaces the current audit program and introduces a new audit methodology for assuring compliance.

All operators are expected to submit their annual EPAP Declaration within the second month after their selected declaration month. This submission occurred for the first time in:

1. Alberta during 2011.
2. Saskatchewan during 2017.

EPAP Goal

The goal of EPAP is to:

1. Reduce noncompliance associated with the Regulators' measurement & reporting requirements.
2. Improve accuracy and completeness of volumetric data.

Operator Implications

EPAP requires operators to:

1. Identify risks of noncompliance
2. Ensure business processes & controls are performed to mitigate risks of noncompliance
3. Evaluate the controls for effectiveness

Corvelle Drives Concepts To Completion

4. Remediate when controls are evaluated as deficient
5. Investigate CAI items on the CAI Report produced for each operator monthly on Petrinex. Operators are to remediate noncompliances uncovered by CAI items

Benefits to Operators

The extent to which the following benefits apply to specific operators is dependent on the size and complexity of their operations:

1. Uncover measurement & reporting gaps
2. Discover unknown revenues
3. Reduce operating costs
4. Increase volumetric data quality
5. Lower the risk of royalty overpayments
6. Mitigate the risk of noncompliance with the Regulators' requirements
7. Achieve higher assurance over the state of compliance with the Regulators' requirements
8. Increase internal communications
9. Enhance operator reputation

Background

The Regulators' substantive audits and field inspections, conducted over many years, suggest that the state of compliance with the Regulators' measurement and reporting requirements varies considerably from operator to operator and from facility to facility.

The Regulators developed EPAP to

1. raise the level of assurance over compliance with the Regulators' measurement and reporting requirements
2. raise the level of compliance with the Regulators' measurement and reporting requirements

Achieving these two goals will also raise the level of assurance over accuracy and completeness of:

1. volumetric data

2. crown royalty invoices

Regulators' EPAP Requirements

This section highlights Regulators' EPAP requirements from:

AB	Directive 076: Operator Declaration Regarding Measurement and Reporting Requirements.
SK	Directive PNG076: Enhanced Production Audit Program (EPAP)

Declaration

EPAP requires that operators annually declare the state of their infrastructure designed to ensure compliance with the Regulators' measure and reporting requirements to a reasonable level of assurance. Operators are not asked to declare that they are fully compliant; only the extent to which they have controls in place that are intended to ensure compliance.

To support the assertions of this declaration, operators are expected to design controls, operate controls and evaluate their controls.

Evaluations of Controls

EPAP requires operators to annually conduct sufficient evaluations of their controls to continue to assure themselves, and the Regulators, that their controls are effective. Where an operator concludes that controls are not effective, the Regulators expect the operator to develop and implement a plan to remediate the deficiencies.

Operators are expected to evaluate sufficient controls so they can declare with a reasonable level of assurance.

Compliance Assessment Indicators (CAI)

Each month the Regulators create a CAI Report for all operators detailing, by facility, issues in the volumetric data that are of concern to the Regulators. The reports do not directly identify noncompliances, but instead list conditions in the [Petrinex](#) data available to the Regulators that suggest there is risk of noncompliance. Operators are encouraged to investigate.

If a noncompliance is discovered, EPAP requires operators to remediate the situation by enhancing the business process and/or the control over that process.

Recommended Operator First Steps

1. Have your User Security Administrator (USA) in Petrinex assign the EPAP roles to your staff that will operate EPAP.
2. Enter the name of your primary contact in the EPAP system in Petrinex.
3. If you wish to change the EPAP Declaration month that the Regulator has assigned you, you can contact the Regulator by email. You can find the name of the person to contact in the EPAP system in Petrinex.
4. Brief your managers and executives, especially those senior executives who will be signing your EPAP Declaration.
5. Enter the name of your senior executives in the EPAP system in Petrinex.

Implementing & Operating EPAP

Operators respond to the EPAP requirements through these steps:

1. Conduct an initial assessment of the state of business processes and controls that affect measurement and reporting.
2. Where deficiencies were identified by the assessment, that create a risk of noncompliance with the Regulators' measurement and reporting requirements, operators must:
 - a. strengthen business processes
 - b. strengthen controls
3. Annually conduct evaluations of controls to:
 - a. Identify business process deficiencies; if any
 - b. Identify where controls are not effective; if any
 - c. Provide a reasonable level of assurance over the state of compliance
4. Annually submit your EPAP Declarations to the Regulators through these steps:
 - a. Enter the statistical summary of your evaluations of controls as Attachment A to the declaration in the EPAP system in Petrinex
 - b. Enter the reasons for no controls as Attachment B to the declaration in the EPAP system in Petrinex
 - c. Print the declaration with attachments in the EPAP system in Petrinex and have your senior executives sign it

- d. Submit the declaration in the EPAP system in Petrinex

At the majority of operators that report to Petrinex, senior executives are likely to have direct knowledge of the state of compliance due to the small number of operated facilities. For these operators, a less formal evaluation of controls will be sufficient and the annual effort will consist primarily of remediating not effective controls and submitting the Declaration.

For more information

At the [EPAP solutions website](#), you can download:

1. Many Corvelle resources that will enhance the effectiveness of your EPAP implementation project.
2. This document.
3. The description of the EPAP implementation services that Corvelle offers.
4. Links to EPAP resources offered by other organizations.

At the [AER website](#) you can download the:

1. Related Bulletin 2009-17 that announced the start of EPAP.
2. [Directive 076: Operator Declaration Regarding Measurement and Reporting Requirements](#).
3. [Operator's Handbook](#) that is designed specifically for large operators.
4. Useful EPAP-related documents and links.

At the [ECON website](#) you can download:

1. The EPAP letter that introduced ECON's intention to implement EPAP.
2. [Directive PNG076: Enhanced Production Audit Program \(EPAP\)](#)
3. [Guideline PNG028: Initiating and Operating the Enhanced Production Audit Program \(EPAP\)](#)
4. The list of:
 - a. CAIs & Declaration Themes
 - b. Noncompliance Events

Regulators' Measurement and Reporting Requirements

The Enhanced Production Audit Program (EPAP) is a new measurement and reporting compliance assurance program that applies to the measurement and reporting requirements described in the documents listed here.

Regulators' Measurement Requirements

AB	Directive 017: Measurement Requirements for Oil and Gas Operations
SK	Directive PNG017: Measurement Requirements for Oil and Gas Operations

Directive PNG017 is fully harmonized. This means the contents apply in both Saskatchewan and Alberta.

Regulators' Reporting Requirements

AB	Directive 007: Volumetric and Infrastructure Requirements Manual 011: How to Submit Volumetric Data to the AER
SK	Directive R01: Volumetric, Valuation and Infrastructure Reporting (Petrinex)

Contact Corvelle

To invite a Corvelle consultant to your office to present the Executive Briefing Note for EPAP, please [contact us](#).