



Enhanced Production Audit Program

Directive PNG076

April 1, 2016

Version 3.0

Governing Legislation:

Act: *The Oil and Gas Conservation Act*

Regulation: *The Oil and Gas Conservation Regulations, 2012*

Minister's Order: MRO 48-16

Record of Change

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1. Introduction

1.1 Purpose

This Directive applies to all Business Associates that operate facilities that are subject to the Regulator's measurement and reporting requirements but does not apply to mineable oil sands.

This directive sets out requirements for operators to declare the degree to which they have infrastructure in place to ensure compliance with the Regulator's measurement and reporting requirements.

This directive does not include instructions on how the volumes are to be measured or reported to the Regulator.

Measurement requirements are described in these documents:

SK	<i>Directive PNG017: Measurement Requirements for Oil and Gas Operations</i>
AB	<i>Directive 017: Measurement Requirements for Oil and Gas Operations</i> <i>Directive 060: Upstream Petroleum Industry Flaring, Incinerating, and Venting</i>

Reporting requirements are described in these documents:

SK	<i>Directive R01: Volumetric, Valuation and Infrastructure Reporting in Petrinex</i>
AB	<i>Directive 007: Volumetric and Infrastructure Requirements¹</i>

If requirements in previously issued regulator documents such as directives, interim directives, informational letters, and guidelines conflict with the requirements in this directive, the requirements in this Directive supersede the prior requirements.

1.2 Interpretation

Directive PNG076: Enhanced Production Audit Program (EPAP) includes requirements that are applicable to oil and gas operations in Saskatchewan. Similar requirements exist in Alberta as per the Alberta Energy Regulator's (AER) *Directive 076: Operator Declaration Regarding Measurement and Reporting Requirements*. It is intended that these related directives shall form the basis of a harmonized regulatory document for both jurisdictions. As a result, the term Regulator is referenced throughout the document which refers to the Saskatchewan Ministry of the Economy (ECON) in Saskatchewan and the AER in Alberta. The vast majority of EPAP requirements are identical in both jurisdictions. In situations where requirements or other references differ between the two jurisdictions, the requirement or reference that is applicable in each jurisdiction is listed separately in a box, as shown below. Wells and facilities operated in Saskatchewan must comply with any requirement specified in the SK box. The Alberta information is provided for informational purposes only and subject to change without notice.

¹ AER also publishes [*Manual 011: How to Submit Volumetric Data to the AER*](#) that is helpful to understand how the reporting requirements manifest themselves in entering data in Petrinex.

Province	Requirement or Source Reference
SK	Requirement or information applicable to Saskatchewan
AB	Requirement or information applicable to Alberta

1.3 What's new in this edition

This edition includes changes to the cover page and several other formatting changes to match other ECON directives. These changes include the cover page and document's header & footer content.

Some definitions have been removed or adjusted to more accurately reflect subject matter.

1.4 Directive organization

Each requirement in this directive is clearly identified under a heading. The associated text provides supporting explanations and context.

Each requirement has been highlighted by an indented box as illustrated here.

1.5 Definitions

See section 12 for definitions to the various key terms in this document.

1.6 Compliance Assurance

The Regulator's requirements are those rules that an operator as specified in legislation such as a licensee, owner, lessee, applicant, approval holder, or permit holder is required to follow. The term "must" indicates a requirement, while the term "may" indicates an acceptable practice.

Noncompliance with any requirement may result in the operator receiving a response from the Regulator in accordance with the following:

SK	<i>Section 13 of Directive PNG076: Compliance Assurance Process</i>
AB	Directive 019: Compliance Assurance

The Regulator requires all operators to proactively monitor their compliance with the Regulator's requirements. If an operator identifies a noncompliance, the operator may inform² the Regulator of the noncompliance for consideration under the Regulator's Voluntary Self-Disclosure Policy:

SK	<i>Section 14 of Directive PNG076: Voluntary Self-Disclosure Policy</i>
AB	Directive 019: Compliance Assurance - <i>Voluntary Self-Disclosure policy</i>

The Regulator regulates measurement and reporting based on:

² The EPAP functionality on Petrinex contains Voluntary Self-Disclosure functionality to inform the Regulator of the noncompliance.

SK	<u>The Oil and Gas Conservation Regulations, 2012</u>
AB	<u>Part 14 of the Oil and Gas Conservation Rules</u>

The Regulator may direct an operator, via the workflow process in Petrinex, to implement changes to improve the design or operation of controls or evaluation processes, and this direction will become a condition of operation for that operator.

1.7 Enhanced Production Audit Program

This directive implements the Regulator's Enhanced Production Audit Program (EPAP) that is designed to:

1. Provide a reasonable level of assurance that the reported volumetric data are accurate and complete; and
2. Ensure continuous improvement in the level of compliance with the Regulator's measurement and reporting requirements.

The major components of EPAP, for which related requirements are described in this directive, include:

1. Declarations;
2. Controls;
3. Evaluation of Controls;
4. Remediation arising from evaluations of controls;
5. Investigation of other situations;
6. Compliance Assessment Indicators (CAIs);
7. Workflows; and
8. Enforcement actions.

The Regulator:

1. Administers EPAP and this directive;
2. Monitors and analyzes data submitted to Petrinex or directly to the Regulator;
3. Provides information when appropriate to operators in support of continuous improvement of their ability to maintain or improve compliance with regulatory requirements;
4. Escalates EPAP reporting requirements when required to resolve outstanding issues; and
5. Conducts controls-based or substantive audits when circumstances warrant.

Through EPAP, the Regulator will significantly reduce its reliance on substantive audits in favour of relying on the effectiveness of every operator's controls to improve compliance with the Regulator's measurement and reporting requirements. Operators are expected to:

1. Design, operate, and evaluate controls to ensure compliance with the Regulator's measurement and reporting requirements; and
2. Maintain sufficient documentation to support their design of controls and evaluation of controls.

This directive is supplemented by the following documents that contain acceptable practice for initiating and maintaining compliance with the requirements in this directive:

SK	<u>Guideline PNG028: Initiating and Operating Enhanced Production Audit Program (EPAP)</u>
AB	AER <u>EPAP Operator's Handbook</u>

While enforcement action is not applicable to acceptable practice, operators are encouraged to consider these documents.

2 Declaration Regarding the Regulator's Measurement and Reporting Requirements

EPAP requires that each operator's senior executives submit an annual declaration attesting to the state of their controls designed to ensure compliance with Directive PNG017. The declaration includes reporting on the existence of controls and the results of the evaluation of controls. The results of the evaluation of controls are entered by EPAP reporting theme in Petrinex using the EPAP functionality. EPAP reporting themes are measurement or reporting categories that may encompass several related business processes, measurement, and reporting requirements. The list of EPAP reporting themes can be displayed in Petrinex and is available from the following sources:

SK	<u>Guideline PNG028: Initiating and Operating Enhanced Production Audit Program (EPAP) Appendix 7 - EPAP Reporting Themes</u>
AB	AER <u>EPAP Operator's Handbook</u>

All declarations that are noncompliant with any requirement in this directive, other than the trial declaration, will be subject to enforcement action.

2.1 Annual declaration

An operator must submit a *Declaration Regarding the Regulator's Measurement and Reporting Requirements* to the Regulator every year.

The wording of the declaration and descriptions of the attachments are shown in Section 11.

2.2 Period covered by a declaration

An operator's declaration must cover the 12 calendar months ending in the operator's declaration month and must be submitted no later than the last day of the second month following the declaration period.

Notwithstanding the above requirement, an operator's trial declaration may cover a period of less than twelve calendar months.

2.3 Trial declaration

The Regulator:

1. Encourages operators to initiate and test their EPAP processes early through the submission of a trial declaration.
2. Will provide feedback to operators on the reasonableness of the trial declaration.

SK	<p>An operator that has:</p> <ol style="list-style-type: none"> 1. Submitted volumetric data to Petrinex for production months prior to January 2016, may submit a trial declaration during the period April 1, 2016 to November 30, 2016, and 2. Not submitted volumetric data to Petrinex for production months prior to January 2016, may submit a trial declaration within the first year of the operator’s first volumetric data submission to Petrinex.
AB	<p>The opportunity to submit a trial declaration no longer applies to existing operators because this directive has been in effect since January 4, 2010 and existing operators have already submitted their first declaration.</p> <p>However, a new operator is encouraged to submit a trial declaration within the first year of the operator’s first volumetric data submission to Petrinex.</p>

2.4 First declaration

As part of the implementation of EPAP, operators must submit their first declaration as follows:

SK	<p>An operator that has submitted volumetric data to Petrinex for production months prior to January 2016 must submit its first declaration prior to March 1, 2018 based on its declaration month.</p> <p>An operator that has not submitted volumetric data to Petrinex for production months prior to January 2016 must submit its first declaration within two years of its first volumetric data submission to Petrinex based on its declaration month.</p>
AB	<p>This requirement no longer applies to existing operators because this directive has been in effect since January 4, 2010 and existing operators have already submitted their first declaration.</p> <p>A new operators must submit its first declaration within two years of its first volumetric data submission to Petrinex based on its declaration month.</p>

The details of the declaration are described in Section 11 EPAP Declaration Components.

A trial declaration is not considered a first declaration.

2.5 Declaration month

The declaration month for each operator is determined as follows:

SK	<p>The Regulator will choose a declaration month for each operator. The Regulator may honour a request for a different declaration month if the request is received at the time of a submission of a trial declaration.</p> <p>If a request for a different declaration month is made without the submission of a trial declaration, the Regulator may honour the request if the declaration month meets the resourcing capacity of the Regulator.</p> <p>Once an operator’s declaration month has been chosen, whether by the operator or by the Regulator, it can be changed only after the 2017 calendar year by request via e-mail to the Regulator. The Regulator reserves the right to approve or deny such a request.</p>
AB	<p>Once an operator’s declaration month has been chosen, whether by the operator or by the AER, it can be changed only by request in writing to the AER. The AER reserves the right to approve or deny such a request.</p>

2.6 Impact of mergers or acquisitions

If an operator merges with or acquires another operator, declarations must continue to be submitted to the Regulator for subsequent declaration periods by the surviving Business Associate in Petrinex in accordance with the declaration month of the surviving Business Associate.

A request to change the declaration month must be made via e-mail to the PNG.Support@gov.sk.ca.

2.7 Form of declaration

An operator must submit its annual declaration with its attachments electronically using the EPAP functionality in Petrinex.

A declaration in any other form is not considered a valid declaration.

The declaration with its attachments are generated based on data:

1. Applicable to the operator in Petrinex, and
2. Entered into the EPAP functionality in Petrinex by the operator for the declaration period.

2.8 Declaration Signatories

An operator must submit its annual declaration on behalf of and in the name of the active senior executives selected in Petrinex.

The declaration must be reviewed and signed by one or more senior executives with provincial authority for field operations and production accounting in the applicable jurisdiction.

For many operators, senior executives with provincial authority will be the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO).

Operators may choose to review section 4.3 of the AER *EPAP Operator's Handbook* for further information.

2.9 Submission of declarations

As proof of electronic submission of a declaration, the operator must submit a copy of the signed declaration, including all attachments, to the Regulator using the EPAP functionality in Petrinex.

2.10 Scope of declaration

An operator must ensure that the declaration includes all facilities operated by the operator at the end of the declaration period.

Declarations cover all facilities that are operated by a Business Associate at the end of the declaration period and that reported volumetric activity during the declaration period, regardless of the size of the facility or when it was acquired.

The Regulator recognizes that controls for a particular requirement may not be the same at all facilities and that newly acquired facilities may not yet be integrated into an operator's normal operations. Nonetheless, the operator is responsible for compliance with the Regulator's requirements at all facilities at all times.

As additional evidence of efforts to ensure compliance, an operator's assertions in the declaration may include knowledge of evaluations of controls conducted by the operator at facilities that are no longer operated by the operator at the end of the declaration period³.

3 Controls

3.1 Design of controls

An operator must design controls to ensure compliance with Directive PNG017.

This directive does not prescribe specific controls or their degree of complexity. Operators are to design controls:

1. Using judgment;

³ These evaluations of controls will not be included in the attachments to the declaration because the facilities were divested. However, these evaluations of controls still contribute to the operator's overall level of assurance.

2. Acting reasonably; and
3. Giving consideration to various factors particular to the operation, including size, nature of business, and complexity.

The *Guideline PNG028* provides suggestions and acceptable practice that may be adopted as appropriate. Additional detail is available in the *AER EPAP Operator's Handbook*.

3.2 Operation of controls

An operator must operate and maintain controls to ensure compliance with the Regulator's applicable measurement and reporting requirements.

An operator must maintain sufficient evidence of the operation of controls to ensure that the evaluation of controls can arrive at a reasonable conclusion about their effectiveness.

This directive does not prescribe evidence requirements for the operation of controls. The following documents provide suggestions and acceptable practice that operators may adopt as appropriate:

SK	<i>Guideline PNG028: Initiating and Operating Enhanced Production Audit Program (EPAP).</i>
AB	AER <i>EPAP Operator's Handbook.</i>

3.3 Disclosure regarding facilities for which there are no controls

An operator must declare the facilities for which the operator does not have controls with respect to Directive PNG017 and provide an explanation as to why there are no controls as part of its declaration submission through the EPAP functionality in Petrinex.

It is reasonable to not have controls that ensure compliance with a particular EPAP reporting theme or requirement at a particular facility if:

1. A specific EPAP reporting theme does not apply to that facility; or
2. A specific scenario, as described in Section 5 Site-specific Deviation from Base Requirements, of the applicable Directive:

SK	<i>Directive PNG017: Measurement Requirements for Oil and Gas Operations</i>
AB	<i>Directive 017: Measurement Requirements for Oil and Gas Operations</i>

applies to that facility, or

3. The Regulator has authorized a measurement exemption regarding a requirement at that facility. In this case, the operator must consider the necessity of controls to address the conditions of the associated exemption approval.

3.4 Retention and provision of controls documentation

An operator must maintain up-to-date documentation on controls with respect to measurement and reporting requirements and on the procedures used to evaluate their effectiveness.

This documentation must be provided electronically on request, via the EPAP workflow functionality in Petrinex, to the Regulator.

The documentation is evidence of the completeness of the operator's control environment as asserted in the EPAP Declaration. Control documentation is typically a part of business process documentation. The documentation is useful to:

1. Understand control deficiencies leading to strengthening the design of controls.
2. Plan changes to the design of controls in response to changes in Regulator requirements and business processes.

4 Evaluation of Controls

4.1 Conducting evaluations of controls

Every year, an operator must conduct reasonable and adequate evaluations of controls with respect to the Directive PNG017.

While the scope of evaluations may vary depending on operator size and business focus, a reasonable effort is required each year.

This Directive does not specify how the effectiveness of controls is to be evaluated. The AER *EPAP Operator's Handbook* contains guidelines that are useful in conducting such evaluations.

Operators are to provide the Regulator with a reasonable level of assurance that they are, in fact, conducting adequate evaluations of controls. The Regulator does not normally need to know the details of the results obtained every year, but the Regulator is informed that evaluations of controls are being conducted and that the results are being assessed through the assertions in the declaration.

4.2 Disclosure regarding evaluations of controls

An operator must declare the number of facilities where evaluations of controls were conducted during the declaration period, the number of those evaluations where the controls were deemed effective, and the operator's assessment of whether or not the risk of noncompliance with the requirements is addressed.

4.3 Retention and provision of evaluation of controls results

An operator must prepare and retain, for a period of three years, documentation on the processes followed and the results obtained for each instance of evaluation of controls.

This documentation must be provided electronically on request, via the EPAP workflow functionality in Petrinex, to the Regulator.

The documentation is evidence that the evaluations of controls were conducted by the operator as asserted in the EPAP declaration. The documentation is useful to plan:

1. Remediation work as described in section 5; and
2. Evaluations of controls for subsequent years.

5 Remediation arising from evaluations of controls

5.1 Remediation of control deficiencies

If an operator's evaluation of controls concludes controls as deficient, the operator must prepare a reasonable remediation plan and execute the remediation plan within a reasonable time period for all control deficiencies.

Reasonable remediation may consist of one or more of the following elements:

1. Strengthening the existing control sufficiently so it can mitigate the risk of noncompliance;
2. Introducing a new control; and
3. Correcting a weakness in the design of the underlying business process.

5.2 Retention and provision of remediation work

An operator must prepare and retain, for a period of three years, documentation on the remediation plan and the work being performed.

This documentation must be provided electronically on request, via the EPAP workflow functionality in Petrinex.

The documentation is evidence that remediation work is being performed by the operator as asserted in the EPAP Declaration. The documentation is useful for:

1. Planning future remediation work; and
2. Reviewing remediation work completed in the case of a challenge to the work's adequacy.

6 Investigation of other situations

6.1 Investigation

If the Regulator identifies situations that indicate the possibility of noncompliance with Directive PNG017, the Regulator may create a workflow item in Petrinex to direct the operator to investigate.

The operator must investigate the situation described in the regulator-initiated workflow item and determine if the situation is compliant or warrants remediation.

The operator must report conclusions and recommended remediation, if any, on the workflow item in Petrinex.

6.2 Remediation of other situations

If remediation is required, the operator must prepare and implement a reasonable remediation plan.

The operator must report the remediation plan on a workflow item in Petrinex.

The operator must report the progress of the implementation of the remediation plan on the Regulator-created workflow item in Petrinex.

6.3 Retention and provision of remediation work

An operator must prepare and retain, for a period of three years, documentation on the remediation work that has been performed.

This documentation must be provided electronically on request, via a workflow item in Petrinex.

The documentation is evidence that remediation work was performed by the operator as asserted in the workflow item. The documentation is useful for:

1. Planning future remediation work; and
2. Reviewing remediation work completed in the case of a challenge to the work's adequacy.

7 Compliance Assessment Indicators

The EPAP functionality in Petrinex generates a CAI Report monthly for every operator. Items on the CAI Report are indicators of possible measurement and reporting noncompliance and may or may not represent actual noncompliance situations.

In providing this report, the Regulator's goal is to raise the level of compliance with measurement and reporting requirements through continuous improvement.

Operators are encouraged to investigate and resolve CAI items. A decrease in the number of items on the CAI Report, over time, is generally an indicator of successful continuous improvement. The number of CAI items and the trend in the number of CAI items over time contribute to the level of assurance with respect to compliance with the Regulator's measurement and reporting requirements.

The Regulator may create a workflow item in Petrinex to direct the operator to investigate a particular CAI item.

The list of Compliance Assessment Indicators (CAIs) that the Regulator uses to generate the monthly CAI Report can be downloaded at the Ministry and AER websites:

SK	http://www.publications.gov.sk.ca/deplist.cfm?d=310&c=4643
AB	www.aer.ca/documents/projects/epap/EPAP_ComplianceAssessmentIndicators.xlsx

8 EPAP workflows

Operators must respond to direction issued by the Regulator via the EPAP workflow functionality in Petrinex.

The Regulator uses the EPAP workflow functionality in Petrinex to give direction to individual operators. Operators use the EPAP workflow functionality to provide responses to the Regulator direction.

Guidance on the role of EPAP workflow items in EPAP operations is provided in:

SK	<u>Guideline PNG028: Initiating and Operating Enhanced Production Audit Program (EPAP)</u>
AB	AER <u>EPAP Operator's Handbook – future version</u>

See the Petrinex help system for details on how to use the EPAP workflow functionality.

9 Enforcement action

The Regulator invokes the enforcement actions of the compliance assurance process when the operator fails to comply with the Regulator's requirements or fails to respond to the Regulator's follow-up on direction described in a workflow item. The compliance assurance process is defined as follows:

SK	<i>Section 13 of Directive PNG076: Compliance Assurance</i>
AB	<u>Directive 019: Compliance Assurance</u>

10 Regulator notice

The creation of a workflow item in Petrinex by the Regulator, directed to the operator, constitutes notice of Regulator direction for the purposes of this directive.

11 EPAP Declaration Components

11.1 EPAP Declaration Text

SK	<p style="text-align: center;">Declaration Regarding Regulator Measurement and Reporting Requirements</p> <p>I/We, <Name >, the <title> and <Name >, the <title> on behalf of <BA Name> (the “Operator”), declare the following:</p> <ol style="list-style-type: none"> 1. This declaration covers the 12 calendar months ending <declaration Month and Year>. 2. I am a/We are senior executive(s) of the Operator with responsibility that includes all of the Operator’s Saskatchewan facilities and with the authority to direct resources. 3. I/We directly or through those I/we supervise have a competent understanding of the Regulator’s measurement and reporting requirements. 4. I/We recognize my/our responsibility for ensuring compliance with measurement and reporting requirements. 5. I/We recognize that Compliance Assessment Indicator (CAI) items on the CAI Report provide useful information to assess compliance with measurement and reporting requirements. 6. I/We recognize that the Regulator has recently introduced <i>Directive PNG017: Measurement Requirements for Oil and Gas Operations</i> that describes measurement requirements in more detail. 7. I/We have committed appropriate resourcing to ensure measurement and reporting remediation at our facilities for the following one-year periods: <ul style="list-style-type: none"> Period ending on March 31, 2017 25% implemented Period ending on March 31, 2018 50% implemented Period ending on March 31, 2019 75% implemented Period ending on March 31, 2020 100% implemented 8. I/We recognize the authority of the Regulator to make measurement and reporting requirements and enforce compliance with them. 9. I/We have ensured that there are controls within the organization designed to provide a reasonable, though not necessarily absolute, level of assurance with respect to compliance with the Regulator’s measurement and reporting requirements. 10. The Operator follows a process within its organization to evaluate the effectiveness of controls and the results of the evaluations conducted during this declaration period and conclusions based on these results are
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	<p>fairly portrayed in Attachment A.</p> <ol style="list-style-type: none"> 11. Where the Operator does not have controls in place to ensure compliance with applicable Regulator requirements, explanations as to why having no controls is appropriate are provided in Attachment B. 12. Where there is insufficient reason for not having controls, the Operator has prepared and is implementing appropriate controls. 13. Where the scope, number, or process of evaluations of controls the Operator has conducted during the declaration period is not sufficient to provide a reasonable level of assurance with respect to the effectiveness of its controls, the Operator has prepared and is implementing changes to our evaluation of controls plans. 14. Where the evaluations of controls have identified deficiencies in the controls, as documented in Attachment A, the Operator has prepared and is implementing changes to remediate those deficiencies. 15. I/We commit that appropriate resourcing will be provided to execute and measure progress of our remediation plans that are cited above. <p>For further information or clarification, please contact <Name of Industry Primary Contact>.</p> <p>The last date for submission of this declaration is the last day of <Due Date Month and Year>.</p> <p><Signature> <Name> <Title> Date signed:</p> <p><Signature> <Name> <Title> Date signed: Printed: <Date></p>
<p>AB</p>	<p style="text-align: center;">Declaration Regarding AER Measurement and Reporting Requirements</p> <p>I/We, <Name >, the <title> and <Name >, the <title> on behalf of <BA Name> (the "Operator"), declare the following:</p> <ol style="list-style-type: none"> 1. This declaration covers the 12 calendar months ending <declaration Month and Year>. 2. I am a/We are senior executive(s) of the Operator with responsibility that includes all of the Operator's Alberta facilities and with the authority to direct resources. 3. I/We directly or through those I/we supervise have a competent

	<p>understanding of the AER measurement and reporting requirements.</p> <ol style="list-style-type: none">4. I/We recognize my/our responsibility for ensuring compliance with measurement and reporting requirements.5. I/We recognize the authority of the AER to make such requirements and enforce compliance with them.6. I/We have ensured that there are controls within the organization designed to provide a reasonable, though not necessarily absolute, level of assurance over compliance with AER measurement and reporting requirements.7. The Operator follows a process within its organization to evaluate the effectiveness of controls. The results of the evaluations conducted during this declaration period and conclusions based on these results are fairly portrayed in Attachment A.8. Where the Operator does not have controls in place to ensure compliance with certain AER requirements, explanations as to why having no controls is appropriate are provided in Attachment B.9. Where there is insufficient reason for not having controls, the Operator has prepared and is implementing appropriate controls.10. Where the scope, number, or process of evaluations of controls the Operator has conducted during the declaration period is not sufficient to provide a reasonable level of assurance over the effectiveness of its controls, the Operator has prepared and is implementing changes to our evaluation of controls plans.11. Where the evaluations of controls have identified deficiencies in the controls, as documented in Attachment A, the Operator has prepared and is implementing changes to remediate those deficiencies.12. I/We commit that appropriate resourcing will be provided to execute and measure progress of our remediation plans that are cited above. <p>For further information or clarification, please contact <Name of Industry Primary Contact>.</p> <p>The last date for submission of this declaration is the last day of <Due Date Month and Year>.</p> <p><Signature> <Name> <Title> Date signed:</p> <p><Signature> <Name> <Title> Date signed: Printed: <Date></p>
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Note: Declarations are made through the EPAP functionality in Petrinex. The EPAP functionality will generate the appropriate words for the declaration and the three attachments, described below, based on the applicable data. The example declaration shown above indicates two Declaration Signatories. The number that an operator's declaration will show depends on the number of active Declaration Signatories selected in Petrinex by the operator.

See the AER *EPAP Operator's Handbook* for explanations and detailed examples of the attachments.

11.2 Attachment A. Summary of Evaluation of Controls

This attachment shows summary control information for each EPAP reporting theme.

This attachment is generated in Petrinex based on data entered by the operator.

11.3 Attachment B. Facilities not covered by Controls

This attachment lists all facilities, by EPAP reporting theme, that the operator indicates:

1. Have No Controls.
2. Are Not Applicable.

This attachment displays the explanations provided by the operator for each facility.

11.4 Attachment C. Facilities Operated

This attachment indicates the number of facilities, by facility subtype, operated by the operator at the end of the declaration period.

This attachment is generated in Petrinex based on applicable data for the operator as of the end of the declaration period.

12 Definitions

For the purpose of this directive, the following definitions are used. For more details, please see:

SK	Guideline PNG028: Initiating and Operating Enhanced Production Audit Program (EPAP)
AB	AER EPAP Operator's Handbook

Business process: A sequence of related, structured tasks that achieve a specific business goal.

Company-level controls: Controls that apply to all facilities and are typically performed centrally.

Compliance Assessment Indicator (CAI): An indicator to identify situations where data submitted by an operator may be non-compliant with regulator requirements. Compliance assessment indicators are not noncompliance events.

CAI Report: A report that contains all the CAI items for a particular operator. A CAI item is a unique occurrence of a CAI for a specific operator during a specific production month at a particular facility.

Control: A process designed to provide a reasonable level of assurance that the underlying business process is operating as designed. In an EPAP context, a control ensures compliance with the Regulator's measurement and reporting requirements.

Control deficiency: The state that exists when controls do not provide a reasonable level of assurance of compliance with the Regulator's measurement and reporting requirements. The reason for the deficiency can exist either in the control or in the underlying business process.

Declaration period: The 12 calendar months that the declaration is to cover, ending with the assigned declaration month.

Declaration month: The last calendar month of the declaration period.

Declaration signatories: The senior executives assigned by an operator to sign the declaration.

Enhanced Production Audit Program (EPAP): An audit program designed to:

1. Provide a reasonable level of assurance that the reported volumetric data is accurate and complete in accordance with the Regulator's requirements; and
2. Ensure continuous improvement in the level of compliance with the Regulator's measurement and reporting requirements.

EPAP Reporting theme: A measurement or reporting category that may encompass several related business processes, related measurement, and reporting requirements. All EPAP reporting themes are listed on Attachment A of the declaration. For each EPAP reporting theme, operators are required to develop, operate, evaluate, and remediate, if required, controls that mitigate the risk of noncompliance with the associated Regulator's requirements.

EPAP Reporting Theme conclusion: Upon evaluating all the controls associated with an EPAP reporting theme, the evaluator will reach a conclusion of Acceptable, Deficient, Not Applicable or Not Evaluated.

Evaluations of controls: The process by which an operator evaluates the effectiveness of the design and operation of a control in addressing the risk of noncompliance. The evaluation of controls may include assessing:

1. The effectiveness of the underlying business process.
2. Evidence of control performance.

Evaluation of control conclusion: Upon evaluating a control, the evaluator will reach a conclusion of Effective, Not Effective or Not Applicable.

Evaluator: The person conducting the evaluation of controls.

Facility:

SK	<p>A building, structure, installation, equipment, or appurtenance that is connected to or associated with the recovery, development, production, storage, handling, processing, treatment or disposal of oil, gas, water, products or other substances, that are produced from or injected into a well, but does not include a pipeline.</p> <p><i>Source: The Oil and Gas Conservation Regulations, 2012 and Directive PNG017</i></p>
AB	<p>Any building, structure, installation, equipment, or appurtenance over which the Regulator has jurisdiction and that is connected to or associated with the recovery, development, production, handling, processing, treatment, or disposal of hydrocarbon-based resources or any associated substances or wastes, including wells. Note that for the purposes of this directive, the definition of facility focuses on facilities for which data are reported to Petrinex or the Regulator, and includes wells.</p>

Infrastructure: The environment in the organization established by the senior executives in response to the needs of the organization in addressing the Regulator’s requirements by:

1. Developing effective organizational structure, procedure manuals, operating instructions, job descriptions, and training materials that define authority and responsibility,
2. Communicating management’s philosophy, codes of conduct, and operating style to all the employees and evidence that employees have confirmed their knowledge and understanding,
3. Enhancing integrity, ethics, and competence of all the employees,
4. Managing effectively the internal and external influences that affect the operator's operations, and
5. Establishing effective human resource policies and procedures for hiring and managing the employees.

Measurement and reporting requirements:

Measurement requirements are described in these documents:

SK	Directive PNG017: Measurement Requirements for Oil and Gas Operations
AB	Directive 017: Measurement Requirements for Oil and Gas Operations Directive 060: Upstream Petroleum Industry Flaring, Incinerating, and Venting

Reporting requirements are described in these documents:

SK	Directive R01: Volumetric, Valuation and Infrastructure Reporting in Petrinex
AB	Directive 007: Volumetric and Infrastructure Requirements⁴

If requirements in previously issued regulator documents such as directives, interim directives, informational letters, and guidelines conflict with the requirements in this directive, the requirements in this Directive supersede the prior requirements.

Noncompliance events (NCE's): Measurement and reporting events that the regulator has determined are noncompliances with respect to the regulator's measurement and reporting requirements. The list of NCE's can be downloaded from:

SK	http://www.publications.gov.sk.ca/deplist.cfm?d=310&c=4643
AB	https://www.aer.ca/compliance-and-enforcement/risk-assessed-noncompliance

The list of NCE's can be displayed on the VSD screen in Petrinex.

Operator:

SK	<p>means:</p> <ul style="list-style-type: none"> i. a person who, as owner, licensee, lessee, sublessee or assignee, has the right to carry on drilling, construction, operation, decommissioning or abandonment of a well or facility and the reclamation of the well or facility site; ii. a contractor who on behalf of the person mentioned in subclause i. engages in any of the activities described in that subclause; or iii. the person designated by the minister as the operator of the well or facility. <p>Source: <i>The Oil and Gas Conservation Regulations, 2012</i></p>
AB	The person or organization who keeps records and submits production reports to Petrinex or the Regulator for a facility, whether or not that

⁴ AER also publishes [Manual 011: How to Submit Volumetric Data to the AER](#) that is helpful to understand how the reporting requirements manifest themselves in entering data in Petrinex.

	<p>organization is the sole licensee or approval holder for all parts of the facility. “Operator” is synonymous with “Operator of Record” as used by Petrinex. Note that for the purposes of measurement and reporting, the emphasis is on the organization that reports to Petrinex or the Regulator, not the organization that may control or undertake the day-to-day operations and activities at all or part of a facility.</p>
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Petrinex: The information technology system that is used by the Regulator to provide services that facilitate fast, standardized, safe and accurate management/exchange of key volumetric, royalty and commercial information associated with the upstream petroleum sector. Petrinex utilizes a web-based system for its automated business functions and processes as found at <http://www.petrinex.ca/>

Reasonable level of assurance: Level of assurance is the degree of confidence one has in a statement. A reasonable level of assurance does not mean absolute assurance and might not even mean a very high level of assurance, but it is enough, for all practical purposes, to make senior executives comfortable with signing the declaration. What is reasonable depends on many factors, including the executive, the organizational culture, and the resources required to increase the level of assurance.

Regulator:

SK	<p>The Ministry of the Economy is the Regulator that administers <i>The Oil and Gas Conservation Act</i> that allows orderly exploration for, and development of, oil and gas in the province and optimizes recovery of these resources.</p>
AB	<p>The Alberta Energy Regulator, or AER, ensures the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources over their entire life cycle.</p> <p>This includes allocating and conserving water resources, managing public lands, and protecting the environment while providing economic benefits for all Albertans.</p>

Remediation: A process undertaken by an operator’s management to:

1. Correct control deficiencies identified by the operator during the evaluation of controls; and
2. Correct deficiencies identified by the Regulator.

Senior executive: The person within the operator’s management who holds provincial authority to direct resources to execute and measure progress of:

1. The evaluations of controls, and
2. Remediation of deficiencies.

Workflow: Petrinex functionality to manage the interaction and flow of information between the Regulator and an operator.

All other definitions can be found in Directive PNG017

13 Compliance Assurance Process

This Section applies only to Saskatchewan.

This Section describes the compliance assurance process introduced in Section 1.3.

The Regulator may invoke the compliance assurance process in the event that the Regulator is not satisfied with the operator response to workflow items.

13.1 Regulator expectation

The Regulator encourages all operators to actively maintain their compliance with the Regulator's requirements. Section 15 Maintaining Compliance contains related detail.

The Regulator expects that active monitoring mitigates the risk of noncompliance and thereby reduces the need for Regulator-initiated workflow items and enforcement action.

13.2 Scope

To fulfill their regulatory requirements, operators must design, operate and maintain the infrastructure required to ensure compliance.

This compliance assurance process applies to:

1. Requirements of this directive; and
2. Measurement and reporting requirements.

13.3 Regulator response to noncompliance

When the Regulator becomes aware of the possibility of a noncompliance, typically at a specific facility, the Regulator may initiate a workflow item in Petrinex.

13.4 Operator response to Regulator-initiated workflows

The operator must respond by the specified due date to a Regulator-initiated workflow item with a conclusion about whether or not a noncompliance exists.

In the event of a noncompliance, the operator must prepare a reasonable remediation work plan for consideration by the Regulator.

In rare cases, the operator may choose to respond with a challenge to the accuracy of the assertions described in the Regulator-initiated workflow item. The Regulator may accept a well-grounded challenge.

13.5 Remediation

Operators must execute the remediation work plan within a reasonable period as stated in the Regulator-accepted remediation work plan.

13.6 Enforcement actions

In the event that the operator fails to respond to the Regulator-initiated workflow item with a reasonable remediation work plan or execute the remediation work within a reasonable period, the Regulator may apply the enforcement actions, defined in this section to ensure the operator gives adequate attention to the workflow item.

Operators are strongly encouraged to respond to the Regulator-initiated workflow items to avoid having the Regulator apply the enforcement actions.

13.6.1 Notice of noncompliance

To ensure the operator's senior executives are aware of the unsatisfactory response to-date to the workflow item, the Regulator may issue a formal Notice of noncompliance to the operator's senior executives to ensure the operator gives adequate attention to the workflow item.

13.6.2 Noncompliance penalty

The maximum penalty for failing to comply with EPAP or measurement and reporting requirements is \$250,000. The Ministry may consider the severity of the risk not mitigated with respect to Saskatchewan production operations in setting the penalty amount as established in accordance with section 122 of *The Oil and Gas Conservation Regulations, 2012*.

13.6.3 Facility suspension

In the event that the operator fails to adequately respond to the workflow item, the Regulator may, in accordance with section 76 of *The Oil and Gas Conservation Regulations, 2012*, direct the operator to immediately suspend operation of the facility until the remediation work described in the remediation work plan has been completed to the satisfaction of the Regulator.

13.6.4 Cease applications

In the event that the facility shutdown fails to produce an adequate response to the workflow item, the Regulator may notify the operator that the various branches of the Ministry of the Economy have been directed to cease action on all applications that have been received or may be received from the operator.

This direction may be lifted once the remediation work described in the remediation work plan has been completed to the satisfaction of the Regulator.

14 Voluntary Self-Disclosure Policy

This Section applies only to Saskatchewan.

This Section describes the Regulator's Voluntary Self-Disclosure (VSD) policy.

14.1 VSD defined

A VSD is an operator's self-disclosure of a noncompliance that qualifies under this Voluntary Self-Disclosure policy typically in an effort to pre-empt enforcement action, as described in Section 13, on the part of the Regulator. A VSD requires an operator to indicate a noncompliance event (NCE). These NCEs are to be reported using a workflow in Petrinex.

14.2 Regulator's Expectations for VSD's

The Regulator encourages all operators to actively maintain their compliance with the Regulator's requirements.

The Regulator expects that active monitoring will mitigate the risk of noncompliance and thereby reduce the need for operator VSD.

When an operator identifies a noncompliance, the Regulator expects it to be remediated and reported to the Regulator. In addition, the Regulator expects the operator to take the same action as if the Regulator had identified the noncompliance. For example, the Regulator expects the operator to suspend operations immediately if there is a risk to public health and safety or environmental protection.

The Regulator's VSD policy is intended to encourage operators to proactively identify, report and remediate noncompliant events.

14.3 Acceptable VSD's

For a VSD of a noncompliance to be acceptable the Regulator, an operator must:

1. Be the first party to identify the noncompliance or to contact the Regulator regarding the noncompliance by creating a workflow item in Petrinex;
2. Develop a remediation plan; and
3. Implement the remediation plan to remediate the noncompliance, including suspending operations, if warranted.

14.4 Managing a VSD

The operator and the Regulator will use the EPAP functionality for managing a VSD workflow to submit and approve or reject an operator-initiated VSD. See the Petrinex help system for details on how to use the VSD workflow functionality.

14.5 Information associated with a VSD

The VSD of a noncompliance should include the following information if applicable:

1. Name of person responsible for the VSD, particularly if this person is not the one submitting the VSD workflow item;
2. Facility identifier;

3. Licensed product;
4. License or approval number;
5. Details of the specific noncompliance;
6. Date and time of discovery of the noncompliance;
7. Location where the noncompliance occurred, particularly if the location is different than the facility location;
8. Duration in which the operator is/was noncompliant;
9. Detailed description of circumstances leading up to the noncompliance;
10. Immediate steps taken to remediate the noncompliance; and
11. Any other information useful to assist the Regulator to assess the VSD and its associated noncompliance.

14.6 Rejecting a proposed VSD

A VSD, proposed by an operator, may be rejected at the discretion of the Regulator. In this case, the Regulator may invoke the compliance assurance process defined in Section 13: Compliance Assurance.

Reasons the Regulator may reject a proposed VSD include, but are not limited to:

1. Absence of a credible remediation plan to remediate the noncompliance;
2. Notification to the Regulator of a noncompliance during a required performance presentation;
3. Notification to the Regulator of a noncompliance in an application to restore compliance;
4. Repeated VSD's of either the same or similar noncompliance;
5. Notification after the Regulator has started an audit, inspection or investigation;
6. Notification to the Regulator required by an act, regulation, directive, or condition of an approval being given late;
7. Notification to the Regulator of a noncompliance that should have been remediated in response to previous direction from the Regulator; and
8. Notification to the Regulator that the remediation of a noncompliance event was not performed in accordance with the Regulator accepted remediation plan.

14.7 Rescinding approval of a VSD

The Regulator reserves the right to rescind approval of a VSD under various situations including:

1. The operator has under-stated or misrepresented the true extent of the noncompliance in the workflow item and subsequent communication; and
2. The operator has not completed the remediation described in the remediation plan to the accepted scope or schedule.

In this case, the Regulator may invoke the compliance assurance process defined in Section 13: Compliance Assurance.

14.8 Benefits of a VSD

1. Proactive remediation of noncompliance;
2. No enforcement action by the Regulator if the operator remediates the noncompliance during the time agreed upon with the Regulator;
3. Improved relationships between operators and the Regulator; and
4. Improved public health and safety, protection of the environment, conservation of the resource, and regulatory confidence.

14.9 Assessing the adequacy of remediation plans

The following questions may be among those the Regulator uses to assess the adequacy of the operator's proposed remediation plan for the VSD:

1. Do the immediate steps taken by the operator adequately deal with the risk that the noncompliance poses?
2. Are the steps that the operator has taken and proposes to take consistent with Regulator's view of best practices to remediate the noncompliance described in the VSD?
3. Are the immediate steps taken by the operator and any additional steps proposed by the operator consistent with what the Regulator would have done if presented with the same or a similar situation?
4. Is the elapsed time that the operator has estimated for completion of the proposed remediation consistent with the Regulator's view of best practices for such work?
5. Has the operator addressed the need to investigate the risk of similar noncompliances being present at other facilities that the operator operates?
6. Does the compliance history of the operator warrant more detailed scrutiny of the immediate steps taken by the operator and the remediation proposed by the operator?