



December 18, 2017

All Operators

Dear Sir or Madam:

The Saskatchewan Ministry of Economy (ECON) has recently been increasing efforts related to ensuring that complete and accurate oil and gas production volumetric data is being reported by Industry. ECON, as the Regulator, recognizes that historically, the majority of the attention has been focused on oil and gas production volumes that are sold and consumed. However, it has become apparent that more attention needs to be paid to the accurate reporting of fuel, vented and flared gas volumes to gain better confidence in the volumetric data that is being reported in Saskatchewan.

It is critical for you to understand that current regulations require accurate measurement and reporting of all oil and gas production, including gas produced from oil wells (associated gas). Directive PNG017: Measurement Requirements for Oil and Gas Operations (Directive PNG017) was implemented effective April 1, 2016 which provides more definitive requirements with respect to how to accurately measure and report all oil and gas production. While it has been communicated to Industry that the new requirements introduced by Directive PNG017 will be phased in over a 4 year period, the phase in period only applies to new requirements introduced with this Directive. To be clear, the requirement to accurately measure and report oil and gas production volumes has always been in existence and there is no phase in provision related to enforcement of that basic requirement.

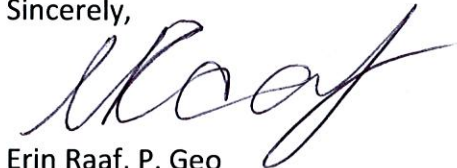
Directive PNG032: Volumetric, Valuation and Infrastructure Reporting (Directive PNG032) provides the rules for reporting fuel, vent and flare volumes on Petrinex. Directive PNG076: Enhanced Production Audit Program (EPAP) requires an annual declaration to be made by a senior company executive to declare the degree to which the company has controls in place to ensure compliance with the Regulator's measurement and reporting requirements. Combined with Directive PNG017, these requirements, when adhered to, are expected to provide ECON with complete and accurate oil and gas (including associated gas) volumetric data that can be used for multiple purposes.

Based on some recent analysis of reported data combined with field inspection results, it appears that some companies are not properly measuring and/or reporting associated gas volumes at a company-wide level or, in some cases, for certain wells or facilities that they operate. This is a non-compliance issue that ECON would like to provide Industry the opportunity to correct prior to taking enforcement action.

In an effort to reduce the amount of non-compliance with gas measurement and reporting, ECON recently implemented several error messages in Petrinex to increase awareness to Industry. While all volumetric reporting should be accurate, Petrinex errors are generated in situations where more than 15 m³ of oil is produced from an oil facility and no gas production volumes are reported (VME0041). In addition, financial penalties are now levied in situations where more than 50 m³ of oil is produced from an oil facility and no gas production volumes are reported (VME0010 and VME0042). Additionally, as per Directive PNG0017 Section 8.4 gas sampling must be taken for all existing wells and measurement points by April 1, 2020. These are initial steps taken by ECON to increase compliance with measurement and reporting requirements.

Over the next several months, ECON will be monitoring fuel, flare and vent volumetric information and working with companies to ensure the submission of more complete and accurate data. ECON will be contacting companies that appear to have irregularities in their reported data and ECON will be asking for documentation to support what the companies have reported in Petrinex. Non-compliance penalties may be levied in situations where deliberate falsification has occurred and the company is not making efforts to address measurement and reporting deficiencies. For example, this includes situations where a company has simply decided to enter 0.1 as a gas production volume in order to eliminate a Petrinex error and the company is not making a reasonable attempt to accurately measure or estimate the gas production volume or to provide justification to ECON for the reported volume. In addition to performing random field inspections, ECON will be performing more focused inspections in situations where ECON has reason to believe that measurement and reporting with respect to a given facility or operator may not be in compliance with the requirements as set out in the applicable Directives.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Erin Raaf', is written over the printed name.

Erin Raaf, P. Geo
Director, Information Management