

May 5, 2011

OIL SANDS INFORMATION BULLETIN 2011-04

Subject: Cost Analysis & Reporting Enhancements (CARE) Reporting – Implementation Follow-up

As a follow up to the implementation of the CARE reporting, Oil Sands Strategy and Operations (OSSO) conducted an industry forum on October 21, 2010. The objectives of this forum were:

To obtain industry feedback on:

- the CARE reporting cycle,
- specific form reporting and CARE – Glossary of Terms definitions, and
- method of reporting through Electronic Transfer System (ETS),

To provide industry feedback on the information received in the CARE forms, and

To identify areas that required further clarification, clearer definition or streamlining.

The following summarizes the feedback provided and identifies the implementation of the changes due to the feedback:

CARE – Cost & Oil Sands Royalty (OSR) Project Reporting

1. Industry requested that the reporting be completed on a bi-annual basis rather than quarterly.

Quarterly reporting will remain. The Forecasting group relies on the quarterly data to support policy development, strategic planning and forecasting processes. OSSO originally wanted monthly industry reporting and compromised to quarterly filing.

2. Industry had concerns on the number of forms that are required to be filed through the Electronic Transfer System (ETS).

OSSO has re-designed the CARE forms format. Rather than individual files for each form type, an excel workbook has been designed for CARE - Costs, Project and Revenue reporting which encompasses all the forms respectively. These templates are available on the Department's website in Excel or PDF format (From the Department's website (<http://www.energy.alberta.ca/>), navigate to "Our Business," then to "Oil Sands," then "[Forms.](#)"), and are to be used for the 2011 reporting Period. Note that amendments to CARE forms for the reporting Periods 2009 and 2010 must be completed in the original forms' format.

In addition, the naming convention for these forms has changed to add a version number to accommodate amendments to the forms. The following identifies the revised naming conventions:

For Cost/Operation Forms for the reporting Periods 2009 and 2010

OSR Project Number, Year & Quarter (where applicable), Report Name, Version Number

Examples: OSR015_2009_QTR2_CAPEX(M)_V1
OSR047_2009_DPST(M)_V1

For Revenue Forms for the reporting Periods 2009 and 2010

Company Name, BA ID, Stream Abbreviation, Year & Quarter, Report Name, Version Number

Examples: Oil Company_0ABC_LLE_2009_QTR2_BLENDREV_V1

Note: Company Name can be a maximum of 50 characters.
Quarter must be in the format of: QTR1, QTR2, QTR3 or QTR4.
Stream Abbreviation can be a maximum of 5 characters.

3. OSSO had concerns that operators were altering the formatting of the forms by:
 - renaming workbooks
 - renaming worksheets/tabs
 - adding/removing columns or rows
 - shifting rows, columns, or cells

OSSO identified that for data integrity, CARE form formats must be standardized to allow macros to gather relevant data elements and complete calculations.

OSSO will lock the form formats to ensure data integrity. Workbooks must be submitted in xls format instead of xlsx until notification by OSSO of software upgrades.

4. Through the OSSO CARE – Allowed Cost form review, it was identified that significant costs were being reported in the ‘Other’ category.

The ‘Other’ cost category was necessary to facilitate reconciliation of costs between the End of Period Statements (EOPS) and the CARE OPEX (Operating Costs) forms. It was identified that some of the large costs were related to insurance, research and marketing fees.

Therefore, OSSO has added Insurance, Research and Marketing Fees cost categories to the OPEX Cost forms and will continue to monitor the costs in this category.

5. Industry asked for clarification on the data elements that were greyed out in the CARE – Volumetric and Operations forms.

These greyed out data elements are still under departmental review and reporting at this time is not required.

6. Industry requested that the cost bucketing for the Prior Net Cumulative Balance (PNCB) be aligned with the CARE - CAPEX (Capital Costs) and OPEX forms.

OSSO recognizes that the cost bucketing of the PNCB should align with the CARE forms and will be implementing these changes in the future with the upgrades to the OASIS system.

7. No feedback was received by industry regarding the CARE – Glossary of Terms definitions. OSSO communicated the following changes in the October 21, 2010 presentation:

Reservoir Area – amended to define the reservoir area as the entire OSR Project Area. *The area used to determine the bulk volume of crude bitumen deposit measured in m².*

- *For land based approvals, the reservoir area is the entire OSR Project area.*
- *For well based approvals, the reservoir area is the well drainage area.*

Reservoir Thickness - definition expanded for more clarity.

Calculated as the weighted average thickness of the oil sands zone over the entire OSR Project area.

Reservoir Net Pay - definition expanded for more clarity.

Defined as the thickness of the porous, permeable interval of the reservoir containing oil sands reserves which are anticipated to be economically recoverable. Calculated as the weighted average reservoir net pay over the entire OSR Project area.

Bitumen Density (Deposit & Reservoir Data) - previous definition asked for measurement in API units and was expanded for more clarity.

Bitumen Density – a measure of the mass of a substance per unit of volume (i.e., kg/m³) the mass occupies, usually reported at standard temperature and pressure (STP). For bitumen, the density measurement is the value derived from a representative bitumen sample that has been prepared and measured according to generally accepted standard practices (i.e., ASTM4052).

8. OSSO identified data inconsistencies on the Reservoir & Deposit Form.

The following are some of the data issues found:

- reporting in kilometres (km) rather than prescribed metres (m).
- reporting only the 'Range' column, **both** the 'Range' and 'Average' columns are required reporting.
- reporting conflicting parameters (oil saturation, density) reported in the CARE data versus the OSR Project applications data.
- incorrectly reporting horizontal and vertical permeability as the same value.
- incorrectly reporting oil saturation as a weight percentage instead of a volume percentage.
- incorrectly reporting net pay thickness greater than the reservoir thickness.
- incorrectly reporting the 'reservoir area' section with the township descriptions.
- Additional information such as the temperature at which the viscosity is measured should be included in the comment box.
- Data fields are restricted to numeric values only without measurement notation (i.e., %, ^ or *10⁶, should not be used) or acronyms (i.e., ASL – above sea level, should not be used) which makes data processing difficult.

9. Industry identified that the CARE OPEX form had no section for reporting diluent costs and operating costs, revenue and royalty compensation paid (e.g., PSR) that have been approved in a PNCB for a OSR Project expansion.

OSSO will include an additional worksheet which reconciles the CARE (OPEX & CAPEX) costs claimed and the costs claimed on the EOPS. This form will include a breakdown of the eligible cost calculation of the allowable PNCB costs.

Cost Analysis and Reporting Enhancement (CARE)
CARE Allowed Cost / End of Period Statement Reconciliation
Mining Projects - Filed Annually

OSR Project Number: _____ OSR### _____ Project Name: _____
Operator Name: _____
Operator ID: _____
Year to Date as at: _____ YYYY/MM/DD _____

	\$
CARE - Capital Costs	\$ -
CARE - Operating Costs	\$ -
<u>Other Reconciling Costs</u>	
Operating Costs in PNCB	\$ -
Royalty Paid under PSR in PNCB	\$ -
Revenue in PNCB	\$ -
Diluent Costs	\$ -
Net Loss During the Period	\$ -
Return Allowance for Current Period's Net Loss	\$ -
Excess of Gross Revenue Royalty Over Net Revenue Royalty	\$ -
Excess of Other Net Proceeds Over Total Allowed Costs	\$ -
End of Period Statement Total Costs	\$ -
Other Net Proceeds	\$ -

10. Industry raised concerns regarding the filing timetable for the CARE Revenue forms as marketing information is not always available for reporting by the 15th of the month.

OSSO has agreed to extend the filing deadlines by 5 additional days. The CARE – Cost and Revenue reporting filing deadlines have been amended to:

<p>CARE – Cost Workbooks for both In-Situ and Mining (Allowed Cost/End of Period Statement Reconciliation, Capital and Operating Costs)</p> <p>ETS File Naming Convention: OSR/CSR Project#_Year_QTR_COSTS(IS or M)_Version #</p> <p>e.g., OSR012_2011_QTR1_COSTS(IS)_V1 for In-Situ Projects or OSR012_2011_QTR1_COSTS(M)_V1 for Mining Projects</p>	<p>1st Qtr – May 20 2nd Qtr – Aug 20 3rd Qtr – Nov 20 4th Qtr – April 30 of the following year</p>
<p>CARE – Revenue Workbook</p> <p>ETS File Naming Convention: Company Name_BA ID_Stream Abbreviation _Year_QTR_REVENUE_Version #</p> <p>e.g., Oil Company_0ABC_LLE_2011_QTR1_REVENUE_V1</p>	<p>1st Qtr – May 20 2nd Qtr – Aug 20 3rd Qtr – Nov 20 4th Qtr – Feb 20 of the following year</p>
<p>CARE – Project Data for both In-Situ and Mining (Reserves, Operations, Reservoir, Deposit and Volumetric reporting)</p> <p>ETS File Naming Convention: OSR/CSR Project#_Year_PROJECT_Version #</p> <p>e.g., OSR012_2011_PROJECT_V1</p>	<p>June 30 of the following year (no change)</p>

CARE – Revenue Reporting

1. OSSO identified that naming conventions, Stream Abbreviations and TAN/Density reporting were not consistent across industry reporting.

OSSO will provide guidance, data validation and standardize lists in drop down menus embedded in the CARE - Revenue workbooks.

2. OSSO identified inconsistency in reporting. Some operators carry forward previous quarter’s CARE submission data in the current quarter’s forms, while other operators only report current quarter data.

To be consistent with the CARE – Cost reporting, operators will be required to carry forward previous quarter data into the current quarter form. Therefore, the 4th Quarter will contain a full year of data and will minimize the number of amendment submissions to previous quarters.

3. OSSO identified an inconsistency in the reporting of slop oil/waste volumes. Industry indicated slop volumes are insignificant and should not be reported separately for CARE purposes.

OSSO agreed that separate reporting for slop would not be required. However, slop volumes shipped and revenue compensation received for these volumes must be reported in the 'Notes' section of the Bitumen/Bitumen Blend Revenue form.

4. OSSO identified diluent volumes reported on the 'Diluent Supplied to a Stream' form are not necessarily the same diluent volumes reported in the 'Bitumen Blend Netback Calculation' form.

Clarification:

- Diluent volumes reported on the 'Diluent Supplied to a Stream' form reflect actual purchases or diluent supplied from internal diluent pool(s) to the OSR Project(s) for stream blending purposes.
 - Diluent volumes reported on the 'Bitumen Blend Netback Calculation' form reflect the diluent contained in the bitumen blend at the royalty calculation point (RCP).
 - The CARE – Glossary of Terms definitions have been revised to more clearly depict the information to be reported.
5. OSSO identified transportation costs are not necessarily the Handling Charge reported in the Good Faith Estimates (GFE) / Monthly Royalty Calculation (MRC).
 - The transportation cost refers to aggregated transportation costs based on actual invoices or cost of service and product movement related to a title transfer location.
 - The Handling Charge is defined as the cost to transport the oil sands product from the RCP to a sales point relating to sales volumes sold in that month and reported on the GFE or MRC. Such costs may include prorated pooled costs relating to cost of service for use of the pipeline and pipeline tariffs and trucking costs incurred.

OSSO clarified that transportation costs refer to the **invoiced** amount for transportation for that month.

6. OSSO recognized that there are a number of duplicate data entry fields. The CARE – Revenue reporting has been streamlined into one Revenue workbook. An additional cover page has been added to help reduce the number of keying requirements and facilitate drop down selection lists.

The following have been implemented in the cover page:

- a) All streams currently reported on CARE forms will be included in the drop down list. If a new stream is created or does not appear in the list, the stream can be entered in the 'Other Stream' cell.
- b) Data validation ensures that data is standardized across industry. Enter the quarterly quality measures:
 - TAN (provide in mgKOH/g - single number data entry, no ranges will be accepted),
 - Sulphur (provide sulphur in wt% data entry),
 - Density (Kg/m³ data entry).

- c) Minimizes data entry:
 - o Stream, Operator Name, Operator ID, Current Reporting Period auto-populate to each subsequent form.
- d) Definition clarification (Bitumen Blend Netback Calculation):

Bitumen Density (Cleaned Crude Bitumen) – Density – a measure of the mass of a substance per unit of volume (i.e., kg/m³) the mass occupies, usually reported at standard temperature and pressure (STP). For bitumen, the density measurement is the value derived from a representative bitumen sample that has been prepared and measured according to generally accepted standard practices (i.e., ASTM4052). Provide the density of the cleaned crude bitumen in kg/m³.

CARE Revenue Cover Page (previously on Bitumen Blend Netback Calculation form)



**Cost Analysis and Reporting Enhancement (CARE)
Revenue Forms - Filed Quarterly**

CARE - RECOVER V1
As at April 8, 2011

Stream Name: Select from Drop Down List Operator Name: _____

If Other Stream: _____ Operator ID: _____

Current Reporting Period: Q1 2011

List of Projects in Stream:

OSR Number	Project Name	Q1			Q2			Q3			Q4		
		Density (CCB) in kg/m ³	TAN (CCB) in mg KOH/g	Sulphur (CCB)	Density (CCB) in kg/m ³	TAN (CCB) in mg KOH/g	Sulphur (CCB)	Density (CCB) in kg/m ³	TAN (CCB) in mg KOH/g	Sulphur (CCB)	Density (CCB) in kg/m ³	TAN (CCB) in mg KOH/g	Sulphur (CCB)
OSR 00A	Project Name A												
OSR 00B	Project Name B												
OSR 00C	Project Name C												
etc.													

7. Refinements to the BLENDREV (Bitumen/Bitumen Blend Revenue) form:
 - Drop down lists for Month of Sale and Product Type (Use 'Notes' section if product type does not appear in the drop down list).
 - Non Arm's Length (NAL) and Arm's Length (AL) sales reported as volumes which replace the reporting of the percentage of AL sales.
 - Handling Charges are reported as one monthly total for all AL volumes transacted in the month and one monthly total for all NAL volumes transacted in the month for the stream.

8. Refinements to the NETBCAL (Bitumen Blend Netback Calculation) form:
 - Handling Charges have been moved to the BLENDREV form.
 - Diluent Type and Month of Sale are selected from the drop down lists (use the 'Notes' section if the diluent type does not appear in the list).

- Definition clarification:
 - *Diluent Volume* – The volume of diluent per diluent type contained in the blended bitumen at the RCP. Report the volume in cubic metres.
 - *Diluent Price* - The price per diluent type contained in the blended bitumen at the RCP. If pooled diluent is used, then the weighted average price should be reported.
 - *Shrinkage Volume* - Identify the shrinkage volume of the blended bitumen at the RCP that results from the blending of hydrocarbons with differing densities. Report the volume in cubic metres.
9. Refinements to the DILUENT (Diluent Supplied to a Stream) form:
- Diluent Type and Month of Supply are selected from the drop down lists (use the 'Notes' section if the diluent type does not appear in the list).

Clarification:

- Diluent Volumes to be reported are actual purchases or diluent supplied from the internal diluent pool(s) to the OSR Project(s) for stream blending purposes.
- This diluent volume does not necessarily equate to the diluent contained in the bitumen blend at RCP. Report the volume in cubic metres. This does not have to match the GFE/MRC forms.

10. Refinements to the TRANSCST (Transportation Costs) form:

- Month and Product are selected from the drop down lists.
- A calculated field - Transportation Cost per m³ - has been added.

Clarification:

- Transportation cost refers to **invoiced** amount for transportation for that month and does not necessarily equate to the Handling Charge reported in the GFE/MRC forms.

11. Refinements to the OOSPREV (Other Oil Sands Products Revenue) form:

- Month to be selected from the drop down list.

12. Summary – an additional form which uses data from the other tabs in the workbook. Therefore, no inputs are required. Sign-off of this form by the operator's senior officials will be waived.

Other CARE Feedback

1. OSR Project Suspended but not Revoked:
- Filing of the MRCs, EOPS and CARE reports are still required until the ERCB and OSSO have revoked the scheme and OSR Project approvals.
 - Operators who submit 'Notification of suspension until further notice' in the 'Notes' section of the ETS Correspondence may discontinue filing the monthly and annual royalty reporting and CARE reporting.
 - Failure to submit 'Notification of suspension until further notice' to the Department will result in penalties.

2. New OSR Project Approval or OSR Project Expansions:
 - Operators must file the CARE reporting to be in compliance with the filing deadlines. Penalties may be levied if the forms are missing or submitted late (OSRR'09 Section 44).
 - If the approval date occurs in the next reporting Period, CARE reporting would be required for both the Period when the OSR Project became effective and the current reporting Period.
3. Western Canadian Select (WCS) Sales:
 - CARE Revenue reporting of Western Canadian Select (WCS) Sales referenced sales as Bitumen Sales. OSSO has removed the reference to 'Bitumen' on the CARE revenue form and ETS naming convention.
4. ETS Correspondence:
 - OSSO has added a Correspondence drop down selection for the Statement of Approval. The form naming convention is CARESOA.
 - Effective from 1st Quarter 2011 CARE filing (due May 20, 2011), operators must follow the form naming conventions to enable the macros to find the files when OSSO wants to extract the data for analysis. When saving the forms in Excel format, you must use the following conventions:

Workbook Name	Workbook Naming Convention
CARE-Costs – In-Situ	COSTS(IS)_V1
CARE-Costs – Mining	COSTS(M)_V1
CARE-Revenue	REVENUE_V1
CARE-Project	PROJECT_V1
Statement of Approval	CARESOA
Western Canadian Select Sales	WCSS_V1

- Ensure that access has been granted to the new form naming conventions as shown above by your ETS Site Administrator otherwise these will not appear in the Form Type drop down selection list.
4. OSSO Reporting Calendar
 - OSSO has developed a reporting calendar that encompasses OSR (Project and non-project) reporting timelines for the following:
 - Monthly and annual royalty reporting and payment deadlines
 - Annual forecast reporting
 - Oil Sands Monthly Royalty Rates, published Bank of Canada long term bond rates, and Bitumen Valuation Methodology (BVM) component publication
 - CARE quarterly and annual reporting deadlines
 - The purpose of the calendar is to provide a quick reference to Oil Sands filing deadline information. Please note that inadvertent omissions, of OSSO deadlines on the calendar, do not constitute acceptable reasons for non-compliance with filing deadlines.

This oil sands reporting calendar is available on the Department's website (<http://www.energy.alberta.ca/>), navigate to "Our Business," then to "Oil Sands," then "Forms."

Effective Date of Changes

All of these changes become effective for the 1st Quarter 2011 CARE filing due on May 20, 2011.

Questions regarding this Information Bulletin may be directed to:

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