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Operations Branch

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File No. IB 2009-08

June 29, 2009

OIL SANDS INFORMATION BULLETIN **2009-08**

SUBJECT: Cost Analysis & Reporting Enhancements (CARE)

Background:

In 2006, the Department of Energy (DOE) announced to industry that additional information would be required to be provided by Oil Sands Royalty (OSR) Project operators. This information is essential for collecting appropriate royalties and effectively managing the development of Alberta's oil sands resources. This information will enable the DOE to better report oil sands activities to Albertans and will aid in ensuring that decisions regarding oil sands development and royalty are either founded or based on a comprehensive information base.

Oil Sands Operations introduced the forms on December 12, 2008, and began consultation in January 2009 to discuss the Cost Analysis & Reporting Enhancements (CARE) initiative. Significant work and consultation has occurred over the past six months with representation from members of industry and assistance from the Canadian Association of Petroleum Producers (CAPP). The CARE reporting forms now have been revised to incorporate many of the industry's comments. The CARE reporting forms will not be subject to individual audit by DOE but may be used as a tool to identify to the DOE areas where reporting inconsistencies may have occurred. The CARE forms must reconcile the annual reporting to the DOE and that reporting is subject to Crown audit.

Key Reasons for Information Reporting:

1. Project Assessment and Tracking: This reporting will assist the DOE in understanding and assessing new projects and project amendment applications in a timely and informed manner through access to pertinent operations and cost databases (e.g. benchmarking). Subsequent reporting will allow the DOE to track the evolution of the approved Projects, thereby ensuring that their implementation is in accordance with the original Project approval.

2. Royalty Collection and Verification: This reporting will ensure that oil sands royalties are collected in a timely and accurate manner in accordance with the Oil Sands Royalty Regulations [OSRR'97, OSRR'09, Oil Sands Allowed Costs (Ministerial) Regulation], the OSR Guidelines and the Project description and conditions of each OSR Project Approval. This initiative will also assist the DOE's Compliance and Assurance group in ensuring that claimed Project revenues, costs and other information are appropriate and verifiable.

3. Policy Development and Forecasting: This reporting will assist the DOE in regular assessment of the effectiveness of the existing royalty regime. In addition, it will support the DOE's policy development, strategic planning and forecasting processes through an understanding and analysis of the relevant business environment and trends.

Implementation Dates:

CARE reporting will commence September 30, 2009, for the first two quarters of 2009. Please refer to the CARE Filing Timetable (Appendix 1) and CARE Reporting Timelines (Appendix 2) for filing details.

The following is a brief summary of the CARE filing requirements. The DOE will apply reporting enforcement provisions under the Oil Sands Royalty Regulation, 2009, to any operator not furnishing these reports to the Minister as specified.

Cost Data

Capital Cost Data

- Reporting of capital costs incurred by, or on behalf of, the lessee or operator of the approved oil sands Project reported quarterly, and containing cumulative year-to-date information. Costs are categorized into four stages of the life-cycle of an OSR project similar to the OSR Forecasting reporting requirements:
  - Initial PNCB
  - Strategic
  - Sustaining
  - Reclamation/Abandonment

Operating Cost Data

- Reporting of operating costs incurred by, or on behalf of, the lessee or operator of the approved oil sands Project reported quarterly, and containing monthly cumulative year-to-date information. Oil sands Projects have been segregated into two groups with differing functional details as follows:
  - In-Situ Projects
    - Well Operations
    - Cleaning Emulsion (Cold Production)
    - Cleaning & Water Treatment (Thermal Production)
    - Steam Generation
  - Mining Projects
    - Mining
    - Extraction and Tailings
    - Upgrading and Diluent Recovery Unit
    - Utilities [Utilities and Off-sites (UO)/Electrical Services (ES)]

Reserves Data

- Reporting of the initial Project area's proven and probable reserves and remaining proven and probable reserves completed on an annual basis. The calculation of reserves is based on gross reserves prior to royalty determination and are prepared in accordance with a recognized reserve evaluation method, such as the *Canadian Oil & Gas Evaluation Handbook (COGEH)* or the Petroleum Resources Management System by the Society of Petroleum Engineers (SPE), American Association of Petroleum Geologists (AAPG), World Petroleum Council (WPC) and Society of Petroleum Evaluation Engineers (SPEE). Similar terminology is used by various securities regulators; however, we stress our information should not be confused with or compared to reporting for securities purposes.

- This form must be submitted annually for the preceding fiscal period. A plat map is required with this form to describe the project area on which the report is based.

<u>Deposit Data – Mining Projects</u>

- Reporting of mining Projects oil sands deposit information. This form is required as a one-time filing due March 31, 2010, and required again when a material change has been identified by the operator (e.g., Project expansion or addition of leases).

<u>Reservoir Data – In-Situ Projects</u>

- Reporting of in-situ Project oil sands reservoir information. This form is required as a one-time filing due March 31, 2010, and required again when a material change has been identified by the operator (e.g., Project expansion or addition of leases).

<u>Operations Data</u>

- At an OSR Project level, reporting of annual operations information such as the number of site employees and emissions data.
  (Note: Data elements that are grayed on the form are not required reporting at this time as DOE is working with other government bodies in an effort to minimize reporting efforts.)

<u>Volumetric Data</u>

- At an OSR Project level, reporting of annual volumetric data.
  (Note: Data elements that are grayed on the form are not required reporting at this time as DOE is working with other government bodies in an effort to minimize reporting efforts.)
- Used primarily by OS engineering for the pre-approval analysis of the proposed Project or Project expansion to determine Project viability and forecasting.
- All measurements are standardized as reported to the Energy Resources Conservation Board (ERCB) and are identified specifically in the ERCB Directive 017 – *Measurement Requirements for Upstream Oil & Gas Operations.*

<u>Revenue Data</u>

<u>Bitumen/Bitumen Blend Revenue – In-Situ Projects</u>

- On a stream level basis, reporting of detailed monthly sales of bitumen or bitumen blend. The form is required on a quarterly basis.

Bitumen Blend Netback Calculation – In-Situ Projects

- On a stream level basis, reporting of monthly bitumen blend volumes crossing the royalty calculation point (RCP). Other variables reported are diluent volumes, shrinkage volumes and transportation costs used in the netback calculation. The form is required on a quarterly basis.

Transportation Costs – In-Situ Projects

- On a stream level basis, reporting of detailed monthly transportation costs incurred. The form is required on a quarterly basis.

Diluent Supplied to a Stream – In-Situ Projects

- On a stream level basis, detailed reporting of all information relating to diluent supplied to a bitumen blend stream. The form is required on a quarterly basis.

Other Oil Sands Products Revenue – Mining and In-Situ Projects

- On a stream level basis, reporting for both mining and in-situ projects of detailed monthly sales of other oil sands products. The form is required on a quarterly basis.

Western Canadian Select (WCS) Bitumen Sales

- Operators that have WCS bitumen sales will be asked to provide an additional report which is still being developed. The form is required on a quarterly basis.

All CARE reporting forms will be available on the DOE's Oil Sands Operations website http://www.energy.gov.ab.ca/, in Excel and PDF formats by July 1, 2009. From our main internet site, navigate to "Our Business", then to "Oil Sands", "Forms and Reporting", and "Forms (Royalty)". All spreadsheets must be submitted electronically in Excel format to the DOE by the filing deadlines. The method of delivery will be identified in a future Information Bulletin.

All data covered by CARE reporting forms will be included in the development of the new database Oil Sands Administrative and Strategic Information System (OASIS) Phase 2, which is targeted for completion by December 2011. Due to this development, no changes to the CARE forms' format will be allowed.

A Glossary of Terms is being developed to aid operators in understanding the definitions of the data elements. The glossary is structured to match individual CARE forms and will be incorporated into the Oil Sands Royalty Guidelines to be released later in 2009. A draft version of the glossary will be available from the Alberta Energy Internet website. Completion of the glossary is targeted for September 3 to coincide with the CARE training sessions.

All form submissions must be accompanied by a statement indicating approval of the report by a chief financial officer of the operator or by another senior officer of the operator approved in advance by the Minister.

- The approval must accompany the CARE reporting to which it relates.

- Oil Sands Operations Division will accept a separate document, such as a letter, accompanying the CARE report, providing that such a letter clearly references the report to which it relates.
- The chief financial officer or senior officer should provide a statement indicating his or her approval of the specified report.
- The statement must be signed by the chief financial officer or senior officer who is approving the report to which the statement relates, and must clearly indicate the name of the individual.
- A scanned signature page included with an electronic submission is acceptable.

The DOE intends to review the CARE reporting requirements after the first reporting cycle to assess whether the data collected is sufficient, relevant and necessary.

Oil Sands Operations will be conducting training sessions on CARE reporting in Calgary. Each session is planned for two (2) to three (3) hours and will include a presentation and a question period.

The training sessions will be offered as follows:

When: September 3, 2009
Place: McDougall Centre
Rosebud Room
Calgary

Session 1:
Time: 9:00 am to 11:30 pm
<u>Agenda</u>
Bitumen/Bitumen Blend Revenue Form
Bitumen Blend Netback Calculation Form
Transportation Costs Form
Diluent Supplied to a Stream Form
Other Oil Sands Products Revenue Form
Western Canadian Select Bitumen Sales Form

Session 2:
Time: 1:00 pm to 3:30 pm
<u>Agenda</u>
Capital & Operating Costs Forms
Reserves Form
Reservoir Form
Deposit Form
Operations Form
Volumetrics Form

Seating capacity is limited. Please email AnneMarie.McNab@gov.ab.ca by August 15, 2009, to register for these sessions.

Questions regarding the Information Bulletin may be directed to:

For Cost Related Questions:

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Manager Royalty and Costs Accounting
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780 644-5137
Sharon.Tarnawsky@gov.ab.ca

For Revenue Related Questions:

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Manager Evaluations
Oil Sands Operations
14th Floor
Petroleum Plaza – North Tower
9945 – 108 Street
Edmonton, Alberta T5K 2G6
780 422-1334
Tashfin.Haque@gov.ab.ca

Anne Denman
Executive Director
Oil Sands Operations

Appendix 1 – Filing Timetable for CARE Documents

<table>
<tr><td colspan="3">Capital and Operating costs are filed on a year to date basis. Amendments to these forms can be trued up in the next quarter's filing or with the last quarter filing where reconciliation to the End of Period Statements (EOPS) is required. Amendments to all other forms are full form replacement and should not be trued up in the last quarter but amended in the quarter the changes relate.</td></tr>
<tr><th>CARE Spreadsheet</th><th>Frequency</th><th>Filing Requirement</th></tr>
<tr><td>Capital Costs Data
(Mining & In-Situ Projects)</td><td>Year to Date filed Quarterly</td><td>1^{st} & 2^{nd} Qtrs of 2009 due September 30, 2009.

3^{rd} Qtr of 2009 due December 31, 2009

4^{th} Qtr of 2009 due April 30, 2010 and must reconcile to the EOPS.

For subsequent filing the spreadsheet is due quarterly and with the EOPS:
1^{st} Qtr – May 15^{th}
2^{nd} Qtr – Aug 15^{th}
3^{rd} Qtr - Nov 15^{th}
4^{th} Qtr – April 30th of the following year.

Note: Capital costs must reconcile with EOPS.</td></tr>
<tr><td>Operating Costs Data
(Mining & In-Situ Projects)</td><td>Year to Date filed Quarterly</td><td>1^{st} & 2^{nd} Qtrs of 2009 due September 30, 2009.

3^{rd} Qtr of 2009 due December 31, 2009

4^{th} Qtr of 2009 due April 30, 2010 and must reconcile to the EOPS.

For subsequent filing the spreadsheet is due quarterly and with the EOPS:
1^{st} Qtr – May 15^{th}
2^{nd} Qtr – Aug 15^{th}
3^{rd} Qtr - Nov 15^{th}
4^{th} Qtr – April 30th of the following year.

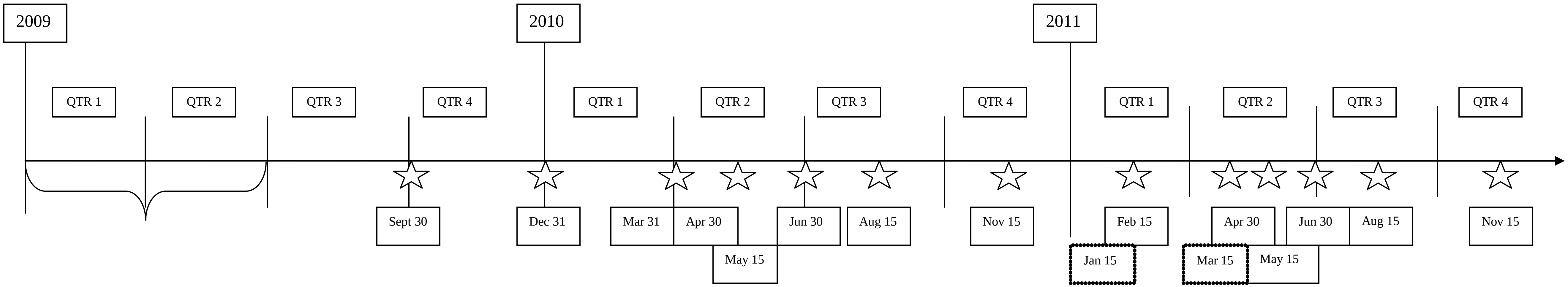
Note: Operating costs must reconcile with EOPS.</td></tr>
<tr><td>Volumetric Data
(Mining & In-Situ Projects)</td><td>Year to Date filed
Annually June 30^{th}</td><td>Filing of the 2009 volumetric data is due June 30, 2010.</td></tr>
<tr><td>Operations Data
(Mining & In-Situ Projects)</td><td>Year to Date filed
Annually June 30^{th}</td><td>Filing of the 2009 operations data is due June 30, 2010.</td></tr>
<tr><td>Reserves Data
(Mining & In-Situ Projects)</td><td>Annually
June 30th</td><td>Filing of the 2009 Reserves is due June 30, 2010. If the operator's fiscal year is not December 31, they may apply to DOE requesting a change in the filing requirement.</td></tr>
</table>

Reservoir Data (In-Situ Projects)	Filed upon initial OS project assessment and updated with project expansion or addition of leases.	For existing approved OS projects this must be filed for the first time March 31, 2010. For new OS project applications, new projects and expansions, this spreadsheet is required with the application.
Deposit Data (Mining Projects)	Filed upon initial OS project assessment and updated with project expansion or addition of leases	For existing approved OS projects this must be filed for the first time March 31, 2010. For new OS project applications, new projects and expansions, this spreadsheet is required with the application.
Bitumen/Bitumen Blend Revenue (In-Situ Projects reporting at stream level)	Quarterly (detailed by month)	1st & 2nd Qtrs of 2009 due September 30, 2009. 3rd Qtr of 2009 due December 31, 2009 4th Qtr of 2009 due April 30, 2010 For subsequent filing the spreadsheet is due quarterly: 1st Qtr – May 15th 2nd Qtr – Aug 15th 3rd Qtr - Nov 15th The DOE prefers that operators submit their 4th quarter reporting (October, November & December) by February 15th. Alternately, the DOE will accept receiving the first two months of the 4th quarter (October and November monthly details) by January 15th and the last month of the 4th quarter (December) by March 15th.
Bitumen Blend Netback Calculation (In-Situ Projects reporting at stream level)	Quarterly (detailed by month)	1st & 2nd Qtrs of 2009 due September 30, 2009. 3rd Qtr of 2009 due December 31, 2009 4th Qtr of 2009 due April 30, 2010 For subsequent filing the spreadsheet is due quarterly: 1st Qtr – May 15th 2nd Qtr – Aug 15th 3rd Qtr - Nov 15th The DOE prefers that operators submit their 4th quarter reporting (October, November & December) by February 15th. Alternately, the DOE will accept receiving the first two months of the 4th quarter (October and November monthly details) by January 15th and the last month of the 4th quarter (December) by March 15th.

Transportation Costs (In-Situ Projects reporting at stream level)	Quarterly (detailed by month)	1^{st} & 2^{nd} Qtrs of 2009 due September 30, 2009. 3^{rd} Qtr of 2009 due December 31, 2009 4^{th} Qtr of 2009 due April 30, 2010 For subsequent filing the spreadsheet is due quarterly: 1^{st} Qtr – May 15^{th} 2^{nd} Qtr – Aug 15^{th} 3^{rd} Qtr - Nov 15^{th} The DOE prefers that operators submit their 4^{th} quarter reporting (October, November & December) by February 15^{th}. Alternately, the DOE will accept receiving the first two months of the 4^{th} quarter (October and November monthly details) by January 15^{th} and the last month of the 4^{th} quarter (December) by March 15^{th}.
Diluent Supplied to a Stream (In-Situ Projects reporting at stream level)	Quarterly (detailed by month)	1^{st} & 2^{nd} Qtrs of 2009 due September 30, 2009. 3^{rd} Qtr of 2009 due December 31, 2009 4^{th} Qtr of 2009 due April 30, 2010 For subsequent filing the spreadsheet is due quarterly: 1^{st} Qtr – May 15^{th} 2^{nd} Qtr – Aug 15^{th} 3^{rd} Qtr - Nov 15^{th} The DOE prefers that operators submit their 4^{th} quarter reporting (October, November & December) by February 15^{th}. Alternately, the DOE will accept receiving the first two months of the 4^{th} quarter (October and November monthly details) by January 15^{th} and the last month of the 4^{th} quarter (December) by March 15^{th}.
Other Oil Sands Products Revenue (Mining & In-Situ Projects reporting at a stream level)	Quarterly (detailed by month)	1^{st} & 2^{nd} Qtrs of 2009 due September 30, 2009. 3^{rd} Qtr of 2009 due December 31, 2009 4^{th} Qtr of 2009 due April 30, 2010 For subsequent filing the spreadsheet is due quarterly: 1^{st} Qtr – May 15^{th} 2^{nd} Qtr – Aug 15^{th} 3^{rd} Qtr - Nov 15^{th}

		The DOE prefers that operators submit their 4^{th} quarter reporting (October, November & December) by February 15^{th}. Alternately, the DOE will accept receiving the first two months of the 4^{th} quarter (October and November monthly details) by January 15^{th} and the last month of the 4^{th} quarter (December) by March 15^{th}.
Western Canadian Select Revenue	Quarterly (detailed by month)	1^{st} & 2^{nd} Qtrs of 2009 due September 30, 2009. 3^{rd} Qtr of 2009 due December 31, 2009 4^{th} Qtr of 2009 due April 30, 2010 For subsequent filing the spreadsheet is due quarterly: 1^{st} Qtr – May 15^{th} 2^{nd} Qtr – Aug 15^{th} 3^{rd} Qtr - Nov 15^{th} The DOE prefers that operators submit their 4^{th} quarter reporting (October, November & December) by February 15^{th}. Alternately, the DOE will accept receiving the first two months of the 4^{th} quarter (October and November monthly details) by January 15^{th} and the last month of the 4^{th} quarter (December) by March 15^{th}.

Appendix 2 – CARE Reporting Timelines



2009 Reporting

1) All CARE Revenue forms and Capital & Operating forms
    a) 1st and 2nd Qtr reporting is due September 30th, 2009.
    b) 3rd Qtr reporting is due December 31st, 2009.
    c) 4th Qtr reporting is due April 30th, 2010. (EOPS reconciliation)
2) Reservoir and Deposit forms initial filing March 31st, 2010
3) Reserves form reporting June 30th, 2010 (annually)
4) Volumetric & Operations reporting June 30th, 2010 (annually)

2010 Reporting

1) All CARE Revenue forms and Capital & Operating forms
    a) 1st Qtr reporting is due May 15th, 2010.
    b) 2nd Qtr reporting is due August 15th, 2010.
    c) 3rd Qtr reporting is due November 15th, 2010.
    d) 4th Qtr reporting for CARE Revenue forms preferred by DOE on February 15th, 2011 or alternatively the DOE will accept the first two months (October & November) by January 15^{th,} 2011 and the last month (December) by March 15^{th,} 2011.
    e) 4th Qtr reporting is CARE Capital & Operating forms due April 30th, 2011 (EOPS reconciliation)
2) Reserves form reporting June 30th, 2011 (annually)
3) Volumetric & Operations reporting June 30th, 2011 (annually)

2011 Reporting

1) All CARE Revenue forms and Capital & Operating forms
    a) 1st Qtr reporting is due May 15th, 2011.
    b) 2nd Qtr reporting is due August 15th, 2011.
    c) 3rd Qtr reporting is due November 15th, 2011.
    d) 4th Qtr reporting for CARE Revenue forms preferred by DOE on February 15th, 2012 or alternatively the DOE will accept the first two months (October & November) by January 15th, 2012 and the last month (December) by March 15th, 2012.
    e) 4th Qtr reporting is CARE Capital & Operating forms due April 30th, 2012 (EOPS reconciliation)
2) Reserves form reporting June 30th, 2012 (annually)
3) Volumetric & Operations reporting June 30th, 2012 (annually)