



September 4, 2015

Manager of Saskatchewan Operations

Re: Future Changes to Oil and Gas Measurement and Reporting Requirements and Implementation of EPAP in Saskatchewan

In May 2015, the Ministry of the Economy (ECON) announced plans to update and modernize oil and gas measurement and reporting requirements in Saskatchewan by harmonizing, to the extent practical, with those that exist in Alberta. ECON introduced Saskatchewan *Directive PNG017: Measurement Requirements for Oil and Gas Operations*, which was developed in consultation with Industry and was posted for comment on ECON's website at: <http://economy.gov.sk.ca/NoticeToOperators>.

ECON intends to give regulatory force to the new measurement requirements effective April 1, 2016, but will phase-in regulatory enforcement over the following four years in accordance with the following schedule:

- a. Each operator must be 25% compliant by April 1, 2017;
- b. Each operator must be 50% compliant by April 1, 2018;
- c. Each operator must be 75% compliant by April 1, 2019; and
- d. Each operator must be 100% compliant by April 1, 2020.

Enhanced Production Audit Program (EPAP)

ECON is also initiating steps towards implementing EPAP in Saskatchewan, which has already been implemented in Alberta and is supported by functionality in Petrinex. EPAP was implemented in Alberta in 2010 to raise the level of compliance with reporting and measurement requirements and to help operators improve their measurement and reporting processes. EPAP requires a senior executive from each operator to declare, on an annual basis, the state of compliance with respect to measurement and reporting at the facilities they operate. Evidence to support that declaration consists of having designed controls to ensure compliance, operating those controls and conducting evaluations of those controls to ensure that they are effective. If the evaluation of their controls determines that the controls are not effective, the declaration would indicate that the operator has a plan to remedy the deficiencies.

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ECON plans to adopt EPAP, along with the functionality in Petrinex, for Saskatchewan operators effective April 1, 2016. Current plans are to encourage voluntary submission of trial declarations during the April 1, 2016 through November 30, 2016 period and to require submission of the first enforceable declarations for all operators commencing in 2017.

Industry Consultation

The Saskatchewan version of EPAP will be similar to Alberta's program. As part of finalizing the Saskatchewan program, ECON plans to consult with Industry regarding the development of a Saskatchewan version of *Directive 076: Operator Declaration Regarding Measurement and Reporting Requirements*. ECON has contracted Corvelle Consulting (Corvelle) to assist with EPAP development and implementation in Saskatchewan. ECON and Corvelle are organizing an Industry consultation meeting tentatively scheduled for early October 2015 in Calgary to review a draft version of Saskatchewan Directive PNG076. Previous participants in the Industry consultation group established to develop Saskatchewan Directive PNG017 will be invited to participate in the consultation process for Directive PNG076 as well. If anyone else from Industry is interested in participating, please email Yogi Schulz at Corvelle Consulting at YogiSchulz@corvelle.com or call (403) 249-5255.

Petrinex Change Leaders

As a communications tool to ensure that all operators are well informed with respect to implementation plans, including training and timing for EPAP in Saskatchewan, ECON is working with Petrinex to establish an EPAP Change Leader contact list for Saskatchewan. Change Leaders will be the primary point of contact for information and communications related to EPAP and are responsible for ensuring that all the operator's staff are kept informed of the new requirements. Each operator is asked to provide contact information for your Saskatchewan EPAP Change Leader as soon as possible to Mallory Brown at Petrinex by emailing Mallory.Brown@gov.ab.ca or calling (403) 297-5217.

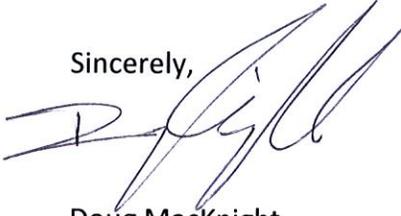
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ECON looks forward to your participation in the successful implementation of Oil and Gas Measurement and Reporting Requirements and EPAP in Saskatchewan. Please direct any questions to the PNG support desk at 1-855-219-9373 or email PNG.Support@gov.sk.ca.

Sincerely,



Doug MacKnight
Acting Assistant Deputy Minister, PNG

cc: Garry Leach, EPAC
Brad Herald, CAPP
Warren Waldegggar, SHOP
