

## Wondering if your EPAP project is OK?

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Most oil & gas operators are actively implementing EPAP requirements.

If you're wondering if your EPAP implementation is going well or is more likely to disappoint you or even scare you in the future, please take a moment to complete the questionnaire. The questions are designed to uncover the type of difficulty your EPAP implementation project may be experiencing.

Many factors can derail EPAP implementation projects. Analysis of successful and failed EPAP projects reveals that the 10 factors listed below are frequent contributors to both success and failure.

Whenever you can position EPAP implementation projects for success, you are minimizing cost and creating business value.

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<b>Factor</b>	<b>Observations indicating Low risk</b>	<b>Low risk</b>	<b>High risk</b>	<b>Observations indicating High risk</b>
1. Project Goal	I've seen a crisp statement of the EPAP project goal. Assurance goals are referenced.			I've heard a lot of debate about EPAP goals and various conflicting statements. Process improvement is referenced.
2. Project Sponsor	I know the senior executive by name and have confidence in that individual.			Field Operations and Production Accounting keep promoting the other group for project sponsor.
3. Project Manager	A Project Manager, who has my confidence, is in place. The Project Manager has appropriate experience, and hides nothing.			The Project Manager has insufficient experience or has competing responsibilities or project management is divided among several individuals.
4. Project Benefits	I can articulate the assurance and compliance benefits. The benefits are credible to me and the management team.			No one has had time to articulate EPAP benefits. Perceptions about the reality of benefits vary. No one is accountable for securing the benefits.
5. Project Plan & Status	I've seen the same summary Gantt Chart showing plan and progress on at least 2 occasions. Reported issues are resolved.			I've never been shown a Gantt Chart or no comparability exists among the Gantt Charts I've seen. Few issues are ever reported.
6. Project Budget & Status	I've seen the budget and receive regular updates of cumulative spending. I receive projections.			No budget has been established or approved or budget and spending amounts change over time.
7. Project Organization	I've seen a reasonably clear organization chart with Field Operations, Measurement and Production Accounting involved.			I've seen more than one organization chart with many lines and/or multiple empty boxes. I'm not sure the right groups are involved.

<b>Factor</b>	<b>Observations indicating Low risk</b>	<b>Low risk</b>	<b>High risk</b>	<b>Observations indicating High risk</b>
8. Project Deliverables	The deliverables are reasonably well-defined and relevant to EPAP. Resolving CAI items on the CAI Report is included.			The deliverables are vague or insufficient or go well beyond what is needed to implement EPAP.
9. Project Steering Committee	Key business areas that are affected by measurement and reporting are represented. The committee meets every 4 to 6 weeks.			The committee doesn't exist or membership is unclear or meetings are sporadic and/or offer little content. There is a lot of discussion about process improvement.
10. Stakeholder Communication	I've observed effective communication among the various stakeholders who need to collaborate to achieve EPAP project success.			I've not observed effective communication among the various stakeholders or communication is tense bordering on conflict.

## **Ideas for improving EPAP project performance**

This section outlines ideas for improving performance in each of the 10 factors that affect EPAP project success. These ideas will help you convert your doubts about the project into suggested actions that will be seen as supportive of EPAP project success.

Obviously more Low's on the questionnaire indicate better project focus and control. These factors improve the likelihood of EPAP project success. EPAP projects at smaller operators can succeed with fewer Low's than EPAP projects at larger operators.

High's on the questionnaire indicate intervention is required to improve the likelihood of EPAP project success. Here's what to do for each High:

### **1. Project Goal**

Assemble the project team and facilitate a discussion to build a clear statement of the project goal in no more than two sentences; one sentence is better. The goals of the EPAP project should include:

1. Improve the level of assurance with respect to the state of compliance with Regulator measurement and reporting requirements.
2. Improve staff awareness of EPAP.
3. Complete the annual EPAP Declaration.

Corvelle recommends that remediation of business process and not effective controls be treated as a separate project.

Many operators struggle with how to set a reasonable level of assurance. In the absence of a better answer, plan to evaluate controls at properties that comprise 20% of your operated production by province annually.

### **2. Project Sponsor**

Appoint the manager of the business area that has most to gain from the project as project sponsor. For the EPAP project, appropriate sponsors include individuals with titles like Manager of Production Accounting or Manager of Field Operations.

Field foremen or senior production accountants are not good choices for project sponsor.

### **3. Project Manager**

Appoint a person with a record of successful projects as project manager. The ideal candidate will have some exposure to as many of the following oil & gas business functions as possible:

1. Production accounting.
2. Measurement.
3. Field operations.
4. Petrinex.
5. Financial audit.

The Project Manager does not have to be an expert or demonstrate significant experience in these business functions.

### **4. Project Benefits**

Ask the project team to list the benefits. Typical benefits of an EPAP implementation, once remediation is complete, include:

1. Increased volumetric data quality
2. Reduced operating costs
3. Enhanced operator reputation
4. Lower risk of royalty overpayments
5. Higher assurance with respect to Regulator compliance

It's unlikely that the EPAP implementation project will produce a significant ROI.

### **5. Project Plan & Status**

Insist that the Project Manager create an EPAP implementation project plan. Insist that progress reports against the project plan be presented to the steering committee regularly.

In general, a typical EPAP implementation project requires months of elapsed time to complete; not years.

### **6. Project Budget & Status**

Insist that the Project Manager create a budget derived from the EPAP implementation project plan. Ask for a monthly update showing cumulative spending variance against budget and projected cost at completion.

For most operators, a typical EPAP implementation project will require a budget in the \$10K range; not the \$100K range.

## **7. Project Organization**

Create a project organization; define roles and responsibilities. Typical roles in the project organization of an EPAP implementation project include the following:

1. Project Manager
2. Measurement Specialist
3. Senior Production Accounting Analyst
4. Field Operations Analyst
5. Production Engineer
6. Facilities Engineer

How many of these project team positions are filled and how much effort will be required is directly related to the monthly production volume of the operator. At most operators, these roles are part-time and often one person holds multiple roles.

At larger operators, many individuals hold these positions and multiple individuals may participate on the project team to represent their respective geographic production areas or business units.

Most EPAP implementation project teams do not initially include a position for an Information Systems professional such as a Business Analyst or an Integration Analyst.

## **8. Project Deliverables**

Confirm that the EPAP project is focused on producing the correct deliverables. These deliverables include:

1. Evaluation of controls procedure
2. Evaluation of controls report
3. Property production volumes for level of assurance
4. Level of assurance recommendations
5. Completed annual EPAP Declaration
6. CAI items investigation and resolution
7. Sustainment model for EPAP operation
8. Employee EPAP orientation presentations
9. Plan for remediation of not effective controls and business processes

None of these deliverables are about the remediation work of:

1. remediating not effective controls
2. strengthening business processes

## **9. Project Steering Committee**

Create a project steering committee. The mere existence of this committee forcefully tells the EPAP project team that this project matters to the organization. Regular meetings with real examination of project issues improve the productivity and quality of the EPAP project team performance.

## **10. Stakeholder Communication**

Insist that the EPAP project team ramp up stakeholder communications. Use e-mail, web sites, newsletters and town hall meetings.

## **Conclusions**

By taking corrective action on High risk factors, you are ensuring that your organization achieves business value from its investment in the EPAP implementation project. You will also avoid the destructive finger pointing that is a consequence of most unsuccessful projects.

## **Remediation projects**

This document recommends that operators treat remediation projects separately from the EPAP implementation project. However, EPAP requires operators to remediate not effective controls identified through the evaluation of controls within a reasonable time period.

Corvelle recommends that remediation of not effective controls and business process be treated as a separate project.

The typical scope of remediation projects will include work such as:

1. ensuring that evidence of control performance is recorded
2. improving that the required well tests are scheduled, performed and reviewed
3. ensuring that the required meter calibration and proving work is scheduled, performed and reviewed
4. recording fuel, flare and vent volumes regularly and at all properties
5. ensuring that missing or excessive fuel, flare and vent volumes are investigated
6. ensuring that all required gas and oil samples are taken
7. ensuring that all required gas and oil analyses are approved internally before the data is used
8. ensuring that all approved gas and oil analysis data reaches the systems where it is needed
9. strengthening processes that ensure that all truck tickets are reviewed for accuracy and completeness

10. strengthening processes that ensure that measurement schematics are reviewed and updated regularly
11. ensuring that out-of-range proration factors and excessive measurement variances are investigated
12. ensuring that recording problems on gas charts are investigated
13. ensuring that all items listed on the Petrinex Volumetric Noncompliance report are investigated
14. ensuring that the CAI Report is investigated