Oil Gas Salt Resources Library

OGSRL Business Plan

2000

Approved by the Trust Advisory Committee, March 2000

Approved by the OGSRC Trustee, May 2000

Prepared by Steve Fletcher, OGSRC Managing Director

2000 Business Plan

Executive Summary
The Oil, Gas and Salt Resources Trust is a non-profit organization which funds information management, research, and laboratory and library operations and facilities relating to oil, gas, salt and underground hydrocarbon storage resources in the province of Ontario. The Trust is funded by, and provides services to, companies and individuals involved in oil and gas exploration, drilling or production; the storage of hydrocarbons in geological formations, the disposal of oil field fluid in geological formations, and solution mining. Services are also available to the general public, universities and other clients on a cost-recovery basis. The Trust manages the Oil, Gas and Salt Resources Library as a resource centre for the study of the subsurface geology and oil, gas, salt, and subsurface storage and fluid disposal resources of all the potential oil, gas and salt-bearing rocks of Ontario.

Mission
The Oil, Gas and Salt Resources Trust specializes in the collection, generation, and dissemination of information and knowledge about the subsurface geology and oil, gas, salt and underground hydrocarbon storage resources of Ontario. It provides its clients in these resource industries with the data they need to conduct their business in the most orderly, safe and efficient way possible, and provides public access to this data at reasonable cost.

The Trust's mandate is to maintain and improve access to existing data, and to develop programs to improve client access to information and to generate new revenue.

Organization Summary
The Trust was formed by the Ontario Ministry of Natural Resources, pursuant to the Oil Gas and Salt Resources Act RSO 1990. A Trust Agreement, dated February 16, 1998, was signed with original Trustee the Ontario Oil Gas & Salt Resources Corporation. The Ontario Petroleum Institute (OPI) is the sole shareholder in the Ontario Oil Gas & Salt Resources Corporation. The Executive of OPI constitutes the Executive of the Trust. The Executive Director of OPI also acts as the Managing Director of the Trust.

Requirements for a Trust Advisory Committee (TAC) exist within the Act and the Trust Agreement. Members of the TAC are appointed to the Committee by the Trustee to a two year term. The TAC meets on a quarterly basis to advise the Trustee on the setting of operating budgets and directing policy with respect to expenditures.

Presently the Library is temporarily staffed by a independent contractor to maintain the Library's operating procedures. In previous years, the TAC have approved funding for two positions: 1) Operations Technician at $25,000 to $31,000 per year; and 2) Seasonal Sample Processing Technician $16,000 to $21,000 per year.

See Appendix 1 for recommended Job Descriptions.

Services
Availability of accurate geological and resource data is critical to

- the exploration industry for identification and development of new sources of oil, natural gas and salt;
- decrease risk and maximize exploration success, and attract investment capital;

- hydrocarbon storage, solution mining and hydrocarbon production industries to guide the safe, efficient and environmentally sound design and operation of underground storage, production, solution mining, and oil field fluid disposal in geological formations;
- to the Ontario government to provide a sound factual and scientific basis for development of policy and legislation and their enforcement and to protect public interest;
- to municipal governments to guide formulation of land-use plans, zoning bylaws, and development plans;
- to the general public to guide decisions on the leasing or development of their mineral rights;
- to academic institutions to provide high-quality learning opportunities for future scientists and explorationists.

The The Oil, Gas and Salt Resources Library houses resources and data available for study including drill cuttings samples from over 13,000 wells;cores from over 1,000 wells; file information on over 20,000 wells, including geophysical logs, formations tops, well history and construction, oil/gas/water zones, initial completion results, core analyses, oil/gas/water analyses; an extensive collection of reference books, periodicals and reprints on the subsurface geology and oil, gas, salt and subsurface storage resources of Ontario.

Publications: The Trust will publish and market an annual summary of oil, gas, and salt resources exploration, drilling, production and storage in Ontario in partnership with the Petroleum Resources Centre of the MNR. The Trust will also work with OPI and MNR to update the Pools and Pipelines Map. Other publications will be considered contingent on funding and demand. The Trust is negotiating a licensing agreement with the MNR and OPI to act as an agent for sale of the geological and resource publications of these organizations which are relevant to the oil, gas and salt resources industries of Ontario.

3. Information management: The Trust will continue to work in partnership with the MNR to build, maintain and market a digital database of geological and engineering information on wells drilled in Ontario. The Trust will be the data vendor for information on Ontario oil, gas, salt and storage resources, modeled after the services provided by successful data vendors in western Canada. Data could be accessible over the Internet or via CD-ROM.

Future Services

1. Research: The Trust will initiate funding of industry research projects that are relevant to the interests of its client industries. Guidelines for research projects will be established by the Trust Advisory Committee. Possible research projects include research grants to fund student theses at the masters and doctoral levels, co-funding of research with industry partners, hiring of consultants, etc.

2. Workshops and Training Courses: The Trust will organize workshops and training courses either alone or in partnership with clients. Currently most of the professional and technical training courses for the oil, gas and salt resources industries are offered at locations outside of Ontario. Some of these training needs are common to several clients groups and could be met more efficiently and economically if courses were available locally. Guidelines for workshops and training courses will be established by the Trust Advisory Committee.

3. The Trust will investigate an electronic data storage and retrieval system for the existing well card files, in order to protect the information, and provide an alternate delivery mechanism for the information.

4. Water Well Records. With the Library's expertise in managing well information, and future project could entail a licensing agreement with the Ministry of Environment for management, sale and distribution of Ontario water well records.

Customer Analysis

Current clients of the Trust comprise seven different industries; oil and gas producers and exploration companies, oil, gas and environmental consultants, cavern storage companies, solution mining companies, natural gas storage companies, Ontario government agencies, and earth science/geology departments at Ontario universities. Other potential clients are consultants to the oil, gas, solution mining and storage industries, university earth science departments, the general public, environmental consulting companies, resource exploration companies with no current Ontario operations, municipal planning agencies, Ontario Geological Survey, Ontario Ministry of Environment and Energy, and real estate agents/lawyers involved in land transactions.

Competition
There is no other commercial or public supplier of this service to the oil, gas and salt resources industries in Ontario. All drill core, cuttings and associated non-confidential drilling and production data for wells drilled under jurisdiction of the Oil, Gas and Salt Resources Act and its predecessor legislation is presently stored at the Oil Gas and Salt Resources Library.

Similar facilities exist in Saskatchewan, Alberta, British Columbia, and Manitoba. All of these facilities are government owned and operated. The Core Research Centre operated by the Alberta Energy and Utilities Board in the city of Calgary is a world class facility. It is able to recover 80% of its operating costs through user fees, with the balance provided by the provincial government.

There are several private sector data vendors in western Canada who specialize in providing digital data services to companies which explore for oil and gas in western Canada. The data is obtained under licence from provincial governments or from exploration companies and packaged with data display and management tools designed for the needs of their clients. With the exception of a fiche library of Ontario well logs maintained by International Datashare none of these vendors collect or market data on Ontario wells due to the limited size of the Ontario market and the lack of availability of a suitable database. Consequently, with the exception of International Datashare, these companies are not considered to be competitors. The Trust is negotiating with MNR for a resale licence for commercial marketing and distribution of other MNR oil, gas, salt and storage data.

Marketing Strategy
The Trust focuses on three geographical markets: Ontario, Alberta, and the northeastern USA. The target client is usually the operator of oil, gas, solution mining, natural gas storage, oil field fluid disposal or petroleum product storage wells in the province of Ontario, or a consultant providing services to these operators. Outside of Ontario the target client are resource exploration companies considering new locations for investment. Principal focus will continue to be providing services to the oil, gas, salt, and hydrocarbon storage resources industries, both to operators, service providers and consultants.

Pricing Strategy
Fees identified in the Oil, Gas and Salt Resources Act may be reviewed by the Trust Advisory Committee who can make recommendations to MNR for any changes. Client service fees are set by the Trust Advisory Committee and are reviewed on an annual basis. See Appendix A for the current price list. User service fees are priced to promote access to information and knowledge by a wide cross-section of clients and increase the client base. Daily and weekly fees are priced higher to encourage regular clients to purchase annual memberships to minimize administrative costs for invoicing and fee collection.

Publications and programs initiated by the Trust will be priced to recover all printing, distribution, and preparation costs.

Promotion Strategy
Advertisements and articles will be prepared for the OPI Newsletter, Michigan Basin Geological Society newsletter, Canadian Society of Petroleum Geologists newsletter and other relevant trade journals. An updated promotional package will be developed and mailed to potential new clients. The home page on the Internet will continue to be updated with information, and links sought on other relevant websites.

Distribution Strategy
Clients obtain data and information principally by personal visits to the Oil, Gas and Salt Resources Library, and by telephone inquiry. Telephone inquiries are usually followed up by mailing or faxing of file information, maps or publications and invoicing for service fees. Digital files can be mailed on diskettes or e-mailed over the Internet. Once suitable digital databases are available provisions will be made for direct access via Internet, with automatic billing to a credit card account.

Strategic Alliances
The Trust will have a close working and business relationship with the Petroleum Resources Centre of the Ontario Ministry of Natural Resources, and the Ontario Petroleum Institute. Other possible alliances include the Lambton Industrial Society, the Cavern Operators Group, the Ontario Geological Survey, and earth sciences departments of Ontario universities. It is recommended that the Library join as many relevant professional associations as possible.

Financial Plan
The Trust's financial objective is build a reserve fund equal to one year of expenditures. After that time the fees will be reviewed and revised. This reserve will serve as a contingency against fluctuations in well licence fee revenue caused by hydrocarbon production declines or unforeseen expenditures.

User fees and publication sales initially contributed only 10% of the operating revenue of the Trust. The goal has been to increase these fees to 20% of revenues. In 2000, user fees and publications sales are forecasted to contribute 15% of the Trust's operating revenue.

Credit Policies
All licence fees are to be paid by February 15th, representing the previous years production. The Trust extends credit to Members only, all others pay with cash or cheque. The Trust will investigate establishing a VISA account for processing credit cards in person and over the telephone.

Fiscal Year
The fiscal year of the Trust begins January 1st of each year and ends on December 31st.

Investments
Excess funds above the Trust's current operating requirements are invested in cashable Guaranteed Investment Certificates. At the end of 1999 the Trust had $161,411.34 in GICs.

Notes to Revenue Assumptions

Well Licence Fees
Section 16(4) of The Oil, Gas and Salt Resources Act states "The holder of a licence or permit shall pay the prescribed amounts to the trust within the prescribed times." Licence fee rates are prescribed in Regulation 245/97 under the Oil, Gas and Salt Resources Act and requires payment to accompany Form 3 - Annual Report of Well Status. The report and payment are due by Feb. 15 of each year, and are submitted to the MNR.

Oil and Gas Wells
The licence rate is 18 ¢per cubic metre of produced crude oil and 9 ¢per 1,000 m3 of produced natural gas, based on the annual licence fees for oil and gas wells reported on Form 8 to MNR from a licenced well. The fee is paid for the past calendar year of production at the time of submission of Form 8 to MNR, There is a minimum annual fee of $20 payable per operator of licensed wells who reports production of oil or gas.

Hydrocarbon Storage Wells
The rate is set at the annual fee is $75 per injection-withdrawal well and $10 for each observation well. There are 232 injection-withdrawal wells in 21 natural gas storage pools in Ontario and 70 observation wells, resulting in annual revenue of $19,500. There are 73 LPG storage caverns in operation in Ontario, with approximately 95 injection-withdrawal wells. The annual fee per well in this case is $150 for annual revenue of $15,750.

Solution Mining Wells
The rate is set at $150 per well. Based on a current total of 50 solution-mining wells, resulting in annual revenue of $9,750.

Sample Processing Fees
Provincial Standards for Oil, Gas and Salt Resources Operations require operators of licensed wells to collect samples from drilling operations and deliver them to the Oil, Gas and Salt Resources Library at the operators expense. The operator must also pay the cost of processing the samples according to the fee schedule prescribed in the Standards. The fees are submitted to the MNR at the time of submission of the Form 7 - Drilling and Completion Report, within 60 days after the TD Date of a well. Fees for processing of drill core are invoiced to well operators upon delivery of the core to the Library. Failure to collect or submit samples would not relieve operators of the obligation to pay. Based on the previous years rate of new will drilling, an annual revenue of $30,000 for sample processing is expected.

Client Services User Fees
Annual Memberships are available for Corporate Memberships at the Library at a cost of $1,500 per year, offset by Well Licence and Production Fees paid. Annual Memberships are available for Individual Memberships at the Library at a cost of $500 per year, offset by Well Licence and Production Fees paid. Weekly and daily user fees are also available

File Search Fees
Research by Library staff is is billed at $25 per hour. Revenue could be increased if all current information requests requiring MNR staff time can be redirected to the Library, but this would required educated knowledgeable staff. In order to be effective, staff would also require access to MNR source files. Annual estimate revenue is $5,800.

Publication Sales
Sale of annual summaries and any other Trust publications. Sales outlet for OPI and MNR petroleum publications. The Trust would retain a commission on all MNR publications sold. The same could be done with the OPI, Ministry of Northern Development and Mines, and other publications. Estimate potential annual revenue = $3,000

Notes to Expense Assumptions

Sample Processing Supplies: all estimates based on 25,000 samples/year (21,000 + 20% contingency)

- Sample Bags $265/1000 bags Annual cost = $7,155
- Vials 23¢ each Annual cost = $6,210
- Wooden Trays and & Trays $8.00 each. Each tray holds 208 samples. Need 120 per year Annual cost = $1,000
- Paper Trays $740/1000. Hold 26 vials per tray. Need 1000 per year. Annual cost = $800
- Cabinets $2500 each. Hold 60 trays each. Need 2 per year. Annual cost = $5,000
- Sieves $30 each. Need 60 per year. Annual cost = $2,000
- Core Supplies Saw blades $350 each for large, $70 for trim.
- Core boxes $5 each. Need 200 per year. Annual cost = $1450

Miscellaneous Equipment Supplies Annual cost = $1,000

Maintenance Annual cost = $1,000

Salary & Benefits
OGSRL Manager = $40,000 plus benefits
OGSRL Technician = $25,000 plus benefits

Client User Fees - Third Party Charges
Photocopier: Toshiba 1710 at $105/month on 36 month lease, plus 1.3¢/copy. 45,000 copies/year. Paper at $500/year.
Telephones: 3 lines at $132/month, long distance at $75/month
Outside copying of logs at $0.25 per running foot

Travel
Local business travel, attendance at OPI conference, out-of-province meetings.

Staff Training
Cost of approved training courses

Facilities
Trust operations are based in the Oil, Gas and Salt Resources Library. The building is owned and maintained by Ontario Realty Corporation (ORC), a branch of the provincial government. MNR is the tenant and currently pays the rent for this space. MNR will continue to be the tenant of this building and will base one to two staff in the building. The net cost to MNR of renting this space will be passed on to the Trust, proportional to the amount and type of space occupied. No firm figures on rental rates are yet available. Rental rates will be reviewed at the end of three years.

Insurance
General accident and liability insurance.

Publications
Annual Summary: The Trust will publish an annual summary of oil and gas exploration and production, underground storage of hydrocarbons in geological formations, solution mining and oil field fluid disposal in geological formations, in conjunction with MNR. The Trust would market and sell the publications to industry. As well, the Pools & Pipelines map will be updated, produced and sold.

Database Development
Over the past two years, the Trust has partnered with MNR to migrate and/or input data into MNR's Ontario Petroleum Data System (OPDS). By allocating funds again this year, it is anticipated that the data will be sufficient to be in a position to introduce the OPDS to industry, with the Trust as the data agent for MNR.

1. Data entry, editing and testing
January – April: Waterloo Co-op student
40 hours/week @ $10/hour for 16 weeks, + 4% $6,700

*May – August: 2 UWO students
$8 an hour, 36.25 hours per week, 10 weeks $6,300

*September – December: 1 Waterloo Co-op student
16 weeks at 500 dollars per week + 4% $8,500

2. Hardware requirements
Two Pentium III computers with Windows NT — see Capital Acquisitions

3. Administration fees for MNR network access.
Two computers at $500 per year — $1,000

4. Consultants fees
Reprogramming OPDS for data entry in Imperial units — $10,000

5. Software
Oracle licence and Arcview licence **

6. Contingency – consulting services — $10,000

Total — $42,500

Notes:
*If Library has 2 permanent staff, then only one student is needed for the summer, and none for September-December. This would save approximately $11,500, some of which could be budgeted as contingency for consulting services if required.
** Arcview licence may not be needed until 2001.

Research
An Economic Impact Study of the oil, gas and salt resource industries is required to establish baseline figures and analysis for the size and importance of the overall sectors. Clayton Research, which has undertaken a similar report for the Aggregate Producers and the Construction industries, has supplied an estimate of $8,000.

Trustee Fees
The Trustee receives an annual management fee of $5,000 to cover the cost of general administration, organization of the Trust Advisory Committee, arrangement of and attendance at meetings, set-up and maintenance of bank accounts, investment of cash assets, staff supervision and hiring. The Trustee may bill any additional direct expenses to the Trust, including legal fees, accounting/bookkeeping services, etc.

Marketing & Promotions
Internet Account and Web Hosting
Membership in OPI
Advertising with OPI Directory and Newsletters
Sponsorship and exhibiting at OPI Conventions
Advertisements in the Ohio, Michigan and New York association newsletters

Annual Financial Report
Auditors fees, printing, etc to prepare annual report to Minister on financial affairs of the Trust.

Capital Expenditures
Estimate for closing in the outdoor storage area = $36,000
Two Pentium III computers with Windows NT = $4,000