OGSRL Business Plan

2001

Prepared by Steve Fletcher, OGSRC Managing Director

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2001 Business Plan

1.0 Executive Summary
The Oil, Gas and Salt Resources Trust is a non-profit organization, established by the Oil, Gas and Salt Resources Act, which funds information management relating to oil, gas and salt resources; and also funds research, surveys, and laboratory facilities and operations relating to oil or gas exploration, drilling or production, the storage of oil, gas and other hydrocarbons in geological formations, and the disposal of oil field fluid in geological formations.

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.

2.0 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.

3.0 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.

The Library is currently staffed a full time Manager and Operations Technician, as well as occasional co-op students and part time employees.

3.1 Resources
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.

3.2 Services
The Library currently is used to view data files relating to wells drilled in Ontario (ie, well cards, production information, plugging information, etc); to view core and drilling cutting samples for wells drilled in Ontario; to view maps of well locations; and to view open file reports on the industry. Clients can view materials in the Library, and if relevant, take copies of the data files for viewing outside of the Library.

The Library also runs a dynamic website (www.ogsrlibrary.com) which contains summaries of reference materials in the Library, and a growing list of regularly updated reports (ie, drilling activity reports, new well licences).

4.0 Customer Analysis
In addition to the general public, the current clients of the Trust comprise 8 different industries:
1. Oil/Gas producers and exploration companies - both those currently active in Ontario, and those seeking to be active;
2. Oil, gas and environmental consultants;
3. Cavern storage companies;
4. Solution mining companies;
5. Natural gas storage companies;
6. Government agencies;
7. Earth science/geology university departments at Ontario universities; and
8. Real estate agents/lawyers involved in land transactions.

4.1 Competition
There is limited competition from commercial or public suppliers with respect to Ontario data relating to the oil, gas and salt resources industries in Ontario. Similar facilities exist in Saskatchewan, Alberta, British Columbia, and Manitoba. All of these facilities are government owned and operated.

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.

5.0 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 or activity. Principal focus will continue to be providing information services to the oil, gas, salt, and hydrocarbon storage resources industries, both to operators,

service providers and consultants.

Individuals or companies can join the Library as Annual Members to receive member benefits, usually in the form of financial incentives. See Appendix 1 for a copy of the current application form.

5.1 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 2 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. Publications and programs initiated by the Trust will be priced to recover all printing, distribution, and preparation costs.

5.2 Promotion Strategy

The Library will continue to focus its efforts on collecting and preparing information for publication in 2001. In the interim, the Library will promote its services in two key areas: 1) building general awareness of the Library's resources and mandate among current users and lapsed users within the target groups; and 2) targeting all potential user groups about the Library's digital publishing plans and the interim steps the Library is taking to organize and publish its data.

5.3 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, or CD distribution. Content on the Library website continues to grow, and will remain a priority for publishing new information, and for presenting existing information in a more accessible format.

5.4 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. The Library will join relevant professional associations as required, to maintain a two-way flow of information.

5.5 Financial Objectives

The Trust's financial objective is build a reserve fund equal to one year of expenditures. After that time the fees and services 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 2001, user fees and publications sales are forecasted to contribute 17% of the Trust's operating revenue.

The fiscal year of the Trust begins January 1st of each year and ends on December 31st. 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 can access OPI's VISA account for processing credit cards in person and over the telephone.

6. 0 2001 New Initiatives

Pools & Pipelines Map

The Ontario Pools & Pipelines Map is in the process of being updated. The Map will be produced as a joint venture between the MNR, the Trust, and OPI. Revenue and expenses from the Map will allocated based on the following: generation of revenue from sponsorship will be the responsibility of OPI and will accrue to OPI; revenue from the sale of maps will accrue to the Trust; copying and distribution of the map will be the responsibility of the Trust, utilizing OPI's plotter; production of the map will be the responsibility of MNR and the Trust; MNR can order maps for their use on a complimentary basis.

Digital Data Publishing

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. Research will continue in the areas of digital logs and capturing digital map and GIS information.

It is anticipated that digital information on Essex County will be available in the Spring of 2001, with Kent county available by the end of 2001, and Lambton county by the end of 2002.

Promotions

Advertisements and articles will be prepared for the OPI Newsletter, and other relevant trade journals. Staff will travel to industry events, both locally and in the Appalachian Basin and Western Canada Basin, to raise awareness of the Library's activities. An updated promotional package will be developed and mailed to potential new clients outlining new initiatives at the Library. The Library Manager will co-chair the Technical Program at the OPI Conference. The home page on the Internet will continue to be updated with key information, analysis and act as a digital gateway to the Library's information.

Publication Sales

The Trust will publish a 10 year industry summary document in partnership with MNR (with subsequent annual summaries prepared each year). The Operating Standards version 2.0 will also be available to publish in 2001.

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 OPI Library Advisory Committee.

Open House and Press Conference

An Open House and Press Conference will be scheduled to coincide, and perhaps launch, Ontario's data project, targeting the media (general and specialized), MPPs,and industry users.

7.0 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.

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 272 injection-withdrawal wells in 29 natural gas storage pools in Ontario and 70 observation wells, resulting in annual revenue of $21,100. There are 73 LPG storage caverns in operation in Ontario, with approximately 108 injection-withdrawal wells. The annual fee per well in this case is $150 for annual revenue of $16,200.

Solution Mining Wells
The rate is set at $150 per well. Based on a current total of 67 solution-mining wells, resulting in annual revenue of $10,050.

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. Based on the previous years rate of new will drilling, and the increased depth of drilling, an annual revenue of $42,000 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 billed at $25 per hour.

Publication Sales
New publications will be priced at 50% over cost, with minimal inventories maintained. The new publications include the 10 year industry summary, and the version 2.0 Operating Standards.

As well, the Pools & Pipelines map will be updated, produced and sold in partnership with OPI and MNR, with revenue from the sale of maps accruing to the Trust. Maps are produced on an as needed basis.

Seminars and Educational Training
The Trust will initiate a seminar and training program for clients and potential clients, based on training needs identified by the Trust, the Trust Advisory Committee and the OPI Library Advisory Committee. Fees will be set at 25% over full costs to generate a contingency fund for no-shows and extra costs, and to generate funds to develop and promote future educational opportunities.

Digital Data Revenue
On the assumption that OPDS can be launched externally in the second quarter of 2001, the data revenue is estimated at $5,000. The business plan for Digital Data will be covered in a separate document.

Investments
Excess funds above the Trust's current operating requirements are invested in cashable Guaranteed Investment Certificates. At the end of 2000 the Trust had $240,000 in GICs.

8.0 Expense Assumptions

Sample Processing Supplies: all estimates based on 30,000 samples/year (25,000 + 20% contingency)
Sample Bags $350/1,000 bags, annual cost = $ 10,500

Vials 20¢ each, annual cost = $6,000
Wooden Trays and Trays $8.00 each. Each tray holds 208 samples. Need 144 per year Annual cost = $1,152
Paper Trays $740/1,000. Hold 26 vials per tray. Need 1,154 per year. Annual cost = $852
Cabinets $2,500 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 = $42,000
OGSRL Technician = $28,000 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.
Outside copying of logs at $0.45 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 is currently in the third year of a three year lease. MNR will continue to be the tenant of this building and will base one to two staff in the building. Starting April 1, 2001, the Trust will assume the rental payment of $4,083 per month, including utilities and taxes.

Insurance
General accident and liability insurance, plus Directors & Officers insurance.

Database Development
Over the past three 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. Labour $59,000
January to April: Waterloo Co-op student
40 hours/week @ $12/hour for 16 weeks, + 4% = $8,000

January to December: 2 data entry technicians
$10 an hour, 40 hours per week, 52 weeks = $43,000

September to December: Waterloo Co-op student
40 hours/week @ $12/hour for 16 weeks, + 4% = $8,000

2. Hardware	$8,000
Two Pentium III computers with Windows NT = $6,000	
Repeater, network = $1,000	
Administration fees for MNR network access = $1,000	
3. Software	
Oracle, Arcview, Windows NT, MS Office, Autocad, Coreldraw, Surfer	$9,000
6. Contingency: OPDS programming – maintenance upgrades/fixes	$15,000
these funds may not be required if available within MNR	
Total	$91,000

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, with actual research proposal reviewed and recommended by the OPI Library Advisory Committee. Possible research projects include research grants to fund student theses, co-funding of research with industry partners, hiring of consultants, etc. In 2001, $2,000 will be allocated to research.

Trustee Fees

The Trustee receives an annual management fee of $10,000 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
Co-Chair OPI's Technical Program for the OPI Conference
Research and development of a Digital Data Business Plan
Advertisements in the Ohio, Michigan and New York association newsletters
Open House and Press Conference

Annual Financial Report

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

Contingency

A contingency fund of 10% of discretionary expenses will be established to cover cost overruns and unexpected expenses to complete approved projects.

9.0 Capital Capital Acquisitions/Improvements

Computer/software upgrades $500
Microscope upgrades $2,500
CD writer $500

Note: other capital acquisitions are identified with above expenses, ie hardware requirements for digital data project ($17,000), cabinets for filing cutting samples ($5,000).