Oil, Gas & Salt Resources Library
Business Plan
2002

Prepared by Steve Fletcher, OGSRC Managing Director

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2002 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 provides a drill cutting sample preparation service, and a core cutting service.

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:
a. Oil/Gas producers and exploration companies - both those currently active in Ontario, and those seeking to be active;
b. Oil, gas and environmental consultants;
c. Cavern storage companies;
d. Solution mining companies;
e. Natural gas storage companies;
f. Government agencies;
g. Earth science/geology university departments at Ontario universities; and
h. 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.

In the USA, the State Geological Surveys, or similar state agencies operate various data centres for industry.

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.

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 1 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 2002. 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 continue to have close working and business relationships with the Petroleum Resources Centre of the Ontario Ministry of Natural Resources, and the Ontario Petroleum Institute. The Library will join relevant associations (ie AAPG) as required, to maintain a two-way flow of information.

6.0 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 2002, user fees, publications sales and digital data sales are forecasted to contribute 20.9% 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, cheque or VISA

7. 0 NEW INITIATIVES

Membership Revenue

As part of the negotiations with LIO (Land Information Ontario), the Library has established the right for Library Members to obtain a copy of LIO's provincial digital base maps for non-commercial distribution. The availability of this product through the Library, valued in excess of $100,000, is expected to increase Membership Revenue for the Library.

Well Levy Fee Increases

A recommendation to increase well levy fees by 50% has been submitted to MNR. As this increase requires a regulation change, it is estimated that the fee increase will be in place for the second half of 2002 for 2003 revenues.

Sample Washing Fee Increase
The version 2.0 of the Operating Standards, which contains a sample washing fee increase, is expected to receive ministerial approval in February 2002. The fees will increase by 50%.

Publication Sales
The Trust will publish an 11 year industry summary, highlighting the years 1989 to 2000 inclusive, in partnership with MNR. Subsequent annual summaries will be prepared each year. The Summaries will be available for purchase on CD. The Operating Standards version 2.0 will also be available to publish in early 2002. New publications will be priced at 50% over cost, with minimal inventories maintained.

Seminars and Educational Training
The Trust will initiate a seminar and training program for clients based on training needs identified by the Trust the 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.

Log Digitizing
Staff will be working on a plan to rasterize the well log files, develop a program to accept donated files, and advocate for digital log submissions as part of the next Operating Standards update.

Seismic Shot Lines
Staff will be working on a plan to capture historical shot lines to prepare a map of seismic shot lines for the province. In addition, this will become an annual project to maintain the map data.

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, based on the Data Resale Agreement with MNR.

i) Distribution Strategy
Distribute data directly to clients and potential clients, with a balance between “Free” data and “Paid” information. “Free” data will be any data that will *encourage interest in investment* in Ontario for future exploration and production, and any data sets that will be in the public domain in the near future. “Paid” information include value-added data projects, and any data that will be *used to make specific investment decisions.*

ii) Current Activity
MNR has an operational database of all licenced wells in Ontario within the Ontario Petroleum Data System (OPDS). All new wells and well information, with the exception of production information, are entered into OPDS. The Library, in conjunction with MNR, has populated the database with old well information and files.

On a county by county basis, the Library, in conjunction with MNR, have been harmonizing the data between MNR’s full files and the Library’s public access files, and at the same time verifying data in OPDS. Once a county has been reviewed, a GIS specialist has been checking and realigning well location data.

Currently Essex, Kent, Huron, Perth, Oxford and Waterloo counties are completed. The following counties have had their files harmonized and verified: Middlesex, Elgin, Huron and Lake Erie are in the process of having their well files checked, and should be completed by March 2002, with well location verification completed by August 2002. Lambton county will begin the entire process in January 2002 and should be completed by the end of 2002. The balance of the province should be completed by the end of 2003.

Production data is available in hardcopy (by month by well) as well as a series of annual spreadsheets (by month by pool). The programming estimate to change OPDS is estimated at $30,000 to $50,000 and will be undertaken in 2002.

iii) Action Steps

a. Client access to OPDS via Library staff.

Currently, the Library has a live link to OPDS to undertake research and execute data enquires by clients. Customized Digital Well Location Maps prepared to client specifications will be priced at $50 each, plus shipping and handling based on a minimum of 1/2 hour digital retrieval staff time and $25 for the map output in e-size format. Clients can also request printed output of well records (either well files, or a summary of a query) for a fee (similar to photocopying charges). Data access will coincide with the rollout of completed counties.

b. Direct client access to OPDS data at the Library.

Eventually clients will be able to access OPDS data on Library computers. An hourly user fee schedule must be established, as well as relevant output charges. Currently OPDS does not have the capabilities to filter out confidential information, which will be required before clients can access the data themselves. The estimated cost will be $5,000 for programming and if implemented in January, the programming should be completed by June. A dedicated computer would be required, in addition to training seminars on how to maximize a clients use of the data.

c. Direct client access to OPDS data on their personal computer.

This distribution option will allow clients to purchase all well data in Ontario or on a county-by-county basis with an option to receive updated information on a quarterly or annual basis.

d. Direct client Internet access to OPDS on their personal computer.

1) Free and Paid data sets will be available for order on the OGSR Library website by filling in a form. Library staff would then e-mail or send a CD with the relevant information.

2) Downloading directly from the Library website

Free data sets, organized by county, will be available for downloading on the Library website, after filling out the appropriate forms and “signing” an end-user agreement. Based on the size of the data sets, a new server arrangement will have to be made at costs starting at $100 per month. Part of the form will include an update service for sending a notice of data additions, or the actual update data sets.

3) Via Land Information Ontario (LIO) Datawarehouse

LIO, in conjunction with MNR and the Library, is developing a Petroleum Resource layer to the overall LIO datawarehouse. With Internet access, individuals will be able to manipulate layers on screen and download data. The project is expected to be completed by the end of fiscal 2002. The Free data would include: Well Licence Number; Well Type; Well Mode; Well Full Name; Current Status; Class; Client Name; Target Depth; Total Depth; Well TD Formation; Pool Name; Horizontal or Vertical; Rotary or Cable Tool Drilled; County; Township; NS Boundary; EW Boundary; Surface Latitude and Longitude; Bottom Latitude and Longitude; Licence Date; Spud Date; TD Date; Completion Date; Plugging Date. There is no cost to the Library. In addition to being able to manipulate layers and access data, users will be able to see metadata tables outlining the other information that is available only at the Library.

4) Resale through third-party vendors.

Resale agreements are in place to market Ontario data through any local, national or international vendor.

See Appendix 2 for a summary chart of the future OPDS developments and timelines.

8.0 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 February 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.

Natural Gas Storage Wells

The licence rate is set at the annual fee is $75 per injection-withdrawal well and $10 for each observation well. There are 280 injection-withdrawal wells in 29 natural gas storage pools in Ontario, and 100 observation wells, resulting in annual revenue of $22,000.

LPG Storage Wells

The annual fee per storage well is $150. There are 73 LPG storage caverns in operation in Ontario, with 108 injection-withdrawal wells, resulting in an 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 $10,550.

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 year's rate and depth of new well drilling and the increase of sample processing fees included in version 2.0 of the Operating Standards, an annual revenue of $58,000 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 Fees paid. Annual Memberships are available for Individual Memberships at the Library at a cost of $500 per year, offset by Well Licence Fees paid. Weekly and daily user fees are also available.

File Search Fees

Research by Library staff is billed at $25 per hour for regular administrative searches, and $50 per hour for advanced and digital data retrievals.

Investments

Excess funds above the Trust's current operating requirements are invested in cashable Guaranteed Investment Certificates. Near the end of 2001 the Trust had $250,000 in GICs.

9.0 EXPENSE ASSUMPTIONS
Sample Processing Supplies: all estimates based on 30,000 samples/year (25,000 + 20% contingency)
Sample Bags $180/1,000 bags, annual cost = $ 5,400
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 $792/1,000. Hold 26 vials per tray. Need 1,154 per year. Annual cost = $1,168
Cabinets $2,500 each. Hold 60 trays each. Need 2 per year. Have five cabinets empty at the end of 2001.

Miscellaneous Equipment Supplies Annual cost = $1,000

Salary & Benefits
OGSRL Manager = $40,500 plus benefits
OGSRL Technician = $34,000 plus benefits
Sample washing temporary = $4,000 ($9/hr for 35 hours per week for 12 weeks).

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. Starting April 1, 2001, the Trust has signed a 5 year lease with rental payments of $62,000 per year, with $23,500 as fixed and $38,500 as variable.

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. The following are the 2002 Digital Data expenditure recommendations.

Staffing:
- 2 full time data entry and verification positions @$10.50 for 35 hours for 52 weeks, plus 10% benefits = $42,000
- 2 co-op GIS student (summer and fall) positions @$12 for 35 hours for 16 weeks, plus 10% benefits = $15,,000

Programming:
- for confidential filtering for client access = $5,000
- for production data = $30,000 (OGSRL's share)

Hardware:
- 2 computer workstations to MNR specifications = $8,000

Total Expenditures = $100,000

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 2002, $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
Marketing expenditures include: Internet Account and Web Hosting; Membership in OPI; Advertising with OPI Directory and Newsletters; Sponsorship and Exhibiting at OPI Conventions; Research and development of a Digital Data Business Plan; 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.

Contingency
A contingency fund of $5,000 has be established to cover cost overruns and unexpected expenses to complete approved projects.

10.0 CAPITAL ACQUISITIONS/IMPROVEMENTS

Computer/software upgrades $500
Office furnishings $2,500
Miscellaneous $1,000
Computers $8,000 (identified under Digital Data Project)