



Management Response to an Independent Evaluation of the Frontier Exploration and Production function

-- G. Lever

Objectives:

The NEB Audit and Evaluation Committee initiated an independent evaluation of the Board's Frontier Exploration and Production (E&P) function that was conducted in February 2005.

The Objectives of this evaluation were to:

- Assess the effectiveness of the Board's Frontier E&P function;
- Assess the ability of the current process to deal with an expected increase in workload;
- Identify gaps in the current procedures and practices; and
- Develop specific recommendations within an overall action plan that will improve the result of the Frontier E&P function.

Methodology:

Over 50 individuals from a representative cross-section of clients (oil and gas industry representatives) and stakeholders (representing governments, other decision-making Boards, and interested parties), and internal NEB personnel were interviewed, using a standard set of questions based on evaluation criteria developed as part of this project.

Observations and Recommendations:

The consultants from Gartner Lee Limited noted that:

- Clients and internal NEB personnel viewed the Frontier E&P function as being efficient, effective, timely, open, transparent, and fair in its operation;
- Clients held the Frontier E&P function in high regard, and valued its expertise and professionalism in completing its regulatory role in Frontier areas; and
- NEB personnel were content with their roles and responsibilities with the Frontier E&P function.

Gartner Lee made 12 recommendations of which the first six were directed at the NEB as a whole and the latter six were specific to the E&P function. In general, management agrees with recommendations made by the consultants with the exception of those related to Devolution (R2), Streamlining of CPRA process (R4), Industry Compliance (R6), Kyoto Protocol (R9), and Information Management (R11).

The attached tables show the high and low priority management action items addressing the recommendations in the Gartner Lee report.

Table A: High Priority Action Items

Consultant's Recommendation	Action Plan	Timeline
<p>R3: Improvements to Existing Legislation and Regulations that apply in Northern Frontier Areas</p> <p>R7: Improvements to Guidelines and Best Practices</p>	Strategy: Review and revise legislation, regulations & guidance material	
	Create a plan and schedule for revising goal-oriented regulations under COGOA and Accord Acts. Revise and modernize the legislative framework within which we currently work, the Canada Petroleum Resources Act (CPRA), the Canada Oil and Gas Operations Act (COGOA).	30 Jun 05
	Draft and submit recommendations to NRCan and DIAND for implementation.	March 2007
	Implement plan for preparing goal-oriented regulations and guidance notes.	As per regulatory update plan
	Consult and engage companies to review draft regulations at an early stage and contribute to the preparation of guidance materials.	As per regulatory update plan
	Adopt appropriate guidance material from Offshore Petroleum Boards.	
	Share plan with clients, stakeholders, and internally.	As per regulatory update plan
	Meeting with CAPP scheduled for Jan 06	
	Prepare a plan for Semi-annual meetings with companies and their association to identify issues and to advance understanding and solutions.	31 Oct 05
	Meeting with CAPP scheduled for Jan 06 and Jun-Jul 06	
<p>R1: Improved Northern and Frontier Presence</p>	Strategy: Engagement of clients and stakeholders	
	Assess and develop options for additional northern presence, i.e., NEB Northern Office, following MGP decision	After MGP decision
<p>R8: Educational and Outreach Programs for Clients and Stakeholder</p>	<p>Leverage communication opportunities in the Frontier.</p> <p>Meetings are planned about two (2) months in advance or by invitation. Where possible, meetings are scheduled with inspections or other activities in the area.</p>	<p>At available opportunities</p>

Consultant's Recommendation	Action Plan	Timeline
	Meetings were held with the Inuvialuit (Inuvialuit Lands Administration and Environmental Impacts Steering Committee), Fort Liard (Ache Dene Cho), Colville Lake (Shatu). Additional meetings are scheduled with the representatives from Deline (Shatu) and Inuvialuit Game Council in Nov 05.	
	Hold semi-annual meetings with companies to identify issues and to advance understanding and solutions as noted above.	Semi annual
	Prepare a plan for annual coordinated INAC, northern communities* and NEB meeting. The plan will be developed in Fiscal Q4 as there is a new Director at Northern Oil and Gas in Ottawa.	31 Oct 05
	Hold annual northern communities meeting as per above plan.	As per plan
R4: Streamlining the <i>Canadian Petroleum Resources Act</i> Regulatory Application Process	Strategy: Leverage QMS for process improvements	
	Assess adequacy of current process	
	Map and publish current COGOA and CPRA processes under QMS. DONE	31 May 05
R10: Decision Making Processes	Establish linkages within sub-processes and with other processes under QMS. Underway.	31 Mar 06
	Use QMS for process improvements. To be undertaken in 2006-07	31 Mar 07
R5: Internal NEB Team Development	Strategy: Focus on internal team development and capacity building	
R12: Maintaining and Enhancing Internal Capacity	Hold Accountability and Development discussions with E&P team members to prepare Results for 2005-06. These would include PL, Environment and PL, Safety and Engineering in the initial discussions and facilitation of implementation of the development plan. Individual Results discussions and mid-year discussions have taken place. Development plans have been identified and actions initiated.	30 Sep 05
	Implement Development Plan action items. Action underway in most cases.	31 Mar 06 and beyond

	Information sessions and discussions on E&P internally. Frontier Days and informal session with Team Leaders held in September. An additional session with economists is planned for late October 05. Additional sessions will be planned for Q4.	31 Mar 06
	Explore and expand work share opportunities. Staff are working on a 'NEB' Emergency Preparedness and response program. Inspection officers are 'shadowing' and learning Frontier operations and vice versa as opportunities arise.	31 Mar 06
	Identify gaps and solutions in People Strategies 2006-09. Discussions are underway at Operations BULT. Key vulnerabilities are in the areas of Geophysics and drilling engineering. Staffing actions have been initiated as have capacity building steps in Data Coordinator role.	31 Mar 06
	Plan and implement an E&P team building activity. To be undertaken in Q4 following completion of a "Team Dynamics" evaluation conducted in Sept-Oct 05.	31 Mar 06

- * Major communities include: Fort Liard, Cameron Hills, Colville Lakes, Fort Good Hope, Tulita, Inuvik, Tuktoyaktuk and other communities in the ISR. Selection would be based on consultations with INAC Yellowknife and Gatineau as well as communities on subject and timing.

Table B: Low Priority Action Items

Consultant's Recommendation	Action Plan	Timeline
R11: Information Management	Use e-mail to receive daily well log.	31 Mar 06
	Develop plans to leverage technology to capture data electronically going forward.	31 Mar 06
	Implement appropriate elements of the approved plan.	31 Mar 07
R6: Industry Compliance**	Raise companies' awareness of filing requirements.	31 Mar 06
	Escalate outstanding submissions requirement to management.	31 Mar 06
R2: Legal Certainty and Devolution	Keep current on status.	On-going
	Develop plan for regulatory transfer to Northwest Territories.	31 Mar 06
	Develop E&P human resources and work plan.	31 Mar 06
R9: Kyoto Protocol	NRCan and EC leads.	

** While this recommendation was rated as High by the consultant, this stems from an internal frustration that some companies have outstanding report submissions. Elevating this to Industry Compliance and High priority is exaggerating the issue identified during interviews.