Manufacturing and Energy Division

Oil and Gas Extraction

Reporting guide

2011

Net Cash Expenditures Statement

IMPORTANT:

Statistics Canada has replaced the previous Schedule II "Non-Capital Repair and Maintenance Expenditures" with a new Schedule VII "Non-Conventional Sector" to include a detailed account of i) Machinery and ii) Capital Construction (building and engineering) for the non-conventional sector.

Helpful hints to completing this questionnaire

The **total value of sales** reported in Schedule V must equal the value entered in Schedule I, item #1.

The **total royalties** as reported in Schedule II, "Non-Conventional Sector" (if applicable), items #14 and #15 and Schedule III, "Conventional Sector Operating Costs and Royalties", items #6, #7, #8 must equal the value entered in Schedule I, item #4.

Total operating costs as reported in Schedule II, "Non-Conventional Sector", item #13 (if applicable) and Schedule III, "Conventional Sector Operating Costs and Royalties", item #5 must equal the value entered in Schedule I, item #5.

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Schedule I - Revenues, Expenses and Net Income

1. **Sales Before Royalties, Taxes and Other Charges**

   Report the sales or transfer value of produced goods or services before any adjustment or intersegment elimination. Please include royalties and taxes that are imposed at the time of sale. Exclude G.S.T.

2. **All Other Revenues**

   Include cash revenue items not reported elsewhere such as dividend receipts, rentals, overhead and processing revenue received as operator and /or owner of facilities. Such processing revenues should be reported gross.

3. **Gross Revenues**

   The sum of lines 1 and 2.

4. **Royalties and Similar Payments**

   The sum of Schedule II, lines 14 and 15 and Schedule III, lines 6, 7, and 8.

5. **Operating Costs**

   Please include cost of materials and supplies used in production, surface lease rentals, lifting costs and all other expenditures which are related to producing operations. Exclude any ‘non-cash’ charges and royalties. All general and administrative costs related to producing activities and charged to current year operations should also be included here.

6. **Salaries and Wages**

   Include the cost of salaries and wages (including bonuses and commissions, employer contributions to pension, medical, unemployment insurance plans, etc.) paid to your own workforce during the reporting period.

7. **Other Cash Operating Costs**

   Include only costs associated with non-producing operations and other expense items not reported elsewhere.

8. **Interest Expense**

   Include interest paid on bank loans, bonds, etc.

9. **Federal Income Tax**

   Include federal income tax pertaining to the current period and assumed to be currently due.

10. **Provincial Income Tax**

    Include provincial income tax pertaining to the current period and assumed to be currently due. The amount reported should include the Saskatchewan Corporate Capital Tax Surcharge if applicable.

11. **Deferred Income Tax**

    Include accrued tax obligations reflected as an expense in the income statement, but not payable in the current reporting period.

12. **Exploration and Development Expenses Charged to Current Operations**

    Include exploration and development expenses charged to current operations.

13. **Depreciation/Amortization**

    The systematic charge-off to expense of costs for depreciable assets that had been initially capitalised or deferred. Write-downs of depreciable assets resulting from impairments should be included in this category. However, write-offs arising from unusual dispositions and gains/losses on sales of assets should be reported in lines 15 and 16 respectively.

14. **Depletion**

    Include the current depletion charges for costs subject to such deduction. Write-offs resulting from the application of ceiling tests should be reported in line 15, “Write-offs and amortization of deferred charges”. Gains and losses on disposal of properties should be reported in line 16, “Other non-cash items”.

15. **Write-Offs and Amortization of Deferred Charges**

    Adjustments may be made for non-operating items which the company ordinarily eliminates from its reported “Internal cash flow”.

16. Other Non-Cash Items

Include non-cash items not reported elsewhere such as unrealised losses on currency transactions, non-controlling shareholders' interest in earnings of consolidated subsidiaries, and the equity portion of losses of unconsolidated affiliates. This item should be reduced by such non-cash revenue items as unrealised currency gains, non-controlling shareholders' interest in losses of consolidated subsidiaries, and equity in earnings of unconsolidated affiliates.

17. Total Operating Cost

The sum of lines 4 to 16.

18. Net Income

Line 3 minus line 17.

Schedule II - Non-Conventional Sector

- The Non-Conventional Sector relates to operations as defined in the A.E.U.B. Publication Alberta Active Projects - Oil Sands and Heavy Oil Schemes (Catalogue A.E.U.B. ST-97-44). Effectively, these operations take place in the geographical areas of Cold Lake, Peace River, Athabasca, Wabasca and Lindbergh, etc.

Regarding partnerships and joint venture activities or projects, report the expenditures reflecting your company's net interest in such oil sands projects or ventures.

1. **Land and Lease Acquisition and Retention**

   a) Acquisition costs, oil rights fees and retention costs.

   b) Cost of land and lease purchased from others.

2. **Machinery and Equipment**

   Include items such as boilers, compressors, motors, pumps and any other items that may be termed manufacturing or mining equipment as opposed to a fixed installation such as a building.

3. **Housing**

   Value of residential structures and related infrastructure within a company townsite.

4. **Drilling Expenditures and Pre-Mining Costs**

   Drilling expenditures include core hole and delineation drilling. Include the cost of casing and other materials and equipment left in place, core analysis, logging, road building, and other directly related services. Pre-mining costs include overburden removal and other pre-production expenditures.

5. **Capitalized Overhead**

   Report the cost of capitalized overhead not allocated above. These overhead charges should exclude any amounts reported on Schedule III or Schedule IV.

6. **Research and Other Costs**

   Include all research costs associated with non-conventional oil and/or natural gas, such as: laboratory work, consultants' fees, performance evaluations, and experimental pilot plants (including any capitalised operating costs). Other costs include items such as drainage systems, roadways, tankages, anti-pollution equipment and fixed installations not including machinery and equipment included in item 2.

7. **Total**

   The addition of lines 1 to 6.

8. **Field, Well and/or Plant**

   Include all direct operating expenses and any other expenses directly related to the mining, stimulation, processing, upgrading and delivery of the product, and cost of purchased fuel and electricity

9. **Taxes (excluding income taxes and royalties)**

   Include taxes to federal, provincial and municipal governments, but exclude royalties, income taxes, and taxes that are part of the list price of purchases.

10. **Cost of Purchased Fuel and Electricity**

    For crude oil operations only, include costs for fuel and electricity for all sites.

11. **Water Handling/Disposal**

    For natural gas operations only, include all costs pertaining to this.

12. **Operating Overhead**

    Include all remaining general and administrative expenses related to upstream operations, including any corporate allocation to this segment. (These overhead charges should exclude any reported under Capitalised overhead, line 5 above).

13. **Total Operating Costs**

    The summation of lines 8 to 12.

14. **Provincial Royalties**

    Include all monies payable to provincial governments based on production.

15. **Freehold Royalties**

16. **Unconventional Natural Gas Production**

Schedule Iii - Conventional Sector Operating Costs and Royalties

Operating costs include all direct operating expenses such as wages and salaries, materials and supplies, fuel and power, well conditioning costs, municipal taxes, other direct operating expenses, maintenance and repairs expensed and contract services. Also include the non-capitalised cost of purchased injection materials used in enhanced recovery projects.

1. **Field, Well and Gathering Operations - Oil and Gas**

   Include primary, secondary, and tertiary recovery and pressure maintenance facilities, gathering systems and other well site facilities, surface lease rentals, and cost of purchased fuel and electricity.

2. **Natural Gas Processing Plants**

   Include expenses associated with field processing plants as well as reprocessing activities, recycling projects, and cost of purchased fuel and electricity.

3. **Taxes (excluding income taxes and royalties)**

   Include taxes to federal, provincial and municipal governments, but exclude royalties, income taxes, and taxes that are part of the list price of purchases

4. **Operating Overhead**

   Include all remaining general and administrative expenses related to upstream operations, including any corporate allocation to this segment. (These overhead charges should exclude any reported on Schedule IV).

5. **Total Operating Costs**

   The addition of lines 1 to 4.

6. **Federal Crown Royalties**

   Are amounts paid to the federal government, but excluding Indian lands royalties.

7. **Provincial Royalties and Taxes**

   Are amounts paid during the reporting period for royalty or royalty-like levies. In Alberta, include the “freehold mineral tax” together with the standard crown royalties on conventional oil and gas production. In Saskatchewan, include the standard crown royalties on oil and gas production plus the “freehold production tax”. In Manitoba, include the standard crown royalties and “freehold taxes” collected by the Manitoba government.

8. Non-Crown Royalties and Similar Payments

a) Indian lands royalties: are amounts paid to Indian bands, either directly or indirectly, based on the level of production.

b) Freehold royalties: are royalties that have been paid to parties, other than the Crown, who own the mineral interest to the property.

c) Overriding royalties: are payments (normally free of all costs of development and operation) arising from an economic interest in a property.

Schedule IV - Upstream Expenditures - Conventional Area (both capitalised and expensed)

1. **Oil and Gas Right Acquisition and Retention Costs**

   (excluding inter-company sales or transfers) includes:

   a) Acquisition costs and fees for oil and gas rights (include bonuses, legal fees and filing fees).

   b) Oil and gas rights retention costs.

2. **Cost of Land and Lease Purchased from Other Petroleum Companies**

   Purchases from companies that are engaged primarily in petroleum activities.

3. **Geological and Geophysical**

   Include such activities as seismic crew expenses, both company owned and contract. Include camp, bulldozing and dirt work, flying crews in and out, seismograph, velocity survey, gravity meter, magnetometer, core drilling, photo geological digital processing, magnetic playback and bottom hole contributions and environmental impact studies and other similar pre-exploration expenditures. All seismic or geological and geophysical expenditures (including stratigraphic tests) should be reported here, whether such activity is deemed exploration or development by the company.

4. **Exploration Drilling**

   Drilling outside a proven area or within a proven area but to a previously untested horizon, in order to determine whether oil or gas reserves exist rather than to develop proven reserves discovered by previous drilling. Include costs of dry wells, casing and other materials and equipment abandoned in place, productive wells, including capped wells, and wells still in progress at year-end. Include, also, costs incurred in fighting blow-outs, runaways, and in replacing damaged equipment.

5. **Total Exploration Spending**

   Addition of lines 1 to 4. Should be reported **gross** (whether capitalized or expensed) before deducting any incentive grants. Related overhead should be included in line 14 below.

6. **Development Drilling**

Drilling within the proven area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive for the purpose of extracting oil or gas reserves. This will cover costs of dry wells, including casing and other materials and equipment abandoned in place; productive wells, including capped well; and wells still in progress at year end. Include, also, costs incurred in fighting blow-outs, runaways, and in replacing damaged equipment. **Exclude** costs associated with service wells.

Note: There should be no development expenditures until a development plan has been approved.

7. **Cost of Proven Reserves Purchased**

Purchases from those companies that are engaged primarily in petroleum activities.

8. **Total Development Spending**

Should be reported **gross** (whether capitalized or expensed) before deducting any incentive grant. Related overhead should be included in line 16 below.

9. **Production Facilities**

Include tangible well and lease equipment comprising casing, tubing, wellheads, pumps, flowlines, separators, treaters, dehydrators. Include gathering pipelines, lease and centralized tank batteries and associated facilities prior to delivery to trunk pipelines terminals, and other production facilities. Include, also, costs associated with intangibles such as pre-production studies costs, and those expenditures that you consider to be pre-development.

10. **Non-Production Facilities**

Include automotive, aeroplane, communication, office and miscellaneous equipment not otherwise provided.

11. **Enhanced Recovery Projects**

Include only expenditures on facilities in tertiary projects involving steam injection, miscible flooding, etc. Include service wells, both tangible and intangible, including the costs of drilling and equipping injection wells and also the cost of capitalized injection fuel (miscible fluid) costs, but exclude non-recoverable injection fluids charged to current operations.

12. Natural Gas Processing Plants

Report only the **capitalized** amounts of the plants, including structures, measuring, regulating and related equipment.

13. Drilling Rigs and Supply Boats

Report expenditures including progress payments for the purchase of new and imported used and new drilling rigs (on and offshore) and supply boats.

14. Total Production Spending

Addition of lines 9 to 13. This should be reported **gross** before deducting incentive grants. Related overhead should be included in line 17 below.

Upstream Overhead

Allocate capitalized upstream overhead to the categories indicated (lines 15 to 17). These overhead charges should exclude any reported on Schedule III.

Schedule V - Volume and Value of Sales

Exclude oil and gas purchased for resale, refining, fractionating or further processing, but include value and volume of royalty portion of production.

1. Conventional Crude Oil and Condensate

Includes field production of conventional light and heavy crude oil and condensate that is subject to old or new oil royalty rate.

2. Synthetic Crude Oil

Synthetic crude oil obtained by the upgrading of crude bitumen or by the modification of coal or other materials should be reported here.

3. Crude Bitumen

Crude Bitumen, in its naturally occurring viscous state, will not flow to a well.

4. Marketable Natural Gas

Report here the volume of natural gas production equal to gross new production from natural reservoirs, less injected and stored, processing shrinkage, plus or minus statistical adjustment, less field disposition and uses, field flared and waste, gathering system disposition and uses, reprocessing flared and reprocessing fuel, and other disposition and uses.

5. a) NGL’s/LPG’s - Field

Includes production derived from natural gas at the field processing plants. Report production measured after solvent flood or other ‘own-uses’.

b) NGL’s/LPG’s - Reprocessing Plants

Includes production derived from natural gas at reprocessing/ straddle plants. Report gross production before accounting for gas shrinkage of purchased gas or NGL’s at the extraction operations.

6. a) Pentanes Plus - Fields

Includes production derived from natural gas at the field processing plants. Do not include field condensates recovered at the wellhead, which should be reported with conventional crude oil.

b) Pentanes Plus - Reprocessing Plants

Includes production derived from natural gas at reprocessing/straddle plants.

7. Sulphur

Report here production measured in thousands of metric tonnes. Please report your total production whether it was sold or charged to inventory.

Schedule VI - Balance Sheet

1. **Total Current Assets**
   Includes such items as cash, marketable securities, accounts receivable, inventories, etc.

2. **Net Capital Assets**
   Includes land not held for the purpose of re-sale, amortizable assets such as buildings, machinery and equipment, etc.

3. **Other Assets**
   Include all assets not reported as either current or capital assets.

4. **Total Assets**
   Equals the sum of lines 1 to 3.

5. **Current Liabilities**
   Includes such items as current portion of long-term debt, accounts payable, notes payable, etc.

6. **Long Term Debt**
   Includes all debt with a maturity of greater than one year.

7. **Other Liabilities**
   Include all liabilities not reported as either a current liability or long-term debt

8. **Equity**
   Includes common shares, preferred shares, retained earnings and all other equity.

9. **Total Liabilities and Equity**
   The sum of lines 5 to 8.

Metric Conversion Factors

To convert from		
Million cubic feet	**Million cubic metres**	**Divide by**
(106cf) – gas	(106m3)	35.315
Thousand barrels	**Thousands cubic metres**	
(103Bbls) - oil	(103m3)	6.29

Please note: Data are published annually in Catalogue 26-213, Oil and Gas Extraction.

Schedule VII - Non-Conventional Sector

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Machinery and Equipment:

Include items such as boilers, compressors, motors, pumps and any other items that may be termed manufacturing or mining equipment as opposed to a fixed installation such as a building.

Capital Construction (building and engineering):

Construction structures should be classified to an asset according to its principle use unless it is a multi-purpose structure where we would like you to separate the components. The cost of any machinery and equipment which is an integral or built-in feature (i.e. elevators, heating equipment, sprinkler systems, environmental controls, intercom system etc.) should be reported as part of that structure as well as landscaping, associated parking lots, etc.