

Trust brokers

Energy Navigator brings reserves, production, capital status into real time environment

ATOP SHELF ISSUE AT THIS YEAR'S gathering of the global oil industry in Calgary is regaining investor confidence after the Enron debacle south of the border.

And today's insistence on corporate governance and accountability must seem like a gift from heaven to Energy Navigator Inc. (ENI). Regulatory agencies in both Canada and the United States are sending the oil and gas industry the very clear message that companies are accountable for their financial and reserve reporting, and they must clearly demonstrate they have internal controls to ensure the accuracy of their reports.

Since 1998, ENI has been writing just the software to simplify compliance with those regulations.

"When the company was founded, the intention was to provide software packages that would give visibility to reserves, production and capital within an organization," says Stephanie Prior, business development manager for ENI.

"Our mandate was to help the oil and gas industry make better decisions—and it still is. You need to know where you stand with regard to production and capital."

The new regulations happen to codify a formal response to the observations that prompted ENI founder and president Boyd Russell to design software to track and report reserves and production, and capital spending commitments, efficiently and accurately.

"Boyd Russell looked around the oilpatch and noticed that processes were inefficient. He felt there was a lack of accountability and a lack of control," Prior says. Russell applied his oilpatch engineering experience to figuring out what the software should do, then started writing code.

ENI's Value Navigator software tracks production and reserves to a level compliant with National Instruments 51-101 and 51-102, both of which were adopted by the ASC in June 2003 and the TSX and CSA this March.



The AFE Navigator would track any spending at the Global Petroleum Show

The second program allows users electronically to create, route, approve and track all authorizations for expenditure (AFE). Called AFE Navigator, it gives a snapshot of a company's capital spending commitments at any time.

"These new corporate governance regulations bring accountability to organizations," Prior says. "Companies have to be accountable for the foundations of their business. In oil and gas, that's your reserves, your production and your capital."

"The other component is that executive officers need to certify that they have internal controls in place. If you're using disparate systems or software, or a paper-based method, or you have multiple points of entry for the same data, it's very hard to demonstrate that you have internal controls to certify the reliability of the data you're reporting."

Built on an open database structure to allow data sharing, ENI's programs are integrated into the day-to-day work flow to allow for continuous scrutiny. Managers don't have to wait until year-end for an external audit to know their position.

"One of the challenges the oil and gas industry has faced historically is that companies are not aware of where they stand," Prior says. "With our tools, you can anticipate problems and manage ▶

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The Value Navigator tracks production and reserves

can readily review a company's continually changing reserves and the success of planned capital projects. Value Navigator's segregated working, pending and accepted levels of reserve status allow engineers to track various aspects of performance and compare them with the forecast filed at year-end.

"AFE Navigator is an excellent tool to address your capital tracking, and Value Navigator is being used by some of the largest oil and gas companies and independent evaluators," Prior says. "In addition to fitting remarkably well with these new requirements, they're both fantastic tools for your everyday work. It just so happens that there's a pretty significant added benefit, in light of the new regulations."

For efficiency into the future, the fully integrated evaluation system is able to convert 2003 year-end filings from several independent evaluators including Gilbert Laustsen Jung Associates Ltd., Sproule Associates Ltd., and McDaniel and Associates Consultants Ltd. To date it has also converted several Peep and Portfolio databases. ECI continues to review its software with its 80-plus clients and their auditors to refine its performance.

Value Navigator combines rigorous reservoir engineering tools, automated decline analysis, a fast and accurate economic engine, and full reserves management capability. It incorporates all of the reporting requirements, including:

- required reserve categories;
 - tracking heavy oil and light/medium oil separately;
 - balancing company share and net volumes and present worth for each product;
 - tracking royalty interests separately from working interests on reserves.
- AFE Navigator provides for stringent internal controls on capital spending by:
- creating AFEs and electronically routing them for approval;
 - tracking actual spending against estimates; and,
 - automatically generating accruals.

It ensures proper authorization is given for each expenditure, employee spending limits and rules are known, each project carries an audit trail, and estimated versus actual capital spending commitments are reported.

— Melanie Collison

your business better as a result. If a company knows of a shortfall in July it could drill or acquire, or at least give its shareholders a heads-up. On the positive side, if a company is exceeding its

targets, it may have more money to spend. If they didn't know until March, it would be a missed opportunity."

Internal management, the board of directors and independent evaluators



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