
Statement by Management of the Government of Alberta, Client Service Management

We are responsible for designing, implementing, operating, and maintaining effective controls within the Government of Alberta, Department of Energy's (Alberta Energy) Petrinex System (Petrinex or system) throughout the period May 1, 2020, to March 31, 2021, to provide reasonable assurance that Alberta Energy's service commitments and system requirements for Petrinex relevant to security, availability, processing integrity, and confidentiality were achieved. Our description of the boundaries of the system is presented in attachment A and identifies the aspects of the system covered by our statement.

We have performed an evaluation of the effectiveness of the controls within the system throughout the period May 1, 2020, to March 31, 2021, to provide reasonable assurance that Alberta Energy's service commitments and system requirements for Petrinex were achieved based on the trust services criteria relevant to security, availability, processing integrity, and confidentiality (applicable trust services criteria) set forth in TSP section 100, 2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy (AICPA, Trust Services Criteria). Alberta Energy's objectives for the system in applying the applicable trust services criteria are embodied in its service commitments and system requirements for Petrinex relevant to the applicable trust services criteria. The principal service commitments and system requirements for Petrinex related to the applicable trust services criteria are presented in attachment B.

There are inherent limitations in any system of internal control, including the possibility of human error and the circumvention of controls. Because of these inherent limitations, a service organization may achieve reasonable, but not absolute, assurance that its service commitments and system requirements are achieved.

We confirm that the controls within the system were effective throughout the period May 1, 2020, to March 31, 2021, to provide reasonable assurance that Alberta Energy's service commitments and system requirements for Petrinex were achieved based on the applicable trust services criteria.

Government of Alberta, Client Service Management

Susan Wilson-Ferguson
Executive Director, Client Service Management

May 21, 2021

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To: The Government of Alberta, Client Service Management

Scope

We have examined management's assertion, contained within the accompanying Management's Report of its Assertions on the Effectiveness of Its controls over Petrinex (Petrinex or System) Based on the Trust Services Criteria for Security, Availability, Processing Integrity, and Confidentiality (Assertion), that the Government of Alberta controls over Petrinex were effective throughout the period May 1, 2020 to March 31, 2021, to provide reasonable assurance that its principal service commitments and system requirements were achieved based on the criteria relevant to security, availability, processing integrity, and confidentiality (applicable trust services criteria) set forth in the AICPA's TSP section 100, 2017 Trust Services Criteria for Security, Availability, Processing Integrity, Confidentiality, and Privacy.

Management's responsibilities

Alberta Energy is responsible for its assertion, selecting the trust services categories and associated criteria on which its assertion is based, and having a reasonable basis for its assertion. It is also responsible for:

- Identifying the System and describing the boundaries of the System
- Identifying our principal service commitments and system requirements and the risks that would threaten the achievement of its principal service commitments and service requirements that are the objectives of our system
- Identifying, designing, implementing, operating, and monitoring effective controls over the System to mitigate risks that threaten the achievement of the principal service commitments and system requirement

Our responsibilities

Our responsibility is to express an opinion on the Assertion, based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion, which includes:

1. obtaining an understanding of Alberta Energy's relevant security, availability, processing integrity, and confidentiality policies, processes and controls;
2. testing and evaluating the operating effectiveness of the controls, and
3. performing such other procedures as we considered necessary in the circumstances.

The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material misstatement, whether due to fraud or error. We believe that the evidence obtained during our examination is sufficient to provide a reasonable basis for our opinion.

Our examination was not conducted for the purpose of evaluating Alberta Energy's cybersecurity risk management program. Accordingly, we do not express an opinion or any other form of assurance on its cybersecurity risk management program.

Inherent Limitations

Because of their nature and inherent limitations, controls may not prevent, or detect and correct all misstatements that may be considered relevant. Furthermore, the projection of any evaluations of effectiveness to future periods, or conclusion about the suitability of the design of the controls to achieve Alberta Energy's principal service commitments and system requirements, is subject to the risk that controls may become inadequate because of changes in conditions, that the degree of compliance with such controls may deteriorate, or that changes made to the system or controls, or the failure to make needed changes to the system or controls, may alter the validity of such evaluations. Examples of inherent limitations of internal controls related to security include (a) vulnerabilities in information technology components as a result of design by their manufacturer or developer; (b) breakdown of internal control at a vendor or business partner; and (c) persistent attackers with the resources to use advanced technical means and sophisticated social engineering techniques specifically targeting the entity.

Opinion

In our opinion, Alberta Energy's controls over Petrinex were effective throughout the period May 1, 2020 to March 31, 2021, to provide reasonable assurance that its principal service commitments and system requirements were achieved based on the applicable trust services criteria.

GRANT THORNTON LLP

Grant Thornton LLP

Chartered Professional Accountants

Edmonton, AB

May 31, 2021

Attachment A:

Alberta Energy's Description of the Boundaries of Petrinex

Services Provided

Petrinex is a central, electronic repository of volumetric and infrastructure data related to Alberta's, British Columbia's, and Saskatchewan's upstream oil and gas industry.

Petrinex serves three distinct functions:

- It is a central database for all of the volumetric and infrastructure data related to Alberta's, British Columbia's and Saskatchewan's upstream oil and gas industry;
- It is a communication tool enabling Alberta Energy, the Government of British Columbia, the Government of Saskatchewan, and industry stakeholders to exchange and analyse accurate information quickly and efficiently; and
- It is an analysis tool. As an analysis tool, Petrinex avoids common mathematical errors by saving the information in its most basic form and then performing calculations as required.

The following is a brief summary of the activities that can be performed on Petrinex (whether it be online, batch or both):

- Volumetric Reporting
- Stream Allocation/Owner Allocation Reporting
- Pipeline Split and Transportation Allowance Reporting
- Infrastructure Reporting (Wells, Facilities, Business Associates, etc.)
- Raw Gas Allocations Reporting
- Allowable Cost Reporting
- Crude By Rail Reporting
- Shipper's Balance
- Oil Forecast Tool
- Drilling and Completion Cost Reporting
- Report requests on dozens of pre-defined reports
- Download Ministry Statements and Reports
- Information Download capabilities
- Changes to user profiles by the respective User Security Administrator

- Oil Valuation
- Royalty Tax Payer
- Enhanced Production Audit Program (EPAP)
- Enhanced Production Valuation Program (EVAP)
- Production Allocation Discrepancy (PAD)

Petrinex facilitates the activities outlined above by means of data uploads, downloads, and e-mail. Petrinex provides the tools and data primary users need for two-way communication with regulatory bodies, working-interest owners, pipeline companies, shippers, purchasers, and other business associates.

Petrinex is accepted as the single, authoritative petroleum data source and the data it houses is considered the "data-of-record" for all stakeholders. All data is available in one place. Since all stakeholders have access to Petrinex data, and since the same data can be used for a variety of purposes, there is no need for multiple submissions to multiple stakeholders.

Infrastructure

Petrinex is a secured web application. The Petrinex web application uses Active Directory Service (ADS). There are three separate environments for Development, Acceptance Testing and Production. All security zones related to the Development, Acceptance Testing and Production environments are further isolated from one another at the network layer by two or more firewalls.

Software

Petrinex uses a web-based system for its automated business functions and processes that facilitate fast, standardized, safe and accurate management/exchange of key volumetric, royalty and commercial information associated with the upstream petroleum sector.

Petrinex interacts with Ministry business systems through a number of interfaces. It makes data available through Internet access via browsers, lookup tools, and reports. Petrinex's web-based interface provides users with online access to information. It makes it possible for data to be uploaded directly from industry systems and allows stakeholders to submit and edit their data online.

People

Petrinex is a joint strategic organization supporting Canada's upstream oil and gas industry, and streamlines the way upstream petroleum companies exchange information with the Alberta Energy Regulator (AER), the Alberta Department of Energy (Alberta Energy); the BC Ministries of Finance and Energy, Mines and Petroleum Resources; the BC Oil and Gas Commission; the Government of Saskatchewan; and Industry partners.

Petrinex is comprised of several key functional units tightly integrated to enable quality performance from the Petrinex application and the needs of Petrinex's vast stakeholders to be continually met. The Petrinex team was assembled through an arrangement between the Industry sector [supported by the respective Canadian Association of Petroleum Producers (CAPP) and Explorers and Producers Association of Canada (EPAC) governing bodies], the Alberta Energy Regulator (AER), and ministries of the governments of Alberta, British Columbia, and Saskatchewan, in which full time resources from each of the entities were contracted to work exclusively on Petrinex. The Industry resources are managed by the Industry Team Manager, who oversees the activities of the Industry Team. This is a unique precedent set by Petrinex in which all stakeholders groups can interact with each other on a continual basis to address any emerging issues that may arise on a daily basis.

Overseeing the entire operations of Petrinex is the Petrinex Chief Executive Officer, who is responsible to ensure not only that the immediate operational needs of Petrinex stakeholders are continually being met, but also that the strategic direction of Petrinex as set by the Petrinex Executive Board is followed and adhered to within the respective functional units of Petrinex.

The following is a brief summary of the distinct functional units within Petrinex:

- **Petrinex Business Desk:**

- Headed by the Business Desk Team Lead, the Business Desk is the first-point-of-contact for Industry, AER, Alberta Energy and the Governments of British Columbia and Saskatchewan regarding use of Petrinex.
- All incidents submitted by Industry, Alberta Energy, AER and the Governments of British Columbia and Saskatchewan users are recorded within the ITSM incident management system.
- Incidents are prioritized based upon their business impact as defined in the Petrinex Business Change Management Process.
- The Business Desk attempts to resolve the majority of incidents themselves.
- A Knowledge Database is collectively maintained by the Petrinex Business Desk team and the Petrinex Subject Matter Experts.
- Regular daily and weekly statistical reporting on events, operational issues and performance metrics.
- The Petrinex Business Desk Leader leads and manages the Petrinex Daily Operations meetings (Petrinex team, Industry, AER, Alberta Energy and the Governments of British Columbia and Saskatchewan members present).

- **Petrinex Change Management Team:**
 - Headed by the Petrinex Business Operations Director, the Change Management Team meets on a weekly basis and is comprised of members from all stakeholder groups (Petrinex, Alberta Energy, AER, the Governments of British Columbia and Saskatchewan, and Industry).
 - The Change Management team employs a rigorous change management process to assure that all change items are adequately vetted, prioritized, scheduled, tested and implemented.
 - The Change Management team is responsible to ensure that the System Delivery Lifecycle methodology is consistently applied to all change items.

- **Petrinex Application Maintenance and Support (AMS) Team:**
 - Headed by the on-site AMS manager, the AMS team is responsible to ensure that Petrinex consistently meets stakeholder performance/processing expectations not only on a day to day basis, but also on an hour to hour basis.
 - The Application and Maintenance team manages the day to day activities of Petrinex, with hardware, network and general system support provided by the Client Service Management Energy Sector Production Support Team.
 - The AMS manager is responsible to ensure that his team of application developers, DBA's, Production Operations analysts and Change Management analysts are immediately available to address any issue that may arise, in addition to being responsible to ensure that the operational needs of Petrinex are addressed, both currently and in the future.
 - The Application and Maintenance team adopts practices for securing web applications as recommended by the "Open Web Application Security Project (OWASP)".

- **Petrinex Communications Coordinator:**
 - The Petrinex Communications Coordinator is responsible to ensure that timely communication (tips/alerts/broadcast messages, links to relevant documents) is provided to Petrinex stakeholders on the Petrinex website.
 - The targeted communications are intended to be succinct, accurate and provide enough information to be useful to the intended audience.

- **Petrinex Training Coordinator:**

- The Petrinex Training Coordinator is responsible to ensure that Petrinex's comprehensive online training system (comprised of dozens of individual training modules) is available to all its registered users. The modules are to be constantly reviewed (in light of any change items implemented that have an impact to the modules) to keep the information current, informative and accurate.

Data

Petrinex is a central, electronic repository of volumetric and infrastructure data related to Alberta, British Columbia, and Saskatchewan's upstream oil and gas industry. Petrinex contains records of wells, facilities, business associates, operators of record, and company contacts. It replaced, or streamlined, many previous methods of distributing and obtaining volumetric, allocation, valuation, and pipeline split information.

Data is received by Petrinex from clients securely logging in to the application and submitting data in one of two main manners: online or batch. The data is validated by Petrinex and then, when applicable, sent to the applicable Ministry for further use in its business processes. The output from the applicable Ministry is then sent back to Petrinex for the end-user to access at specified periods in the submission cycle.

Data is validated before it is accepted into Petrinex. Once it is posted, all stakeholders can "read from the same page." That is, they can access the same view of the data at the same time. If there are errors, or if data is missing, operators receive prompt, electronic notification. This gives them the opportunity to correct mistakes and avoid potential compliance penalties or provisional assessments.

To avoid mathematical calculation errors, Petrinex data is stored in its most granular form. Petrinex is capable of making calculations and deriving other types of information on the basis of these granular elements. For example, Petrinex users submit allocation factors to Petrinex. Petrinex applies these factors to total volumes in order to derive the volumes for which particular owners are responsible. It calculates sum totals and locates cross-references. This provides mathematical accuracy and assures that all data in Petrinex remains "in balance."

Processes and Procedures

Petrinex has incorporated the following procedures, some of which are carried out by Client Service Management's Enterprise Operations and Infrastructure Team on behalf of Petrinex:

- Incident Response Procedures
- Change Management Procedures
- Emergency Response Procedures
- Business Resumption and Disaster Recovery Procedures
- Security administration and monitoring procedures

- Security auditing and log analysis procedures
- Performance monitoring procedures
- Interest Expressed from Outside Parties Procedures
- Founding Stakeholder Initiated Enhancement Procedures
- Petrinex Central Security Administrator Procedures
- Petrinex Document Release Protocol Procedures
- Communication Procedures, including Media Contact Procedures
- Enhanced Production Audit Program (EPAP)
- Enhanced Production Valuation Program (EVAP)

Attachment B:

Alberta Energy's Principal Service Commitments and System Requirements for Petrinex

Alberta Energy designed the processes and procedures related to Petrinex to facilitate efficient, standardized, safe and accurate management/exchange of "data of record" information essential to the operation of the petroleum sector. Those objectives are based on the service commitments that Alberta Energy make to user entities, the laws and regulations that govern the provision of Petrinex services, and the financial and operational requirements that have been established to deliver those services.

Security, confidentiality, processing integrity and availability commitments to user entities are documented and communicated in the description of the service offering provided online. These commitments are standardized and include, but are not limited to, the following:

- Security and confidentiality commitments:
 - Security principles implemented within Petrinex are designed to permit system users to access the information they need based on their role in the system, while restricting them from accessing information not needed for their role. Security protocols are designed to ensure that proprietary/confidential data is accessible only to authorized users. Shared data is accessible and usable by entitled Industry and Ministry stakeholders only. Access to data in the public record is unrestricted.
 - Encryption technologies are used to protect the confidentiality of user data in transit.
 - Proprietary/confidential data is retained and/or disposed of in accordance with:
 - applicable Government of Alberta policies, directives, and standards, or
 - as directed by the Governments of British Columbia or Saskatchewan (when applicable).
- Expectations of service provision and availability: Petrinex services are generally available 15 hours a day, Monday to Saturday, with occasional Sunday openings. These services are not available 24 hours a day due to regular maintenance activities. Petrinex users are encouraged to view the exact hours of operation on a given day/month within the "Business Desk" area of the Petrinex website.
- Processing integrity commitments: Petrinex includes built-in edit and error checking to enable consistent and timely processing of data submissions, and consistent automated calculations based on granular data to enable mathematical accuracy.

Alberta Energy establishes operational requirements that support the achievement of its system commitments, relevant laws and regulations, and other system requirements. Such requirements are carried out by Client Service Management on behalf of Alberta Energy and communicated in Client Service Management and Alberta Energy system policies and procedures, system design documentation, and in relevant contracts and agreements.

Operational policies define an organization-wide approach to how systems and data are protected, administered, maintained and made available. These include policies around how the service is designed and developed, how the system is operated, how the system and network are managed, and how

employees are hired and trained. In addition to these policies, standard operating procedures have been documented on how to carry out specific manual and automated processes required in the operation, development, and maintenance of Petrinex.