

# Compensation Issues 2010

## Future of the Marriott Database

# Getting Started

- Special guests
- Review attendance list
  - No-show explanation
  - People are waiting for the majors
  - Ranking - concentration
- Complete attendance sign-in sheet
- Presentation and Report
  - Available on the Website
- Survey Questionnaire
  - Review results at end of presentation
  - Send survey to those who could not attend today

# Update since April 13 Meeting

- 2 more “Yes’s”
- Top 15 Companies
  - 66.5 % all activity
- Yes (clients) (7) – 32.25 %
- Favorable (5) – 27.45 %
- No Response (3) – 6.8 %
- Firm answers from ‘favorable’ by mid June
- Hope to get audience with (3)
- Then move on to next 25 (>80% coverage)

# Meeting Bottom-Line

- DB Objectives still valid
- DB Principles still valid
- Implies
  - Issue is implementation
- Will a new approach solve issues?
- Won't know until we try
- **Question:**
- Will you agree to 1 year trial
  - To test new approach
- Review success in one year

# Meeting Bottom-Line - part 2

- The goal is: make DB field tool work
- Will require
  - More resources
    - Operators, brokers and administrator
  - More commitment
  - More visibility
- **In addition to DB:**
- Provide additional products:
  - Aggregate analysis, benchmarking, lobby support
  - Market Index to improve field tool
  - User group Forum for surface professionals
  - Website Window on surface access issues

# Meeting Bottom-Line

- Questions / Comments

# Overview of today

- What is the prize?
- Review of the April Survey
- Review Field DB tool issues
- Broker Feedback
- Association Feedback
- Break (or 10:30)
- **Recommendations**
  - What do you think of the proposals?
- Another Questionnaire
- Tabulation of the results 'live'
  - 'Go - no go' decision – if obvious
  - How to deal with 'no-shows'

# What is the prize? – part 1

## Five year changes - key indicators

	Mid 2004	Mid 2009	Change	% change
Alberta Drilling *	18279	4555	-13724	-75.08
P&NG Bonuses (\$/ac.)	398.46	136.08	-262	-65.85
Natural Gas Price (\$/m3)	225.62	136.68	-89	-39.42
Alberta CPI (2002 = 100)	105.9	121.5	16	14.73
Adverse Effect per site	1668	1974	306	18.35
General Disturbance per site	1357	1685	328	24.17
Loss of Use (\$/ac.)	242	345	103	42.56
Surface Rentals (\$/ac.)	635	915	280	44.09
Agricultural Real Estate (\$/ac.)	832	1201	369	44.35
First Year (\$/ac.)	2066	3362	1296	62.73
Oil Price (\$/bbl)	38.02	69.68	32	83.27
Land Value (\$/ac.)	1061	1983	922	86.90

\* full year 2005 and 2009

# What is the prize? – part 2

- Alberta freehold wells and facilities
  - Approximately 125,000
- If they all paid current rates
  - \$400 million – 2009
  - \$280 million – 2004
- Current rate of Increase
  - \$50-60 million per year
- **Significant risk**
  - Current Surface Rights Act review
    - May entrench mandatory rent reviews

# What is the prize? – part 3

- More competitive pricing
  - Requires better field information
- **Problem**
- Indirect benefit
  - Cannot be measured
  - Benefit accrues
    - whether you participate or not
- **Solution**
  - Provide
    - More direct - tangible benefits
    - Acknowledgement of participation

# What is the prize? – part 4

- **More direct tangible benefits**
- Aggregate ('management') analysis
  - Trend reports and other special studies
- Benchmarking for top ten
  - Refine approach with user group
- Lobby support, if requested
- Market Index – based on DB data
  - Calculate monthly, Alberta, Sask, elements?
- User group Forum for
  - DB issues – continuous improvement
  - **Also** for Surface Access issue discussion

# What is the prize? – part 5

- **More direct tangible benefits**
- Website Window on surface access
  - Issues of the Day
  - Clearing house for information
- Example “Issues of the day”
- SRB – “Rules” procedures
  - Implications for Dispute Resolution process
  - Comments requested by June 30
- Competitiveness Regulatory Review
  - Includes surface regulatory delays?

# What is the prize?

- Questions / Comments

# April Operator Survey

- 80% agree with DB objectives
- 95% agree with DB principles
- 85% say DB with word of mouth
  - Most effective way to do price research
- 95% recommended pricing method
  - Best supported by details available in DB
- **Disconnect – on April 13**
- 25% would not participate in DB
- 25% would need internal review
- **But**, 65% felt the DB issues can be solved
- 60-70% felt benefit from
  - Additional products, new governance

# April Operator Survey

- Questions / Comments

# Valid Field DB Tool Issues – part 1

- Industry Coverage
  - Not enough companies participating means
  - Not 'accurate' or not 'reliable'
- Completeness
  - Not all data submitted or
  - Excludes 'extra' payments or 'bad' deals
- **Solved by**
  - Current process to increase understanding
  - Intentional marketing and sales effort
  - Data control protocol for accuracy
  - New governance and brand
  - Identify data gaps of non-participants

# Valid Field DB Tool Issues – part 2

- DB of no interest to
  - Operators who uses brokers exclusively
  - Large operators who ‘set going rates’
  - Small operators who outsource Surface function
  - Brokers who prefer word-of-mouth
- **Solved by**
  - Enhanced product for
    - large operators - trend analysis, benchmarking
    - and small operators – ‘window’ on surface issues
  - Enhanced product for brokers - index
  - ‘Free’ service for brokers

# Valid Field DB Tool Issues – part 3

- Issues raised but requiring more work
  - Develop report for SRB Dispute Resolution
  - SRB hearing decisions need more detail in DB
  - Additional data – price drivers
  - Additional data – outlier identification with contact
- **Solved by**
  - User group consultation
    - for analysis and resolution

# Unfounded DB Issues

- Misconceptions about the DB
  - DB data is fraudulent or fake
  - DB will make agents lazy or stupid
  - Discourages agent networking
  - Costs too much
  - Competing price research methods are better
  - DB is too much like communism
  - DB is not updated in 'real' time
  - DB is in violation of the Competition Act
- **Solved by**
  - Active education in associations

# DB Issues

- Questions / Comments

# Broker Feedback – part 1

## ■ Total Log-ins (DB searches)

Year	Log-ins	Per day	% Broker
2003	1901	7.5	92
2004	2824	11.3	91
2005	2808	11.2	92
2006	2105	8.4	89
2007	1121	4.5	92
2008	1085	4.3	90
2009	1125	4.5	75
2010 est.	1475	5.9	63

# Broker Feedback – part 2

- Users are primarily brokers
- Producers can hear what users think
- Open for comments
  - Usage
  - Reaction to proposals
  - Data submission policies
  - Data submission burden
  - Any other topics

# Association Feedback

- Question asked:
  - Are you interested 'in principle' to do
  - governance and administration of DB
- AASLA – No
  - Not equipped to deal with it
- CAPP – No
  - Concerned with attracting Competition Bureau
- IRWA – Didn't respond
- CAPL – Yes
  - Conditional upon solving coverage and funding

# Broker/Association Feedback

- Questions / Comments

# Break

# Recommendations – part 1

- # 1 Re-brand the DB as an association
  - Substantially different from ‘Marriott Report’
  - Focus is on cooperative data sharing
  - Working Name – AIX (‘axe’)
    - Access Information Exchange
- # 2 Restructure the governance
  - Advisory Board (3 operators, 3 brokers)
  - User-group
    - Technical issues + presentations
    - Issues of the day
- # 3 Expand the product
  - Aggregate analysis, benchmarking and lobbying
  - Website window and forum on access issues

# Recommendations – part 2

- # 4 Extend the field tool
  - to provide a monthly index on the entire compensation 'market'
- # 5 Institute a rigorous data control protocol
  - to ensure completeness and accuracy of data
- # 6 Identify non-members explicitly
  - so users will understand potential data gaps
- # 7 Undertake comprehensive marketing
  - Brokers – June 16 meeting
  - Producers – over the summer

# Recommendations – part 3

- # 8 Maintain direct liaison with associations
  - to eliminate misunderstandings and misconceptions
- # 9 Refer outstanding issues to user-group
  - Alternative delivery options
  - More detailed SRB decision summaries,
  - SRB – Dispute Resolution information reports,
  - Additional data to be collected for field tool,
    - Outlier identification
    - Compensation drivers eg mineral expiry
  - Extend data coverage to include BC.

# Recommendations – part 4

- # 10 New Yearly Fee Structure
  - to have beneficiaries provide funding
  - broker/users pay only a token access fee

- Operators (drilling)

- Biggest 10 - \$6000
- next 10 - \$3000
- next 10 - \$1500
- next 10 - \$750
- all others - free  
if data submitted

- Brokers (employees)

- Biggest 15 - \$500
- all others \$250
- one-man operations – free  
if data submitted

# Recommendations

- Questions / Comments

# Survey

- Review questions
- Tabulate results immediately
- Send survey to 'no shows'
- Publish results on website

# Next Steps

- Confer with advisors to see
  - If mandate to proceed
- Secure declaration from top 15
- Meeting with Brokers June 16
- Announce updates on website