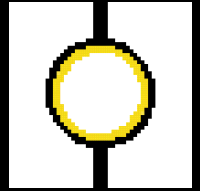


The Cost of Non-compliance



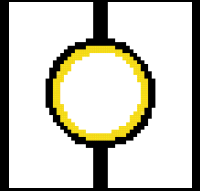
Aligning your Regulatory Needs

Overview



- 🔑 The Choice: Comply or Don't
- 🔑 Prevention vs. Reaction
- 🔑 Review Financial Repercussions
- 🔑 Trust the Experts
- 🔑 Focus on your Core Business

Did you know...



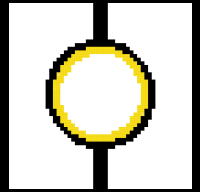
- The ERCB has 71-pages of risk-assessed non-compliances.
- ~20% of Facilities/Pipelines are non-compliant*

Are you REACTING or PREVENTING?

At Eclipse, Regulatory is our core business.

**Source:
Eclipse client data 2003-2006
Grant Ireland (ERCB Corporate Compliance)*

Reacting - Costs



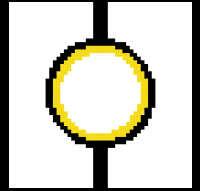
- ❏ Caught in noncompliance?
- ❏ A company shared their workgroup costs with ERCB.

COMPLIANCE ISSUE	MAN-HOURS TO ASSESS	COST PER MAN-HOUR	COST of NONCOMPLIANCE
Low-Risk	2.5	\$500	\$1,250
High-Risk	24	\$500	\$12,000*

Source: Grant Ireland (ERCB Corporate Compliance)

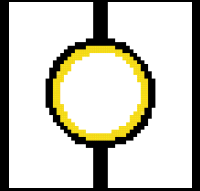
*High-Risk costs do not factor in cost of Sr. Mgmt time.
When Sr. Mgmt become involved, costs roughly triple.

Reacting - Disadvantages



- ❏ Paying Staff to do the same work twice.
- ❏ Corporate Considerations:
 - Injuries, Unwanted media attention, budget effects...
- ❏ If High Risk:
 - Costs triple when Sr. Mgmt get involved*
 - Must Develop, implement 30-day action plan
 - 3 strikes and Sr. Mgmt must meet with EUB..
- ❏ Forced to Reduce Throughput, shut-in etc.

**Source: Grant Ireland (ERCB Corporate Compliance)*



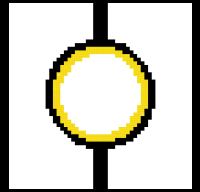
Budget Certainty

- Eclipse provides quotes for all projects
- Invoices never exceed 110% of quote.

Compliance Guaranteed

- If Eclipse causes a non-compliance:
 - You don't pay & Eclipse fixes the issue for free.

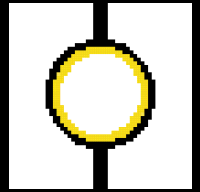
Prevention - Costs



Cost of Eclipse Audits

LICENSE TYPE	HOURS	RATE	INVOICE
Pipeline – Sweet	1	\$80	\$80
Pipeline – Sour	2	\$80	\$160
Facility – Sweet	2	\$80	\$160
Facility – Sour	3	\$80	\$240

Prevention - Example #1

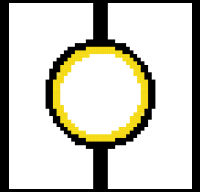


Sample of Approx Cost of an Eclipse Audit

☐ Company with 100 Pipelines & 10 Facilities:

ITEM	#	AVG. COST	TOTAL
Pipelines (sweet)	100	\$80	\$8,000
Facilities (sweet)	10	\$160	\$1,600
TOTAL AUDIT			\$9,600

Prevention - Example #1



20% Non-Compliant (per EUB average)

- 110 F/P x 20% = 22 Issues

20% Non-compliant	#	AVG. COST	TOTAL
Low Risk	20	\$1,250	\$25,000
High Risk	2	\$12,000	\$24,000
TOTAL			\$49,000
Sr. Mgmt Cost		3x High	\$72,000
Total at Risk			\$121,000

Common High Risk examples:

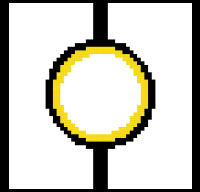
Pipeline Abandoned but licensed as operating.

Wrong substance on license

With Eclipse – you could avoid this risk for \$9,600!!!

Aligning your Regulatory Needs

Prevention - Example #2

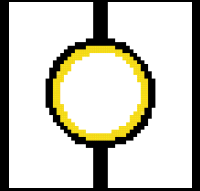


🔍 Licensing of 1 sweet Pipeline

- 1000 mmscfd

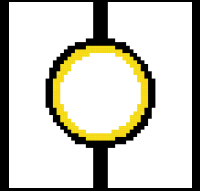
License 1 Sweet pipeline	With Eclipse	Without Eclipse & Caught by ERCB
INITIAL COST	\$600	\$600
1. Land pkg. Incomplete	N/A	\$1000 (Audit)
2. Shut-in until fixed Gas at \$6/mcf x 1000 mcf	N/A	Lost production \$6000/day
3. "Focussed Referred" status with EUB	N/A	\$1000 per pipeline
4. Require Action Plan & Procedures	N/A	\$1000 Approx

With Eclipse – you could avoid this risk for \$600!!!



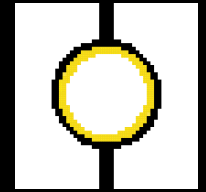
1-Year “Blanket disclosure”

- Send “Blanket Disclosure Letter” to ERCB.
- Commit to have Eclipse do your audit.
- Eclipse completes Audit in 2007.
- No enforcement action during audit.
- Guaranteed 100% compliance.



*An ounce of prevention
is worth a pound of cure.*

- ❑ Reduce Risk & Be Proactive
- ❑ Let Eclipse handle your regulatory.
- ❑ Focus on your core business.
- ❑ Save money, Budget certainty.
- ❑ Guaranteed compliance.



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