

THE CANADIAN ASSOCIATION OF PETROLEUM LANDMEN

2012
ANNUAL
REPORT



ASSOCIATION PROFILE

CAPL Mandate

The Canadian Association of Petroleum Landmen (CAPL) is a professional organization for people involved in all aspects of petroleum land management. The CAPL membership includes individuals responsible for the acquisition, administration and disposition of mineral and surface rights for petroleum exploration and production companies, as well as related service and financial institutions in the Canadian energy industry.

The organization's mandate is to provide and promote activities to enhance the value of its membership and promote the role of the Landman Profession. The association achieves these goals through the volunteer efforts of its members represented by a Board of Directors consisting of 14 elected volunteers. The CAPL's objectives include:

- Promotion of education and training in petroleum land management, including a structured mentorship program, student scholarship program and support of educational institution curriculums, and student body organizations,
- Engagement and input in public and government relations,
- Encouragement of fellowship and cooperation among its members through Association-sponsored activities, and
- Establishment of the highest professional and ethical standards.

From the first meeting in 1948, with eight members in attendance, to a present-day membership exceeding 1700, CAPL has not only grown in numbers but in strength, credibility and integrity. Today, CAPL has gained the stature, trust and respect of its industry peer organizations, government and stakeholders. The focus going forward is to continually strive for ways to provide its membership with top-quality education opportunities, member value and benefits, and a framework for the development of the highest professional and ethical standards, while exercising financial discipline for the challenging times that face our members and industry.

The day-to-day operations of the CAPL are carried out by its full-time staff members, Denise Grieve, Karin Steers, Irene Krickhan and Meghan Cobb. This dedicated group works tirelessly to ensure that all activities, educational seminars and administrative details are executed on a timely and accurate basis.

The success of the CAPL is in large part due to the generous support of its corporate and industry sponsors. These organizations range from industry companies who afford their CAPL members the time to participate on volunteer committees, to financial support from numerous corporations related to both the Land Profession and the Oil and Gas Industry. The CAPL gratefully acknowledges their generosity and invaluable contributions, without which the CAPL would not be able to provide the high standards of quality which has been achieved.



CAPL 2012 Board of Directors

Back Row, L-R: Rob Mardjetko, Kent Gibson, Jasone Blazevec, Kevin Egan, Joan Dornian, Sally Jackson, Chris Lamb, Nikki Sitch.
Front Row, L-R: Jan McKnight, Jim Condon, Margaret Ariss, John Covey, Keely O'Neil, Gloria Boogmans.

PRESIDENT

Margaret Ariss

Mandate

The CAPL President is charged with leading the Board of Directors, the Office Staff and the entire organization for the 12 month period commencing on May 1 following the April general election.

The President is a defacto member of every committee. Responsibility for portfolios is delegated to the elected Board members. At the strategy session in May, guidelines for conduct are reviewed and goals for the Board discussed and agreed upon. President presides over monthly Board meetings and General meetings. Signing authority of all contracts awarded and cheques signed on behalf of the Association is restricted to two of the four officers of the Association: the President, Vice President, Finance Director and Secretary. Finances are closely monitored by the Director of Finance, the Association Accountant and the President and disclosed openly at each Board meeting. The President is the principle point of contact for media, industry, regulatory and stakeholder organizations, with any inquiries dealt with either directly or delegated to the appropriate Director. The President is the Officer responsible for the Annual Conference held during his/her year of office, continuing that which began during his/her previous term as Vice-President.

2012 Summary

- A contract was awarded by the Technology Committee and building of the new CAPL website is underway, slowed by issues with on-line payment to work within our by-laws. Up and running is forecast for second quarter 2013. On-line registration for all CAPL events and courses, on-line locked format of CAPL documents and search-ability of the Negotiator are top priorities.
- Carla Neumeier and her team, working within our mandate of break-even economics, hosted a tremendously successful conference in Vancouver in September, with such high profile key note speakers as Brian Williams and Mary Tidlund, topical speakers such as IHS's David Hobbs, Enbridge's Janet Holder, Devon's John Richels, and Robert Johnston, panel participants Deborah Yedlin, CAPP's David Collyer, Canada West Foundation's Dr. Roger Gibbins, and SEPAC's Gary Leach.



- I attended the American Association of Professional Landmen annual conference in San Francisco in June as a guest of the AAPL. Then Jim Dewbre, President of AAPL and Marty Schardt, Executive Vice-President honoured us with their presence at our CAPL conference in Vancouver. I also attended their annual winter NAPE in Houston in February as a guest of the AAPL. That is an impressive event, with attendance at around 18,000. AAPL is considering holding a regional NAPE in Calgary in the next couple of years, certainly something in which CAPL is interested in participating.

- The overall financial results for the year ending December 31, 2012 showed an approximate \$210,000 surplus, revenue over expenses. Because of this surplus we were able to dedicate much needed funds to the rebuild of the website, search ability of the Negotiator, replacement of aging or outdated office equipment and other important wish list items.

- The Field Access Management (FAM) Committee, led by Jasone Blasevic, has had a busy year, participating with CAPP and other industry organizations in responding to the Government of Alberta's working paper on First Nations Consultations. They independently crafted a letter of concern around cycle times with respect to First Nations consultations and have the ear of ESRD in this regard. The Province's plans for a new single energy regulator in Alberta are front and centre for FAM.

- The Business Development portfolio, led by Jan McKnight and Keely O'Neil, is preparing our precedent agreements to be available on our website in electronic format. Sounds simple but because they are accepted industry standard documents, they must be in a locked format so they cannot be altered readily. Jan has been working with a law firm and a publishing company toward this end.

- The Negotiator Committee continues to publish a high quality magazine. To address the long wait list of advertisers and CAPL content, the committee is testing an increased number of pages.

- Your PR Committee attended numerous trade shows, agricultural exhibitions and educational institution job fairs/networking events, creating awareness of and promotion of the role of the Landman. Another successful Stampede steer raffle raised in excess of \$17,000 for the 4-H movement in Alberta in 2012.

- Content quality of our publications, CAPL courses, seminars, general meetings and the annual conference remain a focus of this Association. Accountability of the BOD continues to be the highest priority.

VICE PRESIDENT

John Covey

Mandate

Vice President 2012 – 2013:

- 2012-2013 Member of Executive.
- Board Designate for 2013 CAPL Conference in Toronto The New Playbook.
- Board Rep for General Meetings Committee.
- Supervise the CAPL Office.
- Fill in as needed for CAPL President.

2012 Summary

- Added much needed hardware and software to make the office more efficient.
- Staffing addition of our new receptionist Kaitlin Polowski.
- Oversight of new CAPL Conference Program and Changes.
- Addressing non routine issues and hope to have resolution this year.



FINANCE

Nikki Sitch, P.Land, PSL

Mandate

The Finance Director is responsible for signing CAPL cheques, updating authorized signatures, monitoring and directing the CAPL investment portfolio, and banking resolutions. The Finance Director is responsible to present the budget to the Board for approval, meet with auditors, obtain Board approval for auditors, and present audited financial statements to the CAPL membership. The Finance Director is a member of the Executive and is authorized to sign contracts on behalf of CAPL.

2012 Summary

- CAPL audited Financial Statements for 2012 included net earnings in the amount of \$218,444.
- Reviewed and updated the Expenditure and Conduct Guidelines for Committees operating under the Canadian Association of Petroleum Landmen.
- Moved CAPL's reserve fund to a high interest savings account that pays a higher interest rate with no risk to our principle.



BUSINESS DEVELOPMENT

ALBERTA, SASKATCHEWAN & BRITISH COLUMBIA

Keely O'Neil & Jan McKnight

Mandate

CAPL's numerous liaisons and partnerships have been an important part of our business since the inception of our profession. As the entire industry continues to evolve with new technology and methodologies, government regulators and government bodies are compelled to adapt with new or updated regulations to adequately govern proper practices. The CAPL, along with associations such as CAPP and CAPLA, continue to have a 'seat at the table' when changes or additions are being considered by government bodies.

2012 Summary

- Members of the CAPL Board continue to engage in discussions with Land tenure governing bodies in Alberta, Saskatchewan and British Columbia.
- Review, electronic conversion and update of all CAPL documentation completed in order to provide all to membership free of charge via the CAPL website.
- Responsible for all CAPL precedent documents, Business Development continues to work with committees on development of new precedent documents and updating of current documents. 2012 saw the roll out of the new Freehold P&NG for the CAPL members' feedback. Also, in conjunction with the Field Acquisition Management Portfolio, released the new 2012 Alberta Surface Lease.
- Oil Sands: Review of Oil Sands Tenure regulations is ongoing. CAPL is working in conjunction with CAPP to ensure a seat at the table. The CAPP Oil Sands Tenure Review Working Group, mandated to review with DOE the Oil Sands Tenure Regulations. DOE clarification / interpretation of what constitutes Minimum Level of Evaluation has resulted in significant change for industry. A sub-committee continues to work with DOE.



COMMUNICATIONS

Joan Dornian

Mandate

The Communications Director is responsible for overseeing the publication of the CAPL Negotiator Magazine. The Negotiator is a professionally designed magazine run by a committee of dedicated volunteers. The Negotiator publishes educational feature articles of interest to Landmen. It also advertises and reports on CAPL social events and provides information respecting upcoming CAPL courses, Member Roster updates, and messages from the various Board Directors.

2012 Summary

- In order for the Communications Committee and the Technology Committee to undertake the project whereby the feature articles from the past 5 years of The Negotiator will be fully searchable online in the CAPL website, the new CAPL website must be completed. Once the new website is completed, these two Committees will be able to complete the "searchability" project. Although it was initially anticipated this Project would be completed in 2012, it now appears it will be completed in 2013.
- The 2012 year end party was successfully held in early March 2013, in order to avoid the holiday rush. Although a half day Planning Session had been contemplated by the Committee, it did not happen due to lack of availability of some of the anticipated participants.
- Effective September 2012 the number of pages in The Negotiator was increased to 36 pages in order to reduce the waiting list for advertising. This was done on an experimental basis for one year to see if there would be negative feedback with respect to the additional ad content. To date we have not received any negative feedback of which I am aware. The increase in revenue from the additional ads exceeds the additional cost of design and printing, and the advertising wait list is now minimal.
- The current two-year design contract (with Rachel Hershfield of Folio) will be up July 31, 2013.
- The current two-year printing contract (with Laurie Venance of McAra Printing) will be up December 31, 2013.



FIELD ACQUISITION & MANAGEMENT

Jasone Blazevic, PSL

Mandate

The Field Acquisition and Management (FAM) portfolio represents the surface components of the land profession. The committee is responsible for ensuring that access to land balances industry needs, economic drivers, environmental considerations and stakeholder concerns. This can be achieved by drawing upon the experience and expertise which the committee has and using the various liaisons within FAM who engage external groups.

2012 Summary

- FAM will be actively engaged in the Alberta Government's proposed single approach regulator and proposed regional plans within Alberta.
- FAM will be working on increasing CAPL's voice within the different regulatory channels as well as the various NGOs who influence surface access within the energy industry.
- FAM is a strong supporter of maintaining and enhancing professional conduct within industry and will continue to promote this with the Professionalism and Education Committees.



SECRETARY / SOCIAL

Rob Mardjetko

Mandate

To enhance the Land profession through networking opportunities via the CAPL hosting social events which will bring members together in a fun filled atmosphere, geared towards creating and maintaining solid business relationships.

2012 Summary

- A key item of clarity in 2012 was clarifying the distinction between a CAPL "Social" event and a CAPL "Endorsed" event. All social events are run through CAPL for the membership, while endorsed events are events sponsored by CAPL and advertised via CAPL the website and calendar.



MEMBER SERVICES

Gloria Boogmans, P. Land

Mandate

The Member Services Portfolio promotes and administers the Member Benefit Plan which includes life insurance, critical illness coverage, AD&D, and access to Best Doctors, is responsible for maintaining the Roster and organization of the annual Merit Awards.

2012 Summary

- In 2012 the Membership Admissions Committee reviewed numerous membership applications. In total 69 applications were approved for Active Membership, 17 for Associate, and 26 Student. The year ended with a total membership of 1,848 comprised of 1,579 Active, 71 Associate, 122 Senior, 49 Life, one Honorary and 26 Student members.
- Each year the Merit Awards Committee solicits and reviews nominations for Outstanding Members and Companies who make significant contributions to the CAPL and to the community at large. For the 2012 Calendar Year, there were nine Merit Awards recommended and approved by the Merit Awards Committee and the Board of Directors.
- Each year we review and renew our Member Benefit Plan with Nexgen Financial and during the 2012 calendar year, we were able to maintain our current contract with no increase in fees.



EDUCATION

Kevin Egan

Mandate

The Education portfolio is mandated with managing Continuing Education, Scholarships, Mentorship Programs and Post Secondary Advisory functions.

Through the various committees, the Education Director is tasked with enhancing the overall professional development of the CAPL members.

2012 Summary

- The CAPL continues to define professionalism and industry value through the Education Committees ongoing efforts to provide excellence in educational courses. Education in turn helps to fund existing and future CAPL initiatives.
- Scholarships and Mentorship programs continue to promote instilling quality attributes in the next generation of landman professionals.
- CAPL recognizes that being a partner and collaborating in post secondary education is key to the quality of future entrants into the landman profession.
- Leadership within our profession and industry is a critical component of what makes landman a collaborative partner in oil and gas exploration and exploitation.
- We completed the Continuing and emerging leadership initiative round table discussions and report which will be a catalyst for improving leadership skills for members.



PROFESSIONALISM

Kent Gibson

Mandate

The mandate of the Professionalism portfolio is to increase the value, respect and credibility of land professionals within the Oil and Gas Industry. The portfolio is responsible for providing the CAPL membership with professional designations reflecting a standard of excellence in line with our industry peers, as well as ensuring members uphold a high level of professional and ethical conduct.

2012 Summary

- New CSL/CML Professional Designations. These were created to reflect an introductory level of Certification.
- New PSL®/P.Land® Certification and Re-certification Requirements. The intent of these new requirements is to re-align our standards with industry peers, providing membership and industry with a higher level of expertise.
- New Re-certification Cycle. As of January 1, 2014 all members who hold a professional designation will now be on the same five year renewal cycle.
- In 2012 there were eight CAPL members who received their professional designations, four P.Land and four PSL.



TECHNOLOGY

Sally Jackson, P. Land

Mandate

To provide the CAPL Membership with a website that is current, efficient and user friendly. The Technology Committee aims to meet the needs of the membership by creating a website that is a launching point for many of the tools and information that landmen use in their day to day work.

2012 Summary

- Upcoming launch of a new website that not only will have a new look, but will give users quicker and easier access to the information on the site.
- Creation of an online registration system for all CAPL events, meetings and education courses.
- Integration of the CAPL Conference website and registration into the main CAPL website.



PUBLIC RELATIONS

Chris Lamb

Mandate

The Public Relations Committee is responsible for promoting the CAPL and the land profession within industry and the communities in which it operates. Our goal is to educate and create awareness of the role of the Landman and the contributions made by the 1700 members of our Association.



2012 Summary

- Steer Raffle contributed \$20,000 to the 4-H Foundation on behalf of CAPL.
- With the help of June Warren Nickles, the Connection Publication continues to be distributed to target audiences, such as rural land owners, addressing issues such as wills/probate issues, rental payment updates and water usage.
- The CAPL Booth continues to be active around western Canada attending educational institutions, agricultural exhibitions and local rodeos.

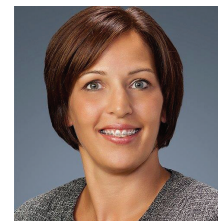
SPECIAL EVENTS

2012 CAPL Conference

Carla Neumeier

Mandate

The mandate of the 2012 CAPL Annual Conference was to provide delegates with personal and professional development opportunities through the educational, program, and network offerings, while ensuring a balanced budget for the event.



2012 Summary

- For the first time in the association's history, a meeting procurement specialist, HelmsBriscoe, was engaged by the CAPL to assist with sourcing out venues and negotiating the hotel contract. Their expertise and buying power provided delegates with exceptional savings on hotel room rates.
- The conference theme, *Off the Range – Into the World*, spoke to the global focus on Canada's oil and gas industry. Speakers included Brian Williams from CTV speaking about his 2010 Vancouver Olympics broadcasting experiences, Deborah Yedlin of the Calgary Herald hosting a panel on industry challenges and Janet Holder from Enbridge discussed the Northern Gateway pipeline.
- CAPL Courses were offered on Sunday and Tuesday, providing delegates the opportunity to participate in education courses each day of the conference.
- Vancouver, with its close proximity to Calgary and multiple flight options, was a great location choice, as the short flight contributed to increased delegate registrations.

CAPL/PLM Mentoring Committee

Brad Johnston & Sandy Sandhar

Event Vision

The CAPL Mentoring Committee endeavors to unite each student enrolled in the University of Calgary's Petroleum Land Management Program with an experienced industry Landman. The purpose of these relationships is to facilitate the student's transition from university student to business professional and our goal is that the positive influence on the student will help foster his or her entry into the land profession and that the experience will prove to be a rewarding one for all parties involved.



2012 Summary

- Our committee worked very hard at recruiting 16 industry landmen to act as dedicated mentors for students majoring in the Petroleum Land Management Program at the Haskayne School of Business at the University of Calgary.
- In January, we held "Meet Your Mentor Night". This event facilitates the first meeting between the students and their landman Mentor.
- In May, we held "Mentorship Appreciation Night", at which we thank all of the Mentors for volunteering their time and presented them with a token of our appreciation. These volunteer landmen are an integral part of making the program a success.
- We held our annual student-mentor bowling evening at the Glencoe Club. We had many industry landmen and students attend this event. Feedback from those who attended was extremely positive.



CAPL Steer Classic

Terry Cutting

Event Vision

The CAPL in keeping with its vision to maintain a positive profile for its members and stakeholders through community involvement, has continued as in the past eight years to contribute to the community through a major event sponsorship at the Calgary Stampede in conjunction with a fundraiser benefiting the 4-H Foundation of Alberta. Our involvement with these organizations has allowed the CAPL to be visible and to provide a greater understanding out in the community of what the CAPL represents.



2012 Summary

- CAPL continued its support and contribution to the 4-H Foundation and the Calgary Stampede in 2012 through its Calgary Stampede Steer Classic sponsorship. With the assistance of our generous sponsors, the steer was raffled off with all the proceeds going to the benefit of 4-H.
- Thanks to all the sponsors and ticket purchasers who supported the 2012 fundraiser, enabling CAPL to donate \$20,000 to the 4-H Foundation. The foundation provides for the development of youths as self-reliant, contributing individuals with marketable skills to succeed in today's society.
- Through the 4-H fundraiser and Reserve Steer sponsorship, over the past eight years CAPL has helped raise \$95,000 for the 4-H Foundation.
- CAPL plans to continue its support of this worthwhile cause for the ninth successive year in 2013.
- The Partnership between the CAPL and the 4-H Foundation has been very beneficial for both, with new programs being supported and the start of two scholarships being available on behalf of the CAPL.

2012 Merit Awards

Larry B. Buzan, P. Land

Event Vision

Each year CAPL honors those from its own ranks and our friends of CAPL by recognizing the monumental and specific contributions made by both its members and industry supporters. This is bestowed on both individuals and corporations; for a variety of exemplary and repeated donations of time, for their personal involvement, for excellent behaviours and expertise – and – in the tradition of the CAPL, examples to all of us. This is reflected in both the membership and in the communities in which we live and work; examples of professionalism and volunteerism. This year's event was a terrific night – a night where we awarded nine recipients with CAPL Merit Awards at the Westin Hotel on Wednesday, May 23, 2013. This was also the first business meeting of the new CAPL Board of Directors, and was led by our President John Covey. Over 230 were in attendance that evening.



2012 Summary

The Herb Hughes Memorial Award – The 2012 recipient was Ian Clark of the highest and most prestigious award of our Association and is intended to give recognition to a member whose has made outstanding contributions to our Association and the oil & gas industry; and whose professional conduct is exemplary. Introduced by past president Guy Anderson, he remarked on Ian's past and current support of the Association, his presidency of the Association, his volunteerism, teaching, mentoring, professionalism and contributions to both our CAPL and local communities – an example to us all over many, many years. Congratulations Ian!

The Distinguished Citizen Award – The 2012 recipient was Bruce McFarlane of the second highest award of our Association and this award is a special recognition presented only when the CAPL decides to award it and only for those active CAPL members who raise the profile of all Landmen; who enhance the image of Landmen; who contribute to the professionalism and education of Landmen; whose activities outside the CAPL bring credit to the CAPL not only because of who they are but because of the merit of what they are doing; and which results in dedicated service to the community or to the business world. Introduced by member and past CAPL Conference Program Chair, Tom Emerson, Tom remarked on the multiple and significant contributions, in time served and fund-raising, of how Bruce McFarlane has been a leader "on and off the field" as it were and a recipient of the prestigious Johnson Award from Queen's University, Bruce has dedicated himself, quietly, to a variety of charitable causes and focuses on education-with-a-future and thus Queen's University receives a tremendous amount of Bruce's attention most notably their major funding effort to prepare them for the future beyond 2015. Bruce's activities in support of these and other local charities stand as a testament to the perseverance and consistency Bruce is made of. "How can we who have so much give back in relation to that measure of fortune we have?" is his motto he learned by application in his life. Congratulations Bruce!

The Special Recognition Award – The 2012 recipient of this award is Lawrence Fisher. Awarded only when nominated and deserved, this award is made to individual CAPL members who work in their respective oil & gas and personal communities and by contributing, honour all Landmen both by their ethical and professional conduct but who also provide long-term or exemplary contributions having a lasting impact on the Association. Introduced by member James Armstrong, James remarked that Lawrence has "life-time service" as his middle name, and his years of working with future landmen through the University of Calgary and Mount Royal University in his efforts to teach, to impart wisdom and pass on character, and then superceding those efforts by personally taking an interest in his students over many years. Congratulations Lawrence!

Award of Merit – The 2012 recipients are Carla Neumeier, Michelle Radomski, and Dean Gould of the Award to CAPL Members who have made significant contributions to the Association by their participation on committees and in special events during 2012. Each of the recipients were tireless contributors to our Association on the Education Committee, Freehold lease Committee, Public Relations Committee and Conference Committee. Congratulations to each of you!

Bright Lights Award – The 2012 recipients are Steve Brisebois and Matias Fernandez of the Award to members of CAPL whose membership has been for less than 5 years, and who has demonstrated enthusiasm, energy and a willingness to make a positive contribution to our Association. Steve has been an outstanding member of the CAPL Education Committee as coordinator for all the Oil & Gas Law courses for years and active on our Conference Committees, while Matias has been an outstanding member of the 2012 CAPL Conference Administration Committee and a member of the CAPL Technology Committee. Each contributed extra time as volunteers for other causes as well. Congratulations Steve and Matias!

The Outstanding Grad Award – The 2012 recipient of this award is Kayley Walters. The Outstanding Grad Award is given to a former or existing student volunteer of CAPL who has graduated from an accredited university or college within the last 3 years. This individual has demonstrated enthusiasm, energy, an interest in volunteerism within their educational program and the Association, and a willingness to make a positive contribution to our Association during 2012. This is the first time CAPL has made this award since we started offering it over 2 years ago. Kayley has been and is a member of the Education Committee and is a Course Coordinator, a graduate of the U of C's 2011 PLM program and has provided enthusiastic assistance in all areas. One of her nominators said it best – "She is always happy to take on new challenges and commitments." Congratulations Kayley!

Congratulations to all!

INDEPENDENT AUDITORS' REPORT

To the Members of the Canadian Association of Petroleum Landmen

We have audited the accompanying financial statements of Canadian Association of Petroleum Landmen, which comprise the statement of financial position as at December 31, 2012 and the statements of revenues and expenditures and members' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with many not-for-profit organizations, Canadian Association of Petroleum Landmen derives revenue from receipts, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Canadian Association of Petroleum Landmen. Therefore, we were not able to determine whether any adjustments might be necessary to revenue, excess of revenues over expenses, and cash flows from operations for the year ended December 31, 2012, current assets and net assets as at January 1, 2012 and December 31, 2012.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Canadian Association of Petroleum Landmen as at December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Comparative Information

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes that Canadian Association of Petroleum Landmen adopted Canadian accounting standards for not-for-profit organizations on January 1, 2012 with a transition date of January 1, 2011. These standards were applied retrospectively by management to the comparative information in these financial statements, including the statement of financial position as at December 31, 2011 and January 1, 2011 and the statements of revenues and expenditures and members' equity and cash flows for the year ended December 31, 2011 and related disclosures. We were not engaged to report on the restated comparative information, and as such, it is unaudited.

Numeis LLP

CHARTERED ACCOUNTANTS
Calgary, Alberta, April 2, 2013

FINANCIAL STATEMENTS

Statement of Financial Position

	December 31, 2012	December 31, 2011	January 1, 2011
ASSETS			
CURRENT			
Cash, including US \$2,162 (2011 – US \$1,690; January 1, 2011 – US \$3,261)	\$ 342,251	\$ 437,052	\$ 276,586
Term deposits, including US \$30,765 (2011 – US \$31,466; January 1, 2011 – US \$30,772)	956,725	641,343	561,335
Accounts receivable	13,316	21,173	10,061
Goods and services tax recoverable	35,164	–	34,200
Inventory	53,955	55,289	40,092
Prepaid expenses	35,562	59,781	50,353
	1,436,973	1,214,638	972,627
EQUIPMENT (Note 4)	25,273	23,110	34,336
	\$ 1,462,246	\$ 1,237,748	\$ 1,006,963
LIABILITIES AND MEMBERS' EQUITY			
CURRENT			
Accounts payable and accrued liabilities	\$ 43,541	\$ 33,539	\$ 46,407
Goods and services tax payable	–	6,415	–
Deferred revenue	393,894	391,427	367,296
	437,435	431,381	413,703
MEMBERS' EQUITY	1,024,811	806,367	593,260
	\$ 1,462,246	\$ 1,237,748	\$ 1,006,963
COMMITMENTS (Note 8)			

Statement of Revenues and Expenditures and Members' Equity

Year Ended December 31	2012	2011
REVENUES		
Annual meeting and conference	\$ 707,092	\$ 769,684
Education seminars	520,440	513,050
Membership dues	486,194	482,906
Social events	274,717	208,644
Communications	120,900	114,976
Meetings	120,164	107,072
Public relations	35,822	34,809
Business development	17,808	19,340
Technology	15,233	11,900
Interest income	14,483	17,529
Professionalism	6,200	5,750
Field services	412	650
Member services	150	3,515
	2,319,615	2,289,825
EXPENDITURES		
Annual meeting and conference	618,545	698,478
Education seminars	341,620	313,537
Meetings	252,786	264,139
Social events	278,005	210,064
Member services	162,593	156,568
Communications	102,760	105,471
Treasury	87,563	87,606
Public relations	81,409	73,596
Executive	59,296	58,599
Technology	42,329	27,986
Professionalism	18,357	25,530
Business development	26,455	22,033
Field services	22,856	21,884
Amortization	6,597	11,226
	2,101,171	2,076,717
EXCESS OF REVENUES OVER EXPENDITURES FOR THE YEAR	218,444	213,108
MEMBERS' EQUITY – BEGINNING OF YEAR	806,367	593,259
MEMBERS' EQUITY – END OF YEAR	\$ 1,024,811	\$ 806,367

Statement of Cash Flows

Year Ended December 31	2012	2011
OPERATING ACTIVITIES		
Excess of revenues over expenditures for the year	\$218,444	\$213,108
Item not affecting cash:		
Amortization of equipment	6,597	11,226
	225,041	224,334
Changes in non-cash working capital:		
Accounts receivable	7,857	(11,112)
Inventory	1,334	(15,197)
Accounts payable and accrued liabilities	10,001	(12,869)
Deferred revenue	2,467	24,131
Prepaid expenses	24,219	(9,428)
GST payable (receivable)	(41,579)	40,615
	4,299	16,140
Cash flow from operating activities	229,340	240,474
INVESTING ACTIVITY		
Purchase of equipment	(8,759)	–
INCREASE IN CASH FLOW	220,581	240,474
Cash – beginning of year	1,078,395	837,921
CASH – END OF YEAR	\$1,298,976	\$1,078,395
CASH CONSISTS OF:		
Cash	\$342,251	\$437,052
Term deposits	956,725	641,343
	\$1,298,976	\$1,078,395

NOTES TO FINANCIAL STATEMENTS

1. First time adoption of Accounting Standards for not-for-profit organizations

Effective January 1, 2012, the Association adopted the requirements of Part III of the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting, electing to adopt the new accounting framework: Canadian Accounting Standards for Not-for-profit Organizations (ASNFP). These are the Association's first financial statements prepared in accordance with ASNFP which has been applied retrospectively. The accounting policies set out in the significant accounting policies note have been applied in preparing the financial statements for the year ended December 31, 2012, the comparative information for the year ended December 31, 2011 and in the preparation of the opening ASNFP balance sheet at January 1, 2011 (the Company's date of transition).

The Association issued financial statements for the year ended December 31, 2011 using generally accepted accounting principles prescribed by CICA Handbook – Accounting XFI. The adoption of ASNFP had no impact on the previously reported assets, liabilities, and equity of the company, and accordingly; no adjustments have been recorded in the comparative balance sheet, statement of revenues and expenditures and members' equity and the statement of cash flows. Certain of the Association's disclosures included in these financial statements reflect the new disclosure requirements of ASNFP.

2. Description of the Organization

The Canadian Association of Petroleum Landmen (the "Association") is a not-for-profit organization incorporated under The Societies Act of Alberta and is not subject to income tax. It is a professional organization for people involved in all aspects of petroleum land management. The organization is committed to enhancing all facets of the land profession through communication, education, professional development, technology and member services.

3. Summary of Significant Accounting Policies

The financial statements of the Association have been prepared in accordance with Canadian accounting standards for not-for-profit organizations and include the following significant accounting policies:

Revenue

Education fees and advertising are recorded when invoiced or money is received. Memberships, annual meetings and conference, social fees and all other revenues are recorded as revenue when received. Materials and services contributed by members are not included in the financial statements as the fair value of such contributions is not readily determinable.

The liability for the portion of revenues received but not yet earned is recorded as deferred revenue.

Contributed services

Volunteers contribute a significant amount of their time each year. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.

Foreign currency

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates in effect at the balance sheet date and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenditures are translated at rates of exchange in effect at the time of the transactions. Foreign exchange gains and losses are included in the determination of the Associations excess or deficiency of revenues over expenditures for the year.

Financial instruments policy

Financial instruments are recorded at fair value when acquired or issued. The Association subsequently measures all its financial instruments at amortized cost, and tested for impairment at each reporting date. Transaction costs are expensed when incurred.

Financial assets measured at amortized cost include cash, term deposits and amounts receivable.

Financial liabilities measured at amortized cost include amounts payable and accrued liabilities.

The fair value of cash, term deposits, amounts receivable, amounts payable and accrued liabilities approximate their carrying values due to their nature or capacity for prompt liquidation.

Term deposits

Term deposits and treasury bills are recorded at cost which approximates fair market value.

Inventory

Inventory is valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis.

Equipment

Equipment is recorded at cost net of accumulated amortization. Equipment, computers and software are depreciated at 20% per year using the declining balance method. Amortization of additions is provided at one-half the normal rate in the year of acquisition.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

4. Equipment

	Cost	Accumulated amortization	2012 Net book value
Computer software	\$ 12,316	\$ 11,445	\$ 871
Office and computer equipment	97,676	73,274	24,402
	\$ 109,992	\$ 84,719	\$ 25,273

	Cost	Accumulated amortization	2011 Net book value
Computer software	\$ 12,316	\$ 11,228	\$ 1,088
Office and computer equipment	88,917	66,895	22,022
	\$ 101,233	\$ 78,123	\$ 23,110

5. Allocation of Office Expenses

The Association's cost of office operations totaled \$446,620 (2011 – \$418,265). This amount includes personnel costs, office rent, accounting services, and other general and administrative support expenses. Allocation of these costs is based on the estimated proportionate benefit to each committee and has been determined by the executive. Cost of office operations has been included in expenditures on the statement of revenues and expenditures as follows:

	2012	2011
Annual meeting and conference	\$ 44,662	\$ 41,826
Education seminars	160,783	150,572
Meetings	17,864	16,731
Communications	17,864	16,731
Public relations	17,865	16,731
Social events	17,865	16,731
Member services	62,527	58,557
Professionalism	17,865	16,731
Treasury	17,865	16,731
Executive	17,865	16,731
Technology	17,865	16,731
Business development	17,865	16,731
Field services	17,865	16,731
	\$ 446,620	\$ 418,265

6. Related Party Transactions

Donations are provided annually to The Canadian Association of Petroleum Landmen Scholarship Trust Fund ("Fund") in the amount of professional fees and scholarships granted by the Fund. Certain administrative costs and functions related to the operation and administration of the Fund are provided by the Association at no cost.

During the year, the Association made donations totaling \$7,000 (2011 – \$7,000) to the Fund. The amount is included in Education expense on the Statement of Revenues and Expenditures.

7. Financial Instruments

The Association is exposed to various risks through its financial instruments and management has a framework to monitor, evaluate and manage these risks. The following analysis provides information about the Association's risk exposure and concentration as of December 31, 2012.

Credit risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Association is exposed to credit risk from members. In order to reduce its credit risk, the Association reviews a new member's credit history before extending credit and conducts regular reviews of its existing members' credit performance. The Association also uses an agency to manage receivables. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information. The Association has a significant number of members which minimizes concentration of credit risk and majority of services are conducted on a cash/cheque/credit card basis.

Liquidity risk

Liquidity risk is the risk that the Association will not be able to meet a demand for cash or fund its obligations as they come due. The Association meets its liquidity requirements by anticipating financing activities and holding term deposits that can be readily converted into cash.

Currency risk

Currency risk is the risk to the Association's excess of revenues over expenditures that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Association is exposed to foreign currency exchange risk on cash and term deposits held in US dollars. The Association does not use derivative instruments to reduce its exposure to foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Association manages exposure through its normal operating and financing activities. The Association is exposed to interest rate risk primarily through term deposits held.

8. Commitments

The Association's premises are leased until July 2015 at an annual rental and operating cost of approximately \$114,000.



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