SAP has embarked on an extensive rewrite of the technical and functional aspects of SAP Production and Revenue Accounting (PRA). The scale and breadth of the changes being written into PRA are significant enough to warrant the label of SAP PRA 2.0 on the new solution. A solution as integrated and complicated as SAP PRA will require a tremendous amount of planning, preparation, testing and work to successfully bring a set of changes this significant into a production environment.

SAP and a selected exploration and production client base are investing significant resources for 15,000 man-days of new development and redevelopment to be built upon ECC 6, Enhancement Pack 5 and its new functionality, which has not been adopted by many of the companies that currently run PRA.

SAP PRA road map: maintaining consistency in a changing environment

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2*</th>
<th>Year 3*</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Production – API enhancement</td>
<td>• Revenue – Funds transfer</td>
<td>• Revenue – Dual accounting</td>
</tr>
<tr>
<td>• Production – OGOR enhancement</td>
<td>• Revenue – Journal entry</td>
<td>• Revenue – Royalty relief</td>
</tr>
<tr>
<td>• Revenue – Accounts receivable workplace</td>
<td>• Revenue – Revenue disbursement</td>
<td>• Revenue – Section 6</td>
</tr>
<tr>
<td>• Revenue – Check input</td>
<td>• Revenue – 1099</td>
<td>• Revenue – Alternative dual accounting</td>
</tr>
<tr>
<td>• Revenue – Check write</td>
<td>• Tax &amp; royalty – Louisiana</td>
<td>• Revenue – Affiliate accounting</td>
</tr>
<tr>
<td>• Contract allocation – Rounding allocation</td>
<td>• Tax &amp; royalty – Kansas</td>
<td>• Revenue – Settlement diversity</td>
</tr>
<tr>
<td>• Ownership – Business associate to vendor enhancement</td>
<td>• Framework enhancements</td>
<td>• Revenue – PPN management</td>
</tr>
<tr>
<td>• Tax &amp; royalty – ONRR</td>
<td>• Check input remediation</td>
<td>• Revenue – MMS interest calculation</td>
</tr>
<tr>
<td>• Framework design</td>
<td></td>
<td>• Revenue – Accounts receivable enhancement</td>
</tr>
<tr>
<td>• Responsibility ID framework</td>
<td></td>
<td>• Revenue – Formula calculation report</td>
</tr>
</tbody>
</table>

* The final scope for years two and three will be agreed upon by change request to the original work order.
The changes will be managed into systematic releases over three years: 2012, 2013 and 2014. Each set of changes will involve significant functionality. Some enhancements will require a change in all three releases (years) and will result in multiple steps of change.

The current regulatory environment may force companies to take the proposed enhancements as soon as they are available, rather than according to flexible schedules prepared by each company. Enhancements such as the new check write functionality, which will allow for reporting of 10 marketing costs instead of the previous restriction to two marketing buckets (transportation and non-transportation), will help companies meet regulatory obligations.

Areas of consideration

- **Management**
  - Program and project management
  - Resource planning
  - Change management

- **Data conversion**
  - Preparation
  - Data rationalization
  - Data extraction
  - Data transformation
  - Data load

- **Enhancement and interfaces**
  - Identification
  - Remediation planning
  - Redesign
  - Build
  - Testing and implementation

- **Strategic planning**

- **Functional impact management**
  - Impact assessment
  - Training development
  - Training delivery

- **Testing planning and execution**
  - Scenario identification
  - Regression testing
  - Functional testing
  - Integration testing
  - Performance testing

- **Issue management**
  - Online Service System (OSS) generation
  - OSS tracking
  - OSS installation and test
How EY can help

1. **Recent experience with SAP PRA solutions for the North American market.**

   EY team members have been involved in providing upstream industry solutions through SAP PRA and its predecessor applications to oil and gas clients for more than 20 years. This includes advisory assistance on two of the largest implementations in recent years, as well as two pre-configured template-based implementations.

2. **Comprehensive point of view.**

   EY takes a holistic project approach to engagements involving SAP PRA and other industry services, versus seeking opportunities to simply augment a client's Information Technology (IT) department. This philosophy enables business requirements to be addressed through end-to-end processes and controls, not just from the addition of new technology. The comprehensive approach also means that our clients have a full-service provider who can assist with a wide range of activities, from project planning to data conversion to end user education.

3. **Relationship with SAP.**

   EY's US Advisory practice has an alliance agreement with SAP. This agreement with SAP provides EY's oil and gas professionals with access to SAP product strategies and plans, SAP product education and SAP test/demo products such as SAP PRA innovations, as well as access to and attendance at SAP product conferences, user group participation, joint webcasts and joint thought leadership development.

4. **Our legacy and leadership in oil and gas accounting.**

   EY ranks first among all firms in providing external audit services to public companies in the Fortune 1000®. The oil and gas industry has a wide range of risks, issues and challenges. Through our assurance, tax, transaction and advisory services, we help oil and gas companies address many of today's key industry accounting issues, which in turn helps them optimize performance and increase operational effectiveness.

5. **Commitment to the oil and gas industry.**

   EY's Global Oil & Gas practice consists of a network of more than 9,200 professionals with extensive experience working in the oil and gas industry. Houston is home to our US Oil & Gas Center, a focal point of our global energy industry practice in North America. Our oil and gas professionals worldwide share industry leading practices, thought leadership and technical experience to help solve complex problems. We believe that successful projects often can be traced back to the involvement of professionals who have been involved throughout the evolution of SAP industry solutions. Through our SAP PRA team members, our clients benefit from EY's investments and experience.
About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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How EY’s Global Oil & Gas Center can help your business

The oil and gas sector is constantly changing. Increasingly uncertain energy policies, geopolitical complexities, cost management and climate change all present significant challenges. EY’s Global Oil & Gas Center supports a global network of more than 9,600 oil and gas professionals with extensive experience in providing assurance, tax, transaction and advisory services across the upstream, midstream, downstream and oilfield service sub-sectors. The Center works to anticipate market trends, execute the mobility of our global resources and articulate points of view on relevant key sector issues. With our deep sector focus, we can help your organization drive down costs and compete more effectively.

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