



Phase II of Liability Management Rating Program Starts This Fall

TO: All Industry Stakeholders

EFFECTIVE DATE: November 2011

BACKGROUND:

The BC Oil and Gas Commission (Commission) has committed to the development of a framework for a Liability Management Rating (LMR) program. The objective of the LMR is to manage the liability risks of oil and gas activities by ensuring permit holders carry the financial risks of their operations through to regulatory closure. The Commission has been operating under Phase I of the program since October 2010.

Phase II of the LMR program will come into effect in November 2011. In Phase II changes have been made to the program including the requirement that permit holders with LMRs of less than 1.0 submit full security required to obtain a LMR of 1.0. Furthermore, the liability cost estimates used in the LMR program have been updated to incorporate additional factors that impact abandonment and reclamation costs.

REQUIREMENT:

In preparation, a permit holder may determine its LMR by viewing the monthly report found at <http://www.bcogc.ca/industryzone/forms/lmr.aspx>. Comments are also welcome on the draft revised LMR Liability Model, including the LMR Liability Map, which can be downloaded from the above webpage. Please note the costs in the revised LMR Liability Model were not used to calculate the latest monthly report.

Permit holders with a LMR of less than 1.0 may want to submit or complete any outstanding transfers or amalgamations that may be affecting their LMR. Inventory lists can be obtained through the Commission website at https://iris.bcogc.ca/generic_ogc/Ext_Accnt.Logon.

Further information on the updated LMR program will be communicated in the coming weeks.

Should you have any questions regarding this Information Bulletin, please contact:

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