



Updates to the Liability Management Rating Program

The BC Oil and Gas Commission (Commission) is implementing updates to the calculation parameters used to determine production assets in the Liability Management Rating (LMR) program. The current parameters have remained unchanged since the implementation of the LMR program in October 2010.

The calculation parameters are determined by a five-year industry rolling average, using data from the Canadian Association of Petroleum Producers Statistical Handbook. The current parameters are calculated from 2005 to 2009 data. The most recent data available is up to 2012. The current parameters contain financial data that is largely inflated above current gas prices. The proposed update, using 2008 to 2012 data, better reflects market conditions and provides the Commission with updated tools to monitor industry liability exposure. The table below outlines the proposed parameter updates.

Calculation Parameters	Current (2005-2009)	Proposed (2008-2012)
Shrinkage Factor	0.137	0.125
Oil Equivalency Factor	1.73	3.17
Netback	289	320

An analysis of the impact of proposed parameter updates to permit holders with producing assets was conducted in May 2014. It revealed the calculated production assets of 92 per cent of operators would decrease and the remaining eight per cent would see an increase. Unsecured liability, which is the amount of required security calculated in the LMR program, will increase due to the changes. The impact of these effects is outlined in the following table.

Measurement	Current (2005-2009)	Proposed (2008-2012)
Average LMR	6.21	4.25
Median LMR	2.13	1.69
# of producers with LMR <1.0	17	21
Unsecured Liability	\$7,638,660	\$11,835,438

The updated calculation parameters are planned to become effective in November 2014. In the future, annual updates of asset parameters will be automatically implemented as the data becomes available. For more information see the [LMR webpage](#).

Comments and questions will be accepted until Oct. 3, 2014 and may be directed to:

Mike Janzen
Manager, Asset Integrity and Retirement
BC Oil and Gas Commission
Mike.Janzen@bcogc.ca
250-419-4464