

October 27, 2011



Phase II Liability Management Rating Program Update

TO: All Industry Stakeholders

EFFECTIVE DATE: Nov. 14, 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 program is to manage the liability risks of oil and gas activities by ensuring that permit holders have the means to carry the financial risks of their operations through to regulatory closure. The Commission has been operating under an interim Phase I of the program since October 2010.

Phase II of the LMR program will come into effect Monday, Nov. 14, 2011.

Updates to the program in Phase II include revised liability costs, the recognition of multi-well pads, and the introduction of assessments to determine required security to attain or maintain an LMR of 1.0. Further details on the proposed changes can be found in the updated 'Liability Management Rating Program Manual' on the Commission's [website](#).

At this time only permit holders with production assets are included in the program, non-producers will be written into the program in 2012.

Please note the revised LMR Liability Costing Model will be used to calculate the October LMR summary report, which will be available to view in November.

REQUIREMENTS:

Interested parties are encouraged to review the updated LMR Program Manual which can be downloaded from the above webpage. We welcome your comments and suggestions prior to Nov. 11, 2011.

A reminder that permit holders with a LMR of <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>.

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

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