

Notice of Proposed Regulations

Background

The Ministry of Energy and Resources (ER) is consulting with stakeholders on a draft regulatory package featuring new provisions and enhancements to strengthen Saskatchewan's oil and gas liability management system. The draft regulatory package includes:

- Proposed new regulations called *The Financial Security and Site Closure Regulations* (FSSCR); and
- An amendment to *The Oil and Gas Conservation Regulations, 2012* (OGCR).

The changes featured in the draft regulatory package aim to reduce the prospect of new orphan oil and gas infrastructure in the future by ensuring that oil and gas companies are attending to and paying the full cost of their environmental liabilities, which has been a long-standing principle of ER's liability management programs.

The Process

Stakeholders are invited to review and provide written comment on the draft regulatory package until March 31, 2021. Upon conclusion of this consultation period, ER will review feedback received in the preparation of final drafts to be presented for consideration by the Lieutenant Governor in Council.

Summary of Proposed Changes

The draft regulatory package contains new regulatory provisions and enhancements to existing oil and gas liability management programs. The FSSCR, which replace provisions in the OGCR dealing with "end of life" obligations of oil and gas companies regarding wells, facilities and associated flowlines feature the following key elements:

1. Inactive Liability Reduction Program: a new results-based program for reducing liabilities held by oil and gas companies that will gradually bring down the percentage of inactive wells and facilities in the system through prescribed annual reduction targets;
2. Enhanced LLR Program: adjusting the existing Licensee Liability Rating (LLR) formula to better reflect a licensee's actual assets and liabilities in order to calculate security deposits more accurately; and
3. Proportional Risk Assessments for Transfers: codification in regulations of a highly-effective methodology for determining the additional security required for transfers between licensees that involve a high percentage of inactive wells and facilities.

Additional details on these program elements are included in Appendix A.

The draft regulatory package also features an amendment to the OGCR to allow ER to consider certain risk factors in determining licensee eligibility, including the applicant's compliance track record, the history of its directors or shareholders or its experience in oil and gas operations.

Review of Draft Regulations

ER is seeking written comments on the draft regulatory package. Draft regulations are attached to this notice as Appendices B and C.

Please direct any written comments or questions about the proposed amendments to the ER Service Desk at er.servicedesk@gov.sk.ca.

Please also note that ER will be hosting two "town-hall" meetings in March 2021 to provide overviews of the draft regulations.

The deadline for submitting written comments is **March 31, 2021**.

Ministry of Energy and Resources

Notice of Proposed Regulatory Changes

The Financial Security and Site Closure Regulations

February 2021

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Introduction

This document is intended to provide an explanation of the major changes and new program elements proposed in *The Financial Security and Site Closure Regulations* (FSSCR). This document is not an exhaustive discussion of all proposed changes but rather is intended to provide additional background on three new initiatives:

- The Inactive Liability Reduction Program (ILRP)
- The Proportional Risk Transfer (PRT) model; and.
- The Enhanced Licensee Liability Rating (LLR) formula.

Background

In 2008, the Government of Saskatchewan implemented a new liability management system to ensure that taxpayers would not become responsible for clean-up of oil and gas wells and facilities. This system has served Saskatchewan well over the past twelve years and includes:

- A system for collecting security deposits based on an operator's ratio of assets to liabilities (the LLR Program);
- An industry-financed Orphan Well Fund to pay for the clean-up of orphan wells, facilities and associated flowlines where the deposits and asset sales for an insolvent company are insufficient to cover the clean-up costs; and
- Site reclamation and remediation criteria (the Acknowledgement of Reclamation Program).

Since 2008, ER's liability management program has paid out over \$35 million to clean up orphaned sites. Also, ER holds approximately \$105 million in security under the LLR Program to help protect the orphan fund against future potential insolvencies.

Despite the success of these programs, the prolonged downturn in the oil and gas industry that began in early 2015 has created new challenges for Saskatchewan's liability management system. This document describes three proposed changes to the system aimed at strengthening its operation.

Objectives

The oil and gas industry has been subject to a new and changing landscape which requires that the existing liability management framework continually evolves to address emerging risks. The new regulations will:

- Help prevent an increase in orphan wells and infrastructure in Saskatchewan;

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- Ensure that companies and, where necessary industry as a whole, bear the responsibility to meet their end of life asset retirement obligations;
- Ensure licensees are attending to their liabilities in a timely fashion; and,
- Provide for more accurate measure of insolvency risk to ensure adequate security is on hand to meet end of life obligations.

Inactive Oil and Gas Infrastructure

The number of inactive wells in Saskatchewan has been growing for the past few decades. In the past 10 years, the number of inactive wells has doubled from around 18,000 to approximately 37,000. This trend is continuing at a time when the active well count is levelling off.

At current rates the number of inactive wells in Saskatchewan will surpass the number of active ones in approximately 10 years. The longer this is allowed to occur, the greater challenge it will be for industry, as a whole, to meet its clean up obligations. Risks include:

- The high percentage of inactive infrastructure in the system increases the likelihood that industry as a whole will be faced with significantly higher orphan levies in the future as a result of insolvencies.
- The recent *Redwater* decision has made it more challenging for industry to raise capital owing to the priority given to regulators in comparison to secured creditors. The industry is now experiencing a diminished ability to obtain capital as lenders have reevaluated the financial risk associated with inactive infrastructure.
- Investor concerns about liability, combined with the risk of future increases in annual orphan levies, could erode Saskatchewan's competitiveness with other jurisdictions.

In June 2019, the Ministry of Energy and Resources (ER) established an industry working group to evaluate various options to reduce inactive infrastructure over time. The outcome of that work is a results-based approach to reducing inactive liability which provides flexibility to operators to prioritize their spending on abandonment and decommissioning. The proposed regulatory program is called the Inactive Liability Reduction Program (ILRP). The elements of the program are described below:

Inactive Liability Reduction Program (ILRP)

1. Inactive Liability

Inactive liability is the cost associated with the abandonment and decommissioning of inactive oil and gas infrastructure such as wells, facilities and flowlines as well as the reclamation of associated sites and the remediation of environmental impacts.

Under *The Oil and Gas Conservation Regulations, 2012* (OGCR), the costs associated with the retirement of inactive liabilities are the responsibility of the licensee.

2. Regulatory Program

The proposed Inactive Liability Reduction Program (ILRP) would commence in January 2023 and obligate oil and gas licensees to retire a percentage of their inactive liabilities each year. The ultimate goal of the ILRP will be to bring about a gradual reduction in the growth of inactive oil and gas liabilities in Saskatchewan. The January 2023 start date coincides with the wind down of the Accelerated Site Closure Program (ASCP) and provides industry time to prepare for the increased obligations tied to site closure.

3. Calculation of Inactive Liability and Establishing the Annual Liability Reduction Target

In order to establish the annual target for licensees for the retirement of inactive liabilities, ER will calculate the amount of inactive liability, in dollars, attributable to each licensee prior to the commencement of the program. This will be calculated as the sum of deemed LLR liabilities for the abandonment/decommissioning of inactive wells and facilities, plus the deemed LLR liability for reclamation of well and facility sites, plus the deemed LLR liability for remediation of problem sites.

The sum of inactive liabilities for a licensee will then be multiplied by a prescribed percentage in order to establish the annual target or prescribed spend for each licensee.

4. Prescribed Spend and Measuring Compliance

As described above, in order to establish an annual obligation for licensees, ER will calculate each licensee's total inactive liabilities using the LLR deemed values and then multiply by a prescribed percentage. This would form the licensee's prescribed spend for the year. In order to meet compliance with the program licensees would be required to spend an equivalent amount on qualifying expenditures related to inactive liability reduction.

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Note that the program is designed to be non-prescriptive. The program will provide flexibility to licensees in terms of how they manage their inactive liabilities and which liabilities they chose to retire in any given year.

5. Reporting

Each year, licensees will be required to report the actual spend attributable to each well, facility or flowline licence to ER within 90 days following the year end. The form and manner for reporting will be specified by ER.

Only costs incurred by a licensee respecting its own licensed infrastructure and sites are eligible expenditures under the program. Additionally, licensees are required to report the full cost related to qualifying expenditures for which they are the licensee not just their working interest share.

Expenses incurred as a consequence of being a working interest in another licensee's obligations would not count toward a licensee's spend for the year and should not be reported.

6. Calendar Year Basis

The program will be run on a calendar year basis. Qualifying expenditures will be summed during the period from January 1 of a calendar year to December 31 of the same calendar year. The sum will be the licensee's actual spend for the year.

The annual prescribed percentage is set in the FSSCR and the prescribed spend will be calculated each September based upon the inactive liabilities attributable to a licensee at that time.

7. Qualifying Expenditures

Qualifying expenditures includes the cost associated with the abandonment and decommissioning of inactive oil and gas infrastructure such as wells, facilities and flowlines as well as the reclamation of associated sites and the remediation of environmental impacts.

Only costs incurred by a company respecting their own licensed infrastructure and sites will qualify. Expenses incurred as a consequence of being a working interest in another licensee's obligations would not qualify. In terms of reporting expenses for the purposes of the program, licensees should report the full cost related to qualifying expenditures for which they are the licensee not just their working interest share.

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The only exception to the above will be for licensees that have a high percentage working interest in assets for which they are not the licensee. In some cases, it may be difficult for these licensees to meet their prescribed spend if they are spending the majority of their abandonment and reclamation budget on non-operated assets. In these situations, the licensee may make application to have their prescribed spend reduced.

8. Establishing the Annual Prescribed Percentage and the Annual Reduction Target (ART)

The prescribed annual Liability Reduction Percentage (LRP) will be indexed to the industry average netback. Thus, during low price environments the percentage will be lower in order to reduce obligations during periods when companies may be struggling financially. Conversely, during higher price environments, the percentage will be increased accordingly. The annual percentages based on industry average netbacks are still being confirmed but are expected to range between 2-10%.

Example: Calculation of the Annual Reduction Target (ART)

A licensee has a total of \$2 million in inactive liabilities. The LRP for the year has been set at 4%. This licensee's ART for the year would be:

$\text{ART} = \$2 \text{ million} \times 4\% = \$80,000$. Thus the licensee would be required to spend a minimum of \$80,000 in the upcoming year toward the retirement of their inactive liabilities.

9. Carryover

If during the year, a licensee's actual spend exceeded the prescribed amount, then the excess could be carried forward to be used toward the annual retirement obligations in subsequent years. The amount of overspend or underspend would be tracked annually and recorded at year end as a licensee's available carryover.

There will be no limit on the accumulation of overspend and no time limitations in terms of using the available carryover.

10. Application to Reduce Prescribed Spend or Percentage

In a given year, if a licensee's prescribed spend would result in them having to abandon or decommission infrastructure that they intend on reactivating or using for a future

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purpose, the licensee may apply to ER in writing to have their annual prescribed spend reduced.

The application must identify the affected infrastructure and provide an explanation as to the purpose for which the infrastructure will be reactivated or used in the future.

If approved, ER will set a timeline in which the reactivation or use of the infrastructure must commence and be completed. ER may also require the submission of a security deposit at any time during the process or as a requirement to approve the plan.

ER may also authorize a reduction in the prescribed spend or percentage on application for licensees in extenuating financial circumstances.

11. Use of LLR Security

Licensees that are deposited under the LLR program must also meet their prescribed annual spend under the ILRP. If a licensee has enough security on account with ER in order to meet their annual obligation, then they may have access to the security in order to do so.

The licensee would be obligated to engage the professional services necessary to carry out the work. ER would deposit a portion of the licensee's LLR security into the orphan fund that will be used to pay for the work. The contractor would invoice licensee which would then be forwarded to the orphan fund for payment.

12. ILRP Enforcement

If a licensee fails to meet their annual liability retirement obligation thus creating a deficit, ER may enforce the requirements of the ILRP either through administrative penalties or require the submission of a security deposit.

Security deposits collected under the ILRP will only be refunded when an equivalent amount has been spent in meeting the requirements of the ILRP. Licensees would not be eligible for a refund by improving production such as under the LLR program or by an increase in the LLR due to a transfer.

13. Transfers

During a given year, if a licensee acquires additional liabilities through a transfer or divests of liabilities through a transfer, no recalculation of the annual obligation for the

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current year would occur. Licensees will be expected to meet the prescribed spend as established at the start of the year.

The only exception to this will be if a transfer results in a situation where the seller does not have sufficient inactive liability remaining post-transfer in order to meet their annual obligation. In this case, the prescribed spend will be lowered accordingly.

In the case of amalgamations, the newly formed corporate entity will have the same annual liability reduction obligation as the sum of the predecessor corporations. It is noted that this may be difficult for a newly amalgamated company. However, there are other program provisions that can be used if need be.

Licence Transfer Risk

In recent years, ER has received applications involving the transfer of hundreds or thousands of wells from larger producers to junior producers in which a high percentage of the transfer consists of inactive infrastructure. The inactive liability is typically only a fraction of the seller's asset value and therefore its retained liability remains well sheltered. In terms of the purchaser, the inactive liability accounts for a significant percentage of their asset base and therefore these types of transfer applications pose significant risk that the orphan fund could become exposed to liabilities that were not at risk pre-transfer.

Additionally, in many of these transfers, the post-transfer LLR of the purchaser is over 1, which would mean that no security deposit would be required if the LLR model is used exclusively to evaluate security deposit requirements. That is, the LLR model does not consider the amount of inactive liability in transfers, nor does it take into account the size of the transfer. As long as the post-transfer LLR of the purchaser is greater than 1, the LLR model treats all transfers the same from a risk perspective regardless of the size of the transfer. However, many transfers above $LLR = 1$ will carry significant risk depending on the size and the percentage of inactive liability.

Another limitation is that the LLR method assesses the buyer's ability to acquire additional liability but it does nothing to determine whether that flow of liability is better or worse for the industry in terms of exposure to potential orphan risk. There is no analysis to compare the pre-transfer state against the post-transfer state to determine if liabilities will become more exposed to the potential of inactive infrastructure becoming orphaned. If the buyer's LLR remains above one post-transfer, the transfer can proceed without a deposit even though the transfer may be creating significantly higher potential for orphan exposure.

To overcome these shortcomings, ER has developed a new formula to be used in conjunction with the LLR to evaluate transfers. This method, called the Proportional Risk Transfer (PRT)

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model, evaluates both the transferor and transferee's financial capacity to carry the uneconomic liability being considered in the transfer and assesses a deposit proportional to that difference. If through the transfer, uneconomic liabilities will flow from a lower risk state to a higher risk state then additional security will be required to cover of the proportional increase in risk.

A description of the PRT model, together with examples of its application is shown below.

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Proportional Risk Transfer Model (PRT)

If in the opinion of the minister a licence transfer will result in additional financial risk to the orphan fund that did not exist to the same extent before the transfer, the minister may require a licensee to submit a security deposit to offset the proportional increase in risk in accordance with the following formula:

$$TD = \left(\frac{ILT}{PA_{te}} - \frac{ILT}{PA_{to}} \right) \times ILT$$

Where:

TD is the amount of the transfer deposit required;

ILT is the total inactive liability that is to be transferred;

PA_{te} is the post-transfer prorated asset value of the transferee; and,

PA_{to} is the pre-transfer prorated asset value of the transferor.

[Note: the formula referenced in the draft regulation also includes the variable “TD_{ut}”. It is not included here as the value of this variable is currently under review].

The prorated asset value is determined using the following formula:

$$PA = \text{Asset Value} \times AR$$

Where:

Asset Value is the normal asset value as determined under the LLR program;

AR is the percentage of a licensee’s total liability that is active;

PA is therefore the standard LLR asset value, prorated or adjusted to account for inactive infrastructure;

As can be seen, the PRT formula expresses the total inactive liability that is to be transferred as a percentage of both the buyer and seller’s prorated asset value. In other words, the model weighs which company has the capacity to shelter the inactive liability within their asset base.

Looking at it another way, the PRT method measures the pre-transfer state against the post-transfer state to determine which state represents the higher financial risk to the orphan fund. If the transfer will result in exposure of the fund to risk that did not exist pre-transfer, then the formula will calculate a deposit requirement proportional to the increased risk thereby better protecting the industry as a whole from exposure to orphan liabilities.

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Example:

A large producer and a new start-up are applying to transfer 1000 wells. Out of the 1000 wells 450 of them are inactive and considered to be uneconomic. In this transfer, \$27 million in liability will change hands of which over \$12 million is inactive. Note that the transfer wells generate a positive LLR (1.11) and so technically, the LLR program would not generate any deposit requirement at all for this transfer.

	Pre Transfer	
	Company A	Company B
LLR Asset Value	\$2,912,000,000.00	\$0.00
LLR Liabilities	\$560,000,000.00	\$0.00
LLR	5.20	-
Number of wells	9333	0
Number of active wells	6533	0
Number of inactive wells	2800	0
Productive liabilities	\$392,000,000.00	\$0.00
Uneconomic liabilities	\$168,000,000.00	\$0.00
Decimal Percentage of productive infrastructure (AR)	0.7	0
Prorated asset value (PA)	\$2,038,400,000.00	\$0.00
Transfer from Company A to Company B		
Number of wells to be transferred	1000	
Active wells	550	
Inactive wells	450	
Average liability per well	\$27,000.00	
Total liability associated with the transfer	\$27,000,000.00	
LLR of transfer wells	1.11	
LLR asset value of transfer wells	\$29,970,000.00	
Inactive liability in the transfer	ILT = \$12,150,000.00	

The post transfer values are as follows:

	Post Transfer	
	Company A	Company B
LLR Asset Value	\$2,882,030,000.00	\$29,970,000.00
LLR Liabilities	\$533,000,000.00	\$27,000,000.00
LLR	5.41	1.11
Number of wells	8333	1000
Number of active wells	5983	550

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Number of inactive wells	2350	450
Productive liabilities	\$382,694,000.00	\$14,850,000.00
Uneconomic liabilities	\$150,306,000.00	\$12,150,000.00
Decimal Percentage of productive infrastructure (AR)	0.72	0.55
Prorated asset value (PA)	\$2,069,297,540.00	\$16,483,500.00

Company A has an asset value of almost \$3 billion dollars and therefore the liability associated with the transfer is negligible to it and perfectly well sheltered within the company. As indicated previously, the assets being transferred do generate a positive LLR. However, the increased risk to the orphan fund is apparent if this transfer were to proceed without a deposit.

The transfer deposit using the PRT model would be calculated as:

$$TD = \left(\frac{ILT}{PA_{te}} - \frac{ILT}{PA_{to}} \right) \times ILT$$

$$TD = \left(\frac{\$12,150,000}{\$16,483,500} - \frac{\$12,150,000}{\$2,038,400,000} \right) \times \$12,150,000$$

or,

$$TD = (0.7971 - 0.0060) \times \$12,150,000 = \$8,883,353$$

Hence, the inactive liability in the transfer (\$12.1 million) represents only 0.6% of Company A's pro-rated asset value, but is 79.7% of Company B's. Clearly the inactive liability will be a substantial burden for Company B in terms of meeting their end of life obligations. The orphan fund is exposed to much greater financial risk as a result of this transfer. The PRT model calculates a deposit requirement proportional to the increased risk (\$8.9 million).

Note that the PRT is not a replacement for the LLR, but both are used in conjunction. The LLR model is to be used to assess deposit requirements where the LLR is less than 1. The PRT is to be used where the LLR is greater than or equal to 1 but only up to an upper threshold to be determined by the minister. The upper threshold is intended to keep the PRT from unduly getting in the way of industry business. The rationale is that if the LLR of the parties to a transfer are sufficiently high there should not be a need to impose a security deposit requirement.

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Enhanced Licensee Liability Rating (LLR)

The LLR program first began use in 2009 in Saskatchewan and has also been used in Alberta and BC. Stated mathematically, the model is simply the ratio of a licensee's asset value divided by its liabilities.

$$\text{LLR} = \frac{\text{Asset Value}}{\text{Liabilities}}$$

If this ratio is less than 1, then the licensee's liabilities are greater than their assets, and correspondingly the licensee is required to submit a security deposit in the amount of the difference. Conceptually, the idea behind the LLR is sound, but the method for calculating asset value has been unreliable. Specifically, the current approach relies on industry average netbacks for determining the asset value of a licensee rather than the true corporate netback.

The netback is highly variable from one company to the next and as a result most company's netbacks are either significantly above or below the average, meaning that the model is usually not accurate in terms of identifying companies that may be struggling with cash flow. The consequence of this has been that over the years there have been many situations in which companies have gone into receivership or bankruptcy having an LLR greater than one, meaning that they had no security on account to help backstop the orphan costs.

To overcome the short comings of the current LLR calculation, ER has developed a much more accurate approach, which has been named the "Enhanced LLR", using financial data required to be submitted to ER under its various Acts and regulations. This information is maintained in ER's Integrated Resource Information System. The revised method is described below.

Enhanced Licensee Liability Rating (LLR)

The enhanced LLR calculates the Asset Value by starting with the production value reported by licensees for royalty/tax purposes. The information reported includes monthly production at the individual well level and the actual price at the wellhead for the oil/gas sold. Summing this information over 12 months at the licensee level gives us the actual annual gross income for each licensee.

Then, total operating costs, transportation costs and freehold royalties/taxes are estimated based on assumptions input to the model. Crown royalties are known. The model calculates the Annual Net Income for each licensee by subtracting the above deductions from the actual gross income. This becomes the LLR asset value.

This approach then allows ER to calculate company specific netbacks that are highly accurate as compared to the industry average. Additionally, ER will be using actual expenditure data

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for abandonment and reclamation under the ASCP to refine the deemed liability values used in the LLR program. Thus, the introduction of the enhanced LLR model will be a very significant improvement in terms of measuring solvency and potential risk to the orphan fund.

Stated mathematically, the asset value under the enhanced LLR program is calculated as:

$$\text{Asset Value} = \text{ANI} \times \text{Return Period}$$

where:

Return Period is:

- (a) three years;
- (b) the average payback period for a licensee's assets taking into consideration the expected rate of return and the production decline rate of the assets as determined by the minister;

ANI is the annual net income of a licensee calculated as:

$$\text{ANI} = \text{GPV} - \text{OC} - \text{R} - \text{T}$$

where:

ANI is the annual net income of a licensee;

GPV is the annual gross production value of sales reported for royalty or tax purposes pursuant to section 101 of the OGCR;

OC is the total annual operating cost that is attributable to the oil and gas infrastructure licensed to a licensee, as determined by the minister;

R is the total annual sum of Crown royalties and freehold production tax with respect to production attributable to a licensee's licensed oil and gas infrastructure, plus annual freehold royalties as determined by the minister; and

T is the total annual transportation cost in relation to production attributable to a licensee's licensed oil and gas infrastructure as determined by the minister;

The Financial Security and Site Closure Regulations

PROPOSED – For Review Purposes Only

Saskatchewan Ministry of Energy and Resources
February 2021

APPENDIX B

The Oil and Gas Conservation Act

PART 1 Preliminary Matters

Title

1-1 These regulations may be cited as *The Financial Security and Site Closure Regulations*.

Definitions

1-2 In these regulations:

“**Act**” means *The Oil and Gas Conservation Act*;

“**AOR**”, or “**acknowledgement of reclamation**” means an acknowledgement of reclamation issued by the minister pursuant to subsection 6-2(2);

“**approved**” means approved by the minister;

“**ART**”, or “**annual reduction target**” means the amount, expressed in dollars of a licensee’s inactive liability to be retired in a calendar year calculated in accordance with subsection 5-2(1).

“**assessed problem site**”: as defined in *Directive PNG025: Licensee Liability Rating (LLR) Program*.

“**fiscal year**” means the fiscal year of the orphan fund set out in section 7-6;

“**fund advisory committee**” means the committee established pursuant to Part 8;

“**inactive liability**” means the deemed LLR liability that is attributable to inactive infrastructure, which includes infrastructure where no non-zero activity has been reported within the last 12 months and also includes problem site liability;

“**LLR**”, or “**licensee liability rating**” means a licensee’s asset to deemed liability ratio determined in accordance with the formula set out in subsection 4-1(1).

“**orphan**” means a well, facility or associated flowline, or its respective sites, if, in the opinion of the minister, a person responsible for the well, facility or associated flowline or its respective site:

(i) does not exist;

(ii) cannot be located; or

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(iii) does not have the financial means to contribute to the costs of meeting the obligations pursuant to the Act, these regulations, any orders made pursuant to the Act or any terms and conditions of a licence;

“orphan fund levy” means the fee to be levied on wells and facilities pursuant to these regulations;

“reclamation” means the process of:

- (i) decontaminating, excavating, removing, sequestering, encapsulating, immobilizing, attenuating, degrading, processing or treating the contaminants in the soil or water in a manner so that, in the opinion of the minister, the contaminants no longer pose a threat or risk to human health, public safety, property or the environment; and
- (ii) re-contouring, landscaping, replacing or replenishing the topsoil and re-vegetating the surface of the soil so that it is compatible with its surroundings;

“rules” means:

- (i) any regulations, directives or minister’s orders made pursuant to the Act and *The Pipelines Act, 1998*; and
- (ii) the terms and conditions of a licence issued pursuant to the Act and *The Pipelines Act, 1998*.

“site” means, when used in relation to a well or facility, the site of the well or facility and the area immediately adjacent to that site;

“unassessed problem site”: as defined in *Directive PNG025: Licensee Liability Rating (LLR) Program*;

“unreclaimed site” means a site for which an AOR has not been issued by the minister pursuant to subsection 6-2(2);

Application of regulations

1-3(1) These regulations apply to:

- (a) all wells and facilities licensed in accordance with the Act and the rules and all associated flowlines and sites; and
- (b) all flowlines licensed in accordance with *The Pipelines Act, 1998*.

(2) The definitions in:

- (a) the Act and the rules made pursuant to the Act apply to the wells, facilities, associated flowlines and sites mentioned in clause (1)(a); and

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(b) *The Pipelines Act, 1998* and the rules made pursuant to that Act apply to the flowlines mentioned in clause (1)(b);

Application of parts 4, 5, 7 and 8

1-4 Parts 4, 5, 7 and 8 apply to licensees that hold one or more licences authorizing oil and gas operations.

PART 2

Liability for Abandonment and Reclamation

Licensee or working interest participant is liable

2-1(1) Abandonment and reclamation of a well, facility or associated flowline and its respective sites mentioned in subsection 3-6(1) are the responsibility of:

- (a) the licensee; or
 - (b) the working interest participants, if the licensee is insolvent, bankrupt or cannot be located or is incapable of operating the well or facility as required by the Act or the rules
- (2) Abandonment and reclamation of a well, facility, associated flowline and their respective sites does not relieve the licensee or the working interest participants of the responsibility to undertake further abandonment or reclamation work or from the responsibility for the costs of doing that work.

PART 3

Financial Security

Security deposits

3-1(1) For the purposes of section 15 of the Act, the minister may require a licensee or a transferor or transferee of a licence to submit a security deposit to the minister:

- (a) before approving, issuing or transferring a licence;
- (b) at any time the licensee fails an LLR assessment conducted by the minister pursuant to section 15 of the Act;
- (c) at any time if the minister issues an order pursuant to section 17.01 of the Act where in the opinion of the minister additional financial security is required to ensure that the work required by the minister is carried out;
- (d) if the licensee has not made qualifying expenditures in an amount greater than or equal to its ART as required by subsection 5-3(1); or.
- (e) in any other circumstances in which, according to the minister, the financial risk related to the suspension, abandonment, decommissioning, restoration, remediation or reclamation of a well, facility, or any associated structure or

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infrastructure, or the associated site is not addressed by any provision of these regulations or the Act.

- (2) The minister may specify any relevant factors at any time to calculate the amount of a security deposit required to be submitted:
 - (a) at the minister's initiative; or
 - (b) on application by the depositor licensee.
- (3) The minister shall provide the relevant factors specified pursuant to subsection (2) in writing.

Adjustment of security

3-2(1) Notwithstanding subsection 3-1(1), if the minister determines that the security deposit amount held by the minister is inadequate for the purposes provided for in subsection 15(1) of the Act, the minister may require the licensee to provide any additional amounts that the minister considers necessary to meet those purposes.

Form of security

- 3-3(1)** A security deposit must be in the form of an irrevocable letter of credit, surety bond or in any other form satisfactory to the minister.
- (2) The minister may require that the security deposit be submitted:
 - (a) as a lump sum; or
 - (b) in portions in the amounts and at the times specified by the minister.

Return of security

- 3-4(1)** On the written request of a licensee, the minister may, in accordance with the rules return all or a portion of a security deposit submitted pursuant to clause 3-1(1)(b).
- (2) The minister may retain a portion of the security deposit submitted pursuant to clause 3-1(1)(b) for use by the licensee for meeting its ART pursuant to subsection 5-3(1).
 - (3) A security deposit or portion of a security deposit submitted pursuant to clause 3-1(1)(d) may be returned only if the licensee has reduced its inactive liability by an equivalent amount.
 - (4) Notwithstanding subsection (3), the minister may retain a security deposit submitted pursuant to clause 3-1(1)(d) if the licensee owes a security deposit with respect to the LLR.
 - (5) A security deposit submitted pursuant to clause 3-1(1)(a) may be returned in accordance with subsection 4-2(4).

Forfeiture of security deposits

3-5(1) The minister may retain all or a portion of the security deposit required pursuant to section 3-1, or may declare it to be forfeited to the Crown in right of Saskatchewan if, in the opinion of the minister:

- (a) the licensee with respect to the construction, drilling, operation, abandonment or reclamation of a well or a facility has failed to comply with the rules.
 - (b) the drilling, construction or operation of a well, facility, associated flowline or their respective sites poses a risk described in section 17.01 of the Act or may be a source of contamination described in section 75 of *The Oil and Gas Conservation Regulations, 2012*;
 - (c) the licensee:
 - (i) cannot be located;
 - (ii) is insolvent, bankrupt or defunct; or
 - (iii) is incapable of the proper care and custody of the site infrastructure in accordance with the rules;
 - (d) the licensee has failed to submit the security deposit as required by subsection 3-1(1); or
 - (e) the licensee has failed to submit the specified amount of orphan fund levy within the period specified in subsection 7-3(2).
- (2) If the minister makes a decision pursuant to subsection (1), the minister shall provide the licensee with written notice of the decision along with written reasons for the decision.

Use of security

3-6(1) The minister may apply any or all of the security deposit forfeited pursuant to subsection 3-5(1), and any moneys recovered from sales of machinery, equipment or materials or oil, gas or products pursuant to subsection (4), towards the costs required to:

- (a) suspend the operations of and secure a well, facility or its respective sites;
- (b) take control of, operate, maintain, monitor, repair or care for a well, facility or its respective sites;
- (c) investigate, audit or inspect a well, facility, its respective site or any area on or off the sites that has been affected as a result of the operation;
- (d) conduct an environmental site assessment, install monitoring equipment and systems, acquire water, soil and air samples or analyze the samples at a well, facility, its respective site or any other area on or off the sites that has been contaminated as a result of the operation;

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- (e) contain, manage, secure, stabilize, excavate, treat, process, handle, transport and dispose of materials, contaminated materials and wastes generated, used or stored at the well, facility, associated flowline or its respective site;
 - (f) abandon, decommission or reclaim a well, facility, its respective site or any other area on or off the sites that has been damaged, contaminated or otherwise adversely affected as a result of the operation;
 - (g) account, make an inventory of, advertise, sell, transfer, donate or dispose of machinery, equipment or materials or oil, gas or products on the well, facility or its respective site;
 - (h) acquire legal, administrative, engineering, scientific, professional and technical advice, services or work; or
 - (i) undertake any other activities that the minister considers necessary to carry out the functions mentioned in clauses (a) to (h).
- (2) If a person other than the licensee is authorized by the minister to carry out any of the activities mentioned in subsection (1), the minister may pay any or all of the security deposit to that person for that purpose.
- (3) If the security deposit provided by the licensee does not cover the cost or the expense of carrying out the activities mentioned in subsection (1), the licensee shall pay the difference to the minister on the written demand of the minister and within the period specified by the minister in the written demand.
- (4) If the licensee fails to pay the difference within the period specified by the minister in the written demand made pursuant to subsection (3), the minister may do all or any of the following:
- (a) use any amount of money in the orphan fund to make up the shortfall if the situation is one to which section 7-1 applies;
 - (b) recover any portion of the difference from the working interest participants based on their percentages of interest;
 - (c) in accordance with section 17.06 of the Act, sell any machinery, equipment or materials or oil, gas or products that are at the site of a well or facility to make up the shortfall.

Deposit to orphan fund

- 3-7(1)** The minister may deposit any amount of money from the security deposit that has been forfeited pursuant to subsection 3-5(1) in the orphan fund at any time.
- (2) The minister may deposit any amount of any proceeds recovered or acquired pursuant to subsection 3-6(4) in the orphan fund at any time.

Withdrawal from orphan fund

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(1) Notwithstanding section 7-1, the minister may withdraw any amount less than or equal to the amount of money that was deposited in the orphan fund pursuant to section 3-7 at any time for the purpose of covering the cost of activities mentioned in subsection 3-6(1).

(2) On completion of the activities mentioned in subsection 3-6(1) and on the written request of a licensee, the minister may return the balance of the forfeited security deposit to the licensee.

When minister may make orders pursuant to section 17.01 of the Act

3-9 The minister may make an order pursuant to section 17.01 of the Act if a licensee fails to submit a security deposit to the minister as required by subsection 3-1(1) in the amounts and at the times specified by the minister.

Part 4

Security Deposit Assessment

Licensee Liability Rating

4-1(1) For the purpose of the definition of “LLR” as set out in section 1-2, an LLR is to be calculated in accordance with the following formula:

$$\text{LLR} = \frac{\text{Asset Value}}{(\text{Deemed Abandonment Liability} + \text{Deemed Reclamation Liability})}$$

where:

LLR is the licensee liability rating for a month rounded to the nearest hundredth;

Asset Value is the amount determined in accordance with subsection (2);

Deemed Abandonment Liability is the total cost of the future abandonment and decommissioning of all wells and facilities licensed to a licensee as determined by the minister; and

Deemed Reclamation Liability is, subject to subsection (4) the total cost of the future reclamation of all sites associated with all wells and facilities licensed to a licensee as determined by the minister;

(2) For the purposes of the formula set out in subsection (1), Asset Value is to be calculated in accordance with the following formula:

$$\text{Asset Value} = \text{ANI} \times \text{Return Period}$$

Where:

Return Period is:

(a) three years;

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- (b) the average payback period for a licensee's assets taking into consideration the expected rate of return and the production decline rate of the assets as determined by the minister; and

ANI is the annual net income of a licensee calculated in accordance with subsection (3).

- (3) For the purposes of subsection (2), ANI is the amount calculated in accordance with the following formula:

$$\text{ANI} = \text{GPV} - \text{OC} - \text{R} - \text{T}$$

Where:

ANI is the annual net income of a licensee;

GPV is the annual gross production value of sales reported for royalty or tax purposes pursuant to section 101 of *The Oil and Gas Conservation Regulations, 2012*;

OC is the total annual operating cost that is attributable to the oil and gas infrastructure licensed to a licensee, as determined by the minister;

R is the total annual sum of Crown royalties and freehold production tax with respect to production attributable to a licensee's licensed oil and gas infrastructure, plus annual freehold royalties as determined by the minister; and

T is the total annual transportation cost in relation to production attributable to a licensee's licensed oil and gas infrastructure as determined by the minister;

- (4) Notwithstanding subsection (1), if site-specific assessments have been conducted, the minister may use the results of those assessments as the Deemed Reclamation Liability.

- (5) If a licensee has an LLR of less than 1.0, the licensee:

(a) shall be considered as having failed the LLR assessment conducted pursuant to this section; and

(b) shall submit any amount of security deposit required by the minister pursuant to subsection 3-3(2).

Proportional Risk Assessment for Transfers

4-2(1) Pursuant to subsection 4-1(5), regardless of whether a licensee has an LLR of 1.0 or greater following a licence transfer, if in the opinion of the minister a licence transfer will result in additional financial risk to the orphan fund that did not exist to the same extent before the transfer, the minister may require a licensee to submit a security deposit to offset the proportional increase in risk in accordance with the following formula:

$$\text{TD} = \left(\frac{\text{ILT}}{\text{PA}_{\text{te}}} - \frac{\text{ILT}}{\text{PA}_{\text{to}}} \right) \times \text{ILT} - \text{TD}_{\text{ut}} \text{ where } 0 \leq \text{TD} \leq \text{ILT}$$

Where:

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TD is the amount of the transfer deposit required;

ILT is the total inactive liability that is to be transferred;

PA_{te} is the post-transfer prorated asset value of the transferee;

PA_{to} is the pre-transfer prorated asset value of the transferor calculated in accordance with subsection (2);

TD_{ut} is the transfer deposit that would be calculated at the post-transfer LLR value mentioned in subsection (3).

(2) For the purposes of subsection (1), PA is the amount calculated in accordance with the following formula:

$$PA = \text{Asset Value} \times AR$$

Where:

PA is the prorated asset value, which is the LLR asset value that is attributable to active infrastructure;

Asset Value is the amount determined in accordance with subsection 4-1(2);

AR is the percentage of a licensee's total liability that is active.

(3) If the post-transfer LLR of the transferee is greater than or equal to 2, the minister may waive the requirement to pay a security deposit pursuant to subsection 4-2(1). **[Note: the LLR threshold of "2" is currently under review].**

(4) A licensee may apply to the minister for a return of a security deposit submitted pursuant to subsection 4-2(1) if the licensee has achieved an LLR equal to or greater than the post-transfer LLR value mentioned in subsection (3) for a period of at least 6 consecutive months.

Corporate Financial Information

4-3(1) Upon request by the minister, a licensee shall submit the to the minister in an approved form and manner any financial information that the minister may require to evaluate a licensee's financial capacity to meet its obligations pursuant to these regulations.

(2) The information required pursuant to subsection (1) may include:

- (a) cash flow from operations;
- (b) current and total assets and liabilities;
- (c) debt servicing expenses,
- (d) earnings subject to tax;
- (e) depreciation and amortization;
- (f) netback;
- (g) stockholder's equity;

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- (h) operating costs;
- (i) transportation costs;
- (j) freehold royalties; and,
- (k) any other information that the minister may reasonably require in the evaluation mentioned in subsection (1).

(3) Pursuant to section 3-1(1) the minister may consider the information mentioned in subsection (2) in assessing the amount of a security deposit due pursuant to sections 4-1 and 4-2.

PART 5 Management of Inactive Liabilities

Definitions and interpretation for Part

5-1(1) In this Part:

“Actual expenditures” means expenditures incurred by a licensee that are considered to be qualifying expenditures.

“LRP”, or “liability reduction percentage” means the percentage of a licensee’s inactive liabilities to be retired each year as set out in Table 1 of the Appendix.

“Qualifying expenditures” include expenditures for the items listed in Table 2 of the Appendix that contribute to the cost of meeting a licensee’s ART and that are reported in a manner that is consistent with international financial reporting standards.

Calculation – annual reduction target

5-2(1) the annual target for the reduction of a portion of a licensee’s inactive liabilities is to be calculated in accordance with the following formula:

$$\text{ART} = (\text{ABL} + \text{RCL} + \text{PSL}) \times \text{LRP}$$

Where:

ART is the annual reduction target;

ABL is the sum of a licensee’s deemed LLR abandonment and decommissioning liabilities for inactive wells and facilities;

RCL is the sum of a licensee’s deemed LLR reclamation liability associated with the sites of inactive and abandoned wells and facilities;

PSL is the sum of the deemed LLR liability for the remediation of unassessed problem sites or assessed problem sites; and

LRP is the liability reduction percentage.

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(2) Notwithstanding subsection (1), if through a transfer a licensee acquires additional inactive liabilities or divests of inactive liabilities, there will be no recalculation of the licensee's ART for that year, except if a licensee does not have sufficient inactive liability post-transfer in order to meet its ART.

(3) The minister shall provide to a licensee its ART determined in accordance with this section.

Qualifying expenditures

5-3(1) Beginning January 1, 2023, and for each subsequent calendar year, a licensee shall make qualifying expenditures in an amount greater than or equal to its ART determined in accordance with subsection 5-2(1).

(2) Qualifying expenditures pursuant to subsection (1) may be made only in relation to wells, facilities and flowlines for which a licensee holds a licence and may not be claimed in relation to licensed wells, facilities and flowlines for which a licensee is a working interest participant.

(3) Notwithstanding subsection (2), a licensee may apply to the minister under subsection 5-6(4) if a significant portion of its abandonment and reclamation expenditures involve wells, facilities and flowlines for which it is a working interest participant.

Carryovers

5-4(1) If a licensee's actual expenditures in a calendar year exceed its ART, the surplus may be used to satisfy its ART for subsequent years.

(2) If in the opinion of the minister a licensee's ART for a calendar year is less than the amount necessary to carry out a single well abandonment or a single site reclamation, the licensee may carry its deficit forward for a maximum of three consecutive years.

Reporting of actual expenditures

5-5(1) Within 90 days after the end of each calendar year a licensee shall report to the minister in an approved form and manner its actual expenditures in relation to its ART determined in subsection 5-2(1).

(2) For the purposes of subsection (1), a licensee shall submit to the minister a statement certifying actual expenditures for each calendar year signed by its Chief Financial Officer or equivalent or a person who has legal signing authority for or on behalf of a licensee.

(3) A statement pursuant to subsection (2) shall include:

(a) the gross abandonment, decommissioning and reclamation expenditures; and

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- (b) the net abandonment, decommissioning and reclamation expenditures.
- (4) The net expenditures mentioned in clause (3)(b) are the licensee's working interest costs.

Application for decrease in annual reduction target

- 5-6(1)** If a licensee's ART would result in it having to abandon or decommission infrastructure that it intends to reactivate or use for a future purpose, the licensee may apply to the minister for a reduction in its ART.
- (2) As part of an application mentioned in subsection (1), a licensee shall submit in an approved form and manner a plan for the reactivation or future use of the infrastructure.
- (3) After considering an application submitted pursuant to subsection (1), the minister may do any of the following:
 - (a) set a timeline in which the reactivation or use of the infrastructure must commence and be completed;
 - (b) require the submission of a security deposit at any time during the process or as a requirement to approve the plan;
 - (c) refuse to approve the application.
- (4) Notwithstanding any other provision of these regulations, the minister may authorize a reduction in the ART on application by a licensee if the minister considers it reasonable to do so, based on the financial situation of the licensee or pursuant to subsection 5-3(3).
- (5) After considering an application submitted pursuant to subsection (4), the minister may
 - (a) approve the application; or
 - (b) refuse to approve the application.

Use of security toward annual reduction target

- 5-7** If a licensee has submitted a security deposit pursuant to subsection 3-1(1), the licensee may apply to the minister to use some or all of its security deposit to pay the costs associated with fulfilling its ART determined in accordance with subsection 5-2(1).

Compliance Plan

- 5-8(1)** If a licensee fails to make qualifying expenditures in an amount greater than or equal to its ART, the minister may require a licensee to submit to the minister, in an approved form and manner and within the period specified by the minister a

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compliance plan setting out how the licensee will meet its ART obligations pursuant to these regulations.

(2) The minister may require a licensee to prioritize in its compliance plan the abandonment, decommissioning, remediation or reclamation of:

- (a) inactive infrastructure or sites that may pose a risk to surface water or groundwater;
- (b) infrastructure with known integrity issues;
- (c) inactive infrastructure or sites where the landowner has requested site closure;
- (d) infrastructure that has been inactive for more than 15 years; or
- (e) any other infrastructure or site if, in the opinion of the minister there is a concern as described in section 17.01 of the Act.

PART 6 Site Closure

Decommissioning and reclamation of well and facility sites

6-1(1) On completion of abandonment of a well, the licensee or the operator shall, in accordance with the rules:

- (a) conduct an environmental site assessment;
- (b) decommission the well site;
- (c) reclaim the well site;
- (d) reclaim any area that is beyond the boundaries of the well site and that, in the opinion of the minister, has been damaged, contaminated or otherwise adversely affected by the operations of the well; and
- (e) conduct a detailed site assessment.

(2) On decommissioning of a facility, the licensee or the operator shall, in accordance with the rules:

- (a) conduct an environmental site assessment;
- (b) decommission the facility site;
- (c) reclaim the facility site;
- (d) reclaim any area that is beyond the boundaries of the facility site and that, in the opinion of the minister, has been damaged, contaminated or otherwise adversely affected by the operations of the facility; and
- (e) conduct a detailed site assessment.

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(3) If a site has been prepared, disturbed, constructed or contaminated and no well or facility has been drilled or constructed on the site, the minister may require the licensee or operator to, in accordance with the rules:

- (a) conduct an environmental site assessment;
- (b) decommission the site;
- (c) reclaim the site;
- (d) reclaim any area that is beyond the boundaries of the site and that, in the opinion of the minister, has been damaged or contaminated; and
- (e) conduct a detailed site assessment.

(5) On abandonment of a well or decommissioning a facility, the licensee shall abandon any unused or inactive associated flowlines.

(6) Notwithstanding subsections (1), (2), (3) and (4), a licensee or operator may apply to the minister for approval of a variation of the requirements of those subsections.

(7) On review of an application described in subsection (6), the minister may:

- (a) approve the application; or
- (b) refuse to approve the application.

Acknowledgement of reclamation

6-2(1) On completion of the activities mentioned in subsections 6-1(1), (2) or (3) as the case may be, the licensee or the operator shall, in accordance with the rules submit to the minister:

- (a) an application for AOR; and
- (b) any other information required by the minister.

(2) The minister shall issue an AOR if the minister is satisfied that the licensee or operator has complied with the requirements of section 6-1.

(3) The minister may:

- (a) impose any conditions or terms in an AOR that the minister considers appropriate; or
- (b) cancel an AOR if the minister considers it appropriate to do so.

(4) Every licensee and operator shall comply with the terms and conditions imposed on an AOR issued to it pursuant to subsection (3).

Continuing obligations

6-3(1) The issuance of an AOR pursuant to section 6-2 does not relieve a licensee, operator or working interest participant of its past, present or future environmental liability associated with the well or facility site that is the subject of the AOR .

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(2) If in the opinion of the minister any of the activities mentioned in section 6-1 or section 6-2 have been unreasonably delayed, the minister may make an order requiring the completion of those activities and specifying the time in which they are to be completed.

PART 7 Oil and Gas Orphan Fund

Use of the orphan fund

7-1 The minister is authorized to use the money in the orphan fund for the following purposes:

- (a) to reimburse the ministry or a person authorized by the minister:
 - (i) for undertaking the abandonment, decommissioning or reclamation of an orphan well, an orphan facility, its respective site or any other area on or off the site that has been damaged, contaminated or otherwise adversely affected as a result of the operation; or
 - (ii) for undertaking any other activities that the minister considers necessary and that are associated with the orphan well, the orphan facility and their respective sites mentioned in subclause (i);
 - (iii) for undertaking the abandonment, decommissioning and reclamation of inactive liabilities pursuant to an application mentioned in section 5-7.
- (b) to pay the costs to carry out the following activities:
 - (i) the abandonment or decommissioning of all or part of the flowline associated with the orphan well or orphan facility and the reclamation of the area around the flowline or any other associated activities that the minister considers necessary with respect to the flowline or the area around the flowline;
 - (ii) any action mentioned in section 17.04 of the Act;
 - (iii) the undertaking of any steps to contain and secure a risk if the minister is reasonably satisfied that the licensee or operator is missing or not readily identifiable and if, in the opinion of the minister a well, flowline or facility has an impact on or off the site that poses a risk to an oil, gas or fresh water formation or to life or property;
- (c) to pay for technical, administrative, legal or other costs related to acquiring professional services that are incurred in pursuing reimbursement for the costs mentioned in clauses (a) and (b) from the person responsible for paying them;
- (d) to pay for a defunct working interest participant's share of suspension, decommissioning, abandonment and related reclamation costs if those costs:
 - (i) in the opinion of the minister, are reasonable and necessary to do the work;and

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- (ii) have been incurred by the licensee or a working interest participant;
- (e) to pay for any other costs directly related to the administration and operation of the orphan fund; and
- (f) to pay for any expense related to the fund advisory committee that is approved by the minister, including any expense incurred pursuant to subsection 8-2(2).

Orphan fund expenditures

- 7-2(1)** The minister may determine when money in the orphan fund may be used for the purposes mentioned in section 7-1.
- (2) The minister shall consult with the fund advisory committee appointed pursuant to section 8-1 with respect to the manner generally in which the purposes of the orphan fund are carried out.
- (3) Nothing in this Part requires the minister to consult with the fund advisory committee respecting the use of a security deposit or equipment and materials or oil, gas or products forfeited pursuant to subsections 3-6(1) or (4).

Orphan fund levy

- 7-3(1)** A licensee shall pay an orphan fund levy for each fiscal year, as required by clause 20.93(c) of the Act, calculated in accordance with the following formula:

$$\text{Orphan fund levy} = A/B \times \text{Annual Budget}$$

where:

Orphan fund levy is the fee to be levied on wells and facilities and deposited in the orphan fund;

A is the licensee's liability for all facilities, wells and unreclaimed sites licensed to the licensee, as calculated at a date and in a manner specified by the minister;

B is the sum of the oil and gas industry's liability for all licensed facilities, wells and unreclaimed sites, as calculated at a date and in a manner specified by the minister; and

Annual Budget is the amount that is required to conduct work specified in section 7-1 for a fiscal year as determined by the minister after any consultation with the fund advisory committee appointed pursuant to section 8-1 that the minister considers necessary.

- (2) The minister shall provide written notice to a licensee setting out the amount of the orphan fund levy that is to be paid by the licensee.
- (3) A licensee shall pay the amount of the orphan fund levy not later than 60 days following the mailing date shown on the notice sent by the minister.
- (4) In determining the Annual Budget mentioned in subsection (1), the minister shall provide for a total levy that will be sufficient, in the minister's opinion, to cover:

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- (a) the anticipated costs mentioned in subsection 7-1(1) for the fiscal year; and
 - (b) any surplus for emergency or contingencies and non-budgeted expenditures.
- (5) After any consultation with the fund advisory committee that the minister considers necessary, the minister may adjust the Annual Budget mentioned in subsection (1) in order to maintain the minimum amount specified in subsection (6).
- (6) The annual budget and orphan fund levy shall be established each year in order to maintain a minimum fund balance of not less than \$2,000,000 to address unexpected costs and emergencies.

Late payment of orphan fund levy

7-4 Any amounts of the levy that remain unpaid to the minister after the period mentioned in subsection 7-3(3) are a debt due to the Crown in right of Saskatchewan payable to the orphan fund and may be recovered by the minister in any manner authorized by *The Financial Administration Act, 1993* or in any other manner authorized by law.

Recovery of orphan fund expenses

7-5(1) The minister may recover all or part of the money expended from the orphan fund for the purpose of carrying out any of the activities mentioned in clauses 7-1(a) to (d) from any of the following:

- (a) the licensee;
 - (b) the working interest participants based on their percentage of interest;
 - (c) any other person whom the minister considers responsible for the well, well site, facility or facility site; or
 - (d) the proceeds of the sale of any machinery, equipment or materials, or oil, gas or products that were forfeited pursuant to section 17.06 of the Act.
- (2) Pursuant to subsection (1), the minister shall deposit any amount of money or proceeds recovered pursuant to subsection (1) in the orphan fund.

Fiscal year

7-6 For the purposes of clause 20.98(k) of the Act, the fiscal year of the fund is the period commencing on April 1 of one year and ending on March 31 in the following year.

PART 8 **Fund Advisory Committee**

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Committee membership

- 8-1(1)** The minister may appoint as members of the fund advisory committee:
- (a) an official of the ministry who shall chair the committee;
 - (b) four individuals nominated by the oil and gas industry associations that, in the opinion of the minister, represent the general and diverse interests of the oil and gas industry in Saskatchewan; and
 - (c) up to two other individuals.
- (2) Each member of the fund advisory committee holds office for a term of two years and until a successor is appointed.
- (3) If a member of the fund advisory committee nominated by an oil and gas industry association resigns or is no longer able to serve, that oil and gas industry association may:
- (a) nominate another person to be a member for the remainder of the term of the former member; or
 - (b) choose to have the former member's position remain vacant until the end of the term of the former member.
- (4) A member of the fund advisory committee is eligible to be reappointed as a member.

Purpose of fund advisory committee

- 8-2(1)** The members of the fund advisory committee shall:
- (a) assist the minister in the development of an annual program to abandon and reclaim orphan wells and facilities and the respective sites by advising on the determination and selection of orphan wells and facilities for that program;
 - (b) provide the minister with advice and expertise in the development of the Annual Budget mentioned in subsection 7-3(1), for the payment of the costs associated with the annual abandonment program mentioned in clause (a); and
 - (c) make recommendations to the minister respecting the amount of the Annual Budget mentioned in subsection 7-3(1) for a fiscal year.
- (2) Members of the fund advisory committee are entitled to reimbursement for their expenses incurred in the performance of their responsibilities in accordance with rates paid to members of the public service of Saskatchewan.
- (3) The fund advisory committee may:
- (a) appoint or engage any professional, administrative, technical and clerical personnel that may be required for the purposes mentioned in clauses (1)(a) to (c); and
 - (b) determine the salaries and other remuneration of the personnel appointed or engaged pursuant to clause (a).

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(4) A person who performs services at the request of the fund advisory committee for the purposes mentioned in subsection (1) is entitled to reimbursement for that person's expenses incurred in the performance of that person's responsibilities in accordance with rates paid to members of the public service of Saskatchewan.

(5) A member of the fund advisory committee may not disclose information obtained in the course of performing the member's duties mentioned in subsection (1) that may reasonably be expected to:

- (i) result in financial loss or gain to a third party; or
- (ii) prejudice the competitive position of a third party.

PART 9

Administrative Penalties

Administrative penalties

9-1(1) For the purposes of section 58.1 of the Act, the minister may assess administrative penalties as set out in Table 3 of the Appendix for the contraventions mentioned in that Table.

(2) Notwithstanding subsection (1), a penalty is not to be assessed in relation to a deficit mentioned in subsection 5-4(3).

(3) If a person fails to pay an administrative penalty in the amount required or within the time required, the amount not paid is a debt owing to the minister pursuant to section 53.2 of the Act.

PART 10

Confidentiality of Information

Confidential Information

10-1(1) The minister shall hold the following information confidential:

- (a) the deemed liability associated with any infrastructure or the site of any infrastructure licensed in accordance with the rules;
- (b) any information reported pursuant to section 4-3, unless that information is already public;
- (c) the LLR of a licensee; and
- (d) information produced by the fund advisory committee, including meeting minutes and correspondence.

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(2) Notwithstanding subsection (1), the minister may provide liability information pertaining to unassessed problem sites, assessed problem sites or contaminated sites to a transferee with respect to a licence transfer.

PART 11 General

Applications

11-1 An application pursuant to these regulations must be made in accordance with section 6 of *The Oil and Gas Conservation Regulations, 2012*.

Methods of payment

11-2 Any payment required to be paid pursuant to these regulations must be paid:

(a) subject to clause (b), by one of the following methods directed by the minister:

- (i) pre-authorized debit;
- (ii) electronic transfer of funds;
- (iii) cash or cash equivalent; or

(b) in the case of exceptional circumstances that, in the opinion of the minister, prevent payment by the method directed by the minister pursuant to clause (a), by any other method acceptable to the minister.

PART 12 Coming into Force

Coming into force

12-1 (1) Subject to subsection (2), these regulations come into force on the day on which they are filed with the Registrar of Regulations.

(2) Part 5 of these regulations comes into force on January 1, 2023.

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Appendix

TABLE 1

Liability Reduction Percentages

[Note: the percentages listed in this Table are under review]

[section 5-1]

Industry Average Netback (\$/barrel of oil equivalent)	LRP
<\$0	0%
\$0 to \$5	2.0%
\$5 to \$10	4.0%
\$10 to \$20	5.0%
\$20 to \$30	6.0%
\$30 to \$40	7.0%
\$40 to \$50	8.0%
\$50 to \$70	9.0%
>\$70	10.0%

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TABLE 2
Qualifying Expenditures
[section 5-1]

Item	Activity
1	Abandonment of a well
2	Decommissioning of a facility
3	Abandonment of a flowline
4	Remediation or reclamation of a well site if the wells have been abandoned or if the wells are inactive and includes any and all costs incurred in order to obtain an AOR for the site
5	Remediation or reclamation of a facility site if the facility has been decommissioned or if the facility is inactive and includes any and all costs incurred in order to obtain an AOR for the site
6	Remediation activities at an unassessed problem site or an assessed problem site regardless of whether the associated well, facility or flowline is inactive and includes costs: (i) to obtain a Site Specific Liability Assessment (SSLA); (ii) to obtain a Site Specific Risk Assessment (SSRA); and (iii) related to monitoring.
7	Costs for all activities specified in IFRS 16 paragraph 16(b) and in PwC IFRS Manual of Accounting FAQ 16.85.7

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TABLE 3
Administrative Penalties

[section 9-1]

Item	Description of Contravention	Administrative Penalty
1	Subsection 3-1(1): failure to submit required security deposit within required timeframe;	10% of outstanding security deposit
2	Subsection 5-3(1): failure to meet ART	10% of the amount by which a licensee's ART exceeds its actual expenditures in a calendar year.
3	Sections 4-3, 5-5, 5-6 and 5-8: Failure to provide complete and accurate information to the minister in the required form and timeframe	\$100/day to a maximum of \$20,000

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The Financial Security and Site Closure Regulations

Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation
N/A - NEW	<p>PART 1</p> <p>Preliminary Matters</p> <p>Title</p> <p>1-1 These regulations may be cited as <i>The Financial Security and Site Closure Regulations</i>.</p>	These regulations replace provisions in <i>The Oil and Gas Conservation Regulations, 2012</i> (OGCR) relating to licensees' obligations to participate in the Licensee Liability Rating (LLR) program, to support the orphan well fund and to reclaim an oil and gas site. The name of these regulations reflects their overarching purpose to set out the "end-of-life" obligations of licensees with regard to wells, facilities and associated flowlines.
<p>2(1) For the purposes of the Act and in these regulations:</p> <p>2(b) "Act" means <i>The Oil and Gas Conservation Act</i>;</p> <p>2(a) "acknowledgement of reclamation" means an acknowledgement of reclamation issued by the minister pursuant to subsection 56(6);</p> <p>2(c) "approved" means approved by the minister;</p>	<p>Definitions</p> <p>2(1) 1-2 For the purposes of the Act and in these regulations:</p> <p>2(b) "Act" means <i>The Oil and Gas Conservation Act</i>;</p> <p>2(a) "AOR", or "acknowledgement of reclamation" means an acknowledgement of reclamation issued by the minister pursuant to subsection 56(6) 6-2(2);</p> <p>2(e) "approved" means approved by the minister;</p>	This section contains definitions applicable throughout these regulations. It consolidates definitions found in different parts of the OGCR relating to financial security and oil and gas site reclamation and adds new definitions.

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N/A - NEW	"ART", or "annual reduction target" means the amount, expressed in dollars of a licensee's inactive liability to be retired in a calendar year calculated in accordance with subsection 5-2(1).	The definition of ART is used in Parts 3, 4 and 5 of these regulations and is therefore introduced in this section.
N/A – NEW	"assessed problem site" : as defined in <i>Directive PNG025: Licensee Liability Rating (LLR) Program</i> .	
114(b) "fiscal year" means the fiscal year of the orphan fund set out in section 121;	114(b) "fiscal year" means the fiscal year of the orphan fund set out in section 121 7-6;	
N/A - NEW	"fund advisory committee" means the committee established pursuant to Part 8;	
N/A – NEW	"inactive liability" means the deemed LLR liability that is attributable to inactive infrastructure, which includes infrastructure where no non-zero activity has been reported within the last 12 months and also includes problem site liability;	The definition of inactive liability is used in Parts 3, 4 and 5 and may therefore be introduced in this section.
N/A – NEW	"LLR", or "licensee liability rating" means a licensee's asset to deemed liability ratio determined in accordance with the formula set out in subsection 4-1(1).	Definition of "LLR" moved from LLR section to this section in order to modernize drafting and to make it apply to the whole regulation.
114(c) "orphan" means a well, facility or associated flowline, or their respective sites, if, in the opinion of the minister, a person responsible for the well, facility, associated flowline, well site or facility site:	114(c) "orphan" means a well, facility or associated flowline, or their its respective sites, if, in the opinion of the minister, a person responsible for the well, facility or	

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<p>(i) does not exist;</p> <p>(ii) cannot be located; or</p> <p>(iii) does not have the financial means to contribute to the costs of meeting the obligations pursuant to the Act, these regulations, any orders made pursuant to the Act or any terms and conditions of a licence;</p> <p>114(d) “orphan fund levy” means the fee to be levied on wells and facilities pursuant to Part III.2 of the Act and calculated and administered in accordance with section 119;</p> <p>2(jj) “reclamation” means the process of:</p> <p>(i) decontaminating, excavating, removing, sequestering, encapsulating, immobilizing, attenuating, degrading, processing or treating the contaminants in the soil or water in a manner so that, in the opinion of the minister, the contaminants no longer pose a threat or risk to human health, public safety, property or the environment; and</p> <p>(ii) re-contouring, landscaping, replacing or replenishing the topsoil and re-vegetating the surface of the soil so that it is compatible with its surroundings;</p>	<p>associated flowline or their its respective sites:</p> <p>(i) does not exist;</p> <p>(ii) cannot be located; or</p> <p>(iii) does not have the financial means to contribute to the costs of meeting the obligations pursuant to the Act, these regulations, any orders made pursuant to the Act or any terms and conditions of a licence;</p> <p>114(d) “orphan fund levy” means the fee to be levied on wells and facilities pursuant to Part III.2 of the Act and calculated and administered in accordance with section 119 these regulations;</p> <p>2(jj) “reclamation” means the process of:</p> <p>(i) decontaminating, excavating, removing, sequestering, encapsulating, immobilizing, attenuating, degrading, processing or treating the contaminants in the soil or water in a manner so that, in the opinion of the minister, the contaminants no longer pose a threat or risk to human health, public safety, property or the environment; and</p> <p>(ii) re-contouring, landscaping, replacing or replenishing the topsoil and re-vegetating the surface of the soil so that it is compatible with its surroundings;</p>	

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Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation
<p>N/A – NEW</p> <p>2(nn) “site” means, when used in relation to a well or facility, the site of the well or facility and the area immediately adjacent to that site;</p> <p>N/A - NEW</p> <p>2(ss) “unreclaimed site” means a site for which an acknowledgement of reclamation has not been issued by the minister pursuant to subsection 56(6);</p>	<p>“rules” means:</p> <p>(i) any regulations, directives or minister’s orders made pursuant to the Act and <i>The Pipelines Act, 1998</i>; and</p> <p>(ii) the terms and conditions of a licence issued pursuant to the Act and <i>The Pipelines Act, 1998</i>.</p> <p>2(nn) “site” means, when used in relation to a well or facility, the site of the well or facility and the area immediately adjacent to that site;</p> <p>“unassessed problem site”: as defined in <i>Directive PNG025: Licensee Liability Rating (LLR) Program</i>;</p> <p>2(ss) “unreclaimed site” means a site for which an AOR acknowledgement of reclamation has not been issued by the minister pursuant to subsection 56(6) 6-2(2);</p>	<p>The term “rules” promotes simplification by eliminating the need to cite the names of specific regulations, directives or minister’s orders issued under the Act and <i>The Pipelines Act, 1998</i>. “Rules” are also defined here to include terms and conditions of licenses issued in accordance with the Act and <i>The Pipelines Act, 1998</i>.</p>
<p>N/A – NEW</p>	<p>Application of regulations</p> <p>1-3(1) These regulations apply to:</p> <p>(a) all wells and facilities licensed in accordance with the Act and the rules and all associated flowlines and sites; and</p> <p>(b) all flowlines licensed in accordance with <i>The Pipelines Act, 1998</i>.</p> <p>(2) The definitions in:</p>	<p>Subsection (1) establishes the application of these regulations to all wells and facilities licensed pursuant to the Act and the rules and to all flowlines and associated well/facility sites subject to the Act and the rules. Also, these regulations apply to flowlines licensed as per <i>The Pipelines Act, 1998</i>.</p> <p>Subsection (2) establishes that definitions found in the Act, <i>The Pipelines Act, 1998</i></p>

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	<p>(a) the Act and the rules made pursuant to the Act apply to the wells, facilities, associated flowlines and sites mentioned in clause (1)(a); and</p> <p>(b) <i>The Pipelines Act, 1998</i> and the rules made pursuant to that Act apply to the flowlines mentioned in clause (1)(b);</p>	and in the rules thereunder also apply to these regulations.
N/A – NEW	<p>Application of parts 4, 5, 7 and 8</p> <p>1-4 Parts 4, 5, 7 and 8 apply to licensees that hold one or more licences authorizing oil and gas operations.</p>	Establishes that Parts 4, 5, 7 and 8, which deal with security deposit assessments, inactive liability management, oil and gas orphan fund and the orphan fund advisory committee, respectively apply to licenses authorizing oil and gas production operations only.
<p>Licensee or working interest participant is liable</p> <p>20(1) Costs of abandonment and reclamation of a well, facility or associated flowline and their respective sites mentioned in subsection 116(2) are the responsibility of:</p> <p>(a) the licensee; or</p> <p>(b) if the licensee is insolvent, bankrupt or cannot be located or is incapable of operating the well or facility as required by the Act or these regulations, the working interest participants.</p>	<p>PART 2</p> <p>Liability for Abandonment and Reclamation</p> <p>Licensee or working interest participant is liable</p> <p>20 2-1(1) Costs of a abandonment and reclamation of a well, facility or associated flowline and their its respective sites mentioned in subsection 116(2) 3-6(1) are the responsibility of:</p> <p>(a) the licensee; or</p> <p>(b) the working interest participants, if the licensee is insolvent, bankrupt or cannot be located or is incapable of operating the well or facility as required</p>	This section is carried forward from the OGCR in substantially the same form. The word “costs” at the beginning of subsection (1) has been removed to clarify that the section is referring to the responsibility for abandonment and reclamation generally, not only costs.

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(2) Abandonment and reclamation of a well, facility, associated flowline and their respective sites does not relieve the licensee or the working interest participants of the responsibility to undertake further abandonment or reclamation work or from the responsibility for the costs of doing that work.	by the Act or these regulations the rules the working interest participants. (2) Abandonment and reclamation of a well, facility, associated flowline and their respective sites does not relieve the licensee or the working interest participants of the responsibility to undertake further abandonment or reclamation work or from the responsibility for the costs of doing that work.	
<p>Security deposit for a well or facility</p> <p>115(2) For the purposes of section 15 of the Act, the minister may require a licensee or a transferor or transferee of a licence to submit a security deposit to the ministry:</p> <ul style="list-style-type: none"> (a) before approving, issuing or transferring a licence; (b) at any time the licensee fails a licensee liability rating assessment conducted by the minister pursuant to section 117; or (c) at any time if, in the opinion of the minister, the drilling, construction or operation of a well or facility poses a risk, or may be having an impact on property or the environment as described in 	<p>PART 3</p> <p>Financial Security</p> <p>Security deposits for a well or facility</p> <p>115(2) 3-1(1) For the purposes of section 15 of the Act, the minister may require a licensee or a transferor or transferee of a licence to submit a security deposit to the ministry:</p> <ul style="list-style-type: none"> (a) before approving, issuing or transferring a licence; (b) at any time the licensee fails an LLR licensee liability rating assessment conducted by the minister pursuant to section 117 15 of the Act; (c) at any time if the minister issues an order pursuant to section 17.01 of the Act where in the opinion of the minister additional financial security is required to 	<p>This section is carried forward from the OGCR with certain modifications.</p> <p>The addition of clause 3-1(1)(d) establishes a new condition where a security deposit may be required where a licensee has not met its annual reduction target under the Inactive Liability Reduction Program (ILRP). This allows for the enforcement of the LLR and ILRP programs concurrently. This is logical as companies that are unable to make security payments are likely to be the same companies that fail to comply with the ILRP.</p> <p>Clause 3-1(1)(e) allows the minister to request a deposit from any licensee that currently would be exempt from the LLR program, such as potash and waste processors and caverns.</p>

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<p>section 17.01 of the Act, or is a source of contamination described in section 75.</p> <p>115(1) The minister may specify any relevant factors at any time to calculate the amount of a security deposit required to be submitted by the depositor:</p> <p>(a) at the minister's initiative; or</p> <p>(b) on application by the depositor.</p>	<p>ensure that the work required by the minister is carried out.</p> <p>(d) if the licensee has not made qualifying expenditures in an amount greater than or equal to its ART as required by subsection 5-3(1); or.</p> <p>(e) in any other circumstances in which, according the minister, the financial risk related to the suspension, abandonment, decommissioning, restoration, remediation or reclamation of a well, facility, or any associated structure or infrastructure, or the associated site is not addressed by any provision of these regulations or the Act.</p> <p>115(1) (2) The minister may specify any relevant factors at any time to calculate the amount of a security deposit required to be submitted:</p> <p>(a) at the minister's initiative; or</p> <p>(b) on application by the depositor licensee.</p> <p>(3) The minister shall provide the relevant factors specified pursuant to subsection (2) in writing.</p>	
<p>115(3) If the minister determines that the security deposit amount held by the minister</p>	<p>Adjustment of security</p> <p>115(3) 3-2(1) Notwithstanding subsection 3-1(1), if the minister determines that the</p>	

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is inadequate for the purposes provided for in subsection 15(1) of the Act, the minister may require the licensee to provide any additional amounts that the minister considers necessary to meet those purposes	security deposit amount held by the minister is inadequate for the purposes provided for in subsection 15(1) of the Act, the minister may require the licensee to provide any additional amounts that the minister considers necessary to meet those purposes.	
<p>115(4) A security deposit must be in the form of an irrevocable letter of credit or in any other form satisfactory to the minister.</p> <p>115(5) The minister may require that the security deposit be submitted:</p> <p>(a) as a lump sum; or</p> <p>(b) in portions in the amounts and at the times specified by the minister.</p>	<p>Form of security</p> <p>115(4) 3-3(1) A security deposit must be in the form of an irrevocable letter of credit, surety bond or in any other form satisfactory to the minister.</p> <p>115(5) (2) The minister may require that the security deposit be submitted:</p> <p>(a) as a lump sum; or</p> <p>(b) in portions in the amounts and at the times specified by the minister.</p>	This section has been amended to allow surety bonds as an acceptable form of security deposit.
<p>115(6) On the written request of a depositor, the minister may return the security deposit if the minister is satisfied that the licensee or its agent has met all of the obligations and corrected any infractions, non-compliance, deficiencies, threats or problems specified in subsection 116(1) and carried out all of the activities with respect to which the security deposit was provided.</p> <p>115(7) On the written request of a depositor, the minister may return part of a security</p>	<p>Return of security</p> <p>3-4(1) On the written request of a licensee, the minister may, in accordance with the rules return all or a portion of a security deposit submitted pursuant to clause 3-1(1)(b).</p> <p>(2) The minister may retain a portion of the security deposit submitted pursuant to clause 3-1(1)(b) for use by the licensee for meeting its ART pursuant to subsection 5-3(1).</p> <p>115(6) On the written request of a depositor, the minister may return the security deposit</p>	<p>Subsection 3-4(1) combines subsections 115(6) and (7) of the OGCR by allowing for refunds of a security deposit in whole or in part in accordance with <i>Directive PNG025: Licensee Liability Rating (LLR) Program</i>.</p> <p>Subsection (2) has been added to establish that ER may “bank” a portion of a security deposit for use by a licensee to spend to meet its ART determined in accordance with Part 5. With the introduction of the ILRP, it no longer makes sense to refund a security deposit when the licensee also has</p>

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<p>deposit if the minister is satisfied that the licensee or its agent has met all of the obligations and corrected any infractions, non-compliance, deficiencies, threats or problems specified in subsection 116(1) and partially carried out all of the activities with respect to which the security deposit was provided.</p>	<p>if the minister is satisfied that the licensee or its agent has met all of the obligations and corrected any infractions, non-compliance, deficiencies, threats or problems specified in subsection 116(1) and carried out all of the activities with respect to which the security deposit was provided.</p> <p>115(7) On the written request of a depositor, the minister may return part of a security deposit if the minister is satisfied that the licensee or its agent has met all of the obligations and corrected any infractions, non-compliance, deficiencies, threats or problems specified in subsection 116(1) and partially carried out all of the activities with respect to which the security deposit was provided.</p> <p>(3) A security deposit or portion of a security deposit submitted pursuant to clause 3-1(1)(d) may be returned only if the licensee has reduced its inactive liability by an equivalent amount.</p> <p>(4) Notwithstanding subsection (3), the minister may retain a security deposit submitted pursuant to clause 3-1(1)(d) if the licensee owes a security deposit with respect to the LLR.</p> <p>(5) A security deposit submitted pursuant to clause 3-1(1)(a) may be returned in accordance with subsection 4-2(4).</p>	<p>to meet its ART through making qualifying expenditures.</p> <p>The new subsection (3) establishes that a security deposit submitted for failure of a licensee to meet its ART is not refundable where a licensee's LLR has improved because its asset value increased. Only by retiring inactive liabilities through the ILRP are licensees eligible for refunds of security deposits.</p> <p>Subsection (5) adds clarity by pointing to subsection 4-2(4) of the section dealing with Proportional Risk Assessments for Transfers, which addresses returns of security deposits.</p>

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Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation
<p>Forfeiture of security deposit for a well or facility</p> <p>116(1) The minister may declare any or all of the security deposit required pursuant to section 115 to be forfeited to the Crown in right of Saskatchewan if, in the opinion of the minister:</p> <ul style="list-style-type: none"> (a) the licensee with respect to the construction, drilling, operation, abandonment or reclamation of a well or a facility has failed to comply with: <ul style="list-style-type: none"> (i) the Act; (ii) any regulations made pursuant to the Act; (iii) any order issued pursuant to the Act; (iv) any term or condition of a licence; or (v) any term or condition of a ministerial approval; (b) the drilling, construction or operation of a well, facility, associated flowline or their respective sites poses a risk described in section 17.01 of the Act or may be a source of contamination described in section 75; (c) the licensee: 	<p>Forfeiture of security deposits for a well of facility</p> <p>116 3-5(1) The minister may retain declare any or all or a portion of the security deposit required pursuant to section 115 3-1, or may declare it to be forfeited to the Crown in right of Saskatchewan if, in the opinion of the minister:</p> <ul style="list-style-type: none"> (a) the licensee with respect to the construction, drilling, operation, abandonment or reclamation of a well or a facility has failed to comply with the rules. <ul style="list-style-type: none"> (i) the Act; (ii) any regulations made pursuant to the Act; (iii) any order issued pursuant to the Act; (iv) any term or condition of a licence; or (v) any term or condition of a ministerial approval; (b) the drilling, construction or operation of a well, facility, associated flowline or their respective sites poses a risk described in section 17.01 of the Act or may be a source of contamination 	<p>This section, which has been in the OGCR since 2008 allows the minister to forfeit security to the orphan fund if the licensee is non-compliant with respect to any item listed in this section. Adding the word “retain” to subsection (1) provides more flexibility. For example, it is unlikely that the minister would deposit a licensee’s security deposit in the orphan fund just because they were non-compliant with respect to a general infraction or provision of the regulations.</p>

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<p>(i) cannot be located;</p> <p>(ii) is insolvent, bankrupt or defunct; or</p> <p>(iii) is incapable of operating the well or facility;</p> <p>(d) the licensee has failed to submit the security deposit as required by subsection 115(2); or</p> <p>(e) the licensee has failed to submit the specified amount of orphan fund levy within the period specified in subsection 119(2).</p>	<p>described in section 75 of <i>The Oil and Gas Conservation Regulations, 2012</i>;</p> <p>(c) the licensee:</p> <p>(i) cannot be located;</p> <p>(ii) is insolvent, bankrupt or defunct; or</p> <p>(iii) is incapable of operating the well or facility the proper care and custody of the site infrastructure in accordance with the rules;</p> <p>(d) the licensee has failed to submit the security deposit as required by subsection 115 3-1(1); or</p> <p>(e) the licensee has failed to submit the specified amount of orphan fund levy within the period specified in subsection 119 7-3(2).</p> <p>(2) If the minister makes a decision pursuant to subsection (1), the minister shall provide the licensee with written notice of the decision along with written reasons for the decision.</p>	
<p>116(2) The minister may apply any or all of the security deposit forfeited pursuant to subsection (1), and any moneys recovered from sales of machinery, equipment or</p>	<p>Use of security</p> <p>116(2) 3-6(1) The minister may apply any or all of the security deposit forfeited pursuant to subsection 3-5(1), and any moneys recovered from sales of machinery, equipment or materials or oil, gas or products</p>	<p>This section has been carried forward from the OGCR in substantively the same form. Clause 3-6(1)(g) has been amended to link the minister's discretion to use security deposits forfeited in accordance with</p>

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<p>materials pursuant to subsection (5), towards the cost required to:</p> <ul style="list-style-type: none"> (a) suspend the operations of and secure a well, facility or their respective sites; (b) take control of, operate, maintain, monitor, repair or care for a well, facility or their respective sites; (c) investigate, audit or inspect a well, facility, their respective sites or any area on or off the sites that has been affected as a result of the operation; (d) conduct environmental site assessment, install monitoring equipment and systems, acquire water, soil and air samples or analyse the samples at a well, facility, their respective sites or any other area on or off the sites that has been contaminated as a result of the operation; (e) contain, manage, secure, stabilize, excavate, treat, process, handle, transport and dispose of materials, contaminated materials and wastes generated, used or stored at the well, facility, associated flowline or their respective sites; (f) abandon, decommission or reclaim a well, facility, their respective sites or any other area on or off the sites that has been damaged, contaminated or 	<p>pursuant to subsection (5)(4), towards the costs required to:</p> <ul style="list-style-type: none"> (a) suspend the operations of and secure a well, facility or their its respective sites; (b) take control of, operate, maintain, monitor, repair or care for a well, facility or their its respective sites; (c) investigate, audit or inspect a well, facility, their its respective sites or any area on or off the sites that has been affected as a result of the operation; (d) conduct an environmental site assessment, install monitoring equipment and systems, acquire water, soil and air samples or analyse the samples at a well, facility, their its respective sites or any other area on or off the sites that has been contaminated as a result of the operation; (e) contain, manage, secure, stabilize, excavate, treat, process, handle, transport and dispose of materials, contaminated materials and wastes generated, used or stored at the well, facility, associated flowline or their its respective sites; (f) abandon, decommission or reclaim a well, facility, their its respective sites or any other area on or off the sites that has been damaged, contaminated or 	<p>subsection 3-5(1) with the costs associated with clauses 3-6(1)(a)-(h).</p>

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<p>otherwise adversely affected as a result of the operation;</p> <p>(g) account, make an inventory of, advertise, sell, transfer, donate or dispose of machinery, equipment or materials on the well, facility or their respective sites;</p> <p>(h) acquire legal, administrative, engineering, scientific, professional and technical advice, services or work; or</p> <p>(i) undertake any other activities deemed necessary in the opinion of the minister.</p> <p>116(3) If a person other than the licensee or the depositor is authorized by the minister to carry out any of the activities described in subsection (2), the minister may pay any or all of the security deposit to that person for that purpose.</p> <p>116(4) If the security deposit provided by the licensee does not cover the cost or the expense of carrying out the activities specified in subsection (2), the licensee shall pay the difference to the minister on the written demand of the minister and within the period specified by the minister in the written demand.</p> <p>116(5) If the licensee fails to pay the difference within the period specified by the minister in the written demand made</p>	<p>otherwise adversely affected as a result of the operation;</p> <p>(g) account, make an inventory of, advertise, sell, transfer, donate or dispose of machinery, equipment or materials or oil, gas or products on the well, facility or their its respective sites;</p> <p>(h) acquire legal, administrative, engineering, scientific, professional and technical advice, services or work; or</p> <p>(i) undertake any other activities that the minister considers deemed necessary to carry out the functions mentioned in clauses (a) to (h) in the opinion of the minister.</p> <p>116(3) (2) If a person other than the licensee or the depositor is authorized by the minister to carry out any of the activities described mentioned in subsection (1), the minister may pay any or all of the security deposit to that person for that purpose.</p> <p>116(4) (3) If the security deposit provided by the licensee does not cover the cost or the expense of carrying out the activities specified mentioned in subsection (1), the licensee shall pay the difference to the minister on the written demand of the minister and within the period specified by the minister in the written demand.</p>	

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<p>pursuant to subsection (4), the minister may do all or any of the following:</p> <p>(a) use any amount of money in the orphan fund to make up the shortfall if the situation is one to which section 118 applies;</p> <p>(b) recover any portion of the difference from the working interest participants based on their percentage of interest;</p> <p>(c) in accordance with section 17.06 of the Act, sell any machinery, equipment or materials that are at the site of a well or facility to make up the shortfall.</p>	<p>116(5) (4) If the licensee fails to pay the difference within the period specified by the minister in the written demand made pursuant to subsection (3), the minister may do all or any of the following:</p> <p>(a) use any amount of money in the orphan fund to make up the shortfall if the situation is one to which section 118 7-1 applies;</p> <p>(b) recover any portion of the difference from the working interest participants based on their percentages of interest;</p> <p>(c) in accordance with section 17.06 of the Act, sell any machinery, equipment or materials or oil, gas or products that are at the site of a well or facility to make up the shortfall.</p>	
<p>116(6) The minister may deposit any amount of money from the security deposit that has been forfeited pursuant to subsection (1) in the orphan fund at any time.</p> <p>116(7) The minister may deposit any amount of any proceeds recovered or acquired pursuant to subsection (5) in the orphan fund at any time.</p>	<p>Deposit to orphan fund</p> <p>116(6) 3-7(1) The minister may deposit any amount of money from the security deposit that has been forfeited pursuant to subsection 3-5(1) in the orphan fund at any time.</p> <p>116(7) (2) The minister may deposit any amount of any proceeds recovered or acquired pursuant to subsection 3-6(4)(5) in the orphan fund at any time.</p>	<p>This section has been carried forward from the OGCR in substantially the same form.</p>

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<p>116(8) Notwithstanding section 118, the minister may withdraw any amount less than or equal to the amount of money that was deposited in the orphan fund pursuant to subsections (6) or (7) at any time for the purpose of covering the cost of activities specified in subsection (2).</p> <p>116(9) On completion of the activities described in subsection (2) and on the written request of a depositor, the minister may return the balance of the forfeited security deposit to the depositor.</p>	<p>Withdrawal from orphan fund</p> <p>116(8) 3-8(1) Notwithstanding section 118-7-1, the minister may withdraw any amount less than or equal to the amount of money that was deposited in the orphan fund pursuant to subsections (6)(1) or (7)(2) at any time for the purpose of covering the cost of activities specified mentioned in subsection 3-6(1)(2).</p> <p>116(9) (4) On completion of the activities described mentioned in subsection 3-6(1)(2) and on the written request of a depositor licensee, the minister may return the balance of the forfeited security deposit to the licensee.</p>	<p>These subsections are carried forward from the OGCR in substantially the same form under a new section heading dealing specifically with withdrawals from the orphan fund.</p>
N/A - NEW	<p>When minister may make orders pursuant to section 17.01 of the Act</p> <p>3-9 The minister may make an order pursuant to section 17.01 of the Act if a licensee fails to submit a security deposit to the minister as required by subsection 3-1(1) in the amounts and at the times specified by the minister.</p>	<p>This section is included to add a “prescribed purpose” to section 17.01 of the Act to allow the minister to issue an order relating to the suspension, abandonment, decommissioning and reclamation of a well or facility if the licensee fails to pay a security deposit.</p>
<p>Licensee Liability Rating</p> <p>117(1) In this section, “LLR” means the Licensee Liability Rating for a licensee</p>	<p>Part 4</p> <p>Security Deposit Assessment</p> <p>Licensee Liability Rating</p> <p>117 4-1(1) For the purpose of the definition of “LLR” as set out in section 1-2, an LLR is to</p>	<p>As per section 1-5, this Part applies to licences authorizing the production of oil and gas only.</p> <p>Section 4-1 outlines an enhanced LLR model that replaces the legacy LLR model (NOTE: the center column replaces the</p>

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<p>rounded to the nearest hundredth as determined by the minister for a month in accordance with the following formula:</p> $LLR = \frac{AOE + \text{Industry Netback} \times \text{Return Period}}{\sum_{\text{all wells and facilities licensed to a licensee}} [(Deemed Abandonment Liability + Deemed Reclamation Liability) \times PVS]}$ <p>where:</p> <p>AOE is the amount determined in accordance with subsection (3);</p> <p>Deemed Abandonment Liability is the deemed liability associated with the abandonment of a well or facility;</p> <p>Deemed Reclamation Liability is the deemed cost associated with the reclamation of a well site or facility site;</p> <p>Industry Netback is the three-year industry average netback as determined by the minister, expressed in dollars per cubic metre and rounded to the nearest penny;</p> <p>PVS is the present value salvage factor assigned to the site of a well or facility to reflect the timing of abandonment and reclamation and the future value of equipment salvage;</p> <p>Return Period is, subject to subsection (2), the average payback period for a</p>	<p>be calculated in accordance with the following formula:</p> $LLR = \frac{\text{Asset Value}}{(\text{Deemed Abandonment Liability} + \text{Deemed Reclamation Liability})}$ <p>where:</p> <p>LLR is the licensee liability rating for a month rounded to the nearest hundredth;</p> <p>Asset Value is the amount determined in accordance with subsection (2);</p> <p>Deemed Abandonment Liability is the total cost of the future abandonment and decommissioning of all wells and facilities licensed to a licensee as determined by the minister; and</p> <p>Deemed Reclamation Liability is, subject to subsection (4) the total cost of the future reclamation of all sites associated with all wells and facilities licensed to a licensee as determined by the minister;</p> <p>(2) For the purposes of the formula set out in subsection (1), Asset Value is to be calculated in accordance with the following formula:</p> $\text{Asset Value} = \text{ANI} \times \text{Return Period}$ <p>where:</p> <p>Return Period is</p> <p>(a) three years;</p> <p>(b) the average payback period for a licensee's assets taking into</p>	<p>left column). The enhanced LLR model is superior to the legacy LLR model because it uses actual production value data reported to the minister by the licensee for royalty/tax purposes in order to calculate asset value. The legacy model relied on an industry average netback to evaluate asset values and was unreliable as a measure of insolvency. Many times companies have gone into receivership or bankruptcy with no security deposit on account with the minister.</p>

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<p>licensee's well taking into consideration the expected rate of return on the licensee's investment and the production decline rate of the well.</p> <p>(2) Unless determined by the minister to be another period, the return period for the purposes of subsection (1) is deemed to be three years.</p> <p>(3) For the purposes of the formula set out in subsection (1), AOE is the annual oil equivalent production volume attributed to a licensee in cubic metres as determined by the minister in accordance with the following formula rounded to the nearest tenth:</p> $AOE = AOP + [(AGP/C) \times (1-S)]$ <p>where:</p> <p>AOP is the sum of the most recent 12 months of oil production in cubic metres rounded to the nearest tenth that is attributable to the licensee's wells;</p> <p>AGP is the sum of the most recent 12 months of gas production in thousand cubic metres rounded to the nearest tenth that is attributable to the licensee's wells;</p> <p>Cf is a conversion factor that, when divided into a gas production volume in thousand cubic metres, provides the economic equivalent volume of oil in</p>	<p>consideration the expected rate of return and the production decline rate of the assets as determined by the minister;</p> <p>ANI is the annual net income of a licensee calculated in accordance with subsection (3).</p> <p>(3) For the purposes of subsection (2), ANI is the amount calculated in accordance with the following formula:</p> $ANI = GPV - OC - R - T$ <p>where:</p> <p>ANI is the annual net income of a licensee;</p> <p>GPV is the annual gross production value of sales reported for royalty or tax purposes pursuant to section 101 of <i>The Oil and Gas Conservation Regulations, 2012</i>;</p> <p>OC is the total annual operating cost that is attributable to the oil and gas infrastructure licensed to a licensee, as determined by the minister;</p> <p>R is the total annual sum of Crown royalties and freehold production tax with respect to production attributable to a licensee's licensed oil and gas infrastructure, plus annual freehold</p>	

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<p>cubic metres and is a rolling three-year industry average expressed to the nearest ten-thousandth;</p> <p>Sf is a shrinkage factor that expresses the percentage of total provincial gas production that is not sales gas and is a rolling three-year industry average expressed to the nearest hundredth.</p> <p>(4) The minister shall determine the Industry Netback, Cf, Sf, Deemed Abandonment Liability, Deemed Reclamation Liability and PVS values mentioned in this section on an annual basis as soon as possible after the beginning of each fiscal year.</p> <p>(5) Notwithstanding subsection (4), the minister may make any changes to values pursuant to subsection (4) at any time the minister considers it necessary to do so.</p> <p>(6) Notwithstanding subsection (4), if site specific assessments have been conducted, the minister may use the results of those assessments to determine the reclamation liability for a site rather than the Deemed Reclamation Liability mentioned in this section.</p> <p>(7) If a licensee has an LLR of less than 1.00, the licensee:</p>	<p>royalties as determined by the minister; and</p> <p>T is the total annual transportation cost in relation to production attributable to a licensee's licensed oil and gas infrastructure as determined by the minister;</p> <p>(4) Notwithstanding subsection (1), if site-specific assessments have been conducted, the minister may use the results of those assessments as the Deemed Reclamation Liability.</p> <p>(5) If a licensee has an LLR of less than 1.0, the licensee:</p> <p>(a) shall be considered as having failed the LLR assessment conducted pursuant to this section; and</p> <p>(b) shall submit any amount of security deposit required by the minister pursuant to subsection 3-3(2).</p>	

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<p>(a) shall be considered as having failed the licensee liability rating conducted pursuant to this section; and</p> <p>(b) shall submit any amount of security deposit reasonably required by the minister pursuant to subsection 115(2).</p> <p>(8) Notwithstanding subsection (4), a licensee may apply to the minister to have other values used in place of those determined pursuant to subsections (4) and (5) for the calculation of the licensee's monthly licensee liability ratings.</p> <p>(9) The minister may or may not approve an application pursuant to subsection (8).</p>		
<p>N/A - NEW</p>	<p>Proportional Risk Assessment for Transfers</p> <p>4-2(1) Pursuant to subsection 4-1(5), regardless of whether a licensee has an LLR of 1.0 or greater following a licence transfer, if in the opinion of the minister a licence transfer will result in additional financial risk to the orphan fund that did not exist to the same extent before the transfer, the minister may require a licensee to submit a security deposit to offset the proportional increase in risk in accordance with the following formula:</p> $TD = \left(\frac{ILT}{PA_{te}} - \frac{ILT}{PA_{to}} \right) \times ILT - TD_{ut}$ <p>where $0 \leq TD \leq ILT$</p>	<p>This section introduces the “Proportional Risk Transfer” (PRT) model featuring the formula for calculating a security deposit payable pursuant to a licence transfer. If a licensee is required to submit a security deposit on a transfer it is because it has acquired inactive liabilities.</p> <p>Subsection (3) establishes that if the post-transfer LLR of the purchaser is greater than or equal to 2 no security deposit will be required (note: this LLR threshold is currently under review). This is supported by the enhanced LLR (introduced in section 4-1), which produces a more reliable LLR.</p>

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	<p>Where:</p> <p>TD is the amount of the transfer deposit required;</p> <p>ILT is the total inactive liability that is to be transferred;</p> <p>PA_{te} is the post-transfer prorated asset value of the transferee;</p> <p>PA_{to} is the pre-transfer prorated asset value of the transferor calculated in accordance with subsection (2);</p> <p>TD_{ut} is the transfer deposit that would be calculated at the post-transfer LLR value mentioned in subsection (3).</p> <p>(2) For the purposes of subsection (1), PA is the amount calculated in accordance with the following formula:</p> $PA = \text{Asset Value} \times AR$ <p>Where:</p> <p>PA is the prorated asset value, which is the LLR asset value that is attributable to active infrastructure.;</p> <p>Asset Value is the amount determined in accordance with subsection 4-1(2);</p> <p>AR is the percentage of a licensee's total liability that is active</p> <p>(3) If the post-transfer LLR of the transferee is greater than or equal to 2, the minister</p>	<p>Subsection (4) establishes that a licensee may apply for a refund of a security deposit submitted in accordance with subsection 4-2(1), but only if it has maintained an LLR greater to or equal than the post-transfer LLR value set in subsection 4-2(3). Applicants with an LLR below that threshold may apply to the minister under section 5-7 to use security deposits for meeting the annual requirements of the ILRP.</p>

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	<p>may waive the requirement to pay a security deposit pursuant to subsection 4-2(1). [Note: the LLR threshold of “2” is currently under review]</p> <p>(4) A licensee may apply to the minister for a return of a security deposit submitted pursuant to subsection 4-2(1) if the licensee has achieved an LLR equal to or greater than the post-transfer LLR value mentioned in subsection (3) for a period of at least 6 consecutive months.</p>	
N/A - NEW	<p>Corporate Financial Information</p> <p>4-3(1) Upon request by the minister, a licensee shall submit to the minister in an approved form and manner any financial information that the minister may require to evaluate a licensee’s financial capacity to meet its obligations pursuant to these regulations.</p> <p>(2) The information required pursuant to subsection (1) may include:</p> <ul style="list-style-type: none"> (a) cash flow from operations (b) current and total assets and liabilities; (c) debt servicing expenses (c) earnings subject to tax; (d) depreciation and amortization; 	<p>These provisions on corporate health assessment are enabling and require licensees to report the financial data as outlined in this section. This information will be used to inform and fine tune security requirements and will also facilitate the development potentially of a corporate health test going forward.</p>

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	<p>(e) netback;</p> <p>(f) stockholder's equity;</p> <p>(g) operating costs;</p> <p>(h) transportation costs;</p> <p>(i) freehold royalties; and</p> <p>(j) any other information that the minister may reasonably require in the evaluation mentioned in subsection (1).</p> <p>(3) Pursuant to section 3-1(1) the minister may consider the information mentioned in subsection (2) in assessing the amount of a security deposit due pursuant to sections 4-1 and 4-2.</p>	
N/A - NEW	<p>PART 5</p> <p>Management of Inactive Liabilities</p> <p>Definitions and interpretation for Part</p> <p>5-1(1) In this Part:</p> <p>"Actual expenditures" means expenditures incurred by a licensee that are considered to be qualifying expenditures.</p> <p>"LRP", or "liability reduction percentage" means the percentage of a licensee's inactive liabilities to be retired each year as set out in Table 1 of the Appendix.</p>	<p>This Part establishes the framework for the Inactive Liability Reduction Program. As indicated in Part 12, this Part does not come into force until January 1, 2023. Section 5-1 sets out definitions for terms used entirely within this Part.</p> <p>Actual expenditures are dollar amounts spent by a licensee in a calendar year on qualifying expenditures, defined below.</p> <p>This percentage is to be multiplied by the sum of a licensee's deemed LLR liabilities for abandoning, decommissioning and reclaiming a licensee's <u>inactive</u> wells, facilities and associated sites and</p>

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	<p>"Qualifying expenditures" include expenditures for the items listed in Table 2 of the Appendix that contribute to the cost of meeting a licensee's ART and that are reported in a manner that is consistent with international financial reporting standards.</p>	<p>remediation of assessed or unassessed problem sites.</p> <p>Qualifying expenditures are defined types of expenditures that will contribute toward the cost of meeting the ART. As indicated in section 5-3, a licensee will be required to make qualifying expenditures effective January 1, 2023.</p>
N/A - NEW	<p>Calculation – annual reduction target</p> <p>5-2(1) the annual target for the reduction of a portion of a licensee's inactive liabilities is to be calculated in accordance with the following formula:</p> $\text{ART} = (\text{ABL} + \text{RCL} + \text{PSL}) \times \text{LRP}$ <p>Where:</p> <p>ART is the annual reduction target;</p> <p>ABL is the sum of a licensee's deemed LLR abandonment and decommissioning liabilities for inactive wells and facilities;</p> <p>RCL is the sum of a licensee's deemed LLR reclamation liability associated with the sites of inactive and abandoned wells and facilities;</p>	<p>The formula in this section quantifies a licensee's annual target for retiring its inactive liabilities.</p> <p>The liability reduction percentage (LRP) is based on an industry-average netback for all licensees and is set out in Table 1 of the Appendix. Note: the percentages shown in Table 1 of the Appendix are currently under review.</p>

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	<p>PSL is the sum of the deemed LLR liability for the remediation of unassessed problem sites or assessed problem sites; and</p> <p>LRP is the liability reduction percentage;</p> <p>(2) Notwithstanding subsection (1), if through a transfer a licensee acquires additional inactive liabilities or divests of inactive liabilities, there will be no recalculation of the licensee's ART for that year, except if a licensee does not have sufficient inactive liability post-transfer in order to meet its ART.</p> <p>(3) The minister shall provide to a licensee its ART determined in accordance with this section.</p>	
N/A - NEW	<p>Qualifying expenditures</p> <p>5-3(1) Beginning January 1, 2023 , and for each subsequent calendar year, a licensee shall make qualifying expenditures in an amount greater than or equal to its ART determined in accordance with subsection 5-2(1).</p> <p>(2) Qualifying expenditures pursuant to subsection (1) may be made only in relation to wells, facilities and flowlines for which a licensee holds a licence and may not be claimed in relation to licensed wells, facilities</p>	<p>This section establishes the obligation for a licensee to achieve its ART by making "qualifying expenditures" in an amount greater than or equal to its ART.</p> <p>Subsection (2) clarifies that a licensee may only make qualifying expenditures in relation to its own licensed oil and gas infrastructure. A licensee's ART is calculated on the basis that it is a 100 per cent working interest owner of the infrastructure licensed to it.</p>

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	<p>and flowlines for which a licensee is a working interest participant.</p> <p>(3) Notwithstanding subsection (2), a licensee may apply to the minister under subsection 5-6(4) if a significant portion of its abandonment and reclamation expenditures involve wells, facilities and flowlines for which it is a working interest participant.</p>	<p>However, there may be situations where an operator has a significant amount of high percentage working interest in non-operated infrastructure that may make it difficult to meet its licensed obligations under the program. Subsection (3) allows the minister to make exception for these one-off situations if they occur by way of a reduction in a licensee's ART.</p>
N/A - NEW	<p>Carryovers</p> <p>5-4(1) If a licensee's actual expenditures in a calendar year exceed its ART, the surplus may be used to satisfy its ART for subsequent years.</p> <p>(2) If in the opinion of the minister a licensee's ART for a calendar year is less than the amount necessary to carry out a single well abandonment or a single site reclamation, the licensee may carry its deficit forward for a maximum of three consecutive years.</p>	<p>This section contemplates the ability for a licensee to carry forward a surplus in actual expenditures incurred toward its ART.</p> <p>There may also be situations where a licensee's ART is less than the cost of abandoning/reclaiming a single well site. In such cases, subsection (3) allows a licensee to run a "deficit" in its actual expenditures for a maximum of three consecutive years.</p>
N/A - NEW	<p>Reporting of actual expenditures</p> <p>5-5(1) Within 90 days after the end of each calendar year a licensee shall report to the minister in an approved form and manner its actual expenditures in relation to its ART determined in subsection 5-2(1).</p> <p>(2) For the purposes of subsection (1), a licensee shall submit to the minister a</p>	<p>This section establishes a requirement for a licensee to report its actual expenditures to the minister each year. These reports are to be certified by a licensee's Chief Financial Officer or equivalent or by a person with legal signing authority on the licensee's behalf.</p>

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	<p>statement certifying actual expenditures for each calendar year signed by its Chief Financial Officer or equivalent or a person who has legal signing authority for or on behalf of a licensee.</p> <p>(3) A statement pursuant to subsection (2) shall include:</p> <ul style="list-style-type: none"> (a) the gross abandonment, decommissioning and reclamation expenditures; and (b) the net abandonment, decommissioning and reclamation expenditures. <p>(4) The net expenditures mentioned in clause (3)(b) are the licensee's working interest costs.</p>	
N/A - NEW	<p>Application for decrease in annual reduction target</p> <p>5-6(1) if a licensee's ART would result in it having to abandon or decommission infrastructure that it intends to reactivate or use for a future purpose, the licensee may apply to the minister for a reduction in its ART.</p> <p>(2) As part of an application mentioned in subsection (1), a licensee shall submit in an approved form and manner a plan for the</p>	<p>This section creates an opportunity for a licensee to apply to the minister for an exemption from its ART of inactive oil and gas infrastructure that will eventually be used or reactivated for another purpose. An application requires a plan for the future purpose of that infrastructure.</p> <p>Subsection (4) establishes an application-based mechanism for a reduction in an ART due to the licensee's financial situation or in instances where a licensee has a high proportion of infrastructure for</p>

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	<p>reactivation or future use of the infrastructure.</p> <p>(3) After considering an application submitted pursuant to subsection (1), the minister may do any of the following:</p> <ul style="list-style-type: none"> (a) set a timeline in which the reactivation or use of the infrastructure must commence and be completed; (b) require the submission of a security deposit at any time during the process or as a requirement to approve the plan; (c) refuse to approve the application. <p>(4) Notwithstanding any other provision of these regulations, the minister may authorize a reduction in the ART on application by a licensee if the minister considers it reasonable to do so, based on the financial situation of the licensee or pursuant to subsection 5-3(3).</p> <p>(5) After considering an application submitted pursuant to subsection (4), the minister may</p> <ul style="list-style-type: none"> (a) approve the application; or (b) refuse to approve the application. 	<p>which it is a working interest participant as contemplated in subsection 5-3(3).</p>
N/A - NEW	<p>Use of security toward annual reduction target</p> <p>5-7 If a licensee has submitted a security deposit pursuant to subsection 3-1(1), the</p>	<p>This section enables a licensee to access capital, in the form of security deposits already submitted to the minister to make</p>

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	<p>licensee may apply to the minister to use some or all of its security deposit to pay the costs associated with fulfilling its ART determined in accordance with subsection 5-2(1).</p>	<p>qualifying expenditures towards its ART in accordance with this Part.</p> <p>Pursuant to this section, the licensee would engage with the service providers. The minister would deposit a portion of the security deposit into the orphan fund necessary to pay for the work. The service provider would invoice the licensee directly and copy the orphan fund. If the planned work was costlier than expected, the minister may deposit additional portions of the deposit into the fund. The contract between the licensee and vendor would specify a maximum. If it becomes apparent that the costs will exceed the amount of the deposit, the vendor will be required to wind down operations leaving the infrastructure in a secured condition.</p>
N/A - NEW	<p>Compliance Plan</p> <p>5-8(1) If a licensee fails to make qualifying expenditures in an amount greater than or equal to its ART, the minister may require a licensee to submit to the minister, in an approved form and manner and within the period specified by the minister a compliance plan setting out how the licensee will meet its ART obligations pursuant to these regulations.</p> <p>(2) The minister may require a licensee to prioritize in its compliance plan the</p>	<p>This section requires a licensee to submit to the minister a “compliance plan” if it fails to meet its ART. This is over and above the provision in Part 9 for an administrative penalty for failure to meet an ART.</p> <p>A compliance plan, the form and manner of which are to be determined by the minister, will include reasons why the licensee was unable to achieve its ART for a given calendar year; a listing of specific inactive oil and gas infrastructure the licensee plans to retire and the expected</p>

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	<p>abandonment, decommissioning, remediation or reclamation of:</p> <p>(a) inactive infrastructure or sites that may pose a risk to surface water or groundwater;</p> <p>(b) infrastructure with known integrity issues;</p> <p>(c) inactive infrastructure or sites where the landowner has requested site closure;</p> <p>(d) infrastructure that has been inactive for more than 15 years; or</p> <p>(e) any other infrastructure or site if, in the opinion of the minister there is a concern as described in section 17.01 of the Act.</p>	<p>cost and timeframes for fulfilling its ART obligations.</p>
<p>PART IX: Decommissioning and Reclaiming Wells and Facility Sites</p> <p>Decommissioning and reclamation of well and facility sites</p> <p>56(1) On completion of abandonment of a well, the licensee or the operator shall:</p> <p>(a) conduct an environmental site assessment in a manner specified by the minister;</p> <p>(b) decommission the well site to standards specified by the minister;</p>	<p>PART IX 6</p> <p>Decommissioning and Reclaiming Wells and Facility Sites Site Closure</p> <p>Decommissioning and reclamation of well and facility sites</p> <p>56 6-1(1) On completion of abandonment of a well, the licensee or the operator shall, in accordance with the rules:</p> <p>(a) conduct an environmental site assessment in a manner specified by the minister;</p>	<p>This section is carried forward from the OGCR. References to “in a manner specified by the minister” throughout the subsections (1), (2) and (4) have been replaced by “in accordance with the rules” for streamlining purposes.</p> <p>Subsection (3) is added to require the work set out in subsections (1) and (2) to be completed not later than five years after the well abandonment or facility decommissioning. The revised provision establishes a reasonable time period to complete reclamation work on the sites. If necessary the minister may extend the</p>

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<p>(c) reclaim the well site to standards specified by the minister;</p> <p>(d) reclaim any area that is beyond the boundaries of the well site and that, in the opinion of the minister, has been damaged, contaminated or otherwise adversely affected by the operations of the well; and</p> <p>(e) conduct a detailed site assessment in the manner specified by the minister.</p> <p>(2) On decommissioning of a facility, the licensee or the operator shall:</p> <p>(a) conduct an environmental site assessment in a manner specified by the minister;</p> <p>(b) decommission the facility site to standards specified by the minister;</p> <p>(c) reclaim the facility site to standards specified by the minister;</p> <p>(d) reclaim any area that is beyond the boundaries of the facility site and that, in the opinion of the minister, has been damaged, contaminated or otherwise adversely affected by the operations of the facility; and</p> <p>(e) conduct a detailed site assessment in the manner specified by the minister.</p>	<p>(b) decommission the well site to standards specified by the minister;</p> <p>(c) reclaim the well site to standards specified by the minister;</p> <p>(d) reclaim any area that is beyond the boundaries of the well site and that, in the opinion of the minister, has been damaged, contaminated or otherwise adversely affected by the operations of the well; and</p> <p>(e) conduct a detailed site assessment in the manner specified by the minister.</p> <p>(2) On decommissioning of a facility, the licensee or the operator shall, in accordance with the rules:</p> <p>(a) conduct an environmental site assessment in a manner specified by the minister;</p> <p>(b) decommission the facility site to standards specified by the minister;</p> <p>(c) reclaim the facility site to standards specified by the minister;</p> <p>(d) reclaim any area that is beyond the boundaries of the facility site and that, in the opinion of the minister, has been damaged, contaminated or otherwise adversely affected by the operations of the facility; and</p>	<p>deadline if the licensee is unable to complete the work within the specified period.</p>

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<p>(3) If a site has been prepared, disturbed, constructed or contaminated and no well or facility has been drilled or constructed on the site, the minister may require the licensee or operator to:</p> <p>(a) conduct an environmental site assessment in a manner specified by the minister;</p> <p>(b) decommission the site to standards specified by the minister;</p> <p>(c) reclaim the site to standards specified by the minister;</p> <p>(d) reclaim any area that is beyond the boundaries of the site and that, in the opinion of the minister, has been damaged or contaminated; and</p> <p>(e) conduct a detailed site assessment in the manner specified by the minister.</p> <p>(4) On abandonment of a well or decommissioning a facility, the licensee shall abandon any associated flowlines.</p> <p>(9) Notwithstanding subsections (1), (2) and (3), a licensee or operator may apply to the minister pursuant to section 6 for approval of any variation of the requirements of subsections (1), (2) and (3).</p>	<p>(e) conduct a detailed site assessment in the manner specified by the minister.</p> <p>(3) If a site has been prepared, disturbed, constructed or contaminated and no well or facility has been drilled or constructed on the site, the minister may require the licensee or operator to in accordance with the rules:</p> <p>(a) conduct an environmental site assessment in a manner specified by the minister;</p> <p>(b) decommission the site to standards specified by the minister;</p> <p>(c) reclaim the site to standards specified by the minister;</p> <p>(d) reclaim any area that is beyond the boundaries of the site and that, in the opinion of the minister, has been damaged or contaminated; and</p> <p>(e) conduct a detailed site assessment in the manner specified by the minister.</p> <p>(4) (5) On abandonment of a well or decommissioning a facility, the licensee shall abandon any unused or inactive associated flowlines.</p> <p>(9) (6) Notwithstanding subsections (1), (2), and (3) and (4), a licensee or operator may apply to the minister for approval of any a</p>	

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	<p>variation of the requirements of those subsections (1), (2) and (3).</p> <p>(7) On review of an application described in subsection (6), the minister may:</p> <p>(a) approve the application; or</p> <p>(b) refuse to approve the application.</p>	
<p>56(5) Within 6 months after the completion of the activities mentioned in subsection (1), (2) or (3) as the case may be, the licensee or the operator shall submit to the minister:</p> <p>(a) an application for acknowledgement of reclamation; and</p> <p>(b) any other information required by the minister.</p> <p>(6) The minister shall issue an acknowledgement of reclamation if the minister is satisfied that the licensee or operator has complied with subsections (1) to (5).</p> <p>(8) The minister may:</p> <p>(a) impose any conditions or terms in an acknowledgement of reclamation that the minister considers appropriate; or</p> <p>(b) cancel an acknowledgement of reclamation if the minister considers it appropriate to do so.</p>	<p>Acknowledgement of reclamation</p> <p>56(5) 6-2(1) Within 6 months after the completion of the activities mentioned in subsections 6-1 (1), (2) or (3) as the case may be, the licensee or the operator shall, in accordance with the rules submit to the minister:</p> <p>(a) an application for AOR acknowledgement of reclamation; and</p> <p>(b) any other information required by the minister.</p> <p>(6) (2) The minister shall issue an AOR acknowledgement of reclamation if the minister is satisfied that the licensee or operator has complied with the requirements of subsections (1) to (5) section 6-1.</p> <p>(8) (3) The minister may:</p> <p>(a) impose any conditions or terms in an AOR acknowledgement of reclamation that the minister considers appropriate; or</p>	<p>This section is carried forward from the OGCR. Note that the 6-month time frame in subsection (1) in which to submit an AOR application is no longer needed as this is never enforced. Subsection (4) has been added to clarify that a licensee is required to comply with the terms and conditions included on an AOR.</p>

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	<p>(b) cancel an AOR acknowledgement of reclamation if the minister considers it appropriate to do so.</p> <p>(4) Every licensee and operator shall comply with the terms and conditions imposed on an AOR issued to it pursuant to subsection (3).</p>	
<p>56(7) The issuance of an acknowledgement of reclamation does not relieve a licensee, operator or working interest participant of his or her past, present or future environmental liability associated with the well or facility site that is the subject of the acknowledgement of reclamation.</p>	<p>Continuing obligations</p> <p>56(7) 6-3(1) The issuance of an AOR acknowledgement of reclamation pursuant to section 6-2 does not relieve a licensee, operator or working interest participant of his or her its past, present or future environmental liability associated with the well or facility site that is the subject of the AOR acknowledgement of reclamation.</p> <p>(2) If in the opinion of the minister any of the activities mentioned in section 6-1 or section 6-2 have been unreasonably delayed, the minister may make an order requiring the completion of those activities and specifying the time in which they are to be completed.</p>	<p>Section 56(7) is carried forward from the OGCR with no significant changes. Subsection (2) has been added to enable the minister to order the completion of decommissioning, remediation and reclamation activities if, in the opinion of the minister, they are being delayed unreasonably.</p>
<p>Use of the orphan fund</p> <p>118(1) The minister is authorized to use the money in the orphan fund for the following purposes:</p>	<p>PART 7</p> <p>Oil and Gas Orphan Fund</p> <p>Use of the orphan fund</p> <p>118(1) 7-1 The minister is authorized to use the money in the orphan fund for the following purposes:</p>	<p>This section carries forward section 118 of the OGCR with two notable changes. The addition of subclause 7-1(a)(iii) allows a licensee to meet the requirements of the ILRP using security deposits they have posted. Also, the addition of “the licensee or” text in clause 7-1(d)(ii) clarifies that orphan fund monies may be used to pay for clean-up costs incurred by the licensee</p>

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<p>(a) to reimburse the ministry or a person authorized by the minister:</p> <p>(i) for undertaking the abandonment, decommissioning or reclamation of an orphan well, an orphan facility, their respective sites or any other area on or off the sites that has been damaged, contaminated or otherwise adversely affected as a result of the operation; or</p> <p>(ii) for undertaking any other activities that the minister considers necessary and that are associated with the orphan well, the orphan facility and their respective sites mentioned in subclause (i);</p> <p>(b) to pay the costs to carry out the following activities:</p> <p>(i) the abandonment or decommissioning of all or part of the flowline associated with the orphan well or orphan facility and the reclamation of the area around the flowline or any other associated activities that the minister considers necessary with respect to them;</p> <p>(ii) any action specified in section 17.04 of the Act;</p>	<p>(a) to reimburse the ministry or a person authorized by the minister:</p> <p>(i) for undertaking the abandonment, decommissioning or reclamation of an orphan well, an orphan facility, their its respective sites or any other area on or off the sites that has been damaged, contaminated or otherwise adversely affected as a result of the operation; or</p> <p>(ii) for undertaking any other activities that the minister considers necessary and that are associated with the orphan well, the orphan facility and their respective sites mentioned in subclause (i);</p> <p>(iii) for undertaking the abandonment, decommissioning and reclamation of inactive liabilities pursuant to an application mentioned in section 5-7.</p> <p>(b) to pay the costs to carry out the following activities:</p> <p>(i) the abandonment or decommissioning of all or part of the flowline associated with the orphan well or orphan facility and the reclamation of the area around the flowline or any other associated activities that the minister considers</p>	<p>in the event that a working interest participant goes bankrupt and a licensee is forced to pay for their share.</p>

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<p>(iii) the undertaking of any steps to contain and secure a risk if the licensee or operator is missing or not readily identifiable and if, in the opinion of the minister a well, flowline or facility has an impact on or off the site that poses a risk to an oil, gas or fresh water formation or to life or property;</p> <p>(c) to pay for technical, administrative, legal or other costs related to acquiring professional services that are incurred in pursuing reimbursement for the costs mentioned in clauses (a) and (b) from the person responsible for paying them;</p> <p>(d) to pay for a defunct working interest participant's share of suspension, decommissioning, abandonment and related reclamation costs if those costs:</p> <p style="padding-left: 40px;">(i) in the opinion of the minister, are reasonable and necessary to do the work; and</p> <p style="padding-left: 40px;">(ii) have been incurred by a working interest participant;</p> <p>(e) to pay for any other costs directly related to the administration and operation of the orphan fund; and</p> <p>(f) to pay for any expense related to the advisory committee that is approved by</p>	<p>necessary with respect to the flowline or the area around the flowline;</p> <p>(ii) any action mentioned in section 17.04 of the Act;</p> <p>(iii) the undertaking of any steps to contain and secure a risk if the minister is reasonably satisfied that the licensee or operator is missing or not readily identifiable and if, in the opinion of the minister a well, flowline or facility has an impact on or off the site that poses a risk to an oil, gas or fresh water formation or to life or property;</p> <p>(c) to pay for technical, administrative, legal or other costs related to acquiring professional services that are incurred in pursuing reimbursement for the costs mentioned in clauses (a) and (b) from the person responsible for paying them;</p> <p>(d) to pay for a defunct working interest participant's share of suspension, decommissioning, abandonment and related reclamation costs if those costs:</p> <p style="padding-left: 40px;">(i) in the opinion of the minister, are reasonable and necessary to do the work; and</p>	

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Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation
the minister, including any expense incurred pursuant to subsection 120(6).	(ii) have been incurred by the licensee or a working interest participant; (e) to pay for any other costs directly related to the administration and operation of the orphan fund; and (f) to pay for any expense related to the fund advisory committee that is approved by the minister, including any expense incurred pursuant to subsection 120(6) 8-2(2) .	
<p>118(2) The minister may determine when money in the orphan fund may be used for the purposes mentioned in subsection (1).</p> <p>(3) The minister shall consult with the fund advisory committee appointed pursuant to section 120 with respect to the manner generally in which the purposes of the orphan fund are carried out.</p> <p>(4) Nothing in this Part requires the minister to consult with the fund advisory committee respecting the use of a security deposit or equipment and materials forfeited pursuant to subsection 116(2) or (5).</p>	<p>Orphan fund expenditures</p> <p>118(2) 7-2(1) The minister may determine when money in the orphan fund may be used for the purposes mentioned in subsection (1) section 7-1.</p> <p>(2) The minister shall consult with the fund advisory committee appointed pursuant to section 120 8-1 with respect to the manner generally in which the purposes of the orphan fund are carried out.</p> <p>(3) Nothing in this Part requires the minister to consult with the fund advisory committee respecting the use of a security deposit or equipment and materials or oil, gas or products forfeited pursuant to subsections 116(2) or (5) 3-6(1) or (4).</p>	This section has been carried forward from the OGCR with no significant changes. Note that it has been made into its own section rather than keeping it as a subsection of a more general orphan fund usage section.
Orphan fund levy	Orphan fund levy	This section has been carried forward from the OGCR with one added clarification. To

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Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation
<p>119(1) A licensee shall pay an orphan fund levy for each fiscal year, as required by clause 20.98(c) of the Act, calculated in accordance with the following formula:</p> <p style="padding-left: 40px;">Orphan fund levy = A/B x Annual Budget</p> <p>where:</p> <p style="padding-left: 40px;">A is the licensee's liability for all facilities, wells and unreclaimed sites licensed to the licensee, as calculated at a date and in a manner specified by the minister;</p> <p style="padding-left: 40px;">B is the sum of the oil and gas industry's liability for all licensed facilities, wells and unreclaimed sites, as calculated at a date and in a manner specified by the minister; and</p> <p style="padding-left: 40px;">Annual Budget is the amount that is required to conduct work specified in subsection 118(1) for a fiscal year as determined by the minister after any consultation with the fund advisory committee appointed pursuant to section 120 that the minister considers necessary.</p> <p>(2) A licensee shall pay the amount of the orphan fund levy not later than the 30th day following the mailing date shown on the notice sent by the minister.</p> <p>(7) In determining the Annual Budget mentioned in subsection (1), the minister</p>	<p>119 7-3(1) A licensee shall pay an orphan fund levy for each fiscal year, as required by clause 20.93(c) of the Act, calculated in accordance with the following formula:</p> <p style="padding-left: 40px;">Orphan fund levy = A/B x Annual Budget</p> <p>where:</p> <p style="padding-left: 40px;">Orphan fund levy is the fee to be levied on wells and facilities and deposited in the orphan fund;</p> <p style="padding-left: 40px;">A is the licensee's liability for all facilities, wells and unreclaimed sites licensed to the licensee, as calculated at a date and in a manner specified by the minister;</p> <p style="padding-left: 40px;">B is the sum of the oil and gas industry's liability for all licensed facilities, wells and unreclaimed sites, as calculated at a date and in a manner specified by the minister; and</p> <p style="padding-left: 40px;">Annual Budget is the amount that is required to conduct work specified in subsection 7-1(1) for a fiscal year as determined by the minister after any consultation with the fund advisory committee appointed pursuant to section 120 8-1 that the minister considers necessary.</p> <p>(2) The minister shall provide written notice to a licensee setting out the amount of the</p>	<p>be consistent with subsections (3) and (4), subsection (5) has been amended to establish that the minimum amount to be kept in the orphan well fund is \$2 million regardless of whether the amount collected through orphan fund levies in a year is not sufficient to achieve that minimum balance.</p>

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Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation
<p>shall provide for a total levy that will be sufficient, in the minister's opinion, to cover:</p> <p>(a) the anticipated costs mentioned in subsection 118(1) for the fiscal year; and</p> <p>(b) any surplus for emergency or contingencies and non-budgeted expenditures.</p> <p>(8) After any consultation with the fund advisory committee that the minister considers necessary, the minister may adjust the Annual Budget mentioned in subsection (1) in order to maintain the minimum amount specified in subsection (6).</p> <p>(6) The minimum amount to be retained in reserve in the orphan fund is \$2,000,000.</p>	<p>orphan fund levy that is to be paid by the licensee.</p> <p>(2)⁽³⁾ A licensee shall pay the amount of the orphan fund levy not later than 60 days following the mailing date shown on the notice sent by the minister.</p> <p>(7)⁽⁴⁾ In determining the Annual Budget mentioned in subsection (1), the minister shall provide for a total levy that will be sufficient, in the minister's opinion, to cover:</p> <p>(a) the anticipated costs mentioned in subsection 118-7-1⁽¹⁾ for the fiscal year; and</p> <p>(b) any surplus for emergency or contingencies and non-budgeted expenditures.</p> <p>(8)⁽⁵⁾ After any consultation with the fund advisory committee that the minister considers necessary, the minister may adjust the Annual Budget mentioned in subsection (1) in order to maintain the minimum amount specified in subsection (6).</p> <p>(6) The annual budget and orphan fund levy shall be established each year in order to maintain a minimum fund balance of not less than \$2,000,000 to address unexpected costs and emergencies.</p>	

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<p>119(3) If a licensee does not pay the levy within the period set out in subsection (2), the amount of the levy is a debt due to the Crown in right of Saskatchewan and may be recovered by the minister in any manner authorized by <i>The Financial Administration Act, 1993</i> or in any other manner authorized by law.</p>	<p>Late payment of orphan fund levy</p> <p>119(3) 7-4 Any amounts of the levy that remain unpaid to the minister after the period mentioned in subsection 7-3(2) are a debt due to the Crown in right of Saskatchewan payable to the orphan fund and may be recovered by the minister in any manner authorized by <i>The Financial Administration Act, 1993</i> or in any other manner authorized by law.</p>	<p>This section is carried forward from the OGCR in substantially the same form but features updated wording.</p>
<p>119(4) The minister may recover all or part of the money expended from the orphan fund for the purpose of carrying out any of the activities mentioned in clauses 118(1)(a) to (d):</p> <ul style="list-style-type: none"> (a) from the licensee; (b) from the working interest participants based on their percentage of interest; (c) from any other person whom the minister considers responsible for the well, well site, facility or facility site; or (d) from the proceeds of the sale of any machinery, equipment or materials that were forfeited pursuant to section 17.06 of the Act. <p>(5) Pursuant to subsection (4), the minister shall deposit any amount of money or</p>	<p>Recovery of orphan fund expenses</p> <p>119(4) 7-5(1) The minister may recover all or part of the money expended from the orphan fund for the purpose of carrying out any of the activities mentioned in clauses 118 7-1(1)(a) to (d) from any of the following:</p> <ul style="list-style-type: none"> (a) the licensee; (b) the working interest participants based on their percentage of interest; (c) any other person whom the minister considers responsible for the well, well site, facility or facility site; or (d) the proceeds of the sale of any machinery, equipment or materials, or oil, gas or products that were forfeited pursuant to section 17.06 of the Act. <p>(5) (2) Pursuant to subsection (4) (1), the minister shall deposit any amount of money</p>	<p>This section is carried forward from the OGCR with no significant changes.</p>

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Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation
proceeds recovered pursuant to subsection (4) in the orphan fund.	or proceeds recovered pursuant to subsection (4) (1) in the orphan fund.	
Fiscal year 121 For the purposes of clause 20.98(k) of the Act, the fiscal year of the fund is April 1 of one year to March 31 of the following year.	Fiscal year 121 7-6 For the purposes of clause 20.98(k) of the Act, the fiscal year of the fund is the period commencing on April 1 of one year and ending on March 31 in the following year.	This section is carried forward from the OGCR with no significant changes.
Fund advisory committee 120 (1) The minister may appoint as members of the fund advisory committee: <ul style="list-style-type: none"> (a) four persons nominated by the oil and gas industry associations that, in the opinion of the minister, represent the general and diverse interests of the oil and gas industry in Saskatchewan; and (b) two other persons. (2) Each member of the fund advisory committee holds office for a term of two years and until a successor is appointed. (3) If a member of the fund advisory committee nominated by an oil and gas industry association resigns or is no longer able to serve, that oil and gas industry association may:	<p style="text-align: center;">PART 8</p> <p style="text-align: center;">Fund Advisory Committee</p> <p>Fund advisory committee membership</p> 120 8-1 (1) The minister may appoint as members of the fund advisory committee: <ul style="list-style-type: none"> (a) an official of the ministry who shall chair the committee; (a)(b) four 4 persons individuals nominated by the oil and gas industry associations that, in the opinion of the minister, represent the general and diverse interests of the oil and gas industry in Saskatchewan; and (b)(c) up to two three other persons individuals. (2) Each member of the fund advisory committee holds office for a term of two years and until a successor is appointed.	Subsection (1) features two noteworthy changes over the OGCR version. First, a dedicated position of chairperson has been created for the fund advisory committee, and this person is to be an official of the Ministry of Energy and Resources (ER). Second, power has been established to appoint up to three other persons to the fund advisory committee.

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<p>(a) nominate another person to be a member for the remainder of the term of the former member; or</p> <p>(b) choose to have the former member's position remain vacant until the end of the term of the former member.</p> <p>(4) A member of the fund advisory committee is eligible to be reappointed as a member.</p>	<p>(3) If a member of the fund advisory committee nominated by an oil and gas industry association resigns or is no longer able to serve, that oil and gas industry association may:</p> <p>(a) nominate another person to be a member for the remainder of the term of the former member; or</p> <p>(b) choose to have the former member's position remain vacant until the end of the term of the former member.</p> <p>(4) A member of the fund advisory committee is eligible to be reappointed as a member.</p>	
<p>120(5) The members of the fund advisory committee shall:</p> <p>(a) assist the minister in the development of an annual program to abandon orphan wells and facilities and the respective sites by advising on the determination and selection of orphan wells and facilities for that program;</p> <p>(b) provide the minister with advice and expertise in the development of the Annual Budget described in subsection 119(1), for the payment of the costs</p>	<p>Purpose of fund advisory committee</p> <p>120(5) 8-2(1) The members of the fund advisory committee shall:</p> <p>(a) assist the minister in the development of an annual program to abandon and reclaim orphan wells and facilities and the respective sites by advising on the determination and selection of orphan wells and facilities for that program;</p> <p>(b) provide the minister with advice and expertise in the development of the Annual Budget mentioned in subsection 119(1) 7-3(1), for the payment of the costs associated with the annual</p>	<p>This section has been carried forward from the OGCR with no significant changes. However, a subsection has been added to the end to establish that members of the fund advisory committee may not disclose information that may reasonably be expected to result in financial loss or gain to, or prejudice the competitive position of a third party.</p>

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<p>associated with the annual abandonment program mentioned in clause (a); and</p> <p>(c) make recommendations to the minister respecting the amount of the Annual Budget described in subsection 119(1) for a fiscal year.</p> <p>(6) Members of the fund advisory committee are entitled to reimbursement for their expenses incurred in the performance of their responsibilities in accordance with rates paid to members of the public service of Saskatchewan.</p> <p>(7) The fund advisory committee may:</p> <p>(a) appoint or engage any professional, administrative, technical and clerical personnel that may be required for the purposes described in clauses (5)(a) to (c); and</p> <p>(b) determine the salaries and other remuneration of the personnel appointed or engaged pursuant to clause (a).</p> <p>(8) A person who performs services at the request of the fund advisory committee for the purposes described in clauses (5)(a) to (c) is entitled to reimbursement for his or her expenses incurred in the performance of his or her responsibilities in accordance with rates paid to members of the public service of Saskatchewan.</p>	<p>abandonment program mentioned in clause (a); and</p> <p>(c) make recommendations to the minister respecting the amount of the Annual Budget described mentioned in subsection 119(1) 7-3(1) for a fiscal year.</p> <p>(6) (2) Members of the fund advisory committee are entitled to reimbursement for their expenses incurred in the performance of their responsibilities in accordance with rates paid to members of the public service of Saskatchewan.</p> <p>(7) (3) The fund advisory committee may:</p> <p>(a) appoint or engage any professional, administrative, technical and clerical personnel that may be required for the purposes described mentioned in clauses (5)(1)(a) to (c); and</p> <p>(b) determine the salaries and other remuneration of the personnel appointed or engaged pursuant to clause (a).</p> <p>(8) (4) A person who performs services at the request of the fund advisory committee for the purposes mentioned in clauses (5)(a) to (c) subsection (1) is entitled to reimbursement for that person's expenses incurred in the performance of that person's responsibilities in accordance with rates paid</p>	

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	<p>to members of the public service of Saskatchewan.</p> <p>(5) A member of the fund advisory committee may not disclose information obtained in the course of performing the member's duties mentioned in subsection (1) that may reasonably be expected to:</p> <ul style="list-style-type: none"> (i) result in financial loss or gain to a third party; or (ii) prejudice the competitive position of a third party. 	
N/A – NEW	<p>PART 9</p> <p>Administrative Penalties</p> <p>Administrative penalties</p> <p>9-1(1) For the purposes of section 58.1 of the Act, the minister may assess administrative penalties as set out in Table 2 of the Appendix for the contraventions mentioned in that Table.</p> <p>(2) Notwithstanding subsection (1), a penalty is not to be assessed in relation to a deficit mentioned in subsection 5-4(3).</p> <p>(3) If a person fails to pay an administrative penalty in the amount required or within the time required, the amount not paid is a debt owing to the minister pursuant to section 53.2 of the Act.</p>	Pursuant to section 58.1 of OGCA and reg-making authority under clause 18(mm.2) of the OGCA, this new Part establishes administrative penalties, which are spelled out in Table 2 of the Appendix.

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Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation
N/A – NEW	<p>PART 10</p> <p>Confidentiality of Information</p> <p>Confidential Information</p> <p>10-1(1) The minister shall hold the following information confidential:</p> <p>(a) the deemed liability associated with any infrastructure or the site of any infrastructure licensed in accordance with the rules;</p> <p>(b) any information reported pursuant to section 4-3, unless that information is already public;</p> <p>(c) the LLR of a licensee;</p> <p>(d) information produced by the fund advisory committee, including meeting minutes and correspondence.</p> <p>(2) Notwithstanding subsection (1), the minister may provide liability information pertaining to unassessed problem sites, assessed problem sites or contaminated sites to a transferee with respect to a licence transfer.</p>	<p>This new Part establishes confidentiality of information submitted by licensees to the minister in accordance with these regulations. It also establishes confidentiality of certain LLR-related information associated with a licensee. In addition, information produced by the fund advisory committee is to be held confidential.</p>
N/A – NEW	<p>PART 11</p> <p>General</p> <p>Applications</p> <p>11-1 An application pursuant to these regulations must be made in accordance with</p>	<p>This section establishes that an application to the minister pursuant to these regulations is to be made in accordance with section 6 of the OGCR.</p>

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Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation
	section 6 of <i>The Oil and Gas Conservation Regulations, 2012.</i>	
<p>Methods of payment</p> <p>122.2 Any payment required to be paid pursuant to these regulations, except for payments required pursuant to section 115, must be paid:</p> <p>(a) subject to clause (b), by one of the following methods that is chosen by the minister:</p> <p>(i) pre-authorized debit;</p> <p>(ii) electronic transfer of funds;</p> <p>(iii) cash or cash equivalent; or</p> <p>(b) if, in the opinion of the minister, it would be impracticable for payment to be made pursuant to clause (a), by any other method acceptable to the minister.</p>	<p>Methods of payment</p> <p>122.2 11-2 Any payment required to be paid pursuant to these regulations, except for payments required pursuant to section 115, must be paid:</p> <p>(a) subject to clause (b), by one of the following methods that is chosen directed by the minister:</p> <p>(i) pre-authorized debit;</p> <p>(ii) electronic transfer of funds;</p> <p>(iii) cash or cash equivalent; or</p> <p>(b) if, in the opinion of the minister, it would be impracticable for payment to be made in the case of exceptional circumstances that, in the opinion of the minister, prevent payment by the method chosen directed by the minister pursuant to clause (a), by any other method acceptable to the minister.</p>	<p>This section is carried forward from the OGCR in substantially the same form.</p>
N/A – NEW	<p>PART 12</p> <p>Coming into Force</p> <p>Coming into force</p> <p>12-1 (1) Subject to subsection (2), these regulations come into force on the day on</p>	<p>This section establishes that these regulations come into force the date on which they are filed with the Registrar of Regulations. It establishes that Part 5, which deals with the ILRP does not come into force until January 1, 2023.</p>

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Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation																				
	<p>which they are filed with the Registrar of Regulations.</p> <p>(2) Part 5 of these regulations comes into force on January 1, 2023.</p>																					
N/A – NEW	<p>Appendix</p> <p>TABLE 1</p> <p>Liability Reduction Percentages</p> <p>[Note: the percentages listed in this Table are under review]</p> <p>[section 5-1]</p> <table><tr><th>Industry Average Netback (\$/barrel of oil equivalent)</th><th>LRP</th></tr><tr><td><\$0</td><td>0%</td></tr><tr><td>\$0 to \$5</td><td>2.0%</td></tr><tr><td>\$5 to \$10</td><td>4.0%</td></tr><tr><td>\$10 to \$20</td><td>5.0%</td></tr><tr><td>\$20 to \$30</td><td>6.0%</td></tr><tr><td>\$30 to \$40</td><td>7.0%</td></tr><tr><td>\$40 to \$50</td><td>8.0%</td></tr><tr><td>\$50 to \$70</td><td>9.0%</td></tr><tr><td>>\$70</td><td>10.0%</td></tr></table>	Industry Average Netback (\$/barrel of oil equivalent)	LRP	<\$0	0%	\$0 to \$5	2.0%	\$5 to \$10	4.0%	\$10 to \$20	5.0%	\$20 to \$30	6.0%	\$30 to \$40	7.0%	\$40 to \$50	8.0%	\$50 to \$70	9.0%	>\$70	10.0%	This table features the liability reduction percentages to be used for the purposes of Part 5. These percentages are currently under review.
Industry Average Netback (\$/barrel of oil equivalent)	LRP																					
<\$0	0%																					
\$0 to \$5	2.0%																					
\$5 to \$10	4.0%																					
\$10 to \$20	5.0%																					
\$20 to \$30	6.0%																					
\$30 to \$40	7.0%																					
\$40 to \$50	8.0%																					
\$50 to \$70	9.0%																					
>\$70	10.0%																					

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Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation														
N/A – NEW	<p>TABLE 2</p> <p>Qualifying Expenditures</p> <p>[section 5-1]</p> <table><tr><th>Item</th><th>Activity</th></tr><tr><td>1</td><td>Abandonment of a well</td></tr><tr><td>2</td><td>Decommissioning of a facility</td></tr><tr><td>3</td><td>Abandonment of a flowline</td></tr><tr><td>4</td><td>Remediation or reclamation of a well site if the wells have been abandoned or if the wells are inactive and includes any and all costs incurred in order to obtain an AOR for the site</td></tr><tr><td>5</td><td>Remediation or reclamation of a facility site if the facility has been decommissioned or if the facility is inactive and includes any and all costs incurred in order to obtain an AOR for the site</td></tr><tr><td>6</td><td>Remediation activities at an unassessed problem site or an assessed problem site regardless of whether the associated well, facility or flowline is inactive and includes costs: (i) to obtain a Site Specific Liability Assessment (SSLA);</td></tr></table>	Item	Activity	1	Abandonment of a well	2	Decommissioning of a facility	3	Abandonment of a flowline	4	Remediation or reclamation of a well site if the wells have been abandoned or if the wells are inactive and includes any and all costs incurred in order to obtain an AOR for the site	5	Remediation or reclamation of a facility site if the facility has been decommissioned or if the facility is inactive and includes any and all costs incurred in order to obtain an AOR for the site	6	Remediation activities at an unassessed problem site or an assessed problem site regardless of whether the associated well, facility or flowline is inactive and includes costs: (i) to obtain a Site Specific Liability Assessment (SSLA);	This table is linked to the definition of “qualifying expenditures” in section 5-1.
Item	Activity															
1	Abandonment of a well															
2	Decommissioning of a facility															
3	Abandonment of a flowline															
4	Remediation or reclamation of a well site if the wells have been abandoned or if the wells are inactive and includes any and all costs incurred in order to obtain an AOR for the site															
5	Remediation or reclamation of a facility site if the facility has been decommissioned or if the facility is inactive and includes any and all costs incurred in order to obtain an AOR for the site															
6	Remediation activities at an unassessed problem site or an assessed problem site regardless of whether the associated well, facility or flowline is inactive and includes costs: (i) to obtain a Site Specific Liability Assessment (SSLA);															

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Existing Section/Wording: OGCR	Proposed New Section/Wording		Explanation									
		(ii) to obtain a Site Specific Risk Assessment (SSRA); and (iii) related to monitoring.										
	7	Costs for all activities specified in IFRS 16 paragraph 16(b) and in PwC IFRS Manual of Accounting FAQ 16.85.7										
N/A – NEW	<div>TABLE 2</div> <div>Administrative Penalties</div> <div>[section 9-1]</div> <table><tr><th>Item</th><th>Description of Contravention</th><th>Administrative Penalty</th></tr><tr><td>1</td><td>Subsection 3-1(1): failure to submit required security deposit within required timeframe</td><td>10% of outstanding security deposit</td></tr><tr><td>2</td><td>Subsection 5-3(1): failure to meet ART</td><td>10% of the amount by which a licensee's ART exceeds its actual expenditures in a calendar year.</td></tr></table>		Item	Description of Contravention	Administrative Penalty	1	Subsection 3-1(1): failure to submit required security deposit within required timeframe	10% of outstanding security deposit	2	Subsection 5-3(1): failure to meet ART	10% of the amount by which a licensee's ART exceeds its actual expenditures in a calendar year.	<p>This table lists administrative penalties pursuant to section 9-1 of the FSSCR that relate to non-compliance with specific provisions.</p> <p>The amount of the administrative penalties listed in item #3 is identical to those described in Part 6 and Table 2 of the Appendix to <i>The Pipeline Administration and Licensing Regulations</i>.</p> <p>Item #3 refers to penalties for non-compliance with requirements to provide the minister with the following:</p> <ul style="list-style-type: none">• Corporate financial information (4-3);• Report on actual expenditures (5-5);• Annual Reduction Target reduction plan (5-6); and• Compliance plan (5-8)
Item	Description of Contravention	Administrative Penalty										
1	Subsection 3-1(1): failure to submit required security deposit within required timeframe	10% of outstanding security deposit										
2	Subsection 5-3(1): failure to meet ART	10% of the amount by which a licensee's ART exceeds its actual expenditures in a calendar year.										

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Existing Section/Wording: OGCR	Proposed New Section/Wording		Explanation
	3	Sections 4-3, 5-5, 5-6 and 5-8 of The Financial Security and Site Closure Regulations: Failure to provide complete and accurate information to the minister as required	\$100/day to a maximum of \$20,000

APPENDIX C

The Oil and Gas Conservation Regulations, 2012 – Overview of Key Changes

- Note: this document is not intended to provide an exhaustive listing of proposed amendments to *The Oil and Gas Conservation Regulations, 2012* (OGCR), which are to be made by way of an amending regulation. Rather, it outlines notable changes to the OGCR and lists generally the sections to be repealed from the OGCR because they have been superseded by other Directives or by *The Financial Security and Site Closure Regulations* (FSSCR).

Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation
N/A – NEW	Title 1 These regulations may be cited as <i>The Oil and Gas Conservation Amendment Regulations, 2021</i> .	
N/A – NEW	RRS c O-2 Reg 6 amended 2 <i>The Oil and Gas Conservation Regulations, 2012</i> are amended in the manner set forth in these regulations.	
Eligibility requirements to hold or be issued a licence 12(1) No person is eligible to hold or be issued a licence for a well or facility unless: (a) that person: (i) in the case of a facility, is a working interest participant; or (ii) in the case of a well: (A) is a working interest participant; and (B) has the right to produce the oil or gas from the well or has the right to drill or operate the well; and	Eligibility requirements to hold or be issued a licence 12(1) No person is eligible to hold or be issued a licence for a well or facility unless: (a) that person: (i) in the case of a facility, is a working interest participant; or (ii) in the case of a well: (A) is a working interest participant; and (B) has the right to produce the oil or gas from the well or has the right to drill or operate the well; and	Section 12 has been amended in two key respects. First, subclause 12(2)(a)(i) is to be deleted as section 16 of the OGCR will be repealed. Second, a new clause has been added after clause 12(2)(b) to allow the minister to consider certain risk factors when deciding whether or not to issue a licence. Clause 12(2)(c) lists a range of items that the minister may consider, including the applicant's compliance history, its corporate structure, its financial health and experience in the oil and gas industry as well as the history of the company's directors or shareholders.

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Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation
<p>(b) if that person is carrying on a business, that person's business is registered to lawfully carry on business in Saskatchewan.</p> <p>(2) Unless otherwise approved by the minister, no licence shall be issued to, or transferred to or from, a person if:</p> <p>(a) that person:</p> <p>(i) is a first-time applicant and has not paid the required fee pursuant to section 16;</p> <p>(ii) has not paid the required annual orphan fund levy pursuant to section 119; or</p> <p>(iii) owes any money to the Crown in right of Saskatchewan; or</p> <p>(b) that person's business is not registered to lawfully carry on business in Saskatchewan.</p> <p>(3) The minister may suspend or cancel a licence pursuant to section 12 of the Act if the licensee does not meet the eligibility requirements specified in this section.</p>	<p>(b) if that person is carrying on a business, that person's business is registered to lawfully carry on business in Saskatchewan.</p> <p>(2) Unless otherwise approved by the minister, no licence shall be issued to, or transferred to or from, a person if:</p> <p>(a) that person:</p> <p>(i) is a first time applicant and has not paid the required fee pursuant to section 16;</p> <p>(ii)(i) has not paid the required annual orphan fund levy pursuant to <i>The Financial Security and Site Closure Regulations</i>; or</p> <p>(iii)(ii) owes any money to the Crown in right of Saskatchewan; or</p> <p>(b) that person's business is not registered to lawfully carry on business in Saskatchewan; or</p> <p>(c) in the minister's opinion, the applicant poses an unreasonable risk considering the following factors:</p> <p>(i) the compliance history of the applicant, including its directors, officers, and shareholders, in Saskatchewan and elsewhere, including in relation to any current or former holders of licenses issued</p>	

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Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation
	<p>under <i>The Oil and Gas Conservation Act</i> that are directly or indirectly associated or affiliated with the applicant or its principals;</p> <p>(ii) the compliance history of entities currently or previously associated or affiliated with the applicant or its directors, officers, and shareholders;</p> <p>(iii) experience of the applicant, including its directors, officers, and shareholders;</p> <p>(iv) the applicant's corporate structure;</p> <p>(v) the applicant's arrangement with working interest participants, including participant information and proportionate shares;</p> <p>(vi) the financial health of the applicant;</p> <p>(vii) involvement of the applicant's directors, officers or shareholders:</p> <p>(A) in entities that have initiated or are subject to bankruptcy or receivership proceedings; or</p> <p>(B) with current or former licensees that are not in compliance with the Act,</p>	

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Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation
	<p>regulations or any order made pursuant to the Act;</p> <p>(viii) naming of directors, officers or shareholders of current or former licensees in a minister's declaration pursuant to section 53.6 of the Act.</p> <p>(3) The minister may suspend or cancel a licence pursuant to section 12 of the Act if the licensee does not meet the eligibility requirements specified in this section.</p>	
<p>Orphan fund fee</p> <p>16 A first-time applicant shall pay a fee of \$10,000 to the minister for deposit into the orphan fund.</p>	Repealed.	The fee is no longer required as industry is contributing through the orphan fund levy.
<p>Fire equipment and engine exhaust safety</p> <p>63(7) All vessels and equipment from which ignitable vapours may issue must be safely vented to the atmosphere, and all vent lines from oil storage tanks that are vented to flare pits must be provided with flame arresters or other equivalent safety devices.</p>	<p>Fire equipment and engine exhaust safety</p> <p>63(7) All vessels and equipment from which ignitable vapors may issue must be safely vented to the atmosphere, and All vent lines from oil storage tanks that are vented to flare pits must be provided with flame arresters or other equivalent safety devices.</p>	The text shown in strikethrough is no longer required as ignitable vapour venting is prohibited.
<p>Enforcement of regulations and orders</p> <p>76 If the minister is satisfied that a well, drilling rig, servicing rig or facility is operated in contravention of the Act or any regulations or orders made pursuant to the Act, the minister may, after giving any</p>	<p>Enforcement of regulations and orders</p> <p>76 If the minister is satisfied that a well, drilling rig, servicing rig or facility is operated in contravention of the Act or any regulations or orders made pursuant to the Act, the minister may, after giving any</p>	Section 76 has been amended to clarify that the minister may order a licensee to shut down any contravening rig, well, facility etc. or that the minister may carry out the shut down of any contravening rig, well, facility, etc. Ordering the shut-down of a contravening well or facility is more

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Existing Section/Wording: OGCR	Proposed New Section/Wording	Explanation				
notice that the minister considers reasonable, shut down or cause the shut-down of the contravening well, drilling rig, servicing rig or facility or equipment and prohibit its operation until the minister authorizes otherwise.	notice that the minister considers reasonable, order the shut down or, after giving any notice that the minister considers reasonable, carry out the shut down or cause the shut-down of the contravening well, drilling rig, servicing rig or facility or equipment and prohibit its operation until the minister authorizes otherwise.	common than the minister carrying out the shutting-in, so this change is added for clarity.				
N/A - NEW	<div>Appendix</div> <div>TABLE 2</div> <div>Administrative Penalties</div> <div>[Section 122.1]</div> <table><tr><th>Provision</th><th>Penalty</th></tr><tr><td>Failure to comply with a minister's order issued pursuant to section 17.01 of the Act</td><td><div>a) Individuals: \$500/day to a maximum of \$20,000</div><div>b) Corporations: \$5,000/day to a maximum of \$20,000</div></td></tr></table>	Provision	Penalty	Failure to comply with a minister's order issued pursuant to section 17.01 of the Act	<div>a) Individuals: \$500/day to a maximum of \$20,000</div> <div>b) Corporations: \$5,000/day to a maximum of \$20,000</div>	This new provision establishes an administrative penalty for failure to comply with an order of the minister issued pursuant to section 17.01 of the Act. Not that this new provision joins an existing administrative penalty in Table 2 of the Appendix to the OGCR relating to the submission of a false declaration under Directive PNG075.
Provision	Penalty					
Failure to comply with a minister's order issued pursuant to section 17.01 of the Act	<div>a) Individuals: \$500/day to a maximum of \$20,000</div> <div>b) Corporations: \$5,000/day to a maximum of \$20,000</div>					
Sections 25, 29, 34, 38, 44-47 (except for subsections 2, 3 and 4 of section 44), 56-59, 85, 90 and 102-106.1	Repealed.	These sections of the OGCR have been superseded by directives. These are in addition to the various sections of the OGCR that are to be replaced by the FSSCR.				