

Bulletin 2016-10

April 8, 2016

Obligations of Licensees When in Insolvency or When Otherwise Ceasing Operations

The purpose of this bulletin is to remind licensees and their directors and officers of their statutory responsibilities when ceasing operations because of insolvency or for any other reason. Regardless of the reason for ceasing operations, licensees remain responsible for ensuring compliance with all Alberta Energy Regulator (AER) requirements. This includes

- ensuring continued care and custody of all AER-licensed properties,
- responding to any incidents or complaints,
- maintaining records of AER-licensed properties in accordance with AER requirements, and
- either obtaining approval from the AER under *Directive 006: Licensee Liability Rating (LLR) Program and Licensee Transfer Process* to transfer licences, approvals, and permits to an eligible party with an LMR of at least 1.0 post-transfer; completing abandonment and reclamation of all sites in accordance with AER requirements; or posting applicable security under *Directive 006*.

Failure to comply with the above or any other AER requirement may result in an investigation and the AER pursuing available enforcement against the licensee and/or its directors and officers. This may include naming individual directors and/or officers of AER licensees under section 106 of the *Oil and Gas Conservation Act*.

No licensee or its creditors may remove equipment from a site for any purpose without the AER's consent, including during the conduct of abandonment or reclamation work. Should a licensee be indebted to the AER for any costs, levy, fee, penalty, or other amount, the AER has a lien in respect of the licensee's debt on the licensee's interest in any wells, facilities and pipelines, and land or interests in land, including mines and minerals, equipment, and petroleum substances. The AER's lien has priority over all other liens, charges, rights of set-off, mortgages, and other security interests pursuant to section 103 of the *Oil and Gas Conservation Act*.

The AER encourages any licensee considering ceasing operations or entering into insolvency proceedings to contact the AER's closure and liability group at [LiabilityManagement@aer.ca](mailto:LiabilityManagement@ aer.ca) and to engage their

working interest participants in their plans for ceasing operations. The decision to cease operations may trigger obligations for working interest participants, including the obligation to pay their proportionate share of suspension, abandonment, and reclamation costs.

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