

Bulletin 2024-16

June 26, 2024

Updates to *Directive 011 Estimated Liabilities*

As previously noted in *Bulletin 2023-41: Ongoing Implementation of the Liability Management Framework*, we are implementing the Government of Alberta's new [Liability Management Framework](#) in phases. This includes replacing the Licensee Liability Rating (LLR) Program, including the liability management rating (LMR), and establishing a new security framework under the [Oil and Gas Conservation Act](#).

Directive 011: Licensee Liability Rating (LLR) Program; Updated Licensee Parameters and Liability Costs was last updated in 2015. As a result, the estimated costs are outdated. We assessed the closure costs collected through the mandatory closure spend quotas for well abandonments, the prior Area-Based Closure (ABC) Program, and closure performed by the Orphan Well Association, and used the data to update estimated liability costs.

Today we released a new edition of *Directive 011: Licensee Liability Rating (LLR) Program; Updated Industry Parameters and Liability Costs*. This updated directive replaces the version issued on March 31, 2015. This revision focuses on liability cost updates for well abandonments only, to be used in the new liability management framework. The changes are summarized below:

- For the regional well abandonment cost tables (used to be section 6, now section 5):
 - Depth ranges for some areas have been updated to better reflect the depth of wells found in those areas.
 - Liability costs have been updated for the following well categories: Empty not perforated (only in Area 1: Medicine Hat), Empty perforated, Tubing Only, and Tubing & rods for the different depths of wells.
 - Liability costs have been updated for the vent flow repair and gas migration parameters.
- A new appendix has been added that includes the previous regional well abandonment cost tables, which will continue to be used for the LMR. The LMR can still be found in the Liability Rating Report in the Digital Data Submission (DDS) system but will be removed as part of the changes that will occur in the fall of 2024.

- Licensees will be able to access their specific liabilities using the new values in the OneStop Liability Assessment report, after July 6, 2024.

Directive 011 estimated liabilities will be reviewed using closure costs submitted on an annual basis as new costs become available, this includes facility abandonment costs and remediation and reclamation costs for both wells and facilities.

We hope to update *Directive 011* again in the fall and replace LMR and its associated programs. More information will be provided when it is available.

The revised edition of *Directive 011*, a history of estimating liability, and a presentation that outlines the methodology for the current revisions to *Directive 011* are available on the AER website at www.aer.ca. If you have any questions, contact our Customer Contact Centre by phone at [1-855-297-8311](tel:1-855-297-8311) or by email at inquiries@er.ca.