
Licensee Liability Rating (LLR) Program

Directive PNG025

May 2020

Version 2.1

Governing Legislation:

Act: *The Oil and Gas Conservation Act*

Regulation: *The Oil and Gas Conservation Regulations, 2012*

Order: 94/20

Record of Change

Revision	Date	Description
0.0	October 1, 2017	Initial Draft (replacing Guideline PNG025).
1.0	May 2018	Approved First Version.
2.0	June 2019	Amendment to complete phase out of PVS factor.
2.1	May 2020	Amendments to facilitate integration into IRIS.

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1. Introduction

The Licensee Liability Rating (LLR) Program assesses the financial risk that a licensee's unfunded well and facility liability poses to the Saskatchewan Oil and Gas Orphan Fund (SOGOF). The Ministry of Energy and Resources (ER) manages the financial risk through the collection of security deposits to ensure the Orphan Fund Procurement Program has the funds available to carry out the abandonment and reclamation work when a licensee or working interest owner is defunct.

This Directive is intended to provide clarification on the policies and procedures used by ER to determine a Licensee's Liability Rating and security deposit requirements under the LLR Program.

The fees (security deposit, orphan fund fee, and orphan levy) under the LLR Program are only applicable to oil and gas producers. Therefore, any licensee holding well and facility licences for purposes other than oil and gas production (such as potash mining, storage facilities, or waste facilities) would be exempt from these fees.

Inquiries regarding Directive PNG025 should be directed to the ER Service Desk at 1-855-219-9373 or ER.ServiceDesk@gov.sk.ca.

1.1 Governing Legislation

The requirements outlined in this Directive are based on *The Oil and Gas Conservation Act* (OGCA) and *The Oil and Gas Conservation Regulations, 2012* (OGCR). Licensees should consult these documents in conjunction with this Directive.

It is the responsibility of all licensees, as specified in the legislation to be aware of and to ensure compliance with these requirements through the life-cycle of any well or facility licensed in Saskatchewan.

1.2 Definitions

Integrated Resource Information System (IRIS): means an online business system that supports the development and regulation of Saskatchewan's energy and resources industry. Through IRIS, the oil and gas industry completes business activities and regulatory tasks with the province.

Petrinex: is a centralized web based computer system that hosts and disseminates upstream well and facility volumetric data for government regulator and industry operator stakeholders. Each month industry operators load volumetric data for the wells and facilities they operate into Petrinex and it is then available to the Regulators and industry operators for their specific needs. Petrinex also includes the Enhanced Production Audit Program (EPAP) for both Saskatchewan and Alberta, Oil Valuation in Saskatchewan only, and other functionality. Petrinex was developed and is administered jointly by the Regulators and industry operators.

Saskatchewan.ca: is the Government of Saskatchewan's website which is available at www.Saskatchewan.ca. This website contains additional information related to the programs managed by ER.

2. LLR Equation and Terms

The LLR Program assesses the inventory of all wells and facilities held by a licensee to determine potential financial risk to the SOGOF in terms of the licensee's future costs to abandon and reclaim their wells and facilities. The basic tool used by ER to assess this potential risk for each licensee is the LLR Equation:

$$LLR = \frac{\textit{Total Deemed Well Asset}}{\textit{Total Deemed Well Liability} + \textit{Total Deemed Facility Liability}}$$

The LLR is the licensee's deemed asset to deemed liability ratio as determined by the Minister under the authority of the OGCA. A licensee's deemed asset value is measured in terms of their net production value. The deemed liability is the total cost for the future abandonment and site reclamation of all of a licensee's wells and upstream facilities.

A licensee's LLR will be set to 1.00 where the licensee's total liability is \$0.00.

The detailed discussion of each of the LLR equation parameters is provided in the following sections.

2.1 Deemed Asset Calculation for a Well

The LLR Program calculates the deemed asset value of a licensee (based on the oil and gas production volume reported to Petrinex) as shown in the following formula:

$$\textit{Deemed Asset} = \textit{AOE} \times \textit{Industry Netback} \times \textit{Return Period}$$

where:

- *AOE* is the calculated annual oil equivalent production volume, in cubic metres, attributed to a well over a 12-month period;
- *Industry Netback* is a rolling three-year provincial industry average netback as determined by the Minister and provided in [Appendix 1](#); and
- *Return Period* is equivalent to three years.

The *AOE* is determined by the Minister in accordance with the following formula:

$$AOE = AOP + \left[\left(\frac{AGP}{C_f} \right) (1 - S_f) \right]$$

where:

- *AOP* is the sum of the most recent 12 months of annual oil production, in cubic metres that is attributable to the licensee's wells;
- *AGP* is the sum of the most recent 12 months of annual gas production, in thousand cubic metres that is attributable to the licensee's wells;
- *C_f* is a conversion factor, provided in [Appendix 1](#), that, when divided into a gas production volume in thousand cubic metres provides the economic equivalent volume of oil in cubic metres and is a rolling three-year industry average; and
- *S_f* is a shrinkage factor, provided in [Appendix 1](#), which expresses the percentage of total provincial gas production that is not sales gas and is a rolling three-year industry average.

2.2 Deemed Liability Determination for a Well

The LLR Program calculates the deemed well liability of a licensee based on the future cost to fully abandon the well and reclaim the well site as shown in the following formula:

$$\text{Deemed Liability} = (\text{Abandonment Cost} + \text{Reclamation Cost})$$

where:

- *Abandonment Cost* is obtained from [Appendix 3](#) and is based on the surface location, total vertical depth and down-hole configuration of the well; and
- *Reclamation Cost* is obtained from [Appendix 4](#) and is based on the surface location of the well in relation to the applicable ER Field Office administrative boundaries as shown in [Appendix 2](#).

Liability is not assigned to a newly drilled well until one year after its spud date unless it is abandoned during that time, and in that case the reclamation liability is immediately assigned.

2.3 Deemed Liability Determination for a Facility

The LLR Program calculates the deemed facility liability of a licensee based on the future cost to fully decommission the facility and reclaim the facility site as shown in the following formula:

$$\text{Deemed Liability} = \text{Well Equivalent} \times (\text{Basic Abandonment Cost} + \text{Reclamation Cost})$$

where:

- *Well Equivalent* is obtained from [Appendix 5](#) and is a term used to capture the relative liability of a facility as compared to a well and takes into account factors such as facility type and design throughput capacity (i.e. total inlet rate for oil, gas, and water) as provided within the facility licence application;
- *Basic Abandonment Cost* is \$10,000 per well equivalent; and
- *Reclamation Cost* is obtained from [Appendix 4](#) and is based on the surface location of the facility in relation to the applicable ER field office administrative boundaries as shown in [Appendix 2](#).

Liability is not assigned to a new facility until one year after its construction date unless it is decommissioned during that time, and in that case reclamation liability is immediately assigned.

3. Reports

ER produces a number of reports with respect to the LLR Program to aid in evaluating each licensee's LLR to help predict and prevent financial risk to the SOGOF.

To increase transparency of the LLR Program, the reports are made available to the public where possible. However, information specific to the licensee (related to security deposits and the deemed asset and liability associated with a particular licence) remains confidential to ER and a given licensee.

3.1 Public LLR Reports

The following reports are made available on www.saskatchewan.ca by the 1st of every month and contain information as of the 28th day of the previous month. These reports are also available through IRIS (for those with access) by navigating to the Reports Liability Management tab.

3.1.1 LLR Summary Report

The LLR Summary report provides a high-level summary of where industry is at with regards to the program, a list of licensees under the LLR Program as well as the following information:

- Industry LLR Threshold which is set to 1.00 and the number of licensees above and below this threshold.
- Average provincial LLR value and total assets, liabilities and security balance for all licensees in the LLR Program.
- Security Adjusted LLR is calculated as $(\text{Total Assets} + \text{Security Balance}) / \text{Total Liability}$ for each licensee.
- Current Security Balance held by ER for each licensee.

Note: the Security Adjusted LLR value is calculated as the licensee's $(\text{Deemed Assets} + \text{Current Security Balance}) / \text{Total Deemed Liability}$. This is not to be confused with the LLR value (which does not take into account the current security balance) which is used for evaluating security deposit requirements under the LLR Program.

3.1.2 LLR Well List

The LLR Well List provides a list of all wells licensed in Saskatchewan and identifies the following information:

- Licensee details: licensee name and BA ID that the well is currently licensed to.
- Well location details: surface and bottom hole location, CWI, field office area.
- Well specific details: licence number, well status, well type, well type description, licence issue date, spud and cut and cap abandonment dates, well depth.
- Flagged As Swab: indicates whether or not the well has been identified as producing via swabbing rather than conventional oil production.
- Annual Volume: indicates whether a well has reported volumes (production or injection) within the last 12 reporting months.
- Reclamation approval details: provides the date reclamation related approvals were granted for AOR Program applications: Grandfathered Reclamation, Acknowledgment of Reclamation, Partial Exemption from Reclamation, Full Exemption from Reclamation.
- Problem site details.

3.1.3 LLR Facility List

The LLR Facility List provides a list of all facilities licensed in Saskatchewan and identifies the following information:

- Licensee details: licensee name and BA ID that the facility is currently licensed to.
- Facility location details: surface location, Field Office area.
- Facility specific details: licence number, facility licence status/type, facility infrastructure status, facility site ID, licence issue, built/construction, and decommissioned dates.
- Retro Licence: indicates those facilities which were retroactively licensed.
- Annual Volume: indicates whether a facility has reported volumes within the last 12 reporting months.
- Reclamation approval details: provides the date reclamation related approvals were granted for Acknowledgement of Reclamation (AOR) Program applications: Grandfathered Reclamation, AOR, Partial Exemption from Reclamation, Full Exemption from Reclamation.

3.2 Licensee-specific LLR Reports

There are a number of reports available to aid industry in monitoring their situation under the LLR Program. With this information a licensee can anticipate when a security deposit invoice may be issued or the licensee is eligible for a security deposit refund.

Licensees will only have access to the reports applicable to their BA ID. To access the following the reports, the licensee must have an active IRIS user account assigned by the licensee's IRIS Security Administrator (SA).

Licensees and authorized SAs can access the following Liability Management Reports through IRIS to obtain details specific to their organization in relation to the LLR Program.

3.2.1 Securities Worksheet

The Securities Worksheet provides a historical summary of the licensee's situation and security deposit transactions for the given month under the LLR Program and contains the following information:

- Total Assets as defined in [section 2.1](#).
- Total Liability as defined in [section 2.2](#) and [section 2.3](#).
- LLR as defined in [section 2](#).
- Security Paid reflects the amount of security provided or moved over due to an amalgamation.
- Security Refunded reflects the amount of security refunded or forfeited.
- Security Required, Security Balance and Security Owing as defined in [section 4.1](#)
- Security Adjusted LLR as defined in [section 3.1.1](#)

Note: the report runs and displays information as of the 28th. However, if the report is run after the 28th, the assets, liability and LLR values for the month will remain but the security information will be updated to reflect any further transactions that occurred within the given month.

3.2.2 Licensee Liability Inventory (LLI) Report

The LLI report provides licensees with the following information:

- A list of the well licences held by the licensee as identified in IRIS along with details of those licences including: type, location, status, annual volume, flagged as swab and associated assets and liability values under the LLR program.
- A list of the facility licences held by the licensee as identified in IRIS along with details of those licences including: type, surface location, status, annual volume, well equivalent, and associated liability values under the LLR program.
- Summary of the licensee's situation under the LLR Program in terms of: total deemed assets, total liability, Licensee Liability Rating (LLR), Security Required, Security Balance and Security Owning.

This report is updated on the 28th of every month. The historical reports are available through IRIS by hovering over Quick Search and clicking My Business Associate, LLR Details under Related Info and doing a Monthly LLR Summary search for a given month. Licensees will also have the option to run the IRIS report by navigating to the Reports Liability Management tab to acquire up-to-date information.

Licensees are encouraged to review their LLI reports monthly and report any discrepancies between the report and their own records to ER.Servicedesk@gov.sk.ca for review and adjustment, where applicable.

3.2.3 LLR Well List (extended version)

The extended LLR Well List provides the licensee with a list of all their licensed wells in Saskatchewan and identifies AOR related approvals and problem site designations as described in [section 3.1.2](#). In addition, the report provides additional information regarding the deemed asset and liability values associated with each licence under the LLR Program.

3.2.4 LLR Facility List (extended version)

The extended LLR Facility List provides the licensee with a list of all their licensed facilities in Saskatchewan and identifies AOR related approvals and problem site designations as described in section 3.1.3. In addition, the report provides additional information regarding the well equivalent, deemed asset and liability values associated with each licence under the LLR Program.

4. Security Deposits

One of the ways ER manages the financial risk to the SOGOF, in terms of a licensee's future costs to abandon and reclaim their wells and facilities, is through the collection of security deposits.

ER conducts security deposit assessments:

- After the 28th of each month as part of the Monthly LLR assessment; or
- Prior to any well and/or facility licence transfer.

The collected security deposit may be refunded to a licensee when eligible or forfeited to the SOGOF to carry out the abandonment and/or reclamation work required on behalf of a licensee that has been deemed an orphan in Saskatchewan.

Further details regarding security deposit assessment, invoicing, payment and refund processes are provided below.

4.1 Monthly LLR Assessment

ER conducts the monthly LLR assessment, using the [LLI Reports](#) and [Securities Worksheets](#), as a means of assessing each licensee's ongoing financial fitness with respect to their ability to address future abandonment and reclamation costs.

Typically, licensees that maintain their LLR at or above 1.0 will not be issued security deposit invoices as their assets exceed their liabilities under the LLR Program. However, should a licensee's LLR fall below 1.0, and the security deposit owed is greater than \$10,000, a security deposit invoice will be issued. A licensee's security deposit requirement is calculated as:

$$\text{Security Owing} = \text{Security Required} - \text{Security Balance}$$

where

- Security Required is the licensee's total deemed liability minus total deemed assets under the LLR Program. If the result is negative (assets exceed liabilities), this is set to \$0.00.
- Security Balance is the amount of security that ER holds for the given licensee;

Similarly, if a licensee was invoiced based on a monthly assessment and their LLR remains below 1.00 in the following months, subsequent invoices may be issued. The subsequent invoice will be issued in conjunction with any other unpaid monthly security deposit invoice(s) to ensure the total security owing at the time of the assessment is collected.

4.1.1 Enforcement Actions for Non Compliance of Security Deposit Payment

Where a licensee fails to provide security deposit payment within 30 days of invoice issuance, the amount owing is a debt to the Minister and may be collected in any manner the Minister considers appropriate, including in the manner provided in the OGCA. Prior to obtaining a Court issued judgment against the licensee to collect the outstanding debt, ER may issue various Minister's Orders requiring the licensee to suspend operation, abandon wells and associated flowlines, decommission facilities, or reclaim well/facility sites by a given date in lieu of the security deposit payment.

Should the required security deposit payment be received by ER at any time during the enforcement process indicated below, any Minister's Orders or judgments issued relating to the recovery of the outstanding security would be rescinded/discharged.

Where a security deposit has not been received in the amount and time specified, ER may take any or all of the enforcement actions specified below. Notifications will be sent through IRIS when an enforcement has been issued to a licensee and the content is viewable in IRIS.

Please be advised that enforcements are public information and will be viewable in IRIS for those with access.

Suspension Minister's Order

If the required security deposit is not received within the required 30 days, a Suspension Order will be issued by the Minister requiring the licensee to suspend all well and facility operations until the required security has been provided.

Suspension of a licence removes all rights and privileges authorized by the licence. However, it does not remove the licensee's obligations or liability assigned under the LLR Program associated with the suspended site.

Continued operation of a well or facility for which the licence has been suspended is a violation of the OGCA and is therefore prohibited. Pursuant to the OGCA, any well or facility licences that continue to operate or produce after the suspension deadline will be identified and the licensee will be ordered to forfeit any proceeds from the illegal production and/or sale to the Crown.

Abandonment Minister's Order

If the licensee has carried out the Suspension Order but not submitted the required security deposit by the suspension deadline, an Abandonment Order will be issued by the Minister requiring the licensee to abandon all wells and associated flowlines, decommission all facilities and remove any equipment from the licensed sites. Working interest participants (WIPs) may also be served a Minister's Order notifying them of the deadline to abandon the sites or provide the outstanding security deposit.

If the licensee has not complied with the Abandonment Order or submitted the required security deposit by the abandonment deadline, ER will assume care and custody of the wells and make arrangements to have them abandoned. The abandonment expenses incurred are a debt due to and recoverable by the Crown from the licensee and any of the identified WIPs.

Reclamation Minister's Order

If the licensee has carried out the Abandonment Order, but not submitted the required security deposit by the abandonment deadline, a Reclamation Order will be issued by the Minister requiring the licensee to reclaim all well and facility sites.

If the licensee has not complied with the Reclamation Order or submitted the required security deposit by the reclamation deadline, ER will assume care and custody of the wells and make arrangements to have them reclaimed. The reclamation expenses incurred are a debt due to and recoverable by the Crown from the licensee and any of the identified WIPs.

Judgment from the Court of Queen's Bench

The Minister may file a certificate with the Court of Queen's Bench to recover any debt owed. The amount of debt specified in the certificate would include any outstanding security deposit along with any cost incurred in relation to care and custody, abandonment, or reclamation work ER carried out on the licensee's well, associated flowlines, and/or facility sites.

The certificate filed has the same force and effect as if it were a judgment obtained against the person in the Court of Queen's Bench for the recovery of a debt in the amount specified in the certificate, together with any reasonable costs and charges respecting its filing.

4.2 Licence Transfer Assessments

If a licensee wishes to transfer a well or facility licence to another licensee, a licence transfer application must be completed, in conjunction with the other party, and submitted through IRIS. At which time, ER conducts an LLR assessment on both licensees involved in the transfer to determine whether or not the transfer will require a security deposit from either the buyer and/or seller to proceed.

During the assessment, the security deposit evaluation is based on the post-transfer liability of both licensees. If the licensee's (buyer or seller) post-transfer LLR is less than 1.0 and less than their pre-transfer LLR, a security deposit will be required. Whereas if the LLR assessment shows that the post-transfer LLR of either party is equal to or greater than 1.0, a security deposit may not be required. Pursuant to the OGCR, ER may specify any relevant factors to calculate the amount of security deposit required.

4.2.1 Consequences of Security Deposit Nonpayment

Licence transfer applications will be denied if the required security deposit is not received within 30 days of invoice issuance.

4.3 Potential and Unassessed Problem Sites – How they affect LLR Assessments

Potential problem sites are identified through self-disclosure by the licensee or through an on-site inspection conducted by ER personnel. Inspections may be conducted in the course of normal ER field activities or at the request of the landowner.

ER will notify a licensee of any well/facility site identified as a potential problem site and provide the licensee with an opportunity to respond. If a licensee cannot establish that the potential problem site identification was in error, ER will classify the well or facility site as an unassessed problem site (UPS) and set the liability of the site at four times the standard abandonment and/or reclamation liability, or greater depending on the severity of the issue identified. The unassessed value will be used for monthly LLR assessment purposes until a Site Specific Liability Assessment (SSLA) is submitted and accepted by ER.

When an UPS classification is assigned to a well or facility, ER will notify the licensee in writing that a SSLA is required in accordance with *Directive PNG031: Site Specific Liability Assessment*, within a specified timeframe.

For ease of identifying unassessed problem sites in Saskatchewan, ER updates the “Deemed Problem Site” column of the applicable licence within the LLR Well List or LLR Facility List (available on *Saskatchewan.ca*) as “UNASSESSED”.

If an unassessed problem site is transferred, the UPS liability, as determined by ER, will be multiplied by a factor of two post-transfer. This is to account for the uncertainty and risk involved in transferring a well/facility licence in the absence of an SSLA to quantify the liability. A licensee acquiring a UPS will have the UPS’s liability calculated at this higher rate for monthly and transfer LLR assessments until the UPS classification is removed or changed to an assessed problem site.

4.4 Assessed Problem Sites – How they affect LLR Assessments

If the estimated cost and recommendations of the submitted SSLA are acceptable to ER, the site will be reclassified as an assessed problem site. The assessed liability as determined by the SSLA will be used to set the abandonment and/or reclamation liability of the site and will remain in effect until abandonment and/or reclamation related progress has been made at the site. For assessed problem sites, both monthly and licence transfer LLR assessments are conducted using the assessed value as determined in the SSLA.

For ease of identifying designated problem sites in Saskatchewan, ER updates the “Deemed Problem Site” column of the applicable licence within the LLR Well List or LLR Facility List (available on *Saskatchewan.ca*) as “ASSESSED”.

4.5 Issuance of a Security Deposits Invoices

Licensees will receive a notification through IRIS when a security deposit invoice has been issued and is available to view.

Refer to [section 4.1](#) and [section 4.2](#) for more information on when security deposit assessments are conducted and how the amounts are calculated.

4.6 Payment of a Security Deposit

Payment must be provided within 30 days of invoice issuance.

Security deposit payments must be made payable to the **Minister of Finance** and reference the invoice number to expedite processing. Where another party is providing payment on behalf of the invoiced licensee, please ensure this is communicated at the time of submission to ensure payment is applied to the appropriate licensee’s account.

The invoiced amount can be paid by Electronic Funds Transfer (EFT), direct deposit, cheque or Irrevocable Letter of Credit (LOC).

Where an LOC is the method chosen, the LOC must adhere to the following criteria for acceptance by ER:

- Obtained from a recognized Canadian Bank, Credit Union, or Trust Company guaranteeing payment to the beneficiary upon presentation to the issuer.
- Obtained by the licensee issued the security deposit invoice and identified as the Applicant on the LOC.
- Only renewable LOCs that adhere to the applicable ER-standardized *LOC Form* or *Amended LOC Form* (available on *Saskatchewan.ca*) will be accepted. Therefore, the licensee must ensure the financial institution is provided the form and adheres to the requirements before submission to ER.

A licensee may change their security deposit payment method at any time. However, the existing form of security deposit will not be released until the replacement security deposit has been received and processed by ER.

Questions regarding security deposit payment should be directed to the ER Service Desk at 1-855-219-9373 or ER.ServiceDesk@gov.sk.ca.

4.7 Refund of a Security Deposit

4.7.1 Refund Eligibility

Licensees may be eligible for a refund of their security deposit, being held under the LLR Program, provided that during the last six consecutive months, the licensee is both:

- in an overpayment situation (where security balance exceeds security required), and
- has maintained or improved their LLR each month during those six consecutive months.

The eligible refund amount is dependent on the licensee's LLR (which has been maintained or improved each month for six consecutive months). For instance, where the licensee's:

- $LLR \geq 1.0$, the licensee may be entitled to a full refund of the security deposit held on account.
- $LLR < 1.0$, the licensee may be entitled to a partial refund of the security deposit. The amount refunded would be equivalent to the overpayment amount seen in the first month of the six consecutive months.

ER will waive the six month waiting period for a licensee in an overpayment situation (where security balance exceeds total liability) who is actively working towards reducing their liability under the LLR Program. A licensee would be eligible for a full refund of the security directly related to the abandonment and/or reclamation liability where:

- a well or facility licence has been transferred;
- a well has been abandoned;
- a facility has been decommissioned; or
- a well or facility site has received an AOR or Full Exemption from Reclamation approval, in accordance with *Directive PNG016: Acknowledgement and Reclamation Requirements Directive* (Directive PNG016).

Licensees can review their monthly [LLI Report](#) and [Securities Worksheet](#), available through IRIS, to help determine when they may be eligible to apply for a refund.

4.7.2 Refund Request Application

To obtain a security deposit refund under the LLR Program, ER requires the licensee (for which the security is held) to provide a formal refund request in writing. ER has created a standardized *Security Deposit Request Form* (available on www.saskatchewan.ca). When eligible, the licensee may submit the completed Security Deposit Request Form through IRIS. Refer to www.saskatchewan.ca for more details on the IRIS application process.

ER reserves the right to consider any and all relevant factors when making a decision regarding a security deposit refund, such as:

- the licensee's current situation under the LLR Program;
- the financial risk to the SOGOF;
- whether it is in the best interest of the public;
- knowledge of any issues with contamination at the licensee's sites in terms of contamination or outstanding Field Office inspection items; and
- knowledge of the licensee's outstanding debt owed to ER, landowners, mineral lease holders, Rural Municipality, etc.

Where a refund is authorized, the way the refund is processed will depend on the form of security deposit being held:

- **Full/partial cash refund** – ER will return the cash via cheque or direct deposit (where requested).
- **Full LOC refund** – ER will return the original LOC, via registered mail, to the issuing financial institution, after which time the licensee would need to contact the bank to obtain the refund.
- **Partial LOC refund** – ER will provide a letter to the licensee authorizing their request to reduce the LOC. Once received, the licensee would provide the letter and ER standardized *Amended LOC Form* to their issuing financial institution to prepare an amendment in accordance with the requirements mentioned in [section 4.6](#). Once the amended LOC has been received and processed by ER the refund process is considered complete.

Inquiries regarding when the refund will be issued should be directed to the following:

- For cash refunds, contact the ER Service Desk at 1-855-219-9373 or ER.servicedesk@gov.sk.ca.
- For LOC refunds, contact the financial institution that issued the LOC.

4.8 Appeal of a Security Deposit Requirement

The Saskatchewan LLR program is designed to be flexible and provides licensees that have an LLR below 1.0 with the ability to submit an appeal. The appeal must be comprehensive, containing documentation and cost data on all of the LLR factors used in the calculation of the licensee's LLR. To apply for an appeal, ER requires the licensee to provide a formal request in writing submitted via email to ER.Servicedesk@gov.sk.ca.

The netback value portion of the appeal must include a completed licensee netback calculation as well as all financial information supporting the calculation. If a licensee does not have three years of history, the netback calculation must include the industry average for those years required to make up the three-year period.

The site specific section of the appeal must contain a detailed third party abandonment cost estimate for each licensed well and facility including problem wells (gas migration, surface casing vent flows, etc.). It must also contain third party reclamation cost assessments for each of the licensee's licensed wells or facilities. Reclamation costs must be based on actual site conditions, including contaminated sites, for each of the company's locations.

5. Liability Reduction

A licensee may be eligible to reduce the abandonment and/or reclamation liability associated with a well or facility licence assigned under the LLR Program. The following sections provide potential options for liability reduction which licensees may consider, where applicable.

5.1 Well Abandonment

In order to zero the abandonment liability associated with a licensed well, it must be properly abandoned in accordance with the OGCR and *Directive PNG015: Well Abandonment Requirements* and must be reflected as cut and cap "Abandoned" in IRIS

5.2 Facility Decommissioning

In order to zero the abandonment liability associated with a licensed facility, it must be properly decommissioned in accordance with in *Directive PNG001: Facility Licence Requirements* and must be reflected as "Decommissioned" in IRIS.

5.3 Acknowledgement of Reclamation (AOR)

Once IRIS reflects the well is abandoned or a facility is decommissioned, the site must be assessed and reclaimed in accordance with the OGCR and Directive PNG016.

The reclamation liability will be zeroed for a well or facility licence where an AOR application has been submitted in IRIS and ER has granted approval.

5.4 Application for Full Exemption from Reclamation

Where a licensee has abandoned a well or decommissioned a facility but cannot complete the reclamation work required as the entire lease is being used by another well/facility operation, the licensee may apply through IRIS for a Full Exemption from Reclamation in accordance with Directive PNG016.

If ER approves a Full Exemption from Reclamation application, the reclamation liability of the exempted well/facility licence is set to zero and the future reclamation responsibility of the site is transferred to the other well/facility licence identified within the application.

5.5 Multiple Licences on a Lease

Where a licensee has more than one well or facility licence on a single surface lease, the licensee may qualify for a reclamation liability reduction. In order for the application to be accepted, the well and facility licences must be non-abandoned and currently hold reclamation liability.

Should ER approve the reduction request, the reclamation liability of the highest well or facility licence would be retained and the remaining licences would be reduced to 10 per cent of their original reclamation amount.

Where a licensee holds multiple facility licences on a single site, the licence with the highest liability retains the full liability amount and IRIS automatically reduces the reclamation liability of any secondary facility licences. Therefore, there is no need to apply for this reduction for sites with only facility licences.

To apply, ER requires the licensee to submit the completed *Multi-Licensed Site Reclamation Liability Reduction Form* and required attachments for consideration. Refer to www.saskatchewan.ca for more details regarding the IRIS application process.

Example: A licensee has two active wells within a single surface lease that each hold a reclamation liability of \$13,600. After the licensee’s request is approved, the total reclamation liability of the site would be reduced by \$12,240 (based on the values in the example below).

Active Licence	Reclamation Liability	
	Before Request	After Request
Well 1	\$13,600	\$13,600
Well 2	\$13,600	\$1,360
Total:	\$27,200	\$14,960

5.6 Well or Facility Licence Transfer

Licensees may consider transferring well and/or facility licences to another eligible party as a way to reduce their total liability under the LLR Program. Refer to www.saskatchewan.ca for details regarding eligibility requirements and how to apply for a licence transfer.

5.7 Well Downhole Configuration

Under the LLR Program, wells are assigned an abandonment liability as described in [section 2.2](#). Licensees may refer to their [LLI Report](#) to determine the abandonment cost assigned to a specific well based on its Field Office area, depth, and configuration.

The downhole configuration for a well is automatically assigned within IRIS based on the well type and well status. For example:

Well Configuration	Well Status
Empty, Not Perforated	Planned, licensed, preset, drilling, cased, and downhole abandoned wells
Empty, Perforated	Completed wells
Tubing Only	Active and suspended gas, disposal, and injection wells
Tubing and Rod	Active and suspended oil wells

Where an actively operating wells downhole configuration differs from what is currently assigned under the LLR Program, the licensee may apply to have the abandonment liability adjusted. For this to occur, ER requires the licensee to:

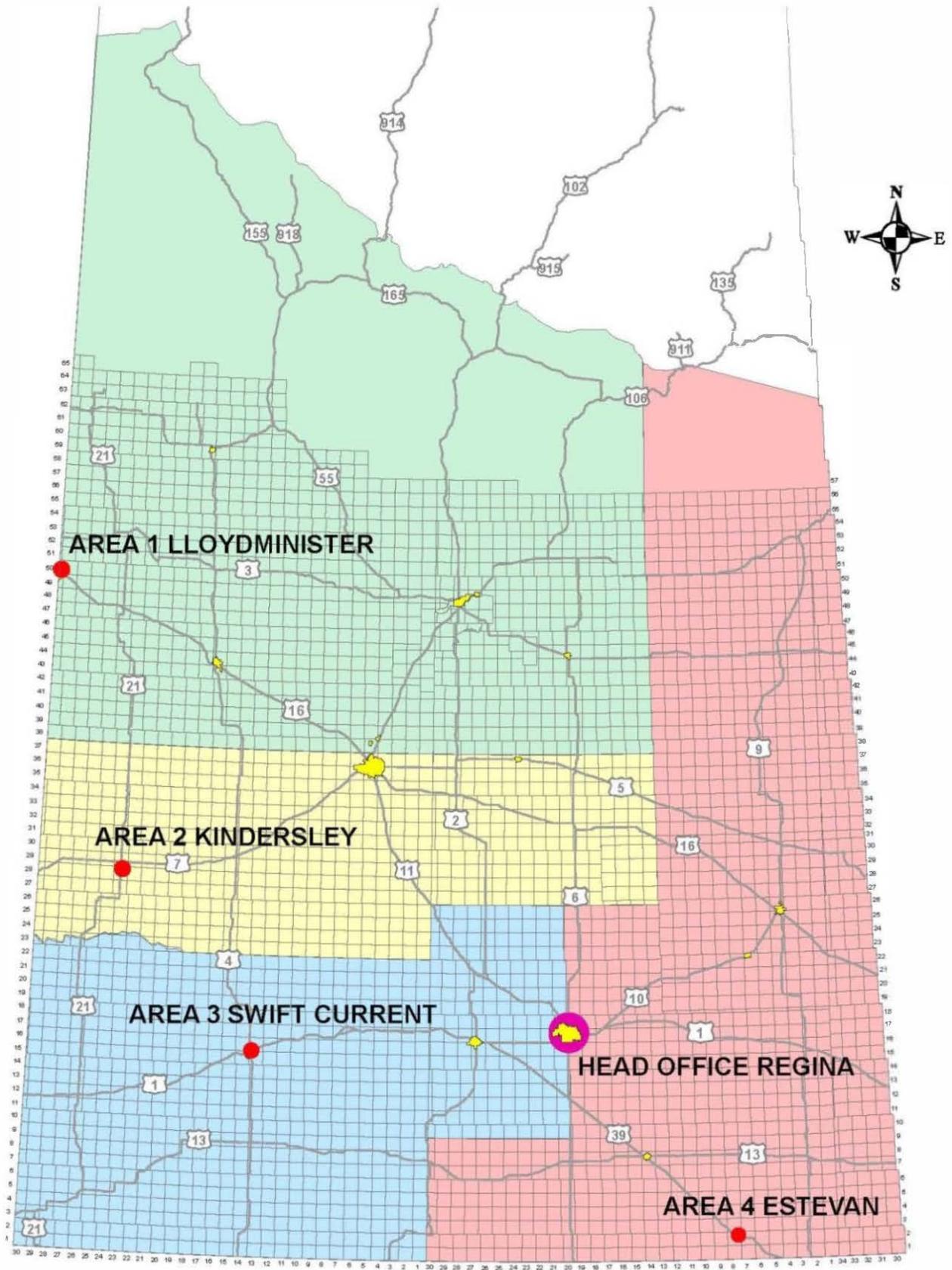
- attach a workover report (describing the downhole configuration) in IRIS. Contact the ER Service Desk at 1-855-219-9373 for more information on how/where to attach the document in IRIS.
- submit a formal request in writing, via email, to ER.Servicedesk@gov.sk.ca for consideration which identifies the:
 - licence number,
 - current liability and downhole configuration assigned under the LLR Program,
 - actual downhole configuration and corresponding liability under the LLR Program, and
 - reason why this well's downhole configuration differs from what is typically seen.

Please be advised that if an adjustment is granted, the licensee must notify ER if the well's downhole configuration changes in the future as a subsequent liability adjustment may be required.

Appendix 1: LLR Factors

Industry Average Netback (\$/m³OE)	Oil Equivalent (OE) Conversion Factor (C_f)	Shrinkage Factor (S_f)
\$148.98	0.9715 Mm ³ gas/m ³ oil	23.0%

Appendix 2: ER Field Office Administrative Boundary Map



Appendix 3: Provincial Well Abandonment Cost Table

Area 1. Lloydminster

Total Vertical Depth (mkb)	Empty, Not Perforated	Empty, Perforated	Tubing Only	Tubing & Rods
0 - 1199	\$5,100	\$12,300	\$16,800	\$18,900
1200 - 1999	\$5,100	\$13,700	\$18,100	\$31,300
2000 - 2499	\$5,100	\$15,100	\$32,600	\$34,500
2500 - 2999	\$5,100	\$16,900	\$39,000	\$41,500
≥ 3000	\$5,100	\$19,800	\$49,500	\$53,900

Area 2. Kindersley

Total Vertical Depth (mkb)	Empty, Not Perforated	Empty, Perforated	Tubing Only	Tubing & Rods
0 - 1199	\$5,100	\$11,800	\$17,500	\$20,100
1200 - 1999	\$5,100	\$13,100	\$26,300	\$28,500
2000 - 2499	\$5,100	\$14,500	\$30,000	\$32,300
2500 - 2999	\$5,100	\$16,200	\$38,200	\$40,700
≥ 3000	\$5,100	\$16,200	\$38,200	\$40,700

Area 3. Swift Current

Total Vertical Depth (mkb)	Empty, Not Perforated	Empty, Perforated	Tubing Only	Tubing & Rods
0 - 1199	\$5,100	\$11,800	\$17,500	\$20,100
1200 - 1999	\$5,100	\$13,100	\$26,300	\$28,500
2000 - 2499	\$5,100	\$14,500	\$30,000	\$32,300
2500 - 2999	\$5,100	\$16,200	\$38,200	\$40,700
≥ 3000	\$5,100	\$16,200	\$38,200	\$40,700

Area 4. Estevan

Total Vertical Depth (mkb)	Empty, Not Perforated	Empty, Perforated	Tubing Only	Tubing & Rods
0 - 1199	\$5,100	\$12,300	\$16,800	\$18,900
1200 - 1999	\$5,100	\$13,700	\$18,100	\$31,300
2000 - 2499	\$5,100	\$15,100	\$32,600	\$34,500
2500 - 2999	\$5,100	\$16,900	\$39,000	\$41,500
≥ 3000	\$5,100	\$19,800	\$49,500	\$53,900

Note: Swab Wells and Water Source Wells are assigned a \$5,100 abandonment liability under the LLR Program regardless of their location or depth.

Where applicable, the following parameters are applied in addition to the above abandonment costs:

- Commingled or Multi-zone wells +25% per completion
- Ground Water Protection Cost \$25,300
- Surface Casing Vent Flow Repair Cost \$30,900
- Gas Migration Cost \$33,000

Appendix 4: Well and Facility Reclamation Cost Table

ER Field Office	Licence Type or Status	Reclamation Cost
Any	Re-entered Well (original well licence that has been re-entered)	\$0.00
Any	Cancelled Well or Facility (no surface disturbance exists related to the cancelled licence)	\$0.00
Any	Cancelled Well or Facility (surface disturbance exists related to the cancelled licence)	\$5,100.00
Any	Swab Well or Water Source Well	\$5,100.00
Any	Multi Well Swabbing Oil Battery	\$5,100.00
Area 1 Lloydminster	Any, excluding above exceptions	\$22,200.00
Area 2 Kindersley	Any, excluding above exceptions	\$22,200.00
Area 3 Swift Current	Any, excluding above exceptions	\$13,600.00
Area 4 Evean	Any, excluding above exceptions	\$22,200.00

Appendix 5: Facility Well Equivalent Table

Facility Licence Type	Design Throughput Capacity	Well Equivalent (WE)
Cleaning Plant/Skim Oil	Any	5
Custom Treating Plant	Any	5
EOR Injection Facility	Any	4
Gas Compression Facility	Any	5
Gas Processing Plant	0 - 900 10 ³ m ³ /day	10
	900 - 5700 10 ³ m ³ /day	<p>WE = [(vol - 900) x C] + 10 where: • C = 0.00625; and • vol = design throughput capacity per day of oil (m³) + gas (10³m³) + water (m³)</p>
	>5700 10 ³ m ³ /day	40
Injection/Production Satellite	Any	2
LPG Storage Facility	Any	5
Multi Well Gas Battery	Any	5
Multi Well Oil Battery	0 - 50 m ³ /day	5
	50 - 6933.3 m ³ /day	<p>WE = [(vol - 50) x A] + 5 where: • A = 0.005084745; and • vol = design throughput capacity per day of oil (m³) + gas (10³m³) + water (m³)</p>
	> 6933.3 m ³ /day	40
Multi Well Swabbing Oil Battery	Any	1*
Oily Byproduct Storage	Any	5
Waste Plant/Reclaimer/Skim Oil	Any	5
Water Injection/Disposal Facility	Any	0
Water Source Facility	Any	2

*Note: Multi Well Swabbing Oil Batteries have a fixed abandonment cost of \$5,100.