



June 24, 2016

Alberta Energy Regulator  
Suite 1000, 250 – 5th Street SW  
Calgary, Alberta T2P 0R4  
**Attention: Jim Ellis**  
**President and Chief Executive Officer**  
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Alberta Energy Regulator  
Suite 1000, 250 – 5 Street SW  
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**Attention: Hélène de Beer**  
**Acting Vice President – Closure and Liability Branch**  
[Helene.deBeer@aer.ca](mailto:Helene.deBeer@aer.ca)

Re: Bulletin 2016-16 - "Licensee Eligibility – Alberta Energy Regulator Measures to Limit Environmental Impacts Pending Regulatory Changes to Address the Redwater Decision" (the Bulletin)

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Dear Sir or Madam,

The Canadian Association of Petroleum Landmen (CAPL) represents over 1800 negotiating landmen directly involved in the oil and gas and utility industry. The release of the above captioned bulletin has caught all our members by surprise along with a good many other firms involved in transactions **right now** with oil and gas companies. It is quite clear the rationale for putting these stop gap measures in place; however, this has resulted in, what we believe are, unintended consequences.

CAPL believes the industry should be responsible for the liability of well abandonments and reclamation. The Alberta public, being the true landlords of the resource and the ultimate benefactors of the wealth that the ownership of those resources creates, should not unknowingly inherit the financial responsibility for a severely depleted Orphan Well Fund.

CAPL, while it does not take exception to the creation of new measures to prevent further fallout from the Redwater decision spreading, does view the timing and the immediacy of this bulletin imposing additional stress on companies already managing their affairs, struggling with financial burdens, bearing increasing scrutiny from creditors and some facing receivership or bankruptcy proceedings. Clearly the latter will likely force feed more abandonment responsibilities onto the OWA. This seems counterproductive to us. CAPL supports a risk based approach but not in this manner.

CAPL believes that the industry could shoulder heightened responsibility for the end life of wells and facilities, but in a *phased in approach*. Timing is always crucial in the industry and surprises are **never** welcome. We have a strong working relationship with government, and this mutual respect extends to granting sober second thought to many successful campaigns to benefit all Albertans.

Our members are always dealing with timelines: partner and farmor commitments, mineral expiries, and limited operating windows due to environmental considerations, weather or other factors. To adopt a stricter requirement for the industry *with no consultation and no time for preparation* has all the appearance of

reactiveness, rather than a planned, efficient, effective and transparent change. CAPL is concerned and the statistics show that **approximately three quarters (3/4) of the industry is going to be shut out of making deals (on the purchasing side) due to their inability to meet the new 2.0 threshold** that leaves one quarter (1/4) of the industry in an enviable position **created by legislation, not business opportunity.**

There are many companies with favorable assets looking to sell but now the number of potential buyers just got a lot smaller. Today we are hearing of deals that are now off the table due to the immediate effect of doubling the LLR to 2.0. There are a number of companies caught where their deals closed earlier this week but they had not yet transferred the licenses with the AER; what are these companies supposed to do? Go back and undo the deal?

Unintended consequences are the outcomes as more companies, unable to exist in an already strained economic environment, will suffer irreparable harm as receivers will service the good wells and sever the bad wells and facilities which will ultimately wind up on the OWA's list, resulting in certain companies, that can advertise a plus 2.0 LLR, hovering like vultures over the insolvency lists to purchase only the good wells and facilities.

**CAPL asks that the AER please review this decision and the immediate impacts and disruption it will create in the industry and consider first to withdraw the new required 2.0 LLR rating for companies emerging from acquisitions and second to consider introducing any new measures in a fashion familiar to the AER – that being to roll it out progressively over several months allowing industry to absorb the impact and prepare balance sheets accordingly. A period of grace is a reasonable request.**

The AER will still exercise its control over making every license transfer application non-routine and thereby will have an opportunity to shine a light on transactions that appear to be unsavory.

Thank you very much for your time. If you wish to discuss this further with CAPL please contact the signees below.

Regards,

**Yours very truly,**

**CANADIAN ASSOCIATION OF PETROLEUM LANDMEN**



**Larry B. Buzan, P.Land  
President**



**Nikki Sitch, P. Land, PSL  
Past President**

cc See addressee list below

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