

INFORMATION BULLETIN

2010-08

February 12, 2010



RELEASE OF THE OFFICE OF THE AUDITOR GENERAL (OAG) AUDIT ON OIL AND GAS CONTAMINATION RISKS

The Office of the Auditor General of British Columbia has released their Audit Report "Managing Oil and Gas Site Contamination Risks: Improved Oversight Needed". The audit was designed to assess whether the BC Oil and Gas Commission (Commission) is providing adequate oversight of risks associated with upstream oil and gas site contamination.

The Commission believes there are always opportunities to improve many aspects of our roles and responsibilities. All of our employees embrace the culture of doing the best job possible.

There are some key pieces of information that do not readily stand out in the Auditors report:

- The Province is protected; People are protected;
- FACT: *Environmental Management Act* has broad powers to ensure contaminated sites clean up and costs are borne by the owner;
- FACT: Operators retain liability in perpetuity; means that even after a site is deemed cleaned-up operators can be made to return and do additional work; and
- FACT: Where no operator exists the Province has established a fund to cover costs. The fund is maintained by a tax on the industry itself to ensure taxpayers do not pay for industry's clean-up.

In 2008 the Commission published its Annual Site Restoration Report providing evidence supporting its effective oversight for environmental and financial risks, as well as addressing transparent reporting, performance measures, professional assurance, well site contamination risk information and inactive, legacy and orphan sites. Please visit www.ogc.gov.bc.ca to view report.

Through cooperation and communication between the BC Oil and Gas Commission and Office of the Auditor General, the majority of the audit report issues identified have been resolved.

The Commission is committed to working with all government agencies that have responsibility for establishing related policy and developing appropriate legislation. The Commission balances a broad range of environmental, economic and social considerations. Among its more specific objectives are: public safety, conservation of petroleum resources, fostering a healthy environment, and equitable participation in production.

Should you have any questions regarding this Information Bulletin, please contact:

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BACKGROUNDER

February 12, 2010



FACT: The Province is protected; People are protected:

FACT: *Environmental Management Act* has broad powers to ensure contaminated sites costs are borne by the owner.

FACT: Operators retain liability in perpetuity; means that even after a site is deemed cleaned-up operators can be made to return and do additional work.

FACT: Where no operator exists the Province has established a fund to cover costs. The fund is maintained by a tax on the industry itself to ensure taxpayers do not pay for industry's clean-up.

BC Oil and Gas Commission's oversight, tools and processes:

- Making sure we have the right people
- Dedicated waste management department
- Have qualified professionals dedicated to Site Restoration
- Have agreements in place defining roles between agencies; Ministry of Environment and Commission
- Have clear guidance for industry using a classification tool to define sites
- Have implemented a Certificate of Restoration process
- Have invested in a major IT initiative to support processes
- Liability Rating System Implementation
- Well Suspension Requirements
- Orphan Site Reclamation Fund
- Implementing a post-certification audit
- Have engaged the Forest Practices Board to audit Commissions compliance and enforcement practices
- Creating new regulations enabled by OGAA = Improved Administrative Tools
- Making sure information is available to public:
 - Annual Site Restoration Report
 - Flaring Report
 - Field Inspection Report

By The Numbers: 20, 438 wellsites =

- 10, 300 active producing
- 3,800 fully restored
- 2,000 in the restoration process
- 4,300 in various stages of development
- 38 potential orphans over a 100 year period; 12 already restored