

Directive 067

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Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals

The Alberta Energy Regulator has approved this directive on December 6, 2017.

<original signed by>

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President and Chief Executive Officer

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1 Introduction

Acquiring and holding a licence or approval for energy development in Alberta is a privilege, not a right. This new edition increases the scrutiny the AER applies to ensure that this privilege is only granted to responsible parties. Changes include requiring additional information at the time of application, increased discretion regarding the rejection of applications where an applicant poses a risk, and requirements for keeping corporate information up to date.

2 Business Associate Codes

The *Oil and Gas Conservation Act* and *Pipeline Act* require that a person (which includes a corporation) must hold a subsisting identification code in order to apply to the AER for a licence or approval under those acts. The AER has referred to these as business associate (BA) codes. The AER no longer issues BA codes. These are issued through Petrinex.

Any party that seeks to apply for and hold AER licences or approvals must first apply for and obtain a BA code through Petrinex (www.petrinex.ca). Parties who hold a BA code are not permitted to hold AER licences or approvals unless the AER has determined they are eligible to do so.

3 Licence Eligibility Types

There are three eligibility types:

- 1) No Eligibility
 - Not eligible to acquire or hold licences to drill/construct wells, facilities, or pipelines.
- 2) General Eligibility
 - Eligible to hold licences for all types of wells, facilities, and pipelines.
- 3) Limited Eligibility
 - Eligible to hold only certain types of licences and approvals, or eligibility is subject to certain terms and conditions.

The AER may grant licence eligibility with or without restrictions, terms and conditions, or it may refuse to grant licence eligibility.

4 Process for Obtaining General Licence Eligibility

Once a person has a BA code, they may apply to the AER for licence eligibility by submitting schedule 1 and, if applicable, schedule 2. Upon review of the information provided, the AER may request additional information. The AER may audit the information provided for accuracy and completeness at any time before or after granting eligibility.

Requests for licence eligibility that do not contain all the information required will be summarily closed.

Basic requirements are as follows:

- Applicant is an individual or a corporation that meets the requirements of section 20 of the *Oil and Gas Conservation Act* or section 21 of the *Pipeline Act*.
- Applicant is a resident of Alberta or has appointed an AER-approved agent that is a resident of Alberta.
- Applicant has provided proof of adequate insurance.
- Applicant has paid the required fee.
- Applicant has signed a declaration attesting to the truth and completeness of the application, consenting to the release and collection of compliance information regarding the applicant from other jurisdictions and regulators as applicable, and attorning to the jurisdiction of Alberta.
- In the AER's opinion, the applicant does not pose an unreasonable risk.

In assessing whether the applicant poses an unreasonable risk, the AER may consider any of the following factors:

- the compliance history of the applicant, including its directors, officers, and shareholders, in Alberta and elsewhere, including in relation to any current or former AER licensees that are directly or indirectly associated or affiliated with the applicant or its principals;
- the compliance history of entities currently or previously associated or affiliated with the applicant or its directors, officers, and shareholders;
- experience of the applicant, including its directors, officers, and shareholders;
- corporate structure;
- the financial health of the applicant;
- outstanding debts owed by the applicant or current or former AER licensees that are directly or indirectly associated or affiliated with the applicant or its directors, officers, or shareholders;
- outstanding noncompliances of current or former AER licensees that are directly or indirectly associated or affiliated with the applicant or its directors, officers, or shareholders;
- involvement of the applicant's directors, officers, or shareholders in entities that have initiated or are subject to bankruptcy or receivership proceedings or in current or former AER licensees that have outstanding noncompliances; and

- naming of directors, officers, or shareholders of current or former AER licensees under section 106 of the *Oil and Gas Conservation Act*.

The AER will assess the information provided in the application, along with any other relevant information, and will determine whether the applicant meets the eligibility requirements for acquiring and holding AER licences or approvals.

The AER may refuse to grant licence eligibility or may grant licence eligibility with or without restrictions, terms, or conditions.

Restrictions, terms, and conditions may include

- the types of licences or approvals that may be held,
- the number of licences or approvals that may be held,
- additional scrutiny required at time of application for or transfer of a licence or approval,
- requirement to provide full or partial security at time of application for or transfer of a licence or approval,
- requirements regarding the minimum or maximum working interest percentage permitted, or
- a requirement to address outstanding noncompliances of current or former AER licensees that are directly or indirectly associated with the applicant or its directors, officers, or shareholders.

5 Fee

For most licence eligibility types, a fee is required. The amount of the fee is prescribed in the *Oil and Gas Conservation Rules* and may be waived or varied by the AER if circumstances warrant (section 17.010).

Applications that do not include the required fee will be summarily closed.

6 Insurance

At the time of applying for licence eligibility, applicants must have and maintain comprehensive general liability insurance with minimum coverage of \$1 000 000. Applicants must submit a certificate of proof of insurance or a statement of the insurer describing the coverage, effective date, and termination date of the insurance.

Should eligibility be granted, you must maintain reasonable and appropriate insurance coverage for the operations of the company. Such coverage must include pollution coverage sufficient to cover the cost of removal and cleanup operations required as a result of an incident. Sufficient coverage for loss or damage to property or bodily injury caused during operations must also be maintained.

A certificate of insurance must be provided to the AER upon request. Notice of cancellation of insurance must be provided within 30 days. Unless otherwise authorized, you must have insurance issued from a company registered in Alberta to provide insurance in Alberta.

Upon request, information regarding coverage and content of the insurance must be provided. The AER may require the licensee to obtain additional insurance; at all times the licensee is solely responsible for maintaining appropriate levels of insurance given the nature and scope of operations.

7 Residency Requirements

An applicant must either

- be resident in Alberta, as defined in section 1.020(2.1) of the *Oil and Gas Conservation Rules* and section 1(6) of the *Pipeline Rules*;
- appoint an agent that is resident in Alberta (schedule 2) and have that appointment approved by the AER, as required by section 91 of the *Oil and Gas Conservation Act* (section 91) and section 19 of the *Pipeline Act*; or
- be exempt from the resident/agent requirement (granted under specific circumstances set out in section 1.030 of the *Oil and Gas Conservation Rules* and section 1.1 of the *Pipeline Rules*).

For these purposes, “resident” means,

- in the case of an individual, having his or her home in and being ordinarily present in Alberta or,
- in the case of a corporation, having a director, officer, or employee that has his or her home in and is ordinarily present in Alberta and is authorized to make decisions about the licensing and operating of the well, pipeline, or facility and about implementing the directions of the AER regarding the well, pipeline, or facility.

If an applicant does not meet this definition of resident, then the applicant must appoint an agent. Schedule 2 must be completed and submitted and the appointment must be approved by the AER before it is in effect.

Both the applicant and the agent must meet all the licence eligibility requirements set out in this directive.

8 Requirements for Existing Holders of Licence or Approval

All existing licence or approval holders must meet licence eligibility requirements on an ongoing basis and ensure that the information the AER has on file is kept accurate. An updated schedule 1 must be provided within 30 days of any material change and may result in the AER revoking

eligibility or restricting eligibility by imposing terms and conditions where, in its opinion, the change has resulted in an unreasonable risk.

Material changes include

- changes to legal status and corporate structure;
- addition or removal of a related corporate entity;
- amalgamation, merger, or acquisition;
- changes to directors, officers, or control persons¹;
- appointment of a monitor, receiver, or trustee over the licensee's property;
- plan of arrangement or any other transaction that results in a material change to the operations of the licensee;
- the sale of all or substantially all of the licensee's assets; or
- cancellation of insurance coverage.

Before effecting a material change, licensees may request an advance ruling on whether the AER would consider the change an unreasonable risk.

9 Restriction of Licence Eligibility

There are three main circumstances in which the AER may revoke or restrict licence eligibility:

- 1) failure to provide complete and accurate information and ensure that information remains complete and accurate by advising the AER of material changes within 30 days;
- 2) after consideration of the factors in section 4, a finding by the AER that, as a result of a material change or compliance history, the licensee poses an unreasonable risk; or
- 3) the licensee fails to acquire or hold licences or approvals within one year following granting of licence eligibility.

If a party already holds licences or approvals, licence eligibility will be restricted. If the party had general eligibility, this will be changed to limited eligibility, and additional terms or conditions may be imposed. The party will not be permitted to acquire additional licences or approvals unless general licence eligibility is reacquired or the terms and conditions are lifted.

If a party does not hold licences or approvals, licence eligibility will be revoked and the party will have no eligibility. The party will have to reapply under this directive for licence eligibility.

¹ A "control person" means any person or company, or combination of persons and companies, that hold or control more than 20% of the outstanding voting securities of the licensee or approval holder.

10 Application for Amendment to Eligibility

Application to amend licence eligibility will require reapplication under this directive, including payment of an additional fee, and may result in the imposition of restrictions, terms, or conditions.

Directive 067 – Schedule 1 Licence Eligibility (Well, Facility, or Pipeline)



Month	Day	Year			

A. Individual Completing Form		
Full name: _____		
Relationship to applicant: _____		
Address: _____		

Telephone: _____	Fax: _____	Email: _____

B. Applicant Information		
Applicant name: _____	BA code: _____	
Address: _____		

Telephone: _____	Fax: _____	Email: _____
24-hr emergency response no.: _____	Alberta corporate access no.: _____	
Contact person for this schedule: _____		

C. Nature of Application
<input type="checkbox"/> Application for general licence eligibility to hold AER licences or approvals
<input type="checkbox"/> Application for amendment of licence eligibility
<input type="checkbox"/> Corporate profile update (complete sections E and F)

D. Licence Eligibility
Check the appropriate boxes to indicate the required items you have completed and attached.
<input type="checkbox"/> Well, Facility, and/or Pipeline Licence
<input type="checkbox"/> Corporate information (section E)
<input type="checkbox"/> Appointment of agent (if applicant is nonresident)
<input type="checkbox"/> Proof of insurance

- First-time licensee fee
- Statutory declaration

E. Corporate Information (only required if applicant is a corporation)

Please provide details regarding the corporate structure of the applicant and provide the full names of any related entities, including parent and subsidiary corporations and any entity with common directors, officers, partners, or control persons (any person or company, or combination of persons and companies, that hold or control more than 20% of the outstanding voting securities of the licensee or approval holder.) of the applicant.

Are there any current regulatory proceedings or outstanding noncompliances (including financial) associated with the applicant or any related entities in Alberta and other jurisdictions?

- Yes No

If yes, provide the details.

- A copy of the most recent audited financial statements is attached.

List the full legal names of all shareholders (including corporate shareholders) who directly or indirectly own more than 20% of the outstanding voting securities of the corporation (Attach a separate sheet if more space is needed.)

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<hr/>	<hr/>

Directors of the corporation (names, including initials, must match exactly with the names in the Alberta Corporate Registry Computer System [CORES]; also include any professional designations)

Senior officers (including professional designations)

Chief Executive Officer: _____

Chief Operating Officer: _____

Chief Financial Officer: _____

President: _____

Other (provide below)

_____ : _____

In the last 5 years have any of the above directors and officers been a director or officer of an energy company in any jurisdiction?

Yes No

If yes, provide the details below. Attach additional sheets if necessary.

Name	Position held	Company	Jurisdiction	Period in which position was held

In the last 5 years have any of the above directors and officers been a director or officer of an energy company that has been subject to insolvency proceedings either while they were a director or officer or during the 12-month period preceding such proceedings?

Yes No

If yes, provide the details below. Attach additional sheets if necessary.

Name	Position held	Company	Date of commencement of insolvency proceeding

For each of the directors and officers listed above, attach a legible copy of one current piece of government-issued identification that contains a photograph taken within the last 10 years and an accompanying affidavit or attestation of instrument and declaration (see last page of this schedule). This personal information is being collected for the following purposes:

- to verify the accuracy of the information that has been provided (e.g., to reveal and deter fraud or misrepresentation);
- to consider the applicant's eligibility to receive a licence;
- to conduct compliance and enforcement proceedings; and
- to perform other investigations as required by and to ensure compliance with applicable requirements.

The Alberta Energy Regulator will make reasonable security arrangements to protect the personal information collected by it from risks such as unauthorized access, use, disclosure or destruction. If you have any questions regarding the collection, use, or disclosure of the personal information that is the subject of this document please contact the AER FOIP office, Suite 1000, 250 - 5th Street SW, Calgary, Alberta T2P 0R4, telephone: (403) 297-8311 (toll free, 1-855-297-8311).

F. Declaration of Applicants (completed by all directors and officers listed in section E)

I, _____, of _____
(signatory's name) *(city/location)*

in the Province of _____, as _____,
(province) *(job title)*

declare that

- 1) the information here and in all supporting documentation is complete and accurate to the best of the signatory's knowledge, having made reasonable inquiries about the matters herein;
- 2) I am aware of and have the authority and responsibility to bind the applicant and ensure compliance with the requirements imposed by the statutes, regulations, and rules of the Province of Alberta and the directives and policies of the Alberta Energy Regulator that are pertinent to AER licence holders; and
- 3) the applicant agrees to attorn to the jurisdiction of the Alberta Energy Regulator and the province of Alberta.

Name (printed): _____

Position: _____

Signature: _____

Submit the completed form and all necessary attachments to LiabilityManagement@aer.ca.

G. AER Use Only

The Alberta Energy Regulator hereby disposes the identification code licensee eligibility type application as submitted subject to the attached conditions (if any).

Approved by: _____ BA code: _____

Title: _____ Licence eligibility type: _____

Date: _____

Attestation of Instrument and Declaration

I, _____, hereby certify that I met with _____ on _____ and verified this person's identity by examining the original of this person's identity document, of which a photocopy is contained on this page. The photograph in the identity document is a true likeness of the said person and to the best of my knowledge and belief, the identity document that I examined is valid and unexpired.

Attested to by me at _____, on _____.

Signature of Attestor

Printed Name of Attestor

Title or Profession of Attestor

Address of Attestor

Telephone Number of Attestor

Directive 067 – Schedule 2 AER Agent Registration and Discharge



Agent Appointment (by licensee)		
Month	Day	Year
Agent's name: _____		
Address: _____		

Telephone: _____ Fax: _____ E-mail: _____		
24-hr emergency response no.: _____		
Agent's BA code: _____		
Agent's Alberta Corporate Access Number: _____		
Agent's contact person: _____		
Appointment Statement		
In accordance with section 91 of the <i>Oil and Gas Conservation Act</i> and/or section 19 of the <i>Pipeline Act</i> , the licensee, _____, hereby appoints _____ as its registered agent in the Province of Alberta to carry out its duties and responsibilities under the <i>Oil and Gas Conservation Act</i> and <i>Rules</i> and/or the <i>Pipeline Act</i> and <i>Rules</i> . The licensee acknowledges that this appointment of an agent does not relieve the licensee of any duty or responsibility under the <i>Oil and Gas Conservation Act</i> and <i>Rules</i> and/or the <i>Pipeline Act</i> and <i>Rules</i> .		
Name (printed): _____ Position: _____		
Signature: _____		

Agent Acceptance (by agent)		
Month	Day	Year
Acceptance Statement		
The agent, _____, hereby accepts this appointment and acknowledges the responsibility to comply with all duties and responsibilities of the appointing licensee under the <i>Oil and Gas Conservation Act</i> and <i>Rules</i> and/or the <i>Pipeline Act</i> and <i>Rules</i> .		
Name (printed): _____ Position: _____		
Signature: _____		
<input type="checkbox"/> Proof of insurance attached		

(continued)

Agent's corporate profile

List all shareholders unless there are more than 5. If more than 5, list only those who directly or indirectly own more than 20% of the outstanding voting securities of the corporation. (Attach a separate sheet if more space is needed.)

_____	_____
_____	_____
_____	_____
_____	_____

Directors (names, including initials, must match exactly with the names in the Alberta Corporate Registry Computer System, CORES)

_____	_____
_____	_____
_____	_____

Senior officers

Chief Executive Officer: _____

Chief Operating Officer: _____

Chief Financial Officer: _____

President: _____

AER Use Only

The AER hereby approves the agent appointment as submitted subject to the attached conditions (if any).

Approved by: _____ Licensee BA code: _____

Title: _____ Licence eligibility type: _____

Date: _____ Agent BA code: _____

Agent Discharge

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Month Day Year

Discharge Statement

Agent discharge may only occur upon consent of the AER. The liability of an agent for a licensee's oil and gas properties continues until the AER agrees in writing to accept the Agent Discharge application, as per section 91(7) of the *Oil and Gas Conservation Act*. (Note that even after discharge, the agent remains responsible and liable for acts and omissions during the time it was agent.)

The licensee, _____, hereby discharges _____ as its registered agent in the Province of Alberta under the *Oil and Gas Conservation Act* and/or the *Pipeline Act*.

Name (printed): _____ Position: _____

Signature: _____

Submit the completed Schedules 1 and 2 and all necessary attachments to the Alberta Energy Regulator, Liability Management, Suite 1000, 250 – 5 Street SW, Calgary, Alberta T2P 0R4.

AER Use Only

The AER hereby approves the discharge of agent as submitted subject to the attached conditions (if any).

Approved by: _____ Licensee BA code: _____

Title: _____ Licence eligibility type: _____

Date: _____ Agent BA code: _____