



AGENDA ITEM

Silverleaf Resources - Tax Relief Request – Point Loma Receivership Sale

February 18, 2021

BACKGROUND

On June 8, 2020, Point Loma Resources Ltd. was placed into Receivership. This receivership affected about 300 wells, 56 facilities and 182 pipeline segments. These assets are centered around west central Alberta. A number of these assets are in Lacombe County. The application for receivership was made by the Orphan Well Association (OWA).

The OWA has been put into this position frequently in the last year. The Association was left with these assets and their substantial remediation costs. There does not appear to be any other assets associated with the Company.

At the time of receivership, Point Loma had not paid the 2019 or 2020 property taxes for any of its properties or assets in Lacombe County.

Lacombe County has expected that most of Point Loma's assets in the County would be retained by the Association and that the County would not recoup any taxes from these sites. The County has established allowances in the eventually that these taxes would have to be cancelled.

On February 11, 2020, the County was advised that six well sites had been conditionally sold to Silverleaf Resources Inc. As part of its due diligence, the Company is seeking the cancellation of the outstanding 2019 and 2020 and a portion of the 2021 taxes.

ANALYSIS

As part of the receivership these sales are approved by the Court. As part of the conditions placed on the order approving the sale of these assets is the termination of any debts associated with the assets. Though the County is not privy to the details of the sale, given that the OWA has significant remediation liabilities associated with these wells either the amount paid will be put in the OWA's remediation fund or the company will in lieu of compensation assume the liability for the wells. Regardless, the likelihood of the County receiving any outstanding taxes from this transaction are minimal.



The request from the company is \$11,112.68 and reflects an estimate for the 2020 property taxes. The company is also seeking cancellation of 2021 taxes from January 1st to February 11, 2021.

In fact, the total amount owing for these properties is \$29,958.51 which includes, the 2019 and 2020 levies as well as penalties for over the same period. The portion of the 2021 levy is estimated to be \$1,536.

Administration has established an allowance (reserve) for the 2019 and 2020 taxes and penalties associated with these wells. The 2021 would be a reduction in 2021 revenue.

ALTERNATIVES

1. Approve the request as presented.
2. Cancel the full amount of 2019 and 2020 and a portion of 2021 totalling \$31,494.51.
3. Deny the request.
4. Direct Administration on another course of action.

BUDGET IMPLICATIONS

The only implications for 2021 is the portion of taxes that apply to the time prior to the closing of the sale. The County estimates that to be \$1,536. However, it should be noted that if the assets remain with the receiver the County would have to eventually cancel \$12,287.97 related to 2021 taxes.

The County estimated an allowance for the 2019 and 2020 levy and penalty and its cancellation will have no impact on 2021 finances.

LEGISLATIVE RESPONSIBILITIES

The Municipal Government Act (MGA) provides Council with the authority to cancel property taxes. Section 347(1) of the MGA states that "if a Council considers it equitable to do so, it may, generally or with respect to a particular taxable property or business or a class of taxable property or business, do one or more of the following, with or without conditions 1) cancel or reduce tax arrears, 2) cancel or refund all or any part of a tax, or 3) defer the collection of a tax".

Section 248(1)(a) of the MGA states that a municipality may only make an expenditure that is included in an operating budget, interim operating budget or capital budget unless otherwise authorized by Council.



The Federal Bankruptcy and Insolvency Act outlines the priority of claims as it relates to bankruptcies and receiverships. Municipal linear taxes are considered an unsecured claim under the Act and this has been confirmed by case law over the past 18 months.

PUBLIC PARTICIPATION

The County’s public engagement will be limited to informing the public of Council’s decision on this matter as well as communicating Council’s decision to Silverleaf Resources.

STRATEGIC PLAN

- Core Strategy– “Finance”,
 - Strategic Priority Manage the financial assets of the County in order to obtain maximum value.

RECOMMENDATION

That Council approve the cancellation of the 2019 and 2020 property taxes and penalties for the following well sites related to assessment roll #0000553795:

License	UWI	Surface Location
0397734	100/02-25-039-28W4/0	02-25-039-28W4
0376832	100/03-13-040-28W4/2	03-13-040-28W4
0399657	100/04-13-040-28W4/0	04-13-040-28W4
0396669	100/08-13-040-28W4/0	08-13-040-28W4
0374624	100/10-11-040-28W4/0	10-11-040-28W4
0402202	100/10-24-039-28W4/00	08-24-039-28W4

and totalling \$31,494.51;

And further that Council approve the request of Silverleaf Resources to cancel the 2021 prorated property taxes for the same properties up to February 11, 2021, subject to the Silverleaf Resources providing confirmation of the purchase of the assets.

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