



Corporate Abandonment Orders

Chris Schacher, Closure & Liability

November 6, 2018

Trigger

- › Court-appointed insolvency proceedings **or**
- › Ceased operations
- › **Result:** AER Corporate-level abandonment order

Court-Appointed Insolvency Proceedings

- 》 Receiverships and bankruptcies
- 》 Renouncement (disclaimer) per section 14 of the *Bankruptcy and Insolvency Act*
- 》 Receiver/manager discharge

Ceased Operations

- 》 No formal insolvency proceedings
- 》 Written communication from the licensee that they have or will be ceasing operations imminently.
- 》 There are no remaining directors or officers, no remaining operational staff, and/or no funding to continue operations.

Issuing an Abandonment Order

- » The licensee and remaining working interest participants (WIP) are ordered to abandon wells, facilities, and pipelines.
 - WIPs are required to submit an abandonment plan within 60 days of the order.

Issuing an Abandonment Order cont'd

- 》 If the licensee is 100% WIP, this deadline may vary—especially if the site is identified with urgent public, health, or environmental risk.
- 》 WIPs are also responsible for reclaiming the site.

Regulator-Directed Transfer

- » An alternative to abandonment
- » Applicant can acquire a licence (well, facility, or pipeline) to resume operations
- » Applicant must have licensee eligibility
 - *Directive 067: Eligibility Requirements for Acquiring and Holding Energy Licences and Approvals*

Regulator-Directed Transfer cont'd

- 》 For wells, valid mineral and surface rights required.
- 》 Other regulatory requirements

Order Process Review

- » After issuance of an abandonment order:
 - AER reviews compliance of WIPs and/or licensee to order
 - WIP/Licencee has met or meeting the requirements of the order?
 - WIP/Licensee has not met the requirements of the order?
 - AER follow up and action

Orphan: Abandonment

» Orphan designation:

- After the AER determines an order has breached, identify sites that have no remaining viable WIPs (e.g., licensee is 100% WIP).
- The AER issues a letter to the Orphan Well Association (OWA), indicating that the licensee did not meet the terms of the abandonment order.
 - The letter authorizes the OWA to complete the requisite work, as outlined under the order.

Orphan: Reclamation

- » To facilitate the reclamation of orphaned wells:
 - The AER issues an environmental protection order to the licensee, ordering a reclamation certificate be obtained.
 - If the licensee does not comply, the OWA is directed to reclaim the site.

Orphan: Reclamation cont'd

» For previously abandoned sites:

- The AER reviews the licensee's previously abandoned sites that require reclamation certificates.
- The AER assigns closure responsibilities to a party (e.g. WIP, OWA, or lease holder).

Redwater

- » The AER pursued the Redwater matter to the highest court in our country because the decision poses a significant, unacceptable risk to Albertans.
- » The Redwater decision impacts Alberta's constitutional right to manage its own resources.

Redwater cont'd

- » Regardless of the court's decision, the AER and the provincial government are committed to working with the people of Alberta, indigenous communities, the energy industry, and all stakeholders to ensure public safety and environmental protection before, during, and after energy resource development.

Liability going forward

- » Liability issues are a decades old problem that exists around the world. The AER is committed to working with industry to ensure they are accountable for cleaning up their sites.

A landscape photograph showing a dirt road winding through rolling hills. The foreground and middle ground are dominated by vibrant yellow fields, likely rapeseed, interspersed with green grass. The background shows more rolling hills under a bright blue sky with scattered white clouds. A large white arrow graphic points from the left towards the text.

Thank you