

Orphan Well Association



**Orphan Well
Association**

How are Orphan Properties Managed?

Lars De Pauw, Executive Director

Synergy Alberta Conference

Red Deer, AB

November 6, 2018

Orphan Well Association

- **Non-profit organization**
- **Operate under the delegated authority of Alberta Energy Regulator (AER)**
- **Financially and legally separate from the AER**
- **Primarily funded by the Alberta oil and natural gas industry**

Orphan Well Association

- **Enabling Legislation:**
 - Orphan Fund Delegated Administration Regulation
 - Oil And Gas Conservation Act
 - Responsible Energy Development Act
 - Environmental Protection And Enhancement Act

Orphan Well Association

- **Six voting members on Board of Directors**

- Canadian Association of Petroleum Producers (3 seats)
 - Brad Herald (CAPP), Orest Kotelko (CNRL), Kendall Dilling (Cenovus)
- Explorers and Producers Association of Canada (2 seats)
 - Darrel Purdy (Paramount) and Jim Screenshot (Corval)
- Alberta Energy Regulator (1 seat)
 - Trevor Gosselin
- Alberta Environment and Parks (Honorary non-voting member)
 - Karen Wronko

Orphan Well Association Mandate



Our mandate is to manage the abandonment of Alberta upstream oil and natural gas orphan wells, pipelines, facilities and the reclamation of their associated orphan sites

What is an Orphan?



- **Well, facility, pipeline or associated site**
- **No legally responsible or financially viable party**
 - 100% orphan
 - No working interest participants (WIP)
- **Must be designated by AER**

What if less than 100%?

- **AER directs Working Interest Participant(s) to manage site**
- **Working Interest Participant's may decommission & reclaim site**
- **Can apply to AER/OWA for reimbursement for defunct company's portion of costs**
 - After decommissioning
 - After reclamation certificate issued

Example of Properties through Bankruptcy

- Receivership in Nov 2017
- 3 wells on same quarter licensed to Questfire



Example of Properties through Bankruptcy

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 - All disclaimed by Receiver June/July 2018



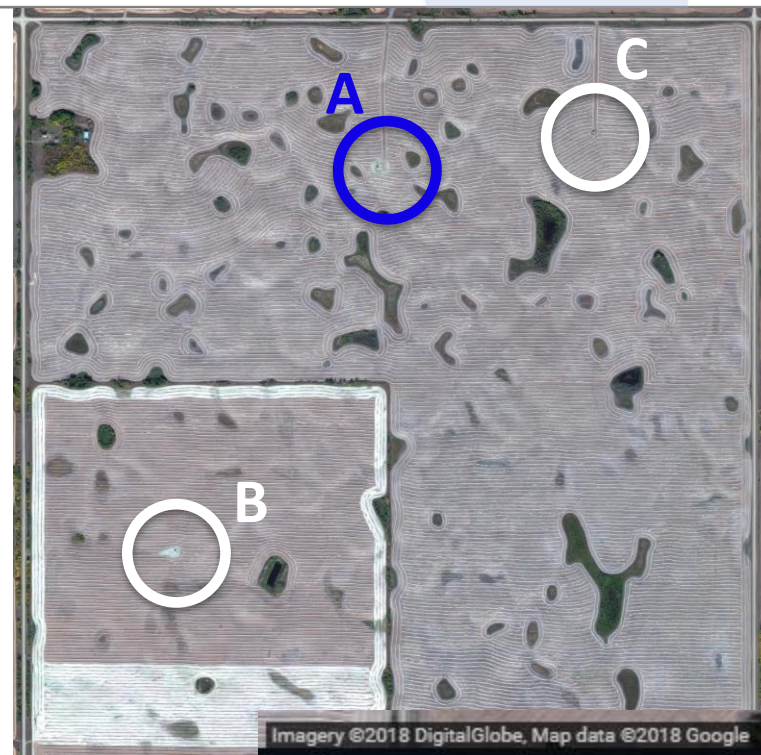
Example of Properties through Bankruptcy

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- **Site A – 100% Questfire**
 - Deemed Orphan - Aug 2018



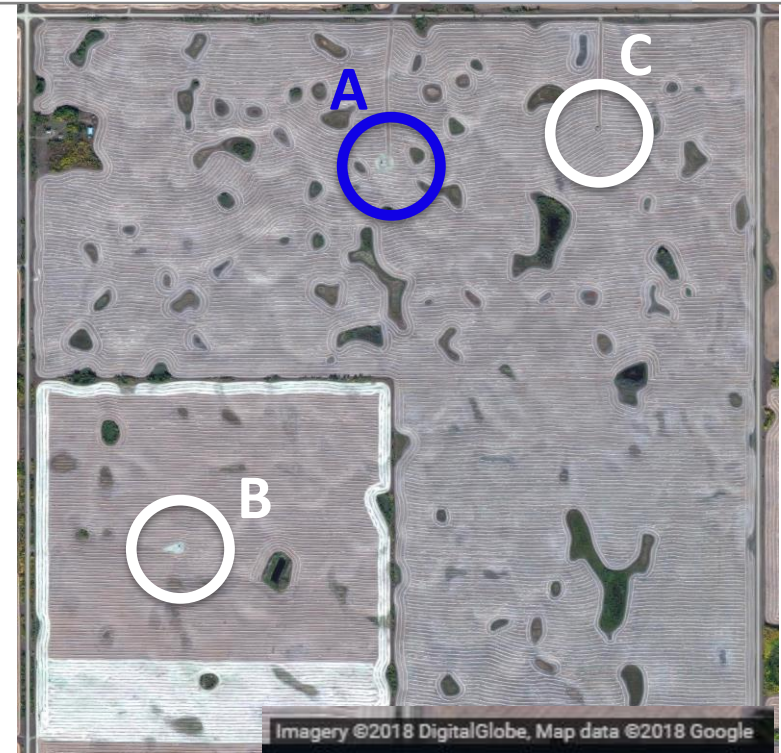
Example of Properties through Bankruptcy

- **Receivership in Nov 2017**
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- **Site A – 100% Questfire**
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- **Site B and Site C sites**
 - Questfire – 88.5%
 - Active Company – 11.5%



Example of Properties through Bankruptcy

- **Receivership in Nov 2017**
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- **Site A – 100% Questfire**
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- **Site B and Site C sites**
 - Active Company – 11.5%
 - Under AER Closure & Abandonment Order Oct 2018
 - Transfer or abandon



Landowner Notification

- **Identify and contact landowner**
- **Provide Information package**
 - Information on OWA – legal rights, contact information
 - Surface Rights Board contact - surface lease payments
 - What work will be conducted on site
- **Reclamation Phase 1 – landowner component included**
- **Prime Contractor contacts landowner when field work begins**
 - Decommissioning and reclamation

Access Issues for OWA

- **Many landowners have been impacted by defunct operators**
 - Surface rent owed
 - Condition of site
- **OWA does not pay back rent**
 - Landowner must apply to Surface Rights Board

Access Issues for OWA

- **Reminder – OWA is a delegate authority of the AER**
- **Abandonment (Decommissioning)**
 - Section 101 of OGCA – Entry on land
- **Remediation and Reclamation**
 - Section 250 of EPEA – Right of Entry
 - Environmental Protection Order also issued
- **Overall – positive relationship with landowners**

The Growing Problem

- **Why are things changing?**
 - Long period of low commodity prices
 - Redwater Decision



Redwater Supreme Court Appeal

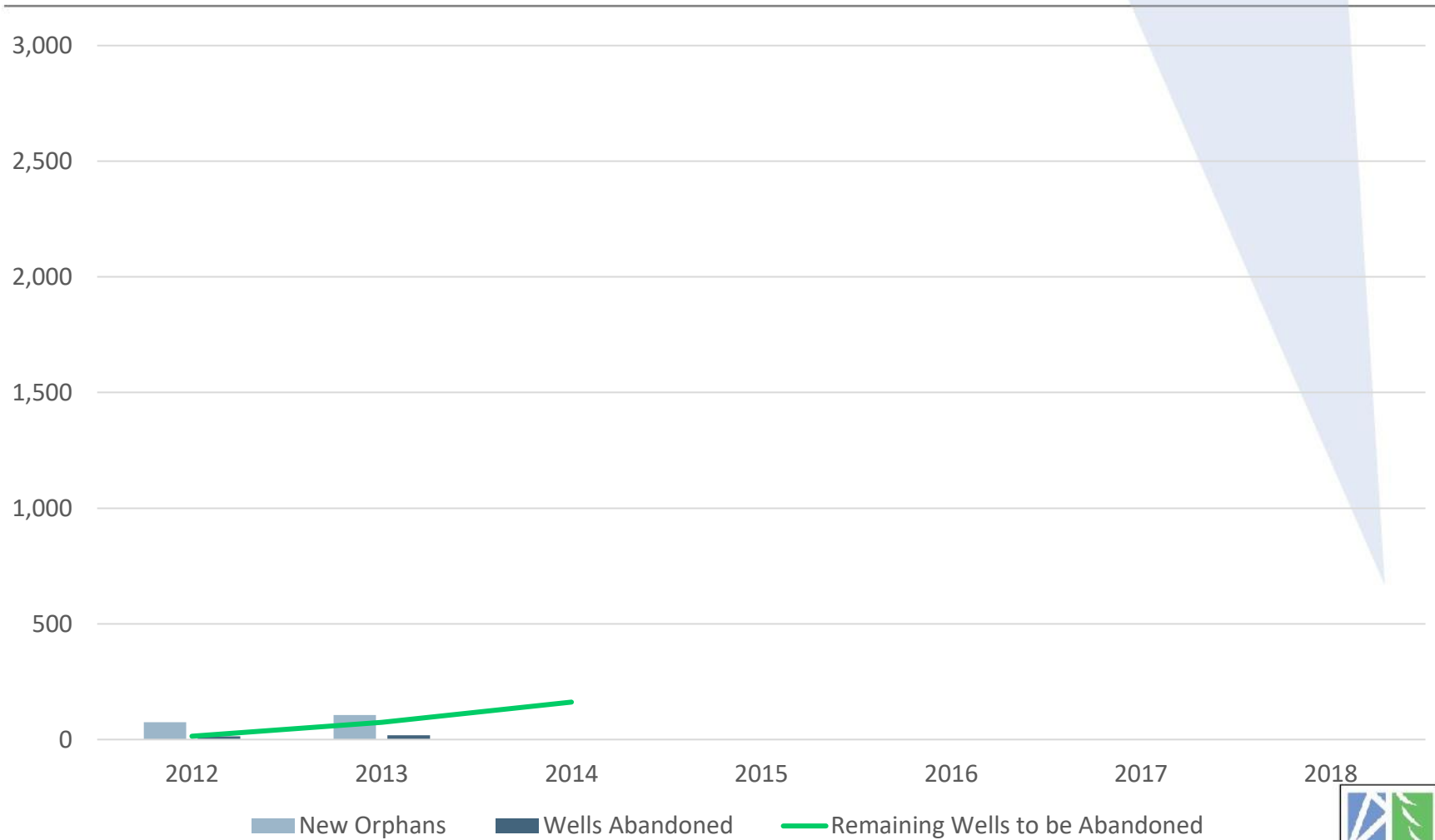
- **February 15, 2018**
- **OWA and AER - Appellants**
 - Supported by Canadian Association of Petroleum Producers, GreenPeace, Ecojustice, Action Surface Rights and Attorney General's from Alberta, Saskatchewan, BC and Ontario
- **ATB and Grant Thornton – Respondents**
 - Supported by Canadian Bankers' Association and Canadian Association of Insolvency and Restructuring Professionals

Redwater Supreme Court Appeal

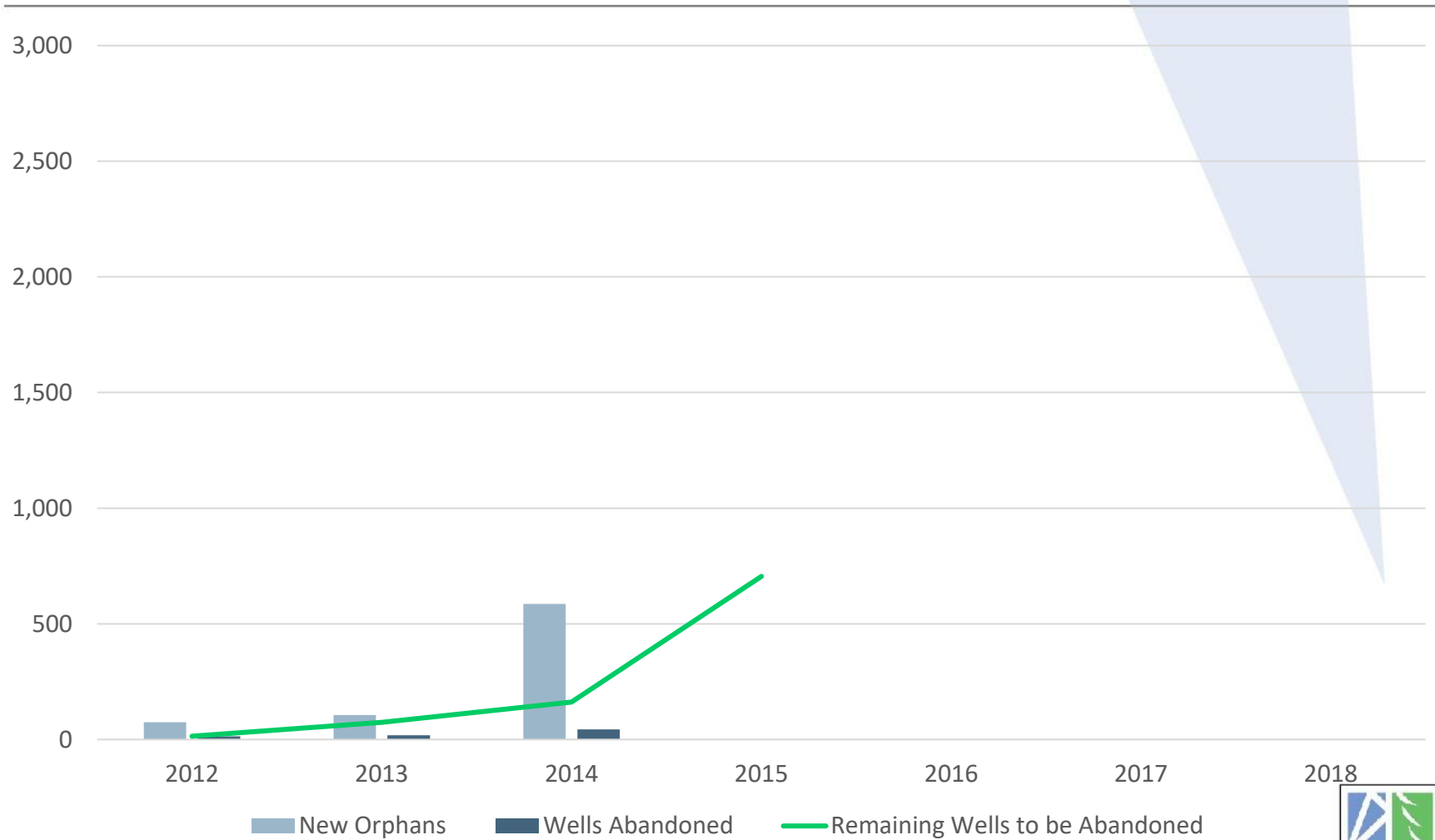
Main Points argued:

- 1. *Bankruptcy and Insolvency Act (BIA)* – section 14.06(4)**
 - Trustee not personally liable for any environmental condition
- 2. AER license as “real property” or an interest in real property**
- 3. The AbitibiBowater test for a provable claim**
 - Is the AER a regulator or a creditor?
- 4. “Interjurisdictional immunity” and “polluter pays principle”**

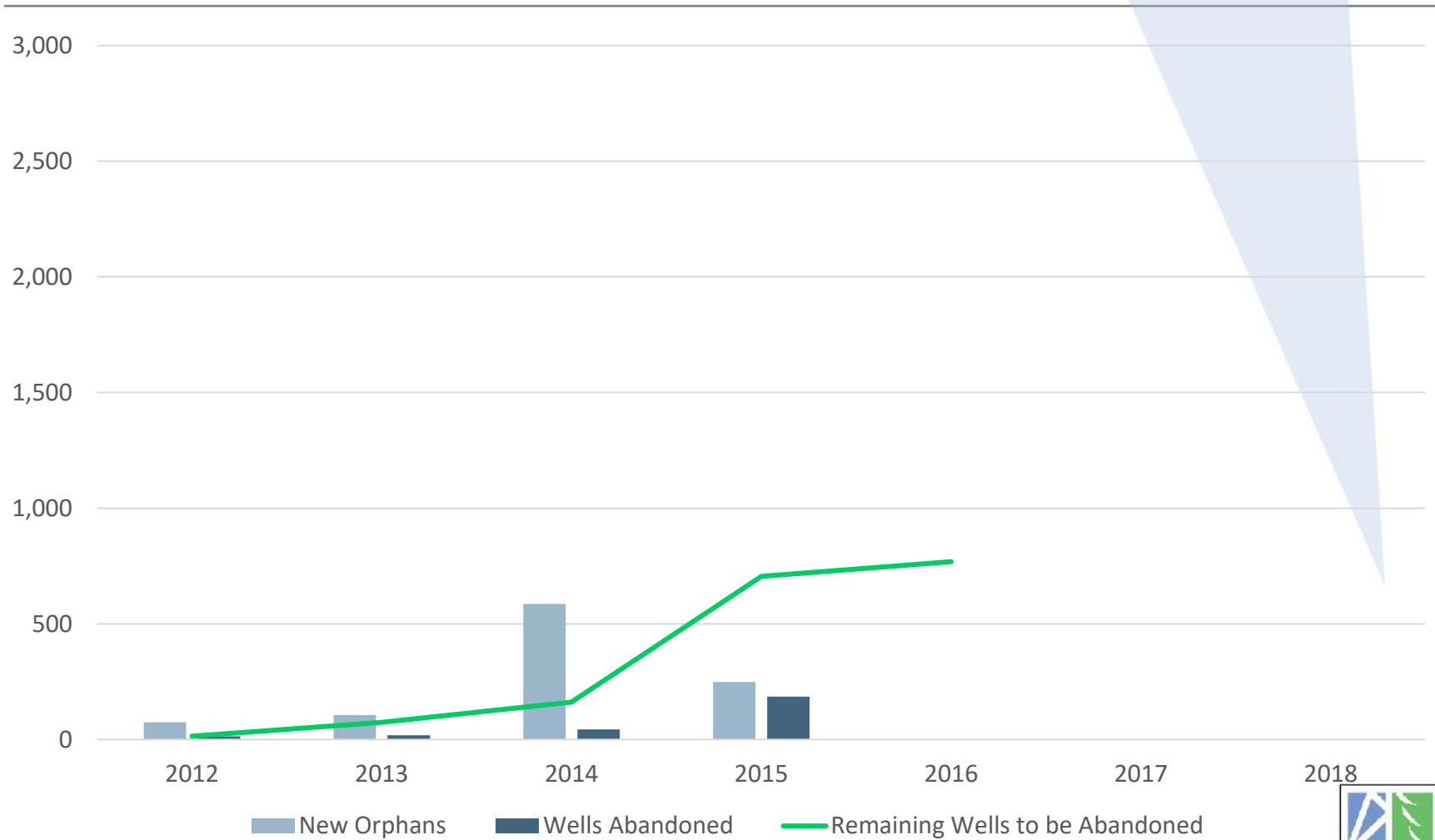
The Growing Problem



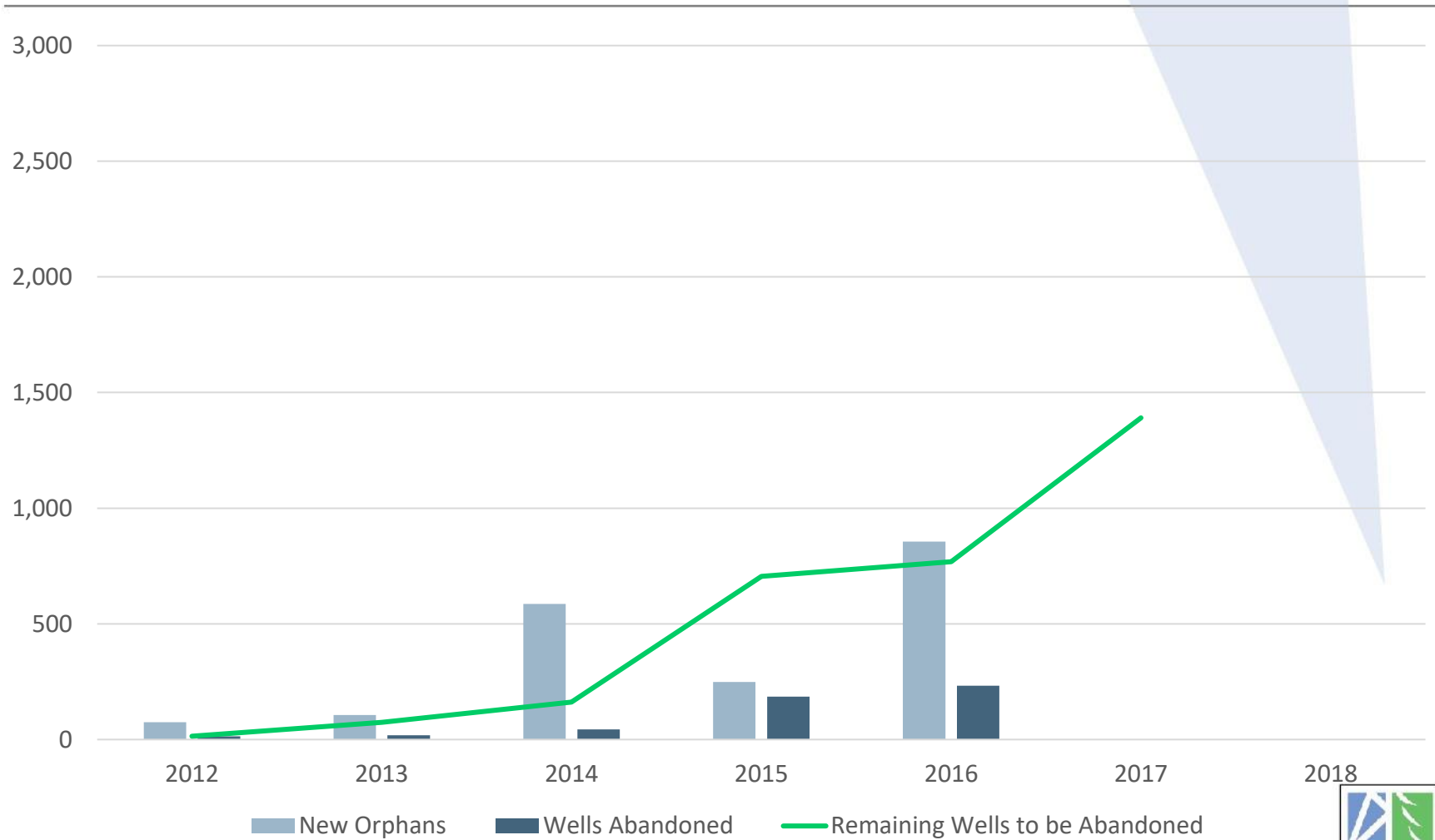
The Growing Problem



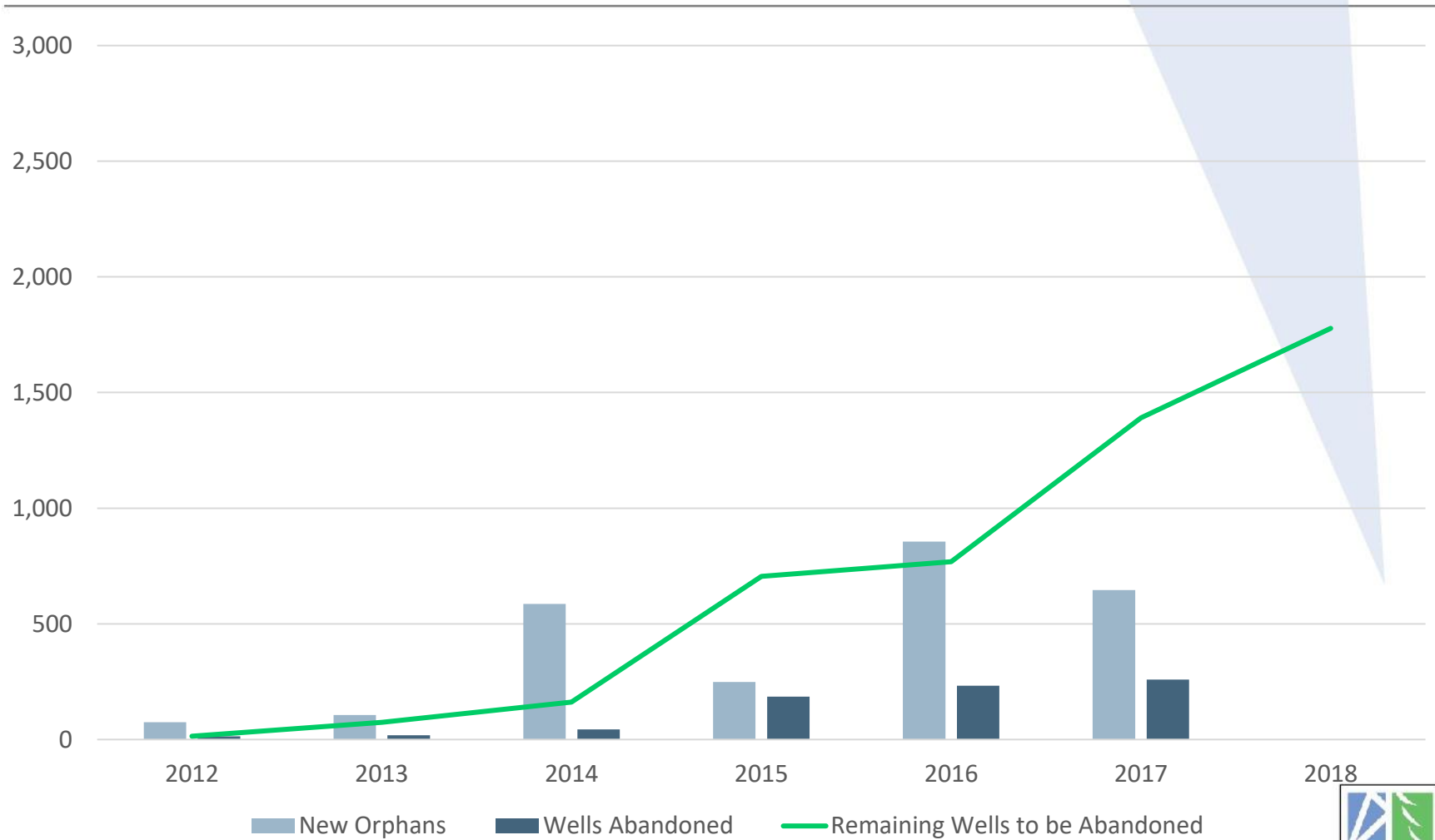
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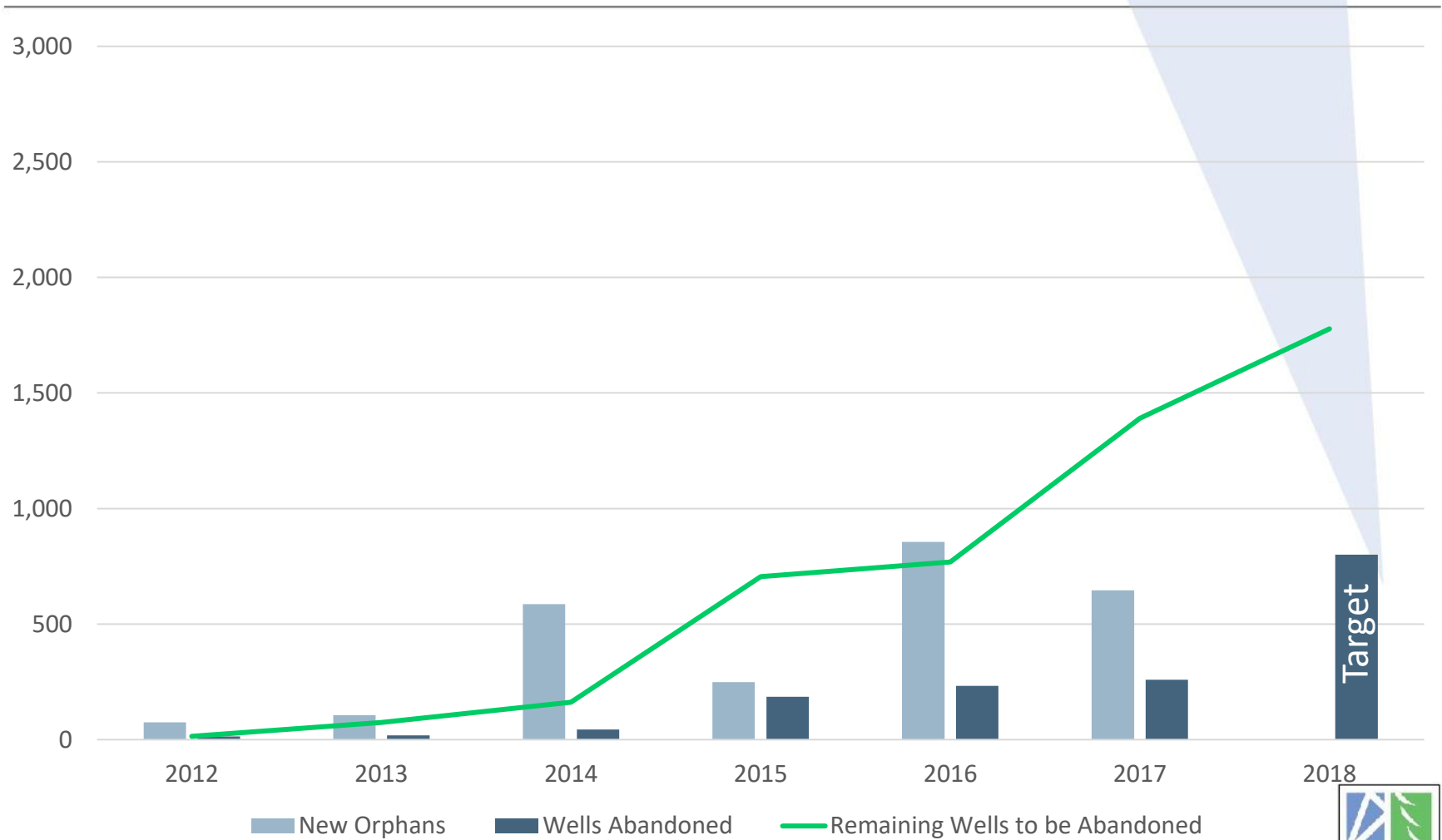
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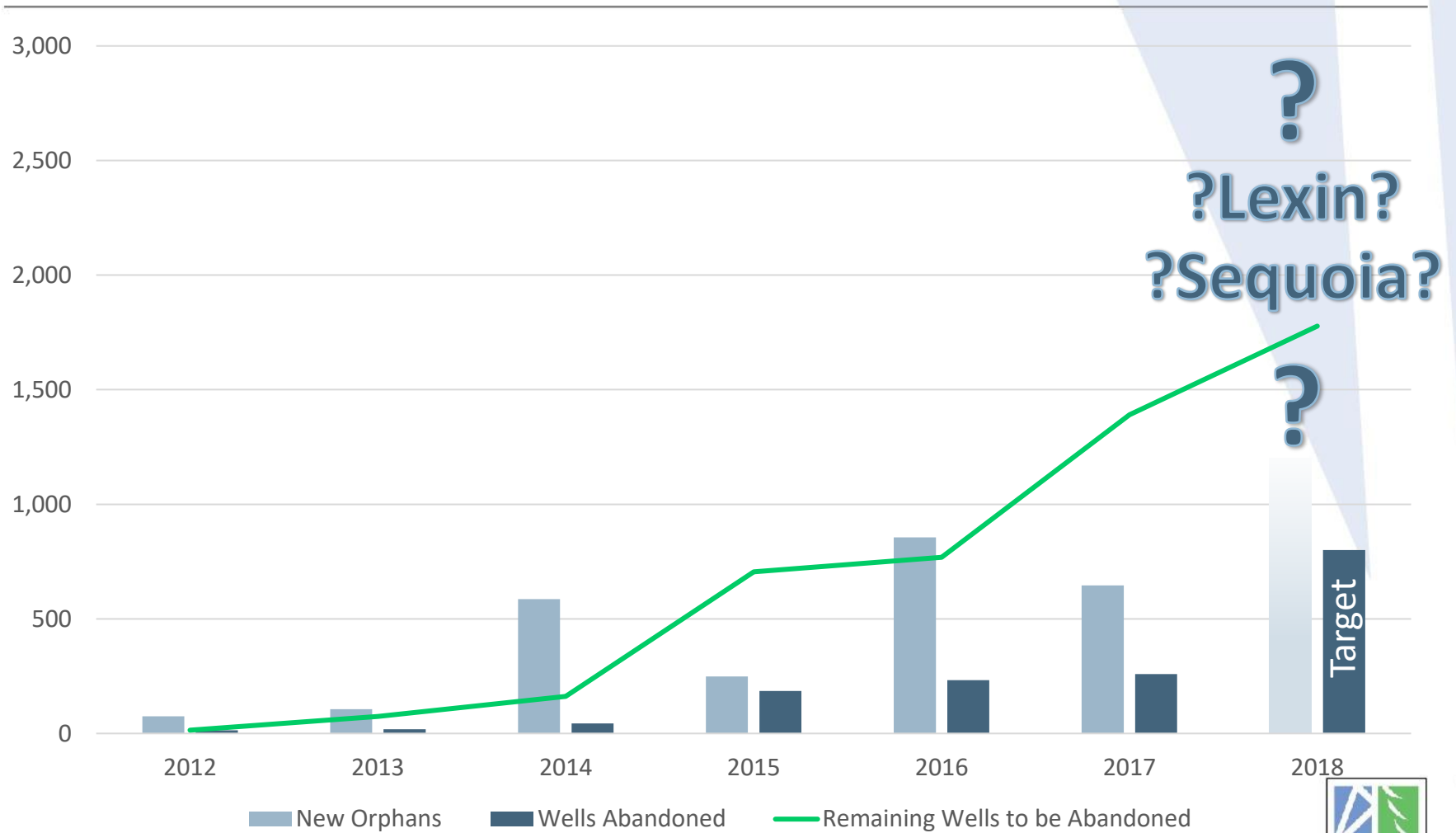
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The Growing Problem

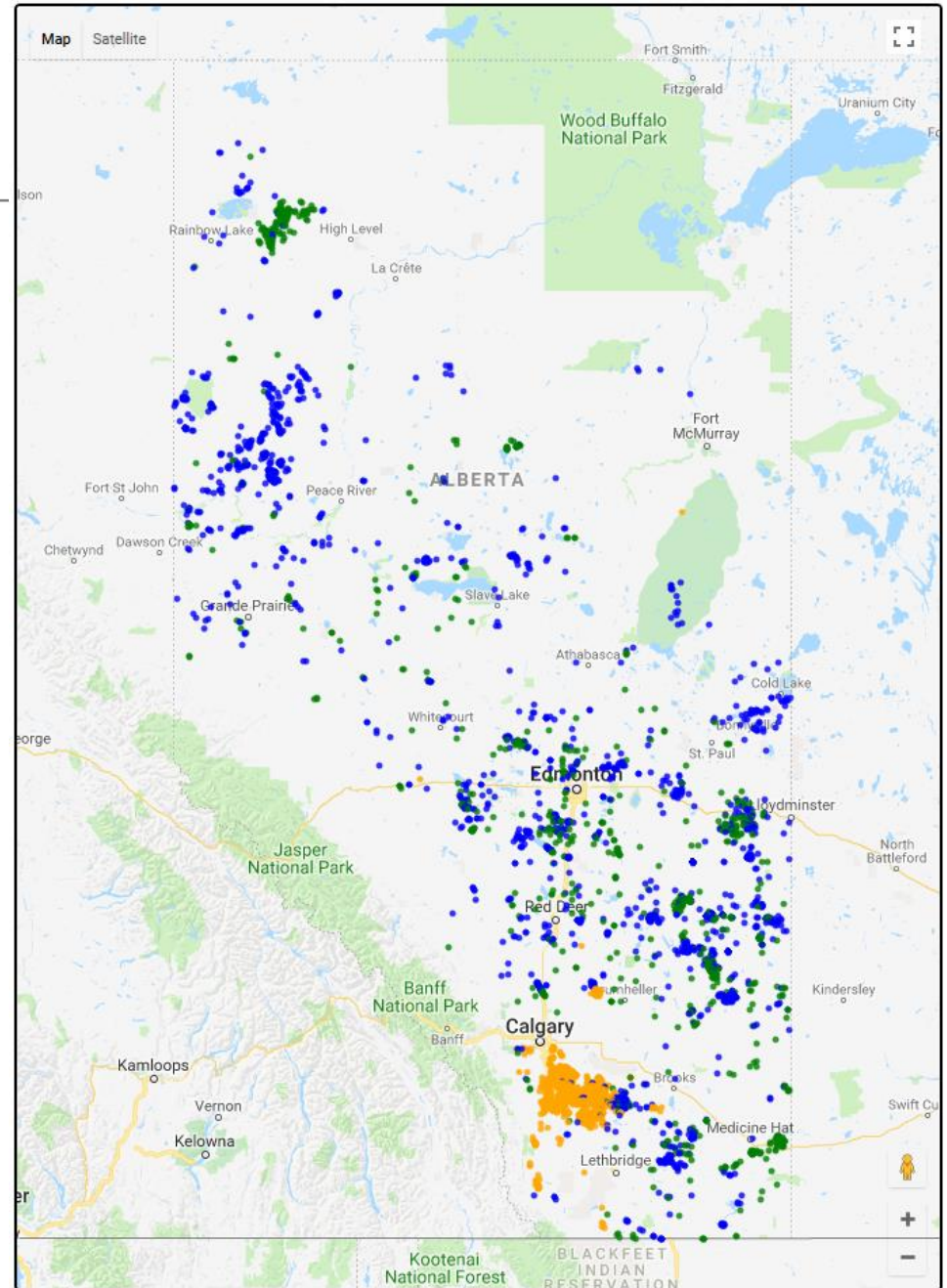


The Growing Problem



Orphan Inventory

- **September 2018**
 - 1,978 wells for decommissioning
 - Blue
 - 1,100 wells for suspension
 - All Lexin Resources
 - Orange
 - 1,208 sites for reclamation
 - green



Orphan Inventory



Orphan Well Association

FAQ
Orphan Inventory Reports
Debt Owning to Fund Taking Orphans
Working Interest Claims Files for OWA
Lexin Orphans
OWA Contract Work
Career Opportunities
Contact Us

Alberta Oil and Gas Orphan Abandonment and Reclamation Association

Orphan Inventory

OWA Orphan Lists

The attached lists of orphan properties are available as a downloadable Portable Document Format (PDF) file, viewable with Adobe Acrobat Reader.

The first list contains wells which are licensed to defunct and/or insolvent licensees and are designated orphans by the AER for the purpose of abandonment. Legacy wells under long term care and custody are excluded. Please contact the Orphan Well Association for more information.

The second list contains wells designated orphans by the AER for the purpose of suspension.

The third list contains sites presently under reclamation.

The fourth list contains lists of pipeline segments designated orphans by the AER.

If you are having difficulties viewing these lists, please contact: Marcia Baker at (403) 297-6416 or by email marcia.baker@orphanwell.ca

For information on how to take over an orphan well, please see the tab Taking Orphans.

As of September 13, 2018, orphan inventory counts are as follows:

2061 Orphan Wells for Abandonment	[pdf] [excel]
1100 Orphan Wells for Suspension	[pdf] [excel]
210 Orphan Facilities for Decommissioning	[pdf] [excel]
74 Orphan Facilities for Suspension	[pdf] [excel]
1188 Orphan Sites for Reclamation	[pdf] [excel]
731 Orphan Reclaimed Sites	[pdf] [excel]
2787 Orphan Pipeline Segments for Abandonment	[pdf] [excel]
1334 Orphan Pipeline Segments for Suspension	[pdf] [excel]

Associated Links

AER - Alberta Energy Regulator

AEP - Alberta Environment and Parks

CAPP - Canadian Association of Petroleum Producers

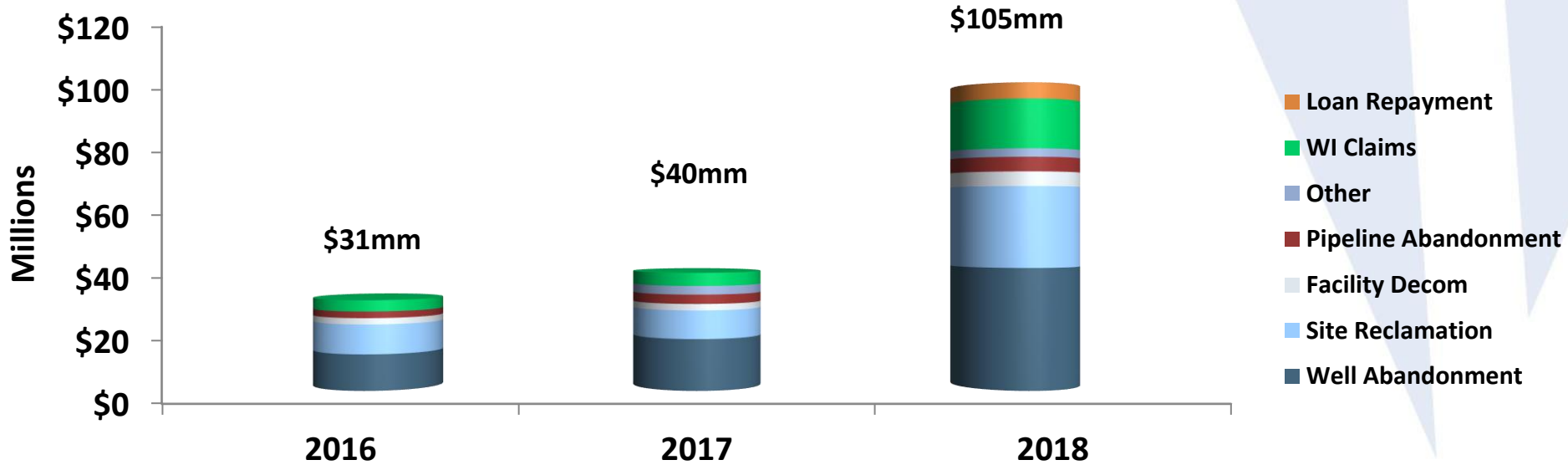
EPAC - The Explorers and Producers Association of Canada

SRB - Alberta Surface Rights Board

CLRA - Canadian Land Reclamation Association

PRAO - Property Rights Advocate Office, Alberta

OWA 3 Year Budget (2016-2018)



OWA Funding

- **Funded by the Annual Orphan Levy**

- Total industry contribution to date - \$314 million
 - Previous Alberta Government Grant - \$30 million (2009)

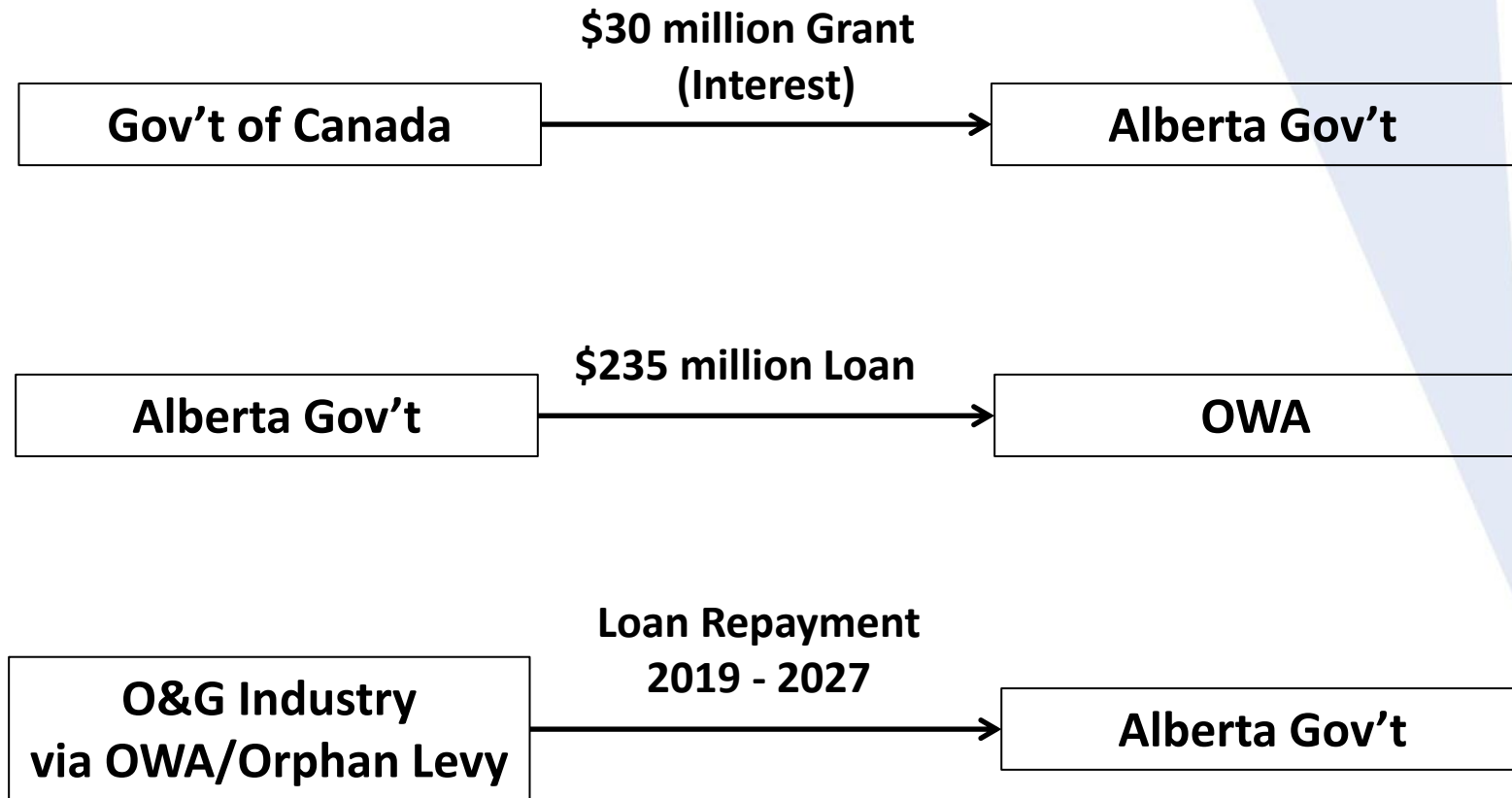
- **\$45 million in 2018 and \$60 million in 2019**

- **Each Licensee's Annual Levy:**

$$\frac{\sum \text{Licensee's LLR and OWL Liability}}{\sum \text{All Provincial LLR and OWL Liability}} \times \text{Total Annual Industry Levy}$$

- Calculated by Directives 006, 011, and 075
- Large Facilities are excluded (Directive 024)

Alberta Government - Surge Funding Loan



<http://www.energy.alberta.ca/Oil/Documents/OWALoanAgreement.pdf>

How Sites are Prioritized

- **Top Priority – Public Safety**
- **Second Priority – Efficient Operations**
 - Sites are grouped into area projects to gain cost efficiencies
- **Third Priority – Chronologically**
 - Amount of time since site has been designated as Orphan
- **Most sites addressed in 2018 and 2019 will be in top 2 priorities**

Summary

- **Delegated Authority**
- **Primary Duties**
 - Decommission and reclamation orphan properties
 - Reimbursement claims from WIPs from defaulting operators
- **Funded by Alberta Oil and Natural Gas Industry**
 - Including 2017 Alberta Government Loan
- **Period of significant change**

More information

- **Visit the OWA website for information about:**
 - Inventory of orphan wells, pipelines and facilities
 - Annual reports
 - How to take an orphan property
 - List of defunct companies and expenditures to date

www.orphanwell.ca

Orphan Well Association

Thank you



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