



**Orphan Well
Association**

Orphan Well Association

Media Release

Supreme Court of Canada Decision on Redwater Energy Appeal

January 31, 2019

The Orphan Well Association is encouraged by the decision from the Supreme Court of Canada. The OWA is currently reviewing the decision to understand the impact it will have on our organization. This decision has potential impacts to not only the OWA but to the regulatory and financial community as well as oil and gas producers and will take time for those involved to determine next steps.

The OWA remains dedicated to reducing our current inventory of sites to be decommissioned and reclaimed. We have a multi-year plan in place that focuses on ensuring public safety and addressing environmental concerns.

We have been scaling up our decommissioning and reclamation program over the last year as a result of the increase in Industry funding through the annual Orphan Levy as well as the loan from the Alberta Government. We expect to decommission (abandon) over 700 wells in our current fiscal year. This is a three-fold increase in activity compared to last year and we plan to increase our activity in 2019 as well. We have also been able to improve our cost efficiencies during this increase in activity allowing us to address more sites this year than we had originally planned.

This problem has developed over several years and it will take several years to address. The vast majority of sites in our inventory are considered low risk and therefore do not require immediate closure.

Background Information on the OWA

- The Orphan Well Association (OWA) is an independent, not for profit organization operating under the delegated authority of the Alberta Energy Regulator (AER).
 - The OWA operates financially and legally separate from the AER
 - Individual properties, wells, pipeline segments, facilities and associated sites are designated as orphans by the AER.
- The OWA's mandate is to manage the decommissioning (abandonment) of upstream oil and gas "orphan" wells, pipelines, facilities and the remediation and reclamation of their associated sites.
 - An orphan is a well, pipeline, facility or associated site which does not have any legally responsible or financially able party to deal with its decommissioning (abandonment) and reclamation obligations.
- The OWA operates under the direction of a Board of Directors comprised of representatives from industry - Canadian Association of Petroleum Producers (CAPP) and The Explorers and Producers Association of Canada (EPAC), and the provincial government - the AER and Alberta Environment and Parks (AEP).
- The OWA is a result of forward thinking by government to provide legislation to establish a program to address orphan wells; and industry's willingness to contribute funding to a solution through payment of an annual Orphan Fund Levy.
- The OWA program provides a financial safety net and protects taxpayers from any financial liability resulting from orphan wells in Alberta.
- The upstream oil and gas industry, through the Orphan Fund Levy, is the main funding source for the work done by the OWA
 - This levy is based on the decommissioning (abandonment) and reclamation liabilities held by each company and it is collected by the AER and then remitted to the OWA.
 - The 2018 Orphan Levy in was \$45 million bringing Industry's contribution to \$314 million over the last 20 years. The Orphan Levy for 2019 will be \$60 million.
 - In December 2017, the Alberta Government provided a loan to the OWA of \$235 million. The loan was a result of a \$30 million grant the province received from the Federal Government. The loan will be repaid by the OWA through the annual Orphan Fund Levy starting in 2019.
- The goals of the OWA are safety, environmental protection, compliance with government regulations, efficient operations and on-going communication with stakeholders.
- There has been an increase in the number of Orphans due to the sustained period of low commodity prices and the ability of Receivers to disclaim assets. The historical inventory is provided below.

Date	Wells for Abandonment	Wells for Reclamation
31-Mar-13	74	387
31-Mar-14	162	416
31-Mar-15	705	451
31-Mar-16	768	540
31-Mar-17	1,391	683
31-Mar-18	1,778	1,085

- For the 2018 fiscal year the OWA has accomplished the following work to date (reminder – year end is March 31, 2019)
 - 501 wells decommissioned (abandoned)
 - 382 wells downhole decommissioned (abandoned) and waiting on cut and cap of wellhead only.

- Not every site licensed to a Defunct company is the responsibility of the OWA to undertake the decommissioning and reclamation work. If there is a working interest participant (WIP) in the property, the WIP is responsible to conduct this work. The AER ensures that these other WIPs undertake the necessary decommissioning and reclamation work.
 - The WIP may apply to the AER and the OWA for reimbursement of the defunct company's portion of reasonable costs after the work has been completed.

- The OWA has a well-defined risk assessment and work prioritization process to determine annual priorities including:
 - Ensuring public safety
 - Addressing environmental concerns with consideration for various stakeholders including landowners
 - Maximizing operational efficiency by conducting our work within a specific area or region

- There are tens of thousands of inactive wells in Alberta
 - Wells that have been inactive for more than 12 months should be suspended in a manner that meets regulatory requirements.
 - If the well has a legally responsible and financially viable party, this party is responsible for suspending or abandoning the well.