



**Orphan Well  
Association**

## Orphan Well Association

### Media Release

#### Appointment of Receiver for Trident Exploration

May 3, 2019

This morning, the Orphan Well Association (OWA) requested the court to appoint a receiver over the business, assets, and undertaking of Trident Exploration (Trident). We are pleased to report that our application was successful and that PricewaterhouseCoopers Inc. was appointed by the court this morning.

Trident and their lenders were unable to find a workable solution with the Alberta Energy Regulator (AER) to manage the orderly transition of these assets to a responsible operator and ensure public safety while doing so. The OWA understands based on Trident's press release that the directors of Trident resigned, and that Trident ceased operations, terminated all of its employees and contractors, and was working to transition 4,400 licensed assets to the AER.

The OWA is a non-profit organization funded by the energy industry to address abandonment and reclamation obligations. The OWA believes that orphaning should be a last resort and, where possible, sites should remain operating with responsible companies for the benefit of the energy industry and most importantly, all Albertans.

It is for this reason and in these circumstances where there is no one left at Trident to responsibly manage its assets, that the OWA has chosen to step in and ask the court to appoint a receiver. This is an unprecedented step for the OWA as normally the company or its creditors would clean up its sites or appoint an insolvency professional to help transition the licensed assets, where possible, to other parties. In this case, the OWA has no other choice but to take this step to ensure that Trident's assets are managed and maintained safely for the benefit of the public, and where possible, placed in the hands of responsible operators.

A court-appointed receiver will ensure that Trident's wells are properly cared for, maintained, or shut-in as required and enable a sales process to transfer saleable assets to responsible operators.

## 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 2019 Orphan Levy is \$60 million bringing Industry's contribution to \$374 million over the last 20 years. The Orphan Levy for 2020 is budgeted at \$65 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 abandoned over 800 wells
- 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.