

# **Orphan Well Association**



**Orphan Well  
Association**

## **2019 Update**

**Lars De Pauw, Executive Director**

**CLRA Conference**

# Orphan Well Association

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- **Non-profit organization**
- **Operate under the delegated authority of Alberta Energy Regulator (AER)**
- **Financially and legally separate from the AER**
  - OWA is not a Government Organization
- **Primarily funded by the Alberta oil and natural gas industry**



# Orphan Well Association

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

# Orphan Well Association

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- **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

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**Our mandate is to manage the decommissioning 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% WI only
  - No working interest participants (WIP)
- Must be designated by AER

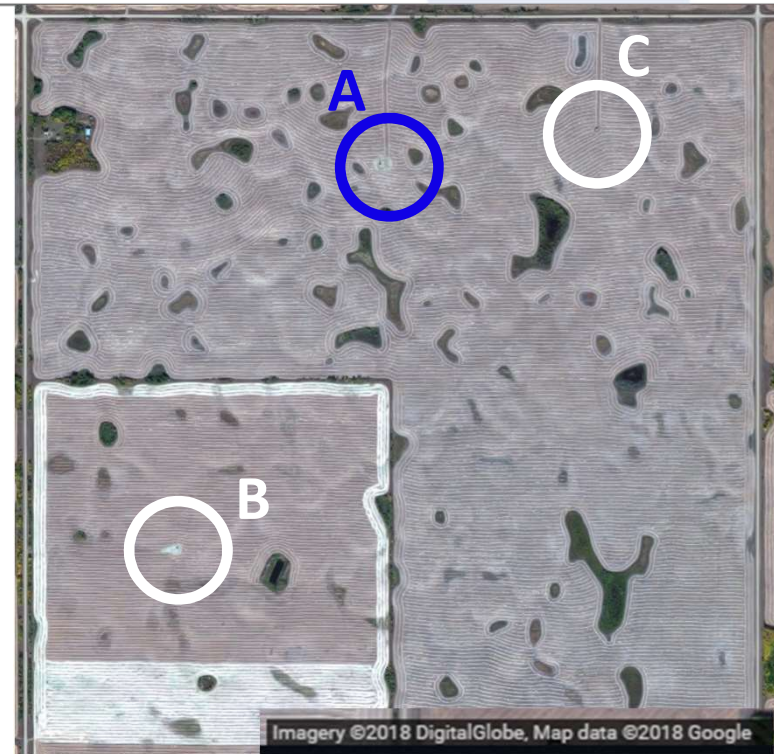
# What if less than 100%?

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- **AER directs Working Interest Participant(s) to manage site**
- **Working Interest Participant's may decommission & reclaim site**
  - Can apply for reimbursement for defunct company's portion of costs
    - After decommissioning
    - After reclamation certificate issued
- **Site can also be transferred to WIP or different party**

# Example of Properties through Bankruptcy

- **Receivership in Nov 2017**
- **3 wells on same quarter licensed to Questfire**
  - All disclaimed by Receiver June/July 2018
- **Site A – 100% Questfire**
  - Deemed Orphan - Aug 2018
- **Site B and Site C sites**
  - Active Company – 11.5%
  - Under AER Closure & Abandonment Order Oct 2018
    - Transfer or abandon



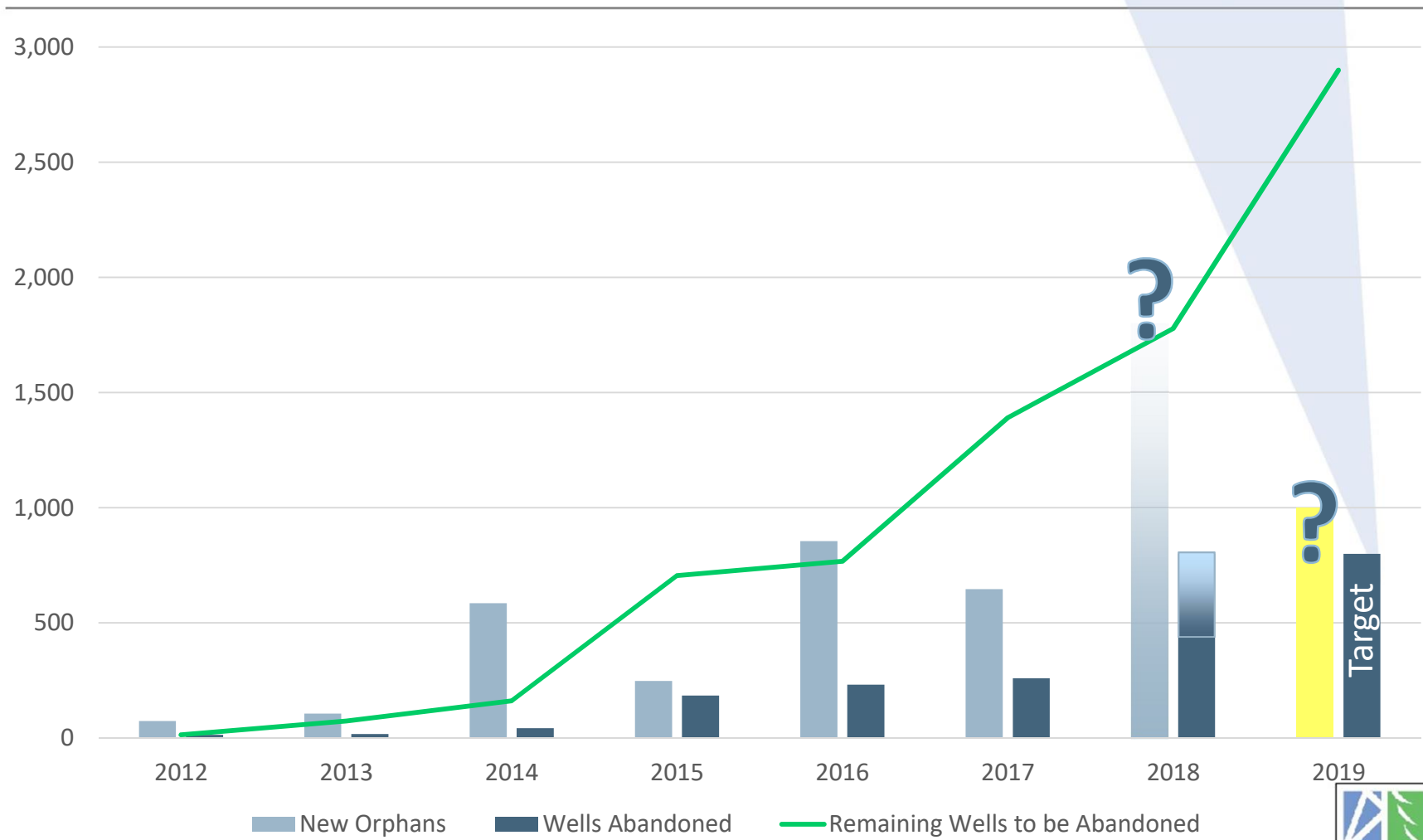


# Orphan Inventory - The Growing Problem

- “Lower for longer” continues
- Lower court rulings on Redwater decision

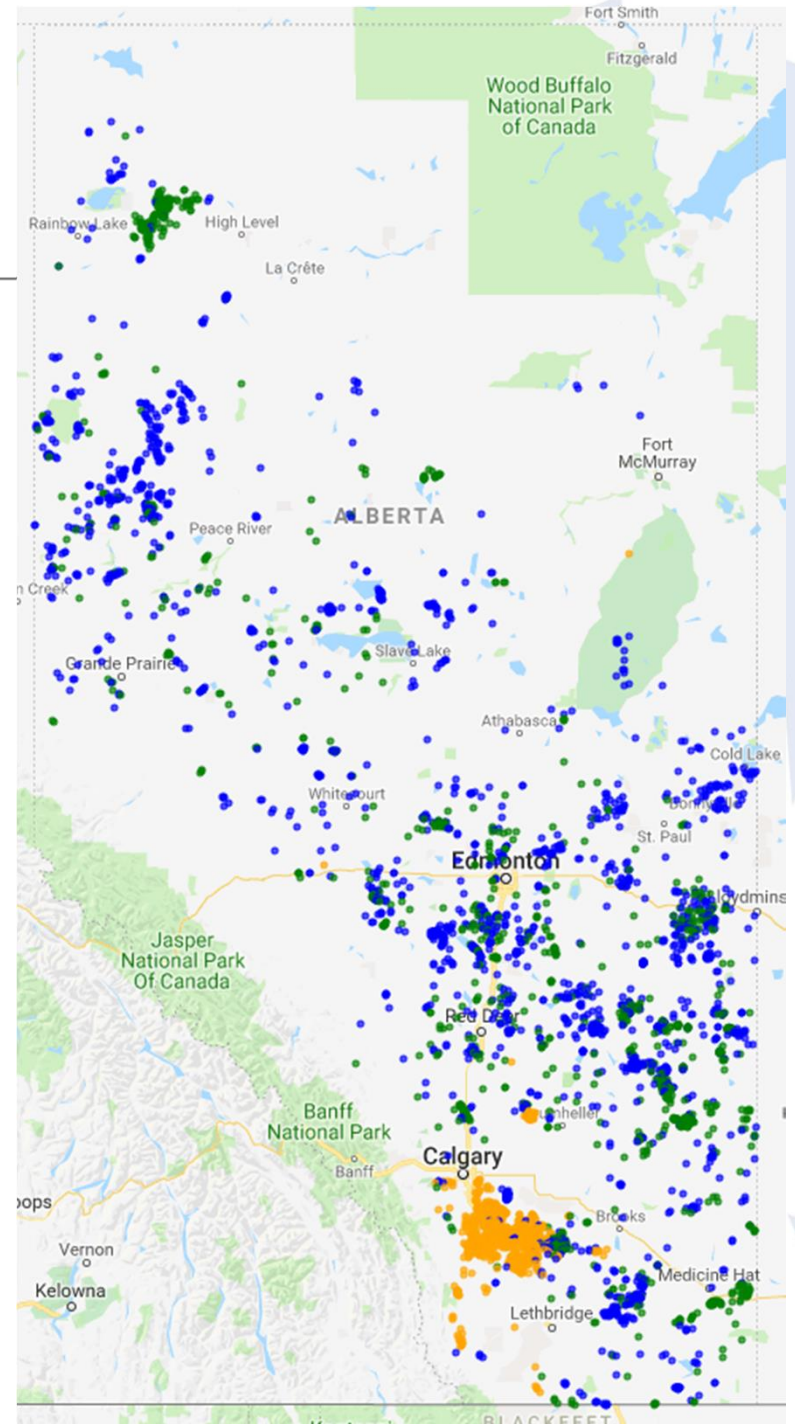


# The Growing Problem... Continues



# Orphan Inventory

- **January 2019**
  - 3,127 wells for decommissioning
    - Blue
    - Orange – Lexin Resources
  - 1,553 sites for reclamation
    - green



# OWA Funding

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- **Funded by the Annual Orphan Levy**
  - Total industry contribution to date - \$314 million
    - Previous Alberta Government Grant - \$30 million (2009)
    - Loan to OWA from Alberta Government (\$235 million – 2017)

- **Levy for 2019 - \$60mm**

- **Proposed future levies: \$65mm (2020) and \$70mm (2021)**

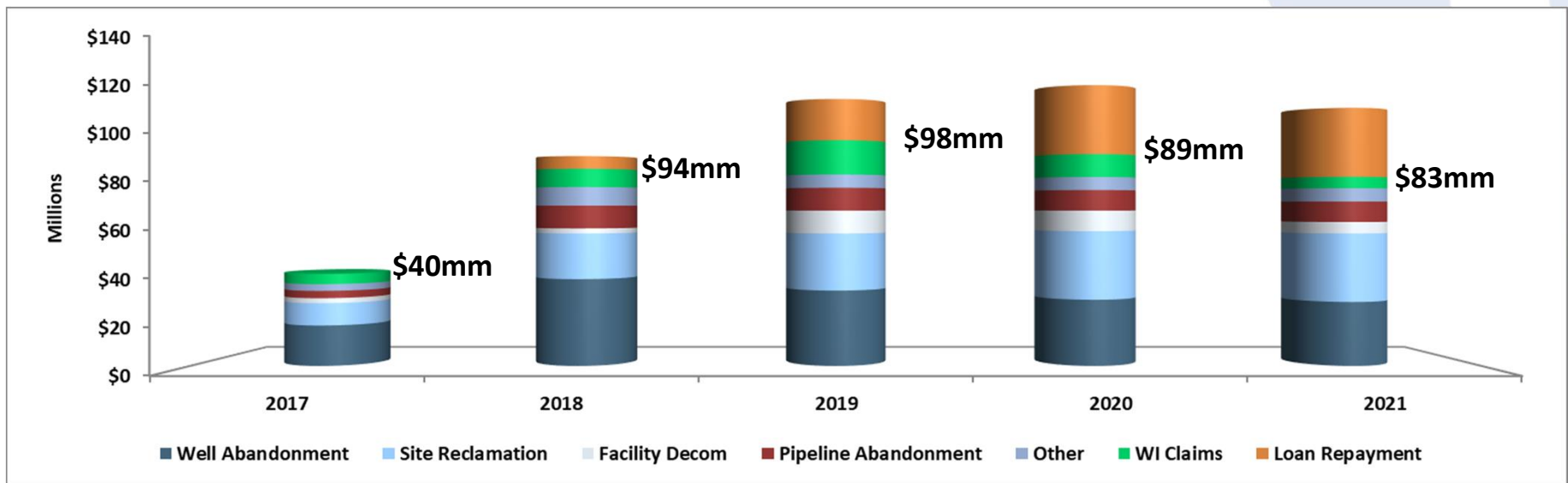
- **Each Licensee's Annual Levy:**

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

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



# OWA Expenditures and Budget (2017-2021)



- **Loan repayments**
  - \$18mm in 2019
  - \$30mm per year in 2020-26



# 2018 Accomplishments

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- **Reminder - Year end is March 31, 2019**
- **Cut and capped 515 wells**
- **392 additional wells downhole abandoned**
  - 65% of AER D011 values (907 wells)
- **Reclamation Work**
  - 1,350 Phase 1's
  - 114 Phase 2's
  - 160 sites reclaimed
- **Pipelines – 814 pipeline segments completed**
  - Additional 350 before year end

# 2018 Accomplishments

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- **17 Critical Sour Wells – South of Calgary**
  - Start of project: \$700k to \$400k per well
  - End of project: <\$200k per well
- **Tested Lump Sum RFP Process**
  - Abandonment to reclaimed in one year
  - Well abandonments have been completed
- **Issues – didn't get enough sites transferred to Rec Team**
  - Pipelines were roadblock
  - Will be focus area for 2019-2020

# Area Based Closure - Successes

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- **Well abandonments**
  - 65% of AER D011 values (907 wells)
  - No single, magic bullet – just hard work
  
- **Savings:**
  - Lots of small savings multiple times add up on a big project
  - From working in areas
    - **Area learnings**
    - Reduce movement of services
    - Using same service providers/crews
  - Educated risk taking (try new things – area learnings)
  - Dedicated internal resources – focused on efficiency
  - No conflicting priorities



# Changes Being Contemplated by OWA

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- **Changes require legislative amendments...**
- **Allow OWA to conduct work on non-Orphan sites**
  - 2019/20 - Sites owned by defunct company but with a WIP
  - Future - other sites that are in proximity to OWA work (ABC concept)
- **Make it easier for Producers to take sites from Defunct Companies**
  - Mineral Leases
  - Surface Leases
- **Alternative Closure - besides just decommissioning/reclaiming site**



# Update on Legal Issues that Could Impact OWA

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- **Redwater Energy Appeal at Supreme Court of Canada**
- **Lexin Resources**
- **LGX Oil & Gas**
  - Species at Risk – Sage Grouse
  - Boreal Caribou
- **Sequoia Resources – Perpetual Energy and PwC**



# Summary

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

# More information

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- **Visit the OWA website for:**
  - Information for Landowners, Contractors and Producers
  - 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](http://www.orphanwell.ca)

**Orphan Well Association**

**Thank you**



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