

Orphan Well Association



**Orphan Well
Association**

2019 Update

Lars De Pauw, Executive Director

ESAA EnviroTech – April 2019

Orphan Well Association

- **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

- **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 Screatton (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 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%?

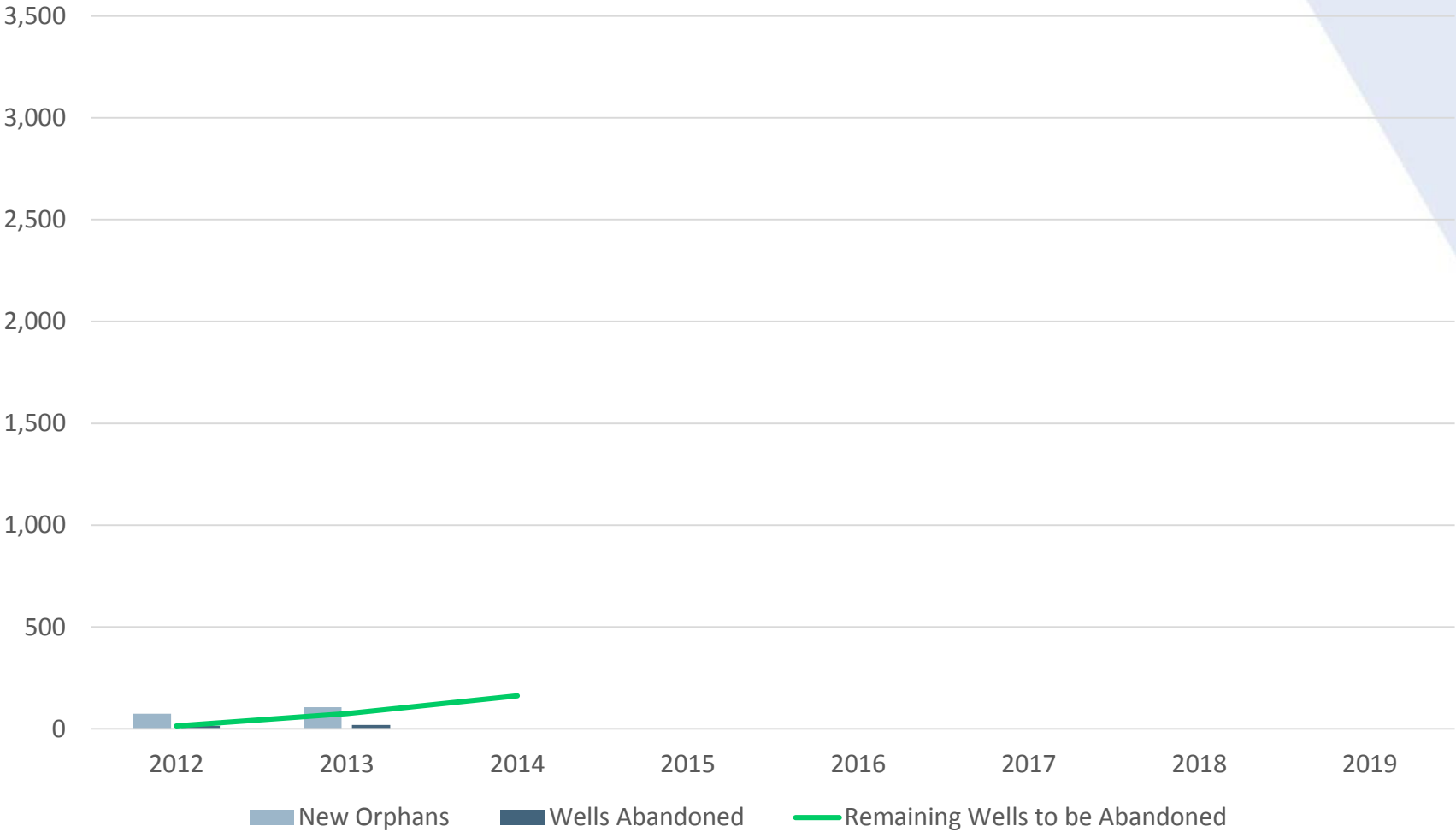
- **AER directs Working Interest Participant(s) to manage site**
- **Working Interest Participant's may decommission & reclaim site**
 - Can apply for reimbursement for defunct company's portion of costs
 - After decommissioning
 - After reclamation certificate issued
- **Site can also be transferred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

Orphan Inventory - The Growing Problem

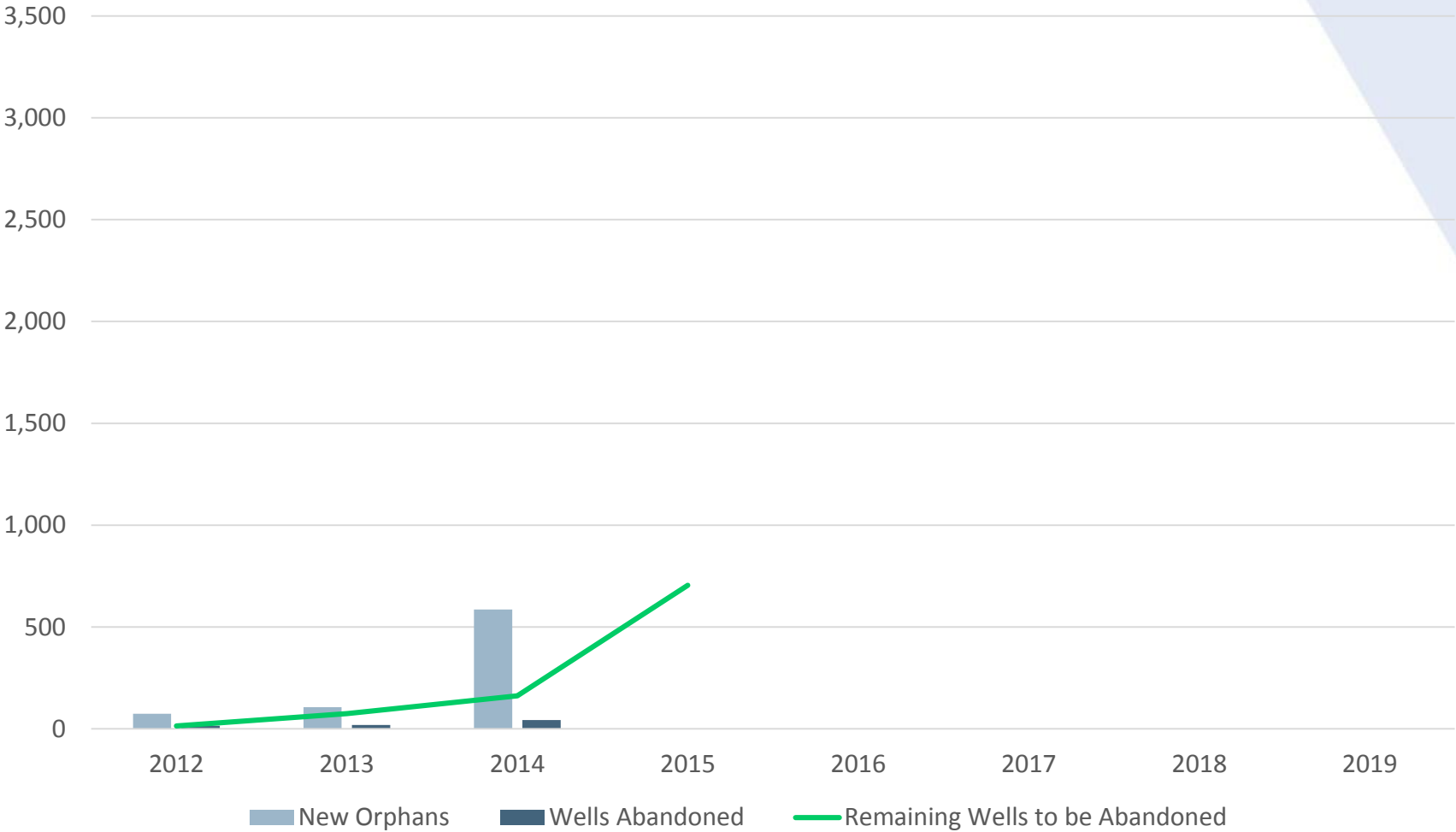
- “Lower for longer” continues
- Redwater Decision – pre and post SCC decision impacts



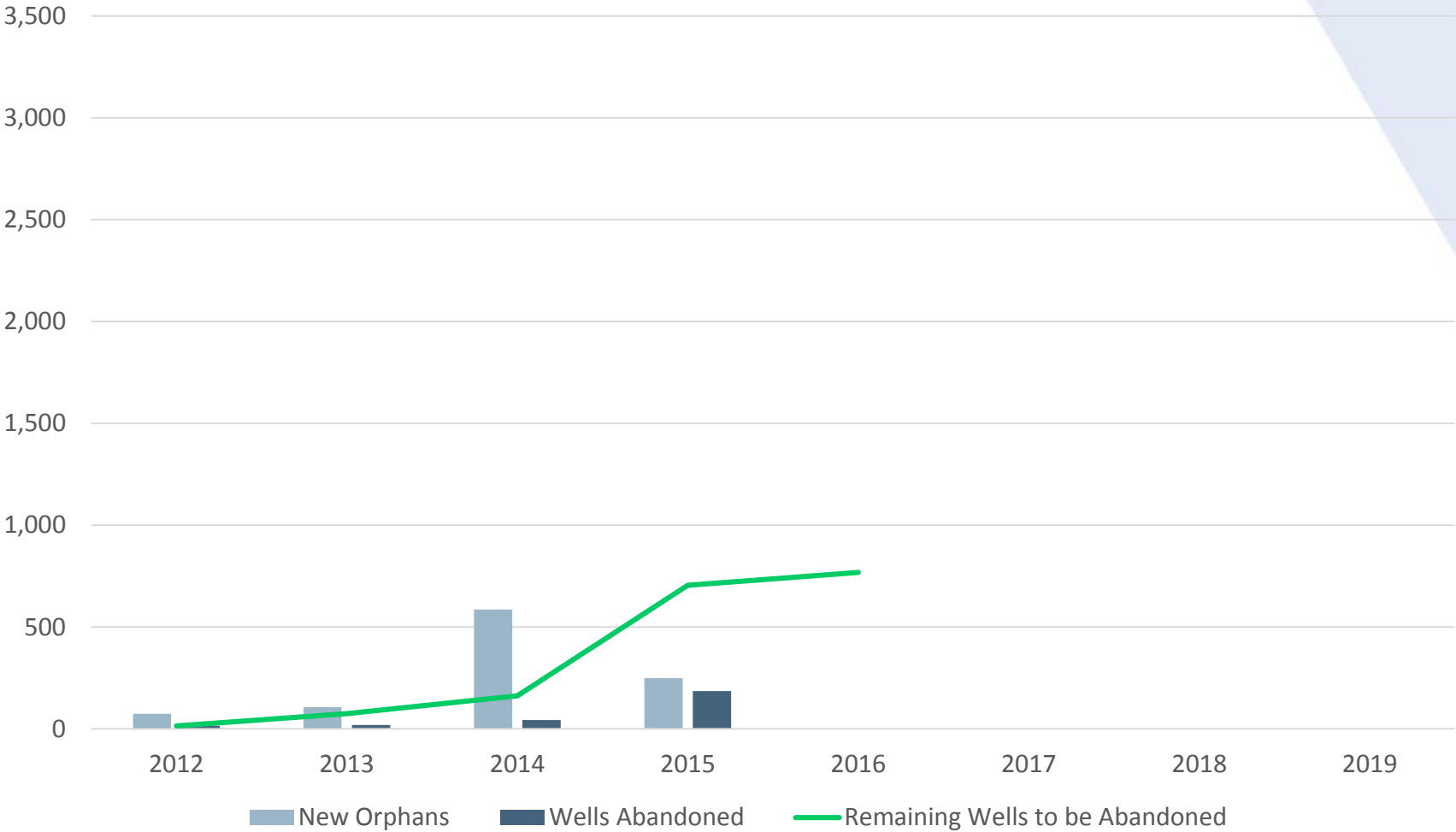
The Growing Problem



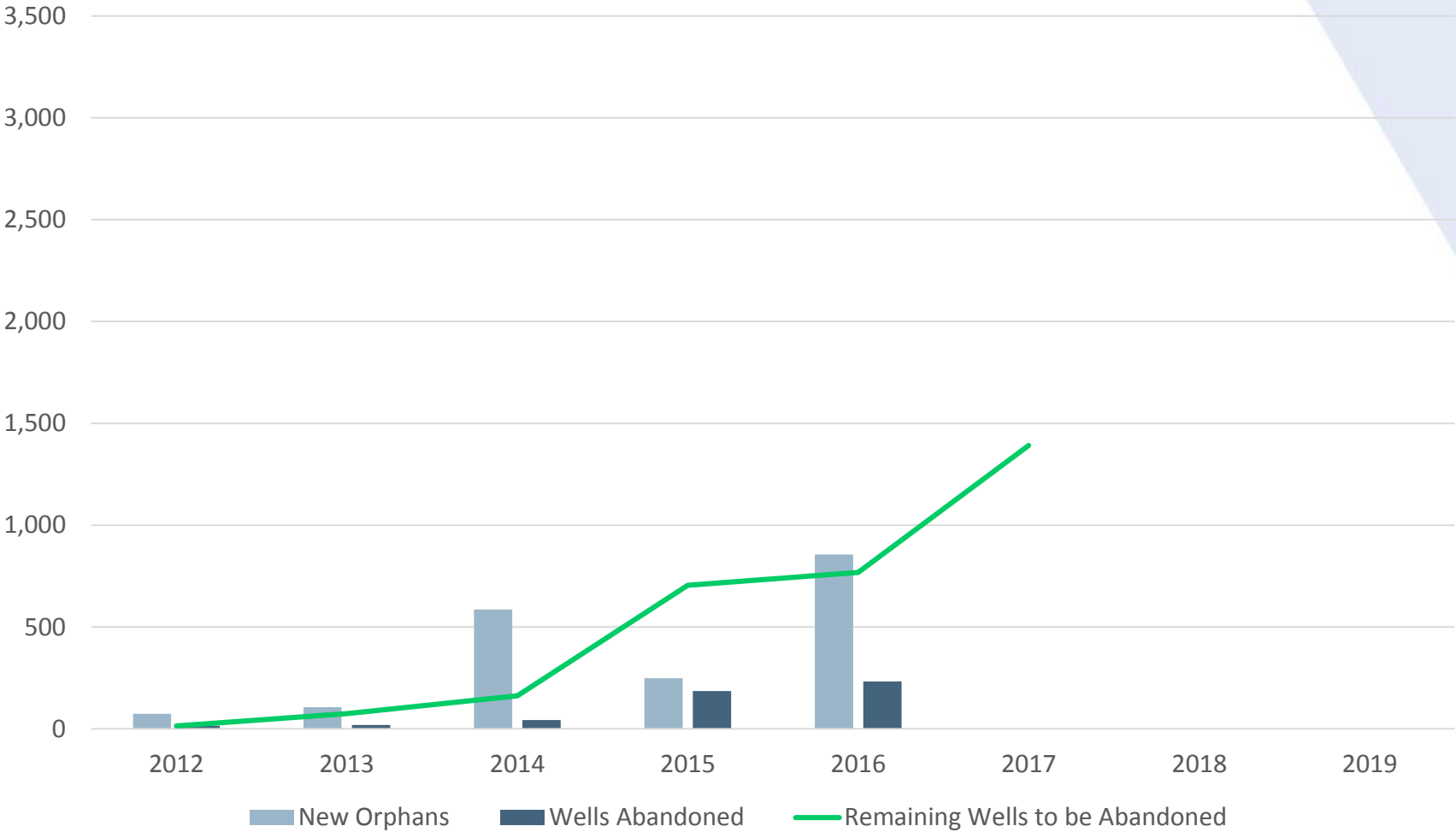
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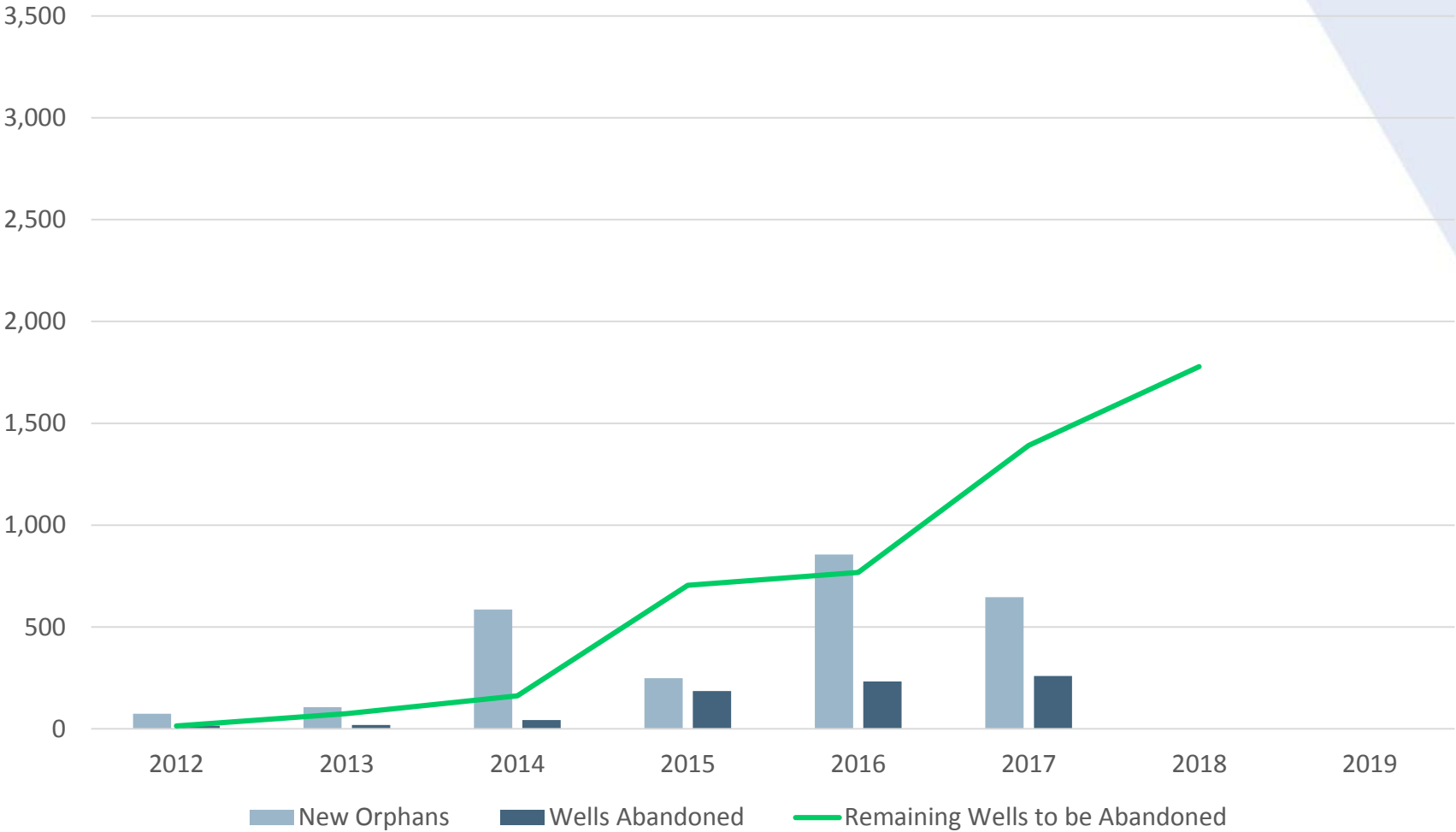
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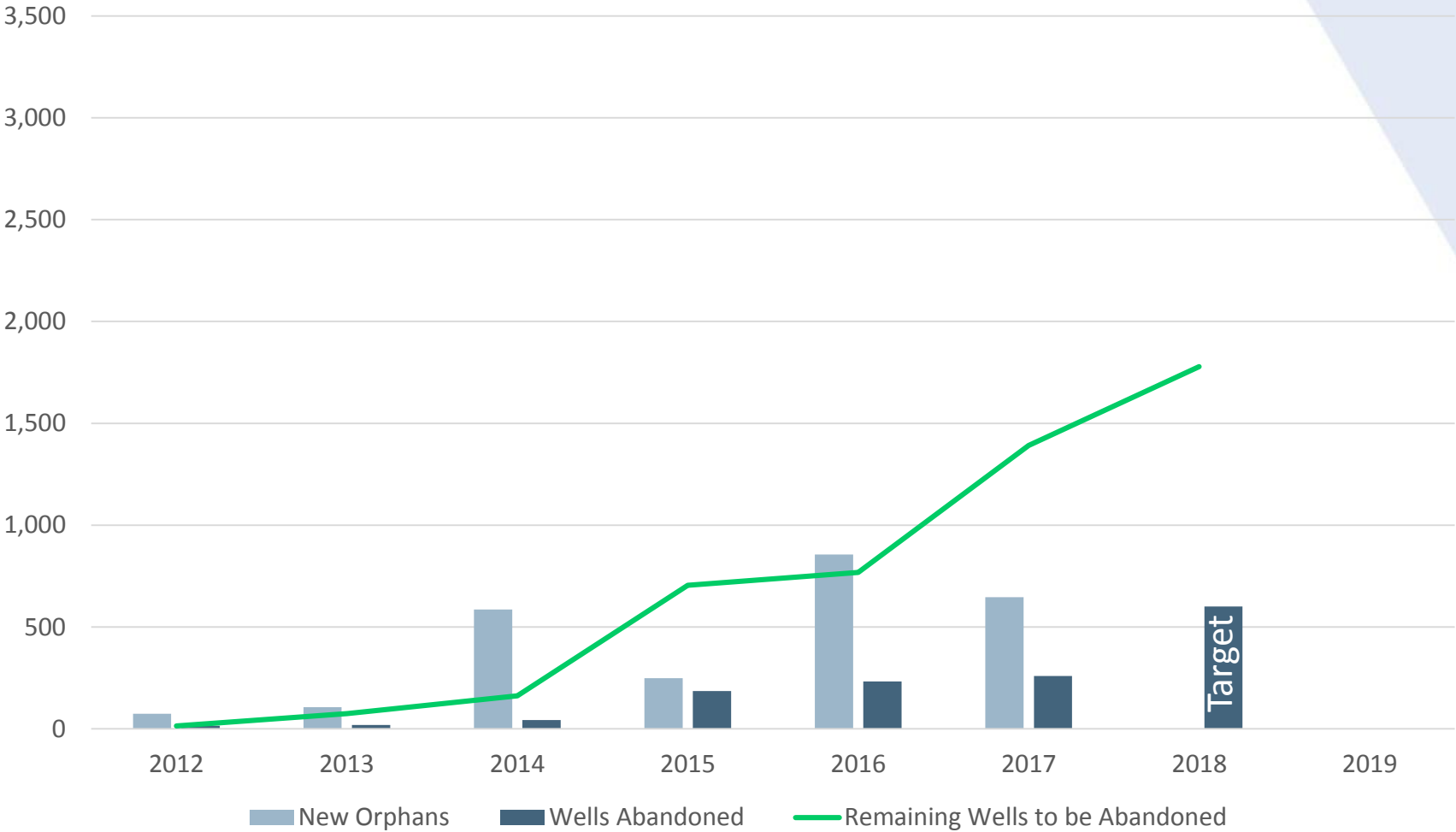
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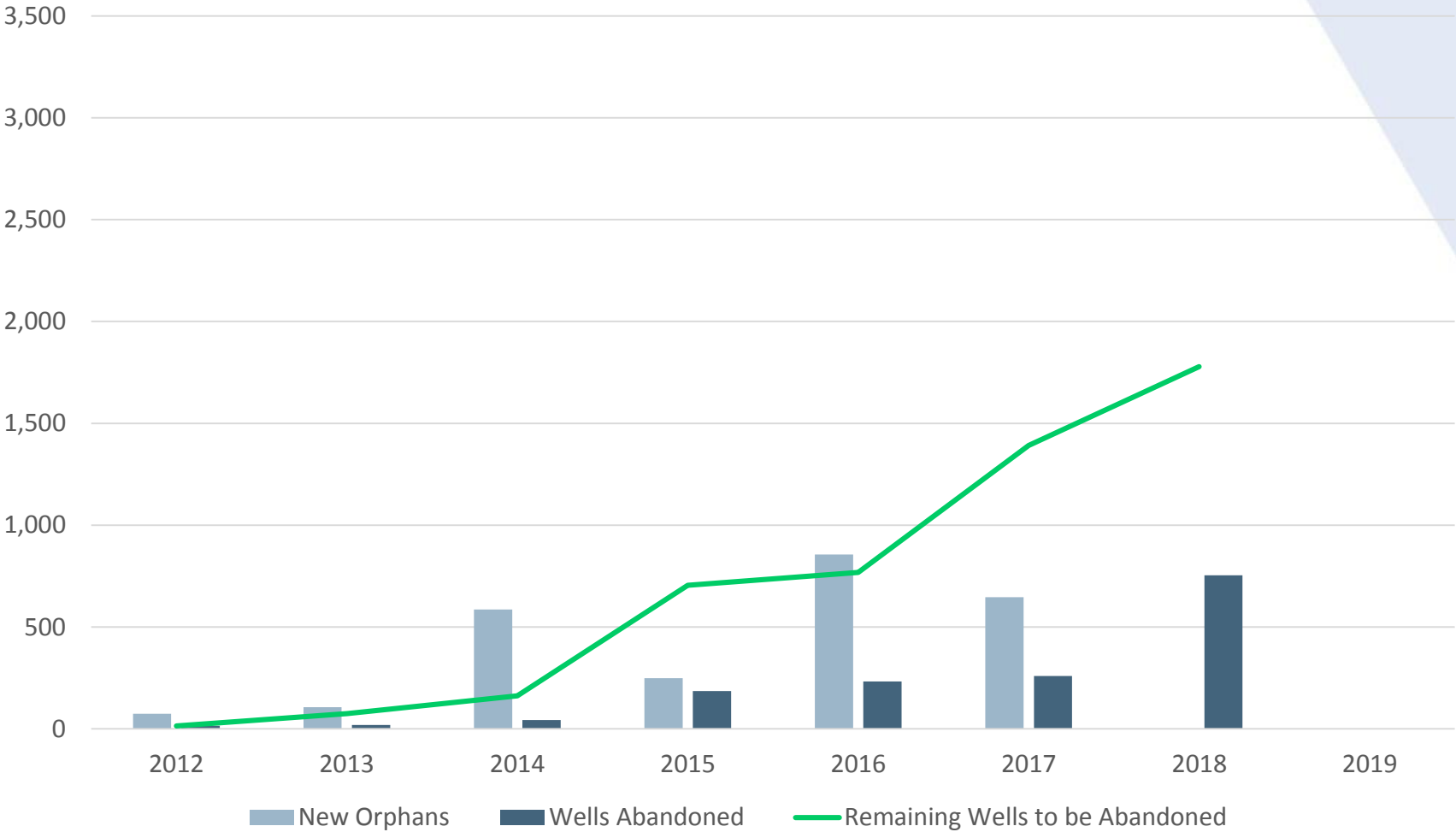
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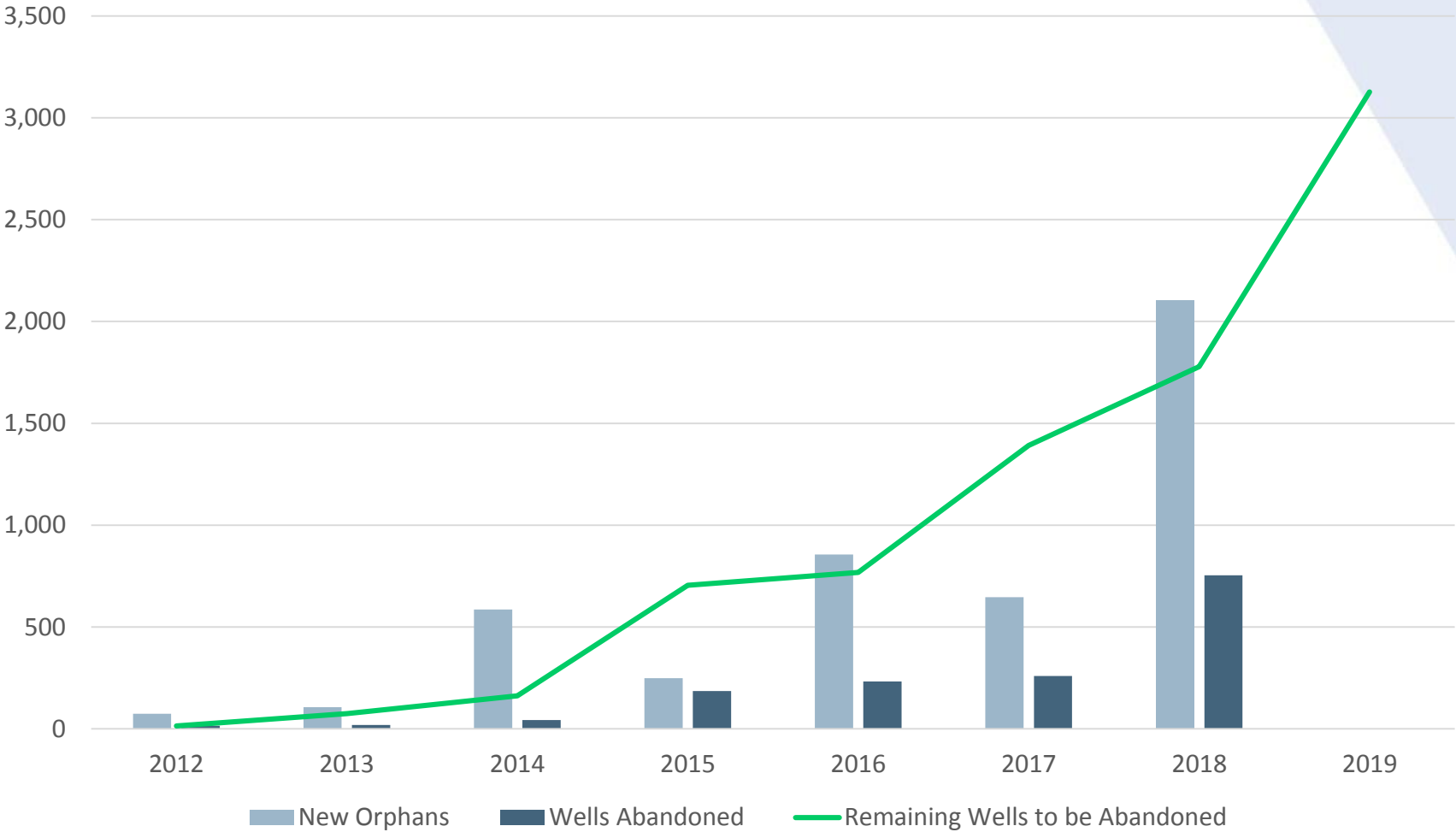
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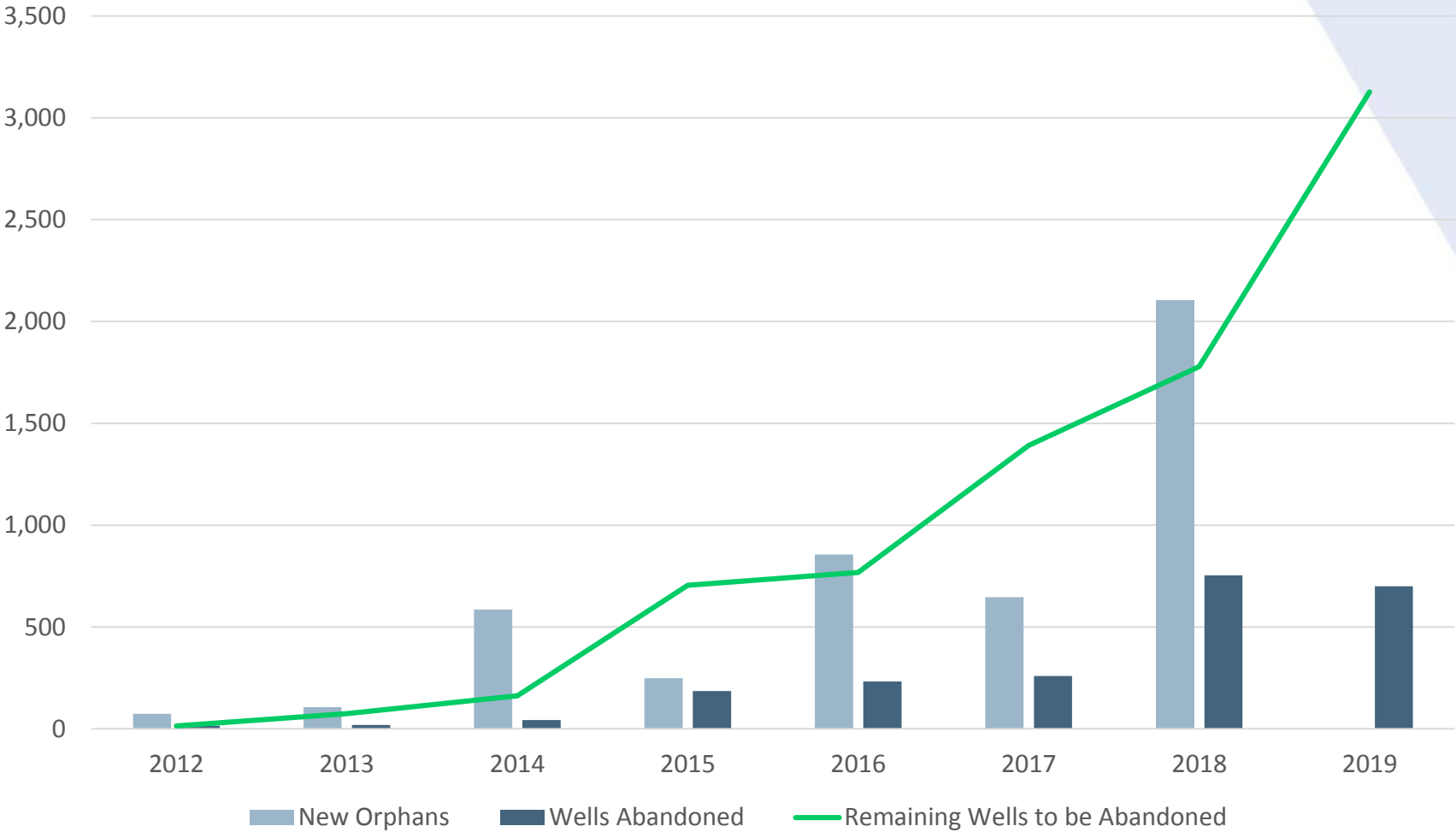
The Growing Problem.... Continues



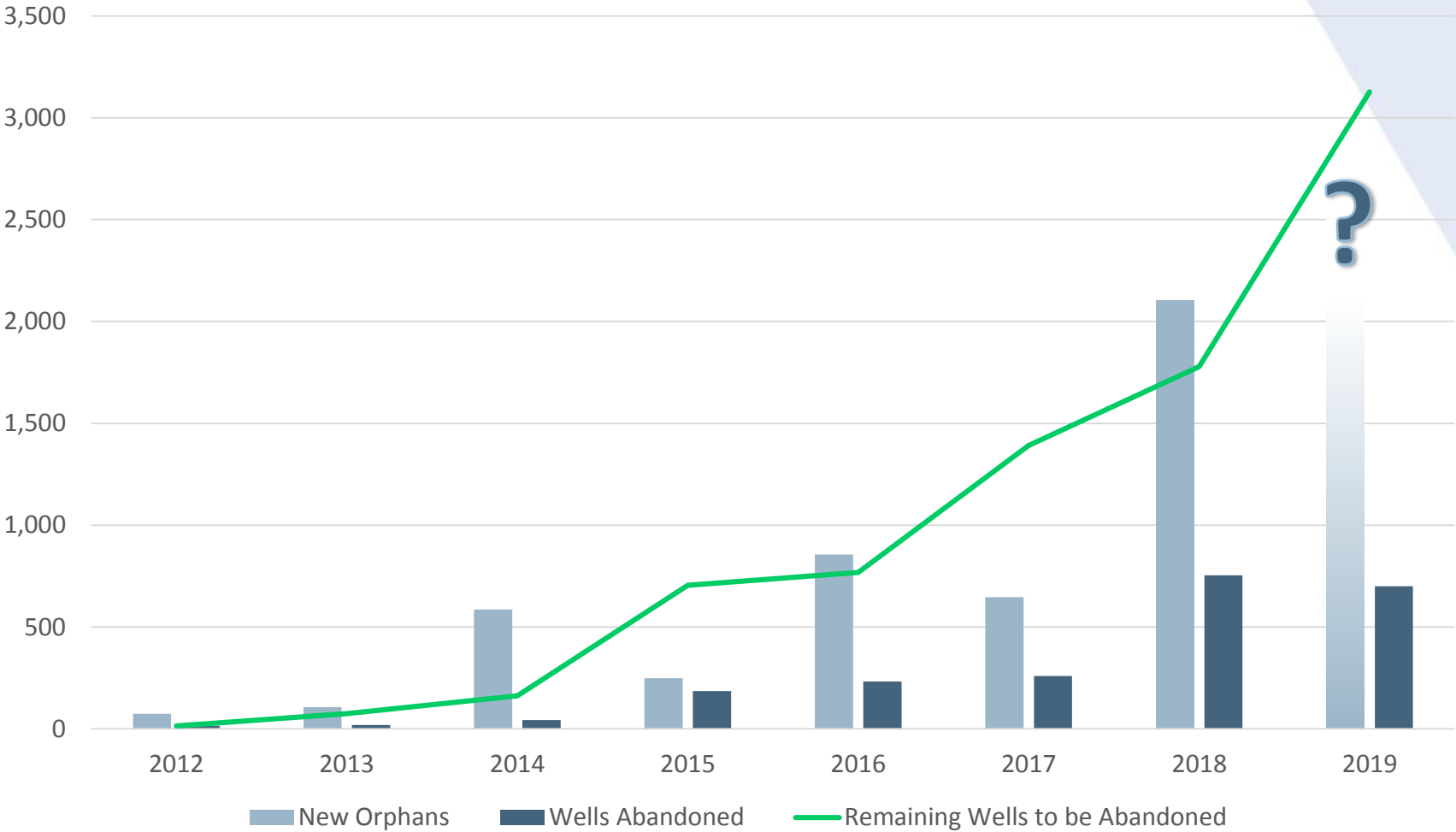
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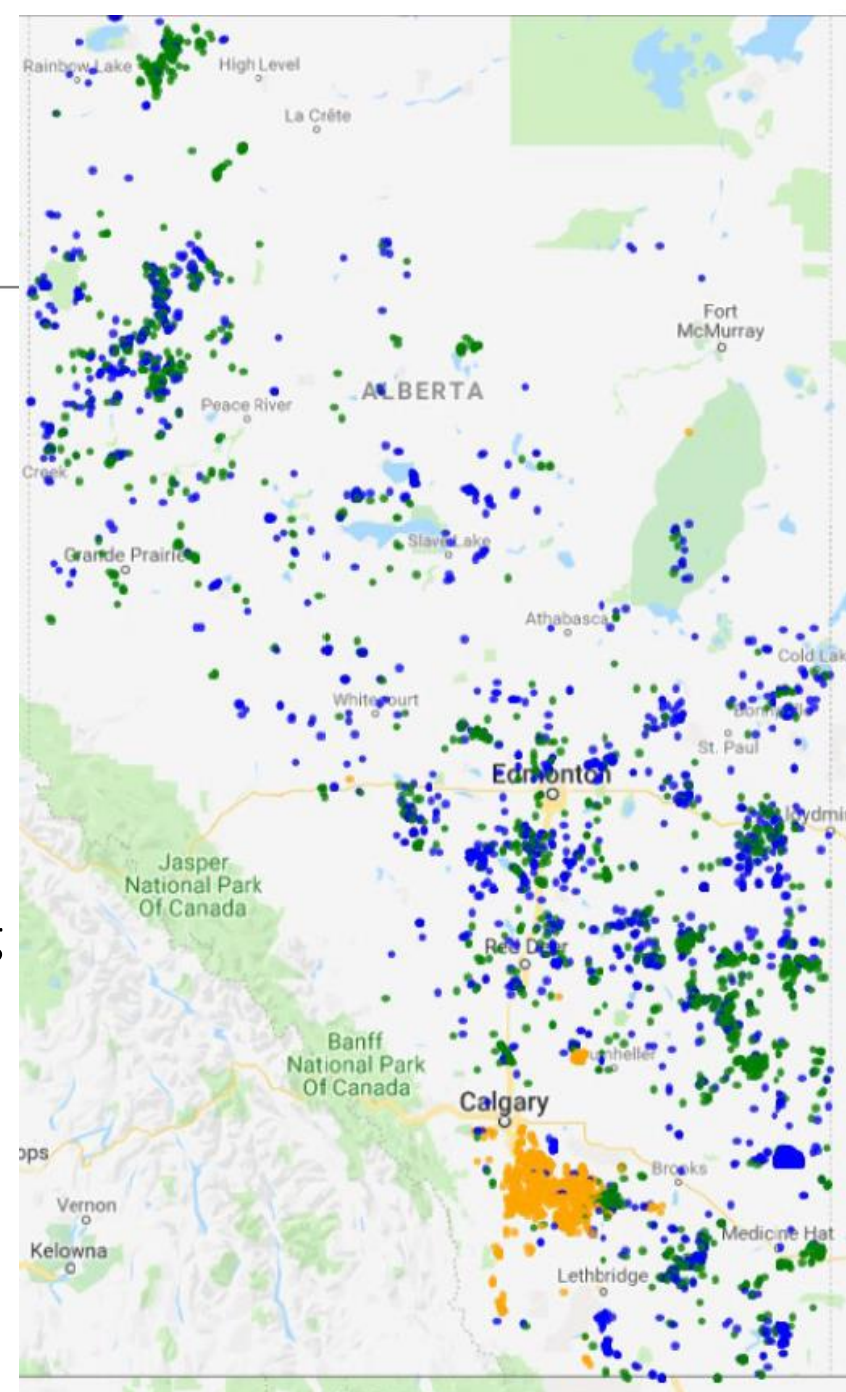


The Growing Problem.... Continues



Orphan Inventory

- **April 2019**
 - 3,172 wells for decommissioning
 - Blue
 - Orange – Lexin Resources
 - 2,112 sites for reclamation
 - Green
 - 240 Facilities for decommissioning
 - Mostly small



OWA Funding

- **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)

2018 Accomplishments

- **Cut and capped 754 wells**
- **337 additional wells downhole abandoned**
 - 65% of AER D011 values (1,091 wells)
- **Reclamation Work**
 - 1,600 Phase 1's
 - 490 Phase 2's
 - 200 sites reclaimed
 - 80 Reclamation Certificate Applications
- **Pipelines – 1,009 pipeline segments completed**

2018 Accomplishments

- **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

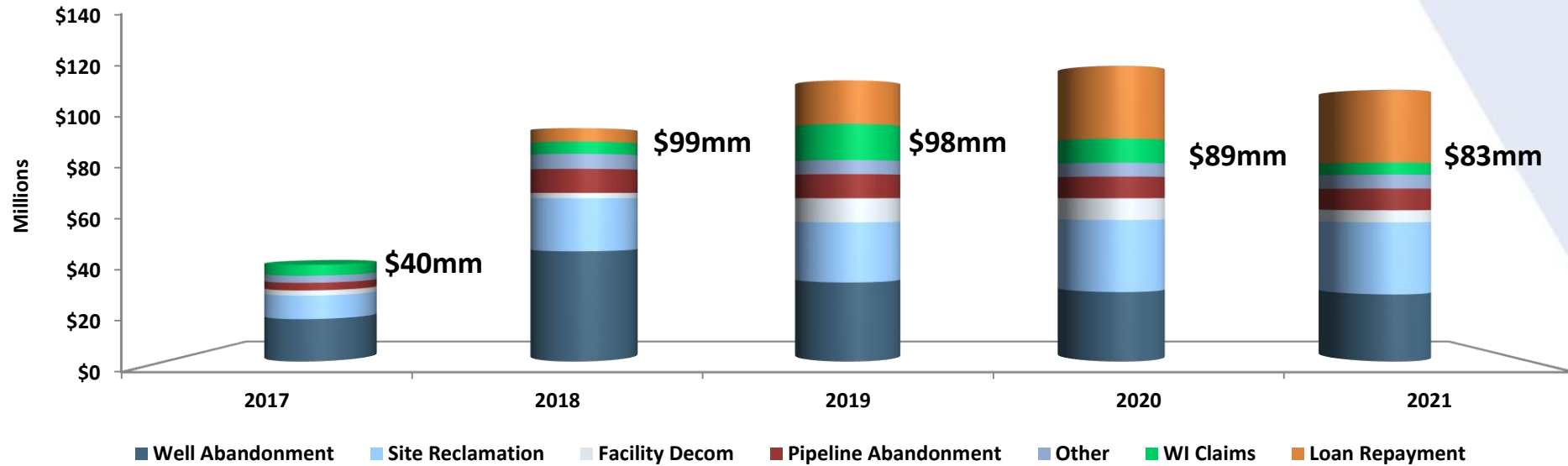
Area Based Closure - Successes

- **Well abandonments**
 - 65% of AER D011 values (1,091 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

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OWA Expenditures and Budget (2017-2021)



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

2019 Goals

- **Corporate Focus on**
 - Improved Cost Performance
 - Moving sites from inactive/suspended to fully reclaimed
 - Safely delivering results

Changes Being Contemplated by OWA

- **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 Issues that Could Impact OWA

- **Successful Appeal of Redwater Energy at Supreme Court**
 - Previous and future insolvencies – how to manage?
- **New Provincial Government**
- **Mazeppa Gas Plant – Orphan Large Facility**
 - Considerations: organization, initial levy, pacing and cadence
- **LGX Oil & Gas**
 - Species at Risk – Sage Grouse
 - Boreal Caribou
- **Sequoia Resources – Perpetual Energy and PwC**

Summary

- **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

- **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

Orphan Well Association

Thank you



**Orphan Well
Association**