

UNDERSTANDING LIABILITY FOR OIL AND NATURAL GAS ASSETS IN ALBERTA



THE LIFE CYCLE OF A WELL

Every company that explores for and develops Canada's oil and natural gas resources is financially responsible for safely managing each well it drills, as well as any associated facilities. This includes all stages of a well's life cycle: exploration, development and operation, as well as end-of-life activities including abandonment and reclamation.

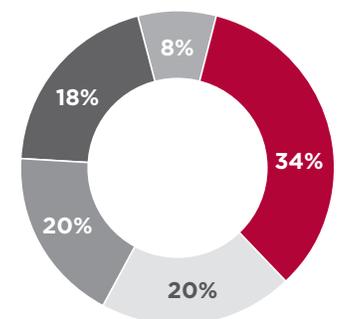
When an oil or natural gas well is no longer productive, the operating company is required by regulations to remove equipment and reclaim the site. Regulatory requirements are documented under various government acts such as the Oil and Gas Conservation Act (OGCA) in Alberta, and a host of technical regulations from the Alberta Energy Regulator (AER).

DEFINITIONS AND WELL CLASSIFICATIONS

- **Active** – a well that is currently producing oil or natural gas.
- **Inactive** – a well or associated facility where activities have stopped due to technical or economic reasons. Not all sites in this category are orphaned. Many may be reopened and produce again at a later date.
- **Suspended** – a well that is not currently producing, has been safely secured, but may produce in the future.
- **Abandoned** – a site that is permanently dismantled (plugged, cut and capped) and left in a safe and secure condition.
- **Remediation** – the process of cleaning up a contaminated well site to meet specific soil and groundwater standards.
- **Reclamation Certified (Rec Cert)** – well sites that are remediated and reclaimed to the regulatory standard of the day.
- **Reclamation** – the process of replacing soil and re-establishing vegetation on a wellsite so it can support activities similar to those it could have supported before it was disturbed.
- **Orphan** – a well or facility confirmed not to have anyone responsible or able to deal with its closure and reclamation.

Our industry safely manages all stages of a well's life cycle – exploration, development, operation, abandonment and reclamation.

WELLS IN ALBERTA BY WELL STATUS



- **Active 34%**
- **Inactive 20%**
- **Reclamation Certified 20%**
- **Abandoned 18%**
- **Reclamation Exempt 8%**

Source: Alberta Energy, 2022

COVERING THE COSTS FOR ORPHAN WELLS

Abandoned, inactive and suspended wells have an identifiable owner, the licensee, and are financially managed by the licensee through to end-of-life activities. To protect against licensees whose businesses failed and are unable to cover the costs for abandonment and reclamation, the AER collects an annual levy (the Orphan Well Levy) from all active oil and natural gas producers and remits these funds to the Orphan Well Association (OWA).

THE ORPHAN WELL ASSOCIATION

In Alberta, when a well has been deemed an orphan by the AER, the OWA on behalf of industry, assesses the work needed to abandon or reclaim the site safely, and then oversees performance of this task. For the fiscal year 2022-2023, the OWA has levies totalling \$78 million which is 100 percent industry funded, to ensure orphan wells are abandoned safely and sites are reclaimed according to regulations. The levy does not cover unpaid taxes, debts or payments to landowners. Landowners have the opportunity, under the Alberta Surface Rights Act, to apply to the Alberta Surface Rights Board (ASRB) to recover unpaid surface lease payments for orphan wells.

As of June 1, 2022, the OWA had an inventory of 1851 orphan wells for abandonment and 5922 sites for reclamation.

Source: CAPP, AER, OWA, 2022

More information on well management can be found at:

OWA: www.orphanwell.ca

CAPP: www.capp.ca/responsible-development/land



A reclaimed well site in Alberta.

Photo Courtesy of: Orphan Well Association.

Managing orphan wells is a top priority for industry to return the land to an acceptable state and ensure there is no safety or environmental risk to the public.

Orphan Well & Large Facility Levies
Total Contribution:

\$78
MILLION
ANNUALLY
100%
Industry Funded

* OWA has received interest-free government loans