

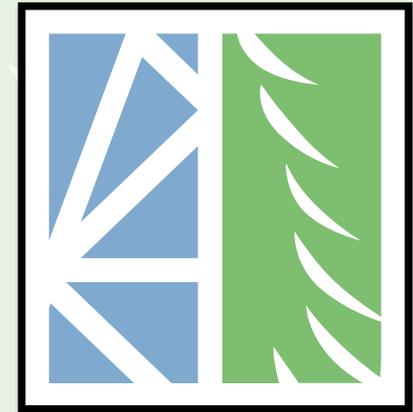
# **Orphan Well Association**

**Partner Insolvencies and Impacts**

**Lars De Pauw, President**

**Petroleum Joint Venture Association**

**June 10, 2025**



**Orphan Well  
Association**

# Orphan Well Association

- **We are a Non-profit organization**
- **OWA is not a Government Organization**
- **Operate under the delegated authority of Alberta Energy Regulator (AER)**
  - Orphan Fund Delegated Administration Regulation (OFDAR) & OGCA
  - But - financially and legally separate from the AER
- **Primarily funded by the Alberta oil and natural gas industry**



# Orphan Well Association

- **Six Independent Directors appointed by OWA “Members”**
  - CAPP (3), EPAC (2), and AER (1)
- **31 Fulltime Employees**
- **Prime Contractors: 18 Environmental, 6 Downhole, and 4 Decommissioning**



# Orphan Well Association Mandate



To decommission Orphan oil and gas infrastructure and reclaim the land similar to its original state in a safe, principled, and cost-efficient manner

# OWA – Key Areas of Work

- **Closure work – majority of effort**
  - Decommissioning, remediation, and reclamation
- **Reasonable Care and Measures (RCAM)**
  - Order from AER if licensee is not willing or able to fulfil expectations
- **Receiverships**
  - Last resort for insolvency if no party willing to provide funding
    - Post SCC Redwater decision – this has become more common
  - After the AER issues a closure/abandonment order or company ceases operations

# Results - Safety

- **Over last two fiscal years (April 2023 to March 2025)**
  - Current TRIF of 1.51
    - Five recordable injuries between November 2024 and March 2025
    - Zero recordable injuries from September 2022 to October 2024
  - Total – 1.3 million hours of work (640 person-years of work)
    - Environmental – 820,000 hours
    - Decommissioning – 448,000 hours
    - Other – 44,000 hours

# Results - Closure

- **Over last two fiscal years (April 2023 to March 2025)**
  - Majority of expenditures on environmental work
    - Reclamation Certificates Issued – 1,380
    - Surface Reclamation – 1,835
    - Environmental Assessments (P1/P2) – 5,006
  - Wells cut and capped – 1,139
  - Pipelines decommissioned – 2,000
  - Facilities decommissioned - 222

# Efficiency

- **Annual Efficiency Targets since 2018**
  - Annual targets for well abandonment, pipeline abandonment and reclamation
- **Comparing ourselves vs AER D011 (well abandonment)**
  - Last year at 55% of updated D011 numbers
  - Ranged between 35 to 56% of D011 annually over the last 6 years (over 6,300 wells)
    - Complex wells – 33% (2023/24) and 39% this fiscal
- **Comparing ourselves with industry – benchmarking**
- **Comparing ourselves to Working Interest Cost Claims (WICC) from Industry**
  - Average D011 for WICC is about 60% more than OWA costs (532 wells)

# Efficiency

## Peer Group Cost Comparisons

Peer Group	Wells Abandoned	% of All Wells Abandoned	Average Abandonment Cost	% of All Peer Grp Average Cost
OWA	945	5%	\$23,906	65%
Producer - Major	5574	32%	\$39,254	106%
Producer - Large	1875	11%	\$37,960	103%
Producer - Intermediate	6114	35%	\$35,620	96%
Producer - Junior	2494	14%	\$36,426	99%
Producer - Micro	305	2%	\$47,419	128%
Midstream	139	1%	\$75,589	204%
Waste Management	6	<1%	\$135,223	366%
<b>All Peer Groups</b>	<b>17452</b>	<b>100%</b>	<b>\$36,970</b>	

Standard total well abandonment costs for wells with no additional costs (example, multiple event).

Source: AER (<https://www.youtube.com/watch?v=gYSwJVulsTE>), 5:40  
Industry data from – 2019-2023 and OWA data from last 2 years

# How do we achieve efficiencies?

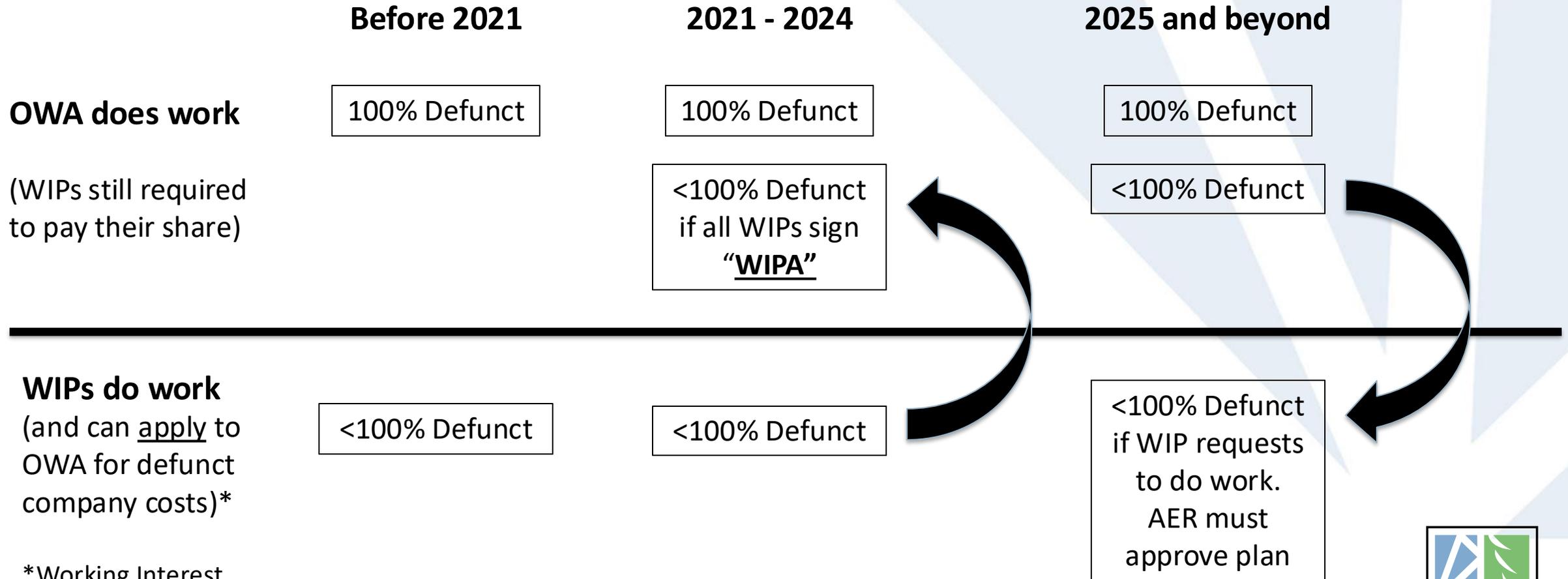
- **OWA team experience and processes**
  - Ability to specialize on one thing (closure)
- **Area based closure (ABC) programs**
  - Grouping of services
  - Similar problems tend to repeat themselves – develop solution once, then repeat
- **Vendor selection through competitive bidding programs**
  - Technical capability
  - Safety
  - Price
- **Leverage our dollars**

# What is an Orphan?



- Well, facility, pipeline or associated site
- Regulatory designation that is determined by AER after thorough review
  - Only *after* Insolvency proceedings or ceases operations/defunct
- **2025 – All defunct licensee assets orphaned**
  - Prior to 2025 – 100% working interest only

# Changes in policy and regulation for the sites we work on



\*Working Interest Cost Claim (WICC)

# “Typical” Path of AER Licensed Assets to Orphan

- 1) **Compliance issues with AER**
- 2) **AER issues RCAM order to Company\***
- 3) **Company fails to comply, AER issues RCAM order to OWA\***
  - AER may issue an Abandonment Order\*
- 4) **OWA applies to Courts to appoint a Receiver**
- 5) **Receiver conducts public asset liquidation process**
- 6) **Receiver “discharges” any assets that do not sell to AER**
- 7) **AER issues Order on assets\***
  - Closure Order or designates as Orphan

\*Posted on AER Compliance Dashboard

# Attempting to Sell an Interest after an AER Order is Issued

- **OGCA - Part 4: Overriding Provisions**

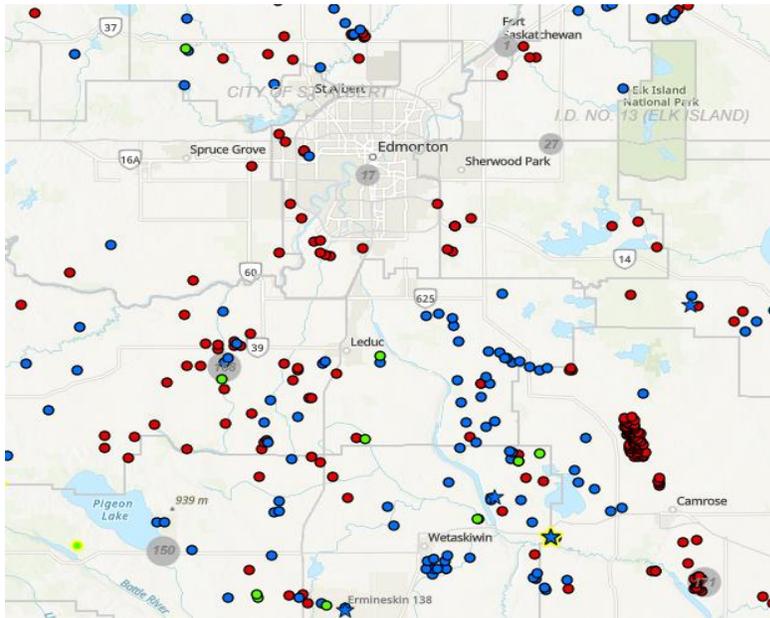
An Order of the Regulator overrides the terms and conditions of **any contract** conflicting with the Act or Regulations

# Potential Changes to Working Interest Cost Claim (WICC) Process

- **Working Interest Cost Claim**
  - Can apply to OWA for reimbursement of defunct licensee's portion of closure costs
    - Any working interest
- **New AER expectations on WICCs to be released shortly related**
- **Potential changes include:**
  - AFE submission to OWA required (prior to work)
  - Timeline to submit all historic WICC claims
  - Timeline for submission on new claims
  - Must provide proof of payment
  - WICCs exceeding reasonable costs may be reviewed by OWA WICC Review Task Group

# How to confirm if the OWA is Managing a Site

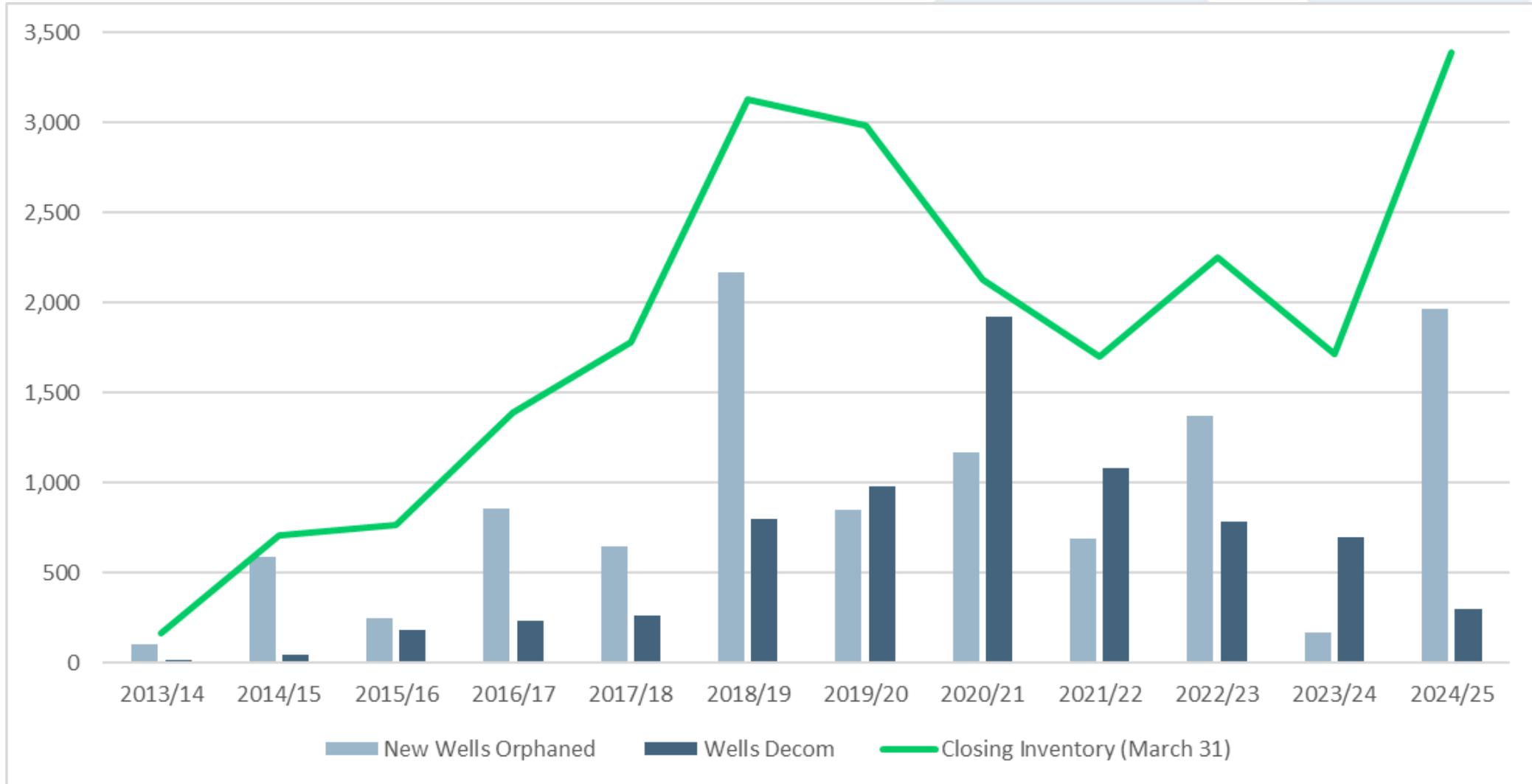
- Sign on lease
- OWA Website: Interactive Map and excel list
- Letter from OWA to landowner
- If not OWA –contact [OrphaningInsolvency@aer.ca](mailto:OrphaningInsolvency@aer.ca)



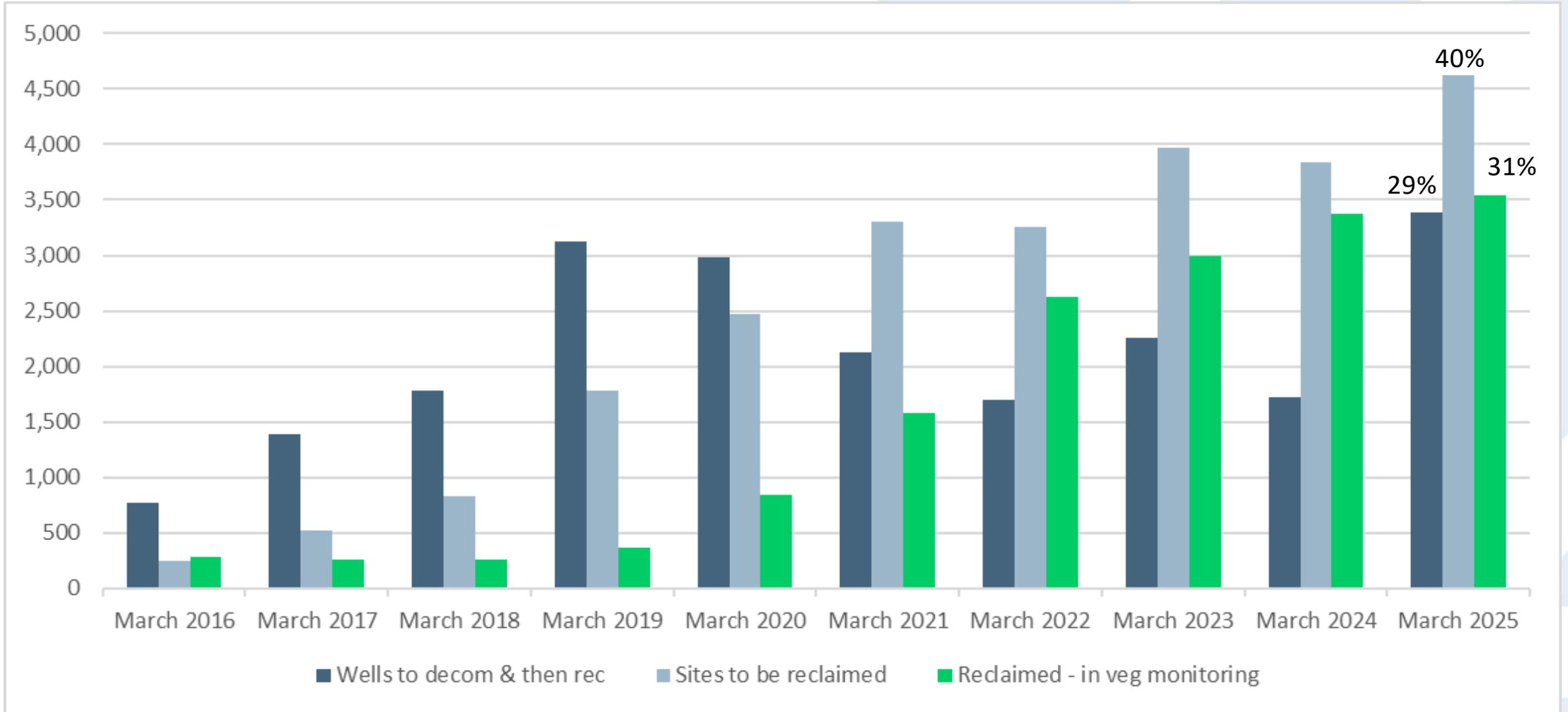
# OWA Inventory (as of June 1, 2025)

- **4,635 sites to be decommissioned (and the sites reclaimed)**
  - Includes 3,873 wellbores
- **8,153 sites to be reclaimed**
  - 34% in environmental assessment phase
  - 4% in remediation phase
  - 18% in reclamation phase
  - **44% in vegetation monitoring only or final certification phase**

# Change in Annual Orphan Well Inventory



# Moving Sites to Reclamation



# How Sites are Prioritized – Closure Work

- **Top Priority – Public Safety**
- **Second Priority – Efficient Operations**
  - Sites are grouped into area projects to gain cost efficiencies
- **Third Priority – Land type and Chronological**
  - Private land
  - Amount of time since site has been designated as Orphan

# OWA Funding – Industry Funded

- **Funded by the Annual Orphan Levy on Producers (not taxpayers)**
  - Total industry levies to date - **\$986 million**
- **April 2025 Orphan Levies**
  - \$144.5mm (Orphan Well) and \$0mm (Large Facility)
- **Each Licensee's Annual Levy:**

$$\frac{\sum \text{Licensee's AER Estimated Liability}}{\sum \text{All Provincial AER Estimated Liability}} \times \text{Total Annual Levy}$$

# 2025 Orphan Levy Setting Process

## 1. AER staff recommend the Orphan levy based on AER internal model

- Estimates current OWA liability with D011 (not OWA estimate)
- Estimates “at risk” companies that may result in additional orphan liability in the future (D011)
- Includes outstanding loan repayment obligations
  - \$153 million (AB) and \$200 million (Canada)

## 2. AER staff includes Orphan Levy in the overall AER budget

## 3. AER Board approves AER Budget

## 4. GoA approves AER Budget as part of Provincial Budget

## OWA estimated closure liability as of March 31, 2025 (designated orphans and WIPA)

- \$1.12 Billion (net)

# Current RCAMs and Receiverships

- **RCAM Orders:**
  - AlphaBow Energy
  - Sunshine Oilsands
- **Receiverships:**
  - Long Run Exploration
  - Tallahassee Exploration
  - Revitalize Energy

# Expenditures

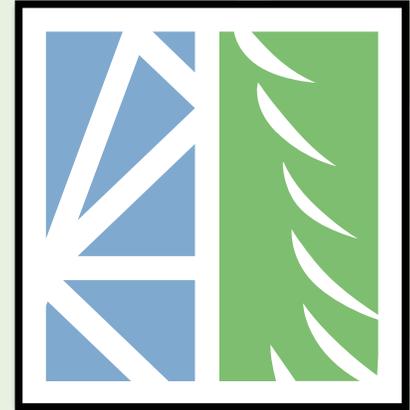
		<b>2025/26 Budget</b>	<b>2024/25 Actuals</b>
<b>Revenue</b>	Orphan Levies	\$144.5mm	\$132.3mm
	Other	\$15.3 mm	\$32.0 mm
	<b>Total</b>	<b>\$159.8 mm</b>	<b>\$164.3 mm</b>
<b>Expenditures</b>	RCAM/Inspections/LTM/other	\$4.9 mm	\$7.8 mm
	Well Decom	\$40.8 mm	\$46.0 mm
	PL & Facility Decom	\$17 mm	\$18.2 mm
	Environmental (rem/rec)	\$81.4 mm	\$65.7 mm
	Working Interest Cost Claims	\$7 mm	\$6.1 mm
	Receiverships	\$1.5 mm	(\$3.8 mm)
	Fund Administration	\$10.2 mm	\$9.6 mm
	GST Expense	\$7.2 mm	(\$10.9 mm)
	<b>Total</b>	<b>\$170 mm</b>	<b>\$138.6 mm</b>
<b>Loan Repayment</b>		<b>\$30.2 mm</b>	<b>\$30.2 mm</b>

# OWA – Summary

- **Focus on our mandate – safe, principled, and cost-efficient closure**
  - Achieving top tier results in all areas
- **Providing a safety net for industry and public**
  - Closure of orphan sites
  - Providing Reasonable Care and Measures (RCAM) if ordered by AER
- **Undertake asset liquidation if no creditor comes forward**
  - Receivership (last resort instead of being orphaned)

# Orphan Well Association

Questions?



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