

Inactive Well Compliance Program

Year One Final Report

In addition to *Bulletin 2014-19*, Alberta Energy Regulator (AER)

July 2016

The Alberta Energy Regulator's (AER) Inactive Well Compliance Program (IWCP) was implemented on April 1, 2015, to bring into compliance a backlog of inactive wells that did not meet requirements in [Directive 013: Suspension Requirements for Wells](#). Directive 013 details suspension, monitoring, and reporting requirements for inactive wells in Alberta. The rules outlined in Directive 013 ensure that industry monitors and maintains inactive wells to reduce the potential for impacts on the public, on the environment, and on resource development in Alberta.

The IWCP began with 30 581 inactive wells belonging to 659 licensees. This total included wells that were compliant with AER requirements as of April 1, 2015, but that would have become noncompliant within the first year of the program (figure 1). The compliant wells were included in a licensee's total IWCP well count.¹

The AER determines the number of wells each licensee must bring into compliance by dividing the number of wells owned by a licensee that were noncompliant as of April 1 of that year by the number of years left in the program. All noncompliant inactive wells will be brought into compliance by the end of year five as licensees bring their annual quota into compliance each year.

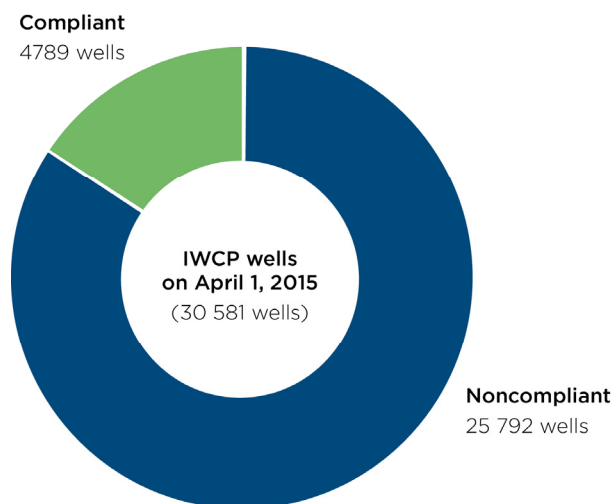


Figure 1—IWCP progress as of April 1, 2015

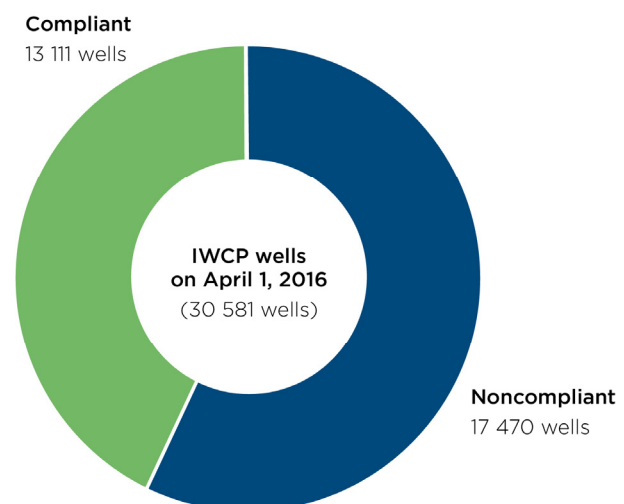


Figure 2—IWCP progress as of April 1, 2016

¹ These 4789 wells had been included in the IWCP totals before an operational change to the compliance deadlines made them compliant on April 1, 2015.

The Alberta Energy Regulator ensures the safe, efficient, orderly, and environmentally responsible development of hydrocarbon resources over their entire life cycle. This includes allocating and conserving water resources, managing public lands, and protecting the environment while providing economic benefits for all Albertans.



Wells included in the IWCP are all low and medium risk, posing minimal risk to public safety and the environment on an individual basis; however, the cumulative number of wells is a concern. The backlog of high-risk inactive wells was addressed outside of the IWCP, and all are now 100 per cent compliant with AER requirements. Licensees of high-risk inactive wells that become noncompliant are subject to enforcement. These wells are addressed by the AER as they become noncompliant.

In year one, which ended March 31, 2016, 384 licensees met or exceeded their quota of inactive wells to be brought into compliance. Overall, licensees brought 10 799 or 35 per cent of the noncompliant wells in the IWCP into compliance with AER requirements. Licensees completed *Directive 013* suspension work on an additional 2312 wells that were compliant at the beginning of year one that would have become noncompliant with the program in the first year. Therefore, the total number of compliant wells is 13 111 (figure 2). The year one target was 20 per cent or 5941 wells.

Approximately 155, or 24 per cent, of licensees did not achieve their quotas. The AER is investigating and, where appropriate, issuing enforcement against these noncompliant licensees. The AER has a number of enforcement tools available to compel compliance and to correct and deter future noncompliance. When a noncompliance is identified, the AER uses the most appropriate tool.

In order to comply with AER requirements, operators must reactivate, suspend, or abandon the wells. However, in some cases, licensees submitted new data showing the wells were no longer inactive or the wells were classified for other uses; these include training, cavern, geo exchange, and environmental observation wells (figure 3).

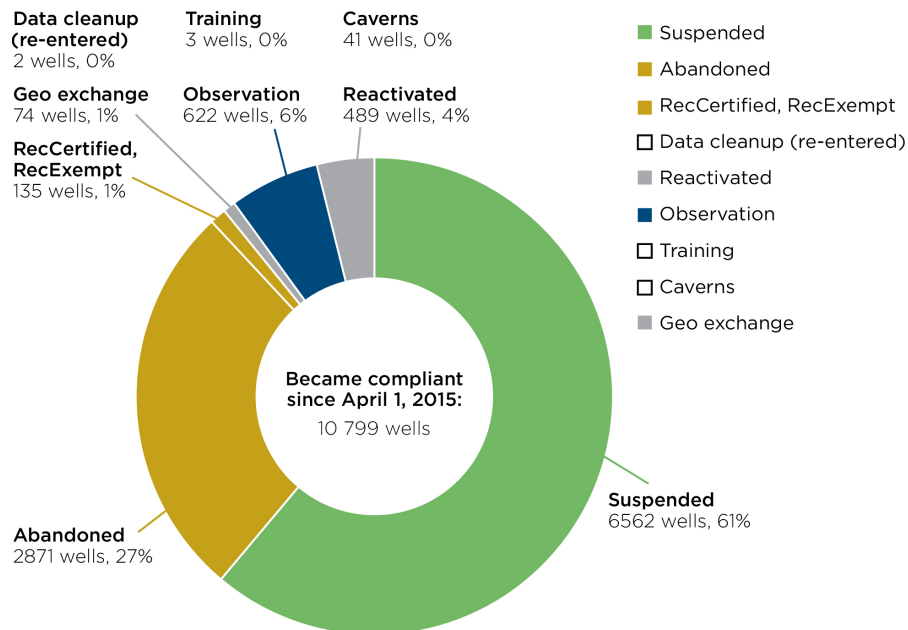


Figure 3—IWCP year-one compliant wells compared to target quotas

Inactive Wells in Alberta – How Did We Get Here?

The number of inactive wells in Alberta has more than doubled over the last 20 years (figure 4). The AER determined that the large inventory of inactive wells in the province limits alternate land-use from continuing through abandonment and reclamation. Because the wells are no longer producing, resource recovery is not being optimized and no royalties are being generated. Additionally, the noncompliant inactive wells could potentially lead to unknown wellbore integrity issues. Even noncompliant low and medium risk wells have the potential to cause energy products like oil or gas to be released. The IWCP was created to protect the public and environment by ensuring the backlog of noncompliant inactive wells in the province complies with AER suspension requirements by April 1, 2020.

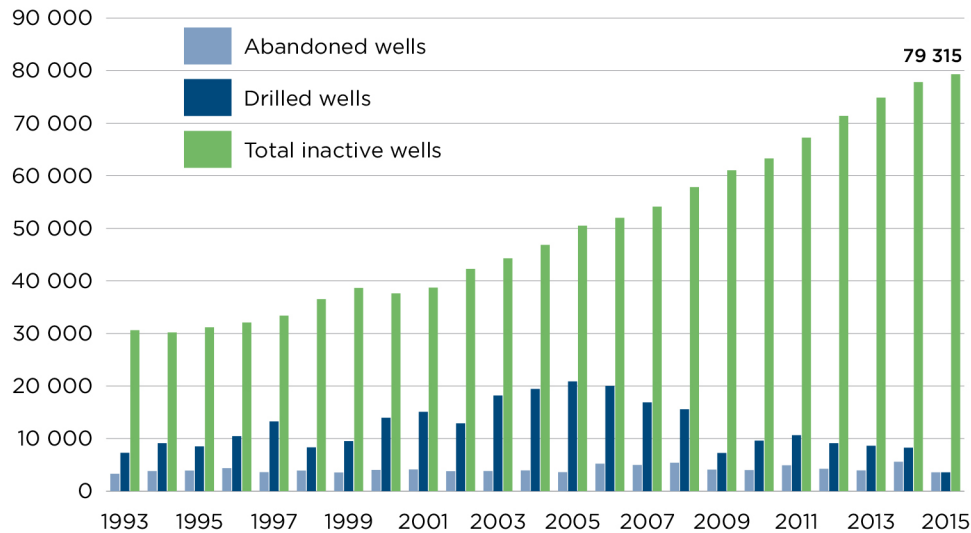


Figure 4—Alberta’s inactive wells: 1993–2015

Because of the increasing number of inactive wells and the manual assessment process, the AER and its predecessor organizations were unable to effectively monitor the inventory to determine which wells were inactive and which were suspended in accordance with *Directive 013*. The AER has since built a software system that tracks well status and publishes the [Inactive Well Licence List](#) to allow industry to more easily identify and monitor inactive wells. If the data on the list is not consistent with a licensee’s records, the licensee is required to update the information with the AER. With the increase of AER surveillance on inactive wells, there has been a significant increase in compliance with *Directive 013* requirements both in IWCP and ongoing *Directive 013* compliance of newly inactive wells. This can be seen in figure 5 where the current compliance rate is 76 per cent, an increase from 53 per cent in 2014.

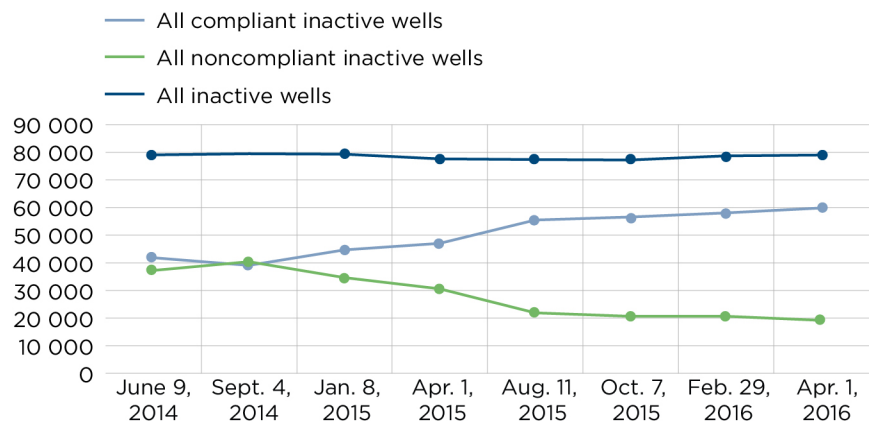


Figure 5—Inactive wells: June 9, 2014, to April 1, 2016

IWCP Year Two

As the AER and licensees validated well status data on the Inactive Well Licence List, the AER identified an additional 173 inactive noncompliant wells that should have been included in the IWCP inventory. Therefore, the total number of wells in the IWCP is 30 723.

Each year of the IWCP, the AER determines how many wells each licensee in the program must bring into compliance. The number of wells each licensee must bring into compliance is determined by dividing the number of the licensee's noncompliant IWCP wells (as of April 1 of that year) by the number of years left in the program.

For year two, there are 17 470 noncompliant wells belonging to 582 licensees in the IWCP. This includes wells under the care and custody of the Orphan Well Association (OWA). The industry-wide quota of inactive wells that must be brought into compliance during year two is 4463 wells. Further information is available in the *IWCP Annual Target Quota and Progress Report* available on the *Directive 013* page.

Orphan Well Association

The OWA is a not-for-profit organization that is funded by the energy industry through the orphan fund levy. The OWA manages the abandonment of upstream oil and gas orphan wells, pipelines, and facilities, and the remediation and reclamation of their associated sites.

The IWCP includes several wells that are under the care and custody of the OWA. In addition, as defunct licensees' well inventories are orphaned, the number of wells for which the OWA is responsible increases. The OWA is responsible for ensuring compliance with all AER requirements, regardless of whether the wells were compliant when they entered the OWA's inventory. The OWA brings the wells into compliance with the IWCP by abandoning them and reclaiming the sites.

In year one, the OWA was responsible for addressing 549 wells in the program over the five years. By year end, the organization had abandoned 134 wells in the program. The number of inactive wells that have become orphaned due to operators going defunct has increased the number of OWA wells in the IWCP to 613 wells for the remaining four years of the program.

Further information about the OWA is available on its website, www.orphanwell.ca.

Inactive Well Compliance Program

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