

AER Court of Queen’s Bench Appeal – Protecting Albertans and the Orphan Fund from shouldering the costs of abandonment and reclamation

Calgary, Alberta (May 27, 2016)...The Alberta Energy Regulator has appealed the Alberta Court of Queen’s Bench decision, Redwater Energy Corporation (Re), 2016 ABQB 278.

Licensee Liability Rating

The AER’s licensee liability rating (LLR) program is intended to prevent the costs to suspend, abandon, remediate, and reclaim a well facility or pipeline from being borne by the public of Alberta and to minimize the risk to the orphan fund. The LLR program is based on a comparison of deemed assets (production) to deemed liabilities (abandonment and reclamation costs). When the deemed liabilities outweigh the deemed assets, the company must pay financial security to the AER for the difference or conduct transfers or complete abandonment or reclamation work to improve its LLR.

Orphan Well Association

The [Orphan Well Association](#) (OWA) is a not-for-profit organization that is funded by the energy industry through the Orphan Fund Levy. The OWA manages the abandonment and reclamation of upstream oil and gas orphan wells, pipelines, facilities, and their associated sites. The annual orphan fund levy amount is set by the OWA in consultation with Canadian Association of Petroleum Producers (CAPP) and the Explorers and Producers Association of Canada (EPAC). The amount is based on the estimated cost of abandonment and reclamation activities for the upcoming fiscal year. For fiscal year 2015/16 the orphan fund levy was \$30 million.

Redwater Energy Corp.

Redwater Energy Corp. filed for receivership on May 12, 2015 and for bankruptcy on October 16, 2015. The company is the licensee of 84 wells, seven facilities, and 36 pipelines, mostly in the Edmonton area. On December 5, 2015, the AER’s liability programs assessed the liabilities associated with Redwater’s wells and facilities at \$7.3 million to abandon and reclaim.