

# Backgrounder

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## Redwater Energy Corp. timeline of events and the Orphan Well Association

Calgary, Alberta (April 28, 2017)...The Alberta Energy Regulator (AER) intends to appeal a decision by the Alberta Court of Appeal that allows receivers and trustees to disclaim, or walk away from, unprofitable oil and gas assets and their associated abandonment and reclamation liabilities despite Alberta legislation intended to ensure that energy developers—not Albertans—pay for final closure of energy sites.

Redwater operated 84 wells, seven facilities, and 36 pipelines, mostly in the Edmonton area, before the company filed for receivership on May 12, 2015, and for bankruptcy on October 16, 2015.

On May 27, 2016, the AER appealed the Court of Queen’s Bench [decision](#) that allowed the receiver to disclaim select energy sites. The Alberta Court of Appeals heard the appeal in October 2016.

On April 24, 2017, the AER’s appeal was dismissed in a 2-1 decision by the Alberta Court of Appeal. Justice Martin’s dissenting reasons fully reflect the AER’s concerns.

The AER’s appeal was supported by the Alberta, British Columbia, and Saskatchewan governments, the Orphan Well Association, and the Canadian Association of Petroleum Producers.

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.

### Orphan Well Association

The Alberta Energy Regulator (AER) works closely with the OWA to ensure that Albertans never have to pay for energy industry abandonment and reclamation costs. Should a company go into insolvency, its wells, facilities, and pipelines may be referred to the OWA for suspension, abandonment, or reclamation. Wells, facilities, and pipelines are referred to the OWA—an industry-funded not-for-profit organization—as a last resort. The OWA’s \$30 million annual budget is funded by an annual industry levy. The OWA’s inventories have increased dramatically since 2014. The table below shows the association’s year-over-year inventory.

**Orphan Well Association inventory**

Year	Wells	Facilities	Pipeline segments
2014	162	13	121
2015	705	53	730
2016	768	67	856

\* As of March 31 each year; 2017 data is currently being compiled.