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BANKRUPT ENERGY FIRMS ADD TO ALBERTA'S ABANDONED WELL PROBLEMS

Nearly 150,000 oil wells in the province are inactive or abandoned. Tony Bruder lives in one of the most beautiful parts of Canada, the deep southwestern corner of Alberta where the Prairies bump into the mountains, on a ranch that's been in his family for three generations. Those same three generations have lived with an antique sour gas well that produced for a few years in the 1950s and has since lain dormant, rusting slowly through the seasons. "My brothers and I used to climb the tree, that's what we called it, and shoot gophers," said Bruder. That well provides little amusement now that Bruder owns the ranch and has descended into the bureaucratic nightmare of trying to convince either the Alberta Energy Regulator or the various companies that have owned the well over the years to clean it up. A decade ago he and other landowners with dud wells on their property invited a half-dozen employees of the Energy Resources Conservation Board (now called the AER) to look at their well sites.

"We actually toured them around the sites," said Bruder. "They guaranteed us that something would happen in the next six months. We never heard back from them."

Twin Butte Energy, the company that owns Bruder's well, is facing insolvency. It has until June 21 to find a buyer or its lenders could call in the company's loans. It is actively looking for a buyer. If, however, Twin Butte becomes insolvent, Bruder is in for a major headache. A recent court decision in Alberta, the Redwater Energy case, ruled that in the case of a bankruptcy, energy companies must use their remaining assets to pay back their lenders before cleaning up old well sites. "It effectively neutralizes all the tools that the Alberta Energy Regulator and the province have developed over the past 25 years to ensure a super priority for environmental cleanup," said Keith Wilson, a lawyer for landowners in Alberta. "The Redwater decision occurs in a

context where we've seen a dramatic increase in the number of non-producing wells with no real potential for production." Bruder's well problem is repeated nearly 150,000 times over in Alberta. As of early June, the province has 69,153 abandoned wells, which means they have been plugged, but not reclaimed, and a further 79,102 wells that have been inactive for more than a year. Why? It's a lot cheaper to pay a few thousand dollars a year in lease fees than to pay tens or hundreds of thousands of dollars to seal and reclaim a well. North of Bruder, in Three Hills, Alta., Dave Smithers is dealing with a well left over by a company in bankruptcy. A pumpjack sits on his farmland, partially disassembled. The well is 1,500 metres deep, and then spreads horizontally a similar distance. "The communication with the company over the past two years has been zero," said Smithers. Alberta landowners like Smithers have no power to say no to an oil or gas well on their property. Nor do they have the power to compel a cleanup. "Since the land I own is on top of oil and other mineral rights that someone else owned, I could not say no to them to get through my land to get to their asset underground," said Smithers. "Therefore I was always of the understanding that if they ceased to want to be there, they would clean my land up to the way it was when they found it." That has not happened. Because of where it is placed on the land, the well spends part of the year in the midst of a pond. The topsoil around the site was never replaced, so the well site is surrounded by clay that runs into the surrounding farmland when it rains. Smithers said that farmers and energy companies have a history of working well together, but he senses it is starting to shift. "But now I see a trend where that relationship is breaking down and giving way to what I see as the strong man wins." One of the interesting twists of the Redwater Energy ruling was that ATB Financial brought the case forward with Grant Thornton, the bankruptcy trustee in charge of selling Redwater's asset. ATB is owned by the province of Alberta. On the other side of the case, was the Alberta Energy Regulator. At its heart, this case



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was about two arms of government fighting each other. Dave Mowat, the chief executive of ATB, said that the Redwater case was launched for clarity, so that lenders would know if they have appropriate security in place before making loans. But he said he also sees the other side of the story. "I think there's an issue with abandoned wells in Alberta, period," said Mowat. "It's important to me as a citizen of Alberta. I want something that works going forward. I could potentially see some sort of negotiation to come up with something that works for the province and works for the companies and their banker." However, this case is

expected to set a precedent with bankruptcies where the lender is not owned by the province. For that reason, the AER is appealing the decision. Right now, wells of bankrupt companies end up in the Orphan Well Association, which is funded mostly by industry and has seen its inventory of wells quadruple in the past two years. It has 768 on the list now to be abandoned and 755 to be reclaimed. It reclaimed roughly 100 last year.

With the Redwater decision, the association is set to be overwhelmed, said Barry Robinson, a lawyer with Ecojustice. He thinks companies should pay a cash deposit up front

"The orphan well program isn't going to be able to afford this," said Robinson. "I think the decision just clarifies the problem, the regulator is not holding enough security for most of these abandoned wells. Deposits and timelines are the answer." Wilson thinks that a change in the federal bankruptcy law is in order to fix the problem, so that environmental cleanup is made a priority. "Put your mind to what this could mean for the oilsands." As of 2015, the provincial government held \$1.6 billion in reclamation bonds to clean up the oilsands — that's against \$21 billion in estimated clean-up costs. Alberta's auditor general raised concerns last summer that the province wasn't holding enough on deposit.

CHEVRON LOOKS TO UNLOAD MORE WESTERN CANADA ASSETS TO BOLSTER CASH RESERVES

Burnaby refinery up for grabs after 2 gas storage facilities sold. Chevron Canada is testing the waters for a possible sale of its non-core refining and marketing assets in Western Canada, including its refinery in Burnaby, B.C. A company spokesman said Friday that Chevron has asked for expressions of interest on the company's 57,000-barrel-a-day refinery as well as its marketing assets, but that no final decision has been made to sell. The request for interest does not cover Chevron's lubricants business, its stake in the Kitimat LNG project, or upstream producing assets, the spokesman said. The potential sales follow Chevron's off-loading of two gas storage facilities in B.C., including Aitken Creek — the largest in

the province — to Fortis for \$266 million US earlier this spring.

Chevron says the sales are part of its target to bring in between \$5 billion and \$10 billion from asset sales over the next two years to generate needed cash and streamline its portfolio. On Friday, Reuters reported that Suncor Energy was looking to auction off its Petro-Canada lubricants division in Ontario in a sale that could bring in about \$800 million. A Suncor spokeswoman declined to comment on the rumoured sale but said the company has disclosed that it is looking to divest some non oil-producing assets.

The company said in its latest quarterly update that it expects the non-producing asset sales to bring in between \$1 billion and \$1.5 billion over the next year.

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 768 sq ft cabin
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\$275,000
 1,400 sq ft cabin
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 Moonlight Bay Road
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 3 BDRMS Year round cabin
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 Back yard is fenced
 Comes with appliances
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 1001 - 1003 Trelayne Place
\$275,000
 984 sq. ft. cabin
 3 BD, 1 BA
 Year round cabin
 Double detached garage.
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 (Turtle Lake Lodge Cres)
 34 Mathews
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 3 BD, 1 BA
 Year round cabin
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 60x100 ft. titled lot
 2 BD, 3 BA
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\$329,000
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