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RECOMMENDATIONS TO LIMIT THE PUBLIC RISK FROM CORPORATE INSOLVENCIES INVOLVING INACTIVE WELLS

ENERGY RESOURCES CONSERVATION BOARD
December 1989

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EXECUTIVE SUMMARY

Of the some 129 000 wells that have been drilled in Alberta since the early 1900s about 25 000 of them are currently inactive; they are neither producing nor are they properly abandoned. Up to about 1600 of these may not have traceable owners (and are therefore referred to as "orphan wells"), though our current information suggests that the actual number of orphans is between 17 and 243.

Currently, the Energy Resources Conservation Board uses the interest from an abandonment fund of $3 million to abandon orphan wells that may pose a threat to the public or the environment. That amount will not be sufficient if the eventual number of orphans is more than about 200.

In order to control the current problem and to prevent the problem from growing in future (there are over 5000 new wells drilled in Alberta each year), the Board has moved on the following fronts:

- We have reviewed, with the industry associations, the guidelines for suspending wells. The guidelines have been upgraded and all suspended wells will be reviewed over a period of 5 years and abandoned or upgraded where necessary.

- We have selected specific cases to test, before the courts, the limits of the Board's authority under current legislation. The questions of law are complex and may take months or even years to resolve.

- We have reviewed the relevant Acts and Regulations and have identified changes that would enhance our ability to deal with both the current and future problem of orphan wells.

The proposed changes reflect the Board's view that the responsibility for proper abandonment of a well should fall to the primary beneficiaries of the well. When the current beneficiaries are unable to meet their responsibilities, the Board will look to previous beneficiaries.

The changes set out below are characterized as major and minor. The major changes will have implications for how the industry conducts its business. The minor changes are primarily intended to clarify the Board's authority; they are, nonetheless, important.

Major Changes

1) The Board proposes to introduce a fee of $100 per year for the right to maintain a well in an inactive state. This fee will be targeted at the administrative costs necessitated by monitoring and review of inactive wells and well ownership, with any surplus transferred to the abandonment fund to ensure sufficient funds are available to abandon wells which are currently orphans or become so in future. Each suspended well will be reviewed every 5 years, at which time the onus will be on the operator to justify continued suspension or to abandon the well.

2) The Board proposes to establish, in law, a descending order of responsibility for ensuring a well is properly abandoned, as follows:

   a) the licensee of the well,

   b) a receiver or other representative of the licensee who has assumed control and management of the licensee's business,

   c) other working interest owners,

   d) previous licensees of the well,

   e) a lessee of the mineral rights,

   f) previous holders of the lease,

   g) the mineral rights owners.

   (Note: e), f), and g) are intended to give the Board access to the leaseholder. For Crown lands this requires the changes to the Mines and Minerals Act as set out in point 4 below).

3) The Board proposes that the costs of abandonment plus a penalty of 25 per cent should be payable by any defaulting party to whoever carries out the abandonments.

4) The Department of Energy is considering changes to the Mines and Minerals Act to the effect that

   a) the obligation to abandon a well or to reclaim the surface survives the expiration of the lease and the lessee shall indemnify the Crown for any costs associated with the abandonment or reclamation;

   b) the transfer of a lease will not relieve the transferor of this obligation if the transferee fails to honour it;

   c) there may be provision for the well to be abandoned within a set time after the lease expires.

Minor Changes

The Board proposes the following changes, in some cases intended to clarify powers the Board believes it already has and in all cases intended to facilitate efficient regulation of suspended wells. The changes would

5) empower the Board to refuse to transfer well licences;

6) empower the Board to allow certain parties to abandon a well without holding the licence for that well;

7) empower the Board to transfer a licence to a working interest owner, in certain circumstances;

8) empower the Board to direct that a well shall be abandoned;

9) require receivers, trustees, etc, to advise the Board when they are appointed to manage the business of a licensee for any reason, and to advise the Board when they intend to apply for discharge;

10) ensure the Board may apply to the Court of Queen's Bench for an order requiring that its directions be followed.

1 INTRODUCTION

There have been some 129 000 oil and gas wells drilled in the Province of Alberta since the early 1900s. These can be categorized as follows:

Active Wells	65 000
Inactive Wells	25 000
Abandoned Wells	39 000
Total Oil and Gas Wells	129 000

Normally, wells in all three categories are owned by viable, active companies which accept responsibility for the wells.

However, in some cases the owners of wells cease to exist, either voluntarily or through bankruptcy. In such cases, when no responsible party can be found in the private sector, the wells, by default, become the responsibility of the Province. These wells are commonly referred to as "orphan wells": they have little or no value, they have not been properly abandoned, and they have no locatable owners. Such wells must eventually be abandoned properly to avoid deterioration that might cause problems with cross-flow between formations, conservation losses, possible contamination of fresh water aquifers, and possible hazards to public safety at the surface.

The precise number of orphan wells is difficult to estimate, in part because wells may have numerous working interest owners. But the Board's records currently show only the party that is licensed to operate the well. Appendix A sets out estimates of the number of wells that may be orphans, using categories of increasing certainty. The results show a range of possible orphan wells from 17 (known with certainty) to 1566 (a number that includes most potential orphans identified to date, many of which may be eliminated from the list on further investigation). For purposes of this discussion, we have adopted the total of the three categories with the highest level of certainty (based on the facts that there are no known owners, the wells have not produced in 12 months, and the wells are not yet properly abandoned). That total is 243 wells that are either certainly orphans (17) or have a significant probability of being orphans (226).

The number of 243 is useful for developing preliminary estimates of the costs that may be associated with the eventual abandonment of orphan wells. But it should be noted that the problem is dynamic--all of the existing 90 000 or so wells will eventually have to be abandoned, as will the many thousands of wells yet to be drilled (there will be about 5000-6000 new wells drilled each year in Alberta for the next 5 to 10 years). Most of these will be dealt with appropriately by the industry.

130,000

But as companies come and go, additions to the list of orphan wells are highly likely. Therefore, whatever system is put in place to deal with these problems must address both the current, static problem and the future, dynamic problem.

The potential costs attributable to the investigation and control of the population of inactive wells have both an administrative and an operational (abandonment) component. The administrative component results because it is essential that the ERCB carry out much more detailed work respecting inactive wells in order to hold the future number of orphans to a reasonable level. The operational or abandonment component is because there are already a certain number of orphan wells and, notwithstanding the increased surveillance of inactive wells, other wells can be expected to become orphans in future.

The details of the anticipated costs are set out in Appendix B for each of the next 5 years. It is expected that the costs would be about $3 million for each year through to the mid-1990s. Thereafter, they would likely decline, but will depend largely on how successful the administrative program is in limiting the number of additional orphans which will fall to the ERCB for abandonment. Note that these estimates include only the costs incurred by the ERCB in dealing with administration and the subsurface and minor surface abandonment aspects of the orphan well abandonment program. Additional costs will be incurred by the Surface Rights Board and Alberta Environment's Land Conservation and Reclamation Council (LCRC) in dealing with orphan wells. The costs to Alberta Environment could be substantial.

The ERCB presently has an abandonment fund of some $3 million, the interest from which is used to abandon known orphan wells according to criteria set by the Board. The abandonment fund was derived from a transfer of an accumulated ERCB surplus at the time the deposit system was terminated, so the government and the industry each has a 50 per cent stake in the fund. The abandonment fund is not adequate to cover the costs anticipated under the base case projection noted above. Therefore, the ERCB is recommending the imposition of an inactive well fee of $100 per well per year. The funds generated will be used to cover administrative costs for investigation of well ownership and control of inactive wells and to supplement the abandonment fund for abandoning orphans, generally as described in Appendix B. The amount of the inactive well fee will be reviewed in future years and modified, if warranted. The Board believes that a system which involves increased surveillance of inactive wells and making funds available to abandon those wells that do become orphans would be superior to the re-establishment of a well deposit system. (This matter is dealt with further in Part 3 of this report.)

2 APPROACHES TO RESOLVING THE PROBLEM

The ERCB is approaching the problem on three fronts. First, over the past 2 years, we have been working with the industry/government Drilling and Completions Committee (DACC) to upgrade the guidelines for suspending wells. The DACC recommendations (referenced in Appendix C) were accepted by the Board in October 1989 and are currently under final review by the industry. The implementation of these recommendations will lead to a staged review of all suspended wells to ensure that they are left in a condition that maximizes public protection and minimizes ultimate abandonment costs. All suspended wells will be reviewed over a period of 5 years and abandoned or upgraded where necessary. This will ensure that the existing population of suspended wells is environmentally safe; and when abandonment becomes necessary, abandonment costs will be minimized. Second, the Board has selected some cases for presentation to the courts to test the limits of its authority under current legislation and to define the responsibility of receivers, trustees in bankruptcy, and working interest owners. These initiatives may take months or years to resolve the questions at issue. Therefore the Board, through this report, has moved on a third front; namely, to review relevant Acts and Regulations with a view to identifying changes that would enhance our ability to deal with both the current and future problem of orphan wells. To facilitate this, we have also reviewed procedures for dealing with orphan wells in other jurisdictions in Canada and the U.S.

These three fronts are clearly interrelated. For example, regulations for suspension could be made so stringent that future problems with orphan wells would be extremely unlikely. But this would impose excessive costs on the entire industry, whereas only a portion of the industry is likely to generate problems. Less stringent regulations governing well suspensions could be accommodated if the Board had greater control over what happens to wells when the licensee goes into receivership or bankruptcy. The higher risk that problems attributable to orphan wells could result from less stringent regulations would be offset by the greater ability of the Board to deal with them effectively. The Board has attempted to achieve a reasonable balance among the three approaches.

This document sets out our preliminary recommendations on the third front, changes to legislation and regulations. The recommendations are intended to deal with the current problem as well as prevent worsening of the problem in future. Several objectives have been addressed:

a) to increase the financial capability of the Board to carry out abandonments as necessary;

b) to increase the Board's effective control over parties who should be responsible for abandoning wells;

c) to ensure the regulatory system encourages, and in the final analysis ensures, the abandonment of inactive wells as and when appropriate;

d) to ensure the number of orphans that become the responsibility of the province is minimized.

3 PROPOSED CHANGES TO LEGISLATION AND REGULATIONS

The detailed proposals regarding changes to legislation are set out in Appendix D. There are two kinds of changes being proposed. One kind might be described as "housekeeping" changes, intended to confirm the Board's authority under current legislation. These will be summarized below. The other kind of change being recommended is more far-reaching, likely involving some cost to industry, or having implications for how the industry conducts its business. The Board believes these latter changes are necessary to ensure containment of this growing problem.

The recommendations incorporate a philosophy that, in general terms, sees the responsibility for proper abandonment falling to the primary beneficiaries of the well. Normally, responsibility should fall first on the entity that holds the Board's licence, then on any or all working interest owners. Most problems would likely be resolved at this stage. But in the event that no working interest owners exist, the Board should be able to look to previous licensees. This is a logical extension, intended partly to ensure that those who sell low-productivity wells do so to viable, responsible operators who can be relied upon to abandon the wells properly as and when necessary. If these steps fail to uncover a responsible party, the Board would look to the owner of the mineral rights in order to fix responsibility on the lessee of the mineral rights, as even where the lessee is not a working interest owner he will be receiving overriding royalties or other benefits in most instances.

The other major component of the rationale underlying the recommendations set out below is a user-pay philosophy. The increased monitoring of the population of suspended wells will involve a significant administrative cost, the burden of which should fall on those generating the activity rather than on the broad group that finances the general administration of the Board. Our specific recommendations are set out below.

<u>Major Changes</u>

1) The Board proposes to introduce a fee of $100 per year for the right to maintain a well in an inactive state. Each suspended well will be reviewed every 5 years, at which time the onus will be on the licensee to justify continued suspension or to abandon the well.

2) The Board proposes to establish in law, to the extent feasible, a descending order of responsibility of ensuring a well is properly abandoned, as follows:

   a) the licensee of the well,

   b) a receiver or other representative of the licensee who has assumed control and management of the licensee's business,

c) other working interest owners,

d) previous licensees of the well,

e) a lessee of the mineral rights,

f) previous holders of the lease,

g) the mineral rights owner.

(Note: e), f), and g) are intended to give the Board access to the leaseholder. For Crown lands this requires the changes to the Mines and Minerals Act as set out in point 4 below.)

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4) The Department of Energy is considering changes to the Mines and Minerals Act to the effect that

a) the obligation to abandon a well or to reclaim the surface survives the expiration of the lease and the lessee shall indemnify the Crown for any costs associated with the abandonment or reclamation;

b) the transfer of a lease will not relieve the transferor of this obligation if the transferee fails to honour it;

c) there may be provision for the well to be abandoned within a set time after the lease expires.

Minor Changes

The Board proposes the following changes that in some cases are intended to clarify powers the Board believes it already has and in all cases are intended to facilitate efficient regulation of suspended wells. The changes would:

5) Empower the Board to refuse to transfer well licences.

6) Empower the Board to allow certain parties to abandon a well without holding the licence for that well.

7) Empower the Board to transfer a licence to a working interest owner, in certain circumstances.

8) Empower the Board to direct that a well shall be abandoned.

9) Require receivers, trustees, etc, to advise the Board when they are appointed to manage the business of a licensee for any reason, and to advise the Board when they intend to apply for discharge.

10) Ensure the Board may apply to the Court of Queen's Bench for an order requiring that its directions be followed.

APPENDIX A ORPHAN WELL COUNT

The attached orphan well count was prepared by categorizing a list of licensees. The list represents a compilation of situations that have resulted or may result in a well becoming an orphan well. The criteria are listed at the end of the attached table.

ORPHAN WELL COUNT

	TYPE	SELECTION CRITERIA AND REMAINING UNCERTAINTIES	CLASS A LICENSEE'S	CLASS B LICENSEE'S	CLASS C LICENSEE'S
1	TRUE ORPHANS	1. The licensees are corporations that no longer exist. 2. To the best of our knowledge, there are no working interest owners other than the licensee. The wells have been thoroughly investigated and have been on the orphan well list for some time. 3. The wells have been abandoned but are leaking natural gas or water to surface.	13		
2	TRUE ORPHANS 17	1. The wells have never been licensed and therefore there are no licensees. 2. There are definitely no working interest owners. 3. The wells have not been abandoned. 4. The wells have not reported any production in the past 12 months.	4		
3	NON-PRODUCING POTENTIAL ORPHANS	1. The licensees are corporations that no longer exist. A receiver manager, etc. that may have been assigned to any bankruptcy is no longer responsible. 2. On the basis that only one company name appears in the well name it is assumed there are no working interest owners other than the licensee. (No detailed check conducted) 3. The wells have not been abandoned. 4. The wells have not reported any production in the past 12 months.	226		
4	NON-PRODUCING POTENTIAL ORPHANS	1. The licensee is a corporation that went bankrupt. The receiver manager has been discharged. 2. There are definitely working interest owners other than the licensee that still exist and can be contacted. 3. The well has been abandoned but is leaking natural gas to surface.	1		
5	NON-PRODUCING POTENTIAL ORPHANS	1. The licensees are corporations that no longer exist. It is not known what happened to these corporations nor has it been investigated. 2. On the basis that "et al" or another company name appears in the well names it is assumed that there are working interest owners other than the licensee (No detailed check conducted). 3. The wells have not been abandoned. 4. The wells have not reported any production in the past 12 months.	71		
6	NON-PRODUCING POTENTIAL ORPHANS 562	1. The licensees are bankrupt corporations. The receiver manager has not been discharged. 2. On the basis that "et al" or another company name appears in the well names it is assumed that there are working interest owners other than the licensee (No detailed check conducted). 3. The wells are not abandoned. 4. The wells have not reported any production in the past 12 months.	264		
7	PRODUCING POTENTIAL ORPHANS	1. The licensees are corporations that no longer exist. It is not known what happened to these corporations nor has it been investigated. 2. It is assumed there are working interest owners other than the licensee or that some other party will purchase the wells because the wells have reported production in the past 12 months. 3. The wells are not abandoned. 4. The wells have reported production in the past 12 months.	111		
8	PRODUCING POTENTIAL ORPHANS 465	1. The licensees are bankrupt corporations. The receiver manager has not been discharged. 2. It is assumed there are working interest owners other than the licensee or that some other party will purchase the wells because the wells have reported production in the past 12 months. 3. The wells are not abandoned. 4. The wells have reported production in the past 12 months.	354		

ORPHAN WELL COUNT

	TYPE	SELECTION CRITERIA AND REMAINING UNCERTAINTIES	CLASS A LICENSEE'S	CLASS B LICENSEE'S	CLASS C LICENSEE'S
9	POTENTIAL ORPHANS (NOT CLASS A)	1. The licensees are corporations properly registered with Consumer & Corporate Affairs, but have at one time or another failed in their financial obligations under the O.G.C. Act or the Surface Rights Act. 2. No further analysis of these licensees has been completed at this time.		293	
10		1. The licensees are corporations properly registered with Consumer & Corporate Affairs, but have failed to respond to two double registered letters regarding the expiry of their right to produce and the abandonment of at least one of their wells. 2. No further analysis of these licensees has been completed at this time.		41	
11		1. The licensees are individuals or unincorporated farms, ranches, or religious groups. 2. On the basis of the well name and/or unique identifier these wells appear to be farm gas wells or domestic water wells. 3. No further analysis of these licensees has been completed at this time.			152
12		1. These licensees are individuals, pairs of individuals, or an estate of a deceased person. 2. On the basis of the well name and/or the unique identifier these wells appear to be oil or gas wells. 3. No further analysis of these licensees has been completed at this time.			36
	522				
		CLASS TOTALS (WELLS)	**1044**	**334**	**188**

Class A

(Highly Suspect Licensees)

- a known bankruptcy situation,
- the licensee of a known orphan well,
- a corporation that is either not on the Corporate Register or is not in good standing on the Corporate Register, or
- other licensees added from the Unclaimed Drilling Deposits List, the Section 18 Transfer List, or at the direction of the Board's Legal Department.

Class B

(Somewhat Suspect Licensees)

- Surface Rights Board
- Administration fee arrears

Class C

(Low Concern Licensees)

- Individuals, Farms, Hutterite Colonies, etc.

APPENDIX B COSTS AND REVENUE

COSTS

Table B1 details estimated costs (for the 243 Orphan Well Base Cases) for three basic ERCB functions to prevent additional and abandon existing orphan wells. The functions are:

- Abandonment Operations (operations)

  This function entails the physical abandonment of orphan wells.

- Inactive Well Reviews (administrative)

  Drilling & Completions Committee

  This function provides for the implementation of the DACC recommended suspension guidelines for inactive wells.

- Well Ownership (administrative)

  This function includes well licence transfers and detailed working interest owner investigations for potential orphan wells.

Assumptions respecting the functions are noted on the table.

REVENUE

Revenue sources shown in Table B1 are interest from the existing Abandonment Fund and a proposed $100 fee to be levied against each inactive well. Any surplus would be transferred to the Abandonment Fund.

ACCOUNTING

The ERCB proposes to keep a separate account of the functions identified and provide an annual report of this account to the industry associations and government. Further, it plans to review the amount of the inactive well fee within 3 years and make necessary adjustments as required in consultation with the industry associations.

TABLE B1 COSTS AND REVENUE
243 Orphan Wells

COSTS									REVENUE			
Year	OW Adds	ERCB OW Abandonment	OW Running Total	Total Abandonment Ops	Inactive Well Reviews	Well Ownership	Total Expenses	Total Expenses	Annual Inactive Well Fees	Difference Fees - Expenses	Abandonment Fund Interest	Abandonment Fund Balance
	1			2,3	3,4	3,5	3	6	7	8	9	
				1989 $	1989 $	1989 $	1989 $	$	$	$	$	$
1989	243	0	243	0	0	0	0	0	0	0	0	3 000 000
1990	5	10	238	500 000	775 000	325 000	1 600 000	1 664 000	2 500 000	836 000	300 000	4 136 000
1991	5	20	223	1 000 000	775 000	325 000	2 100 000	2 271 360	2 300 000	28 640	413 600	4 578 240
1992	5	30	198	1 500 000	775 000	325 000	2 600 000	2 924 646	2 100 000	(824 646)	457 824	4 211 418
1993	5	30	173	1 500 000	775 000	325 000	2 600 000	3 041 632	1 900 000	(1 141 632)	421 142	3 490 927
1994	5	30	148	1 500 000	775 000	325 000	2 600 000	3 163 298	1 700 000	(1 463 298)	349 093	2 376 722

NOTES: 1 243 orphan wells (17 plus 226 initial additions); 5 additions per year thereafter

2 Abandonment operations (field abandonments)
Average cost: $50 000/abandonment not including surface reclamation

Base info.? or 7
0

3 1989 constant dollars

4 Inactive well reviews (5-year review using DACC guidelines)
25 000 inactive wells. 5000 reviews/year: 3500 routine @ $50/well; 1500 detailed @ $400/well

· ordering docs
· private dwt.
· mailing costs
· contract landmen
$33k/yr.

5 Well ownership (well licence transfers, ownership investigations)
Transfers: 4500/year @ $40/well $180k/yr.

90% of cost on file is private invest.
P.I. costs can co down if we have base info.

* Ownership investigations: 1566 potential orphan wells (300/year) plus 200/year from inactive well reviews
Total 500/year @ $200/well $100k/yr.

1 co. (regardless of #s of wells - doesn't include board staff salary).

6 Current dollars (4% inflation/year)

$33,000 TTL. Budget for info. searches

7 2500 inactive wells in 1900 reduced by 2000 wells per year thereafter
$100/well/year inactive well fee

· Ken
· Sam
· Carmen
· Jenny
· Marty

1 co. @ x$k/co.

8 Surplus (deficit) to (from) abandonment fund

9 10% interest from previous year abandonment fund balance

Does not include board salaries.

To date - $2000. on a few co's
— avg. $300 - $500/per file (investigators flat rate)

APPENDIX C SUSPENSION GUIDELINES FOR INACTIVE WELLS

The industry/government Drilling and Completions Committee (DACC) recommended a series of suspension guidelines for inactive wells. The guidelines detail a classification scheme with various requirements as appropriate to address well security and integrity matters. The technical guidelines are available on request. The ERCB endorsed the recommended guidelines in October 1989 (see attached letter) and circulated the guidelines and DACC recommendations to CPA, IPAC, and SEPAC for comment by 1 February 1990.

ERCB

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Conservation Board

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18 October 1989

Mr. J.R. Nichol
Chairman
Drilling and Completions Committee
Energy Resources Conservation Board
640 - 5th Avenue S.W.
Calgary, Alberta
T2P 3G4

Dear Mr. Nichol:

SUSPENSION GUIDELINES FOR INACTIVE WELLS

The Board recently considered the report attached to your 7 June 1989 letter and has decided to endorse the recommended guidelines for the suspension of inactive wells. In reviewing the guidelines, the Board recognized the merits in the well classification system proposed and the increasingly stringent requirements for wells with greater risk.

The Board is still considering how it will initiate the application of these guidelines and an appropriate implementation schedule. However, the Board will have regard for DACC'S recommendations in it's decisions.

On behalf of all the Board Members, I would like to thank DACC and the Suspended Well Subcommittee for the excellent work reflected in the Suspension Guidelines for Inactive Wells. Thanks to the co-operation of industry, I believe we will soon have procedures in place to ensure that inactive wells are suspended in a safe and yet economical manner. Please convey the Board's appreciation to all persons who contributed to the report.

Yours truly,

E.J. Morin
Board Member

EJM/ps

APPENDIX D PROPOSED LEGISLATIVE CHANGES

OIL AND GAS CONSERVATION ACT

10(g) Prescribing the methods to be employed in drilling, suspension or abandonment operations and prescribing the timing for abandonment of wells.

11(1) No change. (Need licence to conduct operations)

11(2) Notwithstanding subsection (1)

(a) the site for a well may be surveyed, or

(b) provided the Board's consent is obtained, abandonment and reclamation operations may be undertaken,

without a licence.

Transfers

18(1) A licence shall not be transferred without the consent in writing of the Board which consent may be refused.

(1.1) The consent of the Board to a transfer of licence after 31 January 1990 does not relieve the transferee of the responsibility of abandoning the well if the transferor does not do so.

(2) The transfer shall be in the form prescribed and shall have endorsed on or attached to it proof of execution satisfactory to the Board. (No change)

(3) The Board shall keep a record of every transfer to which it has given consent. (No change)

(4) When the licensee is a corporation that has been dissolved, or who after receiving notice does not object, the Board may direct the licence be transferred to a person who agrees to accept transfer of the licence or to a working interest owner.

Abandonment

20.1(1) A well shall be abandoned by the licensee in accordance with the Regulations or when the Board so directs.

(2) A receiver, liquidator, trustee in bankruptcy, executor, administrator or other person acting in a representative capacity who assumes control and management of the business of an insolvent, deceased or incapacitated licensee shall

(a) advise the Board of his appointment,

(b) before being discharged, abandon all wells remaining licensed to the licensee, unless the Board's consent is otherwise obtained, and

(c) give the Board notice of any application for discharge.

(3) If the parties referred to in clauses (1) and (2) default in the obligation to abandon a well, upon being notified by the Board, the obligation to abandon a well falls upon the following parties in descending order:

(a) the remaining working interest owners with the obligation falling firstly on the working interest owner having the largest interest, and then on the working interest owner having the second largest interest, and so on;

(b) previous licensees of the well who were licensees after 31 January 1990;

(c) a lessee of the mineral rights;

(d) previous lessees of the mineral rights;

(e) the mineral rights owner.

(4) The costs of or incidental to the work of abandonment of the well to the satisfaction of the Board shall be determined by the Board and the costs plus a penalty of 25 per cent are a debt payable by the defaulting parties to the party which undertook the abandonment (including the Board).

ENERGY RESOURCES CONSERVATION ACT

34(1) No change.

(2) If this or any other Act authorizes the Board to make or issue an order or direction and a person refuses to comply with that order or direction of the Board, in addition to any other actions or proceedings it may be authorized to take, the Board may apply to the Court of Queen's Bench for an order requiring that person, his employees or agents to undertake the activity.

MINES AND MINERALS ACT

The Department of Energy is considering changes to the Mines and Minerals Act to the effect that

(a) the obligation to abandon a well or to reclaim the surface survives the expiration of the lease and the lessee shall indemnify the Crown for any costs associated with the abandonment or reclamation;

(b) the transfer of a lease will not relieve the transferor of this obligation if the transferee fails to honour it;

(c) there may be provision for the well to be abandoned within a set time after the lease expires.