

WHAT MIGHT THE ULTIMATE LANDOWNER COST BE?

Across the Prairie Provinces, drilling for oil and gas is reaching levels never before experienced. The economic spinoffs are going to help stabilize municipal infrastructure for at least a generation. Yet in the midst of all this, what might the ultimate cost be to the landowner, or to the landowner's heirs?

How many landowners have anticipated the implications of a pipeline that is old, abandoned, and that eventually collapses? And how many landowners know there are many hundreds of orphan oil wells throughout the prairies? These are abandoned wells that were drilled by companies that no longer exist.

An orphan well site can cost big money to reclaim. In Saskatchewan, there was one site alone where the remediation cost was more than \$1 million. The same government report that documents these costs indicates that at the time the report was issued (April 2007), there were 600 orphan wells in Saskatchewan.

To be sure, provincial governments are moving to address the problem and ensure a capital pool is available to deal with it through industry-related Orphan Fund levies, but even so, the current estimate is that just in Saskatchewan there is a future liability of \$2.8 billion with respect to well site abandonment,

decommissioning, and reclamation costs.

Part of the process for the landowner then, is to recognize that oil and gas wells can represent a whole lot more than a few thousand dollars a year in income. There are significant potential liability issues that few people think about, or even talk about.

Therefore, to better address unforeseen difficulties (including the possible importation of crop diseases like clubroot), there are a few things a farmer can insist upon before the wells are drilled, or the pipelines buried. They include that the following items be written right into the lease agreement:

1. That the oil company, at the oil company's expense, will provide the landowner with an environmental impact assessment of the surface lease area, at any time the landowner should deem it necessary.
2. That all equipment used on the lease site must be cleaned prior to entry of the site.
3. That when a pipeline is installed, the landowner may request that at the operator's expense, it be completely removed after it is decommissioned.
4. That the company shall pay any reasonable costs incurred by the

landowner as a result of the imposed project.

In addition to covering anything unforeseen, this last item, when written into an original contract, also provides the landowner with the financial means to hire a land agent at the operator's expense, every time the lease site comes up for review. In Alberta, legislation ensures that land agent related costs incurred by landowners are covered. But in Saskatchewan, the Surface Rights Act favours oil companies over landowners on this issue, so things are different. As a result, landowners in Saskatchewan who do want professional advice need to make sure the provision for that advice forms part of the original agreement.

(An overview of the Orphan Well & Facility Liability Program operated by the Sask. Government can be seen online at: <http://wbpc.ca/assets/docs/Wagner.pdf>. The Orphan Well Association in Alberta is online at: <http://www.orphanwell.ca/>)

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