

More than 80,000 Inactive Oil Wells in Alberta. Opportunity or Environmental Hazard for Albertans?

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CALGARY- Alarms are being raised over the growing number of inactive oil and gas wells in Alberta, which now exceeds 80,000. Why are there so many? Cost.

Today, The School of Public Policy and author Lucija Muehlenbachs released a report that examines the potential harm inactive wells can cause and deciphers the rationale for leaving oil and gas wells inactive.

Non-producing wells are routinely kept in a state of “inactive” suspension on the hope that someday oil prices or technology, or both, will change significantly enough to make those wells profitable again. In most cases that will never happen. According to Muehlenbachs, “If oil prices rise **200 per cent**, the modeling shows that just **12 per cent** of oil wells become reactivated, and just **seven per cent** of gas wells. When the model tests to see what happens when a technological innovation improves so that the remaining oil or gas in a well that cannot be recovered is suddenly made recoverable (i.e., a 514 per cent increase in oil reserves), just **10 per cent** of inactive oil wells are reactivated, and just **six per cent** of gas wells.”

In all cases, the amount of oil and gas production that would change one way or the other — either by a minimal level of reactivation or a significant wave of abandonment — is marginal and not of meaningful economic benefit to Albertans.

Inactive wells can either become an asset, if they eventually are reactivated and contribute to our energy supply, or they could become a liability if they are never reactivated, cause potential environmental degradation, and require costly cleanup. These results indicate that inactive wells are indeed a liability, as their future potential as productive resources is limited. The report recommends that the Alberta Energy Regulator (AER) place limits on the amount of time wells can be considered inactive. Allowing industry to keep wells inactive indefinitely in the hope that they could become profitable again is not a sound policy.

The report can be found online at www.policyschool.ca/publications/

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