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Staff Report

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| Applicant: Obsidian Energy Ltd. | |
| Location: North Laird Area, NT | File Number: MV2019X0016 |
| Date Prepared: June 2, 2020 | Date of Board Meeting: June 11, 2020 |
| Subject: Request to involve 22(2)(b) of the Mackenzie Valley Land Use Regulations | |

1. Purpose

The purpose of this Report is to present to the Mackenzie Valley Land and Water Board (MVLWB/the Board) a request to invoke paragraph 22(2)(b) of the Mackenzie Valley Land Use Regulations for Land Use Permit (Permit) MV2019X0016 submitted by Obsidian Energy Ltd. (Obsidian).

2. Background

- May 31, 2019 – Application received;
- June 7, 2019 – Application deemed incomplete;
- April 27, 2020 – Additional information submitted;
- May 1, 2020 – Application deemed complete and review commenced;
- May 21, 2020 – Reviewer comments and recommendations due and received;
- May 27, 2020 – Responses due and received;
- June 2, 2020 – Additional information submitted by Obsidian distributed for review and comment;
- June 11, 2020 – Reviewers comments and recommendations due;
- **June 11, 2020 – Request presented to the Board for decision, and end of the 42-day timeline.**
- June 16, 2020 – Responses due from Obsidian.

3. Discussion

Description of Application

On May 31, 2019, Obsidian submitted an application for the remediation of two oil and gas sites. There are two other companies working in the area reclaiming sites, these companies are Canadian Natural Resources Limited and Paramount Resources Ltd. The proposed work will be done in the summer or in the winter dependent on the availability of equipment, activity type, and logistics. At this time Obsidian has not submitted a water licence application as activities do not require one, however, if one is, activities change and a Licence is triggered Obsidian will submit the required information and application(s). Activities on site include the following:

- Transport of equipment to site;
- Repairing bridge and culvert as required;
- Improvements or clearing of both the access and wellsites as required;
- Conduct Phase II Environmental Site Assessment of wellsite and sumps;
- Remediation of impacts identified; as necessary;
- Conduct downhole abandonment and cutting and capping of the wellheads;
- Repair any existing erosion;
- Slope stabilization;
- Re-contouring surrounding soils and drainage channels to re-establish natural drainage pattern;
- Creation of water diversion and erosion control features, as required;
- Removal of bridges, culverts, approaches and barge landings;
- Selective seeding of disturbed areas; (if required and/or approved); and
- Demobilization of equipment.

4. Comments

N/A

5. Public Review

By May 21, 2020, comments and recommendations on the Application were received from 6 reviewers:

- Acho Dene Koe First Nation;
- Government of the Northwest Territories – Environment and Natural Resources (Environmental Assessment and Monitoring);
- Government of the Northwest Territories – Department of Lands (Inspector);
- Government of the Northwest Territories – Department of Lands (North Slave Region);
- Government of the Northwest Territories – Department of Lands; and
- Northwest Territories – Office of the Regulator of Oil and Gas Operations.

In the comments submitted by the Government of the Northwest Territories – Department of Lands, it was recommended that the Board set security to cover the full reclamation cost. GNWT – Lands also recommend that the Board and the Proponent use the Oil and Gas version of RECLAIM as a reference for relevant costs.

On May 27, 2020, Obsidian provided responses to the recommendations put forward by the reviewers. In relation to GNWT – Lands (1), Obsidian states that reclamation costs will be completed and submitted. On June 1, 2020, Obsidian submitted the MVLWB Security Worksheet.

Section 22(2) and paragraph 22(2)(b) of the MVLUR reads as follows:

- (2) Subject to sections 23.1 and 24, if the Board does not return an application under paragraph (1)(a), it shall, within 42 days after receipt of the application,
- (b) conduct a hearing under section 24 of the Act or require that further studies or investigations be made respecting the lands proposed to be used in the land use operation and notify the applicant in writing of the reasons for the hearing, studies or investigations.

6. Security

On June 2, 2020, Board staff distributed to the reviewers (via Online Review System) the Security Worksheet which Obsidian completed to allow reviewers the opportunity to provide comments and recommendations specific to the security.

7. Conclusion

In distributing the security estimate submitted during the response period it allows parties to provide comment and recommendations that would assist in gathering additional evidence to aid the Board in its decision making.

8. Recommendation

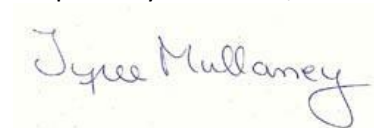
Board staff recommend the Board **make a motion to invoke paragraph 22(2)(b) of the Mackenzie Valley Land Use Regulations to allow for further studies to be complete in relation to Land Use Permit MV2019X0016 submitted by Obsidian Energy Ltd.**

A draft decision letter is attached.

9. Attachments

- [Application](#)
 - [Email from GNWT – Lands - Eligibility](#)
 - [Storage Locations](#)
 - [Waste Management Plan](#)
 - [Spill Contingency Plan](#)
 - [Proposed Abandonment and Restoration Plan](#)
 - [Proof of Corporate Registration](#)
 - [Historical Documents](#)
 - [Fee Receipt](#)
 - [Survey Plans](#)
 - [Program Map Area](#)
 - [Engagement Plan and Log](#)
 - [Equipment List](#)
 - [Environmental Protection Plan and Site Photos](#)
 - [Additional information Letter](#)
 - [Environmental Protection Plan](#)
- [Security Estimate from Obsidian](#)
- Draft Decision Letter from the Board

Respectfully submitted,



Tyree Mullaney
Regulatory Specialist