



February 7, 2020
Sent via email only

Office of the Regulator of Oil and Gas Operations
Government of the Northwest Territories
4th Floor Northwest Tower
5201 – 50th Avenue
Yellowknife NT X1A 3S9

**RE: Information Request No. 1: Application for Operations Authorization
Proof of Financial Responsibility Obsidian Energy (OA-2019-001-OBS)**

Dear Madam:

Obsidian Energy Ltd (Obsidian) is responding to the Information Request No. 1 (IR No. 1) letter dated February 3, 2020 from the Office of the Regulator of Oil and Gas Operations (OROGO) with the following information.

Failure to Respond

Obsidian acknowledges OROGO's concerns regarding IR No. 1 and would like to assure OROGO that Obsidian remains committed to abandoning the C-31A and K32 wells. Obsidian has recently undergone some organizational changes and would request that future correspondence be directed to Craig Dansereau (Craig.Dansereau@ObsidianEnergy.com, 403-620-8963).

Obsidian intends to complete the application process to obtain an Operations Authorization for abandonment of the C31A and K32 wells. Obsidian attempted to utilize existing financial statements to meet the Proof of Financial Responsibility requirement. After a conference call on November 20th, 2019 between Obsidian and OROGO it was determined that a variance to the Proof of Financial Responsibility would not be an option regardless of Obsidian's high level of commitment.

1.1 Proof of Financial Responsibility – Basis for Proposed Amount

Preamble:

Obsidian's application package does not propose an amount of proof of financial responsibility to be held by the Regulator in respect of the proposed activities.

Obsidian also does not provide an assessment of the risks associated with the abandonment of the two wells covered by the OA.

Section 64(1) of OGOA requires an applicant for an OA to provide proof of financial responsibility in a form and amount satisfactory to the Regulator.

Sections 64(3) and 63 of OGOA describe how the Regulator may make payments from the amount provided as proof of financial responsibility and under what circumstances. Section 64(3) requires that the funds must be available for pay out to claimants at the discretion of the Regulator. It links these payments to the occurrence of a "spill" or the existence of "debris" and the experience of "actual loss or damage" or "costs and expenses".

Section 64(3) of OGOA also requires that the Regulator have funds available to be paid out in the event of a claim for actual loss or damage, or costs and expenses incurred by a third party to clean up a spill or debris, attributable to an authorized activity.

Section 61 of OGOA defines the terms "spill", "debris" and "actual loss or damage". Note that "actual loss or damage" includes loss of hunting, fishing and gathering opportunities for Aboriginal peoples.

Request:

- a. Obsidians' assessment of the most likely event to occur with the highest potential for "actual loss or damage" or costs and expenses as a result of OBE's proposed activities;*
- b. Based on request (a), an estimate for the cost to a third party of cleaning up a spill associated with abandonment of the 2 wells. The cost estimate should include costs for establishment of camp facilities, access roads and other infrastructure that would be required to complete clean-up operations, as well as the clean-up itself and disposal of any contaminated materials.*
- c. An assessment that quantifies the potential lost traditional harvesting opportunities for Aboriginal rights holders in the area that takes into account the extended time frame and regionally extensive nature of the operations proposed by Obsidian.*

Response:

- a) The likelihood of spills occurring from wellbore decommissioning activities is negligible with low potential for adverse effect or environmental damage. Wellbore treating fluids are primarily fresh water and any circulated fluids will be contained in temporary storage vessels on location. No large fuel or chemicals containers will be stored onsite and inspections will be conducted on equipment to help prevent any leaks or incidents. In the unlikely event of a spill, a cleanup would be initiated immediately by crews and services already onsite. With a low probability of a release or damage that would cause environmental impact, potential cleanup costs would be minimal.

b) Table 1: Cost Estimate

Activity	Cost Estimate (K32)	Cost Estimate (C-31)
Crew Mobilization & Accommodations (Liard)	\$0	\$5,000
Access (same work season as spill)	\$0	\$5,000
Clean-Up Costs	\$5,000	\$10,000
TOTAL	\$5,000	\$20,000

- c) Potential loss of traditional harvesting opportunities will not occur as they are existing sites and remediation/reclamation will return the land to equivalent or better capability and habitat along with additional land base for traditional harvesting opportunities. Obsidian will work through our benefits plan obligations along with our public engagement requirements to discuss specific needs and requirements when necessary and will be reevaluated through the reclamation process.

If you have any questions or wish to discuss further, please feel free to contact the undersigned at (403) 539-6454.

Obsidian Energy Ltd.



Steve Sterling
Manager, Environment and Regulatory
Obsidian Energy Ltd.
200 – 207 9th Avenue SW
Calgary, Alberta
Canada T2P 1K3

- cc. Cliff Swadling, Director Operations
Aaron Smith, Senior Vice President of Development and Operations
Craig Langford, Environment Coordinator
Craig Dansereau, Regulatory Coordinator