

Peter Lennie-Misgeld

From: Peter Lennie-Misgeld
Sent: July 7, 2020 11:10 AM
To: 'Craig.Dansereau@obsidianenergy.com'
Cc: Steve Sterling; DST_JUS_OROGO
Subject: OROGO Information Request No.7 - Proof of Financial Responsibility- (OA-2019-001-OBS)
Attachments: 2020-07-07 - IR 7 - to Obsidian - PFR Additional Info - OA-2019-001-OBS.pdf

Craig Dansereau
Field Regulatory Coordinator
Obsidian Energy Ltd.
Suite 200, Penn West Plaza
207 – 9 AVE SW
CALGARY AB T2P 1K3

July 7, 2020

Dear Craig Dansereau:

**Information Request No. 7: Obsidian Energy Ltd.
Proof of Financial Responsibility Additional Information (OA-2019-001-OBS)**

On September 18, 2019, the Office of the Regulator of Oil and Gas Operations (OROGO) received a complete application from Obsidian Energy Ltd. (Obsidian) for an Operations Authorization (OA). The OA covers the proposed abandonment of two wells operated by Obsidian in the Fort Liard area of the Northwest Territories.

On October 1, 2019 OROGO issued Information Request No. 1 which requested information from Obsidian with respect to Proof of Financial Responsibility (PFR). Obsidian submitted a response to Information Request No. 1 on February 7, 2020. OROGO issued Information Request No. 5 which requested additional information from Obsidian with respect to PFR and Obsidian submitted a response to Information Request No. 5 on March 6, 2020. OROGO has reviewed the information provided by Obsidian on PFR and requires additional information in order to complete its review of Obsidian's OA application, as set out in the attached Information Request No. 7.

Please send your written responses and any associated correspondence to me by email at orogo@gov.nt.ca or through OROGO's secure file transfer site.

Please submit your response on or before 4:00 p.m. on July 24, 2020. If you are unable to respond within this timeframe or have any questions, please contact OROGO at (867) 765-8160 or by email at orogo@gov.nt.ca.

Sincerely,

Janpeter Lennie-Misgeld
Senior Advisor, Legislation and Policy

Mr. Janpeter Lennie-Misgeld

Senior Advisor, Legislation and Policy | Conseiller principal, Législation et politiques

Office of the Regulator of Oil and Gas Operations | Bureau de l'organisme de réglementation des opérations pétrolières et gazières

Government of the Northwest Territories | Gouvernement des Territoires du Nord-Ouest

PO Box 1320

Yellowknife NT X1A 2L9

Tel | Tél: 867-765-8160

Fax | Téléc: 867-920-0798

Web | Site web : www.orogo.gov.nt.ca

NWT-NU Spill Line: 867-920-8130

OROGO Incident Reporting Line | Pour signaler un incident: 867-445-8551

Mársı | Kinanāskomitin | Thank you | Merci | Hajj' | Quana | Qujannamiik | Quyanainni | Máhsı | Máhsı | Mahsı

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Information Request No. 7
Obsidian Energy OA-2019-001-OBS

7.1 Proof of Financial Responsibility

Preamble:

In Information Request No. 1 (IR1), Obsidian Energy Ltd. was asked to provide the following:

- (a) its assessment of the most likely event to occur with the highest potential for “actual loss or damage” or costs and expenditures as a result of its proposed activities.

In its response to IR1, received on February 7, 2020, Obsidian indicated that any spill would involve wellbore treating fluids, consisting of fresh water and circulated fluids. However, Obsidian did not quantify the amount of wellbore treating fluids that would be spilled in a worst case scenario. As Obsidian’s estimates for the cost of cleaning up such a spill would be affected by the volume of the spill, OROGO requires this information in order to assess the reasonableness of Obsidian’s estimates.

Request:

Please provide a maximum volume for the spill of wellbore treating fluids that Obsidian considers to be the most likely event to occur with the highest potential for “actual loss or damage” or costs and expenditures as a result of its proposed activities.

7.2 Third Party Crew Costs

Preamble:

Proof of Financial Responsibility, as required under Section 64. (1) of the *Oil and Gas Operations Act*, is intended to compensate the Government of the Northwest Territories or another third party in the event that Obsidian does not adequately clean up a spill or debris. The compensation may be for costs and expenses incurred cleaning up the spill or debris. It may also be for loss or damages incurred as a result of the spill or debris. Such a spill or debris may not come to light until after the winter work season during which it occurred. Therefore, the third party clean-up may take place at a later date.

The costs associated with a third-party clean-up can be broken down as follows:

- Crew costs – labour required to complete the clean-up
- Accommodation costs – costs to accommodate the crew, either in a camp or in another facility, such as a hotel
- Equipment costs – costs to hire equipment for the removal of material contaminated by

the spill and

- Sampling costs – costs to conduct sampling required to demonstrate that the clean-up has been completed effectively
- Transportation and disposal costs – costs to transport the contaminated material to an approved disposal site and dispose of it
- Access costs – costs to access the well site in order to complete the clean-up

In IR1, issued on October 1, 2019, and IR5, issued on February 21, 2020, Obsidian was asked to identify the cost to a third party to clean-up the spill identified in its worst case scenario. Obsidian's response to both IRs, received on February 7, 2020 and March 6, 2020, respectively, contained a table with estimated costs for third party clean-up.

In its response to IR5, Obsidian indicates that contaminated materials would be removed by crews "already on site". This is not consistent with the request for a cost estimate for a third party clean-up (i.e. one not completed by Obsidian).

Obsidian's cost estimate table, provided in response to IR1 and IR5, indicates a "crew mobilization and accommodation" cost of \$5,000 for the C-31 well, but \$0 for the K-32 well. It is not clear whether these costs are associated with the cost of labour or the cost of accommodation. It is also not clear why there would be costs for one well but not the other.

Request:

Please provide an estimate of crew costs for a third party to clean-up the spill described in Obsidian's scenario at both the C-31 and K-32 well sites. Identify the number of person days labour required and the estimated cost per person day.

7.3 Third Party Accommodation Costs

Preamble:

In its response to IR5, Obsidian indicates that there will be no camp costs associated with clean-up of a spill at the C-31 or K-32 well sites, due to the small volume of the potential spill.

Obsidian's cost estimate table, provided in response to IR1 and IR5, indicates a "crew mobilization and accommodation" cost of \$5,000 for the C-31 well, but \$0 for the K-32 well. It is not clear whether these costs are associated with the cost of labour or the cost of accommodation. It is also not clear why there would be costs for one well but not the other. Finally, it seems unlikely that a third party clean-up crew would be able to complete even a small clean-up project at either well site without incurring some cost for accommodation, either in a camp or in another facility.

Request:

Please provide an estimate of the cost to accommodate the crew for a third party clean-up of the spill described in Obsidian's scenario at both the C-31 and K-32 well sites. Identify whether

accommodation would be in a camp or a hotel and how many days' accommodation would be required.

7.4 Third Party Equipment Costs

Preamble:

In its response to IR5, Obsidian indicates that contaminated materials would be removed using equipment "already on site". This is not consistent with the request for a cost estimate for a third party clean-up (i.e. one not completed by Obsidian).

Obsidian's cost estimate table, provided in response to IR1 and IR5, does not contain any cost estimate for equipment to complete the clean-up.

Request:

Please provide an estimate of the cost to lease or otherwise acquire the equipment required to complete third party clean-up of the spill described in Obsidian's scenario at both the C-31 and K-32 well sites. Identify what equipment would be required.

7.5 Third Party Sampling Costs

Preamble:

Obsidian's cost estimate table, provided in response to IR1 and IR5, does not contain any cost estimate for sampling. Sampling is a normal component of a spill clean-up program and would be required to demonstrate that the clean-up program was effective.

Request:

Please provide an estimate of the sampling costs required to complete a third party clean-up of the spill described in Obsidian's scenario at both the C-31 and K-32 well sites. Identify the number of samples required.

7.6 Third Party Transportation and Disposal Costs

Preamble:

Obsidian's cost estimate table, provided in response to IR1 and IR5, indicates "clean-up costs (material removal and disposal)" of \$5,000 for the K-32 well and \$10,000 for the C-31 well. It is not clear how these estimates were derived or why they would be twice as high for the C-31 well as for the K-32 well.

Request:

Please provide an estimate of the cost to a third party for transporting and disposing of contaminated material resulting from the spill described in Obsidian's scenario at both the C-31 and K-32 well sites, based on the maximum volume of the spill provided in Obsidian's

response to IR 7.1.

7.7 Access Costs

Preamble:

In its response to IR5, Obsidian indicates that, as access infrastructure is already in place, there will be no costs associated with accessing either well site for spill clean-up. This is not consistent with the request for a cost estimate for a third party clean-up (i.e. one not completed by Obsidian), keeping in mind that such a clean-up may take place after the winter work season during which the spill occurred.

Obsidian's cost estimate table, provided in response to IR1 and IR5, estimates "access (same work season as spill)" costs of \$0 for the K-32 well and \$5,000 for the C-31 well. It is not clear why a cost estimate is allocated for accessing the C-31 well when the response to IR5 indicates that there would be no additional access costs associated with a clean-up operation.

Obsidian's Land Use Permit Application, submitted as part of its application for an Operations Authorization, shows that, for the purpose of the proposed abandonments:

- The C-31 well will be accessed using an ice bridge across the Liard River and all weather road (both permitted by another company) from the barge landing north of Fort Liard to near the well site. Obsidian will construct an additional 80m road to access the well site itself.
- The K-32 well site will be accessed using a winter road (permitted to another company) from Fort Liard. Obsidian will construct an additional 4.7 km road to access the lease from the winter road.

If a third party clean-up is required and occurs after the close of the winter work season during which the spill occurred, it is not clear to OROGO whether the ice bridge (for access to the C-31 well) or the winter road (for access to the K-32 well) will be required or in place. Even if this infrastructure is in place, costs would still be incurred to complete the final leg of the access to each well site.

Request:

For the C-31 well site, please provide information to address the following:

- Clarify whether the third party clean up would occur during the ice-free months or during the following winter season and why;
- If the clean-up is to occur during the ice-free months, how the site would be accessed and what costs would be incurred to do so (for example, if by helicopter, estimated number of hours of flight time required);
- If the clean-up would occur during the following winter season:

- How the third party would gain access to the all-season road to the C-31 well site if the ice bridge is not in place and an estimate of the cost for such alternate access; and
- What the construction of the 80 m access road from the all-season road to the C-31 well site would cost (cost per km).

For the K-32 well site, please provide information to address the following:

- Whether the third party clean up would occur during the ice-free months or during the following winter season and why;
- If the clean-up would occur during the ice-free months, how the site would be accessed and what costs would be incurred to do so (for example, if by helicopter, estimated number of hours of flight time required);
- If the clean-up would occur during the following winter season:
 - What the construction of the total winter road from Fort Liard to the K-32 well site would cost, in the event that this road is not constructed by the company to which it is permitted (total length of the winter road from Fort Liard to the K-32 well site and cost per km);
 - How the third party would gain access to the K-32 well site if the winter road is not available and an estimate of the cost for such alternate access; and
 - A detailed cost estimate for the construction of the 4.7 km access road from the winter road to the K-32 well site (cost per km).