



NWT OFFICE OF THE REGULATOR OF OIL AND GAS OPERATIONS

Office of the Regulator of Oil and Gas Operations

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Aaron V. Smith
Senior Vice President, Development and Operations
Obsidian Energy Ltd.
Suite 200, Penn West Plaza
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CALGARY AB T2P 1K3

October 26, 2020

Dear Aaron Smith:

**Decision – Request for Extension – Abandonment
Deadline for North Liard C-31A (WID 1907) (OA-2019-001-OBS)**

On October 23, 2020, the Office of the Regulator of Oil and Gas Operations (OROGO) received a letter from Obsidian Energy Ltd. (Obsidian) requesting that the requirement to abandon the North Liard C-31A (WID 1907) well by April 1, 2021 be deferred until 2022 as a result of potential risks to Obsidian's employees, contractors and the public due to the COVID-19 pandemic.

In OROGO's letter dated August 31, 2017, OROGO confirmed that the C-31A well is non-compliant suspended, as records provided by Obsidian at that time indicated that two independent and tested well barriers are not in place. This letter also confirmed the requirement for this well to be brought into a suspended compliant state no later than August 31, 2019. The non-compliant suspended status of the North Liard C-31A well has been reiterated in subsequent letters to Obsidian on May 31, 2019 and July 29, 2020. On September 23, 2019, direction was issued to Obsidian to abandon the well by April 1, 2021.

The North Liard C-31A well is not only in non-compliance with section 5B of the *Well Suspension and Abandonment Guidelines and Interpretation Notes* (Guidelines), but also section 56 of the *Oil and Gas Drilling and Production Regulations* (OGDPR), which requires the isolation of oil and gas bearing zones or discrete pressure zones and the prevention of any formation fluid from flowing through the wellbore.

Obsidian is also non-compliant with OROGO's direction, issued on January 8, 2019, to inspect the well twice per year, with one of the annual inspections to take place during the July to September period, until the well is abandoned to the satisfaction of the Regulator. OROGO has received only one completed Well Inspection Report, dated August 17, 2019, that identified significant shut-in casing pressure at the wellhead. OROGO has not received any inspection reports in 2020 or confirmation that Obsidian has conducted the required inspections to comply with OROGO's direction.

Obsidian's October 23, 2020 letter indicates that Obsidian is concerned that entry of people into region, combined with utilization of local vendors and sharing of resources with other operators, poses an unnecessary risk to Obsidian's personnel and the local population. Obsidian also states that the uncertainty around the COVID-19 pandemic makes it challenging to take advantage of planned synergies between other operators.

Obsidian has not provided any information to demonstrate how it proposes to comply with relevant Government of the Northwest Territories (GNWT) Public Health Orders and guidance. Obsidian also does not indicate that it has submitted any plans to the GNWT's Office of the Chief Public Health Officer (CPHO) for consideration.

For reference, the CPHO has issued a Public Health Order and other guidance specific to the mineral and petroleum resources industries:

- Public Health Order – COVID-19 Relaxing Phase 2, released on June 12, 2020, includes subsection 1(h), which provides exceptions for transient workers employed at a work camp where work is being done in relation to the mineral and petroleum resources industry. Details can be found here:

<https://www.gov.nt.ca/covid-19/sites/covid/files/resources/public-health-order-covid-19-directed-mineral-petroleum-industry.pdf>

- Guidelines for social distancing protocols for both NWT and non-NWT resident workers at remote work camps to help operators safely conduct work at remote sites. Details can be found here:

<https://www.gov.nt.ca/covid-19/sites/covid/files/resources/public-health-order-covid-19-directed-mineral-petroleum-industry.pdf>

<https://www.gov.nt.ca/covid-19/en/services/essential-workers/social-distancing-protocols-remote-work-camps>

Based on the above information, Obsidian can conduct its proposed program, once approved by OROGO, if it complies with the order of the CPHO or, alternatively, Obsidian can apply to receive an exemption from the CPHO for its proposed program. Based on these options, there appears to be no impediment due to orders from the CPHO to Obsidian completing its proposed work program in the first quarter of 2021.

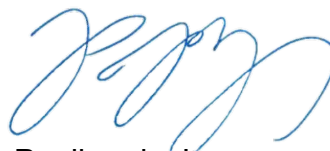
Therefore, OROGO expects that Obsidian will make every effort to complete the abandonment of the North Liard C-31A well by April 1, 2021, in order to bring itself into compliance with the Guidelines and the OGDPR.

OROGO requests that Obsidian:

- Submit a plan for conducting the required well abandonment in accordance with the Public Health Order and guidance referenced above to the CPHO for approval no later than November 30, 2020;
- Provide copies of the information submitted to the CPHO in support of conducting the well abandonments to OROGO at orogo@gov.nt.ca; and
- Inform OROGO of the CPHO's decision immediately upon receipt.

If you have any questions, please contact OROGO at (867) 767-9097 or by email at orogo@gov.nt.ca.

Sincerely



Pauline de Jong
Regulator

- c. Steve Sterling, Obsidian
Craig Langford, Obsidian
Regulatory@obsidian.com