



October 30, 2020

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
Sent via email only to: Pauline_Dejong@gov.nt.ca

RE: Application for an Operations Authorization (OA-2019-001-OBS)

Dear Ms. de Jong,

Obsidian Energy Ltd (“Obsidian”, “we”) is in receipt of Decision Letters from OROGO dated October 26, 2020 related to Proof of Financial Responsibility and our requested deferral of the abandonment requirement for North Liard C-31A as part of OA-2019-001-OBS.

Obsidian acknowledges and respects the importance of OROGO’s mandate, and the authority granted to it under the NWT *Oil and Gas Operations Act*. We share a common desire to properly retire inactive wellbores and thus mitigate the risk of orphaned assets within the Territories.

Obsidian is also striving to meet the Regulator’s expectations for the subject Operations Authorization. Our understanding of these expectations is summarized below (for clarification as necessary):

- Address the non-compliant suspension, and ensure zonal isolation of the North Liard C-31A wellbore through a complete well abandonment of April 1, 2021,
- Completely abandon the South Liard C-31A wellbore through a complete well abandonment of January 31, 2023,
- Conduct and transmit to OROGO two annual satisfactory well inspections, with at least one made between July and September (in any given year),
- Prior to meeting the operational aspects of the above, submit Operations Authorizations for both wells that satisfy OROGO requirements, including a submission to the GNWT’s Office of the Chief Public Health Officer for consideration prior to November 30, 2020, and immediate updates on same to OROGO, and,
- Provide a Proof of Financial Responsibility (“POFR”) irrevocable letter of credit (“LC”) of \$421,000 to OROGO no later than October 30, 2020.

In order to balance these considerations with the current economic climate of the oil and gas industry, and accelerate our well retirements, Obsidian proposes to proceed as follows:

- Address any remaining deficiencies in our Operations Authorization request by November 15, 2021. Our understanding is that the proof of financial responsibility is the final outstanding concern for OROGO.
- Submit a complete application to Alter the Condition of a Well (ACW) for the C-31A and K-32 wells, to OROGO's satisfaction, by November 6, 2021.
- Immediately proceed with the well abandonment plan submission to the CPHO to meet the requirements of the Public Health Order prior to November 30, 2021.
- Completely abandon the C-31A by April 1, 2021 as directed. Additionally, complete the abandonment of the K-32 wellbore by December 31, 2021 (an acceleration of 13 months). *This will retire all Obsidian Energy operated wells in the Territories.*
- Abandonment of well C-31A prior to April 1, 2021 is contingent on CNRL constructing winter access across the Liard River, and we understand that this is their current intention. Should circumstances arise whereby they fail to do so, we will notify OROGO immediately and develop plans for a Summer 2021 abandonment.

With this proposal for accelerated execution, we respectfully request that OROGO reduce the irrevocable Letter of Credit to the amount of \$100,000 and accept submission no later than November 6, 2020. As justification for this request, we submit that:

- This amount meaningfully exceeds the costs that Obsidian has provided for the "likely event with highest consequence",
- The proof of financial responsibility amount of \$421,000 significantly exceeds our combined well abandonment estimate for both wells, and,
- The subject OA incorporates both Obsidian wells, so it is likely that the LC would remain for a considerable duration (i.e. one year or more after the second well is retired) which will inflict additional financial burden on Obsidian during a very difficult time for our Industry. Our proposal for accelerated retirement reflects our understanding that timely activity will result in timely LC cancellation.

On a personal note, I would appreciate the opportunity to discuss our proposal and our sincere desire to meet the Regulator's expectations, by telephone early next week, at a time convenient for OROGO. Please contact me directly at (403) 539-6302.

Respectfully,

OBSIDIAN ENERGY LTD.

Aaron Smith, P.Eng.
Senior Vice President, Development & Operations