



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

November 2, 2020

Dear Aaron Smith:

**Decision – Schedule for Abandonment and Amount of Proof of Financial Responsibility – North Liard C-31A (WID 1860) and Fort Liard K-32 (WID 1907) Wells (OA-2019-001-OBS)**

On October 30, 2020, the Office of the Regulator of Oil and Gas Operations (OROGO) received a letter from Obsidian Energy Ltd. (Obsidian) proposing a schedule for abandonment of the North Liard C-31A (WID 1907) and Fort Liard K-32 (WID1860) wells in the Fort Liard area and requesting that OROGO reduce the amount of Proof of Financial Responsibility (PFR) associated with Operations Authorization (OA) OA-2019-001-OBS from \$421,100 to \$100,000.

In its October 30, 2020 letter, Obsidian proposes to abandon the North Liard C-31A well by April 1, 2021, as directed, contingent on construction of winter access to the well site across the Liard River by Canadian Natural Resources Ltd. (CNRL). In the event that CNRL does not construct winter access, Obsidian proposes to “notify OROGO immediately and develop plans for a Summer 2021 abandonment”.

The North Liard C-31A well is non-compliant with the suspension requirements set out in the *Well Suspension and Abandonment Guidelines and Interpretation Notes* (Guidelines) and section 56 of the *Oil and Gas Drilling and Production Regulations*. On August 31, 2017, Obsidian was notified of the requirement to bring the well into compliance with the Guidelines by August 31, 2019. Obsidian failed to meet that deadline. As a result, on September 23, 2019, I granted an extension of the deadline to complete abandonment the North Liard C-31A well to April 1, 2021.

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While OROGO is supportive of companies working together to share access and logistics, Obsidian should not be totally reliant on CNRL for access in order to meet its obligation to abandon the North Liard C-31A well by April 1, 2021. Obsidian should put in place contingency plans to construct an access across the Liard River independently of CNRL.

If Obsidian is unable to complete the abandonment of the North Liard C-31A well by April 1, 2021, it must notify OROGO of the situation and submit an updated abandonment program to OROGO for consideration. The updated abandonment program must address changes to the timing, scope and equipment that will be used to complete the well abandonment in the summer.

A summer operation for the abandonment of the North Liard C-31A well will not be considered by OROGO until Obsidian has demonstrated that it has made every reasonable effort to gain approval to enter the Northwest Territories through ProtectNWT and provided detailed information on development of access to this well site independent of CNRL.

In its October 30, 2020 letter, Obsidian also states its intention to submit complete application to Alter the Condition of a Well for the North Liard C-31A and Fort Liard K-32 wells.

In Information Requests No. 4 and 6, OROGO requested that Obsidian provide documentation on the purpose and depth of the two water wells identified for abandonment in its OA application. Obsidian did not provide sufficient information to determine if these water wells meet the definition of a "well" in the *Oil and Gas Operations Act* (OGOA). Therefore, in the absence of information to the contrary, OROGO considers the two water wells to be subject to regulation under OGOA and requires that they be abandoned in compliance with the Guidelines. Obsidian must therefore submit applications to Alter the Condition of a Well for abandonment of the two water wells on or before 4:00 pm on November 30, 2020 by email at [orogo@gov.nt.ca](mailto:orogo@gov.nt.ca).

Finally, in its October 30, 2020 letter, Obsidian requests a reduction the amount of PFR required for OA-2019-001-OBS to \$100,000 from \$421,100. In my letter dated October 26, 2020, I clarified how I determined the amount of PFR for OA-2019-001-OBS. In order for me to reconsider the amount of PFR required, Obsidian must submit a detailed rationale for the proposed PFR amount of \$100,000 (or an alternate amount) for the accepted scenario of a spill at the North Liard C-31A well site.

The rationale must include third party costs for access to the site after the end of the winter work season during which the spill occurred and any other relevant costs and information for the program.

Specifically, the rationale must address the questions contained in Information Request No. 10.1, issued on September 18, 2020.

In order to meet Obsidian's proposed November 15, 2020 deadline for addressing any deficiencies in its OA application, the above information, or a draft Irrevocable Letter of Credit (ILOC) in the amount of \$421,100 that meets the requirements set out in my decision of October 16, 2020, must be received on or before 4:00 p.m. on November 12, 2020 by email at [orogo@gov.nt.ca](mailto:orogo@gov.nt.ca).

Obsidian also requests an accelerated retirement of the ILOC for OA-2019-001-OBS in order to reduce its financial burden. Section 64(2) of OGOA requires the Regulator to hold PFR for one year after the Regulator notifies Obsidian that the abandonment program has been successfully completed. Therefore, I cannot grant this request.

Please contact OROGO at (867) 767-9097 or by email at [orogo@gov.nt.ca](mailto:orogo@gov.nt.ca) if you have any questions.

Sincerely



Pauline de Jong  
Regulator

C Cliff Swadling, Obsidian

Peter Scott, Obsidian

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