



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  
207 – 9 AVE SW  
CALGARY AB T2P 1K3

November 13, 2020

Dear Aaron Smith:

**Decision: Amended Amount of Proof of Financial Responsibility (OA-2019-001-OBS)**

On November 12, 2020, the Office of the Regulator of Oil and Gas Operations (OROGO) received additional information from Obsidian Energy Ltd. (Obsidian) in support of its request to amend the amount of Proof of Financial Responsibility (PFR) required for OA-2019-001-OBS.

In my letter of decision dated October 16, 2020, I indicated that my decision was, in part, based on comparable access costs previously deemed reasonable for a well site on the same all season road as the North Liard C31-A well but slightly closer to Fort Liard. I used these costs to assess PFR because Obsidian did not provide the requested third-party site access costs in response to Information Requests No. 1, No. 5, No. 7 and No. 10.

On October 21, 2020, Obsidian requested additional information on the access costs I used to assess PFR in my October 16, 2020 decision. I provided this information on October 26, 2020. The access costs used were those accepted for the Liard P-16 well under OA-2018-005-CNRL: \$400,000.

On October 30, 2020, Obsidian requested that OROGO reduce the amount of PFR to \$100,000. On November 2, 2020, I responded to this request, indicating that before I could consider Obsidian's request, it must submit a rationale for its proposed amount of PFR, including answers to the questions on third-party access contained in Information Request No. 10.1.

In its November 12, 2020 submission, Obsidian provided the following information on third-party access:

*The third party clean up would occur during the ice-free months in order to ensure prompt spill cleanup. The site would be accessed via helicopter, ATV, and small boat for personnel.*

Obsidian estimated the cost of third-party access to be \$16,136. Obsidian estimated the full cost of clean up for the spill, including crew mobilization and accommodations, access and direct clean up costs (spill removal, sampling) at \$31,136. This estimate was supported by a Spill Access Cost Estimate produced by SWAT Consulting Inc.

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I reviewed the new third-party access information provided by Obsidian against the information previously provided in response to Information Request No. 7 and found that adding the third-party access cost of \$16,136 to the costs for crew, hotel, equipment, sampling and disposal from Information Request No. 7 (total \$20,000) resulted in a total clean up estimate of \$36,136.

Although there is a discrepancy of \$5,000 between the estimate provided by Obsidian on November 12, 2020 and my calculation above, this may be somewhat accounted for by overlap between the different categories used in calculating the estimates.

Obsidian has proposed PFR in the amount of \$100,000. This is more than three times its cost estimate for the clean up (\$31,136) and nearly three times the estimate I calculated based on the information provided in response to Information Request No. 7 (\$36,136). It allows for a significant contingency if the clean up were to take longer than suggested.

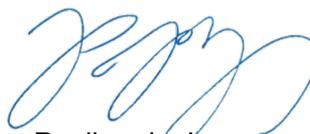
Therefore, I find that the total amount of Proof of Financial Responsibility for OA-2019-001-OBS is amended to \$100,000.

Please submit an Irrevocable Letter of Credit (ILOC) in the amount of \$100,000 to OROGO no later than **November 20, 2020**. The ILOC should:

- Show as beneficiary “Government of the Northwest Territories, 4<sup>th</sup> floor, 5201-50<sup>th</sup> Avenue, PO Box 1320, Yellowknife, Northwest Territories, X1A 2L9, Canada”;
- Be to the attention of “Executive Director, Office of the Regulator of Oil and Gas Operations”;
- Allow for automatic renewal with at least 90 days’ notice to the Regulator if the ILOC is to be cancelled, not renewed or expire; and
- Allow for multiple partial drawings.

OROGO would be pleased to review a draft ILOC to ensure that it is acceptable prior to its submission.

Sincerely,



Pauline de Jong  
Regulator

c. [Regulatory@obsidianenergy.com](mailto:Regulatory@obsidianenergy.com)