



NWT OFFICE OF THE REGULATOR OF OIL AND GAS OPERATIONS

Office of the Regulator of Oil and Gas Operations

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Derek Warren
Manager, Stakeholder Relations and Environment
Obsidian Energy Ltd.
SUITE 200, PENN WEST PLAZA
207 – 9 AVE SW
CALGARY AB T2P 1K3

September 23, 2019

Dear Derek Warren:

**Letter of Decision: Extension to the Deadline for
Abandonment of the North Liard C-31A Well (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.

The Regulator, designated under section 121 of the *Oil and Gas Operations Act* (OGOA), may issue an OA under section 10(1)(b) of that act. The Regulator has delegated the power to issue OA's under section 10(1) (b) of OGOA to me, in accordance with section 8 of that act.

One of the wells proposed for abandonment under OA-2019-001-OBS, 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)*, issued by the Regulator in February 2017.

On August 31, 2017, Obsidian was notified of the requirement to bring this well into compliance with the Guidelines by August 31, 2019. This deadline had passed by the time Obsidian's OA application was received.

Obsidian's OA application requests an extension to the deadline for the abandonment of the North Liard C-31A well so that it can be abandoned at the same time as the Fort Liard K-32 well, which must be abandoned by January 31, 2023. Obsidian proposes that both wells be abandoned in the winter of 2022-2023.

Obsidian has been aware of the requirement to bring the North Liard C-31A well into compliance with the guidelines for nearly two years. In addition to the August 31, 2017 notification, OROGO staff met with Obsidian staff in person on June 26, 2018, to discuss the requirements of the Guidelines and the OA application process.

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Furthermore, on January 8, 2019, OROGO sent Obsidian a letter reminding it of the deadline for compliance with the Guidelines and indicating that Obsidian is also not in compliance with section 6 of OGOA, which prohibits the carrying out of any oil and gas activity without an OA. This letter required Obsidian to submit the following by May 31, 2019:

- An OA application for bringing the North Liard C-31A well into compliance;
- Confirmation that Obsidian has submitted a Benefits Plan or request for waiver to the Government of the Northwest Territories;
- Confirmation that Obsidian has applied to the Mackenzie Valley Land and Water Board for any land use permit or water licence required to complete the work; and
- A plan for conducting twice-yearly inspections of the non-compliant wells until such time as they are abandoned.

I recognize the potential environmental and financial benefits of carrying out the abandonment activities of both wells together. However, the non-compliant well represents a higher risk to the environment than the other, compliant well as it does not have two independent and tested well barriers in place.

Therefore, I approve an extension to the deadline for the abandonment of the North Liard C-31A well to April 1, 2021 and I require that Obsidian submit a complete application to Alter the Condition of a Well (ACW) for this abandonment to OROGO by noon (MT) on October 31, 2019.

Sincerely,



Pauline de Jong
Chief Conservation Officer

c. Craig Langford, Environmental Coordinator, Obsidian Energy Ltd.