



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

October 1, 2019

Dear Derek Warren:

**Information Request No.1: Obsidian Energy Ltd.
Proof of Financial Responsibility (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.

In order to review Obsidian's application, OROGO requires additional information, as set out in the attached Information Request No.1.

Please send your written responses and any associated correspondence to me by email at oro.go@gov.nt.ca or through OROGO's secure file transfer site.

Please submit your response on or before 4:00 p.m. on October 11, 2019. If you are unable to respond within this timeframe or have any questions, please contact OROGO at (867)767-9097 or by email at oro.go@gov.nt.ca.

Sincerely,

Janpeter Lennie-Misgeld
Senior Advisor, Legislation and Policy

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

Bureau de l'organisme de réglementation des opérations pétrolières et gazières

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BUREAU DE L'ORGANISME DE RÉGLEMENTATION DES OPÉRATIONS PÉTROLIÈRES ET GAZIÈRES DES TNO

Obsidian Energy
Application for an Operations Authorization (OA-2019-001-OBS)
Information Request No. 1

1.1 Proof of Financial Responsibility - Basis for Proposed Amount

Preamble: Obsidian's application package does not propose an amount of proof of financial responsibility to be held by the Regulator in respect of the proposed activities.

Obsidian also does not provide an assessment of the risks associated with the abandonment of the two wells covered by the OA.

Section 64(1) of OGOA requires an applicant for an OA to provide proof of financial responsibility in a form and amount satisfactory to the Regulator.

Sections 64(3) and 63 of OGOA describe how the Regulator may make payments from the amount provided as proof of financial responsibility and under what circumstances. Section 64(3) requires that the funds must be available for pay out to claimants at the discretion of the Regulator. It links these payments to the occurrence of a "spill" or the existence of "debris" and the experience of "actual loss or damage" or "costs and expenses".

Section 64(3) of OGOA also requires that the Regulator have funds available to be paid out in the event of a claim for actual loss or damage, or costs and expenses incurred by a third party to clean up a spill or debris, attributable to an authorized activity.

Section 61 of OGOA defines the terms "spill", "debris" and "actual loss or damage". Note that "actual loss or damage" includes loss of hunting, fishing and gathering opportunities for Aboriginal peoples.

Request: Please provide:

- (a) Obsidians' assessment of the most likely event to occur with the highest potential for "actual loss or damage" or costs and expenses as a result of MGM's proposed activities;
- (b) Based on request (a), an estimate for the cost to a third party of cleaning up a spill associated with abandonment of the 2 wells. The cost estimate should include costs for establishment of camp facilities, access roads and other infrastructure that would be required to complete clean-up operations, as well as the clean-up itself and disposal of any contaminated materials.

- (c) An assessment that quantifies the potential lost traditional harvesting opportunities for Aboriginal rights holders in the area that takes into account the extended time frame and regionally extensive nature of the operations proposed by Obsidian.