

From: Pauline DeJong
To: Kierney Leach
Cc: Angela Love; James Fulford
Subject: RE: Paramount Permit and Licence Applications - Security - MV2018L1-0005 & MV2018A0022
Date: November-30-18 1:48:35 PM

Hello Kierney –

In Jamie's absence I will provide what information I can. He will be back in the office on Monday and can add anything I've left out at that time.

All information provided to OROGO for the purposes of the *Oil and Gas Operations Act* (OGOA) is held confidential under section 91 of the *Petroleum Resources Act* (PRA) unless a company provides consent for disclosure or one of the other exceptions listed in the PRA applies. Therefore, I cannot comment on the security held by OROGO for a particular operator, as you have requested in your email.

However, I can provide general clarification on the very narrow purpose of the funds the Regulator holds as security ("Proof of Financial Responsibility" or PFR, as it is called in OGOA):

- Section 64 of OGOA requires that an applicant provide PFR in an amount and form satisfactory to the Regulator, which must remain in place for the duration of the authorized work or activity, and section 13 of OGOA requires that an applicant comply with the requirements of section 64 before the Regulator may issue an authorization.
- Section 64(3) of OGOA indicates that the purpose of the PFR is so that the Regulator has access to funds to pay out in respect of claims under section 63.
- Section 63(1) of OGOA indicates that claims may be made (without proof of fault or negligence) for: "all *actual loss or damage* incurred by any person as a result of the *spill* or authorized discharge, emission or escape of oil or gas" AND "the costs and expenses reasonably incurred by the Government of the Northwest Territories or any other person in taking any action or measure in relation to the *spill* or the authorized discharge, emission or escape of oil or gas". Italicized terms are defined in OGOA (see below).
- Section 63(2) of OGOA similarly provides that, "if any person incurs *actual loss or damage* as result of *debris* or the GNWT reasonably incurs any costs or expenses in taking any remedial action in relation to debris", the authorized operator is liable, without proof of fault or negligence, "for all *actual loss or damage* and all costs or expenses". Italicized terms are defined in OGOA (see below).
- Section 62 of OGOA defines the key terms as follows:
 - o "spill" – an unauthorized discharge, emission or escape of petroleum.
 - o "debris" – any installation or structure that was put in place in the course of the authorized work or activity and that has been abandoned without authorization, or any material that has broken away or been jettisoned or displaced in the course of the authorized work or activity.
 - o "actual loss or damage" – includes loss of income, including future income, as well as loss of hunting, fishing and gathering opportunities for Indigenous people.
- The *Oil and Gas Spills and Debris Liability Regulations* place limits on the amount of PFR that the Regulator may hold.

The RECLAIM table in your email refers to costs associated with well abandonment. Well abandonment costs, along with any other costs associated with site remediation and/or reclamation, are not covered under PFR.

I should also point out that this issue of perceived security "double dipping" has come up several times before. I believe that the Sahtu Land and Water Board issued a decision on the matter, determining that the funds held by the Regulator and by the Land and Water Board were not for the same purpose. Reviewing that decision may be of assistance.

For a more "plain language" take on how PFR works, please refer to the Discussion Paper on Possible Costs from Spills and Debris, which can be found on OROGO's website at: https://www.orogo.gov.nt.ca/sites/orogo/files/resources/discussion_paper.pdf. This paper was produced as a resource for engagement with stakeholders on this issue and we would welcome feedback from the MVLWB as part of the engagement process.

If you have any other questions, please don't hesitate to give me a call.

Thanks,
 Pauline

From: Kierney Leach [mailto:kleach@mlwb.com]
Sent: November 30, 2018 11:28 AM
To: James Fulford
Cc: Pauline DeJong; Angela Love
Subject: Paramount Permit and Licence Applications - Security - MV2018L1-0005 & MV2018A0022

Hi James,

I am currently putting together a Board package for Paramount's Licence and Permit applications, and was wondering if you could provide me with some clarity on something.

ENR submitted a RECLAIM estimate with their review comments, and Paramount responded with their own RECLAIM estimate. Under the RECLAIM tab "Wells and Facilities" ENR's estimate reads:

Wells and Facilities									
ACTIVITY/MATERIAL	Notes	Units	Quantity	Cost Code	Unit Cost	Cost	% Land	Land Cost	Water Cost
OBJECTIVE: ABANDONMENT OF WELLS				#N/A					
All wells- Drilled / Cased	One well total	m	1	WELAs	\$12,500.00	\$12,500	50%	\$6,250	\$6,250
Sweet Well - Completed / Active / Inactive		m		#N/A	\$0.00	\$0		\$0	\$0
Sour Well (H2S>1%) - Completed / Active / Inactive		m		#N/A	\$0.00	\$0		\$0	\$0
Vent Flow / Gas Migration	One well total		1	VFGMs	\$87,200.00	\$87,200	100%	\$87,200	\$0
Additional Completion Zones				#N/A	\$0.00	\$0		\$0	\$0
OBJECTIVE: ABANDONMENT OF PRODUCTION FACILITIES				#N/A					
Oil / bitumen process or injection / disposal facility		m3/day		#N/A	\$0.00	\$0		\$0	\$0
Gas processing facility		m3/day		#N/A	\$0.00	\$0		\$0	\$0
Gas dehydration facility		m3/day		#N/A	\$0.00	\$0		\$0	\$0
Compressor station		KW		#N/A	\$0.00	\$0		\$0	\$0
Battery sites		m3/day		#N/A	\$0.00	\$0		\$0	\$0
Battery sites w/ separation, compression, injection and/or disposal equipment		m3/day		#N/A	\$0.00	\$0		\$0	\$0
Satellite batteries		m3/day		#N/A	\$0.00	\$0		\$0	\$0
Other stations		ha		#N/A	\$0.00	\$0		\$0	\$0
					Total	\$99,700		\$93,450	\$6,250
					% of Total			93.73119358	6.268806419

In Paramount's response they state, "RECLAIM model estimate provided by GNWT continues to include activities regulated by OROGO and who has security from Paramount. Their assumption states the well would have to be abandoned and includes costs of \$99,700 for further vent flow and gas migration which is regulated by OROGO (again PRL has security with OROGO)."

Can you please confirm if OROGO holds security specifically for these two line items? This would help the Board in making a determination on Security.

Please let me know as soon as possible

Thanks,

Kierney Leach M.Eng

Technical Regulatory Specialist

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