



7th Floor - 4922 48th Street,
P.O. Box 2130, Yellowknife NT X1A 2P6

Tel: 867-669-0506 Fax: 867-873-6610
www.mvlwb.com

October 9, 2020

File: MV2020A0009

Terence Hughes
Regulatory and Community Affairs Advisor
Paramount Resources Ltd.
421 7 Ave SW Suite 2800,
Calgary AB T2P 4K9

Sent via email

Dear Terence Hughes:

Re: Fort Laird West – Notification of Procedural Pause – Land Use Permit MV2020A0009

The Mackenzie Valley Land and Water Board (MVLWB or the Board) met on October 8, 2020 and considered the Application for Land Use Permit (Permit) MV2020A0009 for Fort Liard West in accordance with the *Mackenzie Valley Resource Management Act* (MVRMA). The Board has decided to invoke paragraph 22(2)(b) of the Mackenzie Valley Land Use Regulations.

The Board determined that there are clear linkages between this Application and the Application for Water Licence (Licence) MV2020L1-0006. To develop Permit and Licence conditions that will effectively mitigate impacts of the proposed Project on the lands which will be affected, the Board:

1. Will be coordinating the proceedings for these Permit and Licence Applications;
2. Requires the following additional information to determine a security deposit for the Project as outlined below.

Security for the existing Fort Liard West authorizations (Permit MV2013A0012 and Licence MV2013L1-0002) was re-assessed as part of a public review process from March 5 to April 18, 2019 following the submission of an updated security estimate by on March 1, 2019. As part of the review, the Government of the Northwest Territories (GNWT) submitted an updated security estimate using the RECLAIM model. The security estimates submitted by Paramount and the GNWT resulted in different estimations of liability costs. Based on the evidence collected as part of that review, the different estimations are attributed to the following:

- a) Whether reclamation of portions of oil and gas infrastructure, namely wells and site buildings, are the responsibility of the GNWT or the Office of the Regulator of Oil and Gas Operations (OROGO). Paramount excluded portions of Fort Liard West infrastructure which resulted in different estimations under line items 'Wells and Facilities' and 'Buildings and Equipment'.
- b) Detail regarding the scale and scope of development which resulted in GNWT and Paramount inputting different values into the RECLAIM model.

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That review also identified other factors which significantly influence security:

- 1) Whether reclamation of access roads should be included;
- 2) Whether reclamation of pipelines and pipeline right-of-ways should be included;
- 3) That Fort Liard West contains nine wells (K-29, K-29A, 2K-29, 3K-29, O-80, M-25, 2M-25, F-25, and F-25A) at five sites (K-29, O-80, M-25, F-25 and F-25A), amounting to four additional wells not included in GNWT's estimate.

On January 17, 2019, the Board had previously encouraged Paramount to work with the GNWT prior to submitting their revised security estimate. As part of the 2019 review, the GNWT stated Paramount had not engaged with them prior to submitting.

Therefore, the Board directs Paramount to submit a revised security estimate for the Fort Liard West Project by **October 22, 2020**. In establishing their revised estimate, Paramount must:

- Engage with the GNWT;
- Use version 7.0 of the RECLAIM model for oil and gas;
- Include all applicable oil and gas facilities and associated infrastructure;
- Provide a supporting document which clearly identifies the following:
 - All oil and gas facilities and associated infrastructure in Fort Liard West,
 - The oil and gas facilities and associated infrastructure that have been included in the security estimate, and
 - The oil and gas facilities and associated infrastructure that have been excluded from the security estimate, with supporting rationale justifying the exclusion.

If you have any questions or concerns regarding this letter, please contact Andrew Wheeler at (867) 766-7467.

Yours sincerely,



Mavis Cli-Michaud
MVLWB, Chair

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