



Indian and Northern Affairs Canada / **Affaires Indiennes et du Nord Canada**

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North Mackenzie District

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May 30, 2012

Apache Canada Limited
Suite 1000, 700-9 Ave. SW
Calgary, Alberta
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Attention Ken Brink

Re: S03A-007\S03L1-015 (Wellsite C-34 and Remote Sump)
S03A-008\S0311 (Wellsites B-23 and K-14)
S04A-010\S04L1-011 (Wellsites A67 and E-35)
S04A-011\S04L1-012 (Wellsites L-23 and G-47 and Campsite)

In our previous conversation in regards to MGM Energy conducting summer site inspections and submitting remediation plans (or the lack thereof) I had informed you that only the proponent or those designated by the proponent to act on their behalf would be accepted. Also during our conversation you had stated that MGM was designated and that you would be submitting documentation to support such. As of this date no documentation has been received.

In the spirit of cooperation I will make comments on the submission of MGM in regards to your permits and licenses.

S03A-007\S03L1-015 (Wellsite C-34 and Remote Sump)

No samples were taken around well centre. The report states: this area is very poor, and appears that muskoxen use the wellhead cribbing as a rub. As there were no indications of contamination, no soil samples were obtained.

Also, no samples taken from an adjacent wallow area.

It seems odd that most of the drill sites have these wallow areas but those areas not disturbed by exploration do not.

Both areas must be sampled for hydrocarbon and salt contamination.

S03A-008\S0311

Wellsite B23

The area exhibiting high BTEX is quite large. Chloride level 559 ppm or mg\L. There are no plans for clean up despite this being a contaminated site. MGM proposes further monitoring. The contaminated material around well center is of the same nature yet it is recommended that no remediation take place until the well is abandoned or put on line. This site has been contaminated for 7 years yet no remediation of any significance has been undertaken.

This is unacceptable; this contaminated site must be remediated.

Wellsite K14

It is stated that sample results for the area that the muskox have trampled has decreased to 1480 ppm. Only a grab sample was taken and this does not accurately depict the entire contaminated area. Samples must be taken that delineate the area in question. Upon receiving sample results remediation options will be discussed.

Wellsite E-44

It is agreed that no further work is needed aside from removing rat hole and conductor pipe.

S04A-010\S04L1-011 (Wellsites A67 and E-35)

Wellsite A-67

Remediation plans include removing rat hole conductor pipe and reseeded the well centre. It is proposed to do this in 2013. The orange area was sampled for SAR etc... and MGM believes it is natural Tanis.

The well center was not sampled despite SLWB direction and MGM commitment to do so. Well centers are notorious for being contaminated. Further sampling must be carried out. This must include hydrocarbons and salt.

Wellsite E-35 - Sump

Magnesium at 6460 mg\L, pH 2.92 Conductivity 26.2 dS m⁻¹. It is proposed to treat the soil in-situ. Further study is needed to delineate the contaminated area and there are no plans on how this soil is to be treated. A pH of 2.92 is extremely acidic. Steps must be taken to ascertain what chemical have been spilled to cause this.

This contaminated site must be remediated.

S04A-011\S04L1-012 (Wellsites L-23 and G-47 and Campsite)

L-23 Drill site, Campsite)

I agree with the results, this site need no longer be inspected.

G-47 Drill site and Sump

It is proposed that no further work be carried out despite MGM's report that the sump has slumped 60 cm and was not filled adequately. The sump has been a concern for some time. During construction of the lease, sump material was used to level well centre. The proponent was informed that this is not a good practice as the

material will be needed later for mix\bury\cover. As anticipated, not have enough material to properly cap the drill sump was available. An attempt to correct this was made previously but the sump remains below grade.

It is stated in the report that MGM does not know why muskox are attracted to their well centers. In answer, the reason is simple: the muskoxen are attracted to well centers because of the use of spilled salts when cutting through salt formations.

No samples were taken at well centre.

Further sampling is necessary at well center, specifically hydrocarbons and salt. I am willing to discuss remediation options in regards to the sump.

I must say I was very disappointed in the reports submitted by MGM, reports that Apache endorses. I would think that when negotiating your Access and Benefits Agreements that the protection of the environment was an important aspect. I have been dealing with the Ka'sho Go'tine District for years and know full well they would not be pleased with the lack of commitment, environmental stewardship and un-cooperative stance exhibited thus far.

Despite the aforementioned I am still willing to discuss these matters and come to an agreement as to what remediation plans your company may have in mind. Please let it be known that these issues are not going to go away. If I do not hear from you by June 30, 2012 the next steps will be the issuing of an "Order of Inspector". If this fails to produce cooperation your company will be charged under the Mackenzie Valley Resource Management Act and or the NWT Waters Act. Let me assure you, this will take place.

I can be reached at (867) 587-2011 (office) 6660 (cell) or email at Stephen.Deschene@aandc-aadnc.gc.ca

Yours truly



Steve Deschene
Resource Management Officer III

cc: I.N.A.C. - Inuvik
Sahtu Land and Water Board