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Norman Wells Sub-District
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Your file - Votre référence

March 16, 2004

Our file - Notre référence

David Calvert
Coordinator, Surface Land
Aboriginal and Community Relations
Apache Canada Ltd.
1000, 700 9th Ave SW
Calgary, AB
T2P 3V4



S03A-007,008
S03A-008-017,016
INS-REPORTS

**RE: Land Use Permits S03A-007 Lac Maunoir
S03A-008 Nogha/ Tunago**

On March 09, Environmental Inspections were conducted of the above operations. Enclosed are copies of the Inspection Reports.

S03A-007 Lac Maunoir

All conditions are being met at this time. The service rig was being moved on site the day of this Inspection. The main camp sewage sump has been backfilled and all equipment and debris has been removed from the area.

S03A-008 Nogha/ Tunago

Construction of wellsites B-23 and K-14 and access roads is complete. Wellsite E-44 was cleared and a sump constructed, however, it is this Inspector's understanding this well will not be drilled this season. The sump is to be backfilled and the conductor pipe and cellar are to be capped. A temporary camp to house the crew working on wellsite K-14 was approved at location 66 35 28 N 125 57 41 W.

A few concerns were noted at wellsite B-23. A load of invert drilling waste was deposited into the gel/chem sump the day of this Inspection, as well, there was a spill of petroleum product near the invert storage tank. Bill Murray, Drilling Supervisor, assured this Inspector that both of the spills would be cleaned up, however, no spill reports were filed. Please submit to this office more information regarding the invert spill into the sump, specifically the chain of events leading up to the spill, the actions taken to clean up the invert and Apache Canada's plan to ensure this type of occurrence does not happen again in the future.

Further, the stationary fuel storage containers on both wellsites are not in compliance with this Land Use Permit. Please note the comments in the Explanatory Remarks section of the Environmental Inspection Reports.

If you have any questions regarding this or any other matter, please do not hesitate to contact me at (867) 587 2911.

Yours truly,

Danette Sharun
Resource Management Officer II
Norman Wells

cc: Inuvik District files
Sahtu Land & Water Board

Canada



ENVIRONMENTAL INSPECTION REPORT

Permittee:	Apache Canada Ltd. 1000, 700 9 th Ave SW Calgary, AB T2P 3V4		
		Permit Expiry Date	Last Previous Inspection
Land Use Permit No.	S03A-008	December 13, 2008	January 26, 2004
Quarrying Permit No.			
Contractor:	Arctic Circle	Subcontractor:	
Location(s) Inspected:	B-23, K-14, access road and both crew camps.		
Current Stage of Operation	Drilling continues at both wellsites. Access road construction is complete.		
Program Modifications Approved:	1. Camp to house crew working at wellsite K-14 was approved at location 66 35 28 N 125 57 41 W.		

Condition of Operation "A" - Acceptable "U" - Unacceptable "N/A" - Not Applicable "N/I" - Not Inspected

	Operating Condition	Aspect Inspected				
		B-23	K-14	B-23 camp	K-14 camp	Access Road
A	Location as Permitted	A	A	A	A	A
B	Timing as Permitted	A	A	A	A	A
C	Equipment as Approved (Type & Size)	A	A	A	A	A
D	Methods & Techniques	A	A	A	A	A
E	Facilities	A*	A	A	A	A
F	Erosion (Control or Prevention of Flooding etc.)	A	A	A	A	A
G	Chemicals	U	A	A	A	A
H	Wildlife and Fisheries Habitat (Protection)	A	A	A	A	A
I	Wastes	A	A	A	A	A
J	Historical / Archaeological / Burial Sites	A	A	A	A	A
K	Recreational / Scenic Ecological Value	-	-	-	-	-
M	Fuel Storage	U	U	N/A	N/A	A
N	Debris / Brush Disposal	A	A	A	A	A
O	Restoration of Lands	N/A	N/A	N/A	N/A	N/A
P	Permits	A	A	A	A	A
Q	Matters Not Inconsistent	A	A	A	A	A
R	Sections 8 to 12 / 14 to 16 M.V.L.U.R.	A	A	A	A	A
S						
T						

Explanatory Remarks (attach page 2 if required) Yes


Danette Sharun
Resource Management Officer II

As per Section 26(1)(E) TYPE LOCATION, CAPACITY AND OPERATION OF FACILITIES of your Land Use Permit:

5.2 The Permittee shall maintain all drill wastes as least 1.2 metres below the active soil layer at all times.

5.4 The Permittee shall backfill all sumps in such a manner that drill waste is maintained below the 1.2 metre freeboard.

The level of drilling waste in the sump at wellsite B-23 is approaching the operational minimum freeboard of 1.2 metres. This freeboard minimum also applies after mix-bury-cover occurs. Please be advised that sufficient room must allocated between the surface level of mix-bury-covered material and the active soil layer to ensure sump integrity. If this sump slumps at a future time, Apache Canada will be required to return to the site and correct the slumpage.

As per Section 26(1)(G) USE, STORAGE, HANDLING AND DISPOSAL OF CHEMICAL OR TOXIC MATERIAL

The Permittee shall not deposit at any time Oil Based drill waste into a sump.

On the day of Inspection, a vacuum truck load of invert waste was deposited into the gel/chem sump at wellsite B-23. While this may have been inadvertent, it is not acceptable. Not only does this place Apache Canada in direct contravention of the conditions in its Land Use Permit, but the invert may have potentially contaminated the sump, thereby rendering it unsuitable for mix-bury-cover. A composite sample of this sump representing the entire content of drill waste contained within must be taken and analyzed prior to backfilling.

In addition, Section 26(1)(G) of the Land Use Permit also states:

7.9 The Permittee shall report all spills immediately in accordance with instructions contained in "Spill Report" form N.W.T. 1086 (10/79). 24 hour spill report line (867) 920 8130.

According to the guidelines within the Spill Protocol for Upstream Oil and Gas Operations in the Northwest Territories and Nunavut Regulated by the National Energy Board as well as the INAC Spill Reporting Protocol for Upstream Oil and Gas Operations, any spills that qualify as "immediately reportable" should be reported to the 24 hour spill line. Apache Canada's Oil Spill Contingency Plan also states that "All spills or potential spills of petroleum products or other hazardous material must be reported to the 24 hour Spill Report Line". The deposit of invert into the sump that occurred at wellsite B-23 on March 09, 2004 was not reported. Neither was the petroleum product spill near the invert tank. It is imperative that Apache Canada adhere to this condition. This Inspector would like to see a Spill Report filed for both of these spills. This Inspector would also like Apache Canada to submit to this office the steps that lead up to the deposit of invert into the sump, the steps taken to remove the invert from the sump and the actions, if any, Apache Canada is prepared to take to ensure this type of situation does not occur in the future.

Section 26(1)(M) PETROLEUM FUEL STORAGE states:

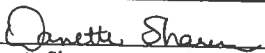
13.4 The Permittee shall not allow petroleum products to spread to surrounding lands or into water bodies.

Signs of a petroleum product spill near the invert tank was noticed upon inspection of the site. Drilling Supervisor Bill Murray informed this Inspector that the spill was to be steamed and cleaned up that day.

Section 26(1)(M) PETROLEUM FUEL STORAGE further states:

13.6 The Permittee shall construct a dyke around each stationary fuel container or group of stationary fuel containers where any one container has a capacity exceeding 4000 litres.

The double walled fuel storage tanks located on both wellsites do not have lined dykes surrounding them. This is in contravention of Land Use Permit S03A-008. In the event that the integrity of these tanks is compromised and a fuel leak results, the potential exists for the entire contents of the tanks to spread to the surrounding land. Your Land Use Permit clearly states that lined, impermeable dykes are required around any fuel storage containers exceeding 4000L. Due to the short duration of time remaining in this year's operating season, this Inspector will not order Apache Canada to construct lined dykes around the fuel tanks at this time. However, please consider this your only warning. In any future activity to be carried out under Land Use Permit S03A-008, this Inspector expects to see impermeable lined dykes surrounding any high volume fuel storage containers. Failing to adhere to the conditions of the Permit in the future will result in further corrective action.



Danette Sharun

Resource Management Officer II