



Sahtu Land and Water Board

Staff Report

Division: Land and Water Program	Report No.: 4
Date Prepared: Sept 6, 2018	File No.: S03A-007 / S03L1-015 S03A-008 / S03L1-016 S04A-010 / S04L1-011 S04A-011 / S04L1-012
Meeting Date: Sept 26, 2018	
Subject: Assignment of four Land Use Permits and four Water Licences from Apache Canada Ltd. to MGM Energy	

1. Purpose/Report Summary

The purpose of this Report is to present to the Sahtu Land and Water Board (SLWB/the Board) an Application to assign the following authorizations from Apache Canada Ltd. To MGM Energy:

- 1) Type A Land Use Permit (Permit) S03A-007;
- 2) Type B Water Licence (Licence) S03L1-015;
- 3) Type A Land Use Permit S03A-008;
- 4) Type B Water Licence S03L1-016;
- 5) Type A Land Use Permit S04A-010;
- 6) Type B Water Licence S04L1-011;
- 7) Type A Land Use Permit S04A-011;
- 8) Type B Water Licence S04L1-012

2. Background

May 30, 2018 – Assignment Applications and fees submitted for S04L1-012, S04L1-011, S03L1-016;

June 6, 2018 – Request to legal counsel to determine whether the Board can grant a request to assign expired land use permits and water licences, where reclamation activities are ongoing.

June 6, 2018 – Request to Applicant to submit assignment applications for additional Licence and associated Permits;

July 4, 2018 – The Board received legal opinion on the assignment of expired Permits and Licences;

July 6, 2018 – Assignment Applications and fees submitted for S04A-010, S03L1-015, S04A-011, S03A-007, S03A-008;

August 3, 2018 – Dominion Crown (Northern Canada) Land Agreement Ticket submitted to confirm eligibility/ownership;

August 9, 2018 – Assignment Applications distributed for review on the Online Review System (ORS);

August 30, 2018 – Reviewer comments due and received;

September 6, 2018 – Proponent Responses due;
September 26, 2018 – Assignment Applications presented to the Board.

3. Discussion

3.1 Background and Assignment Applications

Since 2003, Apache Canada Ltd. has held several authorizations for exploratory oil and gas drilling, water use, and the deposit of waste at three sites in the Colville Lake area in the K’asho Got’ine District and one site in the Tulita District of the Sahtu Settlement Area. Activities at these sites are currently in reclamation and remediation. All of the Permits and Licences have expired.

On May 30, 2018 and July 6, 2018 Apache Canada Ltd. submitted applications to assign four Licences and four Permits to MGM Energy. These applications are in part a response to a Department of Lands – Sahtu Region inspection report dated October 25, 2016 in which the Resource Management Officer requested Apache Canada Ltd. to contact the Sahtu Land and Water Board to update the ownership of their Land Use Permits. Apache, MGM, and Paramount Permits should be reflected to show who the responsible Permittee is. Since 2012, MGM Energy has been conducting all required reporting and reclamation work on behalf of Apache Canada Ltd. with additional works still required.

MGM and Apache are 50/50 owners of the properties. As MGM also had other assets in the area it made sense for MGM to take over operating the environmental program and regulatory requirements. In 2014 MGM was purchased by Paramount (it was originally a spin out company of Paramount), however MGM exists as a wholly owned subsidiary within Paramount. In 2017, Paramount purchased the remaining assets of Apache Canada Limited and created Paramount ACL as a wholly owned subsidiary until the assets previously owned by Apache could be transferred into Paramount Resources, or in the case of these sites MGM.

Table 1 outlines the details of the authorizations Apache Canada Ltd. has applied to be assigned. Links to the Public Registry for each of these authorizations are also provided below.

Table 1: Details of Authorizations Apache Canada Ltd. has applied to be assigned

Authorization	Location	Activities	Issuance Date	Expiry Date	Type of Lands
S03A-007	Lac Maunoir – 35 km NE of Colville Lake on EL 399	Exploratory drilling (C-34, L-80 wellsites) winter access road, 2 remote sumps, 2 camps, fuel storage	December 13, 2003	December 12, 2010	Non-federal lands; Sahtu Settlement Lands
S03L1-015	Lac Maunoir – 35 km NE of Colville Lake on EL 399	water use for road construction, drilling; deposition of	December 13, 2003	December 12, 2010	Non-federal lands; Sahtu Settlement Lands

		drilling waste			
S03A-008	Nogha/Tunago Settlement Lands – 73 km S of Colville Lake; Settlement Land Blocks M-11, M-16, M-20 and EL399	Exploratory drilling West Nogha K-14, Nogha B-23, North Tunago E-44 wellsites) winter access road, 3 remote sumps, 1 camp fuel storage	December 13, 2003	December 12, 2008	Non-federal lands; Sahtu Settlement Lands
S03L1-016	Nogha/Tunago Settlement Lands – 73 km S of Colville Lake; Settlement Land Blocks M-11, M-16, M-20 and EL399	water use for road construction, drilling; deposition of drilling waste	December 13, 2003	December 12, 2008	Non-federal lands; Sahtu Settlement Lands
S04A-010	Lac Maunoir – 65 km NE of Colville Lake on EL399	Exploratory drilling (E-35, A-67 wellsites) winter access road, 2 remote sumps, 2 camps, fuel storage	December 10, 2004	December 9, 2009	Non-federal lands; Sahtu Settlement Lands
S04L1-011	Lac Maunoir – 65 km NE of Colville Lake on EL399	water use for road construction, drilling; deposition of drilling waste	December 10, 2004	December 9, 2009	Non-federal lands; Sahtu Settlement Lands
S04A-011	Turton Lake area 80 km N of Norman Wells on EL 414	Exploratory drilling (L-23, G-47 wellsites) winter access road, 2 remote sumps, 1 camp, fuel storage	December 24, 2004	December 23, 2009	Non-federal lands; Sahtu Settlement Lands
S04L1-012	Turton Lake area 80 km N of Norman Wells on EL 414	water use for road construction, drilling; deposition of drilling waste	December 24, 2004	December 23, 2009	Non-federal lands; Sahtu Settlement Lands

A Dominion Crown (Northern Canada) Land Agreement Ticket dated April 6, 2018 was submitted to the Board acknowledging that MGM and Apache are 50/50 owners of the properties (Attachment 1). Apache Canada Ltd. has not proposed any changes to any of the authorizations it has applied to be assigned.

Regulatory Requirements

All assignment applications for permits (in Federal and Non-Federal areas) must fulfill the requirements outlined in section 38 of the *Mackenzie Valley Land Use Regulations* (MVLUR), which also notes that, “the Board may approve the assignment with all of the original conditions or with amended conditions.”

All assignment applications for licences in non-Federal areas must fulfill the requirements outlined in section 39 of the *Waters Act* and section 9 of the *Waters Regulations*.

Land use permits consist of two separate components:

- 1 Permission to use land, and
- 2 An obligation to remediate.

To avoid inconsistencies in the MVLUR, the expiry provisions in section 26(5) and 26(6) of the MVLUR only apply to part #1 – permission to use land. Section 29(6) states that the obligation to remediate does not end upon expiry. As such, liability under a permit continues to operate after the permission to use land has expired. A permit can therefore be assigned or amended.

Even if a permit is expired, section 38 of the MVLUR does not prohibit the assignment of an expired permit.

The *Waters Act* and *Waters Regulations* do not prohibit the assignment of an expired licence. However, the *Waters Act* and *Waters Regulations* lack the clearer provisions of the MVLUR, including ongoing liability for remediation. An expired licence can therefore be assigned.

Eligibility

MGM Energy holds several active Licences and Permits in the Northwest Territories.

Fees

The required assignment Application Fees were received on May 30, 2018 and July 6, 2018 (attached).

4.0 Comments

Board staff have reviewed the correspondence, Annual Reports, and inspection reports for these authorizations, and present the following information for the Board:

Site Inspections

The most recent site inspection reports were dated October 25, 2016 for S03A-007 and S03A-008, September 3, 2015 for S04A-010, and September 15, 2015 for S04A-011. The following unacceptable conditions were documented:

- S03A-007** – wellsite C-34 – unacceptable conditions were related to ponding water and musk ox wallowing areas. The Inspector also requested submission of the sampling results.
- S03A-008** – wellsite B-23 – concerns with some bare areas;
wellsite E-44 – concern with the remote sump with slumpage and pooling water;
wellsite K-14 – was not able to be accessed for inspection.
- S04A-010** – wellsite A-67 – water pooling at well center with hydrocarbon sheen;
wellsite E-35 – no concerns.
- S04A-011** – wellsite L-23 – no concerns;
wellsite G-47 – sump was collapsed, and the well center showed poor vegetation growth and require further remediation.

The site inspection reports confirm that continuing remediation of the wellsites is required.

Annual Reports

MGM Energy submitted 2017 Annual Reports for each of the four licenced authorizations in accordance with the requirements for reporting under Part B of the Water Licences. Although formal Board approval of these Annual Reports was not required, they were distributed for review on the Online Review System on February 13, 2018 with comments due by March 13, 2018. The Board must be satisfied that the Licensee has met the requirements of the Licence.

The purpose of the reviews was also to consider the progress made on reclamation of the Project Sites as well as whether the results and conclusions have been appropriately and accurately reported and support the recommendations for further reclamation activities.

The following Project Sites were considered in the 2017 Annual Reports submitted:

- S03L1-016 - Nogha B-23 Wellsite and Nogha K-14 Wellsite;
- S03L1-015 - Maunoir C-34 Wellsite, L-80 Wellsite, drilling and camp sumps
- S04L1-011 - Maunoir C-35 Sump and Maunoir A-67 Wellsite; and
- S04L1-012 - Turton G-47 Wellsite and Sump.

Comments on the 2017 Annual Reports were received from three review organizations:

- GNWT – Environment and Natural Resources (GNWT-ENR);
- Office of the Regulator of Oil and Gas Operations (OROGO); and
- Sattu Renewable Resource Board (SRRB).

The complete reviewer comments and proponent responses are presented in Attachments 2-5.

In general, **GNWT-ENR** supports the proposed 2018 Monitoring Plans presented in the 2017 Annual Environmental Inspection Reports. ENR recommended adding water sampling analysis in 2018 to

delineate potential zones of contamination for wellsites C-34 and L-80. MGM responded that there was no standing water to sample; however, if standing water is observed during the next soil and water monitoring event scheduled for 2019 or 2020, consideration will be given to sampling it at that time. ENR also recommended that a remediation plan be developed to address the unstable slopes and depressions present along the perimeter of Maunoir C-35 Sump 2. MGM responded that following the 2018 Monitoring plan results, they will develop a remediation plan to be submitted in the first half of 2019.

OROGO noted that Maunoir C-34, Nogha B-23 and Nogha K-14 wells were currently classified as suspended and still require abandonment in compliance with section 56 of the *Oil and Gas Drilling and Production Regulations*.

SRRB provided many technical comments and recommendations on the soil monitoring programs, chemical analyses, statistical analyses of the data and Quality Assurance/Quality Control measures. All of the comments and recommendations were fully addressed in MGM responses.

In summary, the 2017 Annual Reports have met the requirements of the Licences and support the overall recommendations of the monitoring programs to continue with further reclamation of the wellsites in future years.

5. Reviewer Comments

The application was distributed to members of the K'asho Got'ine District Distribution List; which includes 33 review organizations, fourteen (14) of which are represented within the Sahtu Settlement Area, requesting a reply by August 30, 2018. One organization responded:

- Government of the Northwest Territories – Environment and Natural Resources (GNWT-ENR) – no comments or recommendations.

The Review Comment Table and submitted letter from ENR is attached to this report (Attachment 6).

There were no comments or recommendations from any review organization regarding the Assignment Applications.

Draft Permits and Licences

Since the Permits and Licences have expired all of the original conditions must remain the same and cannot be updated (except to change the name of Permittee or Licensee when noted). Draft Cover Pages of the Licences and Permits with the name of the assignee (MGM Energy) have been prepared (Attachments 7-14).

6. Security

There were no securities taken when the original Permits and Licences were authorized. Since these Permits and Licences have expired, new security cannot be calculated.

7. Conclusion

Board staff concludes that the regulatory requirements for these Assignment Applications have

been generally met. The requirement for engagement has been met through the distribution of the Assignment Applications on the Online Review System. Board staff has not identified any concerns associated with granting the Assignment of Permits S03A-007, S03A-008, S04A-010, S04A-011 and Licences S03L1-015, S03L1-016, S04L1-011, S04L1-012.

8. Recommendation

Board staff recommend the Board make the following motions:

- a) **Motion to approve the assignment of Type A Land Use Permit S03A-007**, from Apache Canada Ltd. To MGM Energy;
- b) **Motion to approve the assignment of Type B Water Licence S03L1-015**, from Apache Canada Ltd. To MGM Energy;
- c) **Motion to approve the assignment of Type A Land Use Permit S03A-008**, from Apache Canada Ltd. To MGM Energy;
- d) **Motion to approve the assignment of Type B Water Licence S03L1-016**, from Apache Canada Ltd. To MGM Energy;
- e) **Motion to approve the assignment of Type A Land Use Permit S04A-010**, from Apache Canada Ltd. To MGM Energy;
- f) **Motion to approve the assignment of Type B Water Licence S04L1-011**, from Apache Canada Ltd. To MGM Energy;
- g) **Motion to approve the assignment of Type A Land Use Permit S04A-011**, from Apache Canada Ltd. To MGM Energy;
- h) **Motion to approve the assignment of Type B Water Licence S04L1-012**, from Apache Canada Ltd. To MGM Energy;

Draft decision letters are attached for each authorization.

9. Attachments

- 9.1 Ownership
- 9.2 S03L1-016 - [2017 Annual Report Review Comment Table](#)
- 9.3 S03L1-015 - [2017 Annual Report Review Comment Table](#)
- 9.4 S04L1-011 - [2017 Annual Report Review Comment Table](#)
- 9.5 S04L1-012 - [2017 Annual Report Review Comment Table](#)
- 9.6 Apache to MGM Assignments – Review Comment Table
- 9.7 S03A-007 - Draft Permit Cover Page
- 9.8 S03L1-015 - Draft Licence Cover Page
- 9.9 S03A-008 - Draft Permit Cover Page
- 9.10 S03L1-016 - Draft Licence Cover Page
- 9.11 S04A-010 - Draft Permit Cover Page
- 9.12 S04L1-011 - Draft Licence Cover Page

- 9.13 S04A-011 – Draft Permit Cover Page
- 9.14 S04L1-012 - Draft Licence Cover Page
- 9.15 Draft Decision Letter from the Board – Permit S03A-007 / Licence S03L1-015
- 9.16 Draft Decision Letter from the Board – Permit S03A-008 / Licence S03L1-016
- 9.17 Draft Decision Letter from the Board – Permit S04A-010 / Licence S04L1-011
- 9.18 Draft Decision Letter from the Board – Permit S04A-011 / Licence S04L1-012

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Bonnie Bergsma", with a long horizontal flourish extending to the right.

Bonnie Bergsma
Regulatory Specialist