



March 28, 2019

Jen Potten
Regulatory Officer
Mackenzie Valley Land and Water Board
7th Floor – 4910 50th Avenue
P.O. Box 2130
Yellowknife, NT
X1A 2P6

Dear Ms. Potten,

**Re: Paramount Resources Ltd.
 Land Use Permit – MV2013A0012
 Water Licence – MV2013L1-0002
 Land Use Permit – MV2013A0013
 Water Licence – MV2013L1-0003
 Fort Liard East and West Sites
 Reclaim Estimates
 Request for Comments**

The Department of Environment and Natural Resources (ENR), Government of the Northwest Territories (GNWT) has reviewed the information at reference based on its mandated responsibilities under the *Environmental Protection Act*, the *Forest Management Act*, the *Forest Protection Act*, the *Species at Risk (NWT) Act*, the *Waters Act* and the *Wildlife Act* and provides the following comments and recommendations for the consideration of the Board and the Proponent.

Topic 1: General

Comments(s):

Paramount Resources Ltd. (Paramount) submitted two (2) security re-assessments for the Land Use Permits (LUP) MV2013A0012 and MV2013A0013, and Type B Water Licences (Licences) MV2013L1-0002 and MV2013L1-0003 to the MVLWB as requested on January 17, 2019 for the Fort Laird East and West sites. In the MVLWB's January 17, 2019 letter, Paramount was informed that the MVLWB could not proceed with the regulatory process based on the information provided as there was no evidence/supporting information provided in the previous submittal on a security amount for both sites. Paramount was then directed to submit a RECLAIM Model V.7.0 (Oil and Gas Version) estimate and

encourage the company to work with GNWT prior to submission. ENR notes that Paramount has not communicated with the GNWT prior to their submittal of a RECLAIM estimate on February 28, 2019.

In Paramount's RECLAIM estimates submitted, there was no supporting information or evidence to support the costs or calculations in the model. ENR also notes that the original applications to the MVLWB had insufficient information on the planned activities and scope of reclamation that would inform an accurate RECLAIM estimate. ENR encourages Paramount to submit supporting information and rationale for their estimate and to clarify any significant discrepancies between GNWT's estimate and Paramount's to better reflect actual liabilities and planned activities for the site. GNWT would be happy to meet with Paramount to discuss the estimates and the assumed scope of work with Paramount to better refine and potentially reduce the security estimate.

Recommendation(s):

- 1) ENR recommends Paramount submit further information to address the assumptions ENR has used in the attached GNWT RECLAIM estimate.
- 2) ENR and its consultant would be happy to meet with Paramount to discuss our estimate and the assumptions in a effort to revise the estimate, where appropriate.

Topic 2: Reclamation of Roads and Pipeline

Comment(s):

As part of the assumptions made to develop a GNWT RECLAIM estimate for both sites, ENR has not included the reclamation of the access roads between the sites and the adjacent sites. However, ENR encourages Paramount to contact the local rights holders and IGO's to confirm if they would like the roads reclaimed at the end of remediation activities, or left in place. If stakeholders and rights holders request the roads be reclaimed, these activities should be included in an updated RECLAIM estimate.

ENR has also not included the costs for the removal of the 44 KM pipeline that is associated with both sites (as mentioned in the LUP applications). The rationale for not including it at this time is that ENR is uncertain if it is part of the MVLWB authorizations or reclamation requirements. This item may fall under other jurisdictions, such as the NEB or OROGO.

Recommendation(s):

- 1) ENR recommends that Paramount engage with local rights holder and IGO's to confirm if they would like the roads reclaimed at the end of remediation activities, or left in place following final remediation. If stakeholders and rights holders request the roads to be reclaimed, these activities should be included in an updated RECLAIM estimate.
- 2) ENR recommends that the MVLWB and/or Paramount confirm which jurisdiction should hold the appropriate reclamation costs for the pipeline. If it is required under the Land User Permits and Water Licence or the Closure and Reclamation Plan, it should also be included in an updated RECLAIM estimate.

Topic 3: Security Amount

Comment(s):

In the January 17, 2019 Board direction and subsequent March 5, 2019 Online Public Review notice, the MVLWB has requested that reviewers provide input on the amount of security required for this project. Currently, Paramount has suggested an amount of \$568,855 that would be held under the Land Use Permit and \$8,158 under the Water Licence the Liard East site. For the Liard West site, Paramount has suggested an amount of \$698,904 that would be held under the Land Use Permit and \$3,593 under the Water Licence.

To assist the Board, ENR used all available information submitted by Paramount in the original applications and subsequent RECLAIM submittal and completed an estimate using the Oil and Gas RECLAIM Model (attached). However, ENR was required to make several assumptions in several key areas as insufficient information was provided in Paramount's application and supporting documents to complete a more accurate estimate.

The GNWT has completed a preliminary estimate of security which totals \$2,162,651 for the Liard West site which is split between land and water related liability. Security for land related liability was estimated to be \$1,142,288 and \$1,020,363 for water liability. The GNWT has completed a preliminary estimate of security which totals \$2,510,428 for the Liard East site. Security for land related liability was estimated to be \$1,397,167 and \$1,113,261 for water liability.

The preliminary security estimate and associated description of assumptions has been attached for the Board's information and has been split between water and land related liability.

Recommendation:

- 1) ENR's preliminary estimate of security required for the Paramount Liard West site (MV2013A0012/MV2013L1-0002) is \$1,142,288 for land liability and \$1,020,363 for water liability for a total of \$2,162,651.
- 2) ENR's preliminary estimate of security required for the Paramount Liard East site (MV2013A0013/MV2013L1-0003) is \$1,397,167 for land liability and \$1,113,261 for water liability for a total of \$2,510,428.
- 3) Should Paramount provide updated RECLAIM estimates or additional supporting information, ENR would be open to reviewing and revising its estimate accordingly.

Comments and recommendations were provided by ENR technical experts in Water Management and Monitoring Division and the Dehcho Region and were coordinated and collated by the Environmental Assessment and Monitoring Section (EAM), Environmental Stewardship and Climate Change Division.

Should you have any questions or concerns, please do not hesitate to contact Patrick Clancy, Environmental Regulatory Analyst at (867) 767-9233 Ext: 53096 or email patrick.clancy@gov.nt.ca.

Sincerely,



Patrick Clancy
Environmental Regulatory Analyst
Environmental Assessment and Monitoring Section
Environmental Stewardship and Climate Change Division
Department of Environment and Natural Resources
Government of the Northwest Territories

Att: RECLAIM ESTIMATE Final - MV2013L1-0002 MV2013A0012
RECLAIM ESTIMATE Final - MV2013L1-0003 MV2013A0013
Costing Scenario Paramount Fort Liard East and West Sites