



NWT OFFICE OF THE REGULATOR OF OIL AND GAS OPERATIONS

Office of the Regulator of Oil and Gas Operations

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John Hawkins  
Director, Asset Management  
MGM Energy  
Suite 2800, 421 – 7<sup>TH</sup> AVE SW  
CALGARY AB T2P 4K9

May 19, 2023

Dear John Hawkins:

### **Decision: Proof of Financial Responsibility for OA-2019-002-MGM**

On June 12, 2019, the Office of the Regulator of Oil and Gas Operations (OROGO) received a complete application from MGM Energy (MGM) for an Operations Authorization (OA). The original OA application covers the proposed abandonment of seven wells operated by MGM in the Sahtu region of the Northwest Territories. On August 14, 2019, MGM submitted its response to Information Request (IR) No.2, reducing the scope of the OA to the abandonment of six wells.

The content of MGM's application with respect to proof of financial responsibility was supplemented by MGM's responses to IR No.1, No.3 and No.4, received by OROGO on July 15, 2019, August 18, 2019, and August 28, 2019, respectively. On September 6, 2019, I issued my original decision on the amount of proof of financial responsibility required for OA-2019-002-MGM. On October 15, 2019, I approved the draft Irrevocable Letter of Credit (ILOC) MGM submitted in response to my decision and advised MGM that OA-2019-002-MGM cannot be issued until the final, signed ILOC is received. Operations under OA-2019-002-MGM were then deferred for several years and MGM did not submit the final, signed ILOC.

On October 21, 2022, I issued IR No. 5 for OA-2019-002-MGM, requesting an updated estimate of proof of financial responsibility given the deferral of operations and the issuance of the *Proof of Financial Responsibility Guidelines and Interpretation Notes*. MGM's response to IR No. 5 was received on December 2, 2022. I issued IR No. 6 on April 13, 2023, and MGM responded on May 1, 2023.

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The Regulator, designated under section 121 of the *Oil and Gas Operations Act* (OGOA), may issue an OA under section 10(1)(b) of that act. On August 2, 2020, the Commissioner in Executive Council designated me as the Regulator under section 121 of OGOA.

Section 13 of OGOA requires that MGM provide satisfactory proof of financial responsibility, in accordance with section 64(1) of OGOA, prior to the issuance of an OA.

Having reviewed the information contained in MGM's OA application and in MGM's responses to Information Requests No.1, No.3, No.4, No. 5, and No. 6, I find that:

1. MGM's scenario of the event most likely to occur with the highest consequence related to the proposed activities is reasonable;
2. MGM has provided adequate information on the costs associated with addressing this scenario; and
3. MGM has proposed an adequate amount of proof of financial responsibility (\$562,166).

Please submit an ILOC in the amount of \$562,166 and in the same format as the draft ILOC provided to OROGO on September 25, 2019, to OROGO. The Regulator cannot issue OA-2019-002-MGM until it receives the final, signed ILOC.

Sincerely,



Pauline de Jong  
Regulator