



WATER REGISTER N7L1-1828

October 14, 2009

Ms. Shirley Maaskant
Manager
Regulatory and Community Affairs
MGM Energy Corp.
4100, 350-7th Avenue SW
Calgary, AB T2P 3N9

Dear Ms. Maaskant:

Re: N7L1-1828 Licence Cover

Please find attached the licence cover page for MGM Energy Corp.'s Aput C-43 Cuttings and Fluids Injection Facility Type "A" water licence N7L1-1828. The NWT Water Board apologizes for not providing it sooner. Despite the cover page arriving late, the licence is valid as of August 27, 2009.

If you have any question, please contact Mike Harlow, Executive Director at 867-678-8609 or harlowm@nwtwb.com.

Sincerely,

Eddie Dillon
Chairman
NWT Water Board

copy to: District Manager, North Mackenzie District, Inuvik, NT
Water Resources Division, INAC, Yellowknife, NT

NORTHWEST
TERRITORIES
WATER BOARD



NUNAPPA
SIVUNIUKPAIT
IMMAKUN

May 14, 2009

The Honourable Chuck Strahl, Minister
Indian and Northern Affairs Canada
Government of Canada
10 Wellington Street
Gatineau, QC K1A 0H4

Dear Minister Strahl:

**Re: Type 'A' Water Licence for Review – MGM Energy Corp.
Aput C-43 N7-1 1828.**

The Northwest Territories Water Board (NWTWB or Board) has concluded deliberations concerning an application submitted by MGM Energy Corp. for use of water and deposition of waste at a proposed Cuttings and Fluids Injection Facility in the Mackenzie Delta of the Inuvialuit Settlement Region. The NWTWB has determined the application requires a Type 'A' Water Licence. The NWTWB has also determined the draft water licence can now be reviewed by the Minister of the Department of Indian Affairs and Northern Development, as per section 14(6)a of the *Northwest Territories Waters Act*. The NWTWB requests the Minister review the draft water licence and inform the Board at your earliest convenience if the licence has received approval or not.

Please find included in this package the following documents:

- Draft water licence N7-1 1828 (Aput C-43 Cuttings and Fluids Injection Facility)
- Draft "Surveillance Network Program" annexed to the draft water licence
- NWTWB Reasons for Decision – N7-1 1828

As always, please feel free to get in touch with the NWTWB if required. We look forward to hearing from you.

Sincerely,

Eddie Dillon
Chairperson
Northwest Territories Water Board

Copy to: Trish Merrithew-Mercredi

Ministre des Affaires indiennes et
du Nord canadien et interlocuteur fédéral
auprès des Métis et des Indiens non inscrits



Minister of Indian Affairs and
Northern Development and Federal Interlocutor
for Métis and Non-Status Indians

Ottawa, Canada K1A 0H4

Your file: N7L1-1828

AOUT 27 2009
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Mr. Eddie Dillon
Chair
Northwest Territories Water Board
PO Box 2531
INUVIK NT X0E 0T0

Dear Mr. Dillon:

Thank you for your letter of May 14, 2009, regarding the completed review of the Type "A" water licence application and Reasons for Decision for MGM Energy Corp.'s Aput C-43 Cuttings and Fluids Injection Facility (N7L1-1828).

I am pleased to inform you that I have approved the licence, as recommended by the Northwest Territories Water Board, effective immediately.

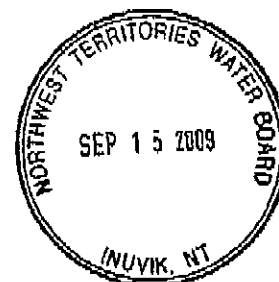
The signed original is enclosed.

Sincerely,

Chuck Strahl

Encl.

Canada



**GENERAL PROCEDURES FOR THE ADMINISTRATION OF LICENCES
ISSUED UNDER THE NORTHWEST TERRITORIES WATERS ACT
IN THE NORTHWEST TERRITORIES**

1. At the time of issuance, a copy of the Licence is placed on the Water Register in the Offices of the Northwest Territories Water Board in Yellowknife and Inuvik, and is then available to the public.
2. To enforce the terms and conditions of the Licence, the Minister of Indian Affairs and Northern Development has appointed Inspectors in accordance with Section 35(1) of the *Northwest Territories Waters Act*. The Inspectors coordinate their activities with officials of the Water Resources Division of the Department of Indian Affairs and Northern Development. The Inspector responsible for Licence No. N7L1-1828 is located in the North Mackenzie Inuvik District Office.
3. To keep the Water Board and members of the public informed of the Licensee's conformity to Licence conditions, the Inspectors prepare reports which detail observations on how each item in the Licence has been met. These reports are forwarded to the Licensee with a covering letter indicating what action, if any, should be taken. The inspection reports and covering letters are placed on the public Water Register, as are any responses received from the Licensee pertaining to the inspection reports. It is therefore of prime importance that you react in all areas of concern regarding all inspection reports so that these concerns may be clarified.
4. If the renewal of Licence No. N7L1-1828 is contemplated it is the responsibility of the Licensee to apply to the Water Board for renewal of the Licence. The past performance of the Licensee, new documentation and information, and points raised during a public hearing, if required, will be used to determine the terms and conditions of any Licence renewal. Please note that if the Licence expires and another has not been issued, then water and waste disposal must cease, or you, the Licensee, would be in contravention of the *Northwest Territories Waters Act*. It is suggested that an application for renewal of Licence No. N7L1-1828 be made at least eight months in advance of the Licence expiry date.
5. If, for some reason, Licence No. N7L1-1828 requires amendment, then a public hearing may be required. You are reminded that applications for amendments should be submitted as soon as possible to provide the Water Board with ample time to go through the amendment process. The process may take up to six (6) months or more depending on the scope of the amendment requested.

The Surveillance Network Program annexed to the Licence can be modified at the discretion of the Board and does not require a public hearing. A request for any proposed change to the Surveillance Network Program should be forwarded to the Board in writing, including a rationale for the change.2

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6. Specific clauses of your Licence make reference to the Board, Analyst or Inspector. The contact person, address, phone and fax number of each is:

BOARD: Executive Director
Northwest Territories Water Board
P.O. Box 1326
YELLOWKNIFE, NT X1A 2N9

Phone No: (867) 765-0106
Fax No: (867) 765-0114

ANALYST: Analyst
Water Laboratory
Northern Affairs Program
Department of Indian Affairs & Northern Development
P.O. Box 1500 4601 - 52nd Avenue
YELLOWKNIFE, NT X1A 2R3

Phone No: (867) 669-2780
Fax No: (867) 669-2718

INSPECTOR: Inspector
North Mackenzie-Inuvik District Office
Department of Indian & Northern Development
P.O. Box 2100
INUVIK, NT X0E 0T0

Phone No: (867) 777-3361
Fax No: (867) 777-2090

7. Your Licence requires a security deposit be submitted. Should the security deposit be submitted in the form of a "letter of credit", recommended wording is outlined below. It is advised that a "draft" letter of credit be forwarded to Water Resources Division for review. The contact person, address, phone and fax number of the individual administering security deposits is:

Office Administrator
Water Resources Division
Department of Indian & Northern Development
P.O. Box 1500
YELLOWKNIFE, NT X1A 2R3

Phone No: (867) 669-2651
Fax No: (867) 669-2716

LETTER OF CREDIT (Security deposits) - recommended wording

[BANK ADDRESS]

IRREVOCABLE LETTER OF CREDIT

[The term "Documentary Credit" may also be used instead of "Letter of Credit"]

DATE OF ISSUE: [date] **OUR REFERENCE NUMBER:** [Bank's Reference Number]
AMOUNT: CAD\$#####.00
MAXIMUM: #####.00
CANADIAN DOLLARS ONLY

APPLICANT

["Customer" can be used instead
of "Applicant"]
[Company's Name]
[Company's Address]

BENEFICIARY:

RECEIVER GENERAL FOR CANADA
ON BEHALF OF THE MINISTER OF
INDIAN AFFAIRS AND NORTHERN DEVELOPMENT
4914 - 50 Street, 3rd Floor
P.O. Box 1500
YELLOWKNIFE, NT X1A 2R3

ATTENTION: REGIONAL DIRECTOR GENERAL
DIAND - NT REGION

RE: SECURITY PURSUANT TO [the Water Licence Type and Number]

AT THE REQUEST AND FOR THE ACCOUNT OF [Company's Name] (THE "APPLICANT"), WE, [Bank's Name], HEREBY ESTABLISH IN YOUR FAVOUR OUR IRREVOCABLE LETTER OF CREDIT NO. [Bank's Reference Number] ("CREDIT") FOR SUMS NOT EXCEEDING IN THE AGGREGATE [Amount of Security required stated in Canadian Dollars].

THIS CREDIT IS AVAILABLE WITH US FOR DRAWING AT SIGHT, WITHOUT ENQUIRY AS TO WHETHER YOU HAVE A RIGHT AS BETWEEN YOURSELF AND THE APPLICANT TO MAKE SUCH DEMAND AND WITHOUT RECOGNIZING ANY CLAIM OF THE APPLICANT, AGAINST PRESENTATION TO US, BY YOU OR YOUR DULY AUTHORIZED REPRESENTATIVE OR AGENT, OF THE FOLLOWING DOCUMENTS:

1. A SIGHT DRAFT DRAWN ON [Bank's Name and Address of the Branch that the security can be drawn at, usually one of the Bank's larger commercial banking centres]; AND
2. THE ORIGINAL OF THIS IRREVOCABLE LETTER OF CREDIT NO. [Bank's Reference Number] FOR ENDORSEMENT OF PAYMENT THEREON; AND
3. A STATEMENT SIGNED BY AN OFFICIAL OF THE DEPARTMENT OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT CERTIFYING
 - A) THAT THE SIGNATORY IS AN OFFICIAL OF THE DEPARTMENT OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT AND HAS THE AUTHORITY TO SIGN THE STATEMENT ON BEHALF OF THE MINISTER OF INDIAN AFFAIRS AND NORTHERN DEVELOPMENT (THE "MINISTER"), AND
 - B) EITHER
 - I. THAT THE MINISTER IS ENTITLED TO APPLY THE AMOUNT DRAWN, BEING ALL OR PART OF THE SECURITY POSTED AND MAINTAINED PURSUANT TO [the Water Licence Type and Number] ISSUED BY THE NORTHWEST TERRITORIES WATER BOARD, WHETHER AS ORIGINALLY ISSUED OR AS AMENDED OR RENEWED FROM TIME TO TIME, OR
 - II. THAT THIS CREDIT IS DUE TO EXPIRE IN THIRTY (30) DAYS OR LESS AND THAT THE APPLICANT HAS NOT REPLACED THIS CREDIT BY POSTING WITH THE MINISTER OTHER SECURITY SATISFACTORY TO THE MINISTER.

PARTIAL DRAWING ARE PERMITTED.

.../2

THIS CREDIT IS EFFECTIVE FROM [time] A.M. ON [effective date as required by Water Licence] AND SHALL EXPIRE AT OUR COUNTERS AT [time] P.M. [expiry date] (THE "INITIAL EXPIRATION DATE"). THIS CREDIT SHALL BE RENEWED AUTOMATICALLY FOR AN ADDITIONAL ONE-YEAR PERIOD FROM THE INITIAL EXPIRATION DATE, AND FOR AN ADDITIONAL ONE-YEAR PERIOD FROM EACH FUTURE EXPIRATION DATE, UNLESS AT LEAST NINETY (90) DAYS PRIOR TO THE OPERATIVE EXPIRATION DATE WE NOTIFY YOU IN WRITING BY REGISTERED MAIL OR COURIER THAT WE ELECT NOT TO CONSIDER THIS CREDIT RENEWED FOR SUCH ADDITIONAL PERIOD.

WE HEREBY AGREE THAT ALL DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS CREDIT SHALL BE DULY HONoured BY US IF PRESENTED FOR PAYMENT ON OR BEFORE THE OPERATIVE EXPIRATION DATE.

EXCEPT SO FAR AS IS OTHERWISE EXPRESSLY STATED HEREIN, THIS CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICE FOR DOCUMENTARY CREDITS (1993 REVISION), INTERNATIONAL CHAMBER OF COMMERCE, PUBLICATION NO. 500. NOTWITHSTANDING ARTICLE 17 OF SAID PUBLICATION, IF THIS CREDIT EXPIRES DURING AN INTERRUPTION OF BUSINESS AS DESCRIBED IN ARTICLE 17, WE AGREE TO EFFECT PAYMENT IF THIS CREDIT IS DRAWN ON US WITHIN FIFTEEN (15) DAYS AFTER THE RESUMPTION OF BUSINESS.

[Bank's Name]

[Official's Name and Position]

[Official's Name and Position]

NORTHWEST TERRITORIES WATER BOARD

Pursuant to the *Northwest Territories Water Act* and Regulations, the Northwest Territories Water Board, hereinafter referred to as the Board, hereby grants to:

MGM Energy Corp.
(Licencee)

of _____
4100, 350 – 7th Avenue SW
Calgary AB

(Mailing Address)

Hereinafter called the Licencee, the right to alter, divert or otherwise use water subject to the restrictions and conditions contained in the *Northwest Territories Waters Act* and Regulations made thereunder and subject to and in accordance with the conditions specified in this Licence.

Licence Number: _____
N7L1 - 1828

Licence Type: _____
“A”

Water Management Area: _____
NORTHWEST TERRITORIES 07

Location: _____
Latitude 62°02'02.5"N
Longitude 135°41'48.6' W
MACKENZIE DELTA

Purpose: _____
WATER USE AND WASTE DISPOSAL
FOR AN INDUSTRIAL AND MUNICIPAL
UNDERTAKING

Quantity of water **not to be exceeded**: _____
1500 CUBIC METRES PER DAY

Effective Date of Licence: _____
August 27, 2009

Expiry Date of Licence: _____
August 27, 2014

This Licence issued and recorded at Yellowknife includes and is subject to the annexed conditions.

NORTHWEST TERRITORIES WATER BOARD

Witness

Chairperson

**Minister – Department of Indian Affairs
and Northern Development (See Licence
Page 10)**

Water Licence N7L1- 1828 MGM Energy Cuttings and Fluids Injection Facility,
Aput C-43 Project

PART A: SCOPE AND DEFINITIONS

1. Scope

- a) This Licence entitles MGM Energy Corp. to use Water and dispose of Waste for municipal and industrial undertakings at the Cuttings and Fluids Injection Facility at Aput C-43 site on Ellice Island in the Mackenzie Delta, which includes the recompletion of the Aput C-43 well and the establishment and winter operation of the Cuttings and Fluids Injection Facility located at Latitude 69° 02' 02.5" North and Longitude 135° 41' 48.6" West as described in the Application, the Project Description and the record of this proceeding.

2. Definitions

In this Licence: **N7L1-1828**

"Act" means the *Northwest Territories Waters Act*;

"Analyst" means an Analyst designated by the Minister under Section 35(1) of the *Northwest Territories Waters Act*;

"Application" means the application filed on May 27, 2008 by MGM Energy Corp. and all supporting materials as amended during this proceeding;

"Artesian Aquifer" means a water-bearing rock stratum, which when encountered during drilling operations, produces a pressurized flow of groundwater that reaches an elevation above the water table or above the ground surface;

"Board" means the Northwest Territories Water Board established under Section 10 of the *Northwest Territories Waters Act*;

"Cuttings and Fluids Injection Facility" comprises the engineered structures that are designed for discharging drill cuttings and drilling fluids into underground formations as described in the Project Description.

"Drilling Fluids" means any liquid mixture of clay, water or chemical additives pumped downhole;

"Inspector" means an Inspector designated by the Minister under Section 35(1) of the *Northwest Territories Waters Act*;

"Licensee" means the holder of this Licence;

"Minister" means the Minister of Indian Affairs and Northern Development;

Water Licence N7L1- 1828 MGM Energy Cuttings and Fluids Injection Facility,
Aput C-43 Project

"Maximum Average Concentration" means the running average of any four consecutive analytical results, or if less than four analytical results collected, and submitted to the Inspector in accordance with the sampling and analysis requirements specified in the "Surveillance Network Program";

"Modification" means an alteration to a physical work that introduces a new structure or replaces an existing structure and does not alter the purpose or function of the work, but does not include an expansion;

"Project Description" refers to the report titled "MGM Energy Corp. Cuttings and Fluids Injection Facility at Aput C-43, Winter 2008-2011," dated May 2008, prepared by MGM Energy Corp. and KAVIK-AXYS Inc. and any supplementary materials filed during the course of this Licence proceeding;

"Regulations" means Regulations proclaimed pursuant to Section 33 of the *Northwest Territories Waters Act*;

"Sewage Treatment Facility" comprises the engineered structures that are designed to contain and treat sewage;

"Sewage" means all toilet waste and greywater;

"Waste" means waste as defined by Section 2 of the *Northwest Territories Waters Act*;

"Waters" means waters as defined by Section 2 of the *Northwest Territories Waters Act*;

PART B: GENERAL CONDITIONS

1. This Licence is issued subject to the conditions contained herein with respect to the Use of Waters as prescribed in Section 8 of the Act and the Deposit of Waste to any Waters as prescribed in Section 9 of the Act.
2. Whenever new Regulations are made or existing Regulations are amended by the Governor in Council under the *Northwest Territories Waters Act*, or other statutes imposing more stringent conditions relating to the quantity or type of Waste that may be deposited or under which any such Waste may be deposited, this Licence shall be deemed, upon promulgation of such Regulations, to be automatically amended to conform with such Regulations;
3. Compliance with the terms and conditions of this Licence has no effect on the Licensee's obligation to comply with the requirements of all applicable Federal, Territorial and Municipal legislation.

**Water Licence N7L1- 1828 MGM Energy Cuttings and Fluids Injection Facility,
Aput C-43 Project**

4. The Licensee shall file an Annual Report with the Board and an Inspector not later than March 31st of the year following the calendar year reported that shall contain the following information:
 - a) the total quantity in cubic metres of fresh Water obtained from each Water source(s);
 - b) the total quantities in cubic metres of each and all Waste discharged;
 - c) the daily, monthly and annual quantities of drill cuttings and fluids injected at the Cuttings and Fluids Injection Facility;
 - d) the location and direction of flow of all Waste discharged to Waters or the land;
 - e) an itemized list indicating the names and quantities of all Drilling Fluid additives used;
 - f) a summary of Modifications carried out on the Water Supply and Sewage Treatment Facility, and the Cuttings and Fluids Injection Facility;
 - g) details on the abandonment and restoration of any structures at the Cuttings and Fluids Injection Facility;
 - h) a list of spills and unauthorized discharges;
 - i) results from this Water Licence monitoring programs; and
 - j) any other details on Water use or Waste disposal requested by the Board within forty-five (45) days before the final report is due.
5. Meters, devices or other such methods used for measuring the volumes of Water used and Waste discharged shall be installed, operated and maintained by the Licensee to the satisfaction of an Inspector.
6. The Licensee shall comply with the "Surveillance Network Program" annexed to this Licence, and any amendment to the "Surveillance Network Program" as may be made from time to time by the Board, pursuant to the conditions of this Licence.
7. The "Surveillance Network Program" and compliance dates specified in the Licence may be modified at the discretion of the Board.
8. The Licensee shall submit all Water Licence monitoring data in printed form and electronically in spreadsheet format on a diskette or other electronic forms acceptable to the Board.
9. The Licensee shall submit all reports to the Board in printed format accompanied by an electronic copy in a common word processing format on diskette or other electronic forms acceptable to the Board.

**Water Licence N7L1- 1828 MGM Energy Cuttings and Fluids Injection Facility,
Aput C-43 Project**

10. The Licensee shall notify the Board and an Inspector thirty (30) days before the commencement of the following activities as described in the Project Description:
 - a) use of Water for the construction of the Aput C-43 ice pad;
 - b) recompletion of the Aput C-43 well site in preparation for cuttings and fluids injection;
 - c) construction of the Cuttings and Fluids Injection Facility; and
 - d) operation of the Cuttings and Fluids Injection Facility.
11. The Licensee shall submit to the Board, thirty (30) days before the commencement of recompletion of the Aput C-43 well site the exact locations of the staging area(s), the wellsite camp and access roads.
12. The Licensee, pursuant to Section 17(1) of the *Act* and Section 12 of the Regulations, shall post thirty (30) days before commencement of any activities contemplated by this Licence and shall maintain, a security deposit of One Hundred and Seventy-Six Thousand (\$176,000) dollars in a form suitable to the Minister.
13. Subject to section 17 of the *Act* and section 12 of the Regulations made pursuant thereto, the security deposit shall be maintained in good standing until the Minister is satisfied that all relevant undertakings of the Project have been permanently closed or permanently abandoned.
14. The Licensee shall ensure a copy of this Licence is maintained at the site of operation at all times.
15. The Licensee shall comply with any Board approved plans and submissions associated with the licence.

PART C: CONDITIONS APPLYING TO WATER USE

1. The Licensee shall obtain Water from the Mackenzie River, associated channels and other suitable waterbodies as otherwise approved by an Inspector.
2. The Licensee shall obtain a representative dissolved oxygen and temperature profile for each lake used as a Water source before initial water withdrawal and before demobilization of the project for the year.
3. The Licensee is not permitted to remove more than ten (10)% of the available under-ice Water volume at any lake used as a Water source as calculated using a maximum expected ice thickness of two (2) metres during a single winter season.
4. The daily quantity of Water used for all purposes shall not exceed 1500 cubic metres.

Water Licence N7L1- 1828 MGM Energy Cuttings and Fluids Injection Facility,
Aput C-43 Project

5. The Water intake hose used on all pumps shall be equipped with a screen with a mesh size sufficient to ensure no entrainment of fish (2.54 mm).

PART D: CONDITIONS APPLYING TO WASTE DISPOSAL

1. The Licensee shall submit to the Board for approval, thirty (30) days before commencement of operations of the Cuttings and Fluids Injection Facility, a contingency plan that describes alternate methods of Waste treatment should the Cuttings and Fluids Injection Facility not perform as described in the Project Description.
2. The Licensee shall discharge all Drilling Wastes from the recompletion of the Aput C-43 wellsite to the Cuttings and Fluids Injection Facility as described in the Project Description, the contingency plan approved by the Board as described in Part D, Item 1 or some other method approved by an Inspector.
3. The Licensee shall submit to the Board a chemical characterization of any recoverable formation water encountered in the proposed injection zone according to the requirements outlined in the Surveillance Network Program.
4. The Licensee shall submit to the Board a chemical characterization of each batch of Waste according to the requirements outlined in the Surveillance Network Program.
5. The Licensee shall submit to the Board and an Inspector for approval, thirty (30) days before the commencement of operations, a Wastewater and Sewage Treatment Plan that includes the following:
 - a. specifications of the Sewage Treatment Facility including engineering drawings and design performance standards;
 - b. operations, maintenance and monitoring programs for the Sewage Treatment Facility including maintenance schedules;
 - c. sludge management program including the disposal of sludge generated at the Sewage Treatment Facility;
 - d. contingency measures for sewage effluent disposal including location of any alternative disposal sites; and
 - e. operator training standards.
6. All Sewage shall be directed to the Sewage Treatment Facility.

**Water Licence N7L1- 1828 MGM Energy Cuttings and Fluids Injection Facility,
Aput C-43 Project**

7. All Waste discharged from the Sewage Treatment Facility shall meet the following effluent quality requirements:

Sample Parameter	Maximum Average Concentration
Biological Oxygen Demand (BOD ₅)	80.0 mg/L
Total Suspended Solids (TSS)	100.0 mg/L
Faecal Coliforms	10E4 CFU/dL
Oil and Grease	5.0 mg/L
Total Residual Chlorine (TRC)	0.1 mg/L

The Waste discharged shall have a pH between 6 and 9.

8. Introduction of Water to Sewage Waste for the purpose of achieving effluent quality requirements as outlined in Part D, Item 7 is prohibited.
9. All Waste discharged from the Sewage Treatment Facility shall be directed to the land surface or to a channel of the Mackenzie River at a location approved by an Inspector.
10. There shall be no discharge of floating solids, garbage, grease, free oil or foam.
11. The Licensee shall direct all Sewage Wastes that do not meet the requirements in Part D, Item 7 to a Sewage Treatment Facility approved by an Inspector.
12. The Licensee shall submit to the Board and an Inspector for approval, thirty (30) days before the commencement of operations, a Waste Management Plan that includes the following:
- types and estimated quantities of Wastes generated;
 - specifications of the on-site Waste treatment and disposal facilities and infrastructure including engineering drawings and design performance standards;
 - on-site waste segregation, storage, treatment and disposal methods;
 - incinerator fly and bottom ash collection, treatment and disposal methods;
 - operations and maintenance programs including maintenance schedules;
 - off-site transportation and disposal of Waste including facility name, location and owner-operator;
 - contingency measures; and
 - operator training standards.
13. The Licensee shall provide to the Board, thirty (30) days before commencement of any activities contemplated by this Licence, letters outlining agreements between third parties to harbour, transport or dispose of Wastes. Such letters

**Water Licence N7L1- 1828 MGM Energy Cuttings and Fluids Injection Facility,
Aput C-43 Project**

shall include details including, but not limited to, the type of Waste, quantities of Waste, treatment methods and ultimate disposal location, if Waste is to be transported away from the site.

14. Any fluids generated to surface, including those produced from an Artesian Aquifer, shall be contained and shall not be disposed of without approval of an Inspector.
15. Any fluids from an Artesian Aquifer shall be contained and shall not be disposed of without approval of an Inspector. A sample of not less than ten (10) litres shall be collected from the flowing source at the point of discharge and the sample shall be made available to an Inspector for analysis.
16. Any on-site treatment and disposal of oil-based Waste products must be conducted with the approval of an Inspector.
17. The Licensee shall report immediately to an Inspector, any lost circulation during re-completion activities that may contaminate groundwater.

PART E: CONDITIONS APPLYING TO MODIFICATIONS

1. The Licensee may, without written approval from the Board, carry out Modifications to the planned undertakings provided that such Modifications are consistent with the terms of this Licence and the following requirements are met:
 - a) the Licensee has notified an Inspector and the Board in writing of such proposed Modifications at least five (5) days before commencement of the Modifications;
 - b) such Modifications do not place the Licensee in contravention of either this Licence or the Act;
 - c) an Inspector or the Board has not, during the five (5) days following notification of the proposed Modifications, informed the Licensee that review of the proposal will require more than five (5) days; and
 - d) an Inspector or the Board has not rejected the proposed Modifications.
2. Modifications for which all of the conditions referred to in Part E, Item 1 have not been met may be carried out only with written approval from an Inspector.
3. The Licensee shall provide to the Board as-built plans and drawings stamped and approved by the Licensee for any Modifications referred to in this Licence within ninety (90) days of completion of the Modifications.

Water Licence N7L1- 1828 MGM Energy Cuttings and Fluids Injection Facility,
Aput C-43 Project

PART F: CONDITIONS APPLYING TO STREAM AND WATER BODY CROSSINGS

1. The Licensee shall ensure that only clean snow and ice are used on all stream or water body crossings and that no debris is left on the surface of the crossings.
2. Stream or water body crossings shall be notched or removed before spring break-up to facilitate natural flow.
3. The removal of naturally occurring material from the bed or banks of any stream or water body below the ordinary high water mark is not permitted.

PART G: CONDITIONS APPLYING TO CONTINGENCY PLANNING

1. The Licensee will maintain a copy of the Mackenzie Delta Emergency Response Plan, as approved by the Board, onsite in a readily available location to the satisfaction of an Inspector.
2. The Licensee shall review annually, by December 1st, the approved Mackenzie Delta Emergency Response Plan and submit any required revisions to the Board for approval.
3. The Licensee shall ensure that all petroleum products, hazardous material and other Wastes associated with the project do not enter any Waters.
4. The Licensee shall ensure that all containment berms are constructed of an impermeable material to the satisfaction of an Inspector.
5. If, during the period of this Licence, an unauthorized discharge of Waste occurs, or if such a discharge is foreseeable, the Licensee shall:
 - a) report the incident immediately to the 24 Hour Spill Reporting Line (867) 920-8130 as outlined in the Spill Reporting Protocol; and
 - b) submit to an Inspector a detailed report on each occurrence not later than thirty (30) days after initially reporting the incident.

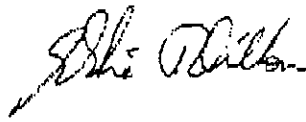
Water Licence N7L1- 1828 MGM Energy Cuttings and Fluids Injection Facility,
Aput C-43 Project

PART H: CONDITIONS APPLYING TO ABANDONMENT AND RESTORATION

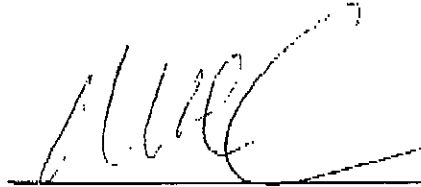
1. The Licensee shall submit to the Board thirty (30) days after receipt of this licence a Preliminary Abandonment and Restoration Plan for the Aput C-43 Cuttings and Fluids Injection Facility that includes but is not limited to the following:
 - a) the Cuttings and Fluids Injection Facility;
 - b) the fuel storage area;
 - c) the Sewage Treatment Facility;
 - d) camps;
 - e) solid waste management systems;
 - f) barge staging areas; and
 - g) a restoration monitoring plan.
2. The Licensee shall re-submit to the Board for approval a Final Abandonment and Restoration Plan sixty (60) days before the anticipated closure of the Cuttings and Fluids Injection Facility that includes but is not limited to the following:
 - h) the Cuttings and Fluids Injection Facility;
 - i) the fuel storage area;
 - j) the Sewage Treatment Facility;
 - k) camps;
 - l) solid waste management systems;
 - m) barge staging areas; and
 - n) a restoration monitoring plan.
3. The Licensee shall, upon completion of all activities, ensure that all equipment and materials are removed from the site. Other final restoration activities outlined in the approved Final Abandonment and Restoration Plan shall be implemented to the satisfaction of an Inspector.
4. The Licensee shall Prior to expiry of the Licence, provide the Board with a report describing the abandonment and restoration activities undertaken during the term of the Licence, including all monitoring and analytical data related to the effectiveness of the activities undertaken.

Water Licence N7L1- 1828 MGM Energy Cuttings and Fluids Injection Facility,
Aput C-43 Project

NORTHWEST TERRITORIES WATER BOARD

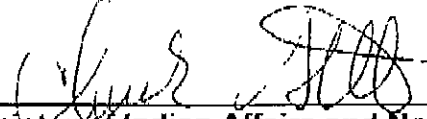


Chairman



Witness

APPROVED BY



**Minister of Indian Affairs and Northern
Development**

Water Licence N7L1- 1828 MGM Energy Cuttings and Fluids Injection Facility,
Aput C-43 Project

NORTHWEST TERRITORIES WATER BOARD

LICENSEE: MGM Energy Corp.

LICENCE NUMBER: N7L1- 1828

EFFECTIVE DATE OF LICENCE: May 6th, 2009

**EFFECTIVE DATE OF
SURVEILLANCE NETWORK PROGRAM:** May 6th, 2009

SURVEILLANCE NETWORK PROGRAM

A. Location of Sampling Stations

Station Number	Description
1828-1	Discharge from the Sewage Treatment Facility
1828-2	Formation water of each injection zone
1828-3	Drill Cuttings and Fluids Slurry at a point between the Holding Tank and the High Pressure Injection Pump

B. Sampling and Analysis Requirements

1. Water at Station Number 1828-1 shall be sampled every week during decant, and analyzed for the following parameters:

BOD ₅	Total Suspended Solids
Oil and Grease	Faecal Coliforms
Total Residual Chlorine	Ammonia
pH	

2. Formation water encountered at each injection zone shall be sampled before the injection of any Waste to that zone and analyzed for the following parameters:

Total Sodium	Total Potassium
Total Calcium	Total Magnesium
Total Sulphur	Total Chloride
Total Dissolved Solids	Total Petroleum Hydrocarbons
Total and Dissolved Cadmium	Total and Dissolved Chromium
Total and Dissolved Copper	Total and Dissolved Iron
Total and Dissolved Nickel	Total and Dissolved Lead
Total and Dissolved Zinc	

The depth at each injection zone where formation water is collected shall be recorded.

**Water Licence N7L1- 1828 MGM Energy Cuttings and Fluids Injection Facility,
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3. Waste at Station 1828-3 shall be sampled before injection of each batch of Waste and analyzed for the following parameters:

Total Sodium	Total Potassium
Total Calcium	Total Magnesium
Total Sulphur	Total Chloride
Total Dissolved Solids	Total Petroleum Hydrocarbons
Total and Dissolved Cadmium	Total and Dissolved Chromium
Total and Dissolved Copper	Total and Dissolved Iron
Total and Dissolved Nickel	Total and Dissolved Lead
Total and Dissolved Zinc	

4. More frequent sample collection may be required at the request of an Inspector.
5. All sampling, sample preservation, and analyses shall be conducted in accordance with methods prescribed in the current edition of "Standard Methods for the Examination of Water and Wastewater" or by such other methods approved by an Analyst.
6. All analyses shall be performed in a laboratory approved by an Analyst.
7. The Licensee shall, by thirty (30) days after receipt of this Licence, submit to an Analyst for approval a Quality Assurance/Quality Control Plan.
8. The plan referred to in Part B, Item 7 shall be implemented as approved by an Analyst.

C. Flow and Volume Measurement Requirements

1. The daily and monthly quantities of Water obtained from each Water source shall be measured and recorded in cubic metres.
2. The daily and monthly quantities of Drill Cuttings and Fluids injected at the Cuttings and Fluids Injection Facility shall be measured and recorded in cubic metres.

D. Reports

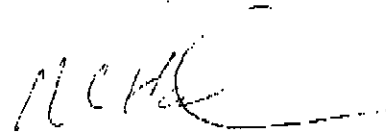
1. The Licensee shall, within thirty (30) days following the month being reported, submit to the Board and an Inspector all data and information required by the "Surveillance Network Program" including the results of the approved Quality Assurance Plan.

Water Licence N7L1- 1828 MGM Energy Cuttings and Fluids Injection Facility,
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NORTHWEST TERRITORIES WATER BOARD



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