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Regulator

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LETTER DECISION

File OF-EP-OA-M276-1202 03
9 August 2023

John Hawkins
Director Asset Management
MGM Energy Corp.
4700, 888 – 3 Street SW
Calgary, AB T2P 5C5
Email john.hawkins@paramountres.com

Dear John Hawkins:

MGM Energy
Application for an Operations Authorization - Shut In Well Inspections,
MGM Wells, Mackenzie Delta Area
pursuant to paragraph 10(1)(b) of the Northwest Territories' *Oil and Gas*
Operations Act
Suspended Well and Sump Inspections Authorization Approval: OA-1202-001
Letter Decision

On [6 July 2022](#), MGM Energy (**MGM**) filed with the Canada Energy Regulator (**CER**) an application for an authorization for the inspection of ten wells and associated drilling sumps (**Application**), pursuant to paragraph 10(1)(b) of the Northwest Territories' *Oil and Gas Operations Act* (**OGOA**). The Commission of the CER is the final decision maker for the Application and has delegated the decision on the Application to the [Chief Conservation Officer](#) (**CCO**) under Section 8 of the OGOA.

1. Decision on the Application

The CCO approves MGM's Application and issues the authorization **OA-1202-001** for the Application for a seven year-term ending on **31 August 2030**, subject to the conditions in Appendix I of this Letter Decision.

To reach this decision, the CCO considered the contents of the Application and all relevant submissions filed on the [record](#). The CCO also considered the safety of the proposed inspection activities, based on a review of the system as a whole and its components, following the CCO's consultations with the Chief Safety Officer in accordance with section 12 of the OGOA.

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2. Background

MGM's Application requested an authorization to conduct well inspections for the following ten MGM suspended wells and four sumps in the Mackenzie Delta, within the Inuvialuit Settlement Region, Northwest Territories:

- Aput C-43;
- Langley E-07;
- Olivier 3H-01;
- Kumak I-25 (and associated sump, approximately 15 kilometres south of the well)
- Ellice I-48 (and associated sump, approximately 100 metres north of the well);
- North Ellice J-17;
- Ellice J-27;
- Langley K-30;
- Umiak N-05 (and associated sump, approximately 35 metres northeast of the well);
and
- Umiak N-16 (and associated sump, approximately 11 kilometres southeast of the well).

The scope of the inspections include:

- verifying accessibility to the wellhead and operability of the valves and related equipment;
- recording pressures (if any) on the tubing and annuli of the well;
- conducting a Surface Casing Vent Flow (SCVF) check ("bubble test"); and
- depending on the results of the above, additional tests may be required including extended pressure/flow monitoring, pressure tests of well components, sampling of any produced fluids, gas migration testing, etc.

MGM's Application stated the requested authorization does not include additional decommissioning and abandonment activities. Abandonment activities will require a separate authorization application.

MGM stated that under the *Inuvialuit Final Agreement* and the Northwest Territories' *Land Use Regulations* no further right of entry is required and no part of the operations will occur on Inuvialuit Private Lands. A separate permit will be required to enter the Kendall Island Migratory Bird Sanctuary.

The Government of Northwest Territories' Mineral and Petroleum Resources Division, Department of Industry, Tourism and Investment, confirmed that MGM has satisfied the Benefit Plan requirements of subsection 17(2) of OGOA.

3. Assessment of the Application

Environmental Matters

MGM provided a copy of the Inuvialuit Environmental Impact Screening Committee's (EISC) approval decision for MGM's larger three well abandonment program and confirmed that MGM's Application complies with the terms and conditions of the EISC approval.

MGM stated ongoing consultation is occurring with stakeholders affected or potentially affected by these operations, including several stakeholder meetings.

MGM submitted an Environmental Protection Plan (**EPP**) for the inspection activities. Section 9 of the *Oil and Gas Drilling and Production Regulations (OGDPR)* under the OGOA provides specific requirements to be set out in the EPP for the inspection activities. MGM submitted that the EPP contained the information required by section 9 of the OGDPR.

MGM submitted that the scope of the inspection activities is limited and involves accessing the well sites and sumps via helicopter flying out of Inuvik, with no use of chemical substances or generation of waste material. MGM committed to abide by any restrictions and recommendations within the federal permit issued by the Canadian Wildlife Service for work in the Kendall Island Bird Sanctuary and to use a local wildlife monitor during inspections.

CCO analysis and findings

The CCO notes that the nature and scope of this Application is significantly smaller than MGM's larger well abandonment program that was assessed through the EISC process. The well and sump inspections will occur in remote locations within the Inuvialuit Settlement Region and will be of limited duration.

The CCO finds that MGM has identified and committed to implementing appropriate mitigation and avoidance measures to protect the environment during the inspection activities in its EPP and its responses to information requests (**IR**). The CCO finds that with the implementation of MGM's mitigation and commitments as well as the imposed conditions, the environment will be protected during inspection activities.

Engineering Matters

MGM stated the wells contain no hydrogen sulfide and the operations contemplated in the Application are relatively simple and do not require the removal of the wellhead or any other well barrier. Other than possible brief venting of natural gas, no wellbore fluids will be produced.

MGM stated that previous inspections indicate that the wells are in a safe and secure condition, and that during environmental monitoring activities there were no indications of any integrity issues at the wellhead.

MGM stated that it will use the Appendices to the Alberta Energy Regulator's Directive 87 – Well Integrity Management as a reference for testing methods (surface casing vent flow test).

CCO analysis and findings

The CCO finds that MGM provided adequate details for the inspection of the ten suspended wells in the Mackenzie Delta. The CCO notes that MGM stated sump inspections are covered by MGM's current and past water licences and land use permits and the activity is reported to the Inuvialuit Water Board and the Government of Northwest Territories' Department of Lands.

The CCO imposes **Condition 8** (Inspection Reports) which requires MGM to file with the CER, 30 days following any inspection activity related to the suspended wells and associated sumps, an inspection report. The CCO further imposes **Condition 4** (Licences and Permits), which requires MGM to file with the CER the most recent Water Licences and Land Use Permits issued to MGM by the appropriate regulator related to all drilling sumps associated with the suspended wells.

The CCO is satisfied that the suspended wells and sumps will be monitored and inspected to maintain their continued integrity and to prevent pollution.

Financial and Economic Matters

MGM stated it is a wholly owned subsidiary of Paramount Resources Ltd. (**Paramount**), and that Paramount is a financially strong company, capable of and committed to meeting its obligations under current regulations, and any unforeseen events arising from its operations. Paramount submitted that it is a publicly traded company with a market capitalization of \$5.3 billion (as of 1 June 2022) and fully insured for oil and gas operations in Western Canada.

In response to IR No. 3, MGM provided an analysis with three different scenarios that in its view, could require clean-up for the inspection and maintenance program in the Application. MGM is of the view the most conceivable “worst case” event associated with inspection activities would be a small spill of a liquid hydrocarbon (typically diesel fuel) during bleed off operations and the clean-up and disposal costs is estimated at \$15,270 for the applied-for authorization.

CCO analysis and findings

The CCO accepts MGM's submission that the appropriate financial responsibility in this specific Application is \$15,270 related to a spill of a liquid hydrocarbon. The CCO has imposed **Condition 5** (Financial Responsibility) requiring MGM to file the executed Letter of Credit 30 days before the activities commence for approval. Given that these are suspended gas wells and will be inspected by helicopter access, the CCO accepts MGM's position that the activity is low risk from a safety or environmental perspective. The CCO reminds MGM of its responsibility related to any spill or debris that may be connected with the inspection activities contain in this Application.

Safety and Emergency Management Matters

MGM stated that the personnel who are to be employed in connection with the inspection activities are qualified and competent for the task required of them and that the equipment to be used in the inspection activities will be fit for purpose.

MGM indicated that the operations will be carried out by Paramount Resources (**Paramount**), the parent company, and are guided by the Paramount Operational Excellence Management System. MGM stated that the Project Specific Site Safety Plan (**Plan**) is intended to meet the requirements of paragraph 6(c) of the OGDPR, including responsibilities, training requirements, hazard identification and control, and requirements for emergency response planning, incident reporting and investigation and inspections and audits.

MGM stated that Paramount has established requirements for completing hazard assessments and described the controls it will use to help safeguard against injury and fatality in the workplace and included a Project Risk Register in its Plan and in its Emergency Response Plan (**ERP**). MGM referenced site-specific mitigations and controls in the Plan.

MGM referred to Paramount's Corporate ERP as the contingency plan to be used in the event of an emergency during operations and stated that site-specific appendices were also included. A copy of the 2020 version of Paramount's Northwest Territories Corporate & Site

Specific ERP was included in the Application. MGM stated that the primary objective of the ERP is to define the incident management system and organizational structure, process and tools to respond effectively to all incidents regardless of size or complexity.

MGM identified that helicopter operations associated with the inspections are regulated by Transport Canada and that field crews will adhere to the operator's safety procedures and requirements.

CCO analysis and findings

The CCO finds that MGM's Plan is adequate for the proposed inspection activities. The Plan addresses relevant risks, including helicopter travel, wildlife, extreme weather and line of fire.

The CCO finds that MGM's (Paramount's) ERP is adequate for the inspection activities and notes that prevention of any accidents and malfunctions associated with CER-regulated projects is the CER's goal. In the event an accident or malfunction does occur, the CER will hold MGM accountable for an appropriate response under Paramount's ERP.

The CCO notes that the ERP MGM has provided is much larger in scope and complexity than the potential emergency response scenarios that may occur during the inspection activities. However, the procedures in the Plan are appropriate and more accurate for use as initial response actions both for safety and incident notifications by field staff.

Although MGM has submitted a complete Plan, the required information is found in various documents and may not be readily accessible by field staff on site during proposed activities. Therefore, the CCO imposed **Condition 6** (Safety Plan) to ensure a single consolidated safety plan is submitted.

For any questions regarding this decision, please contact Zoe Pfeiffer, Director, Energy Adjudications, Central North, by email at zoe.pfeiffer@cer-rec.gc.ca or by telephone at 403 -701-6946

Yours sincerely,

Signed by

Dr. Iain Colquhoun
Chief Conservation Officer

Attachment

Appendix I
Conditions under paragraph 10(1)(b) of the
Northwest Territories' *Oil and Gas Operations Act*
Suspended Well and Sump Inspection Authorization Approval: OA-1202-001

1. *Condition Compliance*

MGM Energy (**MGM**) must comply with all of the conditions contained in this authorization unless the Chief Conservation Officer (CCO) or Commission of the Canada Energy Regulator (**CER**) otherwise directs or, where appropriate, an authorization or exemption is granted pursuant to subsection 54(1) of the Northwest Territories' *Oil and Gas Operations Act*.

2. *Operation*

MGM must cause the inspection activities to be carried out in accordance with the specifications, standards, commitments made, and other information referred to in its application and related submissions.

3. *Environmental Protection*

MGM must implement or cause to be implemented all of the policies, practices, programs, mitigation measures, recommendations, procedures, and its commitments for the protection of the environment included in its application or in its related submissions.

4. *Licenses and Permits*

MGM must file with the CER, **by 15 September 2023**, the most recent Water Licenses issued by the Northwest Territories Water Board or Inuvialuit Water Board, and the most recent Land Use Permits issued by the Government of the Northwest Territories, as well as the most recent amendment to these licenses and permits, related to all drilling sumps that are associated with suspended wells and owned by MGM. Should the most recent license or permit be expired, these expired licenses or permits must be filed.

5. *Financial Responsibility*

MGM must file with the CER for Commission approval, **at least 30 days before physical suspended well and sump inspections**, a final executed copy of the Letter of Credit, in the amount and substantively in the final form submitted by MGM in Information Request (**IR**) No. 1 of the CER Process OF-EP-OA-M276-1202 03 hearing record, as proof of financial responsibility in relation to shut-in well inspections in the Mackenzie Delta.

6. *Safety Plan*

MGM must file with the CER, **at least 15 days before carrying out the authorized work activities**, a single Project Specific Site Safety Plan (**Plan**) that includes the revisions submitted to the CER in response to IRs No. 1 [[C20999-2](#)] and 2 [[C21938-3](#)], including:

- a) appendix 3 - the risk evaluation results in the Project Risk Register, including the completed inherent risk level and mitigated risk that was provided in response to IR No. 1;
- b) appendix 2 - the dialogue on safety critical equipment that had been previously added in response to IR No. 1 to be added to the Project Specific information section of the Plan;
- c) a clear explanation of the organizational structure, including the position and contact details of the person accountable for the Plan and the person responsible for implementing it; and
- d) confirmation in Section 7 of MGM's Plan that the incident reporting information in the Core Emergency Response Plan has been updated in alignment with MGM's response to IR No. 2.1.

7. *Inspection Schedule*

MGM must file with the CER, **at least 30 days prior to commencing suspended well and sump inspections**, a detailed inspection schedule and must notify the CER of any modifications to the schedule or schedules as they occur. MGM must inspect its suspended wells every three years, unless otherwise approved by the CCO or the Commission of the CER.

8. *Inspection Reports*

MGM must file with the CER, **30 days following any inspection activity related to the suspended wells and associated sumps**, an inspection report. MGM must use the well inspection report that is available on the CER website and include site photographs of the wells and associated sumps.

9. *Sunset Clause*

This authorization will expire on 31 August 2030, unless the authorized work activities have commenced by that date.