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May 15, 2007

VIA COURIER (or Hand delivered)

Northwest Territory Water Board
P.O.Box 1326
4916 – 47 St
2nd Floor, Goga Cho Building
Yellowknife, NT X1A 2N9

COPY	
BOARD	6
G. W.	1
E. A.	1
W. RES.	Olivier
NMDO	1
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Attention: Gordon Wray, Chair

Dear Sir:

**RE: Water Licence Application
Ellice, Langley and Olivier Drilling, Completion and Testing Project**

MGM Energy Corp. (MGM) hereby submits the Water Licence Application and Project Description for the Proposed Ellice, Langley and Olivier Drilling, Completion and Testing Project. The following documents are attached for your review and further handling:

- Water licence application – Schedule III (original);
- Water licence application questionnaire for oil and gas exploration: drilling
- Appendix A – camp layout
- Water licence application fee and first year payment, cheque # 50000032 in the amount of \$60.00;
- Project Description for the Proposed Ellice, Langley and Olivier Drilling, Completion and Testing Project – 25 paper copies and 1 electronic copy (CD).

We trust that you will find the enclosed application and project description to be in order. If you have any questions or concerns, however, please don't hesitate to contact me at either shirley.maaskant@paramountres.com or (403) 290-3618.

Thank you for your ongoing assistance.

Yours truly,

Shirley Maaskant
Manager, Regulatory and Community Affairs

Encl.



6. Water Use

To obtain water	<u> X </u>	Flood Control	<u> </u>
To cross a watercourse	<u> </u>	To divert water	<u> </u>
To modify the bed or bank of a watercourse	<u> </u>	To alter the flow of, or store, water	<u> </u>

Other (describe) _____

7. Quantity of Water Involved (liters per second, liters per day or cubic metres per year, including both quantity to be used and quality to be returned to source)

Table 1
Construction and Camp Water Requirements

Activity	Max. Volume (m ³ /day)
Access and Site Construction & Drilling per year (4-6 wells)	7000
Access and Site Construction & Drilling per year (1-3 wells)	4300

Water withdrawals from Mackenzie River channels will be required for the construction of ice roads, ice pads, camp use and make-up water for the drilling, completion and testing operations. Fish screens meeting Department of Fisheries and Oceans Canada (DFO) guidelines (DFO 1995) will be used on all suction hoses. Potable water will be treated on site, or supplied from the Town of Inuvik for domestic use in the camp(s). Bottled water may also be provided for consumption purposes (plastic bottles will be kept for disposal or recycling; Section 5.4.4.10).

Estimated daily water use, as outlined in Table 5-3, will vary during construction, operations and demobilization for the Project. Daily water use is largely dependent on the number of wells drilled in a single year. Under a scenario where between one and three wells are drilled, activities will require the use of one construction crew, one drilling rig and camp, and one service rig and camp for completions and testing. In years where between four and six wells are drilled, activities are likely to require the use of up to two construction crews, up to two drilling rigs and camps, and one service rig and camp for completions and testing. If activities are conducted simultaneously, an estimated maximum water requirement of 7000 m³ per day is expected. Under both scenarios, water will be withdrawn from multiple channels within the Project area. Anticipated water use is expected to be significantly less than the maximum water use based on water use by Chevron in their 2006/07 program.

Of the total daily water use, 95% or more is expected to be returned to source.

8. Waste Deposited (quantity, quality, treatment and disposal)

More detailed information for all waste deposited can be found in the attached MGM Energy Corp. Ellice, Langley and Olivier Drilling, Completion and Testing Project: Winters 2007-2008, 2008-2009 and 2009-2010 Project Description (PD).

Drilling Waste

The ultimate drilling waste disposal plan will consist of stockpiling this material, treating it (partial dehydration, flocculation), and shipping it south to a disposal site. The estimated waste volume per well is 100 m³ of cuttings (fine gravel and sand, along with a stiff clay-like "overflow" from the centrifuges), and about 300-500 m³ of waste mud (unforeseen hole or mechanical problems could significantly increase this). This would represent approximately 15 truckloads of solids and 20 truckloads of liquids (volumes of solid per truck are limited by weight).

Wastewater Treatment

It is expected that camps will be outfitted with a membrane filtration wastewater system as used successfully in during Chevron's 2006-2007 drilling program. Incinolet toilets (waste incinerator toilets) may be utilized if supplied with the camp. Technical details of the treatment systems are provided in Appendix I.

Wastewater, including grey water and sewage, will be processed by the on-site sewage treatment system normally provided with each camp. Treated effluent will be released to land or will be spread on ice roads, as directed by INAC Land Use Inspectors or the Project Water Licence, once water quality discharge criteria have been met. MGM will follow all terms and conditions for release as outlined in the Project's Water License and Land Use Permit.

In the event that a suitable treatment system is not available or is not able to meet expected licensed performance (discharge) criteria, effluent will be hauled by vacuum tank truck to the municipal treatment facility in Inuvik for disposal. This contingency assumes that authorization is granted by the Town of Inuvik, and sufficient treatment capacity is available.

If the access route to Inuvik is restricted (e.g., due to poor weather), treated effluent may be collected in contained forms, then stored in a bermed ice pad to be hauled to the Inuvik facility as frozen effluent when conditions are more favourable. Alternatively, wastewater may be temporarily stored onsite in heated tanks.

Solid Waste Management

An on-site waste segregation system will be used for metals, plastics, refined oils and oily waste. Separated recyclable materials and plastics will be offered to local communities for recycling and re-use whenever possible.

The camps will have dual-chamber, diesel fired forced air incinerators. Combustible materials and food wastes will be incinerated onsite on a daily basis. Incinerator ash will be trucked out and disposed of at the Inuvik landfill, or an appropriate alternative disposal facility. Industrial and hazardous wastes will be transported south to an approved waste management facility. Contaminated snow will be collected and melted and evaporated in a diesel fired evaporator. Beverage containers will be recycled through local community recycling programs.

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9. Other Persons or Properties Affected By This Undertaking (give name, mailing address and location; attach list if necessary)
N/A

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10. Predicted Environmental Impacts of Undertaking and Proposed Mitigation

Please, refer to Section 12 of the attached Project Description.

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11. Contractor and Sub-Contractors (names, addresses and functions)
To be determined

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12. Studies Undertaken to Date (attach list if necessary)

Related PDs have been successfully screened by the EISC, entitled:

- *Archaeological Investigations MGM Canada Resources Archaeological Impact Assessment: 2004-2006 Ellice/Taktuk Drilling Program* (Unfreed 2004)
- *Project Description of the Proposed North Ellice and Olivier 3D Seismic Programs* (IMG-Golder 2005)
- *ChevronCanada Limited Proposed Garry/Langley Geotechnical Program*. (KAVIK-AXYS 2005a)
- *Chevron Canada Limited Proposed 2005 Summer Field Assessment Program*. (KAVIK-AXYS 2005b)
- *Chevron Canada Limited Proposed 2006/2007 Summer Field Assessment Program* (KAVIK-AXYS 2006a)
- *Chevron Canada Limited Taktuk, Langley and Farewell Drilling Program: Winter 2006-2008* (KAVIK-AXYS 2006c).

The proposed Atik drilling target area is the same as the Taktuk wellsite which was successfully screened by the EISC under Chevron (KAVIK-AXYS 2006c). Both PDs were conducted on EL 394 and EL 427 by their previous owner, Chevron.

Environmental assessments for the proposed winter drilling project and winter seismic projects have been submitted to the EISC in April 2007 under separate cover and include:

- *MGM Energy Corp. 2007, 2008 and 2009 Summer Field Assessment and Advance Barge Project* (KAVIK-AXYS, in press)
- *MGM Energy Corp. North Ellice and Olivier 3D Seismic Project Winter 2007-2008, 2008-2009 or 2009-2010* (IMG-Golder, in press)
- *MGM Energy Corp. Ogruknang 2D Seismic Program 2007-2008, 2008-2009 or 2009-2010* (IMG-Golder, in press)

13. Proposed Time Schedule

Schedule for Project Activities (yearly)

- **Advance Barge Staging** – September 1 to October 15, no activity in KIBS prior to 15 September
- **Construction** – November to April 20
- **Operations** – December to April 20
- **Decommissioning** (drill site) – April 1 – April 20
- **Demobilization** (ice roads) – early to late April
- **Demobilization** (barges) – after spring break-up (June 1 – early July, dependent on barge company)
- **Equipment Staging** – between winter seasons
- **Inspection/Monitoring** – late June to late August

Year 1	Start date: <u>September 1, 2007</u>	Completion date: <u>April 20, 2008</u>
Year 2	Start date: <u>September 1, 2008</u>	Completion date: <u>April 20, 2009</u>
Year 3	Start date: <u>September 1, 2009</u>	Completion date: <u>April 20, 2010</u>

	Shirley Maaskant	Manager, Regulatory and Community Affairs	
<u>NAME</u>	<u>TITLE</u>	<u>SIGNATURE</u>	<u>DATE</u>
		<i>S. Maaskant</i>	<i>May 13, 2007</i>

FOR OFFICE USE ONLY

APPLICATION FEE	Amount: \$ <u>30.00</u>	Receipt No.: _____
WATER USE DEPOSIT	Amount: \$ <u>30.00</u>	Receipt No.: _____