

NORTHWEST
TERRITORIES
WATER BOARD



NUNAPPA
SIVUNIUKPAIT
IMMAKUN

WATER REGISTER: N7L1-1822

October 17, 2007

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

Dear Ms. Maaskant:

ISSUANCE OF A "B" TYPE LICENCE - ELLICE/LANGLEY/OLIVIER

Attached is a duplicate of Licence No. N7L1-1822 granted to MGM Energy Corp. by the Northwest Territories Water Board in accordance with the *Northwest Territories Waters Act*. The other original of this Licence has been filed with the Department of Indian Affairs and Northern Development in Yellowknife, Northwest Territories.

Please be advised that this letter with attached procedures, all inspection reports, and correspondence related thereto are part of the public Water Register, and are intended to keep all interested parties informed of the manner in which the Licence requirements are being met. All Water Register material will be considered when the Licence comes up for renewal or amendment.

The full cooperation of MGM Energy Corp. is anticipated.

Sincerely,

Gordon Wray
Chair
N.W.T. Water Board

Attach.

**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 Office of the Northwest Territories Water Board in Yellowknife, 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. N7L1-1822 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. N7L1-1822 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. N7L1-1822 be made at least eight months in advance of the Licence expiry date.

5. If, for some reason, Licence No. N7L1-1822 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.

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 Assistant
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
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 Affairs & Northern Development
P.O. Box 2100
INUUVIK, 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 Affairs & Northern Development
P.O. Box 1500
YELLOWKNIFE, NT X1A 2R3
Phone No: (867) 669-2651
Fax No: (867) 669-2716

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.

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 Waters Act and Regulations the Northwest Territories Water Board, hereinafter referred to as the Board, hereby grants to

MGM ENERGY CORP.

(Licensee)

4100, 350 - 7TH AVENUE S.W.
of CALGARY, ALBERTA T2P 3N9

(Mailing Address)

hereinafter called the Licensee, 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 N7L1-1822

Licence Type "B"

Water Management Area NORTHWEST TERRITORIES 07

Location Latitude 68°55'00" to 69°24'00" North, and
Longitude 133°38'00" to 135°00'00" W.
NORTHWEST TERRITORIES

Purpose WATER USE AND WASTE DISPOSAL FOR
INDUSTRIAL UNDERTAKINGS IN THE
MACKENZIE DELTA

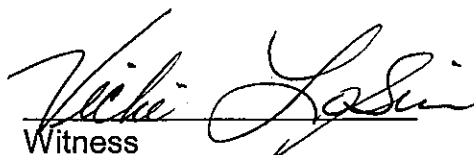
Quantity of Water Not
To Be Exceeded 7000 CUBIC METRES DAILY

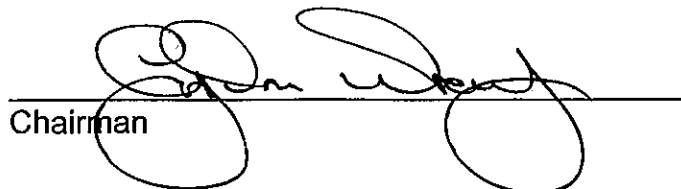
Effective Date of Licence OCTOBER 17, 2007

Expiry Date of Licence DECEMBER 31, 2010

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

NORTHWEST TERRITORIES WATER BOARD


Witness


Chairman

PART A: SCOPE AND DEFINITIONS

1. Scope

- a) This Licence entitles MGM Energy Corporation to use Water and dispose of Waste for industrial undertakings in the Mackenzie Delta for the Ellice, Langley, and Olivier Drilling, Completion, and Testing Program, which entails the drilling of up to nine (9) wells located as per Table 1 and camp operations at locations listed in Table 2;

Table 1: Well Site Target Locations in the Northwest Territories¹

Proposed Wellsite	Latitude (North)	Longitude (West)
West Langley	69°16'50"	135°49'48"
East Unipkat	69°13'16"	135°19'56"
Arvoknar	69°11'48"	135°31'44"
North Langley	69°19'30"	135°40'55"
Southeast Ellice	69°06'30"	135°49'32"
Atik	68°58'23"	135°32'32"
West Olivier	69°11'08"	135°06'56"
Aput	69°01'02"	135°41'58"
South Langley	69°15'55"	135°31'28"

Table 2: Potential Camp Locations in the Northwest Territories²

Proposed Camp Site	Latitude (North)	Longitude (West)
Langley Area 1	69°09' to 69°23'	135°12' to 135°58'
Langley Area 2	69°09' to 69°14'	135°40' to 135°58'
Atik, Aput, SE Ellice 1	68°55' to 69°02'	135°25' to 135°58'
Atik, Aput, SE Ellice 2	68°55' to 69°02'	135°25' to 135°40'
W. Olivier/N. Ellice	69°08' to 69°14'	135°57' to 136°15'

¹As provided by the Licensee in Section 2: Pre-Site Assessment of the *Northwest Territories Water Board Licence Application Questionnaire for Oil and Gas Exploration: Drilling*. The proposed well site location coordinates where drilling may occur are centred on a five kilometre radius where drilling may occur. Please refer to Figure 4-1 in the Project Description for a project area overview.

²As provided by the Licensee to the NWTWB. The Licensee has stated that these locations are strictly estimates and may change as drilling sites are selected. The Licensee will make parties aware of camp location through Licence condition **Part B, Item 2**.

- b) This Licence is issued subject to the conditions contained herein with respect to the taking of Water and the depositing of Waste of any type in any Waters or in any place under any conditions where such Waste or any other Waste that results from the deposits of such Waste may enter any Waters. 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 so deposited or under which any such Waste may be so deposited this Licence shall be deemed, upon promulgation of such Regulations, to be automatically amended to conform with such Regulations; and
- c) Compliance with the terms and conditions of this Licence does not absolve the Licensee from responsibility for compliance with the requirements of all applicable Federal, Territorial and Municipal legislation.

2. **Definitions**

In this Licence: **N7L1-1822**

"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*;

"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;

"Average Concentration For Faecal Coliform" means the geometric mean of any four consecutive analytical results submitted to the Board in accordance with the sampling and analysis requirements specified in the "Surveillance Network Program";

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

"Emergency Response and Spill Contingency Plan" refers to the report titled 'Mackenzie Delta Emergency Response Plan', dated August 2007 and prepared by MGM Energy Corp.;

"Emergency Shack" refers to the facility referred to in Section 5.4.3.4 of the Project Description;

"Engineer" means a Professional Engineer registered to practice in the Northwest Territories in accordance with the *Engineering, Geological and Geophysical Act* R.S.N.W.T. 1988, c.E-6;

"Greywater" means all liquid Wastes from showers, baths, sinks, kitchens and domestic washing facilities, but does not include Toilet Wastes;

"Groundwater" means Water that occupies pores and crevices in rock and soil, below the ground surface and above a layer of impermeable material;

"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;

"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";

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

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

"Permeability" means the ability of a material to transmit fluids through its pores when subjected to a difference in hydraulic head;

"Project Description" refers to the report titled "Submission to the Inuvialuit Environmental Impact Screening Committee Prop MGM Energy Corp. Ellice, Langley and Olivier Drilling, Completion and Testing Project Winters 2007/2008, 2008/2009, and 2009/2010", dated "April 2007" and prepared by Kavik-Axys Inc.;

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

"Sewage" means all Toilet Waste and Greywater;

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

"Solid Waste Disposal Facilities" comprises the area and associated structures designed to contain solid Wastes;

“Temporary Drilling Waste Storage Area” refers to the facility detailed in Section 5 of the Project Description;

“Toilet Wastes” mean all human excreta and associated products, but does not include Greywater;

“Waste” means Waste as defined by Section 2 of the *Northwest Territories Waters Act*;

“Waters” mean Waters as defined by Section 2 of the *Northwest Territories Waters Act*; and

“Water Supply Facilities” comprises the area and associated intake infrastructure designed to collect, treat, and supply Water.

PART B: GENERAL CONDITIONS

1. The Licensee shall file an Annual Report with the Board not later than March 31st of the year reported which shall contain the following information:
 - a) the total quantity in cubic metres of fresh Water obtained from all sources;
 - b) the total quantities in cubic metres of each and all Waste discharged;
 - c) the location and direction of flow of all Waste discharged to the land or Water;
 - d) an itemized list indicating the names and quantities of all drilling mud additives used;
 - e) the results, including tabular summaries of all data, of sampling carried out under the Surveillance Network Program;
 - f) a summary of any modifications carried out on the Water Supply, Sewage Treatment Facility, and Solid Waste Disposal Facilities, including all associated structures;
 - g) a table confirming and detailing the submission dates and requirements of all reports and action in Table 3 annexed to this Licence;
 - h) an outline of any spill training and communication exercises carried out;

- i) any revisions to the approved Emergency Response and Spill Contingency Plan;
 - j) a list of spills (including GPS coordinates) and unauthorized discharges; and
 - r) any other details on Water use or Waste disposal requested by the Board within forty-five (45) days before the annual report is due.
2. The Licensee shall provide the Board and an Inspector with global positioning system coordinates of any camp location ten (10) days prior to operating a camp at that supplied location.
 3. Thirty (30) days prior to the commencement of drilling, the Licensee shall notify the Board and an Inspector of the exact wellsite locations (through global positioning system coordinates) that have been selected for drilling.
 4. The Licensee shall comply with the 'Surveillance Network Program' annexed to this Licence, and any amendment to the said 'Surveillance Network Program' as may be made from time to time, pursuant to the conditions of this Licence.
 5. The 'Surveillance Network Program' and compliance dates specified in the Licence may be modified at the discretion of the Board;
 6. The Licensee shall, within thirty (30) days of the issuance of the Licence, post the necessary signs to identify the stations of the 'Surveillance Network Program'. All posting shall be located and maintained to the satisfaction of an Inspector.
 7. 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.
 8. All monitoring data shall be submitted in printed form and electronically in spreadsheet format on a diskette or other electronic forms acceptable to the Board.
 9. All reports shall be submitted 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.

10. Within thirty (30) days of issuance of this Licence, pursuant to Section 17(1) of the *Act* and Section 12 of the Regulations, the Licensee shall have posted and shall maintain a security deposit of One Million One Hundred Thousand (\$1,100,000.00) Dollars in a form suitable to the Minister.
11. The security deposit shall be maintained until such time as it is fully or in part refunded by the Minister pursuant to Section 17 of the *Act*. This clause shall survive the expiry of this Licence or renewals thereof and until final restoration has been completed to the satisfaction of the Minister.
12. The Licensee shall ensure a copy of this Licence is maintained at the site of operation at all times.

PART C: CONDITIONS APPLYING TO WATER USE

1. The Licensee shall obtain Water from channels of the Mackenzie River, or as otherwise approved by an Inspector.
2. The daily quantity of Water used for all purposes shall not exceed 7,000 cubic metres.
3. The Licensee is not permitted to remove more than five (5%) percent of the available under ice Water volume per lake as calculated using a maximum expected ice thickness of two (2) metres during a single winter season.
4. The Water intake hose used on the Water 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. Thirty (30) days prior to the commencement of operations, the Licensee shall submit to the Board and an Inspector the specifications of the onsite Sewage Treatment Facility.

2. All Sewage shall be directed to the onsite Sewage Treatment Facility as approved by an Inspector.
3. All Waste discharged from the onsite 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.
4. There shall be no discharge of floating solids, garbage, grease, free oil or foam.
5. 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 Residue Chlorine (TRC)	0.1 mg/L

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

6. The Licensee shall direct all Wastes that do not meet the requirements in Part D, Item 5 to a Sewage Treatment Facility as approved by an Inspector.
7. Introduction of Water to Waste for the purpose of achieving effluent quality requirements in Part D, Item 5 is prohibited.
8. The use of Sewage effluent as make-up Water in the drilling mud is prohibited.
9. The Licensee shall dispose of all solid Wastes in a manner acceptable to the Inspector.

10. The Licensee shall submit to the Board a letter of notification, prior to the transportation of Waste from site, outlining an agreement between third parties to harbour, transport or dispose of Waste along with details including, but not limited to, type of Waste, quantities of Waste, and ultimate disposal location, if Waste is to be transported away from site.
11. The Licensee shall, to the satisfaction of an Inspector, contain all drilling Waste in the Temporary Drilling Waste Storage Area.
12. The Licensee shall submit to the Chairman of the Board for approval an engineered design and operation report for the Temporary Drilling Waste Storage Area (TDWSA) forty-five (45) days prior to the deposition of Waste into the TDWSA whereas the Licensee is to report, but is not limited to, the following:
 - a) how Waste will be contained within the facility and any limitations to such containment;
 - b) an Operations and Maintenance Plan for the facility;
 - c) construction sequencing and specifications;
 - d) abandonment and restoration of the site including the treatment of Waste residues impacting Waters; and
 - e) conclusions, completed by an Engineer, that evaluate Waste containment through proposed management practices and facility design.
13. The Licensee shall adhere to the “Drilling Waste Management Recommended Best Practices. Edition 1: Drilling Waste in the Mackenzie Delta (Inuvialuit Settlement Region)” as published by the Environmental Studies Research Funds, 2004. (www.esrfunds.org)
14. Any on-site treatment of oil-based Waste products must be done with the approval of an Inspector.
15. If during drilling, an Artesian Aquifer is encountered producing Water flowing at the surface, the Licensee shall notify an Inspector immediately. A sample of not less than ten (10) litres shall be collected from the flowing source at the point of discharge from the well. Five (5) litres shall be made available to an Inspector for analysis and the Licensee shall have the remaining five (5) litres analyzed.
16. 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.

17. Lost circulation that may contaminate Groundwater must be immediately reported to an Inspector.
18. No oil-based Waste products are to be disposed of on-site. Oil-based additives and drill cuttings associated with these additives are to be disposed of at an approved offsite location to the satisfaction of an Inspector.
19. The Licensee shall retain riparian vegetation to maintain bank earthwork stability.
20. The Licensee shall decant Waters from a bermed containment area only after written authorization from an Inspector.

PART E: CONDITIONS APPLYING TO STREAM AND WATER BODY CROSSINGS

1. The Licensee shall ensure that only clean snow is 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.
4. The Licensee shall approach Water body crossings at right angles and manoeuvre through Water body crossings at shallow riffle areas whenever possible.

PART F: 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 the Board in writing of such proposed Modifications at least fifteen (15) days prior to beginning the Modifications;
 - b) such Modifications do not place the Licensee in contravention of either this Licence or the *Act*;
 - c) the Board has not, during the fifteen (15) days following notification of the proposed Modifications, informed the Licensee that review of the proposal will require more than five (5) days; and
 - d) the Board has not rejected the proposed Modifications.
2. Modifications for which all of the conditions referred to in Part F, Item 1 have not been met may be carried out only with written approval from the Board.
 3. The Licensee shall provide to the Board as-built plans and drawings, appropriately qualified by an Engineer, of the Modifications referred to in this Licence within ninety (90) days of completion of the Modifications.

PART G: CONDITIONS APPLYING TO CONTINGENCY PLANNING

1. The Licensee will maintain a copy of the approved Emergency Response and Spill Contingency Plan onsite in a readily available location, to the satisfaction of an Inspector.
2. The Licensee shall review the Emergency Response and Spill Contingency Plan annually and modify the Plan as necessary to reflect changes in operation and technology. Modifications are to be reported through the submission of the Annual Report (Part B, Item 1i).
3. The Licensee shall ensure that 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 a material of low permeability, to the satisfaction of an Inspector.

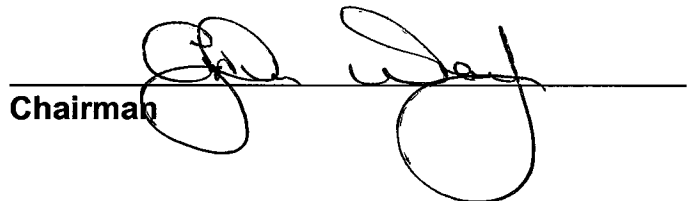
5. If, during the period of this Licence, an unauthorized discharge of Waste occurs, or if such a discharge is foreseeable, the Licensee shall:
 - a) report the incident immediately via the 24 Hour Spill Reporting Line (867) 920-8130; and
 - b) submit to an Inspector a detailed report on each occurrence not later than thirty (30) days after initially reporting the event.
6. The Licensee shall ensure that all fuel at the Emergency Shack is removed prior to ice road break up and notify the Board and an Inspector within ten (10) days following fuel removal.
7. Thirty (30) days prior to the annual commencement of barging, the Licensee shall submit to the Board emergency measures and spill contingencies specific to barging operations and management.

PART H: CONDITIONS APPLYING TO ABANDONMENT AND RESTORATION

1. Upon completion of all activities, the Licensee shall ensure that all equipment and materials not required for monitoring are removed from the site. Other final restoration activities as outlined in the Project Description shall be implemented to the satisfaction of an Inspector.


Witness

NORTHWEST TERRITORIES WATER BOARD


Chairman

NORTHWEST TERRITORIES WATER BOARD

LICENSEE: MGM Energy Corporation
LICENCE NUMBER: N7L1-1822
EFFECTIVE DATE OF LICENCE: October 17, 2007
EFFECTIVE DATE OF SURVEILLANCE NETWORK PROGRAM: October 17, 2007

SURVEILLANCE NETWORK PROGRAM

A. Location of Sampling Stations

<u>Station Number</u>	<u>Description</u>
1822-1	Treated Sewage at the Point of Discharge

B. Sampling and Analysis Requirements

1. Water at Station Number 1822-1, shall be sampled every two weeks, and analyzed for the following parameters³:

BOD ₅	Total Suspended Solids
Oil and Grease	Faecal Coliforms ⁴
Ammonia	pH
Phosphorous	Total Residual Chlorine

³The Licensee shall refer to the definition 'Maximum Average Concentration' in Part A when completing requirements under the Surveillance Network Program.

⁴The Licensee shall refer to the definition 'Average Concentration for Faecal Coliform' in Part A when completing requirements under the Surveillance Network Program.

2. More frequent sample collection maybe required at the request of an Inspector.
3. 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.
4. All analyses shall be performed in a laboratory approved by an Analyst.
5. The Licensee shall, by December 1st, 2007, submit to an Analyst for approval a Quality Assurance/Quality Control Plan.
6. The Plan referred to in Part B, Item 5 shall be implemented as approved by an Analyst.

C. **Reports**

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

NORTHWEST TERRITORIES WATER BOARD


Witness

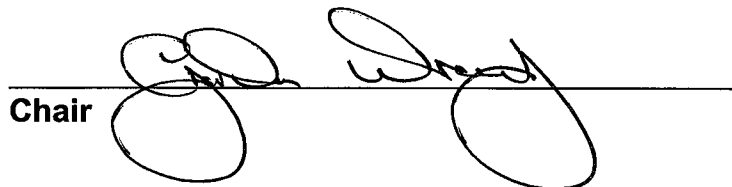

Chair

Table 3

Supplemental information to be submitted by Licensee as required through Licence conditions

<i>Licence Conditions</i>	<i>Report Title/Required Action</i>	<i>Timeline for Submission</i>
Part B, Item 1	Annual Report	To be submitted not later than March 31 st of the year following the calendar year reported
Part B, Item 2	GPS Coordinates of Camp Locations	To be provided ten (10) day prior to operating a camp at the supplied location
Part B, Item 3	GPS Coordinates of Wellsite Locations	To be provided thirty (30) days prior to drilling
Part B, Item 6	Identify SNP Station with Sign Postage	To be completed within thirty (30) days of Licence issuance
Part B, Item 10	Post and Maintain Security Deposit	To be completed within thirty (30) days of Licence issuance
Part D, Item 1	Sewage Treatment Facility Specification	To be submitted thirty (30) days prior to the commencement of activities
Part D, Item 10	Letter of Notification for Waste Disposal Off-Site	To be submitted prior to the transportation of waste away from site
Part D, Item 12	Temporary Drilling Waste Storage Area (TDWSA) Design and Operation	To be submitted forty-five (45) days prior to the deposition of Waste into the TDWSA
Part F, Item 1	Notification of Modifications	To be submitted fifteen (15) days prior to the commencement of the Modifications
Part F, Item 3	Modification As-Built Drawings and Plan	To be submitted within ninety (90) days of completion of the Modifications
Part G, Item 6	Emergency Shack Removal Notification	To be submitted ten (10) days following fuel removal
SNP: Part B, Item 1	Sampling at SNP Station 1822-1	To be sampled and analyzed every two (2) weeks
SNP: Part B, Item 5	Quality Assurance/Quality Control Plan	To be submitted to the Analyst for approval by December 1, 2007
SNP: Part C, Item 1	Results of the SNP	To be submitted thirty (30) days following the month being reported