



Telephone: 867-678-6698
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September 29, 2016

MGM Energy Corporation
4700, 888 – 3rd Street SW
Calgary, AB T2P 5C5

Attention: Terrence Hughes, Regulatory and Community Affairs Advisor

File Number N7L1-1797 (Burnt Lake, N-16 Drilling Sump)
Type of Operation TYPE B - INDUSTRIAL

Dear Mr. Hughes,

An inspection of the MGM Energy Corporation Water Licence N7L1-1797 (expiry on December 31, 2014) was conducted on August 15, 2016. Specifically, the Water Licence was inspected to ensure that the terms and conditions were met. Enclosed is a copy of the inspection report (4 pages) for your review and records.

Please take note of the non-compliance that was identified in the inspection report.

A copy of this report will be sent to the Inuvialuit Water Board for their review and public records. If you have any questions/concerns regarding the enclosed, please do not hesitate to contact me at (867) 678-6676.

Sincerely,

Philippe Thibert-Leduc
Water Resource Officer
Environment and Natural Resources
Inuvik Region

Cc: Stephen Charlie – Superintendent, GNWT ENR Inuvik Region
Mardy Semmler – Executive Director, Inuvialuit Water Board
Bijaya Adhikari – Science and Regulatory Coordinator, Inuvialuit Water Board



Enclosure: Industrial Water Use Inspection Report (4 pages)



INDUSTRIAL WATER USE INSPECTION REPORT

LICENCE #:	N7L1-1797	EXPIRY DATE:	December 31, 2014
LICENCEE:	MGM Energy Corporation	PREVIOUS INSPECTION:	July 31, 2014 (GNWT Lands)
COMPANY REP:	Terrence Hughes, Regulatory and Community Affairs Advisor	INSPECTION DATE:	August 15, 2016

WATER SUPPLY

Source:	Mackenzie River/ Various Lakes	Quantity Used:	N/A
Owner/Operator:	MGM Energy Corporation	Meter Reading:	N/A

Indicate: A - Acceptable U - Unacceptable N/A - Not Applicable N/I - Not Inspected

Intake Facilities	N/A	Storage Structures	N/A	Treatment Systems	N/A	Recycling	N/A
Flow Meas. Device	N/A	Conveyance Lines	N/A	Pumping Stations	N/A	Chem. Storage	N/A
Water Delivery Truck	N/A	Modifications	N/A				

Water Supply Comments:

- No concerns to report with regards to water use as the site was inactive.

WASTE DISPOSAL - WELL WASTE

Disposal Method	Drilling Sump								
Off-Site Removal	N	Drilling Sump	Y	Downhole Injection	N	Treat and Landsread	N	Other	N/A

Indicate: A - Acceptable U - Unacceptable N/A - Not Applicable N/I - Not Inspected

Sump Liners	N/A	Sump Treatment	N/A	Freeboard	N/A
Erosion	N/A	Construction	N/A		
SNP Samples Collected	N/A				

Well Waste Comments:

- Overall, the sump cap appeared to be stable with good vegetative cover (>95%) with no signs of degradation or disturbance (Figure 1).



INDUSTRIAL WATER USE INSPECTION REPORT

- There was some presence of standing water in the polygons north of the drilling waste sump, with some minor foam (Figure 1). This was consistent with the observations made in the most recent Environmental Site Monitoring Report.
- There was also standing water in the polygons south of the drilling sump (Figure 2). One polygon at the southwest corner of the sump shows some ponding, however no sign of slumping or subsidence was observed anywhere around the sump, and overall the sump appeared to be draining well.

WASTE DISPOSAL – SOLID WASTE

Disposal Method		Landfill					
Open Dump	N	Landfill	Y	Burn & Landfill	N	Underground	N
Offsite Removal	N	Other	N/A				
Owner / Operator	MGM Energy Corp.						

Indicate: **A - Acceptable** **U - Unacceptable** **N/A - Not Applicable** **N/I - Not Inspected**
 Y - Yes **N - No**

Runoff Diversion	N/A	SNP Samples Collected	N/A
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Solid Waste Comments:

- Thermistor casings and cablings should be completely removed if they are no longer in use.

GENERAL CONDITIONS/REPORTS/PLANS

Indicate: **A - Acceptable** **U - Unacceptable** **N/A - Not Applicable** **N/I - Not Inspected**

C & R Plan	N/A	Records & Reporting	A	Final Report	N/A
Geotechnical Inspection	N/A	Posting, Signage	N/A	Contingency Plan	N/I
Restorations Activities	A	Spills	A	O&M Plan	N/A
Maintenance	N/A	Modifications	N/A	Annual Report	A ¹

General Condition Comments:

- On August 15, 2016, Water Resource Officer (Inspector) Philippe Thibert-Leduc inspected the Burnt Lake drilling waste sump to assess the proponent's compliance with Water Licence N7L1-1797 and associated terms and conditions. Due to time constraints only a fly over was conducted.
- August 15, 2016 forecast was cloudy with occasional drizzle and a high of 11°C and low of 9°C, with 3 mm of precipitation. Total precipitation for the region in the last 30 days was 65 mm.
- The overall condition of the drilling waste sump appeared to be satisfactory.



INDUSTRIAL WATER USE INSPECTION REPORT

- The Licensee is to be commended for the continued environmental monitoring of the N-16 drilling waste sump. The Environmental Site Monitoring Reports are effective at documenting the condition of the sump and communicating findings, concerns and recommendations.
- At this time, ENR Inuvik Office recommends continued monitoring of the site as per Part H: Conditions Applying to Abandonment and Restoration of the Water Licence.
- Please note that as of April 1, 2014, some information has changed under Item 6 of Water Licence N7L1-1797, on page 2. In the future, you may use the following contact information for the Inspector:

INSPECTOR:

Philippe Thibert-Leduc
 Water Resource Officer
 Department of Environment and
 Natural Resources
 Government of the Northwest
 Territories

Phone: (867) 678-6676
 Mobile: (867) 678-0623
 Fax: (867) 678-6699
 Email: philippe_thibert-
 leduc@gov.nt.ca

PO Box 2749
 Inuvik NT X0E 0T0

MATTERS FOR FOLLOW UP

- ¹Please take note of the letter from the Board and addressed to the Licensee, dated May 3, 2016, which requested additional information be submitted as part of the Annual Report submission.
- Please ensure that all correspondence meant for the Inspector is sent to the new address.
- Remove all thermistor casings, cabling, etc. that are no longer operational.

NON-COMPLIANCE/VIOLATIONS OF ACT OR LICENCE

- Part H: Conditions Applying to Abandonment and Restoration, Item 2 b),
 "Monitor for salinity migration using electromagnetic induction;"

Inspector's Signature: _____

Date:	August 15, 2016	Licence #:	N7L1-1797	Page No:	3
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INDUSTRIAL WATER USE INSPECTION REPORT

INSPECTION IMAGES

Figure 1

Aerial view of the Burnt Lake drilling waste sump, looking south.

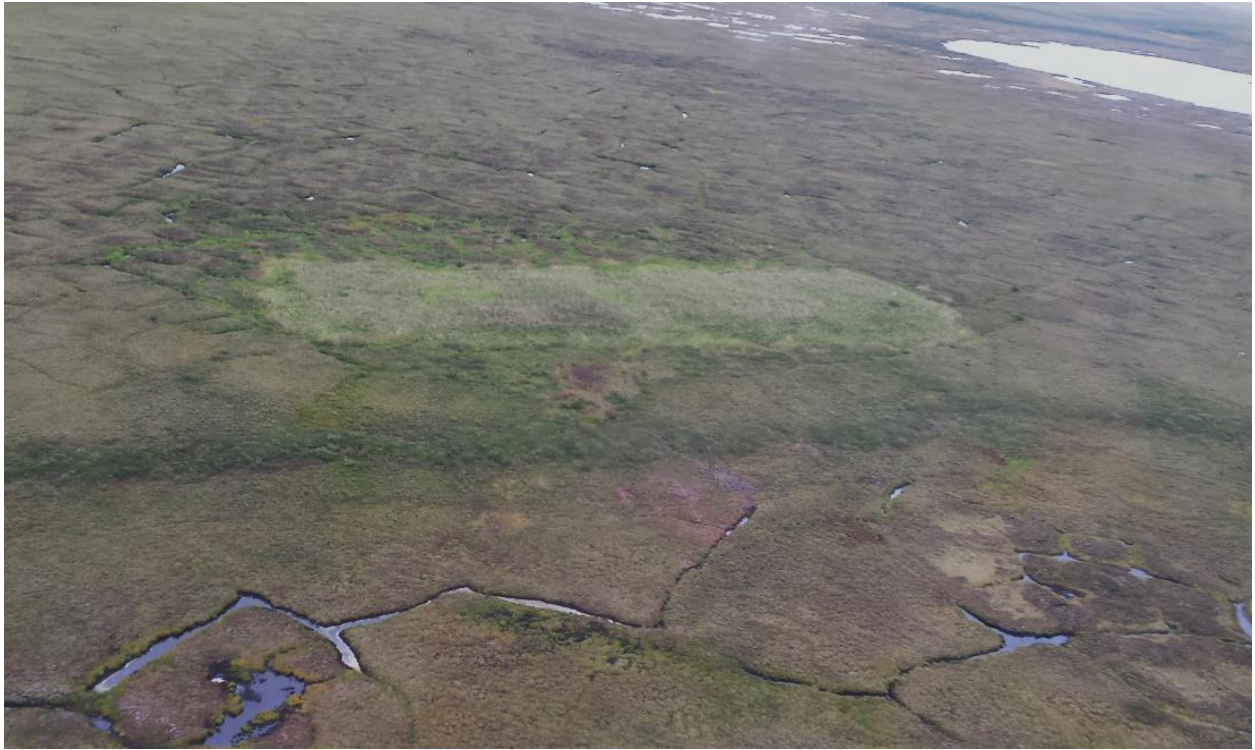


Figure 2

Aerial view of the Burnt Lake drilling waste sump, looking east.

