



July 30, 2007

To: Mr. Conrad Baetz
District Manager, North Mackenzie District
Indian and Northern Affairs Canada
P.O. Box 2100
Inuvik, NT X0E 0T0

From: Alan E. Taylor, P.Eng.,
Mallik Operations Manager
Aurora Research Institute,
Aurora College,
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Re: Aurora College's response to:
Water License N7L1-1817 / Land Use Permit N2006A0034
inspection of June 21, 2007

Dear Mr. Baetz:

This is Aurora Research Institute (ARI) / Aurora College's response to your inspection of the Mallik site on June 21, 2007.

In response to the inspection, technicians Larry Greenland and William Hurst from Aurora Research Institute (ARI) visited the site for 3 hours on July 20 to perform a general clean-up and to take action on the issues identified in the inspection. Their report is in Appendix A.

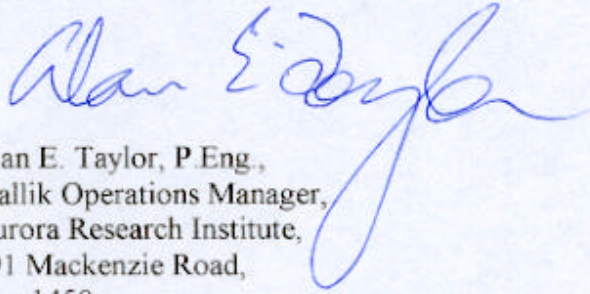
Briefly, 3 issues were identified in the inspection, and ARI took action:

1. Purported garbage bag left on old sump: this could not be located, but it may have been mistaken for a piece of polyvinyl protecting a data logger attached to one of the sump monitoring temperature cables.
2. More hand-picking of detritus throughout lease: four garbage bags of small-size debris (PVC-pipe bits, flagging, etc.) were removed and disposed of in Inuvik.
3. Smell of diesel in area of old sump (Fig. 6 in inspection report): a ~5.5 m x 2.5 m "figure-8" area with a smell of diesel was located and it is not clear whether this is the area described in the inspection. The ARI crew found that the area appears dry but the grass is dead (Fig. 2 in the ARI report). Four soil samples were taken and submitted to Kaizen Lab in Calgary for analysis for hydrocarbon; the lab results

support ARI's observation ("dry") with analyzed levels of "oil and grease" at < 0.2 % (Appendix B).

We believe ARI's response was appropriate for the situation and addressed the issues of the June 21, 2007 inspection. A technical visit to the Mallik wells will be made in mid-August, and personnel will be alerted to continued vigilance for land use issues of concern.

Respectively submitted,



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Appendix 1: Aurora's report, site visit #11 of July 20, 2007 to Mallik L-38 wellsite

Mallik Site Visit Report #11 July 20, 2007

On July 20, 2007 ARI employees flew via Canadian Helicopters to the Mallik drill site. The temperature was 6° C, winds were 10km/hr from the Northwest with light drizzle. The last visit was June 20, 2007.

Personnel:

- A. Larry Greenland -Technician, ARI**
- B. William Hurst – Technician, ARI**
- C. Andri Senn – Canadian Helicopters**

Description of Activities:

ARI staff arrived at the Mallik site at 11:00am and spent approximately 3 hours to clean all detritus, a garbage bag, identify and take soil samples of a possible diesel spill as requested by Indian and Northern Affairs Canada (INAC), *see INAC report*. Four bags of small size detritus was removed from the site (PVC pipe bits, flagging tape, etc.) most of which appeared to be pre-2007 winter operations. No garbage bag (*as cited in the INAC inspection report*) was found but polyvinyl covering a data logger was present, possibly mistaken for the garbage bag. (*see figure 1*)

The grassy area where a smell of diesel was reported by INAC was examined. The area is roughly a “figure 8” in shape and is approximately 5.5m x 2.5m. (*see figure 2*) The area of concern appears dry but grass in the immediate area is dead. Soil samples were taken and sent out Monday July 23, 2007 to Kaizen Labs to be tested for hydrocarbons.

Weather conditions limited the aerial view of the site and subsequent images. (*see figure 3*)



Figure 1 Poly covering a data logger



Figure 2 Possible spill area



Figure 3 Aerial view of Mallik site

If you have any questions regarding this report please do not hesitate to call.

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Appendix 2: Kaizen Lab hydrocarbon analysis of soil samples in vicinity of old sump

ANALYTICAL DATA REPORT

Client Company: Schlumberger Oilfield Services **Date Received:** Jul 25 2007 **Lab File #:** 110619
Client Contact: Doug Ashford **Date Reported:** Jul 27 2007
Client Project #:

Sample ID: 110619-1, Sample 1 near Old Sump 14.8 cm
Date Sampled: Jul 20, 2007

Package Name: Oil & Grease

<u>Parameter Name</u>	<u>Units</u>	<u>Results</u>
Oil & Grease (Dry)	%	0.16
Oil & Grease (Wet)	%	0.12
Solids	%	72.30

Sample ID: 110619-2, Sample 2 near Old Sump 14.2 cm
Date Sampled: Jul 20, 2007

Package Name: Oil & Grease

<u>Parameter Name</u>	<u>Units</u>	<u>Results</u>
Oil & Grease (Dry)	%	0.06
Oil & Grease (Wet)	%	0.04
Solids	%	73.64

Sample ID: 110619-3, Sample 3 near Old Sump 13.8 cm
Date Sampled: Jul 20, 2007

Package Name: Oil & Grease

<u>Parameter Name</u>	<u>Units</u>	<u>Results</u>
Oil & Grease (Dry)	%	0.03
Oil & Grease (Wet)	%	0.03
Solids	%	75.06

Sample ID: 110619-4, Sample 4 near Old Sump 13.0 cm
Date Sampled: Jul 20, 2007

Package Name: Oil & Grease

<u>Parameter Name</u>	<u>Units</u>	<u>Results</u>
Oil & Grease (Dry)	%	0.03
Oil & Grease (Wet)	%	0.02
Solids	%	74.92

Comments:

Test Methodologies*:

Oil (soil): Based on EPA 9071A & APHA 5520A (Modified)

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QA/QC Reviewed By: _____

*Detailed test methodologies and QA/QC data available upon request.