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December 12, 2000

Mackenzie Valley Environmental Impact Review Board  
Box 938  
200, 5102 - 50 Avenue  
Yellowknife, Northwest Territories  
X1A 2N7

via Fax: 867-920-4761

**Attention: Mr. Joe Acorn, Environmental Assessment Officer**

Dear Mr. Acorn:

**Re: Cameron Hills Drilling & Flow Testing Environmental Assessment  
Your File EA00-004**

Thank you for your letter dated December 11, 2000 outlining the next steps to be taken to address the Paramount Cameron Hills Drilling and Flow Testing Environmental Assessment. In order to ensure that Paramount understands the Mackenzie Valley Environmental Impact Review Board's ("MVEIRB") instructions, we wish to confirm the following:

1. The Environmental Assessment (EA) report being accepted by the MVEIRB is the EA required in addressing the Terms of Reference.
2. The MVEIRB staff will prepare a draft work plan and terms of reference ("ToR) incorporating the acceptance of the EA report. The draft work plan and ToR will be distributed for feedback.
3. Because the EA report is deemed complete, an Information Request (IR) process will be utilized to facilitate the acquisition of additional flaring and venting information from Paramount.
4. Paramount is unclear as to how socio-economic and traditional land use impacts relate to the reasons for decision for an Environmental Assessment regarding flaring and venting for this project. We would appreciate further clarification.

Items 5 & 6

Paramount does not currently have an application before the Mackenzie Valley Land and Water Board ("MVLWB") for gathering facilities and a pipeline project. In addition, Paramount is unaware of a referral to environmental assessment for this project. By way of background, Paramount submitted two applications to the MVLWB for land use permits for Cameron Hills development, one relating to drilling and one relating to gathering facilities and a pipeline. Paramount subsequently withdrew the application for gathering facilities and a pipeline. Accordingly, as there is no present application before the MVLWB for these facilities,

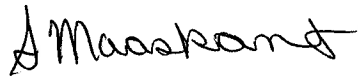
Paramount is unsure of the reference to these two items. Paramount respectfully submits that as the MVERRB is conducting an EA relating to flaring and venting issues for Paramount's Cameron Hills Drilling Project and as no application is currently on file for gathering facilities and a pipeline, matters relating to items 5 and 6 should not be considered. Paramount will note these items and consider them when preparing a future application for such facilities.

Paramount requests your concurrence with its foregoing understanding.

Paramount will make every effort to participate with the MVEIRB to ensure a timely resolution to this environmental assessment.

Yours truly,

PARAMOUNT RESOURCES LTD.



Shirley Maaskant  
Regulatory & Community Affairs Coordinator