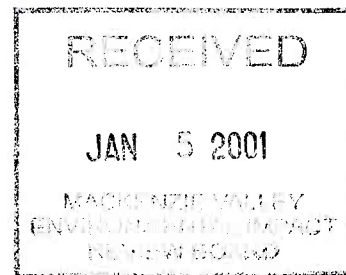


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tel 403 290 3600 fax 403 262 7994

January 5, 2001



Mackenzie Valley Land and Water Board  
7<sup>th</sup> Floor, 4910 - 50 Avenue  
Yellowknife, NT  
X1A 2P6

Via Fax: 867-873-6610

**Attention: Emma Pike, Regulatory Officer**

Mackenzie Valley Environmental Impact Review Board  
5102 - 50 Avenue  
Yellowknife, NT  
X1A 2N7

Via Fax: 867-920-4761

**Attention: Roland Semjanovs, Acting Executive Director**

Dear Madam/Sir:

**Re: Land Use Permit Application MV2000A0041  
Cameron Hills Drilling Project**

On August 29, 2000, Paramount submitted the subject application to the Mackenzie Valley Land and Water Board (MVLWB) for review. In consultation with MVLWB staff, and in an effort to streamline Paramount's regulatory applications, we concluded that efficiency could be obtained by applying for one land use permit with a wide scope. To accommodate this new process, the subject land use permit application included access to Paramount's existing wells. On November 20, 2000 the MVLWB referred the subject land use permit application to the Mackenzie Valley Environmental Impact Review Board (MVEIRB) for Environmental Assessment.

It has recently become evident to Paramount that portions of the land use permit originally applied for on August 29<sup>th</sup> were not, and/or are no longer required. Therefore, we are herein requesting that the portions of the subject land use permit application which refer to access and existing surface leases, as itemized below, be removed from the application before your boards.

- Existing access routes, campsites, and wellsites presently covered under existing Land Use Permit N 1998A0942;
- Existing wellsites covered under Crown Surface Leases A-73, C-50, N-28, B-08, J-37, C-19, A-05, I-74, M-73, C-75, B-25, L-47

To support this request we submit the following reasons:

- 1) Within the Project area, Paramount presently holds thirteen Crown Significant Discovery Licences, nineteen (19) Crown Surface Leases with existing wellbores, and three (3) Crown Production Licences joined by a network of existing access routes. In addition, Paramount has an active Land Use Permit N1998A0942 which includes access to twelve (12) Paramount wellsites in the Project area. With this existing land use permit, we do not require the access applied for in the subject land use permit application.
- 2) A land use permit covering the Crown Surface Leases for existing wellsites is no longer required. Paramount is not planning any modifications to the existing surface leases and therefore no land use permit is required at this time.

The Crown Surface Leases give Paramount the right to flow test existing wells. Paramount intends to access our existing wellsites during January to April 2001 to conduct short-term (approximately 5 to 10 day) flow-tests on wells and/or zones that have not yet been adequately tested. This testing program is required to determine the types of fluids the wells can produce, the pressure and flow-rates of the fluids and/or gas, and other characteristics of the subsurface reservoir. The information from this testing will assist in determining the economic value of these wells and what type, if any, production facilities will be required. These same procedures have been performed on many other wells in the Cameron Hills project area and, as in the past, will be regulated through applications to the National Energy Board (NEB). These applications are well specific and must include wellbore specifications, flow-testing specifications and parameters, equipment specifications and geological and reservoir justification for requiring flow-test data. The NEB determines if flow testing is justified, if the proposed operation follows existing regulations, and if a preliminary environmental screening has been completed. If these criteria are met, it is our understanding that they will then issue an authorization accordingly.

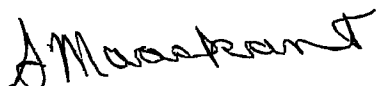
On December 19, 2000 an Environmental Assessment Draft Terms of Reference for the Paramount Resources Ltd. Cameron Hills Drilling Project was published. Contained in this document under Section 2.2 Accessory Developments and Activities, the last bullet states "may require access to any of their other existing wells". Paramount respectfully requests that this item be removed from the scope of the project.

In conclusion, Paramount is requesting that the items as specified above be removed from the land use permit application and consequently, the Environmental Assessment. In addition, reference to existing wellsites should be removed from the project description within the Terms of Reference for the Environmental Assessment of the subject application. Your earliest

attention to this request would be greatly appreciated as the operating timeline in the Cameron Hills is extremely short and the acquisition of reservoir information is critical to Paramount's future in the area. Please do not hesitate to contact Shirley Maaskant at (403) 290-3618 if you require additional information to process this request. Thank you for your continued assistance.

Yours truly,

PARAMOUNT RESOURCES LTD.



Shirley Maaskant  
Regulatory & Community Affairs Coordinator

CC: NEB, Terry Baker, Chief Conservation Officer