

March 11, 2004

Mackenzie Valley Environmental Impact Review Board
Box 938
5102 – 50 Avenue
Yellowknife, NT
X1A 2N7

Attention: Kimberley Cliffe-Phillips

Dear Ms. Cliffe-Phillips:

**Re: Environmental Assessment EA03-005
Response to Technical Report Issued Deh Gah Got'ie First Nation and the Fort
Providence Resource Management Board**

With reference to the subject environmental assessment, we are pleased to respond to the Technical Report issued by the Deh Gah Got'ie First Nation ("DGGFN") and the Fort Providence Resource Management Board ("FPRMB"). In the sections following our preliminary comments, we have reiterated the recommendations of the DGGFN and FPRMB and provided the response from Paramount Resources Ltd.. Wherever the response relates to the scope of responsibility of another agency, it was indicated to be not applicable ("N/A").

Preliminary Comments

Paramount Resources Ltd's project in the Cameron Hills is not new. For over twenty years, Paramount has conducted seismic, drilling, completion and flow-testing activity with the sole intention of producing economic reserves.

The first well on the Cameron Hills plateau was drilled in 1969. Canada granted the first Cameron Hills Significant Discovery Licence in 1987, providing exclusive rights to explore for and produce those petroleum products from the Cameron Hills. Production through pipeline commenced in 2002.

The February 17-19, 2004 hearing was not the public's first opportunity to be involved with the project. Paramount's first well on the Cameron Hills was drilled in 1979 and since that time, Paramount has consulted with communities, regulators and governments,

incorporating available traditional knowledge and addressing concerns through our project timing and design. Regulators, governments and aboriginal groups provided input into Paramount's consultation methodology, which is extensive in area, content and duration. The consultation method has been modified several times to incorporate the aboriginal communities' concerns. Paramount's consultation efforts to date have included: meetings in the communities; open houses; written information packages; provision of a local community liaison (Ken Brink); phone calls; e-mails; and site tours of the project with chiefs from the Hay River Dene Band, Fort Providence, Kakisa and Westpoint. As such, Paramount has been responsive to the changing political and regulatory climate in the Northwest Territories.

Consultation has resulted in Paramount augmenting the Cameron Hills' project design to increase protection of the watershed, air, terrestrial resources, heritage resources and traditional land use activities. Paramount understands and appreciates the aboriginal tie to the land and animals, and the need for protection of those resources. Paramount is aware of traditional activity currently conducted by one aboriginal trapper on the project site and by several individuals near the base of the Cameron Hills to the north and west. It is Paramount's goal to protect the air, water, land, fish, animals, heritage resources and traditional land use by implementing the mitigation measures presented in our submissions; by adhering to guidelines and standards developed by governments and regulatory agencies designed to protect people and the environment; and by including traditional knowledge and aboriginal participation in site and route selection, monitoring plans and heritage assessment. Further, Paramount's adaptive management will address changing standards, new knowledge, and/or new technology.

While there has been some discussion about business opportunities between Paramount and the aboriginal communities, Paramount maintains that these discussions, and their results, should remain between the parties. Paramount provides a fair and equal opportunity to work on the project, but is unwilling to enter into an Impact and Benefits Agreement. This is primarily due to the fact that many of the issues addressed in such an agreement are currently the subject of the Deh Cho land claims discussions. Paramount repeats that it should not be a part of the land claims process, which is fundamentally between First Nations and government.

The Deh Cho Process, the Interim Measures Agreement signed in May 2001 and the Interim Resource Development Agreement signed in April 2003, outline the arrangement by which the Government of Canada will share an amount equal to a percentage of resource royalties collected in the Mackenzie Valley with the Deh Cho First Nations. This includes royalties from the Cameron Hills project. In addition, Interim Land Withdrawals illustrate which areas of the Deh Cho territory are protected from new development, recognizing lands harvested for food and medicine, culturally and spiritually important lands, lands that are ecologically sensitive, and watershed protection. With the exception of the lower reaches of the Cameron River watershed, no lands are withdrawn from future development in the vicinity of Paramount's Cameron Hills project.

6. COMMUNITY ISSUES

6.1 Consultation and Accommodation

6.1.4 Recommendations

The communities are recommending that the following measures be applied by the Review Board:

- 1) Paramount and the Government of Canada must each submit a draft consultation plan to the communities that adheres to the Deh Cho Consultation Principles and that fulfills each organization's specific responsibilities to the communities. The Government of Canada consultation plan is to cover the activities of its agents including the NEB and the MVLWB.

Response:

Paramount does not believe that it has separate requirement to put a further draft consultation plan to the communities. Paramount will continue with its ongoing community consultation activities and will do its best to address the legitimate concerns of the communities.

A great deal has been said during the course of the hearing and in submissions to the Board about Paramount's duty to consult with the aboriginal communities, including the Deh Cho Consultation Principles. These statements clearly contain legal conclusions. In responding to the recommendations contained within this section and the many statements made elsewhere in the submission, Paramount feels that it is important to emphasize that it disagrees that these legal conclusions are correct and/or applicable to the present situation. In order to explore this issue further, it provides the following legal analysis, prepared with the assistance of Gowling Lafleur Henderson LLP, for the Board's consideration.

The law relating to consultation and accommodation with aboriginal groups is complex, given that it arises both through statutory requirements and constitutional law. For example, Paramount has completed and filed a Benefits Plan relating to its project, as required by the *Canada Oil and Gas Operations Act*, which was then approved by the Minister of Indian and Northern Affairs Canada. In addition, the National Energy Board ("NEB") has required that Paramount provide considerable information regarding consultation with potentially affected aboriginal groups as part of its discharge of its regulatory function. Section 3 of the *Mackenzie Valley Resource Management Act* ("MVRMA") contains a statement regarding consultation¹ with respect to

¹ 3. Wherever in this Act reference is made, in relation to any matter, to a power or duty to consult, that power or duty shall be exercised

(a) by providing, to the party to be consulted,

(i) notice of the matter in sufficient form and detail to allow the party to prepare its views on the matter,

(ii) a reasonable period for the party to prepare those views, and

(iii) an opportunity to present those views to the party having the power or duty to consult; and

(b) by considering, fully and impartially, any views so presented.

provisions in the MVRMA, but does not have a separate requirement for applicants for permits and licences to consult with aboriginal people. Nonetheless, the environmental assessment process considers the "social and cultural environment" and therefore Paramount has included information regarding its consultations with potentially affected groups in the Developers Assessment Report ("DAR").

In moving forward with the project, Paramount has engaged in consultation with the area aboriginal groups and extensive evidence has been put before the Board as to Paramount's efforts and contacts with these groups, both during the hearing, in IR responses and in the DAR in Appendix I. These consultation efforts include information sessions, community meetings, individual meetings with Chiefs and other representatives of potentially affected aboriginal communities, and a traditional knowledge study. In addition, Paramount has a community representative based in Hay River, Ken Brink, who is in frequent contact with the aboriginal groups and is available to discuss their concerns and bring them to Paramount's attention. Paramount also actively participated in the development of a Wildlife and Resource Harvesting Compensation Plan until the communities asked that the process be put on hold.

A number of parties have also made reference to the duty to consult with and accommodate the concerns of aboriginal peoples that emanates from s. 35 of the *Constitution*. This duty emerges out of *R. v. Sparrow*², which provides the analysis in situations where an aboriginal right is purported to be infringed by an action of the Crown, most often through legislation. Aboriginal and treaty rights are not absolute³. They may be infringed providing the tests in *Sparrow* are met⁴. One of the components of the *Sparrow* test is whether the infringement of an aboriginal or treaty right can be justified. An element of this test is whether aboriginal people concerned have been consulted by the Crown.

The *Sparrow* analysis was also considered in *Delgamuukw v. British Columbia*⁵. In that case, the court held that there is a scale of importance regarding aboriginal rights and aboriginal title⁶. Aboriginal and treaty rights such as hunting, trapping and fishing are further down the scale from aboriginal title infringements and therefore do not require as onerous a level of consultation⁷. The court also found that the "nature and scope of the duty of consultation will vary with the circumstances"⁸. Thus, where the infringement is relatively minor, the level of consultation may be similarly less extensive. It should be noted that *Delgamuukw* was decided in relation to a claim of aboriginal title and all its commentary relates to consultation with respect to infringement of aboriginal title. It specifically

² [1990] 1 S.C.R. 1075

³ *Sparrow*, at 1109 and 1117; *Delgamuukw v. British Columbia* [1997] 3 S.C.R. 1010 at para. 160

⁴ The *Sparrow* analysis does not vary significantly between treaty and aboriginal rights.

⁵ [1997] 3 S.C.R. 1010

⁶ *ibid.* at para. 138

⁷ *ibid.* at para. 168

⁸ *ibid.*

distinguished aboriginal rights, such as the right to fish for food, from aboriginal title⁹ and appears to exclude them from requirements for economic compensation¹⁰. Comments with respect to consultation representing a virtual veto were also made in the context of aboriginal title, not aboriginal rights.

There is also a reciprocal duty on the part of First Nations people during consultation efforts "to express their interests and concerns once they have had an opportunity to consider the information provided by the Crown, and to consult in good faith by whatever means are available to them. They cannot frustrate the consultation process by refusing to meet or participate, or by imposing unreasonable conditions"¹¹.

Under the *Sparrow* analysis, aboriginal groups claiming infringement of aboriginal rights must demonstrate both the existence of the right and that it is being infringed. For example, in *R. v. Powley*¹², the court noted that hunting rights are "contextual and site-specific"¹³. The Powleys provided considerable evidence of their Métis group's historic use of the area in question for hunting. Parties cannot simply rely on sweeping statements about aboriginal and treaty rights being significantly infringed. They must provide support for these statements because the degree of infringement is a consideration.

Paramount accepts that sporadic use has been made of the significant discovery licence ("SDL") area for hunting, fishing and trapping by aboriginal groups in the area. These rights are protected by treaty. However, its efforts to determine the extent of that use have led it to believe that the difficulty of accessing the area and the fact that more productive habitats are close by means that such use was and continues to be relatively minimal. Requests for information to the contrary have not been provided through TK studies or have been met with an outright refusal to answer [Transcript of hearing, Volume II, p. 111, line 19 to p. 112, line 12].

The information Paramount has received leads it to believe that its project represents a minimal infringement, if any, on local groups' aboriginal or treaty rights, nor does the project significantly interfere with local groups' ability to engage in traditional activities. At the community meeting in Kakisa, for example, Paramount heard a trapper saying that he had not noticed any decrease in the wildlife in the Cameron Hills area and that it continues to be healthy. We also heard Chief Chicot say that Kakisa residents go into the Cameron Hills less to trap now because of the increase in development. However, Paramount's discussions

⁹ *ibid.* at para 169

¹⁰ The lands in question are currently covered by treaty which guarantees rights to hunt, trap and fish. Paramount acknowledges that there is currently a land claims process underway that will likely supercede the treaty, but for the moment, Paramount will operate on the basis that it needs to consider treaty rights where applicable, and elsewhere, aboriginal rights, but that the analysis pertaining to aboriginal title is not applicable.

¹¹ *Halfway River First Nation v. British Columbia* [1999] B.C.J. No. 1880 (B.C.C.A.) at para. 161

¹² [2003] SCC 43

¹³ *ibid.*, para. 19

with the aboriginal trapper who is active in the Cameron Hills area indicate that it continues to be a productive area for him. Although there appears to be some conflict in the information, even within Kakisa, the evidence suggests that the project is not causing significant impacts to traditional use activities like hunting and trapping.

The information that Paramount has is that the health of the waters is the most significant concern for local aboriginal groups. In that context, Paramount added extensive additional preventive measures to the project in order to protect watercourses. With respect to compensation for actual losses caused by its activities, Paramount continues to be committed to finalize the Wildlife Compensation Plan in order to accommodate aboriginal concerns.

Until recently, it was clear that the constitutional duty to consult was one that was held only by the Crown. This proposition has been questioned in British Columbia in *Haida Nation v. British Columbia (Minister of Forests)*¹⁴ and its rehearing¹⁵, in which it was found that there was also a duty on the proponent, Weyerhaeuser, to consult with the affected aboriginal group. This was a very novel finding and the case is currently under appeal to the Supreme Court of Canada. On reading the reasons of the rehearing it is difficult to determine the legal rule coming out of the case, except that on those particular facts and the statute in question, the proponent was required to consult with the Haida. The case does **not** clearly designate a general fiduciary or constitutional requirement for consultation by third party proponents, as suggested by some parties¹⁶. In addition, this is the law in British Columbia, not in the Northwest Territories, and was decided specifically with respect to an area that is not subject to treaty. The lands in the Cameron Hills are subject to treaty. The state of the law will remain unclear with respect to the duty of proponents like Paramount to undertake consultation under s. 35 of the *Constitution* until the Supreme Court of Canada renders a decision in this case. In the meantime, Paramount does not accept that it has a legal duty, separate from the Crown, to consult and accommodate aboriginal interests, other than fulfilling its obligations through the regulatory process and has nevertheless done extensive consultation.

Paramount does agree that it is in its best interests to participate in consultation activities undertaken by the Crown and to assist with accommodation of aboriginal rights and interests. However, it wishes to point out that, in this situation, "meaningful consultation" does not mean that all demands of potentially affected aboriginal groups, no matter how unreasonable or economically unfeasible, must be met before a project can go ahead. Consultation means that sufficient information is provided to the communities so that they are able to consider and comment in an informed manner regarding their concerns about the project. This process has been ongoing and Paramount has taken the information

¹⁴ [2002] B.C.J. No. 378 (B.C.C.A.)

¹⁵ [2002] B.C.C.A. 462

¹⁶ See paragraph 122 of the rehearing reasons: "In my view, Weyerhaeuser's duty to consult arose from the particular circumstances of this case."

received through this process and incorporated it into project design and planning. This process is ongoing and represents appropriate accommodation of aboriginal interests.

As a result of the foregoing, Paramount does not believe that it has separate requirement to put a further draft consultation plan to the communities. Paramount will continue with its ongoing community consultation activities and will do its best to address the legitimate concerns of the communities.

- 2) The communities will review, amend, and approve the Paramount and Government of Canada consultation plans in consultations with each organization.

Response:

See response to 6.1.4.1

- 3) These two community-approved consultation plans must be in place prior to any additional authorizations being issued by the MVLWB or the NEB to Paramount for this project.

Response:

See response to 6.1.4.1

- 4) The NEB is to inform and consult with the communities on any project variation applications received from Paramount.

Response:

N/A

- 5) The NEB is to provide the communities with copies of the Annual Reports required from Paramount on its Cameron Hills operations. If NEB approval of these reports is required then the NEB is to consult with the communities prior to that approval being issued.

Response:

N/A

6.2 Access and Benefits Agreements

Recommendations:

The communities are recommending that the following measures be applied by the Review Board:

- 1) Paramount must enter into Access and Benefits Agreement negotiations with the communities.

Response:

It is Paramount's position that the measures it has implemented to date adequately accommodate any infringement of aboriginal and treaty rights to this point, as well as other community concerns. It will participate in the conclusion of the Wildlife and Resource Harvesting Compensation Plan when the communities wish to re-start negotiation. These are treated lands and the right to direct economic benefit from the exploitation of the mineral rights belongs to the Government of Canada. These economic benefits will be shared with aboriginal communities through the Interim Measures Agreement. It is Paramount's position that an Access and Benefits Agreement for the Cameron Hills project would potentially overlap with the ultimate settlement of the Deh Cho Land Claims negotiation that is currently ongoing and therefore is not appropriate.

- 2) INAC is to fulfill the commitment it made in response to IR 1.2.31 in which INAC stated that it would provide funding to communities for Access and Benefits Agreement negotiations.

Response:

N/A

- 3) An Access and Benefits Agreement must be in place for each community prior to any additional authorizations being issued by the MVLWB or the NEB to Paramount for its Cameron Hills project.

Response:

N/A

6.3 Socio-Economic Agreement

Recommendations:

The communities are recommending that the following measure be applied by the Review Board:

- 1) Paramount, the GNWT and the communities must conclude a socio-economic agreement prior to the MVLWB or the NEB issuing any additional authorizations to Paramount for this project.

Response:

In summary, Paramount does not believe that a socio-economic agreement is necessary. The Benefits Plan is sufficient to ensure that socio-economic benefits accrue to northerners. Paramount has made and will continue to make every effort to hire as many northerners and northern business as are able to competently and cost-effectively do the work. This is the case even when the northern business or individual provides the service in question at a premium to a similar service offered by a southern company.

The following statements were presented by the DGGFN and FPRMB in section 6.3. We will address each of these statements individually in order to fully respond to recommendation 1 above.

- 1) In response to I.R. 1.2.26, INAC states, “The Benefits Plan is a best-case scenario. The legislation makes no reference to enforcing the Benefits Plan.” Basically, the Benefits Plan is not enforceable.

Response:

Paramount makes every effort to fulfill the elements of the Benefits Plan and reports on its progress to INAC annually. This is a publicly available document and will provide interested parties with information on economic benefits accruing to northern individuals and businesses. A list of these beneficiaries was provided by Shirley Maaskant during the hearing and is reproduced in response to 6.3 item 9 below. In addition, as the project expands, Paramount will be required to file new Benefits Plans. Should the Minister be unhappy with Paramount’s performance, it is doubtful that these Plans will be approved.

- 2) There are no ABAs in place for this project and Paramount has stated that it does not intend to complete ABAs with the communities. If the Review Board does not accept the ABA measure recommended by the communities, then a socio-economic agreement would be much more important.

Response:

Please see response to 6.2.1.

- 3) The GNWT has no formal role in how the project unfolds and impacts the Northwest Territories as a whole.

Response:

N/A

- 4) Paramount is refusing to adopt a sole-source contracting approach that would be more successful at creating local benefits from this project.

Response:

As stated by Paramount in its response to IR 1.2.29, Paramount's primary objective is to get the work done, in a safe, environmentally conscious manner, at reasonable cost. Due to the short winter activities window, multiple contractors are sometimes needed to meet time constraints. Sole sourcing would be unnecessarily constraining.

- 5) Paramount has refused to establish northern employment or business targets.

Response:

As Paramount has stated in its response to IR 1.2.14, due to fluctuations in both Paramount's level of activity, and the availability of willing and qualified northern workforce and services, Paramount is not prepared to provide minimum hiring targets.

As pointed out by Paramount in the hearing, Paramount is not opposed to 100% of the goods and services, and 100% of the Cameron Hills full time employees being sourced locally.

In I.R. 1.2.16, Paramount explains that it has committed to preferential hiring of firstly people from potentially affected communities, and secondly northerners, on the basis of qualifications and availability.

- 6) Paramount does not consider the development of sustainable local economies when making project decisions.

Response:

This response is provided to supplement Paramount's response to IR Number 1.2.53, which is provided here for clarity. In IR 1.2.53 the KTFN state:

“Developing a sustainable KTFN economy through non-renewable resource development requires the extraction of the natural resources to occur over a sufficiently long period of time to allow the KTFN economy time to diversify into other areas besides non-renewable resource development.

In listing the factors that Paramount used in scheduling project activities, the development of sustainable local economies is not mentioned.

Paramount's response to IR 1.2.53 was:

“As outlined in the DAR section 4.1.4 page 101, the proposed scheduling addresses the overall disturbance footprint, delayed regeneration of habitat

and extension of wildlife disturbances while still addressing economic considerations. Paramount does consider our commitment to utilize northern goods and services and personnel including those from KTFN.”

Paramount considers that the project duration of approximately 20 years, and the commitment to utilize local suppliers throughout the entire project duration, provides adequate time to allow local economies to diversify into other areas besides non-renewable resource development.

In addition, Paramount, through their DAR, predicts that the Cameron Hills development will not result in significant impacts to the environment. Inherent in this statement is the concept of sustainability as defined by the United Nations World Commission on Environment and Development (1987), i.e., “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.” In its assessment, Paramount did consider the sustainability of the people who may be affected and their communities in the short, medium and long term, as well as the sustainability of the natural resources. Paramount believes that the activities in the Cameron Hills will not result in a shift in a natural resource or human use that is unsustainable, on a regional basis.

- 7) Paramount has not been employing a meaningful and effective consultation process to ensure that the concerns of the local communities are collected and incorporated into the project design and mitigation methods.

Response:

Please see response to 6.1.4.1.

- 8) INAC has not been fulfilling Measure #16 from the Review Board’s Jan. 8, 2002 Report of EA concerning the content and distribution of Benefit Plan Annual Reports. It remains to be seen if INAC will follow through on its recent commitment to fulfill Measure #16.

Response:

N/A

- 9) Paramount has a history of being slow to pay its contractors, creating hardship for small northern companies and requiring the GNWT to provide assistance to these companies. In response to IR 1.2.98, Paramount refused to provide the information that was requested on this matter. The communities expect that this issue could be addressed within a socio-economic agreement.

Response:

The number of northern companies that provided services to the Projects was predicated by their availability of equipment and personnel. All terms of payment

were discussed with contractors before services were provided. In the last year, Paramount has greatly improved its payment timing. Northern and/or alliance companies that provided service to these Projects are as follows:

Bassett Petroleum, Caribou Motor Inn, Carter Industries, Chinook Energy, Concept Consulting, DDA Northern Safety Services, Dene Directional, Dene Oilfield, Denendeh Helicopters, Digaa Enterprises, Golder Associates, Greenway Realty, Hay River Disposal, IROC NWT, Ka'a'Gee Tu First Nation, Keith's Water Services, Kingland Ford, Les Norn Contracting, Midnight Petroleum, Nahendeh Land & Environmental, Northern Metallic Sales, Northern News, Northwestel Inc, PTI Premium Camp Services, Rowes Construction, Running Horse Resources, Shehtah Drilling, Stan Dean & Sons, Stitco Utilities, Total Oilfield, and Travers. Paramount's significant effort to provide contracting and employment opportunities to northerners resulted in over \$3,700,000 paid for northern services last year; 3200 person days of short-term employment in just 95 days and 50% of the long-term employment was filled by Aboriginal personnel. Paramount also submits that the above companies continue to provide services for the Cameron Hills project.

6.4 Environmental Agreement

Recommendations:

The communities are recommending that the following measure be applied by the Review Board:

- 1) Paramount, the Government of Canada (including the NEB), the GNWT and the communities must conclude an environmental agreement prior to the MVLWB or the NEB issuing any additional authorizations to Paramount for this project.

Response:

Paramount does not believe an Environmental Agreement is warranted for the Cameron Hills development. Paramount has committed to numerous mitigation measures to minimize the impact of the project on the environment in their current and previous Environmental Impact Assessments and Land Use applications and will continue to apply adaptive management techniques to further minimize effects. Examples of the commitments Paramount has made with regard to environmental protection include:

- A wildlife monitoring program;
- A revegetation plan;
- A revegetation monitoring program;
- Noise assessment surveys;
- A permafrost monitoring program;
- An access monitoring program;
- An Environmental Protection Plan Manual; and
- Continued air emission modeling, as appropriate.

In summary, the analysis undertaken in the DAR demonstrated that there would be no significant cumulative effects of this project. Paramount has consulted extensively with local communities and implemented changes to the project design to accommodate their concerns. Paramount will continue with this practice as the project moves forward. Where there is a technical issue or emergency that affects the health or safety of the communities, Paramount's procedures mandate that the local communities will be informed.

The following statements were presented by the DGGFN and FPRMB in section 6.4. We will address each of these statements individually in order to fully respond to recommendation 1 above.

- 1) Paramount did not consult with the communities on the VECs to be used in their Developer's Assessment Report (DAR) for this EA.

Response:

Paramount held an information session to review Paramount's status at Cameron Hills and a working session to discuss the cumulative effects assessment approaches proposed for the current environmental assessment, in Yellowknife on August 13, 2003. The following people were invited to that session:

Ka'a'Gee Tu First Nation	Lloyd Chicot	Chief
NWT Metis Nation	Rob Tordiff	President
Deh Cho First Nation	Herb Norwegion	Grand Chief
Mandell Pinder	Louise Mandell	
Dene Nation	Dr. Chris Paci	
Town of Hay River	Duncan McNeil	Mayor
DIAND	Maria Healy	
DIAND South Mackenzie Dist.	Ed Hornby	District Manager
National Energy Board	Terry Baker	Chief Conservation Officer
GNWT (RWED, DOT, Prince of Wales, MACA)	Gavin More	EA Analyst
Environment Canada	Wade Romanko	
Fisheries and Oceans	Bruce Hanna	
CPAWS	Jennifer Morin	Conservation Coordinator
Dene Cultural Institute	Raymond Sonfrere	Executive Director
Deh Cho Land Use	Heidi Wieb	Land Use Planner

Planning Committee		
MVLWB	Stephen Mathyk	Regulatory Officer
MVEIRB	Martin Haefele	
Gowlings	Alan Hollingworth	

In addition to the meeting notice, a draft agenda outlined prospective topics for the session. Item 6 of that agenda was described as – “*Discussion of cumulative effects assessment approaches, including cumulative effects study area, methods of assessment, modeling, receptors, impact criteria, thresholds and significance*”.

Subsequent to the session invitation, a working paper outlining Paramount’s proposed cumulative effects assessment approach was submitted for review and comment.

The VECs were presented in the working paper and discussed at the working session. At the end of the session, the participants were asked specifically if the VECs were acceptable. Based on the discussion and recommendations from the participants, two changes to the VECs were made: marten were used instead of fisher; and, forest songbirds were used instead of riparian songbirds. Paramount received no other correspondence with respect to the VECs and therefore conducted their assessment accordingly.

- 2) Paramount did not inform or involve the communities in the studies that were completed or the remediation efforts in relation to the erosion problems, pipeline breaks and fuel spills.

Response:

Paramount utilized technical and scientific experts in the studies that were completed, and the remediation efforts undertaken, in relation to the erosion problems, pipeline breaks and fuel spills. Paramount further undertakes to fulfill its obligations under current and relevant law, regulations, and guidelines, and their Emergency Response Plan, as they pertain to informing and consulting with the stakeholder communities with respect to these issues.

- 3) Paramount was not required to consult with the communities on the design of its wildlife monitoring program or to submit its reports to the communities.

Response:

As per MVEIRB EA Measure #9 in the Report of Environmental Assessment on the Paramount Resources Ltd. Cameron Hills Gathering System and Pipeline Development - Final Approved Measures (INAC), Paramount consulted with Environment Canada and the GNWT, with respect to the design of the wildlife monitoring program. The wildlife monitoring program data was to be

summarized periodically in a report that should be provided to the local First Nations, Environment Canada, GNWT, the MVLWB and the NEB.

Condition #41 of the Land Use Permit MV2000P0055 required that Paramount develop and implement a wildlife monitoring plan. As required by the condition, this plan was developed and implemented in consultation with Environment Canada and the GNWT and employs local First Nations to assist with it.

The distribution list for copies of the Paramount Resources Ltd./Paramount Transmission Ltd. Cameron Hills Gathering System and Transborder Pipeline Post Construction Wildlife Monitoring: Winter Track Counts (Golder Associates 2003) Report is: Government of Northwest Territories, Mackenzie Valley Land & Water Board; Environment Canada; Deh Gah Got'ie Dene First Nation; K'atlodeeche First Nation; Fort Providence Metis Nation; West Point First Nation; Mandell Pinder; Ka'a'Gee Tu First Nation; DIAND; and National Energy Board.

- 4) Paramount was not required to consult with the communities on the design of its revegetation plan or to submit its reports to the communities.

Response:

As per MVEIRB EA Measure #3 in the Report of Environmental Assessment on the Paramount Resources Ltd. Cameron Hills Gathering System and Pipeline Development - Final Approved Measures (INAC), Paramount consulted with the GNWT with respect to developing revegetation plans for areas that require remedial action.

Condition #69 of the Land Use Permit MV2000P0055, required that Paramount develop a re-vegetation plan. As required by the condition, the plan was developed in consultation with the GNWT.

- 5) Paramount was not required to consult with the communities on the design of its revegetation monitoring program or to submit its reports to the communities.

Response:

As per MVEIRB EA Measure #4 in the Report of Environmental Assessment on the Paramount Resources Ltd. Cameron Hills Gathering System and Pipeline Development - Final Approved Measures, Paramount developed and implemented a follow-up monitoring program to assess the vegetation recovery in both seeded and unseeded areas. Condition #16 of NEB Order EPO-01-2002 required that Paramount assess and report on the establishment of vegetation cover on areas disturbed during construction. The reports were submitted to the regulatory agencies.

Condition #70 of the Land Use Permit MV2000P0055 required that Paramount develop and implement a re-vegetation monitoring program. There was no requirement for community or regulatory consultation. The proposed monitoring program was submitted to the MVLWB as required by the condition.

The distribution list for copies of the Cameron Hills Gathering System and Transborder Pipeline Right-of-Way Revegetation, Permafrost and Access Monitoring Report (Golder Associates 2003) is: Government of Northwest Territories, Mackenzie Valley Land & Water Board; Environment Canada; Deh Gah Got'ie Dene First Nation; K'atloedeeche First Nation; Fort Providence Metis Nation; West Point First Nation; Mandell Pinder; Ka'a'Gee Tu First Nation; and National Energy Board.

- 6) Paramount was not required to consult with the communities on the design of its noise surveys or to submit its reports to the communities.

Response:

As per MVEIRB EA Measure #11 in the Report of Environmental Assessment on the Paramount Resources Ltd. Cameron Hills Gathering System and Pipeline Development - Final Approved Measures, Paramount completed a baseline noise survey and additional noise surveys after the commencement of operations. The measure states that copies of the report should be provided to the local First Nations, Environment Canada, the GNWT, the MVLWB and the NEB. Copies of these noise survey reports have been filed with the MVEIRB for this public hearing.

Condition #78 of the Land Use Permit MV2000P0055 required that Paramount submit to the Board for approval a baseline environmental noise survey, a noise survey within 60 days of project commencement, and noise surveys to identify changes in noise levels due to project modifications. There was no requirement for community or regulatory consultation. These reports have been filed with the MVLWB.

- 7) Paramount has not completed a Heritage Resources Impact Assessment or a Traditional Use Study that has been led and approved by the communities.

Response:

As per MVEIRB EA Measure #12 in the Report of Environmental Assessment on the Paramount Resources Ltd. Cameron Hills Gathering System and Pipeline Development - Final Approved Measures, Paramount was to revise their proposed heritage resource discovery process to incorporate the concerns of aboriginal communities, including the hiring of local environmental monitors to identify potential heritage resources.

During the winters of 2001/02 and 2002/03, Paramount retained a Kakisa band member to provide heritage resource monitoring during construction activities. Mr. Fred Simba was the on-site environmental and heritage monitor during the construction; however, no heritage resources were found. As such, no site-specific mitigation was required. Mr. Simba submitted a report that outlined his participation and findings relevant to the project.

Conditions #52 and 53 of the Land Use Permit MV2000P0055, required that the Paramount cease any activity which disturbs an archaeological, historical, and/or burial site and contact the MVLWB should an archaeological site of specimen be encountered or disturbed by any land use activity.

Condition #80 of the Land Use Permit MV2000P0055, required that the Paramount ensure that affected aboriginal communities; (a) are provided a copy of the Traditional Knowledge Study, conducted by Paramount and (b) have an opportunity to comment on the Traditional Knowledge Study and proposed mitigation measures. Copies of the confidential report were provided to the communities, and Paramount received comments from members of the West Point First Nation and Hay River/Hay River Reserve that the information is accurate, and consistent with information presented by band members.

Paramount completed the Heritage Resource Impact Assessment of Paramount Resources Proposed Cameron Hills Project Near Indian Cabins, Alberta. The HRIA was conducted under Northwest Territories Permit #2000-901 (Golder Associates 2001). Copies of the report were submitted to the Prince of Wales Northern Heritage Centre.

- 8) Paramount was not required to consult with the communities on the design of its permafrost monitoring program or to submit its reports to the communities.

Response:

Condition #81 of the Land Use Permit MV2000P0055 and Condition #14 of NEB COGOA Order EPO-01-2002, required that Paramount submit to the Board and the GNWT, and the NEB, respectively, reports related to permafrost identification and monitoring. There was no community or regulatory consultation requirement and these reports have been completed and submitted to the MVLWB, the GNWT and the NEB.

The distribution list for copies of the Cameron Hills Gathering System and TransBorder Pipeline Right-of-Way Revegetation, Permafrost and Access Monitoring (Golder Associates 2003) Report is: Government of Northwest Territories, Mackenzie Valley Land & Water Board; Environment Canada; Deh Gah Got'ie Dene First Nation; K'atlodeeche First Nation; Fort Providence Metis Nation; West Point First Nation; Mandell Pinder; Ka'a'Gee Tu First Nation; and National Energy Board.

- 9) Paramount did not consult with the communities on or provide copies of its Environmental Protection Plan Manual.

Response:

Paramount has consulted with the potentially affected communities on an ongoing basis, and openly accepts input and commentary on any and all topics/issues of concern, and prompts discussion regarding environmental protection.

Paramount and the MVEIRB have encouraged the DGGFN leadership, and individual members of the public, to formulate their thoughts with respect to environmental protection and submit them. The public at large is given every opportunity to become involved in the project through the regulatory process, and especially the public hearing, where the MVEIRB frequently invited presentations, questions, and statements of concerns from the public and stakeholders. Paramount would suggest that the DGGFN have had every opportunity to contribute to, and be heard on, the subject of environmental protection.

Copies of the Environmental Protection Plan Manual have been filed with the NEB. Paramount is interested in realizing greatest possible effectiveness from the environmental protection activities it undertakes and would welcome input from any stakeholder. The DGGFN are welcome to review the Environmental Protection Plan Manual and provide constructive feedback to Paramount at any time that is convenient to the DGGFN.

- 10) The NEB did not consult with the communities prior to approving Paramount's Environmental Protection Pan Manual.

Response:

N/A

- 11) Paramount, the NEB, the MVLWB and INAC all deny that they have any responsibility to inform or consult with the communities about environmental problems associated with the project.

Response:

In the Cameron Hills Emergency Response Plan, Paramount recognizes its obligation to inform affected communities, and residents, on environmental problems having potential to impact the public, and those that are judged to have impact on the public. More severe incidents, those categorized as level 2 or 3 in the ERP, result in immediate notification of the public. Level 1 incidents are those that are contained and can be dealt with by Paramount using its own

resources, and are judged to have no potential to affect outside third parties. These are less severe incidents.

It should be noted that where regulations exist for the reporting of even level 1 incidents, they are reported in accordance with those regulations. Those regulations however, frequently do not include reporting to the neighbouring communities. Paramount suggests that those reports are likely available to the public, from the regulator, on an as requested basis.

- 12) The NEB has approved project variations that increased SO₂ emissions without informing or consulting with the communities.

Response:

N/A

- 13) The NEB has not been providing the communities with copies of the Annual Report required from Paramount on its Cameron Hills operations.

Response:

N/A

6.5 Traditional Harvesting

Recommendations:

The communities are recommending that the following measures be applied by the Review Board:

- 1) Paramount is to discuss, develop and implement a wildlife and resource harvesting compensation plan with potentially affected First Nation communities – Deh Gah Got'ie First Nation, Fort Providence Metis, K'atlodeeche First Nation and West Point First Nation. The scope of the plan is to include compensation for resource harvesting activity losses resulting from the development such as for hunting, trapping, fishing and other traditional activities as agreed to by Paramount and the communities. The wildlife and resource harvesting compensation plan is to be completed as part of the Access and Benefits Agreement (ABA) negotiations.

Response:

Paramount has repeatedly indicated its willingness to continue with the negotiations to reach the Wildlife and Resource Harvesting Compensation Plan as soon as the communities indicate that they wish to re-start negotiations. However, it cannot negotiate the plan by itself. The potentially affected communities have to participate in that process or no agreement can be reached.

Paramount has already indicated why an ABA is not appropriate in its response to 6.2.1.

- 2) Unless otherwise approved by the communities, the wildlife and resource harvesting compensation plan must be in place prior to any additional authorizations being issued by the MVLWB or the NEB to Paramount for this project.

Response:

N/A

6.6 Traditional Land Use and Traditional Knowledge Studies

Recommendations:

The communities are recommending that the following measures be applied by the Review Board:

- 1) Paramount is to fund traditional land use and traditional knowledge studies that are led by the communities working with Paramount and its consultants. The particulars of completing these studies are to be discussed as part of the Access and Benefits Agreement negotiations.

Response:

Paramount has consulted with the communities and gathered information on Traditional Land Use and Traditional Knowledge. In the summer and fall of 2001, Paramount met with members of the following: Deh Gah Got'ie First Nation and Fort Providence Metis Nation; Dene Tha' First Nation; Ka'a' gee Tu First Nation; K'atlodeeche First Nation; and West Point First Nation. The purpose of these consultations was to collect information on traditional knowledge that the communities were willing to share, so that Paramount could use the information during project planning. This document remains confidential, as requested by the communities, and is not in the public registry. Further, Paramount hires Mr. Fred Simba, as a heritage monitor during their pipeline activities, to ensure that issues and/or concerns can be identified and addressed, as appropriate. Mr. Simba submits a daily report while on the project site that outlines if there are any issues or concerns he has with the project and how it is being conducted. It further addresses if any heritage sites are encountered. Mr. Simba also records any wildlife sighting he has observed during the day.

Paramount believes that adequate traditional knowledge has been gathered through its consultation activities and through concurrent studies, such as the one recently prepared and referred to at the hearing by the KTFN.

Paramount has already indicated why an ABA is not appropriate in its response to 6.2.1.

- 2) Unless otherwise approved by the communities, these traditional land use and traditional knowledge studies are to be completed prior to any additional authorizations being issued by the MVLWB or the NEB to Paramount for this project.

Response:

N/A

- 3) Any required mitigative measures identified by the studies must be incorporated into the project design and operations.

Response:

Paramount feels that appropriate mitigation measures in consideration of traditional land use and traditional knowledge have been and continue to be incorporated into its planning and operations on the Cameron Hills. Information collected during community consultation and traditional knowledge studies was kept in confidence, and used in planning, routing and mitigation design for project components completed to date, and will be used for future components, as appropriate.

6.7 Heritage Resources

Recommendations:

The communities are recommending that the following measures be applied by the Review Board:

- 1) Paramount is to fund Heritage Resource Impact Assessments (HRIAs) that are led by the communities working with Paramount and its consultants. The particulars of completing these studies are to be discussed as part of the Access and Benefits Agreement negotiations.

Response:

Paramount completed a Heritage Resource Impact Assessment (HRIA) for the Paramount Gathering System and Facilities in the NWT. The study was completed under Northwest Territories Archaeologists Permit #2000-901. The HRIA fulfils the requirements of the Mackenzie Valley Resource Management Act, as required by the Oil and Gas Directorate of INAC and the NEB.

Paramount has already indicated why an ABA is not appropriate in its response to 6.2.1.

- 2) Unless otherwise approved by the communities, the HRIAs must be completed prior to any additional authorizations being issued by the MVLWB or the NEB to Paramount for this project.

Response:

N/A

- 3) Any required mitigative measures identified by the HRIAs must be incorporated into the project design and operations.

Response:

Paramount feels that appropriate mitigation for heritage resources has been incorporated into their Cameron Hills project. Paramount conducted a HRIA in 2000, and the DAR incorporated heritage resource potential assessment within the SDL on the Cameron Hills, as part of the cumulative impacts assessment. Further, Paramount, as outlined in their response to IR 1.2.42, would adhere to the *Summary of Legislation Protecting Heritage Resources in the Northwest Territories* (PWNHC no date), sections 6(a) and 12 of the Mackenzie Valley Land Use Regulations.

- 4) Paramount shall ensure that a local aboriginal person hired as an environmental monitor has the responsibility for identifying aboriginal heritage resources during the project clearing, ground-breaking and trenching activities.

Response:

Paramount submits that the greatest potential for impacting significant heritage/historical resources is related to activities involving ground disturbance. These activities are limited to those involving the stripping of topsoil and earth movement, but exclude clearing. Clearing is typically completed under frozen ground conditions. Paramount acknowledges the benefit of involving a knowledgeable local community member to assist in the identification of heritage/historical resources discoveries during groundbreaking activities. Paramount therefore undertakes to have a member of a local community on site during groundbreaking activities to assist in the recognition of heritage/historical resources.

- 5) Paramount is to directly inform the communities when a potential heritage resource is discovered.

Response:

Paramount will adhere to the *Summary of Legislation Protecting Heritage Resources in the Northwest Territories* (PWNHC no date). Section 12 of the Mackenzie Valley Land Use Regulations states:

12. Where, in the course of a land use operation, a suspected historical or archaeological site or burial ground is discovered,

(a) the permittee shall immediately suspend operations on the site or burial ground and notify the Board or inspector; and

(b) the Board or inspector shall notify any affected First Nation and the department of the Government of the Northwest Territories responsible therefore of the location of the site or burial ground and consult them regarding the nature of the materials, structures or artifacts and any further actions to be taken.

Pursuant to the Canada Oil and Gas Geophysical Operations Regulations (COGGOR), Paramount must stop all work if a suspected historical or archaeological site or burial ground is discovered and reported to a Conservation Officer (COGGOR).

Therefore, it is Paramount's position that the notification of the First Nations, as requested by the DGGFN and FPRMB, is adequately addressed by the Regulations.

6.8 Timber Harvesting and Windrowing

Recommendations:

The communities are recommending that the following measures be applied by the Review Board:

- 1) The GNWT is to investigate Paramount's past use of timber to determine if Paramount has violated GNWT legislation. If yes, then the GNWT is to take appropriate steps to recover timber cutting and reforestation dues that should have been paid and apply punitive measures to the extent of the GNWT's authority.

Response:

N/A

- 2) Paramount must apply for a Forest Management Authorization for any use of timber, such as the construction of corduroy roads.

Response:

Paramount accepts its responsibility to comply with all applicable legislation, including the acquisition of a Forest Management Authorization should it wish to use any timber in the course of executing its work in the Cameron Hills.

- 3) Paramount must create windrow breaks at least 10 m in width at a maximum spacing of 100 m.

Response:

Paramount has proposed to create windrow breaks of 10 m in width every 400 m, as per Boreal Caribou Committee Guidelines, when windrows are created during clearing. To accommodate a 10 m wide break for every 100 m of windrow, Paramount would expect additional right-of-way space would be required to accommodate the storage. Further, Paramount considers their proposed windrow break spacing to be appropriate to provide wildlife movement and to mitigate the potential wicking effect during forest fires.

6.9 Watershed Protection

Recommendations:

The communities are recommending that the following measures be applied by the Review Board:

- 1) Paramount, the NEB, the MVLWB and INAC must inform and consult with the communities on potential or confirmed impacts to water quality. This includes, but is not limited to, any problems related to erosion, pipeline breaks, sedimentation, water crossings and water withdrawals.

Response:

Paramount submits that it has effectively informed and consulted with the communities on potential impacts to water quality, by way of previous environmental submissions and the current Environmental Assessment. For example, following consultation with the communities regarding concerns with water quality impacts, Paramount incorporated additional safety measures, including double walled pipeline and additional safety valves into its pipeline design. In addition, local individuals provide input onsite. Paramount further undertakes to fulfill its obligations under current and relevant law, regulations, and guidelines, as they pertain to informing and consulting with the stakeholder communities.

- 2) Paramount, in consultation and partnership with the communities, must complete baseline water sampling and implement a monitoring program with 3-month sampling intervals to determine if air emissions are having an effect on water quality.

Response:

Comments regarding the “high air emissions” of this project do not agree with the evidence presented in the DAR, the responses to IRs or the evidence heard during the public hearing. Paramount’s current and approved activities at Cameron Hills

are conservatively expected to emit less than 1.5 t/d (tonnes per day) of combined SO₂ and NO_x to the atmosphere. This level of emissions is expected to be less than the emissions released from community sources in the Deh Cho region, which include local vehicle use, power generation and home heating. Therefore, there does not appear to be any real justification for the proposed monitoring in the Cameron Hills, considering that these relatively small quantities of air emissions are not predicted to affect water quality.

In addition, the proposed monitoring program is not consistent with either the level of emissions or the potential relationship between air emissions and changes to water quality. Specifically, any potential effects of the air emissions from the project on water quality would only be measurable over the long-term. As such, monitoring on a 3-month interval would not be expected to provide useful information regarding the possible relationship between air emissions and water quality. Again, Paramount does not feel that the evidence presented in the DAR, the responses to IRs or during the public hearing supports the need for such monitoring.

6.10 Accidents and Malfunctions

Recommendations:

The communities are recommending that the following measures be applied by the Review Board:

- 1) Paramount must directly inform and consult with the communities on any erosion problems, pipeline breaks and spills. Community notification must occur within a similar timeframe as notification is provided to the NEB, the GNWT, INAC and/or the MVLWB.

Response:

In the Cameron Hills Emergency Response Plan, Paramount recognizes its obligation to inform affected communities, and residents, on environmental problems having potential to impact the public, and those that are judged to have impact on the public. More severe incidents, those categorized as level 2 or 3 in the ERP, result in immediate notification of the public. Level 1 incidents are those that are contained and can be dealt with by Paramount using its own resources, and are judged to have no potential to affect outside third parties. These are less severe incidents.

It should be noted that where regulations exist for the reporting of even level 1 incidents, they are reported in accordance with those regulations. Those regulations however, frequently do not include reporting to the communities. Paramount suggests that those reports are likely available to the public, from the regulator, on an as requested basis.

- 2) Paramount must complete a study on the potential relationships between heat transfer from the pipelines to the surrounding ground, melting permafrost, erosion and pipeline breaks. Paramount must develop and implement mitigative measures as part of this study. Paramount is to work with the communities on the completion of this study.

Response:

Paramount's approach is to design out the risks wherever practical. In that effort Paramount:

- has sited the pipeline routes to avoid areas of permafrost to the extent practical and to minimize crossings of the Cameron River and its major tributaries; and
- has used heavy wall pipe, which is able to safely bear the potentially increased stress.

Paramount also has on-going permafrost and erosion monitoring programs to detect deteriorating environmental conditions and to correct them before significant negative environmental impacts are realized. These monitoring programs are based on visual inspection. If excessive melting is noted, and if pipe support is possibly compromised, Paramount accepts the potential of having to excavate and rebed the pipe.

The potential for problems associated with and mitigative measures associated with erosion have been dealt with at length throughout the environmental assessment process so will not be reiterated here.

- 3) Paramount must undertake a study to investigate why its spill rate is far higher than the industry-wide figure. Paramount must develop and implement mitigative measures to bring its statistics in line with the industry-wide figure of 2%. Paramount is to work with the communities on the completion of this study.

Response:

Paramount acknowledges that the incident rate for the time involved at its Cameron Hills operations are above industry average overall. Experienced reviewers will acknowledge that new installations' incident frequency is generally higher than facilities that have been in operation for a longer period of time. Paramount's ongoing benchmarking activities provide substance to incident statistics and the development of mitigative measures to reduce and prevent recurrence of unplanned incidents as part of its Safety Program. Unplanned events are investigated, reported, and formal efforts to prevent recurrence are implemented. Continuous improvement is embedded in Paramount's culture.

- 4) Paramount must develop and implement a protocol to improve its handling of drilling muds and cuttings. Paramount is to work with the communities on the completion of this protocol.

Response:

Paramount has developed and implemented appropriate protocols for the handling of their drilling muds and cuttings. Paramount has incorporated several mitigation strategies (Sections 3.6.2 and 3.6.8 in the DAR) related to the management of the in-ground disposal of their cuttings, including:

- selecting sites with impermeable soils;
- avoiding areas of permafrost;
- obtaining INAC inspector approval for the site;
- using non-toxic drilling muds (i.e., GelChem);
- using the standard mix, bury and cover method for drilling waste disposal pits;
- compaction of backfill in lifts to mitigate post-abandonment subsidence, and capping (1 to 1.5 m in height) to compensate for any settling and to divert surface water away from the site; and
- restoring the site in a manner that is suitable to INAC.

As outlined in Paramount's response to IR 1.1.17: Paramount does not intend to contain drilling fluids in remote sumps. Paramount will contain drilling fluids in above ground tanks, reuse the drilling fluid as much as possible, and at the end of the drilling season, transport the fluids out of the area for disposal at an approved facility (see page 87 of the DAR). The drill cuttings will be contained in remote pits following appropriate testing.

The potential impacts from the pits containing drill cuttings are not considered to be long-term in duration. The text in 7.5.7.1.1 of the DAR states that the potential for long-term impact to groundwater quality is considered negligible. But the duration is considered to be short-term, because the solids, after appropriate testing do not contain elements that exceed regulatory parameters or guidelines. The drill solids are expected to consolidate on the parent material of the pit, and be stable and non-toxic.

- 5) Paramount must study the cause of its problems with sump subsidence, the potential impacts and risks of sump releases, and develop and implement mitigative measures. Paramount is to work with the communities on the completion of this study.

Response:

Paramount is not aware of any subsidence problems with its sumps. As stated in Section 3.6.10 of the DAR, Paramount's objective is to abandon and reclaim each site so that ongoing monitoring of any condition is not required. Paramount accepts its obligation to monitor the effectiveness of abandonment and

reclamation efforts for at least the one year after a site is reclaimed, and beyond the first year until satisfactory reclamation conditions prevail. If the site is stable, and revegetating satisfactorily, no further monitoring or activity will be undertaken and the site will be considered reclaimed. If however, one year after a site is initially abandoned, evidence of the need for further restoration work is required, a remediation plan will be developed for review and acceptance by the INAC Resource Management Officer. That remedial plan may be limited to seeding bare or erosion prone areas.

Paramount's operators conduct ongoing monitoring of the Cameron Hills project. With respect to ongoing monitoring, Paramount has provided training (summer 2003) to their operators, related to the recognition, appropriate response, and reporting of erosion, that have been incorporated into ongoing inspections. As such, Paramount submits that the project is undergoing adequate monitoring, and that additional studies are not warranted.

- 6) INAC and the NEB must provide the communities with copies of inspection reports within 1 week of the inspection occurring. INAC and the NEB must also provide the communities with copies of any orders or instructions that are issued to Paramount within 1 week of the order or instruction being issued.

Response:

N/A

6.11 Access

Recommendation:

The communities are recommending that the following measure be applied to the Review Board:

- 1) Paramount must install, and keep locked, a gate across the winter access road to the Cameron Hills. The gate is to be unlocked only to allow Paramount vehicles to pass. Community vehicles will also be permitted to go through the gate.

Response:

As Paramount pointed out in its response to IR 1.1.31, it is currently Paramount's information that it has no authority to limit public access to the site.

6.12 Air Quality

Recommendations:

The communities are recommending that the following measures be applied by the Review Board:

- 1) Paramount is not to install any stacks that are higher than the average height of the surrounding vegetation.

Response:

The use of stacks of an appropriate height to ensure effective dispersion is neither a new, nor outdated approach. Regulatory agencies would not allow Paramount to construct stacks that are too short for their specific location. Despite the suggestions by some parties, Paramount is not planning to use very tall stacks, by industry standards, at the Cameron Hills. The situations where slightly taller stacks are being proposed occur when the wells and associated equipment are located in low areas. In these situations, taller stacks would not be visible from Highway 35 or from north of the project around Tathlina Lake (see Section 7.12.6 of the DAR).

- 2) Paramount is to immediately install a fuel gas sweetening unit.

Response:

The evidence presented in the DAR, in the responses to the IRs and during the public hearing do not support the recommendation for the immediate installation of a fuel gas sweetening unit at Cameron Hills. Even with all of the conservative assumptions included in the emissions modelling, the maximum SO₂ concentrations comply with the respective NWT air standards, even under worst case meteorological conditions. These standards were acknowledged to be protective of health and the environment by GNWT, and certainly include built-in margins of safety. Furthermore, the MVEIRB has confirmed that it had “...already established that the individual components of the development under assessment (i.e., drilling, testing and tie in of oil and gas wells) generally are not likely to have a significant adverse effect, if considered in isolation.”

The gas sweetening system proposed by Paramount for the speculative Planned Development Case would only supply sweet fuel to the equipment located at the central battery, which might require this sweet fuel to operate correctly. The sweet fuel from such a unit would not be used to fuel all of the combustion equipment at the well sites. Further, attempting to go back and install additional fuel lines to the well sites could result in additional disturbances. Paramount has identified, and in some cases implemented, a combination of alternative actions that ensure air quality impacts are avoided in the most effective manner. These include actions such as:

- Avoiding the use of fired heaters at gas wells where possible. Evidence was heard during the hearing that the line heater at N-28 is not used. In

addition, we also heard about well A-05, which does not have a line heater at all. Avoiding fired sources at the gas wells whenever possible is the most effective measure to avoid air impacts.

- Using electric pumps, wherever possible, at the oil wells. Paramount confirmed during the hearing that the F-73 and H-03 oil wells are both equipped with electric pumps. Using electric pumps at oil wells, whenever possible, is a more effective measure to avoid air impacts than using sweet fuel.
- Using alternative fuels, such as propane, for the line heaters at remote well sites within the SDL. In the DAR, Paramount proposed using propane as a fuel source for any line heaters at the applied for G-48 well. If the fired source at this well cannot be avoided (this can only be determined once the wells are drilled and completed), then using propane as a fuel source will eliminate the potential air impacts without creating additional disturbances.
- When it was not feasible to avoid the use of combustion equipment, Paramount designed the project to use stacks of an appropriate height to ensure potential air impacts were avoided.

To summarize, the evidence presented in the DAR, in the responses to the IRs and during the public hearing supports Paramount's position that a fuel sweetening system is not currently required at Cameron Hills, nor is it required to support the current application before the Board. The conservative dispersion modelling shows that, even under worst case meteorological conditions, no air quality impacts are expected. All of the maximum SO₂ concentrations were predicted to be less than the NWT air standards, which were acknowledged by GNWT as being protective of both health and the environment.

- 3) EC and/or the GNWT are to install a meteorological station and air quality monitoring equipment on the Cameron Hills.

Response:

The evidence presented by the GNWT during the public hearing confirms that the five years of meteorological data used in the dispersion modelling presented in the DAR was adequate to capture the full range of possible meteorological conditions at the site. Specifically, we heard Mr. Graham Veale of RWED state that "*...I would certainly agree that the use of five (5) years of meteorological data would give you adequate coverage of all potential meteorological scenarios.*" Paramount agrees with the GNWT that the five years of data from Fort Smith used in the DAR gives adequate coverage of all potential meteorological conditions and, as such, feels that there is no immediate need for site-specific

meteorological data at the Cameron Hills. Notwithstanding this, Paramount would not concur with the suggested location for the installation and operation of a meteorological station by Environment Canada and the GNWT. If these agencies were to install and operate a meteorological station in the Cameron Hills for the purposes of enhancing their understanding of the conditions at the project, then locating such a station at the fire tower would not be appropriate. The appropriate location for Environment Canada and the GNWT to install and operate a meteorological station, should they choose to do so, would be in proximity to the central battery.

- 4) The NEB, the MVLWB, INAC, the GNWT, and Environment Canada are to work together, and with the communities, to develop an air quality monitoring and enforcement protocol for this project.

Response:

Paramount does not believe that further air quality monitoring is required, but Paramount would appreciate the opportunity to be included in discussions related to the development of any air quality monitoring protocol.

- 5) All recommendations made by the GNWT and Environment Canada must be implemented.

Response:

Care should be taken before blindly implementing all of the recommendations made by the GNWT and Environment Canada regarding air quality. For example, when Mr. Graham Veale of the GNWT was asked whether he had considered other possible environmental effects associated with his recommendations, he indicated that “...*No, my expertise is solely in terms of air quality and -- and those types of mitigation measures. I'm not an expert on habitat or anything like that, so no, that was not considered.*” The MVEIRB should therefore use caution to ensure that any recommendations made by Environment Canada or the GNWT regarding air quality are carefully thought out and include input from a range of experts within the government before being adopted.

6.13 Drugs and Alcohol

Recommendations:

The communities are recommending that the following measure be applied by the Review Board:

- 1) The NEB and INAC must look for and include any drug or alcohol observations in their inspection reports.

Response:

N/A

6.14 Plants

Recommendations:

The communities are recommending that the following measures be applied by the Review Board:

- 1) Paramount is to fund a traditional plant use study led by the communities working with Paramount and its consultants. The study is to evaluate how the project impacts upon traditionally used plants, such as rat root, and how the project impacts upon the community's plant gathering patterns. This study can be completed as part of the traditional land use study recommended in Section 7.6. The particulars of completing this study is to be discussed as part of the Access and Benefits Agreement negotiations.

Response:

The Paramount Cameron Hills project area has winter access only for vehicles, and is considered to be remote. Further, the DAR predicts that even under the Planned Development Case, only 2.2% of the Terrestrial Study Area would be disturbed. Paramount has minimized the level of disturbance to the extent practical during their project activities on the Cameron Hills. Paramount:

- uses existing disturbance corridors to obtain the shortest feasible routes;
- limits disturbance of sensitive habitat, and, in particular, the riparian areas associated with the Cameron River and the larger tributaries; and
- limits the number of water crossings, particularly the Cameron River.

Construction is conducted only during the winter months, under frozen ground conditions, when most plants are dormant.

Plants and their traditional uses were a component of the Traditional Land Use Study completed by Paramount and the communities. Although this information is confidential, it was considered during the planning process, as it relates to minimizing the amount of disturbance resulting from the project.

Considering the above discussion, Paramount feels that a study focused on traditional plants on the Cameron Hills is not warranted. Further, considering that the Paramount access is winter only, affects to plant gathering patterns are not expected.

Paramount has already indicated why an ABA is not appropriate in its response to 6.2.1.

- 2) Unless otherwise approved by the communities, this plant study is to be completed prior to any additional authorizations being issued by the MVLWB or the NEB to Paramount for this project.

Response:

N/A

- 3) Any required mitigative measures identified by the study must be incorporated into the project design and operations.

Response:

As discussed above, in the response to 6.14.1, Paramount feels that the mitigation measures presented in the DAR are appropriate to protect vegetation communities, including traditional use plants, within the Cameron Hills.

6.15 Wildlife

Recommendations:

The communities are recommending that the following measures be applied by the Review Board:

- 1) All recommendations made by the GNWT must be implemented.

Response:

Paramount has responded to the recommendations made by the GNWT in response to the GNWT technical report.

- 2) Paramount is to fund a study of the impacts on wolves and wolverines. The study is to be led by the communities working with Paramount and its consultants.

Response:

Paramount recognizes that wolves and wolverines are ecologically and culturally significant wildlife species that may occasionally be found within the Cameron Hills Project area. However, as stated in section 7.1.1.3 of the DAR it “is not practical to study all ecosystem components within an area, those representative of public and scientific values are typically chosen for management purposes.” The wildlife VECs that were assessed included: moose, woodland caribou, marten and forest songbird communities. As moose and caribou would form a large portion of the prey base for wolves and wolverines, effects assessed for these VEC species could be similarly interpreted for wolves and wolverines.

Considering the concentration of the operation’s disturbance within defined corridors, winter only construction, and the mitigation plans incorporated into the DAR related to habitat protection, and the 2.2% disturbance level within the

Terrestrial Study Area, Paramount feels that a study of the impacts on wolves and wolverines is not warranted.

- 3) Paramount is to fund a study of the impacts on wildlife due to project odors and reduced visibility. The study is to be led by the communities working with Paramount and its consultants.

Response:

Paramount has used air dispersion modeling to ensure that stack heights and production equipment planned for use in the Cameron Hills will allow Paramount to meet the NWT Air Quality Standards. Odours and visibility were covered in the DAR through the key indicators used in the air quality assessment. For example, odours were evaluated through the use of hydrogen sulphide (H₂S) as a key air indicator. This compound will be the primary source of potential odours emitted from the Cameron Hills operations. The maximum predicted H₂S ground-level concentrations for the Baseline, Application and Planned Development Cases were 4.8, 4.8 and 4.9 µg/m³, respectively. These maximum concentrations are below the accepted odour threshold for H₂S of 14.1 µg/m³. Therefore, there should be no noticeable odour impacts. However, the impacts associated with detectable odours are highly personal and subjective.

The reference to odour thresholds in the response to IR 1.2.64 does not relate to any regulatory guideline, rather it refers to the concentration at which a substance should become detectable as an odour. Since the maximum concentrations of H₂S were predicted to be less than half of the levels where there should be detectable as odours, no noticeable impacts were expected. However, the response goes on to indicate that odour can be highly personal and subjective. Therefore, it is possible that certain individuals will be able to instantaneously detect odours at lower levels if they are highly sensitive to the smell of H₂S, or are highly conscious of the potential for H₂S odours.

Emissions from projects similar to the Cameron Hills Expansion can affect visibility in two ways, namely:

- are the facilities visible; and
- will the emissions from the project contribute to regional haze and degrade visibility.

Whether the facilities are visible is dealt with directly in Section 7.12 of the DAR, which looks at aesthetics. The reader is directed to this section of the report for a discussion on direct visible impacts.

The indirect effect of emissions from the Cameron Hills expansion on regional haze is related to the expected changes in fine particulate (PM_{2.5}) concentrations,

including both primary particulates (i.e., PM_{2.5} that is directly released from the project) and secondary aerosols (i.e., PM_{2.5} that forms in the atmosphere as a result of gaseous emissions [e.g., SO₂ and NO_x] from the project). However, PM_{2.5} levels in the Cameron Hills area are not expected to experience measurable changes as a result of the project. The Cameron Hills Expansion project is expected to result in 0.0076 t/d of direct PM_{2.5} emissions (see Section 7.2.5.2.3 of the DAR), which equates to expected 24-hour PM_{2.5} concentrations less than 1 µg/m³. The secondary aerosol levels are expected to be lower, since the combined SO₂ and NO_x emissions are less than 2.5 t/d. In the Athabasca Oil Sands Region of northeastern Alberta, secondary PM_{2.5} levels of 8 µg/m³ have been associated with combined NO_x and SO₂ emissions of 580 t/d, almost 300 times the emissions in the Cameron Hills area.

Considering the above, which is restated from the response to IR 1.2.64, Paramount feels that a study of the impacts on wildlife due to project odours and reduced visibility is not warranted.

- 4) Unless otherwise approved by the communities, these wildlife studies are to be completed prior to any additional authorizations being issued by the MVLWB or the NEB to Paramount for this project.

Response:

N/A

- 5) Any required mitigative measures identified by the wildlife studies must be incorporated into the project design and operations.

Response:

The reader is referred to the responses for 6.15.2 and 6.15.3 above.

- 6) Paramount is to consult with the communities on modifications to its wildlife monitoring program.

Response:

Paramount feels that modifications to their winter track count survey are not warranted. Local community members assist with the completion of these track surveys and provide additional information during the program. However, Paramount has acknowledged that better location information for any observations entered onto their Wildlife Sighting Cards would provide more precise and useful data. As such, Paramount is proposing to copy a small, general project area map on the back of the cards that would be marked, to more accurately indicate the sighting location.

6.16 Pipeline and Access Route Selection

Recommendations:

The communities are recommending that the following measure be applied by the Review Board:

- 1) The NEB and the MVLWB, in consultation with the communities, must establish a set of criteria and criteria weighting to be used for the selection of project pipeline and access routes.

Response:

N/A

Paramount is distributing copies of these Responses as outlined in the attached distribution list. Please contact Lloyd Doyle at (403) 290-3673 should you require further information.

Yours truly,

PARAMOUNT RESOURCES LTD.

Lloyd Doyle
Corporate Operating Officer