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ENVIRONMENTAL IMPACT
REVIEW BOARD

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*Pls. find attached the response to
Mr. Allan Chodry's Jan. 30, 2006 letter.*

From:

The Executive Office
Indian & Northern Affairs Canada
Northwest Territories
Box 1500
Yellowknife, NT X1A 2R3
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Your file - Votre référence

Our file - Notre référence

March 30, 2006

Mr. Allan Landry
Ka'a'Gee Tu Band Councillor and Oil and Gas Advisor
Ka'a'Gee Tu First Nation
Kakisa Lake c/o P.O. Box 4428
HAY RIVER, NT X0E 1G3

Fax: 867-825-2002

Dear Mr. Landry:

RE: Paramount Resources Ltd.'s 6 Well Land Use Permit and Water Licence Applications (MV2005L1-0013/MV2005A0030)

Thank you for your letter dated January 30, 2006, requesting that Canada reconsider its position declining to refer applications MV2005A0030 and MV2005L1-0013 to environmental assessment under Article 12 of the *Settlement Agreement*. I apologize for the delay in responding to your request.

These applications relate to wells within Paramount Resources Ltd.'s Cameron Hills Extension Project, which was referred to Mackenzie Valley Environmental Impact Review Board (the "Review Board") for Environmental Assessment by the Mackenzie Valley Land and Water Board in 2003. The stated reasons for the referral were the potential for public concern and significant environmental impacts related to cumulative effects.

The Review Board's documents as they relate to the scope of the Extension Project indicate that the Review Board contemplated from the outset, and considered in its conclusion, that the Project development had some flexibility in a number of areas including well location:

1. Terms of Reference, issued August 8, 2003, states that the environmental

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assessment included "all reasonably foreseeable activities by Paramount Resources to extract oil and gas from the Cameron Hills Significant Discovery Licence Area."

2. Section 2.4.2. of the Report of Environmental Assessment affirms that the "scope of the assessment focussed on the cumulative effects of drilling, testing and tie-in of up to 50 additional wells over a period of 10 years, production of oil and gas over 15 to 20 years, and abandonment and reclamation of the entire development."
3. Section 4.2.4.3. of the Report of Environmental Assessment notes that this flexibility "is not a criticism of Paramount or other operators, rather it reflects the reality that the exact location and sequence of petroleum development activities cannot be accurately predicted. In all probability therefore, the predicted locations of future well sites *will* be wrong."

As a consequence, Indian and Northern Affairs Canada continues to be of the opinion that the six wellsites in the above mentioned Land Use Permit and Water Licence applications, do fall within the Planned Development Case of the approved Report of Environmental Assessment (EA03-005), and that Part V of the *Mackenzie Valley Resource Management Act* has been satisfied.

Therefore, Indian and Northern Affairs Canada will not act on your request for a referral to environmental assessment under Article 12 of the *Settlement Agreement* between the Dehcho First Nations and the Government of Canada for these matters.

If you have any questions, please contact Mr. David Livingstone at 867-669-2647.

Sincerely,



Bob Overvold
Regional Director General
Indian and Northern Affairs
NWT Region

c.c.: Grand Chief Herb Norwegian
Dehcho First Nations

Gabrielle Mackenzie-Scott
Chair, Mackenzie Valley Environmental Impact Review Board

Eric Menicoche
Chair, Mackenzie Valley Land and Water Board

Shirley Maaskant
Manager, Regulatory and Community Affairs
Paramount Resources Ltd.