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December 21, 2006

Mackenzie Valley Environmental Impact Review Board
200 Scotia Centre
P.O. Box 938, 5102-50th Ave.
Yellowknife, NT X1A 2N7

Attention: Mr. Patrick Duxbury

Dear Sir:



Re: Reasons for Decision ("Reasons") and Report of the Environmental Assessment of EA0506-007, Paramount Resources Ltd. Significant Discovery License 8 2D Geophysical Program (SDL8) ("Report")

With reference to the Reasons and the Report which Paramount has analyzed, we have some serious concerns about the observations made and resulting conclusions reached by the Mackenzie Valley Environmental Impact Review Board ("MVEIRB"). More specifically that:

- 1) Paramount's seismic activity which involves about 42 km of seismic lines, over half of which consists of existing lines, "is likely to cause significant adverse impacts on boreal caribou."
- 2) The actions necessary to prevent or mitigate significant adverse environmental impacts include Measure (1): "To prevent a significant adverse impact to boreal caribou, cutlines for the SDL8 program shall be meandering with a maximum width of 2.5 metres."

There appears to be little detail in the Report as to how the MVEIRB determined the significance of the impact or determined how the recommended measures would effectively diminish or reduce significant impact on the boreal caribou. From our review of the various sources referenced by the MVEIRB and the information requests ("IRs") submitted by various parties, it is not apparent that 42 km of seismic lines (as noted above, of which 24.5 km is already existing) would have significant impact on boreal caribou or that this impact would be mitigated by reducing cutline widths to 2.5 m.

At this time, environmental thresholds to protect the boreal caribou in the Northwest Territories have not been defined. As recognized by the experts at the Government of the Northwest Territories ("GNWT"), "not enough is known about appropriate thresholds of industrial activities to mitigate direct and indirect impacts to boreal caribou with certainty". Given what seems to be an absence of applicable environmental thresholds, it is unclear as to how the MVEIRB could state that Paramount's exploratory activity involving about 20 km of new seismic lines in winter would lead to significant impact.

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To mitigate this significant impact, the MVEIRB has recommended meandering cutlines with a maximum width of 2.5 m. While the MVEIRB has noted several sources, it is unclear from those studies cited that a cutline width of 2.5 m would be effective. None of the sources cited seem to draw a specific correlation between seismic cutline widths and impact on the boreal caribou based on reliable scientific research. It is our understanding that it is the level of human activity rather than the width of cutlines that affects movement of the boreal caribou and that implementing blocking lines mitigates the effect of human activity.

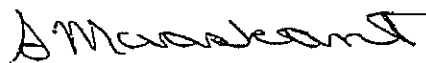
In the absence of scientific certainty, adoption of the precautionary principles may be appropriate and with this in mind, we proposed mitigation measures that exceed the INAC Environmental Guidelines for Northern Seismic Operations. We specifically chose winter access to minimize the impact on the ground. However, by implication, this means that we may need wider cutlines to allot space for snow piles and mulchers. Balancing all the factors such as environmental impact, safety, and economics and in the absence of any supporting data dealing with the effect of cutline widths on the boreal caribou, we proposed what we felt was the most reasonable approach. In this regard, the National Energy Board (NEB) recognized that appropriate measures were being adopted in respect of development in the Northwest Territories. The NEB stated in their response to an IR dated May 2, 2006 that:

[T]he best practicable seismic exploration practices are being employed in the Northwest Territories...[A]uthorized geophysical operations in the Northwest Territories have protected the environment when the company's proposed mitigation measures, operating procedures and permit conditions have been fully implemented.

So in this context, we are seeking clarification as to how the MVEIRB arrived at its conclusions regarding the impact of the activity, how the recommended measure was developed and which studies were relied upon by the MVEIRB. This further clarification is important for not only this project but for any future oil and gas related exploratory or development activity in the Northwest Territories where caribou may be present, as to date all access roads, wellsites and pipeline right-of-ways exceed 2.5 metres in width. From our point of view as a resource developer in the Northwest Territories, it is important we clarify these matters raised with the MVEIRB now. We look forward to receiving your early response and assistance.

Yours truly,

PARAMOUNT RESOURCES LTD.



Shirley Maaskant
Manager, Regulatory and Community Affairs

CC: Distribution List

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