National Energy Board | Office national de l'énergie

File: WID# 2032, 2033 & 2034
11 January 2006

Mr. D. Block
Drilling Consultant
Paramount Resources Ltd.
4700 Bankers Hall West
888 - 3rd Street SW
Calgary, AB T2P 5C5
Facsimilie (403) 266-6032

Dear Mr. Block:

Approval to Drill a Well for: Para et al Cameron J-74
Para et al Cameron L-73
Para et al Cameron J-04

Thank you for your submission of the drilling program for the wells Para et al Cameron J-74, L-73 and J-04 and supplementary data received 6 January 2006. Paramount Resources Ltd. is hereby given approval to drill the wells Para et al Cameron J-74, Para et al Cameron L-73 and Para et al Cameron J-04 as per section 83 of the *Canada Oil and Gas Drilling Regulations*. Attached is a signed ADW form for each well which is to be posted in a conspicuous place at each appropriate drill site as per the *Canada Oil and Gas Drilling Regulations.* Any changes or deviation from the program will require the additional specific approval of the Chief Conservation Officer.

Please be reminded that all oil and gas activities are, at minimum, to meet the requirements of the *Canada Oil and Gas Drilling Regulations*, the *Oil and Gas Occupational Safety and Health Regulations* and the *Canada Labour Code, Part II.*

Please note conditions and items on attachment. If you have any questions, please contact Richard Turner at 299-3868.

Yours truly,

Bharat C. Dixit
Chief Conservation Officer

Attachment

cc: G. Green (INAC)

Canada

Attachment
Approval to Drill a Well for Para et al Cameron J-74, Para et al Cameron L-73 and Para et al Cameron J-04

1. The Approval to Drill a Well form is to be displayed at a prominent place on the drill site as per section 103 of the *Canada Oil and Gas Drilling Regulations*. Also, copies of the *Canada Oil and Gas Drilling Regulations* as well as the *Oil and Gas Occupational Safety and Health Regulations* are to be kept at the drill site and available on request by any person on the drill site (section 102 of the *Canada Oil and Gas Drilling Regulations* and paragraph 125.(1)(e) of the *Canada Labour Code, Part II*, respectively).

2. Drill Cuttings Sampling Requirements:

   a) Cameron J-74
   For 10 metre samples: N/A
   For 5 metre samples: 1300m – TD, 2 sets of 11 mg vials (NEB), 1 set 11 mg vials (Paramount Resources Ltd.), 1 bagged set (500 gm minimum, dried) (NEB);
   Canned samples intervals: 425m – TD, 10 metre intervals, 1 set (one litre plastic containers) (NEB)

   b) Cameron L-73
   For 10 metre samples: N/A
   For 5 metre samples: 1300m – TD, 2 sets of 11 mg vials (NEB), 1 set 11 mg vials (Paramount Resources Ltd.), 1 bagged set (500 gm minimum, dried) (NEB);
   Canned samples intervals: 425m – TD, 10 metre intervals, 1 set (one litre plastic containers) (NEB)

   c) Cameron J-04
   For 10 metre samples: N/A
   For 5 metre samples: 1300m – TD, 2 sets of 11 mg vials (NEB), 1 set 11 mg vials (Paramount Resources Ltd.), 1 bagged set (500 gm minimum, dried) (NEB);
   Canned samples intervals: 425m – TD, 10 metre intervals, 1 set (one litre plastic containers) (NEB)

   d) All samples must be delivered to the Geological Survey in Calgary at 3303 33rd Street NW to the attention of the Head, Core and Sample Repository. A copy of the core and sample transmittal letter must be forwarded to the Chief Conservation Officer at the National Energy Board.

   e) Other than geochemical jar samples intended for GSC analysis, NEB sample sets cannot be utilized for a company's private analysis as these sets form the public record. Your company should acquire additional sample set(s) at the time of drilling if private analysis is planned. Otherwise, you are referred to the NEB's *Studying and Sampling Well Materials from Frontier Wells* for authorizations.

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3. Well suspension or abandonment operations are required to meet the requirements of the *Canada Oil and Gas Drilling Regulations*. Upon program termination a "Well Termination Record" is required to be submitted complete with a wellbore schematic.

4. Geological reports (including descriptions, strip logs and gas detection readings) and daily drilling reports are to be emailed to dailyreports@neb-one.gc.ca or faxed daily by 8:30 am to the attention of the Chief Conservation Officer (fax number (403) 292-5876). Please contact Lori-Ann Sharp ((403) 299-1994) or Trena Barnes ((403) 299-3192) should there be any difficulty in delivery of the daily drilling reports.

5. Please submit 2 paper copies of final log prints and all digital log files in LASII format on compact disc. Please ensure compact discs are maximized and submitted with the final well report.

6. Additional information to be filed with the Chief Conservation Officer includes a description of drill chip samples, core, fluid samples and DST results. Analyses performed on any and all core, pressure data and temperature data must be submitted.

7. Please include a final well survey signed by a Canada Land Surveyor in the final well report.

8. Unless otherwise directed by the Chief Conservation Officer, Paramount shall implement or cause to be implemented all of the policies, practices, mitigative measures, recommendations and procedures for the protection of the environment included in or referred to in the operator's application, subsequent submissions and committed to by Paramount in the Mackenzie Valley Environmental Impact Review Board Environmental Assessment process (EA03-005).

9. Paramount shall ensure that the environmental protection plan required under section 60 of the *Canada Oil and Gas Production and Conservation Regulations* includes:

    a. current mitigation, monitoring and remediation commitments with respect to environmental protection for all construction and operation activities to be carried out in the Cameron Hills field; and,
    b. a plan for notification of government agencies and other affected parties in the event of an unforeseen construction or operational incident that affects components of the environment.

10. Paramount shall ensure that in the event its activity is cause for any deposit of sediment into a water body/watercourse, it immediately implements mitigation or remediation measures and notifies the Chief Conservation Officer, Fisheries and Oceans Canada, Environment Canada and the Ka'a'Gee Tu First Nation.

11. Paramount shall meet the Guideline for Ambient Air Quality Standards in the Northwest Territories when conducting any flaring.

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12. Paramount shall ensure that the annual environmental report required under section 88 of the *Canada Oil and Gas Production and Conservation Regulations* includes:

    a. confirmation in plain language, by an officer of the company, that the authorized construction activity was completed in compliance with all applicable conditions in this authorization. If compliance with any of these conditions cannot be confirmed, the officer of the company shall file with the Chief Conservation Officer details in plain language as to why compliance cannot be confirmed or a plan for achieving compliance; and

    b. a description of all environmental mitigation and remediation measures taken by Paramount in response to sediment deposits into a waterbody/watercourse and areas of erosion in the Cameron Hills field.

13. Paramount shall ensure that the components of the annual environmental report required under section 88 of the *Canada Oil and Gas Production and Conservation Regulations* are made readily available to the Parties to the Environmental Assessment (EA03-005) and the public in a manner approved by the Chief Conservation Officer.

14. Paramount shall submit all components of the annual environmental report for the Cameron Hills field required under section 88 of the *Canada Oil and Gas Production and Conservation Regulations* to the Chief Conservation Officer by June 1, 2007 for the year 2006 and yearly thereafter.

NATIONAL ENERGY BOARD
Exploration and Production
JAN 06 2006

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Exploratory	☐			Delineation	☐
Development	☒	Other	(N/A)	Service	☐

APPROVAL TO DRILL A WELL

This application is submitted under Section 82.(1) of the *Canada Oil and Gas Drilling Regulations* (SOR/79-82). When approved under Section 83 of the Regulations it is the requisite approval for the commencement of drilling operations.

Well Name:	Para Et Al Cameron J-74				
Operator:	Paramount Resources Ltd.				
Operating License No.:	1125			Drilling Program No.:	
Contractor:	Precision Drilling Ltd.			Interest Identifier:	Production Licence 13
Drilling Rig or Unit:	129			Estimated Well Cost:	$1500000.00
Land Use Permit No.:	**MV2002A0046**			Water Licence No.:	MV2002L1-0007
Location:	Unit: J	Section: 74		Grid:	60-10-117-15
Coordinates: (NAD 27)	Surface:	Lat.: 60°3'38.8"		Long.:	117°28'55.7"
	Bottom Hole:	Lat.: 60°3'38.8"		Long.:	117°28'55.7"
Region:	Nwt			Field / Pool:	Cameron Hills
Elevation KB/RT:	774.3m			GL / Seafloor:	770.6m
Approximate Spud Date:	15/Jan/2006			Est. Days on Location:	13
Anticipated Total Depth:	1465.0m			Target Formation:	Sulphur Point

EVALUATION PROGRAM

	Interval (m KB)	Comments
Ten-metre samples:	..... -	.....
Five-metre samples:	1320.0 - 1465.0	.....
Canned sample intervals:	1320.0 - 1465.0	.....
Conventional cores at:	1414.0 - 1432.0	Sulphur Point Dolomite
Logs and Tests:	425.0 - 1465.0	STI-SP-GR, SPED-CNT-GR-DAC, BCS-GR-SAC, MOICRLOG

CASING AND CEMENTING PROGRAM

O.D. (mm)	Weight (kg/m)	Grade	Setting Depth (m KB)	Cementing (m³)
406.0	70.2	.....	12.2	0.5
219.0	35.7	J-55	425.0	24.5
139.0	23.0	J-55	1465.0	30.7
.....	.....	.....	.....	.....

B.O.P. Equipment: Sour service 279 mm X 21 MPa with double rams and annular

Other Information: .....

Signed: Dave Bl — Title: Drilling Consultant

Responsible Officer

Name: Dave Block — Operator: Paramount Resources Ltd.

Date: Jan 4, 2006 — Phone: (403)206-3834

NEB USE ONLY

An approved copy of this notice is to be posted at each drillsite. This operation is authorized under Section 5.(1)(b) of the *Canada Oil and Gas Operations Act* (O-7) and is subject to the terms and conditions attached to this authorization.

Date: 11 JAN 06 — Signed: *Chief Conservation Officer*

File: 9211 - -

WID: 2032

UWI: 300J746010117150

Canada