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February 13, 2002

File: A79705

VIA TELECOPIER

Mandell Pinder
Barristers and Solicitors
500, 1080 Mainland Street
Vancouver, B.C. V6B 2T4

ATTENTION: Louise Mandell, Q.C.
and Constance MacIntosh

Dear Ms. Mandell and Ms. MacIntosh:

**Re: Paramount Resources Ltd. ("Paramount") - Cameron Hills Project
NEB File No. 3400-P097-1 and 2620-D-4-7**

As promised by Shirley Maaskant of Paramount, we are writing in response to recent correspondence from you, starting with your letter of January 24, 2002.

At the outset, we would request that any correspondence you send either to Paramount or to the National Energy Board concerning this matter be copied to us. Although we did write to the NEB, with a copy to you, on October 18, 2001, we do not appear to be receiving copies of your correspondence.

The first letter to which we wish to respond is Ms. MacIntosh's dated January 24, 2002. It concerns the scheduling of a workshop with area First Nations on a date that the Ka'a' Gee Tu First Nation ("KTFN") was not able to attend. The wording of the letter is regrettable, as it suggests bad faith on the part of Paramount, which is simply not the case.

Ms. Maaskant knew that she was going to be in the Hay River area and wished to meet with all affected communities. The KTFN proposed several dates and Ms. Maaskant arranged a specific and available date in Kakisa to meet with your client. Because of her presence in the area and

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the wish to consult with other affected communities, Ms. Maaskant also arranged a workshop for a date convenient to those other communities, namely January 30th and 31st.

Paramount recognizes the position expressed in the last paragraph of your January 24, 2002 letter concerning the KTFN position on the Cameron Hills area. Notwithstanding, Paramount still believes that it should be consulting with other communities in the area and proposes to continue to do so.

Going ahead to your letter of February 11, 2002, and given what is discussed later in this letter, Paramount questions the utility of meeting until such time as some fundamental issues between our respective clients have been addressed and resolved.

Your firm received a copy of Paramount's letter to Lorne Tricoteux dated February 6, 2002 seeking the assistance of INAC in facilitating discussions. It is obvious from that letter that Paramount has a much different interpretation of the form of consultation and compensation envisaged in the modified Report of Environmental Assessment, adopted by Minister Nault in his letter of January 11, 2002, addressed to Frank Pope of the Mackenzie Valley Environmental Impact Review Board.

Paramount is ready, willing and able to meet to discuss recommendation 13 from the modified EA Report but believes the terms of such discussions need to be resolved before our respective clients engage in further talks. Our client believes that your letter of February 6, 2002 deals with several items, not all of which are valid topics for consultation on a wildlife and resource harvesting compensation plan. Specifically, your letter addresses the following:

- 1) items which are already part of the Benefit Plan approved by Minister Nault. Your letter attempts to modify the Benefit Plan by providing the KTFN with a more favourable position relative to other aboriginal communities. Paramount believes that is inconsistent with the aims of the Benefit Plan, which has been approved by the Minister.
- 2) items which are more properly part of a community investment plan which has been under discussion for a considerable period of time. The terms of such a plan go beyond any regulatory requirement on the part of Paramount and should, in Paramount's view, remain the subject of private negotiations between the affected parties.
- 3) items which are part of and have been dealt with by the regulatory process. An example is access management and the workers' possession of firearms. This is dealt with in the applications to the NEB and the resulting documentation.
- 4) items related to wildlife compensation. Paramount considers that this is a valid topic although it has persistently stated its view of the scope of such a plan. This was recently expressed in Paramount's letter of January 4, 2002 to the Mackenzie Valley Environmental Impact Review Board and even more recently in its letter of February 6th to Lorne Tricoteux of INAC. The later letter seeks clarification on this very issue.

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For the reasons set out above, Paramount believes there is a need to limit the terms of our discussion. It also feels that it is sensible to wait for the clarification sought of INAC in the February 6th letter.

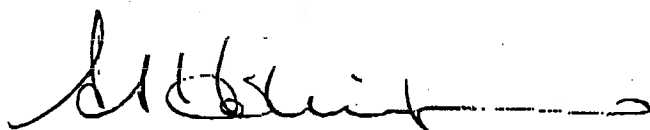
Lastly, we would like to address your request for consultation funding. In earlier letters to your client (August 7, 2001), Paramount declined to pay for expenses of a trip to Calgary by a representative of the KTFN. Since that time, Paramount has received a copy of INAC's response to the Mackenzie Valley Environmental Impact Review Board's information request 9.1. In that response, INAC sets out details of a fund called the Interim Resource Management Assistance ("IRMA") Program. The IRMA program appears to cover the sorts of expenses which you have in mind.

The same IR response also refers to a program called the Resource Pressures Fund. It is possible that funding may be available to your client under the terms of this program.

In light of these programs and the fact that Paramount does not in principle believe that it should bear primary responsibility for funding such activity, we question whether Paramount is the appropriate recipient of your request.

Yours very truly,

GOWLING LAFLEUR HENDERSON LLP



Alan S. Hollingworth

ASH/jeh

Cc: National Energy Board
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Shirley Maaskant
Chief Lloyd Chicot (Ka'a' Gee Tu First Nation)
Chief Sam Gargan (Deh Gah Got'ie Dene First Nation)
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